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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

J.T. COLBY & COMPANY, INC. d/b/a BRICK TOWER PRESS, J. BOYLSTON & COMPANY, PUBLISHERS LLC and IPICTUREBOOKS LLC, Plaintiffs, - against - APPLE INC., Defendant.	Case No. 11-CIV-4060 (DLC) ECF Case **REDACTED**

REPLY MEMORANDUM OF LAW IN SUPPORT OF DEFENDANT'S MOTION TO EXCLUDE ANY TESTIMONY, ARGUMENT OR EVIDENCE REGARDING THE EXPERT REPORT AND OPINIONS OF MIKE SHATZKIN

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PRELIMINARY STATEMENT

Contrary to Plaintiffs' assertion, it is they, and not Apple, who must be "panicked" (Opp., 1),[1] as even their proffered expert, Mike Shatzkin, readily acknowledges that Plaintiffs have done nothing to create consumer awareness of the "ibooks" imprint, largely because their owner John Colby is a "bookstore guy" who is "behind the curve" when it comes to marketing. Significantly, Mr. Shatzkin *never* opined, in his Report, during his deposition or in his eleventh-hour declaration, that the "ibooks" imprint ever was recognized by consumers. Instead, he offered his conditional opinion that sales during the mid-2000s "*suggest[]* the *potential* for a core audience that *would* recognize ["ibooks"] as a publishing specialist." (Shatzkin Rep., at 5 (emphasis added); Shatzkin Dec., ¶ 6 (emphasis added).)

By focusing on what might have been nearly ten years ago, Plaintiffs and Mr. Shatzkin also obscure the central issue—whether consumers recognized the "ibooks" imprint in January 2010, at the time Apple adopted its iBooks mark. In fact, Plaintiffs cannot point to any admissible evidence showing that the "ibooks" imprint has achieved secondary meaning. They do not contest *any* of the facts or data that Apple's expert, Gregory S. Carpenter, relied upon, nor do they dispute that Mr. Shatzkin failed to conduct any independent investigation regarding use of the "ibooks" imprint, miscalculated the number of science fiction books published under that imprint, and presented no evidence to support the notion that any consumers ever purchased multiple "ibooks" science fiction titles. Because Mr. Shatzkin did not base his opinions on

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[1] As used herein, "Opp." refers to Plaintiffs' brief in opposition to Defendant's motion to exclude Mike Shatzkin, dated 1/25/2013; "Shatzkin Dec." refers to the Declaration of Mike Shatzkin, dated 1/25/2013; "MTE" refers to Defendant's brief in support of its motion to exclude Mike Shatzkin, dated 12/21/2012; "Carpenter Dec." refers to the Declaration of Gregory S. Carpenter, dated 12/21/2012; "Jarrett 2/5 Dec." refers to the Declaration of Bonnie L. Jarrett, dated 2/5/2013; "SUF" refers to Defendant's Rule 56.1 statement, dated 12/21/2012; "Shatzkin Dep." and "Colby 30(b)(6) Dep." refer to excerpts from the transcripts of the 12/4/2012 deposition of Mike Shatzkin and the 7/18/2012 Rule 30(b)(6) deposition of John Colby attached to the Jarrett 2/5 Dec.; and "Apple," "Plaintiffs," "Shatzkin Spreadsheet," "July Spreadsheet," "August Spreadsheet," "Report," and "Shatzkin Report" are defined in the MTE.

sufficient facts or data, ignored the events that occurred after Ibooks, Inc.'s 2006 liquidation, and failed to address whether the "ibooks" imprint had secondary meaning in January 2010 (or ever), his testimony and opinions should be excluded.

ARGUMENT

I. LEGAL STANDARD.

Plaintiffs bear the "burden of establishing by a preponderance of the evidence that the admissibility requirements of Rule 702 are satisfied." *Fed. Hous. Fin. Agency v. JPMorgan Chase & Co.,* No. 11 Civ. 6188 (DLC), 2012 WL 6000885, at *6 (S.D.N.Y. Dec. 3, 2012) (citation and quotation marks omitted). Plaintiffs cannot meet their burden.

II. MR. SHATZKIN DID NOT RELY ON SUFFICIENT FACTS OR DATA.

Mr. Shatzkin admitted that the sole evidentiary basis for his opinions is the Shatzkin Spreadsheet. (Shatzkin Dep., 71:9-15.) Because that undated spreadsheet is inherently unreliable, his opinions are not "based on sufficient facts or data" as required by Rule 702(b). *See* Fed. R. Evid. 702(b); *Berk v. St. Vincent's Hosp. & Med. Ctr.,* 380 F. Supp. 2d 334, 352-56 (S.D.N.Y. 2005) (expert testimony that was based on several factual errors was inadmissible); *Lippe v. Bairnco Corp.,* 288 B.R. 678, 685, 701 (S.D.N.Y. 2003) (excluding expert testimony regarding business valuation where, among other things, the expert failed to rely on relevant data that was available to him). Plaintiffs' opposition papers only underscore this conclusion.

A. Mr. Shatzkin Unreasonably Relied On A Single Inadmissible Spreadsheet.

Plaintiffs' opposition brief confirms that all of Plaintiffs' sales figures, including the Shatzkin Spreadsheet, are unreliable. *First,* despite repeatedly testifying that he understood that the Shatzkin Spreadsheet showed sales of "ibooks" books from approximately 2000 to 2004 (Shatzkin Dep., at 71:9-18; 141:7-16; 151:21-154:3; 159:25-160:4; 165:11-14; *see also* Report, at 8), Plaintiffs now assert, implausibly, that the Shatzkin Spreadsheet actually covers 1999-

2012.[2] To be clear, this was no mere brief lapse of memory—Mr. Shatzkin consistently testified to this time period at his deposition, Plaintiffs' counsel never corrected Mr. Shatzkin, even during their own questioning of him, and Mr. Shatzkin did not correct this so-called "error" when he reviewed and signed his deposition transcript. (Jarrett 2/5 Dec., ¶¶ 4-6.)

Second, even if Plaintiffs' belated assertion that the Shatzkin Spreadsheet covers the period 1999-2012 is correct, there is a discrepancy of more than [redacted] over the 1999-2012 period (the difference between the Shatzkin Spreadsheet's net sales of [redacted] and the August Spreadsheet's net sales of [redacted] during the period 1999-2012)—even more than the [redacted] discrepancy that Apple had previously identified.[3] (MTE, at 8; *see also* Jarrett 2/5 Dec., ¶¶ 15, 26.) Plaintiffs make *no effort* to explain this dramatic difference, and thus have done nothing to show that the Shatzkin Spreadsheet is reliable. It is simply impossible to determine what sales actually occurred prior to the 2006 liquidation of Ibooks, Inc.

Finally, Plaintiffs cannot get around the hearsay issues with the Shatzkin Spreadsheet. Mr. Colby submitted a declaration purporting to explain that the Shatzkin Spreadsheet is based on Plaintiffs' July Spreadsheet and August Spreadsheet, but he admittedly has no personal knowledge of sales of "ibooks" books before he bought the assets of Ibooks, Inc. in its 2006 bankruptcy liquidation, and thus has no knowledge as to the "vast majority" of the sales shown on the spreadsheet. (*See, e.g.,* Colby 30(b)(6) Dep., 133:17-134:8.)

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[2] Significantly, Plaintiffs and Mr. Shatzkin both admit that "the vast majority" of the almost 2 million units reflected in the Shatzkin Spreadsheet "occurred during the Simon & Schuster sales-reporting period," *i.e.,* 1999-2005. (*See* Shatzkin Dec., ¶ 4; Opp., 11.) Indeed, they admit that "relatively few units were sold after 2006," amounting to "fewer than 100,000 units." (*See* Shatzkin Dec., ¶ 6; Opp., 11.) Thus, Plaintiffs have no basis to challenge Dr. Carpenter's conclusion that post-2006 sales have been negligible at best. (*See* Carpenter Dec., Ex. 1, ¶ 70.)

[3] Plaintiffs plead ignorance regarding the net sales shown by the Shatzkin Spreadsheet, claiming that they are "at a complete loss as to where [the figure cited by Apple] comes from. . . ." (Opp., at 10.) Apparently, they made no effort to perform the straightforward calculation of subtracting the gross returns figures from the gross sales figures shown on that spreadsheet (in both units and dollars) to determine net sales. (*See* Jarrett 2/5 Dec., ¶¶ 16-19.)

Moreover, Plaintiffs mischaracterize the law, and their own authorities, when they assert that "this Circuit recognizes [that] when one company acquires another, the business records of the acquired company become the business records of the purchasing company for the purposes of Fed. R. Evid. 803(6)." (Opp., at 12.) The two cases Plaintiffs cite addressed whether materials provided to banks by potential borrowers—*not* predecessor companies—became business records of the bank once they were submitted. *See Matter of Ollag Constr. Equip. Corp.,* 665 F.2d 43, 46 (2d Cir. 1981); *United States v. Adefehinti,* 510 F.3d 319 (D.C. Cir. 2007). Neither case addresses whether the records of a predecessor company via a bankruptcy sale become the successor's records for purposes of satisfying a hearsay exception.

In any event, given the particular facts of *this* case—Plaintiffs changing their alleged mark from "ibooks" to "iBooks," touting a Park Avenue business address while representing in this litigation that their business is on Shelter Island, and repeatedly changing their purported historical sales data—the Court should not credit ever-changing sales figures that cannot be corroborated by anyone with personal knowledge of the relevant data. Because the Shatzkin Spreadsheet is inherently unreliable, any opinions or testimony based on that spreadsheet must be excluded. *See* Fed. R. Evid. 703; *see also Malletier v. Dooney & Bourke, Inc.,* 525 F. Supp. 2d 558, 666 (S.D.N.Y. 2007) (excluding testimony where expert relied on an unreliable regression analysis; "a party cannot call an expert simply as a conduit for introducing hearsay"); *Coach Servs., Inc. v. Triumph Learning LLC,* 668 F.3d 1356, 1380-81 (Fed. Cir. 2012) (Trademark Trial and Appeal Board gave improper weight to unauthenticated business records; vacating the Board's determination that defendant's mark had acquired secondary meaning).

B. Mr. Shatzkin Did Not Conduct Any Independent Investigation.

Mr. Shatzkin admitted that, in formulating his opinions, he failed to review any documents related to Plaintiffs' advertising, marketing and promotional activities, failed to run

any internet searches, and failed to conduct any independent investigations or research *at all*. (Shatzkin Dep., 72:4-75:1; 162:19-23; 174:12-176:23.) Because they realize that Mr. Shatzkin's failures render his opinions inadmissible, Plaintiffs now argue that his opinions are supported by sufficient data because he reviewed the pleadings, examples of Plaintiffs' books, the deposition transcripts of Dr. Carpenter, Mr. Colby and Richard Freese, and Dr. Carpenter's "reports and accompanying (many) exhibits." (Opp., at 5-6.) But Mr. Shatzkin repeatedly testified that his opinions are based *only* on the Shatzkin Spreadsheet, and never testified that he relied on any of the other materials referenced by Plaintiffs. (Shatzkin Dep., 70:18-71:21; 157:22-25; 167:20-168:19; 183:6-185:25; 190:18-191:17; 211:9-18; *see also* Shatzkin Rep., at 2.) Even his declaration purporting to support Plaintiffs' opposition to Apple's motion to exclude does not claim otherwise.

Faced with this reality, Plaintiffs claim that their sales data alone provided a sufficient basis for Mr. Shatzkin's supposed opinion that consumers recognize "ibooks" as a brand (*see* Opp. at 6 & n. 3), and thus there was no need for him to consider any of the other factors that courts look to in determining whether there is secondary meaning (*i.e.,* (1) consumer surveys; (2) advertising expenditures; (3) unsolicited media coverage; (4) third party attempts to plagiarize the mark; and (5) the length and exclusivity of the use). *See Sports Traveler, Inc. v. Advance Magazine Publishers, Inc.,* 25 F. Supp. 2d 154, 164 (S.D.N.Y. 1998). But the law is clear that evidence of sales, standing alone, is *not* sufficient to establish secondary meaning. *See, e.g., Ergotron, Inc. v. Hergo Ergonomic Support Sys., Inc.,* No. 94 Civ. 2732, 1996 WL 143903, at *8 (S.D.N.Y. Mar. 29, 1996) (noting that the amount of sales "alone cannot provide dispositive proof that consumers actually made the association" with the source of the goods).

Mr. Shatzin's reliance on sales data alone is particularly inappropriate here given the unreliable nature of the data and the objective affirmative evidence demonstrating that *all* of the other factors show that the "ibooks" imprint lacks secondary meaning. (*See, e.g.,* Carpenter Dec., Ex. 1, ¶¶ 38-50, 65-69, 73-89, 95-101.) Because there was an insufficient basis for Mr. Shatzkin's opinions, his testimony and opinions should be excluded. *See Weiner v. Snapple Beverage Corp.,* No. 07 Civ. 8742 (DLC), 2010 WL 3119452, at *8 (Aug. 5, 2010) (excluding expert testimony where purported expert reviewed only two of more than 200 documents produced by defendant, and none that "would have provided critical context"); *see also* Fed. R. Evid. 702(b).

III. MR. SHATZKIN FAILED TO ADDRESS WHETHER PLAINTIFFS' ALLEGED MARK EVER ACQUIRED SECONDARY MEANING.

Plaintiffs claim Mr. Shatzkin opined that "the "'ibooks' imprint acquired consumer recognition" (Opp., at 1), "the ibooks imprint already acquired recognition among science-fiction readers" (*id.,* at 2), the sales of "ibooks" science fiction books "demonstrates consumer recognition of 'ibooks'" (*id.,* at 6), and "ibooks" had "established brand recognition among [science fiction] readers" by 2006 (*id.*, at 11-12). None of these assertions are supported by any cites to the Shatzkin Report or to Mr. Shatzkin's deposition testimony, and for good reason, as they are not present in either place.

Mr. Shatzkin never stated in his Report or at his deposition that "ibooks" was *actually* recognized by consumers in January 2010, when Apple adopted its iBooks mark. Instead, he issued a tentative report couching his opinions in conditional terms—stating, for example, that if some consumers "make many repeat purchases" of science fiction "ibooks" books, there is "the *potential* for a core audience that would recognize it as a publishing specialist." (Shatzkin Rep., at 5 (emphasis added); *see also* Shatzkin Dec., ¶ 6 (same).) He likewise testified at his

deposition that "*if* the right strategies were employed . . . they would have a real *opportunity* to turn that into something that would be a long way from being Harlequin, but would be *on its way* to being something like Harlequin or Baen or Tor or Orbit." (Shatzkin Dep., at 222:8-223:6 (emphasis added).) Mr. Shatzkin never opines, however, that consumers actually recognized the "ibooks" imprint as a designation of source *in January 2010*, when Apple announced its iBooks software app. Thus, his Report and opinions fail to address the relevant question and should be excluded. *See Gucci Am., Inc. v. Guess?, Inc.,* 843 F. Supp. 2d 412, 428 (S.D.N.Y. 2012) (where expert "consistently couche[d] his opinions [regarding dilution] in conditional terms," his report did not raise an issue of fact as to actual dilution); *see also* Fed. R. Evid. 403; *PaperCutter, Inc. v. Fay's Drug Co.,* 900 F.2d 558, 564 (2d Cir. 1990) (plaintiff's descriptive mark must have acquired secondary meaning before the defendant adopted its mark).

IV. "ibooks" IS A GENERAL TRADE PUBLISHER, NOT A NICHE PUBLISHER.

A. The Relevant Consumers Are Readers Of All Book Genres.

Plaintiffs acknowledge that no one has ever referred to "ibooks" as a niche science fiction imprint, including Mr. Preiss, Plaintiffs or any third party. (Opp., at 20.) Instead, they argue that science fiction readers are "the relevant unit of analysis for Mr. Shatzkin's opinions" because science fiction supposedly is "the largest genre of books released under the ibooks imprint." (*See id.*) But Plaintiffs ignore their own (albeit unreliable) data showing that 66% of the "ibooks" books sold to distributors were not science fiction. (Shatzkin Dep., 147:24-148:6 (admitting that 34% of books sold bearing "ibooks" imprint were science fiction).) Thus, the relevant consumer group includes readers of *all* genres published under the "ibooks" imprint, not just science fiction. *See Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J.,* No. 08-CV-7069 (KMK), 2012 WL 4049958, at *14 (S.D.N.Y. Sept. 19, 2012) (secondary meaning "analysis focuses . . . on the consumer group relevant to the product or services at

issue"). Mr. Shatzkin did not consider whether readers of history, fiction, and graphic novels—all of which are published under the "ibooks" imprint (*see, e.g.,* Am. Compl., ¶¶ 15-16, 18)—recognize the imprint, and thus even his conditional opinions are irrelevant. *See* Fed. R. Evid. 403.

B. Mr. Shatzkin's Calculations Regarding Science Fiction "ibooks" Are Flawed.

Apple's opening brief explained that Mr. Shatzkin over-counted the number of science fiction titles listed on the Shatzkin Spreadsheet by failing to account for duplicate titles and unique book identifiers, known as ISBNs. (MTE, at 18.) Mr. Shatzkin admits that he improperly included 106 science fiction titles in his analysis. (Shatzkin Dec., ¶¶ 8-9.) This miscalculation is not surprising, as Mr. Shatzkin admitted at his deposition that he "didn't really pour over the spreadsheets themselves [him]self," but instead had his staff "massage" those numbers. (Shatzkin Dep., 158:15-159:4; 11:19-12:11.)

Mr. Shatzkin has now accounted for duplicate ISBNs (Shatzkin Dec., ¶ 9), but he still includes duplicate *titles* in his analysis. (Jarrett 2/5 Dec., ¶ 27-28.) Mr. Shatzkin's continuing error shows that he has not used "the same level of intellectual rigor that characterizes the practice of an expert in the relevant field," and thus his opinions should be excluded. *Mastercard Int'l Inc. v. First Nat. Bank of Omaha, Inc.*, 02 CIV. 3691 (DLC), 2004 WL 326708, at *7 (S.D.N.Y. Feb. 23, 2004) (citation and quotation marks omitted).

C. Mr. Shatzkin's Opinion That Consumers Purchased Multiple Science Fiction "ibooks" Books Is A Mere Assumption.

Plaintiffs admit that the only basis for Mr. Shatzkin's opinion that some number of consumers purchased more than one science fiction "ibooks" book and thus would recognize "ibooks" as a brand is his "real-life field experience" and that the jury should "credit" that experience. (Opp., at 23.) Because Mr. Shatzkin's opinion that consumers purchased multiple

science fiction "ibooks" is nothing more than rank speculation, it should be excluded. *See, e.g., In re Rezulin Prods. Liab. Litig.,* 309 F. Supp. 2d 531, 540 (S.D.N.Y. 2004) (excluding expert testimony because the court is not required to "admit opinion evidence which is connected to existing data only by the *ipse dixit* of the expert"); *Lippe,* 288 B.R. 686 (excluding expert testimony that was speculative, unrealistic, and based solely on the experts' *ipse dixit*).

The issue is whether Mr. Shatzkin has a basis for his assumption that certain consumers *ever* purchased more than one "ibooks" book. Mr. Shatzkin admitted that he does not have any such evidence. (Shatzkin Dep., 149:19-22; 152:18-23.) Plaintiffs presented no evidence of consumer recognition such as fan sites, chat rooms or blogs about "ibooks." Furthermore, Mr. Shatzkin had never heard of Plaintiffs or Mr. Colby before this litigation, and never mentioned "ibooks" (or Plaintiffs) on his own blog, despite having written 300-400 blog posts since February 2008. (Shatzkin Dep., 24:23-26:17; 214:12-215:3.) The only evidence in the record—including extensive Google search results from January 2010 and a February 2012 Thomson Compumark common law search report (SUF, ¶¶ 95; 230-231)—demonstrates that consumers do not recognize the "ibooks" imprint. Because he assumed the existence of multiple purchases, Mr. Shatzkin "was relying not on facts or data but instead was engaging in rank speculation," and his testimony should be excluded. *See Lippe,* 288 B.R. at 698 (emphasis in original).

As for Plaintiffs' claim that "experts routinely provide testimony regarding trends based on experience rather than data" (Opp., at 23), the two cases Plaintiffs cite do not support that position. In fact, both of those cases involved expert testimony that was based on theories that could be tested, and which were supported by extensive facts and data. *See Lidle v. Cirrus Design Corp.,* No. 08 Civ. 1253 (BSJ) (HBP), 2010 WL 2674584, at *6 (S.D.N.Y. July 6, 2010); *Figueroa v. Boston Scientific Corp.,* 254 F. Supp. 2d 361, 364, 368-69 (S.D.N.Y. 2003).

V. MR. SHATZKIN ADMITTED THAT PLAINTIFFS NEVER ENGAGED IN ANY BRAND-BUILDING ACTIVITIES.

Finally, in an effort to downplay the importance of Mr. Shatzkin's admissions that neither Plaintiffs nor Ibooks, Inc. ever engaged in brand-building activities, and that Mr. Colby is a "bookstore guy" who is "behind the curve" when it comes to marketing (*see* Shatzkin Dep., at 172:17-173:3; *see also id.,* 191:18-192:14; 212:17-19; 224:10-16), Plaintiffs argue that "the lack of [imprint-specific] expenditures for Plaintiffs' ibooks imprint is thoroughly unremarkable. . . ." (Opp., at 25.) But Plaintiffs have offered no basis for concluding that courts do, or should, assess marketing in the publishing industry differently from any other industry and ignore their *de minimis* marketing activity. Courts apply the same standards to publishing as they do to any other industry. *See, e.g., Harlequin Enters. Ltd. v. Gulf & W. Corp.,* 644 F.2d 946, 949-50 (2d Cir. 1981) (addressing secondary meaning of "Harlequin Presents" cover); *Casa Editrice Bonechi, S.R.L. v. Irving Weisdorf & Co.,* No. 95 Civ. 4008 (AGS), 1995 WL 528001, at *7-8 (S.D.N.Y. Sept. 6, 1995) (determining strength of guide books' trade dress); *Atl. Monthly Co. v. Frederick Ungar Publ'g Co.,* 197 F. Supp. 524, 528-30 (S.D.N.Y. 1961) (finding ATLANTIC had achieved secondary meaning as an imprint for books). While Plaintiffs argue that they should be excused from being judged by their lack of advertising expenditures, the law holds otherwise. *See Tri-Star Pictures, Inc. v. Unger,* 14 F. Supp. 2d 339, 349 (2d Cir. 1998) (holding that if the owner of a mark purposefully does not engage in advertising activities, that fact weighs against finding secondary meaning).

CONCLUSION

Mr. Shatzkin's Report and opinions, and testimony, evidence or argument relating thereto, should be excluded.

Date: February 5, 2013

Respectfully submitted,

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