

EXHIBIT A

EXPERT REPORT OF GREGORY S. CARPENTER

IN THE MATTER OF

J. T. COLBY & COMPANY, INC. D/B/A BRICK TOWER PRESS, J. BOYLSTON &
COMPANY, PUBLISHERS LLC AND IPICTUREBOOKS, LLC

VS.

APPLE INC.

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK
No. 11-CV-4060

September 17, 2012

I. Qualifications and Background

1. I am the James Farley/Booz Allen Hamilton Professor of Marketing Strategy and Director of the Center for Market Leadership at the Kellogg School of Management at Northwestern University. I received my B.A. from Ohio Wesleyan University, and M.B.A. and Ph.D. degrees from Columbia University.

2. Since receiving my Ph.D., I have served in the faculties of the University of California, Los Angeles, Columbia University, and Yale University before joining Northwestern University. I have taught marketing strategy in masters, doctoral and executive programs for over 25 years. I was appointed as the first holder of the James Farley/Booz Allen Hamilton Professorship and elected as chairman of the marketing department at Northwestern University.

3. My research on competitive marketing strategy has appeared in leading journals, such as the *Journal of Marketing*, *Journal of Consumer Research*, *Journal of Marketing Research*, *Marketing Science*, and *Management Science*. I have received four awards from the American Marketing Association for the contributions my research has made. My research has been cited in arguments presented to the United States Supreme Court, in addition to being featured by *Harvard Business Review*, *Financial Times* (London), and National Public Radio. I have served on the editorial boards of the *Journal of Marketing Research*, *Marketing Science*, and *Marketing Letters*, and as Associate Editor of *Location Science*.

4. My professional activities include consulting and executive education on marketing strategy and branding issues with Carnival Corporation, Coca-Cola, Cunard Lines, Dow Chemical, Government of Mexico, General Electric and Harley-Davidson, among others. I served as a member of the advisor boards of the Terlato Wine Group and Hamilton Consulting,

and an academic trustee of the Marketing Science Institute. A copy of my C.V. is attached as Appendix A, which includes a list of all my publications for the last 10 years.

5. In the past four years, I have testified by deposition or at trial in the following legal matters:

- The Charles Machine Works, Inc. v. Vermeer Manufacturing Company, United States District Court for the Southern District of Iowa, Central Division, Case No. 411-CV-00507-CRW-CFB.
- John Schuman v. Clark Pest Control of Stockton, Inc., Superior Court for the State of California, Contra Costa County, Case No. MSC08-02325.
- Champagne Louis Roederer v. J. Garcia Carrion, S.A., and CIV USA, United States District Court, Minneapolis, Civil No. 06-213.

6. My hourly rate is \$750. My compensation is in no way based on the outcome of this matter and I have no interest in the outcome of this matter.

II. Scope of Opinions and Materials Considered

7. Apple Inc. ("Apple") requested that I provide my expert opinion on the strength of Plaintiffs' IBOOKS and IPICTUREBOOKS imprints and, from a marketing perspective, the likelihood of confusion of those alleged marks with Apple's IBOOKS mark.

8. A list of the documents I reviewed in connection with this matter is attached as Appendix B to this report.

III. Summary of Opinions

9. Based on my professional experience and my evaluation of the foregoing documents, I have formed the following principle opinions:

- A brand is a symbol of value to consumers that identifies the source of a product or service. In order to build a strong brand, you must create consumer awareness and recognition. Creating consumer awareness and recognition requires significant investment by the brand owner.
- Byron Preiss and Plaintiffs have not taken the actions necessary to create a brand that consumers recognize and associate with a particular source. There is no evidence of any consumer recognition of Plaintiffs' IBOOKS and IPICTUREBOOKS imprints. By contrast, Apple has created many strong brands, including its family of "i"-formative marks.
- The Plaintiffs and Apple advertise and distribute their respective products through different marketing channels, using very different logos. It is my understanding that Plaintiffs' focus is on selling books through online retailers and brick-and-mortar retailers. Their marketing efforts are limited, and directed almost exclusively at members of the book trade, rather than consumers. In contrast, Apple is focused on selling electronic devices and software, primarily through its own stores and website which prominently feature Apple brands. Apple's marketing efforts are substantial and targeted directly to end consumers. Thus, the marketplace realities in which consumers encounter Plaintiffs' books and Apple's devices and software are vastly different.
- Given the lack of brand recognition, let alone significant recognition, of the alleged IBOOKS and IPICTUREBOOKS marks, confusion between Plaintiffs' imprints and Apple's IBOOKS mark is unlikely.
- Confusion is also unlikely because Plaintiffs and Apple sell different products in different channels using different marketing strategies.

10. I am continuing my review and analysis. I reserve the right to revise my opinions in the future based on additional information and analysis.

IV. Discussion of Opinions

A. The concept and value of a brand

11. On the most basic level, a brand is a name, symbol or mark that is associated with a product or service and to which buyers attach psychological meanings.¹ By selecting target customers, developing a unique value proposition to those target buyers, and delivering that value consistently, an organization can endow a brand with meaning and hence value.

12. In working to build a brand that is recognized by consumers, companies need to engage in a variety of activities to educate consumers and create awareness of that brand. A brand becomes valuable to buyers as a result of that process. Through that process, buyers learn the value associated with a brand. Possible means of establishing brand recognition include advertising, marketing and other promotional activities; creating personal experiences in which consumers interact with the brand; and combinations of those methods. Through its actions and communications to consumers, a company teaches buyers the meaning of a brand. Consumers learn, for instance, what to expect when walking into a Starbucks shop, biting into a piece of Godiva chocolate, or shopping at Costco. Through the brand owner's activities to educate consumers, a brand becomes endowed with meaning and, as a result, is useful to buyers, creating value for them as a source identifier.

13. A brand can create such value for buyers in many ways. Some brands imply low price (such as Wal-Mart), others promise excellent service (e.g., Nordstrom) or signal a level of quality or reliability (e.g., Honda), and some brands are distinguished by the images they enable owners to project (e.g., Harley-Davidson). Different brands within the same category acquire different meaning. Wal-Mart is famous for consistently low prices whereas Target offers low-priced merchandise with greater style. Brands are valuable to buyers because they simplify

¹ Alice M. Tybout and Gregory S. Carpenter, "Creating and Managing Brands," in D. Iacobucci (ed.), *Kellogg on Marketing*, New York, Wiley, 2000.

choice, help consumers reduce risk, increase the value associated with a product, and allow consumers who use a particular brand's products to set themselves apart from other consumers who do not use those products.

14. Creating a brand requires educating buyers about the meaning of a brand, and continually educating new buyers as they enter the market. Creating a brand, therefore, requires creating both observations and experiences that educate buyers about the value they can expect to derive from a brand. Doing so is the result of years of effort and careful implementation of an effective strategy:

Strong brands do not just happen. Rather, they result from the creation of winning brand strategies and brilliant executions from committed, disciplined organizations.²

15. Brands are built on well-crafted marketing strategies that identify target buyers and target competitors, and formulate a clear and compelling *value proposition*, or a simple statement of what makes the value they offer distinct and unique in the minds of target buyers relative to target competitors. The brand is the symbol of that unique and distinct value.

16. One important decision in creating a brand is the selection of the target buyers. In some cases, firms select end consumers (or some subset of end consumers) as the target for brand-building activities. Consumer goods producers, for example, often target end consumers and devote significant effort building brand recognition and meaning through television and other advertising. Lays potato chips has a long history of pursuing such a strategy. Another approach is to focus marketing efforts on the retailer, rather than the end consumer. For

² Aaker, David, A. (1996), *Building Strong Brands*, New York: The Free Press, p. 358.

example, Kettle brand potato chips focus on packaging, placement and location within the store to generate sales.

17. The strategy Lays and so many others use is referred to as a *pull strategy*. Through this strategy, companies create demand for their product and pull it through from the end consumer. The strategy used by Kettle and others is referred to as a *push strategy*. The producer relies more on the retailer to push products through to the end consumer. A pull strategy requires a greater investment in advertising and other promotional spending. A push strategy requires less investment in advertising but it shifts more of the burden for generating demand to the retailer. As a result, companies using a pull strategy typically create more well-known brands among consumers, while brands pursuing a push strategy remain less well-known.

18. All the marketing activities of the brand owner bring the brand to life in terms of creating meaning with consumers. Effective marketing strategies align the action of the brand owner—the advertising, pricing, product selection, promotional activities and distribution—to create and deliver the value promised in the value proposition. Through continually delivering the products consumers expect, a brand acquires meaning as a dependable symbol of value. Successfully creating strong brands requires making wise strategic choices, focusing resources, and executing a disciplined strategy over time.

19. It is more difficult to create a brand in some industries than others. Where the brand exists in a crowded marketplace with many similar competitors, it is hard for any one company to break out and be recognized without substantial activities promoting brand recognition. Establishing a new imprint as a meaningful brand in publishing is a challenging task. Although there does not seem to be a single definitive source as to the number of different imprints used in

21. Given the fragmentation of the publishing industry, and the corresponding limited resources of publishers to establish an imprint, it is no surprise that only a handful of publishers appear to have achieved significant brand recognition. Although there is no authoritative source, Random House, Penguin Putnam, Harper Collins, Holtzbrinck Publishing Holdings, Time Warner, and Simon & Schuster, are mentioned as leading publishers in the United States.⁴ The small set of widely recognized publishers highlights the challenge publishers face: of the over 75,000 publishers, only six are relatively well-known, meaning that the probability of achieving such wide recognition are approximately .008%.

22. The rest of this report applies these principles to determining whether Plaintiffs' IBOOKS and IPICTUREBOOKS imprints have achieved measurable recognition by consumers, and whether consumers are likely to be confused by Apple's IBOOKS mark used for its e-reader application.⁵

23. Because the business activities concerning the IBOOKS and IPICTUREBOOKS imprints were divided into two distinct periods, my report will discuss each period separately.

B. IBOOKS During the Preiss Period

24. I understand that an individual named Byron Preiss started a company called Ibooks, Inc. in 1999. I further understand that Preiss started another company, ipicturebooks, LLC, in or about 2002. It appears that while the companies were started with high hopes, neither business was successful. By 2005, bankruptcy was contemplated. Preiss died in a car accident on July 9, 2005. In

⁴ See Ex. 1 (<http://www.bookstatistics.com/sites/para/resources/statistics.cfm>).

⁵ I understand that Apple owns a federal trademark registration for IBOOKS, with a priority date of October 8, 1996, and that that registration would give Apple priority over Plaintiffs' alleged marks. I further understand that Plaintiffs are challenging the validity of Apple's registration. I have not been asked to address the validity of Apple's mark.

not of any material import to consumers and thus is not something to which they would pay much attention.

83. One of the most effective and increasingly popular means of promotion is social media. For example, OREO cookies have over 27 million fans on Facebook.¹⁴ Social networks such as Facebook offer an excellent, highly efficient means to communicate with declared fans of the OREO cookie. Through this network of 27 million fans, Oreo has access to an even larger market of customers than it would through traditional means, such as television advertising. Increasingly, organizations are employing such social networks to effectively and efficiently promote highly targeted brands. There is no evidence, however, of any use of social media by Plaintiffs to promote IBOOKS.

84. Mr. Colby admits that he is “unsure how to effectively market a web strategy.” (*See* Ex. 32 (Colby Dep., July 18, 2012, p. 298).) In short, the evidence shows that Colby has done little to effectively use the internet to build consumer recognition of the IBOOKS imprint.

85. In the publishing field, there are certain reference books that are widely known and used. Mr. Colby testified that Literary Market Place is an “industry registry.” (*See* Ex. 48 (Colby Dep., July 20, 2012, pp. 184-88).) It is a definitive reference text of the publishing industry. Yet there is no listing or other mention of IBOOKS. Mr. Colby testified that he chose not to have such a listing because he would have to pay for it. (*See id.*) Mr. Colby did, however, elect to include a listing for his Brick Tower Press imprint. (*See id.*) That listing is shown in Figure D below.

¹⁴ <http://www.facebook.com/oreo>

- “The new iPad bookstore is iBooks. Predictable in a way but perhaps weird to us.” (Ex. 73 (JTC00002946).)
- “I noticed Steve Jobs touting iBooks application. Any thoughts? Hopefully, you just sold the rights to that name to him.” (Ex. 74 (JTC00002945).)
- In an email with the subject line “Apple reader named iBook:” “Apple just unveiled it’s tablet, the eReader software program is called iBook. It reads .epub, thank goodness. But be prepared for some traffic on your site” (Ex. 75 (JTC00002944).)
- “I think it is fascinating that Apple has chosen iBooks as their iBookstore on the Apple iPad.” (Ex. 76 (JTC00002941).)

110. All of these emails were from friends or business acquaintances of Mr. Colby. (See Ex. 77 (Colby Dep., July 20, 2012 pp. 119-20, 196, 201, 209-210).) These alleged instances of confusion, in my view, do not demonstrate confusion, but rather demonstrate that the authors of these statements correctly understood that Apple rather than Plaintiffs is the source of the iBooks app, and that Plaintiffs owned a different business that utilized the IBOOKS imprint. The first quotation demonstrates that the author understands that iBooks is linked to iPad and by implication to Apple. By mentioning “Steve Jobs is touting iBooks” the second author demonstrates knowledge of the source of iBooks and the fact that it is an application. The third quotation demonstrates that the source of iBooks is Apple, as does the fourth quotation. Therefore, rather than demonstrating confusion, these quotations demonstrate the established consumer recognition of Apple’s iBooks app shortly after its launch. The writers of these emails know precisely who launched the iBooks app. More importantly, these e-mails do not support

Plaintiffs' claim that consumers are likely to believe that Apple is the source of Plaintiffs' products.

111. Differences in the marketing strategies of Plaintiffs and Apple are important in understanding the likelihood of confusion more generally. As noted above, Preiss and Colby apparently have pursued a push strategy with focus on members of the book trade. Plaintiffs' focus is on selling books through traditional distribution channels. In support of that effort, Plaintiffs have engaged in limited advertising support, limited promotional events, virtual absence of internet support, absence of social media, limited emphasis on trade promotions such as catalogs, and very limited overall budgets for marketing. These actions, combined with the push strategy, has led to no measurable recognition, awareness, or meaning to consumers associated with the IBOOKS or IPICTUREBOOKS. No other activities are apparent that would produce brand recognition and meaning associated with IBOOKS or IPICTUREBOOKS were undertaken. Consistent with this, Ibooks, Inc. abandoned its attempt to register IBOOKS with the USPTO, the registration on the Supplemental Register for IPICTUREBOOKS.COM was allowed to expire, and no effort ever was made by either Preiss or Plaintiffs to register IPICTUREBOOKS as a mark.

112. In contrast, Apple is focused on selling electronic devices and software. To do so, it pursues a pull strategy, targeting end consumers, focusing massive resources on advertising, events, using the internet and social media extensively. As far as I am aware, Apple does not sell through the same distribution channel as Plaintiffs, which focus on physical bookstores and on-line booksellers. Moreover, the iBooks application is only available directly from Apple. As a result, Apple and Plaintiffs operate in different distribution channels.

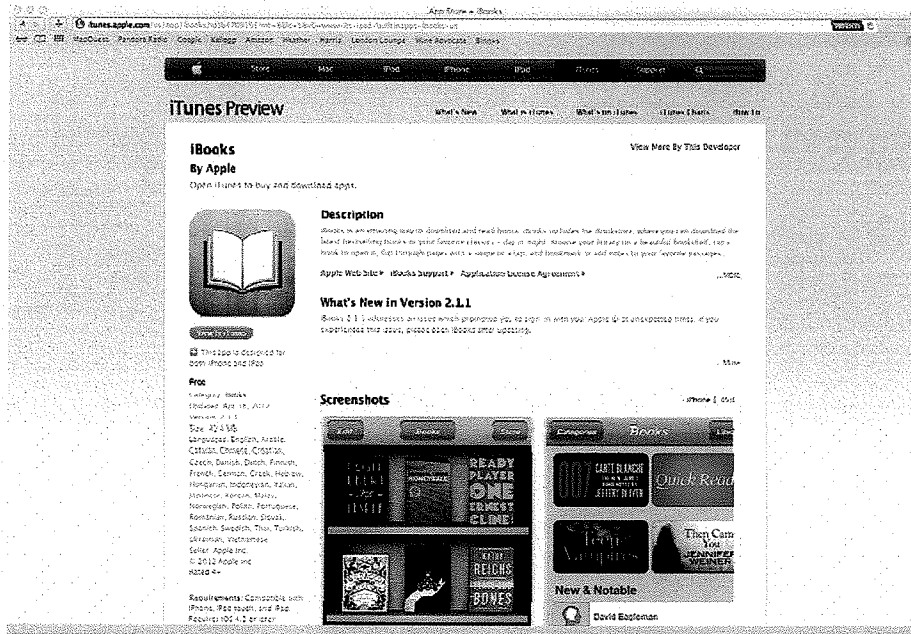
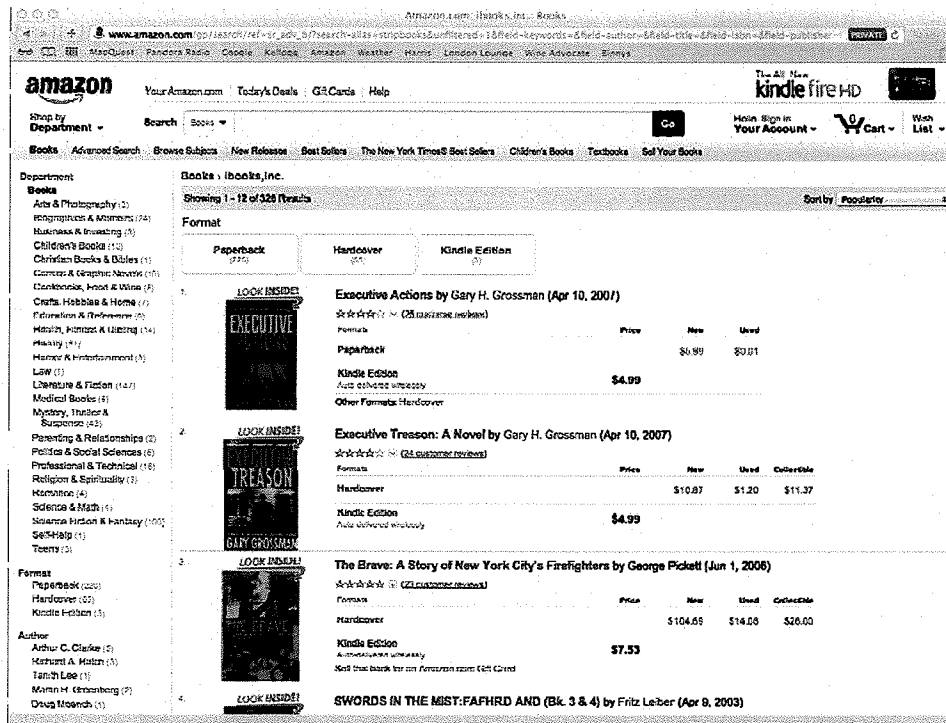


FIGURE F. APPLE WEBSITE TO ACCESS IBOOKS

115. In contrast, when a consumer searches for an IBOOKS book at least two options seem plausible. One is visiting a physical bookstore like Barnes & Noble. In that case, as noted before the imprint plays at most a small role in consumer choice, there is no evidence of awareness of the IBOOKS imprint among consumers and no apparent reason why consumers would believe that Apple has begun publishing books, let alone books with a lightbulb logo. Apple does not create content the way a movie studio or book publisher does. It merely provides platforms for others to distribute their content.

116. Another way a consumer might encounter IBOOKS is to visit Amazon or a competing on-line retailer and search for books by entering "Ibooks, Inc." or entering "ibooks" in the publisher field. An example of such search results on Amazon is shown in Figure G. Plaintiffs' allegations of confusion suggest that a consumer seeing the IBOOKS imprint would conclude that Apple is the source of these books. Given the strength and clarity of the Apple



brand and the clear positioning of iBooks as a software application, however, the likelihood of confusion is extremely low. There is no plausible reason why a consumer, looking at Figure G, would conclude that these books are offered by Apple, even assuming that a consumer would have conducted such a search by publisher in the first place, which itself is unlikely.

FIGURE G. RESULTS OF AMAZON SEARCH FOR IBOOKS

117. Moreover, since no appreciable portion of consumers, if any, know about Ibooks, Inc., it is highly unlikely they would ever search for a book in this way. It also is unlikely that in reality a consumer would do a search such as the one I did above for Ibooks, Inc. books, because, for the reasons I discussed above, the name of the publisher generally is not material to consumers. Instead, they are more likely to search for books by author, title and genre.

V. Conclusion

118. Fundamentally, the strategy Plaintiffs and their predecessors have pursued has not resulted in any brand recognition, awareness or meaning among consumers for IBOOKS or IPICTUREBOOKS. Put simply, Plaintiffs and their predecessors have not engaged in the types of activities that are necessary to create a brand, let alone a strong brand.

119. At the same time, there is considerable evidence that Apple has produced brands of remarkable recognition, meaning and value to consumers and that this meaning extends to Apple's IBOOKS mark.

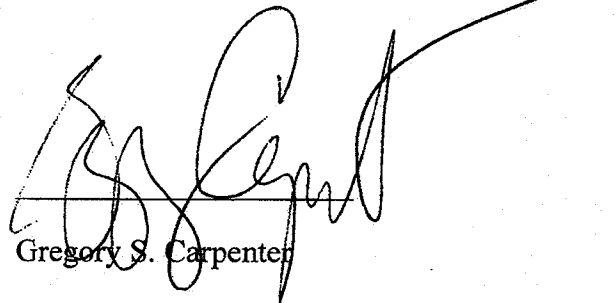
120. With no recognition or consumer awareness for the Plaintiffs' alleged IBOOKS and IPICTUREBOOKS marks, confusion with Apple's iBooks is unlikely.

121. In addition, there are significant differences in the look of the parties' respective logos, the nature of their respective goods, and the channels of trade and market context in which those goods are sold.

122. In light of those significant differences, confusion between the parties' respective marks also is unlikely.

Date: September 17, 2012

Respectfully submitted,



Gregory S. Carpenter

Documents Considered

3/9/12 Protective Order

5/11/12 Amended and Supplemental Complaint with Exhibits A–Z

5/25/12 Answer to Amended and Supplemental Complaint

9/23/11 Defendant's Initial Disclosures

9/23/11 Plaintiffs' Initial Disclosures

6/21/12 Defendant's Amended Initial Disclosures

8/10/12 Plaintiffs' Amended Initial Disclosures

8/29/12 Plaintiffs' 2nd Amended Initial Disclosures

9/12/12 Plaintiffs' 3rd Amended Initial Disclosures

9/15/11 Defendant's 1st Interrogatories

11/16/11 Plaintiffs' Responses and Objections to Defendant's 1st Interrogatories

11/21/11 Plaintiffs' 1st Interrogatories

1/6/12 Defendant's Responses and Objections to Plaintiffs' 1st Interrogatories

3/20/12 Plaintiffs' 1st Amended Responses and Objections to Defendant's 1st Interrogatories

6/4/12 Defendant's 2nd Interrogatories

6/14/12 Plaintiffs' 2nd Interrogatories

7/16/12 Defendant's Responses and Objections to Plaintiffs' 2nd Interrogatories

7/16/12 Plaintiffs' Responses and Objections to Defendant's 2nd Interrogatories with Exs. A–C

7/17/12 Defendant's 3rd Interrogatories

8/20/12 Plaintiffs' Responses and Objections to Defendant's 3rd Interrogatories with Exhibit

8/31/12 Defendant's 4th Interrogatories

9/11/12 Plaintiffs' Supplemental Response to Defendant's Interrogatory No. 11

9/15/11 Defendant's 1st Requests for Admission

11/16/11 Plaintiffs' Responses and Objections to Defendant's 1st Requests for Admission

11/21/11 Plaintiffs' 1st Requests for Admission

12/13/11 Plaintiffs' 2nd Requests for Admission

1/13/12 Defendant's Responses and Objections to Plaintiffs' 1st Requests for Admission

1/17/12 Defendant's Response and Objections to Plaintiffs' 2nd Requests for Admission

3/7/12 Defendant's 2nd Requests for Admission

4/6/12 Plaintiffs' Responses and Objections to Defendant's 2nd Requests for Admission

5/4/12 Plaintiffs' Amend. Responses and Objections to Defendant's 2nd Requests for Admission

7/17/12 Defendant's 3rd Requests for Admission

8/20/12 Plaintiffs' Responses and Objections to Defendant's 3rd Requests for Admission

8/21/12 Defendant's Suppl. Responses and Objections to Plaintiffs' 1st Requests for Admission

8/21/12 Defendant's Suppl. Responses and Objections to Plaintiffs' 2nd Requests for Admission

8/31/12 Defendant's 4th Requests for Admission

9/9/11 Plaintiffs' 1st Requests for Production
9/15/11 Defendant's 1st Requests for Production
11/11/11 Defendant's Responses and Objections to Plaintiffs' 1st Requests for Production
11/16/11 Plaintiffs' Responses and Objections to Defendant's 1st Requests for Production
1/5/12 Defendant's 2nd Requests for Production
2/7/12 Plaintiffs' Responses and Objections to Defendant's 2nd Requests for Production
6/12/12 Plaintiffs' 2nd Requests for Production
7/16/12 Defendant's Responses and Objections to Plaintiffs' 2nd Requests for Production
7/17/12 Defendant's 3rd Requests for Production
8/20/12 Plaintiffs' Responses and Objections to Defendant's 3rd Requests for Production
8/31/12 Defendant's 4th Requests for Production

7/18/12 30(b)(6) Deposition of John Colby with Exhibits
7/20/12 Deposition of John Colby with Exhibits

APPLE-IBOOKS0000791-792
APPLE-IBOOKS0000995-113
APPLE-IBOOKS0020269-271
APPLE-IBOOKS0021071-072
APPLE-IBOOKS0021840-842
APPLE-IBOOKS0022884-891
APPLE-IBOOKS0024978-529
APPLE-IBOOKS0032977
APPLE-IBOOKS0033033
APPLE-IBOOKS-INSP00000001-150
COLBYHD0000072
COLBYHD0009428-491
COLBYHD0024980
COLBYHD0029168
COLBYHD0032419
COLBYHD0039341-380
COLBYHD0054734
COLBYHD0114321-420
COLBYHD0289067-068
COLBYHD0290208
COLBYHD0290365
COLBYHD0290397
COLBYHD0290512
COLBYHD0366644-714
COLBYHD0509072
JTC00002660

JTC00002919
JTC00002941
JTC00002943-946
JTC00002987
JTC00002988
JTC00002990
JTC00002991
JTC00002993

12/1/02 Macworld - Script Happens; Apple Brings ink to Mac Users--but Will it Survive?
12/5/02 The Age - Apples Can read and Write
12/29/03 Fury.com - iPad
1/17/05 Banterist - The Apple iPad
2/14/05 PC Magazine - 3GSM: Nokia, Sony Ericsson Prepare Competitors to iPhone
4/1/05 Tabletpreviewspot.com - Long Awaited Apple Tablet Computer "iPad" Release in June!
7/3/05 MacRumors - The New iPad
7/10/05 Wikipedia - iPhone
10/3/05 Fortune - Moto's ROKR is a STINKR
11/1/05 Macworld - iPods Great and Small
2/27/06 Engadget - WWJD 3 - Results!
3/29/06 CNMoney - Apple's Remarkable Comeback Story
4/4/06 Newsday - Cool 2 Use
5/1/06 Fortune - The Shape of Rings to Come
5/18/06 Apple matters - iPhone: iThink Not
11/21/06 AP Financial Wire - Apple Stock Hits New High on Analyst Optimism over iPod, possible iPhone
11/29/06 PC Magazine - We Want the iPhone!
12/00/06 NE Pa Business Journal - Is the iPhone iFact or iFiction?
1/11/08 Dow Jones Factiva - Speculation Rife as Macworld Looms
4/28/09 The Business Insider - Will Apple Bring Back iBook Name for 'Media Pad' Gadget?
4/29/09 CNN - Apple Plots Course for Middle of Mobile
5/5/09 PC Magazine - How the Apple iPad Could Kill the Kindle
6/8/09 The Boston Globe - What's Really Behind E Ink's Decision to Sell?
6/13/09 The Economist - Small but Disruptive; Netbooks
8/4/09 Engadget - Switched On: The iPad Could Succeed Apple TV
11/16/09 Forbes - Will the Entrepreneur Boom Miss the U.S.?
12/3/09 International Business Times - Analyst: It's a 'no-brainer', Apple Tablet to Debut in 2010
12/4/09 Techweb - Mobile to Drive IT Growth in 2010
12/4/09 The International Herald Tribune - Predicting the Future; In the Blogs: Bits
12/25/09 LA Times - Apple Shares Soar to Record Close
12/31/09 LA Times - Technology; Apple 'Tablet' Rumors Rampant

