

EXHIBIT B

REBUTTAL 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

October 26, 2012

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. Materials Considered

7. A list of the documents I reviewed in connection with this matter is attached as Appendix B to my September 17 Report. In addition to those materials, I also have reviewed the following materials:

- Screenshots of the Family Systems website, as shown herein
- The Consent Agreement between Apple Computer, Inc. and Family Systems Limited, dated May 7, 1999
- The file wrapper for IBOOKS, Trademark Reg. No. 2,446,634
- The file wrapper for IBOOKS, Trademark Reg. No. 2,470,147

- The Trademark and Domain Name Assignment Agreement between Apple Inc., Family Systems Ltd., and Brian Reynolds dated as of January 26, 2010
- The Trademark Assignment filed with the PTO on January 29, 2010
- Web pages within the Apple website (www.apple.com), as shown herein
- Plaintiffs' Amended Responses and Objections to Defendant Apple Inc.'s Second Set of Requests for Admission, dated May 4, 2012.
- E-mail dated January 27, 2010 from Brewster Taylor to Anthony Lupo, with attachments (APPLE-IBOOKS 22126-39)
- Ibooks, Inc.'s September 4, 2002 Office Action Response filed with the U.S. Patent & Trademark Office
- The Expert Report of Robert T. Scherer, dated September 17, 2012
- Plaintiffs' production of documents referenced in the expert report of Robert T. Scherer
- The Expert Report of Susan McDonald, dated September 17, 2012
- The transcript of the January 31, 2012 deposition of Richard Goldhor, and exhibits
- The transcript of the September 19, 2012 deposition of Thomas La Perle, and exhibits
- The transcript of the September 21, 2012 deposition of Lisa Widup, and exhibits
- The transcript of the September 25, 2012 deposition of Rich Freese, and exhibits
- The [rough] transcript of the September 25, 2012 deposition of Grace Kvamme
- The transcript of the September 26, 2012 deposition of Anthony Lupo, and exhibits

- The transcript of the September 27, 2012 deposition of Steve Gedikian, and exhibits
- The transcript of the October 3, 2012 deposition of Glenn Gundersen
- The [rough] transcript of the October 9, 2012 deposition of Linda Frager Taylor

III. Scope of Opinions

8. I previously issued an expert report in this matter on behalf of defendant Apple Inc. (“Apple”) on September 17, 2012 (my “September 17 Report” or the “Carpenter September 17 Report”).

9. On September 17, 2012, Plaintiffs submitted the expert report of Robert T. Scherer (the “Scherer Report”). That report included 16 different sections setting forth Mr. Scherer’s opinions.

10. As a preliminary matter, it is my understanding that many of Mr. Scherer’s opinions – including his opinion that the assignment from Family Systems Limited (“Family Systems”) to Apple is invalid – are legal conclusions, and that Apple reserves the right to seek exclusion of those opinions.

11. In addition, Mr. Scherer’s report contains factual errors, and draws conclusions not supported by the available factual record.

12. One example of a factual misstatement by Mr. Scherer is his assertion that “Apple did not purchase the Family Systems’ [sic] mark until the very day that plaintiff, John Colby, sent an e-mail to Mr. Dowling at Apple informing him of plaintiffs’ prior use of the iBooks mark. Mr. Colby’s e-mail to Apple and the assignment of the IBOOK mark are both dated January 29, 2010.”¹ The assignment agreement between Family Systems and Apple was signed

¹ Scherer Report, p. 24.

on January 27, 2010 – two days before Mr. Colby contacted Apple.² Moreover, negotiations with Family Systems began on or before January 13, 2012.³ Thus, Mr. Scherer’s suggestion that Apple only purchased Family Systems’ rights because of Mr. Colby’s contact is wrong factually.

13. Similarly, Mr. Scherer states that “[e]ven though Apple is a multinational corporation with extensive worldwide distribution and sales of its products, it appears to have made no attempt to purchase Family Systems’ IBOOK registrations in [the European Union and Japan.]”⁴ But the plain language of the assignment agreement conveys to Apple Family Systems’ rights “throughout the world.”⁵ At the time of the transfer, Family Systems had trademark registrations in the United States, Japan and Jamaica, and those were in fact transferred to Apple.⁶ Thus, once again, Mr. Scherer’s factual underpinning is incorrect. I find it surprising that Mr. Scherer made these errors, as it is my understanding that Apple provided the underlying documentation described in this footnote by no later than August 9, 2012 – well before Mr. Scherer submitted his report – yet he nevertheless opined inconsistently with the true facts.

14. That being said, Apple has asked me to provide my opinion on four of the issues addressed in the Scherer Report from a marketing perspective, namely Mr. Scherer’s opinions as set forth in (1) Sections 6, 7 and 8, which collectively set forth Mr. Scherer’s opinion that Family Systems Limited (“Family Systems”) did not transfer Family Systems’ goodwill in the IBOOK

² See Ex. 1 (APPLE-IBOOKS 22126-39).

³ See Ex. 2 (Lupo Dep., Sept. 26, 2012, p. 60).

⁴ Scherer Report, p. 28.

⁵ Ex. 1 (APPLE-IBOOKS 22129, Assignment Agreement ¶ 1).

⁶ See *id.*

mark to Apple, and (2) those portions of Section 12 of his report that assert that Plaintiffs' iBooks and iPictureBooks imprints have acquired secondary meaning as trademarks.

15. I disagree with Mr. Scherer's analysis and his opinions on these issues.

16. Regarding the assignment in gross issues, there are numerous indicia that the goodwill associated with the IBOOK mark was transferred from Family Systems to Apple, none of which Mr. Scherer even mentions. These include the following: (1) the assignment agreement expressly states that the goodwill is being transferred together with the mark; (2) the Family Systems' "iBook" domain names were transferred to Apple within ten days of the assignment, and thereafter pointed to a web page within Apple's apple.com site, such that any users of Family Systems' web site would now be routed to an apple.com web page that contains information about the iBooks e-reader software;⁷ (3) there was no license back of the IBOOK mark from Apple to Family Systems following the assignment, such that after a mere ten-day phase-out period, Family Systems was obligated to use a new name for its software product; and (4) I am aware of no consumer confusion as a result of the transfer of the mark to Apple from Family Systems.

17. Furthermore, it is my opinion based on my marketing experience that, contrary to Mr. Scherer's assertion, the Family Systems and Apple e-book reader software products in fact are substantially similar and consumers would perceive such similarities in the products, as explained in more detail below. Based on these similarities, it is very likely that consumers would perceive Apple's IBOOKS mark as an identifier of e-book software, just as they would have perceived Family Systems' IBOOK mark to have been an identifier of e-book software. In

⁷ See Ex. 3 (www.apple.com/ipad/built-in-apps/#ibooks?cid=oas-us-domains-iBook.com).

addition, from consumers' perspective, the underlying technology is irrelevant as it is invisible to them.

18. These facts indicate that from a marketing perspective, Family Systems transferred its goodwill to Apple. Therefore, I disagree with Mr. Scherer's conclusion that the Family Systems' goodwill in the IBOOK mark was not transferred.

19. Finally, in Section 10 of his report Mr. Scherer opines that Plaintiffs' ibooks imprint has acquired secondary meaning.⁸ I disagree with this statement. I am not aware of any reason to believe that Plaintiffs' imprint has acquired secondary meaning. Rather, as I detailed in my September 17 Report, I believe that neither the activities of Byron Preiss during the Preiss period nor those of John Colby during the post-2006 period have been sufficient to generate consumer recognition of the ibooks imprint.

IV. Discussion of Opinions

A. The Goodwill Associated With Family Systems' IBOOK Mark for Its E-Reader Software Is Now Associated With Apple IBOOKS E-Reader Software.

20. Before explaining my opinion that the goodwill associated with Family Systems' IBOOK mark has transferred to Apple, I will provide background about Family Systems, Apple and their respective trademarks.

i. Family Systems Developed E-Reader Software Called IBOOK.

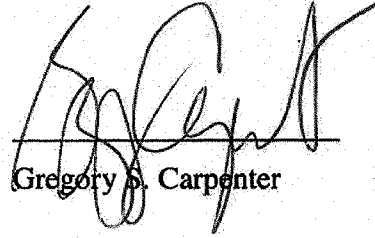
21. In 1996, early on in the emergence of electronic books, Family Systems created a software program called IBOOK. That program was an e-reader software application.

22. The brainchild of Brian Reynolds, the IBOOK e-reader allowed users to download and read electronic books. Ten years after Reynolds developed Family Systems' IBOOK software, Sony introduced its Sony Reader device and associated software in 2006. The

⁸ Scherer Report, p. 35.

Date: October 26, 2012

Respectfully submitted,



Gregory S. Carpenter