

**REDACTED**

**EXHIBIT 2**

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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J.T. COLBY & COMPANY, INC. d/b/a  
BRICK TOWER PRESS, J.  
BOYLESTON & COMPANY,  
PUBLISHERS LLC and  
IPICTUREBOOKS LLC.,

Case No. 11-cv-4060 (DLC)

Plaintiffs,

-against-

APPLE, INC.,

Defendants.

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**EXPERT REBUTTAL REPORT OF ROBERT T. SCHERER**

I am the same Robert T. Scherer who previously submitted a report in this matter (“my report”); the only additional document I considered in connection with this Rebuttal Report is the Expert Report of Siegrun D. Kane, dated September 17, 2012 (the “Kane Report” or “Report”). This Rebuttal Report responds to the Kane Report:

**1. THE ASSIGNMENT OF REGISTRATION NO. 2,446,634, TRADEMARK IBOOK:**

**The Assignment of the IBOOK Mark to Apple was an Invalid Assignment in Gross.**

Ms. Kane erroneously states that “Apple obtained rights to the ‘634 Registration, along with any common law rights and the goodwill of the business pertaining thereto, from Family Systems...” (Paragraph 18; *see* Paragraphs 19 and 63.) Despite any claim to the contrary, the transfer of the IBOOK mark and Registration No. 2,446,634 to Apple was an invalid assignment in gross because (i) it failed to include the goodwill associated with the mark and (ii) Apple used the mark on a product which was significantly different from the Family Systems IBOOK product; *see* Paragraph 8 of my report. As a result, Apple’s attempted purchase of Family Systems’ IBOOK mark was null and void and failed to give Apple the sought-after priority date.

**2. RECORDAL OF THE ASSIGNMENT WITH THE PTO:**

**Acceptance of the Recordal is Not a Determination of Validity.**

Ms. Kane refers several times in her Report to the recordal of the trademark assignment with the United States Patent and Trademark Office (“PTO”). (Paragraphs 39 – 40 and 64.) It should be noted that the recordal with the PTO’s Assignment Services Branch of the assignment of the IBOOK mark and Reg. No. 2,446,634 from Family Systems to Apple does not mean that the assignment was valid or effective. The Trademark Manual of Examining Procedure (the “TMEP”) specifically emphasizes that:

“The recording of a document pursuant to Section 3.11 (of the Trademark Rules of Practice, 37 C.F.R. Section 3.11) is not a

determination by the Office of the validity of the document or to the effect that the document has on the title to an application, a patent or a registration....” Section 503.01.

“ The Assignment Services Branch does not examine the substance of documents submitted for recording. The act of recording a document is a ministerial act, and not a determination of the document’s validity or of its effect on title to an application or registration....” Section 503.01(c).

Any determination of the validity or effectiveness of a purported assignment will be decided by the Court. The fact that the assignment was accepted for recordal in the PTO has no relevance to the issue of whether or not the assignment was valid.

**3. APPLE’S RENEWAL OF REGISTRATION NO. 2,446,634, IBOOKS (AS AMENDED):**

**Apple’s Statements in the Section 8 Declaration of Use Constituted Fraud on the PTO.**

In connection with the renewal of Reg. No. 2,446,634, Apple’s statement in the Section 8 Declaration of Use that “the mark is in use in commerce on or in connection with **all** goods or services listed in the existing registration” was false and intended to deceive the PTO into renewing said registration. In her Report, Ms. Kane maintains that Apple filed (i) a specimen consisting of a “Screenshot of Registrant’s online store offering IBOOKS software for sale” and (ii) a supporting declaration and thereby complied with all of the statutory requirements for renewing the IBOOKS registration (Paragraphs 87 and 88). This conclusion presumes, of course, that all of the statements made in the supporting declaration are true.<sup>1</sup> However, the

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<sup>1</sup> In reviewing the renewal documents, the Trademark Examiner must rely on the Combined Declaration and the accompanying specimen evidencing current use of the mark. And, because the Combined Declaration includes an acknowledgment under penalty of perjury that “all statements made of his/her own knowledge are true”, the Trademark Examiner routinely accepts the trademark owners statements at face value. Also, the Trademark Examiner has neither the means, the time nor the authority to investigate beyond the four corners of the Combined Declaration. As a result, registrations are sometimes renewed in error even though the subject mark is not being used on the goods listed in the registration. As the need arises, any

reality is that Apple's current use does not support the statements made in the Combined Declaration.

Why is Apple's statement that "the mark is in use in commerce on or in connection with **all** goods or services listed in the existing registration" false? In Paragraph 6 of my report, I devoted considerable time comparing Family Systems' use of the IBOOK mark in connection with "computer software used to support and create interactive, user-modifiable electronic books" with Apple's current use of the IBOOKS mark in connection with downloadable books and the electronic transmission of downloadable books. Family Systems' IBOOK software is a web content publishing tool that allows users to create their own content, modify that content and share that content among a community of users via the Internet or intranet. The "electronic books" referenced in the registration do not consist of an existing published work. They are created by the user of the software.

As noted in Paragraph 7 of my report, Family Systems' U.S. Patent No. 6,411,993, *see Exhibit L* hereto, describes its own IBOOK product as "a self-extending, self-sustaining information-redistributing Web robot". Does this sound like an e-book reader? Apple's IBOOKS mark is used in connection with an e-book reader which allows for the electronic transmission and downloading of 1,500,000+ existing published works. The nature and use of the respective products is distinctly different in that Family Systems' software allows the *user to create and modify* content whereas Apple's app is used to *distribute existing books* electronically. Family Systems' use is the equivalent of providing the user with a blank diary or

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investigations would be left to others. This is one of those instances. In this case, it was left to the plaintiffs to compare the use of the mark as recited in Registration No. 2,446,634 with Apple's current use of the same mark (as amended), and it was found that Apple's present use does not align with the statements made in the Combined Declaration.

journal on which to write and share one's information, thoughts and comments via the Internet or intranet, while Apple's use is an electronic library or bookstore.

Given these significant differences in the nature and purpose of Family Systems' IBOOK product and the nature and purpose of Apple's IBOOKS product, it is a material misrepresentation to claim that Apple is using the mark "in commerce on or in connection with **all** goods and services listed in the existing registration." Further, for the sake of clarity, I would note that (i) there are no "services" listed in the subject registration and (ii) in Paragraph 25 of her Report, Ms. Kane states that the PTO is required to consider whether the mark was being used for *at least some of the goods* identified in the '634 Registration..." [emphasis added]. In this case, since Apple stated that it is using the mark in connection with **all** goods... listed in the registration, the PTO is required to look at the entire list of goods as well as the nature and use of those goods.

Why is this a misrepresentation of a *material* fact? The primary purpose of the Section 8 Declaration of Use (whether filed between the 5<sup>th</sup> and 6<sup>th</sup> year after registration or as part of a Combined Declaration in connection with a ten year renewal) is to clear those registered marks which are no longer being used (a/k/a "deadwood") from the Federal Trademark Register and to allow those registered marks which are still in use to continue to enjoy the benefits of registration on the Principal Register. Given this mission, a false statement of continued use of the mark, which resulted in the renewal of a federal registration which should not have been renewed, is a material misrepresentation that defeats both the letter and the spirit of the Section 8 Declaration of Use.

In gathering and reviewing the information for the Combined Declaration, it should have been immediately apparent that Apple was not using the IBOOKS mark on or in connection with

the “computer software used to support and create interactive, user-modifiable electronic books” listed in the registration. And, the specimen filed in support of the renewal, which Apple described as a “Screenshot of Registrant’s online store offering IBOOKS software for sale” and which shows a bookshelf with several published books from well-known authors as well as a description of the IBOOKS product itself, further highlighted the distinct differences between the goods listed in the registration and the goods on which Apple was currently using the mark. Despite these obvious differences, Apple’s representative declared that the IBOOKS mark was in use in connection with **all** of the goods listed in Registration No. 2,446,634. The declarant knew or should have known that this material statement was false.

What purpose would be served by making a material false statement in an official document filed with the PTO? For the answer, we must look to the reason why Apple purchased Family Systems’ IBOOK registration in the first instance. Since the 1999 Consent Agreement between Apple and Family Systems (*see* Paragraph 13 of my report and the file wrapper for Reg. No. 2,470,147, Exhibit M hereto) precluded Family Systems from suing Apple for trademark infringement, Apple had no need to acquire Family Systems’ IBOOK mark to ward off a potential lawsuit. Rather, Apple purchased the IBOOK mark in an attempt to claim the benefit of the October 8, 1996 priority date (the date on which Family Systems filed the ITU application which eventually matured into Registration No. 2,446,634; *see* the file wrapper for Reg. No. 2,446,634, Exhibit N hereto).

If the purchase of Family Systems’ U.S. registration proved successful, this priority would allow Apple to claim use of the IBOOKS mark dating back to 1996, three years prior to plaintiffs’ use of its iBooks mark and then perhaps, as Apple hoped, defeat plaintiffs’ infringement claim. Because of the importance of this priority to its defense, Apple paid

██████ for Family Systems' registered trademark (*see* Exhibit G to my report). Apple could not risk the cancellation/expiration of this registration, which would, of course, eliminate its strongest defense to plaintiffs' infringement claim and have been a significant waste of money. Therefore, it was imperative that Apple keep Registration No. 2,446,634 in full force and effect.

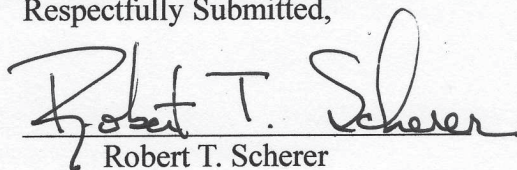
The PTO relied on the statements made in Apple's Combined Declaration because, as noted above, the Trademark Examiner took Apple's statements at face value and had no independent way of checking the accuracy of those statements. As a result, the PTO renewed Registration No. 2,446,634 and gave Apple the opportunity to improperly claim the benefits of a federal registration, to plaintiffs' detriment.



I understand that others may provide additional testimony or produce additional documents regarding the subject matter of this Rebuttal Report. Therefore, I reserve the right to amend or further supplement this report following any subsequent testimony or production of documents.

This 26th day of October, 2012

Respectfully Submitted,

  
Robert T. Scherer