

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-cv-4060 (DLC)

MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFFS' MOTION
FOR PARTIAL SUMMARY JUDGMENT AGAINST DEFENDANT APPLE INC.

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Plaintiffs J.T. Colby & Co., Inc. d/b/a Brick Tower Press, J. Boylston & Co., Publishers, LLC, and ipicturebooks, LLC (“Plaintiffs”) respectfully submit this Memorandum of Law in support of their Motion for Partial Summary Judgment against Defendant Apple Inc. (“Apple”), seeking cancellation of Defendant’s IBOOKS trademark registration, pursuant to Fed. R. Civ. P. 56.

PRELIMINARY STATEMENT

Family Systems Limited is an Isle of Man entity that provided wiki-like Internet collaboration software to individuals and businesses, starting in October 2000. In January 2010, its flagship product was its “iBook Voice System,” utilizing “shared web accessible memory for voice conversations for the first time in history,” which it offered through its website www.iBook.com. Around 2 AM Eastern Time on January 27, 2010, after two weeks of negotiation, Family Systems agreed to sell to Apple its “iBook” and “i-Book” domain names, as well as its trademark registrations for the trademark IBOOK, including United States Registration No. 2,446,634 for software “to support and create interactive, user-modifiable books,” for

Later that same day, Apple’s then-CEO Steve Jobs announced Apple’s new iPad tablet computer to the world. One of the iPad’s flagship “apps” would be iBooks, which could be used to purchase, download and read electronic books on the iPad. Apple also announced that the iPad, and the iBooks software, would be available for sale to the public in April 2010.

The assignment agreement between Family Systems and Apple, dated as of January 26, 2010, recited that, in addition to the domain names and trademark registrations, Family Systems was also conveying to Apple “all goodwill associated therewith.” This was to be expected, because “a transfer of goodwill is required in order for an assignment of a mark to be effective,”

a long-established principle set forth, among other places, in the treatise KANE ON TRADEMARK LAW, authored by one of Apple's own expert witnesses in this litigation.

Other than that recital, however, the assignment agreement did not expressly provide for the transfer of any goodwill associated with Family Systems' trademark:

- The assignment agreement did not convey any of Family Systems' other intellectual property, such as the several patents that Family Systems had obtained for its iBook "interactive web-collaboration system."
- It did not require Apple to continue to offer the same services through the www.iBook.com website – which URL Apple redirected to the web page www.apple.com/ipad/built-in-apps/, where the iBooks software appears several screens down.
- It did not provide for the transfer of any of Family Systems' tangible assets, such as Internet servers, data rooms or offices.
- It did not include any transfer of customer or email lists, or market research data, or business plans.
- It did not call for any of Family Systems' employees, including the visionary CEO who founded the company to bring his ideas to the marketplace, to be employed by Apple.
- And it did not even require Family Systems to desist from operating the same business as before, with the same interactive voice-based web-collaboration services, under a different trademark and domain name – which Family Systems did, in fact, do, under the name VERBOL. (See Declaration of Partha P. Chatteraj in Support of Plaintiffs' Motion for Partial Summary Judgment ("Chatteraj Decl.") Ex. 76, at January 29, 2010 entry.)

And, consistent with the document itself, no such transfers or changes of conduct actually occurred, as Thomas La Perle, Apple's in-house trademark counsel and the Rule 30(b)(6) representative designated by Apple to testify with respect to the Family Systems transaction (see Chatteraj Decl. Ex. 77, Defendant Apple Inc.'s Amended Responses and Objections to Plaintiffs Notice of Deposition of Defendant Apple Inc. Pursuant to Fed. R. Civ. P. 30(b)(6), dated July 16, 2012; see also Chatteraj Decl. Ex. 78, La Perle Dep. 20:13-14), admitted. (See Chatteraj Decl. Ex. 23, La Perle Dep. 125:10-126:9; see also Chatteraj Dec. Ex. 79, La Perle Dep. 132:9-133:13.)

Indeed, as each of Apple's fact witnesses has testified, Apple never had any interest in Family Systems' business, and Apple never had any intention of continuing the business or selling the software that Family Systems had offered under the IBOOK mark. When Apple contacted Family Systems to arrange the purchase in mid-January 2010, Apple had already decided that it was going to release an application to purchase, download and read books on the iPad, and that the application would be called "iBooks." Instead, as one of Apple's trademark lawyers wrote to Family Systems during their negotiations over the purchase price, "Apple is really only interested in the marks and domains associated with IBOOK. They are not trying to purchase any of the underlying goods or services that may be associated with the mark or domain."

Even though the business associated with the mark before February 2010 had literally no relationship with Apple's iBooks app, Apple maintains that it owns the Family Systems IBOOK trademark registration, including its 1996 priority date (based on Family Systems' initial "intent to use" application). In May 2010, Apple made an effort to adapt the Family Systems mark to reflect the present reality, and asked the PTO to amend the Family Systems registered mark

IBOOK (which Family Systems had previously used for its “interactive web collaboration system”) to the mark IBOOKS, on the grounds that the addition of the “S” “creates the impression of being essentially the same mark.” In April 2010, when the iPad and the iBooks app were released, Apple also filed a new trademark application for the mark IBOOKS for “software for reading electronic publications on digital electronic devices” and “for authoring, downloading, receiving, editing, displaying, storing and organizing text, graphics, images and electronic publications,” which it predicated on Family Systems’ first use of the IBOOK mark in commerce, in October 2000.

This motion seeks partial summary judgment that the January 2010 assignment of the IBOOK trademark registration from Family Systems to Apple, executed hours before the iBooks announcement and recorded with the Patent and Trademark Office several days later, was a textbook “assignment in gross” under well-established trademark law, requiring cancellation of Apple’s United States Trademark Registration No. 2,446,634 (the “634 Registration”). Although other substantive issues in this case – such as infringement, damages, and Apple’s fraudulent filings with the PTO, among other things – are disputed and must ultimately be determined by a fact-finder, this Court can already determine, based on undisputed facts, that the trademark assignment from Family Systems to Apple was invalid as a matter of law. Stripped of the 634 Registration, Apple is not entitled to rely on Family Systems’ alleged priority over Plaintiffs in use of the IBOOKS mark, and Plaintiffs, who operate a business that has used the IBOOKS imprint on print and electronic books since 1999, are the senior users of the mark. The remaining issues in this case should be scheduled for trial.

STATEMENT OF FACTS

A. The iBooks Imprint

Ibooks, Inc. was founded in 1999 by Byron Preiss, who intended to build a new paradigm for book publishing companies by, among other things, simultaneously distributing its books, bearing the imprint “iBooks,” in traditional trade paperback and hardcover formats through its print distributor, Simon & Schuster, and in various electronic formats. (See Chatteraj Decl. Ex. 40, COLBYHD0458339.) The company soon was considered an established “brand within the [publishing] industry” (Chatteraj Decl. Ex. 39, Freese Depo. 105:21). On March 7, 2005, Publishers Weekly named the company one of the ten outstanding independent publishers of the year. (See Chatteraj Decl. Ex. 88, Jim Milliot, *Bucking the Odds: Indie Publishers Tap New Channels to Spur Growth*, PUBLISHERS WEEKLY, Mar. 7, 2005, available at <http://www.publishersweekly.com/pw/print/20050307/29773-bucking-the-odds.html>.) Between 1999 and May 2012, books published under the iBooks imprint have had net sales of . (See Chatteraj Decl. Ex. 41, Summary of Plaintiffs’ Supplemental Response to Interrogatory No. 9, dated August 20, 2012.)

In 2005, Byron Preiss was suddenly and tragically killed in a car accident, and, without his leadership, his companies, including Ibooks, Inc., entered into bankruptcy. (See Chatteraj Decl. Ex. 42, Colby 30(b)(6) Dep. 23-24). Plaintiffs purchased all of the assets of Preiss’s companies, including Byron Preiss Visual Publications Inc. and Ibooks, Inc., from the bankruptcy trustee. (See Chatteraj Decl. Ex. 80, Colby 30(b)(6) Dep. 43:25-55:9.) Through a Bill of Sale, dated December 13, 2006, Mr. Colby purchased all of the tangible and intangible assets of Ibooks, Inc., including the IBOOKS mark. (See Chatteraj Decl. Ex. 43, COLBYHD0233074.) Mr. Colby then continued the iBooks business, selling books from its

back catalog and publishing new titles. On December 12, 2006, because his companies intended to continue to do business as “iBooks,” Mr. Colby registered the name iBooks with the New York Department of State fictitious business name directory. (See Chatteraj Decl. Ex, 81, Certificate of Assumed Name.) Since Colby’s purchase of Ibooks, Inc. and the IBOOKS mark, Plaintiffs have continued to offer over 1200 titles for sale under their iBooks imprint. (See Chatteraj Ex. 89, Colby 30(b)(6) Dep. 171:7-12.) The company currently sells both electronic and “paper” books, through Amazon’s Kindle Store, Barnes & Noble, and other retailers. (See Chatteraj Ex. 90, Colby 30(b)(6) Dep. 194:7-23.)

B. Ibooks, Inc.’s Application for Trademark Registration

On August 27, 1999, upon the declaration of Byron Preiss, Ibooks, Inc. filed an Intent to Use Application for the mark “IBOOKS” for use in commerce in connection with books in Class 016 and for e-commerce book retail services in Class 042. (See Chatteraj Decl. Ex. 2, U.S. PTO Serial No. 75786491, Intent to Use Application, dated August 25, 1999.) On March 4, 2002, the examining attorney issued an Office Action suspending the prosecution of Ibooks, Inc.’s application based upon the alleged likelihood of confusion between the proposed IBOOKS mark and the prior IBOOK registration by Family Systems, as well as another registrant¹. (See Chatteraj Decl. Ex. 49, Response to Office Action, dated September 4, 2002). In response, Ibooks, Inc. argued, among other things, “Applicant’s sales have been over \$5,154,493 through June 2002, nearly \$253,083 has been spent on advertising, and there has been no actual confusion.” (Id.) This filing has been publicly available ever since. Although the company continued to sell many thousands of books with the iBooks imprint, its federal trademark

¹ The other registrant, the University of Illinois Board of Trustees, owned a registration for the mark I BOOK in connection with “calendar handbooks,” first used in August 1988. (U.S. TM Reg. No. 1,723,733.)

registration application was deemed abandoned on July 21, 2003. (See Chatteraj Decl. Ex. 50, Notice of Abandonment, dated July 21, 2003.)

C. Family Systems Ltd. and its Ibook Web Collaboration System

Family Systems Ltd. (“Family Systems”) is a company founded and run by Brian Reynolds, the former head of a technology corporation called Micro Systems, to function as a “business entity for his projects and ideas” after Micro Systems went public. (See Chatteraj Decl. Ex. 44, Goldhor Dep. 14:5-13.) On October 8, 1996, Family Systems submitted an Intent to Use Application to the PTO for the mark IBOOK for “computer hardware and software used to create interactive, user modifiable electronic books.” (56.1 Statement ¶ 1) Family Systems later notified the PTO that it had begun using the IBOOK mark in commerce on October 27, 2000. (See id.) The Registration was granted to Family Systems on April 24, 2001. (See id.)

In connection with its ibook software, Family Systems obtained at least two patents; one filed on February 28, 2004 and awarded to Family Systems founder Brian Reynolds (“Reynolds”) and consultant Richard Goldhor on November 4, 2008 (the “748 Patent”) (see Chatteraj Decl. Ex. 4, U.S. Patent No. 7,447,748.), and one filed on May 14, 2003 and awarded to Reynolds, and Mark J. Hanover on August 4, 2009 (the “212 Patent”) (see Chatteraj Decl. Ex. 68, U.S. Patent No, 7,571,212). The 748 Patent was awarded for the invention of an “[i]nteractive web book system.” The patent abstract defines Family Systems’ ibook product as follows:

An interactive Web book (‘ibook’) system is provided that allows material to be contributed to the World Wide Web. An ibook is a self-extending, self-sustaining information-redistributing Web robot, which is resident on a data network such as the Internet or an intranet. Users may enroll with an ibook as viewers or contributors. Viewers may view ibook material, such as text or multimedia content. Contributors may contribute original material to the ibook or may create derivations of existing ibook material. .

. . The ibook system keeps track of how often users access each work within an ibook. (56.1 Statement ¶ 3, U.S. Patent No. 7,447,748.)

The 212 Patent was awarded for the invention of “[i]nteractive web collaboration systems and methods.” The Background of the Invention section of the patent explains that the ibook system relates to “the Internet, and more particularly, to techniques for creating and viewing material on the World Wide Web in the form of an interactive website, and to techniques by which multiple individuals can communicate with each other and work collaboratively on content and materials in an interactive web site.” (56.1 Statement ¶ 4, U.S. Patent No, 7,571, 212 (internal quotation marks omitted).) (Notably, in its alleged acquisition of the Family Systems IBOOK trademark, Apple did not purchase or license these or any other patents underlying the Family Systems ibook technology.)

When Mr. Goldhor – the only deposition witness who offered sworn testimony about the Family Systems business based on personal knowledge – was asked to describe the Family Systems ibook product during his deposition in this matter, he stated:

- A: Family Systems ibook was a system and architecture for allowing a community to create materials. Including text, but not limited to text, and to publish it using web technologies, but also to make it possible for multiple members of the community to edit that material, comment on it, create their own versions of it and so forth.
- Q: In some ways it sounds like a precursor to Facebook; would that be it?
- A: More like a precursor to Wiki.
- Q: Wikipedia?
- A: Yeah.

(56.1 Statement ¶ 5, Goldhor Dep. 20:4-16.) Family Systems also contracted with a Silicon Valley based consulting group² to market the Family Systems ibook product to businesses as a system to “support individuals and distributed product groups as they work and collaborate

² See Chatteraj Decl. Ex. 45 Press Release, dated August 21, 2001, *Family Systems and Tong McCandless Group Sign Business Development Agreement: Silicon Valley Consultants to Provide Marketing and Sales Services for International Web-Based Collaboration Tools Developer*, at Goldhor Dep. Ex. 5, pp 117-18.

wherever they are”, allowing “any non-technical user to [to] publish their documents and other standard personal and office files to the Web for private or public access.” (56.1 Statement ¶ 6, Press Release, dated March 12, 2002, *Family Systems launches the ibook® Family of Software Products for a Better Way of Working Together*, at Goldhor Dep. Ex. 5, pp 113-14). Several businesses contracted with Family Systems for use of the Family Systems ibook product.³

Neither the IBOOK mark, nor the underlying technologies, were ever used to allow users to view existing published works of fiction. (See 56.1 ¶ 7, Goldhor Dep. 44:17-45:19). Family Systems built goodwill in connection with the IBOOK mark over the course of at least ten years of continuous operation and distribution of the ibook collaboration system. (See 56.1 Statement ¶ 1.)

D. Apple’s Registration No. 2,470,147 and the 1999 Consent Agreement

On November 6, 1998, Apple submitted an Intent to Use Application for the mark “IBOOK” for “Computers, computer hardware, computer peripherals and users manuals sold therewith.” (Chattoraj Decl. Ex. 82, Intent to Use Application, Ser. No. 75/584,233.) On June 23, 1999, the examining attorney issued an Office Action suspending the prosecution of Apple’s application based upon the prior application of Family Systems, discussed above. (See 56.1 Statement ¶ 12, Response to Office Action re: Serial No. 75/584,233, dated July 22, 1999.) In order to obtain a registration for their use, Apple enlisted outside counsel, Anthony Lupo (“Lupo”) to approach and purchase the Family Systems IBOOK mark. (See 56.1 Statement ¶ 12, Lupo Dep. 31:19-22.)

³ See Chattoraj Decl. Ex. 45, Press Release, dated August 21, 2001, *Norton Practice Launches ibook®-Based Client Website Using Family Systems Technology, Consulting Services*, at Goldhor Dep. Ex. 5, pp. 115-16; Chattoraj Decl. Ex. 45, Press Release, dated June 4, 2001, *Family Systems Offers Radiant Communications Hosting Services for ibooks®*, at Goldhor Dep. Ex. 5, pp. 119-20.

Even though Apple wished only to use the mark on its notebook computer, Mr. Lupo initially offered Family Systems for the outright purchase of the Family Systems trademark for its web collaboration software (see 56.1 Statement ¶ 12, Goldhor Dep. 68:9-24). This initial offer was rejected out of hand. (See *id.*, Goldhor Dep. 68-69.) Soon after this initial rejection, Mr. Lupo disclosed that his client was Apple, whereupon “serious negotiations began.” (*Id.*, Goldhor Dep. 70:11-13.) After some time, the parties reached a deal, calling for Apple to pay , as the junior user of the mark, to Family Systems, in return for Family Systems’ consent to Apple’s registration of IBOOK for use with its notebook computer. (See *id.*, Goldhor Dep. 71.) In their agreement, Apple represented that it intended to use the mark IBOOK “in association with computer hardware . . . excluding software and software related goods and services,” and Family Systems represented that it would use the mark IBOOK for “computer hardware and software used to support and create interactive, user-modifiable electronic books and related goods and services.” (See 56.1 Statement ¶ 12, Consent Agreement, dated as of May 7, 1999, ¶¶ 1-2.) Each of Apple and Family Systems agreed that the other’s use was not likely to cause confusion with its own use of the mark, and therefore that Family System’s use should not block Apple’s registration from proceeding to publication. (See *id.* ¶¶ 6, 9.) Apple filed the consent agreement with the PTO (omitting the “Appendix” that provided the payment terms) as a Response to Office Action. (See 56.1 Statement ¶ 12, Response to Office Action with regard to Serial No. 75/584,233.) A registration was then issued to Apple for its IBOOK hardware mark, on July 17, 2001. (See Chatteraj Decl. Ex. 83, U.S. TM Reg. No. 2,470,147.) Thus, although the 1999 Consent Agreement solved Apple’s problem in registering the IBOOK trademark for its notebook computer, it created a potential future conflict if Apple ever decided to use the IBOOK mark in connection with software.

On October 1, 2008, Reynolds contacted Apple’s trademark counsel to gauge its interest in purchasing the Family Systems IBOOK mark, which Reynolds would then seek to license back. (56.1 Statement ¶ 13, APPLE-IBOOKS0020321.) Reynolds stated that Family Systems was “about to relaunch Ibook Systems V4 and V5 as cooperative projects along with Cooperative License and Verbol, a language framework for talking to objects” which could “potentially reshape how the Ibook trademark is used.” (Id.) Reynolds noted that Apple had, by that time, ceased to use its own IBOOK hardware mark in connection with notebook computers, and he speculated that Apple might wish to use the IBOOK trademark in other ways complementary to Family Systems’ use of the mark. (Id.) Reynolds received no response to his overture until January 2010. (Id.)

E. Apple’s Alleged Purchase of Family Systems’ IBOOK Mark

In late 2009, two names were being considered for Apple’s contemplated e-book application for the iPad -- “iBooks” and (See 56.1 Statement ¶ 10, La Perle Dep. 45-46.) Ultimately, Steve Jobs, the late CEO of Apple, “decided he did not want to go with and wanted us to look at ‘iBooks’.” (Id., La Perle Dep. 48:18-19.) In January 2010, it was decided, upon the recommendation of Thomas La Perle, Apple’s trademark counsel, that in connection with the planned use of “iBooks” for an E-book reading application, Apple should seek to acquire Family Systems’ registration in the mark IBOOK, Registration No. 2,446,634 (the “634 Registration”). (See 56.1 Statement ¶ 11, La Perle Dep. 80:8-18, 83:6-12.)

Since the consummation of the 1999 Consent Agreement, Apple’s communications with Family Systems had been limited to the occasional request for consents required for international trademark applications, and the aforementioned 2008 attempt by Reynolds to sell the ibook business. (See 56.1 Statement ¶ 13, La Perle Dep. 108:5-109:9.)

Acting on behalf of Apple, Arent Fox attorney Anthony Lupo reached out to Family Systems' counsel, Brewster Taylor, on or about January 13, 2010, to see if Family Systems would consider an assignment of its rights in the Family Systems IBOOK mark and domain names⁴. (See 56.1 Statement ¶ 14, APPLE-IBOOKS0022066.). Reynolds responded the following day, asking for clarification of Apple's intentions:

It was not clear from talking to Brewster which of Family Systems ibook assets Apple are interested in. There are multiple domain names and trademark registrations as well as software technology and patents which reference ibook systems.

I would appreciate an indication of the extent of Apple's interest in our ibook assets, and a rough timescale and price range from Apple's perspective. Also, if we proceed I would appreciate an introduction to a principal of Apple, Inc.

(56.1 Statement ¶ 14, APPLE-IBOOKS0022065.) Although Reynolds did not receive an introduction to a principal of Apple, or an offer price, Lupo did respond to Reynolds and explain Apple's lack of interest in Family Systems' "ibook assets" in an email later that day:

thanks for the email. Apple is really only interested in the marks and domains associated with IBOOK. they are not trying to purchase any of the underlying goods or services that may be associated with the mark or domain.

(56.1 Statement ¶ 14, APPLE-IBOOKS0022064.) Concurrently with the price negotiations, Taylor and Lupo were actively negotiating revisions to an assignment agreement which had been drafted by Glenn Gundersen ("Gundersen") and Hal Borden of Dechert, LLP, Apple's outside counsel, who had conducted the clearance of the iBooks mark. (See Chatteraj Decl. Ex. 51, APPLE-IBOOKS0023639-41; see also Chatteraj Decl. Ex. 52, Gundersen Dep. 148:9-13; Chatteraj Decl. Ex. 53, Borden Dep. 136:20-137:6.) Lupo testified during his deposition in this matter that a deal was reached late in the evening on January 26, 2010, with a negotiated price of

⁴ In addition to the IBOOK mark, Family Systems owned the domain names IBOOK.COM; IBOOK.NET; IBOOK.ORG; I-BOOK.COM; I-BOOK.NET; and I-BOOK.ORG. (See 56.1 Statement ¶ 14, APPLE-IBOOKS0022063-64.)

(See 56.1 Statement ¶ 14, Lupo Dep. 117-19; see also APPLE-IBOOKS0033421-32.) Apple’s attorney Glenn Gundersen similarly noted that he received PDF copies of the executed Assignment Agreement “late on, I believe, January 26, 2010 . . . it was about 2:00 or 3:00 in the morning eastern time.” (56.1 Statement ¶ 14, Gundersen Dep. 153:10-14.)

Hours after the execution of the Assignment Agreement, reflecting the transfer of Family Systems’ American, Japanese, and Jamaican registrations for the mark IBOOK, and the aforementioned domain names, the iBooks app was announced by Steve Jobs during the iPad product announcement on January 27, 2010. (See 56.1 Statement ¶ 9, APPLE-IBOOKS0021840-42; see also 56.1 Statement ¶ 14, APPLE-IBOOKS0033421-32.) However, by January 29, Apple had still not paid Family Systems. (See Chatteraj Decl. Ex. 54, APPLE-IBOOKS0022179.)

F. Plaintiffs Notify Apple of Their IBOOKS Trademark

Because Plaintiffs had been selling their electronic and print books with the iBooks imprint for more than a decade, Plaintiffs’ principal John T. Colby, Jr., was concerned when he saw Apple’s announcement that its iBooks app, to be released in several months, would permit the user to purchase, download and read electronic books. On January 29, Mr. Colby, having seen Apple’s announcement, sent an email to Steve Dowling, the Apple publicist named in Apple’s press release, stating:

I’m trying to find the right person to talk with at Apple. We are book publishers and have used the imprint “ibooks” since the mid 1990s in the book trade. ibooks are distributed through National Book Network but had been distributed by Simon & Schuster for many years. S&S helped build the brand in the book trade taking over from Diamond Comics in the late 1990s.

We also license book product to Harper, S&S, Penguin, Macmillan, and Hachette among many others under our Byron Preiss Visual Publications (BPVP) imprint. Our ibooks are also in ebook format, sold through six different ebook distributors under our picturebooks entity. We have several thousand titles in the backlist.

I was hoping you could pass this along to the right person at Apple in order to discuss our ibooks brand and ebook titles for use on the new iPad.

(Chattoraj Decl. Ex. 55, APPLE-IBOOKS0024021-22.) Instead of taking Mr. Colby up on his effort to discuss a potential business arrangement, Steve Dowling forwarded his email to Kevin Saul, an attorney at Apple, less than four minutes later. (See id.) Within ten minutes the email had reached La Perle, and three hours later was forwarded by La Perle to Gundersen. (See id.) Gundersen contacted Mr. Colby shortly thereafter, and asserted that Apple had a federal trademark registration for its IBOOKS app. (See Chattoraj Decl. Ex. 69, Colby 30(b)(6) Dep. 370.) Apple finally paid Family Systems on February 4, 2010 (see 56.1 Statement ¶ 14, APPLE-IBOOKS0023912-15), and recorded the assignment with the PTO later that same day. (Chattoraj Decl. Ex. 73.)

G. Apple Has No Direct Knowledge or Interest in the Family Systems iBook Business

Apple had no interest in Family Systems' business, and the assignment of the IBOOK trademark bore no relationship to the business that Family Systems had conducted over the preceding ten years. Instead, Apple apparently viewed the Family Systems "assignment" as part of its purported "trademark clearance" process, so it is not surprising that none of the indicia of a transfer of goodwill exist:

Visitors to the iBook.com domain through which Family Systems offered its products were re-directed to Apple's web page, describing apps available for the iPad – the iBooks app appeared several items down on the list. (56.1 Statement ¶ 22.) No Family Systems employees were hired by Apple, and Apple did not offer for sale "the web collaboration system" innovated by Family Systems after the January 2010 assignment. (56.1 Statement ¶ 17.) Now that discovery is concluded, no evidence whatsoever has been adduced showing that Apple actually

offered any product or service that Family Systems had offered in connection with its use of the IBOOK mark. To the contrary, no fact witness offered by Apple in this litigation has been able to testify to any personal knowledge about the Family Systems ibook product, or any interest by Apple in the Family Systems ibook service or customers, at all:

- Steve Gedikian, the product line manager for the iBooks App (see Chatteraj Decl. Ex. 60, Gedikian Dep. 30:6-24) and a designated Rule 30(b)(6) witness, stated during his deposition, “Outside of the context of counsel, I have no information about what Family Systems did. I wasn’t aware of them until recently.” (Id., Gedikian Dep. 204:14-16). Mr. Gedikian further testified, “I can’t say whether or not Family System’s customers were considered in the creation of any of our products.” (Id., Gedikian Dep. 204:23-25.)
- Thomas La Perle, the Apple in-house attorney who was Apple’s designated Rule 30(b)(6) witness on the Family Systems transaction, stated, “I haven’t -- I never created a Family Systems ibook and modified it or followed one to see the changes, so I don’t have personal knowledge of that.” (Chatteraj Decl. Ex. 61, La Perle Dep. 246:5-8.) He further testified that he was not aware whether any Apple employee had ever downloaded or used Family Systems’ ibook software. (Id., La Perle Dep. 164:10-12.) When asked if Apple’s iBooks software was an “interactive Web collaboration system” (like Family Systems’ product), Mr. La Perle responded simply, “No.” (Id., La Perle Dep. 168:21-24.)
- Lisa Widup, another Apple in-house attorney also testified that her knowledge of Family Systems’ ibook product, if any, was based solely on communications with others and not upon personal knowledge. (See Chatteraj Decl. Ex. 62, Widup Dep. 72-73.)

- Linda Taylor, the product manager for Apple’s iBook notebook computer (see Chatteraj Decl. Ex.63, Taylor Dep. 15), had never heard of Family Systems either in the context of the Assignment Agreement or of the 1999 Consent Agreement. (See Chatteraj Decl. Ex. 64, Taylor Dep. 60: 16-22.)
- Grace Kvamme, another Rule 30(b)(6) witness designated by Apple, stated that she had no knowledge about Family Systems’ iBook product and that Apple did not actively market to the customers of Family Systems or even attempt to discern who those customers might be. (See Chatteraj Decl. Ex. 65, Kvamme Dep. 61-62:8.)
- Hal Borden, an associate at Dechert LLP (Apple’s outside trademark counsel) and a Rule 30(b)(6) witness designated by Apple, stated that, to the extent he had any knowledge of Family Systems’ iBooks product or services, it would be “based on seeing the [Family Systems] Web site,” without any further inquiry into the nature of Family Systems services or its customers. (Chatteraj Decl. Ex. 66, Borden Dep. 140:15-141:2.)
- Glenn A. Gundersen, a Dechert partner who supervised Borden, and who claimed that he had visited the Family Systems website around the time of the Assignment, could not recall any specific characteristics of the Family Systems iBook product or services. (See Chatteraj Decl. Ex. 67, Gundersen Dep. 144:5-145:15.)

Indeed, Apple’s designated Rule 30(b)(6) witness on this topic, Thomas La Perle testified that “Family Systems used the mark for some time, so there was some – we would think there would be some goodwill associated with the – with the mark. We didn’t really care how much goodwill. We just wanted all of the goodwill to be assigned with the marks to Apple.” (Chatteraj Decl. Ex. 84, La Perle Dep. 129:10-15).

Moreover, Robert Scherer, Plaintiffs' expert witness on trademark clearance, industry custom and practice, and practice before the PTO, opined that Apple did not obtain the goodwill associated with the 634 Registration, and he testified that his opinion was based largely on the fact that "Apple did not acquire the tangible assets necessary to meet the standard of goodwill transfer." (Chattoraj Decl. Ex. 85, Scherer Dep. 150:3-25.) By contrast, no attorney expert witness retained by Apple in this litigation testified or opined that the January 2010 agreement between Family Systems and Apple did not constitute an assignment in gross.⁵ (See Chattoraj Decl. Ex. 76, Scherer Dep. 124-125.) Defendant's legal expert Siegrun Kane testified that, "the transfer of good will in connection with the mark is required in order for an assignment to be valid," and that in determining whether an assignment is valid, "a useful touchstone is whether the assignee has obtained what he needs to carry on the business of the assignor"(see Chattoraj Decl. Ex. 86, Kane Dep. 46:7-25). In Ms. Kane's deposition, Defendant's counsel objected to this line of questioning and represented that Defendant's rebuttal legal expert, Phillip G. Hampton II, Esq., would be offering an opinion on assignment in gross. (See id. 57:9-19) However, in his report, Mr. Hampton did not actually offer an opinion on the assignment in gross issue, and he did not do any investigation to determine whether the assignment of the 634 Registration from FS to Apple was valid or not. (See Chattoraj Decl. Ex. 87, Hampton Dep. 54:5-18.) Mr. Hampton did testify, however, that he agreed with Ms. Kane's statement in her treatise, KANE ON TRADEMARK LAW § 21:4 (2011), that "an assignment without goodwill is invalid, and the assignee cannot rely on the assignor's right." (Id., Hampton Dep. 29:10-30:13.)

⁵ Defendant's non-attorney expert witness Gregory Carpenter did offer his opinion as a "marketing professional," disclaiming any "legal conclusions," that the transaction was not an assignment in gross, in rebuttal to Mr. Scherer. (Chattoraj Decl. Ex. 77, Rebuttal Report of Gregory Carpenter, ¶ 44, dated October 26, 2012.)

H. Apple's iBooks App and Related Products and Services

On January 27, 2010, in conjunction with the announcement of its iPad tablet device, Apple announced “the new iBooks app for iPad, which includes Apple’s new iBookstore, the best way to browse, buy, and read books on a mobile device.” (56.1 Statement ¶ 9, APPLE-IBOOKS0021840-42) (emphasis added). In connection with their §§ 8 & 9 Declaration, discussed above, Apple submitted a specimen of use depicting the iBooks page in Apple’s iTunes store to the PTO which states:

iBooks is an amazing way to download and read books, designed exclusively for iPad. iBooks includes the iBookstore, where you can download the latest best-selling books or your favorite classics -- day or night. Browse your library on a beautiful bookshelf, tap a book to open it, flip through pages with a swipe or a tap, and bookmark your favorite pages. (56.1 Statement ¶ 29, §§ 8 & 9 Declaration (emphases added).)

On June 7, 2010, the same day they filed their §§ 8 & 9 Declaration, Apple presented the iPhone 4, announcing the availability of the iBooks app on its iPhone and iPod touch:

The new iBooks® app will be available for iPhone 4 as a free download from the App Store and includes Apple’s new iBookstore, the best way to browse, buy and read books on a mobile product. The iBooks app will sync your current place in a book, along with any bookmarks, highlights and notes you have created, between copies of the same book on your iPad, iPhone or iPod touch®. (56.1 Statement ¶ 31, APPLE-IBOOKS0021101.)

The iBooks app allows users to purchase books through the iBookstore and download them to an iOS mobile device or desktop computer to be read using the iBooks app. (See id.; see also id., Gedikian Dep. 110:8-12.) Once a user has downloaded a book to a device, he or she can change the way the book looks on their device’s screen, bookmark pages, or annotate them.

They can, for example:

- change the font and point size (see 56.1 Statement ¶ 32, Gedikian Dep. 106:22-109:3);
- change the visual “theme” and background color (see id., Gedikian Dep. 109:8-12);

- bookmark, annotate, and highlight passages (see id., Gedikian Dep. 114:8-152); and
- share the title of a book and their highlights or annotations by email (see id., Gedikian Dep. 221:1-7).

If a user chooses to sync an iBooks account across all their iBooks enabled devices, then the visual presentation of the books, as well as the user's bookmarks and annotations, will be reflected on all of the user's devices. (See 56.1 Statement ¶ 33, Gedikian Dep. 114:17-115:14.)

None of these visual changes, highlighting or annotations in any way modify the actual digital file of the actual book that was downloaded from the iBookstore and stored on the device using the iBooks app; they are instead kept in a separate metadata file that does not actually modify the digital book. (See 56.1 Statement ¶ 34, Gedikian Dep. 110:24-111:17.)

Additionally, the user's viewing choices, bookmarks and annotations will not automatically be seen by other users reading the same book, unless such users are accessing the same title through a shared account. (See 56.1 Statement ¶ 33, Gedikian Dep. 219-220.) The Terms of Use of the iBooks app do not allow users to share accounts, however (see 56.1 Statement ¶ 35, iBooks License Agreement § 2(A)), and the sharing of accounts is not advocated or encouraged by Apple either implicitly or through its marketing communications to the public. (See 56.1 Statement ¶ 36, Gedikian Dep. 220:8-13; Kvamme Dep. 45:16-17 ("Apple doesn't encourage the sharing of [iTunes] accounts").) Accordingly, the only way such bookmarks and annotations can be "shared" is through email or another ubiquitous means of electronic communication, like any other information that can be transmitted by individuals over the Internet. Thus, Apple's contention that the iBooks app somehow comprises anything even vaguely similar to the Family Systems "interactive Web collaborative system" software must be rejected as a matter of law.

ARGUMENT

I. Summary Judgment Standard

Pursuant to Rule 56 of the Federal Rules of Civil Procedure, summary judgment is appropriate where there are no genuine issues of material fact in dispute and the moving party is entitled to judgment as a matter of law. Summary judgment is appropriate when, “after drawing all reasonable inferences in favor of a non-movant, no reasonable trier of fact could find in favor of that party.” Diarama Trading Co., Inc. v. J. Walter Thompson U.S.A., Inc., No. 01 Civ. 2950(DAB), 2005 WL 2148925, at *5 (S.D.N.Y. Sept. 6, 2005) (granting summary judgment cancelling federal trademark registration), aff’d sub nom. Diarama Trading Co. v. Thompson, 194 F. App’x 81 (2d Cir. 2006).

II. Family Systems’ Assignment of the 634 Registration to Apple Was an Invalid Assignment in Gross

The entire history of Apple’s interactions with the 634 Registration, from Apple’s initial offer to buy the Family Systems mark wholesale for _____ in 1999 for use in connection with the iBook notebook computer (see Goldhor Dep. 68:9-24), to its eventual procurement of the Assignment Agreement as of January 26, 2010 -- one day prior to Apple’s announcement of the iBooks app by Steve Jobs during the iPad product announcement (see Rule 56.1 Statement ¶¶ 12-13) – without any of the assets, intellectual property or customers of the Family Systems business (see 56.1 Statement ¶ 15), to the total lack of any personal knowledge on the part of any of Apple’s witnesses concerning Family Systems products or services (see 56.1 Statement ¶ 33), shows that Apple did not have any interest in the goodwill associated with the Family Systems IBOOK mark. To the contrary, Apple made no effort to, and did not, acquire that goodwill or continue to provide consumers with the same products or services, which Family Systems itself continued to provide. Cf. Marshak v. Schaffner, No. 11 Civ. 1104(DLC), 2012 WL 1658393, at

*6 (S.D.N.Y. May 11, 2012) (“use of the mark . . . in connection with a different goodwill and different product would result in a fraud on the purchasing public who reasonably assume that the mark signifies the same thing, whether used by one person or another”) (quoting Marshak v. Green, 746 F.2d 927, 929 (2d Cir. 1984). As Apple’s expert witness Siegrun Kane has written, “The cardinal rule of a valid trademark assignment is that the mark must be assigned with the goodwill of the business.” KANE ON TRADEMARK LAW § 21:3.1 (2011). According to this long-established principle, the transfer of the IBOOK federal trademark registration from Family Systems to Apple constituted an invalid assignment in gross.

Under § 37 of the Lanham Act, a court “may determine the right to registration [and] order the cancellation of registrations, in whole or in part,” 15 U.S.C. § 1119, and cancellation is appropriate when a court determines that the mark was not entitled to registration. See Am. Exp. Mktg. & Dev. Corp. v. Black Card LLC, No. 10 Civ. 1605 (DLC), 2011 WL 5825146, at *7 (S.D.N.Y. Nov. 17, 2011) (trademark cancellation granted on summary judgment).

Because a trademark is not a right in gross, it cannot be transferred except by means of a supervised license or in connection with an ongoing business or some aspect of that business. See Universal City Studios, Inc. v. Nintendo Co., Ltd., 578 F. Supp. 911, 922 (S.D.N.Y. 1983) aff’d, 746 F.2d 112 (2d Cir. 1984) (trademark assignment held to be an invalid assignment in gross on summary judgment where the court found that the assignor had failed to transfer the goodwill associated with “King Kong” trademark). Goodwill is “the value attributable to a going concern apart from its physical assets -- the intangible worth of buyer momentum emanating from the reputation and integrity earned by the company. A trademark or service mark is merely the symbol by which the public recognizes that reputation and hence has no independent significance apart from the owner’s goodwill.” Pilates, Inc. v. Current Concepts,

Inc., 120 F. Supp. 2d 286, 310-11 (S.D.N.Y. 2000) (transfer of exercise instruction service mark held to be an assignment in gross where assignee intended only to use the mark exclusive of its associated goodwill) (internal citation omitted).

Accordingly, where a trademark is assigned “in gross,” without its accompanying goodwill, the assignment is invalid. Berni v. Int’l Gourmet Restaurants of Am., Inc., 838 F.2d 642, 646-647 (2d Cir. 1988) (finding assignment in gross where assignees did not intend to continue in business associated with mark).

As formulated by the Second Circuit, two alternative tests may determine whether the transfer of a mark includes the passing of the goodwill pertaining thereto. The first is known as the continuity test, in which the goodwill of a company is viewed as making a transition from the assignor to the assignee if there is a continuity with the past, including continuity of management. See Marshak v. Green, 746 F.2d 927, 930 (2d Cir. 1984) (sale of singing group’s trademark found to be an invalid assignment in gross as there was no continuity of management or continuity of quality and style of music) (internal citation omitted). Second, under the substantial similarity test, an assignment of a mark may be valid when the assignee is producing a product or providing a service that is “substantially similar” to assignor’s product, such that consumers will not be deceived or harmed by the use of the mark with the assignee’s product or service. See Pilates, Inc. v. Current Concepts, Inc., 120 F. Supp. 2d 286, 311 (S.D.N.Y. 2000) (citing Marshak v. Green, 746 F.2d at 930). Apple’s purchase of the Family Systems IBOOK Mark does not satisfy either of these tests.

A. *Under the continuity test, the assignment of the 634 Registration from Family Systems to Apple was an invalid assignment in gross.*

In determining whether the goodwill of a business has passed from assignor to assignee under an assignment, the transaction must be one in which “the assignee can go on in real

continuity with the past.” Fitzpatrick v. Sony-BMG Music Entertainment, Inc., 2010 WL 3377500, *3, No. 07-cv-2933 (SAS) (S.D.N.Y. August 24, 2010) (assignment valid where the trademark was used in same manner and for same purpose after assignment, and where assignor continued as CEO of the underlying business both before and after the assignment) (internal citations omitted). The goodwill of the assignor’s business may be deemed to have passed to the assignee where physical inventory, manufacturing facilities, technical know-how, and/or customer lists are transferred so as to allow the assignee to provide both existing and new customers with the same product or service they have come to expect from the assignor of the mark. See MCCARTHY ON TRADEMARKS § 18:23; Syntex Labs., Inc. v. Norwich Pharm. Co., 315 F. Supp. 45, 54-55 (S.D.N.Y. 1970), aff’d on other grounds, 437 F. 2d 566 (2d Cir. 1971) (goodwill passed to support assignment where assignor agreed to provide assignee with “all technical information, know-how and data relating to the manufacturing and marketing of” trademarked drug).

Family Systems produced a suite of software products, along with a web-based collaboration system, similar to a “wiki” like Wikipedia, which it sold under the IBOOK mark. (See 56.1 Statement ¶¶ 3-4.) This suite of software products was proprietary to Family Systems and was covered by patents issued to Reynolds and Richard Goldhor. (Id. at ¶ 3.) Additionally, Family Systems had an established customer base of businesses to which it marketed its IBOOK software products as a system to “support individuals and product groups as they work and collaborate wherever they are”, allowing “any non-technical user [to] publish their documents and other standard personal and office files to the Web for private or public access.” (Id. at ¶ 5.) The IBOOK product and Family Systems as a whole was also inextricably linked to Reynolds, who had founded the company as a vehicle to give his ideas life. (See Goldhor Dep. 14:5-13.)

Here, Apple did not acquire any of the patents or software upon which Family Systems' business was predicated. (Id. at ¶ 15.) In fact, when Reynolds asked Apple's attorney negotiator Lupo whether Apple was interested in purchasing any assets of Family Systems beyond the IBOOK mark, such as the associated patents or software, Lupo expressly declined, explaining, "Apple is really only interested in the marks and domains associated with IBOOK. they are not trying to purchase any of the underlying goods or services that may be associated with the mark or domain." (Id. at ¶ 12 (emphasis added).) Indeed, Apple's "use" of the domain names associated with the IBOOK mark is antithetical to a showing of continuity. Today, if one attempts to go to any of the domain names conveyed as part of the Assignment agreement, they are redirected to a page within the Apple website iPad page for built-in apps where the iBooks app can be discovered only after scrolling past two other apps. (See id. at ¶ 18.) (This web page does not even allow a direct link to download Apple's iBooks app but rather directs visitors to the iTunes store. (See id.)) Likewise, Apple did not acquire any customer lists from Family Systems (see id. at ¶12), nor did they actively market to the customers of Family Systems or even attempt to discern who those customers might be. (See Kvamme Dep. 62:2-8.) That neither Reynolds nor any other Family Systems employee has any involvement with the 634 Registration since the sale to Apple only confirms the lack of continuity. (See id. at ¶ 15.) The idea that Apple somehow expected to continue the Family Systems business, and benefit from its ten years of accumulated goodwill, is demonstrably absurd – Apple's software application, its business model, and even the timing of its announcement were all in place before Apple concluded its deal with Family Systems. The undisputed facts show that Apple – really, Steve Jobs – needed nothing from Family Systems, other than perhaps its registered

trademark, in order to conceive, execute, announce and release the iBooks app as part of the iPad software ecosystem.

There is absolutely no evidence in the record to support a finding that Apple is currently using the 634 Registration in a manner that evidences continuity between the businesses of Apple and Family Systems, or that Apple ever intended to use the 634 Registration in continuity between the two businesses. All of the undisputed evidence developed in discovery weighs against such a finding. Accordingly, the assignment from Family Systems to Apple does not pass muster under the continuity test, as a matter of law.

B. Under the substantial similarity test, the assignment of the 634 Registration from Family Systems to Apple was an invalid assignment in gross.

In the alternative, courts have upheld assignments without finding continuity in the underlying businesses when “the assignee is producing a product or performing a service substantially similar to that of the assignor and that the customers would not be deceived or harmed.” Clark & Freeman Corp. v. Heartland Shoe Co., Inc. v. The Heartland Co. Ltd., 811 F. Supp. 137 (S.D.N.Y. 1993) (assignment of mark HEARTLAND by manufacturer of women’s pixie boots to assignee who applied mark to men’s shoes was invalid assignment in gross, because the goods were not substantially similar and goodwill did not pass with assignment).

To be sure, where the products or services sold by the assignee are identical to those offered by the assignor prior to the assignment, the court will generally find that there is no risk of consumer deception. See, e.g., General Cigar Co., Inc. v. G.D.M., Inc., 988 F. Supp. 647, 659 (S.D.N.Y. 1997) (substantial similarity found where cigar sold by assignee under COHIBA mark was identical to cigar sold by assignor); Bambu Sales, Inc., v. Sultana Crackers, Inc., 683 F. Supp. 899, 905 (E.D.N.Y. 1988) (substantial similarity where cigarette paper manufacturer

assigned BAMBU mark to its former distributor, which “maintained the identical business it had for the previous eight year period—that is, sales of cigarette paper under the BAMBU mark”).

By contrast, courts have found insufficient “substantial similarity,” and held a trademark assignment to be an invalid assignment in gross, where the goods or services offered by the assignee have differed in even the most minor respect from the goods or services offered by the assignor. For example, in Heartland, the defendant argued that the plaintiffs in a trademark infringement action were not the senior users of the trademark HEARTLAND, and the court agreed, because the plaintiffs had acquired the trademark through an invalid assignment in gross. The plaintiffs had previously been using the trademark on men’s shoes, and then acquired the HEARTLAND trademark registration by assignment from a third party, Sears, which had been using the mark on woman’s pixie boots. See Heartland, 811 F. Supp. at 138-39. The plaintiffs subsequently sued the defendants for infringement, and claimed priority of use based on the earlier use and registration of the mark that Sears had assigned to plaintiffs. See id. The court held that plaintiffs could not rely on Sears’ previous use of the mark on women’s pixie boots to establish priority, holding that the plaintiffs’ products were “substantially distinct” from those of Sears, even though both plaintiffs and Sears used the mark in connection with footwear, rendering the assignment an invalid assignment in gross:

The markets for the two goods are substantially distinct; it is unlikely that men buying plaintiffs’ “Heartland” shoes would be considering a reputation for footwear generally that Sears built by selling women’s boots. That plaintiffs were using the “Heartland” mark before the assignment is also relevant, in that it tends to show that plaintiffs sought only to gain the ability to use the name “Heartland” rather than the goodwill associated with it. This is further supported by the fact that plaintiffs did not attempt to obtain the assignment from Sears until after Sears threatened to bring opposition proceedings to prevent plaintiffs from registering the “Heartland” trademark. Id. at 141 (internal citations omitted).

Even more striking, in InterState Net Bank v. NetB@nk, Inc., 348 F. Supp. 2d 340 (D.N.J.

2004), the New Jersey district court, citing this Court's decision in Pilates, Inc. v. Current Concepts, Inc., found an invalid assignment in gross when the assignor had used the NETBANK mark for an Internet service similar to PayPal "designed to appeal to vendors seeking to buy and sell low cost items and information over the internet using electronic 'pocket change,'" but the assignee offered traditional banking and payment methods, like checking accounts and paper checks, in connection with the mark. Net Bank, 348 F. Supp. 2d at 349. The court therefore held that the defendant-assignee did not acquire a valid mark, despite buying the mark and domain name from the assignor, because it did not offer a service "substantially similar" to the assignor, and ordered the cancellation of the assignee's trademark registration. Id. at 350-51.

It is overwhelmingly clear from the undisputed evidence obtained through discovery in this action that Apple's use of the 634 Registration for its iBooks app is not substantially similar to Family Systems' use of the 634 registration for its iBook product. The Family Systems iBook product "was a system and architecture for allowing a community to create materials . . . like a precursor to Wiki[pedia]." (56.1 Statement ¶ 5.) It was marketed to businesses as a system to "support individuals and product groups as they work and collaborate wherever they are", allowing "any non-technical user [to] publish their documents and other standard personal and office files to the Web for private or public access." (Id. ¶ 6.) The Family Systems iBook product allowed users to "enroll with an iBook as viewers or contributors" -- "Viewers may view iBook material, such as text or multimedia content" while "Contributors may contribute original material to the iBook or may create derivations of existing iBook material." (Id. ¶ 3.) The technology underlying the Family Systems iBook service was an "interactive Web book ("iBook") system . . . that allows material to be contributed to the World Wide Web. An iBook is a self-extending, self-sustaining information-redistributing Web robot, which is resident on a

data network such as the Internet or an intranet.” (Id.) It was an “interactive web collaboration system.” (56.1 Statement ¶ 4.) The Family Systems iBook product did not permit users to search for or purchase books, or to access a downloaded “book” when the user was not connected to a network. (See 56.1 Statement ¶ 3 (“An iBook is a self-extending, self-sustaining information-redistributing Web robot, which is resident on a data network such as the Internet or an intranet”)) (emphasis added).)

By contrast, Apple markets its iBooks app to consumers as “an amazing way to download and read books” and “includes the iBookstore, where you can download the latest best-selling books or your favorite classics -- day or night. Browse your library on a beautiful bookshelf, tap a book to open it, flip through pages with a swipe or a tap, and bookmark your favorite pages.” (Id. at ¶ 25.) The iBooks app was designed to be utilized on mobile devices, and to permit the user to read downloaded books on such devices even when not connected to a network. (See La Perle Dep. 158:3-17.)

Furthermore, the Family Systems iBook product was touted for its ability to allow users to work collaboratively (see 56.1 Statement ¶ 6), and its technology was said to comprise a “web collaboration system.” (56.1 Statement ¶ 4.) By contrast, Apple’s own Rule 30(b)(6) witness, designated by Apple to testify about the marketing of the iBooks app because of her personal involvement in the development of the iBooks marketing strategy, stated, “I wouldn’t characterize it as a collaborative system.” (Kvamme Dep. 62:20-63:11.) The iBooks app is not expressly designed for “collaboration” -- it allows users to download a book, generally a prior published work, and, within their own personal downloaded copy, change the font and point size, the background color or theme, bookmark or highlight a section, and share the title of the book they are reading or their annotations via email. (See 56.1 Statement ¶ 29.) No other user

accessing the same book through a different account from that of the original user will see these changes (id. ¶ 30), and the terms of use for the iBooks app do not allow users to share accounts. (See id. ¶ 31.)

Under the relevant case law, therefore, the products and services offered by Apple in connection with the 634 Registration are not substantially similar to those of Family Systems when it owned the 634 Registration. As in Heartland, the market for the two goods is distinct; Family Systems' consumers were individuals and businesses seeking a collaborative, web-based system that would be conducive to creative expression or inter-office workflow, while the consumers of Apple's iBooks app are individuals searching for an easy way to find, purchase, download, and read electronic books. As in Net Bank, the functionality of the iBooks app is totally different from that of the Family Systems iBook product, notwithstanding their common connection to the abstract concept of books. A consumer who attempted to access iBook.com to download or utilize the Family Systems iBook product following the assignment would be confused on many accounts, not the least of which would be the redirection of their web browser to a page advertising an Apple hardware product, the iPad. (See 56.1 Statement ¶ 22.)

As the assignment of the 634 Registration from Family Systems to Apple meets neither the continuity nor the substantial similarity test, it was a naked assignment in gross -- no goodwill was transferred with the IBOOK mark. Because the assignment from Family Systems to Apple was invalid, Apple's registration must be cancelled, and Apple cannot claim to rely upon Family Systems' constructive use of the IBOOK mark from its intent-to-use application in 1996 for purposes of trademark priority. As one of Apple's expert witnesses has written eloquently:

Whatever it is called, an assignment without goodwill is invalid, and the assignee cannot rely on the assignor's rights. For example, the assignee

cannot tack on the assignor's period of use. Inability to rely on the assignor's use could be critical to the outcome of an infringement action where the assignor's use is needed to establish priority. When the priority rug is pulled out from under the assignee because of an invalid assignment, the assignee may find himself branded as the infringer.

KANE ON TRADEMARK LAW § 21:4 (2011) (footnotes omitted). That is the result the law requires here.

CONCLUSION

For the foregoing reasons, Plaintiffs respectfully request that their Motion for Partial Summary Judgment be granted in its entirety, that the Court order the cancellation of the 634 Registration, and that the Court grant such other and further relief as it deems just and proper.

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Respectfully submitted,

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