

Featuring content from WESTLAW

## NEW YORK LEGAL

HOME

NEWS

INSIGHT

LEGAL MATERIALS



## Apple defeats publisher in IP case backed by lawsuit-funding firm

5/10/2013

COMMENTS (0)

By Nate Raymond

NEW YORK (Reuters) - A small book publisher backed by a litigation-funding firm has lost a lawsuit against Apple Inc alleging the technology giant infringed its "iBooks" trademark.

U.S. District Judge Denise Cote in Manhattan ruled Wednesday that J.T. Colby & Company, which publishes books under an iBooks imprint, had failed to establish consumers would become confused and believe its products were connected with Apple as a result of the California company's iBooks e-reader app.

The ruling was a setback not just for the New York-based publisher, as court filings showed the company had received funding for the lawsuit from a third-party litigation funder.

While not named in the court papers, a public document filed with Delaware state regulators showed that Juris Capital LLC, a Chicago-based firm that provides litigation financing for lawsuits, had a secured interest in a portion of any recovery the publisher received from disputes with Apple.

Companies like Juris typically provide up-front funding for lawsuits in exchange for a cut of any jury verdict or settlement.

While proponents argue this type of funding allows small plaintiffs to pursue cases they otherwise couldn't afford, critics including the U.S. Chamber of Commerce contend it can increase "abusive litigation."

Robert Raskopf, a lawyer for J.T. Colby at Quinn Emanuel Urquhart & Sullivan, declined to discuss the funding arrangement, and David Desser, Juris's managing director, declined to comment.

A spokeswoman for Apple declined to comment, and its lawyer, Dale Cendali of Kirkland & Ellis, did not respond to a request for comment.

### LIKELIHOOD OF CONFUSION?

The lawsuit was filed in 2011 by companies owned by John Colby, who had in 2006 bought the assets of two publishing companies in bankruptcy, iBooks, Inc and Byron Preiss Visual Publications, for \$125,000.

The iBooks imprint had been launched in 1999, with an intention of capitalizing on publishing opportunities on the Internet. The companies' then owner, Byron Preiss, had applied for a trademark in 1999, but the application was rejected by the U.S. Patent and Trademark Office.

Preiss and his companies continued to use the iBooks imprint to publish science fiction, horror and fantasy works until 2005, when he died in a car accident. Since the 2006 purchase, J.T. Colby, which does business as Brick Tower Press, has continued publishing books under the iBooks imprint in both book and e-book form, with modest sales.

The lawsuit claimed that Apple's iBooks infringed J.T. Colby's unregistered trademark for iBooks and would create "reverse confusion" among consumers.

But in a 71-page opinion, Cote granted Apple summary judgment and dismissed the case.

She rejected J.T. Colby's claim that "iBooks" was protectable since it could suggest a book with ideas, and as a result it constituted a "suggestive mark," one that's left to the consumers' imagination and that gets automatic trademark protection.

The evidence was lacking, Cote said, to show that the iBooks trademark could convey anything other than books for sale on the Internet, and as a result found it constituted a "descriptive mark," essentially a word used with a product in relation to its known meaning.

That created a higher bar for J.T. Colby, requiring the company to show that when Apple launched iBooks in 2010, the importance of the J.T. Colby iBook's mark was not the product but the producer. And Cote said J.T. Colby had not met that standard.

### MORE NEW YORK LEGAL NEWS

**Bank of NY Mellon appeals ruling on Chesapeake bond lawsuit**

**New York judge hears arguments over brand-drug coupons**

**BofA fires back at New York over modification violations**

**Patent trolls and multidistrict litigation: It's complicated**

**Judge denies FDA bid to stay 'morning-after' pill ruling**

**Analysis: New York may have to drop claims against BofA over Merrill**

**Citibank and former Dewey partner resolve loan dispute**

**Divided court tosses stock manipulation claims against investor**

**Wall Street law firm resigns from Rutgers investigation**

**D.C. judge: Site of misconduct determines if RICO reaches abroad**

The judge also held there was no evidence to establish a finding that Apple's iBooks created a likelihood of confusion among consumers.

The lawsuit will now hinge on a promised appeal to the 2nd U.S. Circuit Court of Appeals.

"We believe our case is good enough to move forward, so we'll see how we make out in 2nd Circuit," Raskopf said.

#### LAWSUIT FUNDING

J.T. Colby's reliance on a third-party litigation funder emerged through a series of public disclosures and filings last year, starting with comments at a February 2012 hearing by Thomas Morrison, the company's initial lawyer at Manatt, Phelps & Phillips.

Morrison said that in early 2011, John Colby, the company's owner, lined up its initial funding after an attempt at settlement talks with Apple "went nowhere."

"Mr. Colby is basically a sole proprietor of the three corporate plaintiffs who are in this case, and it was obvious to us Mr. Colby could not afford to litigate with Apple," Morrison said.

At the hearing and in a later court filing, Morrison said an unnamed litigation-funding firm made an "initial investment" in the case. Manatt Phelps agreed to a "substantial deferral" of its fees, after which funding would resume for most of the firm's fees, Morrison said.

By the end of 2011, the funding was out, Morrison said. The lawyer said he asked the funder to provide more funding. But while the funder was willing to pay expenses going forward, it asked for Manatt Phelps to take the case the rest of the way on contingency, Morrison said, something the firm wouldn't do.

Manatt Phelps sought to withdraw from the case in April 2012, and two new firms - Quinn Emanuel and Allegaert Berger & Vogel - stepped in.

Meanwhile, Juris Capital, which had to date not been identified in connection with the lawsuit, filed papers in June 2012 with the Delaware Secretary of State securing its rights to a portion of J.T. Colby's interest in payments stemming from disputes with Apple.

The documents said Juris executed purchase agreements with J.T. Colby and another of Colby's companies named as a plaintiff, iPicturebooks LLC, on Feb. 4, 2011, four months before the lawsuit was filed, and again on April 30, 2012, about a month after Manatt Phelps' move to withdraw.

The documents provide no details on financial terms of the purchase agreements.

The case is J.T. Colby & Company, Inc v. Apple Inc, U.S. District Court, Southern District of New York, No. 11-04060.

For J.T. Colby & Company: Robert Raskopf of Quinn Emanuel Urquhart & Sullivan and Partha Chattoraj of Allegaert Berger & Vogel.

For Apple: Claudia Ray and Dale Cendali, Kirkland & Ellis, and Perry Viscounty, Latham & Watkins.

Follow us on Twitter [@ReutersLegal](#) | Like us on [Facebook](#)

[Register or log in to comment.](#)