

**IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
AUSTIN DIVISION**

**Daniel R. Castro**  
**Plaintiff**

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v.

**CIVIL ACTION NO: 10CA695**

**ENTREPRENEUR MEDIA, INC.**  
**Defendant**

**CASTRO’S RESPONSE TO EMI’S PARTIAL MOTION  
TO DISMISS “ANTITRUST CLAIMS AND DEFENSES” UNDER RULE 12(b)(6)**

Now Comes Plaintiff, Daniel R. Castro (“Castro”) and files this Response to Entrepreneur Media Inc’s (“EMI”) Partial Motion to Dismiss Antitrust Claims and Defenses under Rule 12(b)(6) and would show unto the Court as follows. **NOTE:** This brief is intended to respond to EMI’s Motion at **Section IID** (alleging that Castro failed to state proper antitrust claims and defenses).

**I. CASTRO’S ANTITRUST CLAIMS ARE BOTH DEFENSIVE AND  
OFFENSIVE**

Castro’s antitrust allegations serve two very different purposes. They are: (1) statutory affirmative defenses under 15 U.S.C. 1115(b)(7) to EMI’s allegation of trademark infringement (in a threatening letter); and (2) causes of action against EMI for antitrust violations. EMI was not specific as to which antitrust allegations it was seeking to have dismissed. Therefore, Castro will respond as though EMI intended for them all to be dismissed.

**II. CONGRESS CREATED THE ANTITRUST DEFENSE**

In its Rule 12(b)(6) motion, EMI claims that a party accused of trademark infringement cannot state a viable antitrust defense because the plaintiff has a right to “petition the government” by suing to enforce its trademarks and by sending threatening letters policing the use of its trademarks. However, EMI failed to inform the court that the antitrust defense is one

of the statutorily created affirmative defenses Congress created to allow a party accused of trademark infringement to protect itself from trademark abuse. 15 U.S.C. 1115(b)(7). *See Park 'N Fly v. Dollar Park and Fly*, 469 U.S. 189, 201-202 (1985)(“Finally, if ‘monopolization’ of an incontestable mark threatens economic competition, 15 U.S.C. 1115(b)(7) provides a defense on the grounds that the mark is being used to violate federal antitrust laws”). Although Castro is the plaintiff here, he is only the plaintiff because he filed a declaratory judgment action seeking a declaration of trademark rights after receiving a “cease and desist” letter from EMI. His antitrust “claim” is actually a statutory affirmative defense to EMI’s allegations of trademark infringement. If EMI’s position were the law, Congress would not have specifically created an antitrust defense in the first place. Thus, it cannot be true that Castro has “failed to state a claim” (or a defense) under the Antitrust laws.

### **III. A TRADEMARK IN A COMMON NOUN HAS A MONOPOLISTIC EFFECT**

The problem that EMI fails to acknowledge in its motion is that it obtained “incontestable” status on the mark “entrepreneur” without ever having to prove to the Trademark Office or any judicial body that the consuming public associates the word “entrepreneur” with the publisher of a magazine, or that it even serves the public good by preventing confusion or deception - as required by law. *See Aloe Cream Labs v. Milson, Inc.*, 423 F.2d 845, 849 (5<sup>th</sup> Cir. 1970)(The Lanham Act requires proof that the consuming public associates the mark “with a single thing coming from a single source”). The “public record” documents from the U.S. Trademark Office attached hereto as Exhibit 1 indisputably show that EMI obtained both its trademark and its “incontestable” status without ever having to submit evidence showing that the consuming public automatically associates that mark with the publisher of a magazine. In a 12(b)(6) motion, this court is entitled to take judicial notice of these documents. *See Johnson v. City of Houston*, 2010

U.S. DIST. LEXIS 103626 (S.D. Tex. 2010)(citing *R2 Invs., LDC. v. Phillips*, 401 F.3d 638, 640, n.2 (5<sup>th</sup> Cir. 2005)).

Every court that has ever considered this issue agrees that allowing a person to kidnap a common noun without *that required proof* gives that person an illegal monopoly. See *Homemakers Home and Health and Health Care Service, v. Chicago Home For the Friendless*, 484 F.2d 625, 628 (7<sup>th</sup> Cir. 1973)(finding that trademarking the word “homemakers,” when there was no proof of secondary meaning, would grant an illegal monopoly on the use of a common noun and would be an infringement on Free Speech); *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 214 (2000)(“*Competition is deterred*, not merely by a successful suit, but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not to be worth the candle.”); *Peaceable Planet, Inc. v. Ty, Inc.*, 362 F.3d 986, 988 (7<sup>th</sup> Cir. 2004)(“If the first firm to produce an all bran cereal could obtain immediate protection, and thus prevent all other producers of all-bran cereal from describing their product as all bran, it would be *difficult for competitors* to gain a foothold in the market. *They would be as if speechless.*”)(emphasis added); *Teflora, Inc. v. Florists Transworld Delivery Ass’n*, 217 U.S.P.Q.2d 1081, 1083 (TTAB 1981)(“Because the term Easter basket is the common descriptive name for a bouquet in a basket for Easter, it cannot be a trademark subject to monopolization by FTD under the federal trademark laws or at common law.”); See *Park ‘N Fly v. Dollar Park and Fly*, 469 U.S. 189, 210, 213, 214 (1985)(J. Stevens, dissenting)(“The language of 2(e)(f) expressly demonstrates Congress’ concern over granting monopoly privileges in merely descriptive marks” and “There is a well-recognized public interest in prohibiting the commercial monopolization of phrases such as “park and fly”). Thus, it is nonsense for EMI to come into court and claim that Castro’s antitrust concerns are invalid or “meaningless.”

#### IV. THE NOERR-PENNINGTON DOCTRINE IS AN AFFIRMATIVE DEFENSE

The Fifth Circuit has actually ruled that the *Noerr-Pennington* doctrine (right to petition the government) on which EMI relies is actually an affirmative defense. *See Acoustic Systems, Inc. v. Wenger Corp.*, 207 F.3d 287, 295 (5<sup>th</sup> Cir. 2000)(“Although the *Noerr-Pennington* doctrine is frequently referred to as an ‘antitrust immunity,’ it provides only a defense to liability, not an immunity from suit.”). The Fifth Circuit went further and held, “Accordingly, we find the reasoning of the Third and Seventh Circuits convincing and conclude that, because the *Noerr-Pennington* doctrine provides only an *affirmative defense* against liability, not a right not to stand trial, a district court judgment denying summary judgment asserting the *Noerr-Pennington* defense is not an appealable collateral order.” *Id.* at 296 (emphasis added).<sup>1</sup> The Fifth Circuit reaffirmed that *Noerr-Pennington* is merely an affirmative defense in *Bayou Fleet, Inc. v. Alexander*, 234 F.3d 852, 860 (5<sup>th</sup> Cir. 2000)(“As we recently held in *Acoustic Systems*, the *Noerr Pennington* doctrine should be raised as an affirmative defense.”).

Instead of attacking Castro’s antitrust claims/defenses on the face of the pleading, EMI has improperly used Rule 12(b)(6) to raise an affirmative defense. This is not the purpose of Rule 12(b)(6). Rule 12(b)(6) is designed to weed out lawsuits in which the plaintiff has not presented a viable cause of action (or defense) for which there is an available remedy. *See Glover v. Mabrey*, 2010 U.S. App. LEXIS 11415, at \*9 (10<sup>th</sup> Cir. 2010)(“The purpose of this ‘plausibility’ requirement is ‘to weed out claims that do not in the absence of additional allegations have a reasonable prospect of success [and] inform the defendants of the actual grounds of the claim against them’”). Rule 12(b)(6) does not require Castro to prove, at this early juncture, that he is actually entitled to the remedy he seeks, but only that he has stated a claim for which there is an available remedy. *See Jones v. M.L. Greninger*, 188 F.3d 322, 324 (5<sup>th</sup> Cir. 1999)(“The issue is

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<sup>1</sup> Some of the cases cited by both parties will refer to *Noerr-Pennington* as an “immunity,” but Castro respectfully requests that the court follow the law in the Fifth Circuit, under which it is clearly an affirmative defense.

not whether the plaintiff will ultimately prevail, but whether he is entitled to offer evidence to support his claim”). By filing an affirmative defense, EMI makes an argument on the merits, and thereby acknowledges that Castro has stated a viable antitrust claim.

## V. “SHAM LITIGATION”

Further defeating its own motion, EMI even admits that if Castro were to plead and prove “sham litigation” it might not even be entitled to rely on the *Noerr-Pennington* doctrine at all. *See Professional Real Estate Investors, v. Columbia Pictures*, 508 US 49(1993). The “sham litigation” doctrine is an exception (i.e. an affirmative defense) to the *Noerr-Pennington* doctrine. *Id.* The facts of Castro’s complaint, which must be taken as true under Rule 12(b)(6), already support a “sham litigation” exception because they show that EMI’s letter threatening a lawsuit was “objectively baseless.” A letter threatening a lawsuit is a sham if: (1) it is “objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits”; (2) it is a disguised “attempt to interfere directly with the business relationships of a competitor.” *See Professional Real Estate Investors, Inc. v. Columbia Pictures Industries*, 508 U.S. 49, 60-61 (1993). The Supreme Court has already ruled that “competition is deterred” by *threats of a lawsuit* that seeks to exclude others from using a common ordinary noun when there is no evidence that this noun has acquired “secondary meaning.” *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 214 (2000).

EMI knew that in order to succeed on an infringement claim, it would have to prove: (1) that Castro intended to confuse or deceive people; (2) that people were actually confused and paid Castro money because they thought he had some affiliation with Entrepreneur magazine; and (3) similarity of marks. *See Sugar Busters v. Brennan*, 177 F.3d 258, 264 (5<sup>th</sup> Cir. 1999). In its threatening letter, EMI never made reference to any of this kind of evidence – *because it does not exist.*

In addition, the following facts pled in the complaint show that no reasonable person could realistically expect to win on the facts of *this case*: (1) It is illegal to kidnap a common noun that is in the public domain; (2) EMI has attempted to kidnap a common noun without the proof of “secondary meaning” as required by the Lanham Act; (3) Castro’s marks in question, EntrepreneurOlogy and Entrepreneur.Ology, are entitled to trademark protection because they are “inherently distinct,” they were coined by him, do not exist in any dictionary and are not used daily in major newspapers and magazines and websites; (4) These words are not “inherently deceptive;”<sup>2</sup> (5) Castro has never used these words to imply affiliation with or endorsement by Entrepreneur magazine; (6) EMI has never identified a single person who paid Castro money because they thought he was affiliated with or had the endorsement of Entrepreneur magazine; (7) Castro’s marks are so very different from EMI’s mark that, as a matter of law, they cannot possibly cause confusion;<sup>3</sup> (8) EMI cannot show conclusive evidence that its mark distinguishes its products and services from anyone else’s products and services related to entrepreneurship; (9) EMI cannot show that consumers associate the word “entrepreneur” *exclusively* with itself or its magazine; (10) Castro does not market or sell a print or online magazine of any kind. He simply writes books and articles on the subject of entrepreneurs and entrepreneurship for free distribution in print magazines, business journals, websites and online ezines, and provides keynote presentations, seminars, workshops and boot camps for entrepreneurs; (11) with no evidence of confusion or deception whatsoever, EMI sent Castro a letter demanding that he turn over his very valuable domain name EntrepreneurOlogy.com. The facts as pled must be taken as true. *See Oppenheimer v. Prudential Sec.*, 94 F.3d 189, 194 (5<sup>th</sup> Cir. 1996). All these facts can be found at para. See para. 5.21 – 5.30 and 7.47 – 7.52 and 10.2 – 10.17 of the First Amended Complaint.

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<sup>2</sup> It violates the First Amendment to prohibit the use of commercial speech that is not “inherently deceptive.” *See Piazza’s Seafood World, v. Odom*, 448 F.3d 744, 753 (5<sup>th</sup> Cir. 2006).

<sup>3</sup> *See Howe Scale Co. v. Wyckoff, Seamans & Benedict*, 198 U.S. 118, 139-40 (1905)

Castro pled that EMI's threatening letter was in "bad faith" and done only for the purpose of minimizing competition, stating, "Defendant's threatening letter to Castro (and to other small businesses) demonstrates bad faith and exhibits a 'specific intent' to use the trademark laws to minimize competition in the relevant market described above." See para. 7.52 of First Amended Complaint. In *Twombly*, the Supreme Court recognized that Rule 12(b)(6) must be read in conjunction with Rule 8(a), which requires a "short and plain statement of the claim showing that the pleader is entitled to relief." *Bell Atlantic Corp. v. Twombly*, 127 S.Ct. 1955, 1965-1966, n.5 (2007). The Rule 8(a)(2) standard states, "[s]pecific facts are not necessary; the [factual allegations] need only 'give the defendant fair notice of what the ... claim is and grounds upon which it rests.'" See *Johnson v. City of Houston*, 2010 U.S. DIST. LEXIS 103626 (S.D. Tex. 2010)(citing *Erickson v. Pardus*, 551 U.S. 89, 93 (2007)). Under Rule 8, the facts as pled are sufficient to put EMI on notice that Castro intends to prove the threatening letter was sent in "bad faith" and was, therefore, "objectively baseless." However, if it is necessary to actually use the magic words "sham litigation" and "objectively baseless" in the complaint, then Castro seeks leave to add them.<sup>4</sup> Normally, a defendant files a Rule 12(b)(6) motion because the plaintiff pled only a formulaic recitation of the elements of a claim (or defense) *without any supporting facts*. *Twombly*, 127 S.Ct. 1955. Here, EMI has done the opposite. It has accused Castro of stating very specific facts - *without a formulaic recitation* of the required elements. However, in doing so, EMI has given Castro a clear roadmap to amend his complaint. EMI cannot now be heard to argue that such an amendment would be fruitless.

Moreover, it is irrelevant that EMI may have prevailed in a single isolated case against a defendant that had bad facts going into the lawsuit. See *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135 (9<sup>th</sup> Cir. 2002). The question before this court is not whether a reasonable person who

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<sup>4</sup> See Motion For Leave to Amend filed on this same date.

was about to send a threatening letter could realistically believe it would win on the facts of a different case, but in this one.<sup>5</sup>

## VI. “SHAM LITIGATION” IS A QUESTION OF FACT

When the facts of “sham letter” are disputed, the “sham litigation” exception cannot be decided as a matter of law. See *In re Gabapentin Patent Litigation*, 649 F.Supp. 2d 340, 363 (D. N.J. 2009). “All that is necessary is for the complainant to allege facts, which if proven, show that the defendant is not entitled to *Noerr-Pennington* immunity under the sham litigation exception.” *Id.* If the claimant has done so, he is entitled to go forward with the discovery process to find sufficient evidence in support of the “sham litigation” exception. *Id.* Even a cursory review of the complaint shows that Castro has pled enough facts to put EMI on notice that he intends to prove EMI’s letter was sent in “bad faith” and was, therefore, “objectively baseless.” See para. 5.21 – 5.30 and 7.47 – 7.52 and 10.2 – 10.17 of First Amended Complaint. If EMI disputes any of these facts, the Rule 12(b)(6) motion must be denied. *Id.* (citing *Skinder-Strauss Assoc v. Mass Continuing Legal Educ., Inc.*, 870 F. Supp. 8, 10 (D. Mass 1994)).

## VII. DEFINITION OF “THE MARKET” IS A QUESTION OF FACT.

EMI misguides the court when it says Castro never pled “dangerous probability” of monopoly. Over and over, Castro made very specific allegations that there is a “dangerous probability” of monopolization, and included very specific facts to support that allegation. See para. 5.27, 7.19, 7.49, 10.15 of First Amended Complaint. When read closely, EMI’s argument is nothing more than an argument on the facts – EMI asserts that Castro pled a market that is too broad. EMI simply does not agree with his market definition. It is elementary that the “relevant market” is a question of fact which necessarily depends on the unique situation of each case. See *United States v. du PONT*, 353 U.S. 586, 649 (1956)

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<sup>5</sup> In *EMI v. Smith*, several witnesses testified that the defendant had actually attempted to deceive them by claiming affiliation with Entrepreneur magazine. See *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135 (9<sup>th</sup> Cir. 2002). Those facts are dramatically different from the facts of this case.



“ The relevant market is the ‘area of effective competition’ within which the defendants operate. The problem of defining a market turns on discovering patterns of trade which are followed in practice. ... This determination is primarily one of fact.”). Because the definition of the “relevant market” is a question of fact, it is improper for this court to determine whether Castro has defined the market properly at this time.<sup>6</sup> The only question before this court is whether Castro “is entitled to offer evidence in support of his claim. *See Jones v. Greninger*, 188 F.3d 322, 324 (5<sup>th</sup> Cir. 1999). The very fact that EMI disagrees with Castro’s definition of the “relevant market” is proof positive that Castro has stated sufficient facts to generate a factual dispute. Therefore, the 12(b)(6) motion must be denied.

### VIII. EXCLUSIONARY AND ANTICOMPETITIVE CONDUCT

EMI also misguides the court by claiming that Castro did not plead “exclusionary and anticompetitive” conduct. Castro specifically pled “exclusionary and anticompetitive” conduct in paragraph numbers 7.48 to 7.50 of his First Amended Complaint, along with very specific facts to support that allegation. EMI has completely ignored the following statement of fact in paragraph 7.50.

EMI’s pattern of attempting to steal other people’s domain names (which were properly owned and registered) and by threatening expensive litigation – simply because they have used a derivation of the word “entrepreneur” is *exclusionary and anticompetitive* because it is not necessary for competition on the merits, and is not reasonably necessary to compete on the merits. It is therefore, not supported by a valid business reason. (emphasis added).

Castro made a similar allegation of “exclusionary and anticompetitive” conduct at para. 7.20 and 10.16 of his complaint. All of these facts, which must be taken as true, show that EMI’s conduct is “exclusionary and anticompetitive.” Even the Supreme Court agrees: *Wal-Mart*

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<sup>6</sup> EMI simply argues that the market Castro defined is “too broad.” Perhaps EMI is correct - in that the market should be more narrowly defined as “hard print magazines dealing with entrepreneurship.” In this market, EMI has an absolute monopoly. Therefore, Castro seeks leave to amend the complaint. Because EMI itself has provided a road map for Castro to amend his pleadings, it cannot now be heard to say that an amendment would not be effective.

*Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 214 (2000)(“*Competition is deterred*, not merely by a successful suit, but by the *plausible threat* of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not to be worth the candle”)(emphasis added).

#### **IX. INTENT CAN BE PROVEN BY CIRCUMSTANTIAL EVIDENCE**

The courts have recognized that defendants who violate the law rarely run out in the streets and announce their intent. Therefore, it is elementary that circumstantial evidence is always admissible to prove intent. *See Hangards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1293 (9<sup>th</sup> Cir. 1984)(“An antitrust plaintiff can establish the existence of specific intent not only by direct evidence of unlawful design, but by circumstantial evidence of illegal conduct.”). The Ninth Circuit in *Hangards* also held that “the requisite intent to monopolize in this case could be inferred from the finding of bad faith.” *Id.* Here, Castro has not only pled “specific intent” but has also given a lengthy factual explanation of why EMI’s threatening letter was sent in “bad faith” and further explained how EMI’s attempts to prevent competitors from using a common noun is designed to create “barriers to entry.” See para. 5.21 - 5.28 and 7.48 - 7.52 of First Amended Complaint. The case law cited in Section III of this brief shows clearly that kidnapping a common noun without the requisite proof of “secondary meaning” is monopolistic. These facts (and the law) provide a sufficient showing of intent to defeat a 12(b)(6) motion.

#### **X. EMI HAS “UNCLEAN HANDS”**

Finally, even if the essential elements of a technical monopoly are not present, the doctrine of “unclean hands” is an effective bar to an infringement action when the owner of intellectual property is abusing its rights in a manner that *potentially* limits competition. See *Morton Salt Co. v. G.S. Suppiger, Co.*, 314 US 488, 494 (1942)(Holding that the “unclean hands” doctrine bars a patent infringement claim even when there was no technical violation of antitrust laws).

WHEREFORE, Castro respectfully requests the EMI's Rule 12(b)(6) motion be denied.

Respectfully submitted,  
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#### **CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of this pleading was filed with the Clerk of the Court using CM/ECF system, which will send a notification of a Notice of Electronic Filing to the following counsel of record on December 15, 2010:

	William G. Barber Pirkey Barber, LLP 600 Congress Avenue, Suite 2120 Austin, Texas 78701
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Daniel R. Castro