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

Daniel R. Castro	§	
Plaintiff	§	
	§	
	§	
v.	§	**CIVIL ACTION NO: 10CA695**
	§	
	§	
	§	
ENTREPRENEUR MEDIA, INC.	§	
Defendant	§	

CASTRO'S RESPONSE TO EMI'S PARTIAL MOTION TO DISMISS "NON-INFRINGEMENT CLAIMS" 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 Under Rule 12(b)(6) and would show unto the Court as follows. **NOTE:** This brief is intended to respond to the following sections of EMI's motion: **Section II. E** (alleging that Castro has not stated a proper claim of non-infringement) and **Section II. F** (alleging Castro has not stated proper claims of "nominative fair use," "acquiescence," or "estoppel").

I. EMI's MOTION IS AN IMPROPER ARGUMENT ON THE MERITS

EMI argues that Castro has failed to state a viable defense of non-infringement. However, EMI's argument consists entirely of an argument on the merits, which is improper in a 12(b)(6) motion. *See Jones v. M.L. Greninger*, 188 F.3d 322, 324 (5th Cir. 1999). Under the Supreme Court's Rule 12(b)(6) standard, Castro need only submit enough statements of fact to show that his claim for relief is "plausible." *Bell Atl. Corp. v. Twombly,* 550 U.S. 544, 556 (2007); *Ashcroft v. Iqbal*, 129 S.Ct. 1937, 1949 (2009). Castro has given EMI *more than fair notice* of the facts and law upon which his claim of "non-infringement" rests. *Bell Atlantic Corp. v. Twombly*, 127 S.Ct. 1955, 1965-1966, n.5 (2007). If he had not, EMI could not make an argument on the merits.

II. THE "INCONTESTABLE" PROVISIONS OF THE LANHAM ACT ARE UNCONSTITUTIONAL

Once again, EMI either misconstrues or deliberately attempts to misguide the court as to the nature of Castro's claims. EMI's entire argument is based on its ill-founded presumption that Castro's claim of non-infringement rests entirely on his attempts to invalidate the entire Lanham Act. Nothing could be further from the truth. Castro's non-infringement claims do rely, in part, on his First Amendment claims, but not entirely. The other bases upon which Castro's claim of non-infringement rely can be found at para. 7.29 – 7.41 of the First Amended complaint. However, the only other basis of non-infringement that EMI's motion attacks is the "fair use" claim.

The first basis of non-infringement that EMI attacks is the First Amendment claim. Castro made it very clear in his complaint that there are *only two small provisions* of the Lanham Act that are unconstitutional "as applied" to the facts of this case.[1] Section 1065 is the statute that allows a trademark to become "incontestable" without a showing that the mark ever had, or continues to have, "secondary meaning," or that it continues to serve the public good by designating a single, exclusive source of the goods or services at issue. Section 1115(b) is the section that prohibits the defendant in an infringement action from submitting evidence that the mark lacks "secondary meaning" or that consumers simply do not associate that mark with a single, exclusive provider of the goods or services at issue. EMI failed to set forth any arguments demonstrating why Castro's constitutional challenge of these two specific sections should not be allowed to proceed. For this reason alone, the 12(b)(6) motion should be denied.

Castro agrees that the First Amendment does not protect all speech (i.e. fraudulent speech, or speech that is intended to deceive or confuse). However, if the facts are to be taken as true, as they must, none of that kind of prohibited speech is at issue here. At present, the undisputed

[1] In order to narrow the issues, on this same date, Castro has filed a Notice of Dismissal voluntarily dismissing his "facial" constitutional challenge of those two sections and will proceed only with his "as applied" challenge.

facts show that Castro has never attempted to use the mark Entrepreneur.Ology or EntrepreneurOlogy to deceive or confuse the public, or to imply that they had the sponsorship of or affiliation with Entrepreneur magazine. Castro has simply used them to designate himself as the single, exclusive provider of his own unique *literary* goods and *literary* services (which do not include a magazine or an interactive website). The undisputed facts also show that Castro's two marks are newly created words coined by Castro himself, which are very different from EMI's common, everyday noun.

EMI also forgets that even purely "commercial speech" is entitled to First Amendment protection.[2] *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748, 759 (1976)("speech does not lose its First Amendment protection because money is spent to project it .... speech likewise is protected even though it is carried in a form that is sold for profit."). Even if the speech at issue here were purely commercial, regulations that have the effect of suppressing honest, truthful, non-deceptive, non-coercive speech are still subject to "strict scrutiny" analysis. *See Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, 447 U.S. 557, 578 ("We have not suggested that the 'commonsense differences' between commercial speech and other speech justify relaxed scrutiny of restraints that suppress truthful, nondeceptive, noncoercive commercial speech.").

The Fifth Circuit has already ruled that any law, even in a purely commercial speech case, that has the effect of limiting the use of a common noun that is *not inherently deceptive* is an unconstitutional violation of the First Amendment. *See Piazza's Seafood World, v. Odom*, 448 F.3d 744, 753 (5th Cir. 2006)(finding that the state's interest in preventing deception in commercial speech was not furthered by a regulation that limited the commercial use of common nouns ["Cajun Boy" and "Cajun Delight"] that were not inherently deceptive). The

[2] Castro disagrees that his trademarks are "purely commercial" speech. As discussed in this brief, they are either "literary" or "mixed use" speech.

"incontestable" provisions at issue here have the effect of prohibiting Castro's use of speech that is "not inherently deceptive." They are, therefore, unconstitutional – as applied.

Castro submits that his trademarks are purely literary and artistic because they merely brand literary and artistic works.[3] Economic motive is not the determining factor. The Supreme Court has ruled that, "The mere fact that these pamphlets are conceded to be advertisements clearly does not compel the conclusion that they are commercial speech. Similarly, the reference to a specific product does not by itself render the pamphlets commercial speech." *Bolger v. Youngs Drug Products,* 463 U.S. 60, 66 (1983). The Court also made it clear that having an economic motive alone, "would clearly be insufficient by itself to turn the materials into commercial speech." *Id.* at 67.

The Supreme Court itself acknowledges that the line between "commercial" and "non-commercial" speech is often blurry. *Id.* at 581, n. 4. Even the Supreme Court justices themselves cannot agree on what is and what is not "commercial speech." *Id* (three judges concurring and one dissenting). Despite the fogginess over the conceptual differences, the U.S. Supreme Court agrees that that speech by professional speakers, authors and journalists is *non-commercial* speech, and is, therefore, entitled to the full protection of the First Amendment. *See Central Hudson Gas & Electric Corp. v. Public Service Commission of New York,* 447 U.S. 557, 580, n. 2. The Supreme Court confirmed that "partially economic motives" do not transform non-commercial speech into purely free speech. It would be illogical to conclude that branding those artistic and literary endeavors under a trademark suddenly transforms the trademark into purely "commercial speech."

To make things easier on the lower courts, the Supreme Court has decided that when the literary, artistic, and commercial aspects of the speech at issue appear to be "inextricably

[3] Regulations restricting non-commercial speech receive "strict scrutiny" analysis. *See Board of Trustees of the State University of New York v. Fox*, 492 U.S. 469, 475-485 (1989).

intertwined," the regulation at issue is still to receive "strict scrutiny" analysis. *See Riley v. National Federation of Blind, Inc.*, 487 U.S. 781, 796, (1988). Therefore, even if this court finds that the two aspects of the speech appear to be inextricably intertwined, this court is required to apply "strict scrutiny" analysis. *Id.*

Section 1065 and 1115(b) fail "strict scrutiny" analysis for the following reasons.[4] The regulations: (1) are NOT designed to further a "compelling" governmental interest because they protect a common noun that has never been shown to designate the single, exclusive provider of a magazine; This is antithetical to the very purpose of the Lanham Act, not in furtherance of it; (2) are NOT "narrowly tailored" to achieve that compelling interest because it has the effect of suppressing the honest, non-deceptive use of a common noun; and (3) do NOT use the "least restrictive" means to further that interest because Congress could easily have required that the owner of the mark show tangible proof that it had attained "secondary meaning" as a condition of obtaining "incontestable" status. *See Park 'N Fly,* 469 U.S. at 219 (J. Stevens dissenting)(Congress could "simply require the owner of a merely descriptive mark to prove secondary meaning before obtaining any benefit from incontestability").

III. AT LEAST ONE SUPREME COURT JUDGE AGREES WITH CASTRO

As Supreme Court Justice Stevens stated in his scathing dissent in *Park 'N Fly*, "The problem in this case arises because of petitioner's attempt to enforce as "incontestable" a mark that Congress has plainly stated is inherently unregistrable." *Park 'N Fly Inc. v. Dollar Park and Fly, Inc.,* 469 U.S. 189, 206 (1985).

The Supreme Court in *Park 'N Fly* dealt with whether the defendant in an infringement action could submit evidence and arguments that the words "Park 'N Fly" were "merely descriptive" of the services being offered, and therefore, not protected by the Lanham Act. The

[4] They also fail "intermediate scrutiny" for the same reasons – plus one. *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, 447, U.S. 557 (1980).

majority recognized the problems caused by the "incontestable" sections of the Lanham Act in question, but because no one had challenged their constitutionality on First Amendment grounds, the majority took the easy way out, stating, "Our responsibility, however, is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted." *Id.* at 203. The Court interpreted Sections 1065 and 1115(b) literally and upheld the lower court's decision to prohibit the defendant from defending the infringement action on the ground that the words were "merely descriptive" and had not achieved "secondary meaning."

The dissent, however, cleared a broad path for anyone who was willing to challenge those two sections on First Amendment grounds. First, Justice Stevens pointed out that the owner of that mark had never actually submitted any evidence to the Patent and Trademark Office that its mark had acquired "secondary meaning" or that it was anything more than a phrase that described the service in question (airport parking) *Id.* Justice Stevens could have easily been describing EMI's posture in this case.[5] Second, Justice Stevens pointed out that it does not further the interests of the Lanham Act to give "incontestable" status to a mark that merely describes the goods and services being offered unless there was actual proof that, in the minds of the consuming public, it had come to designate a single, exclusive source of the service. Justice Stevens stated, "*No legislative purpose* is served by granting anyone a monopoly in the use of such a mark." (emphasis added). *Id.* Justice Stevens clearly saw that the "incontestable" provisions of the Lanham Act could never survive a "strict scrutiny" analysis under the First Amendment because those two provisions were not designed to further a compelling

[5] The "public record" documents from the U.S. Trademark Office attached hereto jointly 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. This is what Judge Stevens was complaining about. 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 (5th Cir. 2005)).

governmental interest, and were not narrowly tailored to achieve that interest.[6] Justice Stevens also stated, "No one ever suggested that *any public purpose* would be served by granting incontestable status to a mark that should never have been accepted for registration in the first instance." *Id.* at 669 (emphasis added).

Justice Stevens also pointed out that the blind application of these two provisions to prohibit the introduction of evidence that the mark lacks "secondary meaning" was not rational: "But if no proof of secondary meaning is ever presented, either to the Patent and Trademark Office or to a court, *there is simply no rational basis* for leaping to the conclusion that the passage of time has transformed an inherently defective mark into an incontestable one" (emphasis added). Justice Stevens also pointed out: "Congress enacted the Lanham Act 'to secure trademark owners in the goodwill which they have built up.' But without a showing of secondary meaning, there is no basis upon which to conclude that petitioner has built up any goodwill that is secured by the mark." *Id.* at 599-600. Thus, the "incontestable" provisions of the Lanham Act fail all three of the "strict scrutiny" tests. Castro has clearly stated a viable cause of action under the First Amendment challenging the constitutionality of these two provisions. At least one Supreme Court Justice would agree.

IV. FAIR USE

The second basis of non-infringment that EMI attacks is the "fair use" claim. Here, EMI at least acknowledges that the "fair use" defense is a statutorily created affirmative defense. 15 USC 1115(b)(4). It is, therefore, a viable defense, and is not subject to a 12(b)(6) motion. Castro has pled that the "fair use" defense applies to three things: (1) his use of the common noun "entrepreneur" in his articles, books, keynote presentations, seminars and workshops; (2) his use of the word "EntrepreneurOlogy" in the domain name: www.EntrepreneurOlogy.com;

[6] Judge Stevens did not specifically address the First Amendment because that issue was not before the court. But his recognition that the "incontestable" provisions could serve "no legitimate purpose" indicate he was using "strict scrutiny" analysis.

and (3) as a trademark "EntrepreneurOlogy. See First Amended Complaint at para. 7.29, 7.36 and 7.39. EMI acknowledges that the "fair use" defense, and indeed the First Amendment, allow Castro to use the noun "entrepreneur" in his articles, books, keynote presentations, seminars and workshops. This statement is a judicial admission that Castro is at least entitled to a judicial declaration by this court that he can use the word "entrepreneur" in a literary context. Therefore, he is entitled to a declaratory judgment in his favor on his first claim. This brings some "relief from uncertainty," but not enough. It is a shame that EMI forced an average consumer to file this action and take up the court's time simply to obtain a judicial declaration of that very basic right. EMI's motion has proved the opposite of what it set out to prove. EMI has conceded that Castro is entitled to the relief he seeks regarding the literary use of the word "entrepreneur." Therefore, Castro is entitled to declaratory judgment on that particular claim. See para. 7.29, 7.36 and 7.39 of First Amended Complaint.

EMI did not address Castro's "fair use" claim as applied to his domain name "EntrepreneurOlogy.com." However, EMI appears to concede that, because it is not being as a trademark, the "fair use" defense would protect this domain name. Indeed, the only argument EMI makes is that the "fair use" defense does not protect Castro's use of the word "EntrepreneurOlogy" – as a trademark. Castro concedes this fact and has, therefore, filed a Notice of Dismissal on this same date, withdrawing the use of that defense as to Castro's trademark "EntrepreneurOlogy." However, for all the reasons already presented, the First Amendment still protects the trademark "Entrepreneur.Ology" regardless of whether it is "literary" or "commercial speech" because it is not "inherently deceptive" or confusing. Moreover, Castro is entitled to rely on the "fair use" defense to protect his use of this self-coined word as a domain name (because a domain name is not a trademark). A third layer of protection

comes from the Anticybersquatting Consumer Protection Act, which protects Castro's "fair use" of this word as a domain name. See 15 USC 1125(d).

Even though Castro is withdrawing his reliance on "fair use" to protect his trademark, Castro's still seeks a judicial declaration that the First Amendment protects Castro's use of this self-coined word *as a trademark* because it is "literary," not commercial speech. Moreover, even if this court deems it to be commercial speech, it is "not inherently deceptive," and is therefore, still protected by the First Amendment. The mechanism through which Castro asks the Court to protect his right to use this word *as a trademark* is to declare the "incontestable" provisions of the Lanham Act unconstitutional – as applied; or, in the alternative, to simply declare the noun "entrepreneur" to be a "generic" word and not capable of protection by the Lanham Act. It is much easier to declare the word "generic" and avoid the constitutionality issues altogether, but that is for the court to decide. Generic marks are subject to cancellation at any time. See 15 USC 1064 (c).

V. THE FOLLOWING DEFENSES ARE NOW MOOT

On this same date, and solely for the purpose of narrowing the issues, Castro has filed a Notice of Dismissal, withdrawing his reliance on the "nominative fair use" defense, "acquiescence" defense, and the "estoppel" defense. For clarification, these defenses are actually "claims" because they were raised in a declaratory judgment action. The Rule 12(b)(6) motion is, therefore, moot as to these issues. Rule 41(a)(1) allows a plaintiff to dismiss all or part of its claims *without leave of court* before the defendant files either an answer or a motion for summary judgment. *See Crawley, LLC v. Trans-Net, Inc.* 2010 U.S. App. LEXIS 18406 (5TH Cir. 2010). In *Crawley*, the Fifth Circuit held, "The language of Rule 41(a)(1) is unequivocal. It permits a plaintiff to dismiss an action 'without order of court." In a separate case, the Fifth Circuit also held that, "The filing of notice itself closes the file. There is nothing the defendant

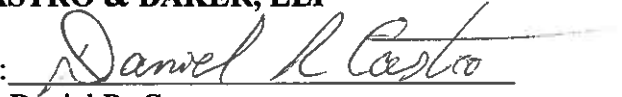
can do to fan the ashes of that action into life and the court has no role to play. This is a matter of right running to the plaintiff and may not be extinguished or circumscribed by adversary or court. There is not even a perfunctory order of court closing the file. It is alpha and omega and was the doing of the plaintiff alone." *See American Cyanamid Co. v. McGhee*, 317 F.2d 295, 297 (5th Cir. 1963). If EMI disagrees with Castro's right to voluntarily dismiss these claims without leave of court, then in the alternative, Castro hereby seeks leave to dismiss these defenses under Rule 41(a)(2). Since it has not filed an answer and no discovery has occurred, and there is not even a scheduling order in place, EMI is not been prejudiced by this dismissal. *See Crawley*, at *3.

VI. CONCLUSION

First, EMI concedes that Castro is entitled to a declaratory judgment that he is entitled to use the word "entrepreneur" in his books, articles, keynote presentations, seminars and workshops. Therefore, Castro will be filing a motion for judgment on the pleadings and seeking attorney's fees under the Declaratory Judgment Act. Second, EMI has improperly used a 12(b)(6) motion, not to attack the face of the pleadings, but to attack the substantive merits of Castro's Free Speech claims and defenses. The undisputed facts and the law set forth here show clearly that Castro has stated a viable challenge to the Constitutionality of the "incontestable" provisions of the Lanham Act. EMI did not present any law that shows why Castro's constitutional challenge of these two provisions should not be allowed to go forward. But even if it had, at least one Supreme Court Justice would agree that Castro has stated a viable constitutional challenge to these two provisions of the Lanham Act. The 12(b)(6) motion should, therefore, be denied.

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

Respectfully submitted,
CASTRO & BAKER, LLP

By: 

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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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