

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

**Daniel R. Castro
Plaintiff**

v.

**ENTREPRENEUR MEDIA, INC.
Defendant**

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CIVIL ACTION NO: 10CA695

**CASTRO’S RESPONSE TO EMI’S PARTIAL MOTION
TO DISMISS “REVERSE DOMAIN NAME HIJACKING” 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. I.** (alleging that Castro has not stated a proper Reverse Domain Name Hijacking claim).

I. FACTS

On September 7, 2010, EMI sent Castro a threatening letter alleging trademark infringement and a violation of the Anticybersquatting Consumer Protection Act (“ACPA”). 15 U.S.C. 1125(d). EMI also demanded that he transfer the ownership of the very valuable domain name: www.EntrepreneurOlogy.com to EMI. Castro responded by filing this declaratory judgment action requesting a clarification of the rights and responsibilities of the parties. Castro also filed an affirmative cause of action against EMI alleging violations of Section 2 of the Sherman Antitrust Act. EMI has not moved to dismiss Castro’s declaratory judgment act claims regarding his defenses to the Anticybersquatting Consumer Protection Act. EMI has

only moved to dismiss Castro's affirmative cause of action against it under Section 2 of the Sherman Antitrust Act.

II. EMI HAS MOVED TO DISMISS THE WRONG CLAIM

EMI presumes Castro's claim was brought under the Lanham Act, and makes a very persuasive argument for why the Lanham Act does not support such a cause of action. However, nowhere in Castro's claim did he make reference to the Lanham Act or even imply that this cause of action arose under the Lanham Act. Castro specifically said EMI had violated Section 2 of the Sherman Antitrust Act by sending that threatening letter and trying to steal his domain name. Castro also incorporated by reference all the facts from the antitrust sections of the complaint. See para. 10.10 of the First Amended complaint. Technically, the nomenclature "Reverse Domain Hijacking" only exists in academic circles, but Castro has adopted it as the label for this very unique brand of antitrust violations by EMI – because it is the best description of EMI's conduct.

Castro also alleged all the essential elements of an antitrust claim and supported them with very specific facts. See para 10.1 – 10.18 of the First Amended Complaint. Indeed, EMI did not argue that Castro failed to state sufficient facts to support this particular brand of antitrust claim.

Castro also alleged sufficient facts to show that EMI was acting with the required "specific intent" and that it was acting in "bad faith," and not in a legitimate effort to police the use of its mark. See para. 9.2 - 9.16. These facts support the "sham litigation" exception to the *Noerr-Pennington* doctrine because they show that EMI's threat was "objectively baseless" and that no reasonable person could realistically think it could prevail on a Cybersquatting Act claim if

the following facts were true. *See Professional Real Estate Investors, Inc. v. Columbia Pictures Industries*, 508 U.S. 49, 60-61 (1993)(explaining “sham litigation” defense).

The following facts (pulled straight from the First Amended Complaint), which must be taken as true under Rule 12(b)(6), demonstrate that no reasonable person could realistically expect to win on a Cybersquatting Act claim against Castro.

(1) Castro is the owner of the mark “EntrepreNeurology” under common law and the federally registered owner of the “EntrepreNeurology,” under Trademark Registration No: 3,663,282. It is a defense to an ACPA claim that the defendant was already the owner of a trademark and is now simply registering it as his domain name. “In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors as, but not limited to – (I) the trademark or other intellectual property rights of the person, if any, in the domain name.” 15 USC 1125 (d)(1)(B)(i)(I). The ACPA further states: “Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.” 15 USC 1125 (d)(1)(B)(ii).

This spelling of the trademark “EntrepreNeurology” is exactly the same as in the domain www.EntrepreneurOlogy.com. The only difference is the capitalization of the “N” in one word, and the capitalization of the “O” in the other word. However, in a digital world, neither the internet nor the consumers know the difference. Castro clearly acted in good faith when he registered a domain name for which he already owned the trademark.

Id.

(2) EMI has never claimed ownership of the mark “EntrepreNeurology” or the mark “EntrepreneurOlogy” and has no ownership interest whatsoever in those marks. Therefore, it is not entitled to protection under the Anticybersquatting Consumer Protection Act. 15 U.S.C. 1125(d).

(3) Moreover, Castro was using the mark EntrepreneurOlogy and EntrepreNeurology in commerce before EMI, and registered the domain name www.EntrepreneurOlogy.com before EMI. In fact, EMI has never used the word EntrepreNeurology or EntrepreneurOlogy in commerce to market its goods or services.

(4) When EMI sent Castro a threatening letter demanding that he turn over his valuable property rights to them, it knew that Castro was the owner of a registered trademark in the mark “EntrepreNeurology” and therefore, was entitled to register the domain www.EntrepreneurOlogy.com because the spelling is identical. ACPA, 15 USC 1125 (d)(B)(i)(I). Therefore, EMI’s threatening letter is an abuse of the Anticybersquatting Consumer Protection Act and attempt to monopolize in violation of Section 2 of the Sherman Act.

(5) Castro registered that domain name in good faith, and has never tried to sell it to EMI or anyone else for profit.

(6) Because the word “entrepreneur” is a generic word that has been in the public domain for hundreds of years, EMI does not have a mark that is “famous” or “distinct” or has any chance of being confused with the domain: www.EntrepreneurOlogy.com.

(7) Castro is making a bona fide use of the domain www.EntrepreneurOlogy.com to market his goods and services.

- (8) Castro has not made any attempt to divert consumers away from EMI's website or to harm EMI's goodwill in any way.
- (9) Castro has never implied that the domain www.EntrepreneurOlogy.com has any affiliation with or sponsorship or endorsement by EMI.
- (10) The contact information associated with the registration of the domain is Castro's own office address, and the phone number given was his office number. Therefore, there is no evidence that Castro provided any false or misleading contact information in the registration of the domain.
- (11) Castro has never engaged in a pattern of registering multiple domain names which are identical or confusingly similar to marks that belong to others.
- (12) Castro believed in good faith that his registration of the domain name was fair use and/or otherwise lawful because he is the owner of Trademark No. 3,663,282 for the mark "EntrepreNeurology," which has the identical spelling as the domain name in question.
- (13) EMI's pattern of threats and lawsuits against anyone who uses any variation of the common noun "entrepreneur" is an attempt to create a monopoly and a barrier to entry for competitors who wish to provide magazines, books, articles, websites, blogs, trade shows, workshops, seminars, boot camps, and keynote presentations on the topic of entrepreneurs and entrepreneurship.
- (14) EMI has demonstrated the requisite "specific intent" to monopolize by engaging in a pattern of anticompetitive conduct designed to create barriers to entry, and exclude competition.
- (15) Specifically, EMI has engaged in a pattern and practice of sending "cease and desist" letters to many competitors demanding that they turn over to EMI their valuable property rights in domain names that use any derivation of the word "entrepreneur." This constitutes attempted theft and an attempt to monopolize in violation of Section 2 of the Sherman Antitrust Act.

(16) This unilateral conduct comes “dangerously close” to achieving monopoly power and is having an anticompetitive effect on a substantial amount of interstate commerce.

(17) EMI has sufficient market power in the above described market to be held liable for “attempted monopolization” under Section 2 of the Sherman Antitrust Act. Therefore, there is a “dangerous probability” that EMI’s attempt to monopolize will succeed.

(18) EMI’s pattern of attempting to steal other people’s domain names (which were properly owned and registered) and 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. EMI’s behavior is designed to destroy competition, not simply to destroy a competitor.

III. THE ESSENTIAL ELEMENTS OF AN ANTICYBERSQUATTING CONSUMER PROTECTION ACT CLAIM

Not surprisingly, EMI did not inform the court of the essential elements of a claim under the ACPA because it would demonstrate that the letter threatening an ACPA claim against Castro on the facts in this case was “objectively baseless” and in “bad faith.”

The ACPA, requires that the plaintiff show the defendant was acting in “bad faith” when it registered the domain name in question. See 15 USC 1125(d)(1)(A). The ACPA states:

A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person has a *bad faith intent* to profit from that mark, including a personal name which is protected as a mark under this section; and registers, traffics in, or uses a domain name that is [distinct or famous](emphasis added).

As usual, the burden of proof is on the party alleging the violations. *Harrods, Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214 (4th Cir. 2002). Under ACPA 15 USC (d)(1)(B), the

following factors determine whether the defendant acted in bad faith: (1) does the defendant own a trademark in the same domain name he registered? (2) has the defendant actually used the domain name previously in connection with a bona fide offering of goods and services? (3) is the defendant's bona fide non-commercial or fair use of his own trademark accessible under the domain name? (4) did the defendant intend to divert consumers away from the owner's online location? (5) did the defendant offer to sell the domain name to the owner of a famous trademark or any third party for financial gain (i.e. this would be like selling Britney.com to Britney Spears)? (6) did the defendant provide false or misleading contact information to the domain registrar when registering the domain name? (7) did the defendant show a pattern of registering other domain names knowing they were identical or confusingly similar to the marks owned by others? (8) is the domain name at issue identical to a "famous" or "distinct" mark owned by a third party? Since Castro already owned a federally registered trademark in the same name he registered, it was reasonable for him to believe he was acting in "good faith" as required by ACPA. 15 USC (d)(1)(B).

The ACPA further states, "Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful." 15 USC (d)(1)(B)(ii)

The facts stated in the complaint and repeated above, which must be taken as true, demonstrate that no reasonable person could realistically expect to win against Castro on the facts of this case. Castro already owned the mark "EntrepreNeurology" before he registered the domain name "EntrepreneurOlogy.com." The spelling is exactly the same, and the internet does not distinguish between capital and lower case letters in a domain name. Castro was already offering

goods and services under that mark. Castro has never tried to sell that domain name to EMI or anyone else. Castro publicly disclosed his true address, email and phone number – both in the registration application and on the website. The domain is not confusingly similar to EMI’s mark. EMI’s mark is not “famous” or “inherently distinctive.” It remains undisputed that the word “entrepreneur” is a common noun of French origin that is several hundred years old. In fact, Castro has specifically requested a declaratory judgment asking to court to designate this word as a “generic” noun and free it from the clutches of EMI for public use. See 15 USC 1064 (c); and *H. Marvin Ginn Corp., International Ass’n of Fire Chiefs*, 728 F.2d 987 (Fed. Cir. 1986)(“A generic term ... can never be registered as a trademark because such term is “merely descriptive within the meaning of 2(e)(1) and is incapable of acquiring *de jure* distinctiveness under 2(f)”). Castro has never engaged in a pattern of registering domain names that are similar to “famous” marks and trying to sell them. EMI has not, because it cannot, dispute these facts. Therefore, EMI knew, when it sent the letter demanding that Castro turn over his valuable property, that it had no viable cause of action against Castro under the ACPA. This attempt to steal Castro’s domain was, therefore, sent in “bad faith.” Castro has set forth sufficient facts under the Rule 12(b)(6) standard to put EMI on notice of what he intends to show at trial.

IV. THE “SHAM LITIGATION” EXCEPTION

EMI made a one sentence passing comment that Castro’s Reverse Domain Hijacking claim should be dismissed for the same reasons alleged in its motion to dismiss the antitrust claims. EMI did not present any legal or factual reasons to support this passing comment, but simply made reference to its previous antitrust argument. EMI’s antitrust defense rests primarily on the *Noerr-Pennington* doctrine. However, the Fifth Circuit has twice ruled that this doctrine is an affirmative defense on the merits. See *Acoustic Systems, Inc. v. Wenger*

Corp., 207 F.3d 287, 295 (5th Cir. 2000); and *American Cyanamid Co. v. McGhee*, 317 F.2d 295, 297 (5th Cir. 1963). Moreover, EMI has also acknowledged 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.* Castro has already pled sufficient facts to support a “sham litigation” defense because the undisputed facts show that EMI’s threatening letter demanding that he turn over his domain name was “objectively baseless” and in “bad faith.” No reasonable person could realistically expect to win an ACPA claim against Castro on these facts. See *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries*, 508 U.S. 49, 60-61 (1993). In addition, EMI has given Castro a clear roadmap to amend his complaint to add the magic words “sham litigation” and “objectively baseless.” EMI cannot now be heard to argue that such an amendment would be fruitless. Accordingly, Castro seeks leave to amend his complaint.

To the extent that EMI expects its arguments on the “market definition,” on “specific intent” and “exclusionary and anticompetitive” conduct should be incorporated in its motion, Castro also wishes to incorporate by reference his arguments in responses, which are fully set forth in Castro’s response to the motion to dismiss the antitrust claims. Those facts and arguments are incorporated herein by reference.

Moreover, the “unclean hands” doctrine bars EMI’s attempts to recover under the Lanham Act or the ACPA – even without a showing of a technical violation of antitrust laws. Under the “unclean hands” doctrine, all Castro has to show is that EMI is attempting to exclude competition from the market in “bad faith.” See *Morton Salt Co. v. G.S. Suppiger, Co*, 314 US

488, 494 (1942). . See e.g., *Electrical Information Publications, Inc. v. C-M Periodicals, Inc.*, 163 USPQ 624 (N.D. Ill. 1969)(applying doctrine of “unclean hands” to bar recovery for “attempted monopoly” with no factual or legal analysis of antitrust violations); *Precision Instrument Mfg., v. Automotive Maintenance Machinery*, 324 U.S. 806, 814 (1945)(“This maxim is far more than a mere banality. It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or *bad faith* relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant.”)(emphasis added); *Alcatel USA, Inc. v. DGI Technologies*, 166 F.3d 772, 792 (5th Cir. 1999)(“unclean hands” equals acting in “bad faith”).

V. CONCLUSION

EMI focused its motion on the wrong claim. Castro’s Reverse Domain Hijacking claim is not based on the Lanham Act, but rather on Section 2 of the Sherman Antitrust Act. EMI’s motion to dismiss the antitrust claims rests almost entirely on the *Noerr-Pennington* doctrine. But EMI itself acknowledges that this doctrine can be defeated by the “sham litigation” exception. Castro has pled sufficient facts to support a “sham litigation” defense. To the extent that it is necessary to add the magic language “sham litigation” and “objectively baseless,” Castro seeks leave to amend. Castro has also pled the “unclean hands” doctrine which does not require a technical violation of the antitrust laws. For all these reasons, the 12(b)(6) motion should be denied.

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

Respectfully submitted,
CASTRO & BAKER, LLP

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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