

**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 “NO UNFAIR COMPETITION” and “UNCLEAN HANDS”  
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 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 II.G** (alleging that Castro failed to state proper claim for “No Unfair Competition”); and **Section II. H** (alleging that Castro failed to state a proper claim of “Unclean Hands”).

**I. NATURE OF THE CASE**

Plaintiff, Daniel R. Castro (“Castro”) filed this declaratory judgment action in response to a letter from Entrepreneur Media, Inc. (“EMI”) threatening an unfair competition lawsuit if he did not “cease and desist” from using the word “Entrepreneur.Ology” and ordering him to immediately turn over the title to his registered domain name: [www.EntrepreneurOlogy.com](http://www.EntrepreneurOlogy.com).

In its cease and desist letter to Castro, EMI did not set forth any facts as to why it thought Castro was committing “unfair competition.” This allegation was merely a bald, conclusory allegation without facts. See Exhibit 1. However, it is fair to presume that EMI thought Castro had done something deceptive because the Lanham Act codified the law of unfair competition at

15 USC 1125 for the sole purpose of preventing deceptive acts. *Pizza Hut v. Papa John's Int'l*, 227 F.3d 489, 495 (“We have interpreted this section of the Lanham Act as providing protection against a myriad of deceptive practices, including false advertising and false promotion.”). Typically, this kind of claim involves “passing off” one’s goods as those of another, or suggesting that one’s products is affiliated with or has the endorsement of another. *See e.g., Blue Bell Bio Medical v. Cin-Bad, Inc.*, 864 F.2d 1253, 1256 (5<sup>th</sup> Cir. 1989). However, it could also include “false advertising” or misleading representations of fact. *See Gilson, Gilson on Trademarks*, Section 7.02 (2010). EMI’s “cease and desist” letter to Castro did not identify any conduct that was deceptive. See Exhibit 1.

There are a wide variety of deceptive acts that fall under 15 USC 1125. However, the Fifth Circuit has reduced a classic unfair competition claim down to five essential elements. The absence of even one of these elements is fatal to the plaintiff’s claim. *Pizza Hut*, 227 F.3d at 495. The elements the plaintiff is required to prove are as follows: (1) A *false* or *misleading* statement of fact about a product; (2) such statement actually *deceived* or had the capacity to *deceive* a substantial segment of potential customers; (3) the *deception* is material, in that it is likely to influence the consumer’s purchasing decision; (4) the product is in interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the statement. *Id.* Again, EMI has yet to identify any evidence of deception on Castro’s part.

In addition, the Act only applies to deceptive speech that is “commercial” in nature – not to speech that may be classified as “literary.” *See Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109, 1120 (8<sup>th</sup> Cir. 1999)(the “reach of section 43(a) specifically extends only to false and misleading speech that is encompassed within the ‘commercial speech’ doctrine developed by the United Supreme Court.”). Castro submits that use of his own trademarks to brand his literary products and literary services is also “literary” speech, and not commercial. The Supreme Court

itself acknowledges that the line between “commercial” and “non-commercial” speech is often blurry. *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, 447, U.S. 557, 581, n. 4 (1980). Even the Supreme Court justices themselves cannot agree on what is and what is not “commercial speech.” *Id* (three judges concurring and one dissenting).

However, the Supreme Court has established that a profit motive alone does not convert non-commercial speech into commercial speech. *See Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, 447 U.S. 557, 580, n. 2 (“Little purpose would be served by a first amendment which failed to protect newspapers, paid public speakers, political candidates with partially economic motives and professional authors.”)(quoting with approval a law review article).

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.

However, even if the court finds that it is commercial, it is still protected by the First Amendment - because it is not “inherently deceptive.” It is established law that if the “commercial speech” is not inherently deceptive, it is protected by the First Amendment. *See Piazza's Seafood World, v. Odom*, 448 F.3d 744, 753 (5<sup>th</sup> 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.); *In re R.M.J.* 455 U.S. 191, 199 (1982)(holding that truthful advertising that is not “inherently misleading” cannot be restricted).

## II. THE FACTS

Under the Rule 12(b)(6) standard, the court must assume the following facts, as plead in Castro's First Amended Complaint are true, and interpret them in the light most favorable to Castro. *See Oppenheimer v. Prudential Sec.*, 94 F.3d 189, 194 (5<sup>th</sup> Cir. 1996). At para. 7.45 of the complaint, Castro specifically incorporated all of these facts into his declaratory judgment action claim dealing with unfair competition. The very detailed facts, which EMI claims Castro did not plead can be found at para. 5.1 - 5.30 of First Amended Complaint. Below is a brief summary of those facts:

(1) Castro coined the words EntrepreneurOlogy, and the virtually identical Entrepreneur.Ology, and registered the domain name [www.EntrepreneurOlogy.com](http://www.EntrepreneurOlogy.com) to market his books, articles, keynote presentations, seminars and workshops.

(2) A word that has never existed in the English language before is considered "fanciful" and, "inherently distinct", and therefore, entitled to trademark protection. Classic examples of "fanciful" marks entitled to trademark protection are the words "KODAK" and "EXXON."

(3) The Defendant, EMI, does not claim ownership of the marks EntrepreneurOlogy, Entrepreneur.Ology, or EntrepreNeurology. Indeed, it never has.

(4) The Defendant, EMI, does not claim ownership of the domain name:

[www.EntrepreneurOlogy.com](http://www.EntrepreneurOlogy.com)

(5) Instead, EMI claims ownership of the mark 'ENTREPRENEUR' and operates a magazine under that mark. The word "entrepreneur" is a word of French origin which has existed in the public domain for hundreds of years. The Oxford English Dictionary defines "entrepreneur" as "one who undertakes an enterprise; one who owns and managers a business; a person who takes the risk of profit or loss." The Compact Oxford English Dictionary 522 (2d ed. 1991).

(6) EMI does not claim that the word “entrepreneur” is a “made-up” word or “fanciful” or “inherently distinct” under the Lanham Act.

(7) Nor can EMI show conclusive evidence that the mark “ENTREPRENEUR” distinguishes its products and services from anyone else’s products and services related to entrepreneurship.

(8) Nor can EMI show that consumers associate the word “ENTREPRENEUR” *exclusively* with its magazine.

(9) Castro has never made any reference to Defendant’s magazine, and has never done anything to imply that his products or services have any affiliation with ENTREPRENEUR magazine, or are sponsored by ENTREPRENEUR magazine.

(10) Moreover, Castro does not market or sell a print or online magazine of any kind.

These facts, which must be taken as true under Rule 12(b)(6) show that Castro did not do anything deceptive, that he did not have the intent to confuse the public, and that he did not imply any affiliation with or endorsement by Entrepreneur magazine.

EMI forgets that Castro is not required to win his case on the merits at this early juncture. *See Jones v. M.L. Greninger*, 188 F.3d 322, 324 (5<sup>th</sup> Cir. 1999)(“The issue is not whether the plaintiff will ultimately prevail, but whether he is entitled to offer evidence to support his claim”) *Id.* 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). 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)). The facts in the complaint, and set forth *again* in this brief, are sufficient to put EMI on notice of what Castro intends to show at trial, which is that there is no evidence of deception or intent to confuse.

### III. THE PURPOSE OF THE DECLARATORY JUDGMENTS ACT

The Fifth Circuit has already held that the Declaratory Judgments Act is especially applicable in situations where the owner of intellectual property rights continues to send “bullying” letters threatening litigation, and the victim of those letters simply wants to know its rights. *Vantage Trailer, Inc. v. Beall Corporation*, 567 F.3d 745, 751 (5<sup>th</sup> Cir. 2009). With the power of the Declaratory Judgments Act, it is not necessary, or advisable, for the recipient of bullying letters to wait around to see if the owner of a trademark will actually sue. *Surefoot, LC v. Sure Foot Corporation*, 531 F.3d 1236, 1245 (10<sup>th</sup> Cir. 2008). Moreover, even though party that would normally be the defendant has filed the declaratory judgment action, it is the party that owns the intellectual property in question that has the burden of proof to show infringement and/or unfair competition. *Under Sea Industries, Inc. v. Dacor Corp.*, 833 F.2d 1551, 1557 (Fed. Cir. 1987). If and when EMI actually pleads a cause of action for unfair competition, with specific facts to support it, Castro can be more specific as to why that cause of action is frivolous. However, for now, it is improper for EMI to threaten an unfair competition lawsuit and then seek to dismiss Castro’s requests for a judicial declaration of his rights and responsibilities under that law. As stated by the Supreme Court, the only question before this court at this time should be “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Steefel v. Thomspson* 41 U.S. 452, 467 (1974). There is a “substantial controversy” if a judgment could serve a useful purpose of ‘clarifying and settling

the legal relations in issue' and could 'afford relief from uncertainty, insecurity, and controversy giving rise to the proceeding.'" *Terminal Freight Handling Co. v. Solien*, 444 F.2d 699, 705 (8<sup>th</sup> Cir. 1971); *The New York Times Co. v. Gonzales*, 459 F.3d 160, 167 (2<sup>nd</sup> Cir. 2006)(declaratory judgment is proper where it will serve a useful purpose in clarifying or settling a dispute; where it will be the final judicial determination of the controversy; and whether it will offer relief from uncertainty). The relief sought by a declaratory judgment plaintiff is simple – a relief from uncertainty, and a declaration of its rights and responsibilities under the law as applied to the specific facts at issue. *Id.* Dismissing Castro's request for a declaration of rights on flimsy Rule 12(b)(6) grounds will certainly not settle the controversy. EMI has offered no legal reason why this court should not issue some sort of judgment clarifying and adjudicating the rights and responsibilities of both parties under 15 USC 1125. All EMI has done is present arguments on the merits as to why the Court should not issue a declaration in Castro's favor. Castro is entitled to "relief from uncertainty." But, he is not required to win on the merits at this time. *See Jones v. M.L. Greninger*, 188 F.3d at 324.

#### **IV. EMI HAS "UNCLEAN HANDS"**

The doctrine of "unclean hands" is a well-established common law defense to a trademark infringement claim. *Estee Lauder, Inc., v. The Fragrance Counter*, 189 F.R.D. 269, 272 (S.D. N.Y. 1999)("unclean hands" equals "bad faith"). This common law defense is also codified in the Lanham Act at, 15 USC 1117(a)(recovery under the Lanham Act is "subject to the principles of equity.").

EMI does not argue that Castro has pled insufficient facts to invoke the doctrine of "unclean hands." Instead, it argues that because it has not violated antitrust laws, the doctrine of "unclean hands" does not apply. However, the Supreme Court has held that, even when there is no technical violation of antitrust laws, the doctrine of "unclean hands" is an effective bar to

recovery when the owner of intellectual property rights tries to use those rights to reduce competition.<sup>1</sup> See *Morton Salt Co. v. G.S. Suppiger, Co*, 314 US 488, 494 (1942)(“It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner’s manufacture or sale of the alleged infringing machine is contrary to public policy and that the district court rightly dismissed the complaint for lack of equity.”)

The Ninth Circuit agrees, stating:

“The question we must decide is not necessarily whether respondent has violated the Clayton Act, but whether a court of equity will lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article. In view of the history and policy of the defense of patent misuse, we find no merit in appellant’s contentions that the proof of substantial lessening of competition is a prerequisite of patent misuse. *Berlenbach v. Anderson and Thompson Ski Co*, 329 F.2d 782, 7845 (9<sup>th</sup> Cir. 1964).

The undersigned has found no case law where the Fifth Circuit has had occasion to rule directly on this issue, but the Fifth Circuit did cite both *Morton* and *Berlenbach* with approval on this exact issue. See *Hensley Equipment Co. v. ESCO Corp.*, 383 F.2d 252, 261, n. 19 (5<sup>th</sup> Cir. 197)(“The cases indicate no such standard of proof [that a technical violation of Antitrust law has occurred] is required”). Other courts also agree with *Morton* and *Berlenbach*. 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); *Laitram Corp. v. King Crab, Inc.*, 245 F. Supp. 1019 (D. Alaska 1965)(holding that the “patent misuse” doctrine prevented recovery even though there was no technical violation of antitrust laws).

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<sup>1</sup> Indeed, Castro specifically pled that “unclean hands” bars EMI from pursuing an infringement claim even if it has not technically violated any Antitrust laws. See para. 7.54 of First Amended Complaint. EMI’s 12(b)(6) motion does not even address this claim, and can be denied for this reason alone.



In fact, for the “unclean hands” doctrine to apply, the party asserting the doctrine merely has to show that the party against whom it is asserted acted in “bad faith.” See *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 inequity 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 (5<sup>th</sup> Cir. 1999)(“unclean hands” equals acting in “bad faith”); *Estee Lauder, Inc., v. The Fragrance Counter*, 189 F.R.D. 269, 272 (S.D. N.Y. 1999)(“unclean hands” equals acting in “bad faith”).

So well recognized is the doctrine of “unclean hands” that it need not even be pled at all. See *American Ins. Co. v. Lucas*, 38 F. Supp. 926, 934 (W.D. Mo. 1941)(“The latter need not be even pleaded; may come to the attention of the court in any way; and the court will act *sua sponte*.”); *Hall v. Wright*, 125 F. Supp. 269, (S.D. California 1954)(explaining the reason the court may raise the doctrine *sua sponte* is because it is acting to protect the integrity of the court and to protect the public interest); *Morton* 314 U.S. at 366 (explaining that the doctrine of “unclean hands” serves primarily to protect the public interest from the misuse of intellectual property rights).

Here, Castro has pled an overwhelming abundance of facts showing that EMI has acted in “bad faith” by trying to steal Castro’s domain name even while it knew that he was the actual owner of the federally registered trademark *EntrepreNeurology*<sup>2</sup>, and that this was an absolute defense to a claim under the Anticybersquatting Consumer Protection Act See ACPA 15 USC (d)(1)(B) and (B)(ii). Castro has also pled sufficient facts to show that EMI acted in “bad faith” by attempting to exclude others from using the common noun “entrepreneur,” and for many

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<sup>2</sup> See para. 9.2 and 10.10 – 10.17 of First Amended Complaint.

years, has been creating barriers to entry by sending out hundreds of “cease and desist” letters to innocent victims, knowing that it has never actually proven to any federal agency or any judicial body that the consuming public automatically associates that noun with the publisher of a magazine – as required by law.<sup>3</sup> *See Aloe Cream Labs v. Milson, Inc.*, 423 F.2d 845, 849 (5<sup>th</sup> Cir. 1970)(requiring proof that the consuming public associates the mark “with a single thing coming from a single source”).

According to the Supreme Court, a showing of this kind of “bad faith” is sufficient to preclude EMI from asserting its infringement claims [and unfair competition claims] against Castro – even if there has been no technical violation of the Antitrust statutes. *See Morton*, 314 US at 366. Therefore, EMI’s motion to dismiss Castro’s “unclean hands” claims on flimsy 12(b)(6) grounds must be denied.

This court has a prime opportunity to *protect the public interest* (and its own integrity) by setting precedent with a publishable opinion that EMI should not be allowed to continue sending threatening letters to people who are using a common noun of French origin that has been around for several hundred years. *See Hall v. Wright*, 125 F. Supp. 269, (S.D. California 1954)(explaining the reason the court may raise the doctrine *sua sponte* is because it is acting to protect the integrity of the court and to protect the public interest);

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

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<sup>3</sup> See para 10.10 – 10.17 of First Amended Complaint.

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:

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