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

DANIEL R. CASTRO, Plaintiff, v. ENTREPRENEUR MEDIA, INC., Defendant.	)	Cause No. 1-10-CV-000695-LY Hon. Lee Yeakel
ENTREPRENEUR MEDIA, INC., Counterclaimant, v. DANIEL R. CASTRO, Counterdefendant.	)	

DEFENDANT ENTREPRENEUR MEDIA, INC.'S OPPOSITION TO PLAINTIFF'S MOTION FOR LEAVE TO AMEND COMPLAINT

I. INTRODUCTION

This Court found that plaintiff Daniel R. Castro's ("Castro") First Amended Complaint ("FAC") failed to state a claim upon which relief could be granted as to seven of the nine claims contained therein, granting defendant Entrepreneur Media, Inc.'s ("EMI") partial motion to dismiss with respect to the following claims: (1) that Sections 1065 and 1115(b) of the Lanham Act are unconstitutional; (2) that EMI's registrations are not incontestable; (3) that Castro's marks do not constitute unfair competition under Section 1125 of the Lanham Act; (4) that EMI violated Section 2 of the Sherman Antitrust Act; (5) a declaration of non-infringement; (6) misuse of trademarks and unclean hands; and (7) reverse domain name hijacking.

Castro now seeks to revive and reassert several of these claims, and further seeks to add numerous new claims to the complaint. Because Castro's amendment would be futile, and because Castro has had ample opportunity to assert these proposed new claims throughout his voluminous filings before this Court, EMI respectfully requests that the Court deny Castro's motion for leave to amend ("Motion to Amend").

II. ARGUMENT

A. Standard for Motion for Leave to Amend Complaint

Motions for leave to amend a complaint are governed by the Federal Rules of Civil Procedure. *See* FED. R. CIV. P. 15(a). Although Rule 15(a) favors granting leave to amend a complaint, "such leave is not automatic." Price v. Pinnacle Brands, Inc., 138 F.3d 602, 607–08 (5th Cir. 1998). Motions for leave to amend may be denied for undue delay, bad faith, dilatory motive, repeated failure to cure deficiencies, undue prejudice or futility of amendment. Id. (citing In re Southmark Corp., 88 F.3d 311, 314–15 (5th Cir. 1996)).

In his motion, Castro argues that if an "opposing party cannot show how it would be prejudiced, it is an abuse of discretion to deny leave to amend," citing the Cardinal Health and Lone Star Ladies cases. Motion to Amend at 2–3. This is a fundamental misrepresentation of Fifth Circuit law. Both of the cases cited by Castro held that it was reversible error for a district court to refuse leave to amend *without stating any reason for doing so*. See United States ex rel. Steury v. Cardinal Health, Inc., 625 F.3d 262, 270 (5th Cir. 2010) ("a district court abuses its discretion, however, **when it gives no reasons** for denying a timely motion to amend, at least when the defendant would not be unduly prejudiced by the amendment") (emphasis added); Lone Star Ladies Inv. Club v. Schlotzsky's Inc., 238 F.3d 363, 368 (5th Cir. 2001) ("The district court stated no reason, and we perceive no obviously correct reason for denying leave to amend."); see also Stripling, 234 F.3d at 872–73 ("It is within the district court's discretion to deny a motion to amend if it is futile."). Here, unlike as in Cardinal Health and Lone Star Ladies, there is ample reason to deny Castro's motion for leave to amend: the futility of any such amendment, as well as his repeated failure to cure deficiencies and the resulting undue prejudice to EMI, as discussed below.

B. Castro's Motion to Amend His Complaint Should Be Denied

As an initial matter, Castro's motion may be denied as a result of his failure to meet and confer with EMI. See Local Court Rule CV-7(h) ("The Court may refuse to hear or may deny a nondispositive motion unless the movant advises the Court within the body of the motion that counsel for the parties have first conferred in a good-faith attempt to resolve the matter by agreement and, further, certifies the specific reason(s) that no agreement could be made."). Although Castro certified in his motion that "he attempted to obtain the agreement of [EMI]," Motion to Amend at 7, this certification is not entirely accurate.

On May 13, 2011, Castro spoke with William Barber, counsel for EMI in this matter. Declaration of William G. Barber attached hereto as Exhibit A, at ¶ 2. Castro notified Mr. Barber that he intended to amend the complaint, and inquired as to whether EMI would be willing to agree to such an amendment. Id. Mr. Barber indicated that EMI would first need to know how Castro intended to amend the Complaint before determining whether such an agreement would be appropriate. Id. Castro responded only that he planned to "re-urge" most of his previous claims that had been dismissed (excluding his antitrust claim); he did not indicate that he planned to assert new claims. Id. Castro never followed up on this conversation, nor did he provide EMI with a copy of the proposed amended complaint before filing his motion for leave to amend. Id. at ¶ 3. Castro's perfunctory call to counsel and subsequent failure to follow up prevent him from claiming a "good faith" attempt to resolve the matter by agreement. Therefore, under Local Rule CV-7(h), this Court may deny Castro's motion for leave to amend.

1. Castro Should Not Be Permitted to Revive the Claims Previously Dismissed by This Court

This Court should deny Castro's motion for leave to amend his previously-dismissed claims as such amendment would be futile. Futility is determined by applying "the same standard of legal sufficiency as applies" in a motion to dismiss. Stripling v. Jordan Production Co., LLC, 234 F.3d 863, 873 (5th Cir. 2000).

a. *Castro Should Not Be Permitted to Revive His Constitutional Claims*

Castro seeks to revive his dismissed claims regarding the constitutionality of the incontestability portions of the Lanham Act. Motion to Amend 4–5. Castro seeks this amendment "to make it more clear that he is not seeking a judicial declaration that the entire Lanham Act is unconstitutional as applied, but only two very specific subsections of the Lanham Act." Id. at 5.

While Castro's proposed Second Amended Complaint ("Proposed SAC") contains a more long-winded recitation of constitutional law, see pages 70–75, the claims are identical to those pled in the complaint dismissed by this Court. Compare FAC at 8–9 (seeking a declaration that 15 U.S.C. §§ 1065 and 1115(b) are unconstitutional facially and as-applied on First Amendment grounds) with Proposed SAC at 59–75 (seeking a declaration that 15 U.S.C. §§ 1065 and 1115(b) are unconstitutional as-applied on First Amendment grounds).[1]

This Court recognized that Castro's dismissed constitutional claim was an as-applied challenge to 15 U.S.C. §§ 1065 and 1115(b), and has already rejected that as-applied challenge. Order Granting Partial Motion to Dismiss at 5 (Dkt #36) ("Order"). This Court should therefore reject Castro's attempt to construe his amendment as a "clarification" and deny his proposed amendment as futile. As this Court pointed out in its Order, the Fifth Circuit has already ruled on the constitutional coexistence of the Lanham Act and the First Amendment. See, e.g., Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 672 (5th Cir. 2000).

b. *Castro Should Not Be Permitted to Revive His Incontestability Challenge*

Castro attempts to reassert his challenge to the incontestable status of EMI's federal registrations on the identical grounds that this Court has already rejected, i.e., that the registrations are not incontestable as to his "senior" use of his marks. This Court expressly held that "Castro's claim that his senior use of his marks somehow impacts the incontestability status of EMI's marks is without merit." Order at 8. This Court further recognized the incontestable status of EMI's registrations, and held that "Castro's claim that EMI's trademarks at issue fail to

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[1] The Proposed SAC also adds a lengthy criticism of U.S. Patent & Trademark Office procedure, as well as a criticism of the Ninth Circuit's decision in Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135 (9th Cir. 2002), neither of which have any bearing on the constitutionality of the Lanham Act. Proposed SAC at 62–67.

qualify as incontestable marks is an allegation lacking enough facts to state a claim for relief that is plausible on its face," and dismissed Castro's claim. Thus, Castro's attempt to replead this exact same claim should be rejected as futile.

c. *Castro Should Not Be Permitted to Revive His Unclean Hands Defense*

Castro similarly attempts to revive his dismissed "unclean hands" defense, although he now refers to it as a "Declaration of Unenforceability." Motion to Amend at 5–6, Proposed SAC at 56. Castro's sole basis for this claim is EMI's cease-and-desist letter, which Castro characterizes as being sent "in bad faith." This Court has already recognized, however, that "EMI's use of the legal process to enforce its registered trademarks is not improper conduct, and indeed EMI is obligated under trademark law to monitor and protect its trademarks." Order at 10 (citing Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 265 (5th Cir. 1980)). Thus, this Court has already rejected the grounds underlying Castro's unclean hands defense, and accordingly should deny Castro's attempted amendment as futile.

2. Castro Should Not Be Permitted to Add New Claims

Castro also seeks to add several "new, never before pled" claims. Motion to Amend at 2. Castro, a seasoned trial attorney by his own admission, has already had more than an ample opportunity to articulate his theory of this case. He filed a lengthy complaint, followed by a lengthy amendment of the initial complaint, followed by multiple and voluminous responses to EMI's partial motion to dismiss. Where a party seeks leave to amend, and the facts underlying the claims sought to be added were known to the party when the original complaint was filed, a district court may properly deny leave to amend. See Southmark, 88 F.3d at 316. Here, for each "new, never before pled" claim sought to be added by Castro, he had such prior knowledge of the facts he now seeks to allege in his Proposed SAC, but chose not to include them in either his

original or first amended complaints. For example, Castro attempts to allege multiple new facts about his past and intended use of his trademarks and the file related to his federal registration, facts that he obviously has had knowledge of since this lawsuit began eight months ago, given that they are about *his own marks*. Castro then attempts to assert multiple new claims seeking declarations that his registration was "properly granted" (see Proposed SAC at 27-28); his registered trademark is "inherently distinctive" (Id. at 28-30); he is the "senior user" of his trademarks (Id. at 32-33); and declarations as to each element of a trademark infringement claim, e.g., no likelihood of confusion and no intent to deceive. All of these new facts and claims are based on facts known to Castro since the inception of this lawsuit, and many of these facts were already alleged in Castro's FAC. Thus, Castro should not be "rewarded" for his delay in alleging these facts and claims for the first time in this lawsuit, and for that reason this Court should deny Castro leave to amend. See id.

Similarly, in Price, the Fifth Circuit found that closely analogous circumstances were sufficient to sustain the district court's denial of a motion to amend. Price, 138 F.3d at 608. The Price court found no abuse of discretion where the district court reasoned that "Plaintiffs are represented by able counsel and have had three opportunities to articulate their damage theory—in the complaint, the RICO case statement, and the brief in response to the motion to dismiss. [Defendant] should not be subjected to any further costs of litigation in this lawsuit." Id.

In his motion, Castro attempts to distinguish Price as "a case where the plaintiff has had multiple opportunities to amend." Motion to Amend 3. This is an inaccurate statement of the facts of the case. In Price, the plaintiffs filed a complaint which included RICO claims. Price, 138 F.3d at 605. The district court ordered plaintiffs to make a supplementary filing to more particularly detail the RICO claims. Id. The defendants then filed a motion to dismiss, to which

the plaintiffs responded in an opposition brief. Id. The court granted the motion to dismiss with prejudice, and the Fifth Circuit affirmed. Id.

Contrary to Castro's assertions, to date, he appears to have had as many or more bites at the apple than the plaintiffs in Price, as he has already amended his (lengthy) complaint and was permitted to file *five* separate opposition briefs in response to EMI's partial motion to dismiss. This Court should thus reject Castro's attempt to simply rehash claims which this Court has already found deficient. EMI, like the Price defendants, should not be subjected to any further wasted time or litigation costs with respect to Castro's dismissed claims.

Finally, EMI does not object to Castro's substitution of the Proposed SAC as an exhibit to his motion for leave to amend. See Motion For Leave to File Substitute Exhibit (Dkt #40) ("Substitution Motion"). EMI does, however, strongly object to Castro using that motion as a vehicle to once again present his substantive arguments to the Court. Castro's Substitution Motion contains seven pages of arguments which go solely to the merits of this case, and which are entirely inappropriate for a minor procedural motion. While EMI is happy to respond to those substantive arguments if the Court wishes, it presently does not believe such a reply is necessary based upon the nature of the Substitution Motion.

III. CONCLUSION

Castro's Proposed SAC inappropriately attempts to reassert claims this Court has already dismissed, and assert new claims based on facts that were already available to Castro for the first two iterations of his complaint. To allow Castro to reassert claims previously dismissed would be futile for the reasons already ruled upon by this Court. To allow Castro to amend once again his complaint in order to allege new claims, based on facts which by their nature he had to have known prior to commencement of the litigation and which he could have (but failed to) allege in prior pleadings, would also be prejudicial to EMI, which, like the defendants in Price, would as a

result be subjected to further costs of litigation in this lawsuit. EMI accordingly requests that the Court deny Castro's Motion to Amend.

Respectfully submitted,

Dated: June 8, 2011

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CERTIFICATE OF SERVICE

I hereby certify the on June 8, 2011, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system which will send notification of such filing to the following:

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