

AFFIDAVIT OF DANIEL R. CASTRO

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared Mr. Daniel R. Castro, who being by me first duly sworn upon his oath deposed and stated as follows:

My name is Daniel R. Castro. I am over the age of 21 and am of sound mind and am capable of making this affidavit. I have personal knowledge of the facts stated below, and every statement is true and correct.

I. MY THREE SEPARATE ATTEMPTS TO “MEET AND CONFER”

I attempted on three separate occasions to “meet and confer” with opposing counsel Bill Barber concerning my desire to file an amended complaint. The first time was via email on November 23, 2010. A true and correct copy of that email is attached hereto. The second time was on May 10, 2011. A true and correct copy of that email is attached hereto. The third time was by telephone on or about May 27, 2011. Barber has already confirmed that we had such a conversation by phone.

Bill Barber has a consistent practice of trying to get me to reveal my attorney work product by asking me what the substance of my changes to the complaint will be. He has done this by both email and on the phone. See Barber’s email to me on November 23, 2010 attached hereto. At first, I played along and gave Barber the information he wanted. But the second and third times, after I figured out what he was doing, I did not. This is the first time in twenty years of my practice in federal court that any attorney has asked me to disclose the substance and the merits of my pleadings before they are filed.

The third time I “met and conferred” with Barber on this issue (this time by phone), he again tried to pester me into disclosing the substantive merits of what I was going to file. This time I simply told him I would be filing some new claims, as well as trying to cure the defects in some (not all) of my previous claims, but nothing more than that. He was a bit perturbed that I would not tell him more.

II. THE NEED TO PROVIDE SUBSTANTIVE ARGUMENT IN SUPPORT OF MY MOTION FOR LEAVE TO SUBSTITUTE EXHIBIT.

As for my need to provide the Court with reasons why it should allow me to replace Exhibit 1 to my Motion For Leave to Amend, I sent Barber an email on May 31, 2011 requesting his agreement that I replace the exhibit – so as not to trouble the Court with so trivial an issue. A true and correct copy of that email is attached hereto. Barber refused to respond. I could not file a motion without providing some reasons why it

should be granted. So, I was forced to argue the motion as I normally would in any motion that was not agreed to by opposing counsel.

III. EMI'S EMAIL CONCERNING THE ANTICYBERSQUATTING ACT

I have already informed the Court in several pleadings that EMI's "cease and desist" letter made false representations of fact and law in an illegal attempt to coerce me into turning over my valuable domain name (www.entrepreneurology.com) to them.

To review, EMI's letter claimed I was in violation of the Anticybersquatting Act because I owned that domain name, and threatened to sue me in California if I did not immediately turn over my property to them for their ownership. Without compensation.

Instead of turning over my valuable property to EMI, I simply filed a declaratory judgment action asking the Court to declare that, not only was I the proper owner of that domain name, but that I was not in violation of the Anticybersquatting Act because I also owned a federally registered trademark for the word "entrepreneurology." It is undisputed that ownership of a federally registered trademark is an absolute bar to EMI's accusation that I had violated the Anticybersquatting Act. See the law cited in Castro's Original and First Amended Complaint. However, when it sent the "cease and desist" letter, EMI was not aware that I was an attorney and that I knew I was protected.

After EMI realized that the facts and law I set forth in my request for declaratory judgment on this issue could not be refuted, Bill Barber sent me an email informing me that EMI would not be asserting a claim for violation of the Anticybersquatting Act. Barber also asked me to withdraw my request for a judicial declaration that I was not in violation of that Act. A true and correct copy of Barber's email to me on May 26, 2011 is attached hereto.

I responded to Barber by email explaining that because EMI threatened litigation, it had provided the Court with the proper "case or controversy" it needed to hear my claim. A true and correct copy of my response to Barber is attached hereto. However, I proposed that if EMI wished to "moot" that claim, I would consider accepting a full release signed by the owner of EMI acknowledging that I am the proper owner of that domain name, and releasing with prejudice any claims it might have under the Anticybersquatting Act. EMI refused.

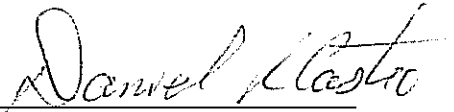
Because nothing stands in the way of EMI attempting to file an Anticybersquatting claim, either in this litigation or in subsequent litigation in California, there is sufficient "case or controversy" before this Court that requires resolution.

More importantly, EMI has now tacitly admitted that when it sent its "cease and desist" letter, it made false representations of fact and law in an illegal attempt to coerce me into turning over my valuable property to it. A less sophisticated lay person would have simply "caved in" and turned over his domain name, as have hundreds of other unsuspecting victims of EMI's abuse over the years. See attached Business Week article just published just a few weeks ago attached hereto for the Court's convenience. The

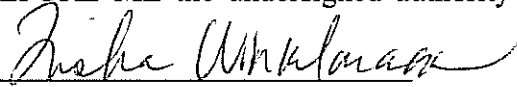
Business Week article talks at length about the litigation pending before this Court, as well as EMI's abusive tactics over the years.

All of these are new facts set forth under my new cause of action for Declaration of Unenforceability.

FURTHER AFFIANT SAYETH NOT:


Daniel R. Castro

SUBSCRIBED AND SWORN TO BEFORE ME the undersigned authority on this 20th day of June 2011.


Notary Public, State of Texas





Dan Castro <danmancastro@gmail.com>

Certificate of Conference

4 messages

Dan Castro <danmancastro@gmail.com>

Tue, Nov 23, 2010 at 2:06 PM

To: Bill Barber <bbarber@pirkeybarber.com>

Bill,

Although I know what your answer is likely to be, the rules require that I ask you whether you will agree to my motion for leave to amend the complaint.

What shall I tell the court?

Dan



Dan Castro <danmancastro@gmail.com>

Motion for Leave to Amend?

3 messages

Dan Castro <danmancastro@gmail.com>

Tue, May 10, 2011 at 2:18 PM

To: Bill Barber <bbarber@pirkeybarber.com>

Bill,

I need to file a Motion for Leave to Amend my Complaint.

You've already told me "no" once. But this time, I'm not planning on re-urging my antitrust claims.

Let me know if you agree or oppose.

Dan

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Castro & Baker, LLP
7800 Shoal Creek Blvd.
Suite 100N
Austin, Texas 78757
512-732-0111 - phone
512-732-0115 - fax



Dan Castro <danmancastro@gmail.com>

Certificate of Conference

From: Bill Barber bbarber@pirkeybarber.com

To: Dan Castro <danmancastro@gmail.com>

Cc: Eric Olson <eolson@pirkeybarber.com>

dateTue, Nov 23, 2010 at 2:12 PM
subjectRE: Certificate of Conference
mailed-bypirkeybarber.com

Dan, can you tell us what amendments you would like to make to the complaint? We need to know that before we can determine whether we would oppose.

Bill



Dan Castro <danmancastro@gmail.com>

Need to Substitute An Exhibit

1 message

Dan Castro <danmancastro@gmail.com>

Tue, May 31, 2011 at 12:51 PM

To: Bill Barber <bbarber@pirkeybarber.com>

Hey Bill,

I need to substitute my Exhibit 1 from my Motion For Leave to File Second Amended Complaint.

I need to correct one of my statements in the Statements of Fact, and it's easier to do it now than to do it after the Court grants my motion.

I appreciate your cooperation.

Dan



Dan Castro <danmancastro@gmail.com>

Castro v. EMI

On Thu, May 26, 2011 at 3:01 PM, Bill Barber <bbarber@pirkeybarber.com> wrote:

Dan,

Regarding the joint proposed scheduling order, we can agree to all of your proposed dates except the date to file amended or supplemental pleadings. Given that you have now sought to amend your Complaint twice, we feel you have had ample opportunity to amend your pleadings and that deadline should be moved up to June 15, 2011. I have attached a copy of the scheduling order with this revision. If this is acceptable, you may sign the document electronically on my behalf and file it with the Court.

Regarding settlement, we agree that mediation might be productive. I believe our folks can be available during the week of June 13 (we have many scheduling conflicts before that week). Does any day that week work for you, and do you have any suggestions for a mediator?

Finally, we will be filing our Answer and Counterclaims shortly, and we do not intend to assert a counterclaim under the Anticybersquatting Act. In view of that, we propose that you withdraw your claim for a declaratory relief under the Anticybersquatting Act since that issue is moot. I'm sure Judge Yeakel would appreciate both parties withdrawing claims that are no longer in dispute. Please let us know if this is acceptable.

Thanks,

Bill Barber

Managing Partner|Pirkey Barber LLP

600 Congress Avenue, Suite 2120 |Austin, Texas 78701|USA

512-482-5223 (direct dial)| 512-322-5200 (main)|512-322-5201 (fax) | bbarber@pirkeybarber.com

From: Dan Castro [mailto:danmancastro@gmail.com]

Sent: Thursday, May 26, 2011 9:39 PM

To: Bill Barber

Cc: Dan Castro

Subject: Re: Proposed Scheduling Order

Bill,

Thanks for your response.

I think we are making progress.

If your client is acknowledging that I legally own and have a right to continue to own my domain name, then I need a formal statement signed by the President/CEO of your client to that effect, and an agreement to waive all present and future claims under Anticybersquatting Act as to that domain - forever. I can prepare this statement if you wish.

Do you realize how hard it is for people to spell that domain name anyway??? Why on earth does your client want it?

Right now, all I have is a nasty letter from a pit bull threatening to sue me if I don't turn over my right title and interest to that valuable piece of real estate. Without compensation.

With that letter, I believe it's clear that we have a "justiciable controversy" that needs resolution. Until I receive a formal document mooting that controversy permanently and forever, then I believe I am entitled to declaratory relief from the court. This of course, will entitle me to attorney's fees as the "prevailing party" under that claim, and the court will wonder why on earth your client demanded I turn over my domain name to them for free when they know I have a right to own it. This cannot end well for your client.

This claim also gives me a whole host of facts that support my "clean hands" defense, which could result in a ruling by the jury that your client acted in bad faith, and it gives the Court the factual finding he needs to refuse any relief you seek against me.

I need that fact finding, and the fact that your client is asking me to withdraw that claim is an acknowledgment that this is a great risk for them.

Since your client started this fight, it's up to them to correct their "bad faith" letter and I'm afraid an email from you is not sufficient. It is not up to me to correct their behavior by withdrawing my claim. It's up to them.

Also, I am anxious to hear what counterclaims you have in light of the fact that my already registered trademark is inherently distinct, that the Examining Attorney found no likelihood of confusion, that EMI never opposed it, and that I have been using it in conjunction with my name, and most importantly, that the Ninth Circuit said I have a right to own it.

I am suggesting that you think twice about ANY counterclaims you bring alleging infringement or likelihood of confusion - in light of the Ninth Circuit's ruling admonishing your client that others have a right to use the word "entrepreneur" as a trademark.

I am seriously considering filing a motion for sanctions if it appears to me your claims are frivolous, and I will submit a copy of this email to the court as evidence that I (and the Ninth Circuit) warned you.

You are a good attorney, and I don't like filing motions for sanctions, but your client has pushed me a bit too far already. I know it is the Latham & Watkins attorneys who are driving the ship, but it may be your own personal reputation before this Court that suffers. Please be careful here.

I can't agree to June 15 as the deadline to amend and file supplemental pleadings because I haven't seen your counterclaims yet. There are things you say that may cause me to have to adjust my strategy. Up till now, I have been operating in a vacuum without the benefit of an answer from your client. Therefore, I would like until at least July 30th to file amended and supplemental pleadings. You are going to oppose them anyway, so there is no reason not to at least give me the proper amount of time I need (if I need one). I have always been very generous in giving you whatever time and page length extensions you need.

Also, since you and I are on good terms, at least for now, I would like to make a proposal regarding the scheduling order. There is a section of Yeakel's order that always presents problems because of the way it's worded. He always just says, "It's up to the parties to agree to change any deadlines they wish by agreement." And he doesn't care what we change as long as we don't bother him.

The problematic section is paragraph 4. It requires that each party submit witness lists and exhibits by October 31st (or whatever date we choose). But while the exchange of expert opinions is important at this early date, it is difficult, if not impossible to know who all the possible witnesses and trial exhibits will be by that date.

Therefore, I'd like to enter into an agreement with you that we will allow each other to supplement and/or amend our witness and exhibit lists up to and including the 30th day before trial without leave of court - as long as those witnesses and exhibits have been properly disclosed in discovery by the discovery deadline. It makes easier on both parties later - trust me.

Let me know if you are agreeable to an agreement in advance that each of us may amend or supplement witness and exhibit lists after October 30th.

As I said, I think we're making progress.

But I would be grateful if you would call me and let me know tomorrow why on earth your client won't agree to a mutual walk away when this is the cheapest option for them. If they will do that, the whole case could be settled by Monday, and I will agree to keep everything confidential.

Dialogue is good, and I have not heard a good reason why this is not the easiest, quickest and cheapest solution. The mediator will ask the same thing, so you may as well tell me now.

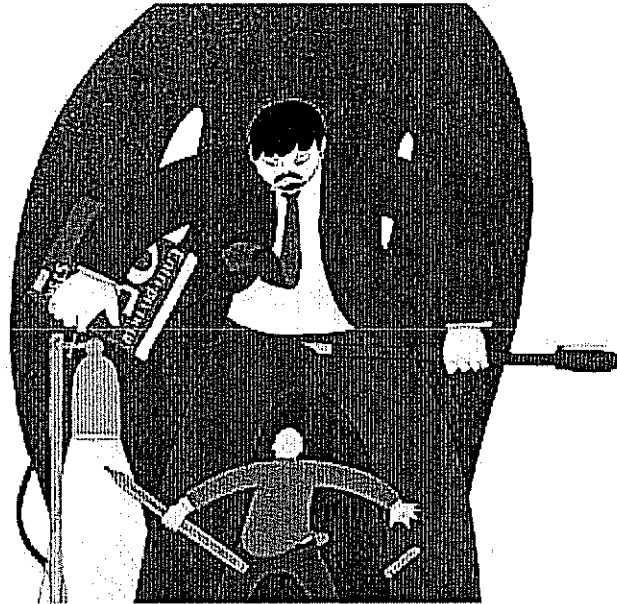
Finally, if we are going to mediate, I would like your owner, not an underling, to be physically present. I don't like mediating by phone because it tells me the other party is not serious. Please confirm that the owner of the company will be here.

Please call me to discuss.

Dan

Entrepreneur, the Magazine That Sues Entrepreneurs

The curious case of Entrepreneur Media Inc., which never rests in its quest to nurture—and afflict—other startups



Entrepreneur Media Inc. sells the idea of the self-made little guy getting ahead. Based in Irvine, Calif., EMI, as the company is known, publishes *Entrepreneur*, a monthly magazine with a circulation of 607,000 and a colorful history. According to newspaper reports, the periodical's founder and former owner, Chase Revel, once tried robbing banks for a living. Today, EMI conducts seminars revealing "business success secrets" of a more mainstream nature. It markets instructional CDs and sells advertising to package deliverers, health insurers, and franchisers such as Wahoo's Fish Taco restaurants. In other words, EMI caters to all things entrepreneurial. Strangely, it also smashes the dreams of the self-starters it aims to serve.

Daniel R. Castro, a serial entrepreneur in Austin, Tex., received a stern letter from EMI's lawyers last September ordering him to "cease and desist" using his new website, EntrepreneurOlogy.com. In his day, Castro, 50, has started a law firm, a mortgage company, and a real estate-lending outfit. He employs a half-dozen people full-time and coordinates the work of a platoon of brokers. He also delivers motivational speeches to other business owners and hopes the new website will provide an online home for a workshop series. "I was dumbfounded," he says of the cease-and-desist letter. Like a lot of people who work for themselves, he doesn't like to be told what to do. "Their problem," he says of EMI, "was that they didn't know who they were picking on."

An attorney with the corporate law firm Latham & Watkins informed Castro that EMI owns the U.S. trademark for the word "entrepreneur." With 2,000 lawyers in 31 offices around the world, Latham polices EMI's intellectual property aggressively. The firm even instructed Castro to surrender his domain name to EMI. "If you fail to abide by these demands," the letter said, "Entrepreneur Media will have no choice but to take appropriate action to prevent continued use of an infringing mark and domain name."

The archetypal trademark—for McDonald's (MCD) or Xerox, say—prevents competitors from using a distinctive word that might cause consumers to assume they were buying a product made by the mark holder. To Castro and others, "entrepreneur" seems different. "How can you trademark a commonly used word, derived from the French, that's hundreds of years old?" he asks. And more to the point, "why would the publisher of *Entrepreneur* magazine be bullying entrepreneurs?"

Since the early 1980s, EMI has sued or threatened to sue scores of businesses and organizations it claims infringed its trademarks. EMI won't provide a tally of its targets, but it almost always prevails.

Scott Smith, a public-relations man in Sacramento, Calif., fought back and paid the price. A federal judge ruled in 2003 that he had to drop EntrepreneurPR as his firm name, stop publishing a quarterly compilation of press releases called *Entrepreneur Illustrated*, and pay EMI more than \$1 million in damages and attorneys' fees. "They crushed me, and I had to file for personal bankruptcy," says Smith, who is still contesting what he owes the publisher.

EMI goes after a broad spectrum of businesses, ranging from Internet startups to a fledgling clothing manufacturer. In 2001 it persuaded the nonprofit Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University to change the title of its quarterly alumni newsletter, *The Entrepreneur*. In 2004 it stopped 3Entrepreneurs, a San Diego apparel company, from putting the phrase "Entrepreneur Generation" on T-shirts, sweaters, and hats. At present, EMI is skirmishing with the Entrepreneur Hall of Fame and Museum, a one-man website based in Glen Cove, N.Y., with aspirations of someday occupying a brick-and-mortar facility. "*Entrepreneur* is the enemy of entrepreneurs," says the hall of fame's proprietor, Mitch Schlimer, who began his career selling New York-style soft pretzels from a street cart with his grandfather.

***Entrepreneur*, the Magazine That Sues Entrepreneurs**

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Demonized by those it pursues, EMI's legal strategy benefits from the momentum of a larger judicial trend. "The point of federal trademark law is to prevent consumer confusion," explains Mark A. Lemley, an intellectual property scholar at Stanford Law School. "In recent decades, though, courts have expanded the idea of consumer confusion so much that you have businesses like Entrepreneur Media stifling other, smaller businesses whose goods or services just aren't likely to interfere with consumers making well-informed decisions." In EMI's case, the professor adds, "it's particularly ironic because the trademark holder is in the business of helping the kinds of people and businesses it's suing."

EMI sees no irony, let alone bullying. In an e-mail, the company's lead attorney at Latham, Perry J. Viscounty, says his client "vigorously enforces its trademark rights in appropriate circumstances, when a third-party use is likely to cause confusion in the marketplace." In a separate letter, the company adds: "EMI has been forced to take action against individuals, small businesses, and large businesses." EMI asserts that the action against apparel maker 3Entrepreneurs was appropriate because the publisher has also produced clothing with its trademarked "entrepreneur" logo. "EMI has taken no action against unrelated applications and uses," the company continues, pointing to the example of Brother International's use of "Entrepreneur" on sewing machines. Viscounty notes that Bloomberg LP, owner of *Bloomberg Businessweek*, also "has a history of taking action, where appropriate, to protect its rights when consumer confusion is likely." He ticks off several examples, including *Bloomberg LP v. Bloomberg Mortgage*, a successful suit filed in federal court in New York in 2002, and ongoing efforts to protect the company's Bloomberg Launchpad trademark for computer programs and software.

While Viscounty is correct that many intellectual property owners enforce their rights to the fullest extent of the law, the comparison with Bloomberg or any other corporation has a flaw: Unlike EMI, most companies don't make a practice of suing the very people they hope to attract.

Chase Revel, who started *Entrepreneur* in the early 1970s, was a leading purveyor of goods and services related to the swift acquisition of wealth. His published works include *184 Businesses Anyone Can Start and Make a Lot of Money* and *168 More Businesses Anyone Can Start and Make a Lot of Money*. Revel's ideas ran the gamut from the seductive and legal to the nefarious and illegal. In 1966 he was sentenced to four years in prison under his given name, John Leonard Burke, for attempting to rob four banks in Houston in one day, according to articles published 20 years later by the *Los Angeles Times*. Revel (then Burke) hired helpers to deliver letters warning bank tellers that their children had been kidnapped. (Revel researched which employees had school-age kids.) The notes stated that the children would be returned only if the tellers surrendered large canvas bags stuffed with cash. In fact, no children had been snatched, and the scheme collapsed almost immediately.

Settling in Los Angeles after his release, Revel started *Entrepreneur* and, in 1979, registered the trademark for "entrepreneur." He promptly began to enforce the mark—for

example, by having his attorney send a cease-and-desist letter to the Entrepreneur Assn. at the University of California's Graduate School of Management in Los Angeles in November 1980. In 1987, Revel sold a majority stake in *Entrepreneur* to an investor group led by businessman Peter J. Shea and later offloaded the rest. The trademark went along with the magazine.

After moving on to other pursuits, Revel continued to have scrapes with the authorities. As recently as 2006 he denied wrongdoing and paid \$27,500 in a settlement of civil allegations by the Federal Trade Commission that he created false advertising for Gero Vita dietary supplements. According to public records, Revel, now 74, owns a home in Oceanside, Calif. A man who answered the phone there hung up immediately, and a message went unreturned.

***Entrepreneur*, the Magazine That Sues Entrepreneurs**

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In its letter, EMI asserts that "while Mr. Revel has an interesting history, he and his alleged actions have no relevance to EMI's operations or efforts to enforce its intellectual property rights." Revel, the company adds, "has had nothing to do with, and no contact with, EMI for almost 30 years." Shea, the company's current owner and chief executive officer, has no desire to talk to "a competing publication" about his magazine's distant past or its trademark enforcement policies, the letter states. In an interview with the magazine *World Trademark Review* in 2009, Shea, who earlier made a fortune marketing a simulated version of stained glass, said: "Basically, we're trying to protect our brand."

Smith, the Sacramento public-relations man, counters that EMI protects its brand by rolling over tiny capitalists and using lawsuit damages as a source of income revenue. He presents himself as the quintessential victim of what he calls EMI's maltreatment. "There's no way my little firm representing small businesses would be confused with a national magazine," he complains. "This is a scam."

The federal courts disagreed. In 2003 a U.S. district judge in Los Angeles found that both Smith's company, EntrepreneurPR, and *Entrepreneur* magazine "printed publications geared for small businesses." Testimony showed that some of Smith's clients "were under the mistaken belief that there was an affiliation between *Entrepreneur* and EntrepreneurPR," the judge added. In 2004 the U.S. Court of Appeals for the Ninth Circuit in San Francisco affirmed the ruling of willful infringement. Smith has changed the name of his company to BizStarz, laid off his half-dozen employees, and works out of his home.

"Smith's own actions caused the demise of his business," EMI says in its letter. "Rather than focusing his remaining resources on his rebranded company and half-dozen employees, Smith squandered the company's time and money on an ill-advised appeal."

Castro, the Austin real estate broker, also doubts anyone would mix up his website EntrepreneurOlogy.com with *Entrepreneur*. "I mean, how is 'entrepreneurology,' a word I have to admit you can barely pronounce, going to cut into their business?" he asks. EMI's main website is entrepreneur.com. It also has a Spanish-language site called entrepreneurespanol.com.

In addition to selling residential real estate, Castro has a law license and courtroom experience. He responded to EMI's cease-and-desist letter by preemptively suing the publisher in federal court in Austin. "It was Castro who leapt to litigation," says EMI. In April a federal judge dismissed 12 of Castro's 14 claims but said he could continue to pursue his allegation that EMI's core trademark is invalid. As described in his court papers, Castro's argument is that "the public has not come to associate the word 'entrepreneur' exclusively with EMI's products or services." The word, he adds, "is a generic noun that is in the public domain."

"Generic" is a crucial term of art in intellectual property law. A judicial determination of generic status ordinarily dooms a trademark. Even distinctive marks that become generic can lose their legal protection; cellophane and aspirin are but two examples.

EMI argues in its court filings in Austin that "Castro's entire argument misconstrues and misstates" trademark law. In connection with business media, "entrepreneur" is not generic, EMI contends; it has acquired "secondary meaning," another term of art that refers to a seemingly ordinary word that has come to be associated with a particular company's products. "Time," for example, has been trademarked to identify a magazine, even though the word also refers to hours and minutes, EMI maintains. Castro can make use of "entrepreneur" in its descriptive sense ("Hello, my name is Daniel Castro, and I am an entrepreneur"), but he may not use the word as the name for a communications business, EMI says.

To prevent a trademark from deteriorating, cellophane-style, into a generic term, courts encourage mark holders to protect their interests. "EMI has the right and obligation to police and enforce its trademark rights, or risk diminishing or altogether losing those rights," the company argues in its court papers.

In the litigious precincts of intellectual property, the aggressor inevitably finds itself chasing its own tail—and EMI and its lawyers have actually tried to use the "generic" argument to their advantage. In 2008, Ernst & Young, one of the Big Four accounting firms, sued EMI in federal court in New York, alleging that the publisher violated its trademark for an Entrepreneur of the Year award. The dispute over the prize dates to 1994, when Ernst first sent EMI a cease-and-desist missive aimed at *Entrepreneur's* similarly named award. EMI fired back in a lawsuit in California that Ernst's award trademark cannot be infringed because "entrepreneur of the year" is a generic term. In the

end, Ernst and EMI settled their differences confidentially and out of court. EMI changed its award name slightly (nominations for "*Entrepreneur Magazine's* Entrepreneur of 2011" are now open), while Ernst is celebrating the 25th anniversary of its trademarked Entrepreneur of the Year program.

This year, as in years past, the real winners don't even have to enter. They are the many lawyers who profitably stoke the perennial flames of intellectual property antagonism. They may not be entrepreneurs, but EMI has certainly bulked up their bank accounts.

[featured May 19, 2011]

Barrett is an assistant managing editor at *Bloomberg Businessweek*.