

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

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

DEFENDANT ENTREPRENEUR MEDIA, INC.’S COMBINED OPPOSITION
TO PLAINTIFF’S MOTIONS TO DISMISS

I. INTRODUCTION

Plaintiff and counterdefendant Daniel Castro (“Castro”) has filed a Rule 12(b)(6) Motion to Dismiss (the “12(b)(6) Motion”) seeking to dismiss Counterclaims One through Seven of defendant and counterclaimant Entrepreneur Media, Inc.’s (“EMI”) Counterclaims, and a Rule 12(b)(1) Motion to Dismiss (the “12(b)(1) Motion”) seeking to dismiss EMI’s Counterclaim Eight for declaratory relief. In his 12(b)(6) Motion, Castro ignores the multitude of factual allegations contained in EMI’s Counterclaims (which are to be accepted as true), and instead attempts to improperly argue the merits of this lawsuit. Castro also mistakes the law to be applied to EMI’s Counterclaims, and thus makes irrelevant arguments which are inapplicable and should be disregarded.

In his 12(b)(1) Motion, Castro concedes that EMI’s counterclaim for declaratory relief is otherwise appropriate, and limits his argument to whether the Court should exercise its discretion

not to hear that counterclaim (which it should not). Castro misstates the law by citing to a non-binding Fourth Circuit case as the controlling law, and then ignores the substance of EMI's claim to argue that it is "duplicitous" (presumably meaning "duplicative") of EMI's other seven counterclaims. A brief reading of Counterclaim Eight, however, establishes that EMI is seeking relief that extends beyond its other counterclaims, in that it seeks a declaration that provides clear instruction to the U.S. Patent and Trademark Office ("PTO") that will expedite EMI's relief should it prevail and eliminate the need for multiple parallel actions in front of the PTO.

For these reasons, both of Castro's motions should be denied in their entirety.

I. ARGUMENT

A. Castro's Rule 12(b)(1) Motion to Dismiss EMI's Declaratory Judgment Act Counterclaim Should Be Denied as That Claim is Necessary and Appropriate

1. Legal Standard

Under the Declaratory Judgment Act, a district court "may declare the rights and other legal relations of any interested party." 28 U.S.C. § 2201. The Act "has been understood to confer on federal courts unique and substantial discretion in deciding whether to declare the rights of litigants." Wilton v. Sevel Falls Co., 515 U.S. 277, 286 (1995). To determine whether it has jurisdiction over a declaratory relief claim, a district court should consider "(1) whether the declaratory action is justiciable; (2) whether the court has the authority to grant declaratory relief; and (3) whether to exercise its discretion to decide or dismiss the action." Sherwin-Williams Co. v. Holmes County, 343 F.3d 383, 387 (5th Cir. 2003).

In not addressing these issues, Castro effectively concedes that Counterclaim Eight is justiciable, and that the Court has authority to grant such declaratory relief.¹ The only issue

¹ The counterclaims are undoubtedly justiciable, as they "can presently be litigated and decided and [are] not hypothetical, conjectural, conditional or based upon the possibility of a factual situation that may never develop," Rowan Cos. v. Griffin, 876 F.2d 26, 28 (5th Cir. 1989), and the court undoubtedly has the authority to grant declaratory relief as federal question

raised by Castro's motion is whether this Court should exercise its discretion in electing to decide EMI's counterclaim for declaratory relief.

2. The Court Should Exercise its Discretion to Decide EMI's Declaratory Judgment Counterclaim

Whether to decide a claim for declaratory relief is within the discretion of the district court. Rowan, 876 F.2d at 28. This discretion is broad, though not unfettered. Am. States Ins. Co. v. Bailey, 133 F.3d 363, 368 (5th Cir. 1998). The Court should consider judicial efficiency in determining whether to decide declaratory relief claims. However, “[w]ise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, **does not counsel rigid mechanical solution of such problems. The factors relevant to wise administration here are equitable in nature. Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts.**” Amerada Petroleum Corp. v. Marshall, 381 F.2d 661, 663 (5th Cir. 1967) (emphasis in original) (quoting Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co., 342 U.S. 180, 183–84 (1951)).

“[T]here is ample support within [the Fifth C]ircuit for granting a declaratory judgment claim” where such a claim overlaps with the claimant's other causes of action. See Gatt Trading, Inc. v. Sears, Roebuck, and Co., No. 3:02-CV-1573-B, 2004 U.S. Dist. LEXIS 22550, at *51 (N.D. Tex. 2004) (rejecting argument that claim for declaratory relief should “fail[] as a matter of law” because it is redundant to other causes of action); see also 6A James W. Moore et al., Moore's Federal Practice § 57.24 (3d ed. 1997) (“The existence of another adequate remedy does not preclude declaratory relief in appropriate cases.”).

jurisdiction is present. See Holmes County, 343 F.3d at 387 (district court properly found authority to decide suit for declaratory relief where jurisdiction was otherwise present and there was no pending state action on the same matter).

As primary support for his argument, Castro miscites the Quarles case, which is a *Fourth* Circuit case, and thus is not binding on this Court. See 12(b)(1) Motion at 1. Castro relies on that case in concluding that “the Fifth Circuit has admonished lower courts to dismiss declaratory judgment claims that are duplicitous [sic] of statutory and common law claims that are already pending before the court . . . on the basis that such declaration would serve ‘no useful purpose’ or because ‘another remedy will be more effective.’” Id. While this holding is non-binding, it is also inapplicable here, as EMI’s counterclaim for declaratory relief serves a useful purpose, and there are no other remedies which could be more effective.

EMI’s counterclaim for declaratory relief serves a very useful purpose. Counterclaim Eight goes beyond Counterclaims One through Seven by requesting additional specific relief, namely: (i) an order to the PTO to cancel Castro’s registration and sustain EMI’s oppositions against Castro’s pending applications; and (ii) an order prohibiting Castro from filing future applications for the same marks or other marks likely to cause confusion with or dilution of EMI’s marks. Counterclaims at 28. Should EMI prevail in this lawsuit and in particular on this counterclaim, it will thus be able to present the PTO with a clear directive regarding Castro’s pending and future applications, beyond that which would be possible under EMI’s other counterclaims. Inclusion of EMI’s counterclaim for declaratory relief would thus prevent parallel and duplicative proceedings before the PTO, and would similarly increase judicial efficiency by preventing this matter from coming before this Court again should Castro attempt to file trademark applications with the PTO in the future. Finally, while several of the provisions contained in EMI’s counterclaim for declaratory relief overlap with EMI’s other legal arguments, this overlap is not problematic in the Fifth Circuit, see Gatt Trading, 2004 U.S. Dist. LEXIS 22550 at *51, and are necessary for an order to the PTO to be clear, coherent and complete.

B. Castro's Rule 12(b)(6) Motion to Dismiss EMI's Counterclaims Should Be Denied

1. Legal Standard

Motions to dismiss for failure to state a claim are viewed with disfavor and are seldom granted. See Collins v. Morgan Stanley Dean Witter, 224 F.3d 496, 498 (5th Cir. 2000). Claims asserted are liberally construed in favor of the claimant and all facts pleaded are taken as true. See Leatherman v. Tarrant County Narcotics Intelligence & Coordination Unit, 507 U.S. 163, 164 (1993). The court must indulge all inferences in favor of the claimant. Collins, 224 F.3d at 498. “Factual allegations must be enough to raise a right to relief above the speculation level, on the assumption that all allegations in the [pleading] are true (even if doubtful in fact).” Bell Atl. Corp. v. Twombly, 550 U.S. 544, 556 (2007) (internal citations and quotations omitted).

A pleading need only have enough facts to state a claim for relief that is “plausible on its face.” Twombly, 550 U.S. at 556, 570. However, the pleading must offer more than an “unadorned, the-defendant-unlawfully-harmed-me accusation,” and must “permit the court to infer more than the mere possibility of misconduct[.]” Ashcroft v. Iqbal, ___ U.S. ___; 129 S. Ct. 1937, 1949–50 (2009). Otherwise, “the complaint has alleged—but it has not ‘show[n]’—that the pleader is entitled to relief.” Id. (quoting Fed. R. Civ. P. 8(a)(2)). In ruling on a 12(b)(6) motion, the court cannot decide disputed fact issues; rather, the court must assume that all material facts contained in the pleading are true. Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 U.S. 308, 322–23 (2007).

Here, Castro ignores these standards and improperly argues the merits of the case. For example, he makes numerous unsupported statements about his purported trademark rights, and repeats his accusations about EMI taking advantage of a “loophole” in securing its registration (a specious argument that is both baseless and inaccurate). 12(b)(6) Motion at 1-4. Since this is a

motion to dismiss, the allegations in the Counterclaims should be accepted as true, and Castro's attempts to include "facts" and arguments unsupported by evidence should be rejected.

2. EMI's Lanham Act Trademark Infringement Claim (15 U.S.C. § 1114)

To prevail on a trademark infringement claim, a plaintiff must have ownership in a legally protectable mark, and "show infringement by demonstrating a likelihood of confusion." Amazing Spaces, Inc. v. Metro Mini Storage, 608 F.3d 225, 235 (5th Cir. 2010).

There is no question that EMI has adequately pled that its marks (the "EMI Marks") are "legally protectable." EMI's Counterclaims include extensive references to its trademark registrations, its common law rights in those marks, and federal court opinions finding that its ENTREPRENEUR mark is "strong," "distinctive," and "deserving of significant protection." Counterclaims ¶¶ 21-28 (citing to Entrepreneur Media, Inc. v. Smith, 2004 U.S. Dist. LEXIS 24078 at *9-10 (C.D. Cal. 2004), aff'd Entrepreneur Media, Inc. v. Smith, 101 Fed. Appx. 212 (9th Cir. 2004)).

In evaluating a likelihood of confusion, courts in the Fifth Circuit consider eight "digits of confusion." Xtreme Lashes, LLC v. Xtended Beauty, Inc., 576 F.3d 221, 227 (5th Cir. 2009). The digits are "nonexhaustive," "[n]o digit is dispositive, and the digits may weigh differently from case to case." Id. "A finding of a likelihood of confusion does not require a positive finding on a majority of these 'digits of confusion.'" Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 664 (5th Cir. 2000). The "digits of confusion" are: "(1) type of trademark; (2) mark similarity; (3) product similarity; (4) outlet and purchaser identity; (5) advertising media identity; (6) defendant's intent; (7) actual confusion; and (8) care exercised by potential purchasers." Xtreme Lashes, 576 F.3d at 227.

Castro argues that EMI's trademark infringement claim should be dismissed for failure to "set forth specific facts," repeatedly charging EMI with an obligation to "set forth facts" to

explain intended purchasers, advertising media, Castro’s intent, and actual confusion. 12(b)(6) Motion at 12–15. Castro’s arguments are premature—at the pleading stage, EMI’s only burden is to allege facts sufficient “to raise a right to relief above the speculation level, on the assumption that all allegations in the [pleading] are true (even if doubtful in fact).” Twombly, 550 U.S. at 556.² As shown below, EMI’s pleadings go well beyond “unadorned, the-defendant-unlawfully-harmed-me accusation[s],” and are therefore sufficient to state a claim upon which relief can be granted. Iqbal, 129 S. Ct. at 1949–50; see also Healthpoint, Ltd. v. River’s Edge Pharms., L.L.C., 2005 U.S. Dist. LEXIS 3646 at *28 (W.D. Tex. 2005) (in motion to dismiss on Lanham Act claims, question is not whether plaintiff can prove the elements of the claim, such as whether “the alleged infringement creates a likelihood of confusion”; rather, the question is whether plaintiffs have “state[d] a cause of action.”). EMI has amply met this burden.

The first digit (i.e., type of trademark) concerns a determination of the strength of the mark at issue, on a continuum from generic to arbitrary/fanciful. Xtreme Lashes, 576 F.3d at 227. EMI’s counterclaims contain ample allegations concerning the strength of the EMI Marks, which has been fully litigated in other federal courts. See Counterclaims ¶¶ 27–28; Smith, 2004 U.S. Dist. LEXIS 24078 at *9-10 (ENTREPRENEUR[®] mark is strong and has acquired secondary meaning).

² It is revealing that, except for Iqbal and Twombly, all of the cases cited by Castro in this section of his motion **arose at summary judgment, trial, or post-trial**, and not at the pleading stage in response to a motion to dismiss. See Amazing Spaces, 608 F.3d at 230 (appeal of dismissal of claims “on summary judgment”); Elvis Presley Enterprises v. Capece, 141 F.3d 188, 192–93 (5th Cir. 1998) (post-trial appeal); Armstrong Cork Company v. World Carpets, Inc., 597 F.2d 496, 499–500 (5th Cir. 1979) (appealing verdict); Association of Co-Op Members, Inc. v. Farmland Industries, Inc., 684 F.2d 1134, 1135 (5th Cir. 1982) (appeal from “partial summary judgment” order); Exxon Corp. v. Tex. Motor Exch. of Houston, Inc., 628 F.2d 500, (5th Cir. 1980) (appeal of denial of injunction after hearing); Texas Dairy Queen Operators Council v. The Feed Store, 1986 U.S. Dist. LEXIS 19341 at *1 (N.D. Tex. 1986) (district court’s decision after fact-finding); Ironclad, L.P. v. Poly-America, Inc., 2000 U.S. Dist. LEXIS 10728 at *2 (N.D. Tex. 2000) (motion for directed verdict and post-trial motions).

The second digit (i.e., mark similarity) concerns a determination of whether “under the circumstances of use, the marks are similar enough that a reasonable person could believe the two products have a common origin or association.” Xtreme Lashes, 576 F.3d at 228. EMI’s complaint sets forth specific allegations concerning the similarity between the parties’ marks. Counterclaims ¶¶ 35, 44 (addressing the extent of similarity between Castro’s marks and the ENTREPRENEUR[®] mark), 59, 70, 71, 78; ¶¶ 14, 20 (EMI’s use of marks consisting of Entrepreneur_____, such as EntrepreneurEnEspañol.com, Entrepreneur Press and Entrepreneur Connect); ¶¶ 30–32 (addressing the fact that each of Castro’s marks consists of the word “Entrepreneur” followed by “ology”).

The third digit addresses the extent of similarity between the products and services offered, with the result that “[t]he greater the similarity between the products and services, the greater the likelihood of confusion.” Exxon, 627 F.2d at 504 (5th Cir. 1980). In this case, EMI has alleged sufficient facts to raise this portion of the claim beyond the plausibility threshold. Counterclaims ¶¶ 21, 30–32 (addressing the fact that all of Castro’s marks are either registered or seeking registration in the same class of services (Class 41) as the ENTREPRENEUR[®] mark), ¶ 35 (EMI and Castro both offer educational services, workshops and seminars), ¶ 44 (products and services marketed, offered for sale and sold are closely related).

With regard to the fourth digit (i.e., the identity and similarity of targeted consumers), where companies are “direct competitors” in a certain market, and may therefore lose business to one another, this factor is implicated. Source, Inc. v. SourceOne, Inc., 2006 U.S. Dist. LEXIS 62401 at *18 (N.D. Tex. 2006). Here, as alleged in connection with the previous factor, both Castro and EMI offer or seek to offer educational services to individuals interested in starting, owning and operating a business. Therefore, EMI has sufficiently alleged that the potential consumers for goods and services under the EMI Marks and Castro’s marks are the same.

As to the fifth digit (i.e., identity and similarity of advertising and media outlets), where parties advertise in the same or similar media, consumer confusion is more likely. Xtreme Lashes, 576 F.3d at 229. For example, where “both parties advertise on their respective websites,” this factor may weigh in favor of a finding of likelihood of confusion. SourceOne, 2006 U.S. Dist. LEXIS 62401 at *18–19. EMI alleges that both parties promote their marks, and the goods and services offered in connection therewith, on their respective websites. Counterclaims ¶¶ 14–15, 20, 34.

As to the digit involving Castro’s intent in adopting his marks, EMI alleges that Castro’s adoption and use of his marks are willful. Counterclaims ¶ 46 (“On information and belief, Castro’s use . . . was intended to confuse consumers into believing that Castro’s Services were authentic and authorized EMI products and services”).

While EMI does not specifically allege, nor have information at this point in time, concerning evidence of actual confusion or the level of care exercised by potential purchasers (the remaining digits), EMI does more generally allege a likelihood of confusion between the EMI Marks and Castro’s marks, based on the other digits, including that there is a likelihood of confusion between the marks, given their similarity and the similarity in goods/services, which should be accepted as true for purposes of this motion. Counterclaims ¶¶ 35, 44, 47; Tellabs, 551 U.S. 322–23.

EMI’s Counterclaims consist of detailed allegations regarding protectability and likelihood of confusion, and state a claim for relief that is “plausible on its face.” Therefore, this Court should deny Castro’s motion to dismiss EMI’s Lanham Act trademark infringement claim.

3. EMI’s Lanham Act False Designation of Origin/Unfair Competition Claim

The Lanham Act generally addresses “the registration, use, and infringement of trademarks and related marks.” Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23,

29 (2003). However, portions of the Act “go[] beyond trademark protection.” Id.

a. *EMI Has Stated a Claim for False Designation of Origin*

To state a claim for false designation of origin, a party must plead that another “has made a false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion . . . as to the origin . . . of his or her goods.” Id. at 31; 15 U.S.C. § 1125(a)(1)(A). EMI has sufficiently met this pleading standard in its Counterclaim for false designation or origin. Counterclaims ¶¶ 55-63.

In his motion, Castro has confused the false designation of origin claim found in subsection (A) of § 1125(a)(1) with the false advertising claim found in subsection (B) of that statute section, and cites the wrong elements that are required to state a claim (e.g., advertising statements about its own or the defendant’s products). 12(b)(6) Motion at 7. Accordingly, his argument is inapplicable and should be denied, as EMI has sufficiently pled a claim under subsection (A), and Castro has not provided any argument that EMI has failed to do so.

Based on Chevron Chemical Company v. Voluntary Purchasing Groups, Inc., 659 F.2d 695 (5th Cir. 1981), Castro additionally argues that the “false or misleading representation” portion of the Lanham Act’s Section 1125 “constitute[s] the common-law tort of ‘unfair competition,’ or, as it is otherwise known, ‘passing off.’” Id. at 701. However, the Chevron court’s conclusions were based on the assumption that the reference to “origin” in § 1125(a)(1)(A) was limited in meaning to geographic origin. Id. at 700. This view has been explicitly repudiated by an amendment of the Lanham Act and by the Supreme Court. See Dastar, 539 U.S. at 30 (“The Trademark Law Revision Act of 1988 made clear that § 43(a) covers origin of production as well as geographic origin.”); see also Two Pesos v. Taco Cabana, 505 U.S. 763, 779 (courts have “expanded the categor[y] of ‘false designation of origin’ . . . to include ‘origin of source or manufacture’ in addition to geographic origin.”) (1992).

The Supreme Court has also explicitly rejected the idea that false designation of origin is limited to false advertising and “passing-off” claims. Two Pesos at 778–79. Rather, “the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks.” Id. at 780.³ “The test for false designation of origin under § 1125(a) is essentially the same as that for trademark infringement,” although the inquiry is more broad, “looking to similarity in the overall trade dress of the products.” Petro Franchise Sys. v. All Am. Props., Inc., 607 F. Supp. 2d 781, 788 (W.D. Tex. 2009) (internal quotes omitted).

Here, EMI has sufficiently pled its false designation of origin claim. There are voluminous facts in EMI’s Counterclaims that raise EMI’s right to relief above a speculative level with respect to the allegation that Castro’s use is likely to cause confusion regarding the origin of his goods and services. See Counterclaims ¶¶ 35 (“EMI is very concerned that consumers will be confused into believing that the services offered under [Castro’s] confusingly similar [marks] are related to the educational services, workshops and seminars offered by EMI”), 40, 44 (marks and services are similar), 46 (“On information and belief, Castro’s use . . . was intended to confuse consumers into believing that Castro’s Services were authentic and authorized EMI products and services”), 47, 55–67.

b. *EMI Has Stated a Claim for Unfair Competition*

The considerations underlying an unfair competition claim under 15 U.S.C. § 1125(a) are “essentially the same” as those underlying a Lanham Act trademark infringement claim, “but the

³ Castro cites to The York Group, Inc. v. Horizon Casket Group, Inc., 456 F. Supp. 2d 567, 576 (S.D. Tex. 2006) for the proposition that EMI must show either (1) that Castro made a literally false statement about its own products or (2) that Castro made a misleading statement about its products and a “substantial number” of consumers were “actually deceived.” 12(b)(6) Motion at 7. Castro’s reliance on York is misplaced. First, York concerned a motion for summary judgment, not a motion to dismiss. York, 456 F. Supp. 2d at 570–71. Second, the York court mistakenly conflated false designation of origin with false advertising, a view which was repudiated by the Supreme Court in Two Pesos, as previously discussed.

scope of inquiry into similarity of design is considerably broader,” and goes to overall similarity. Sun-Fun Products, Inc. v. Suntan Research & Development, Inc., 656 F.2d 186, 192 (5th Cir. 1981). Therefore, the facts alleged by EMI in support of its Lanham Act trademark infringement claim, as discussed above, are more than sufficient to sustain EMI’s allegations concerning Lanham Act unfair competition at the pleading stage.

4. EMI’s Common Law Trademark Infringement Claim

“A determination of a likelihood of confusion under federal law is the same as the determination of a likelihood of confusion under Texas law for a trademark infringement claim.” Elvis Presley Enters. v. Capece, 141 F.3d 188, 193 (5th Cir. 1998). Therefore, for the same reasons that EMI’s allegations are sufficient to sustain its claim for Lanham Act trademark infringement, this Court should deny Castro’s motion to dismiss with respect to EMI’s common law trademark infringement claim.

5. EMI’s Common Law Unfair Competition Claim

“The analysis with respect to . . . claims under the Lanham Act will be dispositive of . . . corresponding claims under Texas law . . . A[n] . . . unfair competition action under Texas common law presents essentially no difference in issues than those under federal trademark infringement actions.” Amazing Spaces, Inc. v. Metro Mini Storage, 608 F.3d 225, 235 n.7 (5th Cir. 2010) (internal quotes omitted). Therefore, for the same reasons this Court should deny Castro’s motion to dismiss as to EMI’s Lanham Act trademark infringement claim, this Court should deny Castro’s motion to dismiss EMI’s Texas common law unfair competition claim.

6. EMI’s Common Law Misappropriation Claim

“Misappropriation is a branch of the tort of unfair competition which involves [1] the appropriation and use by the defendant, [2] in competition with the plaintiff, [3] of a unique pecuniary interest created by the plaintiff through the expenditure of labor, skill and money.”

Seatrax, Inc. v. Sonbeck Int'l, Inc., 200 F.3d 358, 368 (5th Cir. 2000).

Here, EMI has alleged numerous facts regarding each of the elements of its common law misappropriation claim, namely: it has Castro's appropriation and use, Counterclaims ¶¶ 30–39, 44, 46, 47, 51, 58, 59, 61, 64, 70–73, 75–82, 88, 91, 93; in competition with EMI, ¶¶ 35 (both parties offer educational services, workshops and seminars), 44 (Castro's services “marketed, offered for sale and sold under” his marks “are closely related to the particular products and services” associated with the ENTREPRENEUR[®] mark), 77 (Castro's use of his mark intended “to market and sell his products and services in competition with EMI”); of a unique pecuniary interest created by EMI through labor, skill and money, ¶¶ 6–7 (EMI's efforts to establish the ENTREPRENEUR[®] mark), 18–19 (EMI has established goodwill in the industry), 26, 51 (value of the ENTREPRENEUR[®] mark), 56, 64, 69, 75–82.

Castro argues that EMI has failed to “allege that it created anything of value at great time and expense,” and that any “goodwill” created by EMI “already existed in the word ‘entrepreneur.’” 12(b)(6) Motion at 10. This argument is factually inaccurate and contrary to the standard to be applied in a motion to dismiss. As noted above, EMI has extensively alleged its efforts and success in creating a strong brand with substantial goodwill. These facts, moreover, should be accepted as true in determining a 12(b)(6) motion to dismiss. See Leatherman, 507 U.S. at 164; Tellabs, 551 U.S. 322–23. Accordingly, EMI has adequately pled its common law misappropriation claim, and Castro's motion on this claim should be denied.

7. EMI's State Law Dilution Claim

Under the Texas Anti-Dilution Statute, “[a] person may bring an action to enjoin an act likely to injure a business reputation or to dilute the distinctive quality of a [federal or Texas state registered mark] or a mark or trade name valid at common law, regardless of whether there is competition between the parties or confusion as to the source of goods or services.” Tex. Bus.

& Com. Code § 16.29. To prevail under the Texas Anti-Dilution Statute, a plaintiff “must show that it owns a distinctive mark and that there is a likelihood of dilution.” E. & J. Gallo Winery v. Spider Webs, Ltd., 129 F. Supp. 2d 1033, 1037 (S.D. Tex 2001). Dilution can either occur by blurring, “where there has been a diminution in the uniqueness and individuality of the mark,” or by tarnishment, which “requires an injury resulting from another’s use of the mark in a manner that tarnishes or appropriates the goodwill and reputation associated with the plaintiff’s mark.” Id. at 1038. Unlike Lanham Act dilution claims, a plaintiff under Texas state law need not show that its mark is famous to prove distinctiveness. Id.

Here, Castro has not challenged the substance of EMI’s dilution claim, i.e., that EMI’s marks are distinctive and that there is a likelihood of dilution. Rather, Castro’s only argument is that, under the Lanham Act, dilution claims based on state law are completely barred from being brought against owners of federally-registered marks. See 15 U.S.C. § 1125(c)(6); 12(b)(6) Motion at 4–5. Notably, however, only one of Castro’s marks is registered. FAC ¶ 5.7. Castro’s other two marks at issue in this case are each the subject of pending applications before the PTO. Counterclaims ¶¶ 31–32.

EMI, moreover, has alleged sufficient facts as to the distinctiveness of the EMI Marks and the likelihood that Castro’s use of his unregistered marks will dilute the EMI Marks by blurring and tarnishment. Counterclaims ¶¶ 19, 20, 26–28, 42, 56, 69 (the EMI Marks are strong and distinctive and have acquired secondary meaning, including the California federal court’s findings to that effect); ¶¶ 39, 51, 64, 83–85, 92 (Castro’s conduct will “dilute the substantial value of EMI’s name and trademarks”); ¶¶ 35, 39, 51, 64, 71, 83–85 (poor quality of Castro’s website and services likely to “tarnish[] EMI’s reputation and adversely affect[] its goodwill”).

EMI has therefore stated a claim for relief that is “plausible on its face,” showing that it is

entitled to relief under the Texas Anti-Dilution Statute as to Castro's two unregistered marks.⁴

8. EMI's Unjust Enrichment Claim

Castro also moves to dismiss EMI's unjust enrichment claim, asserting that it is "unclear" whether unjust enrichment constitutes an independent claim or merely a "remedy." 12(b)(6) Motion at 8. Castro is mistaken. The Texas Supreme Court has, in fact, previously recognized unjust enrichment as an independent claim. See Fortune Prod. Co. v. Conoco, Inc., 52 S.W.3d 671, 683-85 (Tex. 2000) (remanding unjust enrichment claim to trial court); see also HECI Exploration Co. v. Neel, 982 S.W.2d 881, 885 (Tex. 1998) (recognizing two-year statute of limitations for unjust enrichment claims). Further, at least one recent federal district court in Texas relied on the Texas Supreme Court's recognition of unjust enrichment as an independent claim to deny a 12(b)(6) motion. See Newington Ltd. v. Forrester, No. 3:08-CV-0864-G, 2008 U.S. Dist. LEXIS 92601 at *11-12 (N.D. Tex. 2008) ("[g]iven that the [Texas] Supreme Court has stated that unjust enrichment is a cause of action, and that Texas courts seem willing to award recovery based on unjust enrichment, even if it is nothing more than a theory, the court concludes that Newington's claim for unjust enrichment should proceed").

A party can prove unjust enrichment in Texas by showing that the defendant has benefited from having taken unfair advantage of a plaintiff. See, e.g., Heldenfels Bros., Inc. v. City of Corpus Christi, 832 S.W.2d 39, 41 (Tex. 1992). Here, contrary to Castro's argument, EMI's Counterclaims clearly assert "specific facts" sufficient to state a claim under this cause of action. For example, after outlining EMI's long-established rights in the EMI Marks (¶¶ 6-28), EMI states that "Castro has taken undue advantage of EMI by trading on, and profiting from, the goodwill associated with the EMI Marks, and in particular the ENTREPRENEUR[®] Mark, as

⁴ EMI acknowledges that its Counterclaims, as currently written, do not clearly differentiate between Castro's registered and unregistered marks in its dilution claim, and would be happy to amend to make that distinction more clear if the Court would prefer.

developed and owned by EMI, resulting in Castro wrongfully obtaining a monetary and reputational benefit for his own business and services.” Counterclaims ¶ 88. These allegations plainly state a claim for unjust enrichment. Consequently, Castro’s motion to dismiss EMI’s unjust enrichment claim must fail.

9. EMI’s Cancellation Claim

District courts have authority “[i]n any action involving a registered mark . . . [to] order the cancellation of registrations, in whole or in part.” 15 U.S.C. § 1119. This broad discretion should be exercised to further the policies motivating the enactment of the Lanham Act. Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 213 (1985). When a mark is less than five years old, courts may cancel the mark on any grounds on which the PTO should have refused registration under 15 U.S.C. § 1052(d), including likelihood of confusion. RE/MAX Int’l, Inc. v. Trendsetter Realty, LLC, 665 F. Supp. 2d 679, 712 (S.D. Tex. 2009). The test for a cancellation claim is the same likelihood of confusion test used in Lanham Act trademark infringement claims. Id. (citing Shen Mfg. Co., Inc. v. Ritz Hotel, Ltd., 393 F.3d 1238 (Fed. Cir. 2004); 3 McCarthy on Trademarks and Unfair Competition, § 20:15, 20:53 (2009)).

As detailed above, EMI has alleged extensive facts regarding Castro’s registration, the likelihood of confusion between the parties’ marks, and EMI’s trademark rights. EMI has thus adequately pled its counterclaim for cancellation, and for that reason this Court should deny Castro’s motion to dismiss that counterclaim.

II. CONCLUSION

Castro’s motions to dismiss misstate and misapply the law, and improperly argue the merits of the case. EMI has sufficiently pled its counterclaims, and Castro’s motions should therefore be denied.

Respectfully submitted,

Dated: June 23, 2011

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CERTIFICATE OF SERVICE

I hereby certify that on June 23, 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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