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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

CTF DEVELOPMENT, INC., a Delaware  
Corporation,

No. C 09-02429 WHA

Plaintiff,

v.

**ORDER DENYING  
DEFENDANT’S MOTION  
TO STAY OR DISMISS**

PENTA HOSPITALITY, LLC, a California  
Limited Liability Company,

Defendant.

**INTRODUCTION**

In this trademark-infringement action, defendant moves to stay or, in the alternative, moves to dismiss plaintiff’s claim for cyberpiracy. For the reasons stated below, the motion is **DENIED**. The hearing set for August 20, 2009, is hereby **VACATED**.

**STATEMENT**

This action commenced on June 2, 2009. Plaintiff CTF Development, Inc. sued Penta Hospitality, LLC (“Hospitality”), alleging numerous claims, including trademark infringement and violation of the Anticybersquatting Consumer Protection Act (“ACPA”), 15 U.S.C. 1125(d). CTF seeks an injunction and damages.

CTF is the United States affiliate of Penta Hotel Holdings, Ltd., who has developed hotels, motels, and resorts in Germany and England under the PENTA trademark. CTF and its affiliates also operate hotels, motels, and resorts in the United States under the mark. CTF filed a trademark application for PENTA with the United States Patent and Trademark Office on

1 June 9, 2006. Its statement of use was filed on November 18, 2008, and the mark was  
2 registered on January 27, 2009. According to the pleading, the PENTA mark has been used in  
3 connection with CTF's Ko'a Kea Hotel in Hawaii since at least as early as September 23, 2008.  
4 It is also alleged that CTF has had exclusive rights to the mark since 2006.

5 Hospitality started using the mark PENTA HOSPITALITY in January 2007 in  
6 connection with hotel and real estate investment, development, and management. The company  
7 registered its domain name, www.pentahospitality.com, on December 28, 2006. Despite  
8 receiving a letter from CTF dated November 10, 2008, that provided notice of CTF's rights to  
9 the PENTA mark, Hospitality allegedly continues to use the mark.

10 Two weeks before the complaint was filed in this action, Hospitality filed a petition to  
11 cancel the mark with the Trademark Trial and Appeal Board, asserting CTF did not use the  
12 mark as claimed and it made fraudulent statements to the PTO. Hospitality asserted that even  
13 though CTF declared in its trademark application that it intended to use the mark for meetings,  
14 conferences, exhibitions, congresses, seminars, symposiums, and workshops, CTF's Ko'a Kea  
15 Hotel does not in fact provide facilities for such use.

16 CTF moved to suspend the TTAB proceedings pending final disposition of this civil  
17 action, and the TTAB granted the motion. The TTAB stated the following in its order staying  
18 the cancellation proceeding (Exh. H at 2):

19 It is the policy of the Board to suspend proceedings when the  
20 parties are involved in a civil action, which may have a bearing on  
21 the Board case. *See* Trademark Rule 2.117(a). Moreover,  
22 [Hospitality] concedes in its brief that 'the issues in the two  
actions . . . are . . . contingent upon each other. . . .' Accordingly,  
proceedings are suspended pending final disposition of the civil  
action between the parties.

23 If the district Court stays the civil action pending resolution of the  
24 cancellation proceeding, the Board will entertain a motion to lift  
the suspension herein.

25 Hospitality now moves to stay this action or, in the alternative, to dismiss CTF's  
26 cyberpiracy claim.

1 ANALYSIS

2 1. MOTION TO STAY.

3 Hospitality moves to stay all proceedings in this action pending the outcome of a  
4 trademark cancellation proceeding filed with the TTAB. According to Hospitality, CTF made a  
5 material misrepresentation to the PTO during prosecution of its application. Hospitality claims  
6 that if the TTAB determines the mark was secured through fraud, the mark would be cancelled,  
7 changing the scope of the trademark infringement claims in this action. The TTAB previously  
8 granted CTF's motion to stay the cancellation proceeding. While the Court acknowledges that  
9 the TTAB has stayed its own proceeding in favor of the district court going forward first, it may  
10 have been more efficient in this instance for the TTAB to rule on cancellation first, considering  
11 that the TTAB has the expertise, not the district court. On the other hand, where there is an  
12 infringement claim that may require the district court to resolve much or all of the same issues,  
13 then it may save time to settle those issues in the district court. *See Rhoades v. Avon Products,*  
14 *Inc.*, 504 F.3d 1151, 1165 (9th Cir. 2007).

15 Given that the TTAB has already stayed its own proceeding, the best course of action is  
16 to allow the parties to take reasonable discovery and to allow defendant to present the  
17 cancellation issues at summary judgment and perhaps trial. The evidence gathered during  
18 discovery will be useful for either the TTAB or this court, regardless of whom finally  
19 adjudicates the issues. As such, the action will not be stayed at this time, and discovery should  
20 go forward. After a reasonable amount of time for discovery has passed, the Court may  
21 reexamine whether there is justification for staying this action and the TTAB reopening the  
22 cancellation proceeding. The motion to stay is **DENIED**.

23 2. MOTION TO DISMISS.

24 Besides moving to stay, Hospitality alternatively moves to dismiss CTF's third claim  
25 alleging that Hospitality violated the Anticybersquatting Consumer Protection Act, 15 U.S.C.  
26 1125(d). The ACPA states:

27 (A) A person shall be liable in a civil action by the owner of a  
28 mark, including a personal name which is protected as a mark  
under this section, if, without regard to the goods or services of  
the parties, that person

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(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name [that is identical or confusingly similar to another’s mark or dilutes another’s famous mark].

15 U.S.C. 1125(d); *see also Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 680 (9th Cir. 2005).

To state a claim under the ACPA, the plaintiff must own a valid trademark. Hospitality contends that CTF did not have any rights in the PENTA mark when Hospitality registered its domain name, www.pentahospitality.com, on December 28, 2006. According to Hospitality, CTF did not use the mark until September 2008, more than two years after Hospitality’s domain name registration. But the complaint alleges that the mark was used “*at least as early as* September 23, 2008” and CTF further pleads that its exclusive right to the PENTA mark dates back to 2006 (Compl. ¶¶ 10, 21) (emphasis added). Whether CTF, in fact, used the mark back in 2006 may later be disputed, but at the motion to dismiss stage, these allegations are sufficient to state a claim.

Next, Hospitality argues that the complaint alleges no facts to show bad faith intent as required for a claim under the ACPA. The ACPA lists nine factors that may be considered when determining whether bad faith intent exists. *See* 15 U.S.C. 1125(d)(B)(i). The complaint alleges that “[d]efendant’s bad faith intent to profit from use of the PENTA name in its website constitutes a cyberpiracy,” “[d]efendant had actual or constructive knowledge of CTF’s trademark rights prior to using, or continuing to use the Mark,” and “[d]efendant’s use of the Mark is being conducted with the intent to deceive the public into believing Defendant’s services are affiliated with CTF” (Compl. ¶¶ 24, 39, 51). In support of its argument that there was no bad faith intent, Hospitality presents a slew of unsupported allegations in its brief, including that it has “innocently developed goodwill” in the PENTA HOSPITALITY brand and it has “only employed the Domain Name as a means of promoting Hospitality’s unique suite of services” (Br. 13). These factual defenses and arguments are inappropriate for a motion to

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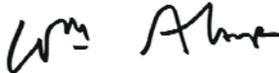
dismiss. The complaint properly states a claim for cyberpiracy under the ACPA. The motion to dismiss the cyberpiracy claim is **DENIED**.

**CONCLUSION**

For the reasons stated above, Hospitality’s motion to stay or dismiss is **DENIED**. The hearing on the motion scheduled for August 20, 2009, is **VACATED**.

**IT IS SO ORDERED.**

Dated: August 17, 2009.



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WILLIAM ALSUP  
UNITED STATES DISTRICT JUDGE