

Not Reported in F.Supp.2d, 2009 WL 2950324 (C.D.Cal.), 91 U.S.P.Q.2d 1173
(Cite as: **2009 WL 2950324 (C.D.Cal.)**)

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United States District Court,
C.D. California.

ROXBURY ENTERTAINMENT, Plaintiff(s),


v.

PENTHOUSE MEDIA GROUP, INC.; Penthouse
Digital Media Productions, Inc.; Pulse Distribution,
LLC; and Does 1-10, inclusive, Defendant(s).

No. 2:08-cv-03872-FMC-JWJx.

April 3, 2009.

West KeySummary

Trademarks 382T  1301

[382T Trademarks](#)

[382TVII Registration](#)

[382TVII\(B\) Proceedings Concerning Federal
Registration](#)

[382Tk1297 Cancellation](#)

[382Tk1301 k. Persons Entitled to Seek
Cancellation; Standing; Parties. **Most Cited Cases**](#)
Producers of film whose title allegedly infringed
trademark had standing to seek cancellation of the
trademark registrations under Lanham Act. Produ-
cers had a real interest in seeking cancellation of
the registrations because they had voluntarily
ceased all sales and promotional efforts regarding
the film after receiving a cease-and-desist letter.
Lanham Act, § 14, [15 U.S.C.A. § 1064](#).

[Kirk M. Hallam](#), Law Offices of Kirk M. Hallam,
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[Cathay Y. Smith](#), [David Michael Newman](#), [Floyd
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CA, for Defendant(s).

ORDER DENYING PLAINTIFF'S MOTION TO

DISMISS FIRST AMENDED COUNTERCLAIM
AND STRIKE PORTIONS OF AMENDED AN-
SWER

FLORENCE-MARIE [COOPER](#), District Judge.

*1 The matter is before the Court on Plaintiff's Motion to Dismiss Defendants' First Amended Counterclaim and Strike Portions of the Amended Answer (docket no. 64), filed on March 16, 2009. The Court has read and considered the moving, opposing, and reply documents submitted in connection with this motion. The Court deems the matter appropriate for decision without oral argument. *See Fed.R.Civ.P. 78*; Local Rule 7-15. The hearing scheduled for April 13, 2009, is removed from the Court's calendar. For the reasons and in the manner set forth below Plaintiff's Motion is DENIED.

I. FACTUAL AND PROCEDURAL BACK- GROUND

This action arises out of a dispute regarding the use of the mark "Route 66" in connection with video entertainment products. Plaintiff Roxbury Entertainment is in the business of producing, acquiring and distributing entertainment content, such as television programs, DVDs, and film. Complaint at ¶ 18. Defendants Penthouse Media Group, Inc., Penthouse Digital Media Productions, Inc., and Pulse Distribution LLC (collectively "Defendants") are alleged to produce, market, distribute and/or sell pornographic DVDs and films. *Id.* at ¶ 19-22.

In its First Amended Counterclaim ("FACC"), Defendants allege that Plaintiff claims to be the successor-in-interest to the "Route 66" trademark, which originated from a television series created in the 1960s. FACC at ¶ 8. Plaintiff is further alleged to be the record owner of three federal trademark registrations in the mark: (1) Registration No. 3,189,543 for "re-recorded DVD's and videocassettes featuring drama, action and adventure" issued on December 26, 2006; (2) Registration No.

3,194,255 for “entertainment services, namely, entertainment in the nature of an ongoing television program in the field of drama, action and adventure; television production services” issued on January 2, 2007; and (3) Registration No. 3,291,736 for “motion picture film scenes featuring drama, action and adventure” issued on September 11, 2007. *Id.* at ¶ 9. Defendants allege that they produced and distributed an adult entertainment film entitled *Penthouse: Route 66*. *Id.* at ¶ 7.

In or about April 2008, Defendants began marketing and selling the film *Penthouse: Route 66*. On May 12, 2008, Plaintiff sent a “cease-and-desist” letter to Defendants, demanding that they discontinue the sale and marketing of their film and DVDs utilizing the “Route 66” mark. On May 19, 2008, Defendants responded with a refusal to recognize Plaintiff’s trademark and rejected its demands. Defendants have since ceased all sales of the film and promotional efforts.

On June 12, 2008, Plaintiff filed a Complaint against Defendants, alleging that Defendants’ use of the “Route 66” mark in connection with their pornographic film infringes Plaintiff’s trademarks. On February 13, 2009, Defendants filed an Amended Answer and Counterclaim.

In its First Amended Counterclaim, Defendants assert counterclaims for the following: (1) cancellation of DVD/videocassette registration; (2) cancellation of TV program registration; (3) cancellation of motion picture registration; (4) false registration; (5) unfair competition (*Cal. Bus. & Prof.Code §§ 17200 et seq.*); and (6) common law unfair competition. Defendants also assert various affirmative defenses, including unclean hands and abandonment in their Amended Answer.

*2 On March 16, 2009, Plaintiff filed the instant Motion to Dismiss the First Amended Counterclaim and Strike Portions of the Amended Answer.

II. DISCUSSION

A. Motion to Dismiss

Rule 12(b) (6) of the Federal Rules of Civil Procedure permits a defendant to seek dismissal of a complaint that “fail[s] to state a claim upon which relief can be granted.” *Fed.R.Civ.P. 12(b)(6)*. All material factual allegations in the complaint are assumed to be true and construed in the light most favorable to the plaintiff. *Nursing Home Pension Fund, Local 144 v. Oracle Corp.*, 380 F.3d 1226, 1229 (9th Cir.2004) (“The general rule for 12(b)(6) motions is that allegations of material fact made in the complaint should be taken as true and construed in the light most favorable to the plaintiff.”) (citing *Burgert v. Lokelani Bernice Pauahi Bishop Trust*, 200 F.3d 661, 663 (9th Cir.2000)). However, the Court “is not required to accept legal conclusions cast in the form of factual allegations if those conclusions cannot be reasonably drawn from the facts alleged.” *Clegg v. Cult Awareness Network*, 18 F.3d 752, 755 (9th Cir.1994) (internal citations omitted); *see also Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007) (“While a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations, a plaintiff’s obligation to provide the ‘grounds’ of his ‘entitle[ment] to relief’ requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.”).

If the Court dismisses the complaint, it must decide whether to grant leave to amend. Denial of leave to amend is “improper unless it is clear that the complaint could not be saved by any amendment.” *Livid Holdings Ltd. v. Salomon Smith Barney, Inc.*, 416 F.3d 940, 946 (9th Cir.2005) (citation omitted).

1. First, Second, and Third Counterclaims-Cancellation of Registrations

Plaintiff argues that Defendants fail to allege the requisite damage to confer standing to bring a cancellation claim in their first, second, and third counterclaims, because Defendants have not alleged pecuniary damage to their own mark. Defendants, on the

other hand, argue that its allegations are sufficient to confer standing because they have a real interest in seeking cancellation of the registrations by virtue of Plaintiff having filed the instant lawsuit and Plaintiff's demand that Defendants cease and desist all sales and promotions of their film.

Section 14 of the Lanham Act confers standing to cancel a trademark registration on "any person who believes that he is or will be damaged ... by the registration of a mark." 15 U.S.C. § 1064. The Court of Customs and Patent Appeals has broadly interpreted Section 14 to confer standing to any party that can demonstrate "a real interest in the proceeding." *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1028-29 (C.C.P.A.1982) ("The purpose in requiring standing is to prevent litigation where there is no real controversy between the parties, where a plaintiff ... is no more than an intermeddler."). Thus, in the pleading stage of the cancellation proceeding, a petitioner need only show "a personal interest in the outcome of the case beyond that of the general public." *Id.* at 1028. "There is no requirement that actual damage be pleaded and proved in order to establish standing." *Harjo v. Pro Football Inc.*, 30 U.S.P.Q.2d 1828, 1832 (T.T.A.B.1994).

*3 Defendants' allegations in connection with their counterclaims for cancellation of Plaintiff's registrations include the following: "in response to Plaintiff's claims, Counterclaimants voluntarily ceased all sales and promotional efforts of the film titled Penthouse: Route 66 in the U.S., and contacted their distributors to cease distribution of all copies of [the film]," FACC ¶ 12; they "forwent subsequent sales of their ... film, relinquished their right to recoup the costs and expenses ... accrued from the production, promotion and distribution of the ... film, and ceased any efforts to promote and exploit the ... film, including ... any potential revenues from sequels or licensing rights," FACC ¶ 12; and "[a]s a result of Plaintiff's claims, and its fraudulently procured Registrations, Counterclaimants are further damaged by having expended consider-

able resources and time, attorneys' fees, and costs defending Plaintiff's allegations of infringement in this Court," FACC ¶ 15.

The above pleadings are clearly sufficient to establish that Defendants are not mere intermeddlers, but rather have a personal interest in the outcome of this case beyond that of the general public. A real controversy exists between the parties because an actual dispute regarding the use of Plaintiff's registered trademarks led to this action. Defendants have claimed use of the phrase "Route 66" as the title of their film, and the instant litigation seeks to interrupt that use. The outcome of this litigation will dictate whether Defendants will be able to further exploit their film and generate future revenue. Therefore, Defendants' allegations, which are taken as true, are sufficient to establish that Defendants will be damaged, if they have not already been damaged, by the continued registration of Plaintiff's marks. Accordingly, Defendants have alleged facts sufficient to confer standing to cancel Plaintiff's trademark registrations within the meaning of Section 14 of the Lanham Act.

The Court is not persuaded by Plaintiff's argument that Defendants must allege pecuniary damage to their own mark to establish standing. Although the Ninth Circuit in *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.* stated that the petitioner "must show a real and rational basis for his belief that he would be damaged by the registration sought to be cancelled, stemming from an actual commercial or pecuniary interest in his own mark," it further went on to explain that standing must be determined on a case-by-case basis because "[i]nterest assertions will vary with the facts surrounding each cancellation dispute." 735 F.2d 346, 349 (9th Cir.1984) (citing *Lipton*, 670 F.2d at 1029; *Tanner's Council of America, Inc. v. Gary Industries, Inc.*, 58 C.C.P.A. 1201, 440 F.2d 1404, 1406 (C.C.P.A.1971)). Thus, the reasoning in *Star-Kist* did not change the general standing rule that a petitioner need only show a personal interest in the outcome of the case beyond that of a mere intermed-

dlr. ^{FN1}

FN1. Plaintiff's argument that the cases cited by Defendants involved petitioners who used the contested marks as trademarks does not compel a contrary conclusion. It is well established that "[t]he issue in [a cancellation] proceeding ... is not whether petitioner owns the mark in question or is entitled to registration thereof but whether the presumptions flowing from respondent's registration would be damaging to petitioner's continued use of the term." *Koplin v. Phillips*, 133 U.S.P.Q. 622 (T.T.A.B.1962). This interpretation of the standing rule is consistent both with the plain language of the statute, which only requires a belief that the petitioner "is or will be damaged" by a registration, and with the clear trend of liberalizing the standing requirements, as exemplified by the extension of standing to government agencies and trade associations. *See, e.g., Dep. of Trans. Fed. Aviation Admin. v. Scanwell Labs., Inc.*, 170 U.S.P.Q. 174, 176 (T.T.A.B.1971) (finding standing where "the FAA used the [mark] 'in the descriptive sense' ... and the [respondent's] registration, with the presumptions flowing therefrom, [was] obviously inconsistent with the right of the FAA to continue to use the same in such manner."); *Jewelers Vigilance Comm., Inc. v. Ullenberg Corp.*, 823 F.2d 490, 493 (Fed.Cir.1987) ("There is no question that a trade association, having a real interest in the outcome of the proceedings, may maintain an opposition without proprietary rights in a mark or without asserting that it has a right or has an interest in using the alleged mark sought to be registered by an applicant."); *see also Books on Tape, Inc. v. Booktape Corp.*, 836 F.2d 519, 520 (Fed.Cir.1987) (finding that the Trademark Trial and Appeal Board's holding that the "petitioner

has no standing to bring a cancellation proceeding ...' because it has not established proprietary rights in [the mark] is wrong as a matter of law.")

*4 Moreover, it is clearly established that actual damage need not be pleaded and proved to establish standing. *See id.* at 348-49 ("We agree with the Federal Circuit 'that there is no requirement that damage be proved in order to establish standing ...'" (quoting *International Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1092 (Fed.Cir.1984))). Accordingly, Plaintiff's argument that Defendants' counterclaims must be dismissed for failure to allege the "requisite pecuniary or financial damage to their own identical or similar mark in Route 66" misapprehends the law. ^{FN2}

FN2. The Court is similarly unconvinced by the argument that "mere allegations of injuries resulting from the filing of a trademark infringement action do not constitute sufficient standing." Pl.'s Motion at p. 12. Defendants correctly point out that Plaintiff misquotes *Yard-Man, Inc. v. Getz Exterminators, Inc.*, which held that "the mere threat of a suit for infringement and/or the filing and litigation of an *opposition* proceeding does not, per se, constitute damage within the meaning of [the Lanham Act]." 157 U.S.P.Q. 100, 105 (T.T.A.B.1968) (emphasis added).

All that is required to establish standing under Section 14 of the Lanham Act is a showing of a real interest in the outcome of the proceeding beyond that of the general public, which Defendants have established through their allegations of interrupted use of the "Route 66" mark for commercial purposes. Accordingly, the Court DENIES the Motion to Dismiss as to the first, second, and third counterclaims.

2. Fourth Counterclaim-False Registration

Plaintiff argues that Defendants have failed to state

a cause of action under Section 38 of the Lanham Act, because Defendants do not allege a cognizable Lanham Act injury for standing and the requisite reliance on Plaintiff's false representations or any recoverable damages resulting from such reliance.

Section 38 of the Lanham Act creates civil liability for false or fraudulent registration:

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

[15 U.S.C. § 1120](#). The Ninth Circuit has held that “[a]ny person who has a reasonable interest to be protected against the use of fraudulent statements in procuring a trademark registration—such as one who attempts to sell, market, license, or commercially exploit any product with the same name as the fraudulently procured trademark—may maintain a suit under Section 38.” *Official Airlines Guides, Inc. v. Goss*, 6 F.3d 1385, 1396 (9th Cir.1993).

Plaintiff cites to out-of-circuit authority for its contention that a cognizable Lanham Act injury for standing is required for damages under Section 38. See Motion at p. 13. To the extent that Plaintiff argues that Defendants need to allege injury to their own mark to establish standing to assert a claim attacking Plaintiff's marks, this argument fails for the reasons discussed above.

Similarly, Plaintiff's argument that Defendants cannot allege the requisite reliance on Plaintiff's purported false representations because they “voluntarily” withdrew their film from the market lacks merit. Plaintiff has acknowledged that it sent a cease-and-desist letter to Defendants demanding such action. Defendants allege with specificity that Plaintiff fraudulently procured its registrations, and that those fraudulent registrations caused Defendants to rely on the validity of the registrations to

cease their efforts to sell and distribute a film using the registered marks. See FACC at ¶ 44. These allegations are sufficient to establish that Defendants have a “reasonable interest to be protected against the use of fraudulent statements in procuring a trademark registration,” and to allow Defendants to maintain an action for damages under Section 38. [FN3](#)

[FN3](#). The new argument Plaintiff introduced in its Reply regarding whether a claimant under Section 38 must suffer direct injury *at the time* of the alleged false representations is both improperly presented and premature.

*5 However, the parties also dispute whether attorneys' fees and costs are recoverable under Section 38. The Ninth Circuit has not directly spoken on this issue. The two cases cited by Defendants in support of their contention that attorneys' fees are recoverable under [Section 1120](#) preceded the Supreme Court's denial of attorneys' fees in trademark infringement actions in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 87 S.Ct. 1404, 18 L.Ed.2d 475 (1967). There, the Supreme Court affirmed the Ninth Circuit's decision to reverse a district court's award of attorneys' fees under section 35 of the Lanham Act. [386 U.S. at 716-17](#). In so holding, the Supreme Court emphasized the lack of explicit authorization for attorneys' fees in the context of meticulously detailed remedies provided in the Lanham Act. *Id.* at 719-20. Other federal courts have subsequently held that attorneys' fees were not recoverable under Section 38, except in exceptional circumstances. See, e.g., *Blue Bell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433, 439 (2d Cir.1974) (concluding that attorneys' fees may not be recovered under [§ 1120](#) except possibly “where an absolutely false registration was fraudulently obtained solely for the purpose of instituting completely vexatious litigation.”); *Wrist-Rocket Mfg. Co., Inc. v. Saunders Archerby Co.*, 578 F.2d 727, 734 (8th Cir.1978) (following the Second Circuit's decision in *Blue Bell*).

Based on the foregoing, it is premature to determine whether Defendants may recover attorneys' fees as damages under [Section 1120](#) in this action. Regardless, Defendants have alleged damages separate from the attorneys' fees and costs incurred in defending Plaintiff's claims of infringement. Therefore, Defendants have sufficiently alleged injury resulting from Plaintiff's fraudulent registrations to maintain their claim under Section 38. Accordingly, Plaintiff's Motion to Dismiss as to the fourth counterclaim is DENIED.

3. Fifth and Sixth Counterclaims-Unfair Competition

Plaintiff argues that Defendants' fifth and sixth counterclaims for unfair competition under California statutory and common law should be dismissed because they are preempted by federal law and fail to allege sufficient injury to confer standing.

California's unfair competition law prohibits unfair competition, which is defined as "any unlawful, unfair, fraudulent business act or practice and unfair, deceptive, untrue, or misleading advertising ." [Cal. Bus. & Prof.Code § 17200](#). A private litigant has standing to assert an unfair competition claim if he or she "has suffered injury in fact and has lost money or property as a result of the unfair competition." *Id.* at § 17204.

Section 39(b) of the Lanham Act provides that "[n]o State ... or any political subdivision or any agency thereof may require alteration of a registered mark..." [15 U.S.C. § 1121\(b\)](#). Here, Defendants do not seek cancellation of Plaintiff's registrations through their unfair competition counterclaims. Rather, they seek injunctive relief ordering Plaintiff to cease its unfair business practice of claiming exclusive right to use of the contested mark and disgorgement of Plaintiff's profits. FACC at ¶ 53, 57. Accordingly, the remedies sought by Defendants under their unfair competition counterclaims are not prohibited by [15 U.S.C. § 1121\(b\)](#).

*6 Plaintiff insists that although Defendants do not seek "an explicit cancellation order, Defendants' unfair competition claims are expressly predicated on a factual and legal finding that Plaintiff's Registered Trademarks were procured by fraud, a determination that only can be made by application of federal law, as required by Section 39(b) of the Lanham Act." Reply at p. 14. To the extent that Plaintiff is making another standing argument, the Court has already addressed this issue above.

Finally, Defendants have alleged that Plaintiff's unfair business practice of "improperly claiming an exclusive right to use the Asserted Mark ... caused [them] to voluntarily cease all sales and promotional efforts of [their] film," and that as a result, Defendants have "suffered actual monetary damages by ... foregoing subsequent sales of their [film]; relinquishing their right to recoup costs and expenses; and ceasing any efforts to promote and exploit [their film], including ... any potential revenues from sequels and licensing rights." FACC at ¶ 51-52. These allegations sufficiently articulate injury in fact and monetary loss to maintain a claim under California's unfair competition laws.

Accordingly, the Court DENIES Plaintiff's Motion to Dismiss with respect to Defendants' fifth and sixth counterclaims.

B. Motion to Strike

[Federal Rule of Civil Procedure 12\(f\)](#) provides that a "court may order stricken from any pleading any insufficient defense or any redundant immaterial, impertinent, or scandalous matter." [Fed.R.Civ.P. 12\(f\)](#). The motion is disfavored because it "proposes a drastic remedy." 2 *Moore's Federal Practice* § 12.37[1] (3d ed.2004). Insufficient defenses may be stricken when they are insufficient as a matter of law or fail to give the plaintiff "fair notice" of the defense being asserted. [Qarbon.com Inc. v. Ehel Corp.](#), 315 F.Supp.2d 1046, 1049 (N.D.Cal.2004).

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Plaintiff argues that Defendants' seventh and eleventh affirmative defenses of unclean hands and abandonment are legally insufficient, because Defendants cannot prove fraud and abandonment in the absence of standing to state a cause of action for cancellation. As the Court finds that Defendants have sufficiently alleged standing to assert a cancellation counterclaim, this argument fails.

Additionally, Plaintiff contends that Defendants' eleventh affirmative defense of abandonment should be stricken because Defendants have failed to allege the requisite element of "intent." The Federal Rules of Civil Procedure do not require a defendant to set out the specific elements of each defense pleaded. *See Fed.R.Civ.P. 8(b)* ("[a] party shall state in short and plain terms the party's defenses to each claim..."). A pleading need only give the plaintiff "fair notice" of the defense. *Wyshak v. City Nat. Bank*, 607 F.2d 824, 827 (9th Cir.1979) ("The key to determining the sufficiency of pleading an affirmative defense is whether it gives plaintiff fair notice of the defense."). Here, Plaintiff has received fair notice of the nature of the defense pleaded. The abandonment defense is a specific defense governed by the Lanham Act, the elements of which Plaintiff is evidently aware. Under these circumstances, the Court finds that the abandonment defense is adequately pleaded.

*7 Accordingly, Plaintiff's Motion to Strike Defendants' seventh and eleventh affirmative defenses is DENIED.

III. CONCLUSION

Based on the foregoing, Plaintiff's Motion to Dismiss Defendants' First Amended Counterclaim and Strike Portions of the Amended Answer (docket no. 64) is DENIED.

IT IS SO ORDERED.

C.D.Cal.,2009.
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