

ESTTA Tracking number: **ESTTA300880**

Filing date: **08/13/2009**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92051017
Party	Plaintiff Forethought Financial Services, Inc.
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Attachments	Supplemental Exhibit to Response to Motion for Suspension of Cancellation Proceeding.pdf (12 pages)(412333 bytes)

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

In re: Registration of

Enigma Marketing & Travel Solutions, Inc.

Registration No.: 3,539,936

Registration Date: December 2, 2008

Mark: EXCLUSIVELY FORE THOUGHT

Forethought Financial Services, Inc.,
Petitioner

v.

Enigma Marketing & Travel Solutions, Inc.
Respondent

**SUPPLEMENTAL EXHIBIT TO RESPONSE TO MOTION FOR SUSPENSION OF
CANCELLATION PROCEEDING**

Petitioner, Forethought Financial Services, Inc. ("Forethought") submits its reply brief filed in the District Court Case on August 10, 2009 as a supplemental exhibit to its Response to Motion For Suspension of Cancellation Proceeding filed before the TTAB on August 4, 2009. The reply brief is attached hereto as Exhibit A.

Respectfully submitted,

Date: August 13, 2009

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 13, 2009, a copy of the foregoing Petition to Cancel was served by depositing a true copy of same in a sealed envelope, first-class United States mail, postage prepaid, addressed to:

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EXHIBIT A

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

ENIGMA MARKETING & TRAVEL)
SOLUTIONS, INC.,)

Plaintiff,)

v.)

FORETHOUGHT FINANCIAL SERVICES, INC.,)

Defendant.)

Cause No. 1:09 cv-0473 DFH-JMS

**REPLY BRIEF IN SUPPORT OF DEFENDANT'S MOTION
TO STAY PROCEEDINGS UNTIL RULING BY TTAB**

Defendant, Forethought Financial Services, Inc. ("Forethought"), respectfully submits this reply brief in further support of Defendant's motion to stay this action pending the outcome of Forethought's Petition to Cancel filed on May 22, 2009 before the United States Trademark, Trial and Appeal Board ("TTAB") ("Stay Motion").

I. Introduction

Plaintiff's Response in Opposition to Motion to Stay ("Plaintiff's Response") fails to address a key argument made in support of the Stay Motion, attempts to downplay what is in reality the critical issue in this case (Enigma's invalid attempt to misappropriate Forethought's trademark rights), fails to rebut the substance of the argument charging Enigma with fraud upon the trademark office, artificially attempts to separate the validity of its fraudulently obtained registration from the underlying reasons why that registration is invalid, and paints an inaccurate picture of the substantial deference to which a decision of the TTAB would be entitled in this Court.

The TTAB has a vital interest in policing and maintaining the integrity of trademark office proceedings, and should be the tribunal that in the first instance decides whether Enigma fraudulently obtained the trademark registration EXCLUSIVELY FORE THOUGHT by intentionally misleading the trademark office. Forethought believes that Enigma's action in registering the mark was a rather transparent attempt to gain leverage in negotiations between the parties. In essence, Enigma misappropriated Forethought's intellectual property and is now trying to sell it back to Forethought. The TTAB decision on the issues that will determine the validity *vel non* of the registration Enigma obtained would be entitled to substantial deference in any future proceeding. This assumes, *arguendo*, that Enigma would actually expend further resources attempting to defend its reprehensible conduct before the trademark office in obtaining a trademark registration incorporating Forethought's previously registered mark by misleading the trademark office. The interest of judicial economy would be served by granting the stay; the TTAB proceeding should conclude expeditiously and efficiently, and the remaining purported breach of contract issues in this case present no urgency and pale in economic significance compared with the trademark issues.

II. Argument

A. The TTAB Should Decide In The First Instance Whether Enigma Fraudulently Obtained Its Registration Of EXCLUSIVELY FORE THOUGHT.

In Forethought's Memorandum in Support of Defendant's Motion to Stay Proceedings Until Ruling by TTAB ("Opening Brief"), Forethought explained that its Cancellation Petition before the TTAB argues that Enigma obtained the trademark registration incorporating Forethought's previously federally registered trademark by misleading the Trademark Office; Enigma acted solely as an agent for Forethought when applying the phrase EXCLUSIVELY FORE THOUGHT to marketing materials for Forethought's travel programs,

which were bought and paid for by Forethought. Opening Brief at 2 and n.2. Forethought also argued that the TTAB, the specialized administrative body created to adjudicate just such disputes, should have the opportunity in the first instance to apply its expert specialized knowledge and expertise. Significantly, Forethought also argued that institutional interests pointed to the issue being resolved by the TTAB because it was the Trademark Office that Enigma misled and the Trademark Office has a strong institutional interest in maintaining the integrity of its own proceedings. Opening Brief at 8.

Remarkably, Plaintiff's Response is silent on the subject of the Cancellation Petition's charge that Enigma misled the Trademark Office. Similarly, Plaintiff's Response does not dispute that the Trademark Office has a strong institutional interest in policing and maintaining the integrity of its own proceedings. Enigma's desire to avoid the forum that it deceived is perhaps understandable, but it is not a position that this Court should enable.

The interest of "any administrative agency to protect the integrity of its own proceedings" is well established, and it also recognized that this interest "is even more fundamental when . . . it is exercised to protect the integrity of its own proceedings from fraud." *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1360-61 (Fed. Cir. 2008).

The inherent power of a federal court to investigate whether a judgment was obtained by fraud, is beyond question. * * * This universally accepted rule has been applied to proceedings before federal administrative agencies. * * * It is hard to imagine a clearer case for exercising this inherent power than when a fraud has been perpetrated on the tribunal in its initial proceeding.

Alberta Gas Chems., Ltd. v. Celanese Corp., 650 F.2d 9, 12-13 (2d. Cir. 1981) (citations omitted). In *Alberta Gas Chems.*, the court observed that according to one of the parties' contentions, a commission had relied on erroneous factual assumptions that were deliberately

presented by the opposing party's witnesses to persuade the commission to reach an incorrect conclusion. The Second Circuit concluded that the commission should have "the opportunity to resolve in the first instance" these major issues in the litigation, and remanded to the district court with instructions to stay all proceedings until the commission made determinations concerning the fraud issues. *Id.* at 14. Similarly, in this case, this Court should permit the TTAB to decide the fraud issues in the first instance.

Enigma's own description of the background of this case is telling. Enigma argues that it

used the mark EXCLUSIVELY FORE THOUGHT in connection with a travel incentive program that Enigma *created* and administered *under contract with Forethought*. Enigma owned and, *in essence*, licensed or "leased" the EXCLUSIVELY FORE THOUGHT *program* to Forethought on a trip-by-trip basis. Enigma fully managed and implemented each trip at Forethought's request.

Plaintiff's Response at 2 (emphasis added). Ignoring the legal significance of the fact that all its actions were indeed under contract with Forethought, Enigma instead claims to "create" something which "in essence" gives it rights to license a "program" to the party that paid for its services. Through such double talk Enigma is attempting to misappropriate Forethought's previously registered trademark and is attempting to do so simply because it performed some routine travel and hotel booking services for Forethought as a result of a series of letter agreements. Enigma's position before the Trademark Office in obtaining its registration, as its position in this Court, appears to be nothing more than a transparent attempt to use a smoke screen of vague terms in a meritless attempt to manufacture the appearance of some sort of intellectual property rights (where none are possessed by Enigma) out of its routine services of making arrangements for travel and business meetings. The TTAB should quickly see through

this smoke screen, and should be given the opportunity to do so, since it was the Trademark Office that Enigma misused in obtaining the registration.

Contrary to Plaintiff's contention, Plaintiff's Response at 3-4, the stay of this action will not result in unnecessary delay. First, any delay that would be occasioned would be necessary, to give the TTAB the opportunity to police the integrity of the Trademark Office's own proceedings. Second, however, as previously explained, Opening Brief at 2 and n.3, a decision of the TTAB should be obtained more quickly than this case could be resolved, and the remaining issues in this case pale in economic significance to the trademark issues and should be resolved quickly.

B. The TTAB Decision Will Be Entitled To Substantial Deference.

Plaintiff's Response artificially attempts to divide the issue of the validity of its registration with the underlying reasons why its registration is invalid. Plaintiff's assertion that the "TTAB cannot and will not address the principal – and more fundamental – trademark issues before this Court in this action, namely, who may rightfully claim an ownership interest in, or right to use the mark," Plaintiff's Response at 4, completely ignores the substance of the underlying validity issues that can and will be litigated before the TTAB. Forethought contends in the Cancellation proceeding that Enigma obtained the registration by misleading the Trademark Office into believing, *inter alia*, that it used the mark in commerce, when, in reality, the use of the term EXCLUSIVELY FORE THOUGHT was a use by Forethought which was paying for the dissemination of the materials containing the mark and which incorporated Forethought's previously registered trademark as well. As explained below in more detail, TTAB decisions on questions that determine whether or not the registration is valid are indeed accorded substantial deference by the courts, and in certain circumstances, are given collateral

estoppel effect. Indeed, Plaintiff's Response concedes that in the event that Plaintiff actually chose to challenge a ruling of the TTAB in this Court, the law would require "deference to the findings of fact made by the board but [the Court would] consider[] the board's decision *de novo* to the extent the parties present new evidence." Plaintiff's Response at 6 (citation omitted). To argue, however, that if the TTAB decides to cancel the registration "this does not mean the mark is *necessarily* invalid or unenforceable," Plaintiff's Response at 6 (emphasis added), misses the point, and simply attempts to evade the practical considerations that should guide this Court's exercise of discretion in determining which tribunal should address in the first instance whether Enigma fraudulently obtained the trademark registration in the phrase EXCLUSIVELY FORE THOUGHT.

There is no question that substantial deference is accorded to decisions of the TTAB. Indeed, "findings of fact by the TTAB properly are reviewed under the substantial evidence standard set forth in §706(2)(E) of the APA." *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 676 (7th Cir. 2001). Suffice it to say, this is an extremely deferential standard, a standard slightly more deferential than the "clearly erroneous" standard of review. *Id.* at 675. The Seventh Circuit has long accorded deference to findings of the TTAB. "Although the district court's review of the TTAB's decision is considered *de novo* when the parties present new evidence and assert *additional* claims, the district court also must afford deference to the fact findings of the TTAB." *Id.* at 674 (emphasis added) (citing *Spraying Sys., Inc. v. Delavan, Inc.*, 975 F.2d 387, 391 (7th Cir. 1992); 3 McCarthy § 21:21, at 21-27 to 21-28). In *Spraying Sys.*, the court explained that while review of a TTAB decision in a district court "is considered *de novo* because the parties are permitted to present new evidence and even enlarge the pleadings . . . [t]hat characterization can be misleading, however, because deference is owed to the findings of

the TTAB." *Spraying Systems, supra*, 975 F.2d at 391. Indeed, under some circumstances, the TTAB decision can be given preclusive collateral estoppel effect. *See, e.g., EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984) (giving collateral estoppel effect to TTAB decision where TTAB was acting in a judicial capacity and decision affirmed by Federal Circuit); *see also Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244 (3d. Cir. 2006) (giving collateral estoppel effect to TTAB finding on likelihood of confusion); *Univ. of Tenn. v. Elliott*, 478 U.S. 788, 797 (1986) ("[I]t is sound policy to apply principles of issue preclusion to the factfinding of administrative bodies acting in a judicial capacity."); *see generally* 6 McCarthy on Trademarks and Unfair Competition § 32:96-102 (4th ed. 2009).

In this case, the facts surrounding Enigma's routine travel and booking services and Forethought's previously registered trademark are straight forward – the TTAB should easily be able to see through Enigma's smoke screen of double talk and conclude that Enigma misled the Trademark Office into granting Enigma a trademark registration for its dissemination of promotional materials for Forethought business meetings. The matter should be completely resolved in the Trademark Office proceeding; it is difficult to imagine what "additional evidence" Enigma would withhold from the TTAB but later present in this Court. Thus, the notion of any *de novo* review in this case would appear to be fanciful at best.

As a practical, pragmatic matter, there is no question that the trademark issues are the predominant drivers of this litigation and the principal issues preventing its resolution. In light of this reality, the following concession by Enigma is telling:

Forethought contends that this action should be stayed pending a TTAB ruling on the basis of the doctrine of primary jurisdiction. That contention might have some merit, were this action primarily about the registration at issue in that proceeding.

Plaintiff's Response at 7. This action *is* primarily about the issues that will determine the validity of the registration, and these issues will be determined in the TTAB proceeding. With respect to the remaining contract issues in this case, there is no urgency.

III. Conclusion

The TTAB should be given the opportunity to determine whether Enigma misled the Trademark Office and fraudulently obtained the registration of EXCLUSIVELY FORE THOUGHT. As a practical matter, that determination should be the end of Enigma's trademark claim, but even if Enigma attempts to challenge the TTAB's ruling, the TTAB's findings will be entitled to substantial deference in this Court, and the Court would benefit from the insights of the specialized administrative tribunal Congress established to decide such questions. Defendant's Motion to Stay Proceedings Until Ruling by TTAB should be granted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on August 10, 2009, a copy of the foregoing Reply Brief In Support Of Defendant's Motion To Stay Proceedings Until Ruling By TTAB was filed electronically. Notice of this filing will be sent to the following parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

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