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a different cause of action involving a party to the first case.’ *Allen v. McCurry*, 449 U.S. 90, 94 (1980) (enphasis omitted); *Carroll Mortg. Co. v. United States*, 440 U.S. 117, 153 (1979). *In re Rambus, Inc.*, 2003 FTC LEXIS 24, at *757-58 (6/2/03).

Three elements must be satisfied for a final judgment in one case to be preclusive in a later case. First, it must be demonstrated that an issue raised in the later case is the same one that was contested and submitted for judicial determination in the prior case, and it must be that the same issue was actually litigated. Second, the issue must have been actually and necessarily determined in the prior case. Third, preclusion in the later case must not work an unfairness. *Rambus*, 2003 FTC LEXIS 24, at *1. See also *BBB Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1306 (2015) (holding that for issue preclusion to apply, the issues in the two cases must be “identical”); *Martin v. Dep’t of Justice*, 488 F.3d 446, 454 (D.C. Cir. 2007) (explaining the three factor test for issue preclusion). Particular caution applies to issue preclusion where, as here, a plaintiff (Complaint Counsel) seeks to apply estoppel offensively to foreclose the defendant (Respondent) from contesting an issue in the case. *See Parklane Hosiery Co. v. Shore*, 433 U.S. 322, 333, n.4 (1977) (“[I]t is not until estoppel occurs when the plaintiff seeks to foreclose the defendant from litigating an issue the defendant has previously litigated successfully in litigation with another party.”) Such caution “counsels that the estoppel doctrine is to be applied from a liberal and not a strict standard applied strictly.” *Kloth*, 355 F.3d at 327.

III.

The Complaint in this case alleges that certain agreements between Respondent and its competitors restricting those competitors’ use of Respondent’s trademark for keyword search advertising are anticompetitive (the “Challenged Agreements”).¹ According to Complaint Counsel, Respondent will defend the Challenged Agreements on the grounds that the appearance of rivals’ advertisements in response to internet searches for Respondent’s trademark, “LENS.COM Contacts,” or specified variations thereof, is inherently likely to confuse consumers and, therefore, the agreements serve a procompetitive purpose by eliminating such an anticompetitive

Complaint Counsel contends that Respondent should not have found it in the best interests of consumer confusion as a justification for the Challenged Agreements. Complaint Counsel argues that (1) *Lens.com* found that “[L]ens.com’s Keyword Use [that is, Lens.com’s bidding in search advertising auctions on terms similar to Respondent’s trademark “LENS.COM CONTACTS,” which resulted in the display of [Lens.com] advertisements that did not include Respondent’s trademark (or variations), on search results pages in response to user queries for Respondent’s trademark and variations thereof,] was not likely to cause consumer confusion,” (“Issue 1”), Motion at 6; and (2) “subsistence in *Lens.com* is an additional, collateral finding that “[s]tatement of law is not by a contract that is other than Respondent’s agreement to a user search for Respondent’s mark is not always or inherently likely to cause consumer confusion,” (“Issue 2”) Motion at 6. This is why, in Complaint Counsel’s view, the narrower Issue 1, stating that it seeks preclusion only in connection with the finding that *Lens.com* did not base its bid on an anticompetitive

¹ Complaint Counsel refers to the alleged anticompetitive agreements as “challenged” in the caption of its briefs, while Respondent refers to the same agreements as “agreements.”

before the [Lens.com] Court at that time and in that context. I [redacted] were not confusing.” Reply at 2.

Respondent argues that it should not be precluded from litigating this issue for consumer confusion in defense of the Challenged Agreements. Respondent contends that, on this issue, Lens.com determined only that [redacted] participated in advertising on Lens.com between 2005 and 2007, which [redacted] to a search for Respondent’s mark or certain variations thereof, were likely to cause “interest confusion” in violation of the Lanham Act. Respondent argues that because the findings in Lens.com were fact-specific to the advertisements challenged in this case, it would be improper to extend such findings to bar Respondent from defending the validity of the Challenged Agreements, which involve other advertisements of other competitors during a different time period. In its Opposition to Complainant Counsel’s Motion for Leave to File a Reply, Respondent’s motion for summary judgment on the issue of liability, filed in response to Complainant Counsel’s Reply, is in agreement with Respondent’s position that Lens.com’s findings on consumer confusion were based on the specific time and the nature of the advertisements at issue in that case, and therefore should not be given preclusive effect in this proceeding.

In 2008, 1-800 used Lens.com and its affiliates alleging violation of the Lanham Act, 15 U.S.C. §§ 1114, 1125. Motion Tab 4; Lens.com, 155 F. Supp. 2d at 1103. The defendants’ or an infringer’s use of a mark that is identical or similar to a mark in commerce, and the defendant’s use is likely to confuse consumers. Lens.com, 172 F.3d at 1242.

Ruling on the parties’ cross-motion for summary judgment, the court stated that a defendant’s purchase of a trademark key word, by itself, does not create the likelihood of confusion that is necessary for infringement liability; rather, keyword use can generate a likelihood of confusion only in combination with the specific language used in the resulting advertisements. Lens.com, 172 F.3d at 1242. The court found that there was a genuine dispute of fact as to the likelihood of consumer confusion from Lens.com’s use of 1-800’s mark. The district court, following Tenth Circuit precedent, considered the evidence presented by six factors, including: (1) the degree of similarity between the marks; (2) the proximity of the alleged infringer in adopting its mark; (3) evidence of actual confusion; (4) similarity of products and manner of marketing; (5) the degree of care exercised by purchasers; and (6) the strength or weakness of the marks. 155 F. Supp. 2d at 1146. The court found that “for Lens.com advertisements that do not use Plaintiff’s mark, there is (1) a overwhelming dissimilarity between Plaintiff’s mark and the advertisements, (2) a negligible amount of evidence of actual confusion, (3) similarity in the products and the similarity in the manner of marketing, (5) a low degree of care exercised by consumers when purchasing, and (6) a little likelihood of confusion due to an inverse relationship between the strength of Plaintiff’s mark and the lack of encroachment by Defendant’s advertisements.” 172 F.3d at 1242. Weighing the foregoing factors, the court concluded that “[t]aken together, these factors show there is insufficient evidence for a jury to conclude that the defendant’s use of Plaintiff’s mark in its advertisements that did not use Plaintiff’s mark in them.” 172 F.3d at 1242. Accordingly, the district court granted summary judgment in Lens.com’s favor on that issue.

Circuit's appeal to the Tenth Circuit, *Lenovo v. Microsoft*, 2015 WL 1210102, 2015 U.S. App. LEXIS 10754, 2015-1 (10th Cir. 8/11/15), which affirmed the district court's entry of summary judgment on the issue of the likelihood of consumer confusion arising from the use of 1-800's mark as a keyword for internet search advertisements. 722 F.3d at 1234. The court noted that the type of confusion alleged by 1-800 was "initial-interest confusion," which "results with a consumer seeing a particular trademark holder's product and instead is lured to the product of a competitor by the competitor's use of the same or a similar mark." *Id.* at 1239. 1-800 contended that "although 1-800.com never published any ads with 1-800's mark in its text, its bidding on the nine [keywords challenged in the case] served its ads to app owners in response to searches for the brand, the location of the ads, and the interests of the 1-800's mark owners and toward 1-800.com's websites." *Id.* at 1242. Market data showed, however, that, of the total advertisements, a consumer "click[ed] on" the 1-800.com advertisement only 1.5% of the time. The court held that this number could not "support a finding that 1-800.com's keyword activity was likely to 'lure[]' consumers away from 1-800." *Id.* at 1244. The court further held that analysis of traditional factors, as performed by the district court, further supported the unlikelihood of consumer confusion. *Id.* at 1245. The court rejected 1-800's argument that the lack of actual consumer confusion is a dispositive factor. *Id.* at 1245.

IV.

Based on the foregoing, Complaint Counsel's motion for summary judgment on the issue that *Leno.com* should be given preclusive effect as requested in the Motion (Issue 1) or that issue's preclusion should be extended to what Complaint Counsel characterized as *Leno.com's* use of Respondent's mark or variations thereof to generate advertisements that did not include Respondent's mark was not likely to create initial-interest confusion, and therefore did not violate the Lanham Act. Complaint Counsel fails to persuasively explain why this determination, based on analysis of multiple factors to the specific evidence in that case, is identical to any issue in the instant case. While Respondent was not a party to the proceedings in the instant case and *Leno.com's* keyword use was, in fact, likely to cause consumer confusion, giving preclusive effect to the findings of *Leno.com* requires a finding that Respondent was unable to prove that other competitors' ads could have caused, or was likely to cause, such confusion. Furthermore, because Complaint Counsel seeks to use issue preclusion offensively, to bar Respondent from proving a defense to this action on the factors allowing issue preclusion must be applied strictly to the defendant's case. *See* *Walton v. Walton*, 2015 WL 3270. On the present record, it would be unfair to allow the findings in *Leno.com* to preclude Respondent from presenting evidence and arguments that the allegedly green ads were misleading.

² The record on the Motion shows that on February 4, 2017, after Complaint Counsel filed the Motion, but before Respondent's response was due to be filed, Respondent proposed a settlement. The settlement provided that "Based on how search engines displayed organic search results and paid search advertising in 2005 through 2007, and on the totality of evidence before the court in the *Leno.com* case, the incidence of potential confusion (1.5%) from *Leno.com* advertisements in those years did not amount to a finding that confusion was likely where the advertisements were substantially dissimilar, were clearly labeled as advertisements, clearly identified the advertiser, and did not include Respondent's trademark or variations thereof in their text." Opposition, Ex. 1., Complaint. Complaint Counsel rejected the offer as "not a reasonable offer" in the context of the proposed settlement. *Leno.com* has in this case." *Id.* Nothing in this Order is intended to bar or prejudice any party from submitting the facts or findings of *Leno.com*

For all the

ORDERED:

D. Michael Chappell
D. Michael Chappell
Chief Ad

Date: February 21, 2017

Notice of Electronic Service

I hereby certify that on February 21, 2017, I filed an electronic copy of the foregoing Order Denying Complaint Counsel's Motion to Bar Testimony and Argument, with:

D. Michael Chappell
Chief Administrative Law Judge
600 Pennsylvania Ave., NW
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Donald Clark
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I hereby certify that on February 21, 2017, I served via E-Service an electronic copy of the foregoing Order Denying Complaint Counsel's Motion to Bar Testimony and Argument, upon:

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