

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION
OFFICE OF ADMINISTRATIVE LAW JUDGES

08 25 2017
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In the Matter of)
)
)
1-800 CONTACTS, INC.,)
a corporation,)
)
Respondent)

DOCKET NO. 9372

ORIGINAL

**COMPLAINT COUNSEL'S RESPONSE TO RESPONDENT 1-800 CONTACTS, INC.'S
NOTICE OF SUPPLEMENTAL AUTHORITY**

sought to be supplemented and which are relevant to any of the issues involved.¹ Respondent did not seek permission to file its Notice of Supplemental Authority, and the cases and brief it points to are not relevant to the issues involved in the case at hand. Respondent's Notice should therefore be disregarded. If the materials Respondent identified are considered, none of them should change the Court's analysis here. The materials are discussed in turn below.

- I. Agdia, Inc. v. Jun Qiang Xia and AC Diagnostics, Inc., 2017 WL 3438174 (N.D. Ind. Aug. 10, 2017)

- A. Facts and Holding

In Agdia, plaintiff brought trademark infringement and other claims, alleging that the defendants (1) inserted the plaintiff's trademark onto hundreds of pages of the defendants' website, using "white on white" text that was invisible to the human eye but would be read by search engines crawling the site's content as a search engine optimization (SEO) tactic to affect defendants' placement in organic search results, (2) selected a domain name for their website that was "confusingly similar to the [plaintiff's] mark itself," and (3) "made unauthorized use of [plaintiff's] ImmunoStrip mark to describe [defendants'] products on [defendant's] website."²

The court denied defendants' motion for summary judgment after considering, inter alia, the breadth of conduct alleged by the plaintiff; the similarity of the defendants' website name (acdiainc) to the plaintiff's name (agdia); the strength of Agdia's mark, which was undisputedly "quite high because it is a fanciful word that has no meaning independent of the trademark"; and the evidence that created a genuine factual issue regarding the intent of the defendant—a former employee of plaintiff who had been forced to resign and then a separate lawsuit for violating

¹ Rule 3.15(b) (16 C.F.R. § 3.15(b)) (emphasis added).

² Agdia, Inc. v. Jun Qiang Xia and AC Diagnostics, Inc., 2017 WL 3438174, at *1-2 (N.D. Ind. Aug. 10, 2017).

engines, and users, into visiting the wrong site.⁸ The Agdia court treated the text at issue as a metatag meant to influence organic search results and cited to cases involving metatags.⁹

Keyword bidding, however, is quite different from metatag identification. Today's more sophisticated search engines use a variety of proprietary mechanisms to determine site relevance for both organic results and paid advertisements.¹⁰ And in the factual context of keyword bidding, trademark courts have consistently rejected claims that keyword bidding alone constitutes trademark infringement.¹¹ Nothing in the Agdia decision overrules, reverses, calls into question, or contradicts the conclusions—set forth in Complaint Counsel's earlier briefing—that “no court has ever found liability based on keyword bidding, absent demonstration that the content of the triggered ad confuses consumers as to its source, sponsorship, or affiliation”¹² and that “trademark courts consider identification of the advertiser in the text of the search ad as the appropriate way to avoid any confusion that may arise when competitors bid on trademark keywords.”¹³

Second, the procedural posture is distinct. The decision to deny summary judgment does not constitute a conclusion that the practices defendants engaged in were in fact likely to cause confusion as to source, affiliation, or sponsorship.

⁸ See id. at 1062-64, 98rd5Tc 0.252 0300filia0.72 re f BT /Tu41ie;

Third, the Agdiadefendants' challenged conduct—which included “explicit use of the

- (1) Respondent cites *Agdia* for a simple definition of initial interest confusion¹⁶ which is neither novel nor remarkable and thus not an appropriate—~~at least not a~~ particularly helpful—use of a *Nice* of Supplemental Authority.
- (2) Respondent cites *Agdia* for a factual claim that consumers are more likely to be confused as to ownership of a web site ~~than~~ they are as to ownership of a brick-and-mortar store “because users ~~can~~ easily navigate through websites.¹⁷ But the case before this Court does not concern any comparison between the likelihood of confusion in online contexts as opposed ~~to~~ offline contexts. And even if it did, an across-the-board comparison that did ~~not~~ take into account the particular conduct or industry at hand would be of ~~an~~ exceedingly minimal probative value.
- (3) And Respondent cites *Agdia* for “not[ing] that likelihood of confusion can be proven in an initial interest confusion case ~~only~~ through a consumer survey and/or by submitting examples where consumers were ‘diverted [to defendant’s] website’ as a result of the defendant’s use of plaintiff’s trademark.¹⁸ But there is no dispute that consumer surveys regarding confusion are used ~~in~~ trademark infringement cases; indeed, both parties here submitted such surveys. And while Respondent may wish to seize upon the court’s use of the word “diverted,” the fact remains that the court *Agdia* appropriately considered ~~only~~ the likelihood of confusion, and specifically confusion “about the origin of a defendant’s products or services.”¹⁹ This case does nothing to change the fact that diversion of a consumer ~~from~~ one retailer to another, when not

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Agdia*, 2017 WL 3438174, at *3 (emphasis added).

based on confusion as to source, affiliation or sponsorship, is simply not trademark infringement.

II. H-D U.S.A., LLC, et al. v. SunFrog, LLC, 2017 WL 3261709 (E.D. Wisc. July 31, 2017).

A. Facts and Holding

In H-D U.S.A, Harley-Davidson brought a trademark infringement suit against SunFrog, a website that prints and distributes clothing, hats, mugs, and other items bearing designs and logos that third-party sellers upload and sell to customers.²⁰ Harley-Davidson sued because its trademarks appeared on many items for sale on the SunFrog website.²¹ Because “SunFrog d[id] not meaningfully challenge Harley-Davidson’s prima facieshowing of a right to a preliminary injunction,” the decision concerned the scope and nature of the requested relief and whether portions of Harley-Davidson’s requested relief were rendered moot by procedures that SunFrog had recently implemented to combat infringement on its site.²²

The court held that (1) the requested relief was not moot, because “[d]efendant claiming voluntary compliance with the plaintiff’s demand bears [a] ‘formidable burden’” and despite SunFrog’s efforts, “there remain ongoing acts of infringement that SunFrog’s enforcement apparatus has not been able to control.”²³ (2) the portion of the injunction prohibiting use of Harley-Davidson’s marks in any part of a SunFrog URL was not overbroad because SunFrog URLs containing Harley-Davidson’s marks appeared likely to cause initial interest confusion even if the marks were used in the “domain path” portions—rather than the beginning—of the URLs,²⁴ and (3) SunFrog’s claim that “some paragraphs in the proposed injunction are

²⁰ H-D U.S.A., LLC, et al. v. SunFrog, LLC, 2017 WL 3261709, at *1 (E.D. Wisc. July 31, 2017).

²¹ Id.

²² Id. at *2-4.

²³ Id. at *4.

²⁴ Id. at *3-5.

merely admonitions to comply with the law” ~~was~~ actually incorrect because the injunction at issue “contains no such open-ended language” and “its provisions connect specified conduct with the use of Harley-Davidson’s marks.”²⁵

B. Relevance

This decision is irrelevant here, and should not change the Court’s analysis or decision, for several reasons:

First, H-D U.S.A. does not involve keyword bidding or search advertising. The conduct at issue was unrelated to search advertising,²⁶ and the preliminary injunction that Harley-Davidson sought did not include provisions related to search advertising.²⁷ As 1-800 points out, the preliminary injunction that the court entered did mention “keywords,” but nothing suggests that that term as used in the injunction referred to the keywords used in search advertising auctions.

Indeed, in context, it appears to refer to search advertising keywords. Specifically, while Respondent cited H-D U.S.A. as “relevant here because it explicitly precluded the defendant ‘from using the H-D Marks as or as part of any . . . keywords, or any other names or identifiers,’”²⁸ the full text of that paragraph prohibits SunFrog from “using the H-D Marks as or as part of any trademarks, business names, corporate names, store names, domain names, e-mail addresses, URLs, metatags, metadata, screens, social media names, keywords, or any other names or identifiers.”²⁹ This provision appears related to the court’s holding that the use of Harley-Davidson marks in some SunFrog URLs was not excusable simply because they were included in the “post-domain path” portion of the URLs and to the “evidence that SunFrog

²⁵ Id. at *5-6.

²⁶ Id. at *1.

²⁷ Id. at *3.

²⁸ Respondent 1-800 Contacts, Inc.’s Notice of Supplemental Authority, at 4.

²⁹ H-D U.S.A. 2017 WL 3261709, at *7.

encourages its sellers to share links to counterfeit products on social media websites” via links such as “https://www.sunfrog.com/Automotive/HD-Forever.html.”³⁰ The H-D U.S.A. court compared that conduct to, and analyzed it using “[s]ame logic” as, cases concerning “the use of marks in metatags.”³¹ Such cases—including the particular metatag case to which the H-D U.S.A. drew an analogy, *Promatek Industries v. Equitrac Corporation*,³² discuss “keywords” outside the context of search advertising and recognize “keywords in metatags” as simply one type of metatag. The mere use of the term “keywords” in a media injunction, therefore, does not provide a sufficient basis to conclude that that court, a court in a case not involving search advertising, chose to prohibit certain types of keyword bidding in search advertising auctions.³³

Second, unlike the present case, H-D U.S.A. concerns counterfeit goods—a distinction that 1-800 Contacts acknowledges.³⁴ Even if the H-D U.S.A. decision enjoined defendant from bidding on plaintiff’s marks as keywords in search advertising auctions—which, as explained above, does not actually appear to be the case—it would still not represent new legal authority or a change in the law. It would simply be one more district court decision that is irrelevant for the same reason that so many cases relied upon by Plaintiff’s expert Mr. Logan are irrelevant: it involves “egregious infringing conduct such as the counterfeit sale of products . . .” that was not “present in any of the underlying cases brought by 1-800 Contacts.”³⁵

³⁰ Id. at *5.

³¹ Id. at *5.

³² *Promatek*, 300 F.3d at 810 n.1 (7th Cir. 2002) (“Metatags HTML [HyperText Markup Language] tags are used to identify the content of a web page and are used to link to other web pages.”); *Id.*, 300 F.3d at 810 n.1 (7th Cir. 2002) (“Metatags HTML [HyperText Markup Language] tags are used to identify the content of a web page and are used to link to other web pages.”); *Id.*, 300 F.3d at 810 n.1 (7th Cir. 2002) (“Metatags HTML [HyperText Markup Language] tags are used to identify the content of a web page and are used to link to other web pages.”).

Third, while H-D U.S.A. is consistent with the proposition that injunctions in trademark cases should not “merely require a defendant to comply with the law”³⁶ that proposition is irrelevant here. Complaint Counsel’s proposed reme

competition.⁴⁰ Neither does Impax. As a result, the FTC complaint counsel's arguments in Impax about how to apply Actavis to Impax are not relevant here.

Further, Respondent has not identified any change or "ex-post determination" in this case similar to Impax's discussion of "ex post determinations about patent validity or infringement," much less explained how any such change is analogous to the issues discussed in Impax.⁴¹ To the extent Respondent suggests there has been a change or reversal in trademark law relevant to its underlying lawsuits, Complaint Counsel disagrees.⁴² But, more important, it is well-established that "[t]he Agencies assess the competitive effects of a relevant agreement as of the time of possible harm to competition, whether at formation of the collaboration or at a later time, as appropriate."⁴³ And Complaint Counsel is seeking injunctive relief only, concerning conduct that continues to this day—that is, agreements still in force today.

CONCLUSION

For the reasons set forth above, the materials submitted in Respondent's Notice of Supplemental Authorities should be disregarded, if they are taken into consideration, they should not change the analysis that the Court would otherwise apply to the law and facts in the present case.

⁴⁰ CCPT Br. at 88.

⁴¹ Respondent 1-800 Contacts, Inc.'s Notice of Supplemental Authority, at 5.

⁴² E.g., CCPT Br. at 136 ("Since at least the Ninth Circuit's decision in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004) (*Netscape*), courts have repeatedly affirmed the principle that 'clear labeling' as to the identity of the advertiser eliminates the risk that search advertising will lead to consumer confusion regarding the source or affiliation of internet advertising.").

⁴³ Fed. Trade Comm'n & U.S. Dep't of Justice,

Dated: August 25, 2017

Respectfully submitted,

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CERTIFICATE FOR ELECTRONIC FILING

I certify that the electronic copy sent to the Secretary of the Commission is a true and correct copy of the paper original and that I possess a paper original of the signed document that is available for review by the parties and the adjudicator.

August 25, 2017

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