

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



In the Matter of

1-800 CONTACTS, INC.,
a corporation

Docket No. 9372

ORIGINAL

**COMPLAINT COUNSEL’S MOTION FOR LEAVE TO FILE A REPLY TO
RESPONDENT’S OPPOSITION TO COMPLAINT COUNSEL’S MOTION TO BAR
PRESENTATION OF TESTIMONY AND ARGUMENTS CONTRADICTING CERTAIN
ISSUES RESPONDENT LITIGATED AND LOST IN *1-800 CONTACTS V. LENS.COM***

Pursuant to Rule 3.22 of the Rules of Practice for Adjudicative Proceedings, Complaint Counsel respectfully moves for leave to file the attached brief in reply to Respondent’s Opposition to Complaint Counsel’s Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated And Lost In *1-800 Contacts v. Lens.com*, submitted on February 7, 2017. In support of its motion for leave, Complaint Counsel states as follows:

1. As explained in more detail in Complaint Counsel’s proposed Reply, Complaint Counsel seeks to draw the Court’s attention to a specific and important mischaracterization of the *Lens.com* decision, as Respondent presented the Court with a quotation from the decision that Respondent took out of context.

2. Complaint Counsel respectfully submits that this issue could not have been addressed in Complaint Counsel’s principal brief, and that it should not go un rebutted.

3. Complaint Counsel’s proposed Reply brief complies with the timing and word count requirements set forth in Rule 3.22(c)-(d).

For these reasons, as set forth in the proposed Reply, Complaint Counsel respectfully requests leave to file its Reply pursuant to Rule 3.22.

Dated: February 9, 2017

Respectfully submitted,

/s/ Daniel J. Matheson

Daniel J. Matheson

Kathleen M. Clair

Barbara Blank

Thomas H. Brock

Gustav P. Chiarello

Joshua B. Gray

Nathaniel M. Hopkin

Mika Ikeda

Charlotte S. Slaiman

Aaron Ross

Charles A. Loughlin

Geoffrey M. Green

Counsel Supporting the Complaint

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

In the Matter of

1-800 CONTACTS, INC.,
a corporation

Docket No. 9372

**[PROPOSED] ORDER GRANTING COMPLAINT COUNSEL'S MOTION FOR LEAVE
TO FILE REPLY TO RESPONDENT'S OPPOSITION TO
COMPLAINT COUNSEL'S MOTION TO BAR PRESENTATION OF TESTIMONY
AND ARGUMENTS CONTRADICTING CERTAIN ISSUES
RESPONDENT LITIGATED AND LOST IN *1-800 CONTACTS V. LENS.COM***

On February 9, 2017, Complaint Counsel filed a Motion for Leave to File a Reply to Respondent's Opposition to Complaint Counsel's Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated and Lost in *1-800 Contacts v. Lens.com*. Complaint Counsel's Motion is GRANTED. IT IS HEREBY ORDERED that Complaint Counsel has leave to file its Reply to Respondent's Opposition to Complaint Counsel's Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated and Lost in *1-800 Contacts v. Lens.com*.

ORDERED:

D. Michael Chappell
Chief Administrative Law Judge

Date: _____

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

In the Matter of

1-800 CONTACTS, INC.,
a corporation

Docket No. 9372

COMPLAINT COUNSEL'S REPLY BRIEF IN FURTHER SUPPORT OF ITS
MOTION TO BAR PRESENTATION OF TESTIMONY AND ARGUMENTS
CONTRADICTING CERTAIN ISSUES RESPONDENT
LITIGATED AND LOST IN *1-800 CONTACTS V. LENS.COM*

Complaint Counsel respectfully submits this brief in order to address two issues raised by Respondent's Opposition: (1) Respondent's mischaracterization of the *Lens.com* decision; and (2) Respondent's mischaracterization of the issues presented by Complaint Counsel's motion for issue preclusion.

First, Respondent mischaracterized the central holding of *Lens.com*. Respondent *twice* quotes the Tenth Circuit as stating: "[O]ne who searches for a particular business with a strong mark and sees an entry on the results page will naturally infer that the entry is for that business." Opp. at 2 (quoting *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1245 (10th Cir. 2013)); *id* at 8.¹ The Tenth Circuit actually stated:

Perhaps in the abstract, one who searches for a particular business with a strong mark and sees an entry on the results page will naturally infer that the entry is for

¹ The only statement made regarding Respondent's agreements with rivals was the District Court of Utah's observation: "Were this actually an agreement entered into by the parties, the court questions whether it would survive an antitrust challenge. Plaintiff does not seek merely to preclude usage of its trademark. Instead, it wants to obliterate any other competitor advertisement from appearing on a search-results page when a consumer types in '1800Contacts' as a *search term* or some variation of it. This is disturbing given that broad matching of the generic term 'contacts' could trigger an advertisement if a consumer enters the search term '1800Contacts.' A trademark right does not grant its owner the right to stamp out every competitor advertisement." *Lens.com*, 755 F. Supp. 2d 1151, 1188 (D. Utah 2010) (emphasis in original).

that business. *But that inference is an unnatural one* when the entry is clearly labeled as an advertisement and clearly identifies the source, which has a name quite different from the business being searched for. It is for this reason that the Ninth Circuit considered ‘the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page’ to be a critical factor in finding no likelihood of confusion in a case in which the alleged infringer uses a competitor’s mark as a keyword.

Lens.com, 722 F.3d at 1245 (quoting *Network Automation v. Advanced Sys. Concepts*, 638 F.3d 1137, 1154 (9th Cir. 2011) (emphasis added).

Second, Respondent erroneously asserts that Complaint Counsel’s motion for issue preclusion on two issues is not consistent with what *Lens.com* litigated and decided.²

Issue 1. Respondent asserts that Complaint Counsel’s request for preclusion on Issue 1 (“*Lens.com*’s Keyword Use, which resulted in the display of 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”) is not appropriately limited to the specific “context” in which the Court made its determination. Opp. at 5-6.

But the only issue upon which Complaint Counsel seeks preclusion is that, based on the ads at issue before the Court, at that time and in that context, the Court determined that *Lens.com*’s ads were *not* confusing. *See* Motion at 6-7.

Issue 2. Respondent also attacks Complaint Counsel’s request for preclusion on Issue 2 (“Search advertising by a contact lens retailer other than Respondent in response to a user search

² Respondent also asserts that “changed circumstances” should bar issue preclusion here, noting that paid advertising has changed since *Lens.com* ran advertisements between 2005 and 2007. Opp. at 9-10. Even assuming this were true, a change in the layout of a search engine results page does not bear on the issue, decided by *Lens.com*, that at least *some* rival ads presented in response to a search query for “1-800 Contacts” were *not* confusing. That point is the only point for which Complaint Counsel seeks preclusive effect. Moreover, Respondent’s reliance on a declaration from {REDACTED} for this point should be disregarded, as this declaration was submitted significantly beyond the close of fact discovery, and in contravention of a direct agreement with Complaint Counsel. *See* Respondent’s Ex. 41 (Decl. of {REDACTED} (Feb. 6, 2017)). Complaint Counsel will address this issue in a separate motion.

for Respondent’s mark is not always or inherently likely to cause consumer confusion”), asserting that Complaint Counsel seeks a “general finding” that *no ad* could be confusing. *See* Opp. at 8. This argument attacks a straw man.

Complaint Counsel has never suggested that it would be impossible for Respondent to prove that *any* rival ad is confusing. *See* Motion at 8 (explicitly recognizing that motion would “not preclude Respondent from presenting any such evidence”). Rather, Complaint Counsel contends – based on the explicit and central holding of *Lens.com* – that the appearance of a rival ad against a query for “1-800 Contacts” is not *inherently or always* confusing. *See* Motion at 6-8. This conclusion necessarily follows from the holding of *Lens.com*.³

CONCLUSION

For the reasons stated above, Complaint Counsel’s Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated and Lost in *1-800 Contacts v. Lens.com* should be granted.

³ Respondent asserts that a reasonable stipulation was proffered – and rejected by Complaint Counsel. Opp. at 6 (citing Respondent’s Ex. 1 (Email from Justin Raphael to Complaint Counsel (Feb. 4, 2017))). But Respondent’s proposed stipulation did not accurately reflect the scope of *Lens.com*’s estoppel effect on this case. Had the stipulation been offered prior to the weekend before Respondent’s reply was due to this Court, perhaps Complaint Counsel and Respondent would have had time to negotiate a reasonable compromise. But to drop on Complaint Counsel at the last minute an untenable proposal – one that fundamentally misreads the scope of the collateral estoppel that *Lens.com* has on this case – purportedly in order to “avoid burdening the Court” (Opp. at 6) is disingenuous.

Respectfully submitted,

/s/ Daniel J. Matheson

Daniel J. Matheson
Geoffrey M. Green
Barbara Blank
Charles A. Loughlin
Thomas H. Brock
Kathleen M. Clair
Gustav P. Chiarello
Joshua B. Gray
Nathaniel M. Hopkin
Charlotte S. Slaiman
Mika Ikeda
Aaron Ross

Counsel Supporting the Complaint

Dated: February 9, 2017

CERTIFICATE OF SERVICE

I hereby certify that on February 9, 2017, I filed the foregoing documents electronically using the FTC's E-Filing System, which will send notification of such filing to:

Donald S. Clark
Secretary
Federal Trade Commission
600 Pennsylvania Ave., NW, Rm. H-113
Washington, DC 20580

The Honorable D. Michael Chappell
Administrative Law Judge
Federal Trade Commission
600 Pennsylvania Ave., NW, Rm. H-110
Washington, DC 20580

I also certify that I delivered via electronic mail a copy of the foregoing documents to:

Gregory P. Stone
Steven M. Perry
Garth T. Vincent
Stuart N. Senator
Gregory M. Sergi
Munger, Tolles & Olson LLP
355 South Grand Avenue
35th Floor
Los Angeles, CA 90071
gregory.stone@mto.com
steven.perry@mto.com
garth.vincent@mto.com
stuart.senator@mto.com
gregory.sergi@mto.com

Justin P. Raphael
Munger, Tolles & Olson LLP
560 Mission Street, 27th Floor
San Francisco, CA 94105
justin.rafael@mto.com

Sean Gates
Charis Lex P.C.
16 N. Marengo Ave.
Suite 300
Pasadena, CA 91101
sgates@charislex.com

Counsel for Respondent 1-800 Contacts, Inc.

Dated: February 9, 2017

By: /s/ Daniel J. Matheson
Attorney

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.

February 9, 2017

By: /s/ Daniel J. Matheson
Attorney