

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



ORIGINAL

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**In the Matter of** )  
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)  
**1-800 CONTACTS, INC.,** )  
**a corporation,** )  
)  
**Respondent** )  
\_\_\_\_\_ )

DOCKET NO. 9372

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

**INTRODUCTION**

Respondent 1-800 Contacts, Inc. (“1-800 Contacts”) filed a “Notice of Supplemental Authority” regarding two district court decisions in trademark infringement cases that do not involve keyword bidding and a brief filed by the FTC in an unrelated matter. Complaint Counsel respectfully submits this response to note that the materials Respondent identified do not overrule, reverse, call into question, or contradict the legal authorities that have already been provided to this Court, nor are they relevant to the issues involved in this matter. As such, and for the reasons set forth below, these materials should not be considered and, if considered, should not change the Court’s analysis of the law or facts in the case at hand.

**ARGUMENT**

Rule 3.15(b) provides that “The Administrative Law Judge may, upon reasonable notice and such terms as are just, *permit* service of a supplemental pleading or notice setting forth transactions, occurrences, or events which have happened since the date of the pleading or notice

sought to be supplemented *and which are relevant to any of the issues involved.*<sup>1</sup> 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. These 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."<sup>2</sup>

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 lost a separate lawsuit for violating

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<sup>1</sup> Rule 3.15(b) (16 C.F.R. § 3.15(b)) (emphasis added).

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

his non-competition obligations to plaintiff—to mislead consumers.<sup>3</sup> In reaching its decision to deny summary judgment, the court undertook to determine “[w]hether consumers are likely to be confused about the origin of a defendant’s products or services,” and considered “only” whether “the evidence is so one-sided that there can be no doubt about how the question should be answered.”<sup>4</sup>

## **B. Relevance**

This decision is irrelevant to the case at hand—and if considered, should not change this Court’s analysis or decision—for several reasons:

*First*, *Agdia* does not involve claims that defendant bid on plaintiff’s trademarks or similar terms as keywords in search engine advertising auctions. In fact, it does not involve search advertising at all. Rather, the “white-on-white text” in which the defendants wrote plaintiff’s mark on their website is described in the case as “a form of metatag or metadata.”<sup>5</sup>

A metatag is a keyword or term used, primarily in the early days of the internet, “to describe the contents of [a] web site” for the purpose of determining websites’ placement in organic search results.<sup>6</sup> Website owners would identify metatags that “at least in theory, contain keywords relating to the contents of the web site,” and early search engines used these to rank websites in organic search results.<sup>7</sup> Cases regarding claims of trademark infringement via the use of metatags were influenced by the concern that misleading metatags would deceive search

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<sup>3</sup> *Id.* at \*4, 6, 8-9.

<sup>4</sup> *Id.* at \*3.

<sup>5</sup> *Id.* at \*1 n.1.

<sup>6</sup> *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999).

<sup>7</sup> *Id.*

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

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.<sup>10</sup> And in the factual context of keyword bidding, trademark courts have consistently rejected claims that keyword bidding alone constitutes trademark infringement.<sup>11</sup> 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 a demonstration that the *content* of the triggered ad confuses consumers as to its source, sponsorship, or affiliation<sup>12</sup> and that “trademark courts consider clear 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.”<sup>13</sup>

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

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<sup>8</sup> See *id.* at 1062-64; *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1025 (9th Cir. 2004) (discussing *Brookfield*); *Promatek Indus. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002).

<sup>9</sup> *Agdia*, 2017 WL 3438174, at \*7 (discussing “the initial interest theory with regard to metatag cases”; citing and discussing *Promatek*; *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000); and *Morningware, Inc. v. Hearthware Home Prod., Inc.*, No. 09 C 4348, 2012 WL 3721350 (N.D. Ill. Aug. 27, 2012)).

<sup>10</sup> *E.g.*, Complaint Counsel’s Post-Trial Findings of Fact (CCPT FOF) § IV.A.4.

<sup>11</sup> *E.g.*, Complaint Counsel’s Post-Trial Reply Brief (CCPT Reply Br.) at 11-12, 27-28; Complaint Counsel’s Post-Trial Brief (CCPT Br.) at 141.

<sup>12</sup> CCPT Reply Br. at 27-28 (citing cases). Indeed, recent case law that is relevant here, far from undercutting this conclusion, strongly supports it. See *Tempur-Pedic N. Am., LLC v. Mattress Firm, Inc.*, Civ. A. H-17-1068, 2017 WL 2957912, at \*8, 11 (S.D. Tex. July 11, 2017) (holding that “the mere purchase of AdWords alone, without directing a consumer to a potentially confusing web page, is not sufficient for a claim of trademark infringement”; “injunctions for trademark infringement should be no broader than necessary to prevent the deception”; and “[b]ecause the court has concluded that the purchase of AdWords alone, without directing consumers to a potentially confusing website, is unlikely to cause consumer confusion, the AdWords will not be included in the injunction”).

<sup>13</sup> CCPT Reply Br. at 11-12 (citing cases).

**Third**, the *Agdia* defendants’ challenged conduct—which included “explicit use of the [plaintiff’s] ImmunoStrip mark” “in plain view” on defendants’ website “to describe some of their products”; use of a domain name (www.acdiainc.com) that was confusingly similar to plaintiff’s domain name (www.agdia.com); and evidence sufficient to create a genuine factual issue as to the defendant’s intent “to ‘palm off’ his product as that of another”—bears no similarity whatsoever to the conduct that 1-800 Contacts’ challenged agreements forbid (merely bidding on a competitor’s mark as a keyword in a search advertising auction, without more).<sup>14</sup>

Thus, Respondent is incorrect to claim that the *Agdia* court held “that initial interest confusion can occur even if the consumer does not see the defendants’ use of the plaintiff’s trademark, at least in cases where a defendant uses that trademark ‘via search engine technology [to] direct[] potential customers to various websites.’”<sup>15</sup> Such a claim does not reflect the true holding of *Agdia*, where the court considered the entirety of the defendants’ conduct—including visible use of the plaintiff’s mark to describe defendants’ products and the use of a website domain name that was almost indistinguishable from the plaintiff’s domain name—before concluding that it could not, at that stage, rule out a likelihood of confusion.

**Fourth**, *Agdia* does not change the analysis that this Court should apply to Respondent’s claimed type of confusion: “initial interest confusion.” Respondent cites *Agdia* for three propositions about “initial interest confusion” in trademark infringement cases, none of which bear on the questions now before this Court:

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<sup>14</sup> See *Agdia*, 2017 WL 3438174, at \*1-5, 8-9.

<sup>15</sup> Respondent 1-800 Contacts, Inc.’s Notice of Supplemental Authority, at 3.

- (1) Respondent cites *Agdia* for a simple definition of initial interest confusion,<sup>16</sup> which is neither novel nor remarkable and thus not an appropriate—or at least not a particularly helpful—use of a Notice 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.”<sup>17</sup> 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 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 through a consumer survey and/or by submitting examples where consumers were ‘diverted to [a defendant’s] website’ as a result of the defendant’s use of plaintiff’s trademark.”<sup>18</sup> 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 in *Agdia* appropriately considered only the likelihood of *confusion*, and specifically confusion **“about the origin of a defendant’s products or services.”**<sup>19</sup> This case does nothing to change the fact that diversion of a consumer from one retailer to another, when not

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<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *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.<sup>20</sup> Harley-Davidson sued because its trademarks appeared on many items for sale on the SunFrog website.<sup>21</sup> Because “SunFrog d[id] not meaningfully challenge Harley-Davidson’s *prima facie* showing 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.<sup>22</sup>

The court held that (1) the requested relief was not moot, because “[a] defendant claiming voluntary compliance with the plaintiff’s demands 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”;<sup>23</sup> (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 “post-domain path” portions—rather than the beginning—of the URLs;<sup>24</sup> and (3) SunFrog’s claim that “some paragraphs in the proposed injunction are

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

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at \*2-4.

<sup>23</sup> *Id.* at \*4.

<sup>24</sup> *Id.* at \*3-5.

merely admonitions to comply with the law” was factually 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.”<sup>25</sup>

## **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,<sup>26</sup> and the preliminary injunction that Harley-Davidson sought did not include provisions related to search advertising.<sup>27</sup> 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 *not* to refer to search advertising keywords. Specifically, while Respondent cites *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,’”<sup>28</sup> 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, screen names, social media names, keywords, or any other names or identifiers.”<sup>29</sup> 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 those URLs and to the “evidence that SunFrog

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<sup>25</sup> *Id.* at \*5-6.

<sup>26</sup> *Id.* at \*1

<sup>27</sup> *Id.* at \*3.

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

<sup>29</sup> *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.”<sup>30</sup> The *H-D U.S.A.* court compared that conduct to, and analyzed it using “[t]he same logic” as, cases concerning “the use of marks in metatags.”<sup>31</sup> Such cases—including the particular metatag case to which *H-D U.S.A.* drew an analogy, *Promatek Industries v. Equitrac Corporation*—discuss “keywords” outside the context of search advertising and recognize “keyword metatags” as simply one type of metatag.<sup>32</sup> The mere use of the term “keywords” in the *Agdia* injunction, therefore, does not provide a sufficient basis to conclude that that court, *sua sponte*, in a case not involving search advertising, chose to prohibit certain types of keyword bidding in search advertising auctions.<sup>33</sup>

**Second**, unlike the present case, *H-D U.S.A.* concerns counterfeit goods—a distinction that 1-800 Contacts acknowledges.<sup>34</sup> 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 Respondent’s expert Mr. Hogan 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.”<sup>35</sup>

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<sup>30</sup> *Id.* at \*5.

<sup>31</sup> *Id.* at \*5.

<sup>32</sup> *Promatek*, 300 F.3d at 810 n.1 (7th Cir. 2002) (“Metatags are HTML [HyperText Markup Language] code intended to describe the contents of the web site. There are different types of metatags, but those of principal concern to us are the ‘description’ and ‘keyword’ metatags. The description metatags are intended to describe the web site; the keyword metatags, at least in theory, contain keywords relating to the contents of the web site.”) (quoting *Brookfield*, 174 F.3d at 1045).

<sup>33</sup> Even if the reference to “keywords” were intended to encompass search advertising keywords, this decision would nonetheless be distinguishable in that the injunction in *H-D U.S.A.* did not require the use of negative keywords or reciprocal bidding obligations binding the plaintiff.

<sup>34</sup> Respondent 1-800 Contacts, Inc.’s Notice of Supplemental Authority, at 3-4; *see also* CCPT Br. at 161 & n.519 (explaining and citing evidence showing that Respondent’s expert Mr. Hogan acknowledged that counterfeiting and other egregious infringing conduct was *not* at issue in the underlying cases brought by 1-800 Contacts).

<sup>35</sup> CCPT Br. at 160-61.

*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,”<sup>36</sup> that proposition is irrelevant here. Complaint Counsel’s proposed remedy is not the sort of injunction that requires so much “guesswork . . . on pain of contempt” as to be “inconsistent with due process principles.”<sup>37</sup> Rather, as explained in Complaint Counsel’s closing argument, “[t]he relief we request is entirely uncontroversial and reasonable,” is taken “directly from the order in *Polygram*,” “parallels [the order in] *Kentucky Household Goods Carriers Association*” and is in line with this Commission’s “history of ordering respondents to refrain from conduct they have engaged in in the past when there’s reasonable belief they will engage in the same conduct in the future.”<sup>38</sup>

### III. FTC Brief in *In re Impax Laboratories, Inc.*, FTC Dkt. No. 9373

Finally, Respondent has included in its Notice a recent motion filed by complaint counsel in another FTC matter, *In re Impax Laboratories, Inc.*, Dkt. No. 9373 (Aug. 10, 2017). Although a brief is not a legal “authority,” Respondent cites it to point out “counsel’s acknowledgement . . . that under *Actavis*, the ‘assessment of a reverse-payment agreement’s competitive effects focuses on circumstances at the time the agreement was entered – that is, on an *ex ante* basis.’”<sup>39</sup>

Respondent does not make clear what relevance this proposition has here or what this Court ought to make of it. But, to be clear, as stated in Complaint Counsel’s post-trial brief, *Actavis* did not address facially overbroad restraints of a fundamental dimension of

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<sup>36</sup> Respondent 1-800 Contacts, Inc.’s Notice of Supplemental Authority, at 4.

<sup>37</sup> *H-D U.S.A.*, 2017 WL 3261709, at \*5.

<sup>38</sup> Closing Argument Tr. (July 27, 2017) at 65-66.

<sup>39</sup> Respondent 1-800 Contacts, Inc.’s Notice of Supplemental Authority, at 4.

competition.<sup>40</sup> 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 at all analogous to the issues discussed in *Impax*.<sup>41</sup> To the extent Respondent suggests there has been a change or reversal in trademark law relevant to its underlying lawsuits, Complaint Counsel disagrees,<sup>42</sup> 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.”<sup>43</sup> 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, and 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.

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<sup>40</sup> CCPT Br. at 88.

<sup>41</sup> Respondent 1-800 Contacts, Inc.’s Notice of Supplemental Authority, at 5.

<sup>42</sup> *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.”).

<sup>43</sup> Fed. Trade Comm’n & U.S. Dep’t of Justice, *Antitrust Guidelines for Collaborations Among Competitors* (April 2000) § 2.4, [https://www.ftc.gov/sites/default/files/documents/public\\_events/joint-venture-hearings-antitrust-guidelines-collaboration-among-competitors/ftcdojguidelines-2.pdf](https://www.ftc.gov/sites/default/files/documents/public_events/joint-venture-hearings-antitrust-guidelines-collaboration-among-competitors/ftcdojguidelines-2.pdf).

Dated: August 25, 2017

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on August 25, 2017, I filed the foregoing documents electronically using the FTC's E-Filing System, which will send notification of such filing to:

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

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Dated: August 25, 2017

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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

By: /s/ Daniel J. Matheson  
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