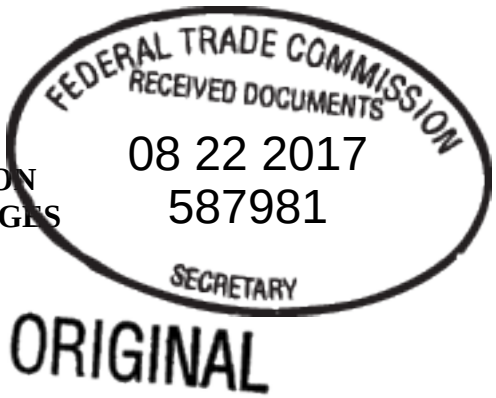
PUBLIC



ORIGINAL

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

In the Matter of **1-800 Contacts, Inc.,** **a corporation,** **Respondent.**	**Docket No. 9372**

RESPONDENT 1-800 CONTACTS, INC.'S NOTICE OF SUPPLEMENTAL AUTHORITY

I. INTRODUCTION

Respondent 1-800 Contacts, Inc. respectfully files this Notice of Supplemental Authority with respect to two judicial opinions, and a brief by Complaint Counsel in another matter pending before this Court, that were filed after the July 27, 2017 closing arguments in this matter. Under Rule 3.15(b), the Court "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." The attached authorities fit this description, as explained herein.

II. ARGUMENT

A. The Attached Authorities Were Filed After Closing Argument In This Matter And Are Relevant To The Issues Involved In This Matter.

Closing argument in this matter took place on July 27, 2017. The judicial opinions and the FTC brief that are attached to this Notice were filed after that date. Each of the attached authorities involve issues that are "relevant to . . . the issues involved" in this matter, as explained below. *See* Rule 3.15(b).[1]

1. *Agdia, Inc. v. Jun Qiang Xia and AC Diagnostics, Inc.*

The District Court in *Agdia, Inc. v. Jun Qiang Xia and AC Diagnostics, Inc.*, 2017 WL 3438174 (N.D. Ind. Aug. 10, 2017) (attached as Exhibit A), denied the defendants' motion for summary judgment in a trademark infringement case involving initial interest confusion. The defendants, in an effort to "divert search engine traffic" to their website, had allegedly inserted the plaintiff's trademark on hundreds of pages of the defendants' website, using "white on white" technology that was invisible to the human eye but that would be read by search engines in the course of determining a website's relevance to a consumer's search. *Agdia, Inc.*, 2017 WL 3438174 at **1-2 and fn.1.

The court's order denying summary judgment in *Agdia, Inc.* is relevant to Complaint Counsel's contention that no consumer confusion will occur from a competitor's use of Respondent's trademark as a keyword, as long as Respondent's trademark is not contained in the

[1] We note that even if Rule 3.15(b) did not apply here, Respondent's submission of new authority would still be appropriate. See, e.g., Complaint Counsel's Motion to Strike Respondent's Response to Notice of Supplemental Authority, *In re Evanston Northwestern Healthcare Corp.*, available at https://www.ftc.gov/sites/default/files/documents/cases/2007/06/070626ccmostrike.pdf (June 25, 2007), at 1 (referring to the parties' obligation "to advise the Commission of new legal authority. . . .").

resulting advertisement and the ad contains the name of the competitor. The following passages from the decision in *Agdia, Inc.* are of particular significance:

(a) The court explained 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." *Id*. at **1-2 and fn. 1 (citations omitted).

(b) The court also explained that "[i]nitial interest confusion as to trademark occurs when a customer is lured to a product by defendant's use of the same or similar mark belonging to plaintiff. . . ." *Id*. at *7. Initial interest confusion "is complete prior to the transaction" and can occur "even if the consumer realizes the true source of the goods before purchasing them." *Id*. (citations omitted).

(c) The court also explained that "[b]ecause users can easily navigate through websites, as opposed to physical store locations, it is 'more likely' that consumers will 'be confused as to the ownership of a web site than traditional patrons of a brick-and-mortar store would be of a store's ownership.'" *Id*. at *5 (citation omitted).

(d) The court also noted 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. *Id*. at *7.

2. *H-D U.S.A., LLC, et al. v. SunFrog, LLC*.

The District Court in *H-D U.S.A., LLC, et al. v. SunFrog, LLC*, 2017 WL 3261709 (E.D. Wisc. July 31, 2017) (attached as Exhibit B), entered a preliminary injunction against the defendant in a trademark infringement case where the defendant was selling counterfeit products bearing marks identical to those owned by the plaintiff. Although the 1-800 Contacts matter

does not involve counterfeit goods, the decision in *H-D U.S.A.* is still relevant to issues raised in this matter for at least two reasons:

(a) The court's preliminary injunction in *H-D U.S.A.* is 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." *Id*. (paragraph 5 of the Preliminary Injunction). Moreover, the court noted that it had not simply adopted language proposed by the plaintiff. Instead, it had "revised the proposed injunction to eliminate duplicative or impermissible portions." *Id*., fn. 5.

(b) The court's opinion in *H-D U.S.A.* is also relevant because the court held that injunctions in trademark cases that merely require a defendant to comply with the law or that simply prohibit the defendant from "engaging in unfair competition" are not appropriate in part because "[i]njunctions of this sort require a good deal of guesswork on the defendant's part to determine what not to do . . ." *Id*. at *6.

3. Complaint Counsel's Motion for Partial Summary Decision in *In re Impax Laboratories, Inc.*, FTC Dkt No. 9373.

The recent motion for summary decision filed by counsel for the complaint in the *Impax Laboratories* matter is relevant to this case because of its description of the impact of *FTC v. Actavis, Inc.*, 133 S.Ct. 2223 (2013), on an antitrust challenge to a settlement of litigation. *See* Complaint Counsel's Motion for Partial Summary Decision and Memorandum of Law in Support Thereof, *In re Impax Laboratories, Inc.*, Dkt No. 9373 (FTC Aug. 10, 2017) (attachments omitted) (attached as Exhibit C). In particular, Respondent 1-800 Contacts draws the Court's attention to counsel's acknowledgment, at pages 15-17 of the motion, 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." Motion at

15. The motion for summary decision also explained that an *ex post* approach would be "wholly unworkable in practice," *id*. at 16, for the reasons set out below:

> "Commentators have likewise agreed that, whether undertaken in later patent litigation or in the antitrust case itself, *ex post* determinations about patent validity or infringement do not 'answer the antitrust question" under *Actavis*. Moreover, *treating such determinations as relevant would be not only inconsistent with Actavis, but also wholly unworkable in practice*. For under Impax's theory, a Federal Circuit reversal in the now-pending appeal of the district court ruling that Impax relies on would negate the claimed procompetitive benefits. *The resulting uncertainty from such an approach would undermine drug companies' ability to settle patent cases as well as the ability of courts and enforcement agencies to conduct the antitrust inquiry that Actavis mandates*."

Id. at 16-17 (emphasis added) (footnote omitted).

III. CONCLUSION

For all the foregoing reasons, Respondent 1-800 Contacts respectfully submits the attached authorities for consideration in this matter.

Dated: August 22, 2017

Respectfully submitted,

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EXHIBIT A

2017 WL 3438174
Only the Westlaw citation is currently available.
United States District Court,
N.D. Indiana, South Bend Division.

AGDIA INC., Plaintiff,
v.
JUN QIANG XIA and AC Diagnostics, Inc., Defendants.

Case No. 3:15-CV-075 JD
|
Signed 08/10/2017

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MEMORANDUM OPINION AND ORDER

JON E. DEGUILIO, Judge

***1** This is a trademark infringement action over two marks owned by Agdia Inc. ("Agdia" or "Plaintiff"). Dr. Jun Qiang Xia owns and operates a company that directly competes with Agdia in the field of plant diagnostic products and services: AC Diagnostics, Inc. ("ACD"). Plaintiff alleges that Defendants placed one of its marks —the Agdia mark—in white-on-white text on over 200 URL pages within ACD's website in order to divert search engine traffic. [1] Plaintiff also alleges Defendants infringed upon the Agdia mark by selecting a domain name for ACD's website that is confusingly similar to the Agdia mark itself. Lastly, Plaintiff alleges that Defendants made unauthorized use of its ImmunoStrip mark to describe their products on ACD's website.

Discovery has now closed and Defendants moved for summary judgment on Plaintiff's Counts I-V on July 1, 2016. [DE 37] The matter has been fully briefed and is ripe for review. For the reasons discussed herein, Defendants' motion is denied.

STANDARD OF REVIEW

On summary judgment, the moving party bears the burden of demonstrating that there "is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). A "material" fact is one identified by the substantive law as affecting the outcome of the suit. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). A "genuine issue" exists with respect to any material fact when "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Id.* Where a factual record taken as a whole could not lead a rational trier of fact to find for the non-moving party, there is no genuine issue for trial, and summary judgment should be granted. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) (citing *Bank of Ariz. v. Cities Servs. Co.*, 391 U.S. 253, 289 (1968)). In determining whether a genuine issue of material fact exists, this Court must construe all facts in the light most favorable to the non-moving party and draw all reasonable and justifiable inferences in that party's favor. *Jackson v. Kotter*, 541 F.3d 688, 697 (7th Cir. 2008); *King v. Preferred Tech. Grp.*, 166 F.3d 887, 890 (7th Cir. 1999).

FACTUAL BACKGROUND

Agdia Inc., based in Elkhart, Indiana, provides plant diagnostic products and services to customers around the world. [DE 39-1, Affidavit of Baziel Vrient ¶ 3] It owns the two trademarks at issue here, the "Agdia" mark and the "ImmunoStrip" mark. *Id.* ¶¶ 7, 23. Defendant Dr. Jun Q. Xia worked as an employee for Agdia in the late 1990s and early 2000s, along with his wife. *Id.* ¶ 4. He and his wife were forced to resign from Agdia in 2001 after it was discovered that they had engaged in prohibited competitive activities during their employ. *Id.* Around that same time, Dr. Xia attempted to compete with his former employer in violation of his non-compete obligations, and formed a company known as Advanced Diagnostics International LLC ("ADI"). *Id.* ¶ 5; *see also* Case No. 3:01-cv-0781. Agdia sued Dr. Xia to enforce those obligations and to prevent Dr. Xia from misappropriating Agdia's trade secrets; the lawsuit resulted in a permanent injunction being entered against Dr. Xia and ADI. *Id.*

*2 In 2004, Xia formed ACD, also named as a defendant herein. [DE 38-9 at 47:20-23] Like Agdia, ACD develops and sells agricultural diagnostic products and related testing services, and thus it competes with Agdia in the marketplace. [DE 39-1, Affidavit of Keith Schuetz, ¶¶ 4, 15] Defendants maintain a website for ACD and Dr. Xia claims that he used the volunteer services of some of his friends' children to assist him with setting up that site. [DE 38-9 at 48:25-49:5] Dr. Xia also maintains that Plaintiff's former president, Chester Sutula, approved of ACD's domain name—"www.acdiainc.com"—during a verbal conversation held between them. [DE 38-9 at 88:15-24] Mr. Sutula denies this. [DE 39-1, Affidavit of Chester Sutula ¶¶ 8-9]

Sometime between June 24 and August 3, 2007, Plaintiff's Agdia mark was added to ACD's website, without permission, in the form of white-on-white text. [DE 38-5 at 5; DE 38-9 at 98:13-17] Based on Plaintiff's own investigation, the Agdia mark appeared on over 200 URL pages within the website, many of which displayed certain ACD products that competed directly with Plaintiff's own. [DE 39-1, Schuetz Aff. ¶¶ 7, 9-14] According to Plaintiff's expert, Mr. Mohl, the use of white-on-white text was a common practice associated with search engine optimization ("SEO") in 2007, when the Agdia mark began showing up on ACD's website.[2] [DE 38-5 at 5]. Indeed, this practice proved effective for Defendants as recently as January 2015.[3] [DE 39-1, Affidavit of Marcos Amato ¶¶ 6-11]

The ACD website also displayed and used the ImmunoStrip mark to describe ACD's products that had a function similar to Agdia's own ImmunoStrip products—this time making open use of the mark in plain view rather than burying it in white-on-white text. [DE 39-1, Vrient Aff. ¶¶ 24-25] Dr. Xia stated in his deposition that the ImmunoStrip label was placed on ACD's website because the term was "very popular." [DE 38-9 at 112:4-10] As with the Agdia mark, this was done without permission. *Id.* at 115:24-116:7.

It is against the backdrop of these facts that the Court analyzes the issues at hand.

DISCUSSION

Plaintiff alleges five Counts in total, for trademark infringement (I), unfair competition (II), and cyberpiracy (III) under the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a), 1125(d), and for Indiana state common law claims of unfair competition (IV) and infringement (V). [DE 21] The only substantive issue raised by the parties in their papers revolves around whether Defendants' use of Plaintiff's marks and the selection of the ACD domain name created a likelihood of confusion. Thus, the Court will confine its analysis to whether the evidence is so one-sided in favor of Defendants, that no reasonable jury could conclude that their alleged conduct created a likelihood of confusion with Plaintiff's marks.

To succeed, Agdia's claims rely on the presence of a likelihood of confusion between its own marks and Defendants' use of the marks. *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 673-74 (7th Cir. 2001); *see also AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 615 (7th Cir. 1993). A weighing of the following seven factors determines whether consumers are likely to be confused:

*3 (1) the similarity between the marks in appearance and suggestion;

(2) the similarity of the products;

(3) the area and manner of concurrent use;

(4) the degree and care likely to be exercised by consumers;

(5) the strength of the plaintiff's mark;

(6) any actual confusion; and

(7) the intent of the defendant to "palm off" his product as that of another.

Packman v. Chicago Tribune Co., 267 F.3d 628, 642 (7th Cir. 2001).[4] "No single factor is dispositive. Courts may assign varying weight to each of the factors depending on the facts presented, though usually the similarity of the marks, the defendant's intent, and actual confusion are particularly important." *AutoZone, Inc. v. Strick*, 543 F.3d 923, 929 (7th Cir. 2008) (citing *id.*).

Whether consumers are likely to be confused about the origin of a defendant's products or services is ultimately a question of fact. *McGraw-Edison Co. v. Walt Disney*

Prods., 787 F.2d 1163, 1167 (7th Cir. 1986); *see also Barbecue Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1044 (7th Cir. 2000); *Reed-Union Corp. v. Turtle Wax, Inc.*, 77 F.3d 909, 912 (7th Cir. 1996). That question of fact may be resolved on summary judgment only "if the evidence is so one-sided that there can be no doubt about how the question should be answered." *Packman*, 267 F.3d at 637 (quoting *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 83 F.3d 169, 171 (7th Cir. 1996)). In this case, a review of the record indicates that the evidence is not so one-sided that the issue of likelihood of confusion can be properly determined at the summary judgment stage.

1. Similarity of the marks.

***4** To determine whether two marks are similar, the marks must be viewed as a whole. *See Estate of Beckwith, Inc. v. Comm'r of Patents*, 252 U.S. 538, 545-46, 40 S. Ct. 414, 64 L.Ed. 705 (1920) ("The commercial impression of a trade-mark is derived from it as a whole, not from its elements separated and considered in detail."); *see also Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1431 (7th Cir. 1985). The Court must compare the marks "in light of what happens in the marketplace and not merely by looking at the two marks side-by-side." *Sullivan v. CBS Corp.*, 385 F.3d 772, 777 (7th Cir. 2004) (quoting *Ty, Inc. v. The Jones Group, Inc.*, 237 F.3d 891, 898 (7th Cir. 2001)). "[T]he test is not whether the public would confuse the marks, but whether the viewer of an accused mark would be likely to associate the product or service with which it is connected with the source of products or services with which an earlier mark is connected." *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 275 (7th Cir. 1976). The Court should therefore "consider whether the customer would believe that the trademark owner sponsored, endorsed or was otherwise affiliated with the product." *Nike, Inc. v. "Just Did It" Enters.*, 6 F.3d 1225, 1228-29 (7th Cir. 1993).

Plaintiff alleges that Defendants openly displayed the ImmunoStrip mark, unaltered, on the ACD website to describe products offered for sale. [DE 21 ¶¶ 25-28]. The record reflects as much and Defendants admit to this conduct. [DE 39-1, Vrient Aff. ¶¶ 24-25; DE 38-9 at 110:19-113:4; 115:24-116:7] Thus, there is no question as to similarity for the ImmunoStrip mark.

As for the Agdia mark, Plaintiff alleges Defendants engaged in infringement in two ways: (1) by including the exact word, "Agdia," in white-on-white text on hundreds of pages within the ACD website; and (2) by intentionally choosing a domain name so similar to "www.agdia.com" as to create confusion among potential consumers. Like the ImmunoStrip mark, the record reflects that Defendants placed the Agdia mark on ACD's website, this time in white-on-white text on hundreds of pages. [DE 21-5]. Again, this was done without any alteration to the Agdia mark itself. Defendants do not dispute this.

The second theory of infringement merits deeper discussion. Plaintiff alleges that ACD's domain name is confusingly similar to the Agdia mark, and that Defendants created this domain name with the intent to mislead consumers and profit from said mark. To start, the Court can peel away the "www" prefix and the ".com" suffix from ACD's domain name as they are not important to the likelihood of confusion analysis. *See TCPIP Holding Co., Inc. v. Haar Commcn's Inc.*, 244 F.3d 88, 101-02 (2nd Cir. 2001); *Brookfield Commcn's, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1055 (9th Cir. 1999). The Court is then left with a comparison between "Agdia" and "acdiainc." [5]

The domain name at issue, acdiainc, includes "inc" presumably to represent the shorthand for "incorporated," as ACD's full name is AC Diagnostics, Inc. But because many companies use shorthand corporate designations in their names, such as "Inc." or "Co.," the addition of "inc" here to the back end of ACD's domain name is of diminished importance in distinguishing the domain name from the Agdia mark. When comparing Agdia with acdia, the two are similar in appearance, differing in spelling by only one letter. And, as noted by Plaintiff, when spoken aloud, the two are nearly indistinguishable. *See NFE Intern., Ltd. V. Gen. Res. Corp.*, 558 F. Supp. 1137, 1140 (N.D. Ill. 1983) ("Similarity in the sound of trademarks enters into a consideration of likelihood of confusion.").

***5** In the context of their competing products and services and the shared marketplace in which Plaintiff and ACD operate, one can easily contemplate a scenario in which a prospective consumer acts on a referral from a colleague or a radio advertisement pointing him or her to Agdia's website, but ends up at ACD's website due to mishearing the pronounced name. Moreover, the fact that "Agdia" and "acdia" are so similarly spelled only enhances the likelihood that a consumer might misspell

one for the other and thus be led to the other's website. Accordingly, when considering the facts in favor of the nonmovant, a reasonable factfinder could determine that the similarity between the Agdia mark and ACD's domain name weighs in favor of likelihood of confusion.

2. Similarity of the products.

Like the previous factor comparing the similarity of the marks, the Court's "inquiry in comparing the two products is not whether they are interchangeable, but whether 'the parties' products are the kind the public might very well attribute to a single source (the plaintiff).' " *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 463 (7th Cir. 2000) (quoting *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1089 (7th Cir. 1988)); *see also McGraw-Edison Co.*, 787 F.2d at 1169. "The rights of an owner of a registered trademark extend to any goods or services that, in the minds of consumers, might be put out by a single producer." *AutoZone*, 543 F.3d at 931.

Here, the parties directly compete with one another in the marketplace by offering the plant diagnostic products and testing services. [DE 38-9 at 57:10-16; DE 39-1, Vrient Aff. ¶ 6, Schuetz Aff. ¶ 15] Given Defendants' explicit use of the ImmunoStrip mark to describe some of their products and the inclusion of the Agdia mark in white-on-white text on more than 200 URL pages within ACD's website [DE 21-5; DE 21-6; DE 39-1, Vrient Aff. ¶ 25], a reasonable factfinder, taking into account ACD's use of Plaintiff's marks and the domain name of ACD's website, could conclude that the goods are attributable to a single source.

3. Area and manner of concurrent use.

"The third factor in the likelihood of confusion analysis assesses 'whether there is a relationship in use, promotion, distribution, or sales between the goods or services of the parties.' " *CAE, Inc.*, 267 F.3d at 681 (quoting *Forum Corp. of N. Am. v. Forum, Ltd.*, 903 F.2d 434, 442 (7th Cir. 1990)). In this case, both parties operate in the plant diagnostics industry and promote and offer their goods online. Because users can easily navigate through websites, as opposed to physical store locations, it is "more likely" that consumers will "be confused as to the ownership of a web site than traditional patrons of a brick-and-mortar store would be of a store's ownership." *Trans Union LLC v. Credit Research, Inc.*, 142 F. Supp. 2d 1029, 1042-43 (N.D. Ill. 2001) (quoting *Brookfield*, 174 F.3d at 1057). Moreover, the parties employ similar marketing practices, namely appearing at the same trade shows specific to the plant diagnostics industry. [DE 39-1, Vrient Aff. ¶ 6] *See Forum*, 903 F.2d at 441-42 (concurrent use existed when both parties marketed and sold products through, among other things, attendance at the same trade show). A reasonable factfinder could determine that the parties' overlap in industry-related marketing weighs in favor of likelihood of confusion.

4. Degree of consumer care.

Relevant to analyzing the degree of care likely to be exercised by consumers are the cost and availability of the products sold. The more widely accessible and inexpensive the products and services, the more likely that consumers will exercise a lesser degree of care and discrimination in their purchases. *CAE*, 267 F.3d at 683; *see also Fuji Photo Film v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 596 (5th Cir. 1985) (stating that the simplicity and negligible cost of Fuji's goods and its extensive advertising increased the likelihood of confusion about the source of the goods). Here, the goods and services offered by both Plaintiff and ACD are not so widely accessible that an ordinary consumer would find them on a shelf in Walmart. Instead, the entities offer rather nuanced agricultural products and services. [DE 39-1, Vrient Aff. ¶ 3; DE 38-9 at 57:10-16]. And, based on the limited information provided regarding these items' cost, they appear to be relatively expensive; many of ACD's products, for example, are offered for several hundreds of dollars per packages weighing no more than a few pounds. [DE 21-6; DE 21-7]

***6** The Court must also consider both parties' potential customers, because the Lanham Act "clearly encompasses confusion on the part of purchasers of *either* (or both) party's products." *CAE*, 267 F.3d at 682 (quoting *Fuji Photo Film*, 754 F.2d at 596). Defendants assert that their clientele is relatively sophisticated; those who seek ACD's plant testing diagnostic test services or reagent kits include mostly PhD's, technicians, and researchers. [DE 38-9 at 130:17-131:5] While little is proffered about the identities of Plaintiff's customers, the Court will indulge in the assumption that they are much like those of Defendants, as both Agdia and ACD provide plant diagnostic products and services that "directly compete" in that market.

While many of the parties' customers are no doubt well-accomplished in their respective fields, "technical

sophistication about their particular industry does not equate to trademark sophistication." *CAE*, 267 F.3d at 683 (citing *Fuji Photo Film*, 754 F.2d at 595). In other words, while accomplished in the area of agricultural science, that does not automatically make these customers website coding experts nor instill in them the ability to identify whether their internet searches are yielding manipulated results. Even Plaintiff's expert noted in his deposition:

> [I]t's a bit of a leap to assume that someone with a strong educational background inherently has a better ability to discern one website from another or they're necessarily more literate than someone with less education when it comes to website literacy, you know, when it comes to computers and using the web.

[DE 38-6 at 63:9-16]. In addition, given that the parties directly compete with one another and that their products and services overlap, it is more likely that "even an informed and sophisticated consumer will mistakenly attribute the parties' products and services to a common source." *CAE*, 267 F.3d at 683. Genuine issues of material fact exist as to this factor.

5. Strength of the plaintiff's mark.

"The stronger the mark, the more likely it is that encroachment on it will produce confusion." 2 McCarthy § 11.73, at 11-169 to 170 (2008) (quoting *Champions Golf Club v. Champions Golf Club*, 78 F.3d 1111 (6th Cir. 1996)). "The strength of the mark usually corresponds to its economic and marketing strength." *AutoZone*, 543 F.3d at 933 (citing *Sullivan* 385 F.3d at 777). In addition, trademark law recognizes five categories of trademarks, in ascending order of distinctiveness and with more strength attributed to the more distinctive marks: generic, descriptive, suggestive, arbitrary, and fanciful. *CAE*, 267 F.3d at 684; *Morningware, Inc. v. Hearthware Home Prod., Inc.*, No. 09 C 4348, 2012 WL 3721350, at *11 n. 10 (N.D. Ill. Aug. 27, 2012).

Plaintiff briefly argues that "[t]he strength of Agdia's mark is quite high because it is a fanciful word that has no meaning independent of the trademark." [DE 39 at 12] A reasonable trier of fact could interpret this as indicative of the strength of both of Plaintiff's marks—indeed, "Agdia" and "ImmunoStrip" are meaningless words outside of their trademark status, and the Court has been presented with no evidence or argument to the contrary. Further, Plaintiff has used the Agdia mark since 1981 and had it registered in 1993, and has also used the ImmunoStrip mark since 2000, registering it in 2006. [DE 39-1, Vrient Aff. ¶¶ 7, 23; DE 21-2] Plaintiff's ImmunoStrip mark has thus been registered (and used) for a relatively short period of time, which could be interpreted by a jury as diminishing of its purported strength; Plaintiff's history of use and registration for its Agdia mark, however, is much more significant, and could be considered a testament to its strength by a factfinder. *See CAE*, 267 F.2d at 686 (finding district court correctly weighed plaintiff's 40-year use of its mark as indicative of the mark's strength); *Top Tobacco v. Fantasia Distribution, Inc.*, 101 F. Supp. 3d 783, 791 (N.D. Ill. 2015) (strength of plaintiff's mark weighed in favor of likelihood of confusion where mark had been registered to plaintiff for more than 20 years); *cf. Poneman v. Nike, Inc.*, 161 F. Supp. 3d 619, 629-30 (N.D. Ill. 2016) (senior user's unregistered mark not strong when used only two years prior to junior user's manufacturing and sale of merchandise displaying said mark).

*7 Nothing has been presented as to the economic and marketing strength of either mark at issue. Plaintiff has offered no evidence that would weigh in favor of its marks, such as information as to total sales associated with the marks, the frequency with which it advertises its marks, or the amount of money it spends on their advertisement. *Cf. AutoZone*, 543 F.3d at 933 (evidence supported a finding in favor of the mark's economic and marketing strength where it "is displayed prominently on more than 3,000 stores nationwide and it has been the subject of hundreds of millions of dollars' worth of advertising since 1987"); *see also Flagstar Bank, FSB v. Freestar Bank, N.A.*, 687 F. Supp. 2d 811, 832 (C.D. Ill. 2009) ("evidence of the frequency of a mark's display and the amount of advertising dollars used to promote the mark are relevant factors when determining a mark's strength").

Thus, viewing the facts in favor of the nonmovant, a reasonable factfinder could determine that the strength in Plaintiff's marks weighs in favor of likelihood of confusion.

6. Actual confusion.

Defendants largely argue throughout their papers that summary judgment should issue because there is no

evidence to support a finding that consumers were actually confused by Defendants' use of Plaintiff's marks. Plaintiff counters by arguing initial interest confusion.[6] Initial interest confusion as to trademark occurs when a customer is lured to a product by defendant's use of the same or similar mark belonging to plaintiff, and may be consummated even if the consumer realizes the true source of the goods before purchasing them. *See Wolf Appliance, Inc. v. Viking Range Corp.*, 686 F. Supp. 2d 878, 890-91 (W.D. Wisc. 2010).

Asserting initial interest confusion does not alter the likelihood of confusion analysis. More specifically, to create an issue of fact here as to whether there was any actual confusion, the record must contain evidence that initial interest confusion actually occurred—not merely theories that would create a *risk* of initial interest confusion. *See Eli Lilly*, 233 F.3d at 465. Such evidence might come in the form of a consumer survey, although that survey would not be limited to a sampling of ACD's customers, because initial interest confusion is complete prior to any transaction. *Id.*

This Circuit has examined the initial interest theory with regard to metatag cases. *See Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002); *Eli Lilly*, 233 F.3d at 464-65. In such cases, the confusion can occur either when a consumer is diverted to a defendant's webpage, or when the consumer's search engine results are first displayed. *See Promatek*, 300 F.3d at 812 (explaining that consumers who are diverted to a defendant's website experience initial interest confusion even if they are no longer confused once they reach that webpage); *Morningware*, 2012 WL 3721350, at *9 ("the relevant focus is the degree of care a consumer uses when deciding on which link to click after the search results are displayed on the webpage, as that is the point at which consumer confusion can occur").

Here, Plaintiff has presented evidence of a search engine user being diverted to ACD's website upon running a Google search for an Agdia product in January 2015. [DE 39-1, Amato Aff. ¶¶ 6-11] ACD's website showed up on the second page of a search yielding over 1,000 results. *Id.* at Exh. 1. Thus, a reasonable factfinder could determine that initial interest confusion actually occurred related to the Agdia mark. Defendants criticize this search because the individual was an employee of a French distributor of Agdia products, and not a consumer. The record does not contain enough information about the two companies that would rule out his role as a consumer, but even if it did, there is no evidence to suggest that a consumer who entered "AGDIA CGMMV ELISA" into Google in January 2015 would experience any different results. [DE 39-1, Amato Aff. ¶ 6]

***8** As to the ImmunoStrip mark, Plaintiff has presented evidence that actual confusion occurred. Oklahoma State University published a document online listing ACD as a supplier of Agdia's ImmunoStrip test kit. [DE 39-1, Vrient Aff., Exh. 2] Plaintiff never authorized ACD to use the ImmunoStrip name in connection with its products, and thus, a reasonable factfinder could infer that the confusion evidenced by Oklahoma State's publication came from Defendants' unauthorized use of the mark on ACD's website, which they do not dispute. [DE 38-9 at 112:4-22, 116:3-7]

The Court notes that even a record completely lacking in evidence of actual confusion does not provide a magic bullet for Defendants. It is well-established that, while evidence of actual confusion is an important factor, it "is not essential to a finding of likelihood of confusion." *Eli Lilly*, 233 F.3d at 465 (citing *Computer Care v. Service Sys. Enter., Inc.*, 982 F.2d 1063, 1070 (7th Cir. 1992)). Here, however, reviewing the facts in favor of the non-movant, a reasonable factfinder could determine that actual confusion occurred with regard to the marks.

7. Intent of the defendants to palm off.

A genuine issue of material fact remains as to Defendants' intent in using the Agdia and ImmunoStrip marks on its website and in choosing the domain name "acdiainc." At his deposition, Dr. Xia admitted that no one gave him permission to use the Agdia mark on ACD's website, [DE 38-9 at 98:13-17], but his general story is that he had nothing to do with the mark's presence because he used volunteer college students, mostly children of some of his friends, who had knowledge of website programming to set up a website for his first company, ADI, in 2000. *Id.* at 48:25-49:5. Dr. Xia could not remember any of these individuals' names. *Id.* According to Dr. Xia, in 2004, he used the information from the first website to form ACD's using additional volunteers "every now and then" for additional assistance. *Id.* at 51:5-52:2. However, Plaintiff's expert, Mr. Mohl, reported that the Agdia mark started showing up on the ACD website between June 24 and August 3, 2007, long after Xia received help from college

students to set up the first website in 2000, and about three years after he used the old website as a basis for ACD's site in 2004. [DE 38-5 at 5]

Defendants' expert, Mr. Mahler, testified that the Agdia mark's appearance in the white-on-text might have been a typo because "Agdia" is only one letter removed from "ACDia." [DE 38-10 at 36:6-11] Mr. Mahler further opined that the white-on-white text could be attributed to poor programming practice because the website's source code was surrounded by a font tag that had been out of date for at least ten years, suggesting incompetence on whoever constructed the website. [DE 38-10 at 39:1-13, 40:7-15] But Mr. Mahler provided that explanation at his deposition in April 2016, and so the method he referenced might not be considered so outdated in 2007, when the white-on-white text was added to the website.

In determining that the Agdia mark was included in white-on-white text to improve search engine result rankings, Plaintiff's expert also noted the above timeline discrepancy, albeit with regard to search engine manipulation rather than font tags: "Though [using white-on-white text] is no longer a common practice for SEO today, it was much more common when the text was added to some pages in 2007." [DE 38-5 at 5] Further, he determined that the white-on-white text was intentionally formatted to evade consumers' eyes while remaining visible to "web crawlers" that view the code, and that the words in the hidden text were chosen specifically for their relation to products and services offered by ACD. *Id.* at 5-6. Defendants' expert confirmed that search engine manipulation is connected with this practice of using white-on-white text. [DE 38:10 at 41:8-12] Placing Plaintiff's mark in the ACD website's metatags made it visible to search engine technology while hiding it from consumers, and this qualifies as "significant evidence of intent to confuse and mislead." *Eli Lilly*, 233 F.3d at 465 (citing *Brookfield*, 174 F.3d at 1062).

***9** As for the ImmunoStrip mark, Dr. Xia testified that it was originally added to the ACD website because the word "ImmunoStrip" was "very popular." [DE 38-9 at 112:4-11] Defendants did not have permission to place "ImmunoStrip" on ACD's website. [DE 38-9 at 116:3-7] According to Dr. Xia, he directed his employees to remove the mark once Plaintiff warned him of its status as a registered trademark and asked him to take it down in or around 2012-2013. [DE 38-9 at 112:11-22] But, he could not then explain why the ImmunoStrip mark remained on the ACD website several years after Plaintiff contacted him about it. *Id.*

Dr. Xia testified that he had obtained express permission from Agdia's president, Chester Sutula, to use "acdiainc" as his company's domain name. [DE 38-9 at 88:15-24] However, Mr. Sutula flatly denies ever consenting to this name. [DE 39-1, Sutula Aff. ¶¶ 8-9] Evaluations of witness credibility are inappropriate at the summary judgment stage, and the Court will not engage in such determinations here. *Washington v. Haupert*, 481 F.3d 543, 549-50 (7th Cir. 2007). As to how Dr. Xia came up with the domain name, Defendants argue that "A" simply stands for "America" and "C" for "China," but Dr. Xia also testified that the "AC" combination could be interpreted as "Agriculture Chemical," or "it can interpret [sic] any way." [DE 38-9 at 87:20-25] So, the name could arbitrarily stand for anything, thus leaving questions as to *why* Dr. Xia chose *this particular* domain name.

In combination with the points above, Plaintiff questions Dr. Xia's purportedly benign intent by noting that he and his wife were forced to resign from Agdia in 2001 after it was discovered that they had engaged in prohibited competitive activities during their employ. [DE 39-1, Vrient Aff. ¶ 4] After he left the company, Dr. Xia attempted to compete with Agdia in violation of his non-compete obligations. *Id.* ¶ 5. Agdia sued Dr. Xia to enforce those obligations and to prevent Dr. Xia from misappropriating Agdia's trade secrets; the lawsuit resulted in a permanent injunction being entered against Dr. Xia. *Id.* Additionally, Plaintiff's own investigation of the ACD website, conducted toward the end of the relevant time period, revealed that more than 200 of the site's URL pages contained "Agdia" in white-on-white text. [DE 39-1, Schuetz Aff. ¶ 7] And, the placement of that text appears to correspond with URL pages of competing products, offered by both ACD and Plaintiff. *Id.* ¶¶ 9-14. Based on the above, a reasonable factfinder could find that Defendants' intent weighs in favor of likelihood of confusion.

CONCLUSION

Based on the record before the Court, genuine issues of material fact exist pertaining to whether Defendants' conduct related to Plaintiff's marks created a likelihood of

confusion. Therefore, Defendants' Motion for Summary Judgment is **DENIED**.

SO ORDERED.

All Citations

Slip Copy, 2017 WL 3438174

Footnotes

1 White-on-white text is a form of metatag or metadata that matches the color of a webpage's background, thereby rendering it invisible to the naked eye. It remains visible, however, to search engine technology that reads the text in response to the terms entered into the search engine by the user.

2 Search engine optimization is the practice of maximizing the number of visitors to a particular website by ensuring that the site appears high on the list of results returned by a search engine.

3 Plaintiff's president, Baziel Vrient, also attested that he had been directed to ACD's website after running a search in July 2016. [DE 39-1, Vrient Aff. ¶¶ 14-16] However, unlike the information provided by Mr. Amato, Mr. Vrient's statement contains no indication of how effective the search was in directing him to ACD's website, i.e., how high it appeared on the list returned by the search engine. [DE 39-1, Vrient Aff.]

4 Defendants repeatedly argue against the application of this Circuit's seven-factor likelihood of confusion test because customers never "saw" the white-on-white text with their naked eyes. This argument fails. First, to say that the white-on-white text was totally invisible to customers is somewhat inaccurate. Plaintiff notes that, when pages containing this text are printed on paper, or even when a computer user performs a "Control + F" find function on the webpage, the white-on-white text indeed reveals itself [DE 39-1, Vrient Aff. ¶¶ 16-17, Exh. 1, Amato Aff. ¶ 12]. Second, the white-on-white text, a type of metatag, need not be visible to the naked eye in order to have its intended effect; clearly it is visible to the public via search engine technology that directs potential customers to various websites. Defendants offer no substantive authority to support their invisibility theory, and the few cases they do cite miss the mark. *See 1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F. 3d 400, 409 (2d Cir. 2005) (addressing a company's *internal* use of a trademark without communicating it to the public); *Meta-Film Assocs., Inc. v. MCA, Inc.*, 586 F. Supp. 1346, (C.D. Cal. 1984) (addressing issue of whether *defendants* had access to the work they allegedly copied). Regardless, this Circuit has on several occasions confirmed the application of this test to cases involving metadata, metatags, etc. *See, e.g., Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002), *as amended* (Oct. 18, 2002); *Eli Lilly & Co. v. Nat. Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000).

5 The Court also notes that capitalization and spacing are irrelevant when comparing trade names to allegedly infringing domain names. *See TCPIP*, 244 F.3d at 101-102.

6 Defendants note that Plaintiff's initial interest confusion theory made its first appearance in its Response in Opposition. [DE 40 at 2] However, the argument for initial interest confusion, while not initially pled by Plaintiff, is sufficiently set forth in the facts alleged. *Reeves ex rel. Reeves v. Jewel Food Stores, Inc.*, 759 F.3d 698 (7th Cir. 2014) ("Plaintiffs need only plead facts, not legal theories, in their complaints.").

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EXHIBIT B

2017 WL 3261709
Only the Westlaw citation is currently available.
United States District Court,
E.D. Wisconsin.

H-D U.S.A., LLC and Harley-Davidson Motor Company Group, LLC, Plaintiffs,
v.
SUNFROG, LLC d/b/a SunFrog Shirts and John Does, Defendants.

Case No. 17-CV-711-JPS
|
Signed 07/31/2017

Attorneys and Law Firms

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ORDER

J.P. Stadtmueller, U.S. District Judge

***1** This is a trademark infringement case brought by Plaintiffs, collectively referred to as "Harley-Davidson," against Defendants, collectively referred to as "SunFrog." SunFrog runs a website where third-party sellers can upload designs and logos onto clothing, hats, mugs, or other items and sell them. SunFrog handles printing the goods and selling them, and it takes the majority of the profits from the sales. Harley-Davidson noticed that SunFrog sold many items bearing its trademarks, including both word-marks and logos, and it filed this lawsuit as a result. Before the Court is Harley-Davidson's motion for preliminary injunction. For the reasons stated below, it will largely be granted.

To obtain a preliminary injunction, a plaintiff must show that (1) it will suffer irreparable harm in the period before final resolution of its claims; (2) traditional legal remedies are inadequate; and (3) the claim has some likelihood of success on the merits. *Jones v. Markiewicz-Qualkinbush*, 842 F.3d 1053, 1058 (7th Cir. 2016); *Girl Scouts of Manitou Council, Inc. v. Girl Scouts of U.S. of Am., Inc.*, 549 F.3d 1079, 1086 (7th Cir. 2008). If the court determines that the plaintiff has failed to demonstrate any one of these three threshold requirements, it must deny the injunction. *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 11 (7th Cir. 1992).

If the plaintiff makes these preliminary showings, the court then assesses the balance of harms and where the public interest lies. *Jones*, 842 F.3d at 1058; *ACLU of Ill. v. Alvarez*, 679 F.3d 583, 589 (7th Cir. 2012). In so doing, the court employs a sliding scale approach: "[t]he more likely the plaintiff is to win, the less heavily need the balance of harms weigh in his favor; the less likely he is to win, the more need it weigh in his favor." *Roland Mach. Co. v. Dresser Indus., Inc.*, 749 F.2d 380, 387 (7th Cir. 1984); *Abbott Labs.*, 971 F.2d at 12. Overarching this entire analysis, the court must be mindful that "[a] preliminary injunction is an extraordinary remedy never awarded as of right." *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008).

SunFrog does not meaningfully challenge Harley-Davidson's *prima facie* showing of a right to a preliminary injunction. Because SunFrog sells numerous products bearing marks identical to or materially indistinguishable from Harley-Davidson's registered (and largely incontestable) marks, Harley-Davidson has established a likelihood that consumers, viewing SunFrog's products in the marketplace, would be confused as to their source, affiliation, or sponsorship. *See Ty, Inc. v. Jones Grps., Inc.*, 237 F.3d 891, 897 (7th Cir. 2001) (likelihood-of-confusion factors); *Coach, Inc. v. Treasure Box, Inc.*, No. 3:11 CV 468, 2013 WL 2402922, at *4 (N.D. Ind. May 31, 2013) (collecting cases holding that in counterfeit cases, a likelihood of confusion can be presumed). Harley-Davidson thus enjoys a greater-than-negligible chance of success on its claims, which is all that is required to support the issuance of a preliminary injunction. *D.U. v. Rhoades*, 825 F.3d 331, 338 (7th Cir. 2016).

***2** Additionally, it is well-settled that courts presume irreparable harm to the plaintiff where there are violations of the Lanham Act. *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 813 (7th Cir. 2002). Likewise, injuries to a company's goodwill or reputation, such as are caused by trademark infringement, are not susceptible to precise valuation. Thus, a showing of infringement is generally sufficient to establish that remedies at law are

inadequate. *Meridian Mut. Ins. Co. v. Meridian Ins. Grp., Inc.*, 128 F.3d 1111, 1120 (7th Cir. 1997); *Abbott Labs.*, 971 F.2d at 16.

Finally, the balance of harms tips in Harley-Davidson's favor. Harley-Davidson presents a fairly straightforward case of counterfeiting against an online marketplace. Stopping this conduct will serve both to protect Harley-Davidson's interest in its consumer goodwill and vindicate the public's interest in avoiding deception as to the source or sponsorship of the goods they purchase. *Promatek*, 300 F.3d at 813–14. Thus, Harley-Davidson has demonstrated that a preliminary injunction is warranted in this case.[1]

***3** SunFrog's response is that Harley-Davidson's requested relief is either moot or unavailable to it. In its motion, Harley-Davidson requests an order from the Court enjoining SunFrog from:

> (1) using or displaying Harley-Davidson's marks on its website, advertising materials, or products;
>
> (2) using or displaying any uniform resource locator ("URL") that directs to a page for an infringing product, to an image of an infringing product, or that contain a sales-tracking element related to infringing products, whether or not any of these URLs themselves contain one of Harley-Davidson's marks;
>
> (3) fulfilling any orders for infringing products, including after SunFrog has deactivated the page for such a product in response to a takedown request;
>
> (4) using its marks in SunFrog's business names, domain names, URLs, or other identifiers, from suggesting that SunFrog's products or services are associated with Harley-Davidson;
>
> (5) allowing its sellers that have previously sold infringing products from selling infringing products in the future; and
>
> (6) assisting any other person or entity in engaging in any of the above-described proscribed conduct.

See (Docket #7). Harley-Davidson further requests that the Court order SunFrog to file a report regarding its compliance with the injunction. *Id.* at 5.

First, SunFrog argues that it has implemented certain procedures to (1) detect infringing products, images, and other uses of Harley-Davidson's marks and remove them, (2) provide Harley-Davidson access to SunFrog's database to perform its own searches for infringing uses, and (3) disgorge to Harley-Davidson any profits derived from sale of infringing products once identified. *See* (Docket #16-4) (declaration of SunFrog general counsel describing steps taken to abate infringement). According to SunFrog, these procedures moot Harley-Davidson's requests for injunctive relief (a) to prohibit any further use or display of the Harley-Davidson trademarks on SunFrog's website; (b) to prohibit any further use or display of any images containing the Harley-Davidson trademarks on SunFrog's website; (c) to prohibit SunFrog from selling any items containing the Harley-Davidson trademarks after they have been removed from the website; and (d) to prohibit any users previously identified by Harley-Davidson as selling infringing designs from further selling infringing designs through the website. (Docket #16 at 6).

Harley-Davidson disagrees. In its view, while SunFrog's new procedures may have abated some ongoing infringement, its request for complete relief from infringement remains unsatisfied. Harley-Davidson has submitted evidence that even after SunFrog filed its brief in opposition to the motion for preliminary injunction (and even as of the day of the Court's Rule 16 scheduling conference a month later), most of the infringing products Harley-Davidson identified initially were still advertised on SunFrog's website and available for sale. *See* (Docket #21, #25). Further, according to Harley-Davidson, SunFrog still permits known infringing users to continue to operate and still allows sellers to draw infringing designs from SunFrog's database to create new infringing products. (Docket #21 at 9–13). Thus, Harley-Davidson complains that SunFrog's present efforts have fallen well short of satisfying its claims for relief.

***4** The Court concurs and finds that Harley-Davison's requested relief is not mooted by SunFrog's recently implemented procedures. SunFrog faces a high hurdle to convince the Court that the claims for injunctive relief are moot. *Already, LLC v. Nike, Inc.*, 568 U.S. 85, 91 (2013). A defendant claiming voluntary compliance with the plaintiff's demands "bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur." *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 190 (2000); *Knox v. Serv. Employees Int'l Union, Local 1000*, 567 U.S. 298, 307 (2012) ("The voluntary cessation of challenged conduct does not ordinarily render a case moot because a dismissal for mootness would permit a resumption of the challenged conduct as soon as the case is dismissed."). Harley-Davidson's evidence shows that despite SunFrog's efforts, there remain ongoing acts of infringement that SunFrog's enforcement apparatus has not been able to control. As a result, the Court cannot find that SunFrog's

conduct has rendered moot Harley-Davidson's requests for injunctive relief.[2]

SunFrog's other argument is that some elements of the proposed injunction are overbroad. First, as to Harley-Davidson's requests concerning URLs, SunFrog asserts that URLs which lead to infringing products but which do not contain any of Harley-Davidson's marks do not cause confusion as to source or sponsorship. *See* (Docket #16 at 7–10). On the present record, the Court agrees. On its face, a URL not containing Harley-Davidson's marks does not use any such mark in commerce or draw upon Harley-Davidson's reputation or goodwill, regardless of where the URL leads. *See* 15 U.S.C. § 1127 (a trademark is deemed to be used in commerce only "when it is used or displayed in the sale or advertising of services"). Harley-Davidson's problem is with the destination, not the URL, and in the absence of authority to the contrary, it cannot challenge the URL in this instance.[3]

The result is different, however, with respect to URLs which incorporate Harley-Davidson's marks in their post-domain paths.[4] SunFrog argues that such use is not actionable infringement as a matter of law. (Docket #16 at 7–10). The only Circuit-level authority in this area comes from the Sixth Circuit's decision in *Interactive Products Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687, 696–97 (6th Cir. 2003), which held that unlike a website domain name, which consumers typically view as a signifier of source, post-domain paths "merely sho[w] how the website's data is organized within the host computer's files." As such, post-domain paths generally do not signify source for consumers and, consequently, do not cause consumer confusion. *Id.*; *see also Patmont Motor Werks, Inc. v. Gateway Marine, Inc.*, No. C96–2703, 1997 WL 811770, at *4 n.6 (N.D. Cal. Dec. 18, 1997).

***5** The Seventh Circuit has not opined on this topic, and there appear to be no courts that have disagreed with *Interactive Products.* Nevertheless, the Court finds this case to be distinguishable. In *Interactive Products* and *Patmont*, the accused infringers only used the marks to identify or comment upon genuine, not counterfeit, products, and the use of the marks was not intended to generate confusion as to source.

Here, Harley-Davidson has proffered evidence that SunFrog encourages its sellers to share links to counterfeit products on social media websites. One such link (that has since been removed) was, for instance, "https://www.sunfrog.com/Automotive/HD-Forever.html." (Docket #21 at 15); (Docket #11 at 6). The purpose of including Harley-Davidson's marks in post-domain paths like this one seems to be to persuade the consumer that if they follow the link, they will find a genuine Harley-Davidson product. Of course, the goods SunFrog sells are undoubtedly not genuine, so unlike the defendant in *Patmont*, SunFrog cannot complain that it needs to use Harley-Davidson's marks merely for descriptive purposes. *See Patmont*, 1997 WL 811770, at *4. To the contrary, in the Court's view, SunFrog's use of Harley-Davidson's marks goes beyond the mere internal organization of its computer files. *Id.* at 4 n.6.

Using Harley-Davidson's marks in this way appears closely related to the use of marks in metatags, the situation faced by the Seventh Circuit in *Promatek*, 300 F.3d at 812–13. Put simply, a metatag is a word describing a webpage that will cause the page to appear in a search for that word. *Id.* at 810 n.1. The defendant had used the plaintiff's mark as a metatag for its website, and the Court of Appeals found that this generated actionable initial-interest confusion. *Id.* at 812–13. The court reasoned that the defendant improperly benefitted from the goodwill plaintiff had developed in its mark by using the mark to steer customers to the defendant's website. *Id.* Even if customers ultimately realized that the website they were on was not the sponsored by or affiliated with the mark holder, they would be inclined to stay on the defendant's website and buy its products out of convenience. *Id.* As the Seventh Circuit explained, "[c]onsumers who are directed to [defendant's] webpage are likely to learn more about [defendant] and its products before beginning a new search for [plaintiff] and [its mark]." *Id.* at 813.

The same logic applies here, as it appears that consumers would likely experience initial-interest confusion upon seeing a SunFrog URL containing Harley-Davidson's marks, wherever they may be located within the URL. Those consumers would then be more likely to browse SunFrog's offerings regardless of whether they realized that the products were not genuine Harley-Davidson goods. Thus, the Court is not convinced that *Interactive Products* controls the outcome here, and it will not limit the relief sought based on the location of a mark within a URL.

Finally, SunFrog asserts that some paragraphs in the proposed injunction are merely admonitions to comply with the law. While SunFrog is correct that such admonitions are not permitted, *EEOC v. Autozone, Inc.*, 707 F.3d 824, 841 (7th Cir. 2013), none of Harley-Davidson's requests fit that mold. Instead, Harley-Davidson's proposed order directs SunFrog to stop doing specific, identifiable things. Injunctions struck down on this ground typically include provisions enjoining the defendant from "violating any of [the plaintiff's] rights in the trademark" or "engaging in unfair competition with

[the plaintiff] through their use of the trademark." *See, e.g., Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 748 & n.10 (2d Cir. 1994); *AutoZone*, 707 F.3d at 841 (striking injunction that regurgitated the ADA's accommodation requirement while inserting the defendant's name). Injunctions of this sort require a good deal of guesswork on the defendant's part to determine what not to do—on pain of contempt—which is inconsistent with due-process principles. *Patriot Homes, Inc. v. Forest River Housing, Inc.*, 512 F.3d 412, 415 (7th Cir. 2008).

*6 The injunction here contains no such open-ended language. Rather, its provisions connect specified conduct with the use of Harley-Davidson's marks. *See* Fed. R. Civ. P. 65(d)(1) (an injunction must "state its terms specifically[ ] and ... describe in reasonable detail ... the act or acts restrained or required"). It is, moreover, only a preliminary injunction, reviewable at any time throughout the life of this case, which the Court has scheduled to conclude by May 2018. *See* (Docket #26); *E.E.O.C. v. N. Star Hospitality*, No. 12–cv–214–BBC, 2014 WL 282026, at *5 (W.D. Wis. Jan. 27, 2014) (approving time-limited injunction that was "narrowly framed and tied to the particular unlawful conduct" at issue). SunFrog offers only a perfunctory, two-paragraph suggestion that the injunction is vague, and the Court does not share that view. The proposed provisions are sufficiently specific to survive SunFrog's challenge.[5]

Accordingly,

IT IS ORDERED that Plaintiffs' motion for preliminary injunction (Docket #5) be and the same is hereby **GRANTED IN PART** and **DENIED IN PART** as stated herein;

IT IS FURTHER ORDERED that Defendant's motions to restrict certain exhibits and the July 28, 2017 status report filed in connection with its opposition to Plaintiffs' motion (Docket #15, #31) be and the same are hereby **GRANTED**; and

IT IS FURTHER ORDERED that Defendant SunFrog, LLC d/b/a SunFrog Shirts ("SunFrog") and its employees, agents, partners, officers, directors, owners, shareholders, principals, subsidiaries, related companies, affiliates, distributors, dealers, retailers, wholesalers, manufacturers, vendors (including without limitation ISPs, printers, and order fulfillment and shipping vendors), successors, assigns, sellers of products on any and all websites and social media pages owned, operated, or controlled by SunFrog (collectively, "SunFrog's Websites"), and all other persons in active concert or participation with any of them (collectively, "Enjoined Parties"), are hereby enjoined and restrained, pending final disposition of this action:

1. From making any unauthorized use or display of Harley-Davidson's HARLEY-DAVIDSON, HARLEY, H-D, HD, FAT BOY, and SPORTSTER word marks and Harley Davidson's Bar & Shield logo, Willie G. Skull logo, and Number 1 logo trademarks shown below, and any confusingly similar marks, names, or logos, alone or in connection with other wording, designs, and/or content and any other trademarks of Harley-Davidson or confusingly similar marks (collectively, "the H-D Marks") in any form, manner, or medium including, but not limited to: (a) on any products of any type, including without limitation shirts, sweatshirts, hoodies, leggings and any other apparel, headwear and footwear products, mugs and other beverage ware products, posters, and prints; or (b) on any designs to be applied to products, including without limitation all artwork, transparencies, negatives, dies, tooling, molds, screens, disks, and other materials; and (c) on any packaging, containers, tags, labels, product inserts, order documents, shipping documents, and invoices associated or used with any of the items in subparts (a) and (b) above (the items in subparts (a)-(c) are collectively referred to the "Infringing Products");

"Bar & Shield Logo"	"Willie G. Skull Logo"	"Number 1 Logo"
		

2. From using or displaying in any form or manner any images or pictures of the Infringing Products including, but not limited to, use and display in any advertising, marketing, and promotional materials, on SunFrog's Websites, on any other online or offline venue used to display, advertise, market, or promote the Infringing Products;

*7 3. From fulfilling any orders for any Infringing Products at any time, including without limitation after SunFrog has "deactivated" an Infringing Product in response to a takedown complaint submitted by Harley-Davidson;

4. From making any unauthorized use or display of the H-D Marks and any other trademarks of Harley-Davidson or confusingly similar marks in any form, manner, or medium in any advertising, promotional, or marketing of the Infringing Products or other products or services, including on SunFrog's Websites, on or in any advertisements, promotional materials, advertising

materials, catalogs, brochures, flyers, coupons, giveaway items, third-party websites, social media sites, store names, names of sellers on SunFrog's Websites, and signage;

5. 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;

6. From representing by any means whatsoever, directly or indirectly, that SunFrog or any products or services offered by SunFrog or the Enjoined Parties, including without limitation the Infringing Products, or any activities undertaken by SunFrog or the Enjoined Parties, emanate from Harley-Davidson, or are authorized, connected, licensed, or otherwise affiliated with or sponsored or endorsed by Harley-Davidson;

7. From allowing any sellers on SunFrog's Websites that have created, advertised, marketed, promoted, offered to sell, or sold Infringing Products identified in Harley-Davidson's takedown complaints submitted to SunFrog prior to the date of this Order to create, advertise, market, promote, offer to sell, or sell in the future any Infringing Products on SunFrog's Websites; and

8. From assisting, aiding, or abetting any other person or business entity in engaging in or performing any of the activities referred to in paragraphs (1)–(7) above.

All Citations

Slip Copy, 2017 WL 3261709

Footnotes

1 Two weeks after Harley-Davidson's motion became ripe for decision, SunFrog filed a separate motion to dismiss the complaint. (Docket #27). In the motion to dismiss, SunFrog raises two arguments relevant to the disposition of instant matter, neither of which has any merit.

First, SunFrog claims that, as a mere printer of goods bearing Harley-Davidson's marks, it has not used Harley-Davidson's marks in commerce as required to sustain a claim under federal or Wisconsin law. (Docket #28 at 8–9). It cites no case so holding. Instead, SunFrog cites a single case in which Harley-Davidson chose not to sue a printer of infringing goods and implies that such a claim must not be available under the Lanham Act. *See id.* (citing *Harley-Davidson, Inc. v. Selectra Int'l Designs, Ltd.*, 855 F. Supp. 275, 278 (E.D. Wis. 1994)).

The Court does not agree, and its reasoning ties into SunFrog's second argument: that it cannot be liable for monetary damages because it is an "innocent infringer" as provided in 15 U.S.C. § 1114(2)(A). (Docket #28 at 11–13). That section states:

> Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

15 U.S.C. § 1114(2)(A). As can be seen, this section expressly contemplates that injunctive relief is available to prevent future printing of infringing goods, meaning that Congress intended that an infringement action could lie directly against a printer. Indeed, because this section is a defense to monetary damages only, the inescapable conclusion is that even an innocent printer of infringing goods may be liable for infringement and can be enjoined from future infringement. *Nat'l Bus. Forms & Printing, Inc. v. Ford Motor Co.*, 671 F.3d 526, 536 n.7 (5th Cir. 2012); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 985 (9th Cir. 1999); *Barrios v. Am. Thermal Instruments, Inc.*, 712 F. Supp. 611, 620 (S.D. Ohio 1988); *Gianni Versace SPA v. Awada*, Case No. CV 03-3254 GPS(RNBx), 2008 WL 11338774, at *1 (C.D. Cal. Mar. 25, 2008). Thus, without commenting on the merits of this contention as a defense against monetary damages, the Court finds that SunFrog's arguments in its motion to dismiss do not preclude the issuance of preliminary injunctive relief.

2 On July 28, 2017, just prior to the issuance of this decision, SunFrog filed a status report regarding its continued and intensifying enforcement efforts. (Docket #32). The matters detailed in the report do not affect the Court's decision herein. Nor would it be proper to permit the parties to endlessly re-brief the issue of mootness as SunFrog's enforcement efforts evolve.

3 The Court credits SunFrog's assertion, which Harley-Davidson does not dispute, that once an infringing image or product is removed from its website, a URL linking to that page redirects the user to the general category of goods in which the page was found, not to any other infringing product or image. *See* (Docket #16 at 7–8). Thus, once SunFrog removes the underlying infringing product or image, the URL linking to it becomes benign with respect to Harley-Davidson's marks.

4 As a judge of the Southern District of Florida has explained:

> Every "website has a corresponding domain name, which is an identifier somewhat analogous to a telephone number or street address." *Interactive Products Corp.*, 326 F.3d at 691. "Domain names consist of a second-level domain-simply a term or series

of terms ... followed by a top-level domain...." *Id.* (providing examples of common top-level domains such as ".com" (commercial), ".edu" (educational), and ".gov" (government)). For example, in www.diamondbrite.com "diamondbrite" is the second-level domain, while ".com" is the top-level domain. Anything after the top-level domain is known as the post-domain path, for example in www.diamondbrite.com/federalcourts, "federalcourts" is the post-domain path. *See id.*
S. Grouts & Mortars, Inc. v. 3M Co., CASE NO. 07-61388-CIV COOKE/BROWN, 2008 WL 11333151, at *3 n.4 (S.D. Fla. Apr. 29, 2008).

5 Nevertheless, after review of Harley-Davidson's proposed order, and in light of the rulings made above, the Court has revised the proposed injunction to eliminate duplicative or impermissible portions.

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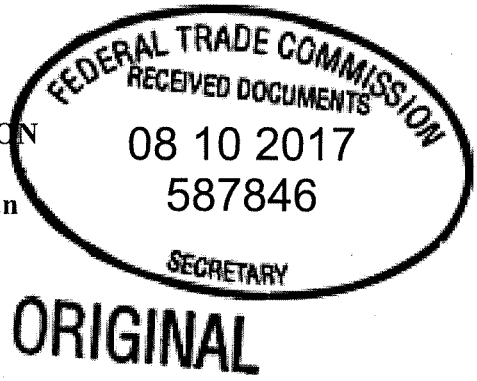
EXHIBIT C

PUBLIC

PUBLIC



ORIGINAL

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

Commissioners: **Maureen K. Ohlhausen, Acting Chairman**
Terrell McSweeny

In the Matter of	)	
Impax Laboratories, Inc., a corporation,	)	**DOCKET NO. 9373**
Respondent	)	

COMPLAINT COUNSEL'S MOTION FOR PARTIAL SUMMARY DECISION

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Dated: August 3, 2017

PUBLIC

COMPLAINT COUNSEL'S MOTION FOR PARTIAL SUMMARY DECISION

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

Please take notice that, pursuant to Federal Trade Commission Rule of Practice 3.24, Complaint Counsel hereby respectfully move for partial summary decision in this action.

By this Motion, Complaint Counsel seek partial summary decision holding that certain justifications Respondent Impax Laboratories, Inc. has asserted in defense of its challenged conduct fail as a matter of law and cannot serve as defenses to the violation alleged in the Complaint. Impax has asserted that its alleged reverse-payment patent settlement with Endo Pharmaceuticals, Inc. was procompetitive because it: (1) granted Impax the right to sell its generic product eight months before the expiration of patents that Endo had asserted against Impax and years before the expiration of patents that Endo obtained after the date of their agreement; (2) provided Impax with certainty that it could launch its generic product free from the risk of patent infringement liability as to Endo's existing and future patents; and (3) enabled Impax to continue to sell its generic product despite a court ruling that two of the patents Endo obtained after the settlement were valid and infringed. Complaint Counsel seek an order holding that none of these proffered justifications is a legally cognizable defense to the conduct challenged in the Complaint.

This Motion is supported by the accompanying Memorandum and the authorities cited therein. For the reasons set forth in the accompanying Memorandum, this motion should be granted. A Proposed Order is attached.

PUBLIC

Respectfully submitted,

Dated: August 3, 2017

/s/ Charles A. Loughlin

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Counsel Supporting the Complaint

PUBLIC

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

Commissioners: **Maureen K. Ohlhausen, Acting Chairman**
Terrell McSweeny

In the Matter of	)	
Impax Laboratories, Inc., a corporation,	)	**DOCKET NO. 9373**
Respondent	)	

MEMORANDUM OF LAW IN SUPPORT OF COMPLAINT COUNSEL'S MOTION FOR PARTIAL SUMMARY DECISION

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Introduction

This antitrust case involves the application of the Supreme Court's decision in *FTC v. Actavis, Inc.*, 133 S. Ct. 2223 (2013), to an agreement between generic drug manufacturer Impax Laboratories and branded-drug maker Endo Pharmaceuticals. *Actavis* holds that patent settlement agreements are anticompetitive when a patentee uses a large and unjustified reverse payment to induce a would-be generic rival to abandon its patent challenge and thereby eliminate "the risk of competition." *Id.* at 2236. The complaint here alleges that Respondent Impax's agreement with Endo constitutes an unlawful reverse-payment agreement under *Actavis*. In response, Impax has asserted that its agreement with Endo had countervailing procompetitive justifications that make the agreement lawful, even if Complaint Counsel establish a prima facie case of competitive harm.

This motion seeks partial summary decision rejecting Impax's asserted procompetitive justifications because they are not legally cognizable defenses under *Actavis*. Impax contends its agreement with Endo was procompetitive because it: (1) granted Impax the right to sell its generic product eight months before the expiration of patents that Endo had asserted against Impax and years before the expiration of patents that Endo obtained after the date of their agreement; (2) provided Impax with certainty that it could launch its generic product free from the risk of patent infringement liability as to Endo's existing and future patents; and (3) enabled Impax to continue to sell its generic product despite a court ruling that two of the patents Endo obtained after the settlement were valid and infringed. But *Actavis* made it clear that it is inappropriate to "determine antitrust legality by measuring the settlement's anticompetitive effects" against "what the holder of a valid patent could do." *Id.* at 2230-31. Such an approach, the Court explained, cannot answer the antitrust question because the patent "may or may not be valid, and may or may not be infringed." *Id.* at 2231. *Actavis* likewise rejected the argument that

the benefits that accompany any settlement of patent litigation render lawful the use of large reverse payments. Finally, *Actavis* makes clear that the antitrust question is *not* who would have won the patent litigation, but instead whether the parties agreed to maintain and share the brand's supra-competitive profits preserved by an agreement to avoid "the risk of competition." *Id.* at 2236.

Because the facts underlying these purported justifications are not in dispute, and they fail as a matter of law, partial summary decision is warranted. Dismissing these defenses now will focus the trial and implement the Supreme Court's directive in *Actavis* that lower courts structure litigation in reverse payment cases to efficiently distinguish between anticompetitive and procompetitive agreements. *Id.* at 2237-38.

Summary of Undisputed Facts

Opana ER is an extended-release opioid used to treat moderate and severe pain. (Complaint Counsel's Statement of Undisputed Facts ¶¶ 1-4.) Its active ingredient is oxymorphone. (*Id.*) Endo received FDA approval to market Opana ER, NDA No. 021610, in June 2006 and launched the product in July 2006. (*Id.* ¶¶ 4, 5.) [redacted] (*Id.* ¶ 6.) The '143 patent was set to expire in September 2008. (*Id.*)

Impax initially filed an Abbreviated New Drug Application ("ANDA") in June 2007 seeking FDA approval to market a generic version of Opana ER. (*Id.* ¶ 9.) In October 2007, Endo listed three additional patents in the Orange Book as covering Opana ER: No. 5,662,933 and No. 5,958,456, which would expire in August 2013, and No. 7,276,250, which would expire in February 2023. (*Id.* ¶ 7.) All three patents concern the controlled-release mechanism of the formulation. (*Id.* ¶ 8.)

Impax subsequently re-submitted its ANDA, No. 79087, with Paragraph IV certifications asserting that its generic product did not infringe the newly-listed patents and that the newly-listed patents were invalid. (*Id.* ¶¶ 10-11.) The FDA accepted Impax's application as of November 23, 2007. (*Id.* ¶ 11.) Impax was the first company to file a Paragraph IV ANDA for the five best-selling dosages of Opana ER. (*Id.* ¶ 12.) Because of its first-filer status, Impax was eligible for the Hatch-Waxman 180-day exclusivity period. (*Id.* ¶ 13.) If granted, the FDA could not approve any other ANDA for a generic version of Opana ER for those five dosages until 180 days after Impax launched. (*Id.*) Endo, however, would still be able to market its own "authorized generic" version of Opana ER during Impax's exclusivity period. (*Id.*)

Endo sued Impax for infringement of the '933 and the '456 patents, triggering a 30-month stay on FDA approval of Impax's ANDA. (*Id.* ¶ 15.) Impax received tentative FDA approval in May 2010. (*Id.* ¶ 16.) Trial in the infringement case began on June 3, 2010. (*Id.* ¶ 17.) The 30-month stay was set to expire June 14, 2010, at which time the FDA could grant final approval of Impax's ANDA. (*Id.* ¶ 15.) On June 8, 2010, Impax and Endo settled the patent infringement case and executed the Settlement and License Agreement. (*Id.* ¶ 18, 20.) At the time of settlement, the outcome of Endo's infringement suit was uncertain. (*Id.* ¶ 18.)

Under the Settlement and License Agreement, Impax agreed that it would abandon its patent challenge and refrain from selling its generic Opana ER product until January 1, 2013, eight months before the two patents at issue in Endo's infringement suit would expire. (*Id.* ¶¶ 7, 15, 21.) Endo agreed that it would not launch an authorized generic version of Opana ER during Impax's first six months on the market. (*Id.* ¶ 23.) The Settlement and License Agreement also included a provision called the "Endo Credit." (*Id.* ¶ 24.) The Endo Credit provision required Endo to make a cash payment to Impax if sales of Endo's existing version of Opana ER

("original Opana ER") dropped by more than 50% from (a) the highest sales quarter during the period from the third quarter of 2010 through the third quarter of 2012 to (b) the quarter just before the agreed-upon Impax entry date (fourth quarter 2012). (*Id.*)

At the time of the settlement, Endo had pending applications for patents relating to Opana ER. (*Id.* ¶¶ 22.) The Settlement and License Agreement provides that the license to Impax to sell its generic version of original Opana ER would cover not only Endo's existing patents, but also additional patents that Endo might obtain after the date of settlement. (*Id.*)[1] At the time of settlement in June 2010, it was uncertain whether any additional patents would ultimately issue, or whether any patents that Endo might obtain in the future would cover Impax's ANDA product. (*Id.*)

Endo ultimately obtained additional patents that it has asserted cover original Opana ER as well as a reformulated version that Endo launched in the spring of 2012. (*Id.* ¶¶ 29-31.) Patent No. 8,309,122 and Patent No. 8,309,060 issued on November 13, 2012, and Patent No. 8,329,216 issued on December 11, 2012. (*Id.* ¶¶ 32-33.) In December 2012, Endo began asserting these patents against generic drug manufacturers. (*Id.* ¶ 34.) At the time, Endo did not assert these later-issued patents against Impax's generic version of original Opana ER. (*Id.*) In August 2015, the district court hearing the infringement actions ruled that two of the asserted patents were valid and infringed by other companies' generic versions of original and reformulated Opana ER and by Impax's ANDA for the reformulated version. (*Id.* ¶ 36.) The court issued an injunction barring all of the defendant generic drug manufacturers except Impax

[1] Impax and Endo are currently litigating a dispute concerning the Agreement's provisions relating to future Endo patents. *See Endo Pharm., Inc. v. Impax Labs., Inc.*, No. 16-cv-2526 (JLL), 2016 WL 6246773 (D.N.J. Oct. 25, 2016). That dispute has no significance for the legal issue presented by this motion, and therefore for purposes of this motion only, we assume Impax's position in that dispute is correct.

from selling a generic version of original Opana ER until 2029. (*Id.*) The court's rulings are currently on appeal to the Federal Circuit. (*Id.*)

The Current Case

The Commission issued the Complaint in this case on January 19, 2017. The Complaint alleges that the settlement agreement between Impax and Endo was an anticompetitive reverse-payment agreement. As *Actavis* explains, "the relevant anticompetitive harm" from such agreements is that the payment is used "to prevent the risk of competition." 133 S. Ct. at 2236. Such a payment "maintain[s] supracompetitive prices to be shared among the patentee and the challenger rather than face what *might have been* a competitive market." *Id.* (emphasis added). *Actavis* thus makes clear that in Hatch-Waxman patent settlements, as in other settings, "the law does not condone the purchase of protection from uncertain competition any more than it condones the elimination of actual competition." 12 Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* ¶ 2030b (3d ed. 2010) (hereinafter "Areeda").

The Complaint here alleges that in exchange for a large and unjustified reverse payment, Impax agreed to abandon its patent challenge and refrain from launching its generic version of Opana ER for two and half years, until January 2013. The alleged payment took two forms: First, Endo agreed not to sell an authorized generic version of Opana ER during Impax's initial 180 days of marketing ("the no-AG commitment"), effectively giving Impax a monopoly on generic sales during that period. Endo further agreed to make a direct cash payment to Impax if Endo diminished the value of this no-AG commitment before Impax's exclusivity period could begin ("the Endo Credit"). (Leefer Decl. Ex. A, Complaint ¶¶ 50, 53-59.) Second, Endo agreed to pay Impax $10 million up front as part of a development and co-promotion deal for a drug Impax was seeking to develop. (*Id.* ¶¶ 60-61.) The administrative trial is scheduled to begin October 24, 2017.

Impax's Proffered Justifications

The subject of this motion is Affirmative Defense No. 8 in Impax's Answer to the Complaint, which states:

> The alleged conduct had substantial pro-competitive justifications, benefited consumers and the public interest, and avoided potential infringement of valid patents. These pro-competitive justifications outweigh any alleged anticompetitive effects of the alleged conduct. There were no less restrictive alternatives that could have achieved these same pro-competitive outcomes.[2]

In response to a motion to compel Impax to respond to interrogatories concerning this Eighth Affirmative Defense, Impax directed Complaint Counsel to its submissions during the pre-complaint investigation and its statements at the Initial Pretrial Conference, asserting that no further response was required until after the close of discovery.[3] In these materials, Impax points to essentially three procompetitive justifications for the Settlement and License Agreement.[4]

Entry before patent expiration: Impax contends that the Agreement allowed it to introduce generic original Opana ER earlier than it likely would have otherwise done so, before the expiration date of the patents at issue in the parties' litigation, and before the expiration date of patents Endo subsequently obtained.[5] At the Initial Pretrial Conference, Impax characterized

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[2] Leefer Decl. Ex. B (Answer of Respondent Impax Laboratories Inc. to the Federal Trade Commission's Administrative Complaint, Dkt. 9373 (Feb. 7, 2017)), Eighth Defense.

[3] Leefer Decl. Ex. C. (Respondent Impax Laboratories, Inc.'s Opposition to Complaint Counsel's Motion to Compel Responses to Interrogatory Nos. 2 & 3, Dkt. 9373 (June 8, 2017)) at 2-3, 5-8.

[4] Impax has asserted that the $10 million upfront payment under the development and co-promotion agreement was justified as payment for services rendered by Impax to Endo. That justification, which raises disputed issues of fact, is not at issue in this motion.

[5] Leefer Decl. Ex. D (Impax's Narrative Responses to Specifications 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 17, 20, 21, 22, 23, 24, 26, 37, 39, 41, 42, and 46, and Amended Responses to Specifications 36 and 44) at 16-17 [redacted] *See also* Leefer Decl. Ex. C (Respondent Impax Laboratories, Inc.'s Opposition to Complaint Counsel's Motion to Compel Responses to Interrogatory Nos. 2 & 3, Dkt. 9373 (June 8, 2017)) at 3 ("[T]he SLA is

the Agreement as providing Impax with "an early entry date," in that it was "earlier than when the patents expired."[6]

Certainty that it could enter without risk of infringement: The Settlement and License Agreement also facilitated competition, Impax states, because it eliminated the risk of patent infringement liability and damages to Endo.[7]

Post-settlement patent rulings: Impax also contends that Endo's success in enforcing some of its later-acquired patents against other generic drug manufacturers demonstrates that the Agreement is procompetitive.[8]

At issue in this motion is the legal validity of these asserted procompetitive defenses. This is a purely legal question and is ripe for summary decision.

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procompetitive because it allowed Impax to begin selling a licensed version of generic Opana ER earlier that it otherwise could have.").

[6] Leefer Decl. Ex. E (Initial Pretrial Conference Tr., Dkt. 9373 (Feb. 16, 2017)) at 61:1-9 ("What Impax got and what Impax negotiated for was an early entry date. They got a date that allowed them to come onto the market earlier than when the patents expired."); 85:23-24 ("We came in earlier than the date the patent would have allowed.").

[7] Leefer Decl. Ex. D (Impax's Narrative Responses to Specifications 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 17, 20, 21, 22, 23, 24, 26, 37, 39, 41, 42, and 46, and Amended Responses to Specifications 36 and 44) at 16-17 [redacted]

[8] *See, e.g.*, Leefer Decl. Ex. E (Initial Pretrial Conf. Tr., Dkt. 9373 (Feb. 16, 2017)) at 23:22-24:16 ("Endo has won two cases related to those after-acquired patents. But as we stand here today, Impax is the only company selling Opana ER."), 57:10-60:13 ("So the bottom line is, other than Impax, Endo has been successful in keeping other generics out of the market for this drug or a related drug."), 69:20-24 ("[T]he reason our agreement or one of the reasons our agreement is procompetitive is because from January 1, 2013, until 2029, we will be selling this drug and we will be the only generic on the market . . . ."), 71:8-15 ("So the bottom line is here, consumers have benefited, and they have benefited greatly from this agreement, and so they have benefited because Impax has this broad license. To be sure, Impax has benefited as well. I don't hear the FTC challenging the broad patent license, but in terms of the procompetitive or anticompetitive effects of this agreement, this is procompetitive.").

Standard for Summary Decision

Rule 3.24 of the Commission's Rules of Practice provides that a party may move for a summary decision "upon all or any part of the issues being adjudicated." 16 C.F.R. § 3.24(a)(1) (2017). The standard applied to such motions is essentially the same as that applied to motions for summary judgment under Federal Rule of Civil Procedure 56. *In re North Carolina State Board of Dental Examiners*, 151 F.T.C. 607, 610-11 (2011). Thus, summary decision is warranted if the moving party demonstrates that there is no genuine dispute as to any material fact and it is entitled to judgment as a matter of law. *Id.* Partial summary decision is particularly appropriate to weed out legally insufficient defenses prior to trial. *See. e.g.*, Opinion and Order of the Commission Granting Complaint Counsel's Motion For Partial Summary Decision at 2, *In re 1-800 Contacts, Inc.*, Dkt. 9372 (Feb. 1, 2017) (rejecting *Noerr* defense); *Dental Examiners*, 151 F.T.C. at 617 (rejecting state action defense).

Argument

In a case challenging a reverse-payment agreement, the plaintiff "must prove its case as in other rule-of-reason cases." *Actavis*, 133 S. Ct. at 2237. In any rule of reason case, once the plaintiff shows likely harm to competition, "the burden shifts to the defendant to show that the restraint in fact serves a legitimate objective." Areeda, *supra*, ¶ 1504(b). In a reverse payment case, "[a]n antitrust defendant may show in the antitrust proceeding that legitimate justifications are present, thereby explaining the presence of the challenged term and showing the lawfulness of that term under the rule of reason." *Actavis*, 133 S. Ct. at 2236. An antitrust plaintiff may rebut such a showing by demonstrating that the challenged restraint is not reasonably necessary to achieve the asserted objective. Areeda, *supra*, ¶ 1505.

Actavis specified two ways that a defendant may seek to "explain" and thereby justify the "challenged term," *i.e.*, the reverse payment: showing that the payment (1) "amount[s] to no

more than a rough approximation of the litigation expenses saved through the settlement"; or (2) "reflect[s] compensation for other services that the generic has promised to perform." 133 S. Ct. at 2236. Such evidence indicates that "the parties may have provided for a reverse payment without having sought or brought about" anticompetitive consequences. *Id.* "There may be other justifications," the Supreme Court stated. *Id.* But any other justifications for a reverse payment must at the very least be consistent with the logic of *Actavis*—including the Supreme Court's reasons for rejecting antitrust immunity for patent settlements using reverse payments—as well as the rule of reason principles upon which the Court relied.

Here, Impax contends that, even if Complaint Counsel prove a prima facie case of harm to competition, the Opana ER Settlement and License Agreement had countervailing procompetitive benefits that render it lawful under the rule of reason. Impax asserts that the agreement increased competition and benefitted consumers because it:

(1) permitted Impax to sell its generic version of original Opana ER eight months before the patents at issue in the infringement suit were set to expire and years before the expiration date of other patents relating to Opana ER that Endo obtained after the settlement;

(2) eliminated uncertainty that Impax faced about potential liability for infringement of patents that Endo had or might obtain; and

(3) enabled Impax to continue selling its generic product after two patents that Endo obtained after the settlement were held valid and infringed by other generic drug makers.[9]

None of these arguments presents a legitimate justification for a reverse-payment settlement. As discussed below, *Actavis* forecloses each of these justifications.

[9] *See supra* notes. 8-11.

I. *Actavis* forecloses Impax's "entry-before-patent-expiration" defense

Impax's argument that its settlement is procompetitive because it allows generic entry before the expiration of Endo's patents directly conflicts with *Actavis*. It improperly treats the patent as valid and infringed and assumes that any generic entry before patent expiration must be procompetitive because the generic might have been excluded for the full length of the patent term if the patent holder prevailed in the litigation. But, as the Supreme Court explained, the brand's patent "may or may not be valid, and may or may not be infringed." 133 S. Ct. at 2231. "The parties' settlement ended th[e] litigation" that had put the "patent's validity at issue, as well as its actual preclusive scope." *Id.* Thus, considering "what the holder of a valid patent could do" does not "answer the antitrust question." *Id.* at 2230-31. Instead, the antitrust inquiry examines whether the payment "seeks to prevent the risk of competition," which itself "constitutes the relevant anticompetitive harm." *Id.* at 2236. A reverse-payment settlement that allows the generic to enter the market before patent expiration eliminates the risk of competition prior to the agreed-upon entry date.

Decisions applying *Actavis* confirm that companies cannot defend a reverse-payment agreement on the ground that it allowed entry before patent expiration. As the Third Circuit noted in *King Drug Co. of Florence v. Smithkine Beecham Corp.*, 791 F.3d 388, 408 (3d Cir. 2015), "the settlement in *Actavis* itself" permitted entry "65 months before patent expiration." "Notwithstanding such 'early entry,'" however, "the antitrust problem was that, as the [Supreme] Court inferred, entry might have been earlier, and/or the risk of competition not eliminated, had the reverse payment not been tendered." *Id.*

The California Supreme Court reached the same conclusion. In *In re Cipro Cases I & II*, 348 P.3d 845, 864 (Cal. 2015), the defendant generic drug manufacturer argued that the competitive effect of a settlement "must be measured by comparison to the entire remaining life

of the patent." Relying on *Actavis*, the court rejected this argument as matter of law: "An antitrust defendant cannot argue a settlement is procompetitive simply because it allows competition earlier than would have occurred if the brand had won the patent action." *Id.* at 870. And more recently, the court in *In re Aggrenox Antitrust Litigation*, 94 F. Supp. 3d 224, 245 (D. Conn. 2016), held that "the anticompetitive harm described in *Actavis* is not measured by the exclusionary scope of the patent—that test was explicitly rejected."

Impax's "entry before patent expiration" defense is merely a repackaging of the "scope of the patent" test that the Supreme Court rejected in *Actavis*, now labeled as a procompetitive justification. Under that test, a reverse-payment settlement was "immune from antitrust attack so long as its anticompetitive effects f[ell] within the scope of the exclusionary potential of the patent." 133 S. Ct. at 2230. As noted above, *Actavis* rejected this approach because it improperly treats the patent as valid and infringed, when at the time of the settlement, validity and infringement were uncertain. In so doing, the Supreme Court necessarily rejected the proposition that a reverse-payment settlement could be rendered lawful because it allowed for entry prior to patent expiration.

This fatal flaw in Impax's entry-before-patent-expiration justification holds as to both the patents that were the subject of Endo's infringement suit against Impax and the later patents that Endo obtained. Like the license to the patents at issue in Endo's infringement suit, the provision for a license to future patents provides "early" entry only in the sense that it permits entry before patent expiration. But such entry is only "early" if one assumes a subsequently issued patent would otherwise bar Impax from selling its product. At the time of the settlement, however, it was uncertain whether any future patents claiming original Opana ER would issue, let alone whether any such patent would be valid and infringed by Impax's generic product.

Actavis makes clear that in an antitrust analysis of a reverse-payment agreement, it is improper to assume away that uncertainty and treat the patent as ironclad. As the Third Circuit observed in *King Drug*, "*Actavis* embraces the concept that a patent 'may or may not be valid, and may or may not be infringed,' and holds that the anticompetitive harm is not *certain* consumer loss through higher prices, but rather the patentee's 'avoid[ance of] the risk of patent invalidation or a finding of noninfringement'—that is, 'prevent[ion of] the risk of competition.'" 791 F.3d at 410 (quoting *Actavis*, 133 S. Ct. at 2231, 2236). Impax's entry-before-patent-expiration defense thus fails as a matter of law.

II. *Actavis* forecloses elimination of patent uncertainty as a justification for a reverse payment agreement

Impax also suggests that its agreement with Endo had procompetitive benefits because it gave Impax the ability to enter and remain on the market free from the risk that it might be found to infringe and owe damages to Endo.[10] This argument fails for two reasons.

First, *Actavis* rejected the argument that the benefits of settlement should render lawful the use of reverse payments in settlement. 133 S. Ct. at 2234-37. It acknowledged that patent litigation can be complex and expensive, and it deemed the desirability of settlements a "strong consideration." *Id.* at 2234, 2237. The Supreme Court nonetheless concluded that the enhanced litigation and business certainty that settlements can provide did not justify the significant risk of substantial anticompetitive effects that reverse payments pose. In so concluding, the Court observed that drug companies "may, as in other industries, settle in other ways, for example, by

[10] *See, e.g*, Leefer Decl. Ex. D (Impax's Narrative Responses to Specifications 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 17, 20, 21, 22, 23, 24, 26, 37, 39, 41, 42, and 46, and Amended Responses to Specifications 36 and 44) at 16-17 [redacted]

allowing the generic manufacturer to enter the patentee's market prior to patent expiration, without the patentee paying the challenger to stay out prior to that point." *Id.* at 2237. Thus, as post-*Actavis* decisions have observed, it would be wholly at odds with *Actavis* to permit defendants to justify a reverse-payment agreement based on the litigation certainty that settlements provide.[11]

Second, the general rule of reason principles that are the foundation of *Actavis* lead to the same conclusion. In any rule of reason case, once the plaintiff meets its initial burden to show anticompetitive effects, the defendant must then show the challenged restraint promotes a legitimate, procompetitive objective; a plaintiff may rebut such a showing by demonstrating that the restraint is not reasonably necessary to achieve that objective.[12] Impax cannot explain how the challenged restraint here bears any logical relationship to its asserted procompetitive goal, nor is the restraint here reasonably necessary to achieve that goal.

It is the alleged reverse payment that creates the antitrust concern, and it is that payment that requires justification. *See Actavis*, 133 S. Ct. at 2236 (antitrust defendant's burden is to justify "the challenged term"). Thus, as the Commission stated in its amicus brief filed in *In re Wellbutrin XL Antitrust Litigation*, "the antitrust question" in a reverse-payment case is not

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[11] *See, e.g.*, *King Drug*, 791 F.3d at 411 (district court's conclusion that a no-AG agreement was "justified" because "the consideration . . . [wa]s reasonably related to the removal of the uncertainty created by the dispute," is "in tension with *Actavis* in that, without proper justification, the brand cannot pay the generic to eliminate the risk of competition") (internal citation omitted); *In re Nexium (Esomeprazole) Antitrust Litig.*, 968 F. Supp. 2d 367, 393 (D. Mass. 2013) ("The lone conceivable benefit of reverse payment agreements—namely, the settlement of patent disputes—cannot overcome the anticompetitive consequences" of such agreements).

[12] *See, e.g.*, *NCAA v. Bd. of Regents of Univ. of Okla.*, 468 U.S. 85, 113-14 (1984) (rejecting justification where the defendants failed to show that the restraint on televised games in fact served the objective of maintaining competitive balance among teams); *Realcomp II, Ltd. v. FTC*, 635 F.3d 815, 835 (6th Cir. 2011) (rejecting free riding justification where "Realcomp has not demonstrated a connection between the website policy and the prevention of free riding"); *United States v. Brown Univ.*, 5 F.3d 658, 669 (3d Cir. 1993) (once antitrust plaintiff establishes a prima facie, "the burden shifts to the defendant to show that the challenged conduct promotes a sufficiently pro-competitive objective"); Areeda, *supra*, ¶ 1505a ("An allegedly legitimate objective is, of course, entirely immaterial unless it is served by the challenged restraint.").

whether a settlement includes provisions that facilitate the generic's ability to enter the market and compete, but whether the benefits are attributable to the payment.[13] Tellingly, Impax's various statements describing procompetitive benefits of the Settlement and License Agreement nowhere explain how the payment provisions in the Agreement served to achieve the patent certainty benefits that it obtained from the licenses Endo granted.

It would be wholly illogical to suggest such a link. Endo agreed to grant the license provisions Impax relies on *and* agreed to the alleged reverse payment to Impax. The inescapable conclusion is that Endo would have agreed to grant that same protection to Impax without having to make a reverse payment. Impax simply cannot explain how the asserted procompetitive benefits of the Agreement are attributable to the challenged reverse payment. Moreover, were Impax to take the position that it would have been unwilling to accept the settlement absent the alleged reverse-payment provisions of the Settlement and License Agreement, that position would simply confirm the anticompetitive character of the challenged agreement. The use of a large reverse payment to induce the generic to accept a settlement restricting its entry into the market is the very thing that *Actavis* explains is "the relevant anticompetitive harm." 133 S. Ct. at 2236.

A generic drug manufacturer may have a legitimate desire to avoid patent litigation risk. But it may not avoid such risk by accepting a reverse payment that "maintain[s] and . . . share[s] patent-generated monopoly profits." *Id.* at 2237. That is the essence of the antitrust violation under *Actavis*, not a defense to such an arrangement.

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[13] Brief of Federal Trade Commission as Amicus Curiae in Support of No Party at 23, *In re Wellbutrin XL Antitrust Litig.*, Nos. 15-3559, 15-3591, 15-3681 & 15-3652 (3d Cir. Mar. 11, 2016).

III. Post-settlement patent rulings cannot justify a reverse payment

Impax's argument that the challenged reverse-payment agreement was procompetitive relies heavily on the fact that a district court subsequently held that two of the patents Endo obtained after the settlement were valid and infringed by other generic companies' original Opana ER products (and by Impax's ANDA for the reformulated version).[14] But a patent ruling occurring after the settlement cannot retroactively justify a reverse payment. *Actavis* itself makes clear that 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*. The *Actavis* framework accepts as a baseline the proposition that at the time of settlement the outcome of the patent litigation was uncertain. The antitrust question is not who would have won the patent litigation, but instead whether the parties agreed to maintain and share the brand's supra-competitive profits preserved by an agreement to avoid "the risk of competition." 133 S. Ct. at 2236.

Decisions after *Actavis* confirm this *ex ante* approach. *In re Cipro Cases I & II* applied the *Actavis* framework in a case in which the patent underlying the challenged settlement was later ruled valid in litigation involving patent challenges by other generic drug manufacturers. 348 P.3d at 859 n.8. Noting the general principle that agreements "must be assessed as of the time they are made," the court explained that "consideration of whether the agreement is justified as procompetitive will not turn on whether the patent would ultimately have been proved valid or invalid." *Id.* at 870. Accordingly, it concluded that "[j]ust as later invalidation of a patent does

[14] *See supra.* notes 8-11.

not prove an agreement when made was anticompetitive . . . later evidence of validity will not automatically demonstrate an agreement was procompetitive." *Id.*[15]

In re Aggrenox likewise observed that, under *Actavis*, the "salient question is not whether the fully-litigated patent would ultimately be found valid or invalid." 94 F. Supp. 3d at 241. Rather, the relevant question is "whether the settlement included a large and unjustified reverse payment leading to the inference of profit-sharing to avoid the risk of competition." *Id.*

More recently, *Apotex, Inc. v. Cephalon, Inc.*, No. 2:06-cv-2768, 2017 WL 2473148, at *5 (E.D. Pa. June 8, 2017), held that a post-settlement patent ruling should play no role in assessing the competitive effects of a reverse-payment agreement given "the ex ante framework mandated by the *Actavis* rule of reason analysis." The court squarely rejected the plaintiffs' effort to use a judicial determination made years after the settlement that the patent at issue in the underlying infringement suit was invalid and unenforceable. The court relied on both the general antitrust principle that agreements are assessed at the time they are entered, as well as the application of that principle in the context of other reverse-payment cases. *Id.*

Commentators have likewise agreed that, whether undertaken in later patent litigation or in the antitrust case itself, *ex post* determinations about patent validity or infringement do not "answer the antitrust question" under *Actavis*.[16] Moreover, treating such determinations as relevant would be not only inconsistent with *Actavis*, but also wholly unworkable in practice. For

[15] The Eleventh Circuit's pre-*Actavis* decision in *Valley Drug Co. v. Geneva Pharm., Inc.*, 344 F.3d 1294, 1306-07 (11th Cir. 2003), rejected the plaintiffs' argument that a subsequent judicial determination that the patent at issue was invalid rendered the reverse payment agreements at issue *per se* unlawful. The court rested that conclusion on the general antitrust principle that "the reasonableness of agreements under the antitrust laws are to be judged at the time the agreements are entered into." *Id.* at 1306 (citing *Polk Bros., Inc. v. Forest City Enters., Inc.*, 776 F.2d 185, 189 (7th Cir. 1985)); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1207-08 (2d Cir. 1981).

[16] *See, e.g.*, Aaron Edlin et al., *The Actavis Inference: Theory and Practice*, 67 Rutgers U. L. Rev. 585, 617 (2015) ("[T]he correct antitrust analysis must be based on what was reasonably known to the parties about patent validity and infringement *at the time they entered their settlement.*") (emphasis in original) (cited in *Apotex*, 2017 WL 2473148, at *5).

under Impax's theory, a Federal Circuit reversal in the now-pending appeal of the district court ruling that Impax relies on would negate the claimed procompetitive benefits. The resulting uncertainty from such an approach would undermine drug companies' ability to settle patent cases as well as the ability of courts and enforcement agencies to conduct the antitrust inquiry that *Actavis* mandates.

As the *Apotex* decision reflects, a post-settlement patent ruling may be relevant in suits by private parties, who must not only prove an antitrust violation but also establish that they suffered an antitrust injury attributable to the violation. 2017 WL 2473148, at *6. But, questions of antitrust injury and causation do not arise in a government enforcement action. As the First Circuit emphasized in a reverse-payment case brought by private plaintiffs, proof of a violation and proof of antitrust injury "are distinct matters that must be shown independently." *In re Nexium (Esomeprazole) Antitrust Litig.*, 842 F.3d 34, 60 (1st Cir. 2016) (quoting *Atl. Richfield Co. v. USA Petroleum Co.*, 495 U.S. 328, 344 (1990)). "Private plaintiffs and the FTC as government enforcer stand in different shoes. . . . 'The interest of private plaintiffs is to remediate an injury they have suffered or may suffer. The interest of the government is to prevent and restrain violations of the antitrust laws along with the attendant social costs such violations can cause.'" *Id.* (internal citation omitted). Thus, whatever role post-settlement judicial rulings on later-issued patents might play in an antitrust injury inquiry in a private suit, they cannot provide a legitimate justification under the *Actavis* rule of reason framework.

Impax's reliance on post-settlement patent rulings, like its "early entry" defense, reflects a fundamental misunderstanding of the nature of the competitive harm that requires justification under *Actavis*. As discussed in Part I, the relevant harm to competition under *Actavis* is not that, absent the reverse payment, generic entry would necessarily have been earlier, but rather that the

payment served to eliminate the *risk* (even if "small") that competition would have been earlier. 133 S. Ct. at 2236. A post-settlement ruling upholding a patent thus cannot provide a defense when parties use a large reverse payment to prevent that risk of competition.

IV. The issue is ripe for partial summary disposition

The issue presented by this motion is a pure question of law: whether three justifications that Impax has asserted for the alleged reverse payment in the Settlement and License Agreement are legally cognizable under *Actavis*. This question is appropriate for summary decision and is ripe for resolution at this stage of the proceeding. The facts underlying the justifications at issue in this motion are basic facts about the litigation, the Settlement and License Agreement, and the Endo patents. While Impax may assert additional justifications after the close of discovery, there is no reason to delay a decision of the legal viability of those addressed in this motion. Granting partial summary decision will narrow the issues for trial and provide valuable guidance to the industry and the public on the proper application of *Actavis*.

Complaint Counsel respectfully request that the Commission grant the motion for partial summary decision.

Respectfully submitted,

/s/ Charles A. Loughlin

Counsel Supporting the Complaint

Dated: August 3, 2017

PUBLIC

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of	)	
Impax Laboratories, Inc., a corporation,	)	**DOCKET NO. 9373**
Respondent	)	

[PROPOSED] ORDER

Having carefully considered Complaint Counsel's Motion For Partial Summary Decision, Respondent's Opposition thereto, Complaint Counsel's Reply, and all supporting evidence, and the applicable law, Complaint Counsel's Motion For Partial Summary Decision as to these justifications is hereby GRANTED. It is hereby ORDERED AND ADJUDGED that *FTC v. Actavis*, 133 S. Ct. 2223 (2013) forecloses arguments by Respondent to justify or otherwise defend the alleged reverse-payment agreement in Respondent's Settlement and License Agreement with Endo Pharmaceuticals, Inc. on the grounds that: (1) the Agreement permitted Respondent to sell its generic version of original Opana ER before the expiration of patents that Endo had or subsequently obtained; (2) the Agreement eliminated uncertainty about Respondent's potential liability to Endo for patent infringement; and (3) absent the Agreement, post-settlement court rulings would have prevented Respondent from selling its generic version of original Opana ER.

ORDERED:

By the Commission.

Donald S. Clark
Secretary

SEAL

ISSUED:

CERTIFICATE OF SERVICE

I hereby certify that on August 3, 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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Dated: August 3, 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 3, 2017

By: /s/ Nicholas A. Leefer
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CERTIFICATE OF SERVICE

I hereby certify that on August 22, 2017, I filed **RESPONDENT 1-800 CONTACTS, INC.'S NOTICE OF SUPPLEMENTAL AUTHORITY** using the FTC's E-Filing System, which will send notification of such filing to all counsel of record as well as the following:

Donald S. Clark
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DATED: August 22, 2017

By: */s/ Eunice Ikemoto*
Eunice Ikemoto

CERTIFICATE FOR ELECTRONIC FILING

I hereby 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.

DATED: August 22, 2017

By: */s/ Steven M. Perry*
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36022095.2

Notice of Electronic Service

I hereby certify that on August 22, 2017, I filed an electronic copy of the foregoing Respondent 1-800 Contacts, Inc.'s Notice of Supplemental Authority, with:

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