

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



ORIGINAL

In the Matter of)
)
1-800 CONTACTS, INC.,)
a corporation,)
)
Respondent)
_____)

DOCKET NO. 9372

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

Complaint Counsel respectfully moves the Court for an order barring Respondent from presenting testimony or argument contradicting certain issues that Respondent litigated and lost in a previous litigation, *1-800 Contacts v. Lens.com*, 755 F.Supp.2d 1151 (D. Utah 2010), *aff’d in part & rev’d in part*, 722 F.3d 1229 (10th Cir. 2013) (*Lens.com*). Specifically, Complaint Counsel requests that the Court give full issue preclusion effect to the following findings made by the district court and the Tenth Circuit Court of Appeals in *Lens.com*:

- (1) Lens.com’s Keyword Use (that is, Lens.com’s bidding in search advertising auctions on terms similar to Respondent’s trademark “1800CONTACTS”), which resulted in the display of Lens.com advertisements that did not include Respondent’s trademark or variations thereof within their text, on search-results pages in response to user queries for Respondent’s trademark and variations thereof, was not likely to cause consumer confusion; and

(2) Search advertising by a contact lens retailer other than Respondent in response to a user search for Respondent's mark is not always or inherently likely to cause consumer confusion.

Complaint Counsel further requests that this Court direct that Respondent shall not be permitted to relitigate these issues in this case.

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

A Proposed Order is attached.

Respectfully submitted,

/s/ Daniel J. Matheson

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Barbara Blank
Charles A. Loughlin
Thomas H. Brock
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Counsel Supporting the Complaint

Dated: January 26, 2017

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

In the Matter of)

1-800 CONTACTS, INC.,)
a corporation,)

Respondent)

DOCKET NO. 9372

**MEMORANDUM OF LAW IN SUPPORT OF COMPLAINT COUNSEL’S MOTION
TO BAR PRESENTATION OF TESTIMONY AND ARGUMENTS CONTRADICTING
CERTAIN ISSUES RESPONDENT LITIGATED AND LOST IN
*1-800 CONTACTS V. LENS.COM***

Consistent with this Court’s order in *In re Rambus*,¹ Complaint Counsel seeks an order granting preclusive effect to—and barring 1-800 Contacts (“Respondent”) from presenting testimony or argument contradicting—two issues litigated and decided in a prior federal court litigation, *1-800 Contacts, Inc. v. Lens.com*, 755 F.Supp.2d 1151 (D. Utah 2010), *aff’d in part & rev’d in part*, 722 F.3d 1229 (10th Cir. 2013) (“*Lens.com*”).² Permitting Respondent to relitigate these issues would waste the Court’s resources, cause needless delay, and risk inconsistent decisions.

The Complaint alleges that Respondent unreasonably restrained competition by entering agreements (“Bidding Agreements”) with at least fourteen competing online contact lens retailers that prohibit bidding in certain search advertising auctions, require the use of negative

¹ 2003 FTC LEXIS 24 (Feb. 26, 2003). A copy of this decision is provided at Ex. A (Declaration of Kathleen Clair)-Tab 1.

² Copies of these decisions are provided at Ex. A-Tabs 2-3.

keywords (thus prohibiting participation in additional auctions), and restrain search advertising. Complaint Counsel anticipates that Respondent will contend the Bidding Agreements are procompetitive because the activity they eliminate—the appearance of rival advertisements in response to internet searches for Respondent’s trademark “1800Contacts” (or covered variations thereof)³—is inherently likely to confuse consumers and thus infringing and inequitable.⁴ These *Lens.com* findings are directly relevant to this defense.

A. *Lens.com*

In August 2007, Respondent sued competitor *Lens.com* alleging violations of the Lanham Act (trademark infringement), unjust enrichment, and breach of contract.⁵ *Lens.com* won summary judgment on all claims.⁶ 1-800 appealed only the Lanham Act claims. The Tenth Circuit affirmed as to all direct-liability trademark claims, remanding for further proceedings regarding secondary liability for certain conduct of *Lens.com*’s affiliates.⁷

³ Complaint Counsel will submit evidence that the Bidding Agreements actually eliminate even *more* advertising, namely, advertising in response to queries that *include* covered terms. But this point is not material to this motion.

⁴ Respondent bears the burden of persuasion on its claimed procompetitive efficiencies. *Cal. Dental Ass’n v. FTC*, 526 U.S. 756, 788 (1999) (Breyer, J., concurring in part and dissenting in part) (“In the usual Sherman Act § 1 case, the defendant bears the burden of establishing a procompetitive justification.”) (citing *Law v. NCAA*, 134 F.3d 1010, 1019 (10th Cir.), *cert. denied*, 525 U.S. 822 (1998); *United States v. Brown Univ.*, 5 F.3d 658, 669 (3d Cir.1993); and *Capital Imaging Assocs. v. Mohawk Valley Med. Assocs.*, 996 F.2d 537, 543 (2d Cir.), *cert. denied*, 510 U.S. 947 (1993)); *NCAA v. Bd. of Regents*, 468 U.S. 85,113 (1984) (describing defendant’s “heavy burden of establishing an affirmative defense which competitively justify[ed]” the restriction); *Nat’l Soc. of Prof’l Engineers v. United States*, 435 U.S. 679, 693 (1978) (describing procompetitive justification as an “affirmative defense”); *Realcomp II v. F.T.C.*, 635 F.3d 815,825, 835-36 & n.17 (6th Cir. 2011) (holding Realcomp “failed to carry its burden . . .” of establishing its procompetitive justifications); *PolyGram Holding, Inc. v. FTC*, 416 F.3d 29, 36 (D.C. Cir. 2005); *Dixon v. United States*, 548 U.S. 1, 8 (2006) (“[T]he burden of proving affirmative defenses—indeed, all . . . circumstances of justification, excuse or alleviation—rest[s] on the defendant.”).

⁵ 755 F.Supp.2d at 1165, 1168.

⁶ 722 F.3d at 1234.

⁷ *Id.* at 1234-35.

1. Challenged Conduct

Between 2005 and 2007, Lens.com⁸ bid in search advertising auctions on nine terms similar to Respondent's trademark "1800CONTACTS"⁹ (Lens.com's "Keyword Use"), leading to Lens.com advertisements appearing on Google search-results pages in response to search queries for Respondent's trademark or variations thereof.¹⁰ The resulting advertisements did not contain Respondent's trademark (or variations) in their text.¹¹

2. Trademark Infringement

To prove infringement, a plaintiff must establish that the defendant "used" the plaintiff's mark, and that such use was likely to cause consumer confusion.¹² The Tenth Circuit observed: "[t]he specific issue before us is the likelihood that a consumer who conducts an Internet search for 1-800 Contacts and then sees an ad for Lens.com on the results page will be confused into thinking that Lens.com has a business association with 1-800."¹³

Assessing the likelihood of confusion requires analyzing multiple factors.¹⁴ One "critical factor" in cases involving use of "a competitor's mark as a keyword" is "the labeling and appearance of the advertisements and the surrounding context on the screen displaying the

⁸ References herein to Lens.com's conduct mean Lens.com's own conduct, not that of its affiliates.

⁹ *E.g.*, "1 800 contact lenses"; "1800 contact lenses"; "800comtacts.com"; "800contacta.com."

¹⁰ 755 F.Supp.2d at 1160; 722 F.3d at 1241-44; *id.* at 1234-35 ("To police the use of its mark, 1-800 enters different variations of the mark into Google searches and monitors what search results are displayed. . . . This dispute arose . . . when 1-800 discovered that paid advertisements for Lens.com appeared when one searched for the phrase '1800 CONTACTS' on Google.").

¹¹ 722 F.3d at 1237.

¹² *Id.* at 1238.

¹³ *Id.* at 1244.

¹⁴ *Id.* at 1243.

results page.”¹⁵ This factor is critical because if a consumer searches for a business with a strong mark and sees an entry (sponsored link)¹⁶ on the results page, it would be “unnatural” for the consumer to infer that the entry is for the business searched for “when the entry is clearly labeled as an advertisement and clearly identifies the source, which has a name quite different from the business being searched for.”¹⁷

Another factor is evidence of actual confusion.¹⁸ In *Lens.com*, Respondent offered a report purportedly showing that 7.4 percent of survey respondents were confused by the *Lens.com* advertisements.¹⁹ The survey was excluded from evidence for methodological flaws, but—importantly—the Tenth Circuit concluded that, even if the survey were admitted, the outcome would not change because the confusion rate was too low to support a likelihood of confusion²⁰ and “[t]he other factors . . . overwhelmingly indicate the unlikelihood of confusion.”²¹

¹⁵ *Id.* at 1245.

¹⁶ That is, an advertisement.

¹⁷ *Id.*

¹⁸ *Id.* at 1239.

¹⁹ *Id.* at 1240, 1246-47.

²⁰ *Id.* at 1247-49 (“The great weight of authority appears to be that “[w]hen the percentage results of a confusion survey dip below 10%, they can become evidence which will indicate that confusion is *not* likely.”).

²¹ *Id.* at 1247-49. Those factors included clear labeling and the “substantial dissimilarity between ‘1-800 Contacts’ and ‘Lens.com.’” *Id.* at 1242, 1245, 1250. For the same reasons, the court held that *Lens.com* affiliates’ advertisements “that did not display 1-800’s mark in their text” were not infringing (even where affiliates bid on 1-800’s trademark itself), remanding for further proceedings *only* concerning a subset of affiliate “ads that featured variations of the 1-800 mark in their text.” 755 F.Supp.2d at 1162-63; 722 F.3d at 1250, 1256-57.

3. Unjust Enrichment

The district court granted summary judgment against Respondent on its claim that Lens.com was unjustly enriched by using Respondent's trademark as a keyword, explaining that Respondent was impermissibly seeking to expand its trademark rights:

[1-800] has not shown that use of its service mark as a keyword constitutes infringement. Yet, it wants money for that use Use outside of the scope of that property protection is not a use that is unjust to retain without payment.²²

Thus, the court held that because the challenged conduct was not trademark infringement, it therefore could not constitute unjust enrichment.

4. Breach of Contract

Respondent also alleged that Lens.com breached an oral agreement not to bid on its mark (or variations). While rejecting this claim, the court expressed concern that, “[w]ere this actually an agreement entered into by the parties, the court questions whether it would survive an antitrust challenge. . . . A trademark right does not grant its owner the right to stamp out every competitor advertisement.”²³

The present case is the antitrust challenge foreseen by *Lens.com*.

B. Issue Preclusion Bars Relitigation of Two Issues

To “conserve[] judicial resources” and “minimiz[e] the possibility of inconsistent decisions,”²⁴ issue preclusion “bar[s] a party from relitigating an issue on which it has been fully heard and lost.”²⁵ Issue preclusion applies when an issue was (1) “actually litigated,” (2)

²² 755 F.Supp.2d at 1190.

²³ *Id.* at 1188.

²⁴ *Montana v. United States*, 440 U.S. 147, 153-54 (1979).

²⁵ *Rambus*, 2003 FTC LEXIS 24 (Feb. 26, 2003), at *1.

“actually and necessarily determined,” and (3) preclusion would not “work an unfairness.”²⁶

Courts make these determinations by examining the prior record to the extent necessary to determine that these elements are met.²⁷ The first element is met where an issue in the present case was “contested by the parties and submitted for judicial determination in the prior case.”²⁸ The second element is met where “the disposition in the first suit was the basis for the holding with respect to the issue and not ‘mere dictum’ . . . [or] merely incidental.”²⁹

Issue preclusion bars relitigation of the following issues:³⁰

1. Issue No. 1:

Lens.com’s Keyword Use, which resulted in the display of advertisements that did not include Respondent’s trademark (or variations), on search-results pages in response to user queries for Respondent’s trademark and variations thereof, was not likely to cause consumer confusion.

This issue was actually litigated and necessarily determined in *Lens.com*. Indeed, this was the central issue in Respondent’s direct-liability trademark infringement claim, which was based on Lens.com’s “Keyword Use” (bidding on terms similar to 1-800’s trademark), and not on any allegation that such terms appeared in advertisement text.³¹ The district court awarded summary judgment to Lens.com on the trademark infringement claim because 1-800 “created no genuine

²⁶ *Id.* at *3 (citing *McLaughlin v. Bradlee*, 803 F.2d 1197, 1201 (D.C.Cir.1986)). These elements are consistent with Supreme Court precedent. *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303, 1309 (2015).

²⁷ *See Emich Motors Corp. v. Gen. Motors Corp.*, 340 U.S. 558, 569 (1951) (“[W]hat was decided . . . must be determined . . . upon an examination of the record, including” pleadings, evidence, jury instructions, and “opinions of the courts.”); *McLaughlin*, 803 F.2d at 1201-04 (examining complaints, opinions, and excerpts from the prior record); *Rambus*, 2003 FTC LEXIS 24 (Feb. 26, 2003), at *3-4 (relying on examination of prior opinions).

²⁸ *Canonsburg Gen. Hosp. v. Burwell*, 807 F.3d 295, 301 (D.C. Cir. 2015).

²⁹ *Rambus*, 2003 FTC LEXIS 24 (Feb. 26, 2003), at *4-5.

³⁰ The standard unfairness claims are inapplicable here.

³¹ 722 F.3d at 1237 (“1-800 does not claim that any impressions created by Lens.com featured the 1800CONTACTS mark in their text”); *see also* Ex. A-Tab 4, Am. Compl., 2:07-cv-00591 (Aug. 15, 2008) ¶¶ 20, 53-55.

factual issue regarding whether Lens.com’s keyword use was likely to cause confusion.”³² 1-800 appealed, arguing that confusion was likely, but the Tenth Circuit rejected these arguments and “affirm[ed] summary judgment on all claims of infringement based on keyword use that did not result in ads displaying 1-800’s mark in their text.”³³

2. Issue No. 2:

Search advertising by a contact lens retailer other than Respondent in response to a user search for Respondent’s mark is not always or inherently likely to cause consumer confusion.

In addition to barring litigation of issues previously decided, issue preclusion also bars litigation of contentions that are “necessarily inconsistent” with a prior adjudication. *See, e.g., Kamilche Co. v. United States*, 53 F.3d 1059, 1063 (9th Cir. 1995) (“Any contention that is necessarily inconsistent with a prior adjudication of a material and litigated issue . . . is subsumed in that issue and precluded . . .”).³⁴ In *Kamilche*, a dispute about ownership of part of a strip of land presented the “identical issue,” for preclusion purposes, as a later dispute about ownership of the entire strip. The court was “persuaded as a matter of logic that because the

³² 722 F.3d at 1241-42.

³³ *Id.* at 1241-50, 1256-57.

³⁴ *See also Marlene Indus. v. NLRB*, 712 F.2d 1011, 1017 (6th Cir. 1983) (“Any contention that is necessarily inconsistent with this prior adjudication of a material and litigated issue is subsumed in that issue and precluded by the prior judgment”; holding finding in prior proceeding that company had not engaged in unfair labor practices precluded litigation of later allegations that “presuppose the existence of an unfair labor practice strike”); *Yamaha Corp. v. United States*, 961 F.2d 245, 256 (D.C. Cir. 1992) (precluding challenge to validity of a regulation on basis that it violated Yamaha-America’s due process and equal protection rights because that argument “must be predicated on the assumption that Yamaha-America has some basic rights under [the regulation]” and prior proceeding held that it had no such rights); *Weizmann Inst. v. Neschis*, 421 F.Supp.2d 654, 676 (S.D.N.Y. 2005) (“The prior decision need not have been explicit on the point, since if by necessary implication it is contained in that which has been explicitly decided, it will be the basis for collateral estoppel.”); Moore’s Fed. Prac. – Civil § 132.02[4][b][ii] (“Any contention that is necessarily inconsistent with the prior adjudication of a material and litigated issue is subsumed in that issue and precluded by the prior judgment.”).

ownership of the 3.49 acres was both litigated and decided . . . so too was the ownership of the remaining 158 acres within the disputed strip.”³⁵

Because Lens.com’s Keyword Use was not “likely to cause confusion,”³⁶ a corollary finding is inescapable: a competitor’s use of Respondent’s mark as a keyword is not inherently, necessarily, or always likely to confuse consumers. Respondent’s argument that its Bidding Agreements prohibit nothing more than *inherently* confusing and, thus, infringing conduct is “as a matter of logic . . . necessarily inconsistent”³⁷ with *Lens.com*’s holding. Stated otherwise, Issue 2 is identical, for preclusion purposes, to Issue 1.

Respondent may point out that evidence concerning advertising by rivals other than Lens.com was not before the *Lens.com* court; however, this motion does not preclude Respondent from presenting any such evidence. What Respondent cannot argue, consistent with *Lens.com*, is that *all* advertising restricted by the Bidding Agreements is categorically, inherently, or always likely to confuse. While *Lens.com* leaves open the possibility that a rival could run an advertisement that happens to be confusing in response to a search for Respondent’s trademark, it also conclusively establishes—with preclusive effect—that it is entirely possible for a rival to run non-confusing, non-infringing advertisements in response to the same search (as did Lens.com). Respondent cannot relitigate that point.

³⁵ *Kamilche*, 53 F.3d at 1062-63.

³⁶ 722 F.3d at 1241-42.

³⁷ *See Kamilche*, 53 F.3d at 1062-63.

CONCLUSION

For the foregoing reasons, Complaint Counsel's motion should be granted.

Respectfully submitted,

/s/ Daniel J. Matheson

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Geoffrey M. Green
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Gustav P. Chiarello
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Charlotte S. Slaiman
Mika Ikeda

Counsel Supporting the Complaint

Dated: January 26, 2017

STATEMENT REGARDING MEET AND CONFER

The undersigned counsel certifies that Complaint Counsel conferred with Respondent's counsel in a good faith effort to resolve by agreement the issues raised by Complaint Counsel's Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated and Lost in *1-800 Contacts v. Lens.com*. On August 19, 2016 and September 13, 2016, the parties communicated by letter. On September 2, 2016, Complaint Counsel (Daniel Matheson, Barbara Blank, and Kathleen Clair) and Respondent's Counsel (Gregory Stone, Garth Vincent, and Gregory Sergi) communicated by telephone. Again on September 14, 2016, Complaint Counsel (Dan Matheson and Kathleen Clair) and Respondent's Counsel (Gregory Stone) communicated by telephone and confirmed impasse on issue number 1 in the foregoing motion. Finally, on January 18, 2017, Complaint Counsel (Kathleen Clair) and Respondent's Counsel (Gregory Sergi) communicated by telephone and confirmed impasse on issue number 2 in the foregoing motion.

Dated: January 26, 2017

Respectfully submitted,
/s/ Daniel J. Matheson

Daniel J. Matheson
Federal Trade Commission
400 7th Street SW
Washington, DC 20024

(2) Search advertising by a contact lens retailer other than Respondent in response to a user search for Respondent's mark is not always or inherently likely to cause consumer confusion.

ORDERED:

D. Michael Chappell
Chief Administrative Law Judge

Date: _____

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

_____)	
In the Matter of)	
)	
1-800 CONTACTS, INC.,)	
a corporation,)	DOCKET NO. 9372
)	
Respondent)	
_____)	

DECLARATION OF KATHLEEN M. CLAIR

1. I have personal knowledge of the facts set forth in this declaration, and if called as a witness I could and would testify competently under oath to such facts.
2. I am an attorney at the Federal Trade Commission and Complaint Counsel in this proceeding. Attached to this declaration are the exhibits submitted in support of Complaint Counsel’s Memorandum in Support of its Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated and Lost in *1-800 Contacts v. Lens.com*.
3. Tab 1 is a true and correct copy of the decision *In re Rambus*, 2003 FTC LEXIS 24 (Feb. 26, 2003).
4. Tab 2 is true and correct copy of the district court decision in *1-800 Contacts, Inc. v. Lens.com*, 755 F. Supp. 2d 1151 (D. Utah 2010), *aff’d in part & rev’d in part*, 722 F.3d 1229 (10th Cir. 2013).
5. Tab 3 is a true and correct copy of the appellate court decision in *1-800 Contacts, Inc. v. Lens.com*, 722 F.3d 1229 (10th Cir. 2013).

6. Tab 4 is a true and correct copy of the Amended Complaint filed by 1-800 Contacts, Inc. in the *1-800 Contacts, Inc. v. Lens.com* litigation.

I declare under the penalty of perjury that the foregoing is true and correct. Executed this 26th day of January, 2017 at Washington, DC.

/s/ Kathleen M. Clair
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Counsel Supporting the Complaint

TAB 1

2003 FTC LEXIS 24

Federal Trade Commission

February 26, 2003

Docket No. 9302

Reporter

2003 FTC LEXIS 24 *

In the Matter of RAMBUS INC., a corporation

Core Terms

destruct, collateral estoppel, anticipated, relitigate

Action

[*1]

ORDER GRANTING COMPLAINT COUNSEL'S MOTION FOR COLLATERAL ESTOPPEL

Administrative Law Judge-Decision

JAMES P. TIMONY, Administrative Law Judge

Order

On February 12, 2003, Complaint Counsel filed a motion seeking recognition of the collateral estoppel effect of prior factual findings that Rambus destroyed material evidence. Rambus filed its opposition on February 24, 2003. For the reasons set forth below, Complaint Counsel's motion is GRANTED.

By its motion, Complaint Counsel moves for an entry of an order recognizing that certain factual findings relating to Rambus's destruction of documents, which were made by the district court in [Rambus Inc. v. Infineon Technologies AG](#), 155 F. Supp.2d 668 (E.D. Va. 2001), aff'd in part and rev'd in part, Nos. 01-1449 et al., 2003 WL 187265 (Fed. Cir. Jan. 29, 2003), should be given collateral estoppel effect in this proceeding, and should bar Rambus from relitigating the same factual issues in this adjudicative proceeding.

Collateral estoppel may be used to bar a party from relitigating an issue on which it has been fully heard and lost. "[A] party who has had one fair and full opportunity to prove a claim and has failed in that effort, should [*2] not be permitted to go to trial on the merit of that claim a second time." [Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation](#), 402 U.S. 313, 324-25 (1971). The purpose of the doctrine is to "protect[] adversaries from, the expense and vexation attending multiple lawsuits, conserve[] judicial resources, and, foster[] reliance on judicial action by minimizing the possibility of inconsistent decisions." [Montana v. United States](#), 440 U.S. 147, 153 (1979) accord [Blonder-Tongue](#), 402 U.S. at 324-25 ("Both orderliness and reasonable time saving in judicial administration require that this be so unless some overriding consideration of fairness to a litigant dictates a different result in the circumstances of the particular case.").

Here, all of the bases for collateral estoppel warrant a conclusion that Rambus should be barred from relitigating the question of whether its admitted destruction of very large volumes of business records starting in mid-1998 was done "in part, for the purpose of getting rid of documents that might be harmful" in future anticipated litigation.

Kathleen Clair

In order to advance the efficient administration of [*3] justice, "once a court has decided an issue of fact or law necessary to its judgments, that decision may preclude relitigation of the issue in a suit on a different cause of action involving a party to the first case." [Allen v. McCurry, 449 U.S. 90, 94 \(1980\)](#) (emphasis omitted); accord [Montana v. United States, 440 U.S. 147, 153 \(1979\)](#). Here, each of the elements supporting collateral estoppel weighs in favor of applying it to bar Rambus from relitigating its motives for its document destruction and the fact that the document destruction was done at a time when the company anticipated future JEDEC-related litigation. First, the issue was actually litigated in the Infineon case; second, it was actually and necessarily determined in that proceeding; and, third, applying estoppel against Rambus would not "work an unfairness." E.g., [McLaughlin v. Bradlee, 803 F.2d 1197, 1201 \(D.C. Cir. 1986\)](#) [Montana, 440 U.S. at 153](#) accord [Mother's Restaurant, Inc. v. Mama's Pizza, Inc., 723 F.2d 1566, 1571 \(Fed. Cir. 1983\)](#) [United States v. Weems, 49 F.3d 528, 531-32 \(9th Cir. 1995\)](#).

The issues relating to Rambus's document [*4] destruction were fully litigated in the district court. That court issued a comprehensive opinion in conjunction with its order awarding attorney's fees to Infineon. Rambus had the opportunity to appeal the court's ruling, but did not. Instead, it appealed only the other two alternative bases upon which the court awarded attorneys' fees. See Infineon III, 2003 WL 187625, at *21. The question resolved by the district court, and not appealed by Rambus -- whether Rambus destroyed documents to prevent their discovery in future anticipated litigation -- is directly at issue by Complaint Counsel's Motion for Default Judgment.

The motivation for Rambus's document destruction was considered by the district court and thus meets the second part of the test: the question was actually and necessarily determined. The purpose of this general rule, "is to prevent the incidental or collateral determination of a nonessential issue from precluding reconsideration of that issue in later litigation." [Mother's Restaurant, Inc., 723 F.2d at 1571](#). This means that a court need determine only that "the disposition in the first suit was the basis for the holding with respect to the [*5] issue and not 'mere dictum' . . . [or] merely incidental to the first judgment." [McLaughlin, 803 F.2d at 1204](#) (internal citations omitted). Although "discussion of the necessity prong of collateral estoppel analysis is usually framed in terms of determinations that were necessary to the 'judgment' or the 'verdict,'" "the primary purpose of the rule . . . is to ensure that the finder of fact in the first case took sufficient care in determining the issue." [Pettaway v. Plummer, 843 F.2d 1041, 1044 \(9th Cir. 1991\)](#) (internal citations omitted), overruled on other grounds, [Santamaria v. Horsley, 133 F.2d 1242](#) (9th Cir.) (en banc), modified, [138 F.3d 1280 \(9th Cir. 1998\)](#).

Here, the objectives of the "necessity" rule have been fully met. Rambus has a full opportunity to litigate the finding that its document destruction was intended to avoid discovery in anticipated litigation, and has an opportunity to appeal the adverse finding. See [Weems, 49 F.3d at 533](#) (rejecting argument that lack of appealability precluded application of collateral estoppel because ruling could have been appealed). See [Home Owners Federal Savings & Loan Ass'n v. Northwestern Fire & Marine Insurance Co., 238 N.E.2d 55, 59 \(Mass. 1968\) \[*6\]](#) ("Such findings may be relied upon if it is clear that the issues underlying them were treated as essential to the prior case by the court and the party to be bound. Stated another way, it is necessary that such findings be the product of full litigation and careful decision."); WRIGHT, MILLER & COOPER, FEDERAL PRACTICE AND PROCEDURE: JURISDICTION § 4421, at 556 (2002) ("Preclusion could be made available so long as it can be made to appear that real care was in fact in litigating and deciding the unnecessary issue."). It is thus irrelevant that the trial court might, on remand, conclude that Infineon is not entitled to attorneys' fees because it was not a prevailing party as required for the award of fees pursuant to [35 U.S.C. § 285](#). Here the trial court and Rambus both treated the issue carefully and fully. Rambus should therefore not be able to escape these fully adjudicated adverse factual determinations on the ground that a subsequent remand may provide a different reason to vacate the fees award to Infineon for Rambus's litigation misconduct.

Accordingly, full collateral estoppel effect will be given to the following findings of fact made by the district [*7] court in Infineon:

- (1) When "Rambus instituted its document retention policy in 1998," it did so, "in part, for the purpose of getting rid of documents that might be harmful in litigation."

(2) Rambus, at the time it implemented its "document retention policy," "clearly . . . contemplated that it might be bringing patent infringement suits during this timeframe" if its efforts to persuade semi-conductor manufacturers to license "its JEDEC-related patents" "were not successful."

(3) Rambus's "document destruction" was done "in anticipation of litigation."


JAMES P. TIMONY

Administrative Law Judge

Dated: February 26, 2003

End of Document

TAB 2

 KeyCite Red Flag - Severe Negative Treatment
Affirmed in Part, Reversed in Part by [1-800 Contacts, Inc. v. Lens.com, Inc.](#), 10th Cir.(Utah), July 16, 2013

755 F.Supp.2d 1151
United States District Court,
D. Utah,
Central Division.

1-800 CONTACTS, INC., Plaintiff,

v.

LENS.COM, INC. d/b/a/ Lens.Com, Justlens.com
and Justlenses.com, Defendant.

Case No. 2:07-cv-591 CW.

Dec. 14, 2010.

Synopsis

Background: Owner of “1800CONTACTS” service mark brought action against competitor, alleging infringement in violation of the Lanham Act. Cross-motions for summary judgment were filed.

Holdings: The District Court, [Clark Waddoups, J.](#), held that:

^[1] factors weighed against finding of likelihood of confusion;

^[2] competitor could not be held vicariously liable for affiliate’s alleged infringing use of mark;

^[3] competitor did not contributorily infringe mark; and

^[4] owner of “1800CONTACTS” mark and competitor did not have agreement precluding competitor and its affiliates from purchasing search terms.

Plaintiff’s motion granted in part and denied in part; Defendant’s motion granted.

West Headnotes (47)

^[1] [Federal Civil Procedure](#)

[Failure to respond; sanctions](#)

Testimony of competitor’s witness went beyond scope of court’s order governing expert reports by being affirmative expert rather than rebuttal expert, and thus district court would not consider portions of testimony that were not rebuttal testimony, on motion for summary judgment in trademark infringement action; declaration offered affirmative testimony about affiliate marketing, and other subjects, rather than merely rebutting expert testimony submitted by owner of “1800CONTACTS” mark. [Fed.Rules Civ.Proc.Rule 26\(a\)\(2\)\(C\)\(ii\)](#).

[11 Cases that cite this headnote](#)

^[2] [Trademarks](#)

[Subject Matter Underlying Trademarks](#)

[Trademarks](#)

[Services and service marks in general](#)

Under the Lanham Act, Congress recognized that every product or service is composed of a bundle of special characteristics and that the consumer who purchases what he believes is the same product or service expects to receive those special characteristics on every occasion. Lanham Act, § 1 et seq., [15 U.S.C.A. § 1051 et seq.](#)

[Cases that cite this headnote](#)

^[3] [Trademarks](#)

[Nature of Confusion](#)

[Trademarks](#)

[Practices or Conduct Prohibited in General; Elements](#)

To prove a violation of the Lanham Act, the plaintiff must establish (1) its mark is valid and legally protectable, (2) it is the owner of the mark, (3) the defendant has used the mark to identify goods or services, and (4) such use is likely to create confusion concerning the origin of the goods or services. Lanham Act, §§ 32, 43,

15 U.S.C.A. §§ 1114, 1125.

1 Cases that cite this headnote

[4]

Commerce

☞ Trade regulation in general; trade-marks and unfair competition

Trademarks

☞ Internet use

Competitor's use of contact lens seller's "1800CONTACTS" service mark to promote competitor's services and to provide consumers with link to website where it could make purchase from competitor constituted "use in commerce" under the Lanham Act. Lanham Act, § 45, 15 U.S.C.A. § 1127.

Cases that cite this headnote

[5]

Trademarks

☞ Purpose and construction in general

Trademarks

☞ Purpose and construction in general

Trademarks

☞ Infringement

The Lanham Act is intended to protect the ability of consumers to distinguish among competing producers, not to prevent all unauthorized uses; consequently, even if a use is unauthorized, it does not constitute trademark infringement unless such use is likely to cause confusion. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Cases that cite this headnote

[6]

Trademarks

☞ Nature of Confusion

Trademarks

☞ "Initial interest" confusion

Trademarks

☞ "Reverse" confusion

For purposes of a Lanham Act claim, confusion can be (1) "direct confusion," where a consumer believes that the plaintiff is the source of the defendant's products or services, (2) "reverse confusion," where the consumer believes that the defendant is the source of the plaintiff's products or services, or (3) "initial interest confusion," where a consumer seeks a particular trademark holder's product or services and instead is lured to a competitor by the competitor's use of the same or a similar mark. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

2 Cases that cite this headnote

[7]

Trademarks

☞ Nature of Confusion

Trademarks

☞ Nature of defendant's use; use in commerce

Unlike the "use" requirement for purposes of a Lanham Act claim, which focuses on how a holder's mark is used by a competitor, the "likelihood of confusion" element focuses on whether consumers viewing the mark will make an improper mental association or be confused about origin or sponsorship. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Cases that cite this headnote

[8]

Trademarks

☞ Internet cases

Mere purchase of a trademark as a keyword connected to an Internet search cannot alone result in consumer confusion, for purposes of a Lanham Act claim. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

1 Cases that cite this headnote

[9]

Trademarks

☞ Factors considered in general

In the Tenth Circuit, the following non-exhaustive factors are considered when determining if confusion exists between two marks for purposes of a Lanham Act claim: (1) the degree of similarity between the marks, (2) the intent of the alleged infringer in adopting its mark, (3) evidence of actual confusion, (4) similarity of products and manner of marketing, (5) the degree of care likely to be exercised by purchasers, and (6) the strength or weakness of the marks. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[1 Cases that cite this headnote](#)

[10]

Trademarks

🔑 Appearance, sound, and meaning

The degree of similarity between marks, for purposes of a Lanham Act claim, rests on sight, sound, and meaning, with similarities being weighed more heavily than differences. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[Cases that cite this headnote](#)

[11]

Trademarks

🔑 Examination and comparison; construction as entirety

When determining likelihood of confusion, for purposes of a Lanham Act claim, the court must determine whether the allegedly infringing mark will confuse the public when singly presented, rather than when presented side by side with the protected trademark. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[Cases that cite this headnote](#)

[12]

Trademarks

🔑 Appearance, sound, and meaning

Advertisements by competitor that did not contain contact lens seller's "1800CONTACTS" mark or a close variation of it were not similar

in sight, sound, and meaning to mark, and thus weighed against finding of likelihood of confusion for purposes of trademark infringement claim. Lanham Act, §§ 32, 45, 15 U.S.C.A. §§ 1114, 1127.

[Cases that cite this headnote](#)

[13]

Trademarks

🔑 Appearance, sound, and meaning

Advertisements used by affiliates contracted to promote competitor's mark used contact lens seller's "1800CONTACTS" mark or a close variation of it, and thus similarity of sight, sound, and meaning strongly weighed in favor of seller for purposes of trademark infringement claim regarding affiliate advertisements. Lanham Act, §§ 32, 45, 15 U.S.C.A. §§ 1114, 1127.

[Cases that cite this headnote](#)

[14]

Trademarks

🔑 Knowledge, intent, and motive; bad faith

Proof that a defendant chose a mark with the intent of copying the plaintiff's mark may, standing alone, justify an inference of likelihood of confusion, for purposes of a Lanham Act claim. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[Cases that cite this headnote](#)

[15]

Trademarks

🔑 Internet cases

Competitor did not intend to derive benefit from use of "1800CONTACTS" service mark, and thus intent factor was neutral in determining likelihood of confusion for purposes of mark owner's Lanham Act claim; competitor itself did not purchase mark as keyword for Internet searches, and instead purchased variations of it,

competitor purchased over 8,000 keywords, and 9 keywords complained of by owner generated 1,600 impressions out of 112 million impressions linked to competitor. Lanham Act, §§ 32, 45, 15 U.S.C.A. §§ 1114, 1127.

[Cases that cite this headnote](#)

[16]

Trademarks

🔑 [Internet cases](#)

There was no evidence that consumers were confused by appearance of competitor's advertisement after entering Internet search for contact lens seller, as required for finding of likelihood of confusion in seller's trademark infringement action against competitor, alleging use of "1800CONTACTS" mark violated Lanham Act. Lanham Act, §§ 32, 45, 15 U.S.C.A. §§ 1114, 1127.

[Cases that cite this headnote](#)

[17]

Trademarks

🔑 [Internet cases](#)

Owner of "1800CONTACTS" mark and competitor both sold contact lenses on Internet to public, and sold many of the same brands of lenses, and thus similarity of products weighed in favor of likelihood of confusion, for purposes of mark owner's Lanham Act claim against competitor, although mark owner advertised extensively on television and the Internet and competitor only advertised on Internet. Lanham Act, §§ 32, 45, 15 U.S.C.A. §§ 1114, 1127.

[Cases that cite this headnote](#)

[18]

Trademarks

🔑 [Persons confused; circumstances of sale](#)

It was unlikely that consumers exercised high degree of care in selecting retailer for contact

lenses, and thus likelihood of confusion factor of degree of care exercised by purchasers weighed in favor of confusion, for purposes of "1800CONTACTS" service mark owner's Lanham Act claim against competitor. Lanham Act, §§ 32, 45, 15 U.S.C.A. §§ 1114, 1127.

[Cases that cite this headnote](#)

[19]

Trademarks

🔑 [Persons confused; circumstances of sale](#)

When consumers exercise a high degree of care in selecting services, the likelihood of confusion shrinks, for purposes of a Lanham Act claim. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[Cases that cite this headnote](#)

[20]

Trademarks

🔑 [Strength or fame of marks; degree of distinctiveness](#)

The stronger the mark, the greater the likelihood that encroachment on the mark will cause confusion for purposes of a Lanham Act claim. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[1 Cases that cite this headnote](#)

[21]

Trademarks

🔑 [Levels or categories of distinctiveness in general; strength of marks in general](#)

The categories of trademarks in ascending order of relative strength are:(1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[Cases that cite this headnote](#)

[22]

Trademarks

🔑 Generic terms or marks

Generic terms cannot receive trademark protection. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Cases that cite this headnote

[23]

Trademarks

🔑 Acquired distinctiveness; secondary meaning

A descriptive mark may receive protection only when it has acquired a secondary meaning by becoming distinctive of the applicant's services in commerce; a descriptive mark acquires secondary meaning when the public views the mark as identifying the source of a product or service rather than just the product or service itself. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Cases that cite this headnote

[24]

Trademarks

🔑 Levels or categories of distinctiveness in general; strength of marks in general

To assess the relative strength of a mark, one must consider the two aspects of strength: (1) conceptual strength, the placement of the mark on the distinctiveness or fanciful-suggestive-descriptive spectrum, and (2) commercial strength, the marketplace recognition value of the mark. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

1 Cases that cite this headnote

[25]

Trademarks

🔑 Levels or categories of distinctiveness in general; strength of marks in general

A mark is strong if it is highly distinctive, meaning the public readily accepts it as the

hallmark of a particular source. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Cases that cite this headnote

[26]

Trademarks

🔑 Capacity to Distinguish or Signify; Distinctiveness

A mark can be distinctive because it is unique, because it has been the subject of wide and intensive advertisement, or because of a combination of both. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Cases that cite this headnote

[27]

Trademarks

🔑 Strength or fame of marks; degree of distinctiveness

The greater the number of identical or more or less similar trademarks already in use on different kinds of goods or services, the less is the likelihood of confusion between any two specific goods or services incorporating the weak mark. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

1 Cases that cite this headnote

[28]

Trademarks

🔑 Strength or fame of marks; degree of distinctiveness

Trademarks

🔑 Internet cases

Mark "1800CONTACTS" was only moderately strong, for purposes of determining likelihood of confusion on owner's Lanham Act claim against competitor, although 40 percent of survey respondents who wore contact lenses demonstrated market awareness of "1800Contacts"; others used similar generic and descriptive phrases to market their product on-line or through toll free number, and survey

results were derived from open-ended question that did not suggest the answer, and 2.5 million impressions that were generated on Internet specifically matching keyword “1800Contacts” or a close variation only represented about two-and-a-half percent of total impressions for owner. Lanham Act, §§ 32, 45, 15 U.S.C.A. §§ 1114, 1127.

[Cases that cite this headnote](#)

[29]

Trademarks

🔑 Strength or fame of marks; degree of distinctiveness

For purposes of determining likelihood of confusion for Lanham Act claim, under the commercial-strength inquiry, one looks at the marketplace to determine if a substantial number of present or prospective customers understand the mark, when used in connection with a business, to refer to a particular person or business enterprise; commercial strength may be obtained, in part, because of wide and intensive advertisement. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

1 [Cases that cite this headnote](#)

[30]

Trademarks

🔑 Internet cases

Factors weighed against finding of likelihood of confusion, for purposes of owner of “1800CONTACTS” mark’s Lanham Act trademark infringement claim against competitor, although both parties sold contact lenses on the Internet; there was overwhelming dissimilarity between “1800CONTACTS” mark and competitor’s advertisements, competitor had neutral intent, there was no evidence of actual confusion, and there was inverse relationship between strength of “1800CONTACTS” mark and lack of encroachment by competitor’s advertisements. Lanham Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[Cases that cite this headnote](#)

[31]

Principal and Agent

🔑 Nature of the relation in general

Principal and Agent

🔑 Nature of agent’s obligation

Agency is the fiduciary relation which results from the manifestation of consent by one person to another that the other shall act on his behalf and subject to his control, and consent by the other so to act; under such a relationship, an agent is charged to act primarily for the benefit of the principal.

[Cases that cite this headnote](#)

[32]

Trademarks

🔑 Persons Liable

When a principal authorizes its contractor agent to conduct and conclude a transaction with third parties on the principal’s own behalf, and the principal benefits from the contracts, the principal will be liable in an action brought pursuant to the Lanham Act based on the agents’ foreseeable infringing actions. Lanham Act, § 43, 15 U.S.C.A. § 1125.

[Cases that cite this headnote](#)

[33]

Trademarks

🔑 Persons Liable

Agency relationship did not exist between competitor that sold contact lenses on the Internet and affiliate contracted to promote competitor’s mark, as required for competitor to be vicariously liable for affiliate’s alleged infringing use of “1800CONTACTS” mark; affiliate had no power to alter legal relations of competitor and could not bind competitor to contract, competitor retained exclusive authority to accept or reject orders of customers who accessed its website through affiliate’s

advertisement. Lanham Act, § 43, 15 U.S.C.A. § 1125.

[Cases that cite this headnote](#)

[34]

Trademarks

🔑 Contributory liability

Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts.

[Cases that cite this headnote](#)

[35]

Trademarks

🔑 Contributory liability

For contributory trademark infringement liability to lie with a service provider, it must have more than a general knowledge or reason to know that its service is being used to infringe; some contemporary knowledge of which particular acts are infringing or will infringe in the future is necessary.

[Cases that cite this headnote](#)

[36]

Trademarks

🔑 Contributory liability

There was no evidence that competitor intentionally induced affiliates contracted to promote competitor's mark to infringe on "1800CONTACTS" mark, as required for owner's claim of contributory trademark infringement, although competitor authorized its affiliates to use its name in their advertisements.

[Cases that cite this headnote](#)

[37]

Trademarks

🔑 Contributory liability

There was no evidence that competitor knew about alleged infringement of contact lens seller's "1800CONTACTS" mark by affiliate contracted to promote competitor's mark and failed to take action or was willfully blind to it, as required for seller's claim of contributory trademark infringement.

[Cases that cite this headnote](#)

[38]

Contracts

🔑 Presumptions and burden of proof

Contracts

🔑 Duties and liabilities of third persons

Most contracts bind only those who bargain for them, and the burden of proof for showing the parties' mutual assent as to all material terms and conditions is on the party claiming that there is a contract.

[Cases that cite this headnote](#)

[39]

Contracts

🔑 Certainty as to Subject-Matter

Contracts

🔑 Necessity of assent

When determining whether the parties created an enforceable contract, a court should consider all preliminary negotiations, offers, and counteroffers and interpret the various expressions of the parties for the purpose of deciding whether the parties reached agreement on complete and definite terms; if material terms are missing or indefinite, an agreement cannot be enforced.

[Cases that cite this headnote](#)

[40]

Trademarks

🔑 Formation; requisites and validity

Owner of “1800CONTACTS” mark and competitor did not have agreement precluding competitor and its affiliates from purchasing search term “1800Contacts,” or any variant, as keywords; there was no meeting of the minds regarding negative keywords, dates of implementation, what parties were agreeing to terms, or how those terms would be applied to affiliates.

[Cases that cite this headnote](#)

[41] **Trademarks**
🔑 Advertising or marketing

A trademark right does not grant its owner the right to stamp out every competitor advertisement.

[Cases that cite this headnote](#)

[42] **Trademarks**
🔑 Internet use

Competitor’s alleged use of contact lens seller’s “1800CONTACTS” mark as keyword was insufficient to support common law claims of infringement, unfair competition, or misappropriation of good will.

[Cases that cite this headnote](#)

[43] **Implied and Constructive Contracts**
🔑 Unjust enrichment

To support a claim for unjust enrichment, plaintiff must prove (1) it conferred a benefit on defendant, (2) defendant appreciated the benefit or had knowledge of it, and (3) it would be inequitable for defendant to accept or retain the benefit without payment of its value.

[Cases that cite this headnote](#)

[44] **Implied and Constructive Contracts**
🔑 Unjust enrichment

With trademark infringement, the unjust enrichment theory is based on the idea that trademarks are protected property rights, and that misappropriation of that right constitutes unjust enrichment.

[Cases that cite this headnote](#)

[45] **Implied and Constructive Contracts**
🔑 Unjust enrichment

Given that competitor’s alleged use of “1800CONTACTS” service mark did not constitute trademark infringement, competitor did not misappropriate mark owner’s protected property, as required for owner’s unjust enrichment claim against competitor.

[Cases that cite this headnote](#)

[46] **Federal Civil Procedure**
🔑 Matters considered

District court would consider e-mails attached to declaration of competitor’s witness on motion for summary judgment in trademark infringement action, where owner of “1800CONTACTS” mark attached same e-mails to its witness declaration.

[Cases that cite this headnote](#)

[47] **Trademarks**
🔑 Alphabetical listing

1800CONTACTS.

[Cases that cite this headnote](#)

Attorneys and Law Firms

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MEMORANDUM DECISION AND ORDER

[CLARK WADDOUPS](#), District Judge.

INTRODUCTION

The parties in this action sell replacement contact lenses over the Internet. 1-800 Contacts, Inc. (“Plaintiff”) is the owner of certain service marks and contends that Lens.com, Inc. (“Defendant”) has used the service marks in commerce without its consent. Specifically, Plaintiff contends that Defendant and its affiliates bid on the service marks as keywords to generate a sponsored link for Defendant on Google and other search engines. Moreover, because Defendant’s sponsored links were generated when a consumer entered “1800Contacts” as the search term, the sponsored links were likely to cause confusion as to source, affiliation, or sponsorship.

Plaintiff moves for partial summary judgment on its claims for trademark infringement and secondary liability. It also moves for summary judgment on Defendant’s defense that its use of Plaintiff’s mark as a keyword is not a “use in commerce.” Finally, it moves for summary judgment on Defendant’s descriptiveness and fair use defenses. In turn, Defendant moves for summary judgment and seeks dismissal of all claims and causes of action in the Amended Complaint. The court grants

Plaintiff’s motion on Defendant’s defense that purchase of a keyword is not a use in commerce. The court otherwise denies Plaintiff’s motion for summary judgment. Although purchase of a keyword is a use in commerce, Defendant is nonetheless entitled to summary judgment on all claims and causes of action in the Amended Complaint for the reasons discussed below.

FACTUAL BACKGROUND¹

General Business Facts

Plaintiff sells replacement contact lenses through various channels, including the Internet. It owns two service marks, which were registered in 2003.² One service mark is the word mark “1 800CONTACTS” and the other service mark is the following stylized word mark:



Because the marks have been in use for more than five years, they are statutorily incontestable.³ Since its inception in 1995, Plaintiff has spent over \$220 million in advertising through television, radio, newspapers, the Internet, e-mail, and direct ***1158** mail.⁴ Between 2003 and 2008, Plaintiff spent \$11 million advertising with Google alone.⁵ For at least five years, Plaintiff has retained Synovate to conduct “awareness” surveys to determine the strength of its service marks. In 2008, Plaintiff’s mark ranked first in consumer awareness among contact lens wearers.⁶

Defendant also sells replacement contact lenses, and has been in competition with Plaintiff since 1998. It owns the service mark “1-800-GET-LENS.”⁷ The service mark was registered on May 21, 2002 by another company, but Defendant subsequently acquired the mark.⁸ Defendant also has previously claimed common trademark rights to “1-800 Lens.com” and recently obtained federal registration of it.⁹ Unlike Plaintiff, Defendant only advertises on the Internet. Between 2003 and 2008, Defendant spent between \$3 million to \$4.7 million in Internet advertising.¹⁰ Besides marketing and selling contact lenses in similar channels of trade, Plaintiff and “Lens.com sell essentially the same contact lens products and directly compete for customers.”¹¹

Google Search Results

“Google is an Internet company that owns and operates one of the world’s most utilized internet search engines.”¹²

“A search engine is a computer program that allows web users to search the World Wide Web for websites containing particular content.”¹³ When a search term is entered, the search engine compares the term “against its databases and applies a formula or algorithm to produce a search-results page that lists the websites that may relate to the user’s search terms.”¹⁴ Google’s search engine has a “natural or organic system that lists results in order of objective relevance to the search terms input into the search engine, with the most relevant websites appearing near the top of the web page.”¹⁵ In addition, the search-results page lists paid advertisements “above or to the right of the organic search results.”¹⁶ These paid advertisements are referred to as “sponsored links.”

“Google’s AdWords program is the keyword-triggered advertising program that generates the Sponsored Links section on the search-results screen.”¹⁷ Advertisers ***1159** bid on certain words or phrases, known as “keywords.”¹⁸ When a user’s search term matches an advertiser’s keyword, a sponsored link appears for that advertiser. The order and location of the sponsored link depends on the amount bid for the keyword *and* the quality of the advertisement.¹⁹ Consequently, the advertiser does not pay to be listed in a specific order on the search-results page.

When bidding on a keyword, an advertiser “may specify whether keywords should be applied as a ‘broad match,’ ‘phrase match,’ ‘exact match,’ or ‘negative match.’”²⁰ When an advertiser designates a keyword as a “broad match,” its sponsored link will appear anytime “a search is conducted for that keyword, its plural forms, its synonyms, or phrases similar to the word.”²¹ When an advertiser designates a keyword as a “phrase match,” its sponsored “link will appear when a user searches for a particular phrase,” even if the user includes other terms before or after the phrase.²² When an advertiser designates a keyword as an “exact match,” then its sponsored link will appear “only when the exact phrase bid on is searched on Google.”²³ In contrast, when an advertiser designates a keyword as a “negative match,” the advertiser “ensure[s] that its link [will] not appear when certain terms are searched.”²⁴ For example, a contact lens seller may specify that its link should not appear when the phrase “contact lists” is entered.²⁵

Both parties in this action pay for advertisement on a “cost-per-click” basis. This means if a keyword generates a sponsored link, but the Internet user does not click on that link, the advertiser does not pay for its link appearing on the search-results page. The appearance of an advertiser’s link on a user’s computer is called an “impression.”²⁶ An advertiser selects the language used in the impressions it generates. The language can be

important in capturing a user’s attention so the user will click on the link to an advertiser’s website. An advertiser can gauge the success of an impression by calculating how many impressions occur in comparison to the number of clicks. It is undisputed that many more impressions occur than clicks.

Impressions and Conversion Rates

It also is undisputed that not every click results in a sale. When a click does result in a sale, it is called a “conversion.” According to a summary of Google AdWords Data, an impression for Plaintiff’s link occurred about 99 million times between the years 2003 and 2008.²⁷ Approximately 2.5 million of the impressions were generated by five keywords that are Plaintiff’s mark or close variations.²⁸ Approximately 2.5 million additional impressions were generated by keywords that Plaintiff contends are other variations of its mark for a total ***1160** of about 5 million impressions between the two categories.²⁹ The remaining 94 million impressions were generated by keywords that Plaintiff does not contend are its trademark.³⁰ In particular, about 34 million impressions (about 34 percent) occurred based on the non-trademarked keywords, “Contacts; Contact Lenses; Contact Lens; contact; lenses, lens.”³¹ This means that 95 percent of the time, “1800Contacts” was not the keyword that generated the impression for Plaintiff’s link. Thus, most consumers do not search for “1800Contacts” specifically when they search the Internet for a contact lens supplier.

When Plaintiff’s link has appeared in response to a generic or brand name keyword, 1–800 Contacts only had a conversion about 5 percent of the time. When “1800Contacts” or a variant thereof was the keyword, Plaintiff had a conversion about 23 percent of the time. This data does not establish the search term used by consumers, which may have been different from the keyword, nor the type of “matching” of the keyword. It does show, however, that Plaintiff experienced a higher conversion rate when its service mark was the keyword that generated a “1800Contacts” impression.

Keywords Purchased by the Parties

Both parties purchase thousands of different keywords in an effort to direct traffic to their respective websites. Defendant alone purchased 8,016 keywords that pertained to contact lenses and different brands of contacts.³² Among these keywords, were the following: 1 800 contact lenses; 1800 contact lenses; 800 contact lenses; 800contacts.com; 800contacta.com; 800contavts.com;

800contaxts.com; 800contzcts.com; and 800conyacts.com.³³ These nine keywords generated about 1,626 impressions, 25 clicks, and \$20.51 in profits.³⁴ Although the keywords consisted of variations and misspellings of Plaintiff's service mark, none of them are Plaintiff's actual service mark. Plaintiff has presented no evidence to show that Defendant ever purchased Plaintiff's exact service mark as a keyword.³⁵ Rather, Plaintiff stated in its briefing that it "has never denied that *1161 the extent of Lens.com's Google purchases led to 1600 impressions in 2005."³⁶

In comparison, from about 2002 through 2008, *Plaintiff* purchased the following keywords from Google: 1 800 lens; 1 800 lense; 1 800 lenses; 1 800 the lens; 1 800 Lens; 1-800 lens; 1800 lenses; 1800lens; 1800lenses; 1-800-lenses; 800 lens; 800 lenses; 800lens. These keywords generated 91,768 impressions, 8,477 clicks, and about \$219,314 in profits for Plaintiff.³⁷ Based on the similarity of these keywords to Defendant's service marks "1-800 Lens.com" and "1-800-GET LENS," Defendant asserts that Plaintiff cannot claim infringement when it has engaged in the same behavior as Defendant.³⁸

Affiliate Marketing

Although Defendant itself has not purchased Plaintiff's specific service mark as a keyword, some of its affiliates have made such purchases. Advertisers hire persons called "affiliates" to help them with marketing. Often, the advertiser and affiliate do not have a direct relationship. Rather, a company establishes an affiliate network, and the advertiser deals directly with the company instead of the affiliate. Commission Junction is one of the largest companies that oversees an affiliate network. There are "a number of different ways" to conduct affiliate marketing.³⁹ Under one way, the affiliate bids on keywords related to an advertiser's product and develops the language for an impression. To a consumer, the impression appears "to be direct links to an advertiser's website."⁴⁰ When a user clicks on that affiliate's impression, the user is seamlessly taken through a number of websites before reaching the advertiser's website.⁴¹ "This process enables Commission Junction to determine which affiliate generated the 'click,' so that commissions can be properly paid..."⁴²

Under another way, an affiliate actually establishes its own website.⁴³ When a consumer clicks on an impression, the consumer is taken to the affiliate's website, which contains links to an advertiser's website for product purchases. At times, an affiliate's website will contain advertisements from competing companies to present the consumer with different choices.⁴⁴

Advertisers who use the Commission Junction network enter into a Commission Junction Access Advertiser Service Agreement (the "CJ Advertiser Agreement"). The agreement authorizes use of the advertiser's web links, trademarks, and services marks for the purpose of promoting the advertiser.⁴⁵ These rights are then sub-licensed to affiliates.⁴⁶ The agreement also authorizes advertisers to terminate an affiliate who fails to comply with an advertiser's program details or who breaches an *1162 advertiser's intellectual property rights.⁴⁷ The termination only precludes the affiliate from working on the advertiser's account. It does not terminate the affiliate from the Commission Junction network. The CJ Advertiser Agreement further specifies that the parties to the agreement shall be independent contractors and nothing in the business dealings "shall be construed to make them joint venturers or partners with each other."⁴⁸

In turn, affiliates who join the Commission Junction network enter into a Commission Junction Publisher Service Agreement (the "CJ Affiliate Agreement"). Under this agreement, the affiliate agrees to abide by an advertiser's program details.⁴⁹ It agrees that none of its promotional materials will "contain objectionable content."⁵⁰ The affiliate further warrants that its website will not infringe another's rights under any promotional methods.⁵¹ The affiliate also agrees that it "shall remain solely responsible for any and all Web sites owned and/or operated by [it] and all of [its] promotional methods."⁵² Additionally, the CJ Affiliate Agreement specifies the parties' relationship is "solely that of independent contractors" and does not create a partnership or joint venture.⁵³ Plaintiff did not present evidence of any direct contract between Defendant and its affiliates.

Defendant's Affiliates

Defendant used Commission Junction's affiliate network to market four separate accounts: Lens.com (3,881 affiliates); JustLenses (2,683 affiliates); 1-800-GET-LENS (2,036 affiliates); and Contacts America (1,941 affiliates).⁵⁴ Affiliates may choose to market more than one account, but each "account[] is separate and distinct."⁵⁵ Consequently, while some affiliates may have signed up to market more than one account, Defendant still had over 10,000 affiliate relationships.⁵⁶

Out of this number, Plaintiff presented evidence that two of the affiliates purchased Plaintiff's service mark as a keyword in 2007.⁵⁷ With respect to affiliate *1163 Ryan McCoy, Plaintiff contends that 550,000 impressions of the "justlenses.com" link occurred in response "to

customers searching for 1-800 Contacts” due to an employee of McCoy purchasing Plaintiff’s trademark as keywords.⁵⁸ Among others, McCoy’s employee bid on the following keywords: 1800contacts; 1800 contacts; 1800 contact; 1-800 contacts; 1-800-contacts; 1800 contact lens; 1800 contact lenses; 1 800 contacts.com; 1-800-contacts.com.⁵⁹ The following impressions were generated by the keywords:

1. *Buy Contacts Online* Simple online ordering of lenses.

Compare our prices and save!
www.JustLenses.com

2. *1-800 Contacts* Simple online ordering of lenses.

Compare our prices and save!
www.JustLenses.com

3. *1800 Contacts: Buy Online* Simple online ordering of lenses.

Compare our prices and save!
www.JustLenses.com

McCoy’s employee drafted the language for the impressions.⁶⁰ The first impression occurred about 489,000 times and resulted in 3,163 clicks. The second and third impressions, together, occurred about 65,183 times and resulted in 352 clicks (hereinafter the “Infringing Impressions”).⁶¹ Defendant acknowledges that the second and third impressions “present a different issue for consumers than does” the first impression.⁶²

With respect to affiliate Dustin Goggan, Plaintiff contends that 240,000 impressions and 1,445 clicks occurred in response “to customers searching for 1-800 Contacts” due to Goggan purchasing variations of its trademarked as keywords.⁶³ Unlike the other affiliate, none of Goggan’s impressions referred to “1800Contacts” anywhere in his advertisements. Instead, his impressions stated the following or had similar variations:

LensWorld.com 75% Off Up to 75% off Retail Price!
Free Shipping on Orders Over \$89
www.LensWorld.com

JustLenses.com Savings Up to 70% off Retail Price.
Name
Brand Contacts & Low Prices.
www.JustLenses.com⁶⁴

Because *Lens.com*’s Google purchases only amounted to about 1,600 impressions, Plaintiff acknowledges “the primary thrust *1164 of this cases involves the keyword

activities of *Lens.com Affiliates*.”⁶⁵

2005 Demands to Cease Use

As part of its business practice, Plaintiff conducts searches on the Internet that use its service mark or variations of it as the search term. On the search-results page, if an impression for a competitor appears, Plaintiff presumes the competitor has purchased its service mark as a keyword. On or about September 1, 2005, Plaintiff’s in-house counsel sent a letter to Defendant, which alleged that Defendant was “engaged in a targeted scheme to infringe upon the 1800 CONTACTS trademark.”⁶⁶ The letter further alleged that an advertisement for Defendant was “triggered upon a search for ‘1800 CONTACTS’ and thus, uses the 1800 CONTACTS trademark as a triggering keyword to advertise for your directly competitive goods and services.”⁶⁷ Plaintiff then demanded that Defendant cease (1) all infringing activities and (2) from having its advertisement appear in response to the “1800 CONTACTS” search term.⁶⁸ Plaintiff further demanded a response within seven days to confirm Defendant would “comply with our demands.”⁶⁹

After receiving no response, Plaintiff’s outside counsel sent a letter on or about September 20, 2005 that made similar allegations. The letter demanded a response within ten days or counsel would “take appropriate action as authorized by our client.”⁷⁰ Defendant’s counsel responded to the letter by e-mail on September 21, 2005. He stated, “We have looked into this matter and have determined that some of our affiliates appear to be involved in the problems you outlined. Upon identifying the appropriate individuals we will advise them to cease purchasing 1-800-CONTACTS from Google.”⁷¹

The following day, Plaintiff’s counsel sent a return e-mail thanking Defendant’s counsel for discussing the matter with him that morning.⁷² He further stated, “[w]e appreciate your client’s willingness to work towards an amicable solution on this matter.”⁷³ He then listed twenty terms and asked Defendant and its affiliates to implement negative matching for the specified terms.⁷⁴ Finally, he asked for a letter from Defendant about what actions Defendant would take “to prevent this issue from arising in the future.”⁷⁵ Plaintiff did not point to any letter to indicate Defendant complied with this request.

On or about November 30, 2005, Plaintiff’s outside counsel sent an e-mail to Defendant’s counsel. It informed him that Defendant’s ads were again appearing on *1165 Google and Yahoo in response to certain search terms.⁷⁶ The e-mail then stated: “We appreciate the

prompt action you have taken in the past in resolving these situations with your affiliates. We hope for a continued amicable relationship in resolving these situations.”⁷⁷ It then asked for details about how Defendant would resolve the latest situation. A similar e-mail was sent on December 7, 2005 regarding Defendant’s ads appearing on “search.aol.com.”⁷⁸ That same day, Defendant’s counsel replied by e-mail that he would have his “client look into your statements and see if we can determine who is doing it.”⁷⁹ Plaintiff made no further complaints until April 2007.

2007 Demand to Cease Use

In April 2007, Defendant again was notified by e-mail that impressions for its link were appearing when certain search terms were entered. This time, Plaintiff’s counsel complained that Defendant’s sponsored links were appearing on Google and Yahoo when the following search terms were used: 1 800 contact, 1800contact, 800 contacts, 800contacts, 1-800contacts.com, lens express, and lensexpress.⁸⁰

Plaintiff’s counsel stated in the e-mail, “[w]e recognize that your client works with an affiliate network and some of the advertisements may not be generated directly by your client. We appreciate the prompt action you have taken in the past in resolving these situations with your affiliates. We hope for a continued amicable relationship in resolving these situations.”⁸¹

Plaintiff attached multiple screen shots to the e-mail. Significantly, none of the screen shots was of the Infringing Impressions. Nor was any privacy report included to show from where an impression may have originated.⁸²

Defendant’s counsel responded by e-mail the same day. He stated that he would “speak with my client and see if we can determine why these sponsored listings are appearing. As you know, my client has a trademark for LENS and I assume you do not expect him to take any steps to stop his links from coming up when the word lens is a search term. That issue asie [sic], we will seek to determine why the other searches trigger a sponsored link.”⁸³

In August 2007, Plaintiff filed suit against Defendant because it allegedly had taken no action to correct the latest complaint. In October 2007, Commission Junction put Defendant in touch with an affiliate. Defendant informed the affiliate to implement certain negative keywords such as “1-800-Contacts.”⁸⁴ In November 2007, Defendant sent an e-mail to Commission Junction

and asked it to identify which affiliates were generating certain impressions.⁸⁵ It also asked Commission *1166 Junction to notify those affiliates to stop bidding on certain keywords so the “offending” impressions would cease. On the same day the e-mail was sent, Commission Junction was able to identify the affiliates and inform them to cease bidding on certain keywords.⁸⁶ The affiliates complied immediately. The affiliates who bid on the allegedly infringing keywords were McCoy’s employee and Goggan, as discussed above. Several other affiliates bid on variations of the keywords.

Defendant contends that it cannot tell from a screen shot or “privacy report alone ... which affiliate in the Commission Junction network caused the sponsored link to appear.”⁸⁷ Moreover, even if it could identify the affiliate, Defendant contends that it typically does not have access to the affiliates contact information.⁸⁸ Commission Junction generally keeps its affiliate information confidential.⁸⁹ E-mails exchanged with Commission Junction confirm that Defendant does not have access to an affiliate’s identifying information unless the affiliate or Commission Junction allows for disclosure.⁹⁰ Further evidence indicates that Defendant was unaware even by what network an affiliate was employed.⁹¹ Additionally, Defendant contends that it was unaware of what keywords affiliates bid on and that its affiliates determine the language for the impressions generated by their purchase of certain keywords.⁹²

Plaintiff disputes these contentions because an advertiser can require affiliates to institute negative matching whereby they are prohibited from generating impressions based on certain keywords. Accordingly, Plaintiff contends that Defendant does not have to know each keyword its affiliates bid on, it only needs to ensure they do not bid on certain keywords. Moreover, Defendant admits that it “communicates terms for its affiliate program to Commission Junction that Lens.com uses for the engagement of affiliates for Defendant.”⁹³ Defendant admits is “provides its Affiliates with a large selection of banners and textlinks to post.”⁹⁴

ANALYSIS

I. STANDARD FOR SUMMARY JUDGMENT

“Summary judgment is appropriate if the pleadings, depositions, other discovery *1167 materials, and affidavits demonstrate the absence of a genuine issue of material fact and that the moving party is entitled to judgment as a matter of law.”⁹⁵ “Once the moving party

has properly supported its motion for summary judgment, the burden shifts to the nonmoving party to go beyond the pleadings and set forth specific facts showing that there is a genuine issue for trial.”⁹⁶ “An issue is genuine ‘if the evidence is such that a reasonable jury could return a verdict for the nonmoving party.’ ”⁹⁷ The evidence and all reasonable inferences that may be drawn therefrom are construed “in the light most favorable to the nonmovant.”⁹⁸

With respect to trademark infringement, in the Tenth Circuit, “likelihood of confusion is a question of fact but one amenable to summary judgment in appropriate cases.”⁹⁹ “The party alleging infringement has the burden of proving likelihood of confusion.”¹⁰⁰

II. BENJAMIN EDELMAN’S DECLARATION

^[1] Before discussing the evidence presented in the summary judgment motions, the court must address a motion to strike Benjamin Edelman’s declaration on the grounds that it exceeds the scope of his designation as a rebuttal expert. “Rule 26(a)(2)(C)(ii) allows the admission of rebuttal testimony that is ‘intended solely to contradict or rebut evidence on the same subject matter identified by another party.’ ”¹⁰¹ “A rebuttal expert report is not the proper place for presenting new arguments, unless presenting those arguments is substantially justified and causes no prejudice.”¹⁰²

On October 15, 2008, Plaintiff was granted leave to amend its complaint to add a claim for secondary liability for the purported trademark infringement of Defendant’s affiliates. Defendant then moved for expert discovery to “be re-opened for the limited purpose of addressing “affiliate marketing issues that were newly raised in Plaintiff’s First Amended Complaint.”¹⁰³ The court granted Defendant’s motion and ordered it to file an expert report no later than December 31, 2008.¹⁰⁴ Plaintiff was permitted to file a rebuttal expert report no later than March 13, 2009.¹⁰⁵ Plaintiff did not ask for nor did the court grant it permission to designate a new affirmative expert.

Due to an anomaly in the court’s order, Defendant was required to submit its new expert report and summary judgment briefing before Plaintiff was required to submit its rebuttal report. Thus, Defendant first became fully aware of Edelman’s *1168 testimony when Plaintiff submitted his declaration *in support of Plaintiff’s motion* for summary judgment.¹⁰⁶ Defendant contends that Edelman’s declaration must be stricken because it is affirmative testimony rather than rebuttal testimony. Plaintiff contends the declaration properly rebuts Peter

Figueredo’s *expert report*.¹⁰⁷ Figueredo is Defendant’s expert on affiliate marketing.

As a rebuttal expert, Edelman may, at most, rebut the evidence presented by Figueredo. Moreover, the evidence that Edelman may rebut is *only* that evidence Defendant presented in support of its summary judgment motion, rather than the entire opinion stated in Figueredo’s expert report because Defendant did not submit the report to support its motion for summary judgment.¹⁰⁸

Edelman’s declaration is twenty-four pages long and its accompanying exhibits are enough to fill a three-inch binder. In contrast, Figueredo’s two declarations total seven pages. Comparing Figueredo’s declarations with Edelman’s declaration, it is clear that Edelman is offering affirmative testimony about affiliate marketing, and other subjects, rather than merely rebutting Figueredo’s testimony. Moreover, parts of Edelman’s declaration are improper in that he presents evidence not within his personal knowledge by reciting what another said in deposition and stating that testimony as fact, he opines on facts for which no expert testimony is needed, and he draws legal conclusions that are outside his role as an expert. Additionally, much of Edelman’s declaration consists of argument, which is not the proper use of an expert. Because Edelman’s declaration goes beyond the scope of the court’s order (by being an affirmative expert rather than a rebuttal expert), the court strikes all portions of his declaration that are not rebuttal testimony. Thus, only the following paragraphs of Edelman’s declaration are admissible:

Paragraphs 1–2; the first two sentences of paragraph 9; the last sentence of paragraph 22; the first four sentences of paragraph 23; the first sentence of paragraph 57; and the first three sentences of paragraph 64.

III. TRADEMARK INFRINGEMENT

A. General Background

^[2] Under the Lanham Act, “Congress recognized that every product [or service] is composed of a bundle of special characteristics and that the consumer who purchases what he believes is the same product [or service] expects to receive those special characteristics on every occasion.”¹⁰⁹ Plaintiff’s marks are registered as service marks. A “service mark” is “any word, name, symbol, or device, or any combination thereof ... used by

a person ... to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate *1169 the source of the services, even if that source is unknown.”¹¹⁰ Plaintiff is in the service of selling contact lenses made by other companies and uses its marks to distinguish its company from other companies that are engaged in the same service.

^[3] Plaintiff asserts that Defendant has violated Sections 32¹¹¹ and 43(a)¹¹² of the Lanham Act. Section 32 prohibits “the unauthorized use of any reproduction, counterfeit, copy or colorable imitation of a registered mark in a way that is likely to cause confusion in the marketplace concerning the source of the different products” or services.¹¹³ Section 43(a) addresses unfair competition and claims “to enforce unregistered trademarks,” whereas Section 32 “applies only to registered trademarks.”¹¹⁴ To prove a violation under either Section 32 or Section 43(a), the plaintiff must establish “(1) [its] mark is valid and legally protectable;” (2) it is the owner of the mark; (3) the defendant has used “the mark to identify goods or services,” and (4) such use “is likely to create confusion concerning the origin of the goods or services.”¹¹⁵ Rather than focusing their arguments on the distinguishing provisions of Sections 32 and 43(a), the parties direct their arguments largely to the issues of what constitutes “use” and whether there is a “likelihood of confusion.” The court’s analysis does the same.

B. Use in Commerce

1. Use of the Mark as a Keyword

The “use” element of trademark infringement requires proof that Defendant used Plaintiff’s service mark or a confusingly similar mark in commerce. Under the Lanham Act, a service mark is “deemed to be [a] use in commerce ... when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.”¹¹⁶ This case is unusual because it presents two different types of uses: one that is invisible to consumers and another that is visible. The purchase and use of keywords is invisible to consumers. Of the courts that have addressed the issue, a split exists “on the issue of whether the purchase ... of keywords that trigger advertising constitutes the type of ‘use’ contemplated by the Lanham Act.”¹¹⁷ Because a keyword is “invisible *1170 to potential consumers,” and merely operates as a “pure machine-linking function,” some courts have concluded that it is not a use in commerce.¹¹⁸ In contrast, other courts have concluded that use of another’s mark “to trigger internet advertisements for itself,” is a use in

commerce.¹¹⁹ The statutory language supports this latter conclusion.

^[4] The Lanham Act does not require use *and* display of another’s mark for it to constitute “use in commerce.” Rather, “use in commerce” occurs when a mark is “used *or* displayed in the sale or advertising of services and the services are rendered in commerce.”¹²⁰ Here, Plaintiff’s service mark was used to trigger a sponsored link for purposes of advertising and selling the services of Defendant. In other words, Plaintiff’s mark was used to promote Defendant’s services and to provide a consumer with a link to a website where it could make a purchase from Defendant.¹²¹ The court concludes such actions constitute a “use in commerce” under the Lanham Act.

Clear evidence has been presented that certain Lens.com affiliates purchased Plaintiff’s service mark as a keyword. Thus, the “use” requirement has been satisfied with respect to the identified Lens.com affiliates. Plaintiff has not presented evidence, however, that Defendant itself purchased Plaintiff’s service mark as a keyword.¹²² Rather, Defendant purchased similar variations or misspellings of the mark, such as “1 800 contact lenses” and “800contacts.com.” Because infringement can occur if the mark one uses is confusingly similar to another’s protected mark, if Plaintiff establishes that Defendant’s use of these variations and misspellings likely would result in consumer confusion, Defendant itself may be liable under the Lanham Act for using these variations. The court therefore addresses this issue below.

2. Use of the Mark in Advertisements

The second use at issue is the use of Plaintiff’s mark, or a similar variation, by a Lens.com affiliate in Internet advertisements. Approximately 65,000 impressions were generated that used Plaintiff’s mark or a similar variation of it in the advertisement. Neither party disputes that such “use” falls under the Lanham Act.

C. Applicable Standards for Likelihood of Confusion

1. Types of Confusion

^[5] Turning to the “likelihood of confusion” element, “[t]he Lanham Act is intended ‘to protect the ability of consumers to distinguish among competing producers,’ not to prevent all unauthorized uses.”¹²³ Consequently,

even if a use is *1171 unauthorized, it does not constitute trademark infringement unless such use is likely to cause confusion. “Confusion occurs when consumers make an incorrect mental association between the involved commercial” service providers.¹²⁴ Confusion also exists “when a mark is likely to deceive purchasers or users as to the source, endorsement, affiliation, or sponsorship of a [service provider].”¹²⁵

[6] Confusion can be (1) “direct confusion,” where a consumer believes “that the plaintiff is the source of the defendant’s products or services;” (2) “reverse confusion,” where the consumer believes “that the defendant is the source of the plaintiff’s products or services;” or (3) “initial interest confusion,” where “a consumer seeks a particular trademark holder’s product [or services] and instead is lured to ... a competitor by the competitor’s use of the same or a similar mark.”¹²⁶ With initial interest confusion, “[e]ven though the consumer eventually may realize that the product is not the one originally sought, he or she may stay with the competitor.”¹²⁷ Under such circumstances, the competitor captures “the trademark holder’s potential visitors or customers” and makes use of the “trademark holder’s goodwill.”¹²⁸

2. Relevant Inquiry for Likelihood of Confusion

[7] Notably, unlike the “use” requirement, which focuses on how a holder’s mark is used by a competitor, the “likelihood of confusion” element focuses on whether “consumers *viewing* the mark” will make an improper mental association or be confused about origin or sponsorship.¹²⁹ Indeed, “[w]hat is infringed is the right of the public to be free of confusion and the synonymous right of a trademark owner to control his product [or service’s] reputation.”¹³⁰ Plaintiff contends that the purchase of its mark as a keyword satisfies this element because Defendant is capitalizing on its good will and reputation. Additionally, the keyword triggers an advertisement that either directly confuses a consumer or causes initial interest confusion due to a type of “bait and switch.” Plaintiff cites to the case of *Australian Gold* to support its contention.

Australian Gold involved the “unauthorized resale over the internet of indoor tanning lotions.”¹³¹ The plaintiff called its tanning lotions “Australian Gold” and “Caribbean Gold” and had registered those terms as trademarks.¹³² The plaintiff exerted control over how and where its products were distributed.¹³³ The defendants obtained the tanning lotions from corrupt distribution

channels and then attempted to conceal their unauthorized sale of the products over the Internet.¹³⁴

*1172 The defendants created seven different websites that “displayed pictures and descriptions” of the tanning lotions and used the trademarks on the site.¹³⁵ The defendants further used the trademarks in meta tags,¹³⁶ and purchased a preferred listing from Overture.com that guaranteed “one of Defendants’ Web sites would be among the first three listed if either of Plaintiff’s trademarks was used in an internet search query.”¹³⁷ The court concluded that these actions all attempted to capitalize on the goodwill of the plaintiff through initial interest confusion, and thus, were a violation of the Lanham Act.¹³⁸

The facts of *Australian Gold* are significantly different from Defendant’s actions in this case. In *Australian Gold*, the defendants did not just use plaintiff’s mark to generate a sponsored link. Instead, they used the mark to obtain a preferred position anytime a consumer searched for the plaintiff’s trademark on the Internet.¹³⁹ Moreover, they used the plaintiff’s mark as metatags for its website and then displayed the trademarks and plaintiff’s products on its websites. They did all of this through corrupt distribution channels and deceit. Notably, the court did *not* address whether the purchase of a trademark as a keyword alone could result in initial interest confusion.¹⁴⁰

Another case Plaintiff offers to support its position is *Brookfield Communications, Inc.*¹⁴¹ In that case, the defendant used the plaintiff’s “mark in its metatags [and] caused numerous search engines to display a link to defendant’s web site when users searched” using plaintiff’s mark on the Internet.¹⁴² The Ninth Circuit concluded that use of plaintiff’s mark in metatags did not create as much confusion as other uses of the mark.¹⁴³ It noted, however, that web surfers were “taken by a search engine” to the defendant’s web site, and thereby could be diverted from the plaintiff’s product.¹⁴⁴ It therefore concluded that “defendant’s use of plaintiff’s mark ... resulted in initial interest confusion because defendant was improperly benefitting from the goodwill plaintiff developed in its mark.”¹⁴⁵

*1173 Here, Plaintiff contends Lens.com advertisements constitute a similar “bait and switch” that spawns confusion. Plaintiff asserts that whenever a Lens.com advertisement appears when a consumer enters the search term “1800Contacts,” it is akin to a consumer asking a pharmacist for *Advil* and the pharmacist handing the consumer *Tylenol*. This analogy mischaracterizes how search engines function. A more correct analogy is that when a consumer asks a pharmacist for *Advil*, the

pharmacist directs the consumer to an aisle where the consumer is presented with any number of different pain relievers, including Tylenol. If a consumer truly wants Advil, he or she will not be confused by the fact that a bottle of Tylenol is on a shelf next to Advil because of their different appearances.

This analogy is supported by case law. In *J.G. Wentworth*, a court questioned the *Brookfield* decision because of its “material mischaracterization of the operation of internet search engines.”¹⁴⁶ “At no point are potential consumers ‘taken by a search engine’ to defendant’s website due to defendant’s use of plaintiff’s marks in meta tags.”¹⁴⁷ Instead, “a link to defendant’s website appears on the search results page as one of many choices for the potential consumer to investigate.”¹⁴⁸ When the link does not incorporate a competitor’s mark “in any way discernable to internet users and potential customers,” there is “no opportunity to confuse defendant’s services, goods, advertisements, links or websites for those of” its competitor.¹⁴⁹

“Likelihood of confusion” signifies more than a mere possibility. Unless consumer confusion likely can be shown from one’s use of another’s mark, there is no infringement under the Lanham Act. The trouble with focusing on “use” over “confusion” is amply demonstrated in this case. Plaintiff monitors use of its mark by others on the Internet. It does so by entering its mark or a variation of it as a search term. If a competitor’s advertisement appears on the search-results page, it sends a cease and desist letter to the competitor to preclude the competitor’s advertisement from appearing on the same page as Plaintiff.

Notably, however, ninety-five percent of the impressions for Plaintiff are triggered by non-trademarked keywords such as contacts, contacts lenses, or by brand names such as Acuvue or Focus. When a company incorporates broad matching for terms such as “contacts or contact lenses,” its sponsored link will appear even if the search term is “1800Contacts.” In other words, simply because the search term is “1800Contacts,” does not mean the keyword generating the sponsored link also was 1800Contacts or a similar variation thereof. One cannot tell from a screen shot alone what keyword generated the sponsored link.

The end result, though, is that when a consumer enters “1800Contacts” as a search term, it will see a competitor’s advertisement anytime the competitor bids on “1800Contacts” “contacts” or “contact lenses” as a broad match. If the advertisement remains the same regardless of which search term triggers it, there is no

more likelihood of confusion for the advertisement triggered by the trademark versus the advertisement triggered by the generic phrases. Nor is there any greater *1174 impact on the goodwill or reputation of the trademark holder¹⁵⁰ It is beyond dispute that a competitor cannot be held liable for purchasing a *generic keyword* to trigger an advertisement that does not incorporate a holder’s mark in any way, even if that competitor’s advertisement appeared when a *consumer* entered a trademarked *search term*. Given that fact, it would be anomalous to hold a competitor liable simply because it purchased a trademarked keyword when the advertisement generated by the keyword is the exact same from a consumer’s perspective as one generated by a generic keyword. Imposing liability under such circumstances would elevate “use” over consumer confusion.

^[8] As stated above, Plaintiff sends cease and desist letters anytime a competitor’s advertisement appears when Plaintiff’s mark is entered as a search term. Were Plaintiff actually able to preclude competitor advertisements from appearing on a search-results page anytime its mark is entered as a search term, it would result in an anti-competitive, monopolistic protection, to which it is not entitled. Because a consumer cannot see a keyword, nor tell what keyword generated an advertisement, the court concludes that the mere purchase of a trademark as a keyword cannot *alone* result in consumer confusion. Accordingly, the relevant inquiry here regarding consumer confusion is not just what keyword was purchased, but what was the language of the advertisement generated by that keyword.

D. Factors for Determining Likelihood of Confusion

^[9] In the Tenth Circuit, the following non-exhaustive factors are considered when determining if “confusion exists between two marks:”

- (1) the degree of similarity between the marks;
- (2) the intent of the alleged infringer in adopting its mark;
- (3) evidence of actual confusion;
- (4) similarity of products and manner of marketing;
- (5) the degree of care likely to be exercised by purchasers; and
- (6) the strength or weakness of the marks.¹⁵¹

“[T]he relative importance of each individual factor will be case-specific.”¹⁵² If other factors are relevant, they, too, must be considered.¹⁵³ Ultimately, the court’s role is to determine whether “the evidence as a whole” presents

“sufficient proof of a likelihood of confusion to warrant a trial of the issue.”¹⁵⁴

1. Similarity of Marks

^{[10][11]} “In both confusion of source and confusion of sponsorship cases, the similarity of the marks factor constitutes the heart of [the court’s] analysis.”¹⁵⁵ “The degree of similarity between marks rests on sight, sound, and meaning,” with similarities being “weighed more heavily *1175 than differences.”¹⁵⁶ “The similarity between two marks is an important factor ... because one’s adoption of a mark similar to a preexisting mark not only bears independently upon the likelihood of confusion, but also may support an inference that one intended to draw upon the reputation of the preexisting mark.”¹⁵⁷ The “court must determine whether the allegedly infringing mark will confuse the public when singly presented, rather than when presented side by side with the protected trademark.”¹⁵⁸ Although no one factor is dispositive, “[o]verwhelming visual dissimilarity can defeat an infringement claim, even where” other factors “weigh in favor of the plaintiff.”¹⁵⁹ Here, the court must consider the degree of similarity between Plaintiff’s service mark and the Lens.com advertisements appearing on the search-results page.

a. Advertisements Without Plaintiff’s Mark

The advertisements at issue in this case fall under two groups. Those that did not use Plaintiff’s mark or a similar variation in the advertisement and those that did. The relevant screen shots that Plaintiff sent to Defendant in 2007 stated the following, or were variations of the following:

Lens.com Official Site—save 70% on Contacts w/ Lens.com Great Service, Huge Lens Selections. www.Lens.com.

1-800-Discount**Contacts** www.Lens.com Great prices. Huge selection. Free Delivery. Acuvue on Sale Now.

Lens.com—**Contact Lenses** www.Lens.com Save 70% on Contact Lenses. Easy Ordering & Fast Delivery.

BuyContactsOnline Simple online ordering of lenses. Compare our prices and save! www.JustLenses.com

The closest advertisement to Plaintiff’s mark is the second one listed above. Yet, even that mark is dissimilar for both sight and sound. Moreover, it introduces the concept of a “discount,” which Plaintiff’s mark does not do. The other advertisements have no reference to “1-800.” Although both Plaintiff’s mark and the advertisements have “contact” or “contacts” in them, the composite view of the advertisements are overwhelmingly dissimilar for both sight and sound.

^[12] The only similarity between Plaintiff’s mark and the advertisements is that they all pertain to contact lenses. Because there are many providers of contact lenses, the fact that they all have the same meaning is unlikely to create consumer confusion. Moreover, the names “Lens.com” and “JustLenses” are also greatly dissimilar from “1800Contacts.” Such dissimilarities sustain an inference that Defendant did not attempt to confuse consumers or draw on the reputation of Plaintiff’s preexisting mark. The court therefore concludes that this factor strongly favors Defendant for these advertisements.

b. Advertisements with Plaintiff’s Mark

^[13] With respect to the advertisements generated by Defendant’s affiliates, approximately 65,000 impressions were generated by the following advertisements:

***11761-800 Contacts** Simple online ordering of lenses. Compare our prices and save! www.JustLenses.com

1800 Contacts: Buy Online Simple online ordering of lenses. Compare our prices and save! www.JustLenses.com

It is apparent the advertisements used Plaintiff’s mark or a close variation of it. The similarity of sight, sound and meaning strongly weighs in favor of Plaintiff for the affiliate advertisements.

2. Intent to Copy

^[14] “Proof that a defendant chose a mark with the intent of copying the plaintiff’s mark may, standing alone, justify an inference of likelihood of confusion.”¹⁶⁰ In the Tenth Circuit, courts focus on “whether defendant had the intent to derive benefit from the reputation or goodwill of plaintiff.”¹⁶¹ Moreover, “[a]ll doubts must be resolved

against [the defendant].”¹⁶²

^[15] Defendant’s advertisements all took care not to copy or refer to Plaintiff’s mark, and its chosen name also does not copy or refer to Plaintiff’s mark in anyway. These facts show Defendant did not intend to copy Plaintiff’s mark. Moreover, Defendant itself did not purchase Plaintiff’s mark as a keyword. Instead, it purchased variations of it. Nevertheless, for this particular factor, one could argue that Defendant’s purchase of the variant keywords is relevant and was done to derive benefit from Plaintiff’s reputation or goodwill by generating an advertisement for Defendant.

Defendant has shown, however, that any such benefit was a *de minimus* part of its business. Defendant purchased over 8,000 keywords, of which only nine are complained about by Plaintiff. Those nine keywords generated about 1,600 impressions out of more than 112 million impressions that have been linked to Defendant between the years 2004 and 2008.¹⁶³ This, too, demonstrates that Defendant was not targeting its marketing efforts to ride on Plaintiff’s reputation or goodwill. While all doubts must be construed against Defendant, there is insufficient evidence to create a doubt about Defendant’s actions. The court therefore concludes this factor is, at most, neutral with respect to Defendant.

In contrast, a Lens.com affiliate not only purchased Plaintiff’s mark as a keyword, but it copied it or a close variation thereof in its advertisements. This justifies an inference of likelihood of confusion with respect only to the affiliate’s actions.

3. Evidence of Actual Confusion

^[16] “Actual confusion in the marketplace is often considered the best evidence of likelihood of confusion.”¹⁶⁴ Plaintiff contends it has shown actual confusion based on a survey conducted by Carl Degen. As stated in a separate decision, the court granted Defendant’s motion to strike Degen’s consumer-confusion survey and *1177 those portions of his expert report and declarations that dealt with consumer confusion. Moreover, in deposition, Plaintiff admitted it knew of no actual case where a consumer was confused by a Lens.com advertisement appearing after a consumer entered a search for Plaintiff.¹⁶⁵ Consequently, Plaintiff has presented no admissible evidence of actual confusion. This factor weighs in favor of Defendant.

4. Similarity of Products and Manner of Marketing

^[17] “The greater the similarity between the products [or services], the greater the likelihood of confusion.”¹⁶⁶ At times, this factor is analyzed “separately considering (1) the similarity of products and (2) the similarity in the manner of marketing the products.”¹⁶⁷ Here, with respect to “similarity of products [or services],” both parties offer the same service—selling contact lenses on the Internet to the public. Moreover, both companies offer many of the same brands of lenses. Thus, there is similarity both in the products and in the services, which weighs in favor of confusion.

With respect to “manner of marketing,” Plaintiff advertises extensively on television and the Internet. Defendant only advertises on the Internet. The relevant market therefore is narrowed to the Internet. On the Internet, both parties market through sponsored links. Although the sponsored links appear on the same search page, “[t]his similarity would dispel rather than cause confusion ... because the websites are separate and distinct, suggesting two completely unrelated business entities.”¹⁶⁸ Nevertheless, there is sufficient similarity in marketing that this factor weighs somewhat in favor of Plaintiff.

5. Degree of Care Exercised by Purchasers

^{[18][19]} “When consumers exercise a high degree of care in selecting services, the likelihood of confusion shrinks.”¹⁶⁹ To purchase contact lenses, one must have a prescription and take care to ensure both the prescription and brand are correct. Who sells the contacts, though, may be of less importance, especially if one retailer sells the same brand for less. Thus, it is unlikely that consumers exercise a high degree of care in selecting this service. This factor weighs in favor of confusion.

6. Strength or Weakness of Plaintiff’s Mark

^{[20][21][22]} The final factor pertains to the strength of Plaintiff’s mark. “The stronger the mark, the greater the likelihood that encroachment on the mark will cause confusion.”¹⁷⁰ “The categories of trademarks in ascending order of relative strength are:(1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful.”¹⁷¹ “A generic name is the name of a particular class of things or a member of such a class, and it usually answers the *1178

question ‘What do you call it?’”¹⁷² Generic terms cannot receive trademark protection. In contrast, a descriptive term “describes the intended purpose, function or use of the goods.”¹⁷³ A term may be generic in one context, but descriptive in another.¹⁷⁴ For example, “contacts” is a generic term that names a particular thing, while “1800Contacts” is descriptive of the intended service of providing contact lenses. In this case, Plaintiff’s mark is descriptive.

^{[23][24]} “A descriptive mark may receive protection only when it has acquired a secondary meaning by becoming distinctive of the applicant’s [services] in commerce.”¹⁷⁵ In other words, a descriptive mark acquires secondary meaning when the public views the mark as identifying the *source* of a product or service rather than just the product or service itself. Once a mark obtains incontestable status, its secondary meaning cannot be challenged.¹⁷⁶ This does not mean, however, that incontestable status “dictate[s] the conclusion that the mark is strong.”¹⁷⁷ “To assess the relative strength of a mark, one must consider the two aspects of strength: (1) Conceptual Strength: the placement of the mark on the distinctiveness or fanciful-suggestive-descriptive spectrum; and (2) Commercial Strength: the marketplace recognition value of the mark.”¹⁷⁸

a. *Conceptual Strength*

^{[25][26][27]} “A mark is strong if it is highly distinctive” meaning “the public readily accepts it as the hallmark of a particular source.”¹⁷⁹ A mark can be distinctive “because it is unique, because it has been the subject of wide and intensive advertisement, or because of a combination of both.”¹⁸⁰ Conceptual strength focuses on the uniqueness of the mark. The degree of use by others also may go to the mark’s conceptual strength.

A strong trademark is one that is rarely used by parties other than the owners of the trademark, while a weak trademark is one that is often used by other parties. The greater the number of identical or more or less similar trademarks already in use on different kinds of goods [or services], the less is the likelihood of confusion between any two specific goods [or services] incorporating the weak mark.¹⁸¹

^[28] In this case, Plaintiff began using its mark in the mid-1990s when the Internet had little presence and telephone orders were more common. Indeed, Plaintiff *1179 is a mnemonic to aid customers in remembering Plaintiff’s telephone number. When one dials a telephone number to place an order, that number only connects to

one source. Selecting its particular name in the 1990s therefore made sense. Nonetheless, the mark itself has no distinctive component. It is comprised of generic terms that only in combination moved it from a generic mark to a descriptive mark.

Now, the Internet has opened a new arena for marketing. While Plaintiff’s mark may have functioned well for telephone orders, it presents a problem on the Internet due to how search engines function. When searching for a particular product, one must enter that product name as a search term. Certainly, when searching for “contact lenses” on the Internet, it would not be surprising if such terms as “contacts, contact lenses, and contact lens” are among the most searched terms. Thus, it also should not be surprising that companies besides Plaintiff and Defendant use these terms in their Internet advertisements.¹⁸² The strength of Plaintiff’s mark on the Internet is weakened by the very nature of how third parties use generic and descriptive words on search engines.

Moreover, the phrase “1-800” is also used by different contact lens companies who offer customers a toll free number to call. For example, Defendant presented evidence that the following marks currently exist for other competitors: 1-800 Any Lens; Dial a Contact Lens (1800238Lens); and 1-800 New Lens.¹⁸³ While the court recognizes that Plaintiff’s mark must be viewed as a whole, rather than by its parts, this does not nullify the problem that others necessarily must use similar generic and descriptive phrases to market their product on-line or through a toll free number. Taking these facts together, the court concludes that Plaintiff’s mark has weak conceptual strength.

b. *Commercial Strength*

^[29] “The commercial strength of the mark also influences the strength of a trademark.”¹⁸⁴ Under the commercial-strength inquiry, one looks at the marketplace to determine if “a *substantial number* of present or prospective customers understand the [mark,] when used in connection with a business, to refer to a particular person or business enterprise.”¹⁸⁵ Commercial strength may be obtained, in part, “because of wide and intensive advertisement.”¹⁸⁶

In this case, Plaintiff has spent \$220 million on advertising. From 2003 to 2008, it spent \$11 million advertising on Google alone. Plaintiff also has presented evidence from a consumer awareness survey. A question

on the survey asks respondents: “Which companies have you ever seen or heard of that sell contact lenses by phone, mail, or on the Internet?”¹⁸⁷ The first answer by a respondent is recorded.¹⁸⁸ The respondent is then asked to name *1180 other companies that sell contact lenses by phone, mail, or on the Internet.¹⁸⁹ In 2008, forty percent of the respondents who wore contact lenses mentioned Plaintiff first. In contrast, only about one percent of respondents listed the next closest competitor.¹⁹⁰

While the survey provides evidence that the name “1800Contacts” has marketplace recognition, it is not without its flaws. Because the survey questions asked about “phone,” “mail,” and “Internet” together, the survey does not disclose how many respondents recognize Plaintiff as a Internet retailer.¹⁹¹ Consequently, the degree of recognition that Plaintiff has obtained on the Internet versus other marketing channels is unknowable from the survey. Separate evidence indicates, however, that Plaintiff’s profits from the Internet have been increasing over the years, to the point that they now exceed Plaintiff’s other marketing channels.¹⁹² This shows an Internet presence.

A second problem with the survey results from how questions were asked versus how they were recorded. The survey asked an open-ended question about which companies a respondent had heard sold contacts by phone, mail, or the Internet. Yet, the person recording the answer had to fit the answer into a category from a close-ended list.¹⁹³ Since the survey was not double-blind, this survey design may have led to unintended interviewer bias.¹⁹⁴ Respondents do not always provide a clear and precise answer. Instead, people may “say, oh, I don’t know, it’s a 1-800 number, or they say, oh it’s got—you know, it’s contact something.”¹⁹⁵ Because these answers do not fit cleanly within the close-ended list of possible responses, an interviewer, in a non-double blind study, may be more apt to record it as the desired answer of “1800Contacts.”¹⁹⁶ This weakness in the survey design lessens its probative value.

Moreover, the survey results are somewhat marginal. Courts have found that consumer awareness exceeding fifty percent provides good evidence while “a recognition figure of thirty-eight percent” provides only marginal evidence.¹⁹⁷ Here, forty percent of survey respondents who wore contact lenses demonstrated market awareness of “1800Contacts.” Although this figure is closer to marginal evidence, it is important to note that it was derived from an open-ended question that did not suggest the answer, and it was significantly higher than the next closest competitor. Additionally, Plaintiff has presented evidence that between the years 2003 and 2008 about 2.5 million

impressions were generated on the Internet specifically matching the keyword “1800Contacts” or a close variation. This, too, shows some market recognition of Plaintiff. The number is tempered by the fact that it only *1181 represents about two-and-a-half percent of the total impressions for Plaintiff.¹⁹⁸ Thus, while the survey, advertising expenditures, Internet profits, number of impressions, and the mark’s incontestable status all present evidence of the mark’s commercial strength, the evidence is weakened by other factors. This, combined with the mark’s weak conceptual strength, indicates that Plaintiff’s mark is only moderately strong.

c. Applicability to the Parties

^[30] As stated above, the stronger the mark, the more likely it is that *encroachment* on the mark will cause confusion. “A strong trademark is, by definition, a trademark that triggers an immediate association with one particular source, and that association carries over to the *same mark or a similar one* used on other goods or services.”¹⁹⁹ Thus, while strength of the mark may lead to confusion when the same or similar mark is used on other goods or services, the inverse appears true when a competitor’s mark is dissimilar. For example, Coca-cola is a strong brand. If a competitor were to impose the name Coca-cola on its bottle but use a color for its label other than red and white, a consumer still may be confused as to source because “Coca-cola” signifies a distinct source. In contrast, if a competitor used its own name, such as “Shasta” on a color scheme other than red and white, it is unlikely a consumer would be confused as to source. The “strength of the mark” factor is therefore only indicative of confusion when a competitor encroaches by using the same or similar mark on its goods or services.

Here, Defendant’s name bears no resemblance to Plaintiff’s. Nor did its advertisements include Plaintiff’s mark or a similar variation of it. Due to the strength of Plaintiff’s mark, there is little possibility that a consumer would confuse Defendant with Plaintiff.²⁰⁰ In contrast, a Lens.com affiliate did use a similar variation of Plaintiff’s mark in his advertisements. Based on the strength of Plaintiff’s mark, a consumer likely would be confused about source with respect to the affiliate’s advertisements.

In sum, for Lens.com advertisements that do not use Plaintiff’s mark, there is (1) overwhelming dissimilarity between Plaintiff’s mark and the advertisements; (2) a neutral intent; (3) no evidence of actual confusion; (4) similarity in the products and some similarity in the manner of marketing; (5) a low degree of care exercised

by consumers when purchasing contacts; and (6) little likelihood of confusion due to an inverse relationship between the strength of Plaintiff's mark and the lack of encroachment by Defendant's advertisements. Although the fourth and fifth factors weigh in favor of Plaintiff, these factors do not have the same degree of weight as the other factors. The first factor is the "heart" of a confusion case, and it weighs strongly in defendant's favor. Moreover, the absence of confusion and lack of encroachment by Defendant's advertisements also weigh in its favor. Taken together, these factors show there is insufficient evidence for a jury to conclude that Defendant infringed on Plaintiff's mark for all advertisements that did not use Plaintiff's mark in them. The court *1182 therefore grants summary judgment in Defendant's favor on this issue.

For the Lens.com advertisements that did use Plaintiff's mark, namely the 65,000 impressions generated by a Lens.com affiliate, the court concludes there is a strong likelihood of confusion when the factors are considered in totality. This does not end the analysis, however, because Plaintiff did not name the affiliate as a party. Instead, it seeks to impose liability on Defendant for the actions of its affiliate. Thus, the court must address whether the affiliate's action may be imputed to Defendant.

IV. SECONDARY INFRINGEMENT

A. Inducement of Infringement and Vicarious/Joint Infringement

In its Amended Complaint, Plaintiff asserts a claim for secondary infringement against Defendant that lumps all theories of secondary liability under one cause of action. In its briefing for summary judgment, Plaintiff also takes little care to sort out the different theories of secondary infringement, despite the fact that they have different elements. In connection with other theories, Plaintiff asserts a claim for vicarious/joint infringement, but does not specifically develop it. Merely asserting that a partnership exists or that one jointly infringed does not make it so, and Plaintiff has presented insufficient evidence to prove partnership or joint infringement. In another instance, Plaintiff asserts in a footnote that Defendant is also liable under "inducement of infringement based, in part, on Lens.com's notice of the infringement and failure to communicate either that notice or instructions to its affiliates."²⁰¹ That is the sum total of its argument. The court will not consider theories of liability that a plaintiff spends so little effort in developing.²⁰² It is the party's role to present evidence and develop theories, not the court's to cull through the evidence to see if a theory may be supported. The court

therefore grants summary judgment in Defendant's favor on the theories of "inducement of infringement" and "vicarious/joint liability."

B. Vicarious/Agency Infringement

Another theory of secondary liability that Plaintiff asserts is vicarious liability arising from an agency relationship. Notably, in *Mini Maid Services Co.*, the Eleventh Circuit expressly recognized that even though a licensor has a duty to supervise how a licensee utilizes the licensor's mark, it has no corresponding duty to "diligently prevent the independent acts of trademark infringement that may be committed by the [licensee]."²⁰³ Rather, it is the licensee who typically is "held accountable by the owner of the infringed mark."²⁰⁴ Consequently, the Lanham Act "does not automatically saddle the licensor with the responsibilities under state law of a principal for his agent."²⁰⁵ Even if an agency relationship can arise under the Lanham Act, the facts of this case do not support such a relationship.

*1183^{[31][32]} "Agency is the fiduciary relation which results from the manifestation of consent by one person to another that the other shall act on his behalf and subject to his control, and consent by the other so to act."²⁰⁶ Under such a relationship, an agent is charged to "act primarily for the benefit of the principal."²⁰⁷ At times a principal can be liable for the actions of an independent contractor. Specifically,

when a principal authorizes its contractor agent to conduct and conclude a transaction with third parties on the principal's own behalf, and the principal benefits from the contracts, the principal will be liable in an action brought pursuant to section 43(a) of the Lanham Act based on the agents' *foreseeable* infringing actions....²⁰⁸

Plaintiff focuses its argument on the degree of control that Defendant had over its affiliates to prevent them from bidding on certain keywords. Defendant also had control over "its website, its website link, and participation in its affiliate program."²⁰⁹ The evidence supports these assertions, but the assertions miss the mark because purchase of the keywords did not constitute an infringing act. Rather, it was the language of the 65,000 impressions, which referred to Plaintiff, that created a likelihood of confusion. Only as to those impressions may Defendant be vicariously liable if an agency relationship exists.

^[33] Under the Commission Junction agreements, Defendant can set forth terms and conditions for its program that an affiliate must abide by. If an affiliate does not abide by Defendant's program detail, Defendant has

the authority to terminate that affiliate from its program. Defendant also can communicate additional requirements through newsletters and other similar resources. Nonetheless, Defendant has little direct contact with affiliates, and often has no contact information for an affiliate. When Defendant learned about an affiliate using a close variation of Plaintiff's mark in an advertisement, it had no way to directly communicate with the affiliate to direct him to stop. Instead, Defendant had to ask Commission Junction to identify the affiliate and communicate to him that his actions were improper.

Defendant has no authority "to monitor or supervise affiliate operations except to police their use of [Lens.com's] own service mark."²¹⁰ Nor does Defendant exercise any degree of control over an affiliate's website. Instead, its affiliates remain solely responsible for the content of their websites. Although Lens.com affiliates do expend effort to promote Defendant's service mark, they nevertheless act "primarily for their own benefit."²¹¹ Indeed, Lens.com affiliates can promote other contact lens providers at the same time they are promoting Defendant by having links to different competitors on their websites. Lens.com affiliates therefore do not act in a fiduciary capacity that is typical when an agency relationship exists. Moreover, the *1184 evidence shows that affiliates typically choose the language of their advertisements. In particular, McCoy acted autonomously in choosing the language of the 65,000 Infringing Impressions.

Additionally, Plaintiff has failed to show that McCoy was vested with authority to conduct and conclude transactions on behalf of Defendant. McCoy's employee purchased keywords that generated impressions. Those impressions then linked to Defendant where a customer could make a purchase. McCoy had "no power to alter the legal relations of [Lens.com]," nor could he "bind [Lens.com] to any contract."²¹² Instead, Defendant "retain[ed] exclusive authority to accept or reject the orders of customers" who accessed its website through a McCoy advertisement.²¹³ Considering these facts in totality, the court concludes that no jury could reasonably find that an agency relationship existed between Defendant and McCoy. Hence, Defendant cannot be held vicariously liable for McCoy's actions.

C. Contributory Infringement

^{[34][35]} Finally, Plaintiff asserts a claim for contributory infringement. "Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts."²¹⁴ In *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, the Supreme Court explained

contributory infringement claims as follows:

Liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another. Even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances. Thus, [1] if a manufacturer or distributor intentionally induces another to infringe a trademark, or [2] if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.²¹⁵

Although "the *Inwood* case involved a manufacturer-distributor," the Court did not limit its decision only to those situations.²¹⁶ The Tenth Circuit has expressly extended contributory infringement to "licensors, franchisers, or to similarly situated third parties."²¹⁷ "For contributory trademark infringement liability to lie" with a service provider, however, it "must have more than a general knowledge or reason to know that its service is being used to [infringe]. Some contemporary knowledge of which particular [acts] are infringing or will infringe in the future is necessary."²¹⁸ Importantly, "the doctrine of contributory trademark infringement should not be used to require defendants to refuse to provide a product or service to those who merely might infringe the trademark."²¹⁹

*1185^[36] Here, Defendant authorized its affiliates to use its name in their advertisements; consequently, it may be subject to the law of contributory infringement. Plaintiff, however, has not presented any evidence that Defendant intentionally induced the affiliates to infringe on Plaintiff's mark. At most, Plaintiff has presented evidence that Defendant did not institute negative keywords and that it knew of some of the keywords that a few affiliates were using in their advertising efforts. As discussed above, however, trademark liability cannot attach from the mere use of a trademark as a keyword. Thus, none of the evidence presented by Plaintiff demonstrates that Defendant intentionally induced its affiliates to infringe on Plaintiff's mark. Defendant therefore cannot be liable under the first *Inwood* determinant.

Turning to the second *Inwood* determinant, Plaintiff must prove both knowledge and that Defendant continued to supply its "service" despite knowing its affiliates were engaged in trademark infringement. Under this prong, courts look at whether "the contributing party intended to participate in the infringement or actually knew about the infringing activities."²²⁰ One cannot be "willfully blind," however, and escape liability.²²¹ To be willfully blind, "a

person must suspect wrongdoing and deliberately fail to investigate.”²²²

^[37] The relevant inquiry here has been narrowed to the 65,000 Infringing Impressions generated by one Lens.com affiliate. Because the court has concluded that all other advertisements and keyword uses were not likely to cause confusion, they cannot form the basis for contributory infringement. With respect to the 65,000 Infringing Impressions, Plaintiff has failed to show that Defendant knew about the infringement and failed to take action or was willfully blind to it.

In April 2007, Plaintiff notified Defendant that Lens.com advertisements were appearing when search terms related to Plaintiff were entered on Google and other search engines. Attached to that notification were a number of screen shots depicting Lens.com advertisements and advertisements from other contact lens companies. No privacy reports were submitted with those screen shots based on the evidence that was provided to the court.²²³ Other evidence shows, however, that some of the advertisements were Goggan’s and McCoy’s and were triggered because they purchased Plaintiff’s mark as a keyword. Significantly, however, *none* of the attached screen shots contained the “infringing” McCoy advertisements.²²⁴ Instead, they were of the other, ***1186** non-infringing advertisements that Goggan and McCoy generated. Thus, in April 2007, Plaintiff did nothing more than provide general information to Defendant that a non-infringing advertisement was appearing upon entry of certain *search terms*. Defendant therefore cannot be charged with knowledge or willful blindness based on that information.²²⁵ Nor did the information impose a burden on Defendant to go search out all of its affiliates’ actions to make sure none of them were using Plaintiff’s mark.

In August 2007, Plaintiff filed suit against Defendant. Within the body of the complaint, Plaintiff included a screen shot showing the following advertisement:

1-800 Contacts Simple online ordering of lenses.
Compare our prices and Save!
www.JustLenses.com²²⁶

This is one of McCoy’s Infringing Impressions, and it gave notice to Defendant that an affiliate may be engaging in trademark infringement. Plaintiff did not include, however, any other information about the screen shot in its Complaint. Lens.com cannot determine from a mere screen shot alone which affiliate generated an impression.²²⁷ Thus, while Plaintiff may have notified Defendant about the issue in August 2007, it did not provide Defendant with sufficient information for it to determine immediately who the affiliate was. Defendant

has 10,000 affiliate relationships. Because contributory trademark infringement does not require a defendant “to refuse to provide a product or service to those who merely might infringe the trademark,” Lens.com had no obligation to cease licensing its name to all of its affiliates while it took steps to identify the one who generated this particular impression.

Once a lawsuit is filed, it takes time to address issues raised in a complaint. E-mails with Commission Junction show, however, that Defendant was communicating with Commission Junction about the lawsuit and trying to resolve the problem.²²⁸ In an e-mail dated November 12, 2007, the program manager for Defendant’s accounts stated that Lens.com had met with an affiliate on October 12, 2007 to inform him to implement negative keywords.²²⁹ The same e-mail stated that Defendant had asked Commission Junction to research trademark violators in a previous e-mail, but how that would occur was still being worked out.²³⁰

***1187** In another e-mail, dated November 14, 2007, the program manager stated that Lens.com had “been having me contact publisher[s] for different terms such as 1800contacts and Vision Direct and asking the publishers to please stop bidding on those specific terms. Publishers so far have been removing the keywords.”²³¹ In a third e-mail, dated November 16, 2007, Defendant sent another e-mail to Commission Junction that stated “[p]lease find attached a file with a few affiliates that need to be addressed ASAP.”²³²

Attached to the e-mail was a spreadsheet that listed addresses for search-results pages and link destinations. Commission Junction used that information to identify and contact the specific affiliates at issue. Commission Junction informed Lens.com, however, that “[a] number of the links are not associated with a Commission Junction publisher from what I can see.”²³³ Thus, even with specific Internet addresses for the search-results pages and link destinations, the evidence shows that Defendant itself could not identify affiliates. Only Commission Junction had that information for its affiliate network. While it is true that once Commission Junction had the addresses, it was able to contact the affiliates and have them stop their actions within one day, that fact does not account for the effort and time it took to locate the addresses for search-results pages and link destinations. It is apparent from the e-mails, that it was not a one day process or even a one month process.

Even viewing the evidence in the light most favorable to Plaintiff, there is insufficient evidence to show that Defendant failed to take appropriate action to stop McCoy

from publishing the advertisements. There is no indication that Defendant intended to benefit from the Infringing Impressions, nor is there evidence of how many Infringing Impressions and clicks occurred during the relevant time period.²³⁴ Accordingly, the court concludes that Defendant cannot be held liable for contributory infringement.

V. BREACH OF CONTRACT

^{[38][39]} Plaintiff asserts that Defendant breached the parties' oral agreement that Defendant would not purchase Plaintiff's mark or variations thereof as a keyword. "Most contracts bind only those who bargain for them, and the burden of proof for showing the parties' mutual assent as to all material terms and conditions is on the party claiming that there is a contract."²³⁵ When "determining whether the parties created an enforceable contract, a court should consider all preliminary negotiations, offers, and counteroffers and interpret the various expressions of the parties for the purpose of deciding whether the parties reached agreement on complete and definite terms."²³⁶ If material *1188 terms are missing or indefinite, an agreement cannot be enforced.²³⁷

^[40] Plaintiff contends the e-mails exchanged between the parties' attorneys "verify the material terms of the oral agreement."²³⁸ This is a remarkable statement given the scope of what Plaintiff claims the agreement embodies. According to Plaintiff's attorney who sent the e-mails,

[t]he main thrust of the agreement was that neither parties' advertisements should be appearing on Internet searches for the tradename of the other, if informed of such occurrence. More specifically, upon notice of any such advertisement, Lens.com would ensure that no advertisements for Lens.com would appear in response to searches for 1-800 Contacts' trademarks on Internet search engines.²³⁹

Moreover, Plaintiff contends the agreement precludes Defendant and its affiliates from purchasing "1800Contacts," or any variant, as keywords.²⁴⁰ It also "explicitly" provides that Defendant would look into any future advertisement brought to its attention and would take steps to implement negative keywords or inform affiliates to alter its keyword purchases. In contrast, 1-800 Contracts merely agreed not to purchase Lens.com as a keyword and to investigate any advertisement derived from the term. Finally, according to Plaintiff, these terms were so simple that neither party contemplated reducing them to writing.

^[41] Were this actually an agreement entered into by the parties, the court questions whether it would survive an

antitrust challenge.²⁴¹ Plaintiff does not seek merely to preclude usage of its trademark. Instead, it wants to obliterate any other competitor advertisement from appearing on a search-results page when a consumer types in "1800Contacts" as a *search term* or some variation of it. This is disturbing given that broad matching of the generic term "contacts" could trigger an advertisement if a consumer enters the search term "1800Contacts." A trademark right does not grant its owner the right to stamp out every competitor advertisement.

Furthermore, the e-mails at issue do not contain the purported contractual terms, nor does the evidence show a meeting of the minds. When questioned during deposition about "the agreement," Defendant's owner stated, "I don't know what was agreed there. I think it was between the attorneys."²⁴² He understood that if Plaintiff raised an issue, he would look into it and try to address it and Plaintiff would do the same.²⁴³ This understanding does not rise to the level of an agreement to remove all advertisements from a search page anytime a consumer searches for "1800Contacts" or one of the ever expanding *1189 variations that Plaintiff seeks to garner for itself.²⁴⁴

Although one e-mail does address instituting negative keywords, the e-mail also states that Plaintiff appreciated Defendant being willing to work towards an amicable solution. Such phrasing indicates the parties were still working out a resolution and had not reached a meeting of the minds. Furthermore, the e-mail fails to discuss what negative keywords Plaintiff would institute (although Plaintiff asserts it agreed to implement "Lens.com" as a negative keyword), dates of implementation, what parties were agreeing to the terms, how those terms would be applied to affiliates, and so forth.

Moreover, the language and tone of the e-mails do not indicate an oral contract had been formed. Rather, the e-mails repeatedly say, "[w]e hope for a continued amicable relationship in resolving these situations," and then they ask for details about what actions would be taken to remedy the situation. If there were a contract, one would think the e-mails would point out the contractual obligations and not merely hope for an amicable relationship. Further, Plaintiff would not have to ask what actions would be taken if there were a contract that explicitly set forth certain requirements. Instead of confirming the existence of a contract, the e-mails merely confirm an amicable resolution of a disagreement among competitors. Accordingly, the court concludes as a matter of law that no enforceable agreement was entered into between the parties.

VI. OTHER CAUSES OF ACTION

A. Unfair Practices Act

Plaintiff also asserts a claim for “Common Law Unfair Competition, Misappropriation, and Trademark Infringement” and “Unfair Practices Act—Utah Code Ann. § 13–5–1 *et seq.*” all under one cause of action.²⁴⁵ It asserts under one sentence that “Lens.com continues to misappropriate the valuable goodwill of the 1–800 CONTACTS Marks, to infringe 1–800 CONTACTS’ rights therein, and to unfairly compete with 1–800 CONTACTS under the common law and the laws of Utah.”²⁴⁶ It then asserts under the next sentence that “Lens.com’s use of the 1–800 CONTACTS Marks to promote, market or sell products and devices constitutes an unfair practice under Utah Code Ann. § 13–5–1 *et seq.*”²⁴⁷ Thus, Plaintiff appears to be asserting two different claims under one cause of action.

Defendant moves for summary judgment on the Unfair Practices Act claim on the basis that Plaintiff has failed to come forward with evidence to support such a cause of action. In its opposition memorandum, Plaintiff did not provide any argument against summary judgment on this claim. The court therefore grants summary judgment in Defendant’s favor and dismisses this claim.

B. Common Law Unfair Competition, Misappropriation, and Trademark Infringement

^[42] Plaintiff asserts the test for unfair competition under Utah law is the same as the test under the Lanham Act. It also *1190 summarily asserts that summary judgment is inappropriate on the misappropriation claim because the evidence supports that Defendant misappropriated Plaintiff’s mark and caused likelihood of confusion. Little other argument was presented by Plaintiff.

The court applies the same reasoning to these common law claims that it did for the Lanham Act claims, which is, use alone of another’s mark as a keyword is insufficient to support a claim of infringement, unfair competition, or misappropriation of good will. Moreover, the mere appearance of a Lens.com link in response to the search term “1800Contacts” is unlikely to cause confusion due to the great dissimilarity between Defendant’s name and advertisements and Plaintiff’s mark. The court therefore grants summary judgment in Defendant’s favor on these claims as well.

C. Unjust Enrichment

^{[43][44]} Finally, Plaintiff has asserted a claim for unjust

enrichment. To support a claim for unjust enrichment, Plaintiff must prove (1) it conferred a benefit on Defendant; (2) Defendant appreciated the benefit or had knowledge of it; and (3) it would be inequitable for Defendant to accept or “retain the benefit without payment of its value.”²⁴⁸ With trademark infringement, “[t]he unjust enrichment theory is based on the idea that trademarks are protected property rights,” and that “misappropriation of that right” constitutes unjust enrichment.²⁴⁹

^[45] Here, Plaintiff has not shown that use of its service mark as a keyword constitutes infringement. Yet, it wants payment for that use. As discussed above, however, not all uses of a trademark are actionable. Stated differently, while the law protects one’s property right in a trademark, the scope of that protection is not without its limits. Use outside of the scope of that property protection is not a use that is unjust to retain without payment. Indeed, if Plaintiff were able to obtain payment under unjust enrichment, common law would effectively expand the scope of Plaintiff’s statutory protection. Because one generally cannot extend legal rights beyond one’s property rights, the court grants summary judgment in Defendant’s favor on this claim.

VII. OTHER MOTIONS

A. Plaintiff’s Motion to Strike Certain “Evidence”

Plaintiff has moved to strike the following evidence that Defendant relied on in its summary judgment briefing.

1. *Google, Inc.’s Brief (Defendant’s Exhibit 19)*

Defendant submitted a brief filed by Google, Inc. in another case. Plaintiff moves to strike the brief as inadmissible hearsay. Because the brief was not necessary to resolve the motions for summary judgment, the court did not reference or rely on it.

2. *Expert Report of Richard S. Hoffman (Defendant’s Exhibit 30)*

Defendant submitted an expert report from Richard S. Hoffman to address the issue of damages. Plaintiff moves to strike the brief as inadmissible hearsay. The court did not need to reach the issue of damages because it ruled in Defendant’s favor. Accordingly, the court did not

reference or rely on Hoffman's expert report.

***1191** 3. *Declaration of Anthony DeGidio (Defendant's Exhibit 31)*

^[46] Plaintiff moves to strike Anthony DeGidio's declaration on the grounds that he was not properly identified as a witness and he refused to be deposed. In this decision, the court did not cite to or rely upon DeGidio's declaration. Rather, it cited to the e-mails that were attached to the declaration. The same e-mails also were attached by *Plaintiff* to Pratt's declaration. Consequently, even if the court struck the e-mails attached to DeGidio's declaration, the same e-mails would be in evidence based on Pratt's declaration. Because the court did not reference or rely on DeGidio declaration and the attached e-mails are in evidence through Plaintiff, the issue is moot.

4. *Screen Shot (Defendant's Exhibit 35)*

Defendant submitted a screen shot to show Plaintiff's advertisement appeared in response to the search term "lens.com." Plaintiff moves to strike the screen shot on the grounds that it is unauthenticated and purportedly false. Because the screen shot was not necessary to resolve the motions for summary judgment, the court did not reference or rely on it.

Because the court did not reference or rely upon these four exhibits, Plaintiff's motion to strike this evidence is denied as moot.

B. Plaintiff's Motion to Strike Affirmative Defenses

Footnotes

- 1 The parties filed their memoranda and exhibits under seal. The court has considered the information disclosed in this decision to determine whether it warrants sealing the decision. The court concludes that the disclosed information does rise to the level that preclusion of publication is necessary.
- 2 Service Mark, Reg. No. 2,675,866 (Jan. 21, 2003) (Dkt. No. 181, Ex. 2); Service Mark, Reg. No. 2,731,114 (Dkt. No. 181, Ex. 3). For purposes of the court's analysis, there is no distinction between a service mark and a trademark.
- 3 See Combined Declaration of Use & Incontestability (Dkt. No. 181, Exs. 4–5).
- 4 Declaration of Allen Hwang, ¶ 8 (Dkt. No. 181, Ex. 1).

Five Through Eight

Plaintiff also has moved to strike Defendant's affirmative defenses five, six, seven, and eight. Based on the court's ruling in Defendant's favor, the affirmative defenses are now moot. The court therefore denies the motion.

CONCLUSION

For the reasons stated above, the court hereby:

1. Grants in part and denies in part Plaintiff's motion for partial summary judgment.²⁵⁰ Plaintiff moved for summary judgment on Lens.com's defense that the purchase of keywords did not constitute a "use" in commerce. The court grants Plaintiff's motion on this issue. The court denies Plaintiff's motion on all other grounds;
2. Grants Defendant's Motion for Summary Judgment,²⁵¹ and dismisses all claims and causes of action against it;
3. Grants in part and denies in part Defendant's Motion to Strike Benjamin Edelman's Declaration;²⁵²
4. Denies as moot Plaintiff's motion to strike certain evidence,²⁵³ and
5. Denies as moot Plaintiff's motion to strike affirmative defenses 5–8.²⁵⁴

All Citations

755 F.Supp.2d 1151

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

- 5 *Id.*
- 6 Synovate Research Reports (2008) (Dkt. No. 182, Ex. 8, Attach. B).
- 7 1-800-GET-LENS, Reg. No. 2,571,563 (May 21, 2002) (Dkt. No. 179, Ex. 15 at 3).
- 8 Trademark Assignment Abstract of Title (Dkt. No. 200, Ex. 44).
- 9 See 1-800 Lens.com, Reg. No. 3,875,337 (Nov. 16, 2010). Defendant further claims common law trademark rights in "Contacts America" and "Just Lenses."
- 10 Compare Lens.com's Response to Statement of Background & Material Fact, ¶ 14 (Dkt. No. 209, Ex. 36) with Declaration of Theodor Tatos, ¶ 35 (Dkt. No. 179, Ex. 3) (hereinafter "Tatos Decl.>").
- 11 Lens.com's Response to Statement of Background & Material Fact, ¶ 16.
- 12 [Rosetta Stone Ltd. v. Google, Inc.](#), 730 F.Supp.2d 531, 536, 2010 WL 3063152, at *2 (E.D.Va.2010) (citation omitted).
- 13 *Id.* at 536, at *2 (citation omitted).
- 14 *Id.* (citation omitted).
- 15 *Id.* at 536, at *2 (quotation marks and citation omitted).
- 16 *Id.* at 537, at *3 (citation omitted).
- 17 [J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC](#), No. 06-0597, 2007 WL 30115, at *2, 2007 U.S. Dist. LEXIS 288, at *5 (E.D.Pa. Jan. 4, 2007).
- 18 *Id.* at *2, 2007 U.S. Dist. LEXIS 288 at *5.
- 19 [Rosetta Stone Ltd.](#), 730 F.Supp.2d at 537-38, 2010 WL 3063152, at *3-4.
- 20 [FragranceNet.com, Inc. v. Les Parfums, Inc.](#), 672 F.Supp.2d 328, 331 (E.D.N.Y.2009).
- 21 *Id.*
- 22 *Id.*
- 23 *Id.*
- 24 *Id.*
- 25 Tatos Decl., ¶ 34 (Dkt. No. 179, Ex. 3).
- 26 *Id.* ¶ 17.

- 27 Summary of Google Adwords Data for 1800Contacts (Dkt. No. 182, Ex. 9, Attach. L).
- 28 *Id.* at “Top 5 TM Keywords” section. Plaintiff presented evidence that fewer impressions appear when Lens.com is used as a keyword. The strength of Defendant’s mark, however, is not at issue here.
- 29 See *id.* at “All TM Keywords” section.
- 30 *Id.* at “All Non–TM Keywords” section.
- 31 *Id.* at “Common Non–Branded, Non–TM Keywords” section.
- 32 Tatos Decl. ¶ 37 (Dkt. No. 179, Ex. 3).
- 33 *Id.* ¶ 23.
- 34 *Id.* ¶¶ 39–40. There is evidence that Defendant’s purchase of misspelled keywords remained active through September 2008, generating 18 impressions and 1 click. *Id.* ¶ 43. Additionally, Defendant purchased misspelled keywords from other search engines besides Google, for which Defendant paid approximately \$0.96. *Id.* ¶ 44.
- 35 Plaintiff did present the Declaration of Frank Gollop, which asserts that Defendant used Plaintiff’s service mark as a keyword. (Dkt. No. 182, Ex. 9). He submitted a summary of the dates of the alleged use. (*Id.* at Ex. 9, Attach. B.) The top of the page states it summarizes screen shot data, but the legend states it summarizes keyword data. Screen shot data does not prove what the keyword was. Throughout its pleadings, Plaintiff has *not* been careful in keeping these two concepts separate. Because none of the underlying data was presented for the summary, the court is unable to determine whether the summary addresses screen shots or keywords. Hence, the summary does not establish that Defendant used Plaintiff’s service mark as a keyword during the stated time periods. Notably, Gollop’s other attachments do show keyword data, but none of them show usage by Defendant of Plaintiff’s specific service mark. (*Id.* at Ex. 9, Attach. C–E.) Thus, Plaintiff has not presented any admissible evidence that shows Defendant bid on Plaintiff’s actual service mark.
- 36 Reply Mem. in Supp. of Mot. for Sum. Jdgmt., at 22 (Dkt. No. 232).
- 37 Tatos Decl. ¶ 47 (Dkt. No. 179, Ex. 3).
- 38 Although Defendant has only recently obtained federal trademark protection in “1–800 Lens.com,” it has asserted a use in commerce since 2004 and common law trademark rights.
- 39 Declaration of Peter Figueredo, ¶ 13 (Feb. 2, 2009) (Dkt. No. 179, Ex. 5).
- 40 *Id.*
- 41 *Id.*
- 42 *Id.*
- 43 *Id.* ¶ 14.
- 44 *Id.*
- 45 CJ Access Advertiser Service Agreement, ¶ 4.1 (Dkt. No. 179, Ex. 22).

- 46 *Id.*
- 47 *Id.* ¶¶ 2.2, 4.2.
- 48 *Id.* ¶ 9.1.
- 49 Commission Junction Publisher Service Agreement, ¶ 1 (Dkt. No. 180, Ex. 24).
- 50 *Id.* ¶ 2(b).
- 51 *Id.* ¶ 7(c).
- 52 *Id.*
- 53 *Id.* ¶ 9(c).
- 54 Declaration of Cary Samourkachian, ¶ 15 (Feb. 2, 2009) (Dkt. No. 179, Ex. 13). Samourkachian stated these figures in his declaration without providing foundational information as to how he knows them. Plaintiff, however, did not dispute his assertions. The court therefore accepts them as true.
- 55 *Id.* ¶ 16.
- 56 *Id.*
- 57 Plaintiff mentioned two other affiliates, but did not develop information about them in its motion. Consequently, the court will not address them. During this litigation, Defendant has been sanctioned for discovery abuses. Plaintiff contends these abuses precluded it from discovering all keyword usages by Lens.com affiliates. Defendant contends it did not have access to the requested affiliate information. Regardless, Plaintiff was able to and did subpoena third-party information from Commission Junction, which information was comprehensive. See Deposition of Joseph R. McGinnis, 11:23–12:8 (Aug. 8, 2008) (Dkt. No. 229, Ex. 69); see also Declaration of Joseph R. McGinnis, ¶ 3 (Dkt. No. 182, Ex. 9, Attach. F) (confirming that Commission Junction produced about 31,000 pages of discovery); see generally Declaration of Matthew Stone, ¶¶ 2–3 (Jan. 13, 2009) (Dkt. No. 182, Ex. 16) (confirming that Google, Inc. produced documents in response to subpoenas by Plaintiff). From this information, Plaintiff has presented specific information to the court about two affiliates.
- 58 Plaintiff's Memo. in Supp. of Mot. for Sum. Jdgmt., ¶ 25. Although about 550,000 impressions occurred, the court notes that some of the impressions actually were generated by other keywords, such as "coastal contacts" and "lens.com." See Report re: Placement/Keyword, Ryan McCoy Account Data (Dkt. No. 200, Ex. 23, Attach. F).
- 59 Report re: Placement/Keyword, Ryan McCoy Account Data (Dkt. No. 200, Ex. 23, Attach. F).
- 60 Deposition of Ryan James McCoy, 53:17–54:3 (Nov. 21, 2008) (Dkt. No. 179, Ex. 18).
- 61 Google AdWords Report, at 4 (Dkt. No. 200, Ex. 23, Attach. E). These figures do not factor out impressions and clicks that were generated by non-trademarked keywords. Consequently, the figures are likely inflated slightly. Although the court refers to the 65,000 impressions as the "Infringing Impression," this is done for ease of reference only and not as a factual or legal conclusion.
- 62 Lens.com's Response to Statement of Background & Material Fact, ¶ 25.1 (Dkt. No. 209, Ex. 36).
- 63 Plaintiff's Memo. in Supp. of Mot. for Sum. Jdgmt., ¶ 25. There is evidence that Goggan also purchased Plaintiff's trademark as a keyword in 2008. Ultimately, this fact does not change the court's conclusions.

- 64 Google AdWords Report, at 90 (Dkt. No. 200, Ex. 23, Attach. E).
- 65 Reply Mem. in Supp. of Mot. for Sum. Jdgmt., 22 (Dkt. No. 232) (emphasis added).
- 66 Letter re: Trademark Infringement of 1800 CONTACTS Trademark (Sept. 1, 2005) (Dkt. No. 180, Ex. 31, Attach. A).
- 67 *Id.*
- 68 *Id.*
- 69 *Id.*
- 70 Letter re: Unauthorized Use of the 1800CONTACTS and 1800 CONTACTS Trademarks (Sept. 20, 2005) (Dkt. No. 180, Ex. 31, Attach. B).
- 71 E-mail re: Unauthorized Use of 1800 CONTACTS Trademark (Sept. 21, 2005) (Dkt. No. 180, Ex. 31, Attach. C).
- 72 E-mail re: Unauthorized Use of 1800 CONTACTS Trademark (Sept. 22, 2005) (Dkt. No. 200, Ex. 37, Attach. D).
- 73 *Id.* (emphasis added).
- 74 *Id.*
- 75 *Id.*
- 76 E-mail re: Unauthorized Use of 1800 CONTACTS Trademarks, 2 (Nov. 30, 2005) (Dkt. No. 180, Ex. 31, Attach. D).
- 77 *Id.*
- 78 *Id.* at 1–2.
- 79 *Id.* at 1.
- 80 E-mail re: Unauthorized Use of 1800 CONTACTS Trademarks, at 1 (Apr. 16, 2007) (Dkt. No. 180, Ex. 31, Attach. E).
- 81 *Id.*
- 82 See *id.* Additionally, some of the screen shots did not show a link for lens.com, or one of its other accounts, so it is unclear why they were attached.
- 83 *Id.*
- 84 E-mail Chain (Oct. 5, 2007 to Nov. 12, 2007) (Dkt. No. 200, Ex. 47).
- 85 E-mail Chain (Nov. 16, 2007) (Dkt. No. 209, Ex. 53).

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

- 86 See Deposition of Stephanie M. Pelton, 66–68 (Dkt. No. 180, Ex. 28).
- 87 Declaration of Cary Samourkachian, ¶ 15 (Feb. 23, 2009) (Dkt. No. 209, Ex. 41). When an impression occurs on a screen shot, a privacy report can be generated that discloses “the intermittent links or ‘hops’ which a user takes in between clicking on a sponsored link and ‘landing’ on a ... website.” *Id.* Plaintiff acknowledges that “privacy reports do not reveal the actual name or identity of the affiliate.” Declaration of Brandon Dansie, ¶ 20 (Dkt. No. 200, Ex. 32).
- 88 Defendant’s Supplemental Responses to Interrogatory Nos. 18, 19, & 24, at 3 (Dkt. No. 182, Ex. 13).
- 89 Deposition of Ryan James McCoy, 15:23–24:23 (Nov. 21, 2008) (Dkt. No. 230, Ex. 75); see also E-mail re: Lens Violators # 1–15 (2008) (Dkt. No. 180, Ex. 25).
- 90 See E-mail re: Lens Violators # 1–15 (2008) (Dkt. No. 180, Ex. 25); see also Various E-mail Exchanges (Nov. 2007) (Dkt. No. 209, Exs. 49–56).
- 91 See E-mail & Spreadsheet (Nov. 16, 2007) (Dkt. No. 209, Ex. 53).
- 92 See Declaration of Cary Samourkachian, ¶¶ 4–13 (Feb. 23, 2009) (Dkt. No. 209, Ex. 41).
- 93 Def.’s Obj. & Responses to Plaintiff’s First Req’t for Admissions, No. 64 (Dkt. No. 181, Ex. 14).
- 94 *Id.* at No. 32.
- 95 [Sally Beauty Co., Inc. v. Beautyco, Inc.](#), 304 F.3d 964, 971 (10th Cir.2002) (citing Fed.R.Civ.P. 56(c)).
- 96 *Id.* (citation omitted).
- 97 *Id.* at 972 (quoting [Anderson v. Liberty Lobby, Inc.](#), 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986)).
- 98 *Id.* (citation omitted).
- 99 *Id.*
- 100 [Utah Lighthouse Ministry v. Foundation for Apologetic Info. & Research](#), 527 F.3d 1045, 1055 (10th Cir.2008) (citation omitted).
- 101 [Ebbert v. Nassau County](#), No. Cv–05–5445, 2008 WL 4443238, at *13, 2008 U.S. Dist. LEXIS 74213, at *40 (E.D.N.Y. Sept. 26, 2008) (quoting Fed.R.Civ.P. 26(a)(2)(D)(ii)).
- 102 *Id.* (quotation marks and citations omitted).
- 103 Order, ¶ 2, at 2 (Dkt. No. 139).
- 104 *Id.*
- 105 *Id.*
- 106 See Exhibits 1–7 to Plaintiff’s Mot. for Partial Sum. Jdgmt. & Exhibit 7 thereto (Dkt. No. 181).
- 107 Plaintiff’s Opp’n to Def’s Mot. to Strike Declaration of Benjamin Edelman, at 11 (Dkt. No. 241).

- 108 Figueredo's expert report is more extensive than his declarations that Defendant submitted. Defendant had the prerogative of what evidence to submit to support its motion. It is not within Plaintiff's discretion to rebut evidence that was not presented to the court. Thus, even though *Plaintiff* attached Figueredo's report when opposing the motion to strike Edelman's declaration, Plaintiff cannot point to the report and state it is now in evidence so Edelman can rebut it.
- 109 *Monsanto Co. v. Haskel Trading*, 13 F.Supp.2d 349, 354 (E.D.N.Y.1998) (quotation marks and citation omitted).
- 110 15 U.S.C. § 1127 (2010).
- 111 *Id.* § 1114.
- 112 *Id.* § 1125.
- 113 *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, 562 F.3d 1067, 1071 (10th Cir.2009) (citing 15 U.S.C. § 1114(1)(a)) (quotation marks, alteration, and other citation omitted).
- 114 *Monsanto Co.*, 13 F.Supp.2d at 355 n. 3 (quotation marks and citation omitted); see also *Tana v. Dantanna's*, 611 F.3d 767, 773 n. 5 (11th Cir.2010).
- 115 *J.G. Wentworth, S.S.C.*, 2007 WL 30115, at *3, 2007 U.S. Dist. LEXIS 288, at *9–10.
- 116 15 U.S.C. § 1127. Recently, the Second Circuit reviewed the definition of “use in commerce” under the Lanham Act and attempted to reconcile ambiguities that exist in the statutory definition. Under its preferred reading, one portion of the statutory definition applies only to registering and protecting a mark, while the second portion pertains to infringement under sections 1114 and 1125 of the Lanham Act. *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 140 (2d Cir.2009). The definition used in this decision is from the second portion of the statutory definition.
- 117 *J.G. Wentworth, S.S.C.*, 2007 WL 30115, at *4, 2007 U.S. Dist. LEXIS 288, at *13 (quotation marks and citation omitted). The Tenth Circuit has not expressly addressed the issue. While in *Australian Gold* the Tenth Circuit did discuss keywords, metatags, and Internet advertisements, the particular issue of whether purchase of a keyword constitutes “use” was not before the court. See *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir.2006).
- 118 See *id.* at *4, *6, 2007 U.S. Dist. LEXIS 288 at *12, *17; *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F.Supp.2d 723, 725–26 (E.D.Va.2003).
- 119 See e.g., *J.G. Wentworth, S.S.C.*, 2007 WL 30115, at *4–5, *6, 2007 U.S. Dist. LEXIS 288, at *13, *17; *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F.Supp.2d 310, 323 (D.N.J.2006).
- 120 15 U.S.C. § 1127.
- 121 *Buying for the Home, LLC*, 459 F.Supp.2d at 323.
- 122 In the declaration of Plaintiff's search marketing manager, he attested that Plaintiff tracked how many “exact match” searches occurred for “1800contacts” for a period in 2005. Declaration of Bryce Craven (Mar. 2, 2009) (Dkt. No. 232, Ex. 71). The declaration does not address who generated the search results, nor what keywords generated the results.
- 123 *Utah Lighthouse Ministry*, 527 F.3d at 1052 (quoting *Two Pesos v. Taco Cabana*, 505 U.S. 763, 774, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992)).
- 124 *John Allan Co. v. Craig Allen Co. LLC*, 540 F.3d 1133, 1138 (10th Cir.2008) (citation omitted).
- 125 *Id.* (citations omitted).

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

- 126 *Australian Gold, Inc.*, 436 F.3d at 1238 (citation omitted).
- 127 *Id.* (citation omitted).
- 128 *Id.* at 1238–39 (citations omitted).
- 129 See *J.G. Wentworth, S.S.C.*, 2007 WL 30115, at *6, 2007 U.S. Dist. LEXIS 288, at *18 (quotation marks and citation omitted) (emphasis added).
- 130 *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 558–59 (10th Cir.1984) (quoting *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir.1976)).
- 131 *Australian Gold, Inc.*, 436 F.3d at 1231.
- 132 *Id.*
- 133 *Id.* at 1232.
- 134 *Id.* at 1232–33.
- 135 *Id.* at 1233.
- 136 “A metatag is a part of a Web site that is not seen by the public, but is read by search engine web browsers and later used by the browsers to classify the Web site.” *Id.* at 1233 n. 3 (citation omitted).
- 137 *Id.* at 1233.
- 138 *Id.* at 1239.
- 139 See *id.* at 1233, 1239.
- 140 A review of the underlying action is instructive. After prevailing at trial, the plaintiffs sought and received an injunction against the defendants. The injunction precludes the defendants from “displaying any of the Plaintiffs’ trademarks or names on the Internet, using any of Plaintiffs’ names and trademarks in the html code or displaying any false or misleading statements on any of their websites.” *Australian Gold, Inc. v. Hatfield*, No. 5:02–cv–143, at 6 (W.D.Okla. Jul. 18, 2003). The injunction does not address purchasing the plaintiffs’ trademarks as keywords.
- 141 *Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036 (9th Cir.1999).
- 142 *J.G. Wentworth, S.S.C.*, 2007 WL 30115, at *7, 2007 U.S. Dist. LEXIS 288, at *22 (citing *Brookfield Commc’ns, Inc.*, 174 F.3d at 1062).
- 143 *Brookfield Commc’ns, Inc.*, 174 F.3d at 1062.
- 144 *Id.*
- 145 *J.G. Wentworth, S.S.C.*, 2007 WL 30115, at *7, 2007 U.S. Dist. LEXIS 288, at *22 (citing *Brookfield Commc’ns, Inc.*, 174 F.3d at 1062).
- 146 *Id.*

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

- 147 *Id.*
- 148 *Id.* at *7–8, 2007 U.S. Dist. LEXIS 288 at *22–23.
- 149 *Id.* at *7–8, 2007 U.S. Dist. LEXIS 288 at *23–24.
- 150 As stated by one court, “[w]hatever relationship exists between search terms and sponsored links, that relationship does not imply affiliation” in the same sense necessary for a Lanham Act violation. See *Mary Kay, Inc. v. Weber*, 601 F.Supp.2d 839, 856 (N.D.Tex.2009).
- 151 *Sally Beauty Co., Inc.*, 304 F.3d at 972 (citation omitted).
- 152 *Brookfield Commc’ns, Inc.*, 174 F.3d at 1054.
- 153 See *John Allan Co.*, 540 F.3d at 1138 (citation omitted).
- 154 *Tana*, 611 F.3d at 775 n. 7 (citation omitted).
- 155 *King of the Mt. Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1090 (10th Cir.1999) (citations omitted).
- 156 *Sally Beauty Co., Inc.*, 304 F.3d at 972 (citations omitted).
- 157 *Vail Assocs. v. Vend–Tel–Co., Ltd.*, 516 F.3d 853, 869 (10th Cir.2008) (citation omitted).
- 158 *Sally Beauty Co., Inc.*, 304 F.3d at 972 (citation omitted).
- 159 *Tana*, 611 F.3d at 775 n. 7 (quotation marks and citation omitted).
- 160 *Sally Beauty Co., Inc.*, 304 F.3d at 973 (citation omitted).
- 161 *Id.* (quotation marks and citation omitted).
- 162 *Id.* (quotation marks and citation omitted).
- 163 Second Declaration of Frank Gollop, ¶ 6 (Feb. 23, 2009) (Dkt. No. 200, Ex. 23). The 1,600 impressions were generated from about February 2005 to September 2005. Looking at that time frame alone, Defendant’s other keywords generated more than 8.5 million impressions. *Id.* ¶ 7. Hence, even when the total number of impressions is limited to a specific time frame, the 1,600 impressions are *de minimus* in comparison.
- 164 *John Allan Co.*, 540 F.3d at 1140 (quotation marks and citation omitted).
- 165 Deposition for Bryce Craven, 153:12–19; 154:17–155:19 (Aug. 27, 2008) (Dkt. No. 179, Ex. 20).
- 166 *Sally Beauty Co., Inc.*, 304 F.3d at 974 (quotation marks and citation omitted).
- 167 *Id.* (citation omitted).
- 168 *Tana*, 611 F.3d at 778; see also *Sally Beauty Co., Inc.*, 304 F.3d at 975, which discusses that confusion is greatest

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

when products reach the public by the same retail outlets. In this case, the sponsored links are akin to separate retail outlets, which one must click on to enter the on-line store.

169 [Vail Assocs., 516 F.3d at 872](#) (citation omitted).

170 [Sally Beauty Co., Inc., 304 F.3d at 975](#) (citation omitted).

171 *Id.* at 975–76 (citations omitted).

172 1–2 Anne Gilson LaLonde, *Gilson on Trademarks* § 2.03 (Matthew Bender 2010) (hereinafter “*Gilson on Trademarks*”).

173 [Checkpoint Sys., Inc. v. Check Point Software Tech., Inc., 269 F.3d 270, 282 \(3d Cir.2001\)](#) (quotation marks and citation omitted).

174 See 1–2 *Gilson on Trademarks* § 2.03.

175 [Sally Beauty Co., Inc., 304 F.3d at 976](#) (quotation marks and citation omitted).

176 [Vail Assocs., 516 F.3d at 867](#) (citation omitted).

177 *Id.* (quotation marks and citation omitted).

178 [King of the Mt. Sports, Inc., 185 F.3d at 1092](#) (quotation marks, alterations, and citation omitted).

179 [Homeowners Group, Inc. v. Home Mktg. Specialists, Inc., 931 F.2d 1100, 1107 \(6th Cir.1991\)](#) (quotation marks and citation omitted).

180 *Id.* (quotation marks and citations omitted).

181 [Vail Assocs., 516 F.3d at 867](#) (quotation marks and citations omitted).

182 See e.g., Screen Shot (Dkt. No. 180, Ex. 31, Attach. A).

183 Patent & Trademark Office Excerpts (Dkt. No. 179, Ex. 15).

184 [Flowers Bakeries Brands, Inc. v. Interstate Bakeries Corp., No. 1:08-cv-2376, 2010 WL 2662720, at *4, 2010 U.S. Dist. LEXIS 66061, at *11 \(N.D. Ga. June 30, 2010\)](#).

185 *Id.* (quoting [CareFirst of Md., Inc. v. First Care, P.C., 434 F.3d 263, 269 \(4th Cir.2006\)](#)) (emphasis added).

186 [Homeowners Group, Inc., 931 F.2d at 1107](#) (quotation marks and citations omitted).

187 Synovate Survey, at 2 (Dkt. No. 182, Ex. 8, Attach. B).

188 *Id.*

189 *Id.* at 3.

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

- 190 *Id.* at 12.
- 191 Declaration of Hal Poret, ¶ 29 (Dkt. No. 210, Ex. A).
- 192 1–800 Contacts’ Profit & Loss Statement for 2000 to 2007 (Dkt. No. 200, Ex. 23, Attach. A).
- 193 Deposition of Hal Poret, 79:2–17 (Dkt. No. 242, Ex. 2).
- 194 *See id.* at 84:9–87:19.
- 195 *Id.* at 90:14–21.
- 196 *Id.* at 90:21–91:11.
- 197 *Ashland Oil, Inc. v. Olymco, Inc.*, No. 94–5520, 1995 WL 499466, at *3, 1995 U.S.App. LEXIS 24652, at *9 (6th Cir. Aug. 21, 1995) (citing *Conopco, Inc. v. May Dep’t Stores Co.*, 784 F.Supp. 648, 677 (E.D.Mo.1992); *Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 394 (7th Cir.1992)) (other citations omitted).
- 198 As stated above, most impressions for Plaintiff are generated from non-trademarked terms, such as “contacts or contact lenses” or from the particular brand of contacts, such as “acuvue or focus.”
- 199 1–2 Gilson on Trademarks § 5.10.
- 200 Again, the court looks to the advertisement rather than the keyword because the keyword is invisible to the consumer and cannot be the source of confusion.
- 201 Plaintiff’s Mem. in Supp. of Mot. for Sum. Jdgmt., at 15 n. 9.
- 202 The court notes that this decision was greatly complicated by the imprecise pleadings of Plaintiff. Throughout its briefing, it failed to sort out the actions of Defendant from its affiliates, true trademarks from marks it merely asserts are trademarks, and so forth. Such pleading forces the court to do the work that should have been done by the party and does little to advance one’s case.
- 203 *Mini Maid Servs. Co. v. Maid Brigade Sys., Inc.*, 967 F.2d 1516, 1519–21 (11th Cir.1992).
- 204 *Id.* at 1519.
- 205 *Id.* at 1520.
- 206 *Geman v. SEC*, 334 F.3d 1183, 1189 (10th Cir.2003) (quoting *Restatement (Second) of Agency*, § 1(1) (1958)).
- 207 *Fare Deals Ltd. v. World Choice Travel.Com, Inc.*, 180 F.Supp.2d 678, 685 (D.Md.2001) (citation omitted).
- 208 *AT & T v. Winback & Conserve Program*, 42 F.3d 1421, 1438 (3d Cir.1994) (emphasis in original).
- 209 Plaintiff’s Mem. in Supp. of Mot. for Sum. Jdgmt., at 17.
- 210 *Fare Deals Ltd.*, 180 F.Supp.2d at 685.

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

- 211 *Id.* at 686.
- 212 *Id.*
- 213 *Id.*
- 214 *Tiffany Inc. v. eBay, Inc.*, 600 F.3d 93, 103 (2d Cir.2010) (citations omitted).
- 215 *Procter & Gamble Co. v. Haugen*, 317 F.3d 1121, 1128 (10th Cir.2003) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 853–54, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982)).
- 216 *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264–65 (9th Cir.1996).
- 217 *Procter & Gamble Co.*, 317 F.3d at 1128 (citation omitted).
- 218 *Tiffany*, 600 F.3d at 107.
- 219 *Tiffany Inc. v. eBay, Inc.*, 576 F.Supp.2d 463, 509–510 (S.D.N.Y.2008) (citing *Inwood Labs., Inc.*, 456 U.S. at 861, 102 S.Ct. 2182 (White, J., concurring)).
- 220 *Mini Maid Servs. Co.*, 967 F.2d at 1522 (citing *Inwood Labs., Inc.*, 456 U.S. at 853–55, 102 S.Ct. 2182) (other citations omitted).
- 221 *Hard Rock Café v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir.1992).
- 222 *Id.* (citation omitted); see also *Microsoft Corp. v. Ram Distrib., LLC*, 625 F.Supp.2d 674, 684 (E.D.Wis.2008).
- 223 See Declaration of Bryan Pratt & Screen Shots (Dkt. No. 200, Ex. 37, Attach. L).
- 224 See *id.* In another exhibit, Plaintiff attached screen shots from 2005 that have certain advertisements highlighted. See Reply Mem. in Supp. Mot. for Sum. Jdgmt., at 4 & Ex. 53 thereto (Dkt. No. 232 & Ex. 53). The highlighted advertisements refer to “1800contacts” and have a link to “www.lenses-store.com.” According to Plaintiff’s own exhibit, however, “www.lenses-store.com” is an affiliate of another company besides Defendant. See Screen Shots, at PL016024 (item no. 4) (Dkt. No. 232, Ex. 53). It is therefore unclear why the advertisement was highlighted. What is clear, however, is that none of the 2005 Lens.com advertisements referred to “1800contacts,” nor has Plaintiff alleged that they did.
- 225 Since 2005, Plaintiff has been sending screen shots to Defendant, which have shown permissible forms of advertising. Consequently, the screen shots alone were insufficient to create a suspicion of wrongdoing by an affiliate. Moreover, McCoy was the first *and* last Lens.com affiliate to use the “infringing” advertisements. Thus, there was no pattern of behavior to alert Defendant of possible wrongdoing and a need to investigate.
- 226 Complaint, ¶ 21 (Dkt. No. 1).
- 227 See Declaration of Bryce Craven, ¶¶ 14–15 (Dkt. No. 182, Ex. 12) (discussing that one way to determine who generated an advertisement is through a privacy report). Bryce Craven is the search marketing manager for Plaintiff, who monitors usage of Plaintiff’s service mark. His declaration demonstrates that one cannot tell from a mere screen shot alone who generated an advertisement.
- 228 Defendant also was communicating with others to resolve the issue. See E-mail re Lens.com–1–800 CONTACTS Marks (Nov. 16, 2007) (Dkt. No. 200, Ex. 34).
- 229 E-mail from Joseph McGinnis to Leslie Siggins (Nov. 12, 2007) (Dkt. No. 209, Ex. 46). Leslie Siggins was a paralegal

at Commission Junction.

- 230 See also Deposition of Joseph R. McGinnis, 149:14–151:19 (Aug. 8, 2008) (Dkt. No. 229, Ex. 69) (discussing difficulties in identifying who was bidding on certain keywords).
- 231 E-mail from Joseph McGinnis to Leslie Siggins (Nov. 14, 2007) (Dkt. No. 209, Ex. 51). A “publisher” is another name for an affiliate.
- 232 E-mail Chain (Nov. 16, 2007) (Dkt. No. 209, Ex. 53).
- 233 *Id.*
- 234 One could reasonably conclude, however, that it is less than the 352 clicks reported because the relevant time period commenced in August 2007, not April 2007.
- 235 *Bybee v. Abdulla*, 2008 UT 35, ¶ 8, 189 P.3d 40 (quotation marks and citations omitted).
- 236 *Nunley v. Westates Casing Servs., Inc.*, 1999 UT 100, ¶ 22, 989 P.2d 1077 (citation omitted).
- 237 See *Firkins v. Ruegner*, 2009 UT App 167, ¶ 2, 213 P.3d 895 (citations omitted).
- 238 Plaintiff’s Mem. in Opp’n to Mot. for Sum. Jdgmt., at 32.
- 239 Declaration of Bryan Pratt, ¶ 7 (Dkt. No. 200, Ex. 37).
- 240 See *id.* ¶ 8.
- 241 “Section 1 of the Sherman Act provides that ‘every contract ... in restraint of trade or commerce among the several States ... is declared to be illegal.’” *Business Elecs. Corp. v. Sharp Elecs. Corp.*, 485 U.S. 717, 724, 108 S.Ct. 1515, 99 L.Ed.2d 808 (1988) (quoting 15 U.S.C. § 1).
- 242 Deposition of Cary Samourkachian, 50:4–5 (Aug. 21, 2008) (Dkt. No. 200, Ex 40).
- 243 *Id.* at 50:7–12; 51:14–16.
- 244 In its briefing for summary judgment, Plaintiff claimed “1–800 contact lenses; 1800 contact lenses; and 1800 contact lenses” also were its trademarks.” Plaintiff’s Mem. in Supp. of Mot. for Sum. Jdgmt., ¶ 23.
- 245 Amended Complaint, Count IV (Dkt. No. 54, Ex. 1).
- 246 *Id.* ¶ 66.
- 247 *Id.*
- 248 *Rawlings v. Rawlings* 2010 UT 52, ¶ 29, 240 P.3d 754.
- 249 *Western Diversified Servs. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1272 (10th Cir.2005).
- 250 Dkt. No. 171.

1-800 Contacts, Inc. v. Lens.com, Inc., 755 F.Supp.2d 1151 (2010)

[251](#) Dkt. No. 174.

[252](#) Dkt. No. 195

[253](#) Dkt. No. 202.

[254](#) Dkt. No. 135.

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TAB 3

722 F.3d 1229
(Cite as: 722 F.3d 1229)

H

United States Court of Appeals,
Tenth Circuit.
1–800 CONTACTS, INC., Plain-
tiff–Appellant/Cross–Appellee,
v.
LENS.COM, INC., d/b/a Lens.com, Defend-
ant–Appellee/Cross–Appellant,
and
JustLens.Com; JustLenses.Com, a Nevada corpora-
tion, Defendants.

Nos. 11–4114, 11–4204, 12–4022.
July 16, 2013.

Background: Retailer of replacement contact lenses brought Lanham Act trademark-infringement action against competitor that used Internet advertising in which search engine displayed competitor's advertisement when customers performed search using keywords that resembled retailer's registered "1800CONTACTS" service mark. After retailer's motion for discovery sanction was granted, [2008 WL 5191705](#), the United States District Court for the District of Utah, [Clark Waddoups, J., 755 F.Supp.2d 1151](#) and [2012 WL 113812](#), granted summary judgment to competitor but denied its motion for attorney's fees. Parties appealed.

Holdings: The Court of Appeals, [Hartz](#), Circuit Judge, held that:

- (1) competitor's Internet advertising was unlikely to cause initial-interest confusion among consumers using challenged keywords to search for retailer;
- (2) competitor's marketing affiliate lacked actual authority as competitor's agent to place ads displaying retailer's mark as would give rise to competitor's vicarious liability for trademark infringement under

Lanham Act; but

(3) genuine issues of material fact precluded summary judgment as to whether competitor was contributorily liable for trademark infringement arising from affiliate's use of ads bearing retailer's mark.

Affirmed in part and reversed in part.

West Headnotes

[1] Federal Courts 170B  3733

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review


170BXVII(K)5 Waiver of Error in Appellate Court

170Bk3733 k. Failure to mention or inadequacy of treatment of error in appellate briefs.

Most Cited Cases

(Formerly 170Bk915)

Retailer waived argument on appeal that competitor was liable under Lanham Act for its affiliates' trademark infringement because competitor was in partnership with its affiliates; retailer's opening brief made passing comment to partnership theory, but retailer offered no elaboration and cited no principles of partnership law. Lanham Act, §§ 32(1), 43(a), [15 U.S.C.A. §§ 1114\(1\), 1125\(a\)](#).

[2] Trademarks 382T  1024

382T Trademarks


382TII Marks Protected

382Tk1022 Subject Matter Underlying Trademarks

382Tk1024 k. Services and service marks in general. **Most Cited Cases**

722 F.3d 1229
(Cite as: 722 F.3d 1229)

Lanham Act's private causes of action for trademark infringement are available to the owners of service marks. Lanham Act, §§ 32(1)(a), 43(a), 45, 15 U.S.C.A. §§ 1114(1)(a), 1125(a), 1127.

[3] Trademarks 382T 1419


382T Trademarks
382TVIII Violations of Rights
382TVIII(A) In General
382Tk1418 Practices or Conduct Prohibited in General; Elements
382Tk1419 k. In general. **Most Cited Cases**

Elements of a Lanham Act claim for false designation of origin are: (1) that the plaintiff has a protectable interest in the allegedly infringed mark; (2) that the defendant has used an identical or similar mark in commerce; and (3) that the defendant's use is likely to confuse consumers. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

[4] Trademarks 382T 1360


382T Trademarks
382TVII Registration
382TVII(C) Effect of Federal Registration
382Tk1358 Particular Effects; Rights Acquired
382Tk1360 k. Validity, ownership, and use. **Most Cited Cases**

Under the Lanham Act, registration of a mark serves as prima facie evidence of both the mark's validity and the registrant's exclusive right to use it in commerce. Lanham Act, § 33(a), 15 U.S.C.A. § 1115(a).

[5] Trademarks 382T 1421


382T Trademarks
382TVIII Violations of Rights
382TVIII(A) In General
382Tk1418 Practices or Conduct Prohibited in General; Elements
382Tk1421 k. Infringement. **Most Cited Cases**

Central question in a typical trademark infringement action is whether the defendant's use of the plaintiff's mark is likely to cause consumer confusion. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[6] Trademarks 382T 1084

382T Trademarks
382TIII Similarity Between Marks; Likelihood of Confusion
382Tk1083 Nature of Confusion
382Tk1084 k. In general. **Most Cited Cases**

Consumer confusion required to support Lanham Act trademark infringement claim can be of several sorts, such as when consumers develop the mistaken belief that the plaintiff is the origin of the defendant's goods or services, so that the defendant capitalizes on the plaintiff's good name, when consumers want to buy plaintiff's product and because of the similarity of the marks, mistakenly buy the defendant's product, or when consumers mistakenly believe the defendant is the origin of plaintiff's goods or services. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[7] Trademarks 382T 1089

382T Trademarks
382TIII Similarity Between Marks; Likelihood of Confusion
382Tk1083 Nature of Confusion

722 F.3d 1229

(Cite as: 722 F.3d 1229)

[382Tk1089](#) k. “Reverse” confusion. [Most Cited Cases](#)

Reverse confusion as the result of trademark infringement in violation of the Lanham Act typically occurs when the defendant's advertising and promotion so swamps the plaintiff's reputation in the market that customers purchase the plaintiff's goods under the mistaken impression that they are getting the goods of the defendant. Lanham Act, §§ 32(1)(a), 43(a), [15 U.S.C.A. §§ 1114\(1\)\(a\), 1125\(a\)](#).

[\[8\] Trademarks 382T](#) [1084](#)

[382T Trademarks](#)

[382TIII](#) Similarity Between Marks; Likelihood of Confusion

[382Tk1083](#) Nature of Confusion

[382Tk1084](#) k. In general. [Most Cited Cases](#)

Consumer confusion required to support a Lanham Act trademark infringement claim need not be limited to the incorrect perception that one party was the source of the other party's product or service; it may also arise from a mistaken belief in common sponsorship or affiliation. Lanham Act, §§ 32(1)(a), 43(a), [15 U.S.C.A. §§ 1114\(1\)\(a\), 1125\(a\)](#).

[\[9\] Trademarks 382T](#) [1087](#)

[382T Trademarks](#)

[382TIII](#) Similarity Between Marks; Likelihood of Confusion

[382Tk1083](#) Nature of Confusion

[382Tk1087](#) k. Time of confusion. [Most Cited Cases](#)

Consumer confusion required to support a Lanham Act trademark infringement claim need not occur at the point of sale; postsale confusion may propagate among potential consumers who see the relevant product after the original buyer has purchased it.

Lanham Act, §§ 32(1)(a), 43(a), [15 U.S.C.A. §§ 1114\(1\)\(a\), 1125\(a\)](#).

[\[10\] Trademarks 382T](#) [1088](#)

[382T Trademarks](#)

[382TIII](#) Similarity Between Marks; Likelihood of Confusion

[382Tk1083](#) Nature of Confusion

[382Tk1088](#) k. “Initial interest” confusion. [Most Cited Cases](#)

“Initial-interest confusion” results when a consumer seeks a particular trademark holder's product and instead is lured to the product of a competitor by the competitor's use of the same or a similar mark, and the improper confusion occurs even if the consumer becomes aware of the competitor's actual identity before purchasing the product.

[\[11\] Trademarks 382T](#) [1565](#)

[382T Trademarks](#)

[382TIX](#) Actions and Proceedings

[382TIX\(A\)](#) In General

[382Tk1564](#) Persons Liable

[382Tk1565](#) k. In general. [Most Cited Cases](#)

Defendant may be held liable for service-mark infringement under the Lanham Act even though it has not directly infringed on the plaintiff's mark through its own acts. Lanham Act, §§ 32(1)(a), 43(a), [15 U.S.C.A. §§ 1114\(1\)\(a\), 1125\(a\)](#).

[\[12\] Trademarks 382T](#) [1116](#)

[382T Trademarks](#)

[382TIII](#) Similarity Between Marks; Likelihood of Confusion

[382Tk1116](#) k. Internet cases. [Most Cited Cases](#)

722 F.3d 1229
(Cite as: 722 F.3d 1229)

Competitor's Internet advertising was unlikely to cause initial-interest confusion among consumers seeking retailer's contact lenses, and thus there was no trademark infringement under Lanham Act as result of advertising in which search engine displayed competitor's ad when consumers searched using keywords similar to retailer's registered "1800CONTACTS" service mark; only 1.5% of consumers searching with challenged keywords clicked on competitor's ad, and consumers who presumably were searching specifically for retailer were likely to note retailer's and competitor's websites had different names. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[13] Trademarks 382T 🔑1609

382T Trademarks

382TIX Actions and Proceedings

382TIX(C) Evidence

382Tk1601 Presumptions and Burden of Proof

382Tk1609 k. Similarity; likelihood of confusion. [Most Cited Cases](#)

Party alleging service-mark infringement under the Lanham Act has the burden of proving likelihood of confusion. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[14] Federal Civil Procedure 170A 🔑2493

170A Federal Civil Procedure

170AXVII Judgment

170AXVII(C) Summary Judgment

170AXVII(C)2 Particular Cases

170Ak2493 k. Copyright, trademark, and unfair competition cases. [Most Cited Cases](#)

Likelihood of confusion is ordinarily a question of fact for the jury in a Lanham Act trade-

mark-infringement action, but summary judgment is appropriate if no reasonable juror could find that such a likelihood exists. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a); Fed.Rules Civ.Proc.Rule 56, 28 U.S.C.A.

[15] Trademarks 382T 🔑1081

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1081 k. Factors considered in general. [Most Cited Cases](#)

In a Lanham Act trademark-infringement action, the weight of any given factor used for determining likelihood of consumer confusion can depend very much on context. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[16] Trademarks 382T 🔑1619

382T Trademarks

382TIX Actions and Proceedings

382TIX(C) Evidence

382Tk1613 Admissibility

382Tk1619 k. Consumer data and market research; tests and surveys. [Most Cited Cases](#)

Trademarks 382T 🔑1629(4)

382T Trademarks

382TIX Actions and Proceedings

382TIX(C) Evidence

382Tk1620 Weight and Sufficiency

382Tk1629 Similarity; Likelihood of Confusion

382Tk1629(4) k. Consumer data and market research; tests and surveys. [Most Cited Cases](#)

Surveys can be used as evidence of actual con-

722 F.3d 1229

(Cite as: 722 F.3d 1229)

sumer confusion in a trademark infringement action, but their evidentiary value depends on the relevance of the questions asked and the technical adequacy of the survey procedures. [Fed.Rules Evid.Rule 702, 28 U.S.C.A.](#)

[17] Trademarks 382T 🔑1619

382T Trademarks

382TIX Actions and Proceedings

382TIX(C) Evidence

382Tk1613 Admissibility

382Tk1619 k. Consumer data and market research; tests and surveys. [Most Cited Cases](#)

Trademarks 382T 🔑1629(4)

382T Trademarks

382TIX Actions and Proceedings

382TIX(C) Evidence

382Tk1620 Weight and Sufficiency

382Tk1629 Similarity; Likelihood of Confusion

382Tk1629(4) k. Consumer data and market research; tests and surveys. [Most Cited Cases](#)

Methodological flaws in a consumer confusion survey will typically affect only the survey's weight and not its admissibility in a trademark infringement action, but these flaws may justify exclusion if they are serious and pervasive enough. [Fed.Rules Evid.Rule 702, 28 U.S.C.A.](#)

[18] Federal Courts 170B 🔑3600

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review

170BXVII(K)2 Standard of Review

170Bk3576 Procedural Matters

170Bk3600 k. Expert evidence and witnesses. [Most Cited Cases](#)

(Formerly 170Bk823)

Court of Appeals applies abuse-of-discretion review to the manner in which a district court performs its gatekeeping function in the admission of expert testimony, recognizing the latitude that the district court has in determining whether expert testimony is reliable enough to be admitted. [Fed.Rules Evid.Rule 702, 28 U.S.C.A.](#)

[19] Trademarks 382T 🔑1565

382T Trademarks

382TIX Actions and Proceedings

382TIX(A) In General

382Tk1564 Persons Liable

382Tk1565 k. In general. [Most Cited Cases](#)

Vicarious liability for trademark infringement under the Lanham Act arises when common-law principles of agency impose liability on the defendant for the infringing acts of its agent. Lanham Act, §§ 32(1)(a), 43(a), [15 U.S.C.A. §§ 1114\(1\)\(a\), 1125\(a\)](#).

[20] Trademarks 382T 🔑1566

382T Trademarks

382TIX Actions and Proceedings

382TIX(A) In General

382Tk1564 Persons Liable

382Tk1566 k. Contributory liability. [Most Cited Cases](#)

Contributory trademark infringement occurs under the Lanham Act when the defendant either: (1) intentionally induces a third party to infringe on the plaintiff's mark; or (2) enables a third party to infringe on the mark while knowing or having reason to know that the third party is infringing, yet failing to take reasonable remedial measures. Lanham Act, §§ 32(1)(a), 43(a), [15 U.S.C.A. §§ 1114\(1\)\(a\), 1125\(a\)](#).

722 F.3d 1229
(Cite as: 722 F.3d 1229)

[21] Trademarks 382T ↪1565

382T Trademarks
 382TIX Actions and Proceedings
 382TIX(A) In General
 382Tk1564 Persons Liable
 382Tk1565 k. In general. **Most Cited**
Cases

Trademarks 382T ↪1566

382T Trademarks
 382TIX Actions and Proceedings
 382TIX(A) In General
 382Tk1564 Persons Liable
 382Tk1566 k. Contributory liability.
Most Cited Cases

Vicarious and contributory liability for trademark infringement under the Lanham Act must be predicated on some direct infringement by the third party. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[22] Trademarks 382T ↪1116

382T Trademarks
 382TIII Similarity Between Marks; Likelihood of Confusion
 382Tk1116 k. Internet cases. **Most Cited Cases**

Internet advertising by competitor's affiliates was unlikely to cause initial-interest confusion among consumers seeking retailer's contact lenses, and thus there was no trademark infringement under Lanham Act as result of affiliates' use of advertising in which search engine displayed competitor's ad when consumers searched using keywords similar to retailer's registered "1800CONTACTS" service mark; fewer than 1% of consumers searching with challenged

keywords clicked on competitor's ad. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[23] Trademarks 382T ↪1565

382T Trademarks
 382TIX Actions and Proceedings
 382TIX(A) In General
 382Tk1564 Persons Liable
 382Tk1565 k. In general. **Most Cited**
Cases

Competitor's marketing affiliate did not reasonably believe that competitor authorized him to place online ads displaying contact-lens retailer's registered "1800CONTACTS" service mark, and thus affiliate lacked actual authority as competitor's agent to place ads displaying retailer's mark as would give rise to competitor's vicarious liability for trademark infringement under Lanham Act; affiliate did not place challenged ads himself, rather, they were composed and published by one of his employees without his knowledge, and he would have stopped the practice if he had known about it sooner. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[24] Principal and Agent 308 ↪48

308 Principal and Agent
 308II Mutual Rights, Duties, and Liabilities
 308II(A) Execution of Agency
 308k48 k. Nature of agent's obligation. **Most Cited Cases**

One need not show a fiduciary relationship to establish that an agency relationship exists; rather, fiduciary duties arise as a result of circumstances establishing the agency relationship.

[25] Principal and Agent 308 ↪70

722 F.3d 1229

(Cite as: 722 F.3d 1229)

308 Principal and Agent

308II Mutual Rights, Duties, and Liabilities

308II(A) Execution of Agency

308k70 k. Acting for parties adversely interested. [Most Cited Cases](#)

Agent can serve multiple principals at once, even principals that are competing with one another.

[26] Principal and Agent 308 🔑17

308 Principal and Agent

308I The Relation

308I(A) Creation and Existence

308k17 k. Subagency. [Most Cited Cases](#)

Principal and Agent 308 🔑73

308 Principal and Agent

308II Mutual Rights, Duties, and Liabilities

308II(A) Execution of Agency

308k73 k. Subagents. [Most Cited Cases](#)

Principal can authorize its agent to appoint a subagent, and the subagent can then act as an agent for the principal even though the principal's control is indirect.

[27] Labor and Employment 231H 🔑29

231H Labor and Employment

231HI In General

231Hk28 Independent Contractors and Their Employees

231Hk29 k. In general. [Most Cited Cases](#)

Principal and Agent 308 🔑3(2)

308 Principal and Agent

308I The Relation

308I(A) Creation and Existence

308k3 Agency Distinguished from Other Relations

308k3(2) k. Contractor. [Most Cited Cases](#)

Independent contractor can be an agent.

[28] Labor and Employment 231H 🔑23

231H Labor and Employment

231HI In General

231Hk22 Nature, Creation, and Existence of Employment Relation

231Hk23 k. In general. [Most Cited Cases](#)

Labor and Employment 231H 🔑3125

231H Labor and Employment

231HXVIII Rights and Liabilities as to Third Parties

231HXVIII(C) Work of Independent Contractor

231Hk3125 k. In general. [Most Cited Cases](#)

Principal and Agent 308 🔑3(1)

308 Principal and Agent

308I The Relation

308I(A) Creation and Existence

308k3 Agency Distinguished from Other Relations

308k3(1) k. In general. [Most Cited Cases](#)

Agent need not be an employee.

[29] Principal and Agent 308 🔑101(1)

308 Principal and Agent

308III Rights and Liabilities as to Third Persons

308III(A) Powers of Agent

722 F.3d 1229

(Cite as: 722 F.3d 1229)

308k98 Implied and Apparent Authority
308k101 Contracts in General
308k101(1) k. In general. [Most Cited](#)

Cases

One can be an agent of a principal without having authority to bind the principal to a contract with a third party.

[30] Principal and Agent 308  **159(1)**

308 Principal and Agent

308III Rights and Liabilities as to Third Persons
308III(C) Unauthorized and Wrongful Acts
308k159 Negligence or Wrongful Acts of

Agent

308k159(1) k. Rights and liabilities of principal. [Most Cited Cases](#)

Principal is subject to liability for its agent's tortious conduct only if the conduct is within the scope of the agent's actual authority or ratified by the principal.

[31] Principal and Agent 308  **96**

308 Principal and Agent

308III Rights and Liabilities as to Third Persons
308III(A) Powers of Agent
308k95 Express Authority
308k96 k. In general. [Most Cited Cases](#)

Agent acts with actual authority if it reasonably believes, in accordance with the principal's manifestations to the agent, that the principal wishes the agent so to act. [Restatement \(Third\) of Agency § 2.01](#).

[32] Federal Civil Procedure 170A  **2493**


170A Federal Civil Procedure

170AXVII Judgment
170AXVII(C) Summary Judgment

170AXVII(C)2 Particular Cases

170Ak2493 k. Copyright, trademark, and unfair competition cases. [Most Cited Cases](#)

Genuine issues of material fact existed as to whether competitor knew that at least one of its marketing affiliates was publishing online advertisement bearing contact-lens retailer's registered "1800CONTACTS" service mark, and as to whether competitor failed to take reasonable action to halt affiliate's practice, precluding summary judgment on Lanham Act claim alleging competitor was contributorily liable for affiliate's trademark infringement. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[33] Equity 150  **65(1)**

150 Equity


150I Jurisdiction, Principles, and Maxims

150I(C) Principles and Maxims of Equity

150k65 He Who Comes Into Equity Must Come with Clean Hands

150k65(1) k. In general. [Most Cited Cases](#)

Plaintiff's unclean hands will bar recovery for trademark infringement only if the inequitable conduct is related to the plaintiff's cause of action.

[34] Equity 150  **65(1)**

150 Equity

150I Jurisdiction, Principles, and Maxims

150I(C) Principles and Maxims of Equity

150k65 He Who Comes Into Equity Must Come with Clean Hands

150k65(1) k. In general. [Most Cited Cases](#)

Contact-lens retailer's alleged misconduct was related to competitors' marks, not retailer's registered

722 F.3d 1229

(Cite as: 722 F.3d 1229)

“1800CONTACTS” service mark that was allegedly infringed by competitor's online advertisements, and thus retailer's misconduct did not cause it to have unclean hands precluding its recovery for alleged infringement of its mark under Lanham Act. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

[35] Federal Civil Procedure 170A 1637

170A Federal Civil Procedure

170AX Depositions and Discovery

170AX(E) Discovery and Production of Documents and Other Tangible Things

170AX(E)5 Compliance; Failure to Comply

170Ak1636 Failure to Comply; Sanctions

170Ak1637 k. Payment of expenses.

Most Cited Cases

District court acted within its discretion in awarding attorney's fees to retailer as sanction for competitor's failure to produce requested records in trademark infringement action; although retailer's request for competitor's records was very broad, basis for sanction was competitor's dilatory and obstructive response, and some of the records ultimately produced were relevant.

[36] Federal Courts 170B 3610(2)

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review

170BXVII(K)2 Standard of Review

170Bk3576 Procedural Matters

170Bk3610 Sanctions

170Bk3610(2) k. Discovery sanctions. **Most Cited Cases**

(Formerly 170Bk820)

Court of Appeals reviews discovery sanctions for

abuse of discretion.

[37] Federal Courts 170B 3603(7)

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review

170BXVII(K)2 Standard of Review

170Bk3576 Procedural Matters

170Bk3603 Findings

170Bk3603(7) k. Definite and firm conviction of mistake. **Most Cited Cases**
(Formerly 170Bk853)

Under abuse-of-discretion standard of review, trial court's decision will not be disturbed unless the appellate court has a definite and firm conviction that the lower court made a clear error of judgment or exceeded the bounds of permissible choice in the circumstances.

[38] Federal Courts 170B 3413

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(D) Presentation and Reservation in Lower Court of Grounds of Review


170BXVII(D)2 Particular Grounds of Review

170Bk3406 Matters of Procedure

170Bk3413 k. Preliminary proceedings; depositions and discovery. **Most Cited Cases**
(Formerly 170Bk625)

Competitor forfeited argument that it should have been allowed to submit requested documents for in camera review, on appeal of district court's award of attorney's fees to retailer as sanction for competitor's failure to produce requested records in trademark infringement action; competitor failed to raise argument in district court.

722 F.3d 1229
(Cite as: 722 F.3d 1229)

Trademarks 382T  1800

[382T Trademarks](#)

[382TXI Trademarks and Trade Names Adjudicated](#)

[382Tk1800 k. Alphabetical listing. Most Cited Cases](#)

1800CONTACTS.

***1233** [Mark A. Miller](#), Holland & Hart LLP, Salt Lake City, UT, ([Bryan G. Pratt](#), Holland & Hart LLP, Salt Lake City, UT; [Marcy G. Glenn](#), Holland & Hart LLP, ***1234** Denver, CO; and [Donald A. Degnan](#), Holland & Hart LLP, Boulder, CO, with him on the briefs), for Plaintiff–Appellant, Cross–Appellee.

[Scott R. Ryther](#), Phillips Ryther & Winchester, Salt Lake City, UT, ([Mark M. Bettilyon](#), Ray, Quinney & Nebeker, P.C., Salt Lake City, UT, with him on the briefs), for Defendant–Appellee, Cross–Appellant.

Before [BRISCOE](#), Chief Judge, [LUCERO](#), and [HARTZ](#), Circuit Judges.

[HARTZ](#), Circuit Judge.

The Lanham Act, [15 U.S.C. §§ 1051–1127](#), prohibits the infringement of trademarks (used to identify products) and service marks (used to identify services). It was enacted in 1946, but because it speaks in general terms it can be applied to technologies unimagined at the time of enactment. One such technology, the Internet, has created a number of challenging issues. The case before us concerns Internet search engines, which present advertisers with new means of targeting prospective customers and therefore new possibilities for claims under the Lanham Act. The dispute arises out of advertising through AdWords, a program offered by the Internet search engine Google. An advertiser using AdWords pays Google to feature one of its ads onscreen whenever a designated term, known as a keyword, is used in a

Google search. We must resolve whether the Lanham Act was violated by an advertiser's use of keywords that resembled a competitor's service mark. For the most part, we hold that there was no violation.

Plaintiff 1–800 Contacts, Inc. (1–800) dominates the retail market for replacement contact lenses. It owns the federally registered service mark 1800CONTACTS. Defendant Lens.com, Inc. is one of 1–800's competitors. To police the use of its mark, 1–800 enters different variations of the mark into Google searches and monitors what search results are displayed. When 1–800 found that several searches generated paid ads for Lens.com's websites, it concluded that Lens.com had reserved the mark as a keyword. After attempting to resolve the situation informally, 1–800 sued Lens.com for service-mark infringement. Its primary claim was that Lens.com itself had infringed the 1800CONTACTS mark by purchasing keywords resembling the mark. According to 1–800, this conduct had directed potential customers for 1–800 to Lens.com by creating what is known as “initial-interest confusion,” which can be actionable under the Lanham Act. As the case progressed, 1–800 supplemented its claim of direct infringement by alleging that certain third-party marketers hired by Lens.com, known as affiliates, had also purchased keywords resembling the mark and that at least one affiliate was using the mark in the text of its online ads. 1–800 sought to hold Lens.com secondarily liable for its affiliates' conduct. The theories of secondary liability, which will be discussed more fully below, were common-law agency and contributory infringement.

The district court awarded summary judgment to Lens.com on all claims. On the direct-liability claim and most of the secondary-liability claims, the court ruled that 1–800 had raised no genuine issue of fact regarding the likelihood of initial-interest confusion. On the remaining secondary-liability claims—which concerned the use of 1–800's mark in the content of ads displayed on Google's site—the court ruled that

722 F.3d 1229

(Cite as: 722 F.3d 1229)

1-800's evidence was insufficient to hold Lens.com liable for any misconduct of its affiliates.

1-800 appeals the summary judgment. To the extent that the court based summary judgment on the ground that no likelihood of confusion existed, we affirm. Traditional analysis and actual market-place*1235 data reveal that the keyword use by Lens.com and its affiliates was highly unlikely to divert consumers. As for the remaining secondary-liability claims, we affirm the denial of liability under agency law because the affiliates, even if agents (or more precisely, subagents) of Lens.com, lacked authority to include 1-800's mark in ads for Lens.com. But we reverse the denial of liability for contributory infringement because the evidence could support a reasonable finding that Lens.com did not take reasonable steps to halt the display of 1-800's marks in affiliate ads once it learned of such display.

Also, we affirm the discovery sanction challenged by Lens.com on cross-appeal (but decline to award 1-800 its attorney fees for defending the sanction in this court), and we affirm the denial of Lens.com's district-court motion for attorney fees.

I. BACKGROUND

A. The Dispute

1-800 is the world's leading retailer of replacement contact lenses. It sells lenses via telephone, by mail order, and over the Internet. In 2003 it registered with the federal trademark register the nonstylized word mark "1800CONTACTS" as one of its service marks. *Aplt.App.*, Vol. 6 at 1001. The mark achieved incontestable status under 15 U.S.C. § 1065 in 2008. Lens.com is one of 1-800's competitors in the replacement-lens retail market. Unlike 1-800, which advertises through several different media and which derived approximately 40% of its gross sales from sources other than Internet orders in 2007, Lens.com

advertises and does business almost exclusively online.

This dispute arose in the summer of 2005, when 1-800 discovered that paid advertisements for Lens.com appeared when one searched for the phrase "1800 CONTACTS" on Google. *Id.*, Vol. 11 at 2654. 1-800 concluded that Lens.com was using the 1800CONTACTS mark in its online marketing. To explain this concern properly, we must first review some mechanics of Internet advertising through search engines. Because 1-800's arguments on appeal focus solely on Lens.com's use of AdWords, a program offered by Google, we describe only AdWords and no other search engines or advertising services.

At the time of the proceedings below, a typical Google search simultaneously yielded two different kinds of results: organic results and sponsored links. Organic results were the links generated by Google's search algorithms, which sorted web pages according to their relevance to the user's search as well as their quality. An advertiser could not pay Google to have its web page displayed among the organic results. Through AdWords, however, an advertiser could pay to be displayed as a sponsored link. A sponsored link would include advertising copy and the advertiser's website address. A user who clicked on the ad would be connected to the website. Sponsored links usually appeared either above or to the right of the organic results. The notice "Sponsored Links" was displayed next to each cluster of ads. Google placed background shading behind several of the sponsored links to set them apart visually from the organic results, which appeared on a plain white background.

For its ad to appear as a sponsored link when a user initiated a Google search, an advertiser had to bid to reserve a particular word or phrase—known as a keyword—that would trigger the display of its ad. The advertiser specified whether its ad should appear as the result of (1) a broad match—that is, whenever a Google search contained a phrase that was either

722 F.3d 1229

(Cite as: 722 F.3d 1229)

similar to or a relevant variation of the keyword; (2) a phrase match—whenever the search contained the exact keyword; *1236 or (3) an exact match—whenever the search contained the exact keyword and nothing more. The advertiser could also use negative matching, which instructed Google not to display the ad when a certain search term was used. Negative matching allowed the advertiser to filter out irrelevant searches. For example, if a seller of contact lenses had purchased the keyword *contacts*, it might have wanted to exclude searches for *marketing contacts*.

The display of a sponsored link in response to a user's search was known as an impression. An advertiser paid Google only if the user actually clicked on its impression; its bid for the keyword represented the amount per click that it was willing to pay. Advertisers who bid higher amounts generally received superior placement among the sponsored links. A click that led to a sale through the advertiser's web page was called a conversion, which did not incur an additional charge to the advertiser from Google.

1-800 apparently reasoned that a Google search for "1800 CONTACTS" could generate an ad for Lens.com only if Lens.com—or someone working on its behalf—had bid on that exact term or on some phrase containing that exact term. In September 2005 it sent Lens.com two letters reporting that online searches for that term were resulting in ads for Lens.com. One of the letters was accompanied by screenshots that showed Google search results for the phrases "1-800 contacts," "1-800-contacts," and "1800contacts." *Id.* at 2657–59. In each screenshot an ad for Lens.com appeared among the sponsored links, along with ads for 1-800 and other retailers. Lens.com responded that it had looked into the matter, had determined who appeared to be responsible, and would advise them not to bid on "1-800-CONTACTS" as a keyword in the future. *Id.* at 2663.

The parties who appeared to be responsible,

Lens.com told 1-800, were affiliates. Advertisers like Lens.com might pay third-party affiliates to publish ads for them through AdWords and other search-engine programs. An Internet user who clicked on an ad published by a Lens.com affiliate would be routed directly to one of Lens.com's four websites—www. Lens. com, www. Just Lenses. com, www. 1- 800 Get Lens. com, and www. Contacts America. com—or instead would be taken to the affiliate's own website, where links to Lens.com's websites were displayed. When the user made a purchase at one of Lens.com's websites as a result of clicking on the affiliate's ad, the affiliate earned a commission.

Lens.com did not recruit individual affiliates directly; rather, it worked with Commission Junction (CJ), which managed a network of affiliates. Under the arrangement in this case, CJ agreed to pay the commissions to the affiliates for their conversions, and Lens.com agreed to reimburse CJ. According to Lens.com's chief executive officer, Lens.com had four different accounts with CJ in 2009, and through those accounts more than 10,000 affiliates were signed up to promote Lens.com and its brands.

Whatever action Lens.com took in response to 1-800's September 2005 notices, 1-800 continued to express concerns. In November and December 2005 it again contacted Lens.com and advised that Google searches for "1800contacts," "1800 contacts," "1-800-contacts," and "1-800 contacts" were still generating Lens.com's ads. *Id.* at 2695–98. Lens.com replied that it would try to determine who was publishing the ads in question. The next relevant communication did not occur until April 2007, when 1-800's counsel emailed Lens.com's counsel once more to complain that the problem was recurring. Attached to the email were screenshots of search *1237 results from Google and another search engine. Lens.com's counsel replied that he would confer with his client to see whether the problem could be fixed.

1-800 filed a complaint against Lens.com in

722 F.3d 1229

(Cite as: 722 F.3d 1229)

August 2007 in the United States District Court for the District of Utah. The complaint stated that 1–800 had “discovered that Lens.com had purchased sponsored advertisements from Google, and other search engines, for Plaintiff’s Marks to trigger advertising and/or a link to the Lens.com Websites.” *Id.*, Vol. 1 at 42. It further alleged that Lens.com had “use[d] the 1800 CONTACTS trademark as a triggering keyword to display and promote Lens.com’s directly competitive goods and services.” *Id.* at 43. To support this allegation, the complaint included a screenshot of Google search results for the term “1800 CONTACTS” in which an ad for Lens.com was featured. *Id.*

The complaint also alleged that Lens.com had used the 1800CONTACTS mark in its advertising copy, and it included a second screenshot that, unlike any of the screenshots that it had previously disclosed to Lens.com, showed a sponsored link featuring the term “1–800 Contacts” in the ad’s text. *Id.* at 44. The Internet address beneath this text was www. Just Lenses. com, one of Lens.com’s websites.

1–800’s chief legal claims were that Lens.com had infringed on its 1800CONTACTS mark under § 32 of the Lanham Act, 15 U.S.C. § 1114(1), which provides a cause of action for the infringement of a federally registered mark, and § 43(a), 15 U.S.C. § 1125(a), which provides a cause of action for the infringement of unregistered as well as registered marks.

As discovery proceeded, 1–800 learned that Lens.com itself had bid on the following nine terms (the Challenged Keywords) as AdWords keywords: “1–800 contact lenses”; “1800 contact lenses”; “800 contact lenses”; “800contacts.com”; “800contacta.com”; “800contavts.com”; “800contaxts.com”; “800contzcts.com”; and “800conyacts.com.” *Aplt.App.*, Vol. 9 at 1922–23. Lens.com does not dispute that it bid on the Challenged Keywords, nor does 1–800 contend on appeal

that Lens.com ever bid on the 1800CONTACTS mark itself. Additionally, 1–800 does not claim that any impressions created by Lens.com featured the 1800CONTACTS mark in their text. Discovery revealed, however, that two Lens.com affiliates, Dusty Goggans and Ryan McCoy, had bid on the keyword “1800Contacts” and close variations of 1–800’s mark. *Id.*, Vol. 5 at 507. And McCoy had published at least one ad for www. Just Lenses. com (one of Lens.com’s websites) that featured the phrase “1800 Contacts” in its advertising copy. *Id.* at 508.

[1] In light of this discovery, 1–800 amended its complaint to convey two theories of how Lens.com had violated §§ 32 and 43(a) of the Lanham Act: (1) that Lens.com had *directly* infringed on the 1800CONTACTS mark by purchasing the Challenged Keywords; and (2) that Lens.com’s *affiliates* had infringed on the mark and that Lens.com was secondarily liable for their infringement. It advanced two separate grounds for secondary liability. The first—vicarious infringement—imposes liability on a principal for the infringing acts of its agent.^{FN1} The second—contributory***1238** infringement—is analogous to aiding and abetting. Before discussing the district court’s rulings on 1–800’s claims of direct and secondary liability, we briefly review some fundamentals of service-mark infringement under federal law.

FN1. The opening brief of 1–800 makes a passing comment that Lens.com was also in a *partnership* with its affiliates. Insofar as it may be arguing for some form of liability beyond agency law, we do not address the argument because it offers no elaboration and cites no principles of partnership law. *See Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research*, 527 F.3d 1045, 1049 n. 1 (10th Cir.2008). (“Arguments inadequately briefed in the opening brief are waived.”).

722 F.3d 1229

(Cite as: 722 F.3d 1229)

B. Service–Mark Infringement Under the Lanham Act

[2] A service mark, similar to a trademark, is defined by the Lanham Act as “any word, name, symbol, or device, or any combination thereof” that is used “to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown.” 15 U.S.C. § 1127 (2006). 1800CONTACTS is such a mark. The Lanham Act's private causes of action for trademark infringement are available to the owners of service marks. See *Vail Assocs., Inc. v. Vend–Tel–Co., Ltd.*, 516 F.3d 853, 857 & n. 1 (10th Cir.2008); *Donchez v. Coors Brewing Co.*, 392 F.3d 1211, 1215 (10th Cir.2004). Section 32 of the Act allows the owner of a registered mark to bring an action for infringement against any person who

use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of [the] registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive....

15 U.S.C. § 1114(1)(a). Similarly, under § 43(a) the owner of any valid mark, registered or not, may sue any person who

uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which ... is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person....

Id. § 1125(a).

[3][4][5] The elements of an infringement claim under § 43(a) are (1) that the plaintiff has a protectable interest in the mark; (2) that the defendant has used “an identical or similar mark” in commerce, *Donchez*, 392 F.3d at 1215 (brackets and internal quotation marks omitted); and (3) that the defendant's use is likely to confuse consumers. See *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research*, 527 F.3d 1045, 1050 (10th Cir.2008). An infringement claim under § 32 has nearly identical elements, see *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1484 (10th Cir.1987), except that the registration of a mark serves as prima facie evidence of both the mark's validity and the registrant's exclusive right to use it in commerce, see 15 U.S.C. § 1115(a) (2002). The central question in a typical infringement action under either § 32 or § 43(a) is whether the defendant's use of the plaintiff's mark is likely to cause consumer confusion.

[6][7][8][9] Confusion can be of several sorts. For example, consumers may experience direct confusion of source when they develop the mistaken belief that the plaintiff is the origin of the defendant's goods or services—so that the defendant capitalizes on the plaintiff's good name. See *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238 (10th Cir.2006). The classic case of direct confusion occurs when “[c]ustomers want to buy the [plaintiff's] product and because of the similarity of the marks, mistakenly buy the [defendant's] product instead.” *12394 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:10 at 23–70 (4th ed.2013) (4 McCarthy). Or consumers may experience reverse confusion of source when they mistakenly believe that the defendant is the origin of the plaintiff's goods or services. See *Australian Gold*, 436 F.3d at 1238. Reverse confusion typically occurs “when the [defendant's] advertising and promotion so swamps the [plaintiff's] reputation in the market” that “customers purchase the [plaintiff's] goods under the mistaken impression that they are getting the goods of the [de-

722 F.3d 1229

(Cite as: 722 F.3d 1229)

fendant].” 4 *McCarthy* § 23:10 at 23–70 to 71. In that circumstance the defendant would not be trying to take a free ride on the plaintiff’s reputation but would drown out the value of the plaintiff’s mark. This can arise when a national firm adopts a mark that was already being used by a small business operating in only one locality. *See id.* at 23–71 to 75 (setting forth examples). Confusion need not be limited to the incorrect perception that one party was the source of the other party’s product or service; it may also arise from “a mistaken belief in common sponsorship or affiliation.” *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 558 (10th Cir.1984). Nor must the confusion occur at the point of sale; postsale confusion may propagate among potential consumers who see the relevant product after the original buyer has purchased it. *See Gen. Motors Corp. v. Urban Gorilla, LLC*, 500 F.3d 1222, 1227 (10th Cir.2007).

[10] The type of confusion alleged by 1–800 is an additional variety—namely, initial-interest confusion, a distinct theory that we recognized in *Australian Gold*. Initial-interest confusion “results when a consumer seeks a particular trademark holder’s product and instead is lured to the product of a competitor by the competitor’s use of the same or a similar mark.” *Australian Gold*, 436 F.3d at 1238. As the name implies, the improper confusion occurs even if the consumer becomes aware of the defendant’s actual identity before purchasing the product. *See id.* at 1238–39. In *Australian Gold* the defendants (1) used Australian Gold’s trademarks on their own websites; (2) placed Australian Gold’s marks in hidden codes associated with their websites (metatags), so that an Internet search for those trademarks would return links to the defendants; and (3) paid a website to list the defendants in a preferred position whenever a user searched for Australian Gold’s marks. *See id.* at 1233 n. 3, 1239. We affirmed the denial of the defendants’ motion for judgment as a matter of law because we agreed with the district court that a genuine issue of fact existed regarding the likelihood of initial-interest confusion. *See id.* at 1240.

We have identified six factors (the *King of the Mountain* factors) as relevant to whether a likelihood of confusion exists:

- (a) the degree of similarity between the marks;
- (b) the intent of the alleged infringer in adopting its mark;
- (c) evidence of actual confusion;
- (d) the relation in use and the manner of marketing between the goods or services marketed by the competing parties;
- (e) the degree of care likely to be exercised by purchasers; and
- (f) the strength or weakness of the marks.

King of the Mountain Sports, Inc. v. Chrysler Corp., 185 F.3d 1084, 1089–90 (10th Cir.1999). These factors are not exhaustive. *See id.* at 1090. And they should not be applied mechanically; some factors may carry far more weight than others depending on the circumstances. *See id.* (“[T]he weight afforded to some of the factors differs when applied in ... separate contexts.”); *cf. Vail Assocs.*, 516 F.3d at 863–66 (treating actual confusion as the most important factor); *1240 *Universal Money Ctrs., Inc. v. AT & T Co.*, 22 F.3d 1527, 1536 (10th Cir.1994) (indicating that the lack of actual confusion and the dissimilarity of the marks were the paramount considerations).

[11] A defendant may be held liable for service-mark infringement even though it has not directly infringed on the plaintiff’s mark through its own acts. Two theories of secondary liability are pertinent here. First, we have joined the Third Circuit in recognizing that the Lanham Act incorporates common-law

722 F.3d 1229

(Cite as: 722 F.3d 1229)

agency principles: a principal may be held vicariously liable for the infringing acts of an agent. See *Procter & Gamble Co. v. Haugen*, 317 F.3d 1121, 1127–28 (10th Cir.2003); *AT & T Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1433–34 (3d Cir.1994); 4 McCarthy § 25:21.25. Second, in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 853–54, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982), the Supreme Court ruled that contributory infringement can violate the Lanham Act. Akin to aiding and abetting, contributory infringement generally consists of either intentionally causing or knowingly facilitating the infringement of the plaintiff's mark by a third party. The *Inwood* Court formulated the theory as follows:

[L]iability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another. Even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances. Thus, if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.

Id. at 853–54, 102 S.Ct. 2182 (footnote omitted).

C. Proceedings Before the District Court

1–800 moved for partial summary judgment on the issues of direct and secondary liability for service-mark infringement. Except for the few ads that used the mark in their text, 1–800's only clearly expressed theory of infringement was initial-interest confusion. Although it asserts on appeal that Lens.com's acts of direct infringement included purchasing merely generic keywords and then failing to designate the 1800CONTACTS mark as a *negative* keyword, that theory was not raised in district court. Its brief in opposition to summary judgment dis-

claimed such a position, stating: “On the Internet, a competitor is free to purchase keywords of the product category (*i.e.*, contact lenses) but the competitor is not free to purchase a competitor's trademark as a keyword.” Aplt.App., Vol. 10 at 2281. The brief made plain that its direct-infringement claim was limited to the nine Challenged Keywords, and that its principal secondary-infringement claim was limited to the purchase by Goggans and McCoy of keywords that closely resembled its mark.

In an effort to show actual confusion (the third *King of the Mountain* factor), 1–800 offered an example of one confused consumer and the results of a consumer survey conducted by its expert, Carl Degen. Lens.com moved to strike the survey as unreliable. It also moved for summary judgment on all claims. The district court granted Lens.com's motion to strike the survey. See *id.*, Vol. 3 at 5456 (Memorandum Decision & Order on Carl Degen Evidence at 1, *1–800 Contacts, Inc. v. Lens.com, Inc.*, Case No. 2:07–cv–591 CW (D. Utah Dec. 15, 2010)) (Survey Order). And it awarded summary judgment to Lens.com. See *12411–800 *Contacts, Inc. v. Lens.com, Inc.*, 755 F.Supp.2d 1151, 1191 (D.Utah 2010).

In granting summary judgment the court first ruled that a defendant's purchase of search-engine keywords—in Lens.com's case, the nine Challenged Keywords; and in Goggans and McCoy's case, the term “1800Contacts” and slight variations thereof—can amount to a use in commerce under the Lanham Act. See *id.* at 1169–70. But it also ruled that merely purchasing such a keyword cannot, on its own, give rise to liability for infringement. See *id.* at 1171–74. Observing that an impression for Lens.com might result just as easily from a Google search for an unprotected, generic term like “contacts” as from a search for the registered mark 1800CONTACTS, the court explained that a Google user confronted with a screenshot of search results would be unable to tell from those results alone which keyword had been

722 F.3d 1229

(Cite as: 722 F.3d 1229)

purchased. *See id.* at 1173. It reasoned that as a matter of law, a defendant's purchase of a search-engine keyword cannot, by itself, create the likelihood of confusion that is necessary for infringement liability; rather, the court ruled that keyword use can generate a likelihood of confusion only in combination with the specific language of the resulting impressions. *See id.* at 1173–74. It thus ruled that insofar as the keyword use of Lens.com and its affiliates generated ads that did not feature 1–800's mark or any variation in their text, no likelihood of confusion existed. *See id.* at 1181–82.

Turning to the few ads (all placed by one affiliate, McCoy) whose text *did* feature some variation of the mark, the district court disposed of 1–800's secondary-liability claims by rejecting its theories of vicarious infringement and contributory infringement. With respect to vicarious infringement it ruled that the evidence did not support a principal-agent relationship between Lens.com and any of its affiliates. *See id.* at 1182–84. And with respect to contributory infringement it ruled that 1–800 had failed to provide any evidence from which a reasonable jury could find that Lens.com either (1) intentionally induced its affiliates to use the 1800CONTACTS mark in the text of their impressions or (2) knew or had reason to know that they were doing so yet failed to take appropriate action. *See id.* at 1185–87.

On appeal 1–800 argues (1) that there were disputed facts regarding likelihood of confusion and (2) that the evidence would support findings of secondary liability under theories of both vicarious liability and contributory infringement. In turn, Lens.com cross-appeals from an order sanctioning it for discovery abuses. And in a separate appeal Lens.com challenges the district court's denial of its motion for attorney fees under both the Lanham Act, *see* 15 U.S.C. § 1117(a) (2008), and Utah law, *see* Utah Code Ann. § 78B–5–825 (2008). We affirm on all issues but one: contributory infringement. We disagree with the district court's ruling that there was insufficient evi-

dence that Lens.com had the necessary actual or constructive knowledge to be held contributorily liable for the conduct of its affiliates. We also reject Lens.com's unclean-hands defense to 1–800's claims. Therefore, we reverse and remand for further proceedings on the contributory-infringement claim.

II. DISCUSSION

We first resolve the issues presented by 1–800's appeal. We then address Lens.com's cross-appeal and its appeal of the denial of attorney fees.

A. Direct Liability for Ads Placed by Lens.com

[12] The district court awarded summary judgment to Lens.com on 1–800's *1242 claim that Lens.com was directly liable for infringing on its service mark. It ruled that 1–800 had created no genuine factual issue regarding whether Lens.com's keyword use was likely to cause confusion. *See 1–800 Contacts*, 755 F.Supp.2d at 1181–82. 1–800 asserts that this ruling was error. It argues generally about likelihood of confusion, not distinguishing its § 32 infringement claims from its § 43(a) claims. We, too, need not differentiate between the two provisions, as the tests for likelihood of confusion under § 32 and § 43(a) do not differ materially. *See Jordache*, 828 F.2d at 1484.

[13][14] We review the district court's grant of summary judgment de novo. *See Sally Beauty Co., Inc. v. Beautyco, Inc.*, 304 F.3d 964, 971 (10th Cir.2002). “Summary judgment is appropriate if the pleadings, depositions, other discovery materials, and affidavits demonstrate the absence of a genuine issue of material fact and that the moving party is entitled to judgment as a matter of law.” *Id.* “An issue is genuine if the evidence is such that a reasonable jury could return a verdict for the nonmoving party.” *Id.* at 972 (internal quotation marks omitted). Although the party moving for summary judgment “bears the initial burden of demonstrating an absence of a genuine issue of material fact,” it can satisfy that burden with respect to an issue on which it does not bear the burden of

722 F.3d 1229

(Cite as: 722 F.3d 1229)

persuasion at trial “simply by indicating to the court a lack of evidence for the nonmovant on an essential element of the nonmovant’s claim.” *Id.* at 971. Once the moving party has done so, “the burden shifts to the nonmoving party to go beyond the pleadings and set forth specific facts showing that there is a genuine issue for trial.” *Id.* As the party alleging service-mark infringement, 1–800 has the burden of proving likelihood of confusion. See *John Allan Co. v. Craig Allen Co. L.L.C.*, 540 F.3d 1133, 1138 (10th Cir.2008). Likelihood of confusion is ordinarily a question of fact for the jury, but summary judgment is appropriate if no reasonable juror could find that such a likelihood exists. See *Sally Beauty Co.*, 304 F.3d at 972; cf. *King of the Mountain*, 185 F.3d at 1089 (“Courts retain an important authority to monitor the outer limits of substantial similarity within which a jury is permitted to make the factual determination whether there is a likelihood of confusion.” (brackets and internal quotation marks omitted)).

Again, the elements of an infringement claim under the Lanham Act are (1) that the plaintiff has a protectable interest in the mark, (2) that the defendant has used an identical or similar mark in commerce, and (3) that the defendant’s use is likely to confuse consumers. That 1–800 has a protectable interest in its mark is not in dispute. And the district court ruled that purchasing the Challenged Keywords satisfied the use-in-commerce requirement, see *1–800 Contacts*, 755 F.Supp.2d at 1169–70, a premise that we will assume without deciding. Thus, the only contested issue is likelihood of confusion. 1–800’s theory of confusion is initial-interest confusion. Its essential contention is that although Lens.com never published any ads with 1–800’s mark in their text, its bidding on the nine Challenged Keywords caused its ads to appear in response to searches for the mark, thereby diverting customer interest away from 1–800’s website and toward Lens.com’s websites.

The district court ruled that use of the Challenged Keywords, divorced from the text of the resulting ads,

could not result in a likelihood of confusion. It pointed out that because Google users view only the results of their searches and cannot tell exactly which keywords an advertiser has purchased, a user who searches for “1–800 Contacts” and then sees an ad published by Lens.com has no way of knowing *1243 whether Lens.com has reserved 1–800’s mark as a keyword or instead has reserved simply the term *contacts*. See *id.* at 1173. “Given that fact,” the court reasoned, “it would be anomalous to hold a competitor liable simply because it purchased a trademarked keyword when the advertisement generated by the keyword is the exact same from a consumer’s perspective as one generated by a generic keyword.” *Id.* at 1174. This argument has some attraction, although if confusion does indeed arise, the advertiser’s choice of keyword may make a difference to the infringement analysis even if the consumer cannot discern that choice. Cf. *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619, 625–26 (6th Cir.1996) (defendants did not use plaintiff’s mark in commerce when they reserved a common misdialing of the plaintiff’s telephone number, thereby merely exploiting preexisting confusion rather than creating it). In any event, we need not resolve the matter because 1–800’s direct-infringement claim fails for lack of adequate evidence of initial-interest confusion.

[15] We have already set forth a list of six helpful, nonexhaustive factors for determining likelihood of confusion: (1) similarity of the marks, (2) intent of the alleged infringer, (3) evidence of actual confusion, (4) similarity of the competing parties’ services and manner of marketing, (5) degree of consumer care, and (6) strength of the marks. See *King of the Mountain*, 185 F.3d at 1089–90. As we and other courts have emphasized, however, other factors may be considered, and the weight of any given factor can depend very much on context. See *Team Tires Plus, Ltd. v. Tires Plus, Ltd.*, 394 F.3d 831, 833 (10th Cir.2005) (“As with so many of our multi-factor tests, we have emphasized that this list of factors is not exhaustive, that no single factor is dispositive, and that

722 F.3d 1229

(Cite as: 722 F.3d 1229)

all factors must be considered as an interrelated whole.”); *King of the Mountain*, 185 F.3d at 1090 (noting that the similarity of the marks constituted “the heart of our analysis” in a confusion-of-sponsorship case, whereas the parties' manner of marketing and the degree of consumer care had “little importance”); *Nabisco, Inc. v. Warner–Lambert Co.*, 220 F.3d 43, 48 (2d Cir.2000) (dissimilarity of the marks outweighed all other factors); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 153–154 (4th Cir.2012) (in some contexts “the application of the traditional multi-factor test is difficult because often many of the factors are either unworkable or not suited or helpful as indicators of confusion” (internal quotation marks omitted)); *CareFirst of Md., Inc. v. First Care, P.C.*, 434 F.3d 263, 267–68 (4th Cir.2006) (ruling that actual confusion was the paramount factor); *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1360 (9th Cir.1985) (although “certain aspects of the multifactor test describe the circumstances to which a trier of fact would refer in making an educated *guess* as to what was going on in the minds of consumers,” in many cases direct evidence may “outweigh whatever circumstantial evidence has been introduced”); *Kellogg Co. v. Pack'em Enters., Inc.*, 951 F.2d 330, 333 (Fed.Cir.1991) (“We know of no reason why, in a particular case, a single ... factor may not be dispositive.”). The upshot of these cases is that when certain facts are more probative than others on the ultimate issue of likelihood of confusion, those facts may dominate the analysis.

In this case, one item of evidence particularly suggests an absence of initial-interest confusion, the variety of consumer confusion on which 1–800 relies. As we explained in *Australian Gold*, initial-interest confusion occurs when a consumer in search of the plaintiff's product “is lured to the product of a competitor.” 436 F.3d at 1238 (emphasis added); see *Vail Assocs.*, 516 F.3d at 872 (“Initial interest *1244 confusion is a ‘bait and switch’ tactic that permits a competitor to lure consumers away from a service provider by passing off services as those of the pro-

vider, notwithstanding that the confusion is dispelled by the time of sale.” (emphasis added)). Applying that description to this case, initial-interest confusion would arise as follows: a consumer enters a query for “1–800 Contacts” on Google; sees a screen with an ad for Lens.com that is generated because of Lens.com's purchase of one of the nine Challenged Keywords; becomes confused about whether Lens.com is the same source as, or is affiliated with, 1–800; and therefore clicks on the Lens.com ad to view the site. Lens.com has exploited its use of 1–800's mark to lure the confused consumer to its website. Ordinarily, the likelihood of such luring would need to be estimated by what we can call “informed judgment,” which is assisted by analyzing the six *King of the Mountain* factors.

Here, however, we have AdWords data setting an upper limit on how often consumers really were lured in such fashion. A report by Lens.com's expert explained that Lens.com's use of the nine Challenged Keywords yielded 1,626 impressions for Lens.com or its associated websites over eight months. In only 25 (1.5%) of these 1,626 instances did the user click on the ad for Lens.com. (We do not know how many of the 25 made a purchase from Lens.com.) The users in those 25 instances may have been confused into thinking that Lens.com was affiliated with 1–800, or they may simply have wished to look at the offerings of those whom they knew to be 1–800's competitors. What we can say, though, is that initial-interest confusion occurred *at most* 1.5% of the time that a Lens.com ad was generated by a Challenged Keyword in those eight months. This number cannot support an inference that Lens.com's keyword activity was *likely* to “lure[]” consumers away from 1–800. *Australian Gold*, 436 F.3d at 1238. It is thus insufficient to justify relief. See *Universal Money Ctrs.*, 22 F.3d at 1534, 1537 (characterizing a 2.6% confusion rate as de minimis); cf. *CareFirst*, 434 F.3d at 268 (survey reporting a confusion rate of 2% was “hardly a sufficient showing of actual confusion”); *Henri's Food Prods. Co., Inc. v. Kraft, Inc.*, 717 F.2d 352, 358–59 (7th

722 F.3d 1229

(Cite as: 722 F.3d 1229)

[Cir.1983](#)) (survey reporting a confusion rate of 7.6% weighed *against* a finding of infringement).

Moreover, 1-800's arguments based on other *King of the Mountain* factors does not suggest a contrary conclusion. It points to the district court's determination that the likelihood of confusion is supported by factors (4) and (5): the parties offer the same services in the same channels of trade (retail sales of replacement contact lenses over the Internet) and "it is unlikely that consumers exercise a high degree of care in selecting this service." *1-800 Contacts*, 755 F.Supp.2d at 1177. In addition, it challenges the district court's determination on factor (6) that 1-800's mark is "only moderately strong," *id.* at 1181; and on factor (1), it argues that the relevant marks were identical or nearly identical, because the consumer was using the 1800CONTACTS mark as a search term and Lens.com had triggered the ad by using a nearly identical mark.

This analysis by 1-800 illustrates the danger of applying the factors mechanically without attention to context. The specific issue before us is the likelihood that a consumer who conducts an Internet search for 1-800 Contacts and then sees an ad for Lens.com on the results page will be confused into thinking that Lens.com has a business association with 1-800. To begin with, even if consumers in general may not much care what retailer supplies their contact lenses, the consumers relevant to this suit are looking for a particular retailer. *1245 Presumably they have narrowed their search because they have already selected 1-800 as the preferred retailer and are searching for its website or perhaps commentary on its performance. Given the purpose of the search, the shoppers will be attentive to click on those results that will connect them with sites relating to 1-800. In addition, once the consumers see the results page, the substantial dissimilarity between "1-800 Contacts" and "Lens.com" (or its other websites) can be expected to greatly reduce the chance that the consumers will think that the parties are related enterprises; the similarity of the

search term and 1-800's mark is of minor relevance.

Perhaps in the abstract, one who searches for a particular business with a strong mark and sees an entry on the results page will naturally infer that the entry is for that business. But that inference is an unnatural one when the entry is clearly labeled as an advertisement and clearly identifies the source, which has a name quite different from the business being searched for. It is for this reason that the Ninth Circuit considered "the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page" to be a critical factor in finding no likelihood of confusion in a case in which the alleged infringer used a competitor's mark as a keyword. *Network Automation v. Advanced Sys. Concepts*, 638 F.3d 1137, 1154 (9th Cir.2011). We conclude that the factors other than evidence of actual confusion (even if we assume that 1-800's mark is a strong one) firmly support the unlikelihood of confusion. This case is readily distinguishable from *Australian Gold*, in which the alleged infringer used its competitor's trademarks on its websites. *See* 436 F.3d at 1239.

We now turn to 1-800's arguments regarding actual confusion. First, it cites what it claims to be anecdotal evidence of actual confusion in the marketplace: a customer-service record disclosed by Lens.com reported that a customer called Lens.com in July 2006 to cancel her order, apparently because she had just realized that Lens.com was not 1-800. Lens.com counters that the customer-service record cannot be probative of the relevant confusion in this case because, among other reasons, it gives no indication how the customer found Lens.com to place her order initially. We agree. It would be speculation to assume that she had clicked on a Lens.com ad after specifically searching for 1-800. Moreover, a single customer-service record is entitled to little weight. *See King of the Mountain*, 185 F.3d at 1092 ("[I]solated instances of actual confusion may be de minimis." (brackets and internal quotation marks omitted));

722 F.3d 1229

(Cite as: 722 F.3d 1229)

Universal Money Ctrs., 22 F.3d at 1535–36 (characterizing limited evidence of actual confusion as *de minimis*).

1–800 insists that we must infer that additional, undisclosed customer-service records contained similar evidence of actual confusion because the district court, in sanctioning Lens.com for discovery abuses, forbade Lens.com from characterizing the July 2006 record as *de minimis*. But this argument misreads the district court's order. At the magistrate judge's recommendation, the district court in 2009 ordered that “Lens.com shall be precluded from relying upon any business records of Lens.com or its contractors/subcontractors that were not produced by December 9, 2008,” and that “Lens.com shall also be precluded from testifying in a manner that characterizes the contents of such documents.” *Aplt.App.*, Vol. 2 at 3463 (Order at 2, *1–800 Contacts*, No. 2:07–cv–591 CW (D. Utah Feb. 27, 2009)). This order simply forbids Lens.com from testifying as to the meaning of documents that it never produced; it does not require any inference on the *1246 court's part as to the meaning of any documents, and it does not relieve 1–800 of its burden of producing evidence of actual confusion. 1–800 still had to bring evidence of actual confusion to the district court's attention. 1–800 cites no such evidence on appeal apart from the lone customer-service record from July 2006.

Next, 1–800 argues that its consumer-confusion survey was wrongly excluded and that it, too, demonstrated actual confusion. Respondents to this survey were recruited through an online questionnaire and were limited to consumers who said that they either had bought contact lenses in the previous 12 months or were considering buying them in the next 12 months. During the survey they were told to imagine that they had just conducted a Google search for “1800contacts,” and then they viewed screenshots of search results in which an ad for Lens.com appeared among the sponsored links. After studying the screenshots, they were asked whether they thought

that the Lens.com ad either “originate[d] from 1–800–CONTACTS,” *id.*, Vol. 12 at 3307, 3315, or “ha[d] sponsorship or approval from 1–800–CONTACTS,” *id.* at 3308, 3316. The district court excluded the survey results under *Fed.R.Evid. 702* on the ground that methodological flaws undermined the survey's reliability. It focused on two perceived flaws. First, it ruled that the population of respondents was too broad, as it was not limited to prospective *Internet* consumers of contact lenses. Second, it ruled that the questions were ambiguous and leading. The ambiguity arose from the first question's failure to clarify whether “1–800–CONTACTS” referred to a search term or a company. And in the court's view the questions were leading because they suggested the possibility of a connection between Lens.com and 1–800 when the respondents might not have considered such a connection on their own. The court found it unnecessary to address Lens.com's arguments concerning other alleged flaws because the survey would have been inadmissible regardless.

[16][17][18] “Surveys can be used as evidence of actual confusion, but their evidentiary value depends on the relevance of the questions asked and the technical adequacy of the survey procedures.” *Universal Money Ctrs.*, 22 F.3d at 1534 n. 3 (internal quotation marks omitted). Although methodological flaws in a confusion survey will typically affect only the survey's weight and not its admissibility, *see Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 523 (10th Cir.1987), these flaws may justify exclusion under *Rule 702* if they are serious and pervasive enough. *See Vail Assocs.*, 516 F.3d at 864 n. 8. We apply abuse-of-discretion review to the manner in which a district court performs its gatekeeping function under *Rule 702*, recognizing the latitude that it has in determining whether expert testimony is reliable enough to be admitted. *See Bitler v. A.O. Smith Corp.*, 400 F.3d 1227, 1232 (10th Cir.2004).

We, too, are concerned about the reliability of the survey. We note only the ambiguity of a key question.

722 F.3d 1229

(Cite as: 722 F.3d 1229)

Respondents were told that they had entered “1800contacts” into a Google search and were then asked whether they thought that the ad for Lens.com on the results screen “originates from 1-800-CONTACTS.” Aplt.App., Vol. 12 at 3307, 3315. As the district court noted, respondents may have believed that they were being asked whether the ad had resulted from use of the *search term* “1-800-CONTACTS.” See Aplt.App., Vol. 3 at 5474-75 (Survey Order at 19-20). An affirmative answer based on this belief would not have been at all probative of the likelihood of confusion that 1-800 has alleged. In presenting the survey responses, 1-800's expert lumped together the affirmative responses to the ambiguous question with the affirmative responses to *1247 the question whether the respondent believed that the Lens.com ad “ha[d] sponsorship or approval from 1-800-CONTACTS.” *Id.*, Vol. 12 at 3308, 3316. As a result, the court had no way of accurately discounting the survey data for any misunderstandings that might have arisen from the ambiguity of the first question's language.

In any event, even assuming that the survey should have been admitted, it does not warrant reversal of summary judgment because it was insufficiently probative of confusion to overcome the factors discussed above. The survey revealed that the relevant confusion was fairly low. To isolate confusion arising specifically from the use of 1-800's mark as a search term and keyword, the survey used a control group; respondents in this group were told to imagine that they had searched for the term *contact lenses* rather than the term *1800contacts*. When these control-group respondents were asked whether they thought that the Lens.com ad either originated from 1-800 or had sponsorship or approval from 1-800, 11.9% answered in the affirmative. By comparison, 19.4% of respondents in the first noncontrol group and 19.2% of respondents in the second noncontrol group answered likewise. Subtracting the control group's 11.9% rate of confusion, one is left with net confusion rates of only 7.5% and 7.3% for the two noncontrol groups, or an

average net confusion rate of only 7.4%. See 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:187 at 32-432 (4th ed.2013) (6 McCarthy) (noting use of such corrections to eliminate the “general background noise” of confusion in predicting the likelihood of confusion (internal quotation marks omitted)). The 7.4% figure is at (or below) the lowest confusion rate that, together with other evidence supporting confusion, could justify a conclusion that consumer confusion was likely.

1-800 relies on *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F.Supp. 707, 709 (S.D.N.Y.1973), in which the plaintiff, a piano maker, sought a declaratory judgment that its trademark Grotrian-Steinweg was not likely to cause confusion with the defendant's trademarks, Steinway and Steinway & Sons. Following a bench trial, the district court found that confusion was likely. See *id.* at 719-20. This finding was based on a welter of evidence in the defendant's favor: The defendants had diligently promoted and continuously used the Steinway name in the United States for many years, making it a strong trademark. See *id.* at 712-13. The plaintiffs had “candidly adopted the name Steinweg for the sole purpose of exploiting the Steinweg name in exporting pianos to English-speaking countries ... despite knowledge of the defendant's trademark and its objections.” *Id.* at 714. The parties' marks, as well as their products and the manner in which they marketed them, were closely similar. See *id.* at 714-15. And the defendants submitted one survey that “consisted of a series of 23 tape-recorded personal interviews with recent purchasers of Grotrian-Steinweg pianos,” *id.* at 716, many of whom displayed confusion between the two brand names, see *id.* n. 33 (reporting “[e]xemplative responses” that Steinweg was “a Steinway made in Germany,” “the Steinway Company in Germany,” “the parent company to Steinway,” and “the original Steinway, the German Steinway” (internal quotation marks omitted)). Against this backdrop, the district court considered a second survey in which 7.7% of respondents

722 F.3d 1229

(Cite as: 722 F.3d 1229)

“p[er]ceived a business connection between the two companies and 8.5% confused the names.” *Id.* at 716. The court found that the two surveys, taken together, were “strong evidence of the likelihood of confusion which the Lanham Act was designed to prohibit.” *Id.* On appeal the *1248 Second Circuit ruled only that the district court did not err “in giving weight to the surveys as evidence of actual confusion.” *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1341 (2d Cir.1975).

In contrast, the Seventh Circuit has ruled that a district court was correct to hold that a survey showing a 7.6% confusion rate weighed *against* infringement. See *Henri's*, 717 F.2d at 358–59.^{FN2} The court surveyed relevant cases, including *Grotrian*, and remarked that it had found “no case in which a 7.6% figure constituted likelihood of confusion.” *Id.* at 358. It further noted that the district court's opinion in *Grotrian* did not make clear what overlap, if any, existed between the 7.7% of respondents who perceived a business connection between the two piano makers and the 8.5% who confused the names. See *id.* Indeed, a later decision by the Southern District of New York apparently assumed that no such overlap existed, explaining that in *Grotrian* “at least 15 percent of consumers were confused as to source or endorsement.” *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F.Supp. 1259, 1274 (S.D.N.Y.1990) (emphasis added). The *Weight Watchers* court assigned little value to a survey that showed a 9.2% rate of confusion. See *id.*

FN2. 1–800 argues that *Henri's* supports its claim because no correction for net confusion had been made in that case. It suggests that the figure in this case that should be compared to the 7.6% in *Henri's* is the overall confusion rate of more than 19% before subtracting the control-group confusion rate of 11.9%. But there was no control group in *Henri's*, so one can only speculate about what would have been the control-group rate of

confusion (the “ ‘general background noise,’ ” 6 *McCarthy* § 32:187 at 32–432). Hence, we read *Henri's* as standing for the proposition that even if the actual confusion rate was as high as 7.6%, that would not support a finding of a likelihood of confusion.

1–800 also cites *Goya Foods, Inc. v. Condal Distributors, Inc.*, 732 F.Supp. 453, 457 n. 7 (S.D.N.Y.1990), for the proposition that any rate of confusion greater than 7% is meaningful. In that case the plaintiff, Goya, contended that the packaging of the defendant's “Condal” five- and ten-pound bags of rice imitated the packaging of Goya's “Canilla” rice. See *id.* at 453. The court found confusion, based on the strength of the Canilla mark, the similarity in the packaging, the close competitive proximity of the products, the lack of sophistication of rice consumers, and three surveys. See *id.* at 454–58. The court dismissed one survey as not designed to measure the relevant confusion. See *id.* at 456. A second survey reported that when respondents were shown a package of Condal rice, 44.9% said that the first company or brand that came to mind was Goya or Canilla; and of those, 27.5% said that the packaging caused them to say that and 20.5% said that the Condal and Canilla packages were very similar or identical. See *id.* In the third survey, respondents were handed an empty Condal bag and were asked what brand it was; 9% identified the bag as Canilla or Goya. See *id.* Goya's expert said that “any figure greater than 7 percent *in this sort of study* is meaningful and represents a real confusion.” *Id.* at 457 (emphasis added) (internal quotation marks omitted). The court said that the expert's statement was supported by case law, citing only *Grotrian*. See *id.* n. 7.

We are not persuaded that *Grotrian* and *Goya* support the proposition that surveys showing confusion as low as 7% can by themselves sustain a finding of likelihood of confusion. Both cases seem rightly decided, but primarily because of the strength of other factors supporting confusion and other persuasive

722 F.3d 1229

(Cite as: 722 F.3d 1229)

survey results. The strongest statement that can be made based on those opinions is that “surveys *1249 *without obvious defects* indicating confusion of seven percent to 15 percent of the sample have been held adequate, *when supported by other evidence*, to prove a likelihood of confusion.” [Restatement \(Third\) of Unfair Competition § 20](#) cmt. g. at 216–17 (1995) (emphases added); *cf. id.* at 217 (“The weight to be accorded a specific survey depends on the facts and circumstances of each case. The fact that a particular percentage is held sufficient to establish infringement in one case thus does not necessarily indicate that it is sufficient to establish infringement in other cases.”). The great weight of authority appears to be that “[w]hen the percentage results of a confusion survey dip below 10%, they can become evidence which will indicate that confusion is *not* likely.” [6 McCarthy § 32:189 at 32–440](#) (emphasis added).

Thus, 1–800’s survey is entitled to no more than minimal weight. And that minimal weight cannot sustain a finding of likelihood of confusion in the circumstances presented here. The other factors, including the hard data noted above, overwhelmingly indicate the unlikelihood of confusion. Even if the survey was admissible evidence, summary judgment for Lens.com was required.

B. Secondary Liability for Ads Placed by Lens.com Affiliates

1–800 claims that Lens.com should have been denied summary judgment on the claims of secondary liability for infringement allegedly committed by affiliates who published ads on its behalf. 1–800’s arguments focus exclusively on the conduct of two affiliates, Goggans and McCoy. Both Goggans and McCoy purchased keywords that were either identical or closely similar to 1–800’s service mark. In addition, McCoy published at least one ad for www. Just Lenses. com that featured a close variation of the mark in its text.

[19][20][21] Again, 1–800’s theories of second-

ary liability are vicarious liability and contributory infringement. Vicarious liability arises when common-law principles of agency impose liability on the defendant for the infringing acts of its agent. *See Procter & Gamble*, 317 F.3d at 1127–28. Contributory infringement occurs when the defendant either (1) intentionally induces a third party to infringe on the plaintiff’s mark or (2) enables a third party to infringe on the mark while knowing or having reason to know that the third party is infringing, yet failing to take reasonable remedial measures. *See Inwood*, 456 U.S. at 853–54, 102 S.Ct. 2182; *Procter & Gamble*, 317 F.3d at 1128 (“An action for contributory liability is not limited to a manufacturer, but may also extend to licensors, franchisers, or to similarly situated third parties.”); *Coach, Inc. v. Goodfellow*, 717 F.3d 498, 505 (6th Cir.2013) (defendant was liable for contributory infringement “because he knew or had reason to know of the infringing activities and yet continued to facilitate those activities ... without undertaking a reasonable investigation or taking other appropriate remedial measures”). Vicarious and contributory liability must be predicated on some *direct* infringement by the third party. *See 4 McCarthy § 25:17* (“By definition, there can be no liability for contributory infringement unless there is direct infringement.”); *cf. La Resolana Architects, PA v. Reno, Inc.*, 555 F.3d 1171, 1181 (10th Cir.2009) (“[B]oth contributory and vicarious infringements require someone to have directly infringed the copyright.”). Lens.com therefore cannot incur secondary liability unless one of the affiliates in question directly violated the Lanham Act.

[22] As noted, the low ratio of clicks to impressions associated with Lens.com’s own keyword use and the other *King of the Mountain* factors convince us that *1250 summary judgment was appropriate on 1–800’s direct-infringement claim. The same factors and similar data convince us that insofar as Goggans and McCoy used keywords that resulted in ads for Lens.com entities that did not display 1–800’s mark in their text, no genuine factual issue exists regarding likelihood of confusion. As for hard data, the record

722 F.3d 1229

(Cite as: 722 F.3d 1229)

reveals that McCoy's use of "1800Contacts" or some variation thereof as a keyword generated more than 448,000 impressions whose text did not display the mark. Of these impressions, at most 3,163—or about .7%—resulted in clicks. Likewise, one of 1-800's own exhibits revealed that Goggans's use of "1800Contacts" as a keyword generated 242,864 impressions for www. Just Lenses. com that did not display the mark in their text, and only 1,445 of the impressions—also fewer than 1%—resulted in clicks. 1-800 does not dispute these numbers, which are even more in Lens.com's favor than the 1.5% clicks-to-impressions rate for 1-800's direct-liability claim. Thus, to the extent that 1-800's secondary-liability claim derives from keyword use by Goggans and McCoy that did not generate ads containing the 1800CONTACTS mark, there is insufficient evidence of direct infringement. And absent any evidence of direct infringement, Lens.com cannot be secondarily liable. The district court properly granted summary judgment to Lens.com on this keyword use.

1-800's only remaining claim is that Lens.com is secondarily liable for McCoy's publication of ads that featured variations of the 1-800 mark in their text. We examine vicarious and contributory infringement on this claim.

1. Vicarious Liability.

[23][24][25][26][27][28][29] The district court granted summary judgment to Lens.com on 1-800's vicarious-liability theory, ruling that the evidence would not support a reasonable inference that the affiliates were Lens.com's agents. *See 1-800 Contacts*, 755 F.Supp.2d at 1182–84. We have some concerns with the district court's analysis and Lens.com's arguments that there was no agency relationship. First, one need not show a fiduciary relationship to establish that an agency relationship exists; rather, fiduciary duties arise as a result of circumstances establishing the agency relationship. *See Restatement (Third) of Agency* § 1.01 cmt. e. at 23 (2006) ("To establish that a relationship is one of

agency, it is not necessary to prove its fiduciary character as an element."). Second, that certain affiliates may have worked for another advertiser at the same time that they were working for Lens.com does not necessarily mean that they could not have been agents of Lens.com. An agent can serve multiple principals at once, even principals that are competing with one another. *See, e.g., Sonnenschein v. Douglas Elliman-Gibbons & Ives*, 274 A.D.2d 244, 713 N.Y.S.2d 9, 12 (2000) ("It has long been the common-law rule that a real estate broker can represent more than one seller or lessor at a time, and can show multiple properties to the same buyer, without breaching its fiduciary duty."); *Foley v. Mathias*, 211 Iowa 160, 233 N.W. 106, 107 (1930) ("The situation in this case is analogous to that which arises when a real estate agent has listed with him a number of houses for rent and a lease to one of them is made to the customer of the real estate agent. Every owner of the houses is a rival of every other owner for the lease with the real estate agent's customer, but can it be said that, because the real estate agent has several houses listed with him, therefore, the real estate agent cannot recover his commission for leasing one of them to one of his customers without the intelligent consent of both? Manifestly not."); *Restatement (Third) of Agency* § 3:14 cmt. b.; *cf. *1251NLRB v. Town & Country Elec., Inc.*, 516 U.S. 85, 94–95, 116 S.Ct. 450, 133 L.Ed.2d 371 (1995) (worker can be servant of union and employee of company at same time). Third, the absence or infrequency of direct communication from Lens.com to its affiliates is not conclusive on whether the affiliates were its agents. A principal can authorize its agent to appoint a subagent, and the subagent can then act as an agent for the principal even though the principal's control is indirect. *See Restatement (Third) of Agency* § 3.15 ("Subagency"). Fourth, an independent contractor can be an agent. An agent need not be an employee. *See Bradbury v. Phillips Petroleum Co.*, 815 F.2d 1356, 1360 (10th Cir.1987) ("[T]he terms 'agents' and 'independent contractor' are not necessarily mutually exclusive."); *Appleby v. Kewanee Oil Co.*, 279 F.2d 334, 336 (10th

722 F.3d 1229

(Cite as: 722 F.3d 1229)

Cir.1960) (“[A] broker is but a species of agent who may also be an independent contractor.”); cf. *Proctor & Gamble Co. v. Haugen*, 222 F.3d 1262, 1278 (10th Cir.2000) (noting that distributors were “more analogous to independent contractors than to employees under Utah law,” but then considering whether they were agents). And fifth, one can be an agent of a principal without having authority to bind the principal to a contract with a third party. See *Restatement (Third) of Agency § 1.01* cmt. c. at 19 (“Agents who lack authority to bind their principals to contracts nevertheless often have authority to negotiate or to transmit or receive information on their behalf.”).

[30][31] We need not resolve, however, whether the evidence was sufficient to establish an agency relationship between Lens.com and its affiliates. Assuming without deciding that the affiliates were agents of Lens.com, we note that a principal is subject to liability for its agent's tortious conduct only if the conduct “is within the scope of the agent's actual authority or ratified by the principal.” *Id.* § 7.04. 1–800 does not contend that Lens.com ratified McCoy's allegedly infringing ad. And although Lens.com argues broadly that its affiliates “ha[d] no authority, apparent or actual, to act on behalf of Lens.com,” Aplee. Br. at 39, we can affirm summary judgment without going so far. The issue is not whether McCoy had authority to act on Lens.com's behalf *at all*, but merely whether he had actual authority to publish an ad displaying a variation of 1–800's mark in its text. An agent acts with actual authority if it “reasonably believes, in accordance with the principal's manifestations to the agent, that the principal wishes the agent so to act.” *Restatement (Third) of Agency § 2.01*. As the Restatement further explains,

Lack of actual authority is established by showing either that the agent *did not believe*, or could not reasonably have believed, that the principal's grant of actual authority encompassed the act in question. This standard requires that the agent's belief be reasonable, an objective standard, *and that the agent*

actually hold the belief, a subjective standard.

Id. § 2.02 cmt. e (emphases added). The subjective component of actual authority is determinative here.

The record contains undisputed evidence that McCoy did not hold the belief that Lens.com authorized him to publish ads displaying 1–800's mark in their text. McCoy did not place any such ads himself. Rather, the ads were composed and published by one of his employees without his knowledge. Asked during a deposition whether he would agree that placing the phrase “1–800 Contacts” in the text of an ad for www. Just Lenses. com “probably isn't proper,” McCoy replied, “Yes, I would.” Aplt.App., Vol. 6 at 1116. Pressed further on whether he would have “stopped that practice” if he had known about it sooner, McCoy responded, “Absolutely.” *Id.* The unavoidable inference is *1252 that McCoy *never* believed, reasonably or otherwise, that Lens.com authorized him to place the ads. Thus, the subjective component of actual authority was absent. We affirm summary judgment on the vicarious-liability claim on this ground. See *United States v. Cesareo–Ayala*, 576 F.3d 1120, 1128 n. 2 (10th Cir.2009) (noting that “we can affirm a judgment on any ground established by the record, so long as doing so is not unfair to the appellant,” and explaining that we saw “no unfairness” in affirming on a particular ground when the facts were undisputed and the issue was clear).

2. Contributory Infringement.

a. Sufficiency of the Evidence.

[32] The district court granted summary judgment on contributory infringement solely on the ground that the principles of contributory liability did not allow McCoy's offending ads—the ones featuring 1–800's mark in their text—to be imputed to Lens.com. See *1–800 Contacts*, 755 F.Supp.2d at 1184–87. Accordingly, we focus only on those principles without deciding whether the ads themselves directly infringed 1–800's mark.

722 F.3d 1229
(Cite as: 722 F.3d 1229)

We agree with the district court that the record cannot support a reasonable inference that Lens.com intentionally induced its affiliates to place the mark in the text of their ads. As to the second *Inwood* alternative, however, we must reverse summary judgment. In our view, a rational juror could find that Lens.com knew that at least one of its affiliates was using 1-800's service mark in its ads yet did not make reasonable efforts to halt the affiliate's practice. True, the record contains no evidence that before 1-800 filed its complaint on August 13, 2007, Lens.com either knew or had reason to know that any affiliates were using 1-800's mark in their ad copy. But the complaint alleged that an ad for www. Just Lenses. com had displayed the 1800CONTACTS mark in its text, and it copied a screenshot of the ad. And Lens.com did not take corrective action until three months later, on November 14, when it apparently asked CJ to contact McCoy with instructions to remove the offending ads.

Lens.com argues that during these three months it was communicating with CJ in an effort to identify the culpable affiliate and that absent such identification it did not have the actual or constructive knowledge that *Inwood* demands. It points out that 1-800's complaint did not reveal which of the more than 10,000 affiliates in Lens.com's network had published the ad displaying 1-800's mark. But Lens.com does not dispute 1-800's assertion that "Lens.com had an effective tool to stop its affiliates' infringement—by merely communicating to them that they may not use 1-800's mark ... in the language of sponsored links. Where Lens.com has instituted such prohibitions in the past, affiliates ceased their infringing conduct." Aplt. Br. at 62–63. The record reflects that Lens.com could communicate with all its affiliates at one time through an email blast from CJ or a monthly newsletter sent by CJ to every Lens.com affiliate. Thus, Lens.com may well not have needed to identify the offending affiliate to halt the placement of 1-800's mark in affiliate ad copy.

We can readily distinguish the two cases that Lens.com cites to support its contention that it had no duty to act until it knew the specific offender. In both cases knowledge of the specific offender was necessary for the defendant to take effective action. One case concerned Google's policies permitting advertisers to use trademarks as keywords and, to a limited extent, to feature them in the text of advertisements themselves. See *Rosetta Stone*, 676 F.3d at 151–52. Rosetta Stone sued Google for *1253 contributory infringement because the policies enabled sellers of counterfeit Rosetta Stone software to mislead consumers by placing ads that appeared when consumers conducted searches for "Rosetta Stone." See *id.* at 151–52, 163. The circuit court referred to the district court's finding that "there is little Google can do beyond expressly prohibiting advertisements for counterfeit goods, taking down those advertisements when it learns of their existence, and creating a team dedicated to fighting advertisements for counterfeit goods." *Id.* at 164 (brackets and internal quotation marks omitted). In this context, it made sense for the court to write:

It is not enough to have general knowledge that some percentage of the purchasers of a product or service is using it to engage in infringing activities; rather, the defendant must supply its product or service to *identified individuals* that it knows or has reason to know are engaging in trademark infringement.

Id. at 163 (emphasis added) (internal quotation marks omitted).

The second case, *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 103 (2d Cir.2010), reviewed a suit by Tiffany against the online auction service eBay, in which Tiffany alleged that eBay had contributorily infringed on the Tiffany trademark by allowing third parties to list counterfeit Tiffany goods for sale on its website. The circuit court noted the significant efforts made by eBay to prevent sales of counterfeit Tiffany

722 F.3d 1229

(Cite as: 722 F.3d 1229)

goods,^{FN3} pointing out that when “complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers' listings were removed and repeat offenders were suspended from the eBay site.” *Id.* at 109. Nevertheless, Tiffany argued that eBay was a contributory infringer because it “continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany's mark.” *Id.* at 106. The court rejected the argument. It wrote: “For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” *Id.* at 107.

FN3. For example, the district court found that eBay had invested up to \$20 million each year to combat fraud; that it had implemented a complex computer program that automatically searched for counterfeit listings; that it maintained a policy of deleting a counterfeit listing within 24 hours of receiving a complaint from a trademark holder, and in fact deleted most such listings within 12 hours; that it suspended from its site each year tens of thousands of vendors suspected of infringing conduct; and that it had implemented a system allowing trademark holders like the plaintiff to review any suspicious listings before they became public. See *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 98–100 (2d Cir.2010).

As we read the opinions in *Rosetta Stone* and *Tiffany*, they support rather than contradict 1–800's theory of liability here. Both defendants, Google and eBay, had established means by which a third party could engage in trademark infringement—by letting third parties advertise counterfeit products. The discussion in both opinions implicitly assumed that once

the defendant knew of an identified third party's infringing ads, it would be a contributory infringer if it did not halt the ads. But the plaintiff did not describe any way for the defendant to stop an unidentified infringer without also interfering with legitimate advertising (as by, say, halting all use of “Rosetta Stone” as a keyword or all ads for Tiffany products). A defendant has no obligation under contributory-infringement*1254 doctrine to stop a practice—such as accepting ads for Tiffany products—simply because the practice might be exploited by infringers. Cf. *Inwood*, 456 U.S. at 854 n. 13, 102 S.Ct. 2182 (contributory liability cannot be imposed merely for the defendant's failure to “reasonably anticipate” infringement by third parties (internal quotation marks omitted)). The obvious rationale for ordinarily requiring that the defendant know the identity of the infringer is that otherwise the defendant could not halt the infringement without also stopping perfectly proper conduct—throwing the baby out with the bath water, so to speak. But what if, as argued in the case before us, the defendant need not know the identity of the infringer to stop the allegedly infringing practice without affecting legitimate conduct? We do not infer from *Rosetta Stone* and *Tiffany* that either court would have required knowledge of the particular offender to impose contributory liability in such a situation.

In our view, if Lens.com could have stopped the use of ads using 1–800's mark by simply requiring CJ to send an email blast to its affiliates forbidding such use, then Lens.com's failure to proceed in that manner after learning of such ads could constitute contributory infringement. Lens.com does not dispute that once it learned that one of its affiliates had used 1–800's mark in the content of an ad, it had an obligation to conduct an investigation to determine which affiliate was the publisher and then order that affiliate to halt the practice. See *Coach, Inc.*, 717 F.3d at 505 (when flea market operator had been informed that vendors were selling counterfeit goods, he was “properly held liable for contributory trademark infringement because he

722 F.3d 1229

(Cite as: 722 F.3d 1229)

knew or had reason to know of the infringing activities and yet continued to facilitate those activities by providing space and storage units to vendors without undertaking a reasonable investigation or taking other appropriate remedial measures”). Why then can it not be held liable for failing to take the far easier step of ordering an email blast that would necessarily reach the publisher and stop the publication, and would not interfere with any lawful conduct of other affiliates? When modern technology enables one to communicate easily and effectively with an infringer without knowing the infringer's specific identity, there is no reason for a rigid line requiring knowledge of that identity, so long as the remedy does not interfere with lawful conduct.

We take comfort in the 90-year-old Supreme Court opinion in *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 44 S.Ct. 615, 68 L.Ed. 1161 (1924). The Court stated that injunctive relief against the manufacturer of the product Quin-Coco, which some druggists had misrepresented as the plaintiff's Coco-Quinine product, *see id.* at 529–30, 44 S.Ct. 615, should include a requirement that the labels on the products sold to druggists “state affirmatively that the preparation is not to be sold or dispensed as Co-co-Quinine or be used in filling prescriptions or orders calling for the latter,” *id.* at 533, 44 S.Ct. 615; *see Inwood*, 456 U.S. at 861 n. 2, 102 S.Ct. 2182 (White, J., concurring) (noting that *Warner*, although predating the Lanham Act, is authoritative in interpreting the Act). The notice requirement in *Warner*, whose content was essentially the same as that of the suggested email blast to Lens.com affiliates, apparently does not violate any foundations of trademark law (although, of course, an injunction directed at a wrongdoer can order behavior beyond that required by the common-law cause of action or statute alone).

In sum, a reasonable jury could find that during the period between the filing of 1–800's complaint and Lens.com's corrective action, Lens.com knew that at least one of *1255 its affiliates was publishing an ad

bearing 1–800's mark, yet it did not take reasonable action to promptly halt the practice. We conclude that 1–800 has presented enough evidence to support a claim of contributory infringement.

b. Unclean Hands

[33][34] We next must turn to an argument raised by Lens.com to counter all of 1–800's infringement claims, direct or indirect. Lens.com argues that even if it would otherwise be liable for infringement, 1–800's claim is barred by 1–800's unclean hands. It contends that 1–800 has done precisely what it accuses Lens.com of doing—bidding on keywords similar to the marks of its competitors, including Lens.com, only with much greater financial reward. Such alleged misconduct by 1–800, however, is irrelevant to the claim against Lens.com. In a prior infringement case we noted that the doctrine of unclean hands “does not empower a court of equity to deny relief for any and all inequitable conduct on the part of the plaintiff.” *Worthington v. Anderson*, 386 F.3d 1314, 1320 (10th Cir.2004). Rather, a plaintiff's unclean hands will bar recovery for trademark infringement only if the inequitable conduct is “related to the plaintiff's cause of action.” *Id.* We said that courts have found such a relationship in two situations: First, there is such a relationship when the plaintiff has engaged in inequitable conduct toward the public, such as “deception in or misuse of the trademark itself, resulting in harm to the public such that it would be wrong for a court of equity to reward the plaintiff's conduct by granting relief.” *Id.*; *see Clinton E. Worden & Co. v. Cal. Fig Syrup Co.*, 187 U.S. 516, 23 S.Ct. 161, 47 L.Ed. 282 (1903) (refusing to grant relief to owner of “ ‘Syrup of Figs’ ” trademark when trademark itself misrepresented product as containing fig juice). Second, the plaintiff's misconduct is sufficiently related to the cause of action “when the plaintiff has acted inequitably toward the defendant *in relation to the trademark.*” *Worthington*, 386 F.3d at 1320 (emphasis added); *see id.* at 1321 (applying unclean-hands doctrine to affirm denial of plaintiffs' infringement claim because plaintiffs “threw economic obstacles in the

722 F.3d 1229

(Cite as: 722 F.3d 1229)

way of [defendants'] compliance with the arbitrator's decision awarding the trademark to [plaintiffs]"). Lens.com does not claim that the first situation is present here. As for the second, Lens.com improperly refers to conduct relating to trademarks other than the one that it allegedly infringed. As one authority explains:

The plaintiff's alleged infringement of a different trademark does not furnish grounds for an unclean hands defense. For example, if A sues B for infringement of A's trademark ALPHA, can B deflect the lawsuit by claiming that A has unclean hands, alleging that A is infringing B's trademark BETA? The answer is that this is *not* unclean hands because A's alleged infringement of the trademark BETA is not relevant to the subject matter of the litigation concerning B's alleged infringement of the trademark ALPHA. The plaintiff's alleged infringement of another's mark is actually a form of the defense of *jus tertii*, which is uniformly rejected by the courts.

6 McCarthy § 31:48 at 31–131 to 132 (footnotes omitted). Lens.com's unclean-hands defense fits this description perfectly. It is unavailing.

C. Lens.com's Cross–Appeal

[35] Lens.com cross-appeals the district court's award to 1–800 of its attorney fees in pursuing a successful motion to compel discovery. The motion to compel concerned 1–800's request that Lens.com produce records of all its keyword purchases through AdWords along with records*1256 of all its affiliates' keyword purchases. The magistrate judge ordered production and recommended sanctions. Lens.com filed objections with the district court, but produced the records before the district judge heard the appeal. The district judge upheld the magistrate judge's decision and imposed sanctions. Lens.com does not argue on cross-appeal that it was prejudiced in any way by the disclosure; the sole harm that it claims is the sanction.

[36][37] “We review discovery sanctions for abuse of discretion.” *Klein–Becker USA, LLC v. Englert*, 711 F.3d 1153, 1159 (10th Cir.2013). Under this standard, “a trial court's decision will not be disturbed unless the appellate court has a definite and firm conviction that the lower court made a clear error of judgment or exceeded the bounds of permissible choice in the circumstances.” *Lorillard Tobacco Co. v. Engida*, 611 F.3d 1209, 1213 (10th Cir.2010) (internal quotation marks omitted).

[38] Lens.com argues that 1–800's discovery request was overbroad, particularly because its choice of keywords was a trade secret (even though there was a protective order in place to limit those with access to trade secrets).^{FN4} But this argument misses the point. The district judge expressed sympathy with Lens.com's complaint about the breadth of the discovery request. The basis for the sanctions was Lens.com's dilatory and obstructive responses to the request. By the time of the hearing before the district judge, the records had been disclosed, and the judge knew that some of the produced records were indisputably relevant. He expressed particular concern that Lens.com had not produced *any* records earlier. In the circumstances, we see no abuse of discretion in imposing the sanction. We decline, however, to grant 1–800's request for further sanctions based on its belief that Lens.com's appeal on this issue was frivolous.

FN4. Lens.com also argues that rather than having to disclose the entire list of its keyword purchases and those of its affiliates, it should have been allowed to submit the relevant documents to the magistrate judge for an inspection in camera. That suggestion is certainly reasonable, but Lens.com does not indicate that it made such a suggestion in the district court, and we have not found it in the record. Indeed, the district judge noted that Lens.com had never “come to the court to ask for some relief from producing so much.”

722 F.3d 1229

(Cite as: 722 F.3d 1229)

Aplee. Supp.App., Vol. 1 at 149. Lens.com has forfeited its right to argue about the magistrate judge's failure to conduct an in camera review. See *Daniels v. United Parcel Serv., Inc.*, 701 F.3d 620, 632 (10th Cir.2012) (“Litigants who do not raise a claim or argument before the district court cannot do so on appeal.”)

[appendix]) would not provide effective protection.” *Therrien v. Target Corp.*, 617 F.3d 1242, 1259 (10th Cir.2010).

C.A.10 (Utah),2013.

1-800 Contacts, Inc. v. Lens.com, Inc.

722 F.3d 1229

END OF DOCUMENT

D. Lens.com's Attorney-Fees Appeal

After the district court granted summary judgment, Lens.com moved for attorney fees under the Lanham Act, see 15 U.S.C. § 1117(a), and under a Utah statute, see Utah Code Ann. § 78B-5-825. The court denied the motion. Lens.com appeals on both the Lanham Act issue and the Utah statutory issue. We affirm for substantially the reasons set forth in the district court's thorough and cogent order. We can add nothing useful to its discussion. Our partial reversal of the summary judgment awarded to Lens.com only provides further support for the denial of attorney fees. 1-800's motion for leave to present new information is moot. Also, we deny 1-800's request for attorney fees in responding to what it incorrectly describes as Lens.com's frivolous appeal on this issue.

III. CONCLUSION

We AFFIRM summary judgment on all claims of infringement based on keyword use that did not result in ads displaying 1-800's mark in their text. With respect to *1257 the secondary-liability claims related to ads that did display the mark in their text, we AFFIRM summary judgment on vicarious infringement but REVERSE and REMAND on contributory infringement. We AFFIRM the district court's sanctions order challenged by Lens.com's cross-appeal and the court's decisions not to award further attorney fees to 1-800 or to Lens.com. The sealed portions of the appendices will be unsealed 20 days from the filing of this opinion unless one of the parties files a motion, under seal if necessary, “setting forth precisely what information should be kept confidential and why lesser measures (such as submission of a redacted

TAB 4

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THE UNITED STATES DISTRICT COURT
 FOR THE DISTRICT OF UTAH – CENTRAL DIVISION

<p>1-800 CONTACTS, INC. a Delaware corporation,</p> <p style="text-align: center;">Plaintiff,</p> <p>v.</p> <p>LENS.COM, INC. d/b/a as LENS.COM, JUSTLENS.COM and JUSTLENSES.COM, a Nevada corporation,</p> <p style="text-align: center;">Defendant.</p>	<p>Case No.: 2:07cv00591</p> <p>District Judge Dee Benson Magistrate Judge David Nuffer</p> <p>FIRST AMENDED COMPLAINT AND JURY DEMAND</p>
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Plaintiff 1-800 CONTACTS, INC. (“1-800 CONTACTS” or “Plaintiff”) for its Complaint against Defendant LENS.COM, INC. d/b/a as LENS.COM, JUSTLENS.COM and JUSTLENSES.COM (“Lens.com” or “Defendant”) alleges:

NATURE OF THE ACTION

1. This is a civil action for damages and injunctive relief arising out of Lens.com’s acts of breach of contract, trademark infringement, unfair competition, false designation of origin, false advertising, passing off, and unjust enrichment under federal, state and/or common law as a result of Lens.com’s wrongful acts, including willful infringement of 1-800 CONTACTS’ rights in the trademark 1800CONTACTS, 1-800 CONTACTS, and 1 800 CONTACTS (the “1-800 CONTACTS Marks”).

JURISDICTION AND VENUE

2. This Court has jurisdiction over the subject matter of this action pursuant to 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331 and 1338(a) and (b). On information and belief, the parties are citizens of different states and the amount in controversy far exceeds the sum or value of seventy-five thousand dollars (\$75,000), exclusive of interest and costs, creating jurisdiction under 28 U.S.C § 1332. Jurisdiction over the state law claims is also appropriate under 28 U.S.C. § 1367(a) and principles of pendent jurisdiction.

3. This Court has personal jurisdiction over Lens.com. Upon information and belief, Lens.com conducts business in this District, having shipped contacts and other items to this District. In addition, Lens.com has purposefully availed itself of the privilege of acting in this District by, among other things, by advertising via the Internet in this District and by offering interactive websites at www.lens.com and www.justlenses.com (“the Lens.com Websites”) and various affiliate websites, which are accessible by Internet users throughout the country,

including in this District, which permit users to register online, including in this District, and from which product can be ordered and shipped throughout the country, including in this District. See excerpts of from the Lens.com Websites at Exhibits A and B. Lens.com has used the 1-800 CONTACTS Marks without authorization or consent from 1-800 CONTACTS, including in this District. The tortious conduct about which 1-800 CONTACTS complains has been committed by Lens.com in this District. Lens.com's actions are aimed, at least in part, at this District.

4. Venue in this District is proper pursuant to 28 U.S.C. §§ 1391(b). A substantial portion of the activity about which 1-800 CONTACTS complains has taken place in this District, and the damages suffered by 1-800 CONTACTS were suffered, at least in part, in this District.

5. Upon information and belief, Lens.com transacts business throughout the entire United States, including in the District of Utah. The unlawful acts committed by Lens.com, as hereinafter alleged, have been and are, in whole or in part, conceived, carried out and made effective within this District. The interstate trade or commerce described herein by Lens.com is carried out in part within this District.

THE PARTIES

6. Plaintiff 1-800 Contacts, Inc. is a Delaware corporation, with its principal place of business at 66 East Wadsworth Park Drive, Draper, Utah 84020.

7. Upon information and belief, Defendant Lens.com, Inc. is a Nevada corporation with mailing addresses at P.O. Box 27740, Las Vegas, Nevada, 89126, P.O. Box 366 Louisiana, MO 63353 and a principal place of business at 301 Sonoco Road, Louisiana, MO 63353. Defendant Lens.com operates throughout the United States including in the State of Utah.

8. Upon information and believe, Lens.com, Inc. also operates under the names JustLens and Just Lenses, using the mailing address of P.O. Box 366, Louisiana, MO 63353.

9. The public records for the domain name “lens.com” show Lens.com, Inc. as the owner of the domain name, at the address of P.O. Box 27740, Las Vegas, NV 89126. See Whois record at **Exhibit C**.

10. The public records for the domain name “justlenses.com” show Just Lenses as the owner of the domain name, at the address of P.O. Box 366, Louisiana, MO 63353. See Whois record at **Exhibit D**.

11. The public records for the domain name “justlens.com” show Lens.com, Inc. as the owner of the domain name, at the address of P.O. Box 27740, Las Vegas, NV 89126. See Whois record at **Exhibit E**. The domain name “justlens.com” actually points to the www.justlenses.com website.

GENERAL ALLEGATIONS

1-800 CONTACTS’ ACTIVITIES AND PROPRIETARY RIGHTS

12. For over a decade, 1-800 CONTACTS has been and is now extensively engaged in the business of selling and distributing contact lenses and eye care products via telephone and fax, through the Internet and by mail (the “1-800 CONTACTS Goods and Services”). Indeed, 1-800 CONTACTS is the market leader in the field of replacement contact lenses, having filled over 16 million orders for over five million customers, with an inventory of over 20 million lenses. 1-800 CONTACTS’ products can be ordered over the Internet via Plaintiff’s website at www.1800contacts.com (the “1-800 CONTACTS Website”).

13. Since at least as early as 1995, the 1-800 CONTACTS Goods and Services have been widely advertised and offered in interstate commerce throughout the United States. The 1-

800 CONTACTS Marks are used extensively in various advertising and promotional media, including the Internet, radio, television, trade shows, and through various printed media including direct mail.

14. 1-800 CONTACTS possesses common law and federal registration rights in the mark 1-800 CONTACTS, including U.S. Registration Nos. 2,675,866 and 2,731,114. Copies of these registrations and printouts from the U.S. Patent and Trademark Office database for such registrations are attached at **Exhibit F**.

15. U.S. Registration No. 2,675,866 is incontestable and constitutes conclusive evidence, and U.S. Registration No. 2,731,114 constitutes prima facie evidence of 1-800 CONTACTS' ownership of the 1-800 CONTACTS Marks, its exclusive right to use the marks throughout the United States, and the validity of the registrations and the marks.

16. As a result of the quality of the 1-800 CONTACTS Goods and Services and the widespread promotion thereof under the 1-800 CONTACTS Marks, the 1-800 CONTACTS Goods and Services have met with substantial commercial success and widespread consumer recognition. As a further result, the 1-800 CONTACTS Marks are extensively known and have become symbols of Plaintiff, its quality products and services, and its goodwill.

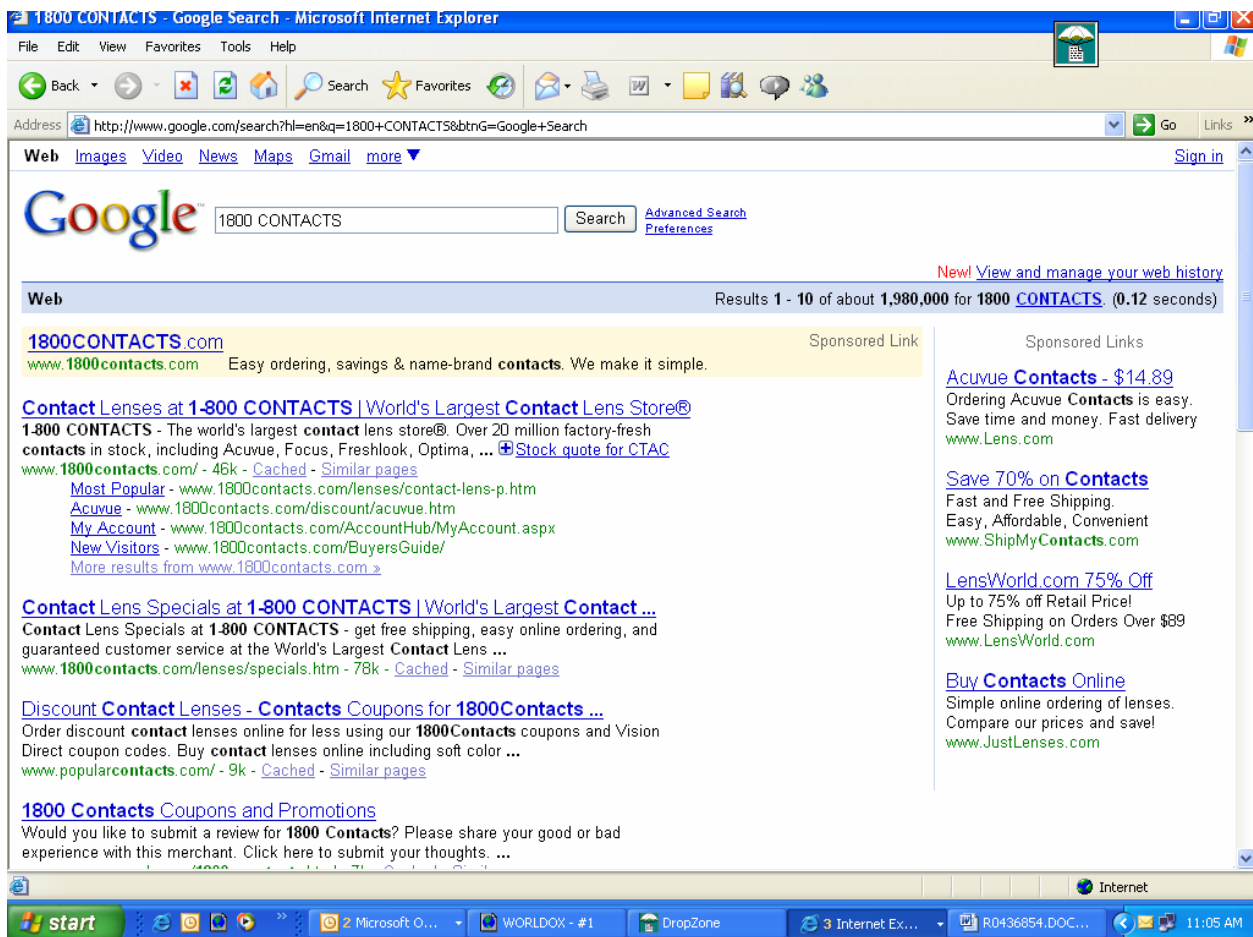
LENS.COM'S WRONGFUL ACTS

17. Like 1-800 CONTACTS, Lens.com offers the sale of replacement contact lenses over the Internet.

18. 1-800 CONTACTS discovered that Lens.com and its authorized Affiliates had purchased sponsored advertisements from Google, and other search engines, for Plaintiff's Marks to trigger advertising and/or a link to the Lens.com Websites. Such infringing activity

was immediately brought to the attention of Lens.com, after which Lens.com agreed to cease such practices.

19. Notwithstanding Lens.com's agreement to cease using the 1-800 CONTACTS Marks to trigger advertising, the infringing behavior recently resurfaced. For example, as shown in the below screen shot, when 1800 CONTACTS is entered into the search box, links to both www.Lens.com and www.Justlenses.com appear on the right side of the screen under the "Sponsored Links" section.



20. The www.Lens.com and www.Justlenses.com website advertisements are triggered upon a search for 1800 CONTACTS and thus, use the 1800 CONTACTS trademark as

a triggering keyword to display and promote Lens.com's directly competitive goods and services. In essence, Lens.com is using the 1-800 CONTACTS Marks to trick consumers into visiting the Lens.com Websites

21. In addition to using the 1-800 CONTACTS Marks to trigger the Lens.com advertising, Lens.com and its authorized Affiliates also use such marks directly in the Lens.com ads themselves. Incredibly, with the intent of deceiving consumers, Lens.com and its Affiliates use the 1-800 CONTACTS Marks directly in the heading of its own sponsored ads, as shown below in the Just Lenses ad appearing in the right hand column under the "Sponsored Links":

1800CONTACTS.com Sponsored Links
www.1800contacts.com Easy ordering, savings & name-brand contacts. We make it simple.

Great deals: Acuvue
Lens.com/Acuvue Shop for Acuvue Lenses at Lens.com - \$14.89 with fast delivery

Contact Lenses at 1-800 CONTACTS | World's Largest Contact Lens Store®
1-800 CONTACTS - The world's largest contact lens store®. Over 20 million factory-fresh contacts in stock, including Acuvue, Focus, Freshlook, Optima, ... [Stock quote for CTAC](#)
www.1800contacts.com/ - 42k - [Cached](#) - [Similar pages](#)
[Most Popular](#) - www.1800contacts.com/lenses/contact-lens-p.htm
[Acuvue](#) - www.1800contacts.com/discount/acuvue.htm
[My Account](#) - www.1800contacts.com/AccountHub/MyAccount.aspx
[New Visitors](#) - www.1800contacts.com/BuyersGuide/
[More results from www.1800contacts.com >](#)

Colored Contact Lenses at 1-800 CONTACTS | World's Largest Contact ...
Colored Contact Lenses at 1-800 CONTACTS - get free shipping, easy online ordering, and guaranteed customer service at the World's Largest Contact Lens ...
www.1800contacts.com/lenses/color.htm - 64k - [Cached](#) - [Similar pages](#)

1-DAY ACUVUE MOIST
No Lens Cases or Solutions Needed
Get a Free Trial Pair Certificate
www.Acuvue.com

LensWorld.com 75% Off
Up to 75% off Retail Price!
Free Shipping on Orders Over \$89
www.LensWorld.com

1800contacts
Guaranteed Lowest Price on All Contacts Plus Free Shipping.
www.Lensworld.us

1-800 Contacts
Simple online ordering of lenses.
Compare our prices and save!
www.JustLenses.com

22. Lens.com's actions are specifically aimed at diverting web users who are expressly looking for 1-800 CONTACTS and the 1-800 CONTACTS Goods and Services. Indeed, Lens.com goes even so far as to represent to consumers that it is 1-800 CONTACTS and/or that there is an affiliation between 1-800 CONTACTS and Lens.com by using the 1-800 CONTACTS Marks to trigger the Lens.com ads and using the 1-800 CONTACTS Marks as a heading for such ads.

**THE PARTIES' PAST HISTORY AND
LENS.COM'S RESURFACED INFRINGEMENT**

23. On or about September 1, 2005, 1-800 CONTACTS' in-house counsel, David Zeidner, contacted Lens.com in writing to notify Lens.com of the infringement. A copy of the letter is attached hereto as **Exhibit G.**

24. Not having received a response, 1-800 CONTACTS instructed its outside counsel to contact Lens.com. On or about September 20, 2005, Plaintiff's outside counsel, Bryan G. Pratt, sent a letter to Lens.com concerning Defendant's infringing acts. A copy of the letter is attached hereto as **Exhibit H.**

25. On or about September 21, 2005, Lens.com's outside counsel, Anthony J. DeGidio, responded to 1-800 CONTACTS' cease and desist letters by e-mail as follows:

"We have looked into this matter and have determined that some of our affiliates appear to be involved in the problems you outlined. Upon identifying the appropriate individuals we will advise them to cease purchasing 1-800-CONTACTS from Google."

See e-mail attached hereto at Exhibit I.

26. Shortly after sending Mr. DeGidio's email, the parties agreed not to purchase sponsored advertisements using the other parties' names. More specifically, 1-800 CONTACTS agreed not to purchase sponsored advertisements triggered by the use of "LENS.COM" and

Lens.com agreed not to purchase sponsored advertisements triggered by the use of the 1-800 CONTACTS Marks. For a short time, Lens.com appeared to comply the terms of the agreement between the parties. However, a month later, on or about November 30, 2005, 1-800 CONTACTS learned that Lens.com had resurrected its infringement campaign. 1-800 CONTACTS promptly notified Lens.com's counsel concerning the issue. See **Exhibit J.**

27. Once again, Lens.com appeared to promptly comply with 1-800 CONTACTS' requests to cease the infringing activity. However, on or about December 7, 2005, sponsored advertisements for Lens.com again appeared on the Internet, at www.search.aol.com. See **Exhibit K.**

28. 1-800 CONTACTS again notified Lens.com that the infringing activity had recommenced. Once again, Lens.com appeared to comply with 1-800 CONTACTS' request and ceased the infringing actions.

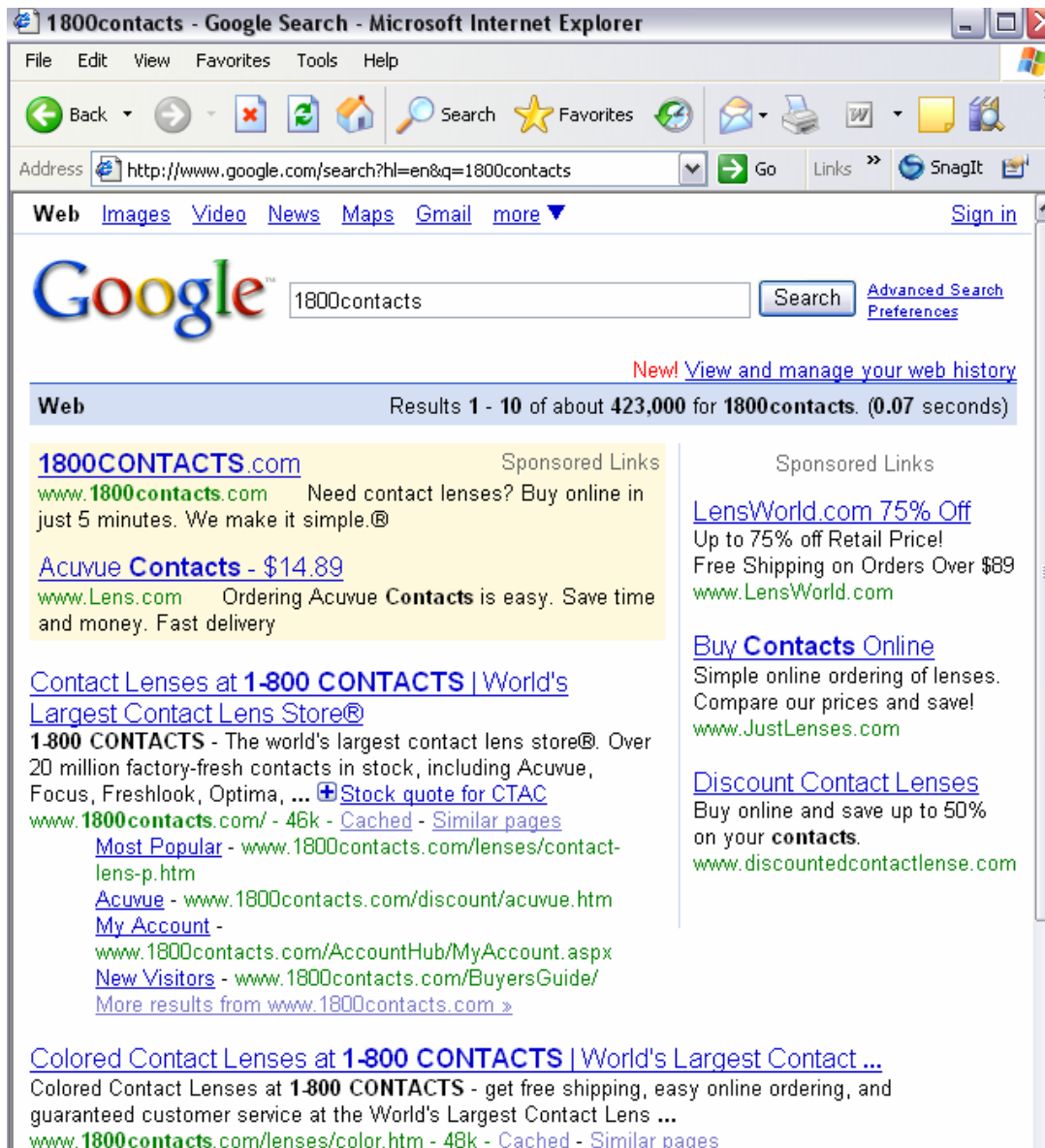
29. On our about April 2007, however, Lens.com recommenced triggering sponsored ads on at least Google and Yahoo! through the use of the 1-800 CONTACTS Marks. Accordingly, 1-800 Contacts once again notified Lens.com of the problem. **Exhibit L.**

30. Lens.com's counsel promptly responded and indicated that he would "speak with my client and see if we can determine why these sponsored listings are appearing." **Exhibit M.**

31. However, after receiving this communication, and in spite of its previous recognition of the infringement, its previous corrective measures, and its agreement not to continue such activity, this time Lens.com took no action to remedy the infringement. In fact, upon receiving this communication, infringement by Lens.com actually increased.

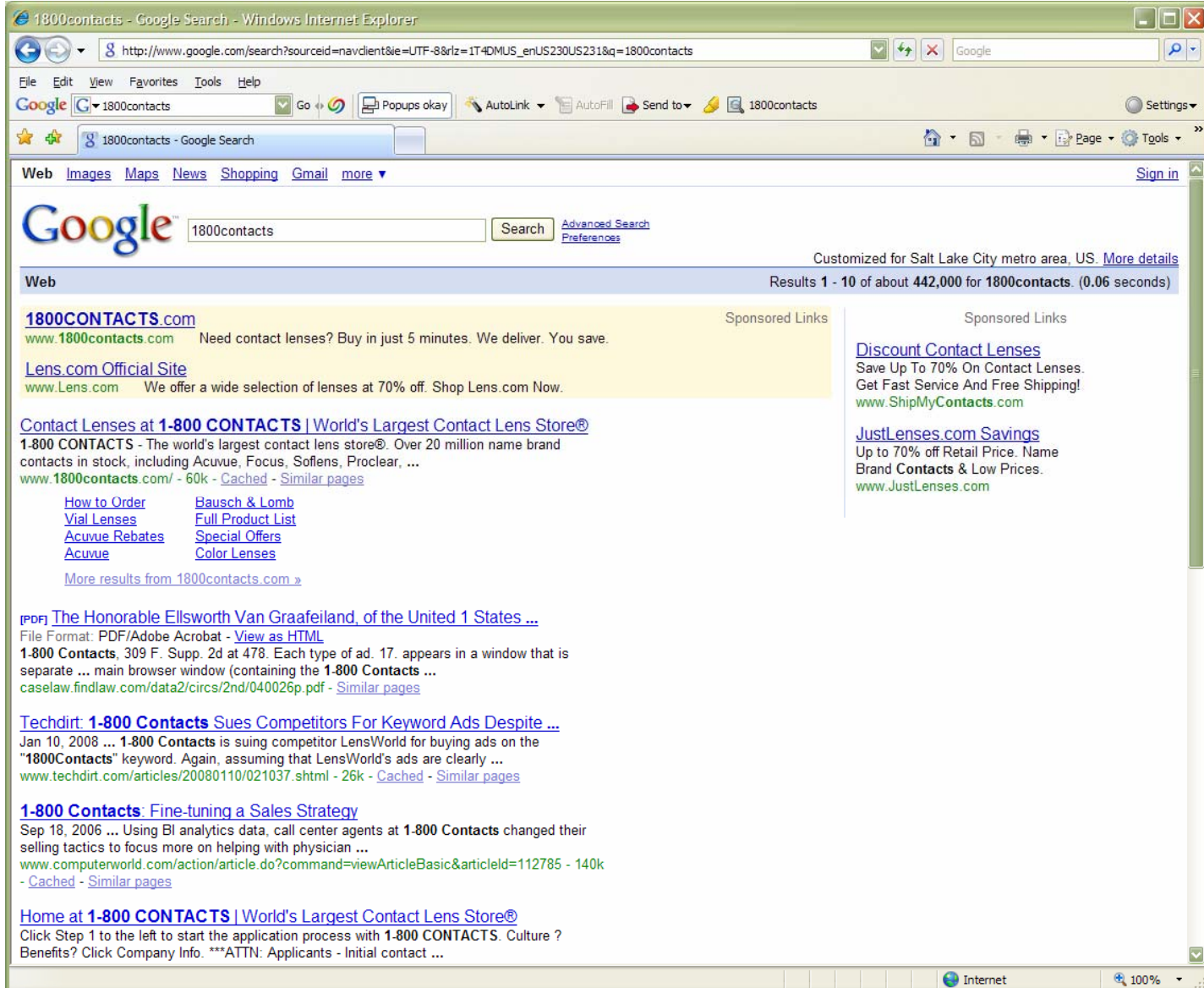
32. Lens.com's infringing activities continue today, as evidenced by a screen shot prepared on August 6, 2007 that shows sponsored advertisements purchased by Lens.com that is

triggered upon searching for the 1-800 CONTACTS Marks. As may be seen, the website www.Lens.com is featured on the top left portion of the page, right under 1-800 CONTACTS website advertisement, under a “sponsored advertisement” heading. The website www.Justlenses.com is shown on the right side under the “sponsored advertisement” heading.



33. Lens.com’s infringing activities continue today, over one year since the litigation has commenced, as evidenced by a screen shot prepared on August 11, 2008 that shows

sponsored advertisements purchased by Lens.com that is triggered upon searching for the 1-800 CONTACTS Marks. As may be seen, the website www.Lens.com is featured on the top left portion of the page, right under 1-800 CONTACTS website advertisement, under a “sponsored advertisement” heading. The website www.Justlenses.com is shown on the right side under the “sponsored advertisement” heading.



**LENS.COM'S DIRECTION AND CONTROL OF AFFILIATES
& INSTRUMENTALITY OF INFRINGEMENT**

34. In addition to its own direct use of search engine marketing, Lens.com also works in conjunction with an Affiliate program, whereby Affiliates purchase keywords from internet search engines so that advertisements to one of four Lens.com websites are displayed. A person or entity who applies to refer customers to a Lens.com website is a potential affiliate, subject to approval by Lens.com after which time the Affiliate is authorized to conduct advertising on Lens.com's behalf using the URL/brand/logos of Lens.com subject to restrictions place by Lens.com. Lens.com Affiliates purchase keywords from search engine companies such as Google to impact the contents and appearance of search results page when a potential consumer searches the Internet to find contact lens products. Lens.com compensates Affiliates only when Affiliates' referrals result in a sale of Lens.com products.

35. Lens.com, Inc. operates Lens.com, Justlenses.com, 1-800-getlens.com and ContactsAmerica.com. Lens.com has individual Affiliate accounts for each of these websites.

36. Lens.com actively recruits Affiliates through, at least, it's Referral Programs for each of its websites and compensates Commission Junction to recruit Affiliates according to plans and criteria approved by Lens.com.

37. Specifically, Lens.com actively recruits affiliates directly on its websites and through outsourcing to Commission Junction, an affiliate marketing service that develops strategic plans for growing the affiliate program of Lens.com. Lens.com personnel are directly involved in this strategic planning with Commission Junction, and implementation of the strategic plan involving Affiliate recruitment and communication requires the approval of Lens.com. Lens.com compensated Commission Junction to perform recruitment activities on hits behalf.

38. For authorized Affiliates of each Lens.com website, Lens.com tracks the total visits, sales and commission generated from the customers that an Affiliate refers to the Lens.com website, and generates a Referral Statistics Report reflecting such monitoring. Lens.com also restricts the use of its own Licensed Marks via agreement. Lens.com also monitors advertising activity conducted on its behalf on the Internet using its name, URL, banners, and logos. Internet search results appearing on popular search engines such as Google, Yahoo, and MSN is easy to monitor because the internet is open to the public.

39. For Affiliates linked to Lens.com via Commission Junction, Commission Junction tracks website traffic and average earnings per 100 clicks (EPC) and network earnings. Commission Junction reports its results to Lens.com in weekly teleconferences and through 24/7 access to the accounts over the Internet. Lens.com also has means to monitor its Affiliates (also known as “publishers” in Commission Junction system) by direct email communications with publishers and by maintaining ultimate control of the content of monthly newsletters sent to the entire publisher base of Lens.com by Commission Junction.

40. Lens.com has the ability to place any number of conditions of use on the advertising activities of its Affiliates, including the ability to publish “protected keywords” which Affiliates are not permitted to use. Lens.com can implement these itself over its account and immediately publish to all of its Affiliate base on the keywords link. The keywords link is intended to serve as the communication to Affiliates of terms and conditions related to keyword searching and is where Affiliates look to assess what the “protected keywords” are and other terms and conditions of affiliation.

41. Lens.com had and continues to maintain direction and control over its Affiliates and/or over the instrumentality through which the Affiliates directly infringe the 1-800

CONTACTS Marks. The direct infringement of the 1-800 CONTACTS Marks has been performed both directly by Lens.com and through acts of Affiliates directed or controlled by Lens.com, with the actual authority of Lens.com, and done jointly with Lens.com.

42. Affiliates of Lens.com directly infringe the 1-800 CONTACTS Marks by purchasing the marks as keywords which are used in a search engine, and which ultimately produce a results page including the marks that contain links to websites operated by Lens.com. The results page generates a likelihood of confusion as to origination, sponsorship and/or approval of the listings by 1-800 CONTACTS. Lens.com provides the website link and marketplace for contact lens sales to which the authorized Affiliate advertises. The Affiliates are compensated when sales of Lens.com products are made.

43. As stated above, Lens.com has the ability to, and in fact directed and controlled Affiliates by stopping the trademark infringement of the 1-800 CONTACTS Marks by Affiliates after this lawsuit was filed. Additionally, 1-800 CONTACTS has written to Lens.com about the on-going unauthorized use of its marks, so Lens.com knows or has reason to know of infringement by its Affiliates.

44. Lens.com includes terms and conditions in its Affiliate agreements evidencing its direction and control. For example, Lens.com is free to terminate any Affiliate at any time, with or without cause, through written notice. Lens.com is free to modify any of the terms and conditions contained of the Agreement, at any time, in its sole discretion. The sole recourse for an Affiliate who finds a modification unacceptable is to cease to participate in the Referral Program. Additionally, Lens.com can immediately terminate any Affiliate that violates any terms and conditions, including those in the keyword links.

45. For publishers of Lens.com via Commission Junction, Lens.com mandates compliance with terms and conditions, including keyword purchases and other search parameters. Lens.com and Commission Junction have “worked together” to determine what information should be put in a particular key words list. Lens.com has also worked directly with Affiliates regarding keywords to utilize in search engine marketing efforts. Len.com communicates its mandates directly or through emails, telephone calls, the network interface, and its monthly newsletters via Commission Junction, but over which it maintains ultimate content control. Lens.com has certain default practices it establishes with many publishers, but Lens.com has exercised direction and control in setting up “exclusive” arrangements with particular publishers, and special permissions outside of default requirements allowing particular keyword search terms to be used. Publishers who do not abide by the terms set out by Lens.com are subject to a reversal of commissions or termination. When publishers have engaged in activity to which Lens.com objected, Commission Junction has been effective acting on behalf of Lens.com in ending the activity by issuing a warning or terminating the publisher.

46. Thus, when publishers make unauthorized use the 1-800 CONTACTS Marks, they do so under the direction or control of Lens.com, with the authority of Lens.com, and/or jointly with Lens.com.

LENS.COM’S SPECIFIC INTENT TO INDUCE INFRINGEMENTS

47. Lens.com encourages its actively-recruited Affiliates, including publishers through Commission Junction, to drive Internet traffic using search engine marketing. Lens.com has communicated its encouragements directly to Affiliates and publishers via monthly newsletters sent by Commission Junction and via email through which Commission Junction was a conduit.

48. Lens.com and Commission Junction were aware that the brand awareness of Lens.com was not as high as 1-800 CONTACTS because of the television advertising and other non-internet marketing activities conducted by 1-800 CONTACTS.

49. Because of the history of the parties described in paragraphs 23-32, Lens.com knew or should have known of Affiliates using, without permission, the 1-800 CONTACTS Marks to increase Internet advertising and traffic to make sales of Lens.com products by palming off and/or benefiting from the substantial investment 1-800 CONTACTS made in its advertising campaigns.

50. If Lens.com wanted its publishers to not bid on particular words trademarks, like the trademarks of its competitors, it could readily ask its entire base of publishers to do so. When it has done so in the past, it has been successful. Lens.com is refusing to do so now, evidencing specific intent not only to induce the acts that comprise infringement, but also the intent to cause the infringement to increase advertising, traffic and sales.

INJURY TO 1-800 CONTACTS AND THE PUBLIC

51. Lens.com's unauthorized use of the 1-800 CONTACTS Marks has and will continue to irreparably injure 1-800 CONTACTS by confusing customers, diverting sales, and diluting the distinctiveness of the 1-800 CONTACTS Marks. If permitted to continue, Lens.com's use of the 1-800 CONTACTS Marks will continue to irreparably injure 1-800 CONTACTS, the 1800 CONTACTS Marks, the reputation and goodwill associated therewith, 1-800 CONTACTS' reputation for exceedingly high-quality services and products, and the public interest in being free from confusion, mistake or deception.

52. Lens.com's use of the 1-800 CONTACTS Marks has caused and will continue to cause confusion, mistake or deception as to the source or origin of Lens.com's goods and

services and is likely to falsely suggest a sponsorship, connection, license, endorsement or association of Lens.com's goods and services with 1-800 CONTACTS, thereby injuring 1-800 CONTACTS and the public.

53. Lens.com's use of colorable and confusingly similar imitations of the 1-800 CONTACTS Marks, including misspellings and hyphenation variations and spacing variations, is part of a deliberate plan to trade on 1-800 CONTACTS' goodwill and otherwise unfairly compete with 1-800 CONTACTS and benefit therefrom. Lens.com knew of 1-800 CONTACTS' tremendous success and the 1-800 CONTACTS Marks and intentionally engaged in trademark infringement with full knowledge of 1-800 CONTACTS' rights and in violation of an agreement not to engage in such activities.

COUNT I

Federal Trademark Infringement Violation of 15 U.S.C. § 1114

54. 1-800 CONTACTS incorporates by reference the allegations of Paragraphs 1- 53 of this Complaint.

55 The unauthorized appropriation and use by Lens.com in commerce of the 1-800 CONTACTS Marks, in connection with goods and services that are identical or substantially similar to those offered by 1-800 CONTACTS, is likely to cause confusion, mistake, or deception as to the origin, sponsorship, or approval of Lens.com's services and commercial activities, and thus infringes 1-800 CONTACTS' rights in its federally registered marks under 15 U.S.C. § 1114. Lens.com's actions have been carried out in willful disregard of 1-800 CONTACTS' rights in violation of Section 32 of the Lanham Act, 15 U.S.C. § 1114.

56. Lens.com has infringed directly and through the activities of its Affiliates, Lens.com has infringed contributorily, jointly and vicariously.

COUNT II

Secondary Liability for Trademark Infringement

57. 1-800 CONTACTS incorporates by reference the allegations of Paragraphs 1 -56.

58. One or more Affiliates of Lens.com have directly infringed the 1-800 CONTACTS Marks. Lens.com knew or had reason to know that the one or more of its Affiliates were engaging in acts of infringement, and Lens.com directly controlled and monitored the instrumentality used by the one or more Affiliates to infringe the 1-800 CONTACTS Marks. Lens.com continues to know or have reason to know of on-going direct infringement by one or more of its Affiliates of the 1-800 CONTACTS Marks, and Lens.com continues to directly control and monitor the instrumentality used by the Affiliate(s) to infringe the 1-800 CONTACTS Marks. Thus, Lens.com was and is contributing to the direct infringement by its Affiliates to the damage and irreparable harm of 1-800 CONTACTS.

59. One or more Affiliates of Lens.com have directly infringed the 1-800 CONTACTS Marks. Lens.com possessed the specific intent to cause the direct infringement of the 1-800 CONTACTS Marks by the one or more of the Affiliates of Lens.com. The actions of Lens.com induced infringing acts by the one or more of its Affiliates, and Lens.com knew or should have known that its actions would induce infringement of the 1-800 CONTACTS Marks. Lens.com continues to intentionally induce the direct infringement of the 1-800 CONTACTS Marks by the one or more of its Affiliates. Thus, Lens.com was and is intentionally inducing the direct infringement by one or more of its Affiliates to the damage and irreparable harm of 1-800 CONTACTS.

60. One or more Affiliates of Lens.com have directly infringed the 1-800 CONTACTS Marks. Lens.com and one or more of its Affiliates had an agency relationship, an apparent or actual partnership, had authority to bind one another in transactions with third parties, and/or exercised joint ownership or control over the infringement. In engaging in direct infringement, the one or more Affiliates of Lens.com were acting pursuant to the actual or apparent authority of Lens.com. Lens.com continues the aforementioned relationship(s) with the one or more of its Affiliates. Thus, Lens.com is vicariously liable for the past and on-going direct infringement by the one or more of its Affiliates, which have caused and are causing damage and irreparable harm of 1-800 CONTACTS.

61. The acts of Lens.com and one or more of its Affiliates, taken together, have jointly infringed the 1-800 CONTACTS Marks. Lens.com exercised control or direction over the one or more Affiliates' actions, which taken together with its own actions, constituted infringement. Lens.com continues to direct and control the Affiliates' actions which, in concert with its own actions, constitute infringement. Thus, Lens.com was and is engaging in joint infringement with the one or more of its Affiliates to the damage and irreparable harm of 1-800 CONTACTS.

COUNT III

Federal Unfair Competition, False Designation of Origin, Passing Off, and False Advertising

15 U.S.C. §1125(a)

62. Plaintiff incorporates by reference the allegations of Paragraphs 1 – 61.

63. The unauthorized use by Lens.com of the 1-800 CONTACTS Marks in connection with Lens.com's business is likely to cause the public to mistakenly believe that Len.com's contact lens replacement services originate from, are endorsed by, or are in some way

affiliated with 1-800 CONTACTS and thus constitutes trademark infringement, false designation of origin, passing off, and unfair competition and is likely to cause the 1-800 CONTACTS Marks to lose their significance as indicators of origin. Likewise, Lens.com has used the 1-800 CONTACTS Marks in connection with false and misleading descriptions or representations of fact in commercial advertising or promotion, thereby misrepresenting the nature, characteristics, and qualities of their or another entity's goods, services, or commercial activities. Lens.com's actions are in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

64. Upon information and belief, the appropriation of the 1-800 CONTACTS Marks by Lens.com as set forth above is a part of a deliberate plan to trade on the valuable goodwill established therein. With knowledge of 1-800 CONTACTS and 1-800 CONTACTS' rights and with the deliberate intention to unfairly benefit from 1-800 CONTACTS' goodwill, the actions of Lens.com has been carried out in willful disregard of 1-800 CONTACTS' rights in violation of 15 U.S.C. Section 1125(a).

COUNT IV

Common Law Unfair Competition, Misappropriation, and Trademark Infringement

Unfair Practices Act – Utah Code Ann. §13-5-1 *et seq.*

65. 1-800 CONTACTS incorporates by reference the allegations of Paragraphs 1 – 64.

66. By its aforesaid conduct calculated to increase business and profits by deceiving and confusing members of the public, Lens.com continues to misappropriate the valuable goodwill of the 1-800 CONTACTS Marks, to infringe 1-800 CONTACTS' rights therein, and to unfairly compete with 1-800 CONTACTS under the common law and the laws of Utah. Lens.com's use of the 1-800 CONTACTS Marks to promote, market or sell products and

services constitutes an unfair practice under Utah Code Ann. §13-5-1 *et seq.* Lens.com's use of the 1-800 CONTACTS Marks is an unfair or deceptive method of competition occurring in trade or commerce that impacts the public interest and has caused and is causing injury to 1-800 CONTACTS and consumers.

COUNT V

Unjust Enrichment

67. 1-800 CONTACTS incorporates by reference the allegations of Paragraphs 1 - 66.

68. Lens.com is being unjustly enriched to the damage and irreparable harm of 1-800 CONTACTS.

COUNT VI

Breach of Contract

70. 1-800 CONTACTS hereby incorporates by reference the allegations of Paragraphs 1 - 69.

71. In September, 2005, 1-800 CONTACTS and Lens.com entered into an agreement concerning the purchase of sponsored advertisements using the parties' respective trademarks.

72. Under the agreement, Lens.com represented and agreed that it would cease purchasing sponsored advertisements that are triggered using the 1-800 CONTACTS Marks.

73. Lens.com breached its agreement by recommencing the purchase of sponsored advertisements using the 1-800 CONTACTS Marks.

74. 1-800 CONTACTS have been damaged by Lens.com's breach.

DEMAND FOR RELIEF

WHEREFORE, 1-800 CONTACTS requests that this Court enter judgment in its favor on each and every claim for relief set forth above and award it relief including, but not limited to, the following:

A. That 1-800 CONTACTS is the owner of the entire right, title and interest in and to the 1-800 CONTACTS Marks, that the 1-800 CONTACTS Marks are valid, enforceable and violated by Lens.com and that Lens.com has violated and is violating other relevant federal and state laws and regulations.

B. That Lens.com, their Affiliates, agents, servants, employees, attorneys, and all persons in active concert or participation with them, be preliminarily and permanently enjoined and restrained from:

1. Further infringement of the 1-800 CONTACTS Marks and from unfairly competing with 1-800 CONTACTS; from using any variation of the 1-800 CONTACTS Marks and any other marks or names that are confusingly similar to or that dilute the distinctiveness of those proprietary materials, including but not limited to use as domain names, trademarks, services marks, business names, meta tags, sponsored advertisement triggers, other identifiers, keywords or other terms used to attract or divert traffic on the Internet or to secure higher placement within search engine search results; and

2. From representing by any means whatsoever, directly or indirectly, that Lens.com, any products or services offered by Lens.com, or any activities undertaken by Lens.com, are associated with, endorsed by, sponsored by or connected in any way with 1-800 CONTACTS.

C. That Lens.com willfully violated 1-800 CONTACTS' rights.

D. That 1-800 CONTACTS and Lens.com entered into an agreement that prohibited Lens.com from purchasing sponsored advertisements that are triggered by the 1-800 CONTACTS Marks.

E. That Lens.com be required to pay to 1-800 CONTACTS' damages according to proof, together with prejudgment interest thereon, as 1-800 CONTACTS has sustained as a consequence of Lens.com's wrongful acts, and to account for and return to 1-800 CONTACTS any monies, profits and advantages wrongfully gained by Lens.com.

F. That this is an exceptional case under 15 U.S.C. § 1117 due to the obstructive and dilatory discovery tactics of Lens.com.

G. That all damages sustained by Lens.com be trebled.

H. That Lens.com be required to pay to 1-800 CONTACTS punitive and exemplary damages.

I. That Lens.com be required to pay to 1-800 CONTACTS all attorney fees, expenses and costs incurred in this action.

J. That 1-800 CONTACTS deliver up for impoundment during the pendency of this action, and for destruction upon entry of judgment, all products, fixtures, writings, signage, artwork and other materials that infringe 1-800 CONTACTS' rights, falsely designate source or origin, or otherwise facilitate Lens.com's unfair competition with 1-800 CONTACTS.

K. That an Order be issued directing Lens.com to file with this Court and serve on 1-800 CONTACTS' attorneys, within thirty (30) days after the date of entry of any injunction, a report in writing and under oath setting forth in detail the manner and form in which Lens.com has complied with the injunction.

L. That 1-800 CONTACTS be granted such further relief as this Court may deem appropriate.

DEMAND FOR JURY TRIAL

1-800 CONTACTS hereby demands a trial by jury on all issues and claims so triable.

Respectfully submitted,

Date: August 15, 2008

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Attorneys for Plaintiff

CERTIFICATE OF SERVICE

I hereby certify that on August 15, 2008, a copy of the foregoing FIRST AMENDED COMPLAINT AND JURY DEMAND, was filed electronically with the Clerk of Court via CM/ECF, which will send notification of electronic filing to counsel of record as follows: Scott R. Ryther sryther@hpalaw.com; Anthony J. DeGidio tony@cyberlawyer.com, tony@lawoffices.net.

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CERTIFICATE OF SERVICE

I hereby certify that on January 26, 2017, I filed the foregoing documents electronically using the FTC's E-Filing System, which will send notification of such filing to:

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

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

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

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Counsel for Respondent 1-800 Contacts, Inc.

Dated: January 26, 2017

By: /s/ Daniel J. Matheson
Attorney

CERTIFICATE FOR ELECTRONIC FILING

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

January 26, 2017

By: /s/ Daniel J. Matheson
Attorney