



**FEDERAL TRADE COMMISSION**  
PROTECTING AMERICA'S CONSUMERS

# FTC Sues 1-800 Contacts, Charging that It Harms Competition in Online Search Advertising Auctions and Restricts Truthful Advertising to Consumers

## Bidding Agreements Are an Unfair Method of Competition, Agency Alleges

FOR RELEASE

August 8, 2016

**TAGS:** [Internet commerce](#) | [restrictions on advertising](#) | [Technology](#) |

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The Federal Trade Commission has sued 1-800 Contacts, the largest online retailer of contact lenses in the United States, alleging that it unlawfully orchestrated and now maintains a web of anticompetitive agreements with rival online contact lens sellers that suppress competition in certain online search advertising auctions and that restrict truthful and non-misleading internet advertising to consumers, resulting in some consumers paying higher retail prices for contact lenses.

According to the Federal Trade Commission's [administrative complaint](#), [1-800 Contacts entered into bidding agreements](#) with at least 14 competing online contact lens retailers that eliminate competition in auctions to place advertisements on the search results page generated by online search engines such as Google and Bing. The complaint alleges that these bidding agreements unreasonably restrain price competition in internet search auctions, and restrict truthful and non-misleading advertising to consumers, constituting an unfair method of competition in violation of federal law.

1-800 Contacts objected when a computer user entered a search query that included the term "1-800 Contacts," and the user then saw advertisements for both 1-800 Contacts and a competing seller of contact lenses. The agreements stemmed from lawsuits that 1-800

Contacts brought or threatened against numerous rivals, which accused rivals of infringing its trademarks. In almost all cases, 1-800 Contacts' rivals agreed to sign the anticompetitive agreements to cease bidding. The complaint alleges that the bidding agreements are overly broad and not necessary to safeguard any legitimate trademark interest.

All 14 bidding agreements bar both 1-800 Contacts and each of its affected rivals from bidding for each others' trademarked terms. Moreover, all but one also requires each party to use negative keywords designed to keep search engines from displaying one party's advertisements in response to a search query that includes terms specified by the other party – typically trademarked terms or variations of them. These negative keywords prevent ads from 1-800 Contacts's rivals from appearing if a user enters a query for any phrase that includes "1-800 Contacts."

The complaint alleges that the reciprocal bidding agreements harm competition in the United States for the sale of search advertising by auction, and for the retail sale of contact lenses. The bidding agreements harm consumers, according to the complaint, by restraining competition for, and distorting the prices of, advertising in relevant online auctions, by reducing the number of relevant, useful, truthful and non-misleading advertisements, by restraining competition among online sellers of contact lenses, and in some cases, by resulting in consumers paying higher retail prices for contact lenses.

The Commission vote to issue the administrative complaint was 3-0. The administrative trial is scheduled to begin on April 11, 2017.

**NOTE:** The Commission files a complaint when it has "reason to believe" that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest.

The Federal Trade Commission works to [promote competition](#), and protect and educate consumers. You can learn more about [how competition benefits consumers](#) or [file an antitrust complaint](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), read our [blogs](#) and [subscribe to press releases](#) for the latest FTC news and resources.

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