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United States of America
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

March 6, 2020

The Honorable Catherine O'Hagan Wolfe
Clerk of the Court
United States Court of Appeals for
the Second Circuit
Thurgood Marshall United States Courthouse
40 Foley Square
New York, NY 10007

Re: *1-800 Contacts, Inc. v. Federal Trade Commission*, No. 18-3848

Dear Ms. O'Hagan Wolfe:

At yesterday's argument in the above-referenced case, the Court asked (at 40:45-41:15 of the audio recording) for citations to the record to support the proposition that 1-800 Contacts' rivals would have accepted a less restrictive means of protecting 1-800 Contacts' trademarks. We provide below the answer to the Court's inquiry.

The evidence shows that some competitors used the very type of less restrictive, comparative advertisements about which the Court inquired—but 1-800 challenged those ads anyway. For example, Lens Discounters ran an ad stating "We will beat all 1800 and Direct mail order prices. Try us today!"—prompting a cease-and-desist letter from 1-800. CX8003_011-13. *See also* CX8014_004 ¶10 [A2515] (FTC Expert, Prof. Tushnet, noting another comparative ad from Lens Discounters—"We'll beat all 1800 and web prices"—that was challenged by 1-800).

1-800's rivals also testified that 1-800 presented them with "take it or leave it" settlement agreements that included the negative keyword requirement and left no room for negotiation. Memorial Eye testified, for example, that it was "forced into this. * * * we did go through the procedural negotiation things, but we didn't have much of a choice." CX9024_018 at 65-66. AC Lens testified similarly that 1-800's settlement offer was "take it or leave it," and that AC Lens only accepted because it was "a small company being told by a larger company sign this or you're going to be faced with a very expensive and time-consuming lawsuit. So I signed it." CX9003_029 at 109-111. *See also* CX0142_003 (Vision Direct's letter to 1-800 raising antitrust concerns about the negative-keywords restriction that 1-800 demanded).

Because some of the materials cited above are not in the joint appendix, we have attached them hereto.

Hon. Ms. O'Hagan Wolfe

March 6, 2020

Page 2

Should you have any questions or need further information, please contact me at your earliest convenience. Thank you for your time and consideration in this matter.

Sincerely,

/s/ Imad Abyad

Imad D. Abyad

Counsel for

Federal Trade Commission

—attachment

cc: Counsel of Record (via CM/ECF)

ATTACHMENT— EXCERPTS OF RECORD

P-15-2005 13:21 FROM:BCB LOGISTICS

7168861634

TO:Fax

P.1/5

September 6, 2005

Arshil Abdulla, CEO
LensDiscounters.com Inc.
1010 Niagara Street
Buffalo, New York 14213

Re: Trademark Infringement of 1800 CONTACTS Trademark in Sponsored
Advertisements at Google and Related Search Engines.

Dear Mr. Abdulla:

I am writing in regards to your letter of July 11, concerning the above referenced matter. I appreciate your willingness to immediately remove any sponsored search engine advertisements that may be triggered by the 1800 CONTACTS trademark. Per your request, I have attached a list of the Forbidden Keywords/Terms that you requested.

As per our last correspondence, there are still three advertisements that have been purchased through Google's AdWords Program for 1800 CONTACTS, that trigger a link directly to your competitive www.LensDiscounters.com website. I have attached a copy of these advertisements for your reference.

As I have now provided you with the Forbidden Keywords/Terms, please confirm in writing that you have removed all sponsored advertisements you have purchased through Google, Yahoo Search and any other search engines which are trigged by the 1800 CONTACTS trademark.

Thank you for your assistance in this matter. I look forward to hearing from you . Please do not hesitate to contact me should you have any questions or comments.

Sincerely,



David N. Zeidner
Legal Counsel
1-800 CONTACTS, INC.

1 800 CONTACTS 66 East Wadsworth Park Drive | 3rd Floor | Draper, Utah 84020 | T 801 924 9800 | F 801 924 9905

SEP-15-2005 13:21 FROM:BCB LOGISTICS

7168861634

TO:Fax

P.2/5

Forbidden Keywords/Terms

1800contact
1800contacts
1800 contact
1800 contacts
1-800-contact
1-800-contacts
1-800 contact
1-800 contacts
1800contacts.com
1 800 contact
1 800 contacts
800 contact
800 contacts
800contact
800contacts
www.1800contact
www.1800contacts
contacts.com
lens express
lenses express

SEP-15-2005 13:21 FROM:BCB LOGISTICS

7168861634

TO:Fax

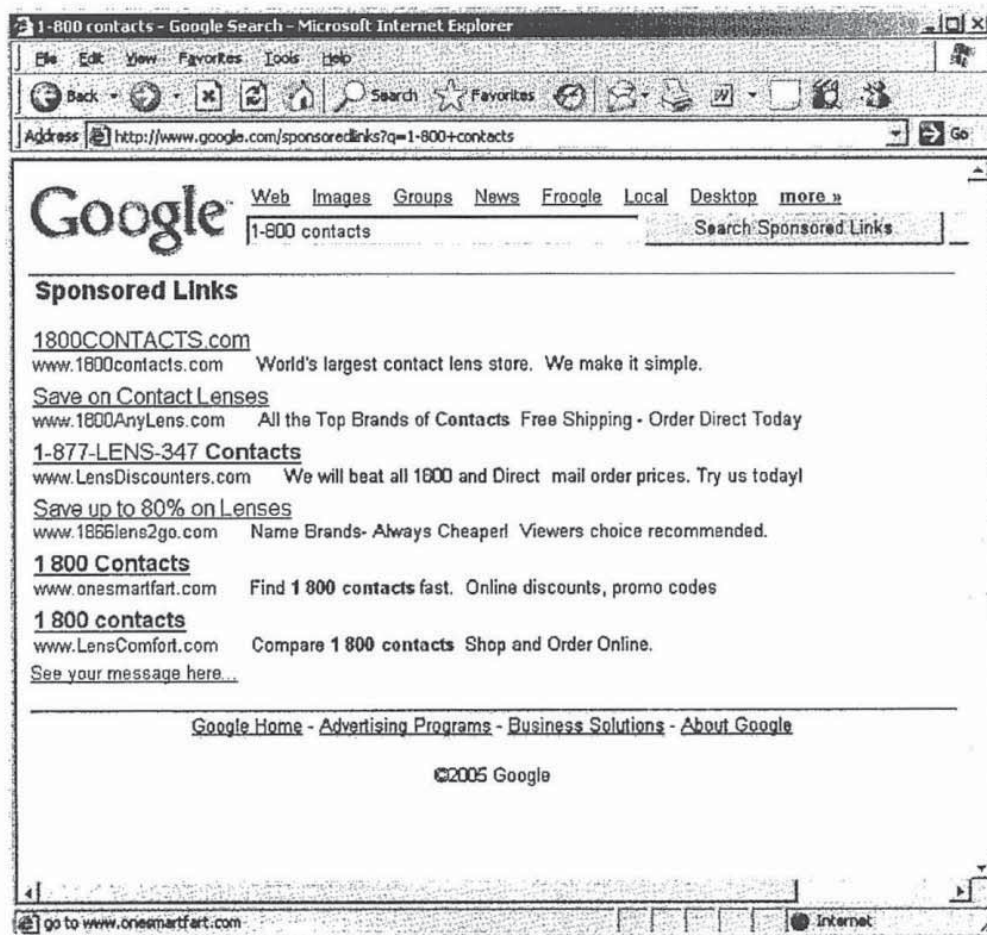
P.3/5

Search Term: 1-800 contacts

Search Results Page: <http://www.google.com/sponsoredlinks?q=1-800+contacts>

Other Organizations Bidding:

1. www.LensDiscounters.com



LDV_0001286

Holbrook - Confidential

1-800 Contacts

1/12/2017

<p style="text-align: right;">65</p> <p>1 13 or 14 other lawsuits, yes.</p> <p>2 Q. And were you aware of any other settlement</p> <p>3 agreements or other agreements?</p> <p>4 A. Yes. I was aware that many of those had been</p> <p>5 settled.</p> <p>6 Q. Did that knowledge have any impact on your</p> <p>7 decision-making regarding your lawsuit, your eventual</p> <p>8 settlement?</p> <p>9 A. Yeah. It had some impact on that definitely.</p> <p>10 Q. How so?</p> <p>11 A. Well, it appeared to me that the only way we</p> <p>12 were going to ever put this thing to rest was going to</p> <p>13 have to involve some kind of settlement because of that.</p> <p>14 Q. Did Memorial Eye have the opportunity to</p> <p>15 negotiate the settlement agreement with 1-800 Contacts?</p> <p>16 A. I guess technically, yes. We negotiated it</p> <p>17 with them.</p> <p>18 Q. And when you say "technically," what do you</p> <p>19 mean by that?</p> <p>20 A. Well, we were -- as far as I'm concerned, we</p> <p>21 were forced into this. I mean, we just didn't -- you</p> <p>22 know, we did our best to fight this thing; but we were</p> <p>23 forced into it. We were harmed by it. We didn't get</p> <p>24 anything out of it. From my perspective we were a</p> <p>25 victim in this whole situation.</p>	<p style="text-align: right;">67</p> <p>1 was 1-800 Contacts open to any kind of settlement that</p> <p>2 didn't include these provisions?</p> <p>3 A. No, no. I mean, again, my opinion, my</p> <p>4 perspective, no, it wasn't. They had requested these</p> <p>5 provisions basically from the very first letter they</p> <p>6 sent us and all the letters following that, in the</p> <p>7 initial drafts of this settlement and through all the</p> <p>8 negotiations.</p> <p>9 Q. So after Memorial Eye signed this agreement,</p> <p>10 did Memorial Eye go on to implement the terms that 1-800</p> <p>11 requested as negative keywords in its search advertising</p> <p>12 campaigns for its online business?</p> <p>13 A. Yes, we did.</p> <p>14 Q. And you referred earlier to the concept of</p> <p>15 broad match. Are you familiar with the concepts of</p> <p>16 exact match and phrase match in a general sense?</p> <p>17 A. In a general sense, yes.</p> <p>18 Q. And as far as negative keywords, are you</p> <p>19 familiar with the options of entering a negative keyword</p> <p>20 as an exact or phrase or broad match?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. Did you enter the negative keywords that</p> <p>23 1-800 requested, did you enter any of them in a broad</p> <p>24 match fashion?</p> <p>25 A. Me personally, I did not enter any of them.</p>
<p style="text-align: right;">66</p> <p>1 So we did go through the procedural</p> <p>2 negotiation things, but we didn't have much of a choice.</p> <p>3 We were forced into it.</p> <p>4 Q. Let's turn to the second and third pages of</p> <p>5 this settlement agreement, first the page ending in the</p> <p>6 Bates No. ME1102 at the very bottom. I'm going to draw</p> <p>7 your attention to paragraph 3 which is titled</p> <p>8 Obligations and Prohibited Acts. The first sentence as</p> <p>9 well as legalese that says the parties agree. It</p> <p>10 continues on the next page and there is an A and B.</p> <p>11 The parties agree to -- I'll just read it</p> <p>12 -- "refrain from purchasing or using any of the terms</p> <p>13 the other party has listed in Exhibit 2 as triggering</p> <p>14 keywords in any Internet search engine advertising</p> <p>15 campaign" and, B, "implement all of the terms the other</p> <p>16 party has listed in Exhibit 2 as negative keywords in</p> <p>17 all Internet search engine advertising campaigns with</p> <p>18 respect to those Internet search engines that allow the</p> <p>19 implementation of negative keywords by the party."</p> <p>20 As far as these provisions of the</p> <p>21 agreement, was this up for negotiation?</p> <p>22 MR. BRIERS: Object to form.</p> <p>23 A. From my perspective, no. No, it wasn't.</p> <p>24 Q. (By Ms. Clair) Another way of asking that</p> <p>25 might be to say: In the course of these negotiations</p>	<p style="text-align: right;">68</p> <p>1 But I know they were entered in a broad match fashion,</p> <p>2 yes.</p> <p>3 Q. What is your understanding of the effect of</p> <p>4 doing that?</p> <p>5 A. My understanding is that -- well, the -- when</p> <p>6 somebody is searching for contacts online, they put in a</p> <p>7 name, you know, information into the search bar. And</p> <p>8 the AdWords Google algorithms will determine ads that</p> <p>9 are relevant to that information that they've typed in.</p> <p>10 And the broad match will include any ads</p> <p>11 that may seem relevant that have that term or variety of</p> <p>12 that term in it. So a lot of different types of ads</p> <p>13 basically. I know that's not very succinct.</p> <p>14 Q. As far as your understanding of how Memorial</p> <p>15 Eye implemented the negative keywords required by this</p> <p>16 agreement, were they implemented so as to prevent a</p> <p>17 Memorial Eye ad from appearing in response to a search</p> <p>18 query that contained 1-800 Contacts even if it also</p> <p>19 contained other terms?</p> <p>20 MR. HONG: Objection, form.</p> <p>21 A. Yes, they were.</p> <p>22 Q. (By Ms. Clair) Other than the short period</p> <p>23 between -- weeks and months you testified to earlier</p> <p>24 when Memorial Eye implemented 1-800's terms with</p> <p>25 negative keywords early on, before this 2013 agreement</p>

17 (Pages 65 to 68)

For The Record, Inc.

(301) 870-8025 - www.ftrinc.net - (800) 921-5555

CX9024-018

109

1 1-800 Contacts and AC Lens from March 2010.

2 **Q If you turn to Page 7 of the**
3 **agreement, there's a signature line that says**
4 **"Arlington Contact Lens Services, Inc.", and it**
5 **says by, is that your signature?**

6 A It is.

7 **Q And the date you signed it is March 9,**
8 **2010?**

9 A It is.

10 **Q Why did you enter into this settlement**
11 **agreement?**

12 A 1-800 Contacts had filed a complaint
13 against us and indicated that they would serve
14 the complaint I guess is how it works if we did
15 not sign the agreement. I engaged local counsel,
16 and he said to me there is no certainty as to who
17 would win this case if you fought it, but it is
18 certain that you would spend well over \$100,000
19 and spend a significant amount of time in the
20 state of Utah if you chose to defend it. I made
21 a business decision at that point as a principal
22 of a smallish family business that I wasn't going
23 to engage in that kind of fight. There was no
24 negotiation of such. So my local attorney said
25 to me, they're basically saying take it or leave

110

1 it.

2 **Q Were you aware of any other similar**
3 **litigations between 1-800 and other online**
4 **retailers?**

5 A I was not aware at the time directly.

6 **Q At the time?**

7 A Of this. But I did speak to the
8 principal of Lens.com regarding his litigation,
9 and he told me -- and this is after this point --
10 that 1-800 had been going around sort of coercing
11 people into signing these settlement agreements
12 and that he had refused to do so and that he was
13 going to fight them. I did not disclose to him
14 that I had signed an agreement because there's a
15 confidentiality clause. So I was made aware
16 later that there were other agreements.

17 **Q And who was the principal?**

18 A His name is Cary Someruchin
19 (phonetic). I don't remember how to spell it.
20 I've only spoken to him a handful of times.

21 **Q And when did you have this**
22 **conversation?**

23 A I don't recall. It was I believe
24 subsequent to this but prior to them finally
25 resolving the Lens.com litigation.

111

1 **Q And when your counsel was speaking**
2 **with you, was his estimate of the cost was I**
3 **think you said \$100,000?**

4 A No. He said at least \$100,000 and
5 possibly significantly more.

6 **Q What relative to your overall budget**
7 **as a company did that litigation cost?**

8 A I had no legal budget whatsoever. So
9 it was clearly all sort of extra budget -- extra
10 to any kind of budgeted expense. And I also
11 really frankly was concerned about spending a
12 great deal of time and the distraction and the
13 travel. It was not a difficult decision for me
14 to reach. I didn't sort of labor over it long
15 and hard.

16 At the end of the day, given the
17 situation I was in, I think I would do the same
18 thing again. I think you know we were in a small
19 company being told by a larger company sign this
20 or you're going to be faced with a very expensive
21 and time-consuming lawsuit. So I signed it.

22 **Q And based on what you said earlier**
23 **today, it sounds like from the correspondence in**
24 **the previous exhibit that you had already made a**
25 **business decision not to bid on --**

112

1 A That's correct.

2 **Q -- their keywords, and the reason you**
3 **made that business decision stemmed from that**
4 **2002 agreement?**

5 A Yes, and apparently some intervening
6 correspondence that I don't have.

7 **Q You also adopted the negative**
8 **keywords?**

9 A We also adopted negative keywords
10 prior to this. The immediate impact of signing
11 this was that I became a lot more paranoid about
12 making my marketing team be hypervigilant about
13 making sure that the negative keywords were
14 always present in every space and always complete
15 because this -- one of the provisions of this
16 agreement is rather expensive penalties, sort
17 of --

18 **Q Where did you --**

19 A I'm sorry. If I go to Page 4, which
20 is which is 0005-004, it says that the enforcing
21 party would be entitled to \$1,000 for each day of
22 the breach, and then I believe there's an even
23 more Draconian version that says, If the
24 agreement is breached more than once -- on Page 5
25 -- breached more than once in a given six-month



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January 24, 2008

Contains Confidential Information

VIA E-MAIL & U.S. MAIL

Joe Zeidner
1-800 Contacts, Inc.
66 East Wadsworth Park Drive
Draper, Utah 84020

Bryan G. Pratt, Esq.
Rader, Fishman & Grauer, PLLC
River Park Corporate Center One
10653 S. River Front Parkway, Suite 150
South Jordan, Utah 84095

**Re: Compliance with Settlement Agreement between 1-800 Contacts, Inc. and
Vision Direct, Inc. and Litigation Filed by 1-800 Contacts, Inc., in
Connection with Settlement Agreement**

Dear Joe and Bryan:

Pursuant to the Settlement Agreement between 1-800 Contacts, Inc. ("1-800 Contacts") and Vision Direct, Inc. ("Vision Direct"), entered into on June 24, 2004 ("Settlement Agreement" or "Agreement"), this letter serves as notice to 1-800 Contacts of breach of the Agreement. This notice is being provided pursuant to the terms of Paragraph 5 of the Agreement ("NOTICE OF BREACH").

Specifically, Vision Direct provides notice to 1-800 Contacts that, by filing suit in the Third Judicial District Court of Salt Lake County, State of Utah, against drugstore.com, inc. ("drugstore.com") and Vision Direct, for breach of contract (served on Vision Direct and drugstore.com on January 11, 2008), 1-800 Contacts has violated the express terms of the Settlement Agreement, which provide that:

AUSTIN NEW YORK SAN FRANCISCO LOS ANGELES SEATTLE CHICAGO WASHINGTON, D.C.

CONFIDENTIAL

1-800F_00045680

CX0142-001

Wilson Sonsini Goodrich & Rosati
PROFESSIONAL CORPORATION

Joe Zeidner
Bryan G. Pratt, Esq.
January 24, 2008
Page 2

Any litigation in connection with this Agreement, including but not limited to any breach of this Agreement or the interpretation or construction of the terms of this Agreement shall only be brought in the United States District Court for the Southern District of New York. The Parties hereby waive any objection to venue or jurisdiction in the United States District Court for the Southern District of New York.

See Settlement Agreement, ¶ 6 (“LITIGATION”).

As Jonathan Jacobson discussed with Bryan during a telephone conversation on January 13, 2008, it is irrelevant that diversity jurisdiction between drugstore.com (the parent of Vision Direct) and 1-800 Contacts, Inc. does not exist. This dispute does not concern drugstore.com; drugstore.com is neither a signatory to the Agreement, nor is it a party to this dispute. As it is improper under both Utah and New York to bring a breach of contract claim against a non-party (*see, e.g., American Rock Salt Co., LLC v. Norfolk Southern Corp.*, 180 F. Supp. 2d 420 (W.D.N.Y. 2001)), and drugstore.com is not a necessary party to this action (*see Norman v. Murray First Thrift & Loan Co.*, 596 P.2d 1028 (Utah 1979)), 1-800 Contacts cannot rely on drugstore.com’s state of incorporation to destroy diversity jurisdiction (that otherwise exists between Vision Direct and 1-800 Contacts, the signatories to the Agreement), and violate the express terms of the Settlement Agreement. The breach of the forum selection clause of the Settlement Agreement itself is a breach of contract, for which damages are available—damages that Vision Direct will seek (*see, e.g., Indosuez Intern. Finance, B.V. v. National Reserve Bank*, 304 A.D.2d 429, 431, 758 N.Y.S.2d 308, 311 (1st Dep’t 2003) (“[D]amages may be obtained for breach of a forum selection clause.”)).

Moreover, Vision Direct notes that 1-800 Contacts has engaged in the very behavior that its complaint alleges constitutes a breach of the contract. As the attached screen shots make clear, 1-800 Contacts itself continues to fail to implement negative keywords, the very action that 1-800 Contacts alleges constitutes a Breach of Contract under Count 1 of the Complaint. *See* Compl. ¶¶ 26, 29 and attached Exhibit A and Exhibit B.

Finally, Vision Direct notes that bringing this Complaint against drugstore.com—an entity who under Utah and New York law *cannot be a party to this action*—constitutes a violation of Rule 11 of the Utah Rules of Civil Procedure, as is the claim that this alleged breach of contract is subject to punitive damages (*see DEMAND FOR RELIEF, ¶ B*). Again, Vision Direct provides notice to counsel for 1-800 Contacts that it will seek sanctions against counsel for bringing claims not “warranted by existing law.” *See* Utah R. Civ. P. 11(b)(2); *see also EEOC v. Franks Nursery & Crafts, Inc.*, 177 F.3d 448 (6th Cir. 1999) (“[I]t is axiomatic that courts cannot bind a non-party to a contract. . .”); *Smith v. Grand Canyon Expeditions Co.*,

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Joe Zeidner
Bryan G. Pratt, Esq.
January 24, 2008
Page 3

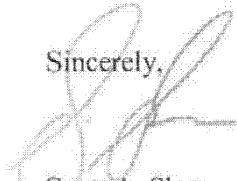
84 P.3d 1154, 1161 (Utah 2003) (“[P]unitive damages are recoverable only for torts, not for breach of contract.”).

As discussed during the December 12, 2007 telephone conversation between Jonathan Jacobson and me; antitrust counsel for Vision Direct and drugstore.com; Richard Liebeskind, antitrust counsel to 1-800 Contacts, Inc.; and Bryan, IP counsel to 1-800 Contacts, Inc., Vision Direct continue to have serious concerns regarding the enforceability of the Agreement, particularly as it relates to the implementation of negative key words.

Separate and apart from Vision Direct’s position regarding the interpretation of the contract, set forth in Ms. Caditz’s November 5, 2007 letter—that is, that the Agreement does not contemplate the implementation of negative key words—Vision Direct continues to believe that any agreement between the parties with regard to the implementation of negative key words creates an unacceptable risk of violating Section 1 of the Sherman Act, and as such, represents a serious antitrust issue. Any such agreement would appear to represent a restraint unrelated to the terms of the Agreement and unrelated to a valid intellectual property right, and one that depresses the price of key words to search companies such as Google, Yahoo! and Microsoft.

We look forward to speaking with both of you further about this issue, as we attempt to resolve this matter without the need for further litigation, and while adhering to the terms and spirit of the contract, as well as the important antitrust principles articulated herein.

Sincerely,



Scott A. Sher

cc: Yukio Morikubo, Esq.
Jonathan Jacobson, Esq.