

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

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

Rebuttal Expert Report of Professor Rebecca Tushnet

March 8, 2017

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Assignment

1. My name is Rebecca Tushnet, and I am a lawyer and a law professor. I have been retained by the Federal Trade Commission (FTC) to serve as a testifying expert in the case it has brought against 1-800 Contacts, Inc. (Respondent), pending before Administrative Law Judge Michael Chappell (No. 9372). Specifically, the FTC has asked me to review the reports submitted by Respondent's experts Ronald C. Goodstein, Howard S. Hogan, William Landes, Kevin M. Murphy, and Kent Van Liere from the perspective of trademark and advertising law and to provide my analyses and opinions in rebuttal to analyses and opinions that any of them has expressed regarding these two related areas of the law.
2. The FTC is paying me for my time at a discounted rate of \$200 per hour. None of my compensation depends on my conclusions or on the outcome of this case.

Qualifications

3. I am a professor of law at Georgetown University Law Center. I have taught trademark, copyright, and advertising law since 2002, first at NYU and then since 2004 at Georgetown. I will become the Frank Stanton Professor of First Amendment Law at Harvard in summer 2017. I have a B.A. from Harvard and a J.D. from Yale. My curriculum vitae is attached as Exhibit A.
4. After my clerkships, I practiced at Debevoise & Plimpton for two years, primarily doing copyright, trademark, and advertising litigation. I have written extensively on trademark and advertising law, including articles published in *Texas Law Review*, *University of Pennsylvania Law Review* (cited by the Supreme Court in *Lexmark International, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014)), and *Harvard Law Review*. With Eric Goldman of Santa Clara Law, I have written the only casebook dedicated to advertising and marketing law. I regularly write about advertising and trademark law at my blog, 43(b)log, which has been on the *ABA Journal's* Blawg 100 of top law blogs since 2012. I received Public Knowledge's IP3 award for significant contributions to the field of intellectual property law in 2015.
5. I regularly attend conferences about intellectual property law and participate on academic as well as practitioner-oriented panels. I regularly author amicus briefs on trademark and advertising-related issues, including in *Lee v. Tam*, No. 15-1293 (U.S., argued Jan. 18, 2017); *Slep-Tone Entertainment Corp. v. Canton Phoenix Inc.*, No. 14-36018 (9th Cir., pending); *Tobinick v. Novella*, – F.3d –, 2017 WL 603832 (11th Cir. 2017); *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, – Fed. App'x –, 2016 WL 7436489 (2d Cir. 2016); *Dryer v. National Football League*, 814 F.3d 938 (8th Cir. 2016); *Phoenix Entertainment Partners v. Rumsey*, 829 F.3d 817 (7th Cir. 2016); *In re GNC Corp.*, 789 F.3d 505 (4th Cir. 2015), *Multi Time Machine, Inc. v. Amazon.com, Inc.*, 804 F.3d 930 (9th Cir. 2015); *Lexmark International, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014); and *Christian Louboutin S.A. v. Yves Saint Laurent America Holdings, Inc.*, 696 F.3d 206 (2d Cir. 2012). In my pursuit of greater knowledge and understanding of business practices that implicate trademark and advertising law, I successfully intervened in *FTC v. Amazon*, 14-cv-01038

(W.D. Wash. 2016), to seek more public disclosure regarding Amazon’s practices relating to in-app purchases, as well as in *SanMedica Int’l, LLC v. Amazon.com, Inc.*, No. 13-cv-00169 (D. Utah filed publicly Apr. 15, 2015), where I sought and achieved more public disclosure about the click-through rates for keyword advertising on which the court had based its decision.

I. Introduction

6. As a necessary framework for understanding my analyses and opinions in rebuttal to Respondent’s experts, I describe below some principles that underlie trademarks and advertising. I note that Mr. Hogan has provided a similar overview as part of his expert report.¹
7. Trademark law is a specialized branch of the law of unfair competition and false advertising that has developed some unique doctrines of its own. Its genesis in unfair competition, however, has left it with a legacy of considering the harms of overprotection as well as underprotection, balancing private interests with public interests in competition and freedom of speech. Multiple trademark policies, including those allowing “nominative fair use” and non-trademark uses, reflect this deliberate compromise among varying interests.² The freedom to take advantage of markets identified by one’s competitors—even competitors who *created* that market—is a core part of the freedom to compete protected by the limits on trademark law.³ So is the freedom to engage in comparative advertising targeting likely consumers of a trademark owner’s product or service.⁴ Importantly, comparative advertising must be able to reach consumers who might be interested in learning about alternatives even when they would otherwise go with the option they already know; otherwise it fails to reach precisely that group of consumers for whom it may be most useful.
8. Disgruntled trademark owners understandably may decry these practices as “free riding,” but such free riding is the lifeblood of competition.⁵ Remedies reaching beyond trademark’s

¹ Cf. Hogan Report Section III (“Overview of Trademark Law”).

² *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 119, 122 (2004) (explaining that the common law, unchanged by the Lanham Act, tolerated some degree of likely confusion in the service of truthful description).

³ *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938) (“Kellogg Company is undoubtedly sharing in the goodwill of the article known as ‘Shredded Wheat’; and thus is sharing in a market which was created by the skill and judgment of plaintiff’s predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested.”).

⁴ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 431 (2003) (noting that Congress, in enacting the Federal Trademark Dilution Act, included a provision allowing for fair use of a registered trademark in comparative advertising or promotion to address First Amendment concerns). *See also* Fed. Trade Comm’n, Comparative Advertising; Issuance of a Policy Statement, 44 Fed. Reg. 47,328, 47,328 (Aug. 13, 1979) (codified at 16 C.F.R. § 14.15(c)) (expressing a policy of encouraging “comparative advertising which names, or makes reference to, competitors” in a truthful, nondeceptive manner).

⁵ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 411 (2d Cir. 2005) (“Indeed, it is routine for vendors to seek specific ‘product placement’ in retail stores precisely to capitalize on their competitors’ name recognition. For example, a drug store typically places its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the

tailored rights to prohibit all competitive uses, including prohibitions on “keyword bidding” and “broad matching,” as well as negative keyword requirements on online advertising platforms, contradict the policies of Congress and the courts. Contrary to the opinions expressed by Mr. Hogan, Professor Landes, and Professor Murphy in their respective reports,⁶ 1-800 Contacts’ “bidding” agreements with accused infringers have gone far beyond what courts have considered acceptable remedies for violations of trademark rights, and also beyond the scope of consent and default judgments in cases of counterfeiting and standard trademark infringement (where the defendant uses the plaintiff’s mark to identify itself). Trademark law does not countenance bans on simple comparative advertising designed to reach and influence the consumer at a point when she may be open to considering options.

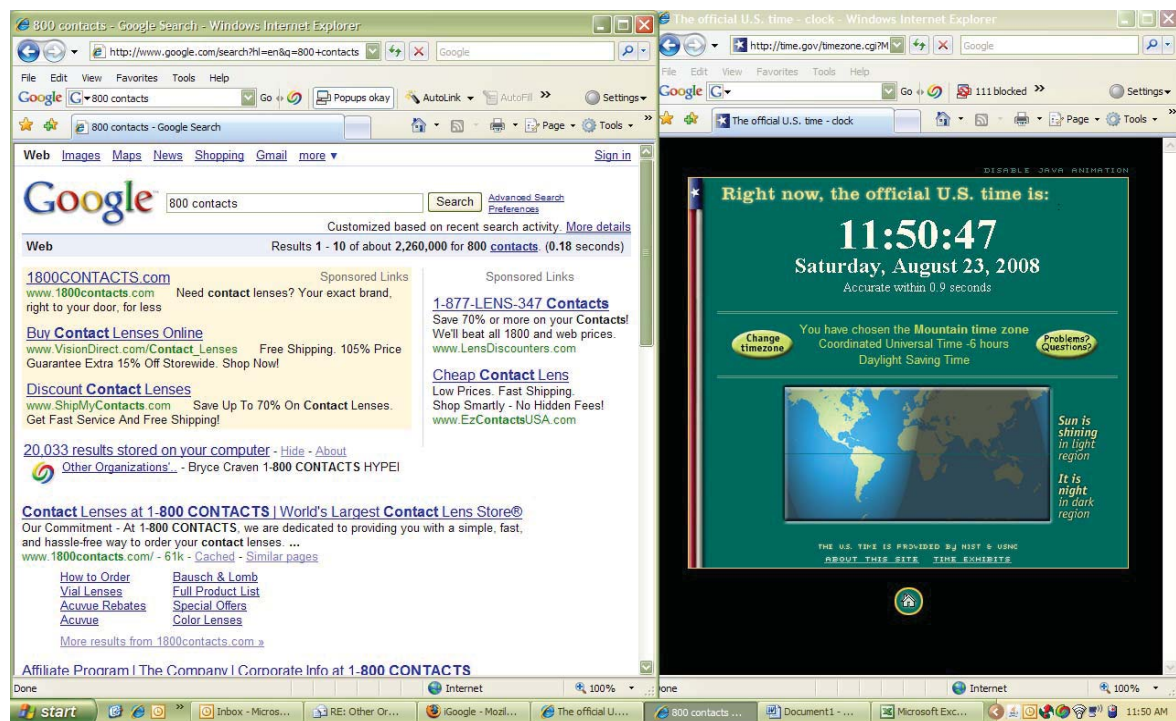
9. Professor Goodstein’s report discusses evidence indicating that some consumers may have trouble telling why they are seeing a particular search result.⁷ This is one type of potential confusion, and search engine labeling of sponsored results merits consideration under false advertising law and the FTC’s rules about disclosing sponsorship. But, as I understand it, such considerations are not at issue in this case. Rather, the question is whether confusion over why a result appears in a search is trademark confusion, and the answer is no. Such confusion does not cause the harms that are the gravamen of trademark infringement, and it does not mean that consumers will mistakenly buy from one seller instead of the one they intended to patronize. Conflating different kinds of confusion obscures the proper role of trademark law in the larger system of competition law.

store’s less-expensive alternative.”); *Ty Inc. v. Perryman*, 306 F.3d 509, 512 (7th Cir. 2002) (Posner, J.) (“Of course there can be no aftermarket without an original market, and in that sense sellers in a trademarked good’s aftermarket are free riding on the trademark. But in that attenuated sense of free riding, almost everyone in business is free riding.”). *See also* Eric Goldman, *Brand Spillovers*, 22 HARV. J.L. & TECH. 381, 397 (2009) (arguing that redirection of consumers to competing brands is widely accepted by courts in an offline-retail context); Brett M. Frischmann & Mark A. Lemley, *Spillovers*, 107 COLUM. L. REV. 257, 268-71 (2007) (discussing positive effects of spillovers not under the control of intellectual property owners).

⁶ Hogan Report Section X (“1-800 Contacts’ Settlement Terms with Advertisers Were Supportable and Commonplace Means to Resolve Trademark Disputes”); Landes Report Section II.F (“Making Trademark Settlements More Difficult Will Undermine Consumer Benefits from Trademarks”); Murphy Report Section III.B (“Settlements Can Be an Efficient Way for Companies to Protect Their Trademarks and Limiting the Ability of Firms to Settle Their Trademark Infringement Claims Can Harm Consumers”).

⁷ Goodstein Report Section V (“Consumer Confusion Is Reasonably Expected from Sponsored Ads by Other Retailers That Appear in Response to an Internet Search for ‘1-800 Contacts’”).

10. The screenshot below illustrates the crux of the issue:



An example of comparative advertising: the statement “we’ll beat all 1800 and web prices” in the first sponsored link on right, mapping to www.LensDiscounters.com.⁸

11. Trademark owners often believe that competitive advertising using their trademarks as keywords is wrongful, and therefore confusing.⁹ It is tempting for a business to think that, as applied to competitors, the term “unfair competition” is redundant. But trademark owners’ subjective impressions of confusion have not been borne out by actual results, either in the courts or in empirical studies. Contrary to Mr. Hogan’s opinion, no liability for trademark infringement has ever been found based *solely* on keyword bidding, as contrasted with cases involving keyword bidding *plus* confusing use of a mark in ad text.¹⁰ Similarly, his and Professor Goodstein’s arguments that competitive advertising can cause “dilution” substitute a marketing conception (in which competition for meaning can cause dilution)¹¹ for the legal

⁸ 1-800F_00045485.xls.

⁹ Cf. William E. Gallagher & Ronald C. Goodstein, *Inference vs. Speculation in Trademark Infringement Litigation: Abandoning the Fiction of the Vulcan Mind Meld.*, 94 Trademark Rep. 1229, 1267 (2004) (“It is always possible that a competitor will threaten trademark infringement litigation if it perceives a threat to its market share. Yet, by itself, this is hardly evidence that the newcomer intended to deceive or confuse consumers and, therefore, not evidence that supports an inference of likelihood of confusion.”).

¹⁰ Hogan Report Section V (“Courts Across the Country Have Held That the Sale and Use of Trademarks as Keywords Can Give Rise to Actionable Infringement Claims”).

¹¹ E.g., Barbara Loken & Deborah Roedder John, *Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact?*, 57 J. Marketing 71 (1993) (defining dilution as change in beliefs about brand or in affect associated with brand).

concept of dilution, which involves use of a famous mark to identify a different product, such as Kodak pianos or Buick soap.¹²

II. Trademark Theory¹³

12. Conventional explanations of the utility of trademarks appeal to their role in reducing search costs: compressing information about a product or service into a symbol that consumers can use for a shortcut to identify what they want, or want to avoid.¹⁴ This account is highly persuasive. However, when it is turned into an argument that “search costs” are themselves something to be minimized, it mistakes the mechanism for the desired output. There are different aspects of search, and different kinds of search costs; it is important not to equivocate about them. Trademark law only concerns itself with certain search costs that arise out of deceptive uses of a source-identifier.
13. Overprotection of trademarks can therefore be anticompetitive: if one firm could monopolize the generic term “contacts,” it could prevent consumers from finding out useful information and increase search costs for consumers interested in alternative suppliers. Even a firm that invents a new kind of product has the additional burden of creating a generic term for that product as well as a brand name, in order to allow subsequent competitors to identify what it is they have to sell without infringing its trademark.¹⁵ Likewise, if a firm could prevent comparative advertising, it could suppress competition, even if it does not assert monopoly control over a generic term. Truthful, nondeceptive, comparative advertising is widely recognized as economically beneficial because it enables consumers to use the shorthand features of trademarks to identify ways in which competitors might be like or different from the comparator.¹⁶
14. Trademarks condense product-related information from a particular supplier, so that the shopper need not investigate its qualities each time as if it were sold in plain, unmarked packaging. She can use the trademark as a reference point and quickly choose it or turn away. However, the entry of a new competitor into the market means that a different kind of information is now necessary: is the new competitor’s product better or worse than the familiar set of product attributes, shorthanded by the trademark? A relatively unknown seller can use some aspects of the shorthand qualities of the trademark to identify itself as a competitor.¹⁷ Indeed, that’s one useful function of comparative advertising. “Jones Soda is

¹² Hogan Report Section VI (“Trademark Owners Can Have Viable Dilution Claims in the Keyword Advertising Context”); Goodstein Report Section VI (“Dilution of 1-800 Contacts’ Trademarks Can Reasonably Be Expected from Sponsored Ads by Other Retailers That Appear in Response to an Internet Search for ‘1-800 Contacts’”).

¹³ This section specifically rebuts Professor Hogan’s discussion of trademark law, *see* Hogan Report ¶¶ 18-50.

¹⁴ William A. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987) (“In short, a trademark conveys information that allows the consumer to say to himself, ‘I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.’”).

¹⁵ For example, a FRISBEE flying disc (Reg. No. 0679186).

¹⁶ *See, e.g.,* Tahi J. Gnepa, *Comparative Advertising In Magazines: Nature, Frequency, and a Test of the ‘Underdog’ Hypothesis*, J. ADVERTISING RES. Sept.-Oct. 1993, at 70 (finding that comparative advertising is most frequently used by “underdog” competitors).

¹⁷ *Cf.* Gallagher & Goodstein, *supra*, at 1267 (“It is a standard growth strategy for a company to introduce a product or brand into new markets where it has not been previously offered. A defendant intending to fairly and lawfully

better than Coke” provides useful information to someone who knows what Coke is even if she doesn’t know what Jones Soda is, and even if she doesn’t believe or investigate the claim.

15. The more important point, however, is that market entry and competition adds information to the retail environment. In that sense, new entrants will increase a consumer’s market-related “search costs” associated with choosing among substitute products but—if their brand names are sufficiently distinct—they will not increase the consumer’s product-related search costs that have been reduced by the shorthand function of the trademark. If the trademark becomes less capable of commanding consumer attention in an increasingly crowded retail environment, that is an effect of a larger set of choices, not of interference with the source- and quality-signaling shorthand function of the trademark. After all, there are no “search costs” in terms of selecting a producer when the producer has a monopoly.¹⁸
16. While the core rationale for trademark protection holds true even when consumers are not homogeneous in their preferences for information, attention, and other aspects of a product search, lack of homogeneity complicates matters—some consumers have a preference for searching, viewing comparison as rewarding in itself.¹⁹ Also, consumer preferences and tastes are often not fixed, and providing consumers information about new alternatives

compete with the plaintiff may market a similar product, target the same market and convey information about its product that calls attention to similarities with the plaintiff’s product, all with the clear intent to attempt to take market share away from the plaintiff; that is permissible competition. It is not, by itself, evidence that the newcomer intended to confuse, and it is certainly not, by itself, evidence that confusion is likely.”).

¹⁸ As Mark McKenna has written:

Even when search costs matter to consumers, it is not always the case that reducing search costs best maximizes consumer welfare. Consumers suffer little in the way of search costs, for example, where they have few choices; you do not have to search for ticket prices if there is only one airline on which you can fly. Hence, consumer search costs would be reduced if we eliminated competition. But no one advocates monopolization of markets on search costs grounds. We generally believe that consumers are better served by competition, even though competitive markets require more searching than do markets with single providers. Likewise, trademark law has never prohibited all conflicting uses of a mark regardless of the contexts in which that mark is used, even though search costs would be minimized in a world with only one party using APPLE or FORD.

Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67 (2012) (footnote omitted). Thus, although the existence of competition may lead 1-800 Contacts to decide to run more advertising, including keyword advertising on its own trademark, 1-800 Contacts has no right to avoid competition—especially competition spurred by use of a purely generic term (e.g., “contacts” or “contact lens”) that triggers matched ads when the search term includes 1-800 Contacts’ full mark. The idea that no one at all should be able to advertise against a consumer’s search that includes 1-800 Contacts’ mark is arbitrary, anticompetitive, and conflicts with general advertising practices: fashion brands advertise in fashion magazines next to spreads featuring competitors’ clothing; advertisers generally try to target their advertising to fall around stories relevant to their target consumers. *See Stewart v. Rolling Stone LLC*, 181 Cal. App. 4th 664, 677–78 (1st Dist. 2010) (tobacco company knew that feature would be about “indie rock” and designed related wraparound ad). 1-800 Contacts would have to pay to advertise in newspapers that run stories about it, and likewise other competitors could advertise in newspapers that run stories about 1-800 Contacts, even if that attracts consumers’ attention to competitors. Google’s organic results are, like newspaper stories about 1-800 Contacts and placement of related ads, matters of the publisher’s editorial judgment.

¹⁹ *See, e.g.*, Gilles Laurent & Jean-Noël Kapferer, *Measuring Consumer Involvement Profiles*, 22 J. MARKETING RES. 41 (1985); Sharon E. Beatty & Scott M. Smith, *External Search Effort: An Investigation Across Several Product Categories*, 14 J. CONSUM. RES. 83 (1987); Yan Zhang, *The Effects of Preference for Information on Consumers’ Online Health Information Search Behavior*, 15 J. MED. INTERNET RES. (2013), doi: 10.2196/jmir.2783.

therefore can change their behaviors. Contrary to the assumptions implicit in Professor Goodstein’s report, on the face of it, a consumer who clicks a link for a competitor after searching for 1-800 Contacts is not obviously confused or distracted; the consumer might well have extended her search in order to seek more information, or terminated it with a competitor who offered her better options.

17. The larger insight is that reducing search costs is not an end in itself for trademark law. Truthful, nondeceptive advertising adds information to the retail environment, which is a positive; if search costs have to be incurred to learn about market alternatives, they are worth paying.²⁰ Moreover, to the extent that advertising itself serves as a signal of quality, comparative advertising—including keyword advertising—can provide a useful signal of relative quality to consumers.²¹ As a result, trademark law, including settlement agreements founded on trademark law, should focus on search costs associated with the shorthand function of trademark in identifying a specific producer.
18. Relatedly, not all confusion is worth avoiding. Confusion that is immaterial to consumers, or too trivial, is not worth eliminating, because the measures taken to suppress confusion can be costly in themselves, and can distort the competitive environment. “Moreover, protecting consumers from the ‘harm’ of irrelevant confusion can cause them to suffer injury. If courts undertake to eliminate all confusion, they invite trademark holders to bully competitors and would-be competitors in an effort to expand their rights under the malleable confusion doctrines.”²²
19. Likewise, not all consumer confusion is trademark confusion.²³ It is a fair point that many consumers do not consciously recognize ads at least some of the time, and cannot articulate why they are seeing certain results. But that does not mean they are confused about whether one commercial entity is the source of an ad or affiliated with a competitor whose ad appears on a results page, just as it is possible to be confused about where you parked your car without being confused about what model it is. In short, whether or not the consumer consciously recognizes that a link is a “sponsored” link or an “organic” link says nothing about whether she can identify the source of that link. Consistent with this distinction, the

²⁰ Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 Hous. L. Rev. 777, 795-98 (2004); Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1232-36 (2007) (explaining that doctrines allowing truthful advertising and descriptive uses “unambiguously lower search costs”).

²¹ Stefan Bechtold & Catherine Tucker, *Trademarks, Triggers and Online Search, Trademarks, Triggers, and Online Search*, 11 J. EMPIRICAL L. STUD. 718 (2014); cf. Philip Nelson, *Advertising as Information*, 82 J. POL. ECON. 729 (1974) (positing that advertising is a seller signal of quality).

²² William P. Kratzke, *The Biblical Fool and The Brander: The Law and Economics of Propertization in American Trademark Law*, 34 CARDOZO ARTS & ENT. L.J. 699, 743 (2016); see also Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 439-49 (2010) (discussing competitive and speech harms from extending control over immaterial confusion).

²³ See, e.g., Goodstein Report at 19 (“Because many consumers do not recognize the difference between organic links and sponsored ads, they may inadvertently or mistakenly click on sponsored ads believing those to be the unbiased, impartial output of the search engine (i.e., organic links) and not the result of an advertiser paying the search engine for placement . . .”). These consumers are confused about why they saw the ad, not about its source; their confusion about reasons tells us nothing about their opinions, if they have even formed any, about the source of the ad or, even more importantly, the source of the advertised product.

one court that has addressed whether confusion about *why* search results appear can constitute trademark infringement has rejected the argument.²⁴

III. Trademark Doctrine and Evidence from Practice

20. In this section, I respond principally to the opinions expressed in Mr. Hogan’s report about whether the sale and use of trademarks in keyword advertising constitutes infringement.²⁵ As I explain below, the courts have uniformly rejected keyword advertising, standing alone, as an act of trademark infringement.
21. When courts were unfamiliar with the internet, they feared that consumers could easily be confused by unauthorized uses of trademarks,²⁶ though even then, courts were careful to preserve options for competition.²⁷ The “developed body of case law,” Hogan Report at para 1, has always tilted in favor of competitive advertising, and it has only continued to move further in that direction. Courts quickly recognized that there were legally significant differences between (1) a sign falsely claiming to offer “Blockbuster movies” and a sign offering movie rentals targeted at people who had expressed an interest in renting at Blockbuster, as well as (2) the effort of getting off a highway and entering a physical store and the ease of clicking the “back” button on a browser or opening a new tab. Both of these distinctions have, from the beginning, structured the case law, leading courts to distinguish carefully between deceptive and nondeceptive, procompetitive forms of online advertising.

A. Judicial Treatment of Keyword Advertising Has Consistently Favored Competitive Advertisers

22. Online, keyword advertising has supplemented the geographic competition that is a familiar part of the physical world. Stores often situate themselves near close competitors, in order to offer tempting alternatives to consumers who are in a buying mood. They do this because that is where the consumers will be, “using” or “free riding” on their competitors’ locations—or, as we know it, creating efficient concentrations of options and driving price competition.
23. Professor Landes suggests that these practices, like the related practice of locating generic/house brands of common grocery products next to their name-brand rivals, are not problematic because “[l]ocating in proximity to a rival or asking a distributor to represent a rival product does not require the use of a competitor’s trademark to divert customers.”²⁸ Professor Landes’ conclusion involves assumptions about “use” that are not borne out by commercial practices. The only distinction is that, in an internet search, a consumer enters a

²⁴ Multi Time Machine, Inc. v. Amazon.com, Inc., 804 F.3d 930 (9th Cir. 2015) (holding that labeling search results made confusion by reasonable consumers unlikely, over a dissent arguing that confusion about *why* plaintiff’s products did not appear in search results could be actionable), cert. denied, 136 S. Ct. 1231 (2016).

²⁵ Hogan Report Section V.

²⁶ Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1053 (9th Cir. 1999)

²⁷ Playboy Enters., Inc. v. Netscape Commc’ns, Corp., 354 F.3d 1020, 1034-35 (9th Cir. 2004) (Berzon, J., concurring) (carefully distinguishing between misleadingly labeled and nonmisleadingly labeled ads; those that are clearly labeled may cause diversion, but not confusion to a reasonable consumer).

²⁸ Landes Report, at 18.

search term, while in physical shopping, she may head to the clothes store she is used to patronizing, having that store in mind in the same way she may have a brand in mind when she begins an online search. If a competitor has located on her path, it can accomplish the exact same diversion for the exact same reason.²⁹ The competitor has “used” the well-known brand to figure out where to place itself, but such “use” does not count as “use in commerce” for purposes of trademark law. And the assumption that offline associations created by proximity will not confuse is merely that—there is no comparative evidence about how consumers think about offline associations due to physical proximity.³⁰

i. The Consensus on Keyword Purchases Has Long Been That They Are Legitimate

24. Where search results are dynamic and responsive to consumer input, targeted advertising plays the same role as physical proximity: enabling competitors to find consumers where those consumers are looking. Although most courts generally accepted this principle from the beginning, as they became more familiar with the operation of the internet, they began to understand this pro-competitive function even more clearly. The solidifying consensus matched the scholarly consensus on the lack of confusion (including initial interest confusion), which developed rapidly alongside the rise of keyword advertising. *See, e.g.*, Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 779–84 (2004); Daniel C. Glazer & Dev R. Dhamija, *Revisiting Initial Interest Confusion on the Internet*, 95 TRADEMARK REP. 952, 953 (2005) (arguing that initial interest confusion is generally inappropriate in the online context); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 565 (2005) (arguing that initial interest confusion claims for internet advertising are “predicated on multiple mistaken and empirically unsupported assumptions about searcher behavior”); David M. Klein & Daniel C. Glazer, *Reconsidering Initial Interest Confusion on the Internet*, 93 TRADEMARK REP. 1035, 1035 (2003) (similar); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2005). Mr. Hogan’s report cites student notes and a few other sources indicating, over a decade ago, that questions about keywords were unsettled, Hogan Report at 81 n.291, but even those less expert sources were largely discussing use of ad *text*, not pure keyword buys.³¹

²⁹ See Harold Hotelling, *Stability in Competition*, 39 ECON. J. 41 (1929); Deven Desai, *Why Do Competitors Set Up Shop Near Each Other?*, Dec. 21, 2009, <http://madisonian.net/2009/12/21/why-do-competitors-set-up-shop-near-each-other/> (“Some of the arguments for setting up shop near competitors smack of freeriding. ... The shopkeepers are all engaged in the behavior, know it, and use it to their mutual advantage while still driving prices down.”); Ken Steif, *Why Do Certain Retail Stores Cluster Together?*, October 24, 2013, <https://www.planetizen.com/node/65765> (“Businesses put a great deal of thought into where they choose to locate. They consider the local customer base, transportation options, and yes, the locations of their competitors. Many of these firms are making a very conscious decision to locate near their competitors.”).

³⁰ In certain cases, proximity plus deceptive naming can lead to confusion, but it is the deceptive naming that is the key. *See, e.g.*, *Planned Parenthood Fed’n of Am. v. Problem Pregnancy of Worcester, Inc.*, 498 N.E.2d 1044 (Mass. 1986) (finding infringement liability where similarly named clinic opened on the same floor as Planned Parenthood).

³¹ Similarly, Professor Goodstein’s working definition of initial interest confusion relies on a decision in which the defendants used the plaintiffs’ trademarks on their websites. *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006) (distinguished by *1-800 Contacts, Inc. v. Lens.Com, Inc.*, 722 F.3d 1229, 1245 (10th Cir. 2013)). Goodstein Report at 17 n.84.

25. In *Rescuecom Corp. v. Computer Troubleshooters USA, Inc.*, 464 F. Supp. 2d 1263, 1267 (N.D. Ga. Sept. 16, 2006), for example, the court refused to decide the issue of “use in commerce” on a motion to dismiss because it was a novel legal issue. Infringement was not the basis of the motion, and so the court did not address whether keyword purchases alone could be confusing. Defendants generally failed to convince courts that keyword purchases were not “use in commerce,” meaning that there was federal jurisdiction over keyword lawsuits. Nonetheless, the cases refused to find liability based solely on keyword purchases. It is not very surprising that the cases Mr. Hogan identifies in his Report were almost entirely based on keyword purchases plus use of plaintiff’s mark in ad text, given the skepticism among courts and lawyers that keyword advertising alone could be the foundation of liability; very few keyword-only cases were ever brought, even at the beginning.
26. Leading cases hold that avoiding confusing use of a trademark in ad text is all that is necessary. Reasonable consumers can and do use labeling to distinguish different sources.³² To avoid summary judgment, the plaintiff has to show that a jury could find the ad text itself likely to confuse, and may not rely on the keyword purchase.³³
27. A typical case points out how extreme a pure keyword-based liability claim, as espoused by Respondent’s experts, is:

BPI points to no case indicating that the simple purchase of advertising keywords, without more, may constitute initial interest confusion. As noted, “[i]nitial interest confusion . . . occurs when a customer is lured to a product by the similarity of the mark” Thus, the “luring” becomes the critical element. In situations such as the one presented here, the use of a keyword encompassing a competitor’s terms does not necessarily produce an infringing advertisement; it is the content of the advertisement and/or the manner in which the mark is used that creates initial interest confusion.

BPI’s premise logically culminates in the destruction of common Internet advertising methods and unreasonably encumbers generally accepted competitive practices.³⁴

28. Furthermore, some courts have explicitly recognized keyword advertising as a form of nominative fair use, which allows use of another’s trademark in order to communicate about

³² *Multi Time Machine, Inc. v. Amazon.com, Inc.*, 804 F.3d 930 (9th Cir. 2015); *Network Automation, Inc. v. Advanced System Concepts, Inc.*, 638 F. 3d 1137 (9th Cir. 2011). In *Lens.Com*, the Tenth Circuit observed: “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.” 722 F.3d at 1245.

³³ See *Edible Arrangements, LLC v. Provide Commerce, Inc.*, 2016 WL 4074121 (D. Conn. July 29, 2016) (plaintiff’s claims go to jury on whether “edible fruit arrangements” in ad heading, without sufficient disclosure of true source, was likely to confuse).

³⁴ *USA Nutraceuticals Group, Inc. v. BPI Sports, LLC*, 2016 WL 695596 (S.D. Fla. Feb. 22, 2016).

that trademark owner.³⁵ Whether or not they use that terminology, however, courts have been clear about the legality of keyword advertising for a number of years. Examples include:

- Network Automation, Inc. v. Advanced System Concepts, Inc., 638 F. 3d 1137 (9th Cir. 2011) (finding no likelihood of confusion, noting importance of labeling and appearance of advertisements and the surrounding context on the screen displaying the results page);
- Acad. of Motion Picture Arts & Scis. v. GoDaddy.com, Inc., 2015 U.S. Dist. LEXIS 120871, at *150 (C.D. Cal. Sept. 10, 2015) (finding consensus approval of keyword advertising);
- Ison v. Google, Inc., 2015 WL 3395574 (Cal. Ct. App. May 27, 2015) (rejecting lawsuit against Google for keyword sales);
- Lasoff v. Amazon.com, 2017 WL 372948 (W.D. Wash. Jan. 26, 2017) (rejecting lawsuit against Amazon for its keyword purchases);
- ZW USA, Inc. v. PWD Systems, LLC, 2016 WL 5236934 (E.D. Mo. Sept. 22, 2016) (keyword advertising evidences competition, not confusion);
- Concordia Partners, LLC v. Pick, No. 14-cv-009 (D. Me. July 2, 2015) (finding that any confusion resulted from parties' prior relationship, not from keyword ads);
- Alzheimer's Foundation of America v. Alzheimer's Disease and Related Disorders Assoc., 10 Civ. 3314 (RWS), slip op. at 13-39 (S.D.N.Y. June 29, 2015) (denying a preliminary injunction to block the purchase of search engine ads ties to trademarked keywords);
- Infogroup, Inc. v. DatabaseLLC, 2015 WL 1499066 (D. Neb. Mar. 30, 2015) (finding confusion unlikely from keyword purchase);
- M-Edge Accessories LLC v. Amazon.com Inc., 2015 WL 403164, at *12 (D. Md. Jan. 29, 2015) (granting summary judgment on keyword related claims);
- EarthCam, Inc. v. OxBlue Corp., 2014 WL 4702200 (N.D. Ga. Sept. 22, 2014) (same);
- Infostream Group Inc. v. Avid Life Media Inc., No. CV 12-09315 DDP, 2013 WL 6018030 (C.D. Cal. Nov. 12, 2013) (granting defendant's motion to dismiss plaintiff's trademark infringement claim);
- Allied Interstate LLC v. Kimmel & Silverman P.C., 2013 WL 4245987 (S.D.N.Y. Aug. 12, 2013) (granting judgment on the pleadings despite both keyword use and use in ad copy because defendant made referential use);
- General Steel Domestic Sales, LLC v. Chumley, No. 10-cv-01398-PABKLM, 2013 WL 1900562 (D. Colo. May 7, 2013) (finding no likelihood of confusion for keyword purchase and use of plaintiff's mark in ad copy);
- CollegeSource, Inc. v. AcademyOne, Inc., No. 10-3542, 2012 WL 5269213 (E.D. Pa., Oct. 25, 2012) (finding no likelihood of confusion from keyword buys given separation and labeling of ads), *aff'd*, 597 Fed. App'x 116, 130 (3d Cir. Feb. 5, 2015);
- Louisiana Pac. Corp. v. James Hardie Building Prods., Inc., 2012 WL 5520394, 2012 U.S. Dist. LEXIS 162980 (N.D. Cal. Nov. 14, 2012) (granting motion to dismiss on tortious interference claims from keyword buys);

³⁵ International Payment Services, LLC v. CardPaymentOptions.com, 2:14-cv-02604-CBM-JC (C.D. Cal. June 5, 2015); Allied Interstate LLC v. Kimmel & Silverman P.C., 2013 WL 4245987 (S.D.N.Y. Aug. 12, 2013) (finding referential use and citing the fair use exclusion in the antidilution statute).

- *Jurin v. Google Inc.*, 695 F. Supp. 2d 1117, 1122 (E.D. Cal. 2010) (dismissing keyword infringement claim on the pleadings); 2012 WL 5011007 (E.D. Cal. October 17, 2012) (granting summary judgment on amended complaint);
- *Heartbrand Beef, Inc. v. Lobel’s of New York, LLC*, 2009 WL 311087 (S.D. Tex. Feb. 5, 2009) (granting motion to dismiss false designation of origin claims based on keyword purchases); and
- *J.G. Wentworth, S.S.C. Ltd. P’ship v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115 (E.D. Pa., Jan. 4, 2007) (granting motion to dismiss infringement claims based on keyword purchases).

ii. **Using the Plaintiff’s Mark in Ad Text Is the Key Fact in Keyword Cases**

29. While the case law does take differing facts into account, those facts turn on whether the defendant’s ads display the plaintiff’s mark to consumers as the title of the ad, or are instead otherwise labeled. Indeed, Mr. Hogan demonstrates that courts commonly find triable issues of fact when sponsored ads **actually use** the plaintiff’s mark in the text of advertising, in contrast to the advertisements at issue here. This result further supports the conclusion that keyword advertising on its own is unobjectionable. The following cases featured triable issues based on ads using the claimed mark in text, not just keyword buys:

- *Edible Arrangements, LLC v. Provide Commerce, Inc.*, No. 3:14-CV-00250 (VLB), 2016 WL 4074121, at *11 (D. Conn. July 29, 2016), Hogan Report at 67, para. 108 (whether the defendant’s ad titled “Edible Fruit Arrangements” was a confusing display of the mark “Edible Arrangements”);
- *Gravity Defyer Corp. v. Under Armour, Inc.*, No. LA CV13-01842, 2014 WL 3766724, at *9 (C.D. Cal. July 7, 2014), Hogan Report at 67, para. 108 (whether ads labeled “Under Armour Micro G Defy” would be confused with ads labeled “G Defy”); and
- *Soaring Helmet Corp. v. Nanal, Inc.*, No. C09-0789JLR, 2011 WL 39058 (W.D. Wash. Jan. 3, 2011), Hogan Report at 67, para. 108 (whether ads labeled “50% off Vega Helmets” for a retailer that did not sell Vega Helmets would cause confusion with plaintiff’s Vega Helmets mark):

Sponsored Links

Vega Motorcycle Helmets
www.TheHelmetZone.com **Snow, Motorcycle, Half & Flip-Up Buy**
Direct & Save - Free Shipping

50% Off Vega Helmets
www.LeanerUp.com **Half face, full face helmets from \$29.95,**
Top Brands HJC, Shoei, Bell

30. In addition, in *Pensacola Motor Sales, Inc. v. Eastern Shore Toyota LLC*, No. 3:09cv571, 2010 WL 3781552, at *3 (N.D. Fla. Sept. 23, 2010), Hogan Report, at 67, para. 108, the challenged ads incorporated the plaintiff’s marks in the domain names (which were displayed

as part of the ads). The court subsequently granted judgment as a matter of law on the keyword-based claims after the close of evidence, while allowing cybersquatting claims to proceed. *See Pensacola Motor Sales, Inc. v. Eastern Shore Toyota LLC*, No. 3:09cv571, 2010 WL 4809355 (N.D. Fla. Nov. 9, 2010).

31. These cases recognize that trademark law does not entitle trademark owners to “own” consumers just because those consumers thought about the trademark owner first in beginning their search. Even initial interest confusion requires more than a showing that the plaintiff’s trademark was a but-for cause of the defendant’s ad catching a consumer’s eye.
32. In sum, the cases cited by Mr. Hogan as examples of keyword advertising giving rise to trademark infringement liability can be readily distinguished by the fact that use of the plaintiff’s trademark in advertising text, not in keyword searches, is the proper context in which consumer confusion may arise.

iii. Alleged Counterexamples Reveal the Weakness of a Keyword-Along Claim

33. The case law does not support Mr. Hogan’s position that courts routinely deny 12(b)(6) motions to dismiss keyword-advertising-only claims. Cited by Mr. Hogan’s report at 65, *Hearts on Fire Co., LLC v. Blue Nile, Inc.*, 603 F. Supp. 2d 274 (D. Mass. 2009), did deny a motion to dismiss in a case of pure keyword advertising without further display of the plaintiff’s mark. Still, the court in that case expressed understandable skepticism that any proof of confusion would ultimately develop, despite its conclusion that the plaintiff had sufficiently alleged likely confusion *given the unusual fact that the parties were not direct competitors*. Its reasoning is worth quoting at length to show the barriers to any keyword-based claim:

Initial interest confusion, for example, has been invoked in circumstances where one company “piggybacks” on its competitor’s trademark, rewarding his search for one particular product with a choice among several similar items. Infringement is not nearly so obvious from this vantage point. Rather than a misleading billboard, this analogy is more akin to a menu—one that offers a variety of distinct products, all keyed to the consumer’s initial search. ... Where the distinction between these vendors is clear, she now has a simple choice between products, each of which is as easily accessible as the next. **If the consumer ultimately selects a competitor’s product, she has been diverted to a more attractive offer but she has not been confused or misled. While she may have gotten to the search-results list via the trademarked name, once there, the advertised products are easily distinguished.**

In much the same way, keyword purchasing may, in many cases, be analogized to a drug store that “typically places its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the store’s less-expensive alternative.” The generic product capitalizes on the recognizable brand name but the consumer benefits by being offered a

lower-cost product. At no point is the consumer confused about the alternatives presented to her. See generally Stacey L. Dogan & Mark A. Lemley, Trademarks and Consumer Search Costs on the Internet, 41 Hous. L.Rev. 777, 785 (2004) (arguing that the primary purpose of the Lanham Act is to reduce consumer search costs). The goodwill invested in the protected mark remains undisturbed while the consumer reaps the benefit of competing goods.³⁶ Trademark infringement would seem to be unsupportable in this scenario. Mere diversion, without any hint of confusion, is not enough.

... Many cases, including this one, will fall somewhere between the incarnations of so-called initial interest confusion discussed above—the misleading billboard or the choice-enhancing menu. The Court’s task is to distinguish between them. As a preliminary matter, the Court agrees with the many scholars who find the deceptive billboard analogy often inapt in the internet context. See, e.g., Jonathan Moskin, Virtual Trademark Use: The Parallel World of Keyword Ads, 98 Trademark Rep. 873, 896 (2008); Margreth Barrett, Internet Trademark Suits and the Demise of “Trademark Use,” 39 U.C. Davis L.Rev. 371, 427–29 (2006). **Unlike the deceived shopper who is unlikely to get back on the highway, the internet consumer can easily click the ‘back’ button on her web browser and return almost instantly to the search results list to find the sought-after brand. Her added search costs, in other words, may often be very low while her comparative choice among products is greatly expanded.**

The ease with which an internet shopper can reverse course counsels against over-expansive trademark protection, as any confusion may be extremely temporary and quickly remedied. ... The choice-enhancing properties of internet advertising should not be stifled on account of fleeting confusion among competing products. Trademark protections must ultimately accrue to the consumer’s benefit. See Dogan & Lemley, *supra*, at 778–789 (citing S.Rep. No. 79–1333, at 1–17; E.I. Du pont De Nemours Powder Co. v. Masland, 244 U.S. 100, 102, 37 S.Ct. 575, 61 L.Ed. 1016 (1917)).

... As with any alleged trademark violation, plaintiffs must show a genuine and “substantial” likelihood of confusion. See *Star Fin. Servs., Inc. v. AASTAR Mortgage Corp.*, 89 F.3d 5, 10 (1st Cir. 1996) (requiring evidence of a substantial

³⁶ Court’s footnote 10:

The Plaintiff argues that the use of its trademark to divert internet traffic capitalizes on the trademark’s goodwill. Certainly, protecting a trademark’s goodwill is one of the twin goals of the Lanham Act. The Lanham Act “encourage[s] the production of quality products,” and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer’s inability to quickly evaluate the quality of an item offered for sale. *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 163–64, 115 S. Ct. 1300, 131 L.Ed.2d 248 (1995) (quoting 1 McCarthy, § 2.01[2]). The crux of this second goal, however, is not simply to protect companies, but to do so in furtherance of consumer interests. Unlike patents and copyrights, trademarks are not property rights in gross, but rather “limited entitlements to protect against uses that diminish the informative value of marks.” Dogan & Lemley, *supra*, at 778–789 (citing S.Rep. No. 79–1333, at 1–17; E.I. Du pont De Nemours Powder Co. v. Masland, 244 U.S. 100, 102, 37 S. Ct. 575, 61 L.Ed. 1016 (1917)). Their use alone does not result in a violation.

likelihood of confusion); *Astra Pharmaceutical Products, Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201 (1st Cir. 1983) (holding that evidence showing a few instances of temporary confusion was insufficient to support trademark infringement). The alleged confusion must be truly costly to the consumer.

This principle was implicit in the bricks-and-mortar cases that laid the groundwork for initial interest confusion as well as the Ninth Circuit's billboard analogy, which assumed that the deceived shopper, once diverted, would not get back on the highway. See *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987) (competitor's logo confused oil traders into investing a considerable amount of time and effort into pre-sale negotiations with the defendant); *Grotrian*, 523 F.2d at 1341–42 (similar mark would entice even sophisticated consumers to consider defendant's pianos, even if any confusion was resolved prior to any purchase). ...

Hearts on Fire is a diamond wholesaler, while Blue Nile is an internet diamond retailer; the two companies are not plain or obvious competitors. ... Moreover, if the consumer clicked on the sponsored link thinking that he would find the sought-after diamonds at Blue Nile's website, Plaintiff alleges that on arrival nothing there would immediately alert him to his mistake. Whether this likely confusion was sufficiently sustained on all the facts for Plaintiff to prevail on its infringement claim is a question for summary judgment. For now, the Plaintiff has alleged enough.³⁷

34. As the *Blue Nile* case indicates, courts have recognized the ease of clicking “back” in case a consumer is dissatisfied with any given website, making harm far less likely than if the consumer had taken serious steps toward the transaction, such as traveling to a particular store or engaging in preliminary negotiations. The doctrine of initial interest confusion makes sense when consumers have large sunk costs in search, but risks threatening competition when the result of a practice is that some consumers end up not confused, but instead diverted because a competitor's offer seems better. While there may be no good reason to risk likely confusion in the classic initial interest confusion case in which the defendant is using a highly similar mark as its own trademark, the fact that comparative advertising might catch a consumer's eye has pro-competitive benefits that weigh against suppressing advertising based on that risk.
35. There are only a handful of arguably similar cases involving keywords alone. Mr. Hogan cites *FragranceNet.com, Inc. v. Les Parfums, Inc.*, 672 F. Supp. 2d 328 (E.D.N.Y. 2009), which is a keyword-only case, but it does not support his position because the defendant did not move to dismiss the complaint on the ground that keyword advertising itself was not actionable. The defendant instead moved to dismiss by arguing that the plaintiff's marks were not protectable. As a result, the court did not rule on the plausibility of the plaintiff's confusion theory.

³⁷ *Id.* at 285-89 (emphases added).

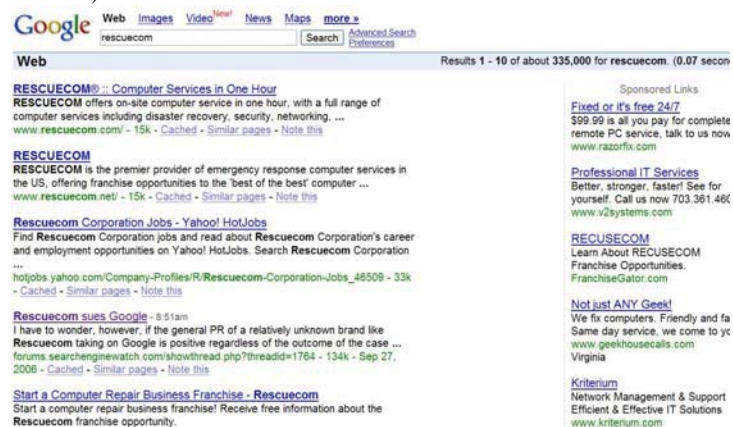
36. Mr. Hogan also suggests that *Lbf Travel, Inc. v. Fareportal, Inc.*, No. 13 Civ. 9143(LAK)(GWG), 2014 WL 5671853, at *9 (S.D.N.Y. Nov. 5, 2014), is an example where keyword advertising alone, without use in ad text, was potentially infringing. Hogan Report at 65, para. 107. However, the document to which Mr. Hogan cites was the never-adopted report and recommendation of a magistrate judge.³⁸ The district judge adopted the recommendation *only* to the extent of dismissing other claims, and did not rule on the keyword infringement claims.³⁹ The plaintiffs subsequently filed an amended complaint, then dismissed the case with prejudice.⁴⁰

37. Additionally, Mr. Hogan states that,

In 2006, the Tenth Circuit held that when an advertiser paid a search engine to list the advertiser “in a preferred position whenever a computer user searched for Plaintiffs’ trademarks,” it was an “attempt[] to divert traffic to Defendants’ web sites” that “used the goodwill associated with Plaintiffs’ trademarks in such a way that consumers might be lured to the” products of the trademark owner’s “competitors” in a way that constituted a “violation of the Lanham Act.”⁴¹

38. Mr. Hogan’s description omits several key features of the case that the court of appeals emphasized in the language immediately preceding and following the quoted language, including the unauthorized distributors’ use of the plaintiffs’ marks on their own websites and their use of the marks to sell products other than those of the plaintiffs, despite advertising that they could supply plaintiffs’ products.⁴² The court of appeals found that there was a genuine issue of material fact on confusion based on all those factors. As the

³⁸ *Lbf* also misread *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 131 (2d Cir. 2009), as suggesting that keyword purchases alone could be confusing, when the court of appeals was clear that it was the advertising as a whole, including confusing uses of the plaintiff’s mark in ad text (see “Recusecom” sponsored link in middle of right column):



³⁹ *Order, Lbf Travel, Inc. v. Fareportal, Inc.*, No. 13 Civ. 9143(LAK)(GWG) (S.D.N.Y. filed Jan. 5, 2015), ECF No. 30.

⁴⁰ Stipulation of Discontinuance with Prejudice, *Lbf Travel, Inc. v. Fareportal, Inc.*, No. 13 Civ. 9143(LAK)(GWG) (S.D.N.Y. filed Apr. 3, 2015), ECF No. 34.

⁴¹ Hogan Report para. 101 (citing *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006)).

⁴² See *Australian Gold*, 436 F.3d at 1239 (“Defendants used Plaintiffs’ trademarks on Defendants’ Web sites. ... Defendants continued to use the trademarks to divert internet traffic to their Web sites even when they were not selling Products.”).

same court subsequently explained in a case involving 1-800 Contacts, the defendants' use of the plaintiffs' mark on their own websites was a crucial factor in liability in the earlier case, making cases in which there was no display of the plaintiff's mark "readily distinguishable."⁴³

39. In fact, nearly all of the examples offered in the Hogan Report stem from confusing use of the plaintiff's trademark in the *text*, usually the bold title text, of the ad:

- *Binder v. Disability Group, Inc.*, 772 F. Supp. 2d 1172 (C.D. Cal. 2011), also involved the defendant's use of the plaintiff's mark, *Binder & Binder*, as the ad title:

Binder And Binder

**SocialSecurityDisability411.com
unless we win your case**

Disability Benefits Explained No fee Sponsored Link

- *Zerorez Franchising System, Inc. v. Distinctive Cleaning, Inc.*, 103 F. Supp. 3d 1032 (D. Minn. 2015) (confusingly similar ad text touting the defendant as "Zero Rez Carpet Cleaning," which was infringing whether displayed in response to a search for plaintiff's mark "Zerorez" or for "twin cities carpet cleaning," and related phrases);⁴⁴
- *FenF, LLC v. Smarthingz, Inc.*, No. 12-cv-14770, 2014 WL 1304779, at *2 (E.D. Mich. Mar. 28, 2014) (unopposed summary judgment ruling involving defendant's use of FenF's YogaToes mark to identify its own products),⁴⁵ *vacated on other grounds*, 601 Fed. App'x 950 (Fed. Cir. 2015); and
- *Storus Corp. v. Aroa Marketing, Inc.*, No. C-06-2454, 2008 WL 449835 (N.D. Cal. Feb. 15, 2008) (plaintiff's mark in defendant's ad was underlined and set forth in a larger font than that used in the rest of the text in the ad).⁴⁶

40. Similarly, *Soilworks, LLC v. Midwest Industrial Supply, Inc.*, 575 F. Supp. 2d 1118 (D. Ariz. 2008), a case whose reasoning was superseded by the Ninth Circuit's 2011 *Network Automation* decision,⁴⁷ also involved the use of plaintiff's mark in its entirety to identify defendant's product on defendant's website. *Rhino Sports, Inc. v. Sport Court, Inc.*, No. CV-02-1815-PHX-JAT, 2007 WL 1302745 (D. Ariz. May 2, 2007), did not address infringement and actually led the court to refuse to enjoin broad matching or require negative keyword matching.⁴⁸ (I will discuss additional examples, not involving fully litigated cases, in the

⁴³ *1-800 Contacts, Inc. v. Lens.Com, Inc.*, 722 F.3d 1229, 1245 (10th Cir. 2013) (finding *Australian Gold* "readily distinguishable" on this ground).

⁴⁴ 103 F. Supp. 3d at 1038.

⁴⁵ See *FenF*, 2014 WL 1304779, at *2 (citing exhibit showing that YogaToes was the title of defendants' own website displayed by internet browsers).

⁴⁶ See *Storus*, 2008 WL 449835, at *4.

⁴⁷ Even before the *Network Automation* decision, *Soilworks* represented an extreme departure from the trademark case law, since it held that actionable confusion didn't require consumers to be confused at *any* point, even initially. See 575 F. Supp. 2d at 1131 (holding that liability attached for "diversion" of "attention" with "no deception").

⁴⁸ *Rhino Sports*, 2007 WL 1302745, at *4 ("The basic issue is whether Rhino Sports violated the permanent injunction beyond substantial compliance when Rhino Sports broad matched keywords using Google's AdWords program that led to its sponsored link appearing when the term 'Sport Court' (without quotations marks) was

section where I rebut Mr. Hogan’s opinions regarding whether the bidding agreements were an appropriate remedy under trademark law.)

41. When Professor Murphy, in discussing 1-800 Contacts’ case against Lens.com for its keyword advertising, says that “Lens.com prevailed on some, but not all, aspects of 1-800’s claims,” Murphy Report para. 31, he is not accurately describing the result. Importantly, the court of appeals affirmed the district court’s finding that keyword advertising was not itself infringing; the remaining issues involved the use of 1-800 Contacts’ marks in ad text by some Lens.com affiliates, not keyword advertising,⁴⁹ and this claim was later dismissed with prejudice.⁵⁰ Contrary to Mr. Hogan’s suggestion, 1-800 Contacts’ litigation itself has been part of the move in which ever more courts have joined the consensus of legal scholars on internet advertising, which has concluded, for more than a decade, that keyword advertising alone is not infringement as a matter of trademark law.
42. Even cases cited by Mr. Hogan, in which courts allowed a plaintiff’s case to proceed, did not ultimately result in a liability finding. This is particularly notable in the *Rosetta Stone* case against Google, where at least some of the individual advertisers’ conduct involved counterfeiting, and thus there would ordinarily be no question as to primary liability.⁵¹ Mr. Hogan’s argument that *Rosetta Stone* suggests general liability for trademark-related keyword sales, without reference to the text of ads, Hogan Report para. 129, is particularly perplexing given his earlier acknowledgement that counterfeit sellers were a significant issue in that case, Hogan Report para. 113. Counterfeiters promised “Rosetta Stone” products in their ad text, and the court of appeals specifically noted that Google’s own lawyers could not tell whether such ads came from authorized sellers without further investigation. (It is my understanding that 1-800 Contacts is not claiming that its settlement agreements resolved problems of counterfeit 1-800 Contacts products.) The *Rosetta Stone* court of appeals also

queried. At issue is not whether Rhino Sports’ current activities infringe Sport Court’s trademark, but whether Rhino Sports substantially violated the permanent injunction.); *id.* at *5 (“With regard to keyword purchasing, the permanent injunction serves as no bar to Rhino Sports’ use of any generic terms such as ‘courts’ or ‘basketball court.’ Sport Court cites no legal authority establishing that a consumer’s use of certain search terms in a Google or other web search, that generates a sponsored ad link which reflects no use of the mark at issue in terms of keyword use, metatag use or ad text use, constitutes use of a mark under the Lanham Act. Indeed, the case law cited by Sport Court involves some actual use of the mark at issue, either as a keyword, in a metatag, or in the ad text itself—something that has not been established here.”) (footnote omitted); *cf. id.* at *8 (“Rhino Sports argues that because no court has found trademark infringement liability for use of AdWords, there has been a significant change in the law. However, if no court has indeed found liability, how can this evidence a significant change in the law when this was the exact state of the law at the time the permanent injunction was handed down?”).

⁴⁹ 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229, 1252 (10th Cir. 2013).

⁵⁰ Order of Dismissal with Prejudice, 1-800 Contacts v. Lens.com Inc., 2:07-cv-00591-CW (D. Utah filed Nov. 3, 2014), ECF No. 336.

⁵¹ 676 F.3d 144, 152 (4th Cir. 2012). *See also* Eric Goldman, Yet Another Ruling That Competitive Keyword Ad Lawsuits Are Stupid--*Louisiana Pacific v. James Hardie*, Nov. 27, 2012, <https://www.forbes.com/sites/ericgoldman/2012/11/27/yet-another-ruling-that-competitive-keyword-ad-lawsuits-are-stupid-louisiana-pacific-v-james-hardie/#4b60dc2e55a3> (“The *Rosetta Stone* case’s unenlightening denouement simply supplemented the overwhelming evidence that most keyword advertising lawsuits are stupid—and that fact hasn’t changed one bit in the past decade. ... [C]lients might as well flush wads of cash down the toilet. The dumbest keyword advertising lawsuits assume that trademark owners ‘own’ potential customers who conduct keyword searches using their trademarks. ... Treating these searchers as the trademark owner’s property is in no one’s interest—except, of course, the trademark owner hoping to avoid competition.”).

emphasized the existence of internal Google studies about the potentially confusing effect of using the trademark in the *title or body* of an ad.⁵²

iv. Conclusion: Keyword Advertising Is Robustly Protected by Current Law

43. In summary, the conclusions expressed by Mr. Hogan mischaracterize the state of trademark law with respect to keyword advertising. Eric Goldman at Santa Clara Law is a preeminent expert on internet advertising law. Although keyword cases occasionally survive defense summary judgment motions, Professor Goldman has been unable to identify any case in which a defendant lost a trial on likely confusion based on purchases of a plaintiff's trademark as a search engine keyword—despite the filing of over a hundred such cases.⁵³ As he and co-author Angel Reyes III explained,

[W]e have good reasons to believe that consumers do not experience any confusion about the relationship between advertisers and trademark owners when search results page displays advertisements triggered by a competitor's trademark. First, we know of three competitive keyword advertising cases that have reached a jury trial. The defense won each of those cases. In other words, three different panels of ordinary consumers, from three different parts of the country, have said that competitive keyword advertising did not confuse them. While jury results may not be as statistically rigorous as a well-conducted consumer survey, they still provide highly persuasive evidence of how reasonable consumers see the issue.⁵⁴

44. In 2013, Professor Goldman noted that such lawsuits make no business sense, considering the poor odds of success.⁵⁵ Whether the opinions rejecting keyword-based claims are “brief and breezy defense wins” or “thorough and comprehensive,” the results are the same: the

⁵² See *Rosetta Stone*, 676 F.3d at 156-60.

⁵³ David J. Franklyn & David A. Hyman, *Trademarks As Keywords: Much Ado About Something?*, 26 HARV. J.L. & TECH. 481, 483 (2013); see Eric Goldman, *Suing Over Keyword Advertising Is A Bad Business Decision For Trademark Owners*, May 14, 2013, <https://www.forbes.com/sites/ericgoldman/2013/05/14/suing-over-keyword-advertising-is-a-bad-business-decision-for-trademark-owners/#2062430a50a7> (noting multiple trial losses for plaintiffs suing over keyword sale, as well as a number of summary judgment victories for defendants; the one summary judgment victory for a plaintiff he identifies, the *Binder & Binder* case, actually involved use of the plaintiff's mark as the title of the ad).

⁵⁴ Eric Goldman & Angel Reyes, *Regulation of Lawyers' Use of Competitive Keyword Advertising*, 2016 U. ILL. L. REV. 103, 109-10 (2016) (footnotes omitted) (citing *Coll. Network, Inc. v. Moore Educ. Publishers, Inc.*, 378 Fed. App'x 403 (5th Cir. 2010); *Consumerinfo.com, Inc. v. One Techs., LP*, No. CV-09-3783-VBF (MANx) (C.D. Cal. Jan. 12, 2011); *Fair Isaac Corp. v. Experian Info. Solutions Inc.*, Civil No. 06-4112 ADM/JSM, 2009 WL 4263699 (D. Minn. 2009)).

⁵⁵ Eric Goldman, *Suing Over Keyword Advertising Is A Bad Business Decision For Trademark Owners*, May 14, 2013, <https://www.forbes.com/sites/ericgoldman/2013/05/14/suing-over-keyword-advertising-is-a-bad-business-decision-for-trademark-owners/#2062430a50a7> (“The court also rejects a common argument by trademark owners that ‘potential customers entering the term “general steel” into a search engine are searching exclusively for that company, as opposed to executing a broader search for all companies selling similar products.’ ... This is really a devastating loss for the plaintiff—and for trademark owners generally. On its face, this case looked like a sure win for the trademark owner. After all, the ad copy referenced the trademark in a non-comparative way—usually thought to be a ‘no-no’—plus the advertiser engaged in false advertising elsewhere.”) (discussing *General Steel Domestic Sales, LLC v. Chumley*, 2013 WL 1900562 (D. Colo. May 7, 2013)).

trademark owner loses.⁵⁶ Based on the extensive evidence from litigated cases, I share his opinion: keyword lawsuits are occasionally brought, but absent confusing use of the plaintiff's mark in the ad text, they find no traction under trademark law and, thus, when the defendant contests liability, prove to be unsuccessful.

B. Truthful Comparative Advertising Is Not Blocked by Other Doctrines

45. The opinions expressed by Mr. Hogan's report also identify other doctrines purportedly relevant to keyword advertising, but he does not explain how nonmisleading, noninfringing uses could violate these other laws.⁵⁷ State laws and the Lanham Act in §43(a)(1)(B) bar false and misleading advertising; they also offer protection against conduct deemed to be "unfair competition" and, where not preempted, states can bar "misappropriation." However, when it comes to use of a competitor's trademarks, the law has deliberately refused to afford greater protection to trademark owners or additional support for trademark-like claims than that which would be available from standard trademark law.⁵⁸ That is to say, claims that one party's unconsented use of another party's trademark constitutes "unfair" competition or "misappropriation" do not state a claim unless the conduct is infringing, or unless a related

⁵⁶ Eric Goldman, Confusion From Competitive Keyword Advertising? Fuhgeddaboutit, July 8, 2015, <http://blog.ericgoldman.org/archives/2015/07/confusion-from-competitive-keyword-advertising-fuhgeddaboutit.htm> (discussing Alzheimer's Foundation of America, Inc. v. Alzheimer's Disease and Related Disorders Ass'n, Inc., 2015 WL 4033019 (SDNY June 29, 2015)).

⁵⁷ Hogan Report Section VII ("Sale of Keywords May Also Create Liability Under False Advertising, Misappropriation, and Unfair Competition Theories").

⁵⁸ See, e.g., *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1024 n.10 (9th Cir. 2004) (state-law claims are "substantially congruent" and infringement analysis for keyword advertising is the same). Courts across the country treat claims sounding in trademark—claims for likely confusion of source or sponsorship—as the same whether denominated infringement or unfair competition, and under state and federal law. See, e.g., *Audi AG v. D'Amato*, 469 F.3d 534, 542 (6th Cir. 2006) (courts "use the same test to decide whether there has been trademark infringement, unfair competition, or false designation of origin: the likelihood of confusion between the two marks."); *PrevMED, Inc. v. MNM-1997, Inc.*, 2017 WL 785656, No. H-15-2856 (S.D. Tex. Feb. 28, 2107) ("Unfair competition is almost universally regarded as a question of whether the defendant is passing off his goods or services as those of the plaintiff by virtue of substantial similarity between the two, leading to confusion on the part of potential customers. *Volkswagenwerk Aktiengesellschaft v. Rickard*, 492 F.2d 474, 478 (5th Cir. 1974)."); *LG Corporation v. Huang*, 2017 WL 476539, at *6 n.3 (S.D. Cal. Feb. 6, 2017) ("Trademark infringement and unfair competition claims under California law are 'substantially congruent' with federal trademark infringement and unfair competition claims, and are thus subject to the same analysis."); *Way International v. Church of the Way Int'l*, 2017 WL 432466, *9 (N.D. Ala. Feb. 1, 2017) (the standard is the same under Alabama law); *Fed. Express Corp. v. JetEx Air Express Inc.*, 2017 WL 816479, at *3 (E.D.N.Y. Jan. 26, 2017) ("The standards for unfair competition claims under federal and New York law are the same as those governing trademark infringement claims under the Lanham Act, 'except the common law [unfair competition claim] requires a showing of bad faith or intent.'"); *W. Supreme Buddha Ass'n Inc. v. Oasis World Peace & Health Found.*, No. 08 Civ. 1374, 2011 WL 2728456, *3 (N.D.N.Y. July 12, 2011) ("Essentially, a claim of unfair competition is the bad faith misappropriation of a commercial advantage belonging to another by infringement of a trademark or trade name or by exploitation of proprietary information or trade secrets.") (quotations omitted); *Scooter Store, Inc. v. SpinLife.com, LLC*, 2011 WL 6415516, at *14 (S.D. Ohio Dec. 21, 2011) ("Texas federal courts have held, in the context of trademark infringement actions, that where 'Plaintiffs have failed to establish a claim for federal or common law trademark infringement, Plaintiffs cannot establish that a genuine issue of material fact exists as to [their unjust enrichment] claim.' *Cathey Assocs. v. Beougher*, 95 F.Supp.2d 643, 656 (N.D. Tex. 2000). The Court's dismissal of TSS's trademark infringement claims thus also negates its claim for unjust enrichment and misappropriation based on the same allegations of wrongdoing."); *Innovation Ventures, LLC v. N2G Distributing, Inc.*, 2008 WL 1735371 (E.D. Mich. 2008) ("misappropriation" is the same as "infringement" in a trademark claim).

factual claim—e.g., “our prices are lower than 1-800 Contacts”—is untrue.⁵⁹ Nonfactual or truthful claims are not unfair. The pro-competition balance set by trademark law cannot be evaded by relabeling failed trademark claims as “unfair competition” or other state-law claims.⁶⁰

C. Empirical Evidence Supports the Judicial Embrace of Keyword Ads and Undermines Respondent’s Experts’ Conclusions Regarding Likelihood of Confusion

46. Contrary to Professor Goodstein’s and Mr. Hogan’s assertions, these legal trends are consistent with the empirical evidence, which does not indicate a high risk of confusion from ads that do not use or mimic the trademark owner’s mark in their main text. To begin with, consumers routinely use the internet to comparison shop, and are well aware of different tools, including search engines, that allow them to compare their options. As one large survey reported:

In general, 79% of respondents said that they consider themselves to be bargain shoppers.

Another 79% said they actively try to find the lowest prices for items when shopping. And 78% said that they like to compare prices from different stores or sources before making purchases.

More specifically, 17% said that they always compare prices from one or more stores or businesses before completing purchases. 41% said they compare prices most of the time before purchasing. 28% do so about half the time. 10% rarely ever compare prices before purchasing. And just 4% said they never do.

...15% of respondents said that they’ve used multiple different price comparison sites or apps when making purchases. And another 14% said they’ve used one such tool. Amazon, Google, Walmart and eBay were the most popular websites used for consumers who like to compare prices.⁶¹

47. This survey demonstrates that Internet users turn to search engines to seek comparative information about competing companies. Professor Goodstein’s report suggests that a trier of fact may infer, merely from a consumer’s brand-name query, that her search has only one “right” answer, and the appearance of a competitor’s advertisement can reasonably be expected to confuse that consumer. But as the empirical evidence makes clear, consumers are not monolithic in their search goals or in their intent when using branded search terms.

⁵⁹ See *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968).

⁶⁰ See, e.g., *Garcia v. Coleman*, 2008 WL 4166854, at *15-16 (N.D. Cal. Sept. 8, 2008) (where plaintiff argued that elements of misappropriation did not require confusion, the court rejected the argument because “common law misappropriation is simply a subset of unfair competition,” and “[t]he common law tort of unfair competition is generally thought to be synonymous with the act of ‘passing off’ one’s goods as those of another”; “If the broad category of unfair competition requires a likelihood of confusion, then the same must be true of the narrower subset of common law misappropriation...[W]hen the specific property at issue is a trade name or something comparable, the courts have consistently required a likelihood of confusion.”).

⁶¹ See, e.g., Anne Pilon, *Comparison Shopping Survey: Consumers Turn to Big Retailers for Info*, Sept. 2, 2016, <https://aytm.com/blog/daily-survey-results/comparison-shopping-survey/>.

48. Stefan Bechtold and Catherine Tucker took advantage of Google’s 2010 change in its keyword policy on the European Continent, allowing businesses there to bid on competitors’ trademarks, to test the effect of this change.⁶² They used a number of different measures, such as length of query and searcher’s repeated returns to the search engine to refine a query, to distinguish between navigational and non-navigational searches:⁶³

Table 3: Approaches to Distinguish Navigational from Non-Navigational Searches

<i>Distinction</i>	<i>Navigational</i>	<i>Non-navigational</i>
Exact match	iPhone	iPhone battery repair Paris
Number of words	Ibis hotel	Traveler reviews for Ibis hotel in Amsterdam
Change in number of words	Barbie → Barbie doll	Barbie → Barbie working conditions workers China
Levenshtein distance	Blackberry → Blackberry phone	Blackberry → Blackberry curve 8520 is unable to connect to internet due to wi fi

49. Using this method, Bechtold and Tucker found that (1) Google’s policy change had smaller effects on searcher behavior with respect to strong trademarks than to weaker ones, but (2) the 20% of searches that were classified as navigational based on search content became 9.2% less likely to lead a searcher to visit the trademark owner’s website, while the 80% of searches that were non-navigational became 14.7% more likely to do so. As they point out, the meaning of navigational and non-navigational searches, and consumers’ likely intent in using those searches, varies substantially at different stages of the search process:

Empirical research shows that Internet searches often begin with very general ideas of what product they are looking for. As the multi-stage search process continues, the search queries become increasingly specific and detailed. In the various stages of the ‘buying funnel,’ which ranges from attracting awareness of the consumer through her research and decision-making up to her actual product purchase, a consumer may use trademarks in Internet searches in very different ways. In early stages, an Internet search for a particular brand does not necessarily mean that the consumer is only or even at all interested in products sold under this brand. The great variety with which consumers are using trademarks in their search behavior indicates that a legal analysis which focuses on consumer confusion may not capture all dimensions of trademark use in search engines.⁶⁴

50. In particular, short “navigational” searches occurring early in the decision-making process indicate that consumers may be open to alternatives, while more specific searches for a particular product or feature can indicate a focused intent (whether or not that intent relates to a purchase, as the “blackberry” example in Bechtold & Tucker’s Table 3 indicates). This

⁶² Bechtold & Tucker, *supra*.

⁶³ Professor Goodstein’s Report also discusses “transactional” searches, but this additional category depends on inferences of searcher intent that are difficult to make without asking the searcher, and includes both “navigational” and “non-navigational” searches. While a person who enters “Facebook” into a search engine is probably trying to visit Facebook, a person who enters “Barbie” may be looking to buy or looking for more information; so too with the person who enters “Barbie Collectors Edition 2017 fashion.”

⁶⁴ Bechtold & Tucker at 13 (citations and footnote omitted).

finding calls into question Professor Goodstein’s assumption that “[a]n Internet search for ‘1-800 Contacts’ is typically a ‘navigational’ search, meaning the intent of the user is to navigate directly to 1-800 Contacts’ website.”⁶⁵ Bechtold & Tucker continue:

[W]hile the chances that a navigational searcher visits the trademark owner’s website have decreased after the policy change, she is—compared to her behavior before the policy change—also consulting search engines less often after having visited the trademark owner’s website. One speculative interpretation of this finding would be that the level of confidence navigational searchers have in visiting the trademark owner’s website could have increased after the policy change. After the change, a navigational searcher may be first distracted by more diverse information, including third-party keyword ads. Once she has filtered this information, however, she may be more confident that the trademark owner’s website is actually the website she has been looking for.⁶⁶

51. One lesson from these results is that search is not unidimensional. A longer or more convoluted search—what looks at first like “increased search costs”—may in fact be a search that better matches the searcher’s parameters, increasing her welfare.
52. Empirical research that actually asked consumers what they were doing when they entered a brand name found substantial variety in their answers—even for searches that an outside observer like Professor Goodstein might well define as “navigational” or “transactional.” As Professors David Franklyn and David Hyman explain,

We began by asking survey respondents who had searched for a particular brand of product whether they were usually interested in finding information about that brand, or whether they were also interested in getting information about similar products from other brands. A near majority, 47%, of survey respondents indicated they usually wanted information about the specific brand they had searched for, while 31% usually wanted information about similar products from other brands, and 22% had no preference.⁶⁷

53. Furthermore, when Professors Franklyn and Hyman asked consumers about how they thought about searching for brands in general, although 65% indicated they wanted information just about the searched-for brand, less than half indicated that they *expected* to get only such information.⁶⁸ Specifically, 49% of survey respondents expected that they would see competing products (either along with or entirely substituting for brand-specific results) for any given search, even when they were searching using only the brand name as a query.

⁶⁵ Goodstein Report, para 79.

⁶⁶ Bechtold & Tucker, 27-28.

⁶⁷ Franklyn & Hyman, at 517.

⁶⁸ Franklyn & Hyman, at 518.

54. Other recent research confirms the heterogeneity of searches, even brand-specific searches.⁶⁹ Searchers want and expect a variety of different things from their searches.
55. Contrary to Professor Goodstein’s suggestion that all users want the same thing, this heterogeneity is important to trademark law because the interests of nonconfused consumers are often relevant. For ordinary trademark infringement where the competitor is using a similar mark to the plaintiff’s, the interests of nonconfused consumers will not be much harmed, except for transition costs, if a defendant is made to use a different mark. Nonconfused consumers can still ultimately find the producer they like. Thus, there is not much reason to tolerate net confusion levels of even 15-20%. By contrast, where the competitor is doing something other than using a similar mark to identify itself—something that enables it to compete more effectively against the trademark owner—eliminating its ability to do so will cause harm to the substantial numbers of nonconfused consumers who are receiving useful information.⁷⁰ As Michael Grynberg explains:

If broad acceptance of initial interest confusion liability threatens profitable activities like keyword advertising, judges should address the diminished availability of information to consumers that would result. A manufacturer of generic acetaminophen who pays to have his ad displayed as a sponsored link in response to my Google search for “Tylenol” may be a free rider. But I am not. In effect, defenders of a broad initial interest confusion doctrine are arguing that I should refrain from using Tylenol as a search term, no matter how hard acetaminophen is to spell, unless my interest is in the more expensive branded product. If there is something wrong with my behavior, courts should articulate what it is before they deprive me of the ability to search the Internet with the most information-rich terms available.⁷¹

56. It is for this interest-balancing reason that both descriptive fair use (non-trademark use of a term to describe the defendant’s goods or services) and nominative fair use (use to identify the trademark owner in order to convey some message about it or about its competitors, which is one significant use for keyword advertising) are defenses that can override the presence of consumer confusion that would ordinarily justify judicial intervention.⁷²
57. Consumers’ interests in useful information from competitors is a crucial part of trademark law generally, but it is also a crucial component of keyword advertising: many consumers find sponsored ads for competitors to be useful, as Franklyn and Hyman concluded.⁷³ Depriving consumers of useful information about competitors is actively harmful to the

⁶⁹ Jeffrey P. Dotson et al, *Brand Attitudes and Search Engine Queries*, 37 J. INTERACTIVE MARKETING 105 (2016) (using actual Google search queries in the cellphone and automotive categories; finding that “customers who are actively shopping are more likely to search for any brand in the category” and suggesting diverse motivations for brand search).

⁷⁰ Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. REV. 60 (2008) (explaining the benefits of competition to nonconfused consumers in situations such as comparative advertising).

⁷¹ *Id.* at 106 (footnotes omitted).

⁷² *KP Permanent*, 543 U.S. at 119, 122.

⁷³ *Franklyn & Hyman*, at 484 (finding that “most consumers are open to purchasing competing products”).

information environment in a way that suppressing a counterfeiter, or even an ordinary user of a confusingly similar mark, is not.

58. Professor Goodstein appears to assume that a user conducting a search for “1-800 Contacts” would only click on a competitor’s sponsored ad because she was confused. However, Franklyn and Hyman’s research indicates that many consumers would find advertisements from competitors highly relevant in response to a navigational search for a trademarked term such as “Mercedes.” Of those who would click on results for “Infiniti,” “BMW,” or “Gorgeous Luxury Vehicles,” 52%, 53%, and 36% respectively were open to competing products; between 10-12% were using “Mercedes” as a term to describe the category for which they were searching; and only 9% expected an affiliation or sponsorship agreement with Mercedes.⁷⁴
59. Moreover, Franklyn and Hyman’s work shows that consumers do not see the world the way trademark owners’ lawyers do, and in particular do not use the same definitions. Franklyn and Hyman asked their respondents if they had been “diverted” from a search for a brand; 58% responded that they had been (13% were not sure). But, of those who responded positively, almost 60% reported that “they had been taken to a site that sold or serviced the product in which they were interested.” As the authors note, “[t]he fact that most respondents considered being directed to a site that sold or serviced the product in question to be diversion indicates some of the difficulties with using the concept of diversion as a proxy for likelihood of confusion or infringement.”⁷⁵ In addition, most consumers reported that they did not give up—most of them went back to search again, or visited other sites returned by the original search.⁷⁶ Their momentary “diversion” didn’t seem to leave scars.⁷⁷

⁷⁴ *Id.* at 522. Roughly a quarter expected to find information about Mercedes at such sites, but their answers make clear that, though they might or might not find relevant comparative information, they would not be confused about affiliation or sponsorship, because Franklyn and Hyman measured affiliation or sponsorship confusion separately. *Id.* (“Table 10 indicates that only a minority of survey respondents (22–37% depending on the ad), click through because they expect to find information on the trademarked good at the paid site. Most survey respondents (48–65% depending on the ad), click through because they have broad preferences, and are interested in a range of luxury cars.”) (footnote omitted).

⁷⁵ Franklyn & Hyman at 524.

⁷⁶ *Id.* See also *id.* at 532-33 (“Diversion cannot harm consumers unless they have both a specific destination in mind, and are not interested in alternatives. However, consumers actually have quite heterogeneous goals and expectations. Most ads are unlikely to give rise to confusion as to source. Click-through rates are often low, and consumers can readily click back if they do not find what they want. Given all these factors, the actual probability of harmful diversion appears to be relatively modest. Consumer behavior is also important: Internet search has a random walk aspect for many users, who go looking for X, stumble upon Y, Z, and A, poke at A a bit, and then get distracted by B. Indeed, the central metaphor—that users are “surfing the Internet”—indicates the casual and contingent nature of the search process. When search behavior is so unpredictable that we are unable to specify a baseline against which to measure diversion, the task of differentiating harmful diversion from ordinary search behavior is challenging.”) (footnotes omitted).

⁷⁷ This is consistent with more general evidence from the advertising literature that momentary hiccups in recognition can even be helpful to brands. Antonia Kronlund et al., *Consumer Memory, Fluency, and Familiarity*, in THE HANDBOOK OF CONSUMER PSYCHOLOGY 77 (Curtis P. Haugtvedt et al. eds. 2008) (finding that perceptions of discrepancy resolved by more information identifying a brand enhance later recognition of the brand); Russell H. Fazio et al., *On the Development and Strength of Category–Brand Associations in Memory: The Case of Mystery Ads*, 1 J. CONSUMER PSYCHOL. 1, 10 (1992) (“[Our] findings are consistent with a growing literature that implicates cognitive effort in advertising effectiveness. . .”).

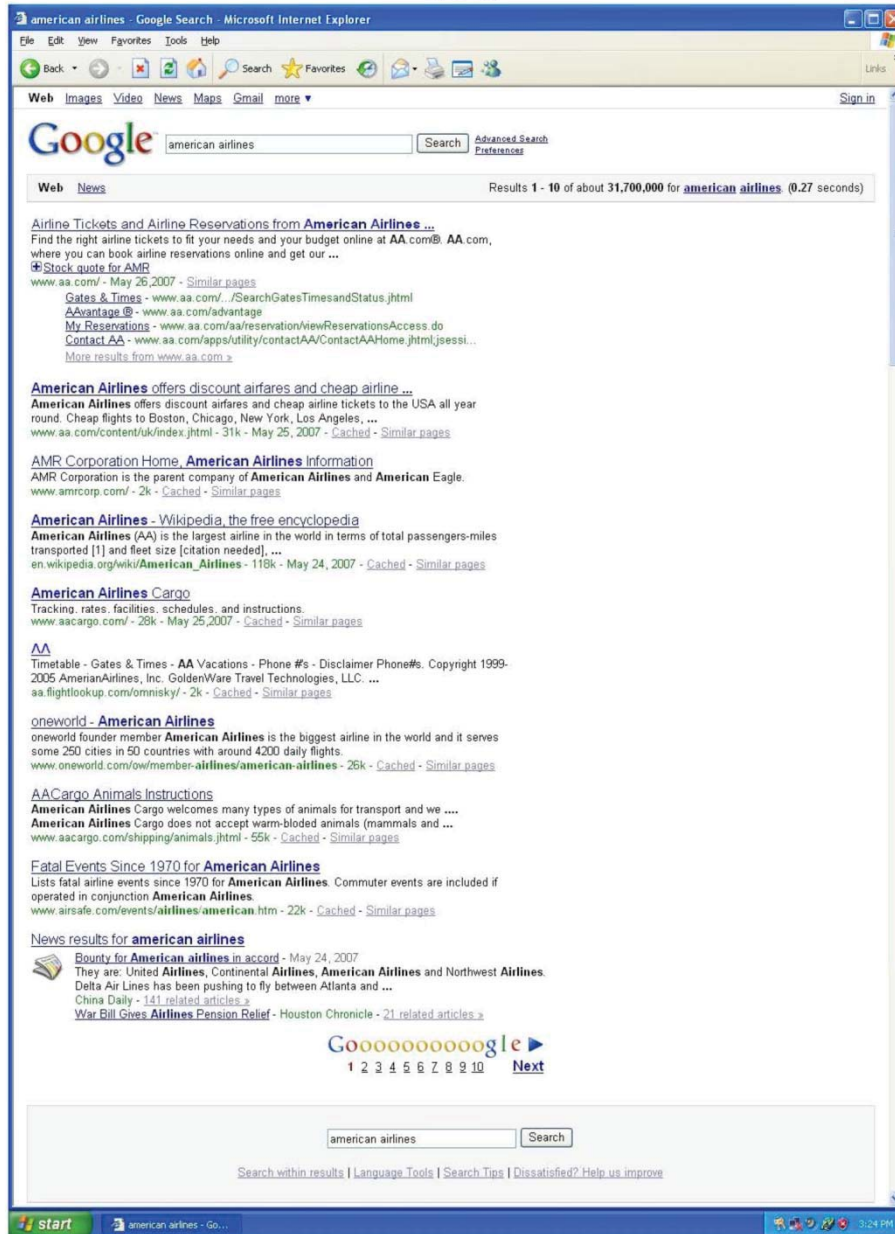
60. Professor Goodstein’s report discusses several surveys by Respondent’s expert Professor Van Liere that nonetheless attempt to prove that keyword ads are confusing. However, they generally do not ask the right question, which is whether there is confusion about the legal source or sponsorship⁷⁸—a question that ordinary consumers may rarely give much thought to, and certainly do not know the meaning of without assistance.⁷⁹ When confusion is not defined by surveyors in the same way the law defines it, the results are not useful proof of a legal concept.
61. The American Airlines (“AA”) studies to which Professor Goodstein refers in his report highlight the problems with eliding different kinds of confusion and ignoring legal definitions of confusion.⁸⁰ The first study (conducted by Dr. Van Liere, hired to survey respondents in the instant case) reports that 23.5% of respondents were confused by the appearance of “American Airlines” in some of the organic results in the following screenshot:

⁷⁸ See Franklyn & Hyman, at 535 (“Viewed broadly, these findings provide evidence of confusion, but the confusion is not about source, sponsorship, or affiliation. Instead, users appear to be confused — or, to use less loaded phrasing, uncertain — about what they will find when they click on paid links. ... To the extent we do find evidence of confusion as to source, sponsorship, and affiliation, it is at the low end of the range found in earlier cases.”) (footnote omitted).

⁷⁹ Here, the problem is the special legal definition of “endorsement,” which in lay terms is usually unilateral, unidirectional, and without legal obligations, as when a newspaper endorses a candidate for President—indeed, the same definition that American Airlines’ survey used to define a Wikipedia article as “endorsed” by the carrier. See note _ *infra* and accompanying text. Where a legal meaning is likely to diverge from lay understanding, the accepted procedure is to “train” respondents on the legal meaning, test their understanding, and then test the relevant stimuli. See *E. I. DuPont de Nemours & Co. v. Yoshida Int’l, Inc.*, 393 F. Supp. 502, 526 (E.D.N.Y. 1975) (explaining the survey format known as a *Teflon* survey, used to assess the legal concept of genericity, given that untrained consumers will not reliably distinguish between generic product names and brand names).

⁸⁰ Professor Goodstein also discusses the AA survey at length in an article in the *Trademark Reporter*. Ronald C. Goodstein et al., *Using Trademarks as Keywords: Empirical Evidence of Confusion*, 105 TRADEMARK REP. 732 (2015). It is probably worth noting that consumers are clearly distinguishing between paid and organic results in these surveys: the differences in results when they are asked about paid and organic links indicate that they are noticing *something*, perhaps precisely because they aren’t being asked to explain how they know the difference—contradicting Professor Goodstein’s claim in his report that consumers cannot tell the difference between ads and organic results.

Control 1



62. When nearly a quarter of survey respondents are coded as being confused about the Wikipedia entry on American Airlines, “fatal events since 1970 for American Airlines,” and “news results for American Airlines”—organic results intended to serve as the control for the study—there is something awry in the survey design that is encouraging them to report “confusion” at such a significant level. Given the unlikelihood that reasonable consumers actually believe, and behave as if, Wikipedia, fatal crash reporting sites, and news results are controlled by American Airlines, the survey appears to have encouraged consumers to report that *every* link displayed in response to a search for “American Airlines” is endorsed by American Airlines; the control stimulus could not control for that problem because the test stimulus added additional links.

63. Far more significantly, Goodstein et al. reported that, for this control group, “[r]espondents who identified one of the two ‘news’ links as being endorsed by the trademark holder were also counted as confused. The third organic link led to a Wikipedia page endorsed by the trademark holder.”⁸¹ In other words, the survey distinguished between the organic news links and the Wikipedia link and *did not* count people who answered that Wikipedia was “endorsed by” American Airlines as confused.
64. That inconsistency is a fatal flaw for a survey marshalled as support for the claim that keyword advertising makes confusion about “source or sponsorship” likely. The mere fact that American Airlines does not mind Wikipedia keeping a page about it does not make that page, or Wikipedia, *legally* connected to American Airlines, which is the trademark concept of confusion over source or sponsorship. American Airlines has no right to stop Wikipedia from keeping a page about it; AA likewise has no duty to police Wikipedia’s nominative uses of its marks, which it would have to do if it actually did license its mark to Wikipedia for trademark use. Because survey respondents were not counted as confused when they thought Wikipedia was endorsed by American Airlines, but *were* counted as confused when they thought that ads that might well allow them to buy tickets on American and other airlines were endorsed by the carrier, the results have been biased in favor of American Airlines’ claims against the sponsored ads.⁸² The endorsement “confusion” shown by the controls, if properly measured, will therefore be higher than reported, making the net confusion lower.
65. This distortion is reinforced by the fact that Professor Van Liere’s survey never attempted to discern what respondents thought “endorsement” was, or to teach them the surveyors’ private definition of “endorsement” as something that had been unilaterally conveyed upon an unrelated website such as Wikipedia, but not upon news sites. Consumers are not experts in trademark law, and thus asking them “endorsement” questions in a vacuum is likely to produce meaningless answers. As far as we know, survey respondents were interpreting “endorsed” to mean that American Airlines “is not trying to stop discussion about itself/is not trying to stop a site from selling tickets on its planes.” But that interpretation is a far cry from the legal meaning of confusion over source or sponsorship.
66. Other flaws of Professor Van Liere’s survey – repeated in his survey for the present case – reinforce these weaknesses. For example, the “test” stimuli fails to test the real-world condition in which the advertiser’s own ad usually would be the first sponsored result, assisting consumers in telling the difference between the advertiser and its competitors. Surveys should, to the extent possible, replicate market conditions, including conditions in which the trademark owner and its competitors are likely to appear side by side. As one trademark expert wrote in explaining what kinds of surveys were appropriate in different marketplace conditions, “[f]or products that are frequently bought or researched on the Internet, the proximate appearance of two brands in commonly conducted (v. contrived) GOOGLE searches may well satisfy the [condition that products are sold in proximity to one

⁸¹ Goodstein et al., *supra*, at 762 n.134.

⁸² Coding such respondents as “confused,” however, would be equally pointless, because there is no one who presently asserts that AA has a right under trademark law to control organic results or what Wikipedia says about AA. If this is “confusion,” then “confusion” could not be diminished by any set of agreements with competitors. The flaw is inherent to the survey design, not merely in the interpretation of the results.

another], and stimuli in such instances should be selected to reflect the Internet environment.”⁸³

67. Likewise, we also do not know how many consumers would have believed that AA endorsed these websites had they seen them advertised in a generic search for “airlines.” It may seem obvious that the use of “American Airlines” as the search prompt was important, but it turns out that some consumers routinely default to answering questions about sponsorship or affiliation with the names of strong brands, and the only corrective measure for this issue would be to allow strong brands to prevent new entry, which trademark law has always refused to do. Although they probably are not thinking anything at all if their attention is not drawn to the question of source or sponsorship, consumers’ response to inquiries of this sort often favor well-known brands, and they may make these connections whether or not they are cued with the name of the prominent brand.⁸⁴ Roughly five to ten percent of respondents will say that a famous brand is associated with a control product “just because they have heard of it.”⁸⁵ Depending on the product category, the distortions can be even greater: for some product categories, over forty percent of consumers would name a dominant brand without even seeing any stimulus to trigger that response.⁸⁶ Consumer guessing in response to a prompt about endorsement will thus be high by default and is not itself indicative of confusion, or of any causal link between the stimulus and the response.
68. Although there is not much case law on point because claims of infringement based solely on keyword bidding without use in text are so rare, the general Lanham Act case law is clear that confusion must be based on an advertiser’s affirmative acts rather than on the presence of competition in the market, which is a causation requirement that follows from basic principles of tort liability.⁸⁷ Suppose that some consumers mistakenly believe that 1-800

⁸³ Jerre B. Swann, *Eveready And Squirt--Cognitively Updated*, 106 TRADEMARK REP. 727, 744 (2016). See also *Componentone, L.L.C. v. Componentart, Inc.*, 2008 WL 4790661, at *24 (W.D. Pa. Oct. 27, 2008) (“A survey is only useful as evidence of actual confusion if it replicates the conditions in which instances of actual confusion, whether of the ‘source’ or ‘initial interest’ variety, would occur.”); 6 MCCARTHY ON TRADEMARKS § 32:163 (“the closer the survey methods mirror the situation in which the ordinary person would encounter the trademark, the greater evidentiary weight of the survey results”).

⁸⁴ Michel Tuan Pham and Gita Venkataramani Johar, *Market Prominence Biases in Sponsor Identification: Processes and Consequentiality*, 18 PSYCH. & MARKETING 123, 124-25 (2001).

⁸⁵ Eugene P. Ericksen & Melissa A. Pittaoulis, *Control Groups in Lanham Act Surveys*, 104 TRADEMARK REP. 744, 752 (2014) (“For example, in a pilot survey in which the control product was a local pizza brand from a different state, none of the respondents identified it correctly, but 7, 9, and 11 percent of them said it was Domino’s, Papa John’s, and Pizza Hut, respectively.”)

⁸⁶ Jerre B. Swann, *Likelihood of Confusion*, in TRADEMARK AND DECEPTIVE ADVERTISING SURVEYS: LAW, SCIENCE, AND DESIGN 53, 62 (Shari Seidman Diamond & Jerre B. Swann eds., 2012).

⁸⁷ *Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 594, 604 (D.N.J. 2003) (control must control for preexisting beliefs); see also *24 Hour Fitness USA, Inc. v. 24/7 Tribeca Fitness, LLC.*, 447 F. Supp. 2d 266, 280–281 (S.D. N.Y. 2006) (“[T]he survey does not adequately distinguish between [survey] respondents confused because of the name and those confused because the two facilities appear to offer a similar service, that is, 24-hour access.”), *judgment aff’d*, 247 Fed. App’x 232 (2d Cir. 2007); *Millennium Laboratories, Inc. v. Ameritox, Ltd.*, 924 F. Supp. 2d 594, 601 (D. Md. 2013) (“To be valid, a survey must demonstrate consumer confusion attributable to the challenged advertisement rather than some other source. Absent a proper control, it is nearly impossible to determine how much of the reported confusion is attributable to the survey participants’ preexisting beliefs or other background ‘noise’ created when, for example, a participant misunderstands the survey questions or responds to them inarticulately.”); Janis K. Pappalardo, *The Role of Consumer Research in Evaluating Deception: An Economist’s Perspective*, 65 ANTITRUST L.J. 793, 804 (1997) (“Failing to control for factors such as

Contacts is the only online seller of, or even a generic term for, contact lenses; these consumers mistakenly answer that every search advertisement for a seller of contact lenses (whether triggered by the keyword “1-800 Contacts” or by the keyword “contact lenses”), comes from 1-800 Contacts. Trademark law does not recognize this confusion as giving rise to an infringement claim, because nothing about the competitor’s “use” of a mark has caused that confusion. It is for this reason that, as Dr. Jacoby has concluded with respect to the surveys conducted in this proceeding, Jacoby Report at 14-15, an appropriate control should ask respondents to evaluate search results in response to a generic term to see how many nonetheless mentioned the trademark owner.⁸⁸ A control group stimulus should share as many characteristics with the test stimulus as possible, other than the characteristic whose influence is being assessed.⁸⁹ In this case, the key characteristic is that the searcher used the trademark in her search, because the core of 1-800 Contacts’ argument is that the *searcher’s* use of the trademark generates confusion over sponsored ads regardless of the non-use of the trademark in the resulting ad text. However, Professor Van Liere failed to use the search term as the control in the American Airlines study, and again here.

69. Finally, the evidence relied on by Professor Goodstein highlights a contradiction with other claims made in both his own report and Mr. Hogan’s. In the survey results, consumers are apparently distinguishing organic from sponsored results at high rates—this is what creates the gap between control and test stimuli. These results conflict, however, with the general results Professor Goodstein, and the other experts referencing his report, cite to indicate that consumers are not good at consciously identifying which parts of a search result are organic and which sponsored.⁹⁰ This conflict underscores both Professor Goodstein’s and Mr. Hogan’s failure to distinguish trademark confusion from other kinds of confusion and their conflation of “distraction” with “confusion”: they want to treat both types of research as evidence that consumers will be confused about the source of sponsored ads, when what the gap between these results really indicates is that consumers asked consciously to reflect on different aspects of the search process (organic versus sponsored, or source of the ads) can

preexisting beliefs when assessing advertising is like failing to control for placebo effects when assessing drug efficacy. In essence, the failure is tantamount to giving a drug credit for the placebo effect. Moreover, unless one tests for the placebo effect, one will not know the extent to which a drug’s effect would be overstated absent a placebo effect control. Similarly, unless one tests for the effects of preexisting beliefs, one will not know the extent to which the effects of a potentially deceptive ad are overstated absent a preexisting belief control.”).

⁸⁸ See Itamar Simonson & Ran Kivetz, *Demand Effects in Likelihood of Confusion Surveys: The Importance of Marketplace Conditions*, in TRADEMARK AND DECEPTIVE ADVERTISING SURVEYS: LAW, SCIENCE, AND DESIGN 243, 250-55 (Shari Seidman Diamond & Jerre B. Swann eds., 2012). As Simonson & Kivetz summarize:

[S]ome (or many) respondents may suspect, for example, that the survey designer knows something about the true relations between the two brands that the respondents do not know. Once they form such a (demand-based) hypothesis, survey respondents may seek clues (e.g., a similarity on a certain dimension or some other justification) that support the guess that the presented brands are related in some manner. The respondent-provided explanations will often not be very informative in such cases, because they will tend to refer to the available clues and may thus falsely appear to confirm the alleged cause of confusion. Furthermore, while such demand effects may (or may not) be reflected in an unusually high level of “confusion” in the control group, by design, the difference between the test and control stimuli may elicit different explanations.

Id. at 251 (footnote omitted).

⁸⁹ Shari Seidman Diamond, *Reference Guide on Survey Research*, in FED. JUDICIAL CTR., REFERENCE MANUAL ON SCIENTIFIC EVIDENCE 399 (3d. ed. 2011).

⁹⁰ *E.g.*, Goodstein Report, para. 52 and passim. See also Hogan Report, para. 7, 81.

produce very different answers, but those answers bear no necessary connection to true confusion over source or sponsorship.⁹¹

70. According to the research relied on by Professor Goodstein to form his opinions, consumers learn which parts of the screen contain ads, and scan those parts differently.⁹² Searchers may not be consciously aware of or able to label their tacit knowledge,⁹³ but their behavior clearly indicates distinctions between sponsored ads and organic. For example, consumers seem to spend less time looking at ads than at organic results, and are less likely to click through sponsored links than organic links.⁹⁴
71. However, consumers cannot explain which results are which when asked. This inability to answer “why” questions or explain one’s own reasoning without actually altering that reasoning and making the responses misleading is a well-known phenomenon in the psychology literature,⁹⁵ but it does not mean that consumers are as vulnerable and easily confused about source or sponsorship as Professor Goodstein concludes.
72. Ultimately, to answer a question about actionable confusion, it is important to ask questions that reliably map onto the protections provided by trademark law: primarily, protection against consumer confusion about source or sponsorship, in the sense of a trademark owner standing behind the product or service at issue, caused by similarities in the parties’ marks. Other connections, other sources of confusion, and other kinds of confusion are outside the purview of trademark law—and do not have the same harmful impact on competition or on consumers. As Professor Goldman and Mr. Reyes noted in their article on the subject, “[to say that consumers aren’t confused about source or sponsorship by keyword ads] is not to say

⁹¹ See, e.g., Goodstein at 30 (equating diversion with confusion and confusion over source with confusion over the reason an ad showed up on a webpage).

⁹² MEDIATIVE, THE EVOLUTION OF GOOGLE SEARCH RESULTS PAGES & THEIR EFFECT ON USER BEHAVIOR 17 (2014) (“The #1 Organic Listing still captures the most click activity (32.8%), regardless of what new elements are presented”); *id.* at 21 (“The top organic result is no longer always in the top left corner, so we see initial gaze going to a number of different elements.”); *id.* at 40-41 (finding that eye tracking behavior differs when only organic results are present).

⁹³ See Bretton H. Talbot et al., *The Verbal Overshadowing Effect: Influence on Perception*, 4 INTUITION 12, 12, 17 (2008) (where a stimulus is “difficult to explain in words but easily recognized,” verbal reports of perception become unreliable; when people attempt to articulate the reasons for their perceptions, “their thoughts about the perception are disrupted. A shift occurs from a normal cognitive process to a more analytical procedure and thus affects the outcome.”).

⁹⁴ Mediative, at 14 & 57 (“The average duration of a look at one of the top sponsored ads was only 0.36 seconds.”); 76; Communication w/Andreeanne St. Pierre, Brand Director, Mediative (indicating that the time someone spent looking at an individual listing as a whole, including an individual listing in the organic results, averaged 1.17s).

⁹⁵ When users are prompted by a question asking why they act or believe something they usually do not examine, it causes them to overanalyze what they are doing, and to offer explanations for responses that they may not fully understand. That skews the results. Shari Seidman Diamond, *Control Foundations: Rationales and Approaches*, in TRADEMARK AND DECEPTIVE ADVERTISING SURVEYS: LAW, SCIENCE, AND DESIGN 201, 211 (Shari Seidman Diamond & Jerre B. Swann eds., 2012) (explaining that “why” answers are unreliable—respondents just don’t know; some give reasons that don’t actually describe the stimulus or otherwise don’t make sense); see also Talbot, *supra*; MALCOLM GLADWELL, BLINK: THE POWER OF THINKING WITHOUT THINKING 180–81, 186 (2005) (stating that asking “why” questions distorts respondents’ reactions, making their answers unreliable gauges for ordinary situations where much processing is consciously inaccessible (citing Timothy D. Wilson & Jonathan W. Schooler, *Thinking Too Much: Introspection Can Reduce the Quality of Preferences and Decisions*, 60 J. PERSONALITY & SOC. PSYCHOL. 181 (1991))).

consumers do not experience confusion about the keyword ads they see. Instead, consumers routinely experience all types of confusion during their shopping experiences, but trademark law only protects against very specific types of confusion.”⁹⁶ Like the classic “negligence in the air,” “confusion in the air” is not actionable—especially when overly aggressive attempts to suppress all confusion, no matter how immaterial to consumers, may also suppress useful comparative advertising.⁹⁷

D. The Trademark Remedies Mr. Hogan Invokes Have Not Been Imposed in the Case Law for Keyword Bidding Alone

73. Mr. Hogan contends that 1-800 Contacts’ remedies are supportable and widely accepted in trademark disputes.⁹⁸ But the evidence does not support his conclusion. For example, my understanding is that 1-800 Contacts sought agreements with companies such as Walgreens who were not bidding on any of 1-800 Contacts’ trademarks, but were appearing on search results pages in response to search queries for the phrase “1-800 Contacts,” either because the company bid on the generic term “contacts,” or because the search engine deemed the advertisement relevant to the information sought and “broad-matched” the advertisement into the search results page.⁹⁹ Agreements with such companies cover conduct that could not be infringing, even under Respondent’s experts’ expansive conception of trademark use, because the party was never affirmatively bidding on a trademark, but merely failing to exclude strings that turned out to include the trademark (because the trademark included a generic word).¹⁰⁰ As far as I am aware, no U.S. case has ever held that such “non-use” could be infringing, let alone ordered relief to remedy such conduct.
74. Mr. Hogan highlights negative keyword provisions in settlements and court orders to suggest that courts regularly adopt or impose similar restrictions to those at issue in this case. However, these negative keyword provisions in settlements or orders almost universally deal with a different class of defendants—defendants who used a confusingly similar mark to identify themselves—and also with a different class of terms—terms that are not generic. Requiring an infringer who has used a confusingly similar mark to label its own goods and services to stop using that mark, even to the point of requiring negative keywords, is very different from the conduct required under 1-800 Contacts’ bidding agreements. In my view, the reason that 1-800 Contacts found the negative keyword requirement important is that it adopted a mark that is comprised of highly common and, for “contacts,” generic terms. Although 1-800 Contacts is entitled to trademark protection for the mark as a whole, it must live with its choice in terms of the leeway to which other competitors are entitled in order to allow them to compete effectively.¹⁰¹

⁹⁶ Goldman & Reyes, 111 n.42 (citing Ronald C. Goodstein et al., *Using Trademarks as Keywords: Empirical Evidence of Confusion*, 105 TRADEMARK REP. 732 (2015), and Franklyn & Hyman, *supra*).

⁹⁷ *Palsgraf v. Long Island R. Co.*, 248 N.Y. 339, 341 (1928) (Cardozo, J.). *Cf.* *Fortres Grand Corp. v. Warner Bros. Entm’t, Inc.*, 763 F.3d 696, 700-01 (7th Cir. 2014) (“But general confusion ‘in the air’ is not actionable. Rather, only confusion about ‘origin, sponsorship, or approval of ... goods’ supports a trademark claim.”).

⁹⁸ Hogan Report Section X.

⁹⁹ *See, e.g.*, CX0849-001.

¹⁰⁰ *See* 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400, 410 (2d Cir. 2005).

¹⁰¹ *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 122 (2004) (“If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known

75. There is no evidence that the remedies Mr. Hogan defends are “common” for *any* group of defendants. Thousands of trademark suits are filed and settled every year; Mr. Hogan identifies only a handful.¹⁰² For most settlements, the terms are never reported. In terms of negotiating to a remedy that courts would be able to impose, there is simply not much in the way of case law because of the brute fact that defendants who buy trademarks as keywords routinely win these cases when litigated to conclusion.
76. Mr. Hogan indeed lists a number of cases where injunctive relief that includes a ban on keyword advertising has been granted. Hogan Report at 61-68, para. 104-08, & 97-105, para. 149-51. But almost every one of these cases involves actual counterfeiting by the defendant, such as *Chloe Sas v. Sawabeh Information Services Co.*, No. 11-cv-04147 (C.D. Cal. July 8, 2014), ECF No. 728, or at the very least use by the defendant of a mark confusingly similar to the plaintiff’s as its trademark for its own product or services (either in its advertising or more comprehensively in all its sales), rather than mere purchase of the plaintiff’s mark as a keyword. A number of these cases are default judgments, the details of which are rarely scrutinized with care by courts. These cases do not suggest the existence of successful cases against competitors who are only buying keyword ads, or who are advertising using descriptive or generic terms and decline to use negative keyword matching.
77. Judgments or stipulated orders against defendants who used plaintiffs’ marks as the brand name of their own goods or services include:
- *Global Tel-Link Corp. v. Jail Call Services, LLC*, No. 1:14-cv-1557, 2015 WL 1936502 (E.D. Va. Apr. 28, 2015);
 - *Skydive Arizona, Inc. v. Quattrocchi*, No. CV-05-2656-PHX-MHM, 2010 WL 1743189, at *8 (D. Ariz. Apr. 29, 2010), Hogan Exh. C;
 - *Young Again Products, Inc. v. Acord*, No. RWT 03CV2441 (D. Md. Mar. 25, 2009), ECF No. 264;
 - *CJ Products LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127 (E.D.N.Y. Aug. 22, 2011) (dealing with infringement of plaintiff’s Pillow Pet trademarks and its copyrights);
 - *PODS Enterprises., LLC v. U-Haul International, Inc.*, 126 F. Supp. 3d 1263, 1292 (M.D. Fla. 2015), Hogan Exh. D; and
 - *J-Rich Clinic, Inc. v. Cosmedic Concepts*, No. 02-cv-74324 (E.D. Mich. 2006), Hogan Exh. U.¹⁰³

descriptive phrase.”) (quoting *Cosmetically Sealed Indus., Inc. v. Chesebrough–Pond’s USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997)).

¹⁰² Lex Machina, Trademark Litigation Report 2016, at 1, Fig. 3 (showing 1281 TROs, 1809 preliminary injunctions, and 6854 permanent injunctions for cases filed Jan. 2009-Mar. 2016); *see also id.* at 3, Fig. 4 (showing 7765 trademark cases with granted injunctions of any kind for the same period); *id.* at 5, Fig. 12 (showing 1057 consent judgments, 3365 default judgments, 55 judgments on the pleadings, 1207 summary judgments, 558 trials, and 38 judgments as a matter of law in cases terminated Jan. 2009-Mar. 2016); *id.* at 7, Fig. 15 (finding that there were likely 17,238 settlements in trademark cases terminated Jan. 2009-Mar. 2016).

¹⁰³ In *J-Rich*, the parties stipulated only to *preliminary* injunctive relief, with the proviso that the stipulated order would not constitute a binding admission or concession by either party. Stipulation to Entry of Order for Preliminary Injunctive Relief, *J-Rich Clinic, Inc. v. Cosmedic Concepts*, No. 02-cv-74324 (E.D. Mich. filed May 16,

78. Default judgments against infringers who used plaintiff's mark as the brand name of their own goods or services include:

- Partners for Health & Home, L.P. v. Yang, No. CV 09-07849 (CBM) (RZx) (C.D. Cal. Sept. 13, 2010), ECF No. 46, Hogan Exh. G;
- Quidgeon v. Olsen, No. 10-cv-1168, 2011 WL 1480537, at *3 (C.D. Ill. Apr. 19, 2011), Hogan Exh. H;
- World Entertainment Inc. v. Brown, No. 09-5365, 2011 WL 2036686 (E.D. Pa. May 20, 2011), Hogan Exh. I; and
- Happy Feet USA, Inc. v. Serenity "2000" Corp., No. 09-cv-1832 (Dkt. 22) (M.D. Fl. Mar. 16, 2010), Hogan Exh. Z, where the plaintiff's mark for its foot care products was Happy Feet, and the defendant's advertising was as shown:



<http://www.serenity2000.com/40025.html>

79. The remainder of the cases against advertisers discussed by Mr. Hogan almost exclusively involve the use of the plaintiff's mark as the bolded text of the defendant's ad:

- In Hogan Exhibit N, the plaintiff's mark for lending services was QuickClick, and the defendant's ad was:

Quickclickloans.com (FAST)
\$100 - \$1500 Cash Loans.com Instant
Approval. No Fax. Get It Now.
Online1HourLoans.com/Cash-Loans-Com
Orlando-Daytona Beach, FL

- In Exhibit O, the plaintiff's mark was G&G Bonds for bail bonds, and the defendant's ad was:

Gandgbonds.com Sponsored Link
www.ActionImmigrationBailBonds.com **Free Nationwide 24/7 Consultations Hablamos**
Espanol. State & Federal

2006), ECF No. 359. The case was ultimately dismissed on stipulation by the parties. Order Dismissing Actions with Prejudice, J-Rich Clinic, Inc. v. Cosmedic Concepts, No. 02-cv-74324 (E.D. Mich. filed Dec. 4, 2006), ECF No. 388.

- In Exhibit S, the plaintiff's mark for hair restoration services was Elliott & True, and the defendants who agreed to the injunction shown in Exhibit S used the following ad:

Sponsored Links

Elliott And True
The only natural way to regain your
lost hair - Safe & Effective! -aff
www.MedHairRestoration.com

Elliott And True
www.MedHairRestoration.com The only natural way to regain your lost hair - Safe & Effective! -aff

Sponsored Links

Elliott And True
www.MedHairRestoration.com The only natural way to regain your lost hair - Safe & Effective! -aff

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80. In other words, the class of defendants against whom such relief has generally been granted, by default or in a consent judgment, differs from those who are merely engaged in keyword purchasing. It is understandable that a defendant deliberately using a plaintiff's mark to identify itself to consumers might also be enjoined from using that mark as a keyword.¹⁰⁵
81. Based on my review of the underlying complaints, only one case in Mr. Hogan's report, Exhibit P, involved a consent injunction against a defendant who was not allegedly using plaintiff's mark as the text of its ads; as discussed above, that defendant had challenged the validity of plaintiff's mark, but not its confusion theory.¹⁰⁶ That case also involved allegations of copyright infringement in the underlying website to which defendants linked. In a subsequent case brought by the same plaintiff involving similar allegations, the plaintiff dropped its trademark claims and settled only the copyright claims. Permanent Injunction

¹⁰⁴ Exhibit S is part of a larger case against multiple defendants, including search engines. While plaintiff initially also sued defendants who did not, as far as the exhibits show, use its mark in ad text, it voluntarily dismissed that complaint. Plaintiff then refiled, omitting the defendants who had not used the mark in ad text. (The refiled complaint repeated all the factual allegations against those former defendants, but after amendment of the complaint they, along with the search engines, were identified as non-parties.) See Second Amended Complaint, True & Dorin Med. Grp., P.C. v. Leavitt Med. Assocs., P.A., No. 06-cv-00092 (S.D.N.Y. filed Dec. 21, 2006), ECF No. 65.

¹⁰⁵ Specifically, the competitor used a confusingly similar mark for its own goods or services in Exhs. C, D, G, H, I, J, M, U, Z, and AA. The defendant was a counterfeiter in Exhs. E and F. Exhs. E-J inclusive are default judgments, where the text is proposed by the plaintiff and rarely scrutinized in any detail by the court. The defendant used the trademark in title of its ad in Exhs. L, N, O, S, and DD; in Exh. L, there is no injunction against keyword buys, only against using the trademark in the ad text. In Exh. R, the defendant was a cybersquatter using a confusingly similar domain name. In Exhs. V, W, X, and Y, the defendant allegedly used the mark and domain names to generate pop-up ads (and this conduct, targeting pop-up ads, was ultimately determined to be noninfringing as a matter of law, 1-800 Contacts, Inc. v. WhenU.com, 414 F.3d 400 (2d Cir. 2005); Allen v. IM Sols., LLC, 94 F. Supp. 3d 1216 (E.D. Okla. 2015)). See also Dazzlesmile, LLC v. Epic Advertising, Inc., 9-cv-1043 (D. Utah Mar. 22, 2010), MSFT-0000029.pdf (a case involving counterfeiting and cybersquatting). Three settlements, Exhs. Q, BB, and CC, involved search entities and not competitors, who have different incentives with respect to settlement.

¹⁰⁶ Exhibit K involves a competitor/critic who was enjoined from buying keywords to run critical ads; the case involved false advertising and right of publicity claims as well. The settlement does not specify the basis for settlement, but given the clearly disparaging nature of the ads, a valid trademark confusion claim is inherently unlikely. In addition, I was unable to tell what kind of keyword ads were involved in the conduct underlying the settlement in Exhibit T.

and Judgment on Consent, *FragranceNet.com, Inc. v. FragranceX.com Inc.*, No. 06-cv-02225 (E.D.N.Y. filed Aug. 6, 2013), ECF No. 273.

82. Thus, despite the numerous cases Mr. Hogan cites in his report, as far as the public record reveals, no court has ever found liability based solely on keyword bidding. And in keyword bidding cases where defendants have vigorously contested the case, settlements seem to favor allowing keyword purchases to continue, as was shown when Amazon's confidential settlement terms were revealed in a related case:

[A] dispute over the settlement agreement in a keyword advertising trademark lawsuit against Amazon.com means we get to see the formerly confidential terms. The settlement terms highly favor Amazon,...In general, this looks like a pretty sweet settlement for Amazon. It doesn't pay a dime and can keep buying keyword ads on "Baiden."¹⁰⁷

83. Moreover, none of these cases Mr. Hogan cites involves prohibitions on "broad matching" where the plaintiff's composite mark includes a generic term that is a natural search term for the defendant's products or services. Even defendants who were deliberately infringing were still permitted to buy ads that could appear on a search engine results page for a generic keyword search. Likewise, none of these cases involves a requirement of negative keyword use for generic terms.¹⁰⁸ The only similar case of which I am aware, *Rhino Sports, Inc. v. Sport Court, Inc.*, specifically rejected the claim that a sports equipment company's purchase of "courts" and "basketball court" violated a permanent injunction against use of its competitor's SPORT COURT mark or variations thereof. "The Court concludes that a contrary interpretation of the permanent injunction would not be reasonable because it would preclude Rhino Sports from using these generic terms as keywords."¹⁰⁹

84. Even if a court had found infringement for keyword bidding alone, the remedies Mr. Hogan points to would not provide an appropriate model for court-ordered relief in such a case. A court finding infringement would need to be careful to limit the remedies granted to preserve

¹⁰⁷ Eric Goldman, *Want To Know Amazon's Confidential Settlement Terms For a Keyword Advertising Lawsuit? Merry Christmas!*, Dec. 26, 2013, <https://www.forbes.com/sites/ericgoldman/2013/12/26/want-to-know-amazons-confidential-settlement-terms-for-a-keyword-advertising-lawsuit-merry-christmas/#5f907e00575b> (discussing *Sen v. Amazon.com, Inc.*, 2013 WL 6730180 (S.D. Cal. Dec. 19, 2013)).

¹⁰⁸ The court of appeals in *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1243 (10th Cir. 2013), suggested that the district court's reasoning on a related point "has some attraction," but did not reach the question in affirming summary judgment for the defendant. The relevant part of the district court opinion concluded that, because buying the generic term "contacts" might trigger an ad for a search on "1-800 contacts," the purchase of trademarks alone, without consideration of ad text, could not be infringing. As the court of appeals noted, previous cases have held that a defendant's failure to avoid an association triggered by consumers' reactions to non-trademark uses cannot, as a matter of law, be infringing, a conclusion that would defeat any claim based on failure to attach negative keywords to the generic keyword purchase "contacts." See *id.* (citing *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619, 625-26 (6th Cir.1996) (defendants did not infringe any rights when they used a common misdialing of the plaintiff's telephone number, regardless of confusion); see also *DISH Network, LLC v. Fun Dish, Inc.*, 112 F. Supp. 3d 627 (N.D. Ohio. 2015) (same).

¹⁰⁹ 2007 WL 1302745, at *5 (D. Ariz. May 2, 2007) (citing, *inter alia*, *America Online, Inc. v. AT & T Corp.*, 243 F.3d 812, 823 (4th Cir. 2001) ("functional use of words within the heartland of their ordinary meaning cannot give rise to a trademark")).

competition. Given trademark's policy of balancing different interests in consumer information, remedies must be carefully tailored. Courts have consistently underscored this point, including in cases cited by Mr. Hogan:

- *Skydive Arizona, Inc. v. Quattrocchi*, 673 F.3d 1105, 1116 (9th Cir. 2012) (“Injunctive relief under the Lanham Act must be narrowly tailored to the scope of the issues tried in the case.”);
- *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1182, 1185 (9th Cir. 2010) (“[A] trademark injunction should be tailored to prevent ongoing violations, not punish past conduct. Speakers do not lose the right to engage in permissible speech simply because they may have infringed a trademark in the past”; “At the very least, the injunction must be modified to allow some use of the Lexus mark in domain names by the Tabaris. Trademarks are part of our common language, and we all have some right to use them to communicate in truthful, non-misleading ways.”);
- *PACCAR v. TeleScan Techs. LLC*, 319 F.3d 243, 258 (6th Cir. 2003) (“In light of the district court’s failure to consider whether TeleScan’s use of the “Peterbilt” and “Kenworth” marks in its metatags alone, without the inclusion of those marks in the domain names, creates a likelihood of confusion, we believe that the scope of the injunction is too broad.”);
- *Patsy’s Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 220-21 (2d Cir. 2003) (a permanent injunction in a trademark case should be narrowly tailored to fit specific legal violations and should not impose unnecessary burdens on lawful activity; injunction specifying distinguishing presentation to be used may be appropriate);
- *CPC Int’l v. Skippy*, 214 F.3d 456, 461 (4th Cir. 2000) (“The Supreme Court has recognized the risks of overbroad injunctions, especially when First Amendment considerations are at stake.”); *id.* (“[a] trademark injunction . . . can raise serious First Amendment concerns [as] it can interfere with truthful communication between buyers and sellers in the marketplace.”) (citing *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council*, 425 U.S. 748, 763-64 (1976));
- *A & H Sportswear Inc. v. Victoria’s Secret Stores, Inc.*, 166 F.3d 197, 208 (3d Cir.1999) (noting that mandatory disclaimers or house marks may be appropriate remedies);
- *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1542 (2d Cir. 1992) (if “injunctive relief is warranted, ‘the relief granted should be no broader than necessary to cure the effects of the harm caused.’”) (quoting *Soltex Polymer Corp. v. Fortex Indus., Inc.*, 832 F.2d 1325, 1329–30 (2d Cir. 1987));
- *Hypertherm, Inc. v. Precision Prods., Inc.*, 832 F.2d 697, 701 (1st Cir. 1987) (court will vacate any provision in an injunction that, instead of “affirmatively mandating that [a party] better identify the genealogy of its wares, . . . effectively took [its] products off the market.”);
- *Anhing Corp. v. Thuan Phong Co.*, 2015 WL 4517846, at *25 (C.D. Cal. July 24, 2015) (“The Court is mindful that although Defendant’s present use is not fair, an appropriate injunction must not limit Defendant’s fair use rights . . . Thus, the public interest favors a tailored injunction prohibiting future trademark infringement while permitting fair use.”; defendant could not be entirely enjoined from using challenged term on front of package or required to make it “entirely inconspicuous”);

- *Chanel, Inc. v. Charles*, 2016 WL 4491871, at *9 (N.D. Cal. Jun. 9, 2016) (citations omitted) (“Generally, an injunction must be narrowly tailored to remedy only the specific harms shown by a plaintiff, rather than to enjoin all possible breaches of the law. ... The court looked at similar injunctions in other cases as part of its effort to tailor the injunction. The cases generally prohibited only trademark infringement and the other wrongful conduct alleged in the litigation. ...”);
- *PODS Enters., LLC v. U-Haul Int’l, Inc.*, 126 F. Supp. 3d 1263, 1287-93 (M.D. Fla. 2015) (holding that plaintiff’s proposed injunction was too broad because it “would prohibit the use of comparative advertising”);
- *Mary Kay, Inc. v. Weber*, 661 F. Supp. 2d 632, 646 (N.D. Tex. 2009) (allowing continued keyword advertising by unauthorized seller of legitimate goods; “[T]he law will destroy the valuable resource that search engines have become if it prevents those search engines from doing what they are designed to do: present users with the information they seek as well as related information the user may also find helpful or interesting.”);
- *Palantir Techs., Inc. v. Palantir.net, Inc.*, No. C 07-03863, 2008 WL 152339, at *8 (N.D. Cal. Jan. 15, 2008) (holding that “a preliminary injunction need not enjoin PTI’s use of ‘palantir’ in total” and instead requiring the defendant “to place a prominent disclaimer on its website that advises viewers it is not Palantir.net and directs viewers to Palantir.net if that is what they are seeking”); and
- *Tancogne v. Tomjai Enterprises Corp.*, 408 F. Supp. 2d 1237, 1243 (S.D. Fla. 2005) (“[E]quitable relief in a trademark case should be narrowly tailored to cure the ongoing harm by distinguishing the infringing product from the original ...”) (citing *B.H. Bunn Co. v. AAA Replacement Parts Co.*, 451 F.2d 1254, 1269 (5th Cir. 1971)).

85. Following this principle, the proper remedy for a finding of infringement would be (1) to bar the confusing use of a plaintiff’s trademark in the text of an ad, and/or (2) to require clear labeling of the source of the ad. It would even be possible, although not necessary, to require clear comparative language such as “better than 1-800 Contacts” or “cheaper than 1-800 Contacts” or “we beat 1-800 Contacts’ prices.”¹¹⁰ Courts have made clear that proper labeling satisfies a seller’s obligations; reasonable consumers can use labeling to distinguish the source of ads.¹¹¹ Mr. Hogan’s contention that smaller competitors whose names are not currently immediately recognizable should not be allowed to compete is not consistent with the case law, which does not favor more famous brands in the ability to run keyword ads—and it is worth noting that, before 1-800 Contacts reached its present level of awareness, such a rule would have prevented it from competing with existing sellers.¹¹²

¹¹⁰ *Multi Time Machine, Inc. v. Amazon.com, Inc.*, 804 F.3d 930, 937-38 (9th Cir. 2015) (“[T]he labeling and appearance of the products for sale on Amazon’s web page is the most important factor in this case. This is because we have previously noted that clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms.... Here, the products at issue are clearly labeled by Amazon to avoid any likelihood of initial interest confusion by a reasonably prudent consumer accustomed to online shopping. When a shopper goes to Amazon’s website and searches for a product using MTM’s trademark “mtm special ops,” the resulting page displays several products, all of which are clearly labeled with the product’s name and manufacturer in large, bright, bold letters”).

¹¹¹ *Network Automation, Inc. v. Advanced System Concepts, Inc.*, 638 F. 3d 1137 (9th Cir. 2011).

¹¹² See *1-800 Contacts v. Lens.com*, 2012 WL 113812, at *2, *4 (D. Utah Jan. 13, 2012) (“1-800 Contacts had derived \$219,314 in profits off of those keyword purchases compared to Lens.com’s \$20.51. Thus, 1-800 Contacts

86. Mr. Hogan also implies that failure to police a trademark as 1-800 Contacts has done could lead to the abandonment of trademark rights. Hogan Report para. 25-31. While abandonment certainly can occur under appropriate circumstances, it is largely irrelevant in the context of comparative advertising, where the defendant has not adopted the trademark owner's name as its own. Moreover, courts are extremely forgiving to trademark owners in abandonment claims, rejecting them so long as the trademark continues to identify a single source. For example, courts and the Trademark Trial and Appeal Board have found that university mascots and names have retained trademark significance despite uncontrolled use by others for decades and, in one case, for nearly two centuries.¹¹³ Furthermore, the Patent and Trademark Office has specifically ruled that, given that trademark owners have no clearly established right to control keyword advertising, trademark owners need not police against keyword advertising to avoid abandonment.¹¹⁴ Thus, there is no basis for Mr. Hogan's claim that the aggressive restrictions contained in the settlement agreements at issue are necessary to prevent 1-800 Contacts from losing its trademark rights.

IV. Respondent's Experts Wrongly Suggest That Trademark Dilution Also Justifies 1-800 Contacts' Bidding Agreements

87. Mr. Hogan's and Professor Goodstein's reports also address trademark dilution.¹¹⁵ In order to rebut their conclusions, I will lay out the proper framework for trademark dilution. Trademark dilution actions are distinct from trademark infringement claims in that they focus not on preventing confusion but, rather, on preserving the uniqueness of the plaintiff's mark. This concept entered the American lexicon in 1937 with Frank Schechter's law review article, *The Rational Basis of Trademark Protection*.¹¹⁶ Dilution has been defined as use by the defendant of a mark for its own goods and services that is so similar to the plaintiff's as to diminish the distinctiveness of or tarnish the plaintiff's mark. The classic examples are products such as Kodak soap or Pillsbury sex toys: uses on non-competing goods. Hogan Report para. 54. As is evident from this description, dilution requires the defendant to use a similar mark *to identify itself*. While the Second Circuit once flirted with the idea that altering a plaintiff's mark in a demeaning way could be actionable,¹¹⁷ the subsequent

was suing Lens.com for the same activity in which it had engaged.... 1-800 Contacts' actions raise questions about vexatious suits to defeat competition," though ultimately a fee award was not added to sanctions already imposed); *see also* Dhruv Grewal et al., *Comparative Versus Noncomparative Advertising: A Meta-Analysis*, 61 J. MARKETING 1, 1 (1997) ("New brands comparing themselves to established brands appear to benefit most from comparative advertising.").

¹¹³ *See, e.g., Bd. of Governors of the Univ. of North Carolina v. Helpingstine*, 714 F. Supp. 167, 171 (M.D.N.C. 1989) (noting marks did not lose significance as indications of origin despite substantial uncontrolled use of marks by third parties from 1795 until 1982); *Univ. Book Store v. Univ. of Wisconsin Bd. of Regents*, 33 U.S.P.Q.2d 1385 (T.T.A.B. 1994) (noting a similar finding with uncontrolled use from the 1940s until the 1990s).

¹¹⁴ *STK LLC v. Backrack, Inc.*, Cancellation No. 92049332, 2012 WL 2024459 (TTAB May 21, 2012).

¹¹⁵ Hogan Report Section VI; Goodstein Report Section VI. The Landes Report also claims that dilution is possible from "increased search costs" due to initial interest confusion, but that conflates dilution with confusion. Landes Report at 14-15.

¹¹⁶ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

¹¹⁷ In this case, the court of appeals still maintained that simply using a competitor's mark couldn't be dilutive. *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44 (2d Cir. 1994) ("Sellers of commercial products may wish to use a competitor's mark to identify the competitor's product in comparative advertisements. As long as the mark is not

adoption of federal dilution law has made clear that the defendant must use a mark to identify *itself* in order to dilute. To avoid all doubt, the Trademark Dilution Revision Act of 2006 included an explicit exception for all forms of comparative advertising.

88. The federal statute, 15 U.S.C. §1125, currently provides:

(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—
- (i) advertising or promotion that permits consumers to compare goods or services;
 - (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

89. In invoking dilution as a justification for 1-800 Contacts' bidding agreements, Mr. Hogan and Professor Goodstein ignore the statutory exclusion, which disposes of any such claim based on keyword advertising. Courts have recognized online advertising as falling within this exclusion. Specifically, a number of cases have rejected dilution claims based on keyword advertising:

- *Allied Interstate LLC v. Kimmel & Silverman P.C.*, No. 12 Civ. 4204, 2013 WL 4245987 (S.D.N.Y. Aug. 12, 2013) (“To the extent that Defendants’ advertising permits viewers to compare Defendants’ potentially competitive services with those of the Plaintiff, ... its use of Allied’s mark falls within Section 1125(c)(3)(A)(i)’s exclusion of comparative advertising from the scope of actionable dilution.”);
- *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 525 (S.D.N.Y. 2008), *aff’d in relevant part*, 600 F.3d 93 (2d Cir. 2010);
- *Designer Skin, LLC v. S & L Vitamins, Inc.*, 560 F. Supp. 2d 811 (D. Ariz. 2008) (nominative use);
- *Nautilus Group, Inc. v. Icon Health & Fitness, Inc.*, No. C02-2420RSM, 2006 WL 3761367 (W.D. Wash. Dec. 21, 2006) (relying on similar, but differently worded, pre-Trademark Dilution Revision Act provisions); and
- *Edina Realty, Inc. v. TheMLSonline.com*, No. Civ. 04-4371JRTFLN, 2006 WL 737064 (D. Minn. Mar. 20, 2006) (same).

altered, such use serves the beneficial purpose of imparting factual information about the relative merits of competing products and poses no risk of diluting the selling power of the competitor’s mark .”) (internal citation omitted); *see also* *Hormel Foods Corp. v. Jim Henson Productions, Inc.*, 73 F.3d 497, 507 (2d Cir. 1996) (explaining that the Second Circuit had not meant to expand the concept of dilution under New York law).

90. Likewise, association between competing products based on mere physical proximity cannot constitute dilution, a conclusion that logically extends to physical proximity on a webpage.¹¹⁸ While the Court of Appeals in *Rosetta Stone* found that summary judgment for Google on dilution claims was improper, (1) again, those claims included counterfeiters' use of the Rosetta Stone mark in ad text, and (2) the court found that the district court had not fully analyzed the elements of nominative fair use as a defense, and said nothing about the proper outcome of a full review on the merits.¹¹⁹
91. To the best of my knowledge, keyword advertising alone, without use of the plaintiff's mark to identify the defendant's products, has never supported a successful dilution claim, no matter how famous the mark. Thus, contrary to the suggestion made by Mr. Hogan and Professor Goodstein, 1-800 Contacts could not have secured anti-dilution protection against the use of comparative keyword advertising because there is no statutory basis for liability. And in those states that recognize a state-law dilution cause of action, courts generally interpret state dilution laws, even if differently worded, in pari materia with the federal law, especially as to the exceptions.¹²⁰
92. If anything, the claims in 1-800 Contacts' expert reports showcase the wisdom of the statutory exclusions. The concept of dilution espoused by Professor Goodstein defines changing a consumer's thoughts about a trademark as dilution, including creation of associations between the trademark owner and its competitors:

[S]ponsored ads by other contact lens retailers that appear in response to an Internet search for "1-800 Contacts" could reasonably be expected to harm the value of 1-800 Contacts by causing consumers to associate other retailers with that trademark or by causing consumers to associate that trademark with negative experiences caused by other retailers.¹²¹

¹¹⁸ *Toni & Guy (USA) Ltd. v. Nature's Therapy, Inc.*, 2006 WL 1153354, at *13 (S.D.N.Y. May 1, 2006) ("Defendant's use of Plaintiff's mark is a comparative advertisement and 'poses no risk of diluting the selling power of the competitor's mark;' rather, it allows consumers to compare the 'relative merits of competing products.' And, because such (comparative) use is specifically excluded under the federal trademark dilution statute, Defendant's motion for summary judgment on Plaintiff's federal dilution claim is granted. ... Plaintiff does not claim that defendant has distorted plaintiff's mark. It says only that the 'physical association' of the Sweet 'N Low trademark with the Sweetmate trademark will cause blurring. 'Physical association' in a comparative advertisement is hardly likely to cause dilution.") (citations omitted).

¹¹⁹ *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 170 (4th Cir. 2012). ("If the district court determines that Rosetta Stone has made a prima facie showing under the elements [of dilution], it should reexamine the nominative fair-use defense in light of this opinion.").

¹²⁰ See, e.g., *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 112 (2d Cir. 2010) (finding that eBay's referential use of Tiffany's mark, rather than use to identify separate goods or services, precluded dilution liability under New York and federal law, despite the different statutory language for state dilution); *Universal Comm'n Sys., Inc. v. Lycos, Inc.*, 478 F.3d 413, 425 (1st Cir. 2007) (finding that Florida dilution law would not prevent referential uses, given First Amendment concerns); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998) (applying the same analysis to a state law dilution claim under California's antidilution statute as a federal dilution claim under the Federal Trademark Dilution Act); *World Wrestling Fed'n Entm't, Inc. v. Big Dog Holdings, Inc.*, 280 F. Supp. 2d 413, 443 (W.D. Pa. 2003) (finding that state and federal dilution inquiry was the same except for fame); CAL. BUS. & PROF. CODE § 14247 (following Model State Trademark Law provision on dilution, including exclusions for "any fair use," including comparative advertising, and descriptive or nominative use of the mark).

¹²¹ Goodstein Report at 4.

93. Stripped of its generalities, this account lacks coherence. If the consumer did not simply click back based on an unappealing website, the consumer would have to remember (even subconsciously) that she searched for 1-800 Contacts, buy from a completely different source with a different name, wait at least several days, receive the competing product, have a bad experience with that source (despite the lack of any apparent evidence in the record that competitors provide bad experiences), and associate the memory of the search for 1-800 Contacts with that bad experience. This is not a plausible description of consumer memory or behavior.
94. There are other significant problems with the empirics of Professor Goodstein’s argument. Most significantly, the theory ignores the effects of 1-800 Contacts’ own advertising, which the reports elsewhere tout as incredibly powerful and successful.¹²² Even though “other retailers’ sponsored ads have appeared millions of times between 2010 and 2016 in response to Internet searches for 1-800 Contacts,”¹²³ 1-800 Contacts has survived and, according to its own account, thrived. 1-800 Contacts reinforces its brand against any erosion in the natural course of promoting itself.¹²⁴ Because of the way consumers react to being reminded of well-known brands, as long as 1-800 Contacts appears in the search results, its brand will remain distinctive even if consumers do not click on its links.¹²⁵ Thus, even if we assume that comparative advertising generated associations between 1-800 Contacts and its competitors (for example, the association that they compete to provide the same products), the evidence shows no effect on the *distinctiveness* of the mark.¹²⁶

¹²² *E.g., id.* at 14 (para. 36).

¹²³ *Id.* at 4.

¹²⁴ Bruce F. Hall, *A New Model for Measuring Advertising Effectiveness*, J. ADVERTISING RES., Mar.–Apr. 2002, at 23, 25 (“Many, possibly most, target audiences, including the heavy-category users who are critical to the success of most established brands, will be exposed to the advertising in a continuous loop between post-experience and pre-experience, depending on purchase cycles and personal behavior. . . . [T]he advertising will act both to organize memory of the last usage/purchase experience and to frame perception of the next experience.”).

¹²⁵ See *MEDIATIVE*, at 55, 62 (“A previous study by Mediative (<http://mdv.to/display-ad-walmart>) shows there is also an increase in brand recognition and purchase intent, even when ads do not match the intent of the searcher. In these cases, big brands could bid highly for the paid ads as there’s a strong chance that there will be no click, yet the company name is seen If you’re a big name brand, it’s not critical to be the #1 listing.”).

¹²⁶ As courts uniformly agree, likely harm to distinctiveness is a separate element of dilution apart from association. *Rosetta Stone*, 676 F.3d at 168 (“To state a prima facie dilution claim under § 1125(c), a plaintiff must show the following: (1) that the plaintiff owns a famous mark that is distinctive; (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark; (3) that a similarity *between the defendant’s mark and the famous mark* gives rise to an association between the marks; and (4) that the *association is likely to impair the distinctiveness* of the famous mark or likely to harm the reputation of the famous mark.”) (emphasis added and quotation marks and citation omitted); *Huginin v. Land O’Lakes, Inc.*, 2014 WL 1052502, at *5 (N.D. Ill. Mar. 19, 2014) (“[E]ven if the court were to credit this evidence and find that LOL has shown a likelihood of association, it would not necessarily follow that the association ‘impair[ed] the distinctiveness of the famous mark.’ 15 U.S.C. § 1125(c)(2)(b); see also 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:116 (“Even if there is proof of a likely association, that does not mean that there is also a likelihood of dilution by blurring or tarnishment. The statute explicitly requires proof of the likelihood that th[e] defendant’s use ‘impairs the distinctiveness of the famous mark.’ ” (footnotes omitted))), *aff’d*, 815 F.3d 1064 (7th Cir. 2016); *Gap, Inc. v. G.A.P. Adventures Inc.*, 2011 WL 2946384, at *17 (S.D.N.Y. Jun. 24, 2011) (“I am not able to find that the association between the marks ‘impairs the distinctiveness of the famous mark.’ Gap’s proofs establish that consumers are likely to associate G.A.P Adventures’ marks with Gap’s marks as a result of the similarities between the marks. However, ‘[t]he fact that

95. This problem with Professor Goodstein’s dilution theory stems from the fact that his definition of dilution is not the legal concept, despite the attempts of some marketers to equate them.¹²⁷ The definition of dilution as “association” would mean that the very existence of Pepsi dilutes Coke (no pun intended) because it makes the characteristics of Coke less special and means that consumers need more information about the specific carbonated, caffeinated brown beverage they want to find to distinguish it from Pepsi. Stocking of house brands next to Coke in grocery stores would also dilute under this theory, as would any comparative advertising (whether keyword-triggered or not), as does the listing of any results other than the searched-for website on any webpage, whether organic or sponsored.¹²⁸ This theory of dilution is understandably not a concept of dilution that any court has ever recognized; it is better called competition. Under this marketer’s perspective of dilution, only monopolies would be free of any threat of dilution by association.
96. The legal definition of blurring (one of two kinds of dilution), in contrast to Professor Goodstein’s conception of the term, looks for diminished distinctiveness in the absence of confusion. Delta Dental and Delta Faucets and Delta Airlines are not confusing, but “Delta” is diluted. Courts have explicitly rejected the idea that changing the “memory of, and associations with,” Goodstein Report at 38, a trademark constitutes dilution; they have protected parodies that may change consumers’ attitudes towards the original trademark owner. Changed thoughts that still identify the trademark owner as the trademark owner are not evidence of dilution. Only creating the belief that a trademark actually represents more than one source, and thus interfering with the source-identifying shorthand function of the trademark, is dilution.¹²⁹

people “associate” the accused mark with the famous mark does not in itself prove the likelihood of dilution by blurring.”) (citations omitted).

¹²⁷ To the best of my knowledge, no one has studied whether merely appearing on the same page of a list of results can cause dilution in the legal sense, even assuming it were not specifically excepted in the law. In the literature outside of this litigation, the associative network theories that support the “search costs” account of dilution assume that the defendant is using a similar trademark to identify itself, not merely appearing as an alternative the way a competitor would appear as an alternative on a grocery store shelf when a consumer sought her top-of-mind brand of cereal. See Rebecca Tushnet, *Gone in 60 Milliseconds: Trademark Law and Cognitive Science*, 86 TEXAS L. REV. 507 (2008).

¹²⁸ See Joel H. Steckel et al., *Dilution Through the Looking Glass: A Marketing Look at the Trademark Dilution Revision Act of 2005*, 96 TRADEMARK REP. 616, 625 (2006) (“Suppose that a competitor to VOLVO introduced and heavily promoted a new model called ‘Super Safe’ and succeeded in displacing Volvo as the perceived safety leader. . . . [T]he brand and the power of the VOLVO trademark would be damaged, but not because of the use of the same or similar name or logo. One could possibly say that the trademark has been metaphorically diluted, but there is no trademark dilution in a legal sense.”); Jerre B. Swann, Sr., *Dilution Redefined for the Year 2002*, 92 TRADEMARK REP. 585, 620 (2002) (“A form of dilution does occur, of course, when PEPSI, for example, brings COKE to mind. To those to whom COKE means cola (and cola means COKE), the introduction of PEPSI causes a measure of product category dilution—COKE no longer is the sole cola schema in the consumer’s mind.”).

¹²⁹ See *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 264, 267 (4th Cir. 2007) (“In the context of blurring, distinctiveness refers to the ability of the famous mark uniquely to identify a single source and thus maintain its selling power. . . . [B]y making the famous mark an object of the parody, a successful parody might actually enhance the famous mark’s distinctiveness by making it an icon. . . . See *Hormel Foods*, 73 F.3d at 506 (observing that a successful parody “tends to increase public identification” of the famous mark with its source).”).

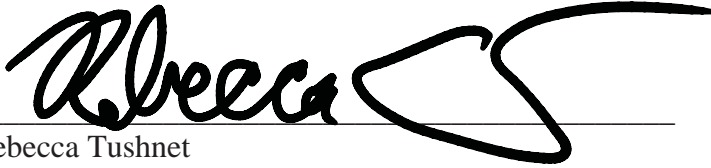
97. Likewise, the legal concept of tarnishment (the other kind of dilution), in contrast to Professor Goodstein's marketing conception of the term, involves a use of a too-similar mark on a disreputable product. It does not cover comparative advertising that offers "price discounts that consumers could find deceptive," Goodstein Report at 40, even assuming, in the complete absence of evidence, that consumers *were* dissatisfied with Respondent's competitors' prices. The mechanism by which consumers would blame 1-800 Contacts for dissatisfaction with another competing retailer in the absence of confusion is not explained by Professor Goodstein or Mr. Hogan. It is for this reason that empirical investigations of this kind of tarnishment theory have generally found nothing there.¹³⁰ While unwanted sexual associations created by the use of a similar mark by a sex-oriented business may be deemed tarnishing, that is nothing like the concept posited by 1-800 Contacts' experts.

¹³⁰ Christo Boshoff, *The Lady Doth Protest Too Much: A Neurophysiological Perspective on Brand Tarnishment*, 25 J. PROD. & BRAND MGMT. 196 (2016) (finding no empirical basis for tarnishment); Robert Brauneis & Paul J. Heald, *The Myth of Buick Aspirin: An Empirical Study of Trademark Dilution by Product and Trade Names*, 32 CARDOZO L. REV. 2533 (2011) (same, for dilution overall); Michael Handler, *What Can Harm the Reputation of a Trademark? A Critical Re-Evaluation of Dilution by Tarnishment*, 106 TRADEMARK REP. 639 (2016).

Certification

Pursuant to 28 U.S.C. § 1746, I state, under penalty of perjury, that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed on this 8th day of March, 2017.

A handwritten signature in black ink, appearing to read "Rebecca", followed by a large, stylized flourish that loops back to the left and then curves upwards and to the right.

Rebecca Tushnet

3/8/2017

Exhibit A: Curriculum Vitae

My background, qualifications, and publications within the past ten years are described in my curriculum vitae, attached.

Rebecca Tushnet
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Experience:

Frank Stanton Professor of First Amendment Law, Harvard Law School, July 2017-
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Professor, Georgetown University Law Center, 2007-2017
Visiting Professor, Harvard Law School, fall 2015
Visiting Professor, University of Chicago Law School, fall 2012
Associate Professor, Georgetown University Law Center, 2005-2007
Visiting Associate Professor, Georgetown University School of Law, 2004-2005
Assistant Professor, New York University School of Law, 2002-2005
Attorney, Debevoise & Plimpton, Washington, DC, 2000-2002
Clerk, Associate Justice David H. Souter, Washington, DC, 1999-2000
Clerk, Chief Judge Edward R. Becker, U.S. Court of Appeals for the Third Circuit,
Philadelphia, PA, 1998-1999

Education:

J.D., Yale Law School, 1998
B.A., Harvard University, 1995

Online Resources:

Creator and maintainer, Georgetown IP Teaching Database
43(b)log, <http://tushnet.blogspot.com>: covering copyright, trademark, and false
advertising law (ABA Journal's Blawg 100 of top law blogs, 2012-2015)

Book and Casebooks:

WORTH A THOUSAND WORDS: THE IMAGES OF INTELLECTUAL PROPERTY LAW (Oxford
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Fair Use's Unfinished Business, 15 *CHI.-KENT J. INTELL. PROP.* 399 (2016).

Free to Be You and Me? Copyright and Constraint, 128 *HARV. L. REV. FORUM* 125 (2015).

How Many Wrongs Make a Copyright?, 98 *MINN. L. REV.* 2346 (2014).

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Why the Customer Isn't Always Right: Producer-Based Limits on Rights Accretion in Trademark, 116 *YALE L.J. POCKET PART* 352 (2007) (online supplement).

Professional Activities:

Member, ICANN Working Group, Review of All Rights Protection Mechanisms, 2016-present

Recipient of Public Knowledge's IP3 Award for Intellectual Property, 2015

Member, ABA Intellectual Property Section, Section 2(a) Task Force, 2015-present

Executive Committee Member, AALS Internet & Computer Law Section, 2011-2013

Co-organizer, IP/Gender: Mapping the Connections, 6th Annual Symposium, Female Fan Cultures and Intellectual Property, Washington College of Law (American

University) 2009

Co-chair, ABA Antitrust Section Consumer Protection Conference, 2009

Executive Committee member, Intellectual Property Section, AALS, 2008-2009

Member, Blue Ribbon Panel on Fair Use in User-Generated Video, 2008

Member, Georgetown University Copyright Committee, 2007

Board member/co-founder, Organization for Transformative Works, 2007-2010; Chair, Legal Committee, 2007-2012; member, Legal Committee, 2012-present

Chair, Art Law Section, AALS, 2005-2006

Selected Presentations: My recent presentations can be found at tushnet.blogspot.com/search/label/presentations.

Exhibit B: Prior testimony

I have not testified or been deposed within the preceding four years. I submitted the attached declaration on behalf of Plaintiff in *Luxe Hospitality Company v. SBE Entertainment Group, LLC*, No. 2:15-cv-07115-JAK (JPRx), (C.D. Cal.).

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6 Attorneys for Plaintiff
LUXE HOSPITALITY COMPANY, LLC

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

10
11 LUXE HOSPITALITY COMPANY,
LLC a Delaware LLC,

12 Plaintiff,

13 v.

14 SBE ENTERTAINMENT GROUP,
15 LLC, a Nevada LLC, SBE HOTEL
LICENSING, LLC, a Nevada LLC,
16 SBE HOTEL GROUP, LLC, a
Delaware LLC, SBEEG HOLDINGS
17 LLC, a Delaware LLC, LAS VEGAS
RESORT HOLDINGS, LLC, a
18 Delaware LLC, and SAM
NAZARIAN, an individual

19 Defendants.
20
21

Case No. 2: 15-cv-07115-JAK (JPRx)

**DECLARATION OF REBECCA
TUSHNET IN SUPPORT OF
PLAINTIFF'S OPPOSITION TO
DEFENDANTS' MOTION FOR
SUMMARY JUDGMENT (DKT.
169]**

Hearing Date: April 24, 2017
Hearing Time: 8:30 a.m.
Courtroom: 10B

Complaint filed: September 9, 2015
Trial Date: July 25, 2017

22 I, Rebecca Tushnet, hereby declare as follows:

23 1. I am a professor of law at Georgetown University Law Center. One of
24 my scholarly specialties is trademark registration. If called to testify, I could and
25 would competently testify to the statements made herein.

26 2. Based on my review of the PTO's records, Reg. 3,548,611, filed
27 February 9, 2007, was registered December 23, 2008, for LUXE for Class 43: Hotel
28

1 Services. The applicant initially received a nonfinal Office Action indicating a
2 potential conflict with another applicant’s applied-for mark. This nonfinal Office
3 Action did not raise an objection based on mere descriptiveness. Ex. A. Luxe
4 successfully petitioned to cancel that earlier applied-for mark and proceeded to
5 register. Luxe’s declaration of incontestability for the ‘611 registration was
6 accepted on January 24, 2015. Ex. B.

7 3. Reg. 4,212,421, for LUXE with a stylized X for Class 43, received an
8 initial Office Action on September 26, 2011, refusing the applied-for mark on
9 grounds of mere descriptiveness under §2(e)(1) of the Lanham Act. “Mere
10 descriptiveness” is a common ground for an initial rejection. The Office Action
11 noted that “applicant may respond to the refusal(s) by submitting evidence and
12 arguments in support of registration.” Ex. C. In its response on February 2, 2012,
13 Luxe claimed distinctiveness under §2(f), in part based on its active ownership and
14 use of the ‘611 registration. Ex. D. The examiner did not reject this contention, and
15 subsequently allowed the mark to proceed to publication, and the mark registered
16 on September 25, 2012.

17 4. Reg. 4,177,255, for LUXE HOTELS in Class 44, had a filing date of
18 June 1, 2011, and registered on the Supplemental Register on July 17, 2011.

19 5. Reg. 2,425,916, was a now-cancelled registration on the Supplemental
20 Register for LUXE in Class 42 for hotel services. The examiner initially refused to
21 register the applied-for matter on the Principal Register. The May 12, 2000 Office
22 Action making the refusal final was based on descriptiveness, not on genericness.
23 Ex. E, pp. 8-10 (“Registration was refused under Trademark Act Section 2(e)(1), 15
24 U.S.C. Section 1052(e)(1), because the subject matter for which registration is
25 sought is merely descriptive of the identified services.”; “The [m]ark ‘LUXE’ is
26 [d]escriptive and not [s]uggestive of the [s]ervices”).

27 6. As a matter of PTO practice, only descriptive matter capable of
28 trademark significance, and not generic matter which can never function as a

1 trademark, may be registered on the Supplemental Register. Examiners may not
2 approve terms they conclude are generic for registration on the Supplemental
3 Register.

4
5 I declare under penalty of perjury under the laws of the United States of
6 America that the foregoing is true and correct. Executed in Washington, D.C. on
7 March 2, 2017.

8
9 By: Rebecca Tushnet
10 Rebecca Tushnet

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Exhibit C: Materials Reviewed List

The following lists the documents and information that I have reviewed in connection with my report.

Discovery Materials

MSFT-00000029
CX0849
CX0816_1-800F_00045485

Expert Reports

Expert Report and Supplemental Materials of Ronald C. Goodstein (February 23, 2017)
Expert Report and Supplemental Materials of Dr. William M. Landes (February 23, 2017)
Expert Report and Supplemental Materials of Howard S. Hogan (February 23, 2017)
Expert Report and Supplemental Materials of Jacob Jacoby, Ph.D. (February 6, 2017)
Expert Report and Supplemental Materials of Kent D. Van Liere, Ph.D. (February 23, 2017)
Expert Report and Supplemental Materials of Kevin M. Murphy (February 23, 2017)

Case Filings and Exhibits

Binder v. Disability Group, Inc., 772 F. Supp. 2d 1172 (C.D. Cal. 2011), First Amended Complaint
FragranceNet.com, Inc. v. Les Parfums, Inc., 672 F. Supp. 2d 328 (E.D.N.Y. 2009), Permanent Injunction and Judgment on Consent
Gonzales & Gonzales Bonds and Insurance Agency, Inc. dba Gandbonds vs. Action Immigration Bonds and Insurance Services, Inc. d/b/ba Action Immigration Bonding case no 2:10-cv-01162 Complaint
Happy Feet USA, Inc vs. Serenity "2000" Corp case no 6:09-cv-1832-DAB Complaint for Trademark Infringement, Injunctive Relief, and Jury Trial Requested
J-Rich Clinic, Inc. v. Cosmedic Concepts, No. 02-cv-74324 (E.D. Mich. 2006), Order Dismissing Actions with Prejudice
Lbf Travel, Inc. v. Fareportal, Inc., No. 13 Civ. 9143(LAK)(GWG), 2014 WL 5671853 (S.D.N.Y. Nov. 5, 2014 Stipulation of Discontinuance with Prejudice

Lbf Travel, Inc. v. Fareportal, Inc., No. 13 Civ. 9143(LAK)(GWG), 2014 WL 5671853 (S.D.N.Y. Nov. 5, 2014), Order to Dismiss the First Amended Complaint
Pine Tree Legal Assistance v. Legalmatch.com Corporation Complaint and Jury Trial Demand
Probar, LLC. v. Onebody, individually and d/b/a/ Onebody.com and various John Does, Jane Does, and ABC Companies Case no. 2:14-cv-166-FtM-38CM Verified Complaint
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Soaring Helmet Corporation v. Nanal, Inc. d/b/a Leatherup.com Case No. 2:09-cv-00789-JLR Plaintiff's Second Amended Complaint
Soilworks, LLC v. Midwest Industrial Supply, Inc., 575 F. Supp. 2d 1118 (D. Ariz. 2008)- Local Rule 56.1 Statement of Material Facts
Table C-4 U.S District Courts- Civil Cases Terminated, by Nature of Suit and Action Taken During the 12-Month Period Ending March 31, 2014
True & Dorin Med. Grp., P.C. v. Leavitt Med. Assocs., P.A., No. 06-cv-00092 (S.D.N.Y. filed Dec. 21, 2006), Partial Stipulation of Dismissal
True & Dorin Med. Grp., P.C. v. Leavitt Med. Assocs., P.A., No. 06-cv-00092 (S.D.N.Y. filed Dec. 21, 2006), Second Complaint
True & Dorin Med. Grp., P.C. v. Leavitt Med. Assocs., P.A., No. 06-cv-00092 (S.D.N.Y. filed Dec. 21, 2006), Stipulation of Dismissal
True & Dorin Med. Grp., P.C. v. Leavitt Med. Assocs., P.A., No. 06-cv-00092 (S.D.N.Y. filed Dec. 21, 2006), Stipulation of Dismissal
True & Dorin Med. Grp., P.C. v. Leavitt Med. Assocs., P.A., No. 06-cv-00092 (S.D.N.Y. filed Dec. 21, 2006), Complaint
True & Dorin Med. Grp., P.C. v. Leavitt Med. Assocs., P.A., No. 06-cv-00092 (S.D.N.Y. filed Dec. 21, 2006), Notice of Dismissal Without Prejudice
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Allied Interstate LLC v. Kimmel & Silverman P.C., 2013 WL 4245987 (SDNY August 12, 2013)
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Anhing Corp. v. Thuan Phong Co., 2015 WL 4517846 (C.D. Cal. July 24, 2015)
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Designer Skin, LLC v. S & L Vitamins, Inc., 560 F. Supp. 2d 811 (D. Ariz. 2008)
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Garcia v. Coleman, 2008 WL 4166854 (N.D. Cal. Sept. 8, 2008)
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Global Tel-Link Corp. v. Jail Call Services, LLC, No. 1:14-cv-1557, 2015 WL 1936502 (E.D. Va. Apr. 28, 2015)
Happy Feet USA, Inc. v. Serenity "2000" Corp., No. 09-cv-1832 (Dkt. 22) (M.D. Fl. Mar. 16, 2010)
Holiday Inns, Inc. v. 800 Reservation, Inc., 86 F.3d 619 (6th Cir.1996)
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LG Corporation v. Huang, 2017 WL 476539 (S.D. Cal. Feb. 6, 2017)
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PACCAR v. TeleScan Techs. LLC, 319 F.3d 243 (6th Cir. 2003)
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Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P., 292 F. Supp. 2d 594, 604 (D.N.J. 2003)
Playboy Enters., Inc. v. Netscape Commc'ns, Corp., 354 F.3d (9th Cir. 2004) (Berzon, J., concurring)
PODS Enterprises, LLC v. U-Haul International, Inc., 126 F. Supp. 3d 1263 (M.D. Fla. 2015)
PrevMED, Inc. v. MNM-1997, Inc., 2017 WL 785656, No. H-15-2856 (S.D. Tex. Feb. 28, 2107)
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Exhibit D: List of Computer Programs

The following commercially-available computer programs were used in the preparation of this report:

1. Microsoft Word
2. Foxit Reader