

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

722 F.3d 1229 (10th Cir. 2013)

Before BRISCOE, Chief Judge, LUCERO, and HARTZ, Circuit Judges.

The Lanham Act, 15 U.S.C. §§1051–1127, prohibits the infringement of trademarks (used to identify products) and service marks (used to identify services). It was enacted in 1946, but because it speaks in general terms it can be applied to technologies unimagined at the time of enactment. One such technology, the Internet, has created a number of challenging issues. The case before us concerns Internet search engines, which present advertisers with new means of targeting prospective customers and therefore new possibilities for claims under the Lanham Act. The dispute arises out of advertising through AdWords, a program offered by the Internet search engine Google. An advertiser using AdWords pays Google to feature one of its ads onscreen whenever a designated term, known as a keyword, is used in a Google search. We must resolve whether the Lanham Act was violated by an advertiser’s use of keywords that resembled a competitor’s service mark. For the most part, we hold that there was no violation.

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

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

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

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

## I. BACKGROUND

### A. The Dispute

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

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

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

For its ad to appear as a sponsored link when a user initiated a Google search, an advertiser had to bid to reserve a particular word or phrase—known as a keyword—that would trigger the display of its ad. The advertiser specified whether its ad should appear as the result of (1) a broad match—that is, whenever a Google search contained a phrase that was either similar to or a relevant variation of the keyword; (2) a phrase match—whenever the search contained the exact keyword; or (3) an exact match—whenever the search contained the exact keyword and nothing more. The advertiser could also use negative matching, which instructed Google not to display the ad when a certain search term was used. Negative matching allowed the advertiser to filter out irrelevant searches. For example, if a seller of contact lenses had purchased the keyword contacts, it might have wanted to exclude searches for marketing contacts.

The display of a sponsored link in response to a user's search was known as an impression. An advertiser paid Google only if the user actually clicked on its impression; its bid for the keyword represented the

amount per click that it was willing to pay. Advertisers who bid higher amounts generally received superior placement among the sponsored links. A click that led to a sale through the advertiser's web page was called a conversion, which did not incur an additional charge to the advertiser from Google.

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

The parties who appeared to be responsible, Lens.com told 1-800, were affiliates. Advertisers like Lens.com might pay third-party affiliates to publish ads for them through AdWords and other search-engine programs. An Internet user who clicked on an ad published by a Lens.com affiliate would be routed directly to one of Lens.com's four websites—[www.Lens.com](http://www.Lens.com), [www.JustLenses.com](http://www.JustLenses.com), [www.1-800GetLens.com](http://www.1-800GetLens.com), and [www.ContactsAmerica.com](http://www.ContactsAmerica.com)—or instead would be taken to the affiliate's own website, where links to Lens.com's websites were displayed. When the user made a purchase at one of Lens.com's websites as a result of clicking on the affiliate's ad, the affiliate earned a commission.

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

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

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

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

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

As discovery proceeded, 1-800 learned that Lens.com itself had bid on the following nine terms (the Challenged Keywords) as AdWords keywords: “1-800 contact lenses”; “1800 contact lenses”; “800 contact lenses”; “800comtacts.com”; “800contacta.com”; “800contavts.com”; “800contaxts.com”; “800contzcts.com”; and “800conyacts.com.” Aplt. App., Vol. 9 at 1922–23. Lens.com does not dispute that it bid on the Challenged Keywords, nor does 1-800 contend on appeal that Lens.com ever bid on the 1800CONTACTS mark itself. Additionally, 1-800 does not claim that any impressions created by Lens.com featured the 1800CONTACTS mark in their text. Discovery revealed, however, that two Lens.com affiliates, Dusty Goggans and Ryan McCoy, had bid on the keyword “1800Contacts” and close variations of 1-800’s mark. Id., Vol. 5 at 507. And McCoy had published at least one ad for www.JustLenses.com (one of Lens.com’s websites) that featured the phrase “1800 Contacts” in its advertising copy. Id. at 508.

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

#### B. Service-Mark Infringement Under the Lanham Act

\* \* \* \* \* [U]nder § 43(a) the owner of any valid mark, registered or not, may sue any person who

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

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

Id. §1125(a).

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

Confusion can be of several sorts. For example, consumers may experience direct confusion of source when they develop the mistaken belief that the plaintiff is the origin of the defendant’s goods or services—so that the defendant capitalizes on the plaintiff’s good name. See Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1238 (10th Cir. 2006). The classic case of direct confusion occurs when “[c]ustomers want to buy the [plaintiff’s] product and because of the similarity of the marks, mistakenly buy the [defendant’s] product instead.” 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §23:10 at 23-70 (4th ed. 2013) (4 McCarthy). Or consumers may experience reverse confusion of source when they mistakenly believe that the defendant is the origin of the plaintiff’s goods or services. See Australian Gold, 436 F.3d at 1238. Reverse confusion typically occurs “when the [defendant’s] advertising and promotion so swamps the [plaintiff’s] reputation in the market” that “customers purchase the [plaintiff’s] goods under the mistaken impression that they are getting the goods of the [defendant].” 4 McCarthy § 23:10 at 23-70 to 71. In that circumstance the defendant would not be trying to take a free ride on the plaintiff’s reputation but would drown out the value of the plaintiff’s mark. This can arise when a national firm adopts a mark that was already being used by a small business operating in only one locality. See *id.* at 23-71 to 75 (setting forth examples). Confusion need not be limited to the incorrect perception that one party was the source of the other party’s product or service; it may also arise from “a mistaken belief in common sponsorship or affiliation.” Amoco Oil Co. v. Rainbow Snow, 748 F.2d 556, 558 (10th Cir. 1984). Nor must the confusion occur at the point of sale; postsale confusion may propagate among potential consumers who see the relevant product after the original buyer has purchased it. See Gen. Motors Corp. v. Urban Gorilla, LLC, 500 F.3d 1222, 1227 (10th Cir. 2007).

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

the district court that a genuine issue of fact existed regarding the likelihood of initial-interest confusion. See *id.* at 1240.

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

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

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

A defendant may be held liable for service-mark infringement even though it has not directly infringed on the plaintiff’s mark through its own acts. Two theories of secondary liability are pertinent here. First, we have joined the Third Circuit in recognizing that the Lanham Act incorporates common-law agency principles: a principal may be held vicariously liable for the infringing acts of an agent. See Procter & Gamble Co. v. Haugen, 317 F.3d 1121, 1127–28 (10th Cir. 2003); AT&T Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1433–34 (3d Cir. 1994); 4 McCarthy §25:21.25. Second, in Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 853–54 (1982), the Supreme Court ruled that contributory infringement can violate the Lanham Act. Akin to aiding and abetting, contributory infringement generally consists of either intentionally causing or knowingly facilitating the infringement of the plaintiff’s mark by a third party. The Inwood Court formulated the theory as follows:

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

*Id.* at 853–54 (footnote omitted).

### C. Proceedings Before the District Court

1-800 moved for partial summary judgment on the issues of direct and secondary liability for service-mark infringement. Except for the few ads that used the mark in their text, 1-800’s only clearly expressed theory of infringement was initial-interest confusion. Although it asserts on appeal that Lens.com’s acts of direct infringement included purchasing merely generic keywords and then failing to

designate the 1800CONTACTS mark as a negative keyword, that theory was not raised in district court. Its brief in opposition to summary judgment disclaimed such a position, stating: “On the Internet, a competitor is free to purchase keywords of the product category (i.e., contact lenses) but the competitor is not free to purchase a competitor’s trademark as a keyword.” Aplt. App., Vol. 10 at 2281. The brief made plain that its direct-infringement claim was limited to the nine Challenged Keywords, and that its principal secondary-infringement claim was limited to the purchase by Goggans and McCoy of keywords that closely resembled its mark.

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

[The court granted summary judgment.]

On appeal 1-800 argues (1) that there were disputed facts regarding likelihood of confusion and (2) that the evidence would support findings of secondary liability under theories of both vicarious liability and contributory infringement. In turn, Lens.com cross-appeals from an order sanctioning it for discovery abuses. And in a separate appeal Lens.com challenges the district court’s denial of its motion for attorney fees under both the Lanham Act, see 15 U.S.C. § 1117(a) (2008), and Utah law, see Utah Code Ann. § 78B–5–825 (2008). We affirm on all issues but one: contributory infringement. We disagree with the district court’s ruling that there was insufficient evidence that Lens.com had the necessary actual or constructive knowledge to be held contributorily liable for the conduct of its affiliates. We also reject Lens.com’s unclean-hands defense to 1-800’s claims. Therefore, we reverse and remand for further proceedings on the contributory-infringement claim.

## II. DISCUSSION

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

### A. Direct Liability for Ads Placed by Lens.com

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

We review the district court’s grant of summary judgment de novo. \* \* \* \* \*

Again, the elements of an infringement claim under the Lanham Act are (1) that the plaintiff has a protectable interest in the mark, (2) that the defendant has used an identical or similar mark in

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

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We have already set forth a list of six helpful, nonexhaustive factors for determining likelihood of confusion: (1) similarity of the marks, (2) intent of the alleged infringer, (3) evidence of actual confusion, (4) similarity of the competing parties' services and manner of marketing, (5) degree of consumer care, and (6) strength of the marks. See King of the Mountain, 185 F.3d at 1089–90. As we and other courts have emphasized, however, other factors may be considered, and the weight of any given factor can depend very much on context. \* \* \* \* \*

In this case, one item of evidence particularly suggests an absence of initial-interest confusion, the variety of consumer confusion on which 1-800 relies. As we explained in Australian Gold, initial-interest confusion occurs when a consumer in search of the plaintiff's product "is lured to the product of a competitor." 436 F.3d at 1238 (emphasis added); see Vail Assocs., 516 F.3d at 872 ("Initial interest confusion is a 'bait and switch' tactic that permits a competitor to lure consumers away from a service provider by passing off services as those of the provider, notwithstanding that the confusion is dispelled by the time of sale." (emphasis added)). Applying that description to this case, initial-interest confusion would arise as follows: a consumer enters a query for "1-800 Contacts" on Google; sees a screen with an ad for Lens.com that is generated because of Lens.com's purchase of one of the nine Challenged Keywords; becomes confused about whether Lens.com is the same source as, or is affiliated with, 1-800; and therefore clicks on the Lens.com ad to view the site. Lens.com has exploited its use of 1-800's mark to lure the confused consumer to its website. Ordinarily, the likelihood of such luring would need to be estimated by what we can call "informed judgment," which is assisted by analyzing the six King of the Mountain factors.

Here, however, we have AdWords data setting an upper limit on how often consumers really were lured in such fashion. A report by Lens.com's expert explained that Lens.com's use of the nine Challenged Keywords yielded 1,626 impressions for Lens.com or its associated websites over eight months. In only 25 (1.5%) of these 1,626 instances did the user click on the ad for Lens.com. (We do not know how many of the 25 made a purchase from Lens.com.) The users in those 25 instances may have been confused into thinking that Lens.com was affiliated with 1-800, or they may simply have wished to look at the offerings of those whom they knew to be 1-800's competitors. What we can say, though, is that initial-interest confusion occurred at most 1.5% of the time that a Lens.com ad was generated by a Challenged Keyword in those eight months. This number cannot support an inference that Lens.com's keyword activity was likely to "lure[]" consumers away from 1-800. Australian Gold, 436 F.3d at 1238. It is thus insufficient to justify relief. See Universal Money Ctrs., 22 F.3d at 1534, 1537 (characterizing a 2.6% confusion rate as de minimis); cf. CareFirst, 434 F.3d at 268 (survey reporting a confusion rate of 2% was "hardly a sufficient showing of actual confusion"); Henri's Food Prods. Co., Inc. v. Kraft, Inc., 717 F.2d 352, 358–59 (7th Cir. 1983) (survey reporting a confusion rate of 7.6% weighed against a finding of infringement).



Moreover, 1-800's arguments based on other King of the Mountain factors does not suggest a contrary conclusion. \* \* \* \* \*

The specific issue before us is the likelihood that a consumer who conducts an Internet search for 1-800 Contacts and then sees an ad for Lens.com on the results page will be confused into thinking that Lens.com has a business association with 1-800. To begin with, even if consumers in general may not much care what retailer supplies their contact lenses, the consumers relevant to this suit are looking for a particular retailer. Presumably they have narrowed their search because they have already selected 1-800 as the preferred retailer and are searching for its website or perhaps commentary on its performance. Given the purpose of the search, the shoppers will be attentive to click on those results that will connect them with sites relating to 1-800. In addition, once the consumers see the results page, the substantial dissimilarity between "1-800 Contacts" and "Lens.com" (or its other websites) can be expected to greatly reduce the chance that the consumers will think that the parties are related enterprises; the similarity of the search term and 1-800's mark is of minor relevance.

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

We now turn to 1-800's arguments regarding actual confusion. First, it cites what it claims to be anecdotal evidence of actual confusion in the marketplace: a customer-service record disclosed by Lens.com reported that a customer called Lens.com in July 2006 to cancel her order, apparently because she had just realized that Lens.com was not 1-800. Lens.com counters that the customer-service record cannot be probative of the relevant confusion in this case because, among other reasons, it gives no indication how the customer found Lens.com to place her order initially. We agree. It would be speculation to assume that she had clicked on a Lens.com ad after specifically searching for 1-800. Moreover, a single customer-service record is entitled to little weight. See King of the Mountain, 185 F.3d at 1092 ("[I]solated instances of actual confusion may be de minimis." (brackets and internal quotation marks omitted)); Universal Money Ctrs., 22 F.3d at 1535–36 (characterizing limited evidence of actual confusion as de minimis).

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We [] are concerned about the reliability of the [offered] survey. \* \* \* \* \* In any event, even assuming that the survey should have been admitted, it does not warrant reversal of summary judgment because it was insufficiently probative of confusion to overcome the factors discussed above. The survey revealed that the relevant confusion was fairly low. \* \* \* \* \*

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

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

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

\* \* \* \* \* [T]o the extent that 1-800's secondary-liability claim derives from keyword use by Goggans and McCoy that did not generate ads containing the 1800CONTACTS mark, there is insufficient evidence of direct infringement. And absent any evidence of direct infringement, Lens.com cannot be secondarily liable. The district court properly granted summary judgment to Lens.com on this keyword use.

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

### 1. Vicarious Liability.

The district court granted summary judgment to Lens.com on 1-800's vicarious-liability theory, ruling that the evidence would not support a reasonable inference that the affiliates were Lens.com's agents. See *1-800 Contacts*, 755 F. Supp. 2d at 1182–84. We have some concerns with the district court's analysis and Lens.com's arguments that there was no agency relationship. \* \* \* \* \*

We need not resolve, however, whether the evidence was sufficient to establish an agency relationship between Lens.com and its affiliates. Assuming without deciding that the affiliates were agents of Lens.com, we note that a principal is subject to liability for its agent's tortious conduct only if the conduct "is within the scope of the agent's actual authority or ratified by the principal." \* \* \* \* \* [T]he subjective component of actual authority was absent. We affirm summary judgment on the vicarious-liability claim on this ground. See *United States v. Cesareo–Ayala*, 576 F.3d 1120, 1128 n.2 (10th Cir. 2009) (noting that "we can affirm a judgment on any ground established by the record, so long as doing so is not unfair to the appellant," and explaining that we saw "no unfairness" in affirming on a particular ground when the facts were undisputed and the issue was clear).

### 2. Contributory Infringement.

#### a. Sufficiency of the Evidence.

The district court granted summary judgment on contributory infringement solely on the ground that the principles of contributory liability did not allow McCoy's offending ads—the ones featuring 1-800's mark in their text—to be imputed to Lens.com. See *1-800 Contacts*, 755 F. Supp. 2d at 1184–87.

Accordingly, we focus only on those principles without deciding whether the ads themselves directly infringed 1-800's mark.

We agree with the district court that the record cannot support a reasonable inference that Lens.com intentionally induced its affiliates to place the mark in the text of their ads. \* \* \* \* \*

[A] reasonable jury could find that during the period between the filing of 1-800's complaint and Lens.com's corrective action, Lens.com knew that at least one of its affiliates was publishing an ad bearing 1-800's mark, yet it did not take reasonable action to promptly halt the practice. We conclude that 1-800 has presented enough evidence to support a claim of contributory infringement.

#### b. Unclean Hands

We next must turn to an argument raised by Lens.com to counter all of 1-800's infringement claims, direct or indirect. Lens.com argues that even if it would otherwise be liable for infringement, 1-800's claim is barred by 1-800's unclean hands. It contends that 1-800 has done precisely what it accuses Lens.com of doing—bidding on keywords similar to the marks of its competitors, including Lens.com, only with much greater financial reward. Such alleged misconduct by 1-800, however, is irrelevant to the claim against Lens.com. \* \* \* \* \*

### III. CONCLUSION

We AFFIRM summary judgment on all claims of infringement based on keyword use that did not result in ads displaying 1-800's mark in their text. With respect to the secondary-liability claims related to ads that did display the mark in their text, we AFFIRM summary judgment on vicarious infringement but REVERSE and REMAND on contributory infringement. We AFFIRM the district court's sanctions order challenged by Lens.com's cross-appeal and the court's decisions not to award further attorney fees to 1-800 or to Lens.com. The sealed portions of the appendices will be unsealed 20 days from the filing of this opinion unless one of the parties files a motion, under seal if necessary, "setting forth precisely what information should be kept confidential and why lesser measures (such as submission of a redacted [appendix]) would not provide effective protection." Therrien v. Target Corp., 617 F.3d 1242, 1259 (10th Cir. 2010).