Warby Parker Prevails Against 1-800 Contacts in Keyword Advertising Dispute

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In the September 2022 issue of *Kattison Avenue*, we reported on a decision in the Southern District of New York dismissing claims by 1-800 Contacts, Inc. (1-800) against JAND, Inc., which does business as Warby Parker. The dispute involved Warby Parker's use of keyword advertising tied to 1-800's trademarks, which causes internet search results for 1-800 to display paid advertisements for Warby Parker's website at or near the top of the results page. 1-800 had claimed that this amounted to trademark infringement, but the district court disagreed, granting Warby Parker's motion for judgment on the pleadings. Unsurprisingly, 1-800 appealed to the Second Circuit.

On October 8, 2024, the Second Circuit affirmed the district court's ruling. This article will explain what 1-800 had alleged — and, significantly, what it did not allege; the key facts and evidence; and the basis for the Second Circuit's affirmance. Finally, we will provide a few important takeaways from the decision for retailers and other advertisers who might find themselves on either side of a similar dispute.

The Litigants and Their Businesses

1-800-Contacts is a retailer of contact lenses that consumers access solely through its website, 1800contacts.com. Many consumers navigate to the website by searching for 1-800's registered trademarks on search engines, including Google, and finding 1-800's web page in the search results.

Warby Parker was originally an online retailer of eyeglasses only. In 2013, it opened brick-and-mortar stores. Then, around November 2019, Warby Parker entered the online contact lens marketplace by selling contact lenses on its website, warbyparker.com. As a result, Warby Parker and 1-800 became competitors in the online sale of contact lenses. Warby Parker uses the trade name and trademark "Warby Parker."

Warby Parker's Use of 1-800 Keywords

This dispute revolved around Warby Parker's purchase at auction of keywords, including variations on 1-800's trademarks, in a type of internet marketing called search (or keyword) advertising. When online shoppers search for "1-800 Contacts" or variations of its trademarks by typing those terms into a search engine, they receive two principal types of search results: (1) organic or natural results, and (2) sponsored or paid results. Both results provide links to web pages.

The organic results include the web pages that the search engine's algorithm deems to be most relevant to the shopper's search. The paid results are based on which advertisers paid the most to have their advertisements shown in response to the search term. At the time of the lawsuit, paid results typically included a designation labeling the result as an "Ad," while currently, such results are often labeled as "Sponsored."

Google Ads (formerly Google AdWords) is Google's platform through which advertisers can bid to place advertisements in Google's search results. Using Google Ads, an advertiser can "strategically place advertisements" in a search term's results at or near the top of the results page by outbidding the competition for that term or keyword. Further, most search engines, including Google's, do not limit which keywords an advertiser can bid on. Thus, an advertiser can bid on a competitor's brand or trademarks so that the advertiser's ad appears in response to a consumer's search for the competitor's marks.

Warby Parker successfully bid on and purchased several keywords tied to 1-800's trademarks; as a result, its paid advertisements appeared early (i.e., high up on the list) in the search results of any consumer who conducted a search using a similar variation of 1-800's marks.

1-800 Claims Trademark Infringement

1-800 alleged in its complaint that Warby Parker used 1-800's trademarks and related variations in keyword search advertisements in violation of the federal Lanham Act. According to 1-800, Warby Parker engaged in a plan to purchase 1-800's trademarks as keywords in online advertising campaigns and then designed misleading paid advertisements, so that customers searching for 1-800's website by typing "1-800-Contacts" into a web browser would be diverted to Warby Parker's website instead.

According to 1-800, the "three-step" plan that Warby Parker implemented involved: (1) purchasing 1-800's marks as keywords; (2) displaying "source-ambiguous" ads to consumers who were searching for 1-800's website; and (3) directing such consumers to a Warby Parker "landing page" that mimicked 1-800's homepage so that consumers would believe they had gotten to 1-800's official

website or a website affiliated with 1-800. Accordingly, the three principal issues raised by 1-800's claims were:

1. whether Warby Parker's acquisition of keywords relating to 1-800's marks was itself wrongful;
2. whether Warby Parker's paid ads, which would show up in a consumer's search results when the consumer searched for one of 1-800's marks, were in any respect ambiguous or misleading as to their source; and
3. whether the Warby Parker web page that a consumer would arrive at if he or she clicked on the Warby Parker ad — i.e., the landing page — mimicked 1-800's official website, leading consumers to mistakenly believe they were on 1-800's website instead of Warby Parker's.

The District Court Rejects 1-800's Claims

In June 2022, the district court granted Warby Parker's motion for judgment on the pleadings and dismissed 1-800's complaint. Taking the allegations of 1-800's complaint as true, the court acknowledged that 1-800's marks were strong but found the strength of its marks irrelevant under the circumstances presented.

The court noted that in many trademark infringement cases, the defendant is using a mark that looks or sounds similar to the plaintiff's mark; for example, when a drug store chain offers a "house brand" for a product that is packaged and labeled in a way that copies a brand name's packaging. In this instance, the court rejected 1-800's argument that "the marks used by the parties are identical" because Warby Parker was using 1-800's marks only as keywords to trigger search result advertisements. Rather, the court found, the appropriate comparison was between 1-800's marks and Warby Parker's marks, which were entirely different.

Further, the court observed that when a consumer's search results are displayed, Warby Parker's paid search result is prominently labeled as an "Ad" and displays Warby Parker's own website address. Turning to 1-800's allegations that Warby Parker acted in bad faith, the court concluded that there was some evidence of bad faith by virtue of Warby Parker providing links to different contact lens landing pages depending on whether a consumer searched using variations of 1-800's marks or using variations of Warby Parker's marks. The latter landing page matched the overall aesthetics of the rest of Warby Parker's website while, according to the complaint, the former landing page was specifically designed to mimic the aesthetics of the 1-800 website. That said, the court also pointed out significant differences between 1-800's website and the Warby Parker landing page at issue, including the fact that Warby Parker's name is clearly displayed on that page.

So Does The Second Circuit

Upon its review, the Second Circuit also rejected 1-800's claims:

> We now reiterate that the mere act of purchasing a search engine keyword that is a competitor's trademark does not alone, in the context of keyword search advertising, constitute trademark infringement. Upon examination of the remaining allegedly infringing components of [Warby Parker's] search advertising campaign — i.e., the resulting advertisement itself and landing web page linked within, neither of which displays 1-800-Contact's trademarks — we conclude that [1-800] failed to plausibly allege any likelihood of consumer confusion under this Circuit's test in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961).

First, the appellate court left no room for doubt that there was nothing wrongful about Warby Parker's successful bidding on keywords associated with 1-800's marks: "As an initial matter, Warby Parker's practice of bidding on competitors' trademarks during search advertising auctions is a permissible and standard industry practice. This well-known marketing strategy — standing alone — cannot support a claim of trademark infringement absent additional use of 1-800's Marks."

Next, the Second Circuit considered 1-800's assertion that the paid advertisements that would appear in a consumer's search results were "source-ambiguous." The court considered it critical that Warby Parker did not use 1-800's Marks in the paid advertisement displayed on the search results page or in the domain name of the URL linked in the paid advertisement (www.warbyparker.com). In fact, the Second Circuit repeatedly noted throughout its decision that 1-800 did not claim that Warby Parker actually used its trademarks *other than* by purchasing them as keywords in the online search engine auctions. Additionally, "1-800's own pleadings show that the word 'Ad' is displayed directly next to Warby Parker's domain name at the top of its paid search ad in bold; the linked URL contains only the www.warbyparker.com domain name."

The appellate court then turned to the assertion that Warby Parker's "landing page" mimicked 1-800's official website, thereby leading consumers to mistakenly believe they were on 1-800's website instead of Warby Parker's. To the extent that 1-800 alleged that Warby Parker committed trademark infringement by copying the "look and feel" of 1-800's website, the appellate court observed, "That is really a trade dress claim. Such a claim would require an additional showing by 1-800 that its website design is 'distinctive.' Here, 1-800 did not plead or argue that the 'look and feel' of its website is a protectable mark. Rather, 1-800's complaint is focused on Warby Parker's use of its 'distinctive "1 800 CONTACTS" trademark and variations thereof.'"

In fact, the Second Circuit went out of its way to point out how significant it was that 1-800 had not alleged infringement of its distinctive trade dress: "We are not holding that a plaintiff can never allege some sort of violation of the Lanham Act where the defendant's only use of the plaintiff's mark is in the keyword purchase. For example, if Warby Parker's landing web page mimicked 1-800's website such that it was a mirror image of 1-800's site but stopped just short of using 1-800's brand name and

related marks, 1-800 could have a potential trade dress infringement claim, and our analysis would likely weigh the similarity-of-the-marks factor much more heavily in 1-800's favor." But ultimately, the appellate court concluded that 1-800's complaint failed to plausibly allege that consumers were likely to be confused by any portion of Warby Parker's search advertising plan:

> Here, the pleadings failed to plausibly allege that Warby Parker used 1-800's Marks anywhere during the search advertising process outside of its purchase at the initial, permissible keyword auction. Notably, Warby Parker did not use 1-800's Marks in the paid advertisement displayed on the search results page, in the domain name of the URL linked in the paid advertisement (www.warbyparker.com), or on the landing web page displayed to consumers who clicked on the URL in the paid advertisement. Nor did 1-800 plausibly allege that Warby Parker used any other protectable marks in these remaining components of the search advertising campaign … Thus, the dissimilarity of the marks factor is dispositive in this case; 1-800 has not adequately alleged likelihood of consumer confusion.

What Retailers and Advertisers Can Learn From This Decision

Prior to this litigation, 1-800 had employed a consistent strategy to deal with competitors seeking to "piggyback" on 1-800's popularity through keyword advertising. It regularly filed trademark infringement lawsuits against competitors who purchased keywords related to 1-800-Contacts, and then entered into settlement agreements in which the competitors agreed not to bid on 1-800's name or variations of its trademarks in future keyword auctions. The Federal Trade Commission considered these settlement terms a method of unfair competition under the Federal Trade Commission Act, but the Second Circuit disagreed in *1-800-Contacts, Inc. v. Federal Trade Commission*, 1 F.4th 102 (2d Cir. 2021).

However, the Second Circuit's decision in this case is likely to put a dent in that strategy, given its conclusion that the mere act of purchasing a search engine keyword that is a competitor's trademark does not alone, in the context of keyword search advertising, constitute trademark infringement. This decision could embolden other competitors to ramp up their bidding on keywords related to 1-800's marks and to refuse to settle should 1-800 sue them.

More broadly, a retailer who intends to bid on search engine keywords that derive from a competitor's trademarks might consider that the safest course is to make *no other use* of the competitor's marks, either in the resulting paid advertisement or on the retailer's own website (especially on a unique landing page tied to the advertisement). Second, the retailer should also make sure that what pops up in a consumer's search results from the keywords is not itself a misleading paid advertisement. The paid search results should not be in any respect ambiguous as to their source.

Third, the retailer should ensure that the page of its own website to which a consumer will be directed (i.e., the landing page) does not resemble or mimic the competitor's website in any way. It should employ a different color scheme, different arrangements and presentation of the products or services offered for purchase. Ideally, these pages should prominently display the retailer's own marks and trade dress (including any distinctive color scheme, fonts and other design elements).

Fourth, it goes without saying that to the greatest extent possible, the retailer's own marks should not be similar to its competitor's marks. This was key to the Second Circuit's decision — because Warby Parker's marks didn't look anything like 1-800's marks, the court found dispositively that there was no likelihood of confusion.

Finally, for the retailer or advertiser who seeks to preserve the strength of its marks and trade dress and to protect against consumer confusion resulting from keyword advertising, ongoing vigilance is the watchword: It should be aware of which competitors have successfully bid on keywords related to its own marks; it should monitor how the search results from internet searches using variations on its own mark are being displayed, including whether the word "Ad," "Sponsored" or some similar designation is prominently displayed next to any competitor's paid search results.

The retailer should also assess whether the paid search results are in any respect "source-ambiguous," such that a consumer might think the search results will direct them to the retailer's official website. Additionally, the vigilant retailer will review the landing page for its competitor's paid search result and any other relevant pages of the competitor's website to determine whether any of the content or overall look and feel of the web pages might confuse consumers into thinking that the site they landed on is the retailer's official site or in some way affiliated to or sponsored by the retailer.

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