UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION OFFICE OF ADMINISTRATIVE LAW JUDGES

In the Matter of

1-800 Contacts, Inc.

Respondent.



Docket No. 9372

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

Please take notice that, pursuant to 16 C.F.R. §3.45, Non-Party Contact Lens King, Inc. respectfully requests an Order granting *in camera* treatment for certain documents intended to be introduced as exhibits by the Federal Trade Commission in the trial of this matter. This motion is supported by the accompanying affidavit of Thomas A. DeSimon and the authorities cited therein, as well as the annexed affidavit of Samir Gad, President of Contact Lens King, Inc. A proposed Order is attached.

Dated: March 24, 2017 Pittsford, New York

Respectfully submitted,

HARRIS BEACH PLLC

By:

s/Thomas A. DeSimon
Attorneys for Third-Party
Contact Lens King, Inc.
99 Garnsey Road

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TO: Gustav P. Chiarello, Esq.
Federal Trade Commission
Bureau of Competition
Anticompetitive Practices Division
600 Pennsylvania Avenue, NW
Office CC-5538
Washington, DC 20580

Steven M. Perry, Esq. Munger Tolles & Olson LLP 355 South Grand Avenue, 35th Floor Los Angeles, CA 90071

ORIGINAL

EXHIBIT "A"



UNITED STATES OF AMERICA Federal Trade Commission WASHINGTON, D.C. 20580

March 2, 2017

Via E-Mail

Contact Lens King, Inc c/o Thomas DeSimon, Esq. Harris Beach PLLC 99 Garnsey Road Pittsford, NY 14534

RE: In the Matter of 1-800 Contacts, Inc., Federal Trade Commission Dkt. No. 9372

Dear Mr. DeSimon:

By this letter we are providing formal notice, pursuant to Rule 3.45(b) of the Commission's Rules of Practice, 16 C.F.R. § 3.45(b), that Complaint Counsel intend to offer the documents and testimony referenced in the enclosed Attachment A into evidence in the administrative trial in the above-captioned matter. The administrative trial is scheduled to begin on April 11, 2017. All exhibits admitted into evidence become part of the public record unless in camera status is granted by Administrative Law Judge D. Michael Chappell.

For documents or testimony which include sensitive or confidential information that you do not want on the public record, you must file a motion seeking in camera status or other confidentiality protections pursuant to 16 C.F.R §§ 3.45, 4.10(g). Judge Chappell may order that materials, whether admitted or rejected as evidence, be placed in camera only after finding that their public disclosure will likely result in a clearly defined, serious injury to the person, partnership, or corporation requesting in camera treatment.

Motions for in camera treatment for evidence to be introduced at trial must meet the strict standards set forth in 16 C.F.R. § 3.45 and explained in In re Jerk, 2015 FTC LEXIS (Feb. 23, 2015); In re Basic Research, Inc., 2006 FTC LEXIS 14 (Jan. 25, 2006); In re Hoechst Marion Roussel, Inc., 2000 FTC LEXIS 157 (Nov. 22, 2000) and 2000 FTC LEXIS 138 (Sept. 19, 2000); and In re Dura Lube Corp., 1999 FTC LEXIS 255 (Dec. 23,1999). Motions also must be supported by a declaration or affidavit by a person qualified to explain the confidential nature of the documents. In re North Texas Specialty Physicians, 2004 FTC LEXIS 66 (April 23, 2004). You must also provide one copy of the documents for which in camera treatment is sought to the Administrative Law Judge.

UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION OFFICE OF ADMINISTRATIVE LAW JUDGES

PUBLIC

In the Matter of

1-800 Contacts, Inc.

Respondent.

Docket No. 9372

STATE OF NEW YORK)
COUNTY OF MONROE) ss:

THOMAS A. DeSIMON, being duly sworn, deposes and says:

- 1. I am a member of the law firm of Harris Beach PLLC, attorneys for non-party Contact Lens King, Inc. ("CLK") relative to this action. I submit this affidavit in support of CLK's motion for *in camera* treatment.
- 2. I have been licensed to practice in New York since 1986 and was admitted to practice in the United States District Court for the Western District of New York in 1986, the Northern District of New York 1988, the Southern District of New York in 2009 and the Eastern District of New York in 2009. I am a member in good standing of the New York State Bar.
- 3. Pursuant to Rule 3.45 of the Federal Trade Commission's Rules of Practice, 16 C.F.R. §3.45(b), non-party Contact Lens King, Inc. ("CLK") respectfully moves this Court for *in camera* treatment of four competitively-sensitive, confidential business documents (the "Confidential Documents"). CLK produced these documents, among others, in response to third-party subpoenas from both the Federal Trade Commission ("FTC") and Respondent 1-800 Contacts, Inc. ("1-800"). The Federal Trade Commission has now notified CLK that it

intends to introduce seven exhibits into evidence at the administrative trial in this matter, including the Confidential Documents that are the subject of this motion for *in camera* treatment. The FTC's letter of notification, dated March 2, 2017, is annexed hereto as Exhibit "A".

- 4. In response to the FTC's notification, CLK contacted both FTC and 1-800 to advise them that it identified four exhibits (CX1473, CX1474, CX1476 and CX1794) within FTC's exhibit list for which it intended to seek *in camera* treatment. In response to CLK's notification to the FTC that it intended to bring this motion, counsel for the FTC informed CLK counsel that, historically, the FTC has not opposed such an application and that he saw no reason why such opposition would be made with respect to this application. CLK also notified 1-800's counsel of this intended motion and was advised by 1-800's counsel that 1-800 would take no position with respect to said motion for *in camera* treatment of the four exhibits. Counsel for 1-800 has advised me via e-mail dated March 14, 2017 that it does not intend to introduce any additional documents produced by CLK in response to its subpoena.
- 5. All of the documents for which CLK is seeking *in camera* treatment are Confidential Documents, such that if they were to become part of the public record, CLK would be significantly harmed in its attempt to compete in the industry of online retail contact lens sales. For the reasons set forth herein, CLK requests that the Court afford its Confidential Documents designated as exhibits CX1473 and CX1474 with *in camera* treatment for a period of two to five years. CLK further requests that this Court afford its Confidential Documents designated exhibits CX1476 and CX1794 *in camera* treatment indefinitely. CLK respectfully refers the Court to the affidavit of Samir Gad ("Gad Affidavit"), attached hereto as Exhibit "B" which provides additional details on the documents for which CLK is seeking *in camera*

treatment and provides a factual basis for concluding that the information contained in these exhibits is sufficiently secret and sufficiently material to CLK's business that disclosure would result in serious competitive injury.

I. The Documents for Which Protection is Sought

6. CLK seeks *in camera* treatment for the following Confidential Documents, copies of which are attached as Exhibit "C".

Exhibit No.	Document Title/Description	Date	Beginning Bates No.	Ending Bates No.
CX1473	Contact Lens King 2015 Sales	00/00/0000	CLK_052	CLK_052
CX1474	Contact Lens King 2016 Sales	00/00/0000	CLK_054	CLK_054
CX1476	Contact Lens King Adgroups negative keyword report	00/00/0000	CLK_793	CLK_793
CX1794	Contact Lens King data files – NKW lists and affirmative bidding on competitors	00/00/0000	CLK_011	CLK_160

II. CLK's Documents are Secret and Material such that Disclosure Would Result in Serious Injury to CLK

7. In camera treatment of material is appropriate when its "public disclosure will likely result in a clearly defined, serious injury to the person, partnership, or corporation requesting" such treatment. 16 C.F.R. §3.45(b). The proponent demonstrates serious competitive injury by showing that the documents are secret and that they are material to the business. In re General Foods Corp., 95 F.T.C. 352, 355 (1980); In re Dura Lube Corp., 1999 F.T.C. LEXIS 255, *5 (1999). In this context, courts generally attempt "to protect confidential"

business information from unnecessary airing." H.P. Hood & Sons, Inc., 58 F.T.C. 1184, 1188 (1961).

- 8. In considering both secrecy and materiality, the Court may consider: (1) the extent to which the information is known outside of the business; (2) the extent to which it is known by employees and others involved in the business; (3) the extent of measures taken to guard the secrecy of the information; (4) the value of the information to the business and its competitors; (5) the amount of effort or money expended in developing the information; and (6) the ease or difficulty with which the information could be acquired or duplicated by others. *In re Bristol-Myers Co.*, 90 F.T.C. 455, 456-457 (1977).
- 9. As set forth in the affidavit of Samir Gad, the Confidential Documents are both secret and material to CLK's business. The materials at issue contain information of competitive significance to CLK, such as sales data for the years 2015 and 2016 (exhibits CX1473 and CX1474), which information is less than three years old, In re Hoechst Marion Roussel, Inc., 2000 F.T.C. LEXIS 157 (2000), or are trade secrets (exhibits CX1476 and CX1794), which contain technical information and processes that reveal CLK's strategy and procedure for choosing negative keywords and are used by CLK to identify ad words which generate a particular result, whether desired or undesired. The compilation of such negative keyword lists and reports, as reflected in exhibit CX1476 and CX1794, is a detailed, difficult, extensive and expensive process that is designed to reduce acquisition costs per customer; an inefficient negative keyword pool results in an increase in acquisition costs and, as a result, the accumulated lists of negative keywords is highly confidential and protected to ensure that CLK increases its conversion of customer clicks at the highest possible rate. The public disclosure of those processes and information will result in the likely loss of business advantage, a clearly

defined serious competitive injury. *General Foods Corp.*, 95 F.T.C. 352, 355 (1980). The exhibits (CX1476 and CX1794) are therefore distinct from ordinary business records, requiring that indefinite *in camera* treatment be given to them.

- 10. CLK has developed internal processes to develop the proper spectrum of negative keywords so that its Google investment, which is its biggest expense per year, can be as productive as possible. Such information and processes are proprietary to CLK and not known publicly outside of CLK. In addition, the risk of the loss of competitive advantage from the public disclosure of CLK's internal negative keyword assessment processes is likely. For this reason, when CLK produced the Confidential Documents, it took steps to maintain the confidentiality of those documents by designating them "confidential", pursuant to the Protective Order issued in this case. Because of the highly confidential and proprietary nature of the information and its materiality to CLK's business, in camera treatment is appropriate.
- 11. Furthermore, disclosure of the Confidential Documents will result in the loss of a business advantage to CLK. The Confidential Documents are material to CLK's internal sales strategy and business assessment in which it regularly engages in order to compete with other online retail contact lens sales competitors. Making such documents public would result in a loss of business advantage that CLK has built as a result of its own substantial investments in the development of its proprietary systems and technical processes. The competitive significance of the technical formulas and criteria is unlikely to decrease over time and thus, indefinite protection from public disclosure is appropriate.
- 12. CLK's status as a third party is relevant to the treatment of its documents. As a third party, CLK deserves "special solicitude" in its request for *in camera* treatment for its confidential business information. See In re Kaiser Aluminum & Chem. Corp., 103 F.T.C. 500,

500 (1984) ("As a policy matter, extensions of confidential or *in camera* treatment in appropriate cases involving third party bystanders encourages cooperation with future adjudicative discovery requests."). CLK's third party status therefore weighs in favor of granting *in camera* status to the Confidential Documents.

III. Conclusion

13. For the reasons set forth above and in the accompanying affidavit of Samir Gad, CLK respectfully requests that this Court grant limited *in camera* treatment for the Confidential Documents contained in exhibits CX1473 and CX1474 and permanent *in camera* treatment for the Confidential Documents contained in CX1476 and CX1794.

s/Thomas A. DeSimon

Sworn to before me this 24th day of March, 2017.

Amy M. Dann
Notary Public, State of New York
Qualified in Wayne County
No. 01DA5077658
Commission Expires May 12, 2019

STATEMENT REGARDING MEET AND CONFER

The undersigned certifies that counsel for Non-Party Contact Lens King, Inc. ("CLK")

notified counsel for the parties via e-mail on or about March 9, 2017 that it would be seeking in

camera treatment for the Confidential Documents. Both counsel for the Federal Trade

Commission and 1-800 Contacts, Inc. indicated that they would take no position with respect to

CLK's motion.

Dated: March 24, 2017

Pittsford, New York

Respectfully submitted,

HARRIS BEACH PLLC

By:

s/Thomas A. DeSimon

Attorneys for Third-Party

Contact Lens King, Inc.

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Phone: (585) 419-8800

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HARRIS BEACH ₹ ATTORNEYS AT LAW

UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION OFFICE OF ADMINISTRATIVE LAW JUDGES

PUBLIC

In the Matter of

1-800 Contacts, Inc.

Respondent.

AFFIDAVIT IN SUPPORT OF NON-PARTY CONTACT LENS KING, INC.'S MOTION FOR IN CAMERA TREATMENT

Docket No. 9372

STATE OF NEW YORK)
COUNTY OF CLINTON) ss:

SAMIR GAD, being duly sworn, deposes and says:

- 1. I am the President of Contact Lens King, Inc. As such, I have personal knowledge of the facts set forth in this affidavit and the documentation that is the subject of the motion of Contact Lens King, Inc. seeking *in camera* treatment of certain exhibits intended to be introduced by the Federal Trade Commission at the trial in this matter. Those documents are located on the disk annexed to this motion.
- 2. The information contained in those documents is secret and material to the business of Contact Lens King, Inc. Public disclosure of the information contained in those documents would result in serious competitive injury to Contact Lens King, Inc.
- 3. Exhibits CX1473 and CX1474 contain sales and pricing data for the years 2015 and 2016. Exhibit CX1476 is an Excel spreadsheet containing a "negative keyword" report of the negative keywords that are housed on the Google Adwords account of Contact Lens King, Inc. Exhibit CX1794 are, likewise, documents that contain "negative keyword" lists and information relative to bidding on competitors' keywords. A public disclosure of this information would result in a serious competitive injury to Contact Lens King, Inc.

- 4. The information contained in these documents are material and should be kept secret. The general sales figures and the specific details of those sales figures, as encompassed within exhibits CX1473 and CS1474, are only accessible to personnel within the business of Contact Lens King, Inc. That information is only internally accessible to CLK's Director of Operations, Kosta Stefanidakis, CLK's in-house accountant, John Callaghan, CLK's IT Manger, Bucky LaFountain and myself as CEO. No one else inside or outside of CLK has access to this data. The only outside party with which sales data is shared is CLK's banker, but only on an income statement basis.
- 5. The information in the exhibits relating to negative keywords (exhibits CX1476 and CX1794) is housed in CLK's Google Adwords account which is only accessible by specific passwords possessed by CLK's Director of Operations Kosta Stefanidakis, IT Manager Bucky LaFountain and myself as CEO. Negative adwords are collected and posted to the CLK account through day to day operations in dealing with Google's advertisements. Decisions made to add or remove negative adwords are based upon careful and arduous analysis of various competitive advertisements, as well as a result of performance testing internally, in a bid to increase conversion on ads. Public disclosure of this information would therefore reveal CLK's trade secrets and processes for dealing with negative adwords/keywords. That information, as well as sales figures and data, are extremely limited to those individuals referenced above.

- 6. Significant measures have been taken to guard the secrecy of both the sales figures/data and the negative adwords/keywords information. As set forth above, no one with the exception of the identified individuals, either within or outside of the company, has access to the information. Such information is accessible only to those identified individuals by permissions assigned to the specific employee using CLK's operating software controls.
- 7. The value of this information to both CLK and its competitors is significant. The financial information encompassed within the sales figures/data would be extremely valuable to CLK's competitors in assessing CLK's strength as a business. The number of orders, the order size, the average selling prices and other information contained in those sales figures/data are all indicators of CLK's relative strength in the market. Use of that data by competitors would enable those competitors to assess CLK's relative strength in the market and to compete against it accordingly. The information contained in the exhibits relating to negative adwords/keywords is extremely valuable. This information would allow competitors to infiltrate CLK's thought process and strategy. That information is also a reflection of the skill of CLK personnel in developing the proper spectrum of negative adwords/keywords that allow CLK to make its Google investment more productive in that by focusing its ads it will have a greater ability to generate conversions.
- 8. CLK has expended a significant amount of effort and money to develop the information contained in the exhibits. CLK has expended over \$500,000.00 in developing its software to generate significant data relating to its sales figures. This information is critical to the operation of CLK's business. CLK's investment in Google Adwords is its biggest statistically each year. CLK's negative adwords/keywords program is designed to convert customer clicks at the highest rate possible in order to reduce its acquisition costs per customer.

An inefficient negative adwords/keywords pool results in increased acquisition costs. The accumulated lists of negative adwords/keywords set forth in the exhibits are regularly used to ensure that CLK remains on track in order to increase conversions.

- The information contained in the exhibits that are the subject of the motion 9. cannot be easily acquired or duplicated by others. The sales figures/data cannot be duplicated unless a competitor gains access to CLK's password protected/permissions protected software. The only other means of access to that data would be if it was voluntarily provided by one of the personnel authorized to access such data, which is forbidden. Negative adwords/keywords data, encompassed in exhibits CX1476 and CX1794, could only be acquired or duplicated by a competitors' significant and extensive analysis that could be conducted on competitive sites and by software techniques that may be used to identify common adwords that generate a particular result, whether desired or undesired. Collating of such information is, however, a difficult and detail intensive process, requiring hundreds of hours of effort in order to do so. The public disclosure of the negative adwords/keywords information contained in the exhibits would reveal to competitors CLK's thought process in determining the value of potential That revelation would result in the likely loss of business. negative adwords/keywords. advantage to CLK, which is a clearly defined, serious injury.
- 10. It is recognized that the sales figures/data are generally considered under the law to be "ordinary business records" which are entitled to a limited *in camera* treatment. Because this sales data is from the years 2015 and 2016, it is respectfully submitted that a period equal to or greater than three years is the appropriate period of time for *in camera* treatment of the information contained in these documents.

adwords/keywords data should be considered trade secrets in that not only do they contain secret technical information, but also include the process by which determinations are made by CLK of the value of a potential negative adword/keyword and includes the methodology whereby CLK makes strategic determinations to convert customer clicks at the highest possible rate in order to reduce its acquisition cost per customer. That information is sufficiently material to CLK's business so that disclosure would result in serious competitive injury. In light thereof, it is respectfully submitted and requested that indeterminate *in camera* treatment be given to exhibits CX1476 and CX1794.

s/Samir Gad

Sworn to before me this 22nd day of March, 2017.

s/Miranda L. Grabie
Notary Public, State of New York
Residing in Clinton County
Commission Expires June 22, 2017

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EXHIBIT "C"

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UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION OFFICE OF ADMINISTRATIVE LAW JUDGES

PUBLIC

In the Matter of	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
1-800 Contacts, Inc.	ORIGINAL ²
Respondent.	
PROPOSI	ED ORDER

Upon consideration of Non-Party Contact Lens King, Inc.'s ("CLK") Motion for In Camera Treatment, is it HEREBY ORDERED that the following documents are to be provided permanent *in camera* treatment from the date of this Order in their entirety.

Exhibit No.	Document Title/Description	Date	Beginning Bates No.	Ending Bates No.
CX1476	Contact Lens King Adgroups negative keyword report	00/00/0000	CLK_793	CLK_793
CX1794	Contact Lens King data files – NKW lists and affirmative bidding on competitors	00/00/0000	CLK_011	CLK_160

Exhibit No.	Document Title/Description	Date	Beginning Bates No.	Ending Bates No.
CX1473	Contact Lens King 2015 Sales	00/00/0000	CLK_052	CLK_052
CX1474	Contact Lens King 2016 Sales	00/00/0000	CLK_054	CLK_054

ORDERED:	
	D. Michael Chappell Chief Administrative Law Judge
Date:, 2017	

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Notice of Electronic Service

I hereby certify that on March 24, 2017, I filed an electronic copy of the foregoing Notice of Appearance, Notice of Motion for In Camera Treatment, Affidavit of Thomas A. DeSimon, Affidavit Exhibit A, Affidavit Exhibit B, Affidavit Exhibit C, Statement of Good Standing, Proposed Order, with:

D. Michael Chappell Chief Administrative Law Judge 600 Pennsylvania Ave., NW Suite 110 Washington, DC, 20580

Donald Clark 600 Pennsylvania Ave., NW Suite 172 Washington, DC, 20580

I hereby certify that on March 24, 2017, I served via E-Service an electronic copy of the foregoing Notice of Appearance, Notice of Motion for In Camera Treatment, Affidavit of Thomas A. DeSimon, Affidavit Exhibit A, Affidavit Exhibit C, Statement of Good Standing, Proposed Order, upon:

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Barbara Blank Attorney Federal Trade Commission bblank@ftc.gov Complaint

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Thomas DeSimon
Attorney