

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Toll Free Assignment Modernization)	WC Docket No. 17-192
)	
Toll Free Service Access Codes)	CC Docket No. 95-155

**COMMENTS OF
1-800 CONTACTS, INC.**

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SUMMARY

The Commission's Notice of Proposed Rulemaking ("*NPRM*") in this proceeding seeks to fix a process that is not broken. For nearly two decades, the Commission, working through Somos, Inc., the Toll Free Numbering Administrator, has successfully managed the release of five toll free number codes – 888, 877, 866, 855 and 844 – without excessive problems or conflicts. Concurrent with the release of the 833 toll free code, the Commission now seeks comment on potentially abandoning its finely tuned, time-proven process in order to replace it with an auction.

The distribution of toll free numbering resources – particularly numbering resources that are registered and protected by trademark law – should not be the subject of an auction. Numbering resources that are recognized by the public as associated with a particular business or service are federally protected by the Lanham Act, which prohibits the use of identical or confusingly similar toll free numbers to cause consumer confusion or to erode the goodwill of businesses that consumers have grown to trust. Any process that risks placing trademark-protected toll free numbers in the control of anyone other than the trademark holder would violate the intent of the Lanham Act and should not be employed by the Commission.

The Commission should also refrain from formally condoning a secondary market in numbering resources. The black market process of forcing legitimate trademark holders to make excessive payments to secure and protect their federally-protected intellectual property is harmful to commerce by raising costs for legitimate businesses. Bad actors may extort excessive payments from trademark holders either by threatening to use confusingly similar numbers to mislead consumers or by conducting private auctions between a trademark holder and its competitors for control of confusingly similar numbers. In either case, consumers are ultimately

harmful either as a result of unintended purchases of undesired products, or increased costs for legitimate businesses trying to protect the interests of their customers.

Instead, the Commission should create a right of first refusal for trademark holders to reserve toll free numbers in newly released toll free codes that are identical or confusingly similar to existing trademark-protected numbers. Such a process would be similar to the approach that is successfully used by the International Corporation for Assigned Names and Numbers (“ICANN”) with respect to the release of new Internet URLs. ICANN maintains a “sunrise” policy in which it allows trademark holders a period to reserve new URLs that are the same as or similar to their trademarks. The Commission should employ a similar approach to ensure that trademark-protected toll free telephone numbers are not released to parties that may violate the Lanham Act by misusing toll free numbers to confuse consumers or to extract excessive and unearned payments from legitimate trademark holders.

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1-800 CONTACTS, Inc. (“1-800 CONTACTS”) provides these comments in response to the Commission’s Notice of Proposed Rulemaking (“NPRM”) regarding the assignment process for future toll free numbers, including the release of the new 833 toll free code. 1-800 CONTACTS is the largest direct-to-consumer distributor of contact lenses in the United States. Our company has used the term 1-800 CONTACTS for more than twenty years and has invested hundreds of millions of dollars in nationwide advertising, through the internet, e-mail, television, radio, newspapers, magazines and direct mail, to promote and build consumer awareness of this brand.

As a result of this substantial investment, consumers strongly associate 1-800 CONTACTS with our contact lens retail services. Indeed, a 2008 brand awareness survey reported that the 1-800 CONTACTS mark enjoys an unaided awareness¹ of 45 percent among contact lens wearers, ranking first among contacts retailers over the brand with the next highest unaided awareness, which ranked at only 2 percent.

¹ “Unaided awareness” refers to consumers’ spontaneous association of a brand with a category of goods or services. “Aided awareness” refers to a consumer’s recognition of a brand after the brand has been mentioned. *See, e.g., I.P. Ltd Trading Aps. V. Kohler Co.*, 118 F. Supp. 2d 92, 106 n22 (D. Mass. 2000).

1-800 CONTACTS is a federally registered trademark, giving our company proprietary rights and exclusivity in the use of this term in connection with telephone order services and online retail services featuring contact lenses. Our company holds multiple trademark registrations for 1-800 CONTACTS² and we hold and use most of the toll free codes associated with the number 266-8228 (CONTACT), including 800, 888, 877, 866 and 844. Our company also holds more than 150 domain name registrations that incorporate variations of our trademark, reflecting our efforts to secure the brand against consumer confusion caused by similar names. These registrations include domain names reflecting other toll free codes associated with the number 266-8228 (CONTACT), including, for example, 1888contacts.com.

Although our company places significant value in our trademarks, the primary purpose of federal trademark law is to protect consumers. Federal trademark protections were adopted by Congress to promote the public interest by enabling consumers to make informed and reliable purchasing decisions regarding products and services that they value from companies they trust.

The Commission is similarly tasked by Congress with promoting the public interest. Consistent with this public interest obligation, the Commission must employ measures that help protect the public, including the public's right to be protected from the misuse or erosion of recognized trademarks. Any proposal to conduct an auction to allocate toll free numbering resources – particularly toll free numbers that are confusingly similar to registered trademarks – would risk placing such toll free numbers in the hands of parties that may misuse the numbers to promote customer confusion or to extort unwarranted payments from trademark holders seeking to preserve their statutorily protected intellectual property rights. Such an approach would clearly be contrary to the public interest. Therefore, the Commission should refrain from conducting an

² USPTO Reg. Nos. 2675866; 5131335; 3833549; and 4216404.

auction for those toll free numbers that may be protected by trademark law. Instead, the Commission should follow the example provided in other fields of intellectual property law by giving trademark holders a right-of-first refusal over confusingly similar numbers in newly released toll free numbering codes.

I. THE COMMISSION SHOULD REFRAIN FROM USING AN AUCTION TO ASSIGN TOLL FREE TELEPHONE NUMBERS THAT MAY BE PROTECTED UNDER THE LANHAM ACT

In 1946, Congress adopted the Lanham Act to protect the public’s growing reliance on trustworthy trademarks. Congress explained that the Lanham Act was intended “[t]o protect trademarks, to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not.”³

Reliable trademarks enable consumers to make informed and dependable purchases from companies they have grown to trust involving products and services that they value. In the absence of strict trademark protections, consumers will likely be unable to determine the origin of products and services in the marketplace, leading to customer confusion, dissatisfaction, and an increased reluctance or distrust to make purchases, thereby impairing commerce. Further, some parties may intentionally market products or services using misleading marks, resulting in additional customer confusion and an erosion in their confidence in the trademarks they trust.

To prevent this, the Lanham Act prohibits “the deceptive and misleading use of marks; protect[s] persons engaged in such commerce from unfair competitions; [and] prevent[s] fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable

³ S. Rep. No. 133, 1946, U.S. Code Cong. Serv. 1274, 1276.

imitations of registered marks...”⁴ These prohibitions protect consumers by preventing confusion and unfair competition, promoting the ability of consumers to distinguish among competitors and preserving earned goodwill of brand owners. The Commission should further these goals in order to manage in an equitable manner telephone numbering resources.

A. Toll Free Telephone Numbers Can Qualify as Trademarks, Warranting Their Protection from Identical or Confusing Similar Telephone Numbers

When a telephone number is used in interstate commerce as a single source identifier of a service provider, the owner of the number has federal trademark rights in the number. Companies conducting business through telephone orders frequently promote a toll free number as a key identification of the source of their products or services. Such use develops trademark protection for these telephone numbers, including such common identifiers as 1-800-MATTRES, 1-800-CONTACTS, 800-YO CREAM, and 1-800-FLOWERS.⁵

The Lanham Act also protects trademark holders from the use of telephone numbers that are confusingly *similar* to their own. Specifically, the Act protects the public against the use of “colorable imitations of registered marks” or false designation as to the origin of a business service.⁶ The Lanham Act defines “colorable imitation” as “any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.”⁷

⁴ Lanham Act, 15 U.S. Code § 1127.

⁵ See, e.g., *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (2d Cir. 1989) (federal trademark rights recognized in telephone number that spelled MATTRES (628-8737) for retail mattress dealer); *SODIMA v. Int'l Yogurt Co.*, 662 F. Supp. 839, 852-54 (D. Or. 1987) (common law trademark rights recognized in telephone number 800-YO CREAM).

⁶ 15 U.S.C. § 1114.

⁷ 15 U.S.C. § 1127.

In the context of telephone numbers that spell words, merely replacing the area code or toll-free prefix is not enough to prevent a likelihood of confusion between the corresponding word mark and is therefore likely to constitute trademark infringement. A telephone number that is identical to a word mark in all respects except the toll-free exchange – such as 1-833 CONTACTS – is confusingly similar to the federally protected number, 1-800 CONTACTS, and is therefore likely to be treated as unlawful trademark infringement.⁸ For example, in a case involving the 1992 World's Fair, a court ruled that the use of the telephone number 444-1992 warranted protection against the use of the confusingly similar telephone number 434-1992 given the importance of "1992" in the context of the event.⁹

Significant consumer confusion also results from the use of telephone numbers that are very similar to the telephone number that spells such trademarked terms as "CONTACTS." For example, our company holds the toll free number, 1-800 266-8228, which is one number different from the number that spells CONTACTS, *i.e.*, 1-800 266-8227. Each year, we receive about 35 thousand calls from our customers on the misdialled number. For this reason, it is inappropriate to suggest that companies that hold multiple variations on a trademark-protected telephone number may be warehousing or hoarding such numbers. Instead, all of these numbers are in active use.

⁸ See, e.g. *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (2d Cir. 1989) (prohibiting use of 1-800-MATTRESS in light of plaintiff's use of MATRESS as a phone number in various other area codes); *American Airlines, Inc. v. A 1-800-A-M-E-R-I-C-A-N Corp.*, 622 F. Supp. 673 (N.D.Ill. 1985) (granting American Airlines injunction against travel agency's use of telephone number 1-800-263-7422, which defendant promoted as 1-800-AMERICAN).

⁹ *Chicago World's Fair - 1992 Corp. v. The 1992 Chicago World's Fair Comm'n*, Civ. No. 83 C 3424 (N.D.Ill. Aug. 16, 1983) (protecting use of telephone number 444-1992 against use of telephone number 434-1992 in context where "1992" had special significance as a source identifier).

Therefore, the Commission should treat trademark-protected telephone numbers – along with confusingly similar variations on these numbers – as federally ensured property rights.

B. The Use of an Auction Could Erode Federally Protected Trademark Rights in Toll Free Telephone Numbers, Resulting in Consumer Confusion

In arguing against the use of an auction for the release of toll free telephone numbers that are protected by trademark law, we recognize that the Commission has enjoyed tremendous success using auctions to assign spectrum rights. Spectrum, however, is relatively fungible, particularly when the Commission auctions multiple blocks of spectrum in the same or adjacent frequency bands. Toll free telephone numbers that are protected by trademark law, however, are never fungible.

The *NPRM* argues that an auction could promote efficiency by assigning numbers to the parties that value them most.¹⁰ Where a particular number is protected by trademark law, however, there is only one possible auction result that would favor the public interest: acquisition by the trademark holder. Although bad actors and competitors of trademark holders would certainly benefit from an equal opportunity to obtain numbers otherwise protected by trademark rights, such a result is precisely what the Lanham Act is meant to prevent. An auction system may be appropriate for many toll free numbers, but it cuts against the public interest where trademark rights are at stake.

The *NPRM* further argues that an auction system could promote efficiency by discouraging subscribers from acquiring numbers beyond those needed, thus furthering the public interest.¹¹ We believe the opposite is true. A well-publicized auction is likely to attract attention from

¹⁰ Notice, ¶ 9.

¹¹ *See id.*

speculators and bad actors. This is demonstrated by the Commission's experience with spectrum auctions where the high prices secured by the Commission in many auctions resulted in part from bids by speculators and other parties that may not engage (and often have not engaged) in the Commission's other mechanisms for assigning spectrum, such as through coordination. In fact, the Commission's recent direction to Somos, Inc. for RespOrgs to submit requests for the toll free numbers in the 833 prefix that they want to reserve already appears to have generated an increased interest in the 833 prefix with thousands of toll free numbers requested by more than one party.¹²

The proposed use of an auction to assign toll free telephone numbers could result in an inequitable distribution of numbers. The unregulated granting of rights to the highest bidder can result in an environment ripe for manipulation. Absent acknowledgment of a trademark holder's rights and interests in trademarked terms when assigning new phone numbers, squatters or other bad actors may manipulate the system by acquiring valuable phone numbers and then requiring excessive payments from legitimate trademark holders. This is comparable to the significant problems that exist in the field of patent law with respect to permitting non-practicing entities to enforce ambiguous patent rights on practicing entities. Such conflicts waste time and money and can inhibit the development of intellectual property.

Auctioning trademark-protected toll free numbers could also harm consumers under the "initial interest confusion" doctrine. Initial interest confusion refers to a "bait and switch" tactic in which a competitor lures consumers away from a service provider by passing off services as those of the provider.¹³ For example, the use of 1-833 CONTACTS by a competitor could lure

¹² See Toll Free Service Access Codes, *Order*, 32 FCC Rcd 3153, 3155, ¶ 6 (WCB 2017).

¹³ See *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1018 (9th Cir. 2004) (holding that initial interest confusion occurs when a defendant uses a plaintiff's trademark in a way calculated to capture a consumer's attention and divert the consumer to the defendant's website).

consumers away from our company by passing off the competitor's services as our own. The initial interest confusion doctrine acknowledges that consumers may realize the mistake prior to the actual sale of the product or service. Nevertheless, that is often too late in the process to prevent the sale, or to preserve the reputation of the trademark holder.¹⁴

The potential public harm caused by intentionally or unintentionally misdirected calls is further exacerbated for consumers attempting to purchase personally sensitive products, such as contact lenses or other medical products, where the nature of the business involves confidential medical diagnostics testing, private vision and prescriptions records, and time-sensitive product orders.

The Commission should therefore refrain from adopting an auction approach for the distribution of toll free telephone numbers that are protected by trademark law. The Commission's proposal to auction toll-free vanity numbers in the 833 code would facilitate the adoption and use of unlawful "colorable imitations of registered marks" by third-parties. Such action would increase the risk of trademark infringement in violation of the Lanham Act, harm the public by increasing the likelihood of confusion in the marketplace, and deprive trademark owners of valuable property rights.

C. It Would be Inequitable to Force Trademark Holders to Employ Secondary Markets to Recover Their Lawfully Recognized Intellectual Property Rights

The potential harms to federal protected trademark rights that are implicated by the Commission's auction proposal would be exacerbated if the Commission legitimized a secondary

¹⁴ See *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238 (10th Cir. 2006) (initial interest confusion violates the Lanham Act even if the consumer eventually becomes aware of the source's actual identity).

market for toll free numbers, which up until now has been a black market practice.¹⁵ The creation of an official market for toll free numbers would embolden non-practicing entities by encouraging squatting and would incentivize competitors to drive up auction prices for numbers connected to a competitor's trademark rights. Such bad-faith actors may also leverage the good-will earned by trademark owners to wrongfully divert legitimate consumer inquiries, confuse consumers, and damage the reputation of good companies.

In the environment of an FCC-approved secondary market, bad actors are likely to increase their efforts to extort excessive payments from trademark holders either by threatening to use confusingly similar numbers to mislead consumers or by conducting private auctions between a trademark holder and its competitors for control of confusingly similar numbers. In either case, consumers are ultimately harmed either as a result of unintended purchases of undesired products, or increased costs for legitimate businesses trying to protect the interests of their customers. Although trademark holders can engage in legal action to try to thwart bad actors, such measures are expensive and time consuming, often leaving consumers to be victimized by such bad actors during the pendency of the legal proceedings.

An analogous inequity arises in the context of domain name ownership, where cyber-squatters buy domain names that infringe on trademarks to redirect consumers from legitimate businesses and to sell the domain names back to the trademark owner at exorbitant prices. The International Corporation for Assigned Names and Numbers ("ICANN") has acknowledged the significant public risk of bad-faith domain name registrations and has taken measures, discussed below, to help prevent cyber-squatters from earning an unjust windfall through buying domain names that infringed rights owners' marks. The Commission should create a similar mechanism

¹⁵ *NPRM*, ¶¶ 30-33.

to ensure that federally protected trademark holders have a reasonable opportunity to secure confusingly similar toll free telephone numbers.

II. THE COMMISSION SHOULD GRANT TRADEMARK HOLDERS A RIGHT OF FIRST REFUSAL WITH RESPECT TO EQUIVALENT OR CONFUSINGLY SIMILAR TOLL FREE TELEPHONE NUMBERS

In order to promote the public interest, the Commission should grant trademark holders a “right of first refusal” with respect to equivalent or confusingly similar telephone numbers. Such a process would provide a more equitable and efficient method for making the numbers available and would better serve the public interest.

A right of first refusal would be consistent with the manner in which trademark rights are protected in the similar context of Internet URLs. When releasing new top level Internet domains to the general public – which is analogous to the release of a new toll free code – ICANN allows trademark holders a period to reserve new URLs that are the same as or similar to their trademarks. Known as the “sunrise policy,” this right of first refusal protects trademark owners from cybersquatters, reduces consumer confusion caused by use of infringing domain names, while also allowing general access to most top level domains.¹⁶

Many toll free telephone phone numbers, like domain names, implicate trademark rights and are vulnerable to confusingly similar variations on a mark that may cause consumer confusion and violate the Lanham Act. Toll free numbers and websites both play an important role in aiding the public in identifying and contacting an organization. Finally, toll free phone numbers and domain names are both susceptible to squatters and bad-faith registrants that may hold valuable trademarks for ransom. Therefore, like ICANN, the Commission should provide an opportunity

¹⁶ See <https://www.icann.org/resources/pages/sdrp-2013-10-31-en> (describing ICANN’s Sunrise processes and procedures).

for trademark holders to protect their intellectual property interests in newly-released toll free numbers with a right of first refusal period before the release to the general public.

The use of a right of first refusal for trademark holders would be consistent with the Commission's statutory mandate to make "numbers available on an equitable basis."¹⁷ Ensuring trademark owners have a right of first refusal to trademark-protected numbers is equitable because it maintains the status quo of their federal trademark rights. Under federal trademark law, the trademark owner has a right to exclude third parties from using a confusingly similar mark, such as an identical number with a different toll free code. In contrast, third parties do not have a "right" to obtain a toll free number that is the same as or similar to a federal trademark owned by another. It is therefore equitable to provide the trademark owner an opportunity to preserve their exclusive use of the mark in the toll free number before allocating the remaining numbers to the general public.

The use of a right of first refusal would also be more efficient than the proposed auction approach because it would prevent post-assignment trademark disputes and trademark litigation regarding the assignment of infringing telephone numbers. Finally, a right of first refusal would further the public interest because it would protect consumers from marketplace confusion and deception, consistent with policy objectives of the Lanham Act. For federal trademark holders such as 1-800 CONTACTS, a right of first refusal would ensure that it could secure toll free numbers that are the same as or confusingly similar to its federal trademarks, and prevent competitors or pirates from unfairly securing rights in protected numbers. This would lower the risk of consumer confusion and prevent competitors from misappropriating the goodwill of the trademark owner. The use of a right of first refusal would further the Commission's statutory

¹⁷ 47 U.S.C. § 251(e)(1).

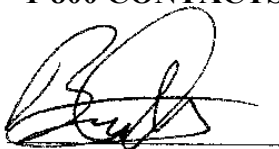
obligation to promote the public interest and therefore should be included in the Commission's rules for the release of all future toll free codes.

III. CONCLUSION

1-800 CONTACTS supports the Commission's efforts to ensure that its management and distribution of toll free telephone numbers is carried out in an equitable and efficient basis. The Commission, however, has long had in place a process that appropriately fulfills these requirements. In contrast, the use of an auction to assign numbers that are protected by trademark would not be equitable or efficient, but instead would harm the public interest by eroding trademark rights and promoting consumer confusion in the marketplace. The Commission should instead replicate the measures that are employed with respect to other intellectual property rights by employing a right of first refusal process for toll free telephone numbers that are protected by federal trademark law.

Respectfully submitted,

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