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ROSETTA STONE LTD. V. GOOGLE INCORPORATED

**TRADEMARKING LANGUAGE: GOOGLE'S ADWORDS AND THE VALUE
OF ONLINE SEARCHING**

I. INTRODUCTION

The phrase, “just Google it” is one that has become frequently used and understood by many internet users today to be synonymous with an idea of informal research with instantaneous results. It has become the “norm” to type a familiar phrase or product into Google’s search engine and within moments you are met with results that often provide you with exactly what you were searching for. To date, it has been estimated that over 2.2 billion people use the Internet; this means over one-third of the human race has logged on at least once during their lives.¹ In analyzing a trademark (TM) infringement case, it is of utmost importance to analyze several issues and factors before coming to a decision. Recently the U.S. District Court for the Eastern District of Virginia and the Court of Appeals for the Fourth Circuit did not come to the same decision with the *Rosetta Stone, Ltd. v. Google Inc* because they approached the issues in different ways.² The plaintiff, Rosetta Stone Ltd., (“Rosetta Stone”) sued Google Inc., (“Google”) for trademark infringement, asserting that Google was “actively assisting third party advertisers to mislead consumers and misappropriate Rosetta Stone's trademarks by using the trademarks (1) as keyword triggers for paid advertisements and (2) within the title and text of paid advertisements on Google's website.”³ A further examination of the various issues considered by the two courts may shed some light on

¹ Internet Users in the World: Distribution by World Regions 2011, Internet Stats, <http://www.internetworldstats.com/stats.htm> (last visited, July 17, 2012).

² *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 537 (E.D. Va. 2010) *aff'd in part, vacated in part, remanded*, 676 F.3d 144 (4th Cir. 2012)

³ *Id* at 534.

the approach courts are beginning to take when confronted with issues of trademark infringement.

II. BACKGROUND

A. History of Rosetta Stone Ltd.

In 2010, Rosetta Stone brought action against Google by asserting several claims with regard to Google's alleged unlawful infringement on Rosetta Stone's registered trademark.⁴ Rosetta Stone is a technology-based language learning company that provides their customers with products and services in order to help them learn a new language.⁵ Founded in 1992 and based out of Virginia, Rosetta Stone is now the leading language education company in the United States.⁶ Rosetta Stone has several registered trademarks (ROSETTA STONE, ROSETTA STONE LANGUAGE LEARNING SUCCESS, ROSETTASTONE.COM, and ROSETTA WORLD) and has been active in advertising their product using these marks through various media outlets.⁷ Rosetta Stone first began advertising in connection with Google's website and online services ten years ago in 2002.⁸ Rosetta Stone continues to advertise in connection with Google to this day.⁹

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 150(4th Cir. Va. 2012)

⁹ *Id.*

B. Google and the Development of the AdWords Program

Google is one of the world's most used search engines. Google is a worldwide force, with its content network reaching 80% of global internet users and over 70% of U.S. Internet searches being done using Google's search engine.¹⁰ Google states that their mission as a company is to “organize the world's information and make it universally accessible and useful.”¹¹ In order to achieve this goal, Google offers a multitude of products and services through various technological outlets in order to help their users organize and share in the world's information.¹² One of the more controversial ways that Google makes a profit is through its highly successful program Ad Words, which offers advertisers coveted advertising space for relevant searches.¹³

Ad Words is a program that helps companies advertise and promote their products or services on Google's websites.¹⁴ This program works by providing highly relevant ads and suggestions to third party users who have entered keywords and various other searches into the Google search engine.¹⁵ As explained by Google, “every time someone searches on Google, AdWords runs an auction to determine the ads that show on the

¹⁰ *Id.*

¹¹ About Google, <http://www.google.com/intl/en/about/> (last visited Dec. 18, 2012).

¹² About Google Products Offered, <http://www.google.com/intl/en/about/products/index.html> (last visited Dec. 18, 2012).

¹³ Our Products and Services, Google, <http://www.google.com/about/company/products/> (last visited Dec. 18, 2012).

¹⁴ Into to AdWords, Google, <http://support.google.com/adwords/bin/answer.py?hl=en&answer=1704424&from=6382&rd=1> (last visited Dec. 18, 2012).

¹⁵ *Id.*

search results, and their rank on the page.”¹⁶ Before placing an ad into an auction, an advertiser needs to select which customer action they would like to pay for.¹⁷ AdWords allows advertisers to place their ads in a variety of places, explaining that their “ads can appear on different places across the web, depending on how [they] target [their] ads, to whom [they] choose to show them [to], and the types of ads [they] create.”¹⁸ Most advertisers place their bids and “target their ads” around certain popular keywords and products.¹⁹ Keywords are words or phrases that the advertiser chooses that are aimed to trigger their ad to show on searches and other Google sites.²⁰ These keywords can trigger one’s ads to appear next to search results on Google and well as other search sites.²¹ Google provides advertisers with helpful tips on how to choose the best word or phrases in selecting keywords.²² Google suggests that one could to improve an ad’s performance by creating “a list of keywords that are relevant to your product or service, and making sure they’re specific rather than general (for example, "fresh flower delivery" rather than simply "flower"). Advertisers can typically show their ad to the people who are most

¹⁶ Intro to AdWords, How costs are calculated in AdWords, <http://support.google.com/adwords/bin/answer.py?hl=en&answer=1704424&topic=1713894&path=1710534&ctx=leftnav> (last visited Dec. 18, 2012).

¹⁷ *Id.* (cost-per-click is when someone clicks on your ad, cost-per-impression is how frequently Google shows your ads, and cost-per-acquisition is how many conversion you receive).

¹⁸ Intro to AdWords, Where your ads can appear, <http://support.google.com/adwords/bin/answer.py?hl=en&answer=1704373&topic=1713894&path=1710534&ctx=leftnav> (last visited Dec. 18, 2012).

¹⁹ Intro to AdWords, How AdWords Work, <http://support.google.com/adwords/bin/answer.py?hl=en&answer=2497976&topic=1713894&path=1710534&ctx=leftnav> (last visited Dec. 18, 2012).

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

interested in their product or service.²³ Many advertisers recognize that if they place a bid (how much they are willing to spend) on a repeatedly searched or popular keyword, the AdWords program provides its customers with coveted ad space on search result pages for products similar to theirs.²⁴ For many advertisers, they use this program to promote their products and goods on the results page an individual receives after searching for competitor's products.²⁵

However, Google did not always allow advertisers to buy terms associated with any trademarks;. Finally, in 2004, Google stopped restricting the sale of trademarked terms only to the holder of those marks and allowed advertisers willing to bid through their AdWords program the opportunity to buy such terms.²⁶ This change was not well received by many, especially trademark holders, since this new policy now meant that Google's advertising service no longer provided the holders with the exclusive rights to their keywords.²⁷ Google's Vice President of global sales and operations at the time, Sheryl Sandberg, explained the reason for the policy change was to cater more to the needs of Google's many users and their desire for less limited search results.²⁸ She stated, "by letting people restrict certain words, you're not getting the results that people expect from Google" now, "users will decide what's useful."²⁹

In 2009, Google once again altered its trademark policy; "the AdWords Program now makes two distinct uses of a given keyword (1) as a trigger to the Sponsored Link

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ Stefanie Olsen, Google Plans Trademark Gambit, CNET News (Apr. 13, 2004) http://news.cnet.com/2100-1038_3-5190324.html (last visited Dec. 18, 2010).

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

advertisement and (2) as part of the advertisement itself.”³⁰ Furthermore, the new policy permits advertisers other than the brand owner and its authorized licensees “to include the trademark in the advertisement's text if they (1) resell legitimate products bearing the trademark; (2) sell components, replacement parts, or compatible products corresponding to the trademark; or (3) provide non-competitive information about the goods or services corresponding to the trademark term.”³¹ Google’s AdWords trademark policy expresses Google’s diluted approach to trademarks and addressing alleged infringement. The policy today reads that “there are multiple factors that determine when trademarks can be used in AdWords ads and as keywords [...] these policies apply only to trademarked terms where the owner submitted a valid complaint to Google and requested that the terms be restricted in Google ad campaigns.”³² Google further states that “[we] will not investigate or restrict the use of trademark terms in keywords, even if a trademark complaint is received.”³³ Google makes it clear that their trademark policies apply to their Google AdWords text ads and Google will enforce restrictions only after the proper trademark owners have submitted a valid complaint to their Trust and Safety team.³⁴

Due to their policy change in their AdWords program, Google has had to defend itself against unhappy trademark holders in a growing number of legal disputes originating from both direct and contributory trademark infringement claims since

³⁰ *Supra* note 2, at 538.

³¹ *Id.*

³² AdWords Trademark Policy, Google, <http://support.google.com/adwordspolicy/bin/answer.py?hl=en&answer=6118&topic=1346940&path=1308252-2585946&ctx=leftnav> (last visited Dec. 18, 2012)

³³ *Id.*

³⁴ *Id.*

2004.³⁵ The most recent of these cases, *Rosetta Stone Ltd. v. Google Inc.*³⁶ was initially heard by the Eastern District of Virginia and then by the United States Court of Appeals for the 4thth Circuit.³⁷ The difference between the two court's holdings and their impact on trademark law is discussed further in following sections.

C. Trademark Law and Infringement

Trademark law is governed by the Lanham Act of 1946.³⁸ Trademark law can be successfully applied in reference to the Internet or more specifically to Google's search engine. Trademark law protects consumers "by preventing others from copying a source-identifying mark...for it quickly and easily assures a potential customer that *this* item-the item with this mark- is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past."³⁹ Trademark law helps consumers distinguish between, recognize, trust, and locate brands.⁴⁰ Trademark law also protects the mark holder's interest while simultaneously fostering competition and maintaining the quality of the mark.⁴¹ Preserving trademark rights for a mark promotes the Act's goals of

³⁵ See *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 537 (E.D. Va. 2010) *aff'd in part, vacated in part, remanded*, 676 F.3d 144 (4th Cir. 2012) (involving an action against Google for the sale through their AdWords program of trademarked terms to third party advertisers); *Rescuecom Corp v. Google Inc.*, 562 F. d 123, 124 (2nd Cir. 2009) (same); *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 2007 U.S. Dist. LEXIS 48309 (N.D. Cal. June 27, 2007) (same); *Gov't Empl. Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004) (same).

³⁶ *Supra* note 2.

³⁷ *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. Va. 2012).

³⁸ See Lanham Act, §32(1) 15 U.S.C.A. § 1114(1)

³⁹ *Qualitex Co v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995).

⁴⁰ See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competitions* § 2:4 (4th ed. 2011).

⁴¹ *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 190, 105 S. Ct. 658, 659, 83 L. Ed. 2d 582 (1985).

fostering competition.⁴² In short, if a Trademark is protected, the producer will be more likely to preserve the quality of the mark, compete against others to have the more desirable mark and consumers will benefit from the better marks.

To bring a trademark infringement claim under the Lanham Act §32(1)⁴³, the courts have provided that the following must be shown:

“a cause of action for trademark infringement under the Lanham Act requires the plaintiff to prove that (1) it possesses a mark; (2) defendant used the mark; (3) defendant's use of the mark occurred in commerce; (4) defendant used the mark in connection with the sale, offering for sale, distribution, or advertising of goods or services; and (5) defendant used the mark in a manner likely to confuse consumers as to the source or origin of goods or services.”⁴⁴

In this case, Rosetta Stone must establish that they are the owner of a valid, legally protected trademark. Furthermore, the plaintiff must prove that the defendant, Google, “used the mark...in commerce...in connection with the sale... or advertising of goods or services...without the plaintiff’s consent.”⁴⁵ Then, Rosetta must prove to the Court that the use is “likely to cause confusion...as to the affiliation, connection, or association of

⁴² *Id.*

⁴³ Lanham Act, §32(1), 15 U.S.C. § 1114 states, in relevant part, that “[a]ny person who shall, without the consent of the registrant ... use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion ... shall be liable in a civil action by the registrant ...” Lanham Act, 15 U.S.C. § 1114 (2005).

⁴⁴ *Rosetta Stone Ltd. v. Google Inc.*, 2010 U.S. Dist. LEXIS 78098 (E.D. Va. 2010) (citing *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 374 (4th Cir. 2001)).

⁴⁵ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 406-07 (2d Cir. 2005).

[Google] with [Rosetta], or as to the origin, sponsorship, or approval of the [Google's] goods, services, or commercial activities by [Rosetta].⁴⁶

The fifth requirement of consumer confusion is determined by considering nine additional factors. To determine if consumer confusion is likely, the court weighs the following factors:

“(1) strength or distinctiveness of the mark; (2) similarity of the two marks to consumers; (3) similarity of the goods and services the marks identify; (4) similarity between the facilities used by the markholders; (5) similarity of advertising used by the markholders; (6) defendant's intent; (7) actual confusion; (8) quality of the defendant's product; (9) sophistication of the consuming public.”⁴⁷

However, it is important to remember that not all of the factors are relevant or weighed equally when being considered.⁴⁸

Other areas of trademark law that are analyzed in this case are the functionality doctrine, contributory trademark infringement under the Lanham Act, vicarious trademark infringement under the Lanham Act , and trademark dilution under the Lanham Act.

The functionality doctrine has been around since 1998 when it was adopted by Congress.⁴⁹ Congress explicitly prohibited trademark registration or protection under the

⁴⁶ *Supra* note 43.

⁴⁷ Lanham Act, §32(1) 15 U.S.C.A. § 1114(1); *see also Supra* note 2, at 540 ; *see also* George & Co., L.L.C. v. Imagination Entm't Ltd., 575 F.3d 383, 393 (4th Cir. 2009).

⁴⁸ *Id* (citing Anheuser-Busch, Inc. v. L & L Wings, Inc., 962 F.2d 316, 320 (4th Cir. 1992)).

⁴⁹ *Supra* note 37, at 161; *see also* 15 U.S.C. § 1052(e)(5).

Lanham Act for a functional product feature⁵⁰ and effectively made functionality a statutory defense to an incontestably registered mark.⁵¹ Although there is no expressed definition of the term “functional”⁵² within the Lanham Act, the Supreme Court has repeatedly explained through case law that “a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.”⁵³ Under *Inwood's* traditional rule, a product feature is functional if it is “the reason the device works.”⁵⁴ A product feature is functional if it “constitute[s] the actual benefit that the customer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product.”⁵⁵

Contributory trademark infringement is a “judicially created doctrine” that “derive[s] from the common law of torts [and] this liability may be imposed upon those who facilitate or encourage infringement.”⁵⁶ The Supreme Court explained in *Inwood Laboratories*⁵⁷ that

“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.”⁵⁸

⁵⁰ *Id.*

⁵¹ *Supra* Note 46; *see also* 15 U.S.C. § 1115(b)(8); *see generally* 1 MCCARTHY § 7:63.

⁵² *Supra* note 46; *see also* 15 U.S.C. § 1127

⁵³ *Supra* note 37, at 161; *see also* *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850 n.10, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1982); *see also* *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 32-33, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001).

⁵⁴ *Id.* (citing *Board of Supervisors v. Smack Apparel Co.*, 550 F.3d 465, 486 (5th Cir. 2008)).

⁵⁵ *Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 516 (9th Cir. 1989).

⁵⁶ *Supra* note 46, at 163.; *see also* 4 MCCARTHY ON TRADEMARKS § 25:17.

⁵⁷ *See* *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 854 (U.S. 1982).

⁵⁸ *Supra* Note 37, at 163.

However, that is just the first prong. It is not enough to just have general knowledge that there are purchasers of a product or service is using it to engage in infringing activities. In other words, “the defendant must supply its product or service to ‘identified individuals’ that it knows or has reason to know are engaging in trademark infringement.”⁵⁹

In the trademark context, vicarious liability is essentially the same as in the tort context: “the plaintiff seeks to impose liability based on the defendant's relationship with a third party tortfeasor.”⁶⁰ In other words, in order to find liability for a vicarious trademark infringement, “the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.”⁶¹

Lastly, there is trademark dilution. The theory behind trademark dilution is "if customers or prospective customers see the plaintiff's famous mark used by other persons in a non-confusing way to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be 'diluted' or weakened."⁶². Simply put, trademark dilution is "the whittling away of the established trademark's selling power and value through its unauthorized use by others." ⁶³In fact, in 1996, trademark dilution was still based entirely upon state law

⁵⁹ *Id.* (citing *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984)).

⁶⁰*Id.* at 165.

⁶¹ *Id.* (citing *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992)).

⁶² *Id.* at 167; *See also*, 4 McCarthy § 24:67

⁶³ *Id.* (citing *Tiffany*, 600 F.3d at 111 (internal quotation marks and alteration omitted)).

because Federal law had yet to recognize the dilution doctrine.⁶⁴ Then, in 1996, The Federal Trademark Dilution Act (FTDA) was passed and subsequently amended a great deal in 2006.⁶⁵ The FTDA currently states that

“[T]he owner of a famous mark . . . shall be entitled to an injunction against another person who . . . commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”⁶⁶

In both the district courts opinion and the Court of Appeals opinion in *Rosetta Stone v. Google*, there was a consideration of several similar elements to a trademark infringement claim as well as some diverging analysis’ on the aforementioned claims. As technology expands in a variety of areas it seems the Courts are faltering in some efforts to keep up with the ever changing, ever exploring and inventive realm of intellectual property.

III. Rosetta v. Google, District Court

Initially, Rosetta Stone brought seven claims for relief against Google after learning that Google had started to sell keywords to third-party advertisers through their AdWords program, keywords that Rosetta Stone had already trademarked.⁶⁷ Rosetta Stone filed claims against Google in the District Court for the Eastern District of Virginia alleging that Google was “actively assisting third-party advertisers to mislead consumers and misappropriate Rosetta Stone’s trademarks by using trademarks (1) as keyword

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ *Id.*; *see also*, 15 U.S.C. § 1125(c)(1)

⁶⁷ *Supra* note 2, at

triggers for paid advertisements and (2) within the title and text of paid advertisements on Google's website."⁶⁸ Both Google and Rosetta Stone moved for summary judgment.⁶⁹ There were five issues before the Eastern District court of Virginia in the case:⁷⁰ direct trade mark infringement, the functionality doctrine, contributory trademark infringement, vicarious trademark infringement, and trademark dilution.

The first issue dealt with by the Court is whether or not Google is liable for direct trademark infringement under the Lanham Act.⁷¹ More specifically, the query before the Court was whether Google's auctioning of the Rosetta Stone Marks as keyword triggers to other advertisers through their AdWords program as a sponsored link was likely to create confusion among consumers.⁷² The District Court only addressed three of the nine confusion factors, finding the other factors were not in dispute.⁷³ The three factors the Court analyzed were "(1)the defendants intent; (2) actual confusion; (3) and the consuming public's sophistication."⁷⁴ The Court found that "no genuine dispute of material facts that exist[ed] [that] would cause a reasonable juror to find that Google intended to confuse potential purchaser's of Rosetta Stone's products."⁷⁵ The Court found that there was no evidence suggesting that Google was trying to pass off it's own goods and services as the goods or service of Rosetta Stone, noting "the relevant intent in trademark cases is not merely an intent to profit...but an "intent to confuse the buying

⁶⁸ *Supra* note 3.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Supra* note 3, at 540.

⁷² *Id.* at 541.

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

public.⁷⁶ The Court could not agree with Rosetta Stone and did not find that Google’s intent “in providing third party advertisers with the opportunity to bid on the Rosetta Stone Marks ... violated the Lanham Act.”⁷⁷

As for Actual Confusion the Court found that “Rosetta Stone’s evidence of actual confusion—the testimonies of five individuals out of more than 100,000 impressions over six years—is *de minimus*.”⁷⁸ Google also provided rebuttal evidence showing that all five of the individuals who purchased the other language software did so knowing that they were not purchasing Rosetta Stone products.⁷⁹

Finally, the Court held that Rosetta Stone was mistaken in assuming that their relevant market was the public at-large or anyone using a computer.⁸⁰ Rather, the Court explained that only potential buyers of the products and because the Rosetta Stone program is expensive and time consuming, the court held that “given the time commitment of learning a language, [the potential buyers] are more likely to spend time searching and learning about Rosetta Stone’s products.”⁸¹ Therefore, after evaluating the three sub-factors in dispute, the Court found that Google’s use of Rosetta’s marks did not amount to direct infringement.⁸²

The second factor the court addressed out of the five was the functionality doctrine. The functionality doctrine “prevents trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate

⁷⁶ *Id.* (citing *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 321 (4th Cir. 1992)).

⁷⁷ *Id.* at 542.

⁷⁸ *Id.* at 543; *see also* *George & Co. L.L.C. v. Imagination Entm’t* 575 F. 3d at 398.

⁷⁹ *Id.*

⁸⁰ *Id.* at 544.

⁸¹ *Id.* at 545.

⁸² *Id.*

competition by allowing a producer to control a useful product feature.”⁸³ The Court found that if Google was deprived of using the marks of Rosetta Stone, then the consumer also would be deprived of the ability to quickly find possible relevant websites that “promote genuine Rosetta Stone products at competitive prices.”⁸⁴ Courts have recognized the value in search engines and the information they provide to its users. Under the functionality doctrine an item will be found functional “if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.”⁸⁵ Here, the Court found that the way Google used the trademarked terms and keywords as triggers was functional so the functionality doctrine prevented the Court from finding infringement.⁸⁶

The third issue is whether Google is responsible for contributory infringement or service mark infringement under the Lanham Act. Rosetta Stone asserted that Google “intentionally induces third party advertisers to bid on Rosetta Stone's trademarks or knowingly continues to permit advertisers selling counterfeit Rosetta Stone products to use the trademarks in their Sponsored Link titles and advertisement text, despite Rosetta Stone's reports of infringement.”⁸⁷ Here, in order for Rosetta Stone to be successful with their claim against the defendants, they have to show that Google “intentionally induce[d] another to infringe a trademark, or [they] are continuing to supply its product to one

⁸³ *Id.* (citing *Qualitex Co v. Jacobson Prods. Co.*, 514 U.S. 159, 164, 115(1995)).

⁸⁴ *Id.* at 546.

⁸⁵ *Id.* at 545 (citing *Trafix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001)).

⁸⁶ *Id.* at 546.

⁸⁷ *Id.* at 534.

whom [they] know or ha[ve] reason to know is engaging in trademark infringement.”⁸⁸ Although Rosetta Stone provided the court with a spreadsheet showing that Google received Rosetta Stone’s warnings about domain names associated with counterfeit Rosetta Stone Sponsored Links, the Court was “unpersuaded” by Rosetta Stone’s evidence.⁸⁹ The District Court compares this case to a case from the Second Circuit involving eBay Inc., another website that provides a service to its users.⁹⁰ In that case, Tiffany jewelry was unable to demonstrate that eBay “was supplying services to individuals who it knew sold counterfeit Tiffany goods.”⁹¹ The Court in Rosetta held that “[l]ike Tiffany, Rosetta Stone fails to show that Google knew of the alleged infringing activity by its AdWords advertisers.”⁹² Also, the Court found no evidence that Google was “supplying a service to those it kn[e]w or has reason to know is engaging in trademark infringement.”⁹³ The Court could not find Google contributorily liable and could not grant Rosetta Stone summary judgment.⁹⁴

The fourth issue is whether or not Google is liable for vicarious trademark infringement under the Lanham Act. Rosetta Stone argued that Google exercises joint ownership and control over third party advertisers' Sponsored Link titles and advertisement text on its website and therefore Rosetta stone should be granted summary judgment.⁹⁵ With the vicarious trademark infringement claim, the District court quickly

⁸⁸ *Id.* at 546 (citing *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850 n.10, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1982)).

⁸⁹ *Id.* at 547.

⁹⁰ *Id.* at 548.

⁹¹ *Id.*

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Id.* at 549.

⁹⁵ *Id.* at 534.

dismissed Rosetta Stone's claim and reliance on case law.⁹⁶ The Court found that "Rosetta Stone's claim for vicarious trademark infringement also fails because Google has no control over third party advertisers' Sponsored Links or their use of the Rosetta Stone Marks in the advertisement text."⁹⁷ The Court elaborated by saying "[a]bsent an agency relationship, vicarious liability can only be imposed if the defendant and infringer exercise joint ownership or control over the infringing product."⁹⁸ The Court uses logic in explaining that they came to this finding based on the fact that "Google is not engaged in the business of selling goods but in selling space on a search page which happens to be a prime location for advertisers wishing to display their advertisements to online shoppers." They further clarify their finding and hold that:

"Without evidence that Google's Keyword Tools or its employees direct or influence advertisers to bid on the Rosetta Stone Marks, Rosetta Stone has not shown that Google controls the appearance and content of the Sponsored Links and the use of the Rosetta Stone Marks in those Links. Therefore, vicarious liability cannot be imposed on Google."⁹⁹

The final issue the District Court addresses is whether Rosetta Stone should be granted summary judgment on Trademark Dilution Under the Lanham Act.¹⁰⁰ Has Rosetta Stone sufficiently demonstrated to the Court an economic loss resulting from a decline in its brand name and if they have, is the loss attributable to Google's practice of

⁹⁶ *Id.* at 549.

⁹⁷ *Id.*

⁹⁸ *Id.* (citing *Perfect 10, Inc. v. Visa Int'l Serv. Assoc.*, 494 F.3d 788, 807 (9th Cir. 2007)(quoting *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d at 1150

⁹⁹ *Id.* at 550.

¹⁰⁰ *Id.* at 535.

auctioning Rosetta Stone's trademarks for profit to third party advertisers? The Court finds they have not.¹⁰¹ The Courts look to the Trademark Dilution Revision Act to see if it could apply to Rosetta Stone's Marks here because:

“Under the Trademark Dilution Revision Act ("TDRA"), which removed a plaintiff's obligation to show proof of economic loss, a markholder is "entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark[.]”¹⁰²

The Court does find that Rosetta Mark's are famous but it does not find Google liable for trademark dilution because there is no “proof that Google uses the Rosetta Stone marks to identify its own goods and services.”¹⁰³ Google does not sell language learning software; it cannot be held liable under the Lanham Act for trademark dilution.¹⁰⁴ Moreover, “Rosetta Stone fails to show [the Court] trademark dilution where the reputation of its Marks has not been harmed since Google changed its trademark policy in 2004.”¹⁰⁵

“To establish trademark dilution, Rosetta Stone must prove: (1) its famous Marks are distinctive; (2) Google uses a mark in commerce that allegedly dilutes the famous Marks; (3) a similarity exists between the Rosetta Stone Marks and Google's mark giving rise to an association between the marks; and (4) the association is likely to impair the distinctiveness or reputation of the Rosetta Stone Marks.”¹⁰⁶

¹⁰¹ *Id.* at 550.

¹⁰² *See* 15 U.S.C. § 1125(c)(1) (2006)

¹⁰³ *Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531, 551 (E.D. Va. 2010)

¹⁰⁴ *Id.* at 550.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.* (citing *Louis Vuitton, S.A. v. Haute Diggity Dog, L.L.C.*, 507 F.3d 252, 264-265 (4th Cir. 2007))(listing the elements of a trademark dilution claim under the Trademark Dilution Revision Act).

In this case, the Court finds that even if it “adopts the arguments that liability under § 1125(c) may be imposed for Google’s sale of the Rosetta Stone marks,” Rosetta will still not be able to satisfy the fourth and final element of its trademark dilution claim.¹⁰⁷ The Court cannot find any way in which the reputation of the Rosetta Stone Marks have been impaired.¹⁰⁸ Additionally, Rosetta Stone is not able to show that Google’s trademark policy caused dilution by tarnishment and therefore, Rosetta Stone once more is denied summary judgment.¹⁰⁹

To the dismay of Rosetta Stone, the Court granted summary judgment in favor of Google on all Counts I-VI.¹¹⁰

IV. 4th Circuit Court of Appeals

Unsurprisingly, Google’s summary judgment victory was appealed by Rosetta Stone.¹¹¹ The Court of Appeals for the 4th Circuit heard the case and decided to affirm the district courts holding in part, vacate it in part, and remand it in part.¹¹² The Court of Appeals, “affirmed the district court's order with respect to the vicarious infringement and unjust enrichment claims, but vacated the district court's order with respect to the direct infringement, contributory infringement and dilution claims and remanded these claims for further proceedings.”¹¹³ The Court of Appeals determined that there were indeed genuine issues of material fact which required a trial as to whether Google’s sale

¹⁰⁷ *Supra* note 85.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Supra* note 37.

¹¹² *Id.*

¹¹³ *Id.*

of keywords constituted trademark infringement or trademark dilution, and whether Google was contributorily or vicariously liable for the sale of counterfeit Rosetta Stone products that were being sold by the keyword advertisers.¹¹⁴

The Court of Appeals dives right into the Likelihood of Confusion argument.¹¹⁵ First, in recapping the lower courts analysis, the Court of Appeals recalls that the district court concluded that, “all three “disputed” factors favored Google.¹¹⁶ Furthermore, the district court then stated that “it had “[b]alanc[ed] all of the disputed likelihood of confusion factors, . . . [and] conclude[d] that Google’s use of the Rosetta Stone Marks d[id] not amount to direct trademark infringement.”¹¹⁷ On their appeal, Rosetta Stone argues that “the district court failed to consider the effect of the other “undisputed” confusion factors, suggesting that all of these factors favor Rosetta Stone.”¹¹⁸ Additionally, Rosetta Stone also argues that that there also was “sufficient evidence to create a genuine issue of fact as to whether the three “disputed” confusion factors favored Google or Rosetta Stone.”¹¹⁹ The Court of Appeals held that the district court did not commit reversible error in failing to address all the factors , however, the 4th Circuit did stress the importance of providing a brief explanation on why the court skipped the factors.¹²⁰

The Court of Appeals finds that “nevertheless, we agree that summary judgment should not have been granted. As explained in the discussion that follows, the district

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.* at 153.

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ *Id.*

¹²⁰ *Id.*

court did not properly apply the summary judgment standard of review but instead viewed the evidence much as it would during a bench trial.¹²¹

On the issue of intent, the Court found that there was evidence that Google was aware that its policy, which allowed trademarks to be used in the text of ads, would create some level of confusion.¹²² However, Google also recognized that the use of the keywords would bring in more revenue.¹²³ The Court of Appeals concluded while “viewing the evidence and all reasonable inferences in a light most favorable to Rosetta Stone” (because “they are required to do so on a motion for summary judgment”) there is a possibility that a “reasonable trier of fact could find that Google intended to cause confusion in that it acted with the knowledge that confusion was very likely to result from its use of the marks.”¹²⁴

The Court of Appeals also found that the evidence provided by Rosetta Stone, that the lower court found to be “*de minimus*,” actually provided some “other evidence of actual confusion” from over 120 complaints in regards to counterfeit software.¹²⁵ Once again, the 4th Circuit, for “for purposes of summary judgment” found it reasonable to see how there could be a link between the Sponsored Links that Google was allowing and actual customer confusion.¹²⁶ Furthermore, Google’s corporate designees persuaded the Court of Appeals to admit and consider Google’s In-House studies for their evidentiary

¹²¹ *Supra* note 37, at 155.

¹²² *Id.* at 155.

¹²³ *Id.*

¹²⁴ *Id.* at 156.

¹²⁵ *Id.*

¹²⁶ *Id.* at 159.

value.¹²⁷ The 4th Circuit found that these studies are “probative as to actual confusion in connection with Google’s use of trademarks...Google determining that there was ‘[n]o difference between strong and weak trademarks’ with respect to confusion.¹²⁸ Additionally, the 4th circuit held that survey reports the district court held to be “unreliable” should “have been added to the other evidence of actual confusion to be considered in the light most favorable to Rosetta Stone.”¹²⁹

The Court of Appeals also took issue with the lower courts finding that the functionality doctrine was successfully used as an affirmative defense for Google. The Court of Appeals remanded the issue stating that

“Google may well be able to establish that its use of Rosetta Stone’s marks in its AdWords program is not infringing use of such marks; however, Google will not be able to do so based on the functionality doctrine [because] it does not apply here and we reject it as a possible affirmative defense for Google.”¹³⁰ The court found that the functionality doctrine did not apply in these circumstances because “Rosetta stone uses its registered mark as a classic source identifier in connection with its language learning products and clearly there is nothing functional about Rosetta Stone’s use of it’s own mark.”¹³¹

For contributory infringement on appeal, Rosetta stone argues that the lower court misapplied the standard of review and in doing so they incorrectly awarded summary judgment to Google.¹³² Although the 4th circuit seems to agree with the end result of the district court granting summary judgment to Google for contributory infringement, they are extremely expressive in their disapproval of how the lower court reached the decision.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Supra* note 37, at 164

¹³¹ *Id.* at 163.

¹³² *Id.*

¹³³ The Court of appeals declared that “[i]n granting summary judgment to Google because “Rosetta Stone has not met the burden of showing that summary judgment is proper as to its contributory trademark infringement claim,” *the district court turned the summary judgment standard on its head.*¹³⁴The Court went on to further state that

“while it may very well be that Rosetta Stone was not entitled to summary judgment, that issue is not before us. The only question in this appeal is whether, viewing the evidence and drawing all reasonable inferences from that evidence in a light most favorable to Rosetta Stone, a reasonable trier of fact could find in favor of Rosetta Stone, the nonmoving party.”¹³⁵

Lastly, the final issue the Court of Appeals disagreed with from the lower court’s ruling dealt with trademark dilution. ¹³⁶ The 4th Circuit vacated the lower court’s holding and remanded the issue for “reconsideration of Rosetta Stone’s dilution claim.” ¹³⁷The appeals courts stated that the lower court failed to examine the nominative fair use defense.¹³⁸ For the defendant to avail [itself] of the nominative fair use defense[,] [they] (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder.¹³⁹ The nominative fair use comes into play when “the defendant uses to famous mark or identify or compare the trademark owner’s product.” ¹⁴⁰Furthermore, the 4th Circuit instructs the district court “to reconsider whether ROSETTA STONE was a

¹³³ *Id.* at 164.

¹³⁴ *Id.* at 164-165 (emphasis added).

¹³⁵ *Id.* at 165.

¹³⁶ *Id.* at 167.

¹³⁷ *Id.* at 170.

¹³⁸ *Id.* at 169.

¹³⁹ *Id.* at 169-170.

¹⁴⁰ *Id.* at 169.

famous mark for purposes of its dilution claim against Google... under 15 U.S.C. 1125(c)(2)(A)”.¹⁴¹

VI. Personal Analysis

As illustrated by the different conclusions drawn by the two courts, there is no clear-cut answer to this issue nor is there any precedence, which may be relied on. Unfortunately, this case does not provide the court an opportunity to elucidate complex, unresolved issues in the field of Trademark law, which many were eagerly anticipating.

On October 31, 2012, Reuters website read:

"The companies agreed to settle all claims and dismiss the suit, according to a filing on Wednesday in U.S. District Court in Alexandria, Virginia. The terms of the settlement were not specified....Rosetta Stone Inc and Google have agreed to dismiss the three-year-old trademark infringement lawsuit between them and to meaningfully collaborate to combat online ads for counterfeit goods and prevent the misuse and abuse of trademarks on the Internet.”¹⁴²

This settlement comes as somewhat of a surprise and a bit of a disappointment. After April’s decision from the 4th Circuit, my mind was somewhat changed. Initially, I supported Google’s position entirely. I believed their district court summary judgment show-down was a well-deserved victory. It was only in learning about the internal studies showing consumer confusion, relaxed attitude in response to trademark infringement from Google, and a somewhat tunnel vision approach to securing profits

¹⁴¹ *Id. at* 172-173.

¹⁴² Rosetta Stone and Google settle trademark lawsuit, Reuters, <http://www.reuters.com/article/2012/10/31/us-usa-court-rosettastone-google-idUSBRE89U1GE20121031> (last visited, Dec. 18, 2012).

that I began to reevaluate my thoughts. Protecting property rights, especially intellectual property rights, are not about finding a way to “get by” on a technicality. I believe intellectual property rights are in place to foster growth in the ever-changing world and to encourage the sharing of ideas, as well as the reward of invention. Technology is fast becoming not only the way of the future, but also the way of today. I was looking forward to possibly having a strong precedent in place for trademark infringement cases and was hoping it would come from this case. However, Google and Rosetta settled and we are left waiting for a new case to come along to provide us with that precedent.

One thing that is clear- the likelihood of confusion test¹⁴³ is a major factor analyzed by both courts¹⁴⁴ in their analysis in trademark infringement. Although each court took a different approach and decided on different rationales the commonality of using the likelihood of confusion test provides trademark infringement cases with some well established guidance. Although I do appreciate the reasoning opined by both courts I still feel a stronger affinity to the ruling by the district court. I understand why the Court of Appeals found that there were triable issues of fact and remanded some of the issue but I do believe, in a way, that the district court expedited the case and reached the correct conclusions.

Although it has been asserted by some that they used the improper method for achieving summary judgment, after reading all of the facts and the cases I think that granting Google summary judgment was the best move for the Judiciary to make at the time. The analysis for the district court seemed more logical, especially their consumer sophistication , functionality, and contributory infringement holdings.

¹⁴³ *Supra* note 47.

¹⁴⁴ *See Supra* note 2; *see also Supra* note 37.

I understand that it is trying and difficult to balance the interests and needs of multiple parties; considering everything from the search engine's needs and the needs of the searchers, to the advertisers, and the trademark holders. . Ultimately, I found myself convinced by the district court's well-reasoned opinion and practical application of law.