

APPEAL NO. 10-2007

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**IN THE  
United States Court of Appeals  
FOR THE FOURTH CIRCUIT**

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**ROSETTA STONE LTD.,**  
Plaintiff-Appellant,

v.

**GOOGLE INC.,**  
Defendant-Appellee.

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**ON APPEAL FROM THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION**

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**BRIEF OF APPELLANT – REDACTED**

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### **JURISDICTIONAL STATEMENT**

This case arises under the Lanham Act, 15 U.S.C. §§ 1111-1127, and Virginia law. The District Court had federal question jurisdiction over the Lanham Act claims under 15 U.S.C. § 1121, and 28 U.S.C. §§ 1331, 1338(a), and 1338(b), and supplemental jurisdiction over the state law claims under 28 U.S.C. § 1367(a).

On August 3, 2010, the District Court entered Final Judgment in favor of Defendant-Appellee Google Inc. (“Google”), giving this Court jurisdiction under 28 U.S.C. § 1291. JA(30)-653.<sup>1</sup> On August 31, 2010, Plaintiff-Appellant Rosetta Stone Ltd. (“Rosetta Stone”) timely filed its Notice of Appeal. JA(31)-654-655.

### **STATEMENT OF ISSUES PRESENTED FOR REVIEW**

1. Did the District Court err when it granted summary judgment to Google on direct trademark infringement despite evidence that Google’s use of Rosetta Stone’s trademarks creates a likelihood of consumer confusion?

2. Does the “functionality doctrine,” under which certain features of a trademark owner’s product are not entitled to trademark protection, immunize

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<sup>1</sup> “JA” refers to the Joint Appendix filed concurrently herewith. The pages of the Joint Appendix are sequentially numbered with the documents separated by tabs. Citations to the Joint Appendix include the tab number in parentheses following “JA” and the appropriate page range following a hyphen.

Google from trademark infringement liability where Google claims that Rosetta Stone's trademarks are functional to Google's product?

3. Did the District Court err when it granted summary judgment to Google on secondary trademark infringement despite evidence that Google (i) intentionally induced third parties to infringe Rosetta Stone's trademarks, (ii) continued to sell Rosetta Stone's trademarks as keywords to entities it knew were engaging in trademark infringement, and (iii) influenced its customers to bid on Rosetta Stone's trademarks?

4. Did the District Court err when it granted summary judgment to Google on trademark dilution by finding that Google's sale of Rosetta Stone's trademarks constitutes a "fair use" as a matter of law and by requiring Rosetta Stone to demonstrate actual harm to its reputation?

5. Did the District Court err when it dismissed Rosetta Stone's unjust enrichment claim where Rosetta Stone alleged that Google, without authorization, sold Rosetta Stone's trademarks as keywords and retained revenues from such sales without compensation to Rosetta Stone?

### **STATEMENT OF THE CASE**

Rosetta Stone was founded in 1992 as a family-owned business. JA(9)-202. Through creativity and hard work, Rosetta Stone has emerged as the leading provider of technology-based language-learning solutions in the United States. JA(9)-203-204. Its acclaimed language-learning solutions are available in more than thirty languages and are used by schools, corporations, government entities, and millions of individuals in more than 150 countries. JA(9)-203-204.

Rosetta Stone has promoted and built its brand through advertising and marketing, including in print, television, radio, kiosks, and other media and venues. JA(34)-2264. Rosetta Stone also has protected its brand by registering its trademarks, registering domain names containing variations of its marks, and actively policing the use of its marks. JA(10)-206-233; JA(33)-694-695.

Without authorization from Rosetta Stone, and over Rosetta Stone's objection, Google has sold to third parties, including software counterfeiters, the right to use Rosetta Stone's trademarks as keywords that trigger paid advertisements, which Google calls "sponsored links," to be displayed on Google's search-results pages, above or alongside the organic search results generated by Google's search algorithm. In many cases, the text of, and website addresses for, these sponsored links include Rosetta Stone's trademarks. Thus, when consumers enter a Rosetta Stone trademark into Google's search engine, Google's sponsored

links promote products and websites that include counterfeit Rosetta Stone products, websites that sell counterfeit Rosetta Stone products, and websites of companies that compete with Rosetta Stone products. Google's practices have confused consumers and diverted Rosetta Stone's customers to counterfeiters, competitors, and other third parties. *See pp. 6-13, infra.*

Accordingly, Rosetta Stone filed this action against Google, asserting claims for (i) trademark infringement, (ii) contributory trademark infringement, (iii) vicarious trademark infringement, (iv) trademark dilution, (v) unfair competition, and (vi) unjust enrichment. Dkt. 1, 86.

On March 26, 2010, two weeks after discovery closed, the parties filed cross-motions for summary judgment. Dkt. 103, 104, 112, 118. Google also moved to exclude the report of Dr. Kent Van Liere, an expert proffered by Rosetta Stone on consumer confusion. Dkt. 120. On April 23, 2010, the District Court heard oral argument on the cross-motions for summary judgment. Dkt. 200.

On April 29, 2010 (two business days before trial was scheduled to begin), the District Court issued Orders granting Google's motion for summary judgment, granting Google's separate motion to dismiss the unjust enrichment claim, and denying Rosetta Stone's motion for partial summary judgment. Dkt. 217, 218. On April 30, 2010, the District Court issued an Order denying Google's motion to exclude Rosetta Stone's Van Liere report. Dkt. 220.

More than three months later, on August 3, 2010, the District Court issued two Memorandum Opinions explaining the grounds for its April rulings. Dkt. 226, 227. The Court also entered Final Judgment in Google's favor. Dkt. 228.

### **STATEMENT OF FACTS**

#### **A. The Rosetta Stone Marks**

Rosetta Stone adopted and used, and continues to use, the names and marks ROSETTA STONE, ROSETTA STONE LANGUAGE LEARNING SUCCESS, ROSETTASTONE.COM, and ROSETTA WORLD (the "Rosetta Stone Marks") in connection with its language-learning products and services. JA(34)-2263. Rosetta Stone identifies itself, together with the products and services that it offers, using the Rosetta Stone Marks. JA(34)-2263-2276.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**B. Google's AdWords Program**

Google owns and operates the world's most utilized Internet search engine. JA(5)-99. Users of Google's search engine enter queries to receive a list of links to web pages that Google's search algorithm identifies as relevant to the query. JA(5)-99. Google displays search results produced by this algorithm, which Google refers to as "organic" search results. JA(5)-101-102.

Google also owns and operates a commercial advertising program called "AdWords." JA(5)-99, 102, 103. To participate in AdWords, Google's commercial customers bid on particular words or phrases (known as "keywords") that trigger the display of sponsored links when web users perform Google searches for those keywords. JA(5)-103. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Google displays these sponsored links in positions above and to the right of the first organic search result. JA(5)-102. Google charges its AdWords customers on a "cost-per-click" basis: when a Google user "clicks" on a sponsored link, Google receives a fee from its AdWords customer. JA(5)-103, 105.

### C. Google's 2004 Trademark Policy Change

[illegible]

On April 29, 2004, Google warned investors of the potential adverse consequences of its decision to exploit third-party trademarks without authorization:

As a result of this change in policy, we may be subject to more trademark infringement lawsuits . . . . Adverse results in these lawsuits may result in, or even compel, a change in this practice which could result in a loss of revenue for us, which could harm our business.

JA(41)-4297.

D.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]



**E. Google's 2009 Trademark Policy Change**

[REDACTED]

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In its Answer, Google

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

**G. Google's Knowledge Of Its Trademark Infringement**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

**H. Google's Conduct Has Caused Actual Confusion**

Rosetta Stone deposed five people who testified that they were actually confused by sponsored links on Google search-results pages for "Rosetta Stone." JA(41)-4592-4593, 4614-4615, 4724-4725, 4778-4781, 4804-4806.<sup>2</sup> As a result of the confusion created by Google's unauthorized use of the Rosetta Stone Marks, these individuals purchased counterfeit Rosetta Stone software. JA(41)-4592-4595, 4614-4620, 4724-4727, 4778-4784, 4804-4807; JA(33)-698.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>2</sup> The District Court limited each party to five "non-party, non-expert witness depositions." Dkt. 23.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Rosetta Stone also proffered the report of Dr. Kent D. Van Liere, a Vice President at NERA Economic Consulting, who conducted a survey designed to test consumer confusion arising from Google's practices. JA(46)-5447-5502. Dr. Van Liere concluded that "a significant portion of consumers in the relevant population are likely to be confused as to the origin, sponsorship or approval of the 'sponsored links' that appear on the search results page after a consumer has conducted a Google search using a Rosetta Stone trademark as a keyword and/or are likely to be confused as to the affiliation, endorsement, or association of the websites linked to those 'sponsored links' with Rosetta Stone." JA(46)-5449-5450.

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On August 3, 2010, the District Court issued its rulings for Google on all counts. It held that there is no genuine issue of material fact about (i) the likelihood of confusion from Google's use and sale of the Rosetta Stone Marks, (ii) Google's inducement or facilitation of trademark infringement, or (iii) the dilution

of the Rosetta Stone Marks. It likewise found no cognizable claim of unjust enrichment.

This appeal followed.

### **SUMMARY OF ARGUMENT**

Intellectual property law encourages entrepreneurs to develop brands and protect them as trademarks by prohibiting others from free-riding on the entrepreneurs' efforts. Google disregards this principle by selling third-party trademarks to generate revenue for itself without regard to the resulting consumer confusion or the negative impact on the trademarks of others. In granting summary judgment to Google, the District Court violated settled principles of summary judgment, misconstrued fundamental trademark tenets, and effectively created a special, unwarranted, and unprecedented rule of immunity for Google. As discussed below, this constituted reversible error.

Regarding the direct trademark infringement claim, the District Court failed to view the facts in the light most favorable to Rosetta Stone, ignored legal presumptions supporting a finding of confusion, resolved disputed issues of fact in Google's favor, drew impermissible inferences from the facts presented, contradicted its own orders denying Google's objections to evidence, and ultimately found in Google's favor notwithstanding substantial evidence demonstrating that Google's practices, in fact, create a likelihood of confusion.

Moreover, the District Court failed to give meaningful consideration to six of the nine factors in this Court's established test for evaluating likelihood of confusion, even though all six powerfully support Rosetta Stone's claim.

The District Court's alternative conclusion that Google's practices are protected by the functionality doctrine is at odds with governing case law, which establishes that the doctrine concerns features in the *trademark owner's product* that are not protected under trademark law – it does not create immunity from a trademark infringement claim for *alleged infringers* who claim that certain features are functional to their own products.

Regarding Rosetta Stone's claims for contributory and vicarious trademark infringement, the District Court erroneously viewed the facts in the light most favorable to Google, impermissibly rejected contradictory facts proffered by Rosetta Stone, and reached its own factual conclusions regarding the sufficiency of Google's anti-counterfeiting efforts.

Regarding the trademark dilution claim, the District Court made two erroneous conclusions. First, it found that Google's conduct constitutes a "fair use" of the Rosetta Stone Marks because, in its view, Google does not use the Rosetta Stone Marks to identify its own goods and services. In so finding, the District Court misinterpreted the fair use exception of the dilution statute, and resolved a disputed factual issue – the fairness of Google's practices – in Google's

favor. Second, it concluded that Rosetta Stone cannot demonstrate dilution because its brand awareness has increased since Google began its illegal use of the Rosetta Stone Marks. However, under the dilution statute, Rosetta Stone need only prove a *likelihood* of dilution. The District Court did not even address the likelihood-of-dilution factors that govern this analysis.

Finally, the District Court erred in dismissing Rosetta Stone's unjust enrichment claim because (i) the Amended Complaint alleged facts that plausibly stated a claim for unjust enrichment and (ii) the Communications Decency Act does not bar the claim, which is not dependent on the content of any sponsored link, but rather arises from Google's own business practices in selling the Rosetta Stone Marks and using them to trigger the placement of sponsored links.

In sum, the District Court committed reversible error when it granted judgment in Google's favor. Under a correct application of settled summary judgment and trademark principles, Rosetta Stone is entitled to present its claims, and the ample evidence supporting its claims, to a properly instructed jury.



## **ARGUMENT**

### **STANDARD OF REVIEW**

An order granting summary judgment under Rule 56 is reviewed *de novo*. *Perini Corp. v. Perini Constr., Inc.*, 915 F.2d 121, 123 (4th Cir. 1990). “Summary judgment is proper only when there is no genuine issue of material fact.” *Id.* at 123-24. “[I]n evaluating a motion for summary judgment, the court must view the record in the light most favorable to the nonmoving party.” *Id.* at 124. “[T]o grant summary judgment the court must determine that no reasonable jury could find for the nonmoving party on the evidence before it.” *Id.* (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)).

An order dismissing a claim under Rule 12(b)(6) also is reviewed *de novo*. *Republican Party v. Martin*, 980 F.2d 943, 952 n.16 (4th Cir. 1992). In considering a Rule 12(b)(6) motion, the Court must construe the complaint’s factual allegations in the light most favorable to the nonmoving party and take the facts asserted in the complaint as true. *See Robinson v. Am. Honda Motor Co.*, 551 F.3d 218, 222 (4th Cir. 2009).

### **DISCUSSION OF ISSUES**

#### **I. THE DISTRICT COURT ERRONEOUSLY FOUND THAT GOOGLE’S USE OF THE ROSETTA STONE MARKS DOES NOT CREATE A LIKELIHOOD OF CONFUSION.**

To demonstrate direct trademark infringement, Rosetta Stone must prove five elements: (1) it possesses the Rosetta Stone Marks; (2) Google used the

Marks; (3) Google's use of the Marks occurred "in commerce"; (4) Google used the Marks "in connection with the sale, offering for sale, distribution, or advertising" of goods and services; and (5) Google used the Marks in a manner likely to confuse consumers. *See* 15 U.S.C. § 1114; *PETA v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001).<sup>3</sup> It is undisputed that Rosetta Stone has satisfied the first four elements, and thus the District Court focused on the fifth – likelihood of consumer confusion. JA(29)-622-623.<sup>4</sup>

"Under the Lanham Act, a registered trademark holder has a right to prevent another's use of a trademark that is 'likely to cause confusion, or to cause mistake, or to deceive.'" *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992) (quoting 15 U.S.C. § 1114(1)(a)). "[A]n unauthorized use of a trademark infringes the trademark holder's rights if it is likely to confuse 'an

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<sup>3</sup> The test for trademark infringement and unfair competition under Virginia law is essentially the same as that for trademark infringement under the Lanham Act. *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 930 n.10 (4th Cir. 1995). Accordingly, the federal trademark analysis (Claim 1) controls the Virginia trademark infringement and unfair competition claims (Claims 5 and 6).

<sup>4</sup> Several courts have held that Google's sale of trademarks as keywords constitutes a use in commerce in connection with the sale, offering for sale, distribution, or advertising of goods and services. *See Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 130-31 (2d Cir. 2009); *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 U.S. Dist. LEXIS 32450, at \*21 (N.D. Cal. Apr. 18, 2007); *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700, 704 (E.D. Va. 2004).

ordinary consumer’ as to the source or sponsorship of the goods.” *Id.* (citation omitted). The issue of consumer confusion “is particularly amenable to resolution by a jury” because (i) the jury “represents a cross-section of consumers” and therefore is “well-suited to evaluating whether an ‘ordinary consumer’ would likely be confused”; and (ii) “the likelihood of consumer confusion is an ‘inherently factual’ issue that depends on the unique facts and circumstances of each case.” *Id.* (citation omitted). Notwithstanding these well-settled principles, and despite significant evidence of confusion proffered by Rosetta Stone, the District Court found that consumers are not likely to be confused by Google’s practices. In so holding, the District Court committed reversible legal error. *See, e.g., Ga. Pac. Consumer Prods., LP v. von Drehle Corp.*, Nos. 09-1942, 09-2054, 2010 U.S. App. LEXIS 16498, at \*36 (4th Cir. Aug. 10, 2010) (reversing summary judgment to defendant on trademark infringement claim and remanding for trial by jury); *Fortune Dynamic, Inc. v. Victoria’s Secret Stores Brand Mgmt., Inc.*, No. 08-56291, 2010 U.S. App. LEXIS 17269, at \*32 (9th Cir. Aug. 19, 2010) (same).

**A. The District Court Failed To Address The Presumption Of Confusion Arising From Google’s Use Of The Rosetta Stone Marks.**

Rosetta Stone explained in its summary judgment briefing that a presumption of confusion arises from Google’s use of the Rosetta Stone Marks for four reasons. Confusion has been presumed in cases involving (i) the defendant’s

intentional copying of a protected mark motivated by an intent to exploit its goodwill;<sup>5</sup> (ii) identical marks used on the same goods or services;<sup>6</sup> (iii) a mark used in whole or in part in an Internet domain name;<sup>7</sup> or (iv) counterfeit products.<sup>8</sup>

The record evidence shows that each of these circumstances is present here. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>5</sup> See, e.g., *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 240-41 (4th Cir. 1997); *Larsen v. Terk Techs. Corp.*, 151 F.3d 140, 149 (4th Cir. 1998); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987).

<sup>6</sup> See, e.g., *Opticians Ass'n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 195 (3d Cir. 1990); *VMG Enters., Inc. v. F. Quesada & Franco, Inc.*, 788 F. Supp. 648, 661 (D.P.R. 1992).

<sup>7</sup> See, e.g., *PETA v. Doughney*, 113 F. Supp. 2d 915, 919-20 (E.D. Va. 2000), *aff'd*, 263 F.3d 359 (4th Cir. 2001); *Int'l Bancorp, L.L.C. v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 192 F. Supp. 2d 467, 483 (E.D. Va. 2002), *aff'd*, 329 F.3d 359 (4th Cir. 2003).

<sup>8</sup> See, e.g., *Polo Fashions*, 816 F.2d at 148; *Phillip Morris U.S.A. Inc. v. Shalabi*, 352 F. Supp. 2d 1067, 1073 (C.D. Cal. 2004); *Gen. Motors Corp. v. Autovation Techs., Inc.*, 317 F. Supp. 2d 756, 761 (E.D. Mich. 2004); *Gucci Am., Inc. v. Duty Free Apparel Ltd.*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The District Court did not even address Rosetta Stone's argument about the presumption of confusion, much less provide any basis for its failure to apply this established legal principle. Because confusion should have been presumed, the District Court's conclusion that Google's practices are not likely to confuse consumers cannot be sustained.

**B. The District Court Analyzed Only Three Of The Nine Factors Relevant To The Likelihood Of Confusion Analysis.**

This Court has identified nine factors to be considered in determining whether a likelihood of confusion exists: (1) the strength or distinctiveness of the plaintiff's mark; (2) the similarity of the two marks; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities that the two parties use in their businesses; (5) the similarity of the advertising the two parties use; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's product; and (9) the sophistication of the consuming public. *CareFirst of Md., Inc. v. First Care, P.C.*, 434 F.3d 263, 267 (4th Cir. 2006) (setting forth factors one through seven); *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463-64 (4th Cir. 1996) (setting forth factors eight and nine). The District Court

correctly recognized that “only three of the nine confusion factors are in dispute: (1) defendant’s intent [the sixth factor]; (2) actual confusion [the seventh factor]; and (3) the consuming public’s sophistication [the ninth factor].” JA(29)-623.

The District Court, however, failed to consider the remaining six undisputed factors in reaching its conclusion that Google’s practices are not likely to confuse consumers. Indeed, the District Court made clear that it considered only the three disputed factors: “Balancing all of the *disputed* likelihood of confusion factors, the Court concludes that Google’s use of the Rosetta Stone Marks does not amount to direct trademark infringement . . . .” JA(29)-635 (emphasis added). The District Court’s failure to consider the six *undisputed* factors was reversible error. *See Sabinsa Corp. v. Creative Compounds, LLC*, 609 F.3d 175, 183 (3d Cir. 2010) (reversing judgment in favor of defendant after bench trial and entering judgment in favor of plaintiff where the district court engaged in a detailed analysis of only three of the confusion factors and failed to explain why it did not consider the other factors).

The fact that the other six factors were not disputed does not mean that they are somehow irrelevant, or that they have dropped out of the case. To the contrary, the factors that the District Court ignored all *favor* a finding of likelihood of consumer confusion:

**Factor 1. The Rosetta Stone Marks are strong marks.** The Rosetta Stone Marks are conceptually strong because they are either (i) arbitrary (*i.e.*, “they do not suggest or describe any quality, ingredient, or characteristic of the goods” and “neither suggest any mental image of the associated product nor describe it in any way,” *Sara Lee*, 81 F.3d at 464), or (ii) suggestive (*i.e.*, they do not describe any particular characteristic of Rosetta Stone’s products, but “require[] some operation of the imagination to connect it with the goods,” *Retail Servs. Inc. v. Freebies Publ’g*, 364 F.3d 535, 539 (4th Cir. 2004)). *See generally Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984) (suggestive and arbitrary marks are deemed strong and presumptively valid). The Marks also are commercially strong because [REDACTED]

[REDACTED]; (3)

Rosetta Stone has earned hundreds of millions of dollars in gross revenues in the last five years, JA(9)-203; (4) Rosetta Stone is the subject of unsolicited media coverage, JA(34)-2264, 2278-2285; (5) counterfeiters routinely plagiarize Rosetta Stone’s marks, JA(33)-693-2257; JA(35)-2299-2317; JA(62); and (6) Rosetta Stone has used the Rosetta Stone Marks on its products since 1993 and undertakes efforts to enforce its intellectual property rights, JA(10)-206-233; JA(33)-695-696,

703-1421. *See George & Co., LLC v. Imagination Entm't Ltd.*, 575 F.3d 383, 395 (4th Cir. 2009) (applying these factors in determining commercial strength).

**Factor 2. The marks at issue are similar.** The undisputed record demonstrates that the marks used by Google and its customers are not just similar to the Rosetta Stone Marks, they are identical. JA(41)-4565, 4676.

**Factor 3. The goods and services advertised on the Google search-results page are identical to those offered by Rosetta Stone.** Google auctions the Rosetta Stone Marks to customers that sell genuine Rosetta Stone product, counterfeit Rosetta Stone software, or competing language-learning software. JA(5)-99-103; JA(41)-4153-4154, 4187, 4493-4502, 4556-4559; JA(33)-693-2257; JA(35)-2299-3217; JA(62).

**Factors 4 and 5: Rosetta Stone's products and services are offered in identical marketing channels.** When a user conducts a Google search for "Rosetta Stone," the search-results page will display the infringing sponsored links as well as Rosetta Stone's own website and sponsored links. JA(5)-99-103; JA(41)-4153-4154, 4187, 4556-4559, 4828. Thus, the *same* marketing channel is at issue. *Playboy Enters., Inc. v. AsiaFocus Int'l, Inc.*, No. Civ. A. 97-734-A, 1998 U.S. Dist. LEXIS 10359, at \*18 (E.D. Va. Feb. 2, 1998), *adopted by* 1998 U.S. Dist. LEXIS 10459 (E.D. Va. Apr. 10, 1998) (same marketing channels exist when "both parties use the Internet as a facility to provide goods and services");



*Cardservice Int'l, Inc. v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997) (same), *aff'd*, 129 F.3d 1258 (4th Cir. 1997) (unpublished per curiam); *Perfumbay.com Inc. v. eBay Inc.*, 506 F.3d 1165, 1174 (9th Cir. 2007) (“[T]he Web, as a marketing channel, is particularly susceptible to a likelihood of confusion since . . . it allows for competing marks to be encountered at the same time, on the same screen.” (citation omitted)).

**Factor 8: The products offered through Google’s sponsored links are inferior quality, in that they are often counterfeit Rosetta Stone products.**

Google allows counterfeiters to bid on the Rosetta Stone Marks and to advertise their counterfeit software on search-results pages generated by a user query involving a Rosetta Stone Mark. JA(33)-693-2257; JA(35)-2299-2317; JA(62). Where, as here, the situation involves “the production of cheap copies or knockoffs of a competitor’s trademark-protected goods,” this factor favors a finding of confusion. *Sara Lee*, 81 F.3d at 467.

In sum, Google uses the same marks on the same search-results pages to permit its customers to sell similar goods and “cheap copies” or “knockoffs” of Rosetta Stone’s products. Had the District Court conducted the analysis required by settled trademark law in this Circuit, it should have concluded that these factors weigh powerfully in favor of a finding of likelihood of confusion or, at a minimum, that genuine issues of material fact exist that must be resolved by a jury. Either

way, Google was not entitled to summary judgment. Although “not all factors are relevant in every case,” *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 260 (4th Cir. 2007), there is no basis here for completely disregarding six of the nine factors, especially when they all point strongly to likelihood of confusion.

**C. The District Court Departed From Summary Judgment Principles In Considering The Three Disputed Confusion Factors.**

In analyzing the three disputed confusion factors, moreover, the District Court failed to view the facts in the light most favorable to Rosetta Stone, drew impermissible inferences from the facts presented, and resolved disputed issues of fact in Google’s favor.

**1. The District Court’s Conclusion That The Actual Confusion Factor Favors Google Is Contradicted By Record Evidence Of Actual Confusion.**

Actual confusion is “of paramount importance” and “the best evidence” of likelihood of confusion. *Resorts of Pinehurst, Inc. v. Pinehurst Nat’l Corp.*, 148 F.3d 417, 422-23 (4th Cir. 1998). In fact, when, as here, the plaintiff’s mark is strong and defendant’s use of a similar mark has caused actual confusion, the “inquiry ends almost as soon as it begins.” *Sara Lee*, 81 F.3d at 467. Rosetta Stone presented evidence to the District Court that showed Google’s practices result in consumer confusion. At a minimum, the evidence before the Court raised genuine issues of material fact.

**(a) Rosetta Stone Presented The Testimony Of Five Consumers Who Were Confused By Google's Sponsored Links And Purchased Counterfeit Software As A Result.**

Rosetta Stone proffered the testimony of five consumers who were confused by sponsored links displayed on Google search-results pages when they conducted a search for "Rosetta Stone," leading them to buy counterfeit software that they mistakenly believed was genuine Rosetta Stone product. JA(41)-4592-4595, 4614-4620, 4724-4727, 4778-4784, 4804-4807; JA(33)-698.

The District Court rejected this testimony for several reasons, none of which can withstand scrutiny. First, it found that none of these individuals referenced a sponsored link "that conformed to Google's policies." JA(29)-630. The question presented in this case, however, is not whether Google's stated *policies* are appropriate in the abstract, but whether Google's *practices* violate the law. *See CareFirst*, 434 F.3d at 267 ("Likelihood of confusion exists if 'the defendant's *actual practice* is likely to produce confusion in the minds of consumers about the origin of the goods or services in question.'" (emphasis added) (citation omitted)). It is undisputed that four of these individuals clicked on sponsored links that appeared on Google's search-results pages.

Second, the District Court rejected the testimony on the ground that these witnesses knew "that they were not purchasing products directly from Rosetta Stone." JA(29)-631. In order to establish a likelihood of confusion,

however, Rosetta Stone does not have to establish that consumers believed they were making a purchase directly from Rosetta Stone. Instead, Rosetta Stone must establish that Google's use of the Rosetta Stone Marks is "likely to confuse an 'ordinary consumer' as to the *source or sponsorship of the goods*" they purchased. *PETA v. Doughney*, 263 F.3d 359, 366 (4th Cir. 2001) (emphasis added). Each confusion witness testified that he or she was misled by sponsored links on a search-results page for "Rosetta Stone" into believing that the sponsored link was endorsed by or affiliated with Rosetta Stone and that he or she was purchasing genuine Rosetta Stone product. JA(41)-4592-4593, 4614-4615, 4724-4727, 4778-4781, 4804-4805.

Third, the District Court asserted that these witnesses "were not confused by the Sponsored Links, but by the confusing nature of the websites from which they purchased." JA(29)-631. This conclusion, however, ignores the fact that these witnesses testified that they entered "Rosetta Stone" as their search term on Google, which displayed sponsored links specifically advertising the sale of Rosetta Stone software. JA(41)-4592-4593, 4724-4725, 4778-4779, 4804. Accordingly, each was directed by Google to a website where they made their purchases after clicking on a Google sponsored link. Thus, even assuming *arguendo* that these witnesses also were confused by the websites from which they

ultimately purchased counterfeit software, they were confused in the first instance by the sponsored link appearing on Google's search-results page.

Fourth, the District Court disregarded the evidence proffered by Rosetta Stone when it concluded that "one of the witnesses purchased the counterfeit software through an organic search and another disposed of the software, thereby preventing an investigation of its authenticity." JA(29)-631-632. As Rosetta Stone demonstrated in its opposition to Google's summary judgment motion, although one witness could not locate the software at the time of her deposition, she purchased it at the same time and from the same website from which another confusion witness obtained counterfeit software. JA(41)-4593, 4806. Moreover, although one witness could not recall at his deposition where the link from which he purchased counterfeit software appeared on Google's search-results page, his records show that he purchased the software from bossdisk.com on the same date that Rosetta Stone notified Google that bossdisk.com appeared as a sponsored link on Google's search-results page and was selling counterfeit software. JA(46)-5624-5626, 5719-5746. Rosetta Stone maintains that the evidence it proffered establishes that these witnesses purchased counterfeit software through Google sponsored links, but, to the extent any factual dispute exists, the District Court was not permitted to resolve it.

Finally, relying on *George & Co.*, the District Court concluded that “Rosetta Stone’s evidence of actual confusion – testimonies of five individuals out of more than 100,000,[000] impressions over six years – is *de minimis*.” JA(29)-629. However, as the Third Circuit has recognized “[w]ithout knowing how many, or what percent of, incidents go unreported, anecdotal evidence of confusion cannot usefully be compared to the universe of potential incidents of confusion. The rarity of such evidence makes even a few incidents ‘highly probative of the likelihood of confusion.’” *Kos Pharm., Inc. v. Andrx Corp.*, 369 F.3d 700, 720 (3d Cir. 2004) (citation omitted); *see also Sara Lee*, 81 F.3d at 466 (“[I]ndeed, we can but wonder how often the experiences related by the trial witnesses have been repeated – but not reported – in stores across the country.”).

In any event, although Rosetta Stone *deposed* only five individuals (the maximum number of non-expert/non-party depositions allowed by the District Court), it demonstrated that many more individuals have been confused by Google sponsored links. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Thus, Rosetta Stone not only proffered the testimony of five witnesses, it also presented evidence of numerous other examples of actual confusion. JA(46)-5685-5687, 5748-5769, 5828-5842.

The District Court recognized that Rosetta Stone proffered such evidence, but nevertheless rejected it on the ground that “the record of complaints identify sources such as Craigslist and spam emails, not Google, as the means by which the allegedly counterfeit products were located.” JA(29)-632. For this conclusion, the District Court relied on a declaration of Google counsel Thai Le, who prepared graphs depicting the complaints proffered by Rosetta Stone. JA(29)-632. The graphical presentations prepared by Mr. Le, however, do not support the District Court’s conclusion. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] When

considered in light of the other record evidence, this evidence supports the inference that additional consumers were confused by Google’s practices. The

9

[REDACTED]

District Court was required to view the evidence favorably to Rosetta Stone and was not permitted to draw the contrary inference in Google's favor.

**(b) Rosetta Stone Proffered An Expert Report Concluding That "A Significant Portion Of Consumers In The Relevant Population Are Likely To Be Confused."**

As evidence of actual confusion, Rosetta Stone also proffered the report of Dr. Kent D. Van Liere, a Vice President at NERA Economic Consulting, who conducted a survey designed to test consumer confusion arising from Google's use of the Rosetta Stone Marks. JA(46)-5448. Dr. Van Liere concluded that "a significant portion of consumers in the relevant population are likely to be confused as to the origin, sponsorship or approval of the 'sponsored links' that appear on the search results page after a consumer has conducted a Google search using a Rosetta Stone trademark as a keyword and/or are likely to be confused as to the affiliation, endorsement, or association of the websites linked to those 'sponsored links' with Rosetta Stone." JA(46)-5449-5450. In particular, Dr. Van Liere's study "concluded that 17 percent of consumers demonstrate actual confusion," JA(46)-5459, which is more than sufficient to demonstrate actual confusion under the standard set out by this Court. *See Sara Lee*, 81 F.3d at 467 n.15 (survey evidence favors plaintiff when it demonstrates a level of confusion above ten percent).



The District Court denied Google's motion to strike the Van Liere Report as unreliable, but rejected Dr. Van Liere's findings in granting summary judgment in Google's favor, concluding that his survey "provides unreliable evidence of actual confusion because the result contained a measure of whether respondents thought [Rosetta Stone] 'endorsed' a Sponsored Link, a non-issue." JA(29)-632-633.<sup>10</sup> To support this conclusion, the District Court stated that confusion as to whether a sponsored link is "endorsed" by Rosetta Stone "is not the same as confusion as to the source or origin of the products." JA(29)-633; *see also* JA(29)-609, 622, 623, 631.

In so holding, the District Court read Section 1114(1)(a) far too narrowly. *See, e.g., Anheuser-Busch*, 962 F.2d at 318 ("[A]n unauthorized use of a trademark infringes the trademark holder's rights if it is likely to confuse an 'ordinary consumer' as to the source *or sponsorship* of the goods." (emphasis added) (citation omitted)); *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 569 (2d Cir. 1971) (Section 1114 is intended to prohibit "the use of trademarks which are likely to cause confusion, mistake, or deception *of any kind*, not merely of purchasers nor simply as to source of origin" (emphasis added)); *Maurag, Inc. v. Bertuglia*, 494 F. Supp. 2d 395, 397-98 (E.D. Va. 2007) (to show

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<sup>10</sup> The District Court's Opinion states "Google" rather than "[Rosetta Stone]" in the quoted portion, but, given the context, we assume that the District Court meant "Rosetta Stone."

likelihood of confusion under § 1114, a plaintiff may show that ads are likely to cause customers to patronize one restaurant thinking it is affiliated with another). Thus, contrary to the District Court's conclusion, whether consumers believe that Rosetta Stone has endorsed, is affiliated with, or has approved sponsored links triggered by and containing the Rosetta Stone Marks is highly relevant to Rosetta Stone's trademark infringement claims.<sup>11</sup>

In sum, the Van Liere report, which the District Court found to be admissible, constitutes evidence of actual confusion and could not properly be disregarded by the District Court when ruling on summary judgment.

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<sup>11</sup> In addition to providing evidence of actual confusion as set forth above, Dr. Van Liere's report also supports an independent finding of "initial interest" confusion – "the distraction or diversion of a potential customer from the Web site he was initially seeking to another site, based on the user's belief that the second site is associated with the one he originally sought." *GEICO v. Google, Inc.*, No. 1:04cv507, 2005 U.S. Dist. LEXIS 18642, at \*14 (E.D. Va. Aug. 8, 2005); *see also Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1024-25 (9th Cir. 2004) (applying initial interest confusion doctrine to Internet search engine that sold plaintiff's mark as a keyword to third parties); *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1062-65 (9th Cir. 1999) (finding initial interest confusion where defendant included plaintiff's trademark in web address metatag to ensure that defendant's website appeared when a consumer searched for plaintiff's trademark). The District Court did not even address initial interest confusion in its opinion. Although this Court declined to endorse the initial interest confusion doctrine on the facts before it in *Lamparello v. Falwell*, 420 F.3d 309 (4th Cir. 2005), it left open the question whether the doctrine applies to cases, such as this one, where the defendant uses the plaintiff's mark for its own financial gain. *See id.* at 318 n.6.

(c)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] In denying Google's motion to strike these studies, the District Court correctly found them "relevant and not unduly prejudicial because Google's consumer confusion studies have *significant bearing on this case* and have a *tendency to make more probable Rosetta Stone's trademark infringement claim*." JA(28)-605 (emphasis added). Yet, when ruling in Google's favor in its merits opinion, the District Court contradicted its own conclusion and rejected these same studies on the ground that they "concerned consumer impressions of advertisements that made use of third party trademarks which did not include a Rosetta Stone Mark." JA(29)-629.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Google's

studies therefore constitute compelling evidence of actual confusion, and the District Court improperly disregarded them.<sup>12</sup>

**(d) Google Witnesses In This Case Were Confused By Google's Search-Results Pages.**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The District Court rejected this testimony as “inadequate” based on its conclusion that “their responses reflect *a mere uncertainty* about the source of a

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<sup>12</sup> During summary judgment briefing, Google disclosed that it failed to produce certain documents relating to these studies, even though they were responsive to a court order compelling their production. [REDACTED]

[REDACTED] Dkt. 174. The Magistrate Judge heard this motion on April 23, 2010, the same day the District Court heard the summary judgment motions. The Magistrate Judge denied the sanctions motion, concluding that Google's late production would not prejudice Rosetta Stone *because Rosetta Stone could use the documents at trial*. JA(26)-588-589. Thereafter, the District Court granted summary judgment to Google on the eve of trial. Rosetta Stone timely objected to the Magistrate Judge's ruling as clearly erroneous, given that Rosetta Stone was not able to use the late-produced documents at trial. Dkt. 221. The District Court did not rule on these objections or consider the late-produced evidence in ruling on the summary judgment motions.

product rather than actual confusion.” JA(29)-632 (emphasis added). This Court, however, has expressly recognized that “uncertainty” as to source is, in fact, evidence of actual confusion. *Sara Lee*, 81 F.3d at 466 (evidence that consumers were “uncertain of the origin” of defendant’s product is evidence of actual confusion). Thus, the District Court’s conclusion that “mere uncertainty” does not constitute actual confusion was contrary to Circuit precedent and legally erroneous.

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In short, there was significant evidence of actual consumer confusion before the District Court, which made it untenable for the Court to conclude that “[o]n the point of actual confusion, the Court necessarily finds in Google’s favor.” JA(29)-633.<sup>13</sup>

## **2. The District Court’s Conclusion That Google Lacked An Intent To Confuse Is Not Supported By The Record.**

A defendant’s intent (the sixth factor in this Court’s likelihood-of-confusion test) also can show a likelihood of confusion: “If there is intent to

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<sup>13</sup> Even if there were no evidence of actual confusion, the District Court was not permitted to “find in Google’s favor.” JA(29)-633. While the existence of actual confusion shows likelihood of confusion, “a trademark owner need not demonstrate actual confusion” to establish likelihood of confusion. *Lone Star*, 43 F.3d at 933. Moreover, “[w]hile it is true that a lack of ‘evidence of actual confusion over a substantial period of time’ may create ‘a strong inference’ of no likelihood of confusion,” whether such an inference can be drawn from the facts presented is “a matter properly submitted to the jury.” *Super Duper, Inc. v. Mattel, Inc.*, No. 09-1397, 2010 U.S. App. LEXIS 11853, at \*5-6 (4th Cir. June 10, 2010) (unpublished per curiam) (citations omitted).

confuse the buying public, this is strong evidence establishing a likelihood of confusion . . . .” *Sara Lee*, 81 F.3d at 466 (quotation omitted). There is abundant record evidence to support the conclusion that Google acted with the intent to confuse the buying public, including:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The first two categories – [REDACTED]  
[REDACTED] – strongly support a conclusion that Google had the intent to confuse. The third category – [REDACTED]  
[REDACTED] – also is highly probative of its intent. *Cf. Johnson & Johnson Consumer Cos. v. Aini*, 540 F. Supp. 2d 374, 392 & n.31 (E.D.N.Y. 2008) (finding evidence of other trademark infringement lawsuits admissible as evidence of intent and knowledge). Indeed, in its Order denying Google’s motion to strike evidence, the District Court itself correctly found that examples of trademark complaints received by Google “are relevant and non-

prejudicial” because “they are relevant to establishing Google’s knowledge and intent for purposes of Rosetta Stone’s trademark infringement claim.” JA(28)-605.

Notwithstanding its conclusion that the trademark complaints were relevant to the question of intent, the District Court found no genuine issue of material fact as to Google’s intent based on its views of Google’s business practices. For example, the District Court found:

- “It is in Google’s own business interest, as a search engine, not to confuse its users by preventing counterfeiters from taking advantage of its service.” JA(29)-626.
- “Google’s success depends on its users finding relevant responses to their inquiries.” JA(29)-626.<sup>14</sup>
- Google “does not make money from advertisements of counterfeit Rosetta Stone products because counterfeiters generally use stolen credit cards to secure the advertising, and battling such counterfeiters is a drain on Google’s resources.” JA(29)-626-627.
- “Even if it is true that Google stands to profit financially from higher click-through rates, its long term financial loss would far exceed its immediate gains if it provided search services without regard to possible counterfeiting operations. If Google intentionally confuses its users and deprives them of a positive experience, traffic at its website will decrease, causing it to lose revenue.” JA(29)-627.

In light of these “facts” – which, at best, are hotly disputed – the District Court found that Google did not act with the intent to confuse consumers. The District

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<sup>14</sup> Although Google described this as an “undisputed fact,” Rosetta Stone expressly disputed it. JA(44)-5137; JA(46)-5214-5256.

Court's agreement with Google's benevolent depiction of its business model cannot supplant ordinary standards of summary judgment, which preclude the Court from making such factual findings.

Moreover, in so holding, the District Court erroneously relied on *Anheuser-Busch* for the proposition that "evidence of financial gain alone is insufficient evidence of intent." JA(29)-625. The alleged infringement in *Anheuser-Busch* involved parody, and the proposition on which the District Court relied was an *exception*, in parody cases, to the general rule that "an intent to profit from the original is the same thing as an intent to confuse." 962 F.2d at 321-22. Rosetta Stone presented evidence that Google intended to profit from its use of the Rosetta Stone Marks and that it did so with full knowledge that its use of the Rosetta Stone Marks was likely to confuse consumers. JA(41)-4260-4283, 4297, 4364-4377, 4381-4383. The intent factor, too, thus weighs in favor of Rosetta Stone.

**3. The District Court's Conclusion Regarding The Sophistication Of The Consuming Public Is Belied By The Record Evidence.**

Finally, the District Court concluded that the consuming public's sophistication (the ninth factor) weighs "strongly" in Google's favor. JA(29)-634-635. To reach this conclusion, the District Court found, based solely on evidence regarding the cost of Rosetta Stone's product and the demographics of Rosetta



Stone's target market, that Rosetta Stone's consumers "would reasonably take care in making [] a decision" to purchase Rosetta Stone's product, and that because of "the time commitment of learning a language, they are more likely to spend time searching and learning about Rosetta Stone's products." JA(29)-634. The District Court then concluded that "[t]heir expertise and sophistication would tend to demonstrate that they are able to distinguish between the Sponsored Links and organic results displayed on Google's search-results page." JA(29)-634. In ruling on a motion for summary judgment, the District Court was not permitted to make such inferential leaps. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) ("Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge . . .").

In any event, the undisputed facts demonstrate that even "sophisticated" consumers are confused by Google's sponsored links: (i) Rosetta Stone deposed five college-educated consumers who were confused by Google's sponsored links, JA(41)-4591, 4612, 4723, 4777, 4803; [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] and (iv) a survey of potential Rosetta Stone

customers showed that Google's practices created a likelihood of confusion, JA(46)-5447-5502.

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In finding in Google's favor on the confusion issue, the District Court departed from its proper role in ruling on summary judgment and instead substituted its judgment for that of the jury. The District Court's grant of summary judgment to Google should be reversed.

**II. THE FUNCTIONALITY DOCTRINE HAS NO APPLICATION TO GOOGLE'S USE OF THE ROSETTA STONE MARKS.**

The District Court concluded alternatively that Google's use of the Rosetta Stone Marks as keywords is functional and therefore not subject to Lanham Act challenge. JA(29)-635-638. The functionality doctrine, however, has no application to Google's sale of the Rosetta Stone Marks to its customers.

The functionality doctrine is a defense based on characteristics of the trademark owner's product, not the alleged infringer's product. As the Supreme Court has explained:

The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to

whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity).

*Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164-65 (1995).

Accordingly, the Supreme Court found in *Qualitex* that the characteristics of the trademark owner's product – the green-gold color of press pads used in dry cleaning establishments – was not functional and met the basic legal requirements for use as a trademark. *Id.* at 161-66. In contrast, in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), the Court concluded that the trademark owner's dual-spring design for its road sign product was functional – the dual-spring provided a “unique and useful mechanism to resist the force of the wind” – and therefore was not entitled to trademark protection. *Id.* at 33-34. Likewise, in *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992), the court found that an initialization code in the trademark owner's product was a functional feature that must be included in a video game program in order for the game to operate on the trademark owner's video game system. *Id.* at 1530-32; *see also Compaq Computer Corp. v. Procom Tech., Inc.*, 908 F. Supp. 1409, 1423 (S.D. Tex. 1995) (use of trademark owner's mark in vendor ID portion of a drive's firmware was functional and not entitled to trademark protection). These cases demonstrate that the functionality doctrine focuses on the *trademark owner's* product and product features.

Here, the Rosetta Stone Marks are not functional because they are not essential to the use or purpose of Rosetta Stone's products and they do not affect the cost or quality of those products. The functionality doctrine therefore has no application to this case.

In relying on functionality, the District Court turned the doctrine on its head – concluding that, because *Google's* product purportedly operates better by using and selling trademarks as commercial keywords, its “use of trademarked keywords as triggers for paid advertisements is functional,” thereby “prevent[ing] a finding of infringement.” JA(29)-638. This conclusion, however, is flatly inconsistent with the functionality doctrine, as explicated by the Supreme Court and other courts. The Ninth Circuit, moreover, rejected the exact position adopted by the District Court, finding that the functionality doctrine has no application to an Internet search engine's use of the plaintiff's trademarks. *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1031 (9th Cir. 2004). As the Ninth Circuit correctly stated, “[t]he fact that the marks make *defendants'* computer program more functional is irrelevant.” *Id.*

Even if the functionality doctrine were somehow applicable to the present case – and it is not – the undisputed facts do not support the District Court's conclusion that Google's use of the Rosetta Stone Marks is “functional.”

In support of this conclusion, the District Court made the following improper findings of fact:

- “[T]he keywords affect the cost and quality of Google’s AdWords Program because absent third party advertisers’ ability to bid on trademarked terms as keyword triggers, Google would be required to create an alternative system for displaying paid advertisements on its website – a system which is potentially more costly and less effective in generating relevant advertisements.” JA(29)-637.
- “In terms of encouraging competition, the keywords also serve an advertising function that benefits consumers who expend the time and energy to locate particular information, goods, or services, and to compare prices.” JA(29)-637.
- “If Google is deprived of this use of the Rosetta Stone Marks, consumers would lose the ability to rapidly locate potentially relevant websites that promote genuine Rosetta Stone products at competitive prices.” JA(29)-637-638.

These “facts,” which are disputed and contradicted by record evidence, do not even support the conclusion that the use of trademarks is essential to *Google’s* product. For instance, it is undisputed that Google operated its search engine for years while it prohibited the sale and use of keywords (and even longer while it prohibited the use of trademarks in sponsored link text). Indeed, Google admitted in its Answer that it “has the technical ability to prevent advertisers from bidding on individual words” and “to prevent advertisers from using certain non-descriptive keywords as AdWords triggers.” JA(5)-103-104. The fact that Google stands to reap greater profits from its exploitation of the Rosetta Stone Marks does not make it immune from federal trademark laws.

**III. THE DISTRICT COURT ERRED IN GRANTING SUMMARY JUDGMENT TO GOOGLE ON THE SECONDARY TRADEMARK INFRINGEMENT CLAIMS.**

Rosetta Stone raised two distinct claims of secondary infringement against Google – contributory infringement (Claim 2) and vicarious infringement (Claim 3). The District Court erroneously granted summary judgment to Google on both.

**A. The District Court Erroneously Found That Google Is Entitled To Summary Judgment On Contributory Infringement.**

To prove contributory infringement, Rosetta Stone must demonstrate that Google either (1) “intentionally induces another to infringe” or (2) “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982); *see also Ga. Pac. Consumer Prods., LP v. von Drehle Corp.*, Nos. 09-1942, 09-2054, 2010 U.S. App. LEXIS 16498, at \*21 (4th Cir. Aug. 10, 2010). As the District Court recognized, Rosetta Stone proffered evidence to support liability under both prongs of the contributory infringement analysis. JA(29)-639-640. The Court recited this evidence in its Opinion, yet concluded that it was “unpersuaded by Rosetta Stone’s arguments.” JA(29)-641.

As to Google’s intentional inducement of trademark infringement, the record evidence shows that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In considering this evidence, the District Court found that Google “has an economic incentive” to “encourage advertisers to bid on keywords that they know will result in higher click-through rates,” but concluded that “a desire for economic gain alone does not translate into contributory trademark infringement.” JA(29)-642. The Court, however, provides no legal support for its conclusion. *See* JA(29)-642. The fact that Google’s motivation for providing such encouragement is its economic gain does not somehow immunize Google from liability.

As to the second prong, the District Court stated that “there is no evidence that Google is supplying a service to those it knows or has reason to know is engaging in trademark infringement.” JA(29)-642. This conclusion cannot be squared with the District Court’s own description of the evidence that Rosetta Stone presented:

Rosetta Stone proffers evidence of a spreadsheet that Google received which reflects the dates when Rosetta Stone advised Google that a Sponsored Link was fraudulent, the domain names associated with each such Sponsored Link, the text of each Sponsored Link, and the date and substance of Google’s response. (Caruso Decl., Ex. 28; Calhoun Decl. ¶ 5, Ex. C.) As documented, from September 3, 2009 through March 1, 2010, Rosetta Stone notified Google of approximately 200 instances of Sponsored Links advertising counterfeit Rosetta Stone products. (Calhoun Decl. ¶ 4, Exs. C-D; Pl.’s Mem. Supp. Summ. J. 11.) Rosetta Stone contends that even

after being notified of these websites, Google continued to allow Sponsored Links for other websites by these same advertisers to use the Rosetta Stone Marks as keyword triggers and in the text of their Sponsored Link advertisements. For example, between October 2009 to December 2009, 110 different Sponsored Links purportedly selling Rosetta Stone products used “Rosetta Stone” as a keyword trigger, and most of the Links included “Rosetta Stone” or “Rosettastone” in their display. Registered to the same individual, these 110 Links were displayed on 356,675 different search-results pages. (Calhoun Decl. Ex. D at GOOG-RS-011-000114 to GOOG-RS-011-000187.)

JA(29)-640-641; *see also* JA(33)-693-2257; JA(35)-2299-2317; JA(62).

In concluding that this evidence was insufficient to defeat Google’s motion for summary judgment, the District Court relied, in large part, on the Second Circuit’s decision in *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010). *Tiffany*, however, involved the Second Circuit’s “clear error” review of the district court’s “findings of fact” after a *one-week bench trial*. *Id.* at 96, 101. Whereas the district court in *Tiffany* was permitted to make credibility determinations, draw inferences from the evidence, and resolve disputed issues of material fact, the District Court was not permitted to do so at the summary judgment stage here. By engaging in fact finding, the District Court invaded the province of the jury, which alone is a sufficient ground for reversal.

In applying *Tiffany*, moreover, the District Court overlooked the evidence before it. For example, the District Court stated that “[l]ike Tiffany, Rosetta Stone fails to show that Google knew of the alleged infringing activity by its AdWords advertisers.” JA(29)-643. But Rosetta Stone presented ample



evidence that Google had such knowledge, including a spreadsheet identifying when Google was notified of infringing activity and when such activity continued after notification. JA(33)-1409-1421; *see also* JA(33)-693-2257; JA(41)-4493-4502.

At bottom, the District Court's conclusion was based not on the lack of evidence of Google's knowledge of the infringing activity, which was abundant, but on the Court's view that "[t]here is little Google can do beyond expressly prohibiting advertisements for counterfeit goods, taking down those advertisements when it learns of their existence, and creating a team dedicated to fighting advertisements for counterfeit goods." JA(29)-643.<sup>15</sup> This, of course, simply is not correct – among other possible actions, Google can stop selling the Rosetta Stone Marks to unauthorized third parties. Most fundamentally, however, it reflects the District Court's resolution of a disputed factual issue based on its view of Google's practices.

In closing its contributory infringement section, the District Court stated: "Comparing the evidence of knowledge attributed to eBay to the roughly 200 notices Google received of Sponsored links advertising counterfeit Rosetta Stone products on its search results page, the Court necessarily holds that *Rosetta*

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<sup>15</sup> Rosetta Stone expressly disputed, with citations to record evidence, the sufficiency of Google's anti-counterfeiting efforts. JA(44)-5139-5140.

*Stone has not met the burden of showing that summary judgment is proper as to its contributory trademark infringement claim.”* JA(29)-644 (emphasis added).

Rosetta Stone’s failure to show that *it* was entitled to summary judgment, however, does not translate to summary judgment in *Google’s* favor.

**B. The District Court Erroneously Found That Google Is Entitled To Summary Judgment On Vicarious Infringement.**

To prove vicarious infringement, Rosetta Stone must show that Google and its customers jointly controlled the appearance of the sponsored links on Google’s search-results pages and the use of the Rosetta Stone Marks therein. *See Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992); JA(29)-645 (citing *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700, 705 (E.D. Va. 2004)). The District Court concluded that Rosetta Stone could not make such a showing because there was no evidence “that Google’s Keyword Tools or its employees direct or influence advertisers to bid on the Rosetta Stone Marks.” JA(29)-647. Again, the District Court’s conclusion overlooks evidence submitted by Rosetta Stone:

[REDACTED]

[REDACTED]

- Google admitted that the Rosetta Stone Marks “may be contained in the keyword tool directory.” JA(5)-105.

[REDACTED]

This evidence shows that Google and its employees directed or influenced Google customers to bid on trademarks and to use those trademarks in the text of their sponsored links.<sup>16</sup> Because Rosetta Stone set out specific facts showing a genuine issue for trial, summary judgment in Google’s favor was improper. *See* Fed. R. Civ. P. 56.

#### **IV. THE DISTRICT COURT ERRED IN GRANTING SUMMARY JUDGMENT TO GOOGLE ON THE TRADEMARK DILUTION CLAIM.**

The trademark dilution statute, 15 U.S.C. 1125(c)(1), provides additional protection to famous trademarks. It allows the owner of a famous mark to enjoin a person from using “a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark,” even

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<sup>16</sup> Google’s involvement in this process apparently is rooted in its economic incentive to generate revenue for itself, based on the business model it has chosen to adopt. Google does not get paid when a sponsored link is shown on a search-results page. Instead, it is paid on a “cost-per-click” basis: when a Google user “clicks” on a sponsored link, Google receives a fee from its customer. JA(5)-103, 105. Thus, it is in Google’s direct economic self-interest to assist its customers in developing text that will lead a user to click on the sponsored link.

without establishing a likelihood of confusion. *Id.*; *see also Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 265 (4th Cir. 2007).

“Dilution by blurring” is an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” 15 U.S.C. § 1125(c)(2)(B). “Dilution by tarnishment” is an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” *Id.* § 1125(c)(2)(C). Tarnishment “generally arises when the plaintiff’s trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner’s product.” *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994).

To prove its dilution claim, Rosetta Stone must demonstrate four elements: (1) it owns a famous mark that is distinctive; (2) Google has commenced using a mark in commerce that is diluting Rosetta Stone’s famous mark; (3) a similarity between the mark used by Google and Rosetta Stone’s famous mark gives rise to an association between the marks; and (4) the association is likely to impair the distinctiveness of the famous mark or harm the reputation of the famous mark. *Louis Vuitton*, 507 F.3d at 264-65; *see also* 15 U.S.C. § 1125(c)(1).

The District Court granted summary judgment to Google on Rosetta Stone's trademark dilution claim (Claim 4) for two reasons. Both are erroneous.

**1. Google's "fair use."** Initially, the District Court found that Google cannot be liable for trademark dilution merely because Google "does not sell language learning software." JA(29)-647. This conclusion is not based on the statute's prohibitions, which apply to any use of a mark in commerce that is diluting a famous mark, regardless of whether it is used on the same type of goods offered by the defendant. *See generally* 15 U.S.C. § 1125(c)(1). Instead, the District Court relied on the "fair use" provision of the statute. JA(29)-649.

That provision excludes "[a]ny *fair use*, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services." 15 U.S.C. § 1125(c)(3)(A) (emphasis added). The District Court, however, failed to undertake a meaningful "fair use" analysis. Rather, the Court concluded that, since, in its view, Google was not using the Rosetta Stone Marks as a designation for its own products, Google was automatically entitled to "fair use" protection. JA(29)-649.<sup>17</sup> This conclusion effectively omits the word "fair" from

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<sup>17</sup> Google, of course, does use "Rosetta Stone" as a designation for the sponsored links that it sells containing the term "Rosetta Stone." *Cf. Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 129-30 (2d Cir. 2009) (Google's sale and display of trademarks in AdWords is a use of the trademarks in commerce).

the statutory exclusion and is therefore erroneous. The determination that Google was not using the trademarks “as a designation of source” for Google’s own goods or services, even if accurate, was not sufficient to qualify for the “fair use” exclusion. It was the beginning of the required inquiry, not the end of it.

If a proper “fair use” inquiry is conducted, at a minimum, Google’s sale of the Rosetta Stone marks to *counterfeiters* would not be a “fair use.” At the very least, the question whether Google’s sale and use of the Rosetta Stone Marks is a “fair use” is a genuine issue of material fact. Thus, for purposes of summary judgment, Google has not established that its use and sale of the Rosetta Stone Marks qualify as “fair use” excluded from the prohibitions of the trademark dilution statute.

**2. Lack of Harm to Rosetta Stone.** The District Court also concluded that Rosetta Stone failed to present evidence of either blurring or tarnishment because “Rosetta Stone has not shown that its Marks suffered a loss of distinctiveness or reputation.” JA(29)-652. However, a plaintiff need not prove actual dilution to succeed on a trademark dilution claim; rather it must demonstrate a “likelihood” of dilution by blurring or tarnishment. *Louis Vuitton*, 507 F.3d at 264 n.2 (Congress amended dilution statute in response to a Supreme Court decision requiring proof of actual dilution and actual economic harm, and required instead “only a *likelihood* of dilution”).

The trademark dilution statute identifies six, non-exclusive factors that a court may consider in analyzing whether a defendant's use is likely to cause dilution by blurring:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(2)(B). The District Court addressed just one of these factors – the degree of recognition of the famous mark – and concluded that, because Rosetta Stone's brand awareness and brand equity have increased since 2004, "the distinctiveness of the Rosetta Stone Marks has not been impaired, and Rosetta Stone cannot show that Google's trademark policy likely caused dilution by blurring." JA(29)-651.

By relying on the fact that Rosetta Stone's brand awareness and equity have increased, the District Court effectively grafted an additional requirement onto the trademark dilution statute – that the trademark owner establish that its brand awareness and equity have declined. But, as this Court

recently emphasized, the trademark dilution statute “requires nothing more” than the showings enumerated in the statute. *Super Duper, Inc. v. Mattel, Inc.*, No. 09-1397, 2010 U.S. App. LEXIS 11853, at \*8 (4th Cir. June 10, 2010) (unpublished per curiam). The District Court’s addition to the statute, moreover, would be particularly perverse because it would convert a statute designed to protect famous trademarks (which, by definition, are associated with well-known and well-respected brands) into one in which plaintiffs are required to show that their famous brands no longer are as well-known or well-respected.

The District Court is silent on the remaining five factors, all of which weigh in favor of a finding of dilution by blurring. Indeed, courts routinely have found dilution by blurring where, as here, the defendant has used the plaintiff’s actual mark. *See, e.g., PETA v. Doughney*, 113 F. Supp. 2d 915, 920 (E.D. Va. 2000), *aff’d*, 263 F.3d 359 (4th Cir. 2001).

Likewise, although the District Court found no dilution by tarnishment because Rosetta Stone’s five confusion witnesses attested to their positive impression of the Rosetta Stone brand, JA(29)-651-652, courts routinely have found dilution by tarnishment where, as here, the plaintiff’s mark has been linked to counterfeit products. *See, e.g., Diane Von Furstenberg Studio v. Snyder*, No. 1:06cv1356(JCC), 2007 U.S. Dist. LEXIS 66633, at \*11 (E.D. Va. Sept. 10, 2007).



For these reasons, the District Court's conclusion that Google was entitled to summary judgment on the trademark dilution claim was erroneous. The claim should be submitted to a jury.

**V. THE DISTRICT COURT ERRED IN DISMISSING ROSETTA STONE'S UNJUST ENRICHMENT CLAIM.**

The District Court erred in dismissing Rosetta Stone's unjust enrichment claim. As a threshold matter, at the time the Court granted Google's motion to dismiss this claim, the parties had briefed the *merits* of the claim in their summary judgment papers based on a fully developed factual record. Given "the strength and intensity of this court's longstanding policy in favor of merits-based adjudication," *Colleton Preparatory Acad., Inc. v. Hoover Universal*, 616 F.3d 413, 417 n.3 (4th Cir. 2010), the District Court should have considered the evidentiary record before it and not ruled based solely on the allegations of the Amended Complaint.

In any event, the facts alleged in the Amended Complaint plausibly stated a claim for unjust enrichment. Under Virginia law, a plaintiff seeking recovery for unjust enrichment must show three elements: (1) that it "conferred" a benefit on the defendant, (2) that the defendant knew of the benefit and should reasonably have expected to repay the plaintiff, and (3) that the defendant accepted or retained the benefit without paying for its value. *Nossen v. Hoy*, 750 F. Supp. 740, 744-45 (E.D. Va. 1990). The word "conferred" in this context includes

situations in which the defendant, without authorization, takes a benefit from the plaintiff. *See In re Bay Vista of Va., Inc.*, No. 2:09cv46, 2009 U.S. Dist. LEXIS 87154, at \*17 (E.D. Va. June 2, 2009).

The District Court correctly found that Rosetta Stone sufficiently alleged that Google took the benefit arising from its unauthorized use of the Rosetta Stone Marks. JA(27)-596-597. Nevertheless, the District Court dismissed the unjust enrichment claim because Rosetta Stone did not specifically allege that Google “promised to pay” Rosetta Stone for such unauthorized use. JA(27)-597-599. This ruling effectively guts the involuntary-conferment-of-a-benefit principle, because a defendant that seizes a benefit without authorization should not be expected to simultaneously promise to pay for that benefit. In such circumstances, a plaintiff need only demonstrate that the defendant should reasonably have expected to pay the plaintiff for the benefit taken. *See Nossen*, 750 F. Supp. at 745; *see also Po River Water & Sewer v. Indian Acres Club*, 255 Va. 108, 114 (1998) (“The promise to pay is implied from the consideration received.”).

Second, the District Court incorrectly concluded that the unjust enrichment claim is barred by the Communications Decency Act (“CDA”), 47 U.S.C. § 230, which limits the liability of interactive computer service providers for state law causes of action arising from the *content* of communications created and posted on the Internet by third parties. *Id.*; *see also Zeran v. Am. Online, Inc.*,

129 F.3d 327, 330 (4th Cir. 1997). The CDA, however, does not permit an interactive computer service provider to avoid liability for its own tortious conduct. *See, e.g., Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157, 1162-64 (9th Cir. 2008) (*en banc*); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 295 (D.N.J. 2006).

Rosetta Stone's unjust enrichment claim arises from Google's business practice of selling trademarks as keywords that trigger the display of sponsored links on Google's search-results pages. JA(8)-197. Contrary to the District Court's finding, it is not the content of the sponsored link that creates liability for Google. Rather, the claim arises from Google's practice of placing sponsored links on its own search-results pages based on its sale of trademarks that it does not own or have permission to sell. The CDA therefore has no application.

Even if liability arose *solely* from the content of the sponsored link – and it did not – dismissal of the unjust enrichment claim still was improper given the extensive allegations in the Amended Complaint regarding Google's proactive conduct in creating the content of the sponsored links. JA(8)-181-182; *see also* JA(46)-5320-5356. Had the District Court viewed these allegations in the light most favorable to Rosetta Stone – as it was required to do in ruling on a motion to dismiss – it could not have ruled, as a matter of law, that Google was immune from liability under the CDA. *See Roommates.com*, 521 F.3d at 1162 (CDA does not

apply if defendant “is ‘responsible, in whole or in part, for the creation or development of’ the offending content” (quoting 47 U.S.C. § 230(f)(3))).

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Under a correct application of settled summary judgment and trademark principles, without the creation of special rules of immunity for Google, Rosetta Stone is entitled to its day in court before a properly instructed jury. Google’s vehement defense of its unauthorized use and sale of Rosetta Stone’s trademarks can be heard in a proceeding that appropriately addresses and resolves disputed issues of fact. That is all that Rosetta Stone seeks in this appeal.

### **CONCLUSION**

For all these reasons, this Court should reverse the District Court’s orders dismissing the unjust enrichment claim and granting summary judgment in Google’s favor, and remand this case to the District Court for trial.

Dated: October 25, 2010

Respectfully submitted,

Skadden, Arps, Slate, Meagher & Flom LLP

/s/ Clifford M. Sloan

Attorneys for Appellant

**REQUEST FOR ORAL ARGUMENT**

Pursuant to Federal Rule of Appellate Procedure 34(a) and Local Rule 34(a), Rosetta Stone respectfully requests oral argument. Rosetta Stone submits that the decisional process would benefit from oral argument given the voluminous evidentiary record and the number of significant legal and factual issues presented.

Dated: October 25, 2010

Respectfully submitted,

Skadden, Arps, Slate, Meagher & Flom LLP

/s/ Clifford M. Sloan

Attorneys for Appellant

**UNITED STATES COURT OF APPEALS  
FOR THE FOURTH CIRCUIT**

No. 10-2007      Caption: Rosetta Stone Ltd. v. Google Inc.

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Dated: October 25, 2010

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Counsel for Appellant

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I certify that on October 25, 2010, the redacted version of the foregoing document was served on all parties or their counsel of record through the CM/ECF system.

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