

In The
United States Court of Appeals
For The Fourth Circuit

ROSETTA STONE LTD.,

Plaintiff – Appellant,

v.

GOOGLE INC.,

Defendant – Appellee.

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

**BRIEF OF APPELLEE
REDACTED**

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UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT
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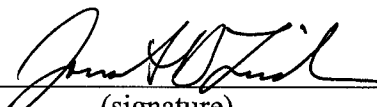
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Google Inc. who is Appellee, makes the following disclosure:
(name of party/amicus) (appellant/appellee/amicus)

1. Is party/amicus a publicly held corporation or other publicly held entity? YES NO
2. Does party/amicus have any parent corporations? YES NO
If yes, identify all parent corporations, including grandparent and great-grandparent corporations:
3. Is 10% or more of the stock of a party/amicus owned by a publicly held corporation or other publicly held entity? YES NO
If yes, identify all such owners:
4. Is there any other publicly held corporation or other publicly held entity that has a direct financial interest in the outcome of the litigation (Local Rule 26.1(b))? YES NO
If yes, identify entity and nature of interest:
5. Is party a trade association? (amici curiae do not complete this question) YES NO
If yes, identify any publicly held member whose stock or equity value could be affected substantially by the outcome of the proceeding or whose claims the trade association is pursuing in a representative capacity, or state that there is no such member:
6. Does this case arise out of a bankruptcy proceeding? YES NO
If yes, identify any trustee and the members of any creditors' committee:

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TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES	iv
STATEMENT OF THE ISSUES.....	1
STATEMENT OF THE CASE.....	2
STATEMENT OF FACTS	3
A. Google’s AdWords Program.....	3
B. Google’s 2004 Trademark Policy	6
C. Google’s 2009 Trademark Policy	7
D. Google’s Practices To Combat Ads For Counterfeits	8
E. Rosetta Stone And The Advertising At Issue	9
SUMMARY OF ARGUMENT	11
ARGUMENT	14
I. SUMMARY JUDGMENT WAS PROPER ON DIRECT LIABILITY FOR THE USE OF TRADEMARKS IN AD TEXT.....	14
A. Initial Interest Confusion Is Not Actionable.....	15
B. Rosetta Stone Cannot Prove That Use Of Its Marks In Ad Text Is Likely To Cause Confusion.....	17
1. Summary Judgment Was Appropriate On Ads That Do Not Violate Google’s Policies	18
(a) Referential Uses Of Marks Are Permitted By Law	18

(b)	No Likelihood Of Confusion Exists For Referential Uses	21
(i)	Rosetta Stone Provided No Competent Evidence Of Actual Confusion.....	22
A)	The Van Liere Report	24
B)	Google’s Internal Studies	28
(ii)	The Record Is Devoid Of Evidence That Google Intended To Confuse The Public	28
(iii)	Rosetta Stone’s Consumers Are Sophisticated	32
2.	Summary Judgment Was Appropriate On Google’s Lack Of Direct Liability For Ads For Counterfeit Products	33
(a)	Google Is Not Directly Liable For Acts Of Counterfeiters In Violation Of Google’s Policies	33
(b)	Application Of The Traditional Likelihood Of Confusion Factors Confirms That Google Is Not Liable.....	34
(i)	Rosetta Stone Has No Legally Cognizable Evidence Of Actual Confusion.....	34
A)	Five Instances Of Confusion Is <i>De Minimis</i>	34
B)	Google’s Trademark Lawyers Were Not Confused	36

C)	Generalized Complaints Of Counterfeiting Are Not Proof Of Confusion By Google’s Sponsored Links	37
(ii)	Google Did Not Intend To Allow Ads For Counterfeit Products.....	38
(c)	Rosetta Stone Is Not Entitled To A Presumption Of Confusion.....	39
II.	SUMMARY JUDGMENT WAS PROPER THAT KEYWORD BIDDING DOES NOT INFRINGE.....	40
A.	Initial Interest Confusion Is Not Actionable.....	40
B.	Use Of The Rosetta Stone Marks As Keywords Is Functional.....	40
C.	Use Of Rosetta Stone’s Marks As Keywords Is Not Likely To Cause Confusion	43
III.	SUMMARY JUDGMENT WAS PROPER ON SECONDARY LIABILITY	45
A.	Google Is Not Liable For Contributory Trademark Infringement.....	46
B.	Google Is Not Liable For Vicarious Trademark Infringement.....	51
IV.	SUMMARY JUDGMENT WAS PROPER ON DILUTION	53
V.	DISMISSAL OF ROSETTA STONE’S UNJUST ENRICHMENT CLAIM WAS PROPER.....	57
	CONCLUSION	61
	CERTIFICATE OF COMPLIANCE	
	CERTIFICATE OF FILING AND SERVICE	

TABLE OF AUTHORITIES

<u>Cases</u>	<u>Page(s)</u>
<i>800-JR Cigar, Inc. v. GoTo.com, Inc.</i> , 437 F. Supp. 2d 273 (D.N.J. 2006).....	60
<i>AT&T Co. v. Winback & Conserve Program, Inc.</i> , 42 F.3d 1421 (3d Cir. 1994)	52
<i>Anderson v. Liberty Lobby, Inc.</i> , 477 U.S. 242 (1986).....	28, 32
<i>Anheuser-Busch, Inc. v. L&L Wings, Inc.</i> , 962 F.2d 316 (4th Cir. 1992)	18, 22
<i>Anti-Monopoly, Inc. v. General Mills Fun Group</i> , 611 F.2d 296 (9th Cir. 1979)	18
<i>Arkansas Best Corp. v. Comm’r</i> , 485 U.S. 212 (1988).....	56
<i>Astra Pharmaceutical Products, Inc. v. Beckman Instruments, Inc.</i> , 718 F.2d 1201 (1st Cir. 1983).....	14
<i>AutoZone, Inc. v. Tandy Corp.</i> , 373 F.3d 786 (6th Cir. 2004)	14
<i>Barbeque Marx, Inc. v. 551 Ogden, Inc.</i> , 235 F.3d 1041 (7th Cir. 2000)	32
<i>Best & Co., Inc. v. Miller</i> , 167 F.2d 374 (2d Cir. 1948)	29
<i>Brookfield Commc’ns v. W. Coast Entm’t Corp.</i> , 174 F.3d 1036 (9th Cir. 1999)	15
<i>Carafano v. Metrosplash.com, Inc.</i> , 339 F.3d 1119 (9th Cir. 2003)	57

Carefirst of Md. v. First Care, P.C.,
434 F.3d 263 (4th Cir. 2006)14, 23, 55

Century 21 Real Estate Corp. v. Lendingtree, Inc.,
425 F.3d 211 (3d Cir. 2005)21, 22

Champion Spark Plug Co. v. Sanders,
331 U.S. 125 (1947).....18

Compaq Computer Corp. v. Procom Tech., Inc.
908 F. Supp. 1409 (S.D. Tex. 1995).....41, 42

Cuisinarts, Inc. v. Robot-Coupe Int'l Corp.,
509 F. Supp. 1036 (S.D.N.Y. 1981)18

Dessert Beauty, Inc. v. Fox,
568 F. Supp. 2d 416 (S.D.N.Y. 2008)30

Diane Von Furstenberg Studio v. Snyder,
No. 1:06cv1356, 2007 WL 2688184 (E.D. Va. Sept. 10, 2007)50, 54

Fair Housing Council of San Fernando Valley v. Roommates.com, LLC,
521 F.3d 1157 (9th Cir. 2008)58

Fare Deals, Ltd., v. World Choice Travel.com, Inc.,
180 F. Supp. 2d 678 (D. Md. 2001).....52

Firestone v. Wiley,
485 F. Supp. 2d 694 (E.D. Va. 2007)60

Forstmann Woolen Co. v. Murray Sices Corp.,
144 F. Supp. 283 (S.D.N.Y. 1956)18

Freedom Card, Inc. v. JPMorgan Chase & Co.,
432 F.3d 463 (3d Cir. 2005)14

Frosty Treats, Inc. v. Sony Computer Entm't Am., Inc.,
426 F.3d 1001 (8th Cir. 2005)24

Georgia Pac. Consumer Prods., LP v. von Drehle Corp.,
618 F.3d 441 (4th Cir. 2010)47, 48

George & Co., LLC v. Imagination Entm't Ltd.,
575 F.3d 383 (4th Cir. 2009) *passim*

Goddard v. Google,
640 F. Supp. 2d 1193 (N.D. Ca. 2009).....59

Hard Rock Café Licensing Corp. v. Concession Servs., Inc.,
955 F.2d 1143 (7th Cir. 1992)50, 51, 52

Harleysville Mut. Ins. Co. v. Packer,
60 F.3d 1116 (4th Cir. 1995)37

In re Bay Vista of Va., Inc.,
No. 2:09cv46, 2009 U.S. Dist. LEXIS 87154 (E.D. Va. June 2, 2009)....60, 61

Inwood Labs., Inc. v. Ives Labs., Inc.,
456 U.S. 844 (1982).....42, 46

J.G. Wentworth, S.S.C. L.P. v. Settlement Funding, LLC,
2007 U.S. Dist. LEXIS 288 (E.D. Pa. Jan. 4, 2007).....17

Jackson v. Kimel,
992 F.2d 1318 (4th Cir. 1993)56

Jordache Enters. v. Hogg Wyld, Ltd.,
828 F.2d 1482 (10th Cir. 1987)26

Jurin v. Google,
695 F. Supp. 2d 1117 (E.D. Cal. 2010)59

King of the Mountain Sports, Inc. v. Chrysler Corp.,
185 F.3d 1084 (10th Cir. 1999)14

Kos Pharm., Inc. v. Andrx Corp.,
369 F.3d 700 (3d Cir. 2004)35

Lamparello v. Falwell,
420 F.3d 309 (4th Cir. 2005)14, 15, 20

Larsen v. Terk Techs Corp.,
151 F.3d 140 (4th Cir. 1998)39

Lorillard Tobacco Co. v. S&M Brands, Inc.,
616 F. Supp. 2d 581 (E.D.Va. 2009)20

Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,
507 F.3d 252 (4th Cir. 2007)14, 54, 55

Maurag, Inc. v. Bertuglia,
494 F. Supp. 2d 395 (E.D. Va. 2007)39

Microsoft Corp. v. Black Cat Computer Wholesale, Inc.,
269 F. Supp. 2d 118 (W.D.N.Y. 2002).....52

Miller v. Mandrin Homes, Ltd.,
305 Fed. Appx. 976 (4th Cir. 2009)24

Nat’l Fed. for the Blind v. Loompanics Enters., Inc.,
936 F. Supp. 1232 (D. Md. 1996).....18

Nemet Chevrolet, Ltd. v. Consumeraffairs.com, Inc.,
591 F.3d 250 (4th Cir. 2009)57

New Kids on the Block v. News Am. Publ’g, Inc.,
971 F.2d 302 (9th Cir. 1992)21

Nissan Motor Co. v. Nissan Computer Corp.,
378 F.3d 1002 (9th Cir. 2004)56

Nora Beverages, Inc. v. Perrier Group of America, Inc.,
269 F.3d 114 (2d Cir. 2001)14, 36

Nossen v. Hoy,
750 F. Supp. 740 (E.D. Va. 1990)60

Osem Food Indus., Ltd., v. Sherwood Foods, Inc.,
917 F.2d 161 (4th Cir. 1990)39

PETA v. Doughney,
113 F. Supp. 2d 915 (E.D. Va. 2000), *aff’d*,
263 F.3d 359 (4th Cir. 2001)54, 55

Parker v. Google, Inc.,
422 F. Supp. 2d 492 (E.D. Pa. 2006).....34

Perfect 10, Inc. v. Visa Int’l Serv., Assoc.,
494 F.3d 788 (9th Cir. 2007)51, 53

Perini Corp. v. Perini Constr. Inc.,
915 F.2d 121 (4th Cir. 1990)32

Pizzeria Uno Corp. v. Temple,
747 F.2d 1522 (4th Cir. 1984)29

Platinum Home Mortgage Corp. v. Platinum Fin. Group, Inc.,
149 F.3d 722 (7th Cir. 1998)43

Playboy Enters., Inc. v. Netscape Commc’ns Corp.,
354 F.3d 1020 (9th Cir. 2004)16, 41

Playboy Enters., Inc. v. Welles,
279 F.3d 796 (9th Cir. 2002)43

Playtex Prods., Inc. v. Ga-Pac. Corp.,
390 F.3d 158 (2d Cir. 2004)24

Po River Water & Sewer Co. v. Indian Acres Club, Inc.
255 Va. 108 (Va. 1998)60

Polo Fashions, Inc. v. Craftex, Inc.,
816 F.2d 145 (4th Cir. 1987)39

Polymer Tech. Corp., v. Mimran,
975 F.2d 58 (2d Cir. 1992)18

Prestonettes, Inc. v. Coty,
264 U.S. 359 (1924).....18, 19

Procter & Gamble Co. v. Haugen,
317 F.3d 1121 (10th Cir. 2003)49

Qualitex Co. v. Jacobson Prods Co.,
514 U.S. 159 (1995).....40

<i>Renaissance Greeting Cards, Inc. v. Dollar Tree Stores, Inc.</i> , 405 F. Supp. 2d 680 (E.D. Va. 2005)	30
<i>S&L Vitamins, Inc. v. Australian Gold, Inc.</i> , 2007 U.S. Dist. LEXIS 74712 (E.D.N.Y. Sept. 30, 2007)	18
<i>Sara Lee Corp. v. Kayser-Roth Corp.</i> , 81 F.3d 455 (4th Cir. 1996)	36
<i>Saxlehner v. Wagner</i> , 216 U.S. 375 (1910).....	18, 21
<i>Scott Fetzer Co. v. House of Vacuums Inc.</i> , 381 F.3d 477 (5th Cir. 2004)	14
<i>Scotts Co. v. United Indus. Corp.</i> , 315 F.3d 264 (4th Cir. 2002)	23
<i>Sealy, Inc. v. Easy Living, Inc.</i> , 743 F.2d 1378 (9th Cir. 1984)	47
<i>Sebastian Int’l v. Longs Drug Stores Corp.</i> , 53 F.3d 1073 (9th Cir. 1995)	19
<i>Sega Enters. Ltd. v. Accolade, Inc.</i> , 977 F.2d 1510 (9th Cir. 1992)	41, 42
<i>Sensient Technologies Corp. v. SensoryEffects Flavor Co.</i> , 613 F.3d 754 (8th Cir. 2010)	14
<i>Shakespeare Co. v. Silstar Corp. of Am.</i> , 110 F.3d 234 (4th Cir. 1997)	39
<i>Shell Oil Co. v. Commercial Petroleum, Inc.</i> , 928 F.2d 104 (4th Cir. 1991)	18, 19
<i>Simon Prop. Group L.P. v. mySimon, Inc.</i> , 104 F. Supp. 2d 1033 (S.D. Ind. 2000).....	26
<i>Smith v. Chanel, Inc.</i> , 402 F.2d 562 (9th Cir. 1968)	18

Star Indus., Inc. v. Bacardi & Co.,
412 F.3d 373 (2d Cir. 2005)32

Sullivan v. CBS Corp.,
385 F.3d 772 (7th Cir. 2004)14

Super Duper, Inc. v. Mattel, Inc.,
No. 09-1397, 2010 U.S. App. LEXIS 11853 (4th Cir. June 10, 2010)23

Surfvivor Media, Inc. v. Survivor Productions,
406 F.3d 625 (9th Cir. 2005)14

THOIP v. Walt Disney Co.,
690 F. Supp. 2d 218 (S.D.N.Y. 2010)26

Tana v. Dantanna’s,
611 F.3d 767 (11th Cir. 2010)14

The News & Observer Publ’g Co. v. Raleigh-Durham Airport Auth.,
597 F.3d 570 (4th Cir. 2010)42

Tiffany (NJ) Inc. v. eBay, Inc.,
576 F. Supp. 2d 463 (S.D.N.Y. 2008)49, 50, 51, 54

Tiffany (NJ) Inc. v. eBay, Inc.,
600 F.3d 93 (2d Cir. 2010) *passim*

Toyota Motor Sales, U.S.A., Inc. v. Tabari,
610 F.3d 1171 (9th Cir. 2010)16

U-Haul Int’l, Inc. v. When U.com, Inc.,
279 F. Supp. 2d 723 (E.D. Va. 2003)20

United States v. Evans,
404 F.3d 227 (4th Cir. 2005)54, 55

United States v. Rapoca Energy Co.,
613 F. Supp. 1161 (W.D. Va. 1985).....53

Universal City Studios, Inc. v. Ideal Publ’g Corp.,
195 U.S.P.Q. 761 (S.D.N.Y. 1977)18

Universal Communication Systems, Inc. v. Lycos, Inc.,
478 F.3d 413 (1st Cir. 2007).....59

Vail Assocs. v. Vend-Tel-Co., Ltd.,
516 F.3d 853 (10th Cir. 2008)17

Veney v. Wyche,
293 F.3d 726 (4th Cir. 2002)60

Volkswagenwerk Aktiengesellschaft v. Church,
411 F.2d 350 (9th Cir. 1969)18

WCVB-TV v. Boston Athletic Assoc.,
926 F.2d 42 (1st Cir. 1991).....18

Zeran v. Am. Online, Inc.,
129 F.3d 327 (4th Cir. 1997)59

Statutes

15 U.S.C. § 1114.....27

15 U.S.C. § 1115(b)(4).....21

15 U.S.C. § 1125(c)(1).....56

15 U.S.C. § 1125(c)(2).....57

47 U.S.C. § 230.....57

47 U.S.C. § 230(b)(1).....57

47 U.S.C. § 230(c)(1).....57

47 U.S.C. § 230(e)57

16 C.F.R. 14.1520

Rules

E.D. Va. L. Civ. R. 7(E).....28

Fed. R. Civ. P. 7(b)(1).....28

Fed. R. Evid. 40128
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Deregulating Relevancy in Internet Trademark Law,
54 Emory L.J. 507 (2005).....17

Stacey L. Dogan & Mark A. Lemley,
Trademarks & Consumer Search Costs on the Internet,
41 Hous. L. Rev. 777 (2004)17

Jennifer E. Rothman,
Initial Interest Confusion: Standing at the Crossroads of Trademark Law,
27 Cardozo L. Rev. 105 (2005)17

MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 24:10657

MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 25.03[1].....52

STATEMENT OF THE ISSUES

1. Whether the district court properly granted summary judgment of no direct trademark liability for the use of trademarks in advertising text where (i) any potential confusion was mere initial interest confusion, (ii) the uses were either referential fair uses consistent with Google's policy or uses by counterfeiters that Google combated for violating express contractual prohibitions, and (iii) no evidence supported a likelihood of confusion.

2. Whether the district court properly granted summary judgment of no direct trademark liability for the use of trademarks as keywords to trigger ads where (i) any potential confusion was mere initial interest confusion, (ii) such use was functional, and (iii) no evidence supported a likelihood of confusion.

3. Whether the district court properly granted summary judgment that Google could not be held secondarily liable for trademark infringement where no evidence supported a finding that Google induced trademark infringement or permitted allegedly infringing ads to remain on Google.com after Rosetta Stone notified it of the alleged infringement, or that Google had joint ownership of or joint control over any counterfeit products.

4. Whether the district court properly granted summary judgment that Google could not be held liable for trademark dilution where Google did not use

Rosetta Stone's marks to identify its own products and Rosetta Stone was not a famous mark in 2004.

5. Whether the district court properly dismissed, for failure to state a claim and as barred by the Communications Decency Act, a claim for unjust enrichment predicated on Google's receipt of payment for ads created by third parties.

STATEMENT OF THE CASE

Rosetta Stone concedes that people generally have the right to refer to its product as "Rosetta Stone," and that resellers of its products are free to use that name in advertisements in newspapers, magazines, and store displays to refer to its products. But on the Internet, Rosetta Stone wants complete control over all advertising that uses the words "Rosetta Stone," the word "Rosetta," and the word "stone" combined with any foreign language. Not only does Rosetta Stone want to control the use of those words in the text of online ads, but it also wants to control which ads can be displayed in response to search queries that *include* those words, such as queries for "best price on Rosetta Stone" or "alternatives to Rosetta Stone."

Ignoring decades of trademark law and the precedents of this Court, last year Rosetta Stone sued Google for not prohibiting the use of its trademarks (i) in the text of ads to refer to Rosetta Stone and its products and (ii) as keywords that trigger advertising on Google.com. Specifically, Rosetta Stone challenged ads by resellers of its products (such as Amazon.com), competitors (such as Rocket Languages),

unrelated companies (such as those selling Chinese stone and referring to the Rosetta Stone, the Egyptian artifact), and counterfeiters, whose ads violate Google's express anti-counterfeiting policies and are removed by Google after notice and investigation.

In granting Google's motions for summary judgment and dismissal, the district court properly rejected Rosetta Stone's effort to erase a century of trademark precedent approving of referential uses of trademarks by resellers and competitors and to replace it with a presumption of confusion. The district court also properly rejected Rosetta Stone's arguments that a defendant's intent to increase revenue is alone sufficient to prove secondary liability and that a search engine should be strictly liable for any display of links to websites offering counterfeit goods masquerading as legitimate products. On appeal, Rosetta Stone presents no law or evidence warranting reversal, and this Court should affirm.

STATEMENT OF FACTS

A. Google's AdWords Program

Google's mission is to organize the world's information and make it universally accessible and useful. Its keystone product is one of the world's most popular search engines, which enables people to locate information on the Internet for free. JA(2)-28. In response to users' typed search queries, Google returns results pages displaying links to websites that its search engine algorithmically determines to be relevant. *Id.*

Google's results pages may also display a limited number of paid ads labeled "Sponsored Links," either above the unpaid search results ("organic links") or to their right. JA(2)-29. Up to three top ads may be displayed on a page, all within a colored, shaded box. JA(38)-2412-15, 2419-21. Ads displayed to the right of the organic results are separated from them by a vertical line. *Id.*

Google does not show ads on every search results page. JA(39)-4016-17. Instead, Google's philosophy is to provide its users with only organic links and ads that users will find relevant. JA(38)-3517-19, 3606-07. Which ads are displayed is determined algorithmically, but the selection process is different from the one for organic links. Advertisers opt into the potential ad pool by signing up for a Google AdWords account, agreeing to Google's AdWords Terms and Conditions, creating ad text, and bidding for how much they will pay for each click of an ad triggered by a "keyword" corresponding to a user's search for a certain word or combination of words. JA(2)-38; JA(38)-3331-33.

Under Google's AdWords Terms and Conditions, the advertiser is "solely responsible for all ... ad targeting options and keywords . . . and all ad content, ad information, and ad URLs"; advertisers are also prohibited from violating third-party intellectual property rights. JA(38)-2381-84. When choosing keywords to bid on to trigger display of their ads, advertisers may input their own terms or may select from ideas displayed by Google's Keyword Tool in response to the advertiser's typed

identification of a product name or genre. JA(38)-3403-10; JA(46)-5286; JA(47)-6220-22. Before the list is displayed to the advertiser it passes through a filter that blocks certain words and terms from appearing, including certain registered trademarks whose owners requested to be excluded from the Keyword Tool. JA(38)-3403-10, 3424, 3547-52, 3574; JA(47)-6198-6210. Google expressly informs advertisers that “You are responsible for the keywords you select and for ensuring that your use of the keywords does not violate any applicable laws.” JA(39)-4081. After an advertiser has selected its keywords, ad text, and bids, the ad text must pass certain filters before it can be displayed, including a counterfeit filter. JA(46)-5786-90. If Google’s system identifies trademarks in ad text, an automated tool will evaluate the linked landing page to assess whether it offers the trademarked product, related services or products, or information about the product, which is necessary to “pass” the ad, and will search for terms associated with counterfeit goods, which will “fail” the ad. *Id.*; JA(39)-3979.

To determine which eligible ads, if any, are shown in response to a particular search query, Google uses a formula based on relevance, ad quality, and price per bid. JA(39)-4029-34. An ad that is not deemed relevant will not be displayed no matter how high the advertiser’s bid. JA(39)-4031-33.

As part of its service to advertisers, Google employees sometimes assist advertisers with “optimizing” their accounts to obtain a higher “click-through

rate,” or percentage of clicks on ads displayed. JA(41)-4422-36. As part of the ad *text* optimization process, AdWords specialists sometimes use an internal tool that includes trademarked terms to help advertisers such as resellers identify which trademarks they can use in ad text under Google’s policy. JA(38)-3403-10; JA(46)-5301-04. By contrast, Google prohibits its employees from suggesting trademarks as part of the *keyword* optimization process. JA(46)-5301-04; JA(38)-3554-55; JA(47)-6257-58.

Using Google’s Query Suggestion Tool, or Search-Based Query Tool, anyone can see a limited list of search terms that Google.com users have used to find a particular website, but only advertisers for a particular site can see a list that includes queries that contain trademarks. JA(38)-3403-10; JA(47)-6220-22; JA(46)-5286-87.

B. Google’s 2004 Trademark Policy

Since 2004, Google’s Ad Words trademark policy has not prohibited advertisers from bidding on trademarked terms as keywords. JA(39)-3957. Google’s research has shown that users often prefer to search for items using a specific, possibly trademarked term, such as “iPod accessories,” rather than using general terms, such as “accessories for a music listening device.” JA(41)-4386-91; JA(46)-5216, 5222-25.

Before adopting the 2004 Trademark Policy, Google explored the possibility of allowing advertisers to use trademarks in their ad text, but studies it conducted suggested that allowing unrestricted use of trademarks in the text of ads could

confuse users. JA(47)-6350-53; JA(41)-4366, 4370-73, 4375-77. Because at that time Google did not have an automated means of screening for referential uses of trademarks, those studies were not designed to—nor did they—test the limited referential uses later permitted by Google’s 2009 policy. JA(47)-6350-53; JA(48)-6436-38. Instead, typical tested ads used trademark terms merely as attention-getting devices, not to identify the products actually offered by the advertiser, such as:

3 Day Blinds

Get **Blinds** & Shades up to 87% off Free Shipping and Free Samples
www.selectblinds.com

Mattress Discounters

Save Over 60% on a Luxury **Mattress** Pocket Coil and Latex Mattresses
www.The-Mattress-Co.com

JA(48)-6436-38. Because Google concluded that general, unrestricted use of trademarks in ad text might possibly lead to confusion, its 2004 policy permitted such use only with the trademark owner’s approval. JA(39)-3967-70; JA(41)-4691-92.

C. Google’s 2009 Trademark Policy

By the spring of 2009, Google had developed an automated tool to check whether a trademarked product mentioned in ad text appeared to be offered or discussed on the website the ad linked to. JA(38)-3671-73; JA(39)-3967-70; JA(41)-4660-65, 4691-92, 4699-700. Based on this technological development, Google revised its trademark policy to permit trademarks in ad text for a limited set of advertisers who (1) resell genuine 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. JA(38)-3423-24; JA(39)-3970, 3990-92; JA(47)-6351-52.

D. Google's Practices To Combat Ads For Counterfeits

Google has a significant financial interest in combating ads for counterfeit products. Because such advertisers often use stolen credit cards, Google loses money on their ads. JA(36)-2319-20. They also diminish Google's future revenue potential by decreasing the likelihood that users will click on ads in the future. JA(38)-3932-34. Accordingly, Google's AdWords Terms and Conditions prohibit the sale or promotion of counterfeit goods. JA(39)-3991-92. Google requires all AdWords advertisers to agree expressly that they will not "advertise anything illegal or engage in any illegal or fraudulent business practice" and to warrant that their advertising "will not violate . . . any laws . . . or third party rights (including without limitation, intellectual property rights)." JA(38)-2381-83.

To enforce its policies and contracts, Google employs a team dedicated to responding to complaints about ads that violate certain AdWords policies, including the anti-counterfeit policy, JA(36)-2319-20; JA(38)-3667-68; JA(39)-3993-96, and a Safety and Enforcement team, headed by a former Secret Service agent, to address problems with fraud and counterfeiting, JA(36)-2319-20, JA(38)-3687-91, 3693-97. Google also expends significant resources working with its clients and otherwise combating counterfeiters who advertise on Google.com. *Id.*;

JA(39)-3953-54; JA(38)-2434-37, 2444-2456, 2471-73. Notwithstanding Google’s efforts to combat counterfeiting, ads for counterfeit products can be difficult to identify—particularly because Google cannot inspect the physical products advertised, which are never in its possession, custody, or control. JA(38)-3376-77.

E. Rosetta Stone And The Advertising At Issue

[REDACTED]

[REDACTED] Throughout its time as an AdWords customer, Rosetta Stone was aware of Google’s AdWords Terms and Conditions, was notified of the changes to the trademark policy, and made frequent requests to have certain non-compliant ads using its trademarks removed. JA(38)-2378-79. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Despite reaping the substantial financial benefits from Google’s referrals for years, Rosetta Stone sued Google to prohibit it from “directly or indirectly selling

or offering for sale the Rosetta Stone Marks or other terms confusingly similar to the Rosetta Stone Marks for use in its search engine-based advertising programs *to anyone* other than Rosetta Stone or its authorized licensees” and “continuing to post titles or text of paid or keyword-triggered search engine results.” JA(2)-61 (emphasis added); JA(2)-42.

Of the more than 100,000,000 ads displayed since 2004 through Google’s AdWords program triggered by a keyword that consists of or includes a Rosetta Stone mark or other allegedly similar mark identified by Rosetta Stone, Rosetta Stone identified approximately 190 instances of ads for allegedly counterfeit products. JA(33)-695, 1409-21; JA(63); Rosetta Stone’s Opening Brief (“RSB”) 48-49. Each time Rosetta Stone informed Google that a particular advertiser was selling counterfeit Rosetta Stone products, Google promptly took action, including removing the advertisement. JA(38)-2437, 2444, 2447-52, 2454-56, 2471, 3622-25; JA(63).

Google has actively worked with Rosetta Stone to combat counterfeiters— not only by removing ads, but also by [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SUMMARY OF ARGUMENT

The district court's grant of summary judgment should be affirmed in its entirety. The district court correctly applied well-settled law to the undisputed facts in concluding that Rosetta Stone had failed to present evidence that Google should be held directly or secondarily liable for trademark infringement or dilution, and had failed to plead the elements of unjust enrichment.

The core facts relating to the alleged trademark infringement are undisputed. It is undisputed that Google operates an advertising program through which advertisers can bid for the opportunity to have their ads displayed next to search results in response to user queries that contain trademarks. It is undisputed that Google does not prohibit resellers and information websites from using trademarks in ad text to refer to genuine products. It is undisputed that advertisers are responsible for their selection of keywords and ad text and that Google contractually prohibits advertising counterfeit goods or otherwise infringing intellectual property. It is undisputed that Google takes substantial proactive and reactive efforts to enforce its policies. It is also undisputed that counterfeiters exist and sometimes violate Google's policies and take evasive actions to further their own agendas. It is undisputed that Google has never suggested to any counterfeiter that it copy and sell fake Rosetta Stone software, or otherwise induced any

counterfeiter to do so. And it is undisputed that Google responded to Rosetta Stone's complaints about ads that were not in compliance with Google's policies.

Based on the undisputed record, the district court properly concluded that Rosetta Stone could not prove a likelihood of confusion as a result of Google's actions nor a basis for imposing secondary liability. Rosetta Stone's direct liability case is premised on a theory of initial interest confusion that this Court has never adopted. This alone justifies affirming summary judgment—as does the long-standing principle that referential uses of trademarks are not infringing. Additionally, no actionable confusion is likely under the traditional likelihood of confusion factors.

Nor can any of the “actual confusion” evidence Rosetta Stone cites salvage its claims. Its survey evidence is flawed, and, when evaluated in light of the facts, confirms that no confusion is likely. And the “confusion” testimony of five individuals who purchased allegedly counterfeit products is legally *de minimis*. The remainder of Rosetta Stone's “evidence”—such as general complaints to Rosetta Stone about counterfeit products that did not mention Google and statements by Google's in-house lawyers that they could not tell from ads alone whether advertised products were genuine—is of such minimal relevance and competence that, even aggregated, it is inadequate to support allowing Rosetta Stone's case to proceed to trial.

The district court also properly held that the capacity of trademarks to serve an indexing function as keywords in search engines is functional, and thereby non-infringing.

As to secondary liability, the district court properly held that the record lacks evidence that Google induced trademark infringement, continued to allow ads for counterfeit products after receiving notice of their counterfeit nature, or acted in concert with any infringers for the purpose of infringing Rosetta Stone's trademarks. It also correctly held that Google's general motive to increase the revenue generated by its advertising program is legally insufficient to satisfy the secondary liability elements.

Summary judgment in Google's favor was also appropriate on trademark dilution. Google did not use a dilutive mark to identify its own goods and services. In addition, Rosetta Stone's marks were not famous among the general public in 2004 when Google commenced its allegedly diluting practice of allowing third parties to bid on trademarks as keywords. None of Rosetta Stone's new arguments, raised for the first time on appeal, warrants reversal.

Finally, the district court properly dismissed Rosetta Stone's unjust enrichment claim because, on the face of the complaint, it was inadequately pled and is barred by the Communications Decency Act.

ARGUMENT

I. SUMMARY JUDGMENT WAS PROPER ON DIRECT LIABILITY FOR THE USE OF TRADEMARKS IN AD TEXT

To prove that Google is directly liable for trademark infringement, Rosetta Stone bore the burden of showing that Google uses the Rosetta Stone marks in a manner that is likely to confuse consumers as to the source or sponsorship of the goods they purchase. *Lamparello v. Falwell*, 420 F.3d 309, 312-313 (4th Cir. 2005). Where, as here, the only remaining disputes about confusion are legal, not factual, and the material facts are undisputed, summary judgment is appropriate. *See, e.g., George & Co., LLC v. Imagination Entm't Ltd.*, 575 F.3d 383, 393-400 (4th Cir. 2009); *Lamparello*, 420 F.3d at 322; *Carefirst of Md. v. First Care, P.C.*, 434 F.3d 263, 274 (4th Cir. 2006); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 263 (4th Cir. 2007).¹ The district court's grant of summary judgment on direct liability should be affirmed.

¹ Other courts likewise routinely grant and affirm summary judgment on the likelihood of confusion. *E.g., Astra Pharmaceutical Products, Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 1209 (1st Cir. 1983); *Nora Beverages, Inc. v. Perrier Group of America, Inc.*, 269 F.3d 114, 125 (2d Cir. 2001); *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 481-482 (3d Cir. 2005); *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 488-489 (5th Cir. 2004); *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 800-801 (6th Cir. 2004); *Sullivan v. CBS Corp.*, 385 F.3d 772, 779 (7th Cir. 2004); *Sensient Technologies Corp. v. SensoryEffects Flavor Co.*, 613 F.3d 754, 769 (8th Cir. 2010); *Survivor Media, Inc. v. Survivor Productions*, 406 F.3d 625, 635 (9th Cir. 2005); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1093 (10th Cir. 1999); *Tana v. Dantanna's*, 611 F.3d 767, 781-782 (11th Cir. 2010).

A. Initial Interest Confusion Is Not Actionable.

Rosetta Stone's claim of direct infringement arising from use of its marks in three-to-four line ads displayed on Google.com depends by its nature on initial interest confusion. *See* RSB 4, 29 (arguing that "Google's practices have confused consumers and diverted Rosetta Stone's customers to counterfeiters, competitors, and other third parties," and that consumers were "confused in the first instance by the sponsored link appearing on Google's search-results page"). But this Court has expressly declined to adopt initial interest confusion as a proper basis for trademark liability. *Lamparello*, 420 F.3d at 316.

To justify such "confusion" as actionable, Rosetta Stone cites the Ninth Circuit's recognition of initial interest confusion where a defendant uses a plaintiff's mark "to divert people looking for [Plaintiff's website] to [Defendant's] web site." *Brookfield Commc'ns v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999). But it offers no good reason for this Court to adopt the Ninth Circuit's approach and abandon its "very different mode of analysis, requiring courts to determine whether a likelihood of confusion exists by examining the allegedly infringing use in the context in which it is seen by the ordinary consumer." *Lamparello*, 420 F.3d at 316 (internal quotation marks omitted). The Ninth Circuit's theory in *Brookfield* is especially dubious in light of a decade of experience with the Internet that has shown that the mere potential for "diversion"

of consumers based on search results is not a proper ground for imposing liability.

The Ninth Circuit itself recently acknowledged that confusion is inherently *unlikely* at the search results stage:

[I]n the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. They skip from site to site, ready to hit the back button whenever they're not satisfied with a site's contents. They fully expect to find some sites that aren't what they imagine based on a glance at the domain name or search engine summary.

Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1179 (9th Cir. 2010) (internal citations omitted); *see also Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1039-40 (9th Cir. 2004) (Berzon, J., concurring) (“There is a big difference between hijacking a customer to another website by making the customer think he or she is visiting the trademark holder’s website (even if only briefly) . . . and just distracting a potential customer with another choice, when it is clear that it is a choice.”).

Other courts have also regarded the initial interest confusion theory skeptically:

At no point are potential consumers “taken by a search engine” to defendant’s website due to defendant’s use of plaintiff’s marks in meta tags. Rather, . . . a link to defendant’s website appears on the search results page as one of many choices for the potential consumer to investigate. . . . [T]he links to defendant’s website always appear as independent and distinct links on the search result pages regardless of whether they are generated through Google’s AdWords program or search of the keyword meta tags of defendant’s website.

J.G. Wentworth, S.S.C. L.P. v. Settlement Funding, LLC, 2007 U.S. Dist. LEXIS 288, *22-23 (E.D. Pa. Jan. 4, 2007). Many trademark scholars share this skepticism.² This Court should decline Rosetta Stone's invitation to adopt this heavily criticized theory of liability.

B. Rosetta Stone Cannot Prove That Use Of Its Marks In Ad Text Is Likely To Cause Confusion.

Even if initial interest confusion were theoretically actionable, Rosetta Stone offered no evidence from which a fact finder could reasonably conclude that consumers were unwittingly diverted from Rosetta Stone's website by the use of Rosetta Stone's marks in the text of ads. "[A] court cannot simply assume a likelihood of initial interest confusion, even if it suspects it. The proponent of such a theory must prove it." *Vail Assocs. v. Vend-Tel-Co., Ltd.*, 516 F.3d 853, 872 (10th Cir. 2008). Rosetta Stone cannot.

² *E.g.*, Stacey L. Dogan & Mark A. Lemley, *Trademarks & Consumer Search Costs on the Internet*, 41 *Hous. L. Rev.* 777, 815 (2004) ("This elegant rationale [for initial interest confusion] does not translate readily into the online context, in which switching costs are minimal, confusion is frequently speculative, and many defendants have persuasive arguments that their uses bring benefits to consumers."); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 *Emory L.J.* 507, 565 (2005) ("The [initial interest confusion] rule is unsupported. It commits the cardinal sin of enabling a finding of trademark infringement when the junior user is making associative or referential uses of a trademark."); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 *Cardozo L. Rev.* 105, 121 (2005) ("The [*Brookfield*] court's conclusion that such diversion is improper competition and constitutes trademark infringement is wrong both as a matter of statutory construction and as a matter of policy . . .").

1. Summary Judgment Was Appropriate On Ads That Do Not Violate Google's Policies.

(a) Referential Uses Of Marks Are Permitted By Law.

Rosetta Stone concedes that resellers of its products are free to use the words "Rosetta Stone" in advertisements in newspapers, magazines, and store displays to refer to its products. JA(38)-3297-3305. It has offered no justification for imposing a different standard on the Internet. And there is none.

A century of precedent establishes that use of a trademark to refer to a product originating from the trademark owner is not actionable.³ This is because "trademarks are designed to protect consumers from being misled," not to "further or perpetuate product monopolies." *Anti-Monopoly, Inc. v. General Mills Fun Group*, 611 F.2d 296, 300-01 (9th Cir. 1979) (quoted in *Anheuser-Busch, Inc. v. L&L Wings, Inc.*, 962 F.2d 316, 320 (4th Cir. 1992)). Thus, "[a] trade mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's

³ *E.g.*, *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947); *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924); *Saxlehner v. Wagner*, 216 U.S. 375, 380-81 (1910); *Polymer Tech. Corp., v. Mimran*, 975 F.2d 58, 62 (2d Cir. 1992); *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 107 (4th Cir. 1991); *WCVB-TV v. Boston Athletic Assoc.*, 926 F.2d 42 (1st Cir. 1991); *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969); *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968); *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 2007 U.S. Dist. LEXIS 74712 (E.D.N.Y. Sept. 30, 2007); *Nat'l Fed. for the Blind v. Loompanics Enters., Inc.*, 936 F. Supp. 1232, 1241 (D. Md. 1996); *Cuisinarts, Inc. v. Robot-Coupe Int'l Corp.*, 509 F. Supp. 1036, 1042 (S.D.N.Y. 1981); *Universal City Studios, Inc. v. Ideal Publ'g Corp.*, 195 U.S.P.Q. 761 (S.D.N.Y. 1977); *Forstmann Woolen Co. v. Murray Sices Corp.*, 144 F. Supp. 283, 290 (S.D.N.Y. 1956).

product as his.” *Prestonettes*, 264 U.S. at 368 (recognizing there is “no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.”).

This established principle holds true even when the word is used without the trademark owner’s permission. *E.g.*, *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 107 (4th Cir. 1991); *Sebastian Int’l v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1076-77 (9th Cir. 1995).

Comfortably within the boundaries of this well-established precedent, Google’s trademark policy permits only limited uses of trademarks within ad text to refer to Rosetta Stone or its software. JA(39)-3961-63. Accordingly, any uses of Rosetta Stone’s trademarks that comply with Google’s policy cannot constitute direct, contributory, or vicarious infringement—whether the use is made by Google or a third-party advertiser, and whether or not Rosetta Stone expressly authorized such use.

Factually, no dispute exists that the reseller ads at issue, such as those created by Amazon.com, were created by authorized resellers of genuine Rosetta Stone products. JA(38)-3486-89, 3859-62. Accordingly, ads such as the following are simply not actionable.

["Rosetta Language" sale](#)
[Amazon.com/RosettaStone](#) Top program, new Version 3. Ships free, no tax, order today!

[12% Rosetta Stone Rebate](#)
[CouponCactus.com/RosettaStone](#) Free 2-Day Shipping + 12% Cash Back on Rosetta Stone Language Software.

JA(38)-2432; *see also* JA(38)-2400, 2415, 2421.

Competitors' uses of Rosetta Stone's marks to refer to Rosetta Stone and its products are also lawful. The Federal Trade Commission has endorsed the use of trademarked terms in ads to promote competitive advertising and provide more information to consumers. 16 C.F.R. 14.15; *see also Lorillard Tobacco Co. v. S&M Brands, Inc.*, 616 F.Supp.2d 581, 589-90 (E.D.Va. 2009) (not enjoining mark used in comparative advertising); *U-Haul Int'l, Inc. v. When U.com, Inc.*, 279 F.Supp.2d 723, 728 (E.D. Va. 2003) ("comparative advertising does not violate trademark law, even when the advertising makes use of a competitor's trademark"). Thus, ads such as "Beware the Stone" and "Don't Buy Rosetta Stone" do not infringe Rosetta Stone's marks.

Beware The Stone. \$548?
New Spanish Method - Just As
Comprehensive As The Stone On Sale
[GeneralLinguistics.com/LearnSpanishGoogle Checkout](http://GeneralLinguistics.com/LearnSpanishGoogleCheckout)

The Stone Program Sucks
BabelYak Is Easier & Cheaper.
You'll Speak Like a Real Russian.
www.BabelYak.com

JA(38)-2421; JA(38)-2395, 3876-77, 3491-92, 3628-29.

Confusion is especially unlikely where competitive ads are directly critical of Rosetta Stone. *E.g., Lamparello*, 420 F.3d at 315 ("No one would believe that Reverend Falwell sponsored a site criticizing himself, his positions, and his interpretations of the Bible."). As the Supreme Court explained a century ago: "If [defendants] do not convey, but, on the contrary, exclude, the notion that they are selling the plaintiff's goods, it is a strong proposition that when the article has a well-known name they have not the right to explain by that name what they imitate. By

doing so, they are not trying to get the good will of the name, but the good will of the goods.” *Saxlehner*, 216 U.S. at 380-81. Thus, comparative ads do not infringe.

Similarly, uses of words in their plain dictionary meaning, such as ads for Chinese or Mexican Stone, or the Egyptian artifact (i.e., the actual Rosetta Stone) are not infringing. *See* 15 U.S.C. § 1115(b)(4); JA(38)-2415; JA(47)-5995-99, 6430.

(b) No Likelihood Of Confusion Exists For Referential Uses.

This Court should hold that referential uses are inherently protected. As the Second Circuit held in *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 102-03 (2d Cir. 2010), there is no need to evaluate the traditional fair use factors or adopt a multi-factored test as in *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992), or *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222 (3d Cir. 2005). Even if applicable, however, the traditional factors provide no ground for finding Google liable for referential use of marks in ad text. *See Century 21*, 425 F.3d at 224 (likelihood of confusion factors “are either unworkable or not suited or helpful as indicators of confusion in this context”).

The traditional nonexclusive factors for assessing likelihood of confusion consist of: (1) the strength or distinctiveness of the plaintiff’s mark as actually used in the marketplace; (2) the similarity of the two marks to consumers; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities used by the markholders; (5) the similarity of advertising used by the

markholders; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's product; and (9) the sophistication of the consuming public. *E.g.*, *George*, 575 F.3d at 393. These factors are not meant to be a "rigid formula," but rather "a catalog of various considerations that *may* be relevant in determining the ultimate statutory question of likelihood of confusion." *Anheuser-Busch*, 962 F.2d at 320 (emphasis added).

In the referential use context, Factors 1 and 2, the similarity of the marks and the strength of the marks, would almost always weigh in "favor" of confusion "simply *because* the mark is being employed in a nominative manner." *Century 21*, 425 F.3d at 224. Likewise, Factors 3-5 and 8, relating to the similarity of the goods, facilities, marketing channels and the quality of goods are irrelevant to the question of whether referential use in online ad text is likely to confuse. Accordingly, the district court appropriately tailored its analysis to those factors "that are meaningful and probative" given the context of the use. *See id.*; *Tiffany*, 600 F.3d at 102-03 (affirming judgment in favor of a defendant without analysis of any confusion factors).

(i) Rosetta Stone Provided No Competent Evidence Of Actual Confusion.

If any traditional factor is relevant, it is the assessment of actual confusion. Although such evidence is "not necessary to show a likelihood of confusion, the absence of any evidence of actual confusion over a substantial period of time . . .

creates a strong inference that there is no likelihood of confusion.” *CareFirst*, 434 F.3d at 269. Rosetta Stone concedes this is the law, but contends that such an inference is properly submitted to the jury, citing a non-binding opinion. RSB 37 n.13 (citing *Super Duper, Inc. v. Mattel, Inc.*, No. 09-1397, 2010 U.S. App. LEXIS 11853 (4th Cir. June 10, 2010) (unpublished, per curiam)).

That authority, however, is irrelevant here. In affirming the jury’s verdict, *Super Duper* concluded that, because Mattel had initially challenged Super Duper’s junior use of its mark four years prior to the start of trial, the “jury could reasonably conclude that Mattel’s administrative challenge affected the manner in which Super Duper used and publicized its marks during the relevant period.” 2010 U.S. App. LEXIS 11853 at *5-6; *see also id.* at *11 (“whether there was a significant period of concurrent use of Super Duper’s and Mattel’s marks without any evidence of actual confusion was a factual matter”) (emphasis added). Rosetta Stone points to nothing in this record that would support a similar finding. Nor can *Super Duper*’s limited holding overrule this Court’s holding in *CareFirst*, where this Court found summary judgment appropriate. 434 F.3d at 268-69, 274; *see also George*, 575 F.3d at 398-99; *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 271 n.2 (4th Cir. 2002) (“[A] panel of this court cannot overrule, explicitly or implicitly, the precedent set by a prior panel of this court. Only the Supreme Court or this court sitting *en banc* can do that.”).

A) The Van Liere Report

Because of its numerous defects, Dr. Van Liere's report is incapable of creating a material issue of disputed fact that would warrant reversal. JA(43)-5106-28; JA(37)-2321-55. The mere existence of a survey is not sufficient to create a fact issue. *See Frosty Treats, Inc. v. Sony Computer Entm't Am., Inc.*, 426 F.3d 1001, 1010 (8th Cir. 2005) (finding no triable issue as to likelihood of confusion despite survey); *see also Playtex Prods., Inc. v. Ga-Pac. Corp.*, 390 F.3d 158, 168 (2d Cir. 2004) (finding no fact issue on a dilution claim despite a survey purporting to show evidence of actual dilution). This is true even if the survey is admissible. *See Miller v. Mandrin Homes, Ltd.*, 305 Fed. Appx. 976, 979 (4th Cir. 2009) (unpublished, per curiam) ("Even if expert testimony meets the *Daubert* admissibility standards, the question remains whether the evidence creates a genuine issue of material fact . . .").

Here, Dr. Van Liere surveyed a test group and a control group. JA(46)-5454-58. The test group was shown a static (unclickable) screen shot of an actual search result page from a search for "Rosetta Stone," except that Dr. Van Liere removed the top ad that actually was displayed—an ad created by Rosetta Stone. JA(38)-3916; JA(46)-5455, n.10; 5456-57, n.13; 5501. The control group was shown a screen shot altered in the same way that excluded all Sponsored Links.

JA(46)-5457, 5502. For ease of reference, the upper portion of the test condition is replicated here:

Web Books Results 1 - 10 of about 4,400,000 for Rosetta Stone [definition] (0.06 seconds)

"Rosetta Language" sale Sponsored Links
 Amazon.com/RosettaStone Top program, new Version 3. Ships free, no tax, order today!

12% Rosetta Stone Rebate Sponsored Links
 CouponCactus.com/RosettaStone Free 2-Day Shipping + 12% Cash Back on Rosetta Stone Language Software.

Rosetta Stone Learn English, Learn Spanish, Learn French, Learn ...
 Rosetta Stone is the World's #1 Language-Learning Software. Our comprehensive foreign language program provides language learning for individuals and ...
www.rosettastone.com/ - 16k - Cached - Similar pages

[Retail Locations](#) [Demo Rosetta Stone](#)
[Spanish \(Latin America\)](#) [Italian](#)
[Introducing Rosetta Stone Version 3](#) [Mandarin Chinese](#)
[French](#) [Personal](#)

[More results from rosettastone.com >](#)

Rosetta Stone - Wikipedia, the free encyclopedia
 The Rosetta Stone, 3rd of a 3-stone series, is a multilingual stele that allowed linguists to begin the process of hieroglyph decipherment. ...
en.wikipedia.org/wiki/Rosetta_Stone - 55k - Cached - Similar pages

Rosetta Stone (software) - Wikipedia, the free encyclopedia
 Rosetta Stone is language-learning software produced by Rosetta Stone, Ltd. Its title is an allusion to the Rosetta Stone, an artifact inscribed in multiple ...
[en.wikipedia.org/wiki/Rosetta_Stone_\(software\)](http://en.wikipedia.org/wiki/Rosetta_Stone_(software)) - 42k - Cached - Similar pages

Story
 The Rosetta Stone is a stone with writing on it in two languages (Egyptian ... The Rosetta Stone is written in three scripts because when it was written, ...
www.ancientegypt.co.uk/writing/rosetta.html - 5k - Cached - Similar pages

The Rosetta Stone
 The key that unlocked the mysteries of Egyptian hieroglyphics with an image of artifact.
www.rosetta.com/RosettaStone.html - 4k - Cached - Similar pages

Rosetta Stone for Unix
 A Sysadmin's Universal Translator (ROSETTA STONE) OR What do they call that in this world? Contributions and corrections gratefully accepted. ...
bhami.com/rosetta.html - 138k - Cached - Similar pages

Rosetta Stone - Crystalinks
 The Rosetta Stone is 3 feet 9 inches long and 2 feet 4 1/2 inches wide - (114x72x28cm). It is dark grey-pinkish granite stone (originally thought to be ...
www.crystalinks.com/rosetta.html - 10k - Cached - Similar pages

Ancient Egyptian Culture
 This stone was called the Rosetta Stone. He took the stone to the scholars and they realized that it was a royal decree that basically stated that it was to ...
www.mnsu.edu/emuseum/prehistory/egypt/hieroglyphics/rosettastone.html - 15k - Cached - Similar pages

Rosetta Spanish only \$99 Sponsored Links
 Spanish levels 1 & 2 only \$99
 Free Shipping!
googlepages.com
 California

How About Rosetta Stone ®
 Don't Buy Rosetta Stone ®,
 Before Read This Review!
about.com/RosettaStone

Rosetta Stone v3 35% off
 Learn a foreign language easily
 with Rosetta Stone V3 Software.
BandNCoupons.com/rosetta
 California

Rosetta Stone ® Software
 100% Six-Month Money Back Guarantee
 Free 2-Day Shipping. Free Headset.
Language-Software-Deals.net

Rosetta Stone's only justification for not allowing participants to click any of the displayed links was that the survey tested initial interest confusion. JA(45)-5188. Unless this Court adopts the initial interest confusion theory, this renders Dr. Van Liere's survey irrelevant.

The survey is also fatally flawed because the manipulated test condition prevented participants from assessing the ads actually displayed. JA(46)-5456 n. 12, 5501; JA(37)-2338. This unwarranted divergence from real world conditions undermines any value the survey might otherwise have for Rosetta Stone. *See Jordache Enters. Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1488 (10th Cir. 1987); *THOIP v. Walt Disney Co.*, 690 F.Supp.2d 218, 239-240 (S.D.N.Y. 2010); *Simon Prop. Group L.P. v. mySimon, Inc.*, 104 F.Supp.2d 1033, 1052 (S.D. Ind. 2000).

Despite its design flaws, the survey data reveals that participants were not actually confused by Sponsored Links. No net confusion existed concerning the identity of Rosetta Stone's website. JA(37)-2333-34; JA(38)-2931, 2971-3293. Rather, the only "confusion" Dr. Van Liere identified related to which links were "endorsed" by Rosetta Stone. JA(37)-2333-34. Given that Rosetta Stone surely endorses its own genuine products, Dr. Van Liere's conclusion that these results demonstrated confusion is inherently suspect—as the survey participants' "verbatim" responses confirmed. In explaining why they thought Rosetta Stone endorsed the links for Amazon.com and CouponCactus.com, for example, the majority (67%) pointed to those sites either selling or offering discounts/coupons/rebates on Rosetta Stone products, or otherwise being reputable merchants who sold many products. JA(37)-2336. In other words, they assumed that if an advertiser offered genuine Rosetta Stone products, Rosetta Stone "endorsed" the ads. Rosetta Stone cites no

precedent holding that a consumer's failure to understand the precise contours of a reseller or affiliate relationship is actionable under 15 U.S.C. § 1114.

Even if this were a viable theory generally, the survey did not show genuine confusion. Dr. Van Liere counted as confused all participants who responded that they thought the Amazon.com and CouponCactus.com links were endorsed by Rosetta Stone. JA(46)-5458; 5926D-5927D. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Therefore, Dr. Van Liere's characterization of confusion was counterfactual. JA(37)-2325-26.

If identification of those two ads is properly omitted from the "confusion" count, the net "confusion" reflected by the survey is -3%. JA(37)-2326. In addition, as discussed in Section I.B.1.a, the purely referential uses in those two ads was entirely lawful, which independently justifies excluding them as a basis for "confusion." Thus, people were *less* confused about the relationship between Rosetta Stone and any given link if Sponsored Links were displayed. *See generally* JA(37)-2325-26; JA(43). To the extent that the survey is relevant, it merely confirms that confusion is *not* likely.

B) Google's Internal Studies

Nor do Google's 2004 internal studies show actionable confusion. They tested neither the limited use of trademarks permitted by Google's 2009 policy nor any ads using Rosetta Stone's marks. JA(47)-6351-6352; JA(48)-6436-38. Therefore, they provide no relevant evidence of actual confusion.⁴ The district court's conclusion that these studies did not create a fact issue is not inconsistent with its denial of Google's motion to strike them from its consideration at the summary judgment stage. *Compare* Fed. R. Evid. 401 *with* *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986) (requiring more than a mere "scintilla" of evidence to create a fact issue).

(ii) The Record Is Devoid Of Evidence That Google Intended To Confuse The Public.

The district court properly held that no reasonable juror could find that Google intended to confuse potential purchasers of language products by allowing use of Rosetta Stone's marks in ad text. JA(29)-624. Although intent to confuse the purchasing public through passing off of one's goods as a competitor's can be "strong evidence establishing likelihood of confusion," Rosetta Stone must show

⁴ The only "prejudice" Rosetta Stone claimed in its sanctions motion relating to the belated production of some documents concerning these studies was not knowing that they used the word "endorsed"; however, the very first document Google produced in this case, GOOG-RS-0000001, showed the studies used "endorsed". JA(60)-7028-29. Rosetta Stone's attempt to bypass arguing its objections to the district court is improper given its opportunity to revisit the Magistrate's denial of its motion at the summary judgment argument or by setting a hearing date for its objections. Fed. R. Civ. P. 7(b)(1); E.D. Va. L. R. 7(E). Rosetta Stone did neither. JA (24)-(26).

more than merely an “intent to compete” or an “intent to profit.” *E.g.*, *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1535 (4th Cir. 1984); *George*, 575 F.3d at 397-98; *Best & Co., Inc. v. Miller*, 167 F.2d 374, 377 (2d Cir. 1948).

Lacking any evidence that Google intended accurate references to Rosetta Stone products to be confusing, Rosetta Stone argues that such an intent is proven by studies relating to general confusion between sponsored links and organic links, Google’s implementation of its 2009 Trademark Policy after its 2004 internal studies, and Google’s receipt of complaints from anyone regarding ads. RSB 38. These arguments are baseless.

Studies relating to consumers’ ability to distinguish between sponsored and organic links have minimal, if any, probative value. Whether or not links were paid for by advertisers is not relevant to the issue of whether users wrongfully perceived Rosetta Stone’s relationship with an advertised website. Substantively, these studies are probative only of the fact that some consumers back in 2004 may not always have had a perfect understanding of how things worked on the Internet. For example, some users believed that *all* links on a search results page are paid links. JA(47)-5992-93, 6126, 6130-6133. Yet that sheds no light on the question of whether a user is confused as to the source or sponsorship of the products sold by either a Sponsored Link or an organic one.

Google's 2004 studies evidence Google's intent to *avoid* confusing consumers. After these studies demonstrated that unrestricted use of trademarks in ad text use might be confusing, Google never allowed unrestricted trademark use in ad text, JA(39)-3957, 3959; JA(41)-4365-4368, even though its 2004 policy was overly restrictive in preventing many legitimate uses. Google changed its policy only after it developed the technology to check automatically for permissible referential uses. JA(47)-6242-6245. The 2004 studies did not test whether such limited uses caused confusion. JA(47)-6351-52.

Finally, evidence that Google received complaints from third parties does not create a fact issue as to Google's intent. *E.g.*, *Dessert Beauty, Inc. v. Fox*, 568 F.Supp.2d 416, 427 (S.D.N.Y. 2008) (“[T]he ‘failure to completely abandon the use after receiving a cease and desist letter is insufficient to support an allegation of bad faith’ as a matter of law.”); *Renaissance Greeting Cards, Inc. v. Dollar Tree Stores, Inc.*, 405 F.Supp.2d 680, 697 (E.D. Va. 2005) (use of mark after receipt of cease-and-desist letter not probative of bad faith where defendant believed use was not confusing). Because the complaints are hearsay, even the ones that assert actual confusion occurred are inadmissible to prove that actual confusion occurred, that the specific ads complained of were legally analogous to any ads at issue here, that Google was aware of actual confusion, or that Google intended and encouraged confusion. Even if the complaints were admissible, a jury could not

reach any of those conclusions without a mini-trial on each of the complaints to determine those facts. Although the district court may have appropriately deemed the complaints not unduly prejudicial, confusing, or a waste of time for the court's own evaluation of Google's summary judgment motion, it appropriately held that these complaints did not raise a triable issue of fact for a jury. *See Fed. R. Evid.* 403.

Unable to point to any evidence from which a reasonable juror could conclude that Google intended to confuse its users regarding the use of Rosetta Stone's trademarks in ad text, Rosetta Stone attacks the district court's reliance on four facts:

- It is in Google's best interest not to confuse its users;
- Google's financial success depends on providing users with relevant responses to their queries;
- Google does not make money from counterfeit ads because counterfeiters usually use stolen credit cards to secure the advertising and battling counterfeiters is a drain on resources; and
- Google's long-term financial loss from intentionally confusing its users would far exceed immediate revenue gains through higher click-through rates.

RSB 39. But each of these findings is supported by the record. JA(38)-3932-3934; JA(47)-6348-49; JA(36)-2319-20. And Rosetta Stone can point to no

“affirmative evidence” creating a dispute about them. *Anderson*, 477 U.S. at 256-57. Rosetta Stone’s rebuttal evidence merely showed that one purpose for Google selling ad space generally and permitting customers to use trademarks for limited non-confusing purposes in ad text was to increase revenue. RSB 39. This is not enough to create a fact issue. *See Anderson*, 477 U.S. at 252.

(iii) Rosetta Stone’s Consumers Are Sophisticated.

The district court also correctly held that the sophistication of Rosetta Stone’s likely customers weighs against a likelihood of confusion. The “sophistication and expertise of the usual purchasers can preclude any likelihood of confusion among them stemming from the similarity of trade names.” *Perini Corp. v. Perini Constr. Inc.*, 915 F.2d 121, 127 (4th Cir. 1990). Even products costing less than \$25 have been held to evidence customer sophistication. *See Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 390 (2d Cir. 2005); *Barbeque Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1045 (7th Cir. 2000). Rosetta Stone is incorrect to assert that the district court made any “inferential leap” in concluding that Rosetta Stone’s consumers “would reasonably take care in making . . . a decision” to purchase Rosetta Stone software. RSB 41.

Here, it is undisputed that Rosetta Stone’s products retailed for around \$259 for a single level and \$579 for a three-level bundle. JA(38)-3371-72. It is undisputed that Rosetta Stone’s own research shows that its target market consists

of well-educated individuals looking to embark on a time-intensive task of learning a foreign language. JA(38)-3784-86, 2603-07. [REDACTED]

[REDACTED] These undisputed facts amply supported the district court's conclusion.

2. Summary Judgment Was Appropriate On Google's Lack Of Direct Liability For Ads For Counterfeit Products.

(a) Google Is Not Directly Liable For Acts Of Counterfeiters In Violation Of Google's Policies.

The district court properly concluded that Google should not be held directly liable for the actions of any counterfeiters, which were, by definition, in direct violation of Google's policies—policies that Google indisputably took both proactive and reactive measures to enforce. JA(38)-2382; JA(39)-3953-54, 3990-92; JA(36)-2318-20. *See Tiffany*, 600 F.3d at 103 (rejecting claim for direct infringement notwithstanding that eBay knew or had reason to know of “a substantial problem with the sale of counterfeit [Tiffany] silver jewelry” on its website).

Direct trademark infringement requires some volitional conduct on the part of the alleged infringer. Where the defendant does not “actively participate as a moving force in the decisions to engage in the infringing acts or otherwise cause the infringement as a whole to occur,” the defendant has not directly infringed.

Parker v. Google, Inc., 422 F.Supp.2d 492, 503 (E.D. Pa. 2006) (citations omitted).

Because the record is devoid of evidence that Google was a “moving force” in counterfeiters’ decisions to counterfeit Rosetta Stone software or advertise it, Google cannot be held directly liable for their ads.

(b) Application Of The Traditional Likelihood Of Confusion Factors Confirms That Google Is Not Liable.

Even if Google’s actions were sufficiently volitional regarding counterfeiters’ conduct to hold Google potentially liable for direct infringement, Google is not liable under the likelihood of confusion factors discussed in Section I.B.1.b.

(i) Rosetta Stone Has No Legally Cognizable Evidence Of Actual Confusion.

A) Five Instances Of Confusion Is *De Minimis*.

The district court properly held that Rosetta Stone’s *de minimis* evidence of actual confusion was insufficient to defeat summary judgment. Out of the 100,000,000 ads displayed on Google.com since 2004 in response to search queries that contained the Rosetta Stone marks, Rosetta Stone identified *a mere five* instances of “actual confusion” related to the purchase of allegedly counterfeit goods. JA(58)-6966. Such minimal “frequency” cannot evidence a reasonable likelihood of confusion.

Rosetta Stone’s insinuation that it would have deposed many more “confusion” witnesses if given the opportunity (RSB 12, 30) is unfounded.

[REDACTED], Rosetta Stone did not ask for the opportunity to take more depositions. JA(46)-5427-28; JA(58)-6966; JA(25)-576. Further, given the volume of ads at issue, 6, 12, or even 20, instances of actual confusion would be *de minimis*. “[E]vidence of the number of instances of actual confusion must be placed against the background of the number of opportunities for confusion before one can make an informed decision as to the weight to be given the evidence.” *George*, 575 F.3d at 398 (citation omitted).

In *George*, this Court held that four instances of actual confusion among 500,000 units sold was *de minimis* evidence of confusion that weighed “heavily against a likelihood of confusion.” *Id.* at 399. Rather than distinguish *George*, Rosetta Stone cites a Third Circuit opinion (RSB 30) which is neither controlling nor factually analogous. It addressed 60 instances of confusion out of 650,000 opportunities—orders of magnitude greater than the five instances Rosetta Stone relies on from the tens of millions of ads using Rosetta Stone trademarks displayed over six years. *Kos Pharm., Inc. v. Andrx Corp.*, 369 F.3d 700, 720 (3d Cir. 2004). Applying controlling law, the district court properly held that Rosetta Stone’s failure to identify meaningful evidence of actual confusion over the course of six years weighs heavily against a likelihood of confusion. *See George*, 575 F.3d at 399.

B) Google's Trademark Lawyers Were Not Confused.

The district court properly held that Rosetta Stone's efforts to manufacture evidence of confusion through Google attorneys failed to create an issue of fact. During their depositions, two Google in-house lawyers testified they could not tell for certain which Sponsored Links offered genuine Rosetta Stone's products for sale. JA(46)-5701-07, 5805-11. As the district court properly concluded, these responses reflect a "mere uncertainty about the source of a product rather than actual confusion." JA(29)-632. *See Nora Beverages*, 269 F.3d at 124 ("Inquiries about the relationship between an owner of a mark and an alleged infringer do not amount to actual confusion. Indeed, such inquiries are arguably premised upon a *lack* of confusion between the products such as to inspire the inquiry itself.").

Sara Lee Corp. v. Kayser-Roth Corp., 81 F.3d 455 (4th Cir. 1996), does not require a contrary result. The uncertainty there was by consumers in stores, ready to make a purchase, with access to the actual products, and was coupled with numerous other instances of actual confusion and surveys showing thirty to forty percent confusion. *Id.* at 466-67. It was not by attorneys at a deposition suggesting they could make a more informed decision if they clicked on a Sponsored Link. If "mere uncertainty" as to source was sufficient to trigger trademark liability, then virtually all ads offering trademarked goods could

potentially be infringing because it can be difficult to tell by looking at an online ad the exact nature of the advertised product.

C) Generalized Complaints Of Counterfeiting Are Not Proof Of Confusion By Google's Sponsored Links.

The district court properly held that Rosetta Stone's reliance on generalized complaints of counterfeits as proof of confusion (RSB 30-31) was "undermined by the record." JA(29)-632. No evidence linked these complaints to Google Sponsored Links. JA(49)-6439-6447. Rosetta Stone's attempts to excuse its lack of proof based on the customer-care focus of its representatives is unavailing, for it cannot link the generalized complaints to Google, nor explain why many customers volunteered *other* sources of the counterfeit goods, such as spam emails and listings on Craigslist, which have nothing to do with AdWords. JA(49)-6439-6447. The district court properly rejected Rosetta Stone's argument that the jury could have appropriately made a series of unfounded inferences from those generalized complaints to support finding they evidenced actual confusion. *E.g.*, *Harleysville Mut. Ins. Co. v. Packer*, 60 F.3d 1116, 1120 (4th Cir. 1995) ("The Appellants 'cannot create a genuine issue of fact through mere speculation or the building of one inference upon another.'") (citation omitted).

(ii) Google Did Not Intend To Allow Ads For Counterfeit Products.

The district court properly held that Rosetta Stone failed to provide any competent evidence that Google intended to confuse users by having ads for counterfeit products displayed on Google.com. It is undisputed that Google's policies prohibited ads for counterfeit goods, that Google employs a dedicated trademark team to address ads that violate its anti-counterfeit policy, that Google responded to Rosetta Stone's complaints of uses of its marks that were not compliant with Google's policies, [REDACTED]

[REDACTED] JA(36)-2318-20; JA(38)-2382, 2437, 2444, 2447-51, 2454-55, 2458-66, 2471, 3350-51, 3622-3625; JA(39)-3953-54, 4013-14.

Moreover, counterfeit ads are against Google's own interests. Google is motivated to have only helpful ads displayed on Google.com that users are likely to click on. JA(38)-3932-3934. Counterfeit ads undermine this goal by creating a negative experience that could make the user less likely to click on any ad in the future. Google also loses money from counterfeit ads because counterfeiters often use stolen credit cards to pay and Google cannot recover money from them, and because Google expends significant resources combating such ads. JA(36)-2319-20. Under these circumstances, Google's intent weighs *against* confusion. *See Tiffany*, 600 F.3d at 109 (“[P]rivate market forces give eBay and those operating

similar businesses a strong incentive to minimize the counterfeit goods sold on their websites.”).

(c) Rosetta Stone Is Not Entitled To A Presumption Of Confusion.

Unable to provide any triable facts supporting a likelihood of confusion, Rosetta Stone argues that the district court should have applied a presumption of confusion to Google’s use of the Rosetta Stone marks. This Court has applied such a presumption, however, only where defendants have copied a mark to sell *their own* counterfeit or competing goods. *See Larsen v. Terk Techs Corp.*, 151 F.3d 140, 149 (4th Cir. 1998) (counterfeit CD holders); *Osem Food Indus., Ltd., v. Sherwood Foods, Inc.*, 917 F.2d 161, 164-65 (4th Cir. 1990) (competing soup mixes); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987) (counterfeit clothing); *cf. Maurag, Inc. v. Bertuglia*, 494 F.Supp.2d 395, 397-98 (E.D. Va. 2007) (not applying presumption in referential use context).

This presumption “arises from the recognition that one who tries to deceive the public should hardly be allowed to prove that the public has not in fact been deceived.” *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 239 (4th Cir. 1997). Thus, confusion cannot be presumed where “the actor *acted in good faith under circumstances that do not otherwise indicate an intent to cause confusion or to deceive.*” *Id.*; *see also George*, 575 F.3d at 397-98 (defendant lacked an intent to confuse where it selected mark for its descriptive capacity). Accordingly, this

presumption has no application here. It is undisputed that Google does not provide competing or counterfeit goods, and Google is certainly not trying to pass off Google.com as Rosetta Stone's website.

Thus, the district court properly granted summary judgment as to Google's direct liability for the use of a mark in ad text.

II. SUMMARY JUDGMENT WAS PROPER THAT KEYWORD BIDDING DOES NOT INFRINGE

A. Initial Interest Confusion Is Not Actionable.

As discussed above, Rosetta Stone's claim of direct infringement is barred because it is based entirely on a theory of initial interest confusion not accepted in this Circuit. This argument applies with even more force in the keyword context because any alleged confusion arises even earlier—i.e., before the consumer even reviews the content of an ad.

B. Use Of The Rosetta Stone Marks As Keywords Is Functional.

The district court correctly held that use of Rosetta Stone's marks as keywords is functional. JA(29)-609, 635-38. "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." *Qualitex Co. v. Jacobson Prods Co.*, 514 U.S. 159, 164 (1995). This Court should reject Rosetta Stone's invitation to inhibit legitimate competition by controlling a useful product feature, i.e., the ability of

text characters that happen to constitute a trademark to serve an indexing function. RSB 42-45.

Attempts by other trademark owners to inhibit legitimate competition by asserting exclusive rights to use a word to perform a technological function have been rejected. For example, Sega, a developer of video game systems, created games that were compatible with its Genesis console. *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1514 (9th Cir. 1992). To prevent other companies from creating competing video games for the console, Sega programmed the console to search for the letters “S-E-G-A”; only if the code was in the correct place would the game operate. *Id.* at 1515. *Sega* held that use of the trademark as an initialization code was a functional feature of Genesis-compatible games that Sega was not entitled to bar others from using, and that the defendant was therefore entitled to use it. *Id.* at 1531-32.⁵

Similarly, in *Compaq Computer Corp. v. Procom Tech., Inc.*, Compaq sued ProCom for using its trademark in an ID field to make ProCom’s drives compatible with all features of Compaq’s servers. 908 F. Supp. 1409, 1416-17 (S.D. Tex. 1995). The court held that Procom’s use of the word “compaq” was purely functional. *Id.* at 1423.

⁵ Although the Ninth Circuit briefly touched upon functionality in the Internet context in *Netscape*, 354 F.3d at 1030-31, it did not address the inconsistencies between that finding and *Sega*.

As in *Sega* and *Compaq*, the district court properly rejected Rosetta Stone's effort to assert an exclusive right to use its marks to perform a technological function and thereby inhibit lawful competition relating to the display of search results. Rosetta Stone argues that the trademark functionality cases should be more narrowly construed, but points to no legal principle that justifies such a limitation. RSB 43. Nor is there one: the utilitarian test simply asks whether the trademark feature "affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982).

Here, the indexing function plainly "affects the cost or quality" of organizing the ads displayed on Google.com—and the cost of Rosetta Stone's advertising if it were to be granted the exclusive right to have ads displayed in response to search queries that included the words "Rosetta Stone." JA(46)-5580-82, 5585. *See also The News & Observer Publ'g Co. v. Raleigh-Durham Airport Auth.*, 597 F.3d 570, 580 n.7 (4th Cir. 2010) (summary judgment "does not require ignoring logic or common sense to favor the nonmoving party."). To obtain functionally equivalent responses to user queries for trademarked products, perhaps Google could develop code words for all trademarks that could be looked up in a table (e.g., keyword "Red Gem" instead of "Rosetta Stone") or require backwards spellings of keywords (e.g., Enots Attesor). Or, Google could prevent users from conducting searches using trademarks and instead require them to enter

descriptions of the product and advertisers could then guess at keywords to best match those descriptions. *See Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 804 (9th Cir. 2002) (“Searchers would have a much more difficult time locating relevant websites if they could do so only by correctly guessing the long phrases necessary to substitute for trademarks.”).

But nothing in the Lanham Act requires the development of such a confusing, inefficient, and costly system to achieve functionally equivalent results. *E.g., Platinum Home Mortgage Corp. v. Platinum Fin. Group, Inc.*, 149 F.3d 722, 726 (7th Cir. 1998) (“[T]rademark protection should not interfere with the traditional policies of a competitive market, and courts have generally recognized that the public substantially benefits from competition.”). Nor does the Lanham Act require the sole alternative that Rosetta Stone relies upon to dispute the evidence of functionality—not returning relevant ads. RSB 45. If simply going without the enhanced functionality were a viable alternative, the functionality doctrine would be unnecessary.

C. Use Of Rosetta Stone’s Marks As Keywords Is Not Likely To Cause Confusion.

Rosetta Stone’s claim of direct infringement arising from use of its marks as keywords is based entirely on the notion that the mere display of any ad—irrespective of its content—in response to any search that includes its trademarks caused consumers to believe that the advertised links were offered or sponsored by

Rosetta Stone. The district court properly granted summary judgment because Rosetta Stone failed to identify evidence from which a reasonable juror could find such confusion. JA(29)-622.

Even assuming Rosetta Stone's theory were viable as a matter of law, it fails as a matter of fact. For the reasons discussed above in Section I.B.1.b, full analysis of the traditional factors for assessing likelihood of confusion are not particularly useful in the keyword context. *See Tiffany*, 600 F.3d at 101-03 (affirming judgment of no liability for use of trademarks as keywords without analysis of *any* confusion factor).

In the keyword context, certain factors neither increase nor decrease the likelihood of confusion. For example, "the strength or distinctiveness of the plaintiff's mark as actually used in the marketplace" is of little consequence when only words, not logos, are used and the mark is sufficiently strong to be recalled and entered by the search engine user. Similarly, because the search engine user does not see the keyword selected, "the similarity of the two marks to consumers" is irrelevant. JA(38)-2395-2432. Likewise, "the similarity of the goods or services that the marks identify;" "the similarity of the facilities used by the markholders;" the similarity of advertising used by the markholders; and "the quality of the defendant's product" will not influence whether a search engine user believes the products advertised are offered by or endorsed by a trademark owner based solely

on display of the ad in response to the user's search query. In virtually every keyword context, these factors would produce the same results. Yet obviously, not all keyword uses are infringing, including those by resellers and advertisers using words in their plain dictionary meanings. *E.g., Tiffany*, 600 F.3d at 103. Nor has Rosetta Stone pointed to any evidence that advertisers—the only ones who see which keywords are selected—are confused by them.

Two pieces of evidence further confirm that confusion is unlikely in the keyword context. First, Google's 2004 internal studies do not show any confusion with respect to keyword use. JA(41)-4365-77. Second, the Van Liere survey data confirms that survey participants did not automatically assume that all Sponsored Links were endorsed by Rosetta Stone. Rather, they distinguished among the Sponsored Links based on their content. JA(37)-2335-36. Thus, the district court properly concluded that Rosetta Stone had adduced no evidence to support a finding that use of Rosetta Stone's trademarks as keywords is likely to cause actionable confusion.

III. SUMMARY JUDGMENT WAS PROPER ON SECONDARY LIABILITY

Absent a viable claim for initial interest confusion, the only potential claim against Google is for secondary liability based on purchases made through websites linked to by AdWords ads. As the district court correctly concluded, however, Rosetta Stone has not offered evidence sufficient to impose either

contributory or vicarious liability on Google for the allegedly infringing actions of third parties who advertise on Google's website. *See* JA(29)-638-47. Even assuming direct infringement by third parties, the record is devoid of any evidence that Google induced advertisers to infringe Rosetta Stone's marks or acted in concert with any criminal to create counterfeit software. JA(38)-2437, 2444-56, 2471-73, 3622-25, 3699-3701; JA(39)-3953-54, 4013-14; JA(36)-2319-20; JA(63). Rather, Google responded to every allegedly infringing ad brought to its attention by Rosetta Stone. *Id.* Nor does the record support Rosetta Stone's vicarious liability theory, as no reasonable juror could conclude, based on that record, that Google and its advertisers had a joint partnership or principal-agent relationship.

A. Google Is Not Liable For Contributory Trademark Infringement.

To defeat Google's motion for summary judgment for contributory trademark infringement, Rosetta Stone was required to introduce a genuine dispute of material fact as to whether Google "intentionally induces another to infringe" or "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." *Inwood*, 456 U.S. at 854. As the district court correctly concluded, Rosetta Stone failed to identify any evidence supporting such a finding.

Inducement requires that the defendant *intend for a third party to infringe the mark*. *Inwood*, 456 U.S. at 860 (White, J., concurring). Rosetta Stone cites no

precedent to support its assertion that Google induces counterfeiters to infringe the Rosetta Stone marks by virtue of either Google's general intent to earn revenue or the algorithmic and neutral tools Google makes available to advertisers that agree to Google's AdWords Terms and Conditions. Nor could it do so, as trademark inducement findings are rare and easily distinguishable. *See Ga. Pac. Consumer Prods., LP v. von Drehle Corp.*, 618 F.3d 441, 451 (4th Cir. 2010); *see also Sealy, Inc. v. Easy Living, Inc.*, 743 F.2d 1378, 1381-1382 (9th Cir. 1984) (imposing contributory liability on manufacturers who "foresaw and intended" that Pacifica mattress foundations would be passed off as Sealy products and advertised the Pacifica product they were selling as a "matching foundation" for the Sealy mattress).

The *von Drehle* decision cited by Rosetta Stone (RSB 46) illustrates the specific intent necessary to support a finding of inducement. Georgia Pacific had developed a branded paper towel dispenser for ten-inch paper towels, a unique size. 618 F.3d at 445-446. Von Drehle then developed lower quality ten-inch towels to fit into Georgia Pacific's dispenser. *Id.* at 447. The Court found sufficient evidence to find that von Drehle induced infringement based on: (1) defendant's "candid[] admi[ssion]" that it "developed [t]oweling for the specific purpose of end-user customers stuffing [Georgia Pacific's dispensers]," (2) defendant's in-person sales calls marketing its toweling as "a less expensive

alternative” to Georgia Pacific’s, and (3) the testimony of von Drehle’s president that it “intends for the [towel] to be stuffed in the [Georgia Pacific] dispensers.” *Id.* at 451.

Unlike in *von Drehle*, the record here is devoid of evidence that Google intended to create a product that could *only* be used for an infringing use, much less evidence that Google specifically promoted using it to infringe. Specifically, no evidence exists that Google created its AdWords program for the purpose of encouraging counterfeiters to create and sell counterfeit software and further intended that counterfeiters use Google’s AdWords program—in direct violation of Google’s Terms and Conditions—to sell those counterfeit products. JA(39)-3990-92. Rosetta Stone cites no authority that supports its argument that the district court erred in observing that “the mere existence of a tool that assists advertisers in optimizing their advertisements does not, in itself, indicate intent to induce infringement.” RSB 46-47; JA(29)-641.

Similarly, Rosetta Stone cannot point to any evidence that Google continued to publish ads it *knew* to be for counterfeit products. Plaintiffs “bear a high burden in establishing ‘knowledge’ of contributory infringement, and [] courts have been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement.” *Tiffany*, 600 F.3d at 107 (internal quotation omitted). “[G]eneral knowledge or reason to know

that its service is being used to sell counterfeit goods” is insufficient. *Id.*; *see also Procter & Gamble Co. v. Haugen*, 317 F.3d 1121, 1129-30 (10th Cir. 2003).

The *Tiffany* decision is particularly instructive regarding the level of specific knowledge required to support a finding of contributory trademark liability. There, eBay had received thousands of notices from Tiffany complaining of counterfeits and more than 100 complaints from customers who had purchased counterfeit Tiffany products on eBay’s website. 600 F.3d at 106; *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F.Supp.2d 463, 483-84, 487 (S.D.N.Y. 2008). The record also showed that a “significant portion” of the Tiffany jewelry sold on eBay was counterfeit and eBay knew that “some portion of the Tiffany goods sold on its website might be counterfeit.” *Id.* at 98. Even with this evidence, the Second Circuit held that eBay’s general knowledge of infringement was not sufficient to impose contributory liability. *Id.* at 107.

Here, Rosetta Stone can point to no evidence that Google knew of specific ads for counterfeit products other than through the notices it received from Rosetta Stone. Rosetta Stone’s Enforcement Manager, who is responsible for investigating and preventing sales of counterfeit products, testified that counterfeit Rosetta Stone software cannot be identified without a qualified inspector investigating the physical product. JA(38)-3376-77. In the absence of access to qualified inspectors or the opportunity to physically inspect each and every product advertised on

Google.com, Google's general knowledge that counterfeiters attempt to circumvent its policies and advertise on Google.com cannot support contributory infringement liability. *See Tiffany*, 600 F.3d at 107 (rejecting argument based on general knowledge). Nor can Google be found to have "suspected wrongdoing and deliberately failed to investigate" the actions of advertisers, when the record shows that Google took down all ads for allegedly counterfeit sites of which it was notified. JA(38)-2437, 2444-56, 2471-73, 3622-25, 3699-3701; JA(39)-3953-54. *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992); *accord Diane Von Furstenberg Studio v. Snyder*, No. 1:06cv1356, 2007 WL 2688184, **4-5 (E.D. Va. Sept. 10, 2007).

Rosetta Stone's efforts to marginalize *Tiffany* based on its procedural posture are unpersuasive. RSB 48. The Second Circuit reviewed the district court's legal conclusions *de novo*. *Tiffany*, 600 F.3d at 101. These conclusions were based on factual findings such as the tens of thousands of complaints Tiffany sent to eBay about listings for counterfeits and eBay's receipt of more than 100 complaints from customers about counterfeit Tiffany jewelry. *Id.* at 106; *Tiffany*, 576 F.Supp.2d at 483-84, 487. Those factual findings are the legal equivalent of the undisputed facts here. There is no dispute about how many ads Rosetta Stone complained about (approximately 190 in the time frame it identified), how many complaints Google received from customers who bought counterfeit Rosetta Stone

products after clicking on an AdWords ad (zero), or whether Google responded to Rosetta Stone's notices regarding ads for counterfeit products (it did). RSB 11; JA(38)-2437, 2444-56, 2471-73, 3622-25; JA(39)-3953-54. Thus, the district court's ruling should be affirmed.

Any contrary result would improperly impose an affirmative duty on Google to monitor and enforce the rights of third party trademark holders, contrary to settled precedent and sound policy. *See Tiffany*, 576 F.Supp.2d at 515; *see also Hard Rock*, 955 F.2d at 1149 ("CSI has no affirmative duty to take precautions against the sale of counterfeits.").

B. Google Is Not Liable For Vicarious Trademark Infringement.

To be liable for vicarious trademark infringement, Google and the direct infringers must "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." *Perfect 10, Inc. v. Visa Int'l Serv., Assoc.*, 494 F.3d 788, 807 (9th Cir. 2007) (quoting *Hard Rock*, 955 F.2d at 1150). The record contains no facts showing that Google has the requisite level of partnership, joint ownership, or joint control over any alleged infringing counterfeit goods or websites.

The few decisions to apply the vicarious trademark infringement test have interpreted it quite narrowly. The seminal *Hard Rock* decision grounded the

concept of vicarious trademark liability in a joint-tortfeasor theory. 955 F.2d at 1150. Relying on *Hard Rock*, other courts have agreed that “[t]he essence of joint tortfeasor liability is fault—joint tortfeasors are all *persons who act in concert to commit a tort, pursuant to a common purpose.*” *AT&T Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1441 n.22 (3d Cir. 1994) (quoting McCarthy on Trademarks 25.03[1] at 25-35) (emphasis added); *see also Fare Deals, Ltd., v. World Choice Travel.com, Inc.*, 180 F.Supp.2d 678, 684-85 (D. Md. 2001). Plainly put, the defendant must act “in cahoots” with the direct infringer to carry out the infringement.

Consistent with its narrow underpinning, vicarious trademark liability has been used to impose liability only in rare circumstances. For example, vicarious liability was found against a wife who co-owned with her husband a company that sold counterfeit products; she drew a salary from the company, shared responsibility for the day-to-day operation and management of the business, was personally responsible for all of the finances of the company, and was personally aware of the infringement because she received and signed for the first cease-and-desist letter. *Microsoft Corp. v. Black Cat Computer Wholesale, Inc.*, 269 F.Supp.2d 118, 122-123 (W.D.N.Y. 2002).

None of the facts cited by Rosetta Stone establishes—or even suggests—that Google and its advertisers act in concert to create counterfeit goods or share an

agency relationship. Two elements are necessary to establish an agency relationship: (1) that the agent be subject to the principal's control with regard to the work being done and the manner of performing it and (2) that the work has been done for the principal's benefit. *United States v. Rapoca Energy Co.*, 613 F.Supp. 1161, 1163 (W.D. Va. 1985). No evidence in the record would support finding either. Google has no control over counterfeiters' websites, much less their decision to create and sell counterfeit software. Neither Google's general assistance to advertisers (either through keyword tools or customer assistance) nor "the mere fact that Google has a financial relationship with the alleged infringers" is sufficient to establish joint ownership and control or an agency relationship for purposes of vicarious trademark liability. JA(29)-646 (citing *Perfect 10*, 494 F.3d at 807-808).

Imposing vicarious liability here would stretch the concept of agency to encompass virtually any contractual relationship and drastically expand liability for vicarious trademark infringement. Rosetta Stone offers no reason for this Court to so radically rewrite the law of agency or vicarious trademark infringement.

IV. SUMMARY JUDGMENT WAS PROPER ON DILUTION

The district court properly held that Rosetta Stone could not prevail on its trademark dilution claim. Rosetta Stone offered no evidence to support its claim that Google's actions are likely to "impair the distinctiveness" or "harm the

reputation” of Rosetta Stone’s trademarks, which is one of the four elements that Rosetta Stone must prove to succeed on its dilution claim. *See Louis Vuitton*, 507 F.3d at 264-65.

The district court properly held that because Google does not use the Rosetta Stone marks on Google’s own goods and services to “create an association with its own product,” Google cannot be liable for dilution.⁶ *Tiffany*, 576 F.Supp.2d at 524; 600 F.3d at 112. As the Second Circuit recently held, “insofar as [the defendant] did not itself sell the goods at issue, it did not itself engage in dilution.” 600 F.3d at 112. Rosetta Stone cited no authority to the contrary. In addition, ample evidence supports that the majority of use of Rosetta Stone’s marks on Google.com is fair use under the dilution statute. *E.g.*, Section I.B.1.a; JA(40)-4096-4100, 4108; JA(50)-6469-6472; JA(54)-6574-6576.

Rosetta Stone’s reliance on *Diane von Furstenberg* and *PETA* to argue that dilution should be automatic for use of the same mark is unavailing. Those decisions addressed defendants attempting to use others’ trademarks to promote *their own* goods and services. *Diane von Furstenberg*, 2007 WL 2688184 at *4 (using trademark on “knock-off” dresses); *PETA v. Doughney*, 113 F.Supp.2d 915,

⁶ To the extent Rosetta Stone wants to hold Google secondarily liable for the content of the ads created by third-party advertisers, it has waived that argument because Rosetta Stone neither pled it nor argued such a claim below. JA(8); JA(32)-688-90; JA(44)-5158-60; JA(52)-6522-23. *E.g.*, *United States v. Evans*, 404 F.3d 227, 236 n.5 (4th Cir. 2005) (failure to raise argument before the district court waives it on appeal).

920 (E.D. Va. 2000), *aff'd*, 263 F. 3d 359 (4th Cir. 2001) (using trademark to promote own website). Here, by contrast, it is undisputed that Google does not mark its own goods or services with Rosetta Stone's trademarks.

Rosetta Stone now criticizes the district court for not analyzing at length each factor identified in the statute (RSB 55-56), but Rosetta Stone failed to argue *any* of those factors below, and has thus waived any argument based on them. *E.g.*, *Evans*, 404 F.3d at 236 n.5. In addition, “[n]ot every [statutorily enumerated] factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors.” *Louis Vuitton*, 507 F.3d at 266. Because Rosetta Stone did not argue for consideration of all the factors, the district court did not err in not doing so.

In assessing Rosetta Stone's dilution claim, the district court acknowledged that Rosetta Stone's name recognition and brand equity skyrocketed during the entire period that Rosetta Stone contends Google's actions have been causing harm. JA(34)-2287-89; JA(38)-2475, 2527, 2504-05, 2540-43, 2600-01, 3791-98. Acknowledging these trends, however, does not establish a new requirement to prove “actual dilution” any more than recognizing a lack of evidence of actual confusion imposes a requirement of proving actual confusion. *Cf. CareFirst*, 434 F.3d at 269 (holding that absence of evidence of confusion creates a strong inference of no likelihood of confusion).

Alternatively, summary judgment on dilution should be affirmed because Rosetta Stone's marks were not famous in 2004, when third parties first began using Rosetta Stone's marks as keywords to trigger ads on Google.com. *See Jackson v. Kimel*, 992 F.2d 1318, 1322 (4th Cir. 1993) (court "can affirm on any legal ground supported by the record and [is] not limited to the grounds relied on by the district court"); JA(38)-2475, 2504-05.

Remedies for dilution may be imposed only against a "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" 15 U.S.C. § 1125(c)(1) (emphasis added). Therefore, Rosetta Stone's marks must have been famous before *Google* first began its complained of uses—in April 2004. *See Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1013 (9th Cir. 2004) ("[A]ny commercial use of a famous mark in commerce" is what "fixes the time by which famousness is to be measured."); *Arkansas Best Corp. v. Comm'r*, 485 U.S. 212, 218 (1988) (holding that a court should not construe a statute in a manner that reduces some of its terms to mere surplusage). They were not. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] This is far below the statutory threshold of being

“widely recognized by the general consuming public.” 15 U.S.C. § 1125(c)(2); MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 24:106 (suggesting that for a mark to be famous it must have at least 75% awareness in a survey of the general consuming public).

V. DISMISSAL OF ROSETTA STONE’S UNJUST ENRICHMENT CLAIM WAS PROPER

The district court properly held that Rosetta Stone’s unjust enrichment claim is barred by the Communications Decency Act (“CDA”), 47 U.S.C. § 230. JA(27)-600. To “promote the continued development of the Internet and other interactive computer services,” the CDA protects interactive computer service providers from liability arising from their publication of content created by third parties. *Id.* at §§ 230(b)(1), (c)(1), (e); *Nemet Chevrolet, Ltd. v. Consumeraffairs.com, Inc.*, 591 F.3d 250, 254 (4th Cir. 2009) (citation omitted). As “long as a third party willingly provides the essential published content, the interactive service provider receives full immunity regardless of the specific editing or selection process.” *Carafano v. Metroplash.com, Inc.*, 339 F.3d 1119, 1124 (9th Cir. 2003).

Rosetta Stone does not dispute that Google is an “interactive computer service provider.” Instead, it argues that its claim is not based on the *content* of the advertisements, but on Google’s “business practice of selling trademarks as keywords.” RSB 59. This argument is factually flawed. Although Google’s business practice concerning keywords results in the display of ads, the very funds

that Rosetta Stone contends that Google unjustly received were obtained from only one activity: the act of users *affirmatively clicking* on ads shown on Google. RSB at 51 n.16. Those clicks are inextricably intertwined with the content of the ads, and Rosetta Stone makes no allegation to the contrary. JA(8)-174-75.

In addition, Rosetta Stone cites no precedent for the proposition that content that is displayed as the result of a “business practice” cannot be protected by the CDA. Rosetta Stone unsuccessfully attempted to justify its business conspiracy claim with the same rationale. JA(4)-80-81.

In support of its position, Rosetta Stone relies on two decisions that held that the defendants did not qualify for CDA immunity. The district court readily distinguished both. JA(4)-94-96; JA(27)-601-02. The *800-JR Cigar, Inc. v. GoTo.com, Inc.* court held that the defendant did not qualify as an interactive service provider. 437 F.Supp.2d 273, 295 (D.N.J. 2006). Here, it is uncontested that Google is an interactive service provider. The *Fair Housing Council of San Fernando Valley v. Roommates.com, LLC* court held that Roommates.com was a co-creator of the accused content because it had designed a questionnaire that required users to provide information about their sex, family status and sexual orientation—i.e., the allegedly unlawful content. 521 F.3d 1157, 1166 (9th Cir. 2008). Unlike Roommates.com, Google does not provide predetermined content

choices from which advertisers must choose to create the allegedly unlawful content. Rosetta Stone alleged nothing to the contrary.

Rosetta Stone contends that the keyword tool constitutes Google's "proactive conduct" in creating the content of advertisements. RSB 59. But according to Rosetta Stone's own allegations, the keyword tool does not create the content of the advertisements; it merely gives advertisers the ability to refine the keyword terms they select, thereby triggering where the advertisements will be displayed. JA(8)-181-82. *See also Goddard v. Google, Inc.*, 640 F.Supp.2d 1193, 1198 (N.D. Cal. 2009) (dismissing CDA-barred claim, reasoning that "Google's Keyword Tool is a neutral tool. It does nothing more than provide options that advertisers may adopt or reject at their discretion."); *Jurin v. Google*, 695 F.Supp.2d 1117, 1122-1123 (E.D. Cal. 2010) (dismissing CDA-barred claims including unjust enrichment). Because Rosetta Stone points to no allegations that would defeat the CDA defense, dismissal was appropriate at the pleading stage. *E.g. Universal Communication Systems, Inc. v. Lycos, Inc.*, 478 F.3d 413, 422 (1st Cir. 2007); *Zeran v. Am. Online, Inc.*, 129 F.3d 327, 335 (4th Cir. 1997).

The district court also properly dismissed the unjust enrichment claim based on Rosetta Stone's failure to sufficiently plead the elements of unjust enrichment. JA(27)-596-600. Rosetta Stone did not adequately plead (1) a benefit conferred on Google by Rosetta Stone, (2) knowledge on the part of the Google of the

conferring of the benefit, and (3) acceptance or retention of the benefit by Google in circumstances that render it inequitable for Google to retain the benefit without paying for its value. *Firestone v. Wiley*, 485 F.Supp.2d 694, 704 (E.D. Va. 2007).

Rosetta Stone's recitations that it "conferred involuntarily a benefit on Google" and "Google should reasonably have expected to compensate Rosetta Stone" for that benefit, (JA(8)-197), "are merely conclusory, unwarranted deductions of fact, or unreasonable inferences" that need not be accepted as true. *Veney v. Wyche*, 293 F.3d 726, 730 (4th Cir. 2002) (internal citations omitted); JA(8)-197. And they should not be. Rosetta Stone did not plead any facts to support a claim that Google typically paid trademark owners for AdWords revenue. Nor did Rosetta Stone allege that Google led Rosetta Stone to believe Google would pay for use of Rosetta Stone's trademarks as keywords. Therefore, Rosetta Stone did not have a "reasonable expectation of payment." *Nossen v. Hoy*, 750 F. Supp. 740, 745 (E.D. Va. 1990).

The cases Rosetta Stone argues support its claim that it involuntarily conferred the benefit of use of its trademark on Google (RSB 57-58) are factually inapplicable. In *Po River Water & Sewer Co. v. Indian Acres Club, Inc.*, the defendant received a utility's water and sewage services without paying for them; in *In re Bay Vista of Va., Inc.*, the defendant received an overpayment of a loan balance, and did not return the money. 255 Va. 108, 115 (Va. 1998); No.

2:09cv46, 2009 U.S. Dist. LEXIS 87154 (E.D. Va. June 2, 2009). Payment would generally be expected for those benefits. Google, however, cannot be found to reasonably have expected to pay for the alleged benefit of using a trademark to index search results, organic and paid, and Rosetta Stone alleged no facts showing that it or any other trademark owner typically receives payment from a search engine for use of its trademark as a keyword.

Rosetta Stone's argument that the district court should not have dismissed its claim at the pleading stage rests on a single decision involving an entry of default. RSB 57. That decision is not applicable here, where Google's motion to dismiss was set for hearing the same day as its summary judgment motion, and where, in opposition to Google's summary judgment motion on this claim, Rosetta Stone did not argue any additional factual points even though it had ample opportunity to develop the factual record. JA(1)-11-16; JA(32)-690-91; JA(56)-6645-47.

CONCLUSION

For the reasons discussed above, this Court should affirm the district court's orders.

Dated: November 29, 2010

Respectfully submitted,

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Dated: November 29, 2010

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I hereby certify that on this 29th day of November, 2010, I caused this Brief of Appellee to be filed electronically with the Clerk of the Court using the CM/ECF System, which will send notice of such filing to the following registered CM/ECF users:

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Dated: November 29, 2010

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