



ARE Trademark Law Alert: Fourth Circuit Revives Rosetta Stone Case Against Google's™ Keyword Searching

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(April 12, 2012) On April 9, 2012, a unanimous panel of the U.S. Court of Appeals for the Fourth Circuit restored Rosetta Stone's trademark infringement and dilution lawsuit against Google. See *Rosetta Stone Ltd. v. Google, Inc.*, No. 10-2007, 2012 U.S. App. LEXIS 7082 (4th Cir. Apr. 9, 2012) ("*Rosetta II*"). The court determined that there were genuine issues of material fact requiring trial as to whether Google's sale of keywords constituted trademark infringement or trademark dilution, and whether Google was vicariously or contributorily liable for the sale of counterfeit Rosetta Stone products being sold by the keyword advertisers.

In the decision under review, the district court granted summary judgment in favor of Google, finding that no reasonable trier of fact could find that Google's practice of auctioning trademarks

as keywords or triggers to third party advertisers would create a likelihood of confusion as to the

source of origin, or otherwise violate plaintiff's rights. *Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531 (E.D. Va. 2010) ("*Rosetta I*").

In reversing the district court, the *Rosetta II* court held that there were genuine issues of material

fact on the issue of direct infringement as to whether Google intended to cause confusion, as to

whether confusion had actually resulted, and as to the sophistication of consumers.

Specifically, on the issue of intent, there was evidence that Google was aware that its policy of allowing trademarks to be used in the text of ads would create some confusion, but also that it would bring in more revenue. On the issue of actual confusion, *Rosetta II* held, among other things, that the district court should not have discounted testimony from individuals who purchased counterfeit Rosetta Stone products from a Google advertiser. Although the customers

knew they were not purchasing directly from Rosetta Stone, they thought the Google advertisers

were affiliated with Rosetta Stone, and this type of confusion is also actionable. Lastly, with respect to consumer sophistication, the court in *Rosetta II* held that even though the Rosetta Stone products are relatively expensive (a few hundred dollars), that alone is not sufficient to conclude that consumers are sophisticated, particularly since there was an internal Google



study

which showed that even well-educated, seasoned internet consumers are sometimes confused by sponsored links.

The court also rejected the "functionality" defense, which prohibits the acquisition of trademark rights in a product or its packaging. Google had claimed that its use of the Rosetta Stone mark in

keyword advertising was functional, but the *Rosetta II* court focused instead on Rosetta Stone's

use of its own mark, which was clearly not functional.

Turning to Rosetta Stone's claim of contributory infringement, the court in *Rosetta II* found that there was sufficient evidence in the record to defeat summary judgment as to Google's purported allowance of known infringers and counterfeiters to bid on the Rosetta Stone marks. *Rosetta II*

also concluded that there were genuine issues of fact requiring trial on Rosetta Stone's claim that

Google's sale of keyword advertising diluted the Rosetta Stone mark.

There has been a trend recently in appellate internet cases like *Viacom Int'l Inc. v. YouTube, Inc.*,

No. 10-3270-cv, 10-3342-cv, 2012 U.S. App. LEXIS 6909 (2d Cir. Apr. 5, 2012), and *Rescuecom*

Corp. v. Google Inc., 562 F.3d 123 (2d Cir. 2009), to avoid hard and fast rules and consider the particular facts on a case-by-case basis with respect to assertions of trademark infringement (direct or indirect) or dilution. Consistent with this trend, *Rosetta II* determined that the resolution of such trademark issues depends on case-specific facts and circumstances, rather than

on general policies or procedures put in place by the defendant or on broad propositions of law.

Please monitor our website for continued developments on this issue.

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