

Court Holds Google's Sale of Trademarks as Keywords Does Not Create Likelihood of Confusion and is Not Trademark Infringement

On August 3, 2010, the U.S. District Court for the Eastern District of Virginia in *Rosetta Stone Ltd. v. Google Inc.*, Case No. 1:09-cv-00736-GBL-TCB (E.D. Va. filed Jul. 10, 2009) ruled on summary judgment that Google's practice of selling Rosetta Stone's trademarks as keyword triggers to third party advertisers for use in their Sponsored Link does not create a likelihood of confusion as to the source or origin of Rosetta Stone's products, or otherwise violate Rosetta Stone's trademark rights. The Court did not address whether these activities create a likelihood of confusion with respect to the source of the third party advertisers' products, however.

While a number of cases, such as *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009), have held that a search engine's sale of a competitor's trademark as a keyword to trigger advertisements is sufficient "use in commerce" to state a claim for trademark infringement, few courts have decided whether the use of keyword advertising creates a likelihood of confusion. For example, the District Court in *Hearts on Fire Company, LLC v. Blue Nile, Inc.*, 603 F. Supp. 2d 274 (D. Mass. 2009), held that the plaintiff sufficiently supported its claim of initial interest confusion, caused by the defendant's use of a trademark as a trigger for its sponsored links, to defeat the defendant's motion to dismiss, but the Court did not reach the issue of likelihood of confusion. Likewise, in *Fair Isaac Corp. v. Experian Info. Sol'ns Inc.*, 645 F. Supp. 2d 734 (D. Minn. 2009), the District Court held that a fact finder would need to determine whether the defendants' purchase of the plaintiff's trademarks as keywords created a likelihood of confusion, where the keywords caused links to the defendants' websites to appear on the search results page. The decision in *Rosetta Stone Ltd. v. Google Inc.* is one of the first cases deciding the issue of likelihood of confusion with respect to keyword advertising.

Rosetta Stone, a leading language education company in the United States, provides language learning products, including interactive language learning software, that are available in over 150 countries. The company owns several federal trademark registrations of its marks. Rosetta Stone authorizes the sale of its language learning products by third parties, including Amazon.com, Barnes & Noble and Borders, through their websites. It also entered into agreements with Amazon.com and eBay that allow these third parties to use the ROSETTA STONE marks in connection with advertising.

Google offers an auction-style advertising program, called the AdWords Program, that displays advertisements to users of the Google search engine in Sponsored Links, which are displayed above or to the right of the search results. The Sponsored Links that are displayed above the search results are enclosed in a rectangle with a pale background, with the term "Sponsored links" displayed in the upper right corner. The Sponsored Links that are displayed to the right of the search results are separated by a vertical blue line, with the term "Sponsored links" appearing at the top of the right side of the page. Google offers advertisers the ability to select certain words or phrases, called "keywords," that trigger a Sponsored Link to the advertiser's chosen website. Third party advertisers may purchase generic terms or trademarks, including marks owned by their competitors, as keyword triggers for the Sponsored Links. Despite Google's efforts to combat

counterfeit advertisements and fraud, some advertisers are able to create Sponsored Links that deceive and misdirect users to websites that sell counterfeit Rosetta Stone products or which falsely suggest to consumers a connection to or affiliation with Rosetta Stone.

Rosetta Stone filed suit, alleging trademark and service mark infringement, contributory infringement and vicarious infringement, among other claims. After a detailed analysis of the facts, the court found no likelihood of confusion or other violation of Rosetta Stone's trademark rights.

The Court focused on three factors: intent, actual confusion and consumer sophistication, in its analysis of likelihood of confusion. In considering Google's intent, the Court found no evidence that Google was attempting to pass off its goods or services as those of Rosetta Stone's, as Google does not sell products on its website, and therefore, is not palming off any products. Although Google may stand to profit under its trademark policy concerning keyword triggers, "evidence of financial gain alone is insufficient evidence of intent," and "intent to profit is not the same thing as intent to confuse." Moreover, the Court reasoned, Google's success as a search engine depends on its users finding relevant responses to their inquiries. Therefore, the Court found it is in Google's interest not to confuse its users by preventing counterfeiters from taking advantage of its search services. In evaluating evidence concerning actual confusion, the District Court found Rosetta Stone's evidence of five allegedly confused consumers was de minimus and unsupported by the record. And with respect to the factor of consumer sophistication, the Court determined that the relevant market included only potential buyers of Rosetta Stone products, which the Court described as "well-educated consumers willing to invest money and energy in the time-intensive task of learning a language" and willing to spend money on Rosetta Stone products costing approximately \$259 for a single-level package and \$579 for a three-level bundle. Factoring in the time commitment of learning a language, these consumers are more likely to spend time searching and learning about Rosetta Stone's products. The Court found that, overall, these factors weigh in favor of a finding of no likelihood of confusion.

The Court also held that, notwithstanding its finding for Google on the likelihood of confusion issue, the functionality doctrine protects Google's use of the Rosetta Stone's trademarks as keyword triggers. Under the Supreme Court's decision in *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001), a product feature is functional "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." Applying this principle to a search engine, the Court explained that Google uses trademarks as keyword triggers to identify relevant Sponsored Links. Therefore, the keywords, which may include a trademark, have "an essential indexing function because they enable Google to readily identify in its databases relevant information in response to a web user's query." This function is particularly important because advertisers rely on the keywords to place their products and services before interested consumers. The keywords also benefit consumers by providing them "with a highly useful means of searching the internet for products and competitive prices." For these reasons, the Court held that the functionality doctrine also prevents a finding of trademark infringement.

The District Court also rejected Rosetta Stone's claims of contributory and vicarious liability and ultimately granted summary judgment in favor of Google.

The *Rosetta Stone Ltd. v. Google Inc.* decision coincides with Google's recent announcement on August 4, 2010, that it will allow advertisers in most European countries to select third party trademarks as keyword triggers, bringing its European keyword policy more closely in line with that in other countries, including the U.S. and the U.K. This announcement follows a decision earlier this year in *Google France et al. v. Louis Vuitton Malletier*

et al., in which the European Court of Justice ruled that Google is not liable for trademark infringement simply by auctioning to third party advertisers keywords that included the third parties' trademarks.

This law relating to the use of a competitor's trademarks as keywords is a developing area of the law. However, the *Rosetta Stone* decision in the United States and the *Vuitton* decision in Europe suggest that courts will not readily enjoin the use of this advertising strategy in the absence of clear evidence of public confusion or some other form of identifiable harm.

To find out how the decision in *Rosetta Stone v. Google* or in *Google France et al. v. Louis Vuitton Malletier et al.* might affect your interests, please contact your usual Ropes & Gray attorney or one of the following Ropes & Gray IP attorneys:

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