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## Fourth Circuit Reverses Summary Judgment Against Rosetta Stone in Closely Watched Google Adwords Case

### Intellectual Property Client Alert

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In *Rosetta Stone Ltd. v. Google Inc.*, the Fourth Circuit ruled last week that Google, Inc. may have intended to cause confusion among consumers by selling trademarks as advertising keywords in its AdWords program and that the lower court erred in granting Google's motion for summary judgment.

Rosetta Stone, a seller of language learning software, sued Google for Google's sale of Rosetta Stone trademarks as "keywords," alleging Google infringed and diluted their trademarks. Keywords are words or phrases sold by search engines to advertisers. When a user searches on keywords, the associated advertiser's information is displayed in the sponsored links on the search results page. Keyword advertising is a booming industry, generating billions in revenue for search engine companies. Under the Google AdWords program, a company can bid on keywords that are another company's trademarks. Trademark owners have sued search engine companies in the past for trademark infringement, alleging that the use of trademarked keywords causes customer confusion because the displayed sponsored link directs consumers to competitors or the sellers of counterfeit goods. Some courts, however, have held that keywords sales are not a "use in commerce" or do not cause consumer confusion, two requirements for trademark infringement.

The Fourth Circuit overturned the District Court for the Eastern District of Virginia decision granting Google's summary judgment against Rosetta Stone. The District Court had held that Google AdWords were functional because they triggered the display of an advertisement, and therefore are beyond trademark protection. *Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531 (E.D. Va. 2001). The Fourth circuit disagreed, holding that the doctrine was inappropriately applied because Rosetta Stone used its mark as a brand identifier. The mark "ROSETTA STONE" itself was not functional, and functionality is dependent on the trademark, not on how Google uses the trademark.

The Fourth Circuit also vacated the District Court's decision on trademark infringement and trademark dilution, and remanded the claims for further proceeding. The appellate court stated that the District Court did not properly analyze the likelihood-of-confusion factors. More importantly, the appellate court held that Google's shifting trademark policies indicate that it had the intent to confuse the consumer. Before 2004, Google did not allow use of trademarks as keywords. Google changed their policy in 2004, allowing the use of trademarks as keywords with the mark not being displayed in the ad. Google changed their policy again in 2009, allowing the trademarks to be used in advertisements in a limited capacity. The court held that a reasonable fact-finder could conclude that Google intended to cause confusion. The court also pointed out evidence of actual confusion among consumers and that Google's witnesses had difficulty distinguishing between Rosetta Stone's advertisements and ads linked to the sponsored links.

This decision contrasts with two recent Ninth Circuit decisions which held that consumers were sophisticated search engine users that form no expectations about the sponsorship of a website even if it is a sponsored link website, and therefore, there is no consumer confusion.

*Network Automation, Inc., v. Advanced System Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011); *Toyota Motor Sales, USA, Inc. v. Tabari*, 610 F.3d. 1171 (9th Cir. 2010).

The decision is being closely watched – more than 30 companies, trade associations, professional sports leagues and nonprofits filed friend of the court briefs in support of Rosetta Stone's position. Trademark infringement may increase against search engines and competitors who bid or purchase their trademarks as keywords.

The Fourth Circuit's decision in *Rosetta Stone*, No. 10-2007 (Apr. 9, 2012), is available [here](#).

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