IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

ROSETTA STONE LTD.,	)	
	)	
Plaintiff,	)	
	)	
vs.	)	**Civ. Action No. 1:09-cv-00736(GBL/TCB)**
	)	
GOOGLE INC.,	)	
	)	
Defendant.	)	
	)	

ROSETTA STONE LTD.'S MEMORANDUM OF LAW IN SUPPORT OF ITS MOTION FOR PARTIAL SUMMARY JUDGMENT AS TO LIABILITY

FILED IN PART UNDER SEAL

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March 26, 2010

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STATUTES AND RULES

Plaintiff Rosetta Stone Ltd. ("Rosetta Stone" or the "Company") respectfully submits this memorandum of law in support of its motion for partial summary judgment as to liability. For the reasons that follow, the motion should be granted.

INTRODUCTION

Rosetta Stone was founded in 1992 as a family-owned business and today is the leading provider of language-learning software in the United States. Rosetta Stone has achieved this success not only through its innovative approach to language learning but also because the general public associates the brand "Rosetta Stone" with innovative language learning software. Rosetta Stone filed the instant action against Google Inc. ("Google") to stop Google's unauthorized use and sale of Rosetta Stone's trademarks as keywords that trigger third-party, paid advertisements on Google search-results pages. Google allows – and indeed encourages – third parties, including companies illegally selling pirated and counterfeit Rosetta Stone products, to pay to have their ads appear in Google's search-results pages when Rosetta Stone's trademarks are entered as search terms. In doing so, Google has confused consumers, diluted Rosetta Stone's marks and diverted Rosetta Stone's customers to competitors and counterfeiters, while reaping millions of dollars in advertising profits for itself.

Rosetta Stone is entitled to summary judgment on liability as there are no genuine issues of material fact as to Google's violations of the Lanham Act and Virginia law:

- Google is directly liable for trademark infringement because Google uses Rosetta Stone's trademarks in commerce, in connection with the sale, offering for sale, and advertising of goods and services, and in a manner that is likely to confuse – and that in fact has confused – consumers. (*See* Section I.A, *infra.*)

- Google is liable for the trademark infringement of its advertisers because it (i) intentionally induces its advertisers to infringe Rosetta Stone's marks; (ii) continues to sell advertising space to entities that it knows or has reason to know are engaging in trademark infringement; and (iii) has the legal right to stop or limit the infringing conduct, and the practical ability to do so, yet fails to

prevent the ongoing infringement of Rosetta Stone's marks that occurs on Google's search-results pages. (*See* Section I.B, *infra.*)

- Google is liable for trademark dilution under the Lanham Act because Google's conduct has resulted in the blurring and tarnishment of Rosetta Stone's famous marks. (*See* Section II, *infra.*)

- Google has been unjustly enriched under Virginia law because it knowingly uses and sells Rosetta Stone's trademarks for its own profit without compensating Rosetta Stone. (*See* Section III, *infra.*)

STATEMENT OF UNDISPUTED FACTS

A. Rosetta Stone's Business

1. Rosetta Stone is the industry leader in providing technology-based language-learning products and services. Today, Rosetta Stone's language-learning solutions are available in more than thirty languages and are used by schools, corporations, government entities and millions of individuals in more than 150 countries throughout the world. (Adams Decl. ¶¶ 2-10.)

2. Rosetta Stone is based in Harrisonburg and Arlington, Virginia and, as of December 31, 2009, had 1,738 employees throughout the world. Between 2004 and 2009, Rosetta Stone has earned hundreds of millions of dollars in gross revenue worldwide. (Adams Decl. ¶¶ 7 & 9.)

B. The Rosetta Stone Marks

3. Rosetta Stone adopted and used, and has continued to use, the names and marks ROSETTA STONE, ROSETTA STONE LANGUAGE LEARNING SUCCESS, ROSETTASTONE.COM, and ROSETTA WORLD (the "Rosetta Stone Marks") in connection with its language-learning products and services. (Eichmann Decl. ¶ 2.)

4. The mark ROSETTA STONE is registered with the United States Patent and Trademark Office (the "USPTO") under Registration Number 2,761,492, has been in commercial use since 1993 and has been registered since 2003. The mark ROSETTA STONE

LANGUAGE LEARNING SUCCESS is registered with the USPTO under Registration Number 2,781,324, has been in commercial use since 2001 and has been registered since 2003. The mark ROSETTASTONE.COM is registered with the USPTO under Registration Number 3,454,358, has been in commercial use since 1999 and has been registered since 2008. The mark ROSETTA WORLD is registered with the USPTO under Registration Number 3,514,220, has been in commercial use since 2006 and has been registered since 2008. (May Decl. ¶¶ 2-7 and Exs. 1-6.)

5. Rosetta Stone identifies itself, together with the products and services that it offers, using the Rosetta Stone Marks in different advertising media, including television and radio commercials, magazine advertisements, kiosks in public places, and the Internet. (Eichmann Decl. ¶¶ 3-5 and Exs. 1-3.)

6. Rosetta Stone advertises, promotes and uses the Rosetta Stone Marks through several channels, including print, direct mail, radio, television and on-line. [redacted]

7. In addition to its own advertising efforts, Rosetta Stone has been the subject of many stories in national publications and television programs. (Eichmann Decl. ¶ 7 and Ex. 4.)

8. The Rosetta Stone Marks have achieved high levels of actual recognition among the public. [redacted]

[redacted]

C. Google's AdWords Advertising Program

9. Google owns and operates one of the world's most utilized Internet search engines. (Spaziano Ex. 1 (Ans. ¶ 3).) Users of Google's search engine enter search queries to receive a list of links to web pages that Google's search algorithm identifies as relevant to the search query. (*Id.* ¶ 4.) Google displays search results that are the product of an objective algorithm, which Google refers to as "organic" search results. (*Id.* ¶¶ 4, 26.)

10. Google also displays paid advertisements on its search-results pages through an auction-style advertising program called AdWords. (*Id.* ¶¶ 5, 28 & 36.) Google displays ads, which are labeled "Sponsored Links," in positions above and to the right of the first organic search result. (*Id.* ¶ 28.) [redacted]

11. To participate in AdWords, an advertiser bids on particular words or phrases (known as "keywords") that will trigger the display of the advertiser's ads when web users perform Google searches for those keywords. [redacted]

[1] All deposition transcripts cited herein are appended to the Declaration of Jennifer L. Spaziano.

[redacted]

13. Google is paid by its AdWords advertisers on a "cost-per-click" basis. When a Google user "clicks" on a Sponsored Link displayed by Google on that user's search-results page, Google charges that advertiser a fee. (Spaziano Ex. 1 (Ans. ¶¶ 37 & 63).)

[redacted]

Google's most recent Annual Report discloses that Google earned more than $23.65 billion in gross revenue in 2009. (*See* Spaziano Ex. 3 at 62.)

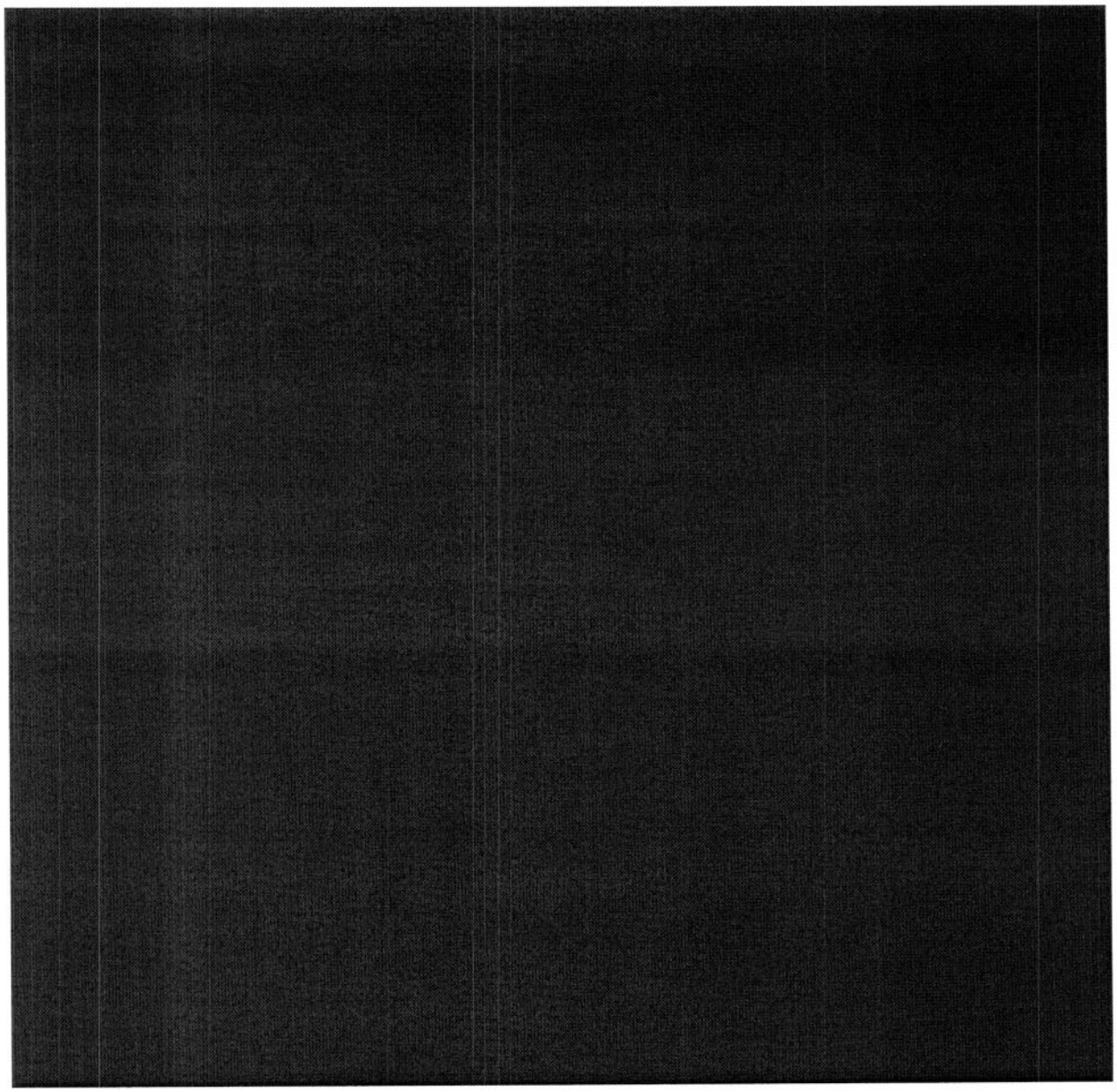
D. Google's 2004 Trademark Policy Change

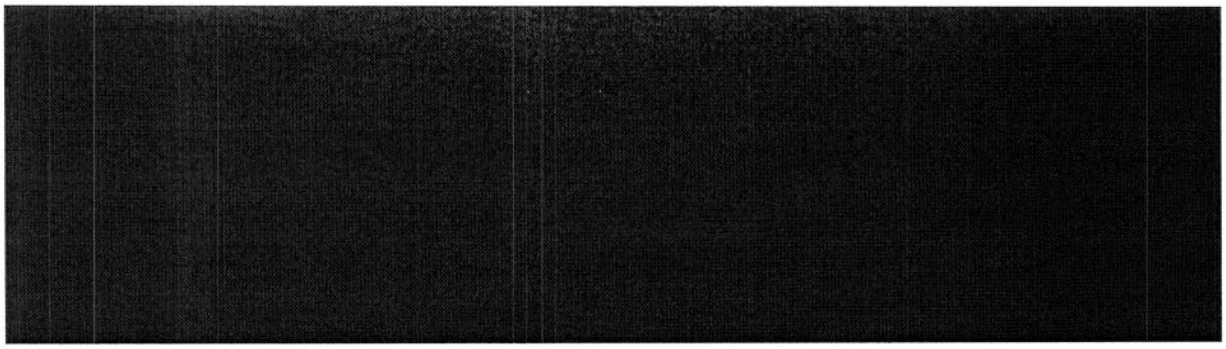
[redacted]

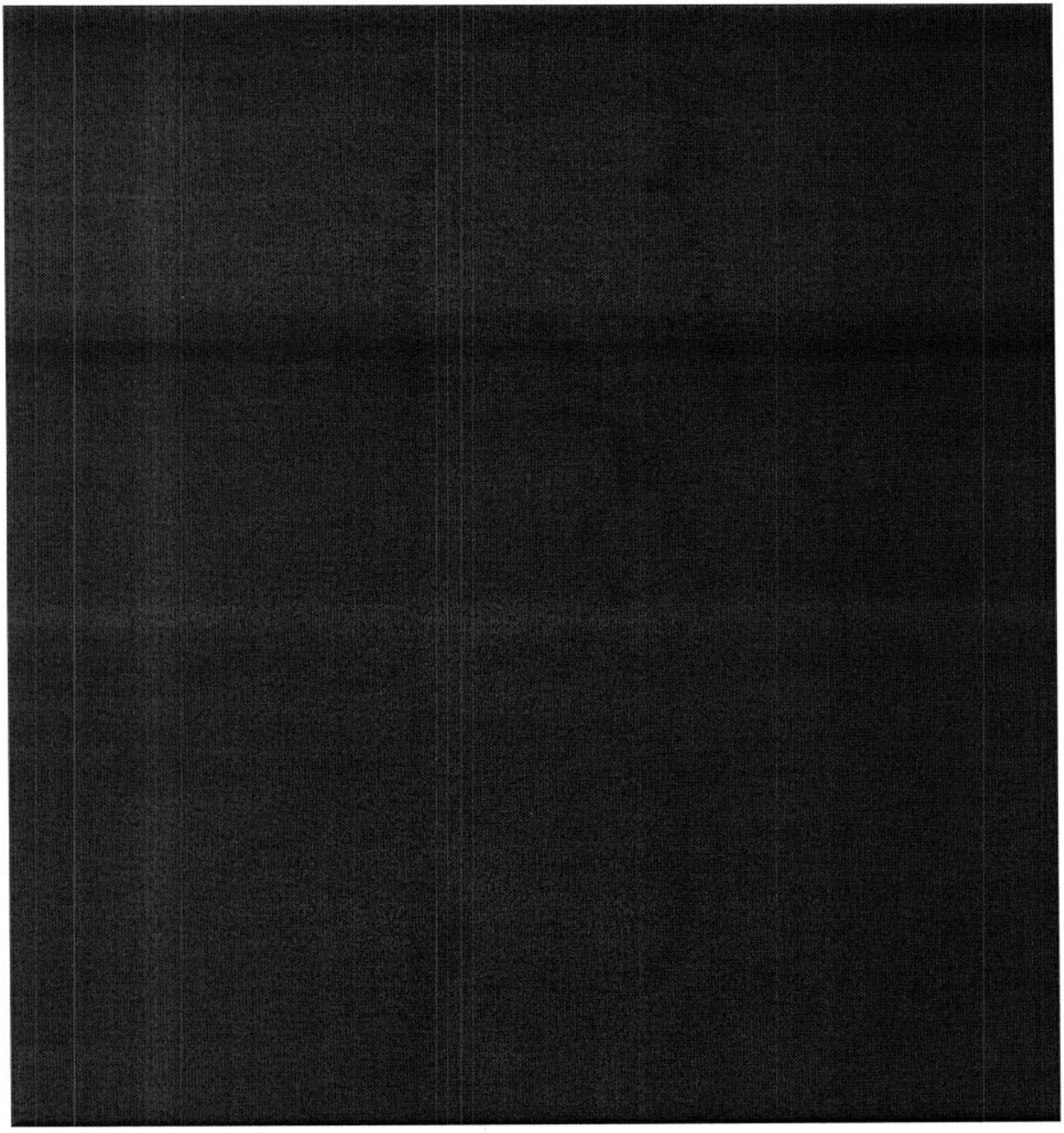
17. In its Form S-1 Registration Statement dated April 29, 2004, Google warned investors of the potential adverse consequences of its decision to exploit other companies' trademarks without authorization:

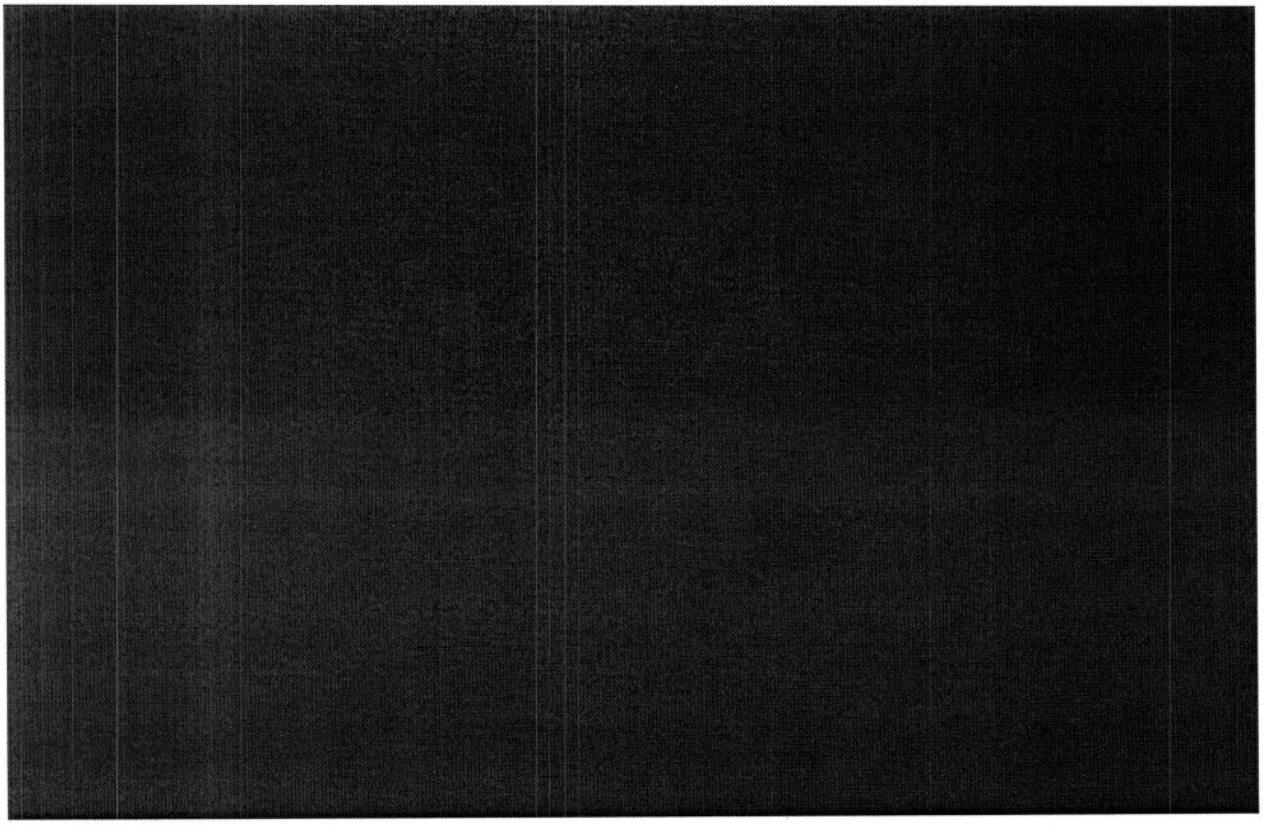
> As a result of this change in policy, we may be subject to more trademark infringement lawsuits. . . . Adverse results in these lawsuits may result in, or even compel, a change in this practice which could result in a loss of revenue for us, which could harm our business.

(Spaziano Ex. 7 at 10.)

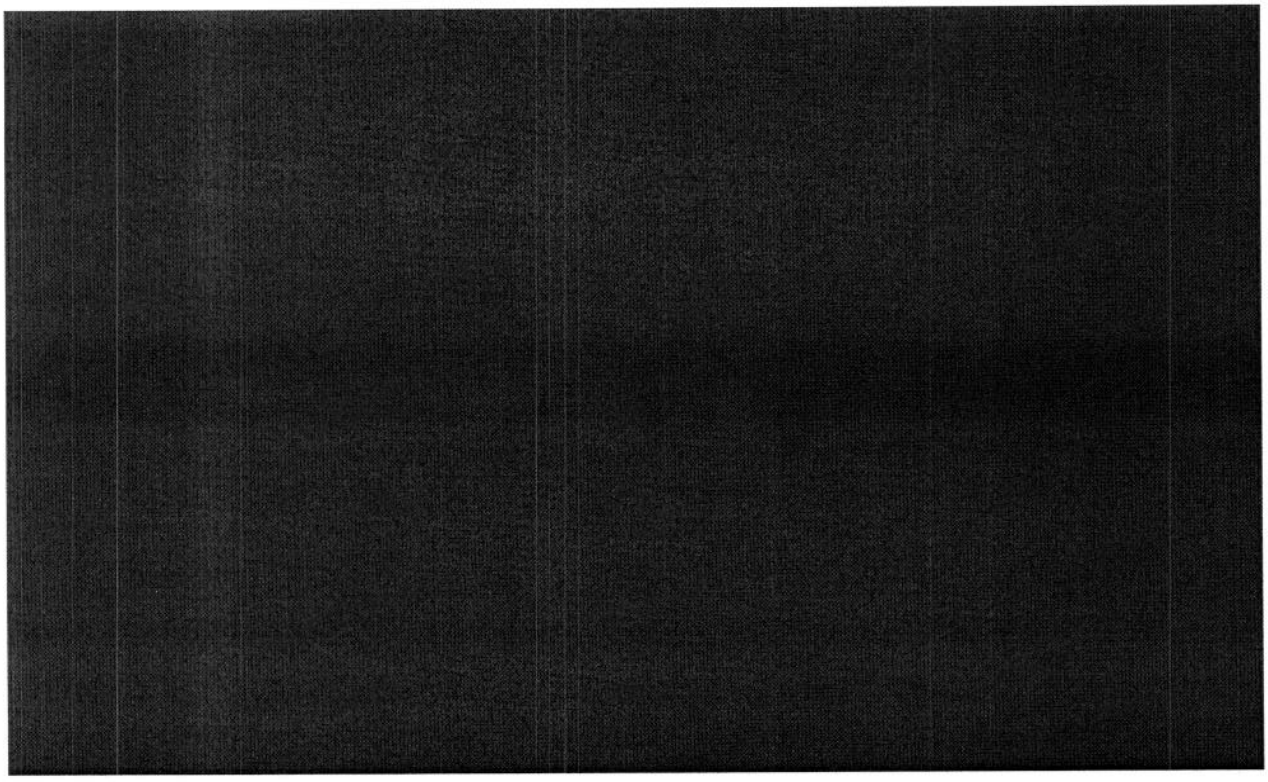


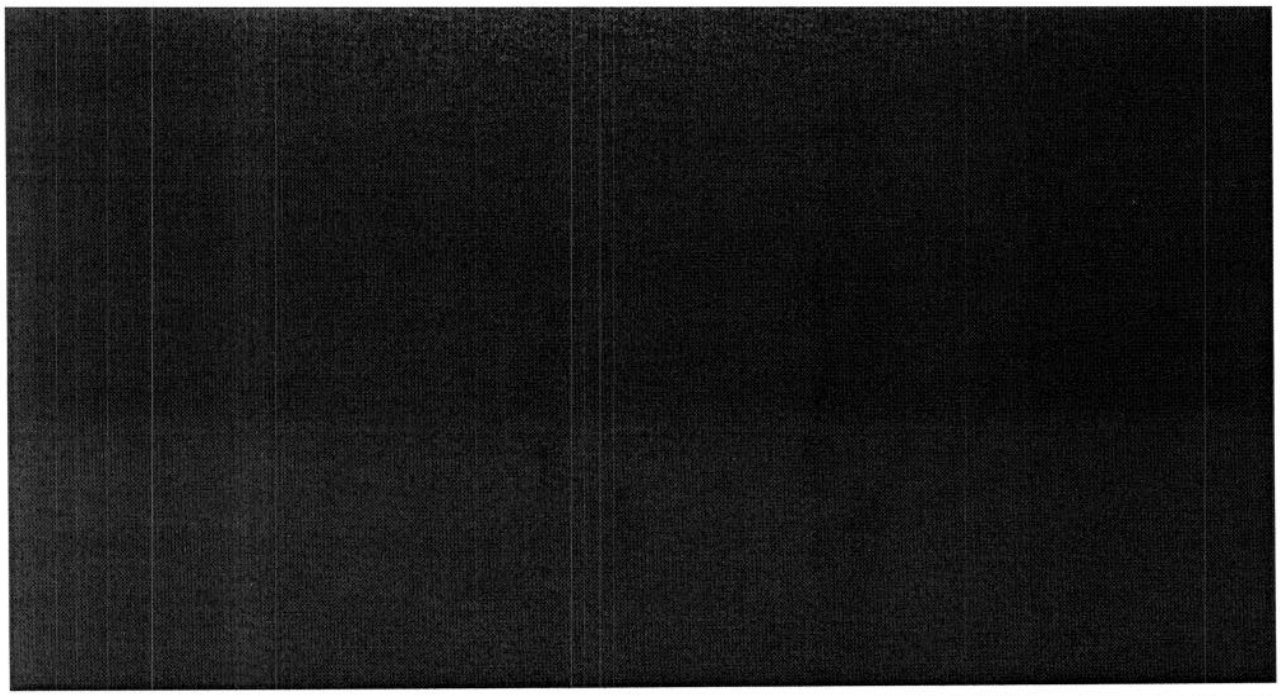


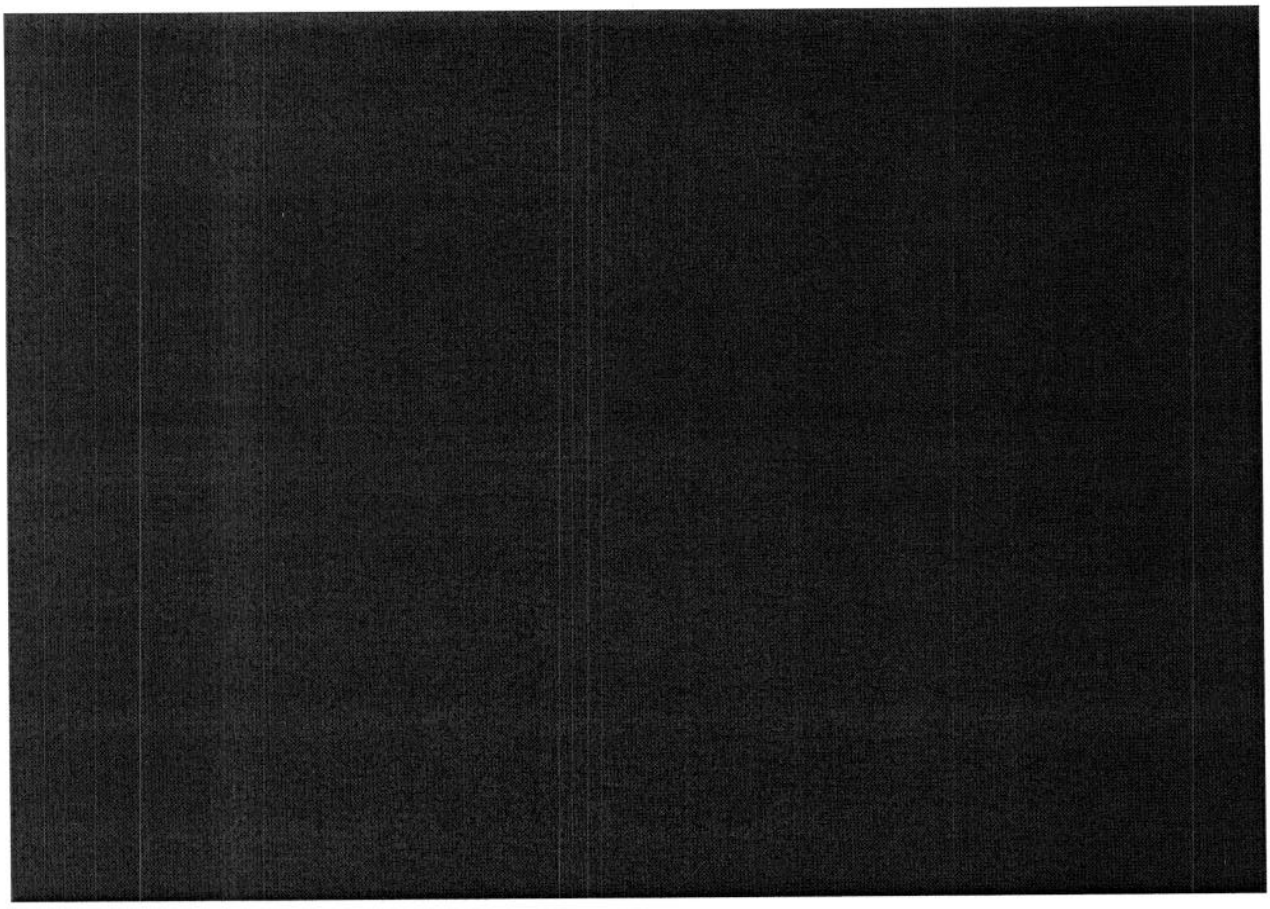




F. **Google's 2009 Trademark Policy Change**

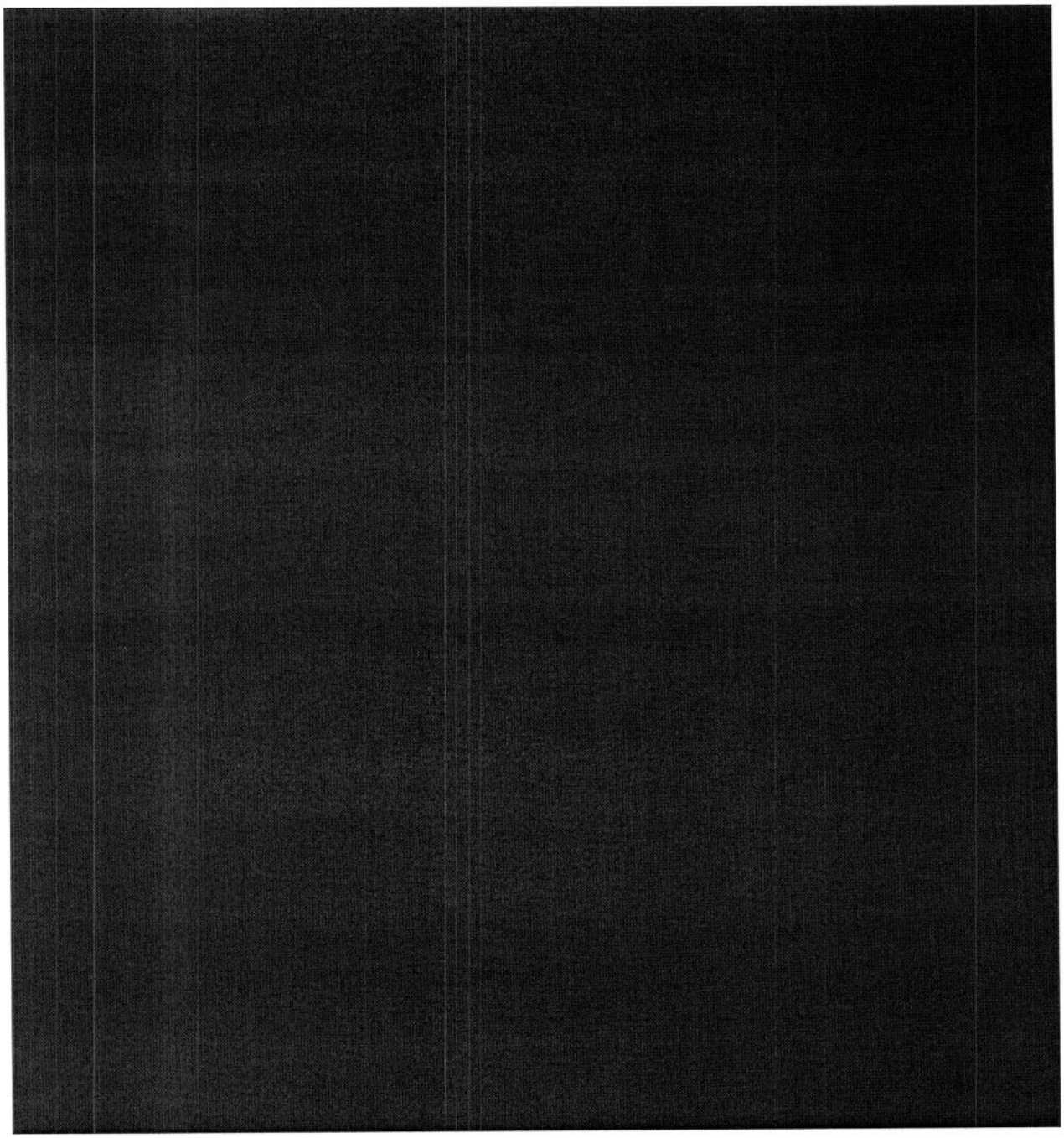






29. Google admits, however, that it "has the technical ability to prevent advertisers from bidding on individual words" and "to prevent advertisers from using certain non-descriptive keywords as AdWords triggers." (Spaziano Ex. 1 (Ans. ¶¶ 41, 43 & 56).)

G. Google Actively Encourages Advertisers To Bid On Branded Keywords And To Use Branded Keywords In Their Advertisements



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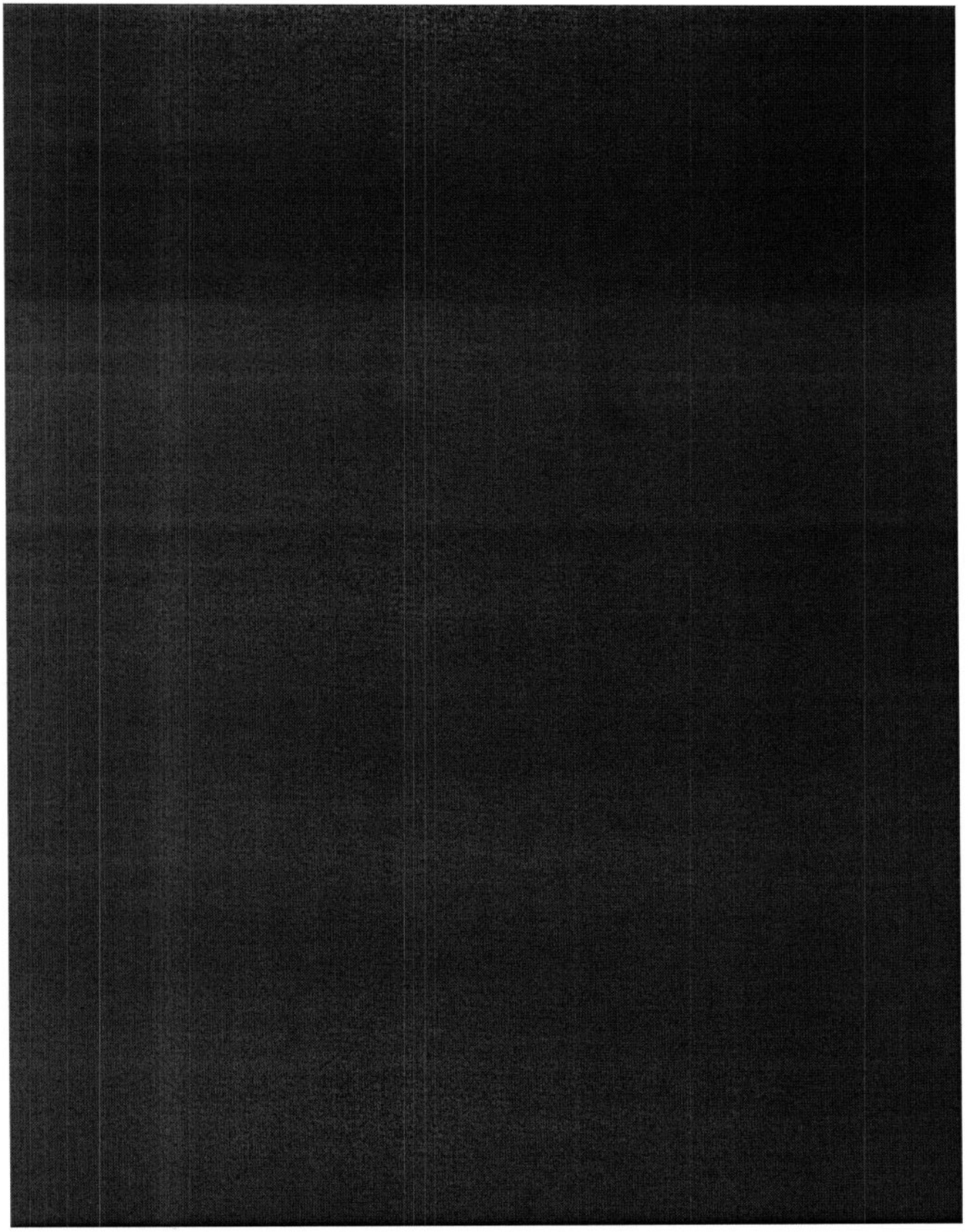
H. Google's Knowledge Of Its Trademark Infringement

[redacted]

35. In addition, sellers of illegal pirated and counterfeit Rosetta Stone language-learning software routinely advertise on Google's search-results pages. These counterfeiters bid on the Rosetta Stone Marks as keywords and place Sponsored Link advertisements on Google's search-results pages. The ad text and URLs for these Sponsored Links often contain the phrase "Rosetta Stone" or a variation of the Rosetta Stone Marks. The landing pages for these Sponsored Links frequently mirror Rosetta Stone's own web page. (Calhoun Decl. ¶ 2 and Ex. D; Leigh Decl. ¶¶ 2-6 and Exs. 1-6.)

36. In or about August 2009, paid advertisements for counterfeit Rosetta Stone software increased markedly on Google's search-results pages. [redacted]

[redacted]

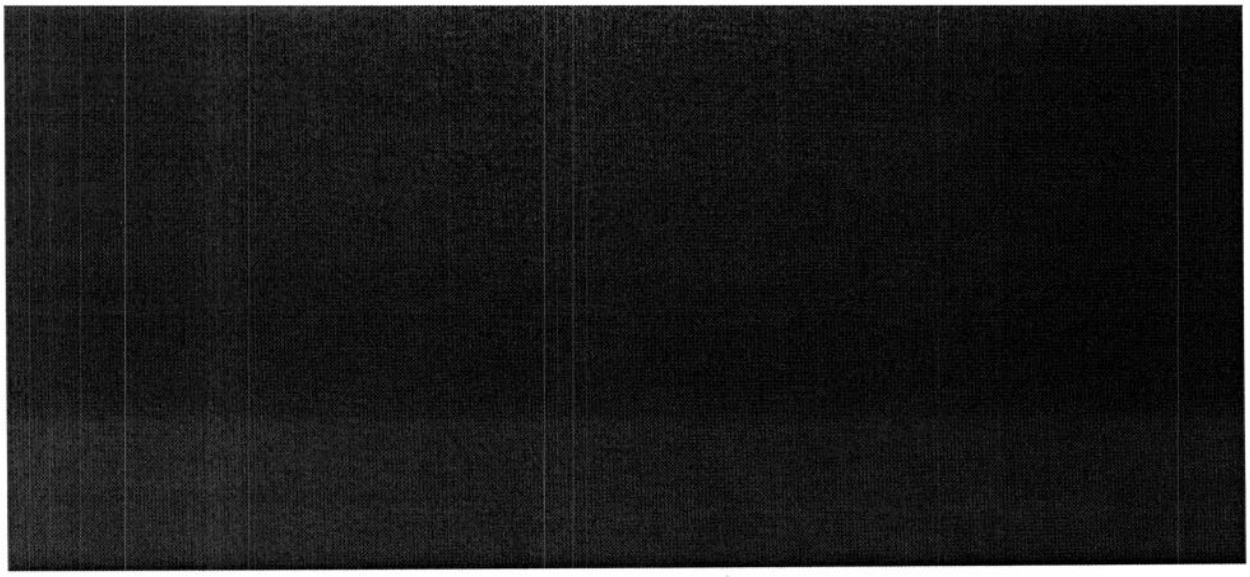


[redacted]

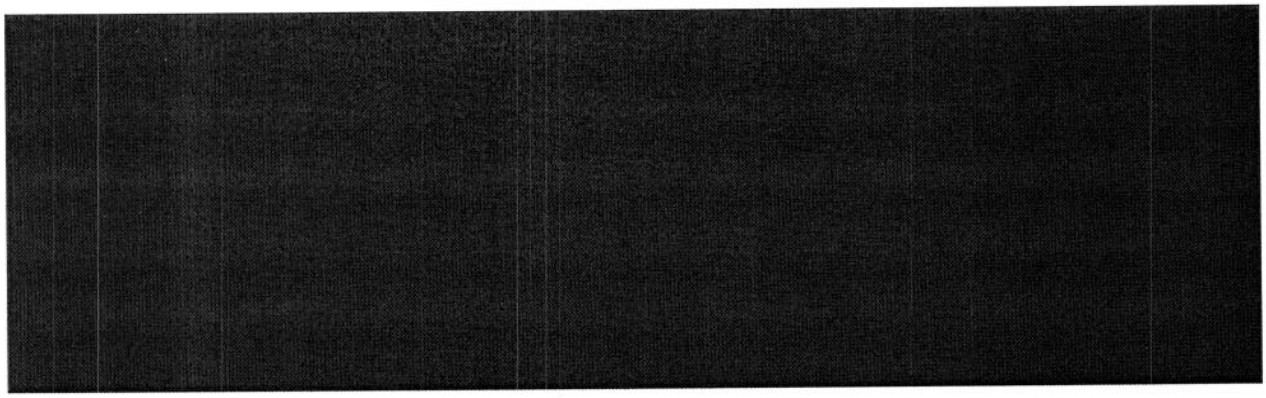
39. In addition, this is not the first lawsuit that has challenged Google's trademark practices under the Lanham Act and state law. Rosetta Stone is aware of at least ten other lawsuits in which trademark owners have contended that Google's trademark policies infringed their marks. In the course of certain of those lawsuits, studies of consumer confusion were presented and made available to Google, and in one of the lawsuits, the court found that the unauthorized use of trademarks in the text of Sponsored Links was likely to cause consumer confusion. *GEICO v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005). To date, none of these lawsuits has resulted in a final decision on the merits.

I. Google's Conduct Has Caused Actual Confusion

[redacted]



42. Nevertheless, Rosetta Stone deposed five individuals who testified that they were confused by Google Sponsored Links on a search-results page for "Rosetta Stone." (3/11/10 Doyle Dep. at 11:15-14:6; 3/8/10 DuBow Dep. at 15:2-19:20; 3/9/10 Jeffries Dep. at 13:5-14:17; 3/10/10 Porter Dep. at 12:22-23:9; 3/12/10 Thomas Dep. at 12:16-18:3.)[2] As a result, these individuals purchased counterfeit Rosetta Stone software. (Doyle Dep. at 11:15-13:13, 15:4-16:15 & 24:6-11; DuBow Dep. at 15:2-19:20, 23:19-24:20, 32:20-33:7 & 38:18-43:10; Jeffries Dep. at 13:5-14:17, 20:2-21:2, 22:16-21 & 24:18-26:2; Porter Dep. at 12:22-36:21; Thomas Dep. at 12:4-:22, 16:7-18:3, 19:12-20:7, 20:20-21:16 & 22:3-7; Calhoun Decl. ¶ 11.)



[2] Pursuant to the Court's September 29, 2009 Order, Rosetta Stone was permitted to take no more than five "non-party, non-expert witness depositions." (Dkt. No. 23.)

[redacted]

J. **Google's Unjust Enrichment**

44. Rosetta Stone "has not directly or indirectly given Google any permission, authority, or license to use or sell the right to use" the Rosetta Stone Marks "for the promotion of the goods and services of any third parties." (Spaziano Ex. 1 (Ans. ¶ 48).)

45. Rosetta Stone receives no compensation from Google for use of the Rosetta Stone Marks. To the contrary, in order to reduce the likelihood that consumers will be confused by Google's practices, among other things, Rosetta Stone bids on the Rosetta Stone Marks so that its advertisements appear when Internet users conduct Google searches using the Rosetta Stone Marks. [redacted]

[redacted]

ARGUMENT

I. GOOGLE IS LIABLE FOR TRADEMARK INFRINGEMENT UNDER THE LANHAM ACT

To prevail on its claim for direct trademark infringement under the Lanham Act, Rosetta Stone must show that (1) it possesses the Rosetta Stone Marks; (2) Google used the Rosetta Stone Marks; (3) Google's use of the Marks occurred in commerce; (4) Google used the Marks

in connection with the sale, offering for sale, distribution, or advertising of goods and services; and (5) Google used the Marks in a manner likely to confuse customers. 15 U.S.C. §§ 1114, 1125(a); *PETA v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001). To prevail on its claims for contributory and vicarious infringement, Rosetta Stone must establish that Google (i) continued to supply a product or service to a third party with actual or constructive knowledge of the infringement; (ii) intentionally induced a third party to infringe the Rosetta Stone Marks; or (iii) had the legal right to stop or limit the directly infringing conduct and the practical ability to do so. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982); *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1173 (9th Cir. 2007); *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700, 705 (E.D. Va. 2004).

Because there is no genuine issue of material fact as to the infringement of the Rosetta Stone Marks, or as to Google's responsibility for such infringement, Rosetta Stone is entitled to summary judgment as to liability on its claim for trademark infringement under the Lanham Act.[3]

A. Google Has Directly Infringed The Rosetta Stone Marks

1. Rosetta Stone Possesses The Rosetta Stone Marks

Rosetta Stone has established its ownership and registration of the Rosetta Stone Marks with the USPTO. (*See* Undisputed Fact ("UF") 4.)

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[3] Summary judgment is appropriate "if the pleadings, depositions, answers to interrogatories and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c); *see also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). Pursuant to Rule 56, "[a]n interlocutory summary judgment may be rendered on liability alone, even if there is a genuine issue on the amount of damages." Fed. R. Civ. P. 56(d)(2).

2. Google Uses The Rosetta Stone Marks In Commerce And In Connection With The Sale, Offering For Sale, Distribution, And Advertising Of Goods And Services

Numerous courts, including this Court, have held that Google's sale of trademarked terms in the AdWords program is a use in commerce in connection with the sale, distribution, and advertising of goods and services for the purposes of the Lanham Act. *See, e.g.*, *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009); *Google, Inc. v. Am. Blind & Wallpaper*, No. C 03-5340 JF (RS), 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007); *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004).

3. Google Uses The Rosetta Stone Marks In A Manner Likely To Confuse Consumers

To establish a likelihood of confusion, a plaintiff must prove that the defendant's use of the plaintiff's trademark is "likely to confuse an 'ordinary consumer' as to the source or sponsorship of the goods." *PETA*, 263 F.3d at 366. In the Internet context, likelihood of confusion also can be established through "initial interest confusion" – "the distraction or diversion of a potential customer from the Web site he was initially seeking to another site, based on the user's belief that the second site is associated with the one he originally sought." *GEICO*, 2005 WL 1903128 at *4; *see also Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1064 (9th Cir. 1999) (initial interest confusion resulted when defendant included plaintiff's trademark in its web address metatag in order to ensure that defendant's website appeared when a consumer searched for plaintiff's trademark). Rosetta Stone has established likelihood of confusion because (i) confusion is presumed as a matter of law; and (ii) the record reveals undisputed facts establishing a likelihood of confusion, including undisputed evidence of actual consumer confusion.

(a) Confusion Is Presumed As A Matter Of Law

Confusion is presumed when a defendant intentionally copies a protected mark "motivated by an intent to exploit the goodwill created" by the protected trademark. *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 240-41 (4th Cir. 1997); *see also Larsen v. Terk Techs. Corp.*, 151 F.3d 140, 149 (4th Cir. 1998) (finding presumption where defendant admitted copying plaintiff's products directly and selling them using plaintiff's exact marks and dress); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987). In addition, when identical marks are used in the same geographic area for the same class of goods or services, likelihood of confusion is presumed. *See Opticians Ass'n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 195 (3d Cir. 1990); *VMG Enters., Inc. v. F. Quesada & Franco, Inc.*, 788 F. Supp. 648, 661 (D. P.R. 1992). Finally, using a domain name that is identical to someone else's trademark, "creates a presumption of likelihood of confusion among internet users as a matter of law." *PETA v. Doughney*, 113 F. Supp. 2d 915, 919-20 (E.D. Va. 2000) (summary judgment for mark owner), *aff'd*, 263 F.3d 359 (4th Cir. 2001); *see also Int'l Bancorp, L.L.C. v. Societe Des Bains De Mer Et Du Cercle Des Estrangers A Monaco*, 192 F. Supp. 2d 467, 483 (E.D. Va. 2002) (applying presumption where defendants used plaintiff's mark in whole or in part in their domain names), *aff'd*, 329 F.3d 359 (4th Cir. 2003).

Application of these rules to the present case compels the conclusion that confusion is presumed as a matter of law. *First*, Google allows advertisers, including Rosetta Stone's competitors, to bid on the Rosetta Stone Marks. (UF 10-17.) *Second*, Google allows all advertisers to use the Rosetta Stone Marks in the visible URL line of their advertisements. (UF 19, 35.) *Third*, Google's trademark policy allows certain advertisers to use the Rosetta Stone Marks in ad copy. (UF 24.) *Fourth*, in practice, Google permits counterfeiters to use the Rosetta Stone Marks in ad copy. (UF 28, 35-37.) *Fifth*, in practice, advertisers use the Rosetta Stone

Marks in whole or in part in their domain names – *e.g.*, rosettastonesp.com; RosettaStone.shopping-bar.com; rosettastonelearner.com. (UF 35.) Because confusion is presumed, and because Google cannot rebut that presumption, likelihood of confusion is established, and Rosetta Stone is entitled to summary judgment.[4]

(b) Google's Use Of The Rosetta Stone Marks Results In A Likelihood Of Confusion

Even without a presumption of confusion, the undisputed evidence establishes that Google's use of the Rosetta Stone Marks creates a likelihood of confusion. The Fourth Circuit has articulated the following nine factors that should be examined in deciding likelihood of confusion: (1) the strength or distinctiveness of the mark; (2) the similarity of the two marks; (3) the similarity of the goods and services that the marks identify; (4) the similarity of the facilities that the two parties use in their businesses; (5) the similarity of the advertising the two parties use; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's product; and (9) the sophistication of the consuming public. *Carefirst of Maryland, Inc. v. First Care, P.C.*, 434 F.3d 263, 267 (4th Cir. 2006) (setting forth factors one through seven); *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463-64 (4th Cir. 1996) (setting forth factors eight and nine). Because all nine of the factors support Rosetta Stone's claim, a likelihood of confusion is conclusively established. *See Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp.*, 148 F.3d 417, 422 (4th Cir. 1998) (although "the likelihood of confusion is a factual issue dependent on the

[4] Indeed, likelihood of confusion generally is presumed in cases, such as this one, involving counterfeit marks. *See Polo Fashions*, 816 F.2d at 148; *Phillip Morris U.S.A., Inc. v. Shalabi*, 352 F. Supp. 2d 1067, 1073 (C.D. Cal. 2004); *Gen. Motors Corp. v. Autovation Techs., Inc.*, 317 F. Supp. 2d 756, 761 (E.D. Mich. 2004); *Gucci Am., Inc. v. Duty Free Apparel*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003); *Fila U.S.A., Inc. v. Kim*, 884 F. Supp. 491, 494 (S.D. Fla. 1995).

circumstances of each case[,] . . . summary judgment is appropriate when the material, undisputed facts disclose a likelihood of confusion").

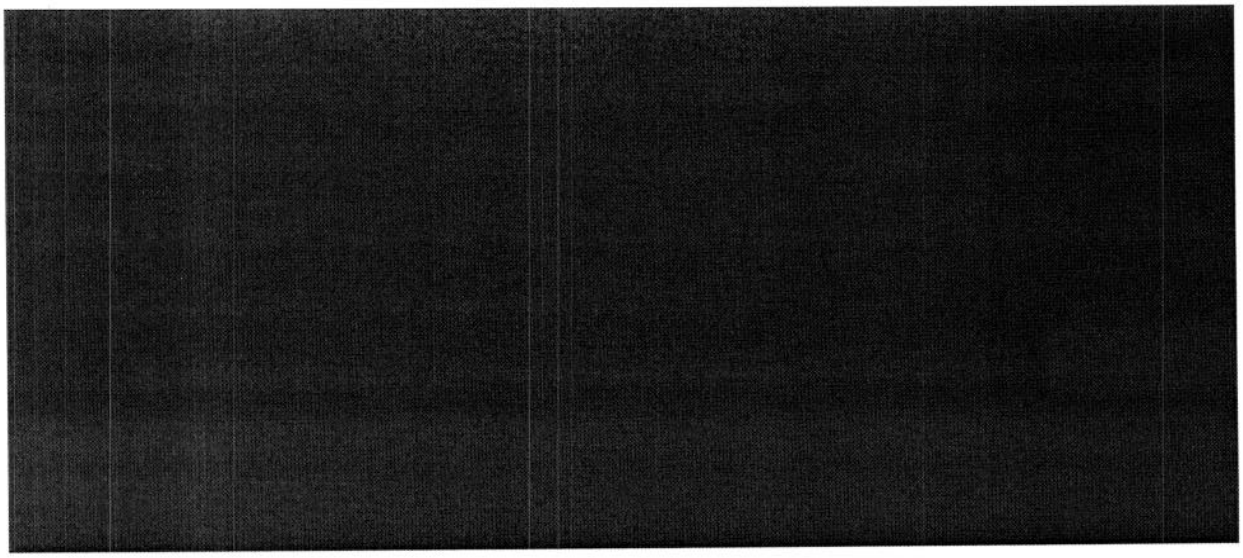
(i) The Use Of The Rosetta Stone Marks As Keywords Has Resulted In Actual Confusion

The seventh factor, actual confusion, is "of paramount importance" and "the best evidence" of likelihood of confusion. *Resorts of Pinehurst*, 148 F.3d at 422-23; *see also Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 937 (4th Cir. 1995) (describing actual confusion as "the most compelling evidence"). In fact, when the plaintiff's mark is strong and defendant's use of a similar mark has caused actual confusion, the "inquiry ends almost as soon as it begins." *Sara Lee*, 81 F.3d at 467 (finding likelihood of confusion where six women testified that they had purchased or, in one case, nearly purchased a "Leg Looks" product under the mistaken impression that it was a L'eggs product'); *see also X-It Prods., LLC v. Walter Kidde Portable Equip., Inc.*, 155 F. Supp. 2d 577, 623 (E.D. Va. 2001) ("[e]ven a few instances of actual confusion may be sufficient, taken by themselves, to establish a likelihood of confusion").

Here, five individuals have testified that they were confused by a Google Sponsored Link displayed on a Google search-results page when they conducted a search for "Rosetta Stone," leading them to buy what they thought was genuine Rosetta Stone product but which, in fact, was counterfeit software. (UF 42.) Each of these individuals is a college graduate, two of them have advanced degrees, one of them is an officer of an entity that provides education-related software, one of them is the founder of a software company and one of them is a retired, third-highest ranking officer in a metropolitan police department. (Doyle Dep. at 7:6-8:22; DuBow Dep. at 7:16-9:20; Jeffries Dep. at 8:2-11; Porter Dep. at 6:24-8:11; Thomas Dep. at 8:2-10.) Nevertheless, all five individuals were confused by a counterfeiter's Sponsored Link that was

triggered by the term "Rosetta Stone" and all five purchased counterfeit software as a result of that confusion. (UF 42.) In fact, during their depositions in March 2010, two of these individuals were unable to discern between then-appearing Google Sponsored Links offering genuine Rosetta Stone products and Google Sponsored Links advertising counterfeit products. (DuBow Dep. at 110:6-120:10; Thomas Dep. at 32:9-34:19.)

The undisputed evidence of actual confusion, however, does not end there. [redacted]



This undisputed evidence of actual confusion compels the conclusion that Google's trademark practices generally – and its use and sale of the Rosetta Stone Marks specifically – result in a likelihood of confusion.

(ii) The Remaining Confusion Factors All Strongly Favor A Finding Of Confusion

In light of the undisputed evidence of *actual* confusion, it is not surprising that the remaining eight factors that courts consider in determining whether there is a *likelihood* of confusion all favor a finding of confusion.

Factor 1: The Rosetta Stone Marks are strong marks. The Rosetta Stone Marks are both conceptually and commercially strong. *CareFirst*, 434 F.3d at 269. The Rosetta Stone

Marks are conceptually strong because they are arbitrary – *i.e.*, they "do not suggest or describe any quality, ingredient, or characteristic of the goods" and "neither suggest any mental image of the associated product nor describe it in any way," *Sara Lee*, 81 F.3d at 464, or they are suggestive – *i.e.*, they do not describe any particular characteristic of Rosetta Stone's products, but "require some operation of the imagination to connect it with the goods." *Retail Servs. Inc. v. Freebies Publ'g*, 364 F.3d 535, 539 (4th Cir. 2004); *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1528 (4th Cir. 1984) (suggestive and arbitrary marks are deemed strong and presumptively valid). The Marks are commercially strong because (1) Rosetta Stone has expended almost [redacted] in advertising (UF 6); (2) consumer studies establish that [redacted] of the public recognize the Rosetta Stone Marks (UF 8); (3) Rosetta Stone has earned hundreds of millions of dollars in gross revenues in the last five years (UF 2); (4) Rosetta Stone is the subject of unsolicited media coverage (UF 7); (5) counterfeiters routinely plagiarize Rosetta Stone's marks (UF 35-37); and (6) Rosetta Stone has used the Rosetta Stone Marks on its products since 1993 and undertakes efforts to enforce its intellectual property rights (UF 4, 36). *George & Co., LLC v. Imagination Entm't Ltd.*, 575 F.3d 383, 395 (4th Cir. 2009) (setting forth the factors to be considered in determining commercial strength).

Factor 2: The marks at issue are similar. The undisputed record demonstrates that the marks used by Google and its advertisers are indistinguishable from the Rosetta Stone Marks: Google auctions and uses the *exact same marks*. *See Brookfield Commc'ns*, 174 F.3d at 1056 (where there is a "virtual identity of marks" used with the same type of product "likelihood of confusion would follow as a matter of course").

Factor 3: The goods and services advertised on the Google search-results page are identical to those offered by Rosetta Stone. Google auctions the Rosetta Stone Marks to

advertisers that sell genuine Rosetta Stone product, counterfeit Rosetta Stone software, or competing language learning software. (UF 9-13, 34-37.)

Factors 4 and 5: Rosetta Stone's products and services are offered in identical marketing channels. Google allows advertisers to bid on the Rosetta Stone Marks (UF 10-17), to use the Rosetta Stone Marks in their URL addresses (UF 19), and, in some cases, to use the Rosetta Stone Marks in ad text (UF 24). When a user conducts a Google search for "Rosetta Stone," the search-results page will display the infringing Sponsored Links as well as Rosetta Stone's own website and advertisements. (UF 12.) Thus, the *same* marketing channel is at issue. *Playboy Enters., Inc. v. AsiaFocus Int'l, Inc.*, No. Civ. A. 97-734-A, 1998 WL 724000, at *7 (E.D. Va. Apr. 10, 1998) (similar marketing channels exist when "both parties use the Internet as a facility to provide goods and services"); *Cardservice Int'l, Inc. v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997), *aff'd*, 129 F.3d 1258 (4th Cir. 1997) (same).

Factor 6: Google and its advertisers knowingly and willfully trade upon the goodwill of the Rosetta Stone Marks. Google allows advertisers to bid on trademarked terms – and advertisers bid on trademarked terms – because they know branded keywords result in higher click-through rates than non-branded keywords. (UF 30-32.) Google and its advertisers also know that utilizing trademarked terms in ad text results in even higher click-through rates. (UF 33.) They therefore knowingly and willfully use the Rosetta Stone Marks to drive internet traffic away from Rosetta Stone and to their own sites. Counterfeiters, moreover, intentionally try to confuse the public into believing that their sites offer genuine Rosetta Stone product at significantly reduced prices.

Factor 8: The products being offered through Google's Sponsored Links are often pirated or counterfeit Rosetta Stone products. Google allows counterfeiters to bid on the

Rosetta Stone Marks and to advertise their counterfeit software on search-results pages generated by a user query involving a Rosetta Stone Mark. (UF 35-37.) Where, as here, the situation involves "the production of cheap copies or knockoffs of a competitor's trademark-protected goods," this factor favors a finding of confusion. *Sara Lee*, 81 F.3d at 467.

Factor 9: Buyer sophistication favors a finding of confusion. In general, "buyer sophistication will only be a key factor when the relevant market is not the public at-large." *Id.* Here, the relevant market is "the public at-large." To the extent that buyer sophistication nevertheless is considered, it strongly favors Rosetta Stone as Google's own research demonstrates that search engine users are unable to distinguish between Sponsored Links and organic results. (*See* UF 18.)

In sum, the undisputed facts establish that Google uses the Rosetta Stone Marks in a manner that is likely to confuse consumers and it is therefore liable for trademark infringement. *See Rescuecom*, 562 F.3d at 130-31 (stating that Lanham Act violation will lie if Google's use of trademark "in its AdWords program causes likelihood of confusion or mistake" and denying motion to dismiss where likelihood of confusion was sufficiently alleged).

B. Google Is Responsible For The Trademark Infringement Of Its Advertisers

In addition to being directly liable for trademark infringement, Google also is contributorily and/or vicariously liable for infringement by its advertisers.

1. Google Intentionally Induces Advertisers To Infringe The Rosetta Stone Marks And Continues To Allow Known Infringers To Bid On The Rosetta Stone Marks (Contributory Infringement)

As noted above, contributory infringement can be established in two ways. First, a plaintiff can show that the defendant intentionally induced a third party to infringe the plaintiff's mark. *Inwood*, 456 U.S. at 853-54. Second, a plaintiff can show that the defendant continued to supply a product or service to a third party with actual or constructive knowledge of the

infringement. *See id.*; *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999) (applying *Inwood* to an Internet domain name service provider selling domain names); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264-65 (9th Cir. 1996) (applying *Inwood* to the operator of a flea market where infringing goods are sold); *Diane von Furstenberg Studio v. Snyder*, No. 1:06cv1356(JCC), 2007 WL 2688184, at *4-5 (E.D. Va. Sept. 10, 2007) (applying *Inwood* to an individual contributing to counterfeiting activities by another individual).

The record contains undisputed evidence that Google intentionally induces advertisers to bid on trademarked terms as keyword triggers and to use trademarked terms in the text and title of their ads. (UF 30-33.) Such conduct constitutes intentional inducement. *See Bauer Lamp Co., Inc. v. Shaffer*, 941 F.2d 1165 (11th Cir. 1991) (defendant sales representatives who asked lamp manufacturer to produce infringing lamps held liable for contributory trade dress infringement); *Transdermal Prods., Inc. v. Performance Contract Packaging, Inc.*, 943 F. Supp. 551, 553 (E.D. Pa. 1996) (finding that a contributory infringement claim could be made against a retail/distributor who knowingly selected plaintiff's mark and who encouraged a manufacturer to copy plaintiff's mark).

The record also contains undisputed evidence that Google has allowed known infringers to bid on the Rosetta Stone Marks. As shown above, since September 2009, Rosetta Stone has notified Google almost daily of counterfeiters bidding on the Rosetta Stone Marks. (UF 34-37.) For the last seven months, Rosetta Stone has advised Google of the fact that the *same* pirates and counterfeiters appear as Sponsored Links day after day after day. (*Id.*) While the URL names or specific ad text may change slightly, even a cursory review of the ads (most of which advertise Rosetta Stone software for a fraction of its actual cost) or the landing pages (most of which attempt to mimic the Rosetta Stone web page) demonstrate the fact of the infringement. (*Id.*)

Nevertheless, Google continues to allow counterfeiters to open AdWords accounts and to bid on the Rosetta Stone Marks and then places the burden on Rosetta Stone to monitor the search results and advise Google when it has identified an infringing ad. (*Id.*) Under these circumstances, Google is liable for contributory infringement. *See Louis Vuitton, S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989) ("willful blindness" – *i.e.*, suspecting wrongdoing and deliberately failing to investigate – is tantamount to actual knowledge under the Lanham Act).

2. Google Has The Legal Right And Practical Ability To Stop Or Limit The Infringement Of The Rosetta Stone Marks (Vicarious Infringement)

Vicarious liability occurs when the "defendant and the infringer 'exercise joint ownership and control over the infringing product.'" *GEICO*, 330 F. Supp. 2d at 705 (holding that GEICO stated a vicarious trademark infringement claim against Google). A defendant "exercises control over a direct infringer when he has both a legal right to stop or limit the directly infringing conduct, as well as the practical ability to do so." *Perfect 10*, 508 F.3d at 1173. Here, counterfeiters violate Google's own copyright and trademark policies. (UF 24, 27, 37.) Google, moreover, has both the legal right – and the practical ability – to stop advertisers that do not comply with its policies. (UF 24, 27, 29, 37.) Nevertheless, Google's practices in allowing all advertisers to bid on the Rosetta Stone Marks and in failing to conduct a sufficient review of ads that utilize the Rosetta Stone Marks result in almost continuous infringement of the Rosetta Stone Marks. (UF 37.) Google, of course, profits every time a consumer is confused by an infringing ad and clicks through to the infringing site. (UF 13.)

* * *

Google's trademark policies result in the continuous infringement of the Rosetta Stone Marks. Google is directly, contributorily and vicariously liable for this infringement under the Lanham Act. Because the test for trademark infringement under the Lanham Act is essentially

the same as that for common law trademark infringement and unfair competition under Virginia law, Rosetta Stone also is entitled to summary judgment on its common law infringement and unfair competition claims. *See Lone Star*, 43 F.3d at 930 n.10; *Renaissance Greeting Cards, Inc. v. Dollar Tree Stores, Inc.*, 405 F. Supp. 2d 680, 688 (E.D. Va. 2005) (citations omitted), *aff'd*, 2007 WL 1031703 (4th Cir. Mar. 30, 2007).

II. GOOGLE IS LIABLE FOR DILUTION UNDER THE LANHAM ACT

To prove a claim for dilution under the Trademark Dilution Revision Act ("TDRA"), a plaintiff must show: (1) the plaintiff's mark is famous; (2) the plaintiff's mark is distinctive, either inherently or acquired through use; (3) the defendant commenced use in commerce of a mark or trade name after the plaintiff's mark became famous; and (4) the defendant's use of its mark or trade name is likely to cause dilution of the plaintiff's mark by blurring or tarnishment. 15 U.S.C. § 1125(c)(1) (2006); *see also Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 264-65 (4th Cir. 2007). The undisputed facts demonstrate that Rosetta Stone is entitled to summary judgment as to liability on its dilution claim as well.

First, the Rosetta Stone Marks are famous. Under the TDRA, a mark is famous "if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." 15 U.S.C. § 1125(c)(2)(A). In determining fame, a court "may consider all relevant factors" including "[t]he duration, extent, and geographic reach of advertising and publicity of the mark," "[t]he amount, volume, and geographic extent of sales of goods or services offered under the mark," "[t]he extent of actual recognition of the mark," and "[w]hether the mark was registered." *Id.* As discussed above, the Rosetta Stone Marks are famous: the Marks have been in use since 1993 (UF 4), the Marks have been used throughout the world (UF 1, 2, 3, 4), and the promotion of the Marks has resulted in

[redacted] and hundreds of millions of dollars in gross revenue (UF 2, 8). *See, e.g.*, *Louis Vuitton*, 507 F.3d at 265 (Louis Vuitton's LVM mark is famous); *see also Volkswagen, AG v. Volkswagentalk.com*, 584 F. Supp. 2d 879, 884 (E.D. Va. 2008) (Volkswagen is famous); *Graduate Mgmt. Admission Council v. Raju*, 267 F. Supp. 2d 505, 511 (E.D. Va. 2003) (GMAT is famous).

Second, the Rosetta Stone Marks are distinctive. Under the TDRA, a mark must be distinctive, either "inherently or through acquired distinctiveness." *See* 15 U.S.C. § 1125(c)(1). Distinctiveness is a reflection of the conceptual strength of a mark. Because the Rosetta Stone Marks are either suggestive or arbitrary (*see* § I.A.3.(b).(i), *supra*), they are inherently distinctive.

Third, Google's auctioning of trademarked terms through the AdWords program is a use in commerce. (*See* § I.A.2, *supra*, and cases cited therein.) Google made use of the Rosetta Stone Marks in 2004 after they became famous. Indeed, Google's purpose in allowing advertisers to bid on the Rosetta Stone Marks is to permit them to take advantage of the internet traffic generated by the famousness of the Marks. (UF 30-33.)

Fourth, and finally, Google's use of the Rosetta Stone Marks is likely to dilute the Marks by both blurring and tarnishment. "Dilution by blurring" is the "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). Courts in this district routinely have found dilution by blurring where, as here, the defendant has used the plaintiff's actual mark. *See, e.g.*, *Diane von Furstenberg Studio*, 2007 WL 2688184, at *4 (granting plaintiff summary judgment on its dilution claim where the defendant used the identical mark); *PETA*, 113 F. Supp. 2d at 920 (same); *see also Moseley v. V. Secret Catalogue Inc.*, 537 U.S. 418, 434 (2003) (implying that the use of an identical mark would be circumstantial evidence of actual dilution).

Dilution by tarnishment occurs when there is an "'association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.'" *Louis Vuitton*, 507 F.3d at 264 (quoting 15 U.S.C. § 1125(c)(2)(C)). A trademark may be tarnished when it is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods." *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996) (internal quotations omitted); *see also Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 805 (9th Cir. 2002) ("[t]arnishment . . . occurs when a famous mark is improperly associated with an inferior or offensive product or service"). Because Google allows counterfeiters to bid on the Rosetta Stone Marks and to advertise their illegal and inferior products, there is no genuine issue of material fact that Google's use of the identical Rosetta Stone Marks is likely to cause tarnishment of the Rosetta Stone Marks. *See, e.g.*, *Diane von Furstenberg Studio*, 2007 WL 2688184, at *4 (finding tarnishment); *Am. Online, Inc. v. LCGM, Inc.*, 46 F. Supp. 2d 444, 450 (E.D. Va. 1998) (finding tarnishment). Rosetta Stone is entitled to summary judgment as to liability on its dilution claim.

III. GOOGLE HAS BEEN UNJUSTLY ENRICHED UNDER VIRGINIA LAW

Under Virginia law, a plaintiff seeking recovery for unjust enrichment must show that (1) it "conferred a benefit on" the defendant, (2) the defendant "knew of the benefit and should reasonably have expected to repay" the plaintiff, and (3) the defendant "accepted or retained the benefit without paying for its value." *Schmidt v. Household Fin. Corp., II*, 276 Va. 108, 116, 661 S.E.2d 834, 838 (Va. 2008). The word "conferred" in this context includes situations in which the defendant, without authorization, takes a benefit from the plaintiff even when the plaintiff has not voluntarily bestowed the benefit on the defendant. *See In re Bay Vista of Va., Inc.*, No. 2:09cv46, 2009 WL 2900040, at *5 (E.D. Va. June 9, 2009) ("[t]he fact that Defendants

are alleged to have intentionally acted to improperly seize and retain such benefit, rather than such benefit being voluntarily conferred by Debtor, is inconsequential").

First, Google, without authorization, took a benefit from Rosetta Stone. Google allows its customers to bid on the Rosetta Stone Marks (UF 10-13, 44) and it (Google) collects money every time a user clicks a Sponsored Link to get to the landing page of Google's advertiser (UF 13). Google thus capitalizes on Rosetta Stone's goodwill and the strength of the Rosetta Stone Marks. Second, Google knew of the benefit and reasonably should have expected to compensate Rosetta Stone for the use and sale of its trademarks and goodwill. Finally, Google has retained the benefit without compensating Rosetta Stone (UF 45). In fact, far from compensating Rosetta Stone for its use of the Rosetta Stone Marks, Google requires Rosetta Stone to increase its own bids on the Rosetta Stone Marks to ensure that it is the first Sponsored Link (UF 45). Rosetta Stone therefore is entitled to summary judgment as to Google's liability for unjust enrichment under Virginia common law.

CONCLUSION

For the foregoing reasons, Rosetta Stone respectfully requests that this Court grant its motion for partial summary judgment as to liability on all its federal and state law claims.

Respectfully submitted,

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/s/

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CERTIFICATE OF SERVICE

I hereby certify that on March 26, 2010 I will electronically file the foregoing with the Clerk of the Court using the CM/ECF system which will then send a notification of such filing (NEF) to the following:

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