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Rosetta Stone Ltd. respectfully submits this reply brief in support of its motion for partial summary judgment as to liability. For the reasons that follow, Rosetta Stone's motion should be granted.

INTRODUCTION

Rosetta Stone established that it is entitled to summary judgment as to liability because 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 the Rosetta Stone Marks¹ in a manner that is likely to confuse – and in fact has confused – consumers.
- Google is liable for the trademark infringement of its customers because (i) it intentionally induces its customers to infringe the Rosetta Stone Marks, (ii) it continues to sell Sponsored Links to entities that it knows are engaging in trademark infringement, and (iii) it has the legal right and practical ability to stop the infringing conduct yet fails to do so.
- Google is liable for trademark dilution because its conduct has resulted in the blurring and tarnishment of the Rosetta Stone Marks.
- Google has been unjustly enriched because it knowingly uses and sells the Rosetta Stone Marks for its own profit without compensating Rosetta Stone.

In its efforts to avoid summary judgment, Google overstates Rosetta Stone's claims, understates its own conduct, avoids the elements of trademark infringement and urges the Court to simply ignore the overwhelming evidence which establishes that confusion arises from Google's sale of the Rosetta Stone Marks as keywords. As discussed below, notwithstanding Google's attempts to blur the matters before the Court, application of governing law to the undisputed facts compels the conclusion that Rosetta Stone is entitled to summary judgment as to liability.

¹ The "Rosetta Stone Marks" include ROSETTA STONE, ROSETTA STONE LANGUAGE LEARNING SUCCESS, ROSETTASTONE.COM and ROSETTA WORLD.

ARGUMENT

I. ROSETTA STONE HAS PROVED DIRECT TRADEMARK LIABILITY

To prove a claim for direct infringement, Rosetta Stone must demonstrate 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 consumers. 15 U.S.C. § 1114; *PETA v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001).

A. Google Does Not Dispute That The First Four Elements Of A Trademark Infringement Claim Are Met

Google does not dispute that the first four elements are met here. Nor could it. Numerous courts have held that Google's sale of trademarks as keywords constitutes a use in commerce in connection with the sale, offering for sale, distribution, or advertising of goods and services. *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).

B. The Record Evidence Demonstrates That Google Uses The Rosetta Stone Marks In A Manner Likely To Confuse Consumers

The only open issue with respect to trademark infringement is whether Google used the Rosetta Stone Marks in a manner likely to confuse consumers. *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). Contrary to Google's assertion that Rosetta Stone has not met its burden, the record evidence establishes confusion in several ways. (*See* Dkt. 104, Rosetta Stone Mem. at 17-24.)

1. **Rosetta Stone Properly Defined Its Confusion Burden**

First, Google argues that “Rosetta Stone’s theory of direct liability against Google is premised on initial interest confusion,” which Google asserts is not actionable in this Circuit. (Dkt. 153, Opp’n. at 9-12.) Google’s argument is flawed in two respects. As a threshold matter, the likelihood of confusion established in Rosetta Stone’s motion for partial summary judgment is not initial interest confusion but the likelihood that Google’s use of the Rosetta Stone Marks will “confuse an ‘ordinary consumer’ as to the source or sponsorship of the goods.” *PETA*, 263 F.3d at 366. As explained below, Rosetta Stone has carried its burden with respect to this issue. Accordingly, Google’s interjection of the initial interest confusion theory is largely beside the point.²

In addition, while the Fourth Circuit declined to endorse the initial interest confusion theory in *Lamparello v. Falwell*, it has not rejected it. 420 F.3d 309, 316-18 (4th Cir. 2005). In fact, the *Lamparello* court discussed at some length initial interest confusion, explaining that the doctrine applies only in cases involving “one business’s use of another’s mark for its own financial gain” and therefore would provide no basis for liability in the case before it. *Id.* at 317. In analyzing cases that have adopted the doctrine, the *Lamparello* court recognized that the appellate courts “have only applied it to profit-seeking uses of another’s mark” whereas “the district courts have not so limited the application of the theory.” *Id.* at 318 n.6. The court stated its view that the district court cases “were wrongly decided,” but did not criticize or question the appellate court decisions. Thus, while *Lamparello* declined to endorse the initial interest confusion doctrine on the facts before it, the court’s analysis leaves open the question whether

² Indeed, notwithstanding Google’s statement at page 9 that Rosetta Stone’s theory of direct liability is premised on initial interest confusion, Google subsequently states that “the confusion at issue in this case is confusion as to source of goods.” (Opp’n at 18 n.5.)

the doctrine applies to cases, such as this one, where the defendant uses the plaintiff's mark for its own financial gain.³ As the Fourth Circuit recognized, numerous courts have adopted the doctrine in such circumstances. See *Lamparello*, 520 F.3d at 317 (citing *PACAAR Inc. v. Telescan Techs., L.L.C.*, 319 F.3d 243, 253 (6th Cir. 2003), and *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002)); see also *Playboy Enters., Inc. v. Netscape Commcn's Corp.*, 354 F.3d 1020, 1024-25 (9th Cir. 2004) (applying initial interest confusion to claim by markholder against internet search engine that sold plaintiff's mark as a keyword to third parties); *GEICO v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128, at *4 (E.D. Va. Aug. 8, 2005) (applying initial interest confusion to claim by markholder against Google based on Google's sale of plaintiff's mark as a keyword to third parties).

2. Confusion Is Presumed As A Matter Of Law

Google also argues that confusion cannot be presumed because the presumption of confusion that arises when a defendant intentionally copies a protected mark applies only "where the defendant intentionally copies the plaintiff's mark for its use on its own competitive products with the intent to confuse or deceive the public." (Opp'n at 12.) Neither of the cases cited by Google supports such a limited view of this presumption. *Shakespeare Company v. Silstar Corporation of America* expressly states that the presumption arises "when the copier *intends to exploit the good will* created by an already registered trademark." 110 F.3d 234, 237 (4th Cir. 2007) (quotation omitted). [REDACTED]

³ In *Carl v. bernardjcarl.com*, 662 F. Supp. 2d 487 (E.D. Va. 2009), the defendants did not use plaintiff's mark for their own financial gain. Rather they purchased a web domain bearing plaintiff's name and posted correspondence at the domain in an attempt to communicate with the plaintiff. *Id.* at 491.

[REDACTED]

[REDACTED]

[REDACTED] In *Anheuser-Busch, Inc. v. L&L Wings, Inc.*,

the court held the presumption inappropriate where the defendant used plaintiff's mark for the purpose of parody. 962 F.2d 316, 321-22 (4th Cir. 1992). Google, of course, is not using the Rosetta Stone Marks for parody and its reliance on such case law is misplaced.

Google then rejects as "inapplicable" all the cases cited by Rosetta Stone on the ground that they involve either competitors or counterfeiters. (Opp'n at 12.) Google misses the point. The fact that "Google does not provide competing or counterfeit goods," (*id.*), does not change the fact that Google displays on its search-results pages Sponsored Links for counterfeit goods and allows those Sponsored Links to use Rosetta Stone Marks as keyword triggers and in their text. Such Sponsored Links are presumptively confusing. See *Phillip Morris U.S.A., Inc. v. Shalabi*, 352 F. Supp. 2d 1067, 1073 (C.D. Cal. 2004) ("[C]ounterfeit marks are inherently confusing."); *Gucci Am., Inc. v. Duty Free Apparel*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003) ("[C]ounterfeits, by their very nature, cause confusion."); *Fila U.S.A., Inc. v. Kim*, 884 F. Supp. 491, 494 (S.D. Fla. 1995) (same).

Google, moreover, completely ignores the two other circumstances in which confusion will be presumed, both of which are present here: (i) using identical marks in the same geographic area for the same class of goods or services and (ii) using a domain name that is identical to someone else's trademark. (See UF 10-17, 19, 24, 28, 35-37.)⁴

⁴ Although Google purports to address the use of the Rosetta Stone Marks "in post-domain URL addresses," (Opp'n at 13-14), [REDACTED]

[REDACTED] Moreover, although Google asserts that the use of marks in post-domain URL addresses is functional and serves only to identify a unique internet address
(cont'd)

In short, Google has not sufficiently rebutted the presumption of confusion that arises from its use of the Rosetta Stone Marks.

3. Google's Use Of The Rosetta Stone Marks Results In A Likelihood Of Confusion

Finally, Google argues that Rosetta Stone has not demonstrated that Google's use of the Rosetta Stone Marks results in a likelihood of confusion. (Opp'n at 14-23.) Google's analysis, however is fatally flawed for several reasons. First, Google does not apply or even set forth the nine-factor test utilized in this Circuit to assess likelihood of confusion. Instead, without citation to a single case, Google applies a three-factor test consisting of "intent of actual confusion [sic], intent, and consumer sophistication." (*Id.* at 14.)

Second, Google's analysis is improper because Google presents its Sponsored Links in isolation and out of context. For instance, in addressing purported "ads for genuine goods," Google separately addresses cherry-picked examples of Sponsored Links for resellers, competitors, informational sites and sites unrelated to language education. (*Id.* at 15-24.) Google thus frames the confusion question in a piecemeal fashion that has no relation to the reality of what appears on Google's search-results pages or Google's practices as a whole.

Indeed, the cases cited by Google do not support its myopic approach and instead require that the Court analyze Google's conduct *in context*. In *CareFirst of Maryland, Inc. v. First Care, P.C.*, the Fourth Circuit stated that it must "examine the allegedly infringing use in the context in which it is seen by the ordinary consumer." 434 F.3d 263, 271 (4th Cir. 2006). The Court thus

(cont'd from previous page)

(Opp'n at 13-14), its own website states that "[t]he display URL path does not have to be a functioning page of your actual website." (Dkt. 149, 4/9/10 Spaziano Ex. 44.) Google even advises its customers to make up a post-domain display URL to "complement your ad's message" by, for example, "highlighting the brand name." (*Id.*)

concluded that it was not permissible to simply look at the marks themselves; it had to look at the marks “in the marketplace.” *Id.* Likewise, in *Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, the court stated that “a court must analyze the message conveyed in full context” and “must view the face of the statement in its entirety, rather than examining the eyes, nose, and mouth separately and in isolation from each other.” 299 F.3d 1242, 1248 (11th Cir. 2002) (quotations omitted); *see also Lamparello*, 420 F.3d at 316 (determining likelihood of confusion requires “examining the allegedly infringing use *in the context in which it is seen by the ordinary consumer*”) (quotation omitted) (emphasis in original).

The entire premise of Google’s presentation thus is fundamentally flawed – the Court may not look at each Sponsored Link out of context, but must consider Google’s practices as a whole. Indeed, Google’s opposition is based on the faulty premise that Rosetta Stone merely challenges specific Sponsored Links that appear on Google’s search-results pages. While many of these Sponsored Links certainly do infringe the Rosetta Stone Marks, and help establish Google’s liability for trademark infringement, what Rosetta Stone is challenging is *Google’s* practice of selling the Rosetta Stone Marks to third parties to use as keywords and in the content of their Sponsored Links, and then displaying those Sponsored Links when a user queries a Rosetta Stone Mark. In this regard, Rosetta Stone does not dispute that resellers, affiliates, competitors and informational sites can, in some circumstances, lawfully refer to Rosetta Stone. (*See* Opp’n at 15-18.) However, Google’s practice of allowing all third parties to bid on and use the Rosetta Stone Marks is impermissible as it results in a likelihood of consumer confusion.

When Google’s practices are properly considered in context, there can be no question that likelihood of confusion has been established. Rosetta Stone has established actual confusion, which both parties agree is “of paramount importance” and “the best evidence” of likelihood of

[REDACTED]

In fact, the record evidence demonstrates that Google users indeed are confused as to the source of the goods advertised in Google’s Sponsored Links. Five individual consumers – each a college graduate and two with advanced degrees – have testified that they were confused by a Sponsored Link displayed on a Google search-results page when they conducted a search for “Rosetta Stone,” leading them to do business with companies that they believed were sponsored by Rosetta Stone and to buy what they thought was genuine Rosetta Stone product but which, in fact, was counterfeit software. (UF 42.)⁶ Relying on *George & Co., LLC v. Imagination Entertainment Ltd.*, 575 F.3d 383 (4th Cir. 2009), Google asserts that in assessing the weight of the testimony of these individuals, the court should consider the fact that [REDACTED]

⁵ Google makes this statement in its “Counter-Statement of Undisputed Facts.” Rosetta Stone does not agree with Google’s characterization of the facts set forth in this Counter-Statement and maintains that they are not relevant to the issues presented in this case.

⁶ Contrary to Google’s assertion, all five individuals purchased counterfeit product. Although Diana Stanley Thomas could not locate the software she purchased at the time of her deposition, she purchased the product from sourceplaza.com (Thomas Dep. at 20:20-22), the same website from which Denis Doyle purchased his counterfeit software (Doyle Dep. at 16:6-8). Moreover, although Steve DuBow could not confirm at his deposition where the link from which he purchased counterfeit software appeared, his records show that he purchased the software on October 6, 2009 from bossdisk.com (Dkt. 149, 4/9/10 Spaziano Ex. 53, DuBow Ex. 2), [REDACTED]

[REDACTED] (Opp'n at 22-23.)⁷

However, “[w]ithout knowing how many, or what percent of, incidents go unreported, anecdotal evidence of confusion cannot usefully be compared to the universe of potential incidents of confusion. The rarity of such evidence makes even a few incidents ‘highly probative of the likelihood of confusion.’” *Kos Pharmaceuticals, Inc. v. Andrx Corp.*, 369 F.3d 700, 720 (3d Cir. 2004) (quoting *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 291 (3d Cir. 2001)) (rejecting argument that 60 reported incidents of confusion was too small a percentage of the approximately 650,000 prescriptions); *see also Sara Lee Corp. v. Kayser-Rother Corp.*, 81 F.3d 455, 466-67 (4th Cir. 1996) (“[I]ndeed, we can but wonder how often the experiences related by the trial witnesses have been repeated – but not reported – in stores across the country.”).⁸ Moreover, contrary to Google’s assertion, the “totality of Rosetta Stone’s evidence” extends far beyond the testimony of these five witnesses (Opp’n at 23), and includes, as discussed above, [REDACTED] Rosetta Stone has established actual confusion.

⁷ Google’s statement is misleading because, among other reasons, the reported figure appears to include all of the impressions generated by Rosetta Stone’s own Sponsored Links.

⁸ [REDACTED]

Rosetta Stone, moreover, established that the remaining *eight* confusion factors all strongly favor a finding of confusion here. (Rosetta Stone Mem. at 21-24.) Google does not dispute that factors 1 (the strength of 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) and 8 (the quality of the defendant’s product) all favor a finding of confusion. Instead, Google argues that these factors are largely irrelevant and that the court should instead focus only on factors 6 (the defendant’s intent) and 9 (the sophistication of the consuming public). As discussed below, however, even were Google correct in its unsupported assertion regarding the factors that are relevant to its practices, these factors also favor a finding of confusion.⁹

With respect to intent, Google asserts that there is no “evidence in the record that Google intended to confuse potential purchasers of Rosetta Stone’s products.” (Opp’n at 19.) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Google thus affirmatively – and intentionally – uses the Rosetta Stone Marks to drive internet traffic away from Rosetta Stone

⁹ Notably, the factors that Google claims are not relevant to the Court’s assessment of likelihood of confusion are those that are necessarily admitted by Google’s practices: Google uses the exact same marks on the exact same search-results pages to permit its customers to sell the exact same products. Rosetta Stone respectfully submits that the fact that the exact Rosetta Stone Marks are being used weighs strongly in favor of likelihood of confusion, thereby rendering the other factors of less significance. *See Brookfield Commc’ns v. West Coast Entm’t*, 174 F.3d 1036, 1056 (9th Cir. 1999) (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”).

and to the sites of Google’s customers. Google, moreover, certainly “intended to capitalize on the good will associated with” the Rosetta Stone Marks. *CareFirst of Md.*, 434 F.3d at 273.

With respect to the sophistication of the consuming public, Google simply ignores the record evidence. Irrespective of the education and wealth of Rosetta Stone customers, the undisputed facts demonstrate that even “sophisticated” consumers are confused by Google’s Sponsored Links: Rosetta Stone deposed five college-educated consumers who were confused by Google’s Sponsored Links, and [REDACTED]

[REDACTED]

[REDACTED]

C. The Functionality And First Sale Doctrines Have No Application To Google’s Practices

Although Google does not characterize them as such in its opposition, it also relies on two of its affirmative defenses in an attempt to avoid summary judgment. Neither defense provides a basis for denying Rosetta Stone’s motion. First, Google argues that “the use of trademarks as keywords is functional and therefore not actionable.” (Opp’n at 13.) The functionality doctrine, however, has no application to Google’s sale of the Rosetta Stone Marks to third parties:

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. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If the product’s functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity).

Qualitex Co. v. Jacobson Prods. Co., Inc., 514 U.S. 159, 164-65 (1995) (green-gold color of press pads used in dry cleaning and laundry establishments was not functional and met the basic legal requirements for use as a trademark).

Thus, in *Traffix Devices, Inc. v. Marketing Displays, Inc.*, the Supreme Court concluded that the plaintiff's dual-spring design for road signs was functional – it provided a “unique and useful mechanism to resist the force of the wind” – and therefore was not entitled to trade dress protection. 523 U.S. 23, 33-34 (2001). Likewise, in *Sega Enterprises Ltd. v. Accolade, Inc.*, the court found that an initialization code was a functional feature that must be included in a video game program in order for the game to operate on plaintiff's video game system and that defendant therefore could not be barred from using the code in manufacturing video games for plaintiff's video game system. 977 F.2d 1510, 1530-31 (9th Cir. 1993). Here, the Rosetta Stone Marks are not functional as they are not essential to the use or purpose of Rosetta Stone's products and they do not affect the cost or quality of those products. The functionality doctrine therefore is inapplicable. See *Playboy Enters.*, 354 F.3d at 1031 (finding that functionality doctrine has no application to defendant search engine operators' use of plaintiff's trademarks: “[t]he fact that the marks make *defendants'* computer program more functional is irrelevant”).¹⁰

¹⁰ In asserting that “[t]his Court has previously held that the mere use of trademarks as keywords is insufficient to establish liability,” Google mischaracterizes Judge Brinkema's opinion. Based on the factual record before her, which consisted principally of an expert survey that she rejected in significant part, she found that the “plaintiff has failed to establish a likelihood of confusion stemming from Google's use of GEICO's trademark as a keyword and has not produced sufficient evidence to proceed on the question of whether the Sponsored Links that do not reference GEICO's marks in their headings or text create a sufficient likelihood of confusion to violate either the Lanham Act or Virginia common law.” *GEICO*, 2005 WL 1903128, at *7. She did not hold that Google's sale of trademarks as keywords is not actionable.

Google’s reliance on the “first sale doctrine” to justify its use of the Rosetta Stone Marks is equally misplaced. (Opp’n at 15-16.) That doctrine is based on the premise that “trademark law does not apply to the sale of genuine goods bearing a true mark.” *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 107 (4th Cir. 1991). Thus, “a purchaser who does no more than stock, display, and resell a producer’s product under the producer’s trademark violates no right conferred upon the producer by the Lanham Act.” *Sebastian Int’l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1076 (9th Cir. 1995). However, “conduct by the reseller other than merely stocking and reselling genuine trademarked products may be sufficient to support a cause of action for infringement.” *Id.* Here, Google and its customers do more than “stock, display, and resell” genuine Rosetta Stone product under the Rosetta Stone Marks. The first sale doctrine therefore is inapplicable.

* * *

Rosetta Stone has proved direct trademark infringement.

II. ROSETTA STONE HAS PROVED SECONDARY TRADEMARK LIABILITY

To prove contributory infringement, Rosetta Stone must prove that 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 Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982). To prove vicarious infringement, Rosetta Stone must prove that Google and its customers controlled the appearance of the Sponsored Links on Google’s search-results pages and the use of Rosetta Stone’s trademarks therein. *GEICO*, 330 F. Supp. 2d at 705 The undisputed facts support liability on all of these bases. (Rosetta Stone Mem. at 24-27.)

[REDACTED]

[REDACTED]

[REDACTED] (UF 30-33.) Google does not dispute these facts. (Opp’n at 24-26.) Instead,

it asserts that it cannot be held contributorily liable for the infringement of its customers because there is no evidence that Google intended that its customers infringe the Rosetta Stone Marks. (*Id.* at 24-26.) In so arguing, Google hides behind the facial neutrality of its practices – asserting that because its tools look to historical data and algorithmically predict search queries, it cannot be found to have “intentionally” induced its customers to infringe. (*Id.* at 25.) [REDACTED]

[REDACTED]

[REDACTED] The fact that Google induces all its customers to engage in such conduct does not relieve it from liability when certain of those customers in fact infringe.

The record evidence also establishes that Google continued to sell the Rosetta Stone Marks as keywords to individuals who it knew or had reason to know were selling counterfeit Rosetta Stone goods. *Cf. Tiffany Inc. v. eBay, Inc.*, __ F.3d __, 2010 U.S. App. LEXIS 6735, at *41 (2d Cir. Apr. 1, 2010). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] These facts establish that Google was supplying its service to individuals who it knew were selling counterfeit Rosetta Stone goods. (See also Dkt. 147, Rosetta Stone Opp'n to Google Mot. for Sum. Judg. at 21-24.) Because Google continued to supply its product to known infringers, Google is liable for contributory infringement.¹²

¹¹ In sharp contrast to the specific notice provided by Rosetta Stone to Google, Tiffany's demand letters to eBay "did not identify particular sellers who Tiffany thought were then offering or would offer counterfeit goods." *Tiffany*, 2010 U.S. App. LEXIS 6735, at *41.

¹² Contrary to Google's assertion, Rosetta Stone is not seeking to impose an affirmative duty on Google to monitor and enforce its trademark rights. (Opp'n at 27 n. 13.) Rosetta Stone seeks to *preclude* Google from selling the Rosetta Stone Marks to third parties. Nor would the relief Rosetta Stone seeks "render operation of Google's website impossible." (*Id.*) Rosetta Stone seeks only to revert back to Google's pre-2004 practices – when Google permitted trademark owners to object to the sale of their trademarks as keywords. [REDACTED]

Finally, the record evidence demonstrates that [REDACTED]

[REDACTED] In response, Google argues only that it lacks an agency relationship with its customers and therefore cannot be held liable for the conduct of its customers. (Opp'n at 28.) In so arguing, Google too narrowly construes vicarious infringement. Vicarious liability arises not only when an agency relationship exists but also when the "defendant and the infringer 'exercise joint ownership and control over the infringing product.'" *GEICO*, 330 F. Supp. 2d at 705. Thus, Judge Brinkema denied Google's motion to dismiss GEICO's vicarious infringement claim where GEICO alleged that Google controls the appearance of the Sponsored Links that appear on its search-results pages and the use of GEICO's marks therein. *Id.* Because these facts are established here, Google is liable to Rosetta Stone for vicarious infringement as well.

III. ROSETTA STONE HAS PROVED TRADEMARK DILUTION

To prove a dilution claim Rosetta Stone must demonstrate (1) that it owns a famous mark that is distinctive; (2) that Google has commenced using a mark in commerce that allegedly is diluting Rosetta Stone's famous mark; (3) that a similarity between Google's mark and Rosetta Stone's famous mark gives rise to an association between the marks; and (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 264-65 (4th Cir. 2007); *see also* 15 U.S.C. § 1125(c)(1) (2006). Rosetta Stone has established these elements. (Rosetta Stone Mem. at 27-29.)

Relying exclusively on the Second Circuit's recent decision in the *Tiffany v. eBay* case, Google argues that it cannot be held liable for dilution because it "does not use Rosetta Stone's marks to identify Google's own goods and services." (Opp'n at 28.) Unlike eBay, however,

Google in fact uses the Rosetta Stone Marks. It sells the Marks themselves to third parties and displays Sponsored Links on search-result pages when a user queries a Rosetta Stone Mark. Google thus engages in conduct that both blurs and tarnishes the Rosetta Stone Marks. In this regard, courts 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 v. Snyder*, No. 1:06cv1356(JCC), 2007 WL 2688184, at *4 (E.D. Va. Sept. 10, 2007) (granting plaintiff summary judgment on its dilution claim where the defendant used the identical mark); *PETA v. Doughney*, 113 F. Supp. 2d 915, 920 (E.D. Va. 2000), *aff'd*, 263 F.3d 359 (4th Cir. 2001) (same). Likewise, courts routinely have found dilution by tarnishment where, as here, the plaintiff's mark has been linked to counterfeit products. *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). For these reasons, Rosetta Stone is entitled to summary judgment on its trademark dilution claim.¹³

IV. ROSETTA STONE HAS PROVED UNJUST ENRICHMENT

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. *Nossen v. Hoy*, 750 F. Supp. 740, 744-45 (E.D. Va. 1990). Judge Davis recently explained that the word “conferred” in this context includes situations in

¹³ Google's assertion that Rosetta Stone cannot show that its marks were famous by May of 2004 is factually and legally baseless. As a factual matter, “Rosetta Stone” was a famous mark in 2004. (*See* Rosetta Stone Mem. at 27-29 & UF 1-4 & 8.) As a legal matter, this case does not involve a situation where the defendant is using a mark similar to the plaintiff's mark on *its own* goods. Rather, this case involves Google's sale of the Rosetta Stone Marks themselves. Given that Google uses the Rosetta Stone Marks *because* they are famous, its attempt to avoid liability based on the date the Marks became famous is untenable.

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 2, 2009).

Google argues that it has not been unjustly enriched because it “has not ‘taken’ any benefit from Rosetta Stone.” (Opp’n at 29.) Specifically, Google asserts that because “[a] trademark owner has no property right in its mark beyond the right to prevent consumer confusion as to source of its goods,” it cannot have taken a benefit from Rosetta Stone unless its actions violate Rosetta Stone’s trademark rights. (*Id.* at 29-30.) The cases cited by Google, however, directly contradict its assertion as both make clear that a mark owner possesses goodwill in its marks. *See Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (“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 product as his.”) (emphasis added); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (trademark law’s “function is simply to designate the goods as the product of a particular trader and *to protect his good will* against the sale of another’s product as his; and it is not the subject of property except in connection with an existing business”) (emphasis added); *see also George & Co.*, 575 F.3d at 392-93 (recognizing that a trademark protects “the goodwill represented by particular marks”). Here, Google has taken the goodwill in the Rosetta Stone Marks and sold it to third parties for Google’s own benefit. It thus has taken a benefit from Rosetta Stone.

Google also argues that it is entitled to summary judgment because there is no record evidence that Google promised to pay for the use of the Rosetta Stone Marks. (Opp’n at 30.) The promise to pay, however, “is implied from the consideration received.” *Appleton v. Bondurant & Appleton, P.C.*, 67 Va. Cir. 95, 2005 WL 517491, at *6 (Va. Cir. Ct. 2005)

(citations omitted); *see also Po River Water and Sewer Co. v. Indian Acres Club of Thornburg, Inc.*, 255 Va. 108, 114-15 (1998). Here, the undisputed facts demonstrate that Google took without authorization the Rosetta Stone Marks and made them available to third parties at auctions hosted by Google. It also is undisputed that Google derived considerable profits from the unauthorized auction of the Rosetta Stone Marks. The promise to pay for this benefit is implied in law from the unauthorized taking and subsequent sale of the Rosetta Stone Marks.

CONCLUSION

Rosetta Stone's motion for partial summary judgment should be granted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on April 14, 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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