

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

Rosetta Stone Ltd.,)
)
Plaintiff,)
)
v.) Case No. 1:09cv736 (GBL/TCB)
)
Google Inc.,)
)
Defendant.)

MEMORANDUM ORDER

THIS MATTER is before the Court on Defendant Google Inc.'s Motion to Dismiss. (Dkt. No. 94.) This case concerns Plaintiff Rosetta Stone Ltd.'s ("Rosetta Stone") allegations that Defendant Google Inc. ("Google") actively assists third party advertisers to mislead consumers and misappropriate Rosetta Stone's trademarks by using the trademarks (1) as keyword triggers for paid advertisements and (2) within the text or title of paid advertisements on Google's website. The issue before the Court is whether Rosetta Stone alleges sufficient facts to support a claim for unjust enrichment under Virginia law. The Court grants Google's Motion to Dismiss because (1) the facts set forth in Rosetta Stone's First Amended Complaint fail to plausibly suggest a claim for unjust enrichment under Virginia law and (2) the unjust enrichment claim is barred by the Communications Decency Act ("CDA").

I. BACKGROUND

Based in Arlington, Virginia, Plaintiff Rosetta Stone Ltd. ("Rosetta Stone") is in the business of providing technology-based language-learning products and services. (First Am. Compl. ¶¶ 7 & 14.) To preserve its trademark rights, Rosetta Stone has secured federal trademark registration for many of its trademarks and service marks, including: ROSETTA STONE, ROSETTA STONE LANGUAGE & LEARNING SUCCESS, ROSETTASTONE.COM, and ROSETTA WORLD (the "Rosetta Stone Marks"). (First Am. Compl. ¶¶ 15 & 16.)

Defendant Google Inc. ("Google") is an internet company based in Mountain View, California which owns and operates a search engine—a computer program that allows users to search the World Wide Web for particular information. (First Am. Compl. ¶¶ 3 & 8.) Google's search engine is available on its own website as well as other websites that use its search engine. (First Am. Compl. ¶ 3.)

In 2002, Rosetta Stone began participating in one of Google's advertising programs called AdWords Select Advertising Program ("AdWords Program") as an advertiser. (First Am. Compl. ¶ 36.) Advertisers under the AdWords Program pay to have their advertisements ("Sponsored Links") displayed when a web user enters certain words or phrases ("keywords") in Google's search engine. (First Am. Compl. ¶¶ 36 & 37.) Advertisers can select

keywords that will trigger the Sponsored Links directing users to the advertisers' chosen website. (First Am. Compl. ¶ 36.) These Sponsored Links appear above or alongside the search page and in a color, typeface, and font size similar to the search results generated from a web user's query. In addition to triggering Sponsored Links, the keywords may also be published as part of the advertisement itself. (First Am. Compl. ¶¶ 38 & 39.) Consequently, advertisers are able to place their advertising in front of consumers who have identified themselves as interested in certain products or services. (First Am. Compl. ¶ 27.)

For many years, Google prohibited advertisers from purchasing specific trademarks as keyword triggers for Sponsored Link advertisements. (First Am. Compl. ¶ 44.) However, Google revised this policy and began allowing advertisers to purchase specific trademarks as keyword triggers for the Sponsored Links. (First Am. Compl. ¶ 44.) Based on Google's new policy, Rosetta Stone brings this action alleging Google's unauthorized use of the Rosetta Stone Marks. Rosetta Stone alleges that by giving other paid advertisers under Google's advertising programs, including AdWords, the right to use the Rosetta Stone Marks, or words, phrases, or terms similar to those Marks as keyword triggers that cause Sponsored Links to be displayed, Google's search engine is helping other advertisers misdirect web users

to websites of companies that (i) compete with Rosetta Stone, (ii) sell language education programs from Rosetta Stone's competitors, (iii) sell counterfeit Rosetta Stone products, or (iv) are entirely unrelated to language education. (First Am. Comp. ¶ 5.)

In its First Amended Complaint, Rosetta Stone specifically alleges seven Counts for relief: I (trademark/service mark infringement under the Lanham Act); II (contributory trademark/service mark infringement under the Lanham Act); III (vicarious trademark/service mark infringement under the Lanham Act); IV (trademark/service mark dilution under the Lanham Act); V (trademark infringement under Virginia Law); VI (unfair competition under Virginia law); and VII (unjust enrichment under Virginia Law). Google now moves to dismiss Count VII of the First Amended Complaint.

II. STANDARD OF REVIEW

A Federal Rule of Civil Procedure 12(b)(6) motion should be granted unless an adequately stated claim is "supported by showing any set of facts consistent with the allegations in the complaint." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 561 (2007) (internal citations omitted); see FED. R. CIV. P. 12(b)(6). "A pleading that offers labels and conclusions or a formulaic recitation of the elements of a cause of action will not do."

Ashcroft v. Iqbal, 129 S. Ct. 1937, 1949 (2009); *Twombly*, 550 U.S. at 555. A complaint is also insufficient if it relies upon "naked assertions devoid of further factual enhancement." *Iqbal*, 129 S. Ct. at 1949 (internal citations omitted).

In order to survive a Rule 12(b)(6) motion to dismiss a complaint must set forth "a claim for relief that is plausible on its face." *Id.*; *Twombly*, 550 U.S. at 570. A claim is facially plausible "when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Iqbal*, 129 S. Ct. at 1949; *Twombly*, 550 U.S. at 556.

In considering a Rule 12(b)(6) motion, the Court must construe the complaint in the light most favorable to the plaintiff, read the complaint as a whole, and take the facts asserted therein as true. *Mylan Lab., Inc. v. Matkari*, 7 F.3d 1130, 1134 (4th Cir. 1993). In addition to the complaint, the court may also examine "documents incorporated into the complaint by reference, and matters of which a court may take judicial notice." *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007). "Conclusory allegations regarding the legal effect of the facts alleged" need not be accepted. *Labram v. Havel*, 43 F.3d 918, 921 (4th Cir. 1995). Because the central purpose of the complaint is to provide the defendant "fair notice of what the plaintiff's claim is and the grounds upon which it

rests," the plaintiff's legal allegations must be supported by some factual basis sufficient to allow the defendant to prepare a fair response. *Twombly*, 550 U.S. at 556 n.3.

III. ANALYSIS

A. Unjust enrichment under Virginia law

The Defendant's Motion to Dismiss Count VII is granted because the First Amended Complaint fails to set forth facts to plausibly suggest a claim for unjust enrichment under Virginia law. A claim for unjust enrichment is quasi-contractual in nature and requires a plaintiff to show: (1) it conferred a benefit on the defendant; (2) the defendant knew of the conferring benefit; and (3) the defendant accepted or retained the benefit under circumstances which render it inequitable for the defendant to do so without paying for its value. *Herald Schmidt v. Household Finance Corp.*, 661 S.E.2d 834, 838 (Va. 2008) (citation omitted) (affirming circuit court's decision to sustain defendant corporation's demurrer of plaintiff's unjust enrichment claim for failure to state a claim).

As to the first element, Rosetta Stone sufficiently alleges that it conferred a benefit to Google through Google's use of the Rosetta Stone Marks. Specifically, the First Amended Complaint states:

Google uses and sells Rosetta Stone's trademarks as keywords that trigger third-party, paid

advertisements on Google search-results web pages without authorization from Rosetta Stone. Through its AdWords program, Google sold, and continues to sell, Rosetta Stone's trademarks to, among others, Rosetta Stone's competitors, resellers and affiliates, and companies illegally selling pirated and counterfeit Rosetta Stone products. Through such unauthorized sales of Rosetta Stone's trademarks, Google has received and continues to receive millions of dollars in revenue annually.

(First Am. Compl. ¶ 122.)

Through the auction of Rosetta Stone's trademarks Google unjustly derived a benefit from Rosetta Stone in the form of higher payments from Rosetta Stone, increased advertising revenue from third parties and other economic benefits

(First Am. Compl. ¶ 123.)

Rosetta Stone requested that Google not auction its trademarks to third parties, including resellers and affiliates, but Google has refused to alter its trademark policy or practices. Rosetta Stone thus has conferred involuntarily a benefit on Google, which is knowingly using the goodwill established in the Rosetta Stone trademarks to derive additional advertising revenues.

(First Am. Compl. ¶ 124.)

However, Rosetta Stone alleges no facts which show that Google knew of the alleged benefit such that it would pay Rosetta Stone for use of the Rosetta Stone Marks as keywords. Even where a defendant benefited from the plaintiff's services, the plaintiff cannot recover for an unjust enrichment claim unless he can show sufficient additional facts which imply that the defendant promised to pay the plaintiff for the benefit received. See *Nedrich v. Jones*, 429 S.E.2d 201, 207 (Va. 1993)

(citing *Mullins v. Mingo Lime & Lumber Co.*, 10 S.E.2d 492, 495 (Va. 1940)). Here, the First Amended Complaint contains no factual allegations which suggest an understanding by Google that it owed Rosetta Stone revenue earned for paid advertisements containing the Rosetta Stone Marks. There are no factual allegations suggesting that Google engaged in discussions with Rosetta Stone, or entered into an agreement, written or oral, regarding Google's trademark policy such that Rosetta Stone was led by Google to believe it would be paid for Google's use of the Rosetta Stone Marks as keywords.

Rosetta Stone contends that Google's promise to pay is implied from the consideration it received, which includes profits from the alleged unauthorized auction of the Rosetta Stone Marks. (First Am. Compl. ¶¶ 33, 62, 122, 123 & 124). However, in *Appleton v. Bondurant & Appleton, P.C.*, a breach of contract case where the court denied summary judgment in favor of defendants on a quantum meruit claim, and the very case which Rosetta Stone cites to support its contention, the court reasoned that a plaintiff cannot recover under an unjust enrichment claim unless he can show "sufficient additional facts that imply a promise to pay." No. 04-1106, 2005 WL 517491, at *5 (Va. Cir. Feb. 28, 2005). Merely stating that "Google knows that it is deriving monetary benefits from the sale of Rosetta Stone's trademarks through its AdWords program and it would be

inequitable for Google to retain those benefits" is insufficient. (First Am. Compl. ¶ 123.) Rather, Rosetta Stone must present factual content beyond labels and conclusions that allow the Court to draw the reasonable inference that Google promised to compensate Rosetta Stone for use of the Rosetta Stone Marks as keywords or should have known that Rosetta Stone reasonably expected payment for use of their Marks. *Iqbal*, 129 S. Ct. at 1949.

The mere fact that a party holds a registration on a mark does not preclude another's use of the mark altogether. See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121-22 (2004) (concluding that within the common law and statutory law some overlap of common words is permissible and even expected); *OBX-Stock, Inc. v. Bicast, Inc.*, 558 F.3d 334, 339 (4th Cir. 2009) ("[T]he law also protects the 'linguistic commons' by denying mark holders an exclusive interest in words that do not identify goodwill attached to products or product sources but rather are used for their common meaning or meanings") Absent allegations of an understanding or agreement between the parties, the First Amended Complaint is also devoid of allegations that Rosetta Stone must necessarily be paid by third parties for the right to auction the Rosetta Stone Marks as keywords. Because the First Amended Complaint fails to set forth facts which satisfy the elements of an unjust enrichment

claim, it thereby fails to satisfy the pleading standards of *Twombly* and *Iqbal*.

B. Communications Decency Act

Notwithstanding Rosetta Stone's failure to sufficiently allege the elements of an unjust enrichment claim under Virginia law, the claim is barred by the CDA because Google is no more than an interactive computer service provider¹ and cannot be liable for the actions of third party advertisers. Pursuant to the CDA, "[n]o provider . . . of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. § 230(c)(1)(1998). As such, an interactive computer services provider is immune from liability for content created by third parties. *Nemet Chevrolet, Ltd. v. Consumeraffairs.com, Inc.*, 591 F.3d 250, 254 (4th Cir. 2009) (citation omitted); see *Carafano v. Metrosplash.com, Inc.*, 339 F.3d 1119, 1124 (9th Cir. 2003) ("[S]o long as a third party willingly provides the essential published content, the interactive provider receives full immunity regardless of the specific editing or selection process.").

Contrary to its contention, Rosetta Stone's claim here

¹ On September 18, 2009, the Court dismissed Rosetta Stone's business conspiracy claim under Virginia Code § 18.2-499 after finding that Google is not an information content provider and, therefore, enjoys immunity under the CDA. (Dkt. No. 19.)

relates to the content of the Sponsored Links appearing on Google's search results page. Its claim turns on Google's relationship with third party advertisers. Specifically, that Google earns money when a user decides that a particular Sponsored Link may be useful and clicks on that link. (First Am. Compl. ¶¶ 31-33.) The user's decision to click on a Sponsored Link—the act that triggers the third party advertiser's payment to Google—is in fact driven by content provided by the advertiser. Rosetta Stone acknowledges that third party advertisers are the ones who select the keyword terms and create the content for the Sponsored Links appearing on Google's search results page. (First Am. Compl. ¶¶ 36 & 60.) As a provider of online advertising space, Google simply assists third party advertisers in refining their selected keyword terms, which in turn trigger the appropriate Sponsored Links. By making available keyword tools and providing advertisers the ability to refine their keyword term selection, Google does not create the Sponsored Link contents but merely exercises editorial discretion.

In *800-JR Cigar, Inc. v. GoTo.com, Inc.*, a case relied on by Rosetta Stone, the court denied immunity to a pay-for-priority internet search engine who, like Google, sells to advertisers the right to use keywords as search terms. 437 F. Supp. 2d 273, 295 (D.N.J. 2006). However, *800-JR Cigar* is

distinguishable from the instant case for at least two reasons. First, the court denied CDA immunity because the defendant, unlike Google, did not qualify as an interactive computer service provider. *Id.* Second, the court did not deal with a situation, like here, where third party advertisers are responsible for selecting the keyword triggers. *Id.* at 295. Because the purpose of the CDA is to shield interactive computer providers from the fraudulent and abusive conduct of third parties, *id.*, it is applicable to the instant case, warrants granting immunity to Google, and bars Rosetta Stone from any recovery under a claim for unjust enrichment.

IV. CONCLUSION

For these reasons, the Court grants Google's Motion to Dismiss Count VII of Rosetta Stone's First Amended Complaint.

Because the Court has determined in a separate memorandum opinion in this case that Google's action or words does not give rise to civil liability to Rosetta Stone, this dismissal is with prejudice as further amendment would be futile. *Foman v. Davis, Ex'x*, 371 U.S. 178, 182 (1962).

The Clerk is directed to forward a copy of the Memorandum Order to counsel.

Entered this 21 day of August, 2010.

Alexandria, Virginia

/s/
Gerald Bruce Lee
United States District Judge