

## Grappling With Keywords In The 4th Circ.

Law360, New York (October 05, 2011, 2:30 PM ET) -- On Sept. 22, 2011, the United States Court of Appeals for the Fourth Circuit heard oral argument in *Rosetta Stone v. Google*, a notable ongoing case in the development of the law of “keywords.”

### Introduction

Rosetta Stone offers language-learning products and services, and obtained several corresponding federal registrations for “ROSETTA STONE”-related marks. Google operates the world’s most utilized Internet search engine, [www.google.com](http://www.google.com). In connection with its search engine, Google offers the “AdWords” program, which “auctions” terms (e.g., “ROSETTA STONE”) as keywords that will trigger sponsored advertisements alongside actual search results. Google generated the majority of its \$28 billion in advertising revenue in 2010 through the AdWords program.

Here, some advertisements link to websites offering authentic “ROSETTA STONE” software while other advertisements link to competing or even counterfeit software. Some of the advertisements feature “ROSETTA STONE” within the text of the advertisement.

Rosetta Stone sued Google in the United States District Court for the Eastern District of Virginia, alleging among other things that Google’s offering of Rosetta Stone’s marks as keywords violated the Lanham Act and Virginia law. The district court granted summary judgment for Google on six of seven counts including direct, contributory and vicarious infringement under the Lanham Act, dilution under the Lanham Act and infringement under two corresponding Virginia law counts (the seventh count, for unjust enrichment under Virginia law, was dismissed). Rosetta Stone appealed.

On appeal, oral argument focused on contributory infringement, although other matters (e.g., direct and vicarious infringement and dilution) were also briefly addressed.

### The District Court's Contributory Infringement Ruling

Citing the U.S. Supreme Court case of *Inwood Laboratories, Inc. v. Ives Labs, Inc.*, the district court stated that a plaintiff alleging contributory infringement must show that a defendant “intentionally induces another to infringe a trademark, or [] continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” Citing *Tiffany v. eBay, Inc.*, the district court further stated that courts have applied *Inwood*’s test for contributory infringement to service providers like Google if they exercise “sufficient control over the infringing conduct.”

Rosetta Stone argued to the district court that the Google Adwords program's "Query Suggestion Tool," which suggests popular keywords to potential advertisers — including keywords corresponding to others' marks, directly induced those advertisers to bid on others' marks. In support of its contributory infringement arguments, Rosetta Stone also asserted that it advised Google of more than 200 instances of links advertising counterfeit Rosetta Stone products, but that Google still allowed those counterfeiters to open AdWords accounts and bid on Rosetta Stone's marks as keywords.

In response, the district court ruled that no reasonable trier of fact could find that Google intentionally induces or knowingly continues to permit third party advertisers selling counterfeit Rosetta Stone products to use the Rosetta Stone marks in link titles and advertisement text, and thus granted summary judgment of no contributory infringement.

Among other things, the district court stated that "the mere existence of a tool that assists advertisers in optimizing their advertisements does not, in itself, indicate intent to induce infringement," noting that Google informs potential advertisers "that they are responsible for the keywords selected and for ensuring that their use of the keywords does not violate any applicable laws."

The district court further stated that "there is no evidence that Google is supplying a service to those it knows or has reason to know is engaging in trademark infringement." In support, the district court referenced *Tiffany v. eBay's* conclusion that eBay's mere encouragement of third parties to exploit demand for Tiffany products was not enough to establish the requisite knowledge needed for contributory infringement (absent specific awareness).

### **Appellate Argument: Contributory Infringement**

At oral argument, Rosetta Stone targeted Google's culpability under the "knows or has reason to know" portion of the Inwood test for contributory infringement.

In particular, Rosetta Stone reiterated that it advised Google of multiple instances of alleged infringement by keyword-advertising counterfeiters, that Google took down the corresponding advertisements, but that days later, the same counterfeiters' advertisements reappeared (often multiple times).

Rosetta Stone also emphasized the large number of search pages on which the alleged infringements occurred, and the fact that takedowns required a week or more to complete, even though they required little to no investigation by Google. Rosetta Stone further highlighted that Google employs only four full-time employees to address infringement and counterfeiting matters, despite the popularity of the Google search engine.

At the prompting of the court, Google responded that policies were in place to permanently remove infringing content by disabling accounts associated with reported infringing practices. Google stated that it tried to take down infringing content, but that inevitably sophisticated third parties have found ways to evade Google's policies. Google stated that it was not Google's responsibility to identify a particular person or individual (as opposed to, e.g., an account number or sign-in name) that committed an act of infringement, and rather that Rosetta Stone is responsible for such policing.

On another note, the court asked counsel for Rosetta Stone to clarify whether, in Rosetta Stone's opinion, a distinction should be made between use of marks specifically by counterfeiters of Rosetta Stone's software versus uses of the marks by other parties. Rosetta Stone stated that no such distinction should be made. Rosetta Stone further stated that the record reflects that Google's own studies indicated a likelihood of confusion among users in connection with sponsored links (irrespective of any identification of a counterfeiter) and that Rosetta Stone's expert's study also reflected a likelihood of confusion.

In rebuttal, counsel for Google stated that Rosetta Stone's failure to draw a distinction between counterfeiters and all users was representative of the over breadth of Rosetta Stone's position. In particular, Google contended that Rosetta Stone is attempting to gain a monopoly over the use of its marks, where no such authority previously existed, simply because Google's services are provided over the Internet. Google stated that, at most, Rosetta Stone has only identified five instances of a person purchasing a counterfeit product as a result of clicking on a sponsored link out of approximately 125 million displayed advertisements, and that such de minimis confusion is not actionable.

Google further stated that, in implementing its policy, it responded to Rosetta Stone's requests to take down advertisements associated with purported third-party infringers, without even necessarily determining that the third party was selling counterfeit products.

Furthermore, Google stated that Rosetta Stone failed to affirmatively establish on the record that a sale of counterfeit product occurred, and that therefore, summary judgment in favor of Google was appropriate. Google took exception with Rosetta Stone's expert's study. In particular, Google stated that the expert's study is flawed because it included instances of alleged confusion involving authorized affiliates and resellers (e.g., Amazon.com) of Rosetta Stone's products.

The court requested counsel for Rosetta Stone to clarify the extent to which Rosetta Stone's infringement claims were based on Google's practice of conducting an auction. Rosetta Stone replied that Google's practice of auctioning terms to third parties, coupled with Google's encouragement of those third parties to use the purchased terms in connection with advertisements, was at the core of the infringement.

## **Conclusion**

The district court ruling was a clear, unequivocal win for Google and its business model of offering keywords corresponding to marks of others as triggers for advertisements that accompany search engine results. As such rulings, here and in other courts, have been released during the past few years, search engine keyword policies have become more aggressive, to the point that Google's keyword policy now allows keywords to appear in text of advertisements under certain conditions (which was, in an abundance of caution, generally verboten only a few years ago).

Moreover, the district court's reliance on *Tiffany v. eBay* from the Second Circuit is yet another inter-circuit acknowledgement of the propriety of its ruling, particularly with regard to the high "knowledge" threshold required to establish contributory infringement. To the extent the Fourth Circuit affirms the district court, it will undoubtedly further embolden search engine keyword policies.

Along these lines, appellate argument relating to the resources Google dedicates to act against potential infringers reached a high level of factual specificity. In particular, Rosetta Stone noted that Google only employed four persons to take down unlawful links, and that such takedowns took more than a week and often reappeared. It's possible that this level of resource allocation for policing a program generating billions of dollars in advertising revenue annually might raise some judges' eyebrows, although the appellate court might defer to the district court's tacit conclusion that Google's current allocation of resources is sufficient.

The appellate court also seemed interested in the distinction between use of keywords by counterfeiters versus use of keywords by competitors. Viewed one way, the appellate court may agree with Google that Rosetta Stone's failure to distinguish between keyword use by counterfeiters and by competitors casts too large of a net.

Alternatively, perhaps the appellate court may view counterfeiting as more egregious, and thus deserving of more policing on Google's part. However, because Rosetta Stone only established five instances of the purchase of counterfeit Rosetta Stone software out of 125 million advertising impressions, the appellate court might believe that the risk of harm from counterfeiting is not a significant concern in this particular case.

At any rate, Rosetta Stone certainly has an uphill battle before the appellate court in view of the district court's very pro-Google ruling, and the trademark community eagerly awaits the ultimate outcome.

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