

## Brand Owners Weigh In on Google AdWords Appeal By Jeffrey M. Becker<sup>1</sup> and Lisa Normand Congleton<sup>2</sup>

In *Rosetta Stone Ltd. v. Google Inc.*, 1:09cv736 (E.D. Va. Aug. 3, 2010), a U.S. District Court held that Google was not liable to Rosetta Stone for selling to Google's advertisers the right to use the Rosetta Stone trademark as a keyword to trigger advertisements for Rosetta Stone's competitors.

Rosetta Stone appealed the ruling to the U.S. Court of Appeals for the Fourth Circuit (Case No. 10-2007), and dozens of major brand owners have filed amicus briefs in support, including, among others, Chanel, Coach, Ford, GEICO, Harrah's, Monster Cable, the NFL, Oakley, Rolls-Royce, Sunkist, Tiffany's, TiVo, Tumi, and Viacom.

Google also has its supporters, namely, Yahoo!, eBay, Public Knowledge, the Electronic Frontier Foundation and Public Citizen.

Notably, the International Trademark Association (INTA) filed an amicus brief in support of neither party—with the stated goal of merely trying to get the Fourth Circuit to correct the District Court's "fundamental errors" in its analysis of key trademark law concepts. Indeed, while various amici raised many fact-specific issues, several echoed INTA's concerns that the District Court entirely misstated and misapplied the doctrines of (1) trademark functionality and (2) trademark dilution.

### Google's AdWords Program and Rosetta Stone's Claims

By now, most people are familiar with Google's paid advertisement listings, which appear alongside organic search results triggered in response to search queries performed using the Google search engine. These advertisements are generated because advertisers have purchased through Google's AdWords Program the right to use certain words or phrases—even competitors' trademarks—that, when searched, trigger those advertisers' listings.

Rosetta Stone filed suit alleging that Google, through its AdWords Program, allowed, and even encouraged, counterfeiters and other fraudsters to purchase Rosetta Stone trademarks as keyword triggers to display advertisements intended to deceive and misdirect consumers. As a result, Rosetta Stone took (and takes on appeal) the position that Google is liable for direct, contributory, and vicarious trademark infringement, unfair competition, and trademark dilution under federal and state law.

### Can Trademark Functionality Protect Google's Actions?

After finding no likelihood of confusion, and thus no direct trademark infringement, the District Court held that, regardless of a likelihood of confusion, Google's actions in auctioning to third parties Rosetta Stone's trademark usage as a keyword trigger was protected by the "functionality doctrine." The court's reasoning was that the keywords serve an "essential indexing function" that allows Google to locate relevant search results in response to user queries.

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The functionality doctrine, however, typically refers to whether a trademark is even protectable, not (as the court used it here) whether a defendant's use of that mark is functional. If a trademark serves a useful function, besides being an indication of source, then under the "functionality doctrine," there are no trademark rights to even enforce.<sup>3</sup> Here, in an unorthodox application of the functionality doctrine that INTA addressed in its amicus brief, the court found that Google's use of Rosetta Stone's mark was permissible because Google was using it in a functional manner rather than finding that the mark itself was functional and, thus, not protectable. This holding is especially important because it appears to prevent any trademark holder from challenging Google's AdWords Program as a matter of law regardless of any factual evidence relating to confusion.

The INTA brief tactfully suggests that the District Court may have erroneously merged the concepts of functionality (which relates to whether a plaintiff has any rights to protect in the first place) and nominative fair use (which relates to whether a defendant's use of that protected mark is permissible) and urges the Fourth Circuit to clearly delineate these concepts in its analysis.

#### **Did the District Court's Opinion "Eviscerate" Dilution Protection?**

In denying Rosetta Stone's claim for dilution, the court held that Rosetta Stone failed to show a likelihood of dilution by either blurring or tarnishment. The court explained that brand awareness of Rosetta Stone has only increased since Google first began auctioning its mark as a keyword and that there was no evidence consumers had lowered their opinion of Rosetta Stone's mark during that time.

To establish a claim for trademark dilution under 15 U.S.C. § 1125(c), a brand owner needs only to establish that a defendant's use of the brand owner's famous mark in commerce is "likely to cause dilution." Actual dilution is not required. In this case, however, the District Court apparently used Rosetta Stone's evidence that its trademark had become *famous* (which is a required element for establishing a dilution claim) as proof that the mark had not been *diluted* by Google's practices. As a result, several amici argued that this was akin to requiring evidence of actual dilution rather than a mere likelihood of dilution. In particular, the INTA brief argued that this holding is directly at odds with section 1125(c), which is intended to be pre-emptive in nature by allowing trademark owners to obtain injunctive relief against uses likely to cause dilution before any actual dilution occurs. Further, the District Court's analysis puts trademark dilution claimants in the difficult position of having to prove their trademarks are famous, but no more famous than when the alleged dilutive activities began.

Trademark owners across all industries are surely eager for a resolution of these and other important issues raised in Rosetta Stone's appeal, but a decision is not expected any time soon. Although briefing has technically closed, an amicus brief was filed as recently as December 6, 2010 and oral argument has been requested but not yet scheduled. Thus, one of the most important issues generated this year regarding the application of traditional trademark concepts to the Internet is not likely to be resolved for quite some time.

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<sup>3</sup> See, e.g., *TrafFix Devices Inc. v. Mktg. Displays Inc.*, 532 U.S. 23, 58 U.S.P.Q.2d 1001 (2001) (finding plaintiff's dual-spring mechanism for use with temporary road signs was functional and thus not protectable trade dress); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 34 U.S.P.Q.2d 1161 (1995) (reversing the Ninth Circuit's ruling that the plaintiff could not establish trademark rights in the color of its products because color is functional).