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## NOTES

### CONFUSION OR MERE DIVERSION? *ROSETTA STONE V. GOOGLE*'S IMPACT ON EXPANDING INITIAL INTEREST CONFUSION TO TRADEMARK USE IN SEARCH ENGINE SPONSORED ADS

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#### INTRODUCTION

On April 9, 2012, the Fourth Circuit Court of Appeals issued an opinion that could limit one of the most profitable tools search engines use: keyword advertising.<sup>1</sup> Specifically, the Fourth Circuit's *Rosetta Stone Ltd. v. Google, Inc.* (*Rosetta Stone II*) opinion opened the door wider for trademark owners to hold search engines liable under a direct trademark infringement theory.<sup>2</sup> According to this position, search engines are responsible for the use of owners' trademarks by third parties taking advantage of search engines' lucrative keyword advertising programs.<sup>3</sup> In contrast to other federal court decisions,<sup>4</sup> including that of the United States District Court for the Eastern District of Virginia from which *Rosetta Stone I* was appealed,<sup>5</sup> the Fourth Circuit held search engines could be liable for direct trademark infringement based on the likelihood of consumer confusion<sup>6</sup>—a cornerstone of trademark law.<sup>7</sup>

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1. Anindya Ghose & Sha Yang, *Analyzing Search Engine Advertising: Firm Behavior and Cross-Selling in Electronic Markets*, REFEREED TRACK: INTERNET MONETIZATION—SPONSORED SEARCH 219 (2008), available at <http://www.wwwconference.org/www2008/papers/pdf/p219-ghose.pdf>, archived at <http://perma.cc/H9NJ-J3WE>.

2. *Rosetta Stone Ltd. v. Google, Inc. (Rosetta Stone II)*, 676 F.3d 144, 152 (4th Cir. 2012).

3. *Id.*

4. *See Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010) (finding no liability for search engines because plaintiffs could not prove a likelihood of consumer confusion or that the search engines made “use” of the trademarks as required elements of infringement); *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

5. *Rosetta Stone Ltd. v. Google, Inc. (Rosetta Stone I)*, 730 F. Supp. 2d 531 (E.D. Va. 2010).

6. *Rosetta Stone II*, 676 F.3d at 152.

7. Lanham Act, ch. 540, tit. VIII, § 43, 60 Stat. 441 (1946) (codified as amended at 15

According to the Fourth Circuit, when searches for a particular product or company online present consumers with paid advertisements from third parties that used the trademarks of that particular product or company, the consumers are likely confused about the source or sponsorship of the advertisement for only a brief moment.<sup>8</sup> They then click on the ad and quickly realize it is not associated with their intended inquiry.<sup>9</sup> This brief uncertainty about the source or affiliation of a product is a type of consumer confusion dubbed “initial interest confusion.”<sup>10</sup> Many courts have found the concept of initial interest confusion valid in trademark infringement cases, both online and offline.<sup>11</sup> The Fourth Circuit reviewed crucial evidence of initial interest confusion in reasoning why the district court should not have granted summary judgment to Google.<sup>12</sup> Although the initial interest confusion doctrine has been developing over time, the Fourth Circuit’s *Rosetta Stone II* decision made clear the concept applies in cases of trademark infringement by search engines promoting their ad programs.<sup>13</sup>

The purpose of this Note is to explore the initial interest confusion doctrine and investigate how it relates to a growing amount of litigation between trademark owners and search engines. This litigation focuses on search engines’ selling rights to third parties to use the owner’s trademarks both in the text of their paid advertisements and as part of the algorithm used to trigger the appearance of such ads on search engines’ results pages. This Note also argues that the Fourth Circuit’s consumer confusion analysis in *Rosetta Stone II* is correct and should begin to reverse the trend finding search engines not liable for trademark infringement.<sup>14</sup>

Part I of this Note summarizes the current state of trademark law as it relates to both Internet and non-Internet applications and explains search engines’

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U.S.C. § 1125 (2006)) (explaining that liability can attach to any entity using another person’s intellectual property in a way that “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . .”).

8. *Rosetta Stone II*, 676 F.3d at 157-59.

9. *Id.*

10. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999).

11. *See Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 813 (7th Cir. 2002); *Brookfield*, 174 F.3d at 1062 (holding defendants liable for trademark infringement on an initial interest confusion theory).

12. *Rosetta Stone II*, 676 F.3d at 157-60.

13. *Id.*

14. On October 31, 2012, Rosetta Stone and Google agreed to settle all claims and dismiss the suit after its remand to the U.S. District Court for the Eastern District of Virginia. The Fourth Circuit’s holdings in the case, however, remain valid. Terry Baynes, *Rosetta Stone and Google Settle Trademark Lawsuit*, REUTERS (Oct. 31, 2012, 5:26 PM), <http://www.reuters.com/article/2012/10/31/us-usa-court-rosettastone-google-idUSBRE89U1GE20121031>, archived at <http://perma.cc/S8XD-RD74>.

keyword advertising programs, such as Google's AdWords. Part II discusses the historical treatment of trademark owners' rights in keyword advertising or metatag cases, including how courts have treated owners' rights in suing both the search engines and the advertisers. Part III discusses the history and development of the initial interest confusion doctrine and how courts have applied it in both Internet and non-Internet contexts. Part IV analyzes the traditional elements of trademark law as applied to *Rosetta Stone II* and suggests "likelihood of confusion" is the controlling element. It also argues that the initial interest confusion doctrine can and should compensate for previous cases which note that the period for confusion is too brief to constitute infringement.

#### I. STATE OF TRADEMARK LAW AND KEYWORD ADVERTISING PROGRAMS

Keyword advertising on the web is immensely popular. Advertisers spent \$18.7 billion on paid search ads in 2011, and ninety-two percent of web searchers click on paid search ads.<sup>15</sup> Advertisers benefit from bidding on trademark owners' intellectual property to use in metatags<sup>16</sup> causing their websites to appear in paid search results and in the actual copy of their ads, a phenomenon known as "paid search conquering."<sup>17</sup> The benefits come from the advertiser's ability to associate themselves with the goodwill of another brand.<sup>18</sup>

The mechanics of keyword advertising programs start with the website's metatags, which describe the contents of the website.<sup>19</sup> Description metatags describe the site, and keyword metatags contain keywords related to the contents of the site.<sup>20</sup> The more often a term appears in a site's metatags, the more likely it will appear in paid search results when a user searches for that term.<sup>21</sup>

Search engines use keywords by processing them through their index of websites and using proprietary algorithms to sort the search results by relevancy.<sup>22</sup> To determine relevancy, search engines look at domain names, text, and metatags.<sup>23</sup>

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15. Daniel Malachowski, *Search Engine Trade-Marketing: Why Trademark Owners Cannot Monopolize Use of Their Marks in Paid Search*, 22 DEPAUL J. ART TECH. & INTELL. PROP. L. 369, 371 (2012).

16. A metatag is an HTML tag used in the coding of a website containing descriptive information about the website that does not appear when the website is displayed. THE AMERICAN HERITAGE SCIENCE DICTIONARY (Houghton Mifflin 2002), available at <http://dictionary.reference.com/browse/metatag>.

17. *Id.* at 374-75.

18. *Id.*

19. *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999).

20. *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 811 (7th Cir. 2002).

21. *Id.*

22. *Brookfield*, 174 F.3d at 1045.

23. *Id.*

### A. Google's AdWords Program

Google's keyword advertising program, AdWords, allows advertisers to purchase keywords for their website's metatags and their Google advertisements, which Google's algorithm will then recognize when a searcher types the relevant keyword(s).<sup>24</sup> This is like buying the right to have the advertiser's ad appear with the search results for a certain keyword(s).<sup>25</sup> Advertisers make these purchases by auction.<sup>26</sup> Because searchers are more likely to click on ads higher up on the search results page,<sup>27</sup> Google maximizes the frequency of searchers clicking on these ads by placing the most relevant ads higher up on the page.<sup>28</sup> This is how advertisers' (and consequently Google's) revenues increase.<sup>29</sup> Thus, the more relevant a website is to the keyword searched, the higher the website will appear in the results list.<sup>30</sup>

Google has long had policies governing its AdWords program to prevent "illegal or fraudulent business practice."<sup>31</sup> Prior to 2004, Google's policy prohibited use of trademarks as keywords except upon request of the trademark owner.<sup>32</sup> In 2004, Google began to allow third parties to purchase trademarks as keywords and invented a trademark keyword tool that would suggest relevant trademarks on which third parties could bid.<sup>33</sup> Google continued to block third parties' use of keywords in the actual text of the ads, however, due to internal studies suggesting such practice might confuse searchers.<sup>34</sup> This policy change appears to be financially motivated—seven percent of Google's revenue was from trademarked keywords.<sup>35</sup> At this time, Google expected an increase in lawsuits from trademark owners.<sup>36</sup> After all, its own studies showed significant source confusion when trademarks were included in the ad copy.<sup>37</sup>

In 2009, Google allowed use of trademarks in third parties' ad text in four

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24. *Rosetta Stone II*, 676 F.3d 144, 151 (4th Cir. 2012). Although Google has the most prominent keyword advertising program, and it is the one analyzed in *Rosetta Stone I* and *II*, other search engines have similar programs. Malachowski, *supra* note 15, at 371 ("Marketers spent most [of the money spent on paid ads] on Google, which held a 66.4 percent search market share as of February 2012."). For example, Microsoft's Bing and Yahoo! search engines also allow advertisers to bid on others' trademarks and use them in their ad copy. *Id.* at 374.

25. *Rosetta Stone II*, 676 F.3d at 151.

26. *Id.*

27. *Id.*

28. *Id.*

29. *Id.*

30. *Id.*

31. *Id.*

32. *Id.*

33. *Id.*

34. *Id.*

35. *Id.* at 156.

36. *Id.*

37. *Id.*

situations: 1) the sponsor was a reseller of the genuine trademarked product, 2) the sponsor made or sold parts for the product, 3) the sponsor offered goods compatible with the product, or 4) the sponsor provided information about or reviewed the product.<sup>38</sup> Google expected a substantial increase in revenue from this policy change, as well as an increase in litigation.<sup>39</sup> Google's revenue expectations were met in 2011, when it generated \$36.5 billion in advertising revenue, most of which came through its AdWords program.<sup>40</sup>

*B. Application of Traditional Trademark Law to Keyword Advertising Cases*

Although many Internet trademark applications are relatively new, including keyword advertising, traditional trademark law can still be applied to these cases to achieve a just outcome.<sup>41</sup> One purpose of trademark law is to reduce the consumer's costs of shopping and making purchasing decisions by clarifying that the item comes from a particular producer.<sup>42</sup> Additionally, trademark law assures producers they will receive the benefits associated with producing the product, such as goodwill and increased revenue.<sup>43</sup>

In the context of counterfeit goods, which are often advertised using the genuine products' trademarks as keywords, consumer interests are especially endangered.<sup>44</sup> "Although these websites may have low prices, what they do not tell consumers is that the true costs to our nation and consumers include lost jobs, stolen business profits, threats to our national security, and a serious risk of injury to consumers."<sup>45</sup> Agencies "follow the money" when investigating counterfeit goods.<sup>46</sup> This tactic often leads to search engines that profit from selling ads to counterfeiters.<sup>47</sup> This presents a host of problems for trademark owners different than those experienced when stores sell counterfeit goods.<sup>48</sup> Counterfeit goods

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38. *Id.* at 151-52.

39. *Id.* at 156.

40. Malachowski, *supra* note 15, at 371.

41. Lauren Troxclair, *Search Engines and Internet Advertisers: Just One Click Away From Trademark Infringement?*, WASH. & LEE L. REV. 1365, 1367-68 (2005).

42. *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1053 (9th Cir. 1999).

43. *Id.*

44. Rebecca Dunlevy, *Internet Immunity: The Limits of Contributory Trademark Infringement Against Online Service Providers*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 927, 929 (2012).

45. *Id.*

46. *Id.* at 929-30.

47. *Id.*

48. *Id.* at 930 ("The issues confronting trademark right holders in the Internet marketplace for counterfeit goods are unique because the relationships between purveyors of counterfeit goods and those providing necessary support services are less transparent and less personal. . . . The problems trademark right holders must confront in the Internet marketplace are what strategies will best protect their intellectual property and how to deter infringers in a cost efficient way. The

also harm consumers because they do not correspond with consumer expectations about goods or services.<sup>49</sup> They harm trademark owners because they take away the owner's lawful monopoly over their reputation and trademarks.<sup>50</sup>

To establish a case of trademark infringement under the Lanham Act, a plaintiff must prove:

- (1) that it owns a valid mark; (2) that the defendant used the mark "in commerce" and without plaintiff's authorization; (3) that the defendant used the mark (or an imitation of it) "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (4) that the defendant's use of the mark is likely to confuse consumers.<sup>51</sup>

The first three elements are not at issue in *Rosetta Stone II*.<sup>52</sup>

The only issue in *Rosetta Stone II*, and the one addressed in this Note, is whether a search engine's use of trademarks in its keyword advertising program is likely to cause consumer confusion. To prove consumer confusion, a plaintiff must establish that defendant's use of the trademark is likely to cause consumers to believe either that the plaintiff is the source of the defendant's goods or services or that the defendant is the source of the plaintiff's goods or services.<sup>53</sup> Factors relevant to determining likelihood of confusion include: 1) strength of plaintiff's mark as used in the marketplace; 2) similarity of the marks; 3) similarity of the goods or services identified by the marks; 4) similarities of the facilities used by the mark holders; 5) similarity of advertising used by the mark holders; 6) defendant's intent; 7) actual confusion; 8) quality of defendant's product; and 9) sophistication of consumers.<sup>54</sup>

Even fleeting confusion can constitute the consumer confusion necessary to establish a claim of trademark infringement.<sup>55</sup> This doctrine is known as initial interest confusion and is particularly helpful in keyword advertising cases where consumers might be confused as to the ad's sponsorship only momentarily until they click on the ad and are taken to a website that obviously is not the trademark owner's.<sup>56</sup> When a consumer stays with the competitor even after realizing the competitor's products are not the trademark owner's products, the competitor

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answer in the brick-and-mortar world was the judicially-created doctrine of contributory trademark infringement. In the online world, however, the application of the contributory liability doctrine to OSPs presents new challenges for trademark holders and the courts." *Id.*

49. *Id.* at 933.

50. *Id.*

51. Lanham Act, ch. 540, tit. VIII, § 43, 60 Stat. 441 (1946) (codified as amended at 15 U.S.C. § 1125 (2006)); *Rosetta Stone II*, 676 F.3d 144, 152 (4th Cir. 2012).

52. *Rosetta Stone II*, 676 F.3d at 152-53. Courts have already established that Google's auctioning of trademarks qualifies as "use in commerce." *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 129-31 (2d Cir. 2009).

53. *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238 (10th Cir. 2006).

54. *Rosetta Stone II*, 676 F.3d at 153.

55. *Australian Gold*, 436 F.3d at 1239.

56. *Id.* at 1238.

captures the trademark owner's potential customer.<sup>57</sup> This situation can result in damage to the owner's trademark in three ways: 1) the original diversion of the consumer to a source that he believes is authorized; 2) the consequent effect of the diversion on the consumer's ultimate decision whether to purchase; and 3) the credibility the consumer might give to the infringing product that would have been ill-gotten through the goodwill and reputation of the protected mark.<sup>58</sup>

## II. TRADEMARK OWNERS' RIGHTS IN INTERNET KEYWORD CASES

The Internet context in general, and the Internet paid advertisement context in particular, present special problems for trademark owners. The Internet has given rise to an "exponential number of legal struggles."<sup>59</sup> In trademark law, as in other areas, the overarching question is whether existing historic concepts and rules are equally as effective in the Internet context as in more traditional cases.<sup>60</sup>

One issue that might concern trademark owners in keyword advertising cases is that, in addition to the normal expenses of policing and litigating infringement of their marks, they often must bid on their *own* marks in search engine keyword auctions to prevent competitors and counterfeiters from appearing higher than their unpaid search result.<sup>61</sup> Search engines benefit from a competitive search market for keywords.<sup>62</sup> In *Rosetta Stone I* and *II*, the court explained how Google collects revenues on Rosetta Stone's trademark from Rosetta Stone's competitors, counterfeiters, and even Rosetta Stone itself.<sup>63</sup> Many trademark owners would not bid on their own marks if competitors and others were not allowed to do so.<sup>64</sup>

Although search engines often do not allow counterfeiters and competitors to purchase trademarks in their keyword ad program policies, these policies are not always enforced.<sup>65</sup> This harms the trademark owner for the period between the appearance of the ad and the search engine's successful removal of it.<sup>66</sup>

Two main lines of keyword advertising cases have developed pertaining to trademark owners' litigation against those allegedly infringing their trademarks: suits against the advertisers themselves and suits against the search engines that profit from keyword advertising programs.<sup>67</sup>

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57. *Id.* at 1238-39.

58. *Id.* at 1239.

59. *Big Star Entm't, Inc. v. Next Big Star, Inc.*, 105 F. Supp. 2d 185, 189 (S.D.N.Y. 2000).

60. *Id.*

61. Malachowski, *supra* note 15, at 376.

62. *Id.*

63. *Id.*

64. *Id.*

65. *Id.* at 377.

66. *Id.*

67. *See, e.g., Playboy Enters. v. Netscape Comm'ns Corp.*, 354 F.3d 1020, 1023 (9th Cir. 2004) (discussing plaintiff's suit against search engine); *Brookfield Comm'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1053 (9th Cir. 1999) (discussing plaintiff's suit against advertiser).

*A. Cases Against Advertisers*

In one line of cases, trademark owners have sued the advertisers who purchase the owners' trademarked terms for use in their own ads. In *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, the court granted a preliminary injunction to a communications company that ran an entertainment industry-related searchable database and had registered trademarks for it under the name MOVIEBUFF against a video rental store that ran another searchable database on its domain name (www.moviebuff.com).<sup>68</sup> The court found a likelihood of success on the merits for trademark infringement in both the context of the store's domain name and its use of "MovieBuff" in its website metatags. The court found the communications company was the senior user of the term; "MovieBuff" and "moviebuff.com" were, for all intents and purposes, identical in sight, sound and meaning; both companies featured searchable databases and used the Internet for marketing; many forms of confusion could result from the store's use, including initial interest confusion in the metatags use; and the store's use of "MovieBuff" was not fair use.<sup>69</sup>

In *Promatek Industries Ltd. v. Equitrac Corp.*, a competitor of the owner of the trademark COPITRAK used "Copitrack" as a metatag in its website because it provided maintenance to Copitrak equipment.<sup>70</sup> The court upheld a preliminary injunction against the competitor because the marks were similar (with one intentionally referencing the other), the companies were direct competitors and the degree of care exercised by consumers in searching "Copitrack" would result in a likelihood of initial interest confusion that would harm the trademark owner.<sup>71</sup>

In *Nissan Motor Co. v. Nissan Computer Corp.*, the carmaker sued the registrant of Nissan.com and Nissan.net, claiming the domain names were trademark infringements.<sup>72</sup> Although Nissan was the alleged infringer's last name, the court found for Nissan Motor Co. because the websites advertised auto-related products.<sup>73</sup> The court held initial interest confusion existed as a matter of law because Nissan.com and Nissan.net captured the attention of consumers shopping for cars.<sup>74</sup> The court further noted that any consumer looking for information on a Nissan car would likely enter "Nissan.com" into their web browser and, in fact, there had been evidence of actual consumer confusion in the case.<sup>75</sup>

In *Australian Gold, Inc. v. Hatfield*, the court held defendants liable for infringement after they resold and advertised trademarked items on their websites

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68. *Brookfield*, 174 F.3d at 1036.

69. *Id.* at 1049, 1055, 1056-57, 1062, 1066.

70. *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 810-11 (7th Cir. 2002).

71. *Id.* at 812.

72. *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1006 (9th Cir. 2004).

73. *Id.* at 1019.

74. *Id.* at 1007.

75. *Id.* at 1019.



and in the metatags of the sites and paid a search engine to have the trademarked terms trigger a high placement of defendants' ads in search results.<sup>76</sup> In determining the likelihood of confusion related to the websites and metatags, the court analyzed the initial interest confusion doctrine and found defendants' actions to be attempts to divert traffic to their websites and use plaintiffs' goodwill to lure consumers.<sup>77</sup> Similarity of the marks, products and marketing channels, the infringer's intent, consumer sophistication, and strength of the mark all weighed in plaintiffs' favor.<sup>78</sup>

In *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, the Ninth Circuit took a step back from *Brookfield* by holding a competitor's use of the trademark ACTIVEBATCH in the metatags of its website did not constitute initial interest confusion.<sup>79</sup> The court noted the *Brookfield* decision related mostly to domain names, not metatags, and the three most important likelihood-of-confusion factors in *Brookfield* did not fit all Internet cases.<sup>80</sup> The court also analyzed initial interest confusion more strictly, stating the use must demonstrate likely confusion, not mere diversion.<sup>81</sup> In this case, the court found the most important factors to be: 1) strength of the mark, 2) evidence of actual confusion, 3) type of goods and degree of care likely to be exercised by consumers, and 4) the labeling and appearance of ads and their context on search results pages.<sup>82</sup>

#### B. Cases Against Search Engines

In another set of cases, trademark owners sued the search engines that had developed and profited from the keyword advertising programs that allowed third parties to purchase others' trademarks as keywords. In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, the owner of the PLAYBOY and PLAYMATE trademarks sued the search engine Netscape for using the trademarked terms in a list of terms third-party advertisers of adult entertainment must use as keywords to trigger their Netscape banner ads.<sup>83</sup> The court found a genuine issue of material fact existed as to the likelihood of consumer confusion based on initial interest confusion, so the claim withstood summary judgment.<sup>84</sup> The court concluded consumers would reach third-party advertisers' sites because of Netscape's use of Playboy's trademarks, and such use was actionable.<sup>85</sup> Other factors pointing to a likelihood of confusion included actual confusion, strength

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76. *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1233 (10th Cir. 2006).

77. *Id.* at 1239.

78. *Id.* at 1240.

79. *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1148 (9th Cir. 2011).

80. *Id.*

81. *Id.* at 1149.

82. *Id.* at 1154.

83. *Playboy Enters. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1023 (9th Cir. 2004).

84. *Id.* at 1024.

85. *Id.* at 1026.

of the mark, proximity of the goods, similarity of the goods, type of goods, consumer care expected, and defendant's intent.<sup>86</sup>

In *1-800 Contacts, Inc. v. WhenU.com, Inc.*, a trademark owner sued an Internet marketing company that was using its trademarks in a private list used to trigger pop-up ads on computer users' screens.<sup>87</sup> The court held there was no trademark infringement because the defendant did not "use" plaintiff's trademarks as contemplated by the Lanham Act on its private list or on its pop-up ads, so it did not get to the question of consumer confusion.<sup>88</sup>

In *Rescuecom Corp. v. Google, Inc.*, the Second Circuit distinguished Google's use of plaintiff's trademarks in its keyword advertising program from the marketing company's use in *1-800 Contacts*, holding Google's use constituted "use" as required by the Lanham Act.<sup>89</sup> The court noted *Rescuecom* contrasted sharply with *1-800 Contacts* in two ways: 1) in *Rescuecom*, Google was selling plaintiff's actual trademark to third parties for use as a keyword as opposed to placing its domain name on a private list, and 2) Google displayed, offered, and sold trademarks to third parties, even going so far as to suggest them through its Keyword Suggestion Tool.<sup>90</sup>

A high-end jewelry company sued eBay for both direct and contributory trademark infringement in *Tiffany, Inc. v. eBay, Inc.*<sup>91</sup> The court found eBay not liable on either theory.<sup>92</sup> The court found eBay had taken substantial steps to prevent counterfeiters from selling counterfeit Tiffany merchandise on its site and that eBay had good reason to prevent such action: to preserve the integrity of its site.<sup>93</sup> eBay's use of Tiffany's marks was considered nominative fair use as its goal was to inform consumers it was selling genuine Tiffany merchandise, and the use did not imply false affiliation or endorsement.<sup>94</sup>

*Rosetta Stone I* held Google was not liable for direct trademark infringement in using trademarks as keyword triggers for paid ads or within the text of the ads.<sup>95</sup> The court granted summary judgment in favor of Google based on its holding that Google's use of plaintiff's trademarks did not constitute a likelihood of consumer confusion.<sup>96</sup> Its decision was based on three important factors: defendant's intent, actual confusion, and consumers' sophistication.<sup>97</sup> The court found that the relevant intent is the intent to confuse, not Google's intent to

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86. *Id.* at 1026-28.

87. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 402 (2d Cir. 2005).

88. *Id.* at 403, 406.

89. *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 127-28 (2d Cir. 2009).

90. *Id.* at 129.

91. *Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93, 96 (2d Cir. 2010).

92. *Id.*

93. *Id.* at 98.

94. *Id.* at 102-03.

95. *Rosetta Stone I*, 730 F. Supp. 2d 531, 534 (E.D. Va. 2010).

96. *Id.* at 534-35.

97. *Id.* at 541.

profit.<sup>98</sup> Additionally, it found Google could not have intended to pass off its products as Rosetta Stone's because Google does not offer physical products.<sup>99</sup> With respect to the actual confusion factor, the court found Rosetta Stone's evidence of actual confusion de minimis, and those who claimed to be confused were confused about whether their products were real or counterfeit, not about the sponsorship of the products.<sup>100</sup> It also noted confusion over endorsement of a product is not the same as confusion over the source of a product.<sup>101</sup> Finally, the court noted those seeking Rosetta Stone software would be highly sophisticated and unlikely to be confused.<sup>102</sup>

### III. VALIDITY OF INITIAL INTEREST CONFUSION DOCTRINE

As trademark cases involving the Internet have developed, they have often relied on the concept of initial interest confusion to find defendants liable for trademark infringement.<sup>103</sup> However, courts have different stances on whether initial interest confusion is a valid doctrine.<sup>104</sup> The Supreme Court has not spoken on the subject of initial interest confusion, particularly as it relates to the Internet, having recently denied certiorari in two cases involving the doctrine.<sup>105</sup>

#### *A. Application of Initial Interest Confusion Doctrine Valid*

One line of federal circuit initial interest confusion cases dealing with metatags finds the doctrine can be applied to constitute a likelihood of consumer confusion. In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, the court said the likelihood of confusion of source is not as great in metatags cases as it might be in domain name cases because once a consumer has created a website, it is usually clear who operates it.<sup>106</sup> However, initial interest confusion still occurs when consumers are confused as to the sponsorship of the link that first brought them to the website.<sup>107</sup> By using trademarks in metatags to divert consumers to a different website, a defendant is capitalizing on another's

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98. *Id.*

99. *Id.*

100. *Id.* at 543-44.

101. *Id.* at 544.

102. *Id.* at 545.

103. *See, e.g., Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1063-64 (9th Cir. 1999) (finding the Lanham Act protects against initial interest confusion).

104. *See, e.g., Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002) (finding application of initial interest confusion doctrine valid). *But see, e.g., Designer Skin, LLC v. S&L Vitamins, Inc.*, 560 F. Supp. 2d 811, 820 (D. Ariz. 2008) (finding application of initial interest confusion doctrine invalid).

105. *M2 Software, Inc. v. M2 Commc'ns, Inc.*, 450 F.3d 1378 (Fed. Cir.), *cert. denied*, 549 U.S. 1096 (2006); *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 423 F.3d 539 (6th Cir. 2005), *cert. denied*, 547 U.S. 1179 (2006).

106. *Brookfield*, 174 F.3d at 1062.

107. *Id.*

goodwill achieved through development of a mark.<sup>108</sup> The harm is done even if no actual sale was made as a result of the confusion.<sup>109</sup>

The *Brookfield* court based its support of initial interest confusion on several other cases that have found the Lanham Act protects against initial interest confusion.<sup>110</sup> The court also provided an analogy to a more concrete example of initial interest confusion.<sup>111</sup> It compared initial interest confusion on the Internet to a billboard along the interstate directing drivers to a certain video store at the next exit.<sup>112</sup> Although drivers actually find a competing video store at that exit, they are satisfied with it and make their purchases there.<sup>113</sup> Even though they were not confused as to the source of the products when they made their purchases, their initial interest confusion is what diverted them to the competing store in the first place.<sup>114</sup>

The *Brookfield* court recognized fair use as a defense to trademark infringement in initial interest confusion cases.<sup>115</sup> However, in *Brookfield*, the defendant used the plaintiff's marks to attract people to its own website, not to describe plaintiff's products, so fair use did not apply.<sup>116</sup>

In *Promatek Industries, Ltd. v. Equitrac Corp.*, the court defined initial interest confusion as "when a customer is lured to a product by the similarity of the mark, even if the customer realizes the true source of the goods before the sale is consummated."<sup>117</sup> It also noted that initial interest confusion is a function of consumers' degree of care.<sup>118</sup> The important question, the court noted, was not how long the consumer was confused (even if it was for only a second) but the misappropriation of plaintiff's goodwill.<sup>119</sup> The court also recognized the danger of initial interest confusion: Consumers are more likely to mill about the first website they reach (even if in error) before starting another search for the website they initially sought.<sup>120</sup>

The court in *Australian Gold, Inc. v. Hatfield* laid out three ways initial interest confusion could harm a plaintiff: 1) the original diversion to a source the

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108. *Id.*

109. *Id.*

110. *Id.* at 1063-64 (citing *Forum Corp. of North Am. v. Forum, Ltd.*, 903 F.2d 434, 442 (7th Cir. 1990); *Securacomm Consulting, Inc. v. Securacom Inc.*, 984 F. Supp. 286, 298 (D.N.J. 1997); *Blockbuster Entm't Group v. Laylco, Inc.*, 869 F. Supp. 505, 513 (E.D. Mich. 1994); *Jordache Enters., Inc. v. Levi Strauss & Co.*, 841 F. Supp. 506, 514-15 (S.D.N.Y. 1993); *Television Enter. Network, Inc. v. Entm't Network, Inc.*, 630 F. Supp. 244, 247 (D.N.J. 1986)).

111. *Id.* at 1064.

112. *Id.*

113. *Id.*

114. *Id.*

115. *Id.* at 1065-66.

116. *Id.*

117. *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002).

118. *Id.*

119. *Id.* at 812-13.

120. *Id.* at 813.

consumer believes at first is authorized, 2) the effect of that diversion on the consumer's choice to purchase what he thinks is an authorized or related product, and 3) the initial credibility the consumer would attach to the infringer, even if it were based on the plaintiff's goodwill.<sup>121</sup> Additionally, the court noted that "initial interest confusion in the [I]nternet context derives from the unauthorized use of trademarks to divert [I]nternet traffic, thereby capitalizing on a trademark holder's goodwill,"<sup>122</sup> and that initial interest confusion was to be evaluated based on the same factor test (which varies from circuit to circuit) as traditional likelihood of confusion.<sup>123</sup>

Finally, the court noted that some forms of injunctive relief available for traditional trademark infringement, like requiring a statement on defendant's website disclaiming any relation to the plaintiff, would not remedy initial interest confusion.<sup>124</sup> This is because initial interest confusion will already have occurred and the damage will already have been done by the time the consumer reaches defendant's website.<sup>125</sup>

#### *B. Application of Initial Interest Confusion Doctrine Invalid*

Another line of federal cases finds that initial interest confusion cannot be applied to constitute likelihood of confusion in trademark infringement cases. In *Trans Union, LLC v. Credit Research, Inc.*, the court disposed of the potential metatags infringement by relying on the fair use doctrine without considering the initial interest confusion doctrine's effects on metatags.<sup>126</sup> This case demonstrates the line of authority that says the fair use doctrine applies when defendant uses another's trademark simply to describe the content of his website.<sup>127</sup> In this case, defendant's use of plaintiff's trademark was considered fair as it described defendant's contractual relationship with plaintiff by stating defendant was "affiliated with" plaintiff.<sup>128</sup>

The *Trans Union* court did, however, approve of the concept of initial interest confusion in reference to domain names and website content.<sup>129</sup> It said consumers looking for plaintiff's services might be drawn to defendant's website because of use of plaintiff's logo and similar domain name.<sup>130</sup> This risk of initial interest confusion tipped the "actual confusion" factor in favor of plaintiff.<sup>131</sup>

In another Internet trademark infringement case brought by Playboy, the

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121. *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006).

122. *Id.*

123. *Id.* at 1239-40.

124. *Id.* at 1240.

125. *Id.*

126. *Trans Union, LLC v. Credit Research, Inc.*, 142 F. Supp. 2d 1029, 1039 (N.D. Ill. 2001).

127. *Id.*

128. *Id.* at 1040.

129. *Id.* at 1043-44.

130. *Id.*

131. *Id.*

Southern District of California found defendant's use of plaintiff's trademarks amounted to fair use, but there could be no fair use if there was a likelihood of confusion.<sup>132</sup> Thus, it found there was no likelihood of confusion under plaintiff's initial interest confusion theory.<sup>133</sup> The *Playboy* court distinguished *Brookfield*, saying neither *Brookfield* nor any cases it cited involved the fair use defense or use of trademarks in metatags that fairly describe the content of the site, and *Brookfield* expressly left open the fair use defense.<sup>134</sup>

In *Playboy*, the court also cited *Brookfield*'s discussion of the special nature of confusion in metatags cases and how the traditional eight-factor confusion test would not suffice because it could not be said that consumers would necessarily be confused as to the source of the product at the time of purchase.<sup>135</sup> Thus, the court deemed the relevant factors in initial interest confusion cases to include 1) the confusion is "damaging and wrongful," 2) the confusion would lead to consumer's interest in defendant that he would not have had otherwise, and 3) the confusion offers an opportunity for sale for the defendant that would not otherwise be available.<sup>136</sup> After outlining the important factors, the court concluded that none of them were relevant in *Playboy*.<sup>137</sup>

The court in *Designer Skin, LLC v. S&L Vitamins, Inc.*, negatively cited *Australian Gold* on facts that were nearly identical, saying:

In this court's view, there is a meaningful distinction between (1) using a mark to attract potential customers to a website that only offers products of the mark holder's competitors and (2) using a mark to attract potential customers to a website that offers the mark holder's genuine products as well as the products of competitors. . . . [I]n the latter situation no "bait and switch" occurs.<sup>138</sup>

The Fourth Circuit, which decided *Rosetta Stone I*, does not have a history of analysis for initial interest confusion in the metatags context; however, it has decided cases involving initial interest confusion in the contexts of domain names and physical products.<sup>139</sup>

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132. *Playboy Enters., Inc. v. Terri Welles, Inc.*, 78 F. Supp. 2d 1066, 1074 (S.D. Cal. 1999).

133. *Id.*

134. *Id.* at 1092-93.

135. *Id.* at 1093-94.

136. *Id.* at 1094.

137. *Id.* at 1095.

138. *Designer Skin, LLC v. S&L Vitamins, Inc.*, 560 F. Supp. 2d 811, 820 (D. Ariz. 2008).

139. *See Lamparello v. Falwell & Jerry Falwell Ministries*, 420 F.3d 309 (4th Cir. 2005) (finding no initial interest confusion in domain name context); *PETA v. Doughney*, 263 F.3d 359 (4th Cir. 2001) (finding initial interest confusion in domain name context); *Sara Lee Corp. v. Kayser-Roth Corp.*, Civ. No. 6:92CV00460, 1992 WL 436279 (M.D.N.C. Dec. 1, 1992) (finding initial interest confusion in context of actual product).

*C. Policy Justifications for Initial Interest Confusion*

Although an initial interest confusion analysis differs somewhat from a traditional analysis of the likelihood of consumer confusion, it still is a useful and sometimes necessary tool for promoting the goals of trademark law and ensuring that those who violate it are held liable. Even though the first cases analyzing the validity of initial interest confusion on the Internet did so in the context of website metatags, search engines like Google have evolved since then to use paid keyword advertisements and proprietary algorithms, rather than metatags, to deliver search results to consumers.<sup>140</sup> Still, the metatag analysis is sufficient to cover the keyword ad cases that have become more prevalent. The purpose of both metatags and keyword advertising is to cause a certain link to appear in a particular set of search results, such as the results from searching for a competitor's trademark.<sup>141</sup> "[B]ecause metatags were once used to get a website listed on a search engine, and now companies have circumvented that system by purchasing keyed advertising, the intent of alleged trademark infringers is 'sufficiently analogous' for courts to apply the initial interest confusion doctrine from *Brookfield*."<sup>142</sup>

To understand the validity of the initial interest confusion doctrine, it is helpful to acknowledge its statutory basis. Initial interest confusion is not mentioned in the Lanham Act; however, amendments to the act in 1962 triggered courts' subsequent acceptance of the doctrine.<sup>143</sup> In that year, Congress removed the reference to "purchasers" in the act, which previously had required that "purchasers" be deceived or confused about the origin of a product or service before trademark infringement would be found.<sup>144</sup> According to the Senate report on the amendments, the act applies to potential purchasers as well as to actual purchasers.<sup>145</sup> "Courts properly interpreted the change in the Lanham Act as broadening the concept of trademark infringement to include consideration not only of confusion at the time of sale, but also of confusion that exists prior to the time of sale, and that which emerges after a sale is completed."<sup>146</sup> Thus, in many circuits, a trademark infringement claim can be based on initial interest confusion, even if the confusion is eventually dispelled or no actual sale occurred.<sup>147</sup>

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140. Gregory R. Shoemaker, *Don't Blame Google: Allowing Trademark Infringement Actions Against Competitors Who Purchase Sponsored Links on Internet Search Engines Under the Initial Interest Confusion Doctrine*, 58 CATH. U. L. REV. 535, 563 (2009).

141. *Id.* at 562.

142. *Id.* at 563 (quoting *Picture It Sold, Inc. v. iSOLD It, LLC*, 199 F. App'x 631, 634 (9th Cir. 2006)).

143. Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 160 (2005).

144. *Id.*

145. *Id.*

146. *Id.*

147. Note, *Confusion in Cyberspace: Defending and Recalibrating the Initial Interest Confusion Doctrine*, 117 HARV. L. REV. 2387, 2392 (2004) [hereinafter *Confusion in Cyberspace*].

Although the initial interest confusion doctrine originally developed to address alleged infringement offline, different views exist on whether the concept is more or less important in the online context.<sup>148</sup> Many Internet users realize sponsored ads on search engines are not part of their organic search results because these ads are often distinguished on the page.<sup>149</sup> Though courts have assumed confusion is more likely on the Internet because of the speed of linking from one website to another, Internet users' confusion can also be quickly corrected.<sup>150</sup>

[T]he time and effort it takes to get back into the car, drive back to the freeway and drive around looking for the store they originally intended to go to is far greater than the little time and effort it takes to click on the 'back' button when browsing the web. In other words, the initial interest confusion doctrine makes more sense when applied in a brick-and-mortar case . . . .<sup>151</sup>

These are rational arguments; however, the more convincing view is based on what is perhaps a more subtle difference between trademark infringement online and offline: the origin of the harm to the trademark holder.<sup>152</sup> In offline cases, the competitor gains the consumer's interest that would have gone to the trademark owner because these cases do not involve an active search for a particular trademarked term on the part of the consumer.<sup>153</sup> In online search engine cases that involve a consumer's active search for a trademarked term, the competitor takes from the trademark owner the consumer's interest that the trademark owner already had earned by virtue of the search.<sup>154</sup> This subtle difference in the harm to the trademark owner justifies expanded trademark protection online in the form of the initial interest confusion doctrine. Additionally, the online context provides unique opportunities to competitors to lure consumers to their goods because it is easier to draw consumers away from a trademark owner's website than to physically lure them away from a brick-and-mortar store. Property rights give trademark owners more options in ejecting competitors from their stores, and confusing uses of trademarks online are less likely to cause consumer backlash than confusing uses offline.<sup>155</sup>

A major argument against application of the initial interest confusion doctrine is that it essentially serves as a substitute for the "likelihood of consumer confusion" analysis required by the Lanham Act, allowing trademark owners to

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148. See generally *id.* (arguing initial interest confusion is more important online); Rothman, *supra* note 143 (arguing initial interest confusion is less important online).

149. Rothman, *supra* note 143, at 134.

150. *Id.* at 169.

151. Niki R. Woods, *Initial Interest Confusion In Metatag Cases: The Move from Confusion to Diversion*, 22 BERKELEY TECH. L.J. 393, 401 (2007).

152. *Confusion in Cyberspace*, *supra* note 147, at 2396.

153. *Id.*

154. *Id.*

155. *Id.* at 2396-97.



circumvent the in-depth confusion analysis by simply proving diversion and making it easier on them to prove trademark infringement.<sup>156</sup> Proponents of this view cite two ways courts misapply initial interest confusion: 1) by considering initial interest confusion a presumption in favor of trademark infringement, thus substituting it for consumer confusion, and 2) by allowing initial interest confusion to substitute for evidence of actual confusion, weakening the traditional confusion analysis.<sup>157</sup> Essentially, these courts have lowered the standard for trademark infringement from confusion to mere diversion.<sup>158</sup> While this analysis might have merit in some cases, it does not apply in *Rosetta Stone II*. Congressional reports indicate the purpose of the Lanham Act is to protect the public from confusion *and deception*.<sup>159</sup> While mere diversion might normally be well within a competitor's rights, particularly for the sake of fair competition, diversion through deceit and misrepresentation violates the Act.<sup>160</sup> In *Rosetta Stone II*, the plaintiff's primary concern was Google's allowance of the use of its trademarks by *counterfeiters* trying to pass off their own products as genuine Rosetta Stone products.<sup>161</sup> This use rises beyond fair competition to deceit.

Baiting and switching is a legitimate concern. If consumers are misled into believing that a product is made by one company when in truth it is not and as a result expend significant time and effort to purchase the deceptive product, then it matters little that the confusion is ultimately cleared up prior to the time of purchase.<sup>162</sup>

The initial interest confusion doctrine comports with the goals of trademark law, namely, to reduce consumers' search costs and protect trademark owners' goodwill.<sup>163</sup> The doctrine can promote these ends while refraining from limiting fair competition and giving trademark owners a monopoly over their marks. One way to understand initial interest confusion's impact on consumers is to conduct a cost-benefit analysis.<sup>164</sup> A trademark owner's incentive to provide online services or information on a website for consumers to access is diminished when a portion of those consumers are being diverted to a competitor's website.<sup>165</sup> Whether the diversion is lawful or not, the trademark owner likely will either shift resources from its online operations that are no longer as profitable because of the diversion, or he will shift more resources to the promotional aspects of his website in order to combat the diversion, leaving fewer resources for the

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156. Woods, *supra* note 151, at 393.

157. *Id.* at 405.

158. *Id.* at 407.

159. Rothman, *supra* note 143, at 123-24.

160. *Id.* at 124.

161. *Rosetta Stone II*, 676 F.3d 144, 152 (4th Cir. 2012).

162. Rothman, *supra* note 143, at 161-62.

163. *Confusion in Cyberspace*, *supra* note 147, at 2400-05.

164. *Id.*

165. *Id.* at 2401.

functional aspects of his website.<sup>166</sup> Either way, the consumer loses out on online content. The costs to consumers outweigh the benefits competitors receive by using others' trademarks.

Initial interest confusion also increases consumers' search costs.<sup>167</sup> By performing an online search for a trademark rather than a generic term, a consumer is choosing to limit results to one specific producer. Although the consumer probably will eventually reach the website for which he was looking, he first must dig through the results by competitors for which he was not looking, increasing the time and effort needed to complete his task.<sup>168</sup>

Opponents of initial interest confusion argue that the threat of trademark infringement based on the doctrine would chill competitive Internet activity, leaving consumers with less information overall.<sup>169</sup> These opponents argue that those who type a particular trademark into a search engine might be looking for a list of similar products.<sup>170</sup> However, in most cases a consumer looking for a product without regard for its brand would search in generic terms that would not include a trademark. Although the trademark owner's website might be among the search results—and likely will be the first result if the consumer searched for the trademarked term—sponsored ads that are not clearly marked as such still will make it difficult for consumers to find the trademark owner's site.

Another goal of trademark law is to protect the goodwill a business has built in association with its trademarks.<sup>171</sup> Although fair competition is desirable, competition achieved through deceit, as in *Rosetta Stone II*, is barred by the Lanham Act.<sup>172</sup> The initial interest confusion doctrine helps trademark owners pursue claims against those who would deceitfully harm their goodwill.<sup>173</sup> "Trademark law requires a balancing not just of consumer confusion and protection of a trademark holder's goodwill, but also consideration of the legitimate interests of competing businesses."<sup>174</sup> It is this idea that refuses to give trademark owners monopolies over their marks; trademarks are not property themselves, as are copyrighted or patented works, but rather give to their holders limited rights.<sup>175</sup> One of those rights encompasses protection of goodwill from competitors who would deceitfully harm it, as did the counterfeiters in *Rosetta Stone II*.

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166. *Id.* at 2402.

167. *Id.* at 2406.

168. *Id.* at 2406-07.

169. Woods, *supra* note 151, at 416.

170. *Id.*

171. *Confusion in Cyberspace*, *supra* note 147, at 2400-05.

172. Rothman, *supra* note 143, at 164.

173. *Id.*

174. *Id.*

175. *Id.* at 166.

IV. APPLICATION OF INITIAL INTEREST CONFUSION TO  
*ROSETTA STONE II* ANALYSIS

In *Rosetta Stone II*, one of the first cases involving alleged trademark infringement by a search engine in its ad program keywords, the Fourth Circuit correctly decided there was a likelihood of confusion based on initial interest confusion.<sup>176</sup>

In the case, Rosetta Stone, maker of language learning software, sued Google, a search engine, for allowing advertisers to use Rosetta Stone's trademarks as keywords to trigger their own paid advertisements and in the text of those ads.<sup>177</sup> Rosetta Stone contended that after Google changed its policy to allow this, it had been plagued with counterfeiters (reporting 190 instances between September 2009 and March 2010) who were able to market their counterfeit goods by taking advantage of Google's new policy.<sup>178</sup> The district court granted summary judgment to Google on the issue of direct infringement.<sup>179</sup> The Fourth Circuit vacated this judgment, finding that a reasonable trier of fact could find a genuine issue of material fact as to whether there was a likelihood of confusion.<sup>180</sup>

A. *Fourth Circuit Reliance on Initial Interest Confusion*

Although not mentioning the doctrine by name, the Fourth Circuit's argument for a likelihood of confusion centers on initial interest confusion.<sup>181</sup> According to the court, it could be found that Google intended to cause confusion based on the studies it conducted prior to changing its AdWords policy that showed significant source confusion when trademarks were included in the title or body of the ad.<sup>182</sup> Google changed its policy anyway based on projected increased revenue.<sup>183</sup>

The court also found evidence of actual confusion sufficient to withstand summary judgment based on buyer testimony, Google studies, and an expert report.<sup>184</sup> Five consumers allowed to testify bought counterfeit Rosetta Stone software after seeing a Google ad and later called Rosetta Stone directly to complain that the software did not work.<sup>185</sup> Although the district court dismissed this evidence because the buyers knew before they purchased the software that they were not purchasing it from Rosetta Stone directly, the Fourth Circuit said source confusion is not the only concern; sponsorship, affiliation, and connection

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176. *Rosetta Stone II*, 676 F.3d 144, 160 (4th Cir. 2012).

177. *Id.* at 151-52.

178. *Id.* at 152.

179. *Rosetta Stone I*, 730 F. Supp. 2d 531, 535 (E.D. Va. 2010).

180. *Rosetta Stone II*, 676 F.3d at 149-50.

181. *Id.* at 155-60.

182. *Id.* at 156.

183. *Id.*

184. *Id.* at 156-59.

185. *Id.* at 156.

confusion is also relevant.<sup>186</sup> The court also noted that Google's policy against advertising counterfeit goods was not relevant in the case because consumers are not privy to the policy; the issue is whether they are actually confused.<sup>187</sup> In its final word on actual confusion, the court said five confused consumers was not *de minimis* when only five were allowed to testify.<sup>188</sup> Rosetta Stone presented evidence of 123 complaints from buyers of counterfeit software from April 2009 through December 2009 and 139 complaints from December 2009 through March 2010.<sup>189</sup>

In addition to consumer testimony, Google's own studies and testimony showed actual confusion.<sup>190</sup> One study recommended the only effective policy would be to allow trademark usage for keywords but not in the ad copy.<sup>191</sup> Additionally, Google's own trademark lawyers testified that they were unable to determine without more research which links were to actual Rosetta Stone products when shown a page of search results for "Rosetta Stone."<sup>192</sup> The court said mere uncertainty of the origin of a product is quintessential evidence of actual confusion.<sup>193</sup>

Finally, Rosetta Stone presented an expert report showing a significant number of purchasers were likely to be confused and about seventeen percent actually were confused.<sup>194</sup> Additional evidence presented showed that even well-educated, sophisticated consumers were confused by the nature of Google's sponsored ads and sometimes did not even realize they were ads.<sup>195</sup>

Although many federal cases considering the validity of the initial interest confusion doctrine in Internet contexts have decided in favor of defendants under the fair use doctrine, the Fourth Circuit in *Rosetta Stone II* did not discuss the viability of a fair use defense or whether that would alter the likelihood of confusion test.<sup>196</sup> The court did, however, suggest that Google's use of the Rosetta Stone marks might be nominative in nature.<sup>197</sup>

#### *B. Rosetta Stone II Distinguished from Cases Against Initial Interest Confusion's Validity*

*Rosetta Stone II* can be distinguished from cases arguing against initial interest confusion as a basis for likelihood of confusion. In *Trans Union*, the

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186. *Id.* at 157.

187. *Id.*

188. *Id.* at 158.

189. *Id.*

190. *Id.*

191. *Id.*

192. *Id.* at 158-59.

193. *Id.*

194. *Id.* at 159.

195. *Id.* at 160.

196. *Id.* at 155.

197. *Id.*

court did not consider the impact of initial interest confusion on metatags because it said defendant's use was fair use based on its contractual relationship with the plaintiff.<sup>198</sup> No such relationship existed in *Rosetta Stone II*.<sup>199</sup> As far as domain names and logos, the *Trans Union* court found that initial interest confusion *does* tip the scale toward likelihood of confusion.<sup>200</sup>

*Playboy* also involved a fair use defense that was not considered in *Rosetta Stone II*.<sup>201</sup> However, the facts of *Rosetta Stone II* comport with the *Playboy* court's analysis of the most important factors in finding initial interest confusion: 1) the confusion was "damaging and wrongful" as evidenced by the discussion of Google's intent, 2) the confusion created an interest in the counterfeiters that consumers would not have had but for seeing the Google ads, and 3) the confusion ultimately led to opportunities for the counterfeiters to sell their goods, as evidenced by the fact that Rosetta Stone was inundated with counterfeit complaints once Google changed its policy.<sup>202</sup>

Finally, *Rosetta Stone* falls under the first instance in the critical difference articulated in *Designer Skin*'s "bait and switch" analysis: The counterfeiters using Google's ad services used Rosetta Stone's mark to attract potential customers to websites offering only counterfeit products.<sup>203</sup>

#### CONCLUSION

*Rosetta Stone II* correctly emphasized the importance of initial interest confusion despite other courts' failure to find evidence of it or diminishing its importance in trademark infringement cases, particularly in the context of domain names. This emphasis likely is what will make *Rosetta Stone II* the case that opens the door for more litigation in this new context and should serve as guidance in future cases.

Courts have long recognized the concept of initial interest confusion, and many have approved it in the context of domain names and metatags. It is a natural extension to include in this context advertising keywords, which have quickly become the foundation on which profitable search engines are built. The dangers of deceitfully capturing another's goodwill in the keyword advertising context are high, as consumers can be quickly and easily diverted from one search result or web page to another. The Internet's far-reaching influence on business and consumer strategies and behavior makes it even more profitable for would-be infringers to trade in on a competitor's goodwill and makes it more possible for consumers, whether sophisticated or not, to become confused by deceitful practices online.

If courts do not arrive at the correct decisions in this new and complex

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198. *Trans Union, LLC v. Credit Research, Inc.*, 142 F. Supp. 2d 1029, 1039 (N.D. Ill. 2001).

199. *Rosetta Stone II*, 676 F.3d 144.

200. *Trans Union*, 142 F. Supp. 2d at 1043-44.

201. *Playboy Enters., Inc. v. Terri Welles, Inc.*, 78 F. Supp. 2d 1066, 1092 (S.D. Cal. 1999).

202. *Id.* at 1094-95.

203. *Designer Skin, LLC v. S&L Vitamins, Inc.*, 560 F. Supp. 2d 811, 820 (D. Ariz. 2008).

context, the ramifications could be felt throughout the business sector. Consumers will spend more time searching online for what once would have been an easy find, and businesses will hesitate to offer comprehensive online services for fear that they will be taken advantage of by their competitors. At the end of the day, it will stall progress and growth in the way consumers and businesses interact.

Perhaps even more importantly, *Rosetta Stone II* and future cases that rely on its reasoning will ensure that the dual goals of trademark law continue to be met: to reduce consumers' search costs and protect trademark owners' goodwill. While healthy competition among businesses is desirable, achieving competitiveness through deceitful practices harms both consumers and businesses and goes against the longstanding function of trademark law.