



## Case & Project Experience

### **NERA Expert's Role in *Rosetta Stone Ltd. v. Google, Inc.*** United States Court of Appeals for the Fourth Circuit

#### **Overview**

On 9 April 2012, the Fourth Circuit issued a ruling vacating an order by the US District Court for the Eastern District of Virginia with respect to Rosetta Stone's direct trademark infringement, contributory infringement, and dilution claims against Google, Inc. NERA expert Dr. Kent Van Liere had conducted a survey on behalf of Rosetta Stone to test for actual confusion regarding the appearance of sponsored links when consumers conducted a Google search for "Rosetta Stone." Dr. Van Liere's report was cited favorably in the Fourth Circuit's decision.

#### **Background**

Rosetta Stone, an industry leader in technology-based language learning products and online services, had by January 2010 grown from a small, family-owned business into a publicly-traded corporation with gross revenues of approximately \$250 million and products available in over 30 languages. Rosetta Stone began advertising its products using Google's AdWords program beginning in 2002 and had continued to do so since that time. In 2009, Google changed its AdWords program policy to permit the limited use of trademarks in "Sponsored Links" by advertisers that were not the actual trademark owners.

In July 2009, Rosetta Stone filed suit in the US District Court for the Eastern District of Virginia against Google asserting several claims, including direct trademark infringement under the Lanham Act, trademark dilution, and unjust enrichment. Rosetta Stone contended that Google's policy change created not only a likelihood of confusion but also actual confusion, misleading Internet users into purchasing counterfeit Rosetta

Stone software. Rosetta Stone alleged that, between 3 September 2009 and 1 March 2010, it reported 190 instances to Google in which one of Google's sponsored links was marketing counterfeit Rosetta Stone products.

Google filed a motion for summary judgment as to all claims except unjust enrichment, which it moved to dismiss. The district court granted Google's motion for summary judgment on all claims and granted the motion to dismiss the unjust enrichment claim. Rosetta Stone subsequently appealed the decision.

#### **NERA's Role**

In order to establish direct trademark infringement under the Lanham Act, Rosetta Stone had to demonstrate (among other things) that Google's "use" of the mark in its AdWords program was likely to confuse consumers about the origin or sponsorship of the goods or services in question. The district court indicated that there were three key "confusion factors" in dispute: (1) the defendant's intent; (2) actual confusion; and (3) the consuming public's sophistication. The district court had concluded that all three factors favored Google, and therefore Google's use of the Rosetta Stone marks did not amount to direct trademark infringement.

NERA Senior Vice President Dr. Kent Van Liere, an expert in survey research, market analysis, and consumer behavior, was retained by Rosetta Stone to conduct a survey to test for actual confusion regarding the appearance of sponsored links when consumers conducted a Google search for "Rosetta Stone." Based on this study, Dr. Van Liere concluded that:

*“a significant portion of consumers in the relevant population are likely to be confused as to the origin, sponsorship or approval of the ‘sponsored links’ that appear on the search results page after a consumer has conducted a Google search using a Rosetta Stone trademark as a keyword and/or are likely to be confused as to the affiliation, endorsement, or association of the websites linked to those ‘sponsored links’ with Rosetta Stone.”*

In its decision, the district court had stated that Dr. Van Liere’s report was “unreliable evidence of actual confusion because the result contained a measure of whether respondents thought Google ‘endorsed’ a Sponsored Link, a non-issue.” Dr. Van Liere’s report was one of multiple sources of evidence presented as proof of actual confusion that the court rejected, arguing that they only reflected uncertainty about the source (or affiliation) of a product, which did not equate to actual confusion.

However, the Fourth Circuit noted that trademark infringement creates a likelihood of “confusion not only as to source, but also as to affiliation, connection or sponsorship.” Therefore, Dr. Van Liere’s evidence should have been “added to the other evidence of actual confusion to be considered in the light most favorable to Rosetta Stone.”

The Fourth Circuit further noted that survey evidence indicating 10-12 percent confusion was generally thought to be sufficient to demonstrate actual confusion. Dr. Van Liere’s survey “yield[ed] a net confusion rate of 17 percent”—that is, “17 percent of consumers demonstrate actual confusion.” This result, the Circuit concluded, “is clear evidence of actual confusion for purposes of summary judgment.”

## **The Result**

On 9 April 2012, the Fourth Circuit issued a ruling vacating the district court’s order with respect to Rosetta Stone’s direct infringement, contributory infringement, and dilution claims, and remanded the claims for further proceedings. (The Fourth Circuit also affirmed the district court’s order with respect to the vicarious infringement and unjust enrichment claims.) The decision marked the first time that a court of appeals has established that a company can bring a trademark infringement case against Google on the basis that the sponsored links are confusing to consumers. Rosetta Stone’s outside counsel, Cliff Sloan of Skadden Arps, called the ruling an “important precedent.” The case can now proceed to trial in federal court.

The case has drawn widespread attention from the business community. In all, 33 companies, trade associations, professional sports leagues, and nonprofits filed briefs with the court in support of Rosetta Stone, including Tiffany & Co., Ford Motor Co., Geico, and the National Football League.

## **Expert Involved**

Dr. Van Liere is a Senior Vice President at NERA with expertise in statistics, sampling, survey research methods, risk assessment, and market research. He has testified at trial and in deposition on the application of statistical methods, sampling, questionnaire design, and the use of surveys in a range of cases. His litigation and project experience includes sampling, survey research, design of field protocols, and statistical analysis of large data files (i.e., claims, customers, transactions). Dr. Van Liere has pioneered the application of survey sampling and survey methods to the measurement of customer, economic, and behavioral issues in the energy and natural resource fields. He has published a number of works regarding consumer choice, consumer attitudes, and response to product and service reliability, as well as economic measurement of value of service.

## **About NERA**

NERA Economic Consulting ([www.nera.com](http://www.nera.com)) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA’s economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world’s leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

## **Contact**

### **Dr. Kent D. Van Liere**

Senior Vice President  
+1 303 465 6857  
[kent.van.liere@nera.com](mailto:kent.van.liere@nera.com)