

The Trademark Reporter®



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D. Peter Harvey

Foundational Objectives of Laws Regarding Trademarks and Unfair Competition

Tony Bortolin

What Insurance Coverage Remains for Trademark Infringement Claims After Years of Policy Language Changes?

David A. Gauntlett

Internet Surveys in Intellectual Property Litigation: *Doveryai, No Proveryai*

Himanshu Mishra and Ruth M. Corbin

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Alfred C. Frawley

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**WHAT INSURANCE COVERAGE REMAINS FOR
TRADEMARK INFRINGEMENT CLAIMS AFTER
YEARS OF POLICY LANGUAGE CHANGES?**

*By David A. Gauntlett**

CONTENTS

I.	Introduction	1036
II.	Commercial General Liability Insurance Coverage for Intellectual Property Claims	1037
	A. Insurance Policies Are Contracts	1037
	B. History and Context of “Advertising Injury” Policy Language.....	1037
	C. The Development of “Advertising Injury” / “Personal Injury” Provisions as an Aspect of ISO Commercial General Liability Coverage.....	1039
	1. 1976 ISO CGL Form.....	1039
	2. 1986 ISO CGL Form.....	1039
	3. 1998 ISO CGL Form.....	1039
	4. 2002 ISO CGL Form.....	1041
	5. 2003 ISO CGL Form.....	1041
	6. 2007 & 2013 ISO CGL Form	1041
III.	Insurance Coverage Analysis for Trademark Infringement Claims	1042
	A. Trademark Infringement Coverage Is Not Directly Provided in CGL Policies	1042
	B. The Three-Part Test for “Personal and Advertising Injury” Coverage	1042
	C. Applying the Three-Part Test.....	1043

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- 1. Offense1043
- 2. Advertising1045
- 3. Causal Nexus.....1047
- D. “Occurring During the Policy Period”1048
- E. “Notice of Suit”1048
- IV. “Personal and Advertising Injury” Coverage Cases1051
 - A. “Misappropriation of Advertising Ideas” [1986 ISO] ...1051
 - 1. Scope of Meaning.....1051
 - 2. Fact Scenarios Analyzing Coverage.....1052
 - a. Coverage Found.....1052
 - b. No Coverage Found.....1053
 - c. Criticisms of No Coverage Found Cases.....1054
 - B. “Infringement of Title” [1976/1986 ISO]1055
 - 1. Scope of Meaning.....1055
 - 2. Fact Scenarios Analyzing Coverage.....1056
 - a. Coverage Found.....1056
 - b. No Coverage Found.....1058
 - c. Criticisms of No Coverage Found Cases.....1058
 - C. “Infringement of Slogan” [1976/1986/
2001/2004/2007 ISO].....1059
 - 1. Scope of Meaning.....1059
 - 2. Fact Scenarios Analyzing Coverage.....1061
 - a. Coverage Found.....1061
 - b. No Coverage Found.....1062
 - c. Criticisms of No Coverage Found Cases.....1063
 - D. Infringement of Trade Dress in Your
“Advertisement” [1998/2001/ 2004/2007 ISO]1064
 - 1. Scope of Meaning.....1064
 - 2. Fact Scenarios Analyzing Coverage.....1065
 - a. Coverage Found.....1065
 - b. No Coverage Found.....1065

E.	Use of Another’s Advertising Idea in Your “Advertisement” [1998/2001/2004/2007/2014 ISO]	1066
1.	Scope of Meaning.....	1066
2.	Fact Scenarios Analyzing Coverage.....	1066
a.	Coverage Found.....	1066
b.	No Coverage Found.....	1068
V.	Pertinent Exclusions	1070
A.	First Publication Exclusion [All ISO Policies]	1070
1.	Policy Language.....	1070
2.	Fact Scenarios Analyzing Coverage.....	1072
a.	Coverage Found.....	1072
b.	No Coverage Found.....	1073
B.	Knowledge of Falsity [ISO].....	1076
1.	Policy Language.....	1076
2.	Knowledge of Falsity Fact Scenarios Analyzing Coverage	1077
a.	Coverage Found.....	1077
b.	No Coverage Found.....	1078
3.	Knowing “Personal and Advertising Injury” [ISO].....	1078
a.	Coverage Found.....	1078
b.	No Coverage Found.....	1079
C.	Intellectual Property Exclusion.....	1079
1.	ISO Version.....	1079
a.	Policy Language of IP Exclusion.....	1079
b.	Fact Scenarios Analyzing Coverage.....	1080
(1)	Coverage Found.....	1080
(2)	No Coverage Found	1080
2.	Non-ISO Provisions	1081
a.	Exclusionary Provisions That Are Not Conspicuous, Plain, and Clear	1081
b.	Broker Liability for Failure to Advise Policyholder of Limitation in Coverage	1081

- c. Pertinent Non-ISO Intellectual Property
 - Exclusions.....1082
 - (1) Travelers.....1082
 - (2) St. Paul1082
 - (3) Hartford.....1083
 - (4) Chubb.....1085
 - (5) Great American1085
- D. “Failure to Conform”1086
 - 1. Coverage Found.....1086
 - 2. No Coverage Found1087
- E. “Breach of Contract”1088
 - 1. Coverage Found.....1088
 - 2. No Coverage Found1089
- VI. Issues for Counsel in Trademark Infringement Litigation1090
 - A. Issues for Plaintiff’s Counsel.....1090
 - B. Issues for Defendant’s Counsel.....1092
 - 1. Legal Malpractice for Failure to Notify Insurers of Potentially Covered Claims.....1092
 - 2. Notifying Appropriate Insurers Promptly1093
 - 3. When It Is Unclear Which Insurer Is At Risk, More Than One May Be Potentially Liable.....1093
 - 4. Securing the Right to Independent Counsel.....1094
 - a. Assuring Insurers Pay a Reasonable Rate1094
 - C. Retaining Coverage Counsel1095
- VII. Conclusion1095

I. INTRODUCTION

This publication last addressed insurance coverage for trademark infringement claims in 1999.¹ Since that time, litigation costs have increased and millions of dollars (in fees alone)² can be at stake based on whether or not a claim is covered by insurance and/or triggers an insurer's duty to defend.³ Conflicting court decisions continue to contribute to a lack of clarity about when coverage or a duty to defend arises from trademark infringement or similar claims. In addition, insurers have aggressively introduced exclusion language removing many intellectual property claims from applicable business insurance policies.⁴

A duty to defend is triggered by potential coverage. Whether or not there is potential coverage depends on the precise policy language and on the factual allegations of the claim, not on labels of causes of action. Uncertainty often arises in gauging coverage for trademark infringement and related claims. A typical assessment will include whether the claims include factual allegations that assert liability based on "misappropriation of 'advertising ideas or style of doing business'"; "infringement of title"; "use of another's advertising idea in your 'advertisement'"; or "infringement of copyright, title or slogan." The articulated claims are to be interpreted broadly in assessing potential coverage, taking into account "all possible worlds."⁵

1. Christopher L. Graff, *Insurance Coverage of Trademark Infringement Claims: The Contradiction Among the Courts and the Ramifications for Trademark Attorneys*, 89 TMR 939 (1999) (hereinafter, "Graff").

2. Compare trademark infringement litigation costs over the years as listed in in the American Intellectual Property Law Association's (AIPLA) biennial Economic Survey available free to AIPLA members at <https://www.aipla.org/learningcenter/library/books/econsurvey/Pages/default.aspx> (last visited Sept. 16, 2017). See also *County Mutual Ins. Co. v. Vibram USA Inc.*, pending in the Supreme Judicial Court for the Commonwealth of Massachusetts, July 11, 2017, Joint Application for Direct Appellate Review, available at <http://www.mass.gov/courts/docs/sjc/clerk-for-commonwealth/dar-25491-dar-application.pdf> (last visited September 27, 2017) (dispute regarding duty to defend claims relating to use of an athlete's name as a trademark for shoes, with \$1.3 million in defense costs at stake).

3. The duty to defend means the insurer's responsibility to pay the insured's fees and costs incurred in resisting claims pursued against the insured both before and after the initiation of a lawsuit against the insured, whether by complaint, counterclaim, third party claim or demand for license or payment of monies.

4. See Section II.C, *infra*, regarding ISO policy language and non-ISO provisions offered by other carriers that have included more extensive and restrictive intellectual property exclusions, including policies from Travelers/St. Paul, Hartford, Chubb, and Great American in Section V.C.2. See also David A. Gauntlett, *Insurance Coverage of Intellectual Property Assets* § 22.05 (2d ed. 2017).

5. *Atl. Mut. Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1039 (2002) (Where an insurer seeks to defeat coverage by relying on an exclusion, it must show, "through conclusive evidence, that the exclusion applies in all possible worlds.").

Against this background, this article provides an overview of issues regarding, and update on insurance coverage for, trademark infringement and related claims.

II. COMMERCIAL GENERAL LIABILITY INSURANCE COVERAGE FOR INTELLECTUAL PROPERTY CLAIMS

A. Insurance Policies Are Contracts

Insurance contracts are a distinct class of contracts, but they are contracts nonetheless. Because they are contracts, coverage analysis always begins with the policy's language. Over the years, the policy language that gives rise to coverage for advertising injury has taken on a number of forms, from the humble single-sentence in the 1976 Insurance Services Office ("ISO")⁶ Commercial General Liability ("CGL") form (set forth in Section II. C. 1 below) to the multi-part offense based coverage that is heavily litigated today.

In order to understand the availability of current coverage for trademark-related claims, it is useful to understand the genesis of the language that creates the coverage. For that reason, we provide some history followed by an overview of the relevant contract language in ISO CGL forms from 1976 to 2013.

B. History and Context of "Advertising Injury" Policy Language

As explained by the Insurance Information Institute, a CGL insurance policy is intended to protect a business from financial loss should the business be "liable for property damage, bodily injury or personal and advertising injury caused by [its] services, business operations or [its] employees" and "covers non-professional negligent acts."⁷

It is the "advertising injury" (and to a lesser extent, depending on the particular factual allegations at issue, "personal injury") language in many CGL policies that is often at issue when evaluating coverage for trademark disputes.⁸ This policy language developed over the years.

6. "ISO" is the Insurance Services Office, a New York-based policy standards organization that adopts policy language which member insurance companies may license to include in their policy forms either in whole or in part. The ISO policy form typically provides the broadest form of commercial liability insurance coverage available to the average insured.

7. See <http://www.iii.org/article/commercial-general-liability-insurance> (last visited Aug. 10, 2017).

8. This was true even back in 1999. See Graff, *supra* note 1.

The ISO, formed in 1971 as an advisory and rating organization for the property and casualty insurance industry,⁹ first offered policy language that included an endorsement¹⁰ providing coverage for “personal injury” and “advertising injury” in 1976. This endorsement was provided for a 15% upcharge over the base price of the then issued CGL policy.¹¹ The 1976 ISO policy form was drafted by graduate English students at Columbia University and, accordingly, the form uses terminology based on literary, rather than legal, definitions.¹² Before the 1976 form, some of the offenses within the scope of this endorsement coverage were available for specific insureds who requested coverage for exposure to such torts as defamation or as part of the exposure that publishers, broadcasters or advertisers face for forms of copyright infringement, misuse of titles or slogans, invasion of privacy, and unfair competition.¹³ With the advent of the 1976 ISO form, “advertising injury” coverage was available and offered more broadly.

Today, ISO policies still often offer the broadest coverage available for intellectual property claims in general insurance policies as compared to policies drafted and issued by individual insurers. For example, the coverage offered by Hartford, St. Paul, Travelers, Chubb/ACE, or Great American, along with other insurers who no longer offer ISO centric coverage, is generally far narrower in scope than ISO policy coverage.¹⁴ Yet, even ISO policies do not provide direct coverage for trademark infringement per se and often specifically exclude such coverage, as indicated by the policy language set forth in the next section.

9. See <http://www.verisk.com/insurance/brands/iso/about.html> (last visited Aug. 10, 2017).

10. An insurance “endorsement” is “an amendment or addition to an existing insurance contract that changes the terms or scope of the original policy. Endorsements may also be referred to as riders. An insurance endorsement may be used to add, delete, exclude, or otherwise alter coverage.” Definition provided by TheBalance.com at <https://www.thebalance.com/insurance-endorsement-or-rider-2645729> (last visited Aug. 14, 2017).

11. David A. Gauntlett, *Insurance Coverage Considerations*, in *Intellectual Property Due Diligence in Corporate Transactions* 12A:6, 12A-7 (Lisa A. Brownlee ed., 2011).

12. David A. Gauntlett, *Insurance Coverage for Intellectual Property Lawsuits*, Ch. 29, § 29.06[1] in 2 *Intellectual Property Counseling and Litigation* (Lester Horwitz and Ethan Horwitz eds. 1994) (hereinafter, “Insurance Coverage for IP Lawsuits”).

13. Gauntlett, *Insurance Coverage for IP Lawsuits*, § 29.06[1].

14. Gauntlett, *Insurance Coverage of Intellectual Property Assets*, § 22.05, 22-15 *Opportunities and Pitfalls* (2d ed. Supp. 2014).

***C. The Development of “Advertising Injury”/
“Personal Injury” Provisions as an Aspect of
ISO Commercial General Liability Coverage***

1. 1976 ISO CGL Form

As noted above, in 1976, ISO added “advertising injury” coverage to CGL policy forms, defined as follows:

“Advertising Injury” means any injury arising out of an offense committed during the policy period occurring in the course of the named policyholder’s advertising activities, if such injury arises out of such libel, slander, defamation, violation of right of privacy, piracy, unfair competition or infringement of copyright, title or slogan.

2. 1986 ISO CGL Form

Ten years later, the “advertising injury” language was modified in a manner that eliminates somewhat vague and general claims (like “unfair competition”) originally included in 1976 and provides more specifics regarding other covered claims:

1. “Advertising Injury” means injury arising out of one or more of the following offenses:

...

- (1) Oral or written publication of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products or services;
- (2) Oral or written publication of material that violates a person’s right of privacy;
- (3) Misappropriation of advertising ideas or style of doing business; or
- (4) Infringement of copyright, title or slogan.

...

- b. This insurance applies to:

...

- (2) “Advertising injury” caused by an offense committed in the course of advertising your goods, products, or services.

3. 1998 ISO CGL Form

The 1998 ISO form eliminates distinct definitions of “advertising injury” and “personal injury” from prior forms, substituting a new series of defined “personal and advertising injury” offenses.

The 1998 form also deletes the offenses of:

- (1) “infringement of title”; and
- (2) “misappropriation of advertising ideas or style of doing business”

The policy form adds two new offenses as follows:

“Personal and advertising injury” means injury . . . arising out of one or more of the following offenses:

...

- f. “Infringement upon another’s copyright, trade dress, or slogan in your advertisement;” and
- g. “the use of another’s advertising idea in your advertisement.”

....

The policy form also provides more specifics regarding what constitutes an “Advertisement”:

An “Advertisement” means a dissemination of the information or images that has the purpose of inducing the sale of goods, products or services through (a) . . .

....

“A paid broadcast, publication or telecast to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters.”

This policy form substitutes “infringing *upon another’s*” [copyright, trade dress, or slogan] for the phrase “infringement of” in the predecessor policy version. The language change adopts more limiting language that links the conduct of the infringer back to the claimant’s injury. The predecessor policy language “infringement of” is broader because it does not focus on whether the claimant had an ownership interest in or legal rights to the pertinent copyright, trade dress, or slogan claims being allegedly infringed. This, in effect, means that the predecessor language “infringement of” could cover indirect injury claims where infringement arose even if the infringement was only incidental to the claim for relief asserted by the claimant against the insured.

Thus, for example, a claim for tortious interference with contract by a defendant advertising its business could create potential coverage for indirect injury arising from covered claims for “infringement of copyright” dependent on the factual allegations in the complaint.¹⁵ Even though a claim for infringement of copyright was not directly asserted against the insured, its coverage could nonetheless be implicated. Where an insured’s advertising

15. *Curtis-Universal, Inc. v. Sheboygan Emerg. Med. Servs., Inc.*, 43 F.3d 1119, 1122 (7th Cir. 1994) (applying Wisconsin law).

purportedly infringed the copyright of another, although plead only as a predicate fact to support claims for tortious interference, such allegations could trigger an obligation for an insurer to defend under the “infringement of copyright in your ‘advertisement’” policy language. Other circumstances can be imagined where even though the claim did not focus on “infringement of copyright, trade dress or slogan,” an actionable component of the conduct alleged would give rise to coverage.

4. 2002 ISO CGL Form

Individual insurers as early as 1988 sought to limit the scope of coverage for any intellectual property claims by adding exclusions to their standard CGL policy forms. The key ISO revision in 2002 is based on those policy exclusions. Specifically, effective February 2002, ISO added an exclusion to its CGL form, specifying that the “advertising injury” coverage does not include coverage for infringement of “copyright, patent, trademark, trade secret, or other intellectual property rights.”¹⁶ An exception to the exclusion then adds back “advertising injury” coverage for infringement, in the insured’s advertisement, of copyright, trade dress, or slogan.

5. 2003 ISO CGL Form

The 2003 ISO form also provided coverage for:

(f)The use of another’s advertising idea in your “advertisement”;
and

(g)infringing upon another’s copyright, trade dress or slogan in your “advertisement”

The form excluded claims relating to “intellectual property rights” but provided that “this exclusion does not apply to infringement, in your ‘advertisement,’ of copyright, trade dress or slogan.”

6. 2007 & 2013 ISO CGL Form

The 2007 form provided exclusions for:

...

Infringement of copyright, patent, trademark or trade secret;
and

“Personal and advertising injury” arising out of the infringement of copyright, patent, trademark, trade secret or other intellectual property rights.

16. The “Advertising and Personal Injury” since its inception into the standard form ISO CGL policy has been offered under what is known as Coverage B, with Coverage A addressing the more traditional liability exposure for “bodily injury” and “property damage.”

The policy language further explained:

Under this exclusion, such other intellectual property rights do not include the use of another's advertising idea in your "advertisement." However, this exclusion does not apply to infringement in your "advertisement" of copyright, trademark, or slogan.

III. INSURANCE COVERAGE ANALYSIS FOR TRADEMARK INFRINGEMENT CLAIMS

A. Trademark Infringement Coverage Is Not Directly Provided in CGL Policies

To secure direct coverage for trademark infringement claims, media liability coverage¹⁷ should be secured. Each specific media liability policy endorsement has unique features and different limitations and restrictions beyond those included in CGL policies. These specific media liability policies are typically underwritten¹⁸ with more focus on the nature of the insured and offer more experienced claims representatives who understand intellectual property litigation.¹⁹

Nevertheless, there are claims similar to trademark infringement claims or often asserted in trademark infringement cases where some coverage or duty to defend under CGL "advertising injury" policies is possible.

B. The Three-Part Test for "Personal and Advertising Injury" Coverage

Parsing the policy language in the policy forms since 1998, three elements required for coverage can be discerned:

17. As explained by the International Risk Management Institute, "media liability insurance" is a "type of errors and omissions (E&O) liability insurance designed for publishers, broadcasters, and other media-related firms. The policies are typically written on a named perils basis and cover the following broad areas: defamation, invasion of privacy, infringement of copyright, and plagiarism." See <https://www.irmi.com/online/insurance-glossary/terms/m/media-liability-coverage.aspx> (last visited Aug. 14, 2017).

18. "Underwriting" is a term used by insurers to describe the process of assessing risk and ensuring that the cost of the coverage is proportionate to the risks faced by the potential insured.

19. Media liability coverage is typically written on a "claims made and reported" basis, which means that the duty to defend is triggered when the claim or suit is brought against the insured. This is to be contrasted with an "occurrence" policy, when the duty to defend is triggered by when the offense occurred. "Occurrence"-based coverage is rarely available in media liability policies. Similarly, certain industries, such as the medical technology and pharmaceutical sectors, rarely obtain "occurrence" based coverage because with such coverage insurers would not be able to assess the litigation and indemnity exposure by the conclusion of the policy year in which the policy was issued. See David A. Gauntlett, *IP Attorney's Handbook for Insurance Coverage in Intellectual Property Disputes* (2d ed. 2014).

- (1) A claim against the insured that falls within one or more enumerated “advertising injury” offenses listed in the policy;
- (2) an “advertising activity” by the insured; and
- (3) a causal nexus exists between one of the “advertising injury” offenses and the insured’s “advertising activity.”

The key element is an included “offense,” per element (1) above. Without an included offense, no potential coverage arises.

To meet element (2), following changes in policy language in 1998, “advertising activity” must be conduct that falls within the policy’s express definition of an “advertisement,” which need only include a “publication . . . to . . . specific market segments about your goods, products or services for the purposes of attracting customers or supporters.”²⁰ The latter category, “supporters,” can include investors who are the most salient form of supporters for a corporation.

The third, causal nexus, element requires satisfaction of the “in your advertisement” requirement in the phrase “infringing upon another’s copyright, trade dress or slogan in your ‘advertisement’” in a 1998 ISO policy. This formulation links the insured’s “advertisement” back to the claim by the party directly injured due to such infringement.

C. Applying the Three-Part Test

1. Offense

The “advertising” function served by many trademarks is apparent from the definition of a trademark:

Any word, name, symbol, device or any combination thereof used by a manufacturer or retailer of a product in connection with that product to help consumers identify that product and distinguish that product from the products of competitors.²¹

Liability for trademark infringement also arises in the context of “advertising”:

[t]he Lanham Act imposes liability for infringement of a registered mark upon any person who uses an infringing mark in interstate commerce *in connection with the sale or advertising of goods or services*. . . . This means that *merely*

20. Rombe Corp. v. Allied Ins. Co., 128 Cal. App. 4th 482, 489 (2005) (finding that a breakfast meeting for invited guests was not “advertising” within the policy definition such that no coverage was available for the claims alleging misappropriation of trade secrets and customer lists). The decision did not address the meaning of “supporters,” but suggests that dissemination could qualify under the “advertisement” definition if sufficiently widespread, even if focused on recipients with particular characteristics or interests.

21. J. Thomas McCarthy, Trademarks and Unfair Competition § 3.4, at 3-15 (4th ed. 2004, Supp. 2010).

*advertising an infringing mark is itself an act of infringement, apart from any manufacturing or sale.*²²

The advertising functions of trademarks can come into play when assessing “advertising injury” coverage that also excludes coverage for “trademark infringement.” The coverage issues in the “offense”-based “advertising injury” and “personal injury” coverage require a more precise level of analysis than a simple reference to what a particular court believes should constitute “advertising injury” or “personal injury.”²³

Facts, not labels, determine offense-based coverage availability.²⁴ This requires exploring, researching, and clarifying the basis for liability in each case. An insurer owes a defense where inferences from the facts alleged suggest the possibility that the claims can be amended to clarify why they fall within coverage.²⁵ This is true even if the potential coverage is implicit, not explicit,²⁶ and the amendment may have been made to secure coverage.²⁷ The ultimate question of how liability will implicate coverage requires case-specific factual analysis.

22. *Id.* § 25.26, at p. 25-39 (emphasis added).

23. *Atl. Mut. Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1032-33 (2d Dist. 2002) (“Like advertising injury, ‘personal injury’ is a term of art that describes coverage for certain enumerated offenses that are spelled out in the policy. . . . Coverage for personal injury is not determined by the nature of the damages sought in the action against the insured, but by the nature of the claims made against the insured in that action. Under the personal injury policy provision, [c]overage . . . is triggered by the offense, not the injury or damage which a plaintiff suffers[.]”).

24. *Cincinnati Ins. Co. v. E. Atl. Ins. Co.*, 260 F.3d 742, 745 (7th Cir. 2001) (“Coverage does not depend on the characterization of the wrong by the plaintiff . . .”).

25. *Scottsdale Ins. Co. v. MV Transp.*, 36 Cal. 4th 643, 654, 31 Cal. Rptr. 3d 147, 115 P.3d 460 (2005) (“[T]he duty to defend . . . exists where extrinsic facts known to the insurer suggest that the claim may be covered. . . . Moreover, that the precise causes of action pled by the third-party complaint may fall outside policy coverage does not excuse the duty to defend where, under the facts alleged, reasonably inferable, or otherwise known, the complaint could fairly be amended to state a covered liability.”).

26. *Michael Taylor Designs, Inc. v. Travelers Prop. Cas. Co. of Am.*, 761 F. Supp. 2d 904, 912 (N.D. Cal. 2011), *aff’d*, 495 Fed. Appx. 830 (9th Cir. 2012) (“The amended complaint may have articulated the new legal theory of ‘Slander of Goods,’ and liberally sprinkled the term ‘disparagement’ throughout, but it did so without adding substantially new or different allegations as to the factual circumstances, or fundamentally altering the nature of the injury being alleged. . . . The only factual change of any note was the expansion of the somewhat vague term ‘steered,’ into ‘sales employees orally told potential customers. . . .’ Making this one point explicit rather than implicit, however, does not represent a distinction of significant import.” (footnotes omitted)).

27. *Norfolk & Dedham Mut. Fire Ins. Co. v. Cleary Consultants, Inc.*, 81 Mass. App. Ct. 40, 958 N.E.2d 853 (2011), *review denied*, 461 Mass. 1108, 961 N.E.2d 591 (2012) (“Here, however, the labels are not at odds with Towers’s factual allegations. Indeed, even Towers’s original complaint, especially when considered in light of the averments contained in the Schlemann affidavit, alleged facts consistent with and sufficient to state or roughly sketch a claim for damages arising out of conduct constituting ‘[o]ral . . . publication, in any manner, of material that violate[d] [Towers’s] right of privacy.’”).

Two examples suffice. Both addressed coverage under unfair competition claims conjoined with other claims, which is often how such claims are pled. The first, *Burgett*,²⁸ cited with approval by the California Supreme Court in *Swift*,²⁹ stands for the proposition that “an insured was ‘potentially liable for disparagement by implication’ when faced with a suit alleging it had made a false claim to be ‘the only owner’ of a particular trademark.”

The second, *Aurafin-Oroamerica*, a Ninth Circuit decision, concluded that the absence of an allegation of an explicit false statement did not preclude potential coverage in an unfair competition lawsuit. As the court explained:

To the extent that the district court found that D&W’s counterclaims alleged each element of libel, but that the facts did not support a libel claim as a matter of law, the district court applied the wrong legal standard and impermissibly considered the merits of the libel claim.³⁰

So understood, fact allegations may implicate a defense for disparagement as libel in a lawsuit that claims unfair competition and is conjoined with claims for trademark infringement.

In light of these legal principles, so long as trademark infringement claims fall within an enumerated “personal and advertising injury” offense, the insurer’s duty to defend may arise (subject to any pertinent intellectual property exclusions).

2. Advertising

The ease with which the “advertising activity” requirement is met is dependent on the nature of the claims for which coverage is sought, the specific facts that have been pled, and the “advertising” definition employed. Courts across the country have struggled to establish a single definition of the term “advertising.”

Courts have focused on three distinct definitions of “advertising”: a narrow, intermediate, and broad definition.

- **Narrow Definition:** “advertising” is limited to the “widespread distribution of promotional materials to the

28. *Burgett, Inc. v. Am. Zurich Ins. Co.*, 830 F. Supp. 2d 953, 962 (E.D. Cal. 2011).

29. *Hartford Cas. Ins. Co. v. Swift Distribution, Inc.*, 59 Cal. 4th 277, 294 (2014).

30. *Aurafin-Oroamerica, LLC v. Fed. Ins. Co.*, 188 F. App’x 565, 566 (9th Cir. 2006).

public at large,”³¹ including brochures and trade show displays.³²

- **Intermediate Definition:** The “advertising” requirement is satisfied as long as the insured directs its promotional activities toward a significant portion of its relevant client base even if, from an objective perspective, the dissemination of the advertising material is neither public nor widespread.³³
- **Broad Definition:** “advertising” includes any activities designed to advertise, publicize, or promote a particular good, product, or service.³⁴ This can include trade show demonstrations³⁵ and a home tour of a residence.³⁶

31. *Hameid v. National Fire Ins. of Hartford*, 31 Cal. 4th 16, 24, 1 Cal. Rptr. 3d 401, 71 P.3d 761 (2003) (“[A]dvertising’ means widespread promotional activities directed to the public at large.”); *Hewlett-Packard Co. v. ACE Prop. & Cas. Ins. Co.*, No. C 99-20207 JW, p. 5 (N.D. Cal., Nov. 23, 2003) (“The *Hameid* decision did not address the issue before this court: whether a package insert in a product that is distributed and sold worldwide is ‘advertising.’ Indeed, the *Hameid* decision expressly declined to address the question of ‘whether widespread promotional activities directed at specific market segments constitute advertising under the CGL policy.’ *Hameid*, 31 Cal. 4th at n.3. Arguably, HP’s package insert is widespread promotional activity directed at a specific market segment.”). Note: The author’s firm, Gauntlett & Associates, appeared as amicus curiae counsel for [client] in the *Hameid* case and submitted a brief in support of the insured that proposed two exceptions to the narrow advertising definitions otherwise adopted by the court. *Id.* at *24. In footnote 2, the court clarified that the defined term “advertisement,” which a specific definition might include a broader range of conduct than that available under the undefined predecessor term “advertising.” See, David A. Gauntlett, IP Attorneys’ Handbook for Insurance Coverage in Intellectual Property Disputes, 125 n.34 (2d ed. 2010).

32. *Fireman’s Fund Ins. Co. of Wis. v. Bradley Corp.*, 2003 WI 33, 261 Wis. 2d 4, 660 N.W.2d 666, 679 (2003) (“Creating brochures and displaying products at a trade show clearly involve the widespread announcement or distribution of promotional materials and calling the attention of the public to the emergency shower systems by proclaiming their qualities in order to increase sales or arouse a desire to buy.”).

33. *Info. Spectrum, Inc. v. Hartford*, 364 N.J. Super. 54, 67, 834 A.2d 451, 459 (N.J. App. Div. 2003), *aff’d*, 182 N.J. 34, 860 A.2d 926 (2004) (“We assume without deciding that [a demonstration at a hardware exposition show in Atlantic City in June 1999] would constitute an act of advertising within the meaning of this policy.”).

34. *Century 21, Inc. v. Diamond State Ins. Co.*, 442 F.3d 79, 83, 78 U.S.P.Q.2d 1316 (2d Cir. 2006) (“[M]arketing’ may be construed to include activities apart from selling and distribution that are ‘within the embrace’ of ‘advertising’” A single allegation in an underlying complaint that the insured “marketed” the allegedly infringing goods was advertising in light of the breadth of the potential for coverage standard and the applicability of notice pleadings in the underlying federal court lawsuit.)

35. *Elan Pharm. Research Corp. v. Emp’rs Ins.*, 144 F.3d 1372, 1377 (11th Cir. 1998) (“Any oral, written, or graphic statement made by the seller in any manner in connection with the solicitation of business[.]”).

36. *Kirk King, King Cons., Inc. v. Cont’l W. Ins. Co.*, 123 S.W.3d 259, 265, 69 U.S.P.Q.2d 1517 (Mo. Ct. App. W.D. 2003) (quoting the author as follows: “A contractor putting its sign up next to the home it is building, without stating so, is placing it there to attract the attention of potential homebuyers. A highway billboard is a common form of advertising though, being stationary, it cannot be distributed. King’s sign is analogous to a highway billboard sign: Both are designed to garner business and both aim their messages at the public [L]iability for copyright infringement may be accomplished by a mere act of distribution through

With the post-1998 policy form and definition of “advertisement,” more specificity in what qualities as an “advertisement” is evident. Since 1998, under the ISO definition of an “advertisement,” all that is required to trigger its applicability is not “advertising” but rather “a notice . . . published to . . . specific market segment about your . . . products[.]”³⁷ This can be met by “[c]alling the public’s attention to a product or business by proclaiming its qualities or advantages in order to increase sales or arouse a desire to buy or patronize[.]”³⁸

3. Causal Nexus

Coverage for “advertising injury” offenses always includes a focus on the linkage between the injury and the offense, as well as between the offense and advertising. Some courts have inappropriately collapsed this analysis requiring a direct link between injury and advertising but this approach often ignores the pertinent policy language. Courts adopting this improper analysis typically require that “injury” arises out of a “personal and advertising injury” offense and that the offense either includes publication of material (that disparages or defames) an organization for “personal injury” offense or that occurs “in your ‘advertisement’” for “advertising injury” offenses.³⁹

Where the injury is the commission of the offense,⁴⁰ the causal nexus called for by the policy language is between “offense” and “advertising activity,” not between “injury” and “advertising activities.”⁴¹ Claims for various forms of unfair competition,⁴²

promotional activity that can itself involve a casual nexus to advertising . . . David A. Gauntlett, *Recent Developments in Intellectual Property Law*, 37 Tort & Ins. L.J. 543, 550 (Winter 2002).”).

37. Rombe Corp. v. Allied Ins. Co., 128 Cal. App. 4th 482, 485, 27 Cal. Rptr. 3d 99 (4th Dist. 2005) (“The term ‘specific market segments’ does not relieve an insured of the burden of demonstrating that it was engaged in relatively wide dissemination of its advertisements even if the distribution was focused on recipients with particular characteristics or interests.”).

38. Bear Wolf, Inc. v. Hartford Ins. Co., 819 So. 2d 818, 820 (Fla. Dist. Ct. App. 2002) (“[D]isplaying a copyrighted work at a trade show which is restricted to members of a trade association and qualified buyers would constitute a display of ‘copyrighted work publicly’ under the federal Copyright Act, 17 U.S.C. § 106(5).”); *Indiana Ins. Co. v. Super Natural Distrib., Inc.*, 2003 WI App 244, 268 Wis. 2d 293, 671 N.W.2d 864 (Ct. App. 2003) (unpublished disposition).

39. *Atl. Mut. Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1040 (2d Dist. 2002).

40. *B.H. Smith, Inc. v. Zurich Ins. Co.*, 285 Ill. App. 3d 536, 539, 221 Ill. Dec. 700, 676 N.E.2d 221, 223 (1st Dist. 1996) (applying New York law) (“Zurich’s duty to defend was triggered in this case because the Claiborne complaint alleged an injury constituting an enumerated offense which occurred in the course of Smith’s advertising activities.”).

41. *Pac. Grp. v. First State Ins. Co.*, 70 F.3d 524, 527 (9th Cir. 1995) (causal nexus is only between offense and the insured’s advertising activity).

42. *Hewlett-Packard Co. v. Ace Prop. & Cas. Ins. Co.*, 2008 WL 4104209 (N.D. Cal. 2008).

trademark infringement,⁴³ and trade dress⁴⁴ infringement typically involve advertising as an element to establish liability whether or not the role of advertising as such is specifically stated in the complaint. This follows because advertising is an element of the way in which liability attaches for most trademark, trade dress, and unfair competition claims.⁴⁵

D. “Occurring During the Policy Period”

Where the complaint is unclear on this issue, extrinsic evidence may be used to clarify whether the allegations include conduct within the policy period.⁴⁶ The same is true when the allegations are silent as to when the wrongful conduct occurred.⁴⁷

E. “Notice of Suit”

The failure to give notice of a “cease and desist” letter can activate late notice prohibitions in an insurance policy, even though the eventual suit is noticed promptly.⁴⁸ The *ContextMedia* court in Illinois made the failure to give such notice a trap for the unwary since many policyholders are overwhelmed by a plethora of cease and desist letters. The court’s rationale was that the belief that one

43. *El-Com Hardware, Inc. v. Fireman’s Fund Ins. Co.*, 92 Cal. App. 4th 205, 219, 111 Cal. Rptr. 2d 670 (1st Dist. 2001) (“[A]ppellants demonstrated a potential for coverage under the policies’ advertising provisions because their infringement of the trade dress of Penn Fabrication’s handles occurred in the course of advertising its products.”).

44. *Hyman v. Nationwide Mut. Fire Ins. Co.*, 304 F.3d 1179, 1193-94, 64 U.S.P.Q.2d 1411 (11th Cir. 2002) (“[W]e find simply that Double R’s publication of advertisements featuring artwork similar to the artwork in Inter-Global’s ads and promoting products substantially similar to Inter-Global’s products designated by similar model numbers to Inter-Global’s model numbers is sufficient to create a nexus between trade dress infringement and advertising.”).

45. J. Thomas McCarthy, *Trademarks and Unfair Competition*, *supra* note 21, § 25:26 (4th ed. 2004) (“The Lanham Act imposes liability for infringement of a registered mark upon any person who uses an infringing mark in interstate commerce in connection with the sale or advertising of goods or services. This broad definition includes any manufacturer, supplier, dealer, printer, publisher, or broadcaster who in fact has used the infringing mark in connection with ‘the sale, offering for sale, distribution or advertising of any goods or services’ when such use is likely to cause confusion.”).

46. *American Motorists Ins. Co. v. Fireman’s Fund Ins. Co.*, 82 U.S.P.Q.2d 1050, 2007 WL 735767, *6 (N.D. Cal. 2007) (The use of Pelican Accessories’ trademarks on product packaging was not advertising. “[E]ven the Richards declaration, which . . . states that the company advertised Pelican products, cannot be construed to support the more specific proposition . . . that the Pelican mark was used in advertising in 1997.”).

47. *Indian Harbor Ins. Co. v. Hartford Cas. Ins. Co.*, 2007 WL 2955564, *7 (Cal. App. 2d Dist. 2007) (unpublished/noncitable) (“The allegations [in 28, 29 and 30 of the Adidas complaint] are not limited in time or by product line and potentially cover Skechers’s advertising activities during the period covered by Hartford’s policy Skechers also provided Hartford with a 1998–1999 catalog that advertised, during Hartford’s policy period, allegedly infringing Skechers footwear described in the Adidas complaint.”).

48. *Hartford Cas. Ins. Co. v. ContextMedia, Inc.*, Case No. 12-cv-9975, 2014 U.S. Dist. LEXIS 120037 (N.D. Ill. E.D. Aug. 28, 2014).

is not liable is not an excuse for failing to give notice.⁴⁹ Another Illinois court subsequently reasoned that the policy term requiring notice when “practicable” meant “capable of being put into practice of being done or accomplished.” So understood, a lengthy delay was found to be unreasonable where the insured was not “incapable of immediately notifying its insurer of a potential claim.”⁵⁰ Potential coverage arises even when the claim itself is false, frivolous or fraudulent. Submission of a sham claim for potential coverage does not require any belief by an insured that there is a viable basis for the claimant to assert liability.⁵¹

The state law to be applied to the insurance contract can be critical on the issue of timely notice of a claim. In New York and Texas, a rigorous forfeiture of coverage rule is likely to apply to late notice of business tort claims falling within “advertising injury” or “personal injury” coverage. Illinois, on the other hand, employs a “reasonableness” test; under this test, prejudice to the insurer is an element to be considered, but if the date of notice is not reasonable, then the insured may not obtain policy benefits. Prejudice to the insurer is the test in the remaining forums (including California, Pennsylvania, Michigan, and Massachusetts) and a minority place the burden of showing no prejudice on the insured (namely, Connecticut, Florida, and Ohio).⁵²

Providing the insurer with prompt notice of cease and desist claims will preclude any possible loss of policy benefits.⁵³

This suggests *first*, that there may be malpractice exposure for counsel addressing cease and desist claims who fail to advise their clients to give notice of the cease and desist claims, and *second*, that such claims might potentially fall within insurance coverage.

Other insurers have sought to avoid liability by strengthening their arguments regarding notice requirements in jurisdictions where the approach of *ContextMedia* may not be as readily accepted.⁵⁴ These insurers have added express endorsements to their policy that disqualify claims where the insured failed to give notice of the cease and desist letter. Typical of these is Atain’s recent “Known Injury and Damage Exclusion Personal Advertising Injury”

49. *Sentinel Ins. Co. v. Cogan*, 202 F. Supp. 3d 831, 839 (N.D. Ill. 2016).

50. *Sentinel*, 202 F. Supp. 3d at 838.

51. *Horace Mann Ins. Co. v. Barbara B.*, 4 Cal. 4th 1076, 1086, 17 Cal. Rptr. 2d 210, 217, 846 P.2d 792, 799 (1993) (“[Even] when the underlying action is a sham, the insurer can demur or obtain summary judgment on its insured’s behalf[.]”).

52. David A. Gauntlett, *IP Attorney’s Handbook for Insurance Coverage in Intellectual Property Disputes*, Ch. 6, p. 71 (2d ed. 2014).

53. *Insurance Coverage of IP Assets*, § 3.15[C].

54. *Hartford Cas. Ins. Co. v. ContextMedia, Inc.*, No. 12-cv-9975, 2014 U.S. Dist. LEXIS 120037 (N.D. Ill. Aug. 28, 2014).

form.⁵⁵ Under this endorsement language, insurers may argue that knowledge of a cease and desist claim prior to policy inception must be disclosed even if it was not otherwise required by the specific questions on the policy application.

Where insurers seek to preclude coverage for “suits” simply because of the failure to report a “cease and desist” claim, policyholders can argue that an insurer should not be able to obtain the benefits of an unwritten exclusion under the guise of contract “interpretation.”⁵⁶ This is an especially persuasive argument where notice of a “suit” is not possible, because insurers routinely argue that a claim that is formalized in a cease and desist letter with a demand for money is not a suit.⁵⁷

Policyholders should be vigilant in reviewing their policies and resist insurer attempts to preclude coverage simply because a cease and desist letter is received and not reported to an insurer prior to the policy’s inception.⁵⁸

The better options are either to (a) provide prompt notice to the insurer of any cease and desist claims; or (b) negotiate added policy language (an endorsement) with the insurer specifically recognizing that cease and desist letters are routinely received by the insured and future tender of notice as to a cease and desist claim will not be referenced by the insurer as a basis for claiming that late notice of any other cease and desist claim precludes coverage as to any such claim received by the insured before the policy inception. So, under this endorsement, the mere fact that notice is not provided as to one cease and desist claim or only as to one such claim should not

55. The Atain Special Insurance Company of Farmington Hills, Michigan policy form, A00087307/2012 - US Sup 00087302/2008, provides: “known injury or damage this insurance does not apply to “personal and advertising injury” arising from an offense: (a) that occurs during the policy period and, *prior to the policy period an insured . . . knew that the personal advertising injury “occurred prior to the policy period, in whole or in part. . . .”* “Personal and advertising injury” arising from defense shall be deemed to have been known, to have occurred at the earliest time when any insured . . . : (1) reports all, or a part, of the “personal and advertising injury” to us or any other insurer; (2) *receives a written or verbal demand or claim for damages because of the “personal or advertising injury;”* or (3) becomes aware by any other means that “personal or advertising injury” has occurred or has begun to occur.” (Emphasis added).

56. *Fireman’s Fund Ins. Cos. v. Atl. Richfield Co.*, 94 Cal. App. 4th 842, 852 (2001) (“[A]n insurance company’s failure to use available language to exclude certain types of liability gives rise to the inference that the parties intended not to so limit coverage.”).

57. *Hester v. Navigators Ins. Co.*, 917 F. Supp. 2d 290, 292 (S.D.N.Y. 2013) (“[B]ecause the Cease & Desist Letter is not a ‘suit,’ Navigators was not obligated to begin any defense of Hester upon his receipt of the Cease & Desist Letter.”).

58. *U.S. Fire Ins. Co. v. Button Transp., Inc.*, No. A108419, 2006 Cal. App. Unpub. LEXIS 3472, at *29, 33 (Cal. Ct. App. Apr. 26, 2006) (“ . . . [I]mplied obligation of good faith and fair dealing requires the insurer to settle in an appropriate case although the express terms of the policy do not impose such a duty.’ . . . Thus, the implied covenant of good faith and fair dealing requires an insurer to settle a covered claim rather than simply wait to see if a lawsuit is filed and to pay a judgment, if settlement is necessary to protect the interests of its insured.”).

preclude coverage for other cease and desist claims received before policy inception or at any time.

IV. “PERSONAL AND ADVERTISING INJURY” COVERAGE CASES

This section will analyze five (5) distinct offenses that have evolved from the 1986 ISO version to the present 2014 ISO CGL policy form, clarifying circumstances in which these offenses may implicate potential coverage in a variety of trademark infringement fact scenarios. It is critical to bear in mind that, after adoption in 2001 of the ISO trademark infringement exclusion, a lawsuit must present claims beyond those for trademark infringement alone to implicate coverage. Coverage typically requires “trademark plus” fact scenarios.

A. “Misappropriation of Advertising Ideas” [1986 ISO]

1. Scope of Meaning

The “misappropriation” offense has been held in appropriate advertising-driven fact scenarios to encompass some claims for business method patent infringement; distribution of stolen customer lists; various forms of trademark, trade dress, and trade name infringement; as well as a range of false advertising claims. As one court observed:

[M]isuse is an appropriate synonym for the policy term “misappropriation”. . . . [A]dvertising . . . is an adjective, and it is employed in the sentence to describe the kind of ‘idea’ that must be misappropriated or misused in order for there to be coverage Misuse is the preferred dictionary definition of misappropriation to which a lay person would try to engage in meanings for this undefined policy term.⁵⁹

Arguably, this definitional fluidity comes from the fact that the phrase “advertising idea” as understood by linguists is a noun-noun compound that does not limit the connective possibilities between those terms. “Advertising idea” may include ideas about, for, concerning, respecting, or in advertising, to name but a few of the possible permutations of this undefined combination of lay terms. While “advertising” as used in the phrase “advertising idea” may appear to function as an adjective, linguists generally do not assume any interconnected linking tissue between these conjoined words.⁶⁰

59. *Applied Bolting Tech. Prods., Inc. v. U.S. Fid. & Guar. Co.*, 942 F. Supp. 1029, 1033 (E.D. Pa. 1996).

60. Insurance Coverage of IP Assets, at § 3.03[D][3][b], p. 3-38 n.88, citing Eve & Herb Clark, *When Nouns Surface As Verbs*, 55 *Language* 767-811 (1979), Pam Downing, *The Creation and Use of English Compound Nouns*, 53 *Language* 810-842 (1977).

2. Fact Scenarios Analyzing Coverage

a. Coverage Found

In *Lebas*,⁶¹ following what became the clear majority trend, the California Court of Appeals required an insurer to defend against trademark infringement claims under the “misappropriation” offense in the “advertising injury” policy language. This came only after the Court granted a rehearing, heard full oral argument, and considered the American Intellectual Property Law Association’s (“AIPLA”) amicus brief in support of the insured’s position. The court reasoned that a general meaning “to take wrongfully” would certainly fall within the meaning of “misappropriate”⁶² and therefore, the trademark infringement claim fell within the scope of coverage. The *Lebas* court acknowledged *Advance Watch* (discussed in the next section) but declined to follow it.⁶³

The Supreme Court of South Carolina expressly rejected limiting misappropriation of advertising ideas or style of doing business to the common law tort of misappropriation.⁶⁴

In *State Auto Prop.*, the Fourth Circuit addressed the alleged misuse of the NISSAN mark, which is “instantly recognizable . . . as a symbol of high-quality automobiles.”⁶⁵ Recognizing that the mark itself was an “advertising idea,”⁶⁶ the court stated:

We do not accept the view that a trademark is merely a label or an identifier A trademark, by identifying and distinguishing

61. *Lebas Fashion Imps. of United States v. ITT Hartford Ins. Grp.*, 50 Cal. App. 4th 548, 562, 59 Cal. Rptr. 2d 36, 44 (1996) (“It appears to us, reading the policy as a layman would, that an objectively reasonable purpose of the phrase ‘misappropriation’ of either an ‘advertising idea’ or a ‘style of doing business’ is an attempt to restrict or more narrowly focus the broader coverage potentially encompassed by the general term ‘unfair competition’ which was utilized in the earlier policy language. When read in light of the fact that a trademark infringement could reasonably be considered as one example of a misappropriation, and taking into account that a trademark could reasonably be considered to be part of either an advertising idea or a style of doing business, it would appear objectively reasonable that ‘advertising injury’ coverage could now extend to the infringement of a trademark.”).

62. *Id.*

63. *Id.* at 566 n.14 (“In reaching [its] conclusion, the court of appeals in *Advance Watch* did not apply, as we are required to do under California law, the principle that disputed policy language must be examined through the eyes of a layman rather than an attorney or an insurance expert.”).

64. *Super Duper, Inc. v. Penn. Nat’l Mut. Cas. Ins. Co.*, 683 S.E.2d 792, 796, 385 S.C. 201, 209-210 (S.C. 2009) (“Generally, misappropriate is ‘to appropriate dishonestly for one’s own use . . . [or] to appropriate wrongly or misapply in use.’ . . . Trademark infringement is squarely within this definition.”).

65. *State Auto Prop. & Cas. Ins. Co. v. Travelers Indem. Co. of Am.*, 343 F.3d 249, 258 (4th Cir. 2003).

66. *Id.* (“[A] trademark plays an important role in advertising a company’s products. Thus, at the very least, a trademark has the potential to be an advertising idea.”).

the trademark holder's products, promotes those products to the public.⁶⁷

Even a product's physical features, such as a loud speaker handle, may fall within the misappropriation offense.⁶⁸ The manner in which the product features were promoted in catalogs evidenced a causal nexus to advertising.⁶⁹

Few courts have questioned whether trade dress infringement should fall within the misappropriation offense. The Eleventh Circuit, applying Florida law, conceded that:

“. . . Because trademark and trade dress serve this function [to identify the source of the products and distinguish the products from similar products], the concept of 'advertising idea' or 'style of doing business' may reasonably be interpreted to include these types of claims." . . . It is only a short step, then, to conclude that the "misappropriation" of an advertising idea or style of doing business may include trade dress infringement.⁷⁰

In *Allou Health and Beauty*, Nexxus, a brand name beauty products manufacturer, asserted trademark infringement against a generic brand. The court found a sufficient causal connection between the plaintiff's advertising activities and the injury alleged in the underlying action to afford coverage.⁷¹ As a federal district court in Texas stated:

Numerous courts throughout the country have agreed with Plaintiffs that coverage for trademark and trade dress infringement claims is provided under the "advertising injury" offense of "misappropriation [of] style of doing business."⁷²

b. No Coverage Found

In an earlier article written for this publication in 1999, the then raging dispute over trademark infringement coverage centered on whether the then operative personal and advertising injury

67. *Id.* n.12.

68. *El-Com Hardware, Inc. v. Fireman's Fund Ins. Co.*, 92 Cal. App. 4th 205, 214, 218-19 (2001), *pet. for review den.*, 2001 Cal. LEXIS 8430 (Nov. 28, 2001).

69. *Id.* at 218-19 ("A manufacturer's display and presentation of its products to a significant number of its client base, particularly at a site other than the manufacturer's factory or showroom, would be commonly understood to fall within the definition of advertising, to wit, calling public attention to the merits of one's product so as to encourage purchase of the product.")

70. *Hyman v. Nationwide Mut. Fire Ins. Co.*, 304 F.3d 1179, 1189 (11th Cir. 2002), *citing Adolfo House Distrib. Corp. v. Travelers Prop. & Cas. Ins. Co.*, 165 F. Supp. 2d 1332, 1339 (S.D. Fla. 2001).

71. *Allou Health & Beauty Care, Inc. v. Aetna Cas. & Sur. Co.*, 269 A.D.2d 478, 480; 703 N.Y.S.2d 253 (N.Y. 2000).

72. *Bay Elec. Supply, Inc. v. Travelers Lloyds Ins. Co.*, 61 F. Supp. 2d 611, 616 (S.D. Tex. 1999).

offense “misappropriation of advertising ideas or style of doing business” might encompass trademark infringement claims.⁷³

On one side of the fence was the pro-insurer decision, *Advance Watch*, from the Sixth Circuit Court of Appeals.⁷⁴ Adopting a narrow construction of the operative offense, the court determined that coverage was limited to the common law tort of misappropriation. While still the law in the Sixth Circuit, *Advance Watch* has been the subject of concerted attack as discussed in the next section.

c. Criticisms of No Coverage Found Cases

Advance Watch was initially followed in California by *Reboans I*, where the court opined:

Because an objectively reasonable insured would expect coverage only for listed torts, and since common law misappropriation is inapplicable to trademarks, an objectively reasonable insured would not expect trademark infringement to be covered.⁷⁵

On reconsideration, *Reboans I* was transferred to Judge Jensen, who sat in the Northern District of California, Oakland Division, after the judge who decided *Reboans I* retired from the bench. In deciding *Reboans II*, Judge Jensen relied on a different offense, infringement of title—a provision not addressed in *Reboans I*. The court held that it would be “objectively reasonable” for the insured to expect a claim for trade dress infringement to fall under “misappropriation” or “style of doing business” given the “numerous courts” that have held so.⁷⁶

A subsequent decision from Michigan inspired an Ohio district court to distance its views from that of the Sixth Circuit in *Advance Watch* by predicting that the Ohio Court of Appeals would not follow the *Advance Watch* approach.⁷⁷

73. Graff, 89 TMR 939 (1999).

74. *Advance Watch Co., Ltd. v. Kemper Nat'l Ins. Co.*, 99 F.3d 795 (6th Cir. 1996).

75. *Am. Econ. Ins. Co. v. Reboans, Inc.*, 852 F. Supp. 875, 879 (N.D. Cal. May 5, 1994), *rev'd*, 900 F. Supp. 1246 (N.D. Cal. 1994) (“*Reboans I*”).

76. *Am. Econ. Ins. Co. v. Reboans, Inc.*, 900 F. Supp. 1246, 1254-55 (N.D. Cal. Dec. 27, 1994) (*Reboans II*).

77. *AMCO Ins. Co. v. Lauren-Spencer, Inc.*, 500 F. Supp. 2d 721, 730 (S.D. Ohio 2007), citing *Am. States Ins. Co. v. Hayes Specialties, Inc.*, No. 97-020037 CK 4, 1998 WL 1740968, at *3 (Mich. Cir. Ct. Mar. 6, 1998) (“*Advance Watch* stands alone in a sea of case law which holds that the policy term ‘misappropriation of advertising ideas or style of doing business’ encompasses trademark infringement. There is no need here to engage in any great dissertation on the law. Suffice to say, the Court has reviewed these cases and in particular those decided since *Advance Watch* and agrees with defendant that the analysis and reasoning of the Sixth Circuit is not only unpersuasive and flawed, but demonstrates a lamentable lack of understanding and grasp of the law of trademark/trade dress, and ultimately led to an unduly narrow holding and somewhat bizarre and tortured application

In *Sport Supply*, which has been sharply criticized, the Fifth Circuit selectively drew one inference from the nature of a trademark and determined that it rendered coverage unavailable.⁷⁸ In 2012, *Looney Ricks*, a subsequent Fifth Circuit case addressing the infringement of copyright claims under Louisiana law, found *Sport Supply*'s analysis unpersuasive.⁷⁹ Addressing the breadth of the breach of contract exclusion, which the court found required a "but for" relationship, even within the broad "arising out of" language at issue, it distanced itself from the *Sport Supply* analysis. The *Looney Ricks* court directly addressed the assertion that trademark infringement could not constitute misappropriation of advertising idea or style of doing business and questioned the narrow analytic premises of that opinion.

B. "Infringement of Title" [1976/1986 ISO]

1. Scope of Meaning

"Title" is defined as "a mark, style or designation; a distinctive appellation; the name by which anything is known."⁸⁰

Most courts have held that infringement of title is not limited to literary or artistic titles,⁸¹ but not so broad as to encompass title in the sense of ownership of property⁸² or the mere legal right to title.⁸³ Because legal uncertainty exists as to the meaning of "infringement of title," courts routinely hold that it encompasses a

of Michigan insurance law. This case has been roundly criticized and at present appears to be only cited as an example of what the law is clearly not.").

78. *Sport Supply Grp., Inc. v. Columbia Cas. Co.*, 335 F.3d 453, 463 (5th Cir. 2003) ("The Macgregor mark, like most trademarks, is a *label* that serves primarily to *identify and distinguish* certain MacMark products. [But it would not] by itself, appear to serve as a 'marketing device[] designed to induce the public to patronize' establishments with Macgregor products.").

79. *Looney Ricks Kiss Architects, Inc. v. State Farm Fire & Cas. Co.*, 677 F.3d 250 (5th Cir. 2012) (applying Louisiana law).

80. *Black's Law Dictionary* 1485 (6th ed. 1990).

81. *Hosel & Anderson, Inc. v. ZV II, Inc.*, 2001 Copr. L. Dec. P 28252, 2001 WL 392229, *2 (S.D. N.Y. 2001) (interpreting policy that defines "Advertising Injury" to include "[i]nfringement of copyright, slogan, or title of any literary or artistic work.").

82. *Black's Law Dictionary* (6th ed. 1990); *P.J. Noyes Co. v. Am. Motorists Ins. Co.*, 855 F. Supp. 492, 495, 31 U.S.P.Q.2d 1790 (D.N.H. 1994) (rejected by *Advance Watch Co., Ltd. v. Kemper Nat. Ins. Co.*, 99 F.3d 795, 40 U.S.P.Q.2d 1545, 1996 Fed. App. 0350P (6th Cir. 1996)) ("The allegation that Noyes used the name 'Dust Free Precision Pellets' in their advertising and literature and packaging, arguably falls within the ambit or . . . infringement of title or slogan.").

83. *RGP Dental, Inc. v. Charter Oak Fire Ins. Co.*, 2005 WL 3003063, *3-4 (D.R.I. 2005) ("Plaintiff then offers that 'Support Design's claim for unfair competition . . . is essentially a claim that RGP has unlawfully infringed on its legal right to exclusive use of the chair's design . . . ' . . . The word 'title' merits at least 10 distinct definitions in Webster's Dictionary, Merriam-Webster's Collegiate Dictionary 1238 (10th ed. 1994), but only one of these is reasonable when the phrase 'infringement of copyright, title or slogan' is read in an ordinary, common sense manner.").

mark, style, or designation;⁸⁴ a distinctive appellation;⁸⁵ the name by which anything is known;⁸⁶ a design element;⁸⁷ or even a mark, model number, and label.⁸⁸

2. Fact Scenarios Analyzing Coverage

a. Coverage Found

The “infringement of title” offense does not track any recognized cause of action. Courts have recognized that “infringement of title” can encompass trademark infringement claims based on the plain meaning of the term “title”:

A title is “a descriptive name.” Webster’s Third New International Dictionary 2400 (2002). . . . Therefore, trademarks, titles, and slogans are heavily related and can be synonymous. Thus, coverage for “infringement of copyright, title or slogan” may envelop trademark infringement. *See Union Ins. Co. v. Knife Co., Inc.*, 897 F. Supp. 1213, 1217 (W.D. Ark.

84. *First State Ins. Co. v. Alpha Delta Phi Fraternity*, 39 U.S.P.Q.2d 1905, 1912-1913, 1995 WL 901452 (Ill. App. Ct. 1st Dist. 1995) (“Infringement of Trademark . . . exists if words or designs used by the defendant are identical with or so similar to plaintiff’s that they are likely to cause confusion, or deceive or mislead others.” Black Law Dictionary (6th ed.). Based on the definitions of “title” . . . we find that the underlying complaint alleges infringement of title . . . potentially within the coverage . . . where “Alpha Delta Phi” and “Alpha Delta” fit those descriptions.)

85. *Acuty v. Bagadia*, 2008 WI 62, 310 Wis. 2d 197, 750 N.W.2d 817 (2008) (Black’s Law Dictionary (6th ed.) “[a] mark, style, or designation; a distinctive appellation.”).

86. *W. Wis. Water, Inc. v. Quality Beverages of Wis., Inc.*, 2007 WI App 188, 305 Wis. 2d 217, 738 N.W.2d 114, 121-22 (Ct. App. 2007) (“Crystal Canyon’s trademark infringement is an ‘infringement of . . . title’ and is covered conduct The [*Charter Oak Fire Ins. Co. v. Hedeon & Cos.*, 280 F.3d 730, 736, 61 U.S.P.Q.2d 1557, 98 A.L.R.5th 687 (7th Cir. 2002)] court expressly rejected the proposition that infringement of title ‘unambiguously refer[re]d] only “to the non-copyrightable title of a book, film, or other literary or artistic work.” . . . [T]he drafters of the policy language were not articulating recognized causes of action, but rather categories into which certain conduct might fall.”).

87. *Bridge Metal Indus., LLC v. Travelers Indem. Co.*, No. 11-4228-CV, 2014 U.S. App. LEXIS 4463, at *18-19 (2d Cir. Mar. 11, 2014) (The court characterized a trade dress case as implicating coverage for infringement of title under Traveler’s modified coverage, noting that the court in *CGS Indus., Inc. v. Charter Oak Fire Ins. Co.*, 720 F.3d 71, 81 (2d Cir. 2013) (applying New York law) held that “the insurer had a duty to defend in CGS Industries due to a ‘handful’ of cases that ‘define[d] title in a way that could arguably include a design or symbol similar to the pocket stitching at issue here.’ *Id.* at 79-81.” As some courts extended the meaning of the term “title” to “‘arguably include a design or symbol,’ [*CGS Industries*, 720 F.3d. at 80]—[this] encompassed confusion over not only trademarks, but also the related concept of trade dress. . . . Thus, because there was ‘a legal uncertainty as to insurance coverage,’ *Hugo Boss*, 252 F.3d at 622 (italics omitted), due to doctrinal confusion regarding the concept of ‘title’ at the time of the Policy, Travelers’s duty to defend the underlying actions was triggered.”).

88. *Aearo Corp. v. Am. Int’l Specialty Lines Ins. Co.*, 676 F. Supp. 2d 738, 746 (S.D. Ind. 2009) (Use of Climb-Tech’s name, mark, model number and label triggered a defense in light of the Seventh Circuit and two Indiana federal district courts’ analysis, finding the phrase “infringement of title” broad enough to encompass trademark infringement claims.)

1995) (holding trademark infringement can be described as infringement of a title or slogan as “both titles and slogans . . . can undoubtedly be protected as trademarks”).⁸⁹

Earlier decisions echoed the view that claims for trademark infringement readily fell within the coverage for infringement of title.⁹⁰ A number of decisions have concluded that coverage for “infringement of title” falls within the 1986 ISO CGL offense of “infringement of copyright, title or slogan” and encompasses a number of title infringement claims, whether or not asserted as an express claim for trademark infringement. Indeed, some policy forms, such as that issued by Chubb, extended coverage to “infringement of trademarked titles.”⁹¹ In *Houbigant*, the particular policy language at issue extended coverage to a trademarked title. The court found that Houbigant’s use of a house and product mark, Chantilly, fell within the definition of a trademarked title.⁹² The same can be said of the word “fullblood,” where the term was used to identify bulls and commonly understood to be a “title.”⁹³ This offense can be readily extended to cover unfair competition where a claimant seeks recovery for confusing use of a similar, but not identical title, as an alternative basis of liability for trademark infringement.

89. *Super Duper v. Pa. Nat’l Mut. Cas. Ins. Co.*, 385 S.C. 201, 212, 683 S.E.2d 792, 797 (2009).

90. *Acuity v. Bagadia*, 750 N.W.2d 817, 826 (Wis. 2008) (“Symantec owns trademarks in each of the following: Symantec(R) . . . Each of these designations is either the title of a software program they name or the brand under which those programs are sold . . . Accordingly, UNIK engaged in an enumerated offense when it infringed Symantec’s trademarks.”).

91. *Villa Enters. Mgmt. Ltd. v. Fed. Ins. Co.*, 360 N.J. Super. 166, 185 (2002) (“[N]o tortured examination of various definitions of ‘title’ need be made. Under the Federal policy before us, advertising injuries arising from a claim of infringement of a trademarked or service-marked title (i.e., *any* trademarked or service-marked *name*) is entitled to defense and indemnification whereas advertising injuries arising from a claim of infringement of other trademarked or service-marked words, symbols or devices are not covered, nor claims of infringement based on certification marks, collective marks and unregistered trade names.”).

92. *Houbigant v. Fed. Ins. Co.*, 374 F.3d 192, 200 (3d Cir. 2004) (applying New Jersey law) (“Thus, we . . . define trademarked title as any name, appellation, epithet, or word used to identify and distinguish the trademark holder’s goods from those manufactured or sold by others. Houbigant’s house mark and product mark (e.g., ‘Chantilly’) falls within this definition.”).

93. *Am. Simmental Ass’n v. Coregis Ins. Co.*, 282 F.3d 582 (8th Cir. 2002) (“Blue Dane accused ASA of wrongfully using the ‘fullblood’ title to advertise bulls, thereby causing Blue Dane injury. Thus, under a plain and ordinary meaning analysis, Blue Dane alleged an ‘unauthorized taking’ of Blue Dane’s ‘advertising idea,’ which ‘infringed’ upon Blue Dane’s use of the term ‘fullblood’ and caused injury.”).

b. No Coverage Found

The contrary minority view is that infringement of title must be limited to a literary or artistic title.⁹⁴

Courts that limit the scope of the “infringement of title” offense to the taking of the title of an artistic work ignore that the insurers could have limited this offense in the policy if that was their intention.

Cases adopting this narrow view either adopt *Advance Watch* and apply its “misappropriation” analysis in the “infringement of title” context,⁹⁵ or address variant versions of the standard form ISO CGL policy that use the “literary or artistic title” definition instead of the prior undefined phrase “infringement of title.” Thus, the court in *Palmer* concluded that the title “Valencia” as used to designate a residential community was not an artistic or literary title as required by the policy’s express language.⁹⁶ The *Palmer* court conceded that a different construction would be compelled if the policy did not contain a trademark exclusion.⁹⁷ The *Palmer* court did not explain why the exclusion’s language had to be read to limit the scope of the policy provision rather than simply describe one specific set of excluded activities that might otherwise fall within the scope of coverage.

c. Criticisms of No Coverage Found Cases

The Third Circuit, applying New Jersey law, subsequently rejected *Palmer*’s narrow reading of the term “title,” as limited to a literary or artistic title. It preferred to follow the New Jersey state trial court opinion in *Houbigant*.⁹⁸

94. *W. Wis. Water, Inc. v. Quality Beverages of Wis., Inc.*, 738 N.W.2d 114, 121-22 (Wis. Ct. App. 2007) (“The [*Charter Oak Fire Ins. Co. v. Hedeon & Cos.*, 280 F.3d 730, 736 (7th Cir. 2002)] court expressly rejected the proposition that infringement of title ‘unambiguously refer[ed] only “to the noncopyrightable title of a book, film, or other literary or artistic work.” . . . [T]he drafters of the policy language were not articulating recognized causes of action, but rather categories into which certain conduct might fall.”).

95. *ShoLodge, Inc. v. Travelers Indem. Co. of Ill.*, 168 F.3d 256, 259-260 (6th Cir. 1999) (“The infringement of title of an artistic work, which is generally too short to be copyrighted, is directly related to the infringement of copyright law, which protects the artistic work itself. To include infringement of ‘names’ generally within this phrase would be to improperly expand the subject matter of the clause.”).

96. *Palmer v. Truck Ins. Exch.*, 21 Cal. 4th 1109, 1117, 1118, 988 P.2d 568, 574, 575 (1999) (“Because these names can be trademarked, adopting this definition of ‘title’ carves out a limited exception and gives effect to every part of the Policy’s trademark exclusion clause.”).

97. *Id.* at 1118-19 (“Although other courts . . . have broadly defined ‘title’ to encompass any name or property right, we do not find these decisions persuasive. . . . [T]hey involve policies that only contain the coverage clause—and *not* the trademark exclusion clause.”).

98. *Houbigant, Inc. v. Fed. Ins. Co.*, 374 F.3d 192, 199 (3d Cir. 2004) (“As an initial matter, there can be no dispute that ‘title’ has several meanings, including: (1) ‘an identifying name given to a book, play, film, musical composition or work of art’; (2) ‘[a] general or

The *Houbigant* court explained that *Palmer's* narrow interpretation of trademarked title, driven by the policy's exclusionary language:

ignores the statutory distinction between “trademarks” and “trade names.” The Lanham Act defines a “trademark,” in relevant part, as “any word, name, symbol, or device, or any combination thereof . . . used by a person . . . to identify and distinguish *his or her goods*. . . from those manufactured or sold by others and to indicate the source of the goods[.]” 15 U.S.C. § 1127 (emphasis added). In contrast, “trade name” is defined as “any name used by a person to identify his or her *business or vocation*.” *Id.* (emphasis added). Thus, the statutory definition of trademark limits the scope of the term trademarked title and distinguishes it from trade names.⁹⁹

The *Houbigant* court also concluded that it was unreasonable to presume that a purchaser of such a policy would conclude that it only covers literary artistic titles and not ordinary product titles.¹⁰⁰

C. “Infringement of Slogan” [1976/1986/ 2001/2004/2007 ISO]

1. Scope of Meaning

Coverage for “infringement of slogan” does not require that the word or words that constitute a slogan be a trademark, much less a registered trademark, as some variant policy forms require.

The 1976/1986 ISO CGL form included the offense of “infringement of . . . slogan” as part of the covered offense “infringement of copyright, title or slogan.” Such an offense cannot be limited to any singular tort such as copyright infringement, as slogans generally cannot be copyrighted.¹⁰¹

Later policy forms exclude coverage for any advertising injury arising out of infringement of trademark except “infringement of slogan.”

A slogan is any “attention-getting device, phrase, moniker, or utterance that is used to promote products or services.”¹⁰² A slogan

descriptive heading, as of a book chapter[]; and (3) [a] descriptive appellation: EPITHET[] *Villa*, 821 A.2d at 1181 (quoting Webster’s II New College Dictionary at 1157).”).

99. *Id.* at 199 (“Moreover, limiting trademarked titles to literary or artistic works would ‘create an ambiguity rather than resolve one[.]’ *id.* Not only would it ‘send insureds on a quixotic quest for literary works the title of which coincidentally mirrored the registered title alleged to have been infringed,’ *Id.*, it would create endless litigation over what constitutes literary or artistic work.”).

100. *Id.* at 200.

101. Compendium of U.S. Copyright Practices, Chapter 700:8 (2014).

102. *Ultra Coachbuilders, Inc. v. Gen. Sec. Ins. Co.*, 2002 WL 31528474, *3 (S.D.N.Y. 2002) (“Infringement of the phrase creates a duty of defense if it is potentially a slogan . . . ‘A slogan is a brief attention-getting phrase used in advertising or promotion or a phrase used

can be but does not have to be a registered trademark. But some courts have limited coverage to fact scenarios where the registered mark is not a house mark or product mark, such as the Ford house mark for motor cars or the MUSTANG product mark for a particular car, respectively.¹⁰³

A string of cases have pushed the envelope in defining the appropriate scope of the express coverage for “infringement of slogan” to encompass short phrases identified in the complaint as trademarks,¹⁰⁴ previously used monikers,¹⁰⁵ and abbreviated phrases.¹⁰⁶ Some courts have ruled that “infringement of slogan” may include, but need not be limited to, coverage of “infringement of trademarked or service marked slogans.”¹⁰⁷ It is irrelevant

repeatedly, as in promotion.’ *Palmer v. Truck Ins. Exch.*, 21 Cal. 4th 1109, 90 Cal. Rptr. 2d 647, 988 P.2d 568, 53 U.S.P.Q.2d 1185 (1999) . . . Ford also claims it uses the phrase [QVM or Quality Vehicle Modifier] to promote both the program itself and use of its other products. . . . “ A phrase, word, or utterance, whether registered or not as a trademark, may trigger advertising injury even with a trademark exclusion if it is used while advertising to attract attention or promote services or products. In the Ultra Coach case, the confusingly similar abbreviations VQM and QVM were alleged to attract attention to both programs and other products of the underlying plaintiff and thus were found to be slogans which trigger a defense.).

103. *Hugo Boss Fashions, Inc. v. Fed. Ins. Co.*, 252 F.3d 608, 619-20, n.7, 59 U.S.P.Q.2d 1161 (2d Cir. 2001) (A slogan can only function as a separate trademark if it creates a separate impression from the house mark, citing *Genovese Drug Stores, Inc. v. TGC Stores, Inc.*, 939 F. Supp. 340, 346, 1997-1 Trade Cas. (CCH) &p; 71745 (D.N.J. 1996); *In re Nat’l Training Ctr. of Lie Detection, Inc.*, 226 U.S.P.Q. 798, 799, 1985 WL 72086 (T.T.A.B. 1985) (inquiring whether the slogan create[s] a commercial impression separate and apart from the other material on the [product])).

104. *Cincinnati Ins. Co. v. Zen Design Grp., Ltd.*, 329 F.3d 546, 556, 67 U.S.P.Q.2d 1141, 2003 Fed. App. 0158P (6th Cir. 2003) (Court concluded that the underlying action for trademark and trade dress infringement alleged a potentially covered “advertising injury” offense of “infringement of . . . slogan,” even though there was no express cause of action for an infringement of slogan. The court defined slogans as “phrases used to promote or advertise a house mark or product mark” and found it plausible that THE WEARABLE LIGHT could be interpreted as a slogan used to promote the product mark SAPHIRE and not a separate product mark).

105. *Finger Furniture Co., Inc. v. Travelers Indem. Co. of Connecticut*, 2002 WL 32113755, *10 (S.D. Tex. 2002) (“TruServ claimed that its ‘advertising idea,’ TRUE VALUE was used ‘extensively’ to ‘sell products.’” As a result, the court concluded that, “TRUE VALUE’ could certainly be considered a ‘title or slogan,’ and an infringement of that mark potentially fits within the Policy, under the fourth definition of ‘advertising injury.’”).

106. *Ultra Coachbuilders, Inc. v. Gen. Sec. Ins. Co.*, 2002 WL 31528474, *3 (S.D. N.Y. 2002) (Even though there was no express cause of action for an infringement of slogan, the underlying action alleged a potentially covered “advertising injury” offense of “infringement of . . . slogan,” because there was a reasonable possibility that the descriptive phrase, “Quality Vehicle Modifier,” is a slogan. “While the phrase ‘Quality Vehicle Modifier’ is the descriptive name of a service program, Ford also claims it uses the phrase to promote both the program itself and use of its other products, Ford vehicles, to limousine converters.”).

107. *Santa’s Best Craft, LLC v. St. Paul Fire and Marine Ins. Co.*, 2004 WL 1730332, at *7 (N.D. Ill. 2004), *aff’d*, 611 F.3d 339 (7th Cir. 2010) (applying Illinois law) (The exception to the intellectual property exclusion, providing coverage for “trademarked slogans,” at least potentially applies to the slogans “Patent-pending ‘Stay-On’ feature keeps bulbs lit”; “New

whether the claim describes the protectable single word¹⁰⁸ or phrase as a slogan¹⁰⁹ so long as the claimant¹¹⁰ used the word or phrase to attract the attention of others.¹¹¹

2. Fact Scenarios Analyzing Coverage

a. Coverage Found

Many courts have concluded that slogans and titles can be synonymous because “both titles and slogans . . . can undoubtedly be protected as trademarks[.]”¹¹² Addressing the interrelationship between slogan and trademarks, the Wisconsin Supreme Court noted:

“A slogan or any other combination of words is capable of trademark significance, if used in such a way as to identify and distinguish the seller’s goods or services from those of others.”¹¹³

Applying the broad definitions, and analyzing an exception to a trademark infringement exclusion for trademarked slogans, the

Technology”; “String Stays Lit even if a bulb is loose or missing!”; and “worry-free lighting,” thereby implicating a duty to defend).

108. Single words can be powerful slogans, i.e., “FREEDOM” as used in the movie *Braveheart*, “TRIPMATE” for a cartographic product, *Am. Emp’rs Ins. Co. v. Delorme Publ’g Co.*, 39 F. Supp. 2d 64, 77 (D. Me. 1999), or “CARNIVAL” to describe seafood. *Carnival Brands, Inc. v. Am. Guar. & Liab. Ins. Co.*, 98-958 (La. App. 5 Cir 01/26/99), 726 So. 2d 496.

109. *Hudson Ins. Co. v. Colony Ins. Co.*, 624 F.3d 1264, 1269, 97 U.S.P.Q.2d 1306 (9th Cir. 2010), citing *Cincinnati Ins. Co. v. Zen Design Grp., Ltd.*, 329 F.3d 546, 67 U.S.P.Q.2d 1141, 2003 FED App. 0158P (6th Cir. 2003) (The Ninth Circuit affirmed the district court’s decision finding the “Steel Curtain” designation for the Pittsburgh Steelers’ front four to be a slogan, even where there was no articulated claim for slogan infringement).

110. *Street Surfing, LLC v. Great Am. E&S Ins. Co.*, 776 F.3d 603, 609 (9th Cir. 2014) (Relying upon a decision applying Missouri law, *Interstate Bakeries Corp. v. OneBeacon Ins. Co.*, 686 F.3d 539, 546 (8th Cir. 2012), the court determined that promotion by the mark owner, Street Surfer, was not sufficient to provide coverage because the phrase at issue was not used as a slogan by the claimant or the insured infringer). A vigorous dissent in *Interstate Bakeries* noted the majority’s failure to apply the broad duty to defend required by Missouri law; California also embraces a broad duty to defend. The *Street Surfing* court cited but did not distinguish *Hudson Ins. Co., supra.*, which found “Steel Curtain” was used as a slogan by the Pittsburgh Steelers.

111. *Gartner, Inc. v. St. Paul Fire and Marine Ins. Co.*, 2010 WL 918075, *7 (D. Conn. 2010), *judgment aff’d*, 415 Fed. Appx. 282 (2d Cir. 2011) (The phrases or initials used could not be considered “advertising material” because there was no mention of their use to attract the “attention of others for the purpose of seeking customers or increasing sales or business.” Nor did they constitute slogans, defined as “a brief attention-getting phrase used in advertising or promotion or a phrase used repeatedly, as in promotion,” or function as titles, defined as “the distinctive name, appellation or epithet, including a product name”).

112. *Super Duper v. Pa. Nat’l Mut. Cas. Ins. Co.*, 385 S.C. 201, 212, 683 S.E.2d 792, 797 (2009), citing *Union Ins. Co. v. Knife Co., Inc.*, 897 F. Supp. 1213, 1217 (W.D. Ark.1995).

113. *Acuity v. Bagadia*, 750 N.W.2d 817, 825 n.10 (Wis. 2008) (citing *J.A. Brundage Plumbing & Roto-Rooter, Inc. v. Mass. Bay Ins. Co.*, 818 F. Supp. 553, 559 (W.D.N.Y. 1993)) (quoting *J. Thomas McCarthy, Trademarks & Unfair Competition, supra* note 21 (2d ed. 1984)); see also *Super Duper, Inc.*, 385 S.C. at 212 (“A slogan is ‘a brief striking phrase used in advertising or promotion.’ Webster’s Third New International Dictionary 2145 (2002)”).

Seventh Circuit affirming a district court opinion, concluded that claims involving the following slogans implicated a duty to defend: “Patent-pending ‘Stay-On’ feature keeps bulbs lit”; “New Technology”; “String Stays Lit even if a bulb is loose or missing!”; and “worry-free lighting.”¹¹⁴

The Sixth Circuit concluded that the phrase “THE WEARABLE LIGHT” could be a slogan used to promote the product marked “SAPPHIRE,” as it was separate from the product mark.¹¹⁵ The same was true of the phrase “TRUE VALUE” which was both an advertising idea, as well as a title or slogan.¹¹⁶

An abbreviation can be a slogan where its primary use is as a descriptive phrase that functions as a slogan.¹¹⁷ In *Ultra Coachbuilders*, the court ruled that because there was a reasonable possibility that the descriptive phrase “Quality Vehicle Modifier” abbreviated as “QVM” was a slogan, a duty to defend arose.

b. No Coverage Found

In *Bodywell*, the court expressed concern that the mere use of “buzz words” is, in and of itself, insufficient to reveal infringement of slogans.¹¹⁸ Thus, the allegations that Bodywell advertised, promoted, offered to sell, and sold products that were closely related to SAN’s products and “used marks, words, and symbols” that were identical to or confusingly similar to SAN’s “Tight Marks,” were not sufficient to state a claim for infringement of slogan. The court in *Lexmark* similarly emphasized that the claimant did not assert a proprietary interest in a phrase or certain terms in a manner that manifests their use as a slogan.¹¹⁹ Likewise, the court in *Sorbee*¹²⁰ concluded that the advertising phrases “low calorie,” “sugar free,”

114. *Santa’s Best Craft, LLC v. St. Paul Fire & Marine Ins.*, 2004 U.S. Dist. LEXIS 14760, (N.D. Ill. July 28, 2004) *aff’d* 611 F.3d 339 (7th Cir. 2010) (applying Illinois law).

115. *The Cincinnati Ins. Co. v. Zen Design Grp., Ltd.*, 329 F.3d 546 (6th Cir. 2003) (applying Michigan law) (Slogans defined as “phrases used to promote or advertise a house mark or product mark.”).

116. *Finger Furniture Co. v. Travelers Indem. Co.*, No. H-01-2797, 2002 WL 32113755, at *10 (S.D. Tex. Aug. 19, 2002).

117. *Ultra Coachbuilders, Inc. v. Gen. Sec. Ins. Co.*, No. 02 CV 675(LLS), 2002 WL 31528474, at *3 (S.D.N.Y. July 15, 2002).

118. *James River Ins. Co. v. Bodywell Nutrition, LLC*, 842 F. Supp. 2d 1351, 1355 (S.D. Fla. 2012).

119. *Lexmark Int’l, Inc. v. Transp. Ins. Co.*, 327 Ill. App. 3d 128, 142, 761 N.E.2d 1214 (Ill. App. Ct. 2001) (“BDT never claimed ownership or exclusive right to the language it accused Lexmark of using.”).

120. *Sorbee Int’l Ltd. v. Chubb Custom Ins. Co.*, 735 A.2d 712 (Pa. 1999).

“fat free,” and “cholesterol free” were not slogans, because they did evidence original ideas.¹²¹

c. Criticisms of No Coverage Found Cases

The concept that the slogan must be novel in order to be actionable such that infringement of slogan creates coverage imputes as part of the offense the boldfaced limiting terms: *infringement of a novel, unique or proprietary slogan*. Such a narrow reading is but one possible construction and should not eliminate other constructions that are within a fair understanding of the policy language.

Another questionable distinction is the view that coverage cannot arise when the liability attaches for use of an infringed mark and not of the slogan itself. This assumes that “infringement of slogan” is a recognized cause of action (when it is not) and that the failure to assert such a claim necessarily brings the claim outside the policy’s scope. This is not necessarily so.¹²²

In *Hudson*, the Ninth Circuit concluded that the slogan “Steel Curtain” was used as a shorthand denomination for the Pittsburgh Steelers players promoted by the NFL. The facts of the underlying complaint evidenced that the phrase met the definition of a slogan as a “brief attention-getting phrase used in advertising or promotion.”¹²³ The court rejected the insurer’s argument that the NFL complaint evidenced lack of standing to enforce the slogan rights of the Pittsburgh Steelers team, where the NFL complaint alleged that “NFL Properties promotes the intellectual property of the NFL and the Member Clubs” and “protects the marks owned by the Member Clubs against misuse in various forms.”¹²⁴

121. *Id.* at 714-15, 716 (“The terms at issue here do not constitute an original, novel idea that was created by Simply Lite and stolen by Sorbee. They are straightforward descriptive material not formed or sequenced in any way so as to constitute novel or special usage. . . .”).

122. *But see*, *Aloha Pac., Inc. v. Cal. Ins. Guar. Ass’n*, 79 Cal. App. 4th 297, 317, 93 Cal. Rptr. 2d 148, 161 (Cal. Ct. App. 2000) (“According to *Palmer*, ‘[a] slogan is ‘a brief attention-getting phrase used in advertising or promotion’ or ‘[a] phrase used repeatedly, as in promotion.’ Appellants are not shown to have complained in the federal action of Island’s use of slogans, and the federal court found Island infringed marks and trade dress, not slogans. Thus, the injury did not ‘aris[e] out of . . . infringement of title [of literary or artistic works] or slogan’ (the coverage clause)” (citation omitted)).

123. *Hudson Ins. Co. v. Colony Ins. Co.*, 624 F.3d 1264, 1267 (9th Cir. 2010).

124. *Id.* at 1269-70 (“[There is] doubt . . . that a complaint must support all elements of a cause of action to state potential liability. *CNA Casualty* rejected the argument that there was no coverage for a potential malicious prosecution claim even though it was clear that the malicious prosecution claim could not be brought because an essential element was missing (prior termination of the earlier proceeding in favor of the party alleging malicious prosecution). *See CNA*, 222 Cal. Rptr. at 281 & n.4. That the insurer ‘may have known of a good defense, even an ironclad one, to the malicious prosecution claim did not relieve it of its obligation to defend its insured.’ *Id.* at 281 n.4; *see also id.* at 284 n.7 (“[T]he absence of an element of a properly pleaded cause of action is of no moment in determining [the] duty to defend. For that matter, neither did the fact that there was no colorable basis for Federal

A subsequent Ninth Circuit opinion in *Street Surfing*, while acknowledging *Hudson*, emphasized the importance of the claimant's use of the slogan itself. The claimant had registered the trademark STREETSURFER for use in a street sport that combined the modalities of surfing, skateboarding, and snowboarding into a singular sport. The court found the claimant-owners' usage of STREETSURFER was as "a recognizable brand name to identify his products, not as a phrase promoting that brand" and such use was insufficient to qualify as a slogan for purposes of an infringement of slogan claim.¹²⁵

Street Surfing relied upon an Eighth Circuit case, *Interstate Bakeries* where the court reached the same conclusion under a media policy, where the term "slogan" was specifically defined. The failure of the claimant to use the phrase as a slogan was problematic.¹²⁶

D. Infringement of Trade Dress in Your "Advertisement" ***[1998/2001/ 2004/2007 ISO]***

1. Scope of Meaning

Trade dress encompasses the total appearance and image of a product. These include features such as its size, texture, shape, color, or color combinations, graphics, and even particular advertising and marketing techniques used to promote its sale.¹²⁷

There has been an explosion in insurance coverage cases where policyholders have sought coverage seeking to fall within the trade dress offense as suits often seek liability under the theory, but do not use the term trade dress in the lawsuit. As the coverage analysis looks to factual allegations, not labels, of causes of action, courts have had to parse those facts carefully to find which claims fall within the coverage.

jurisdiction [defeat this] obligation.' (*quoting* Ruder & Finn Inc. v. Seaboard Sur. Co., 52 N.Y.2d 663, 422 N.E.2d 518, 523, 439 N.Y.S.2d 858 (N.Y. 1981))."

125. *Street Surfing, LLC v. Great Am. E&S Ins. Co.*, 776 F.3d 603, 609 (9th Cir. 2014) ("[W]hen Great American reviewed the allegations in Noll's complaint, it would have ascertained only that Noll used "Streetsurfer" as a recognizable brand name to identify his products, not as a phrase promoting that brand. Because Street Surfing points to no facts alleged in the complaint or otherwise that would have given rise to an inference that slogan infringement would be at issue in the Noll action, its claim for coverage under that provision fails.").

126. *Interstate Bakeries Corp. v. OneBeacon Ins. Co.*, 686 F.3d 539, 546 (8th Cir. 2012) (applying Missouri law) ("[S]logan [includes]: (1) 'a word or phrase used to express a characteristic position or stand or a goal to be achieved' . . .").

127. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 764 n.1 (1992). See Insurance Coverage of IP Assets, Ch. 17.03 – Infringement of Trade Dress in Your "Advertisement."

2. Fact Scenarios Analyzing Coverage

a. Coverage Found

Some discussion of the way in which a product is used, either via its packaging or other forms of promotional activity, must reference the total look design or shape as a characteristic and problematic usage in order to create potential coverage for “trade dress infringement in your ‘advertisement.’” In *Ross Glove*, the claimant asserted Lanham Act trade dress infringement claims. Because the packaging at issue constituted advertising related to the assertion of such claims, the court found that a duty to defend existed.¹²⁸

In *Creation Supply*,¹²⁹ a marker company was sued for trademark infringement, trade dress infringement, and unfair competition. Creation was sued for selling markers that, like its competitor, had a squarish shape. The insurer argued that there was no connection between the trade dress infringement and advertisement. The Illinois Appellate Court found that because Creation’s retail display contained a photograph of the infringing marker, the causal nexus requirement of use “in your ‘advertisement’” was satisfied.¹³⁰ *Creation Supply* demonstrates just how fact-sensitive coverage cases can be and the level of detail often required to find coverage.

b. No Coverage Found

In *Bodywell*,¹³¹ the absence of any allegation about product packaging or product look, design or shape, precluded a duty to defend.

128. *Acuity v. Ross Glove Co.*, 344 Wis. 2d 29, 39, 817 N.W.2d 455, 460 (Wis. App. 2012) (“Ross Glove maintains . . . that ‘[b]y packaging its products and promoting to and soliciting Cabela’s to sell its products, Ross Glove [called] attention to its products’ and engaged in ‘advertising.’”).

129. *Selective Ins. Co. v. Creation Supply*, No. 1-14-0152, 2015 Ill. App. Unpub. LEXIS 202 (Feb. 9, 2015).

130. *Id.* at *30.

131. *James River Ins. Co. v. Bodywell Nutrition, LLC*, 842 F. Supp. 2d 1351, 1355-56 (S.D. Fla. 2012) (“The underlying complaint contained no allegation that Bodywell used a product or packaging that was closely related to SAN’s product in its total look, design, or shape. Rather, the allegations are that Bodywell advertised, promoted, offered to sell, and sold products that were closely related to SAN’s products and used marks, words, and symbols that were identical to or confusingly similar to SAN’s ‘Tight Marks.’ SAN’s use of the “conclusory buzz words” ‘containers,’ ‘labels,’ and ‘packaging,’ unsupported by factual allegations, is not sufficient to trigger coverage.” (citation omitted)).

E. Use of Another's Advertising Idea in Your "Advertisement" [1998/2001/2004/2007/2014 ISO]

1. Scope of Meaning

This offense has been held to encompass potential coverage for business method patent infringement claims premised on the use of advertising techniques, trade secret claims, marketing secrets and unfair competition, as well as trademark infringement lawsuits. Prior to the 2002 ISO form's adoption, this claim fell outside of any intellectual property exclusion.

Proper application of linguistic principles to the construction of this offense reveals its ambiguity. By applying dictionary definitions of the policy's terms and reading the terms in context, "use of another's advertising idea in your 'advertisement'" means "promotion of one's own products using another's idea for calling attention to a product or business, especially by proclaiming desirable qualities so as to increase sales or patronage."¹³²

2. Fact Scenarios Analyzing Coverage

a. Coverage Found

This offense triggers a duty to defend for claims of patent infringement, false advertising, and trade name infringement, to name but a few possibilities. Examples include claiming a drug is LIPITOR when it is not, as in *Albers*,¹³³ and misuse of trade names to solicit a competitor's business, as in *Cloud Nine*.¹³⁴ In *Albers*, the court stated that "[u]se' is a common and ordinary term, capable of ready discernment. Its reach is obviously much broader than that afforded to the legal definition of 'misappropriation.'"¹³⁵

The "in your 'advertisement'" prong of the offense can be met with relative ease. In *Street Surfing*,¹³⁶ the court ruled that a

132. American Simmental Ass'n v. Coregis Ins. Co., 282 F.3d 582, 587 (8th Cir. 2002) (applying Montana law).

133. Ohio Cas. Ins. Co. v. Albers Med., Inc., 2005 WL 2319820, *4 (W.D. Mo. 2005) ("[B]y labeling a substance—regardless of its efficacy or actual chemical composition—as Lipitor when the substance was not really the product produced by Pfizer under that name, Albers allegedly used Pfizer's idea for calling public/consumer attention to its product.").

134. Ohio Cas. Ins. Co. v. Cloud Nine, LLC, 464 F. Supp. 2d 1161, 1168 (D. Utah 2006), *rev'd on other grounds*, 458 Fed. Appx. 705 (10th Cir. 2012) ("In claiming that the Cloud Nine Defendants unlawfully used Edizone's trade names on their websites, Edizone is claiming use of Edizone's advertising ideas in Cloud Nine's advertisements.").

135. Ohio Cas. Ins. Co. v. Albers Med., Inc., No. 03-1037-CV-W-ODS, 2005 WL 2319820, at *4 (W.D. Mo. Sept. 22, 2005) ("It's reach is obviously much broader than that afforded to the legal definition of 'misappropriation.' . . . An 'advertising idea' generally encompasses 'an idea for calling public attention to a product or business, especially by proclaiming desirable qualities so as to increase sales or patronage.'").

136. Street Surfing, LLC v. Great Am. E&S Ins. Co., 752 F.3d 853, 861-62 (9th Cir. 2014) ("[W]e agree with the district court that affixing Street Surfing's logo to the *Wave* broadcast

retailer's use of a trademarked logo on a product received from manufacturer, met the "in your 'advertisement'" component (and also found that the action potentially falls within coverage for use of another's advertising idea but denying coverage because of publication prior to inception of the policy).

Similarly, in *Air Engineering*, coverage extended to a trade secret misappropriation suit where primary focus of the claims involved use of an Internet advertising system that provided links to product and purchasing information.¹³⁷ The referenced ads evidenced advertising activity. Links from the ads to the insured's goods and products constituted an "advertisement" within the website subsection of the policy's definition.¹³⁸

Drawing attention to the distinction between the new "use of another's advertising idea in your 'advertisement'" offense from that for misappropriation of advertising ideas, a district court in Illinois concluded that because a trademark was a "a designation affixed to goods to identify their source," it easily qualified as an "advertising idea."¹³⁹

Even cases analyzing more restrictive policy language, such as policies used by Hartford¹⁴⁰ and St. Paul,¹⁴¹ have concluded that a defense arose where the underlying allegations were based on the insured's marketing and advertisements.

information about Street Surfing's products by informing the public of the Wave's origin for the purpose of attracting future customers who might like what they saw. Accordingly, the logo constituted an 'advertisement' under the policies.").

137. *Air Eng'g, Inc. v. Indus. Air Power, LLC*, 828 N.W.2d 565 (Wis. App. 2013).

138. *Id.* at 572 ("The Internet Advertising System designs and places ads when certain search terms are entered, which ads contain domain names leading to information about available products and how to purchase such products. . . . [T]hese ads give notice to potential customers about Industrial's goods, products, or services and are placed with the purpose of attracting customers. Therefore, using the Internet Advertising System to place these ads is advertising activity. Furthermore, these links are 'about' Industrial's goods and products and therefore are potentially an advertisement under the website subsection of the policy definition. The complaint alleges that Industrial engaged in an advertising activity.").

139. *Cent. Mut. Ins. Co. v. StunFence, Inc.*, 292 F. Supp. 2d 1072, 1079 (N.D. Ill. (E. Div.) 2003) ("Additionally, Gallagher claimed that StunFence made statements in trade industry periodicals that StunFence owned and developed the technology and maintained proprietary rights over that technology—characteristics that purportedly describe the Power Fence.").

140. *Australia Unlimited, Inc. v. Hartford Cas. Ins. Co.*, 198 P.3d 514, 519-21 (Wash. App. 2008) (Analyzing offense for "copying, in your 'advertisement[.],' a person's or organization's 'advertising idea' or style of 'advertisement.'" "Here, Crocs not only made general allegations of trade dress infringement, it also specifically included in its trade dress description its 'marketing and sales materials' that 'share an overall unique look and feel' that serve to identify Crocs as the origin. . . . In contrast to the protection offered by patents, trade dress protection is based on marketing and advertisements.").

141. *Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1026 (9th Cir. 2008) (applying California law) (Coverage arose for trade dress infringement under offense for "unauthorized use of any advertising idea or advertising material, or any slogan or title, of others in your advertising[.]").

b. No Coverage Found

In *RSP Products*, the absence of any express allegations of trade dress infringement was found problematic where the only coverage asserted was under the 1998 ISO “use of another’s advertising idea.” RSP sought coverage for allegations in the underlying complaint titled “unfair competition.” The court denied coverage because while trade dress infringement was covered, unfair competition was not. The two were distinct causes of action, with the former covered and the latter excluded.¹⁴²

In *Pro-Seal*, the Michigan Supreme Court took a narrow view of this offense because it concluded the claims did not meet the “advertisement” element.¹⁴³ The claims at issue were directed to imitating or infringing trademarks or product marks, and using trade secrets, blueprints, engineering drawings, packaging materials, and sales practices that misrepresented Pro-Seal seals as being Flowserve seals. The court decided that since the gravamen of the claim did not support coverage, no defense was owed.

The *Street Surfing*¹⁴⁴ decision, discussed above, emphasized the importance of securing insurance before a new business activity is undertaken and remaining attentive to the material provided in a policy application, as coverage was denied where the insured “began a wrongful course of conduct, obtained insurance coverage, continued its course of conduct, then sought a defense from its insurer when the injured party sued.”¹⁴⁵ It was noteworthy that the insured approached the claimant for a license under the STREET SURFER trademark, was rebuffed, and then later elected to promote its own products under the label STREET SURFING.

The *Street Surfing* panel drew a distinction between the two key lines of authority dealing with when the offense took place relative

142. *Greenwich Ins. Co. v. RPS Prods.*, 379 Ill. App. 3d 78, 87, 318 Ill. Dec. 79, 87, 882 N.E.2d 1202, 1210 (2008) (“RPS replacement filter packaging and nationwide advertising contain false and misleading statements and descriptions concerning replacement air filter applications, contain misrepresentations of fact, and constitute unfair competition[.]”).

143. *Citizens Ins. Co. v. Pro-Seal Serv. Grp., Inc.*, 477 Mich. 75, 85, 86, 730 N.W.2d 682, 687 (2007) (Shipping a seal to a customer in a Flowserve container was not “notice that is published to the specific market segment in which Pro-Seal and Flowserve compete about the seals for the purpose of attracting customers or supporters. . . . Here, defendant sent a seal to a *specific* customer in a Flowserve container for the purpose of completing a single transaction. At best, Pro-Seal’s argument that it expected that other customers might view the package at the distribution center and, as a result, would be encouraged in doing business with defendant was an incidental and remote benefit that does not fundamentally alter the fact that this was a single transaction with a specific customer. . . . We conclude that the purpose for placing a Pro-Seal label on the Flowserve container in this instance was to identify for *that specific customer* the source of the seal to allow that specific customer to contact defendant with any questions or complaints about that product.”)

144. *Street Surfing, LLC v. Great Am. E&S Ins. Co.*, 776 F.3d 603 (9th Cir. 2014).

145. *Id.* at 615 (“At its core, this case involves a company that began a wrongful course of conduct, obtained insurance coverage, continued its course of conduct, then sought a defense from its insurer when the injured party sued.”).

to when coverage was in place and whether a new offense occurred during the policy period: (1) *Taco Bell*¹⁴⁶ from the Seventh Circuit holding that a “fresh wrong” did not require a novel set of features whose actionable character was clear, and (2) *Kim Seng*,¹⁴⁷ from the California Court of Appeals, holding that there was no distinction in the liability-creating use of the QUE HUONG mark that preceded coverage and the later adoption of added marks including QUE HUONG with other terms during the policy period. The offense implicated in the *Kim Seng* case required “misappropriation of another’s ‘advertising idea,’” rather than “use of another’s ‘advertising idea’” at issue in *Street Surfing*.¹⁴⁸ The *Kim Seng* court did not explain why the mark QUE HUONG necessarily defined the scope of the “advertising idea” that Kim Seng misappropriated, especially where the use of the distinct phrase, “Old Man Que Huong Brand” was considered by the jury and held not to infringe QUE HUONG. The *Kim Seng* court, relying on a defamation suit where simple republication of the defamatory statement was at issue,¹⁴⁹ concluded that coverage was not available because “[a]t some point a difference between the republished version [occurring during the policy period]. . . would be so slight as to be immaterial [as compared to what occurred prior to the policy period.]” The plaintiff in that case had no claim as to any words used by Kim Seng other than the words “Que Huong.”¹⁵⁰ By contrast, in *Street Surfing*, distinct unfair competition claims were asserted. But the *Street Surfing* court’s reasoning ignores this critical distinction. Had a distinct claim for unfair competition, in addition to trademark infringement, been asserted in the *Kim Seng* case, the court’s analysis suggests its ruling might have differed.

146. *Taco Bell Corp. v. Cont’l Cas. Co.*, 388 F.3d 1069 (7th Cir. 2004) (applying Illinois law).

147. *Kim Seng Co. v. Great Am. Ins. Co. of N.Y.*, 179 Cal. App. 4th 1030, 101 Cal. Rptr. 3d 537 (2009).

148. *Street Surfing*, 776 F.3d at 615 (“*Street Surfing* argues that this case is analogous to *Taco Bell* because, during the coverage period, it published advertisements for ‘Lime Green Street Surfing Wheels for the Wave’ and the ‘New Ultimate Street Surfer Wheel Set,’ and these advertisements differed from any pre-coverage advertisements. Conversely, Great American contends that this case is indistinguishable from *Kim Seng*. We conclude that *Street Surfing*’s post-coverage advertisements are substantially similar to its pre-coverage advertisement and therefore that the prior publication exclusion precludes coverage of the Noll action.”).

149. *Kim Seng*, 179 Cal. App. 4th at 1041, citing *Ringler Associates Inc. v. Maryland Casualty Co.* (2000) 80 Cal. App. 4th 1165.

150. *Kim Seng*, 179 Cal. App. 4th at 1042 (“Even with the addition of descriptive words and logos, the use of the term ‘Que Huong’ still suggests that the Kim Seng product is from the same source as products bearing the original ‘Que Huong’ mark—the Great River product.”).

V. PERTINENT EXCLUSIONS

A. *First Publication Exclusion [All ISO Policies]*

1. Policy Language

This insurance does not apply to: (1) advertising injury: . . . (b) arising out of oral or written publication of material if the first publication took place before the beginning of the policy.

Insurers frequently rely on this exclusion to limit coverage to a singular year or avoid coverage for all claims after the first assertion of liability. But the exclusion is not so easily manipulated. The ISO Policy exclusion includes predicate language that states that this insurance does not apply to “advertising and personal injury arising out of” This language means that no duty to defend can be eviscerated by an exclusion without first addressing coverage under the predicate offense potentially eliminated by the proffered exclusion.

The insurer’s preferred response to any potentially covered intellectual property claim is to argue that the facts creating potential coverage predate the policy’s inception and rely on the publication of the same or similar material. A number of defenses to this exclusion exist.

First, injurious conduct must predate the policy’s inception or there would be no “personal and advertising injury” as a predicate to application of this exclusion. “Before even considering exclusions, a court must examine the coverage provisions to determine whether a claim falls within the policy terms.”¹⁵¹ An exclusion cannot only eliminate that which was otherwise covered.

Second, a “fresh wrong” may arise that will fall outside the exclusion such as a distinct “advertisement” even though part of a singular advertising campaign may manifest a different subtle aspect of the advertising message being communicated, such as a Chihuahua who pokes its head out of a cardboard cut-out. That was not previously demonstrated as part of a psycho Chihuahua campaign.¹⁵²

151. *Waller v. Truck Ins. Exch.*, 11 Cal. 4th 1, 10 (1995) (“Before even considering exclusions, a court must examine the coverage provisions to determine whether a claim falls within the policy terms.”).

152. *Taco Bell Corp. v. Continental Cas. Co.*, 388 F.3d 1069 (7th Cir. 2004) (“The charge of misappropriation of the idea of the Chihuahua’s head popping out of a hole is a *claim* of advertising injury, meritorious or not; and Taco Bell bought insurance against having to pay the entire expense of defending against such claims. . . . Wrench’s complaint charges the misappropriation of the subordinate ideas as separate torts, and those torts occurred during the period covered by Zurich’s policy.” (emphasis added)).

Some courts have held that this provision applies only to libel, slander, and invasion of privacy torts because only these offenses are based upon “oral or written publication of material.”¹⁵³

For the exclusion to apply to libel, slander, and the invasion of privacy torts, the publication of material that preceded the policy’s inception must have been injurious.¹⁵⁴ Liability that first attaches for intellectual property rights that do not come into existence until after policy inception falls outside the exclusion.¹⁵⁵ Advertisements that differ from those issued during a preceding policy period are covered,¹⁵⁶ so long as they reveal a “fresh wrong.”¹⁵⁷ Because insurers could have chosen more precise limiting language, mere similarity is insufficient to bar coverage.¹⁵⁸

Where the pleadings do not specify the first date of alleged wrongful conduct for which coverage arises, there is no bar to a defense, especially where the facts suggested it could be stated with more specificity.¹⁵⁹

153. *Arnette Optic Illusions, Inc. v. ITT Hartford Grp., Inc.*, 43 F. Supp. 2d 1088 (C.D. Cal. 1998) (*abrogated on other grounds* by, *United Nat. Ins. Co. v. Spectrum Worldwide, Inc.*, 555 F.3d 772, 89 U.S.P.Q.2d 1618 (9th Cir. 2009)) (adopting *Irons Home* analysis limiting application of exclusion to offenses for libel, slander, and invasion of privacy); *See* David A. Gauntlett, *IP Attorneys’ Handbook for Insurance Coverage in Intellectual Property Disputes* 347 (2d ed. 2014) (“The court’s determination that four minus two equals four, not two, suggests a need to revisit basic math. Although all offenses necessarily are implicated by the definition of advertising injury, the operative first-publication exclusion defines the term ‘advertising injury’ to include all four operative defenses (a) through (d). . . . By the court’s definition, all sections—even those that implicate only infringement and/or misappropriation without any necessity of an oral or written publication of material—must flow within the exclusion. However, this is but one possible construction, albeit not the most reasonable, and should therefore not prevail in light of the logic of *MacKinnon*, which the court cites but does not consider for this point.”).

154. David A. Gauntlett, *Insurance Coverage of Intellectual Property Assets* § 3.03 (2000) (Exception should only apply to torts and not other types of advertising injury).

155. *Bay Elec. Supply, Inc. v. Travelers Lloyds Ins. Co.*, 61 F. Supp. 2d 611, 619 (S.D. Tex. 1999) (The First Publication Exclusion did not apply because the Lanham Act § 32(1) specifically requires that suit be brought by the “registrant.” The trademarks at issue were registered in 1997, and the policy was acquired in 1995.).

156. *Santa’s Best Craft, LLC v. St. Paul Fire and Marine Ins. Co.*, 2004 WL 1730332, *9-10 (N.D. Ill. 2004) (Use of two of four slogans after inception triggered a defense: “New Technology” and “Worry-Free Lighting.”).

157. *Taco Bell Corp. v. Cont’l Cas. Co.*, 388 F.3d 1069 (7th Cir. 2004) (The prior publication exclusion did not apply based upon a single commercial that aired prior to the second insurer’s policy period.).

158. *Int’l Comm’n Material Inc. v. Emp’rs Ins. of Wausau*, 1996 WL 1044552, at *4 (W.D. Pa. 1996) (“If Wausau had intended that the exclusion apply to advertising campaigns or material that is ‘similar to’ material published before the inception of the policies, it could have provided such language.”).

159. *CamSoft Data Sys., Inc. v. S. Electronics Supply, Inc.*, 2011 WL 1743609, *4 (M.D. La. 2011), *mot. denied*, 2011 WL 2637001 (M.D. La. 2011) (“[T]he Complaint does not allege that the publication of material at issue (such as the marketing discussed in paragraph 106) occurred at the July 2004 meeting” and thus prior to the inception of the policy suit.).

The exclusion may apply where injurious use of a singular trademark precedes policy inception, and use of same mark is a basis for potentially covered claim,¹⁶⁰ even though additional descriptive terminology is added.¹⁶¹ But, the exclusion does not apply when the policyholder's liability-creating occurrence first arose after the policy's inception.¹⁶² Because the duty to defend is triggered by the possibility of coverage, when the date of first publication cannot be conclusively ascertained by reference to the complaint, the insurer's duty to defend cannot be negated "in all possible worlds."¹⁶³

2. Fact Scenarios Analyzing Coverage

a. Coverage Found

Those cases reaching contrary results typically involve the exact same liability-creating event before and after policy inception. The first publication exclusion does not apply when there is a possibility that the conduct giving rise to the complaint could have occurred, for the first time, within the policy period.¹⁶⁴ The same is

160. *Scottsdale Ins. Co. v. Sullivan Props., Inc.*, No. Civ. 04-00550HGBMK, 2006 WL 505170, at *11 (D. Haw. Feb. 28, 2006) ("The term 'material' means Defendants' infringing, or allegedly infringing, use of the 'Kapalua' trade names and trademark whether on the internet or in other advertising and promotional materials. The . . . Underlying Complaint accuses Defendants of infringing the 'Kapalua' name--the very same trade name that it infringed several years earlier.").

161. *Kim Seng Co. v. Great Am. Ins. Co. of N.Y.*, 179 Cal. App. 4th 1030, 101 Cal. Rptr. 3d 537 (2d Dist. 2009), *as modified on denial of reh'g*, (Dec. 7, 2009) (No "fresh wrongs" evidenced potential coverage under the Taco Bell test. Potential coverage was barred where the court found slight distinctions in the description of the marks "before and after" policy insufficient. The addition of descriptive words and logos in the use of the term "Que Huong" suggested that Kim Seng's product was from the same source as the original QUE HUONG mark—the Great River product. *Kim Seng Co. v. Great Am. Ins. Co. of N.Y.*, 179 Cal. App. 4th at 1042. No distinct basis for liability was imposed by republication of "Que Huong" associated with the water buffalo design mark. The trademark infringement arose from use of the words "Que Huong" as part of a trademark that was confusingly similar to Great River's QUE HUONG mark.).

162. *Looney Ricks Kiss Architects, Inc. v. Bryan*, Case No. 07-0572, 2014 U.S. Dist. LEXIS 31436, at *16-17, n.8 (W.D. La. (Shreveport Div.) Mar. 10, 2014) (applying Louisiana law) ("While the record establishes that much, and possibly all, of the infringing material was published prior to April 2008, the Court believes it is required to examine the alleged infringing material used in advertising prior to April 17, 2008 and then compare such to any material first published during the relevant policy periods of Tudor and Chartis." *Citing Everett Assocs., Inc. v. Transcon. Ins. Co.*, 57 F. Supp. 2d 874 (N.D. Cal. 1999) "The first publication exclusion did not bar insured from coverage where each advertisement would be considered separately for purposes of patent infringement and some of the advertisements were published after the commencement of the policy period.").

163. *Atl. Mut. Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1038 (2002).

164. *Hudson Ins. Co. v. Colony Ins. Co.*, EDCV0701497SGLOPX, 2008 WL 5504572, at *2 (C.D. Cal. Dec. 16, 2008) *aff'd on other grounds*, 624 F.3d 1264 (9th Cir. 2010) ("The Colony policy was incepted May 14, 2005. Although this allegation leaves open the possibility that first publication occurred during the first two weeks of May (and thus, would be outside the

true when there can be no possible liability because the nature of the wrongful act was not actionable (and thus no offense occurred) before policy inception.

b. No Coverage Found

In *Street Surfing*, the court distinguished the factual assertions in *Taco Bell* from those in the underlying Noll complaint because the latter made no mention of any specific advertisements, but rather general allegations that Street Surfing injured Noll by using the “Street Surfing” name and logo on its product, “the Wave,” and in its advertisements.

The court suggests that there were unique, post-policy inception, common law misappropriation torts asserted that were not evident before the policy’s inception. This is an overbroad construction of the Seventh Circuit’s ruling in *Taco Bell*, which did not require such particularity in the pleadings.

Given the history of the trademark infringement exclusion, it was not the mere use of the term “Street Surfing,” but its association in the public mind with the sport activity that created liability. The court ignored the true genesis of the coverage for “use of another’s advertising idea in your ‘advertisement’” offense and failed to recognize how it evolved distinctly in later policy years.

The court reasoned that subsequent advertising material “differentiate[d] the publications, but not the alleged wrongs.”¹⁶⁵ Like in *Taco Bell*, this reasoning failed to focus with granularity on what the alleged wrongs were. The underlying plaintiff in *Street Surfing* alleged two distinct wrongs: (1) Street Surfing’s pre-policy use of the infringing logo on its website, and (2) its post-policy advertisements that articulated details about the new sport of “street surfing.” In failing to make a distinction between “street surfing” used as the logo, and “street surfing” used as the idea for a new sport, the court mistakenly applied the first publication exclusion to both. The “first publication” exclusion expressly requires as a prerequisite to application of the exclusion, per the policy language, “personal or advertising injury”, i.e., “injury arising out of ‘use of another’s advertising idea in your “advertisement.”” In other words, the policy must be read in light of the defined terms that require a focus only on the covered claims in analyzing the exclusion. The distinct use of the “advertising idea” of engaging in the sport of “street surfing” did not occur prior to the policy’s inception. Until advertisements explicitly used the “advertising idea” of street surfers practicing a new sport, there could be no “use of another’s ‘advertising idea.’” The first publication exclusion

relevant policy period), it also raises the possibility that first publication occurred *within* the relevant policy period.”).

165. *Street Surfing, LLC v. Great Am. E&S Ins. Co.*, 776 F.3d 603, 614-15 (9th Cir. 2014).

should not have barred a defense because the only “advertising idea” Street Surfing used prior to the policy’s inception was the logo and not the idea of advertising a new sport.

Finding the “prior publication” exclusion precluded a defense for trademark infringement and related common-law and statutory violations brought by the Navajo Nation in a suit filed in federal court in Pennsylvania in *Urban Outfitters I*,¹⁶⁶ the court noted that Hanover had no duty to defend because the alleged infringement began 16 months before insurance coverage inception. Acknowledging that the “personal and advertising injury” provisions unambiguously covered Urban Outfitters’ alleged trademark infringement and related common-law and statutory violations, the court concluded that the “first publication” exclusion barred a defense. The complaint lacked chronological detail and was cryptic. The absence of such clarity favored the insurer.

The Third Circuit in *Urban Outfitters II*¹⁶⁷ focused on specific complaint allegations of wrongful acts “at least as early as March 16, 2009” and “since March 16, 2009.” Rejecting Urban Outfitters’ argument that a “fresh wrong” occurred post-policy inception and citing *Street Surfing*,¹⁶⁸ the court redefined a “fresh wrong” as a “‘new matter’ . . . that is not ‘substantially similar’ to the material published before the coverage period.”¹⁶⁹[p]ost-coverage ads were not “fresh wrongs” because (1) the underlying plaintiff did not “allege that the post-coverage advertisements were separate torts occurring during the policy period” and (2) the advertisements “arose out of each term’s similarity to [plaintiff’s] advertising idea.”¹⁷⁰

The Third Circuit’s “separate torts” analysis is not supported by any authority. In effect, the court articulates a narrower standard, barring a duty to defend under the “prior acts” exclusion, where the complaint does not allege a substantive difference between allegedly infringing advertisements, published before and during the relevant policy period, and instead alleges mere “variations,” occurring within a common, clearly identifiable advertising objective that did not give rise to “fresh wrongs.” *Id.*

In determining whether two or more sets of advertisements share a common objective, courts may look to whether the plaintiff charged the insured with separate torts or an agglomeration. Other significant factors include whether the

166. Hanover Ins. Co. v. Urban Outfitters, Inc., No. 12-cv-3961, 2013 U.S. Dist. LEXIS 116889 (E.D. Pa. Aug. 19, 2013).

167. Hanover Ins. Co. v. Urban Outfitters, Inc., 806 F.3d 761 (3d Cir. 2015).

168. Street Surfing, LLC v. Great Am. E&S Ins. Co., 776 F.3d 603, 612 (9th Cir. 2014).

169. *St. Surfing*, 776 F.3d at 605.

170. *Urban Outfitters*, 806 F.3d at 768.

complaint describes a significant lull between pre- and post-coverage advertising initiatives and whether the advertisements share a common theme relating to the alleged violation.¹⁷¹

The court acknowledged, but failed to adopt, the analytical identity demanded by *Taco Bell*,¹⁷² stating:

Navajo Nation did not charge Urban Outfitters with committing separate torts before and during Hanover's coverage period. Nor did it hint at a hiatus in Urban Outfitters' tortious pursuits between March 2009 and the complaint's filing. Navajo Nation alleged that Urban Outfitters "started using the 'Navajo' and 'Navaho' names" via all relevant instrumentalities of infringement (use "in its product line, or in connection with the sale of its goods, online, in its catalogs, and in its physical stores") well before Hanover's coverage period commenced.¹⁷³

Narrowly reiterating the "fresh wrong" doctrine based on a "substantially similarity" test, which was adopted by *Street Surfing, LLC*, 776 F.3d 603, the court concluded that a line of products used the "Navajo" name post-policy inception, which were "variations occurring within a common, clearly identifiable advertising objective."

This "separate torts" approach is especially problematic where the outside contours of the tort are unclear, as was the case in *Taco Bell*.¹⁷⁴ The *Taco Bell* court determined that an advertising campaign to promote a feisty barking Chihuahua by Taco Bell did not preclude coverage where one episode that had a Chihuahua pop its head out of a cardboard box had not been within the scope of the original idea presented to Taco Bell. That case analyzed coverage under the common law misappropriation offense for claims that included the ambiguous "misappropriation of advertising ideas" offense covered by the policy's 1986 ISO CGL provision. Courts have found this provision both broader than mere trademark infringement claims¹⁷⁵ and inherently ambiguous.¹⁷⁶ The breadth of

171. *Id.* at 768.

172. *Taco Bell Corp. v. Cont'l Cas. Co.*, 388 F.3d 1069, 1072-04 (7th Cir. 2004).

173. *Urban Outfitters, Inc.*, 806 F.3d at 769.

174. 388 F.3d at 1072.

175. *Lebas Fashion Imports of USA, Inc.*, 50 Cal. App. 4th at 564 ("Hartford's contention that the phrase 'misappropriation of an advertising idea or style of doing business' is necessarily limited to a common law tort, which excludes a claim for trademark infringement, depends upon an unreasonably narrow construction of the single word, 'misappropriation.'").

176. *Id.* at 565 ("There is nothing about the terms 'misappropriation of an advertising idea' or 'misappropriation of a style of doing business,' neither of which constitutes a recognized tort, which compels us to conclude one way or the other as to just how broadly or narrowly they should be read.")

the “misappropriation of advertising idea” policy language means that it can include both statutory and common law misappropriation claims. Again, it is the factual allegations, not labels of causes of action, that control in coverage analysis.

Notably, the *Urban Outfitters*¹⁷⁷ case does not describe with specificity what coverage arose in light of the particular factual allegations that evidence coverage that also fell outside the exclusion. The court substituted its conclusion that there was thematic consistency between the post policy inception advertising examples following the Navajo Nations theme, focusing on their common objective (just as *Taco Bell* noted all the advertisements shared a common theme) but parted company with *Taco Bell* in not finding a distinct episode that fell outside the scope of the exclusion to evidence a “fresh wrong.”

The “common advertising objective” test muddies the waters interminably because it does not provide any precise delineation of how the interaction between the covered offense and the exclusion arises. The Third Circuit Panel’s departure from proper analysis is characteristic of appellate decisions that jump to exclusionary language without carefully evaluating what covered conduct might exist that potentially gave rise to a defense.¹⁷⁸ This approach is especially problematic (as here) where the predicate defined phrase required identification of the operative offense (here, privacy invasion) was incorporated into the “first publication” exclusion as the predicate conduct to which the exclusion could only apply—“personal and advertising injury.”

B. Knowledge of Falsity [ISO]

1. Policy Language

This insurance does not apply to: a. “Personal injury” or “advertising injury”: (1) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity.

...

This insurance does not apply to “personal or advertising injury” that was caused by or at the direction of the insured with the *knowledge* that the act would violate the rights of another and would inflict “personal and advertising injury.” (Emphasis added.)

The “knowledge of falsity” exclusion should not bar a defense for claims where “knowledge of falsity” is not an element of the

177. *Urban Outfitters*, 806 F.3d 761.

178. *But, see* *Waller v. Truck Ins. Exch.*, 11 Cal. 4th 1, 44 Cal. Rptr. 2d 370, 900 P.2d 619 (1995).

offense at issue in the underlying action. It is rarely appropriate to bar a duty to defend since an actor's scienter will rarely be *known*, if ever, until after an adjudication of liability against the insured in the underlying action.

2. Knowledge of Falsity Fact Scenarios Analyzing Coverage

a. Coverage Found

The Knowledge of Falsity Exclusion is limited to reputation and privacy invasion torts. Intellectual property torts do not require proof of the falsity of statements or a defendant's knowledge of the falsity as an element of liability.¹⁷⁹ Reckless indifference is insufficient to evidence "knowledge of falsity."¹⁸⁰ Nor does the mere award of punitive damages, without more, establish this exclusion's applicability.¹⁸¹ While enough to preclude one panel of the Seventh Circuit from recognizing a defense due to this exclusion,¹⁸² mere labels for conduct as "fraudulent" have not withstood scrutiny under substitute governing state law analysis of the same issues.¹⁸³ The term "false" in the exclusion will not eviscerate coverage for conduct whose truth or untruth is immaterial to the establishment of liability.¹⁸⁴

179. *Finger Furniture Co., Inc. v. Travelers Indem. Co. of Connecticut*, 2002 WL 32113755, *13 (S.D. Tex. 2002) ("Because Finger could have been found liable under the TruServ Complaint without any finding that it had knowledge of the alleged falsity, the cited exclusion does not bar coverage for the underlying suit.").

180. *Elcom Techs. v. Hartford Ins. Co. of Midwest*, 991 F. Supp. 1294, 1298 (D. Utah 1997) (applying Pennsylvania law) ("Phoenex's false advertising claim, however, does not require an intent to deceive or knowledge of falsity That claim can be proved by establishing that Elcom acted with reckless indifference in advertising the ezPHONE as the only patented wireless telephone jack on the market.").

181. *W. Wis. Water, Inc. v. Quality Beverages of Wis., Inc.*, 2007 WI App 188, 305 Wis. 2d 217, 237, 738 N.W.2d 114, 124 (Ct. App. 2007) ("There is no requirement that the proponent prove intent to deceive [to prove trademark infringement] [T]he fact that the jury awarded punitive damages based on its finding that Crystal Canyon acted 'in intentional disregard of Western's rights' . . . is not the equivalent of an intent to deceive and cannot be invoked to demonstrate knowledge of falsity.").

182. *Del Monte Fresh Produce N.A., Inc. v. Transp. Ins. Co.*, 500 F.3d 640, 645 (7th Cir. 2007) ("Del Monte does not point to a single factual allegation that is not a part of a specific allegation of fraud Therefore, the complaints . . . fall squarely within the exclusion . . . for . . . statements made by the insured . . . with knowledge of falsity.").

183. *Axiom Ins. Managers, LLC v. Capitol Spec. Ins. Corp.*, 876 F. Supp. 2d 1005, 1014 (N.D. Ill. (E.D.) 2012) ("[T]he defamation claim did not require proof that Axiom knew the statements about Indemnity's financial condition were false The facts alleged in the Texas suit complaint did not demonstrate that Indemnity could only recover with proof that would make the material published with knowledge of falsity and/or knowing violation of rights of another[.]").

184. *Atl. Mut. Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1040, 123 Cal. Rptr. 2d 256 (2d Dist. 2002) ("Even though it may ultimately be determined that Atlantic Mutual has a viable defense to coverage by virtue of the application of the 'first publication' exclusion,

b. No Coverage Found

Some decisions applying New York law have applied this exclusion to bar coverage where findings suggest that a defendant is a “serial infringer” or intended to undertake infringing activity.¹⁸⁵ New York authority from its highest court emphasizes that establishing liability in trademark claims does not require “knowledge of falsity.” Such knowledge is not an element of a trademark claim. Even reckless conduct will not trigger application of this exclusion.¹⁸⁶

3. Knowing “Personal and Advertising Injury” [ISO]

a. Coverage Found

Like deceptive trade practices, trademark infringement is not an inherently “knowing” offense activity. An insurer owes a defense unless the factual allegations only permit liability to attach for conduct falling within the exclusion. Such facts can rarely be known until a final adjudication.¹⁸⁷

Finding this exclusion of no moment, the Second Circuit observed:

Despite the boilerplate allegation of willful misconduct, . . . such a claim does “not require proof of intent to deceive.” . . . Our inquiry ends there: as at least one of the claims in the Underlying Action did not require intent, Charter was required to defend the entire action.¹⁸⁸

The “knowing violation” exclusion does not apply when “there are claims set forth in the complaint that survive the ‘knowing

this can only affect its liability for indemnification That potential . . . cannot be negated short of an actual trial[.]”).

185. *A.J. Sheepskin and Leather Co., Inc. v. Colonia Ins. Co.*, 273 A.D.2d 107, 108, 709 N.Y.S.2d 82, 83 (1st Dep’t 2000) (Exclusion applied when conduct was allegedly “knowing and intentional,” because insured was found by jury to be a “serial infringer” such that insured anticipates its conduct would be wrongful when it was undertaken. The court confused “knowing and intentional conduct” with “knowledge of falsity.”).

186. *Town of Massena v. Healthcare Underwriters Mut. Ins. Co.*, 98 N.Y.2d 435, 445, 749 N.Y.S.2d 456, 779 N.E.2d 167 (2002) (statements made with reckless disregard for truth not within exclusion, and defense for same is compelled).

187. *Ohio Cas. Ins. Co. v. Cloud Nine, LLC*, 464 F. Supp. 2d 1161, 1168 (D. Utah 2006) (“[T]he causes of action asserted against the Cloud Nine Defendants do not necessarily require that, in order to find liability, the defendant have knowledge of falsity or knowledge that its conduct would cause advertising injury. *See* 15 U.S.C. § 1114(1) (setting forth elements of trademark infringement); . . . Utah Code Ann. § 13-11a-3 (defining deceptive trade practices); . . .”).

188. *CGS Indus. v. Charter Oak Fire Ins. Co.*, 720 F.3d 71, 83 (2d Cir. 2013) (applying New York law).

violation’ exclusion.” A mere allegation of willful and malicious conduct does not, itself, relieve the insurer of any duty to defend.¹⁸⁹

b. No Coverage Found

In *Signal*, Gucci sued a Guess licensee for trade dress infringement in the underlying suit, leading to an adverse bench trial judgment, which Zurich refused to cover.¹⁹⁰ Finding willful misconduct based on “repeated and detailed findings regarding Signal’s willfulness,”¹⁹¹ the court agreed that no coverage arose but deferred ruling on the issue until facts were developed.¹⁹² Zurich agreed to defend but refused to pay Signal’s independent counsel.¹⁹³

C. Intellectual Property Exclusion

Insurance underwriters have sought to limit intellectual property coverage since tenders of intellectual property suits under CGL policies commenced in the late 1980s. While some insurers elected to remove “personal and advertising injury” coverage to assure that no case with an intellectual property claim could fall within CGL coverage, others sought to limit what they perceived as the most problematic coverage — claims for patent and trademark infringement. This effort met with mixed success until ISO limited the scope of such coverage in 2002 with an express intellectual property exclusion.

Even after adoption of the intellectual property exclusion by ISO, however, a number of trademark infringement lawsuits included factual assertions that potentially implicated coverage that fell both within the mere limited “personal and advertising injury” offense and outside the express intellectual property exclusion.

1. ISO Version

a. Policy Language of IP Exclusion

This insurance does not apply to . . . “Personal and Advertising Injury” arising out of the infringement of copyright, patent, trademark, trade secret or other intellectual property rights.

189. *Air Eng’g, Inc. v. Indus. Air Power, LLC*, 2013 WI App 18, 346 Wis. 2d 9, 828 N.W.2d 565.

190. *Signal Prods. v. Am. Zurich Ins. Co.*, 2:13-cv-04581-CAS-(AJWx), 2013 U.S. Dist. LEXIS 179933 (C.D. Cal. Dec. 19, 2013).

191. *Id.* at *19.

192. *Id.* at *19 (“When Signal intentionally copied Gucci trade dress—including ‘attempting to copy the Gucci brown/beige color scheme’ and seeking to ‘mimic coatings used on Gucci fabrics’ . . . the resulting infringement was ‘caused by or at the direction of the insured with the knowledge that the act would violate the rights of another.’”).

193. *Id.* at *19.

Under this exclusion such other intellectual property rights do not include the use of another's advertising idea in your 'advertisement.'

However, this exclusion does not apply to infringement, in your 'advertisement,' of copyright, trade dress or slogan."

b. Fact Scenarios Analyzing Coverage

(1) Coverage Found

In *Creation Supply*,¹⁹⁴ the insurer argued that because Creation Supply was sued for trademark infringement, the intellectual property exclusion applied to bar coverage. The court dismissed this argument because the policy language contained an express exception to the exclusion that narrows the exclusion's application.¹⁹⁵ The exception encompassed copyright infringement, trade dress infringement, and slogan infringement.¹⁹⁶ The insurer owed a duty to defend, because the underlying suit also alleged trade dress infringement, and trade dress infringement was an exception to the intellectual property exclusion.¹⁹⁷

(2) No Coverage Found

In *Willowood*,¹⁹⁸ a pesticide distributor entered into a business venture with a pesticide manufacturer to sell a new pesticide named TEBUCON. When the deal fell apart, Willowood, the distributor, continued to use the TEBUCON mark. The manufacturer sued Willowood for using the mark. Willowood submitted claims to its insurance companies, who then sued for declaratory judgment.¹⁹⁹ After first disposing of coverage for disparagement and trade libel, the court found that the IP exclusion applied to bar coverage because, although the TEBUCON mark was not registered, the definition of trademark "include[s] a 'name or symbol identifying a product' registered *or* established by use."²⁰⁰ (Emphasis added.)

Likewise, in *Security Safe*, the Sixth Circuit found that the intellectual property exclusion precluded coverage, because the

194. *Selective Ins. Co. v. Creation Supply*, No. 1-14-0152, 2015 Ill. App. Unpub. LEXIS 202 at *27 (Feb. 9, 2015).

195. *Id.* at *27-28.

196. *Id.*

197. *Id.*

198. *Crum & Forster Specialty Ins. Co. v. Willowood USA, LLC*, Civ. No. 6:13-cv-01923, 2014 U.S. Dist. LEXIS 153363 (D. Or. Oct. 27, 2014).

199. *Id.* at *3-6.

200. *Id.* at *43-44 (emphasis added).

policy “unambiguously exclude[d] coverage for such injury arising from trademark infringement.”²⁰¹

Willowood and *Security Safe* demonstrate the importance of characterizing the underlying claims to fit within the express exceptions of the policy. Creative characterization often takes an encyclopedic knowledge of the countrywide case law, sensitivity to the underlying facts, and close attention to each and every policy provision. In the context of intellectual property exclusions, avoiding the exclusion involves asserting claims that are not dependent on infringement of intellectual property rights, or fitting the asserted claim into one of the express exceptions to the exclusion. Given the prevalence of “notice pleading,” neither of these paths to coverage is obvious except in the narrowest of circumstances.

2. Non-ISO Provisions

a. Exclusionary Provisions That Are Not Conspicuous, Plain, and Clear

Exclusions for intellectual property have grown especially restrictive in the last few years. Examples from Travelers, Hartford, Chubb, and Great American shown below present broad intellectual property exclusions. These policies offer the most limited intellectual property coverage available for CGL risks. When faced with representation of an insured who purchased one of these policies, consider whether the insurer appropriately provided notice of the effect in reducing coverage of various provisions in the policies’ language. Failing to advise policyholders of available coverage that has been eliminated by inclusion of conditional coverage in a phrase buried in an intellectual property exclusion may render the exclusion provision unenforceable.²⁰²

b. Broker Liability for Failure to Advise Policyholder of Limitation in Coverage

Brokers who promote problematic policies must ensure that the policyholders who buy them are aware of their coverage

201. *Liberty Corporate Capital Ltd. v. Sec. Safe Outlet*, 577 Fed. Appx. 399, 408 (6th Cir. 2014) (applying Kentucky law).

202. *Princeton Express & Surplus Ins. Co. v. DM Ventures USA LLC*, 209 F. Supp. 3d 1252, 1258 (S.D. Fla. 2016) (“Under Florida law, insurance coverage is illusory when policy provisions, limitations, or exclusions completely contradict the insuring provisions. . . . *Tire Kingdom v. First Southern Ins. Co.*, 573 So. 2d 885, 887 (Fla. 3d DCA 1990) (‘An insurance policy cannot grant rights in one paragraph and then retract the very same right in another paragraph called an ‘exclusion.’”).”).

limitations²⁰³ and informed of their options to procure appropriate coverage.²⁰⁴

c. Pertinent Non-ISO Intellectual Property Exclusions

(1) Travelers

Travelers' Web Xtend Liability (CG D2 34 01 05) eliminates coverage for "f. the use of another's advertising idea in your 'advertisement'" and "g. infringement of . . . trade dress in your 'advertisement.'"

One court suggested that a sentence in an intellectual property exclusion that does not purport to apply to all otherwise covered claims would need to be read in context of the entire contract before determining its effect.²⁰⁵

In *Michael Taylor Designs*, the district court found the intellectual property exclusion problematic but did not deem the exclusion unenforceable. On appeal, the appellate court never reached the issue because it affirmed the district court's opinion finding that Travelers had a duty to defend.²⁰⁶

(2) St. Paul

We won't cover injury or damage . . . that results from . . . infringement or violation of any of the following rights or laws . . . : [other intellectual property] . . . [unless it] results from . . . use of any trademarked slogan; or trademarked title of others in your advertising.

Under St. Paul's policy, conduct may fall outside the intellectual property exclusion so long as other allegations set forth conduct not

203. *Jones v. Grewe*, 189 Cal. App. 3d 950, 954 (1987) ("An insurance agent has an obligation to use reasonable care, diligence, and judgment in procuring the insurance requested by an insured.").

204. *Nowlon v. Koram Ins. Ctr., Inc.*, 1 Cal. App. 4th 1437, 1447 (1991) ("A broker's failure to obtain the type of insurance requested by an insured may constitute actionable negligence and the proximate cause of injury.").

205. *Premier Pet Products, LLC v. Travelers Prop. & Cas. Co. of Am.*, 678 F. Supp. 2d 409, 417 (E.D. Va. 2010) ("An 'endorsement is not a complete contract in itself.' *Id.* Certainly a five-page endorsement that purports to change sections of the original sixteen-page policy cannot be read to replace entirely the underlying policy. The Court will consider, to the extent necessary, the entirety of the contract before it.").

206. *Michael Taylor Designs, Inc. v. Travelers Prop. Cas. Co. of Am.*, 761 F. Supp. 2d 904, 913 n.9 (N.D. Cal. 2011) *aff'd on other grounds*, 495 F. App'x 830 (9th Cir. 2012) ("The apparent practice of providing policy holders with pages and pages of provisions that may or may not be in force, depending on what endorsements apply, is not to be commended. *Given current technology, there would appear to be little practical impediment to preparing customized policy documents for each policy holder that either omit deleted verbiage entirely or plainly identify it as having been removed by endorsement.*" (emphasis added)).

described by the exclusion.²⁰⁷ Under St. Paul’s reading of its policy, the enforceability of this exclusion remains controversial.²⁰⁸

This insurance does not apply to:

... “advertising injury” arising out of or directly or indirectly related to the actual or alleged publication or utterances of oral or written statements, whether made in advertising or otherwise, which is claimed as an infringement, violation, or defense of any of the following rights or laws:

1. copyright, other than infringement of copyrighted advertising materials;
2. patent;
3. trade dress;
4. trade secrets; or
5. trademark or service mark or certification mark or collective mark or trade name, other than trademarked or service marked titles or slogans.

St. Paul’s intellectual property exclusion, like Travelers, contained the relevant sentence in later versions of the policy. Finding coverage simply requires enforcement of the exceptions.²⁰⁹

(3) Hartford

Exclusion—Personal and Advertising Injury

HC 00 8812 10—Cyberflex Amendment of Coverage B—Personal and Advertising Injury . . . [T]here is no coverage under personal and advertising injury or damage alleged in any

207. *Kla-Tencor Corp. v. Travelers Indem. Co. of Ill.*, 2003 WL 21655097 (N.D. Cal. 2003) (The insurer denied coverage on the basis that the allegations against the insured fell within the intellectual property exclusion which exempted coverage for publication or utterances related to infringement. The insurer claimed that the statements, allegedly made by the insured, were made in connection with its effort to defend its patent claims. The court ruled that the third party had alleged that the insured made untrue statements regarding its financial condition, future viability, and its having lost large orders. Those allegations made no mention of the insured’s patents and could have formed the basis of the interference with contractual relations and prospective economic advantage claims. As such, the statements gave rise to a potential liability covered under the policy.).

208. *S.B.C.C., Inc. v. St. Paul Fire & Marine Ins. Co.*, 186 Cal. App. 4th 383, 396, 397 (2010) (No) (“South Bay emphasizes that only one of SJC’s claims was for trade secrets violation, and not all of the information taken from SJC was a ‘work of the mind.’ . . . [T]here is no coverage for ‘any other injury or damage that’s alleged in any claim or suit which also alleges any such infringement or violation.’ . . . Here St. Paul has demonstrated, ‘by reference to undisputed facts, that the claim cannot be covered.’”).

209. *Santa’s Best Craft, LLC v. St. Paul Fire & Marine Ins. Co.*, 611 F.3d 339, 348 (7th Cir. 2010) (“We agree with the district court that, even if the IP exclusion applied, the trademark exception would require St. Paul to defend the action given the uncertainty whether the court in the underlying action would have decided the slogan qualified as trademarkable. But, because St. Paul has not met its burden to prove that the IP exclusion applies in the first instance, we need not reach this alternative holding.”).

claim or suit that alleges infringement or violation of any intellectual property right.

Applying a “but for” analysis, the Fourth Circuit concluded that Hartford’s Intellectual Property Rights Exclusion relieved the insurer of any duty to defend.²¹⁰ The same analysis was adopted despite the prevalence of unfair competition claims “when a suit brought against the insured contain[ed] only allegations arising out of trademark or trade name violations.”²¹¹ The “mere possibility that an unfair competition claim can exist independent of an allegation of trademark violation does not mean that an independent claim was raised in [the underlying] complaint.”²¹² But for the alleged trademark violation, there would be no unfair competition claim.²¹³

It is the author’s view that both cases posited the wrong question by focusing on the tort elements to establish liability²¹⁴ and failing to consider possible indemnity exposure for unfair competition if the trademark infringement claims later proved unenforceable,²¹⁵ especially as the gravamen of a suit is of no moment in evaluation of the duty to defend.²¹⁶

210. *Superformance Int’l, Inc. v. Hartford Cas. Ins. Co.*, 332 F.3d 215, 223 (4th Cir. 2003) (“All of the claims made in the complaints against Superformance—trademark infringement, trade dress infringement, and trademark dilution, as well as unfair competition based on those violations—are varieties of trademark claims protected by the Lanham Act and State analogues.”).

211. *Marvin J. Perry, Inc. v. Hartford Cas. Ins. Co.*, 412 Fed. Appx. 607, 610 (4th Cir. 2011).

212. *Id.* at 612 (“[T]here is no indication as to how the style of P & W’s website had developed a meaning such that utilizing a similar style would constitute unfair competition. Instead, the complaint makes clear that the reason that the web presentation was potentially confusing to customers was because the trade name ‘Marvin J. Perry & Associates’ and trademarked logo containing the same were utilized throughout the website.”).

213. *Id.* at 612 (“Ultimately, as the district court stated, ‘the independent unlawful conduct that caused P & W’s business injury, which is the gravamen of P & W’s underlying complaint and an element of the tort [of unfair competition] is based upon MJP’s use of its trade name, trademark, logo, and website . . . in violation of P & W’s registration and ownership of that name and mark[.]’ As such, any allegation of unfair competition would necessarily be excluded from coverage as a claim ‘arising out of any violation of any intellectual property rights, such as . . . trademark, trade name . . . or other designation of origin or authenticity.’”).

214. *E.S.Y., Inc. v. Scottsdale Ins. Co.*, 139 F. Supp. 3d 1341, 1355 (S.D. Fla. 2015) (“The Policy does not define ‘advertising idea.’ ‘Yet, the Eleventh Circuit, applying Florida law, has construed the term to mean “any idea or concept related to the promotion of a product to the public.’”).

215. *Axiom Ins. Managers, LLC v. Capitol Specialty Ins. Corp.*, 876 F. Supp. 2d 1005, 1013 (N.D. Ill. 2012) (“[Nor need] the complaint allege or use language affirmatively bringing the claims within the scope of the policy.”) (internal quotes omitted);

216. *Pension Tr. Fund v. Fed. Ins. Co.*, 307 F.3d 944, 951 (9th Cir. 2002) (“[The duty to defend does not] turn on whether facts supporting a covered claim predominate or generate the claim.”).

(4) Chubb

Two versions of Chubb’s intellectual property exclusions were held invalid because they were illusory:

This insurance does not apply to any actual or alleged bodily injury, property damage, advertising injury or personal injury arising out of, giving rise to or in any way related to any actual or alleged:

. . . assertion; or

. . . infringement or violation;

by any person or organization (including any insured) of any intellectual property law or right, regardless of whether this insurance would otherwise apply to all or part of any such actual or alleged injury or damage in the absence of any such actual or alleged assertion, infringement or violation.²¹⁷

The same result arose, with a slight variation in the policy language by Chubb. Although the provision was not illusory *per se*, the court still found the exclusion insufficiently clear to avoid a duty to defend.²¹⁸

Nonetheless, not all jurisdictions have taken the same view, so companies seeking insurance should be careful to only select those policies that have the broadest coverage available for their anticipated liability exposures.²¹⁹

(5) Great American

Endorsement—“Exclusion of Claims and ‘Suits’ Alleging Infringement of Intellectual Property”

I. Coverage B—Personal and Advertising Injury Liability. . . . 2. Exclusions, I. Infringement of Copyright, Patent, Trademark or Trade Secret, is deleted and replaced by the following:

217. *Align Tech., Inc. v. Fed. Ins. Co.*, 673 F. Supp. 2d 957, 961 (N.D. Cal. 2009); *see also Aurafin-OroAmerica, LLC v. Federal Ins. Co.*, 188 Fed. Appx. 565, 567 (9th Cir. 2006) (“It is unclear what the exclusion meant when it excluded statements made in “defense of” intellectual property rights.”).

218. *Align Tech.*, 673 F. Supp. 2d at 969 (“Federal’s language does not put an insured reasonably on notice that Federal will not cover claims in a lawsuit whenever that lawsuit also includes a claim for intellectual property. Thus, the ‘regardless’ clause does not conclusively eliminate coverage for all of the claims in the Cross-Complaint.”).

219. *Princeton Express & Surplus Ins. Co. v. DM Ventures USA LLC*, 209 F. Supp. 3d 1252, 1260 (S.D. Fla. 2016) (the Exclusion here essentially eliminates all advertising injury coverage. Because the policies provide that they cover advertising injury, and then the Exclusion provides that advertising injury is excluded, the provisions are completely contradicted. The Exclusion does not carve out a particular type of advertising injury—such as those that violate a statute as in *Interline Brands*—but, instead, excludes all advertising injury. Giving effect to the Exclusion would make the advertising injury coverage illusory, which is prohibited by Florida law).

i. Claim or Suit Alleging Infringement of Intellectual Property

(l) Any claim or “suit” . . . arising out of any . . . misappropriation, infringement, or violation of . . . copyright . . . patent . . . trademark . . . trade name . . . trade secret . . . trade dress . . . service mark . . . slogan . . . service name . . . other right to or law recognizing an interest in any expression, idea, likeness, name, style of doing business, symbol, or title . . . laws or regulations concerning piracy, unfair competition, unfair trade practices, or other similar practices; or . . . any other intellectual property right or law.

Great American’s intellectual property exclusion is potentially broad because, after a reciting other intellectual property claims, it includes the term “unfair competition.” In application, however, courts have construed the exclusion narrowly.²²⁰

D. “Failure to Conform”

The 2001 ISO policy form provided an exclusion as follows:

(c) Quality or Performance of Goods—Failure to Conform to Statements

“Personal and advertising injury” arising out of the failure of goods, products, or services to conform with any statement of quality or performance made in your “advertisement.”

This “failure to conform” or “failure of warranty” exclusion should rarely bar coverage for trademark infringement/unfair competition claims. No “performance” or “quality” is under attack in a typical trademark infringement lawsuit. Rather, the dispute often centers around who owns or possesses the right to enforce intangible property rights or avoid consumer confusion over the scope and meaning of the asserted trademarks.

1. Coverage Found

The “failure to conform” exclusion is typically limited to breach of warranty claims.²²¹ Although it is often discussed by insurers in lawsuits for false advertising, it often has no application to claims

220. *JAR Labs. LLC v. Great Am. E & S Ins. Co.*, 945 F. Supp. 2d 937, 946 (N.D. Ill. 2013) (“Illinois policy, legal authority, and the language of the exclusion itself all militate in favor of construing the ‘unfair competition’ exclusion as targeting a narrow subset of intellectual property violations that does not include . . . false advertising and related claims.”).

221. *Hamon v. Digliani*, 148 Conn. 710, 718, 174 A.2d 294 (1961) (“Where the manufacturer or producer makes representations in his advertisements or by his labels on his products as an inducement to the ultimate purchase, the manufacturer or producer should be held to strict accountability to any person who buys the product in reliance on the representation and later suffers injury because the product fails to conform to them.”).

between competitors.²²² For example, a statutory claim, for misstating that goods were Indian made when they were not, fell outside this exclusion.²²³

2. No Coverage Found

Courts finding no coverage have often interpreted the exclusion in isolation from the coverage grant, but the situations in which the exclusion applied should have been circumscribed by the relevant facts.²²⁴ The exclusion has been a bar to coverage for false advertising claims even when the facts evidenced disparagement based on false negative comparative statements.²²⁵ In *Clarcor*,²²⁶ 3M's complaint was excluded under the policy's "failure to conform" exclusion because Clarcor's product allegedly did not conform to its advertisement.

In *Harleysville*²²⁷ the court failed to address the applicability of the exclusions in all possible worlds, including one where negative

222. *Elcom Techs. v. Hartford Ins. Co. of Midwest*, 991 F. Supp. 1294, 1298 (D. Utah 1997) (applying Pennsylvania law) ("Because Phoenix's false advertising claim does not allege that Elcom's product failed to rise to the level advertised, the failure to conform exclusion does not apply to that claim."); *DecisionOne Corp. v. ITT Hartford Ins. Grp.*, 942 F. Supp. 1038 (E.D. Pa. 1996) (Exclusion inapplicable unless the complaint contains specific allegations that the goods fail to conform to the quality or performance advertised; i.e., the exclusion applies principally to insurer claims for breach of warranty, not claims by competitors for unfair competition asserted by one business against another.).

223. *Jewelers Mut. Ins. v. Milne Jewelry Co.*, 83 U.S.P.Q.2d 1665, 2006 WL 3716112, *3 (D. Utah 2006) ("In other words, Plaintiff argues that the term 'quality' refers to a certain characteristic, and that being of Native American origin is a quality contemplated by the policy. Defendant replies that the term 'quality' in the policy relates not to a characteristic, such as Native American authenticity, but rather, to the fitness of the product The term 'quality' as written in the policy is reasonably susceptible to more than one meaning, and therefore, must be construed against Plaintiff.").

224. *Liberty Mut. Fire Ins. Co. v. Mark Yacht Club on Brickell Bay, Inc.*, No. 09-20022-CIV-MOORE/SIMONTON, 2009 U.S. Dist. LEXIS 75225, at *14 (S.D. Fla. Aug. 25, 2009) ("Before determining whether the Policy's exclusions preclude coverage, it must first be determined whether the underlying complaint states facts that potentially fall within the scope of the Policy's coverage.").

225. *Harleysville Mut. Ins. Co. v. Buzz Off Insect Shield, LLC*, 364 N.C. 1, 692 S.E.2d 605, 621-22 (2010) (Assuming that covered liability was premised on false advertising, not disparagement, the exclusion applied because "defendants' statements about their own products were literally not true [W]hile SCJ did allege that defendants' advertisements portrayed SCJ's products in a negative light, the alleged falsity of that portrayal lies solely in the alleged failure of defendants' products to be of the quality and as effective as defendants claimed.").

226. *Clarcor, Inc. v. Columbia Cas. Co.*, 2010 WL 5211607, *5 (M.D. Tenn. 2010) (Clarcor "designed the packaging for Purolator products to convey the false and misleading claims that Purolator filters perform equally to, if not better than, 3M's Filtrete filters. Several aspects of the Purolator package design create this false impression, including the numerical performance claims of 'overall filtration efficient,' the claimed 'respiratory protection factor,' and similarities in color.").

227. *Harleysville Mut. Ins. Co. v. Buzz Off Insect Shield, LLC*, 364 N.C. 1, 692 S.E.2d 605, 621-22 (2010).

statements about the claimant's products in competitive advertisements evidenced potential coverage for implicit disparagement as courts of appeals have found.

For example, in *Inspired Technologies*,²²⁸ the Eighth Circuit Court of Appeals found coverage where some factual allegations of false advertising fell outside the scope of the “failure to conform” exclusion.

E. “Breach of Contract”

1. Coverage Found

The contract breach referenced is not between the insureds and the insurer, but between the insured and third parties. It provides that the policy does not apply to “[a]dvertising injury’ . . . arising out of breach of contract.”²²⁹

The “breach of contract” exclusion is applicable only to the particular conduct that creates potential liability.²³⁰ It does not apply when the allegations are not premised on a breach of contract theory.²³¹

In *Bridge Metal*, the Second Circuit court observed that “[u]nder New York law, such an exclusion is governed by a ‘but for’ test, such that the exclusion applies “only if the advertising injury suffered . . . would not exist *but for* the breach of contract”²³²

228. *AMCO Ins. Co. v. Inspired Techs., Inc.*, 648 F.3d 875, 882-83 (8th Cir. 2011) (“The district court thus focused on some of the conduct alleged to prove the claim rather than the global claim itself. . . . As several of our sister circuits have recognized, ‘[i]t is well-settled that no proof of intent or willfulness is required to establish a violation of Lanham Act §43(a) for false advertising.’ . . . Accordingly, because AMCO failed to satisfy its burden of demonstrating as a matter of law that all of 3M’s claims against ITI clearly fell outside of the Policy’s coverage, the district court’s summary judgment concluding that AMCO owed ITI no duty to defend was improper.”).

229. *Bridge Metal Indus., LLC v. Travelers Indem. Co.*, No. 11-4228-CV, 2014 U.S. App. LEXIS 4463, at *12 n.2 (2d. Cir. Mar. 11, 2014) (The harm that National suffered arose at least in part, from claims that were outside the scope and the “breach of contract” exclusion. “It is at least a plausible interpretation that but-for causation is lacking in this case, since National’s right to protect its trade dress—which antedated the confidentiality agreement with Bridge Metal—could be infringed regardless of the contract. The ‘operative act giving rise to any recovery,’ *Mount Vernon*, 645 N.Y.S.2d 433, 668 N.E.2d at 406, was the alleged copying of National’s designs, not the breach of the confidentiality agreement.”).

230. *Waller v. Truck Ins. Exch., Inc.*, 11 Cal. 4th 1, 16 (1995).

231. *See Ass’n Cas. Ins. Co. v. Major Mart, Inc.*, No. 1:12CV022-SA-DAS, 2013 WL 3409217, at *4 (N.D. Miss. July 8, 2013) (A tortious interference claim, premised on pricing beer products at the price the insured requested, which purportedly damaged the claimant was found outside the “breach of contract” exclusion. As that Court observed, “Association casually cannot point to any alleged breach of contract by Major Mart in contesting the pricing of the products.” *Id.* at *5. This, despite insurer’s contention that this event “ignited the entire basis for the Counterclaim.”).

232. *Id.* at 19-20.

2. No Coverage Found

The majority of the cases that discuss the “breach of contract” exclusion in the context of trademark infringement do so when the coverage arises under the offense of “publication of disparaging material.” No coverage cases addressing coverage for trademark infringement claims arising out of “use of another’s advertising idea in your ‘advertisement’” have barred coverage under the “breach of contract” exclusion. A typical case involving trademark infringement under the analogous misappropriation offense is *Aearo v. Am. Int’l Specialty Lines Ins. Co.*²³³

In *Aearo*, Aearo entered into a contract with Climb Tech to distribute Climb Tech’s products. Aearo manufactured and distributed safety equipment. Climb Tech manufactured fall protection equipment.²³⁴ The deal included a confidentiality and non-compete agreement.²³⁵ When Climb Tech ended the relationship, Aearo released new products that were allegedly identical to the previously distributed Climb Tech products. The similarities included the use of Climb Tech’s mark, name, labels, marketing materials, model numbers, specifications, images, photographs, and descriptions.²³⁶

The court found that Aearo had misappropriated Climb Tech’s “advertising ideas or style of doing business,” giving rise to “Advertising Injury” coverage. The insurer argued that “breach of contract” exclusion barred coverage. The court disagreed, stating that the “breach of contract exclusion would apply only if the claim in question would not have existed but for the insured’s alleged breach of contract. . . . The trademark infringement claim, however, is based on a legal theory entirely different from a claim for breach of contract.”²³⁷

As in *Aearo*, the court in *Natural Organics*,²³⁸ applying the breach of contract exclusion to a claim arising out of publication of disparaging material, stated that the basis for potential coverage was not linked to a breach of contract.²³⁹

233. *Aearo v. Am. Int’l Specialty Lines Ins. Co.*, 676 F. Supp. 2d 738 (S.D. Ind. 2009).

234. *Id.* at 741.

235. *Id.*

236. *Id.* at 741-42.

237. *Id.* 750-51 (“Climb Tech’s rights in its trademark, the rights on which it is able to sue for trademark infringement, came into being before any contract with Aearo was signed and were independent of any such contract”).

238. *Natural Organics, Inc. v. OneBeacon Am. Ins. Co.*, 102 A.D.3d 756, 759 (N.Y. App. Div. 2013).

239. *Id.* at 759 (“Independent of the breach of contract claim, for which there is plainly no coverage, the press release allegedly violated the Lanham Act by suggesting to NPN’s customers that its products were not genuine, or that the remaining inventory was somehow unauthorized . . .”).

VI. ISSUES FOR COUNSEL IN TRADEMARK INFRINGEMENT LITIGATION

A. Issues for Plaintiff's Counsel

Counsel representing a rights owner asserting infringement should be aware that the complaint language can affect the availability of insurance coverage for the defendant. Drafting a pleading in a manner that implicates insurance coverage for the infringer can be a legitimate goal for the rights owner, as coverage may facilitate prompt settlements with insurer funding if the claimant's allegations appear incontestable. When the issues and potential factual disputes are more nuanced and the law is unclear, drafting a pleading that facilitates insurance coverage for defense counsel can be problematic. Indeed, in such cases, settlement resolution may be more complicated as the presence of covered and uncovered claims may render simple resolution of the case challenging.

Where the principal relief sought is injunctive, some plaintiff's counsel prefer that defendants secure insurer-appointed defense counsel, especially in those jurisdictions that vest control of defense counsel with the insurer absent an actual conflict of interest.²⁴⁰ This is because they may not assert all strategically beneficial defenses that will make securing such relief problematic, rendering the case less expensive to pursue and more likely to lead to a positive result. Moreover, independent counsel will know that avoiding injunctive relief is critical to an insured, but of no economic concern to an insurer whose liability for indemnity is limited to covered damage claims against the insured.

Moreover, facts sufficient to evidence a duty to defend may not be sufficient to reveal an obligation to require a settlement. The latter obligation can be dependent on a number of timing issues. Timing issues include the applicability of the "first publication" exclusion and whether the facts that caused significant damage occurred within the course of the insured's advertising activities and the insured's policy period. These concerns are especially salient when the jurisdiction permits reference to facts beyond the complaint. Such jurisdictions allow the insurer to consider extrinsic facts "known to the insurer," or, in California, "available to an insurer," in evaluating the duty to defend and ultimately the duty to settle pending claims.²⁴¹

240. See Ins. Cov. of IP, § 7.02[B][1], pp. 7-14-7-15 n.28. Such jurisdictions following an "actual conflict of interest" standard include Texas, Arizona, Georgia, Kansas, Louisiana, Mississippi, New Mexico, Texas, and Washington.

241. Ins. Cov. of IP, Admission of Extrinsic Code § 9.02[A], p. 9-21 n.82—Alaska, Illinois, Louisiana, Minnesota, and New York. Chart B-26, Column 2.

Plaintiffs who plead claims in an attempt to avoid coverage may be foiled by defense counsel's introduction of extrinsic evidence to clarify the duty to defend, such as deposition testimony, or motions filed in the underlying action.²⁴² Moreover, "a broad prayer for such other and further relief" may be sufficient, in some jurisdictions, to create a duty to defend,²⁴³ but not in other forums.²⁴⁴ Indeed, the ordinary meaning of damages includes both legal and equitable claims as that term is used in insurance policy.²⁴⁵ But when only restitutionary remedies are at stake, some courts have denied coverage.²⁴⁶

242. *Millennium Labs., Inc. v. Darwin Select Ins. Co.*, No. 12-cv-2742 H (KSC) Doc. 112, 10:14-18, 11:3-4 (S. D. Cal. May 13, 2014) [Order Granting Plaintiff's Motion For Partial Summary Judgment] ("We are the only lab to offer a compliant LSA program; [. . .] . . . They have nothing to sell against us but bad science and illegal inducements . . . Millennium Labs's deposition of Ameritox CEO Ancelmo Lopes in the underlying Ameritox action confirms a potential disparagement claim: Q: It's Ameritox's position in the case that Millennium has disparaged it repeatedly in the marketplace. Correct? A: Yes.").

243. *Energex Sys. Corp. v. Fireman's Fund Ins. Co.*, No. 96-CIV-5993 (JSM), 1997 U.S. Dist. LEXIS 8894, at *13-14 (S.D.N.Y. June 25, 1997) ("Finally, defendant contends that there is no duty to defend because the Anton/Bauer complaint seeks injunctive relief and not damages. While Anton/Bauer's prayer for relief does not specifically seek damages, it does seek whatever relief the Court deems just and proper. Under New York law, this encompasses a claim for damages and the insurer must defend. *Doyle v. Allstate Ins. Co.*, 1 N.Y.2d 439, 443, 154 N.Y.S.2d 10, 13 (1956)."); *B.H. Smith, Inc. v. Zurich Ins. Co.*, 285 Ill. App. 3d 536, 541, 221 Ill. Dec. 700, 703, 676 N.E.2d 221, 224 (1996) ("If, [a plaintiff] succeeds in proving that he is entitled to equitable relief, equity may grant damages in addition to or as an incident of some other special equitable relief or, where the granting of equitable relief appears to be impossible or impracticable, equity may award damages in lieu of the desired equitable remedy. *Doyle v. Allstate Ins. Co.*, 1 N.Y.2d 439, 443, 136 N.E.2d 484, 486, 154 N.Y.S.2d 10, 13 (1956).").

244. *Gemmy Indus. Corp. v. Alliance Gen. Ins. Co.*, 190 F. Supp. 2d 915, 919 n.6 (N.D. Tex. 1998), *citing* *The Feed Store, Inc. v. Reliance Insurance Co.*, 774 S.W.2d 73, 74-75 (Tex. App.—Houston [14th Dist.] 1989, *writ denied*).

245. *Minn. Mining & Mfg. Co. v. Travelers Indem. Co.*, 457 N.W.2d 175, 179-80 (Minn. 1990).

246. *Bank of the W. v. Super. Ct.*, 833 P.2d 545, 554 (1992) ("[I]nsurable damages do not include costs incurred in disgorging money that has been wrongfully acquired."); *but see*, *Limelight Productions, Inc. v. Limelite Studios, Inc.*, 60 F.3d 767, 769 (11th Cir. 1995) ("We find no merit to the argument that ill-gotten profits are not damages covered by the insurance policies. Congress recognized that in this kind of lawsuit a plaintiff's resulting lost profits often will be difficult or impossible to establish. As an alternative, Congress allows a presumption that any profits the defendant gained because of its violation would have accrued to the plaintiff but for that violation. 15 U.S.C. § 1117(a)(1). Congress authorizes plaintiffs to recover these ill-gotten profits as the presumed equivalent of plaintiff's own lost profits. Moreover, Courts in this Circuit have interpreted Lanham's damages provision to embody both actual damages under 15 U.S.C. 1117(a)(2) and presumed damages (or ill-gotten profits) under 15 U.S.C. 1117(a)(1).").

B. Issues for Defendant's Counsel

1. Legal Malpractice for Failure to Notify Insurers of Potentially Covered Claims

Defense counsel has a primary obligation to advise its client of the duty to notify insurers of a claim, which in many jurisdictions can include a mere cease and desist letter as well as a filed lawsuit.²⁴⁷ Indeed, legal malpractice claims have been prosecuted against intellectual property defense counsel for failing to advise their clients of insurance coverage. In *Jordache II*,²⁴⁸ the California Supreme Court implicitly recognized that outside defense counsel may be held liable for legal malpractice for failure to advise the client about insurance coverage rights even when insurance issues are outside the scope of retention and the client never asks the lawyer to investigate the issue.

Emblematic of the malpractice issue is *Darby & Darby I*.²⁴⁹ There, the court stated, “[t]his court is persuaded that the plaintiff’s failure to investigate the defendants’ insurance coverage or alert them to the potential availability of insurance to cover their litigation expenses may have constituted legal malpractice.”²⁵⁰ Modifying the earlier ruling, in *Darby & Darby II* the appellate division²⁵¹ distinguished *Jordache I*²⁵² because: “[t]he vast majority of [case law evidencing that CGL policies may cover intellectual property infringement suits] developed after the period of plaintiff’s representation of defendants[.]”²⁵³

Coverage case law after *Darby & Darby* clarified why insurance coverage issues can no longer be avoided by IP counsel. As the court stated in *Shaya*,²⁵⁴ “[w]e cannot say, as a matter of law, that a legal malpractice action may never lie based upon a law firm’s failure to

247. *Hartford Cas. Ins. Co. v. ContextMedia, Inc.*, No. 12-cv-9975, 2014 U.S. Dist. LEXIS 120037 (N.D. Ill. Aug. 28, 2014) (failure to give notice of a cease and desist letter activated late notice prohibitions in an insurance policy even though the eventual suit was noticed promptly).

248. *Jordache Enters., Inc. v. Brobeck, Phleger & Harrison*, 18 Cal. 4th 739 (1998).

249. *Darby & Darby, P.C. v. VSI Int’l, Inc.*, 178 Misc. 2d 113, 117-18, 678 N.Y.S.2d 482, 486 (Sup. Ct. 1998) *aff’d as modified*, 268 A.D.2d 270, 701 N.Y.S.2d 50 (2000) *aff’d*, 95 N.Y.2d 308, 739 N.E.2d 744 (2000).

250. *Ross v. Briggs & Morgan*, 540 N.W.2d 843, 847 (Minn. 1995).

251. *Darby & Darby, P.C. v. VSI Int’l, Inc.*, 268 A.D.2d 270, 272, 701 N.Y.S.2d 50 *aff’d*, 95 N.Y.2d 308, 739 N.E.2d 744 (2000).

252. *Jordache Enters. v. Brobeck, Phleger & Harrison*, 56 Cal. Rptr. 2d 661 (1996), *rev’d* 18 Cal. 4th 739, 958 P.2d 1062 (1998).

253. *Darby & Darby*, 268 A.D.2d at 272-73.

254. *Shaya B. Pac., LLC v. Wilson, Elser, Moskowitz, Edelman & Dicker, LLP*, 38 A.D.3d 34, 41, 827 N.Y.S.2d 231 (2006).

investigate its client's insurance coverage or to notify its client's carrier of a potential claim."²⁵⁵

2. Notifying Appropriate Insurers Promptly

Failure to provide notice of a claim "as soon as practicable" or "immediately" can threaten a loss of coverage.²⁵⁶ In forfeiture jurisdictions, such as Illinois, prejudice to the insurer from delay is not a factor. New York was a forfeiture jurisdiction before it amended its statutory scheme in 2012. The amendments followed the legislature's comment that "the pre-existing rule was a trap for the unwary."²⁵⁷

The majority of jurisdictions require a showing of prejudice from delay to preclude all of the insurer's duties under the policy. However, several key jurisdictions, including Florida and Ohio, put this burden on the insured, not insurer. In light of these rules, prompt notice to an insurer under all potentially applicable claims is requisite.

3. When It Is Unclear Which Insurer Is At Risk, More Than One May Be Potentially Liable

It is often unclear from the face of the complaint which policy year is implicated in an occurrence-based policy program. Where the facts do not indicate when the first wrongful conduct arose that evidenced a potentially covered "personal and advertising injury" offense, more than one insurer may be liable.

Various courts (either applying California law or principles consistent with its law) have described a variety of factual allegations that are sufficient to bring a suit within the policy coverage. Allegations that have triggered possible liability under the policy period²⁵⁸ include keywords like "long-standing,"²⁵⁹

255. See David A. Gauntlett, *IP Attorneys' Handbook for Insurance Coverage in Intellectual Property Disputes* (2010).

256. *Gemmy Indus. Corp.*, 190 F. Supp. 2d at 921.

257. *Am. Home Assurance Co. v. Republic Ins. Co.*, 984 F.2d 76, 77-78 (2d Cir. 1993), *cert. denied*, 508 U.S. 973.

258. See *Atl. Mut. Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1039 (where, although underlying complaint did not specify date of insured's first offending conduct, the court concluded that based on those allegations *alone*, the *possibility* of coverage existed).

259. *Castle & Cooke, Inc. v. Great Am. Ins. Co.*, 711 P.2d 1108, 1113 (Wash. Ct. App. 1986).

“continuous conduct,”²⁶⁰ “recently,”²⁶¹ “no earlier than,”²⁶² or “sometime in.”²⁶³

4. Securing the Right to Independent Counsel

The insured’s ability to choose its own counsel, described in most jurisdictions as independent counsel, will depend on the presence of a conflict of interest between the insurer and insured. Recently, many insurers have been coy about what rights they are reserving, and what, if any, circumstances could arise that would permit them to rearticulate the reservation of rights to assert an additional grounds to bar indemnification as facts develop in the underlying case. The insurers wish to have complete discretion over how they respond to fact developments in the complaint. They want to be able to, at any time, rearticulate grounds for denying indemnity while in the interim, control the selection of counsel. A recent Minnesota decision decried such an approach.²⁶⁴

a. Assuring Insurers Pay a Reasonable Rate

Typically, where the insurer cannot establish that a reasonable rate is consistent with the fees charged by experienced intellectual property litigation counsel, partial reimbursement can be structured, or counsel selected typically works on a blended rate that conforms to the rates proposed by insurers for such litigation activity.

260. *JACO Evt'l*, 2009 WL 1591340 at *6.

261. *Carnival Brands, Inc. v. Am. Guar. & Liab. Ins. Co.*, 726 So. 2d 496, 500 (La. Ct. App. 1999).

262. *Arnette Optic Illusions, Inc. v. ITT Hartford Grp., Inc.*, 43 F. Supp. 2d 1088, 1097-98 (C.D. Cal. 1998).

263. *Hudson I*, 2008 WL 5504572 at *2 (holding that while the allegation—that at “*some time in May, 2005*,” claimant “became aware” that insured was selling counterfeit jerseys—left open the possibility that offending conduct occurred before May 14th when the policy period commenced, it simultaneously raised the possibility that the first publication occurred after May 14th, *after the policy period commenced*) (emphasis added).

264. *Select Comfort Corp. v. Arrowood Indem. Co.*, Civil No. 13-2975 (JNE/FLN), 2014 U.S. Dist. LEXIS 118494, at *18-19 (D. Minn. Aug. 26, 2014) (“Arrowood’s communications show a cautious attempt to preserve the right to challenge coverage based on the intentionality question along with the ability to argue that it was not reserved. Although parts of the communications may be characterized as ambiguous, the same principle behind the rule that ambiguities in insurance contracts are construed against the insurer, *see Thommes v. Milwaukee Ins. Co.*, 641 N.W.2d 877, 879-80 (Minn. 2002), counsels in favor of resolving the ambiguity in its reservation of rights communications against it. . . . That reservation [regarding the intentionality of the referenced conduct] implicated a fact issue that would have been decided in the Stearns Action and so a conflict of interest existed that converted its duty to defend into a duty to reimburse the reasonable costs of separate counsel.”).

C. Retaining Coverage Counsel

In big-ticket IP litigation, retaining coverage counsel familiar with intellectual property litigation is recommended. On the plaintiff's side, coverage counsel can help plead into or out of coverage. For the defense side, coverage counsel is best positioned to assist in establishing a right to insurance under appropriate policies. Coverage counsel can also secure prompt reimbursement of counsel at reasonable rates funded by insurer contributions and obtain evaluations of and finding for settlements as well as addressing a number of other challenging insurance coverage impacted fact scenarios.

VII. CONCLUSION

Insurers continue to write policies in a manner that makes securing coverage in a trademark infringement lawsuit challenging. Insurers who write policies on ISO forms have sought to tighten coverage for over a decade, commencing in 2002 with the introduction of an intellectual property exclusion to otherwise broad coverage for "personal and advertising injury." Non-ISO insurers have sought to restrict coverage for trademark infringement lawsuits, even before ISO did. But, where trademark lawsuits are conjoined with claims for unfair competition premised at least in part on consumer confusion claims or tortious interference counts, a duty to defend may arise despite robust trademark exclusions. Also, U.S. companies faced with a claim should always peruse all potentially applicable policies including policies held by any Canadian subsidiaries to see if they possess earlier policy forms, as many do in the broker-driven Canadian insurance landscape.

For those seeking to secure coverage for trademark infringement claims, policies issued with ISO policy language are preferable to customized policy forms. In the author's experience, ISO policy forms often provide greater coverage than alternative coverage available through specialized forms offered by other insurers. In any event, before purchase each year, every insurer's policy form should be reviewed with care to confirm that the policy issued has not been re-written or modified in a manner that reduces the scope of the policy's "personal and advertising injury" coverage. Particular care is needed in the review of policy endorsements that may redefine certain policy terms in a narrower manner than they were previously defined in the policy, often without notice to the insured of any reduction in policy coverage. Nor should robust intellectual property exclusions which purport to eliminate any coverage where an excluded intellectual property is included, be routinely accepted by policy holders without challenge. Resisting such endorsements is essential to preserve what policyholders

understood they were buying in securing coverage for “personal and advertising injury” claims.
