

**#CN05307**

***THE ROLE OF INSURANCE IN TRADEMARK  
AND UNFAIR COMPETITION LITIGATION***

***9<sup>TH</sup> ANNUAL ADVANCED ALI-ABA COURSE OF  
STUDY FOR INSIDE AND OUTSIDE COUNSEL***

***INSURANCE COVERAGE ISSUES IN  
LITIGATING TRADEMARK, DOMAIN NAME,  
COPYRIGHT INFRINGEMENT AND UNFAIR  
COMPETITION CASES***

***FEBRUARY 28-29, 2008  
NEW ORLEANS, LA***

**David A. Gauntlett**

*GAUNTLETT & ASSOCIATES*

18400 Von Karman, Suite 300

Irvine, CA 92612

Ph: 949-553-1010; Fax: 949-553-2050

e-mail: [info@gauntlettlaw.com](mailto:info@gauntlettlaw.com)

[www.gauntlettlaw.com](http://www.gauntlettlaw.com)

© 2008 David A. Gauntlett. All rights reserved.

## TABLE OF CONTENTS

	Page
<b>I. INTRODUCTION.....</b>	<b>1</b>
<b>II. CGL COVERAGE FOR IP LITIGATION.....</b>	<b>2</b>
<b>A. The Development of “Advertising Injury”/”Personal Injury” Provisions as an Aspect of Commercial General Liability Coverage .....</b>	<b>2</b>
1. 1976 ISO CGL Form .....	2
2. 1986 ISO CGL Form .....	2
3. 1998 ISO CGL Form .....	2
4. 2001 ISO CGL Form .....	3
<b>B. Analyzing Coverage for IP/Antitrust Litigation Under Commercial General Liability Policies .....</b>	<b>3</b>
1. The Three-Part Test for “Advertising Injury” Coverage.....	3
2. Applying the Three-Part Test to Assess the Availability of “Potential” Coverage.....	3
3. What Are the Facts for Purposes of Coverage Analysis? .....	7
<b>III. “ADVERTISING INJURY”/“PERSONAL INJURY” EXCLUSIONS .....</b>	<b>8</b>
<b>A. The “First Publication” Exclusion .....</b>	<b>9</b>
<b>B. The “Knowledge of Falsity” Exclusion .....</b>	<b>10</b>
<b>C. “Failure to Conform” Exclusion .....</b>	<b>11</b>
<b>D. “Intentional Harm” Exclusion.....</b>	<b>12</b>
<b>E. Intellectual Property Exclusions.....</b>	<b>12</b>
1. Travelers – IP Exclusion .....	13
2. Hartford Ins. Co. – IP Exclusion .....	13
3. St. Paul Ins. Co. – IP Exclusion .....	13
4. National Union Fire Ins. Co. – IP Exclusion .....	13
5. Federal Ins. Co. – Exception to an IP Exclusion.....	14
<b>IV. A NUMBER OF DISTINCT FACTUAL SCENARIOS WHICH ASSERT LIABILITY FOR COPYRIGHT, TRADEMARK INFRINGEMENT OR UNFAIR COMPETITION MAY TRIGGER POTENTIAL COVERAGE UNDER VARIOUS “ADVERTISING INJURY” OFFENSES.....</b>	<b>14</b>

A.	<b>“Infringement of Copyright” / (1976/1986) (1998-2000) “Infringement upon Another’s Copyright . . . in Your ‘Advertisement’ ”</b>	14
1.	<b>Scope of Meaning</b>	14
2.	<b>Fact Scenarios Analyzing Coverage</b>	14
B.	<b>“Misappropriation of Advertising Ideas or Style of Doing Business” (1986 CGL ISO)</b>	17
1.	<b>Scope of Meaning</b>	17
2.	<b>Fact Scenarios Analyzing Coverage</b>	17
C.	<b>“Use of Another’s Advertising Idea in Your ‘Advertisement’ ” (1998 ISO CGL)</b>	21
1.	<b>Scope of Meaning</b>	21
2.	<b>Fact Scenarios Analyzing Coverage</b>	22
D.	<b>“Infringement of Title” (1976/1986 ISO CGL)</b>	25
1.	<b>Scope of Meaning</b>	25
2.	<b>Fact Scenarios Analyzing Coverage</b>	25
E.	<b>“Infringement of ... Slogan” (1976/1986 ISO CGL)</b>	27
1.	<b>Scope of Meaning</b>	27
2.	<b>Fact Scenarios Analyzing Coverage</b>	27
V.	<b>INSURANCE COVERAGE FOR INTELLECTUAL PROPERTY AND ANTITRUST EXPOSURE</b>	29
A.	<b>Limited Protection Under General Liability Policy</b>	29
B.	<b>Claims Potentially Falling Within “Personal/Advertising Injury” Coverage</b>	29
C.	<b>IP/Internet-Specific Policies</b>	29
1.	<b>Cyberspace/Multimedia Policies – Policy Providers</b>	29
2.	<b>Sample Policy LanguageIP First Party (IP Assets)</b>	30
3.	<b>Coverage Cases Analyzing Cyberspace Coverage</b>	30
VI.	<b>CONCLUSION</b>	31

## I. INTRODUCTION

Traditionally no liability coverage existed for Intellectual Property (“IP”) claims. The arrival of “advertising injury” coverage as part of an endorsement to the CGL policy in 1976 altered that landscape.<sup>1</sup> Given these opportunities for CGL coverage which are “occurrence,” not “claims made” based, (conjoined with recently available, broadly worded new forms of intellectual property/cyberspace coverage underwritten via “claims made” policies), significant opportunities exist to obtain coverage for IP claims.<sup>2</sup>

To understand when insurance coverage might arise requires knowledge of how liability may attach in underlying intellectual property litigation. Corporate risk management as well as insurance brokers (typical resources for assessing potential coverage) lack the expertise to analyze insurance coverage for such claims under most forms of coverage likely to be possessed by the company. This is especially true for “advertising injury”/“personal injury” coverage.

Moreover, neither risk managers, insurance brokers, nor outside counsel may have the skills needed to: (1) understand the company’s long-term IP strategy; (2) utilize insurance products to protect those assets; or (3) use insurance to minimize company expenses in intellectual property and antitrust litigation.

Outside counsel is often perceived as the party best in a position to advise corporate counsel about insurance benefits for the matters it addresses.<sup>3</sup> Unless counsel is prepared to take on this task, it should disclaim any such obligation in its retention letter and suggest that corporate counsel consult knowledgeable coverage counsel about these issues.<sup>4</sup>

---

<sup>1</sup>David A. Gauntlett, *Insurance Coverage of Intellectual Property Assets*, Aspen Law & Business, © 1999.

<sup>2</sup>**Gauntlett & Associates’ attorneys participated in all the cases referenced herein in bold.**

<sup>3</sup>Outside insurance coverage counsel, coordinating with IP corporate counsel and outside defense counsel, is in the best position to:

- Evaluate whether the company’s historic insurance program offers opportunities for present IP/antitrust litigation;
- Assess whether past lawsuits that were the subject of “actual” or “constructive” notice may entitle the company to monies paid for past litigation;
- Determine what new policy forms may enhance the company’s ability to defend and settle IP litigation at its insurer’s expense;
- Decide whether insurance can enhance the company’s ability to achieve litigation goals, including whether the role the defendant/counter-defendant’s insurance can play in making the company whole for its IP litigation expenses; and
- Pursue coverage litigation immediately or when settlement contribution or indemnity issues arise.

<sup>4</sup>**Failure to tender may be legal malpractice.** See *Darby & Darby, PC v. VSI International, Inc.*, 268 A.D.2d 270, 272, 701 N.Y.S.2d 50, 51 (N.Y. App. Div. 2000) (No Malpractice) (A lawyer’s duty to advise his client as to all available causes of action or avenues of defense does not translate into a broad duty to inquire into all of the client’s insurance coverage. The court stated, “Nor does a lawyer’s duty to advise his client as to all available causes of action or avenues of defense . . . translate into a broad duty to inquire into all the client’s insurance coverage.” The defendants themselves procured the general liability insurance policy; they were chargeable with the knowledge of whether that insurance covered the pending litigation.)

## II. CGL COVERAGE FOR IP LITIGATION

### A. The Development of “Advertising Injury”/”Personal Injury” Provisions as an Aspect of Commercial General Liability Coverage

#### 1. 1976 ISO CGL Form

“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

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 eliminates distinct definitions of “advertising injury” and “personal injury,” substituting a new series of defined “personal and advertising injury” offenses.

- b. Any other publication that is given widespread public distribution;  
.....  
(5) Newspaper

The 1998 ISO deletes the offenses of:

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

The policy adds two new offenses:

---

*Jordache Enterprises, Inc., v. Brobeck, Phleger & Harrison et al.*, 18 Cal. 4th 739, 764, 76 Cal. Rptr. 2d 749, 774 (Cal. 1998) (Malpractice) (Implicit finding that it is malpractice to not tender. While the court in *Darby & Darby* ruled that a lawyer’s duty to advise client of available coverage was not very broad, here the court’s implicit finding was that a lawyer’s duty was to advise client of available coverage and that the injury occurred at the time Jordache paid for its own defense in the underlying suit.

“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.”

...  
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.”

#### **4. 2001 ISO CGL Form**

- Only your “*infringement upon others’ copyright, trade dress or slogan in your advertisement*” is covered.<sup>5</sup> An “advertisement” includes an offense “that takes place through the Internet or similar electronic means of communication.”

### **B. Analyzing Coverage for IP/Antitrust Litigation Under Commercial General Liability Policies**

#### **1. The Three-Part Test for “Advertising Injury” Coverage**

In analyzing the third-party complaint and/or extrinsic evidence for “advertising injury”/“personal injury” coverage, there are typically three basic requirements which must be met. These are: (1) a claim that falls within one or more enumerated “advertising injury” offenses; (2) an advertising activity by the insured; and (3) a causal nexus between one of the “advertising injury” offenses and the “advertising activity.”<sup>6</sup>

#### **2. Applying the Three-Part Test to Assess the Availability of “Potential” Coverage**

- **The “Offense” Element**

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

---

<sup>5</sup>Effective February 2002, ISO added a specific exclusion for “copyright, patent, trademark, trade secret, or other intellectual property rights” in the CGL under Coverage B. An exception to the exclusion then adds back “advertising injury” coverage for infringement, in the insured’s advertisement, of copyright, trade dress, or slogan.

<sup>6</sup>This last element of the test is satisfied by evidence that the insured’s advertising is a substantial factor in establishing liability under an enumerated “advertising injury” offense. *Peerless Lighting Corp. v. American Motorists Ins. Co.*, 82 Cal. App. 4th 995, 1007-08, 98 Cal. Rptr. 2d 753, 760 (2000), *rev. denied*, No. S084750, 2000 Cal. LEXIS 8449 (Cal. Oct. 25, 2000) (“The Policy Only Covers Offenses Committed in the Course of Advertising.”).

court believes should constitute “advertising injury” or “personal injury.” Judge Croskey recently noted in the *Lamb*<sup>7</sup> case:

Like advertising injury, “personal injury” is a term of art that describes coverage for certain enumerated offenses that are spelled out in the policy. In this case, the only relevant “offense” under the relevant policy language is: an “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.*” (Italics added.) 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, “coverage . . . is triggered by the *offense*, not the injury or damage which a plaintiff suffers.” (*Fibreboard Corp. v. Hartford Accident & Indemnity Co.* (1993) 16 Cal. App. 4th 492, 511, 20 Cal. Rptr. 2d 376.).

Facts not labels determine offense-based coverage’s availability.<sup>8</sup> Further research and clarification of the basis for liability must be explored in each case. The ultimate question of how liability will implicate this coverage requires case-specific factual analysis.

- **The Advertising Element**

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 which have been pled, and the “advertising” definition employed. Courts across the country have struggled in establishing a single definition of the term “advertising.”

Three possible definitions have case support:

- **Narrow Definition:** “advertising” limited to the “widespread distribution of promotional material to the public at large.”<sup>9</sup>

---

<sup>7</sup>*Atlantic Mutual Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1032, 123 Cal. Rptr. 2d 256, 267 (Cal. App. 2002) (“Coverage for personal injury is not determined by the nature of the damages sought...but by the nature of the claims made against the insured in that action...[c]overage...is triggered by the offense, not the injury or damage which a plaintiff suffers.”).

<sup>8</sup>*Cincinnati Ins. Co. v. Eastern Atlantic Ins. Co.*, 260 F.3d 742, 745 (7th Cir. (Ill.) 2001) (“Coverage does not depend on the characterization of the wrong by the plaintiff . . .”).

<sup>9</sup>*P.C. Woo, Inc. v. Tokio Marine & Fire Ins. Co., Ltd. (U.S. Branch)*, No. 03-57205, 2005 WL 2471032, at \*1 (9th Cir. (Cal.) Oct. 7, 2005) (“GMA’s claims were based on Megatoys’ manufacture and sale of non-brand toys that allegedly infringed on works of art created by GMA. Megatoys displayed the alleged infringing products at a Las Vegas trade show between August 20-24, 2000, March 4-8, 2001 and August 12-16, 2001, as well as on the floor of its Los Angeles showroom during August 2000 and September 2001. . . . Megatoys’ alleged infringing conduct, which is neither widespread nor directed to the public at large, does not fall within this definition.”);

*Teletronics Int’l, Inc. v. CNA Ins. Co./Transportation Ins. Co.*, 302 F. Supp. 2d 442, 452 (D. Md. 2004) (The court found the mere posting of an installation manual on a website, however, did not constitute advertising under Maryland law.); *but see* 120 Fed. Appx. 440, 445, 2005 WL 115487, at \*5 (4th Cir. (Md.) Jan. 20, 2005) (“With regard to the majority [narrow] view, Teletronics similarly engaged in activities that amount to the widespread distribution of promotional material to the public. First, there is no genuine dispute that Teletronics employed the installation manual to promote the sale of its amplifiers. The manual contains information concerning the product’s basic specifications, advantages over other types of wireless amplifiers, compatibility with other kinds of technology, as well as installation and warranty information. Second, by posting the installation manual on the

- **Intermediate Definition:** The “advertising activity” 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.<sup>10</sup>
- **Broad Definition:** any activities designed to advertise, publicize or promote a particular good, product or service.<sup>11</sup>

Internet, Teletronics distributed the document to a large audience of potential customers. Consequently, through placing a copy of the infringing manual on its website, Teletronics engaged in ‘the widespread distribution of promotional material to the public at large.’”);

*Hameid v. National Fire Ins.*, 31 Cal. 4th 16, 24 (2003) (Gauntlett & Associates was Amicus curiae counsel and raised two exceptions to narrow advertising definitions otherwise pled, otherwise taken from *Bank of West v. Supreme Court*, 2 Cal. 4th 1254, 1277 n.9 (1992) (“‘advertising’ means widespread promotional activities directed to the public at large”). 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.” *Id.* at 24 n.3);

*Hewlett Packard Co. v. ACE Prop. & Cas. Co.*, No. C-99-20207 JW, p. 5 (N.D. Cal. Nov. 25, 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*] at 24, n. 3. Arguably, HP’s package insert is widespread promotional activity directed at a specific market segment.”).

<sup>10</sup>*Rombe Corp. v. Allied Ins. Co.*, 128 Cal. App. 4th 482, 492, 27 Cal. Rptr. 3d 99, 106 (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.”);

*Indiana Ins. Co. v. Super Natural Distributors, Inc.*, 671 N.W.2d 864, 2003 WL 22336427, at \*9 (Wis. Ct. App. 2003) (“calling 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,” citing *Bradley*, 261 Wis. 2d 4 at 29”).

<sup>11</sup>*Acuity v. Bagadia*, 734 N.W.2d 464, 468 (Wis. Ct. App. 2007) (“In particular, because UNIK was in the business of selling to resellers, a limited market, it does not make sense to say that it could only ‘advertise’ by addressing its communications to the public at large. See *Amway Distribs. Benefits Ass’n v. Federal Ins. Co.*, 990 F.Supp. 936, 945 (W.D.Mich.1997). We therefore apply the broad definition of ‘advertising’ and find that UNIK advertised its product by sending samples to potential customers.”);

*Century 21, Inc. v. Diamond State Ins. Co.*, 442 F.3d 79, 83 (2d Cir. (N.Y.) 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);

*Information Spectrum, Inc. v. Hartford*, 834 A.2d 451, 459 (N.J. Super. Ct. App. Div. 2003), *aff’d on other grounds*, 860 A.2d 926, 182 N.J. 34 (N.J. 2004) (The court presumed that a demonstration at a hardware exposition show in Atlantic City in June 1999 would constitute advertising within the meaning of the policy. It stated: “We assume without deciding that such a demonstration would constitute an act of advertising within the meaning of this policy.”);

*King Constr. v. Continental Western Ins. Co.*, 123 S.W.3d 259, 265, 267 (Mo. Ct. App. 2003) (“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

- **The Causal Nexus Element**

The causal nexus called for by the policy language is between “offense” and “advertising activity,” not “injury” and “advertising activities.”<sup>12</sup> Claims for various forms of unfair competition<sup>13</sup> as well as trademark<sup>14</sup> and trade dress<sup>15</sup> 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/unfair competition claims.<sup>16</sup>

---

their messages at the public. . . . liability for copyright infringement may be accomplished by a mere act of distribution through 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).**”);

*Fireman’s Fund Ins. Co. v. Bradley Corp.*, 660 N.W.2d 666, 679 (Wis. 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.”);

*Fidelity & Guaranty Ins. Co. v. Kocolene Mktg. Corp.*, No. IP 00-1106-C-T/K, 2002 WL 977855, at \*12 (S.D. Ind. (Ind. Div.) March 26, 2002) (“The court finds that a broad definition of the term ‘advertising’ arguably encompasses Kocolene’s activities as alleged in the Philip Morris Complaint. The packaging, specifically including the MARLBORO® and roof trademarks and trade dress were a form of advertising, that is, they ‘functioned as mini-ads that were tied to the products, clearly promotional in nature yet distinct from the products themselves.’”);

*Flodine v. State Farm Ins. Co.*, No. 99 C 7466, 2001 WL 204786, at \*10 (N.D. Ill. Mar. 1, 2001) (concluding that attaching tags to products to be distributed and displayed in stores was an advertising activity);

*John Deere Ins. Co. v. Shamrock Industries*, 696 F. Supp. 434, 440 (D. Minn. 1988), *aff’d*, 929 F.2d 413 (8th Cir. 1991) (Black’s Law Dictionary’s definition of “advertise” encompasses any form of solicitation, presumably including solicitation of one person.”).

<sup>12</sup>*B.H. Smith, Inc. v. Zurich Ins. Co.*, 676 N.E.2d 221, 223 (Ill. App. Ct. 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.”); *Pacific Group v. First State Ins. Co.*, 70 F.3d 524, 527 (9th Cir. (Cal.) 1995) (causal nexus is only between offense and the insured’s advertising activity).

<sup>13</sup>*Hewlett-Packard v. CIGNA Casualty and Property Ins. Co.*, No. 99-20207 SW, 1999 U.S. Dist. LEXIS 20655 (N.D. Cal. Aug. 24, 1999) (The Nu-kote counterclaimant’s express accusation that Hewlett-Packard confused and deceived consumers through advertising establishes the required causal nexus between Hewlett-Packard’s advertising and its alleged liability for enumerated “advertising injury” liability offenses.).

<sup>14</sup>*El-Com Hardware, Inc. v. Fireman’s Fund Ins. Co.*, 92 Cal. App. 4th 205, 219 (2001), *rev. denied*, No. S101527, 2001 Cal. LEXIS 8430 (Nov. 28, 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.”).

<sup>15</sup>*Hyman v. Nationwide Mut. Fire Ins. Co.*, 304 F.3d 1179, 1193-94 (11th Cir. (Fla.) 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.”).

<sup>16</sup>MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION (4th ed.) § 25.26, p. 25-53 (“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

Courts reaching contrary results narrowly define the offense or find that advertisements at issue did not bear a causal nexus to the insured's advertising.<sup>17</sup> Other courts misperceive how liability will attach in the underlying action.<sup>18</sup> Courts reaching contrary results often misperceive how liability would attach in the underlying action.

- **“Occurring during the policy period” Element**

Several recent cases have found that extrinsic evidence can either establish<sup>19</sup> or disprove<sup>20</sup> that advertising conduct triggering a defense occurred within the insurer's policy period.

### **3. What Are the Facts for Purposes of Coverage Analysis?**

---

connection with ‘the sale, offering for sale, distribution or advertising of any goods or services’ when such use is likely to cause confusion.”).

<sup>17</sup>*Columbus Farmers Market, LLC v. Farm Family Cas. Ins. Co.*, No. 05-2087, 2006 WL 3761987, at \*9 (D. N.J. Dec. 21, 2006) (“Neither New Jersey law nor the language of the policies demands that the copyright injury occur in the advertising itself. First, the New Jersey Supreme Court in *Information Spectrum* states that ‘the primary question turns on the insured’s advertising as a cause of the claimant’s harm.’ *Information Spectrum*, 182 N.J. at 37. New Jersey law requires only that an insured’s advertising activities be a cause (but not necessarily the cause) of the copyright holder’s alleged injuries. *Id.* The *Information Spectrum* decision does not suggest that the infringement must be contained within the ‘four corners’ of the advertisement. Second, the language of the insurance policies does not demand that copyright infringement occur in the advertising itself. To the contrary, the language of the policy is broad, defining ‘advertising injury’ as ‘injury arising out of one or more of the following offenses: ... [i]nfringement of copyright, trade dress or slogan.’ . . . Lloyd’s substantially tightened the language of Section V.1 of the policy to limit ‘advertising injury’ to injuries arising out of the infringement of copyright, patent and trademark ‘in your advertisement.’ If the language in the pre-July 1, 2003 language had been as narrow as Defendants argue, Lloyd’s would have had no need to change the language.”).

<sup>18</sup>*EKCO Group v. Travelers Indemnity Co.*, 273 F.3d 409, 411, 415 (1st Cir. (N.H.) 2001) (Focusing on advertising nexus, the court stated: “Chantal said that EKCO had deliberately copied the well known design, features, and packaging of Chantal’s tea kettle, that the EKCO version was a low quality replica, and that the production and sale of the EKCO tea kettle had damaged Chantal. . . . Nothing in the Chantal complaint suggests that it was concerned with EKCO’s design of its brochures or annual reports or that the graphics or typography were invented by or borrowed from Chantal. The misappropriation offenses charged by Chantal in its complaint were the physical reproduction and sale of a look-alike teapot by EKCO. That physical reproduction and sale were not done ‘in the course of’ making brochures or annual reports. The latter is advertising, to be sure but not where the offenses charged by Chantal occurred.”); *Advance Watch Co. v. Kemper Nat’l Ins. Co.*, 99 F.3d 795 (6th Cir. (Mich.) 1996) (held where an insurance policy identifies specific language-based torts, unmentioned product-based violations cannot be thought reasonably to be within the same category).

<sup>19</sup>*Indian Harbor Ins. Co. v. Hartford Cas. Ins. Co.*, No. B192829, 2007 WL 2955564, at \*7 (Cal. Ct. App. (2d Dist.) Oct. 11, 2007) (“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.”).

<sup>20</sup>*American Motorists Ins. Co. v. Fireman’s Fund Ins. Co.*, No. C 05-01030 CRB, 2007 WL 735767, at \*6 (N.D. Cal. Mar. 7, 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.”)

In analyzing whether pleadings fall either inside or outside of coverage, it must be remembered that it is facts, not labels of causes of action, that trigger a defense. Where the facts pled, however, are insufficient to determine if coverage exists, various methods must be pursued to clarify the extent of potential coverage.

Courts follow three distinct rules in analyzing coverage. The broadest assumes a duty to investigate – the “**facts available**” rule which applies in California.<sup>21</sup> The intermediate rule – the “**facts knowable to the insurer**” rule – applies in Massachusetts and Minnesota.<sup>22</sup> A more conservative approach, applicable in New York and Illinois, is the “**facts known to the insurer**” rule.<sup>23</sup> The least favorable rule is the “facts alleged in the complaint” or “**four corners**” rule, applied in Florida, Texas and Virginia.<sup>24</sup>

### III. “ADVERTISING INJURY”/“PERSONAL INJURY” EXCLUSIONS

---

<sup>21</sup>*Mariscal v. Old Republic Life Ins. Co.*, 42 Cal.App.4th 1617, 1620, 50 Cal. Rptr. 2d 224, 225 (Ct. App. 1996) (“If [an insurance company] seeks to discover only the evidence that defeats the claim it holds its own interest above that of its insured.”). The greater the insurer’s duty to investigate, the easier it is to establish a defense.

<sup>22</sup>*Westfield Ins. Co. v. Kroiss*, 694 N.W.2d 102, 106 (Minn. Ct. App. 2005) (“[A] duty to defend is determined by comparing the complaint with the policy language. However, if the insurer has knowledge of facts outside the complaint, it can use these to determine coverage.” (citation omitted));

*Transamerica Ins. Co. v. KMS Patriots, L.P.*, 752 N.E.2d 777, 781-82 (Mass. App. Ct. 2001) (The insurer was never apprised of interrogating responses that clarified the claim’s against the insured. “[T]he defendants also claim that Palla’s answer to a KMS interrogatory in her action triggered coverage under the CGLE. . . . Because there was nothing in the record to demonstrate that Transamerica was aware of the existence of Palla’s answer to the interrogatory and its contents, we reject the defendants’ argument that the answer to this interrogatory triggered a duty to defend.”).

<sup>23</sup>*L.J. Dodd Constr., Inc. v. Federated Mut. Ins. Co.*, 848 N.E.2d 656, 658 (Ill. App. Ct. 2006) (“[W]e may consider ‘true but unpleaded facts’ that are known to the insurer and that, when coupled with the allegations of the complaint, give rise to a duty to defend.”);

*Fitzpatrick v. American Honda Motor Co., Inc.*, 78 N.Y.2d 61, 66-68 (1991) (“[W]here the insurer is attempting to shield itself from the responsibility to defend despite its actual knowledge that the lawsuit involves a covered event, wooden application of the ‘four corners of the complaint’ rule would render the duty to defend narrower than the duty to indemnify – clearly an unacceptable result. . . . [T]he sounder approach is to require the insurer to provide a defense when it has actual knowledge of facts establishing a reasonable possibility of coverage. . . . The conclusion we reach here flows naturally from the fact that the duty to defend derives, in the first instance, not from the complaint drafted by a third party, but rather from the insurer’s own contract with the insured.” (citation omitted)).

<sup>24</sup>*Providence Washington Ins. Co. v. A & A Coating, Inc.*, 30 S.W.3d 554, 555-56 (Tex. App. 2000) (“An insurer’s duty to defend is determined by the ‘eight corners rule,’ which limits review to the four corners of the insurance policy and the four corners of the plaintiff’s petition. The insurer’s duty to defend is not affected by facts learned before, during, or after the suit. The duty to defend is determined independent of the parties’ knowledge of the true facts.” (citations omitted));

*Brenner v. Lawyers Title Ins. Corp.*, 397 S.E.2d 100, 102 (Va. 1990) (“The obligation to defend arises whenever the complaint against the insured alleges facts and circumstances, some of which, if proved, would fall within the risk covered by the policy.”);

*Lazzara Oil Co. v. Columbia Casualty Co.*, 683 F. Supp. 777, 780-1 (M.D. Fla. 1988), *aff’d without opinion*, 868 F.2d 1274 (11th Cir. 1989) (Following the “four corners” or “eight corners” doctrine, the court declined to look beyond the face of the pleadings to determine if the conduct alleged was part and parcel of other unarticulated conduct by the policyholder that could readily have been found to be covered as advertising activities.).

## A. The “First Publication” Exclusion

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; . . . [1986 ISO Policy (emphasis added)]*

- Applies only to libel, slander, and invasion of privacy torts because only these offenses are based upon “oral or written publication of material.”<sup>25</sup>
- Applies where injurious publication of material precedes policy inception for libel, slander and invasion of privacy torts.<sup>26</sup>
- Liability that first attaches for intellectual property rights that do not come into existence until after policy inception fall outside the exclusion.<sup>27</sup>
- Advertisements which differ from those issued during a preceding policy period are covered.<sup>28</sup>
- Where the pleadings do not specify the first date of alleged wrongful conduct for which patented coverage arises, there is no bar to a defense.<sup>29</sup>
- May apply where injurious use of singular trademark precedes policy inception and use of same mark therefore is basis for potentially covered claim.<sup>30</sup>

---

<sup>25</sup>*Arnette Optic Illusions, Inc. v. ITT Hartford*, 43 F. Supp. 2d 1088, 1096-7 (C.D. Cal. 1998) (adopting *Irons Home* analysis limiting application of exclusion to offenses for libel, slander, and invasion of privacy).

<sup>26</sup>*Maddox v. St. Paul Fire and Marine Ins. Co.*, 179 F. Supp. 2d 527, 530-1 (W.D. Pa. 2001), citing **DAVID A. GAUNTLETT, INSURANCE COVERAGE OF INTELLECTUAL PROPERTY ASSETS § 3.03 (Aspen Publishers, Inc. 2000)** (explaining that exception should only apply to torts and not other types of advertising injury) (The court found that the language of the first publication exclusion is ambiguous because it is reasonably susceptible to more than one interpretation).

<sup>27</sup>*Bay Electric 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.).

<sup>28</sup>*Santa’s Best Craft v. St. Paul Fire & Marine Ins. Co.*, No. 04 C 1342, 2004 WL 1730332, at \*9-10 (N.D. Ill. July 30, 2004) (Use of two of four slogans after inception triggered a defense: “New Technology” and “Worry-Free Lighting.”)

*International Communication Materials, Inc. v. Employers Ins. Co.*, No. 94-1789, 1996 WL 1044552, at \*4 (W.D. Pa. May 29, 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.”).

<sup>29</sup>*Atlantic Mutual Insurance Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1038-39 (Ct. App. 2002) (“Atlantic Mutual’s argument overlooks the significance of the fact that it is relying on a policy exclusion. The allegations of the Continental complaint did not specify the date of Lamb’s first utterance of any disparagement. Thus, based upon those allegations alone, the possibility of coverage existed.”)

## B. The “Knowledge of Falsity” Exclusion

This insurance does **not** apply to:

(1) *advertising injury*:

(b) *arising out of oral or written publication of material if done by or at the direction of the insured with knowledge of its falsity; . . . . [1986 ISO Policy (emphasis added)]*

- Limited to reputation and privacy invasion torts because intellectual property torts do not implicate the falsity of statements or knowledge of same as an element of liability.<sup>31</sup>
- The term “false” in the exclusion will not implicate liability for conduct whose truth or untruth is of no moment to the establishment of liability.<sup>32</sup>
- In some cases, where liability depends on proof of conduct that can be shown to be knowingly false at the time made, and that is all that can be alleged, the “knowledge of falsity” exclusion may bar a defense.<sup>33</sup>

---

<sup>30</sup>*Scottsdale Ins. Co. v. Sullivan Properties, 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.”)

<sup>31</sup>*State Auto Prop. & Cas. Ins. Co. v. Travelers Indem. Co. of Am.*, 343 F.3d 249, 260 (4th Cir. (N.C.) 2003) (“As the Eleventh Circuit observed in assessing a similar contention, the term ‘false’ is generally understood to mean “‘untrue’ or failing to correspond to a set of known facts.’ *Hyman*, 304 F.3d at 1195. There is no allegation in the Nissan Complaint that the advertisements contained on the ‘www.nissan.com’ and ‘www.nissan.net’ websites were ‘untrue.’ Nor is there anything ‘untrue’ about the domain names themselves. Rather, Nissan contends that the website gave a false impression or misled visitors to believe that its contents were sponsored by Nissan.”);

*Western Wisconsin Water, Inc. v. Quality Beverages of Wisconsin, Inc.*, 738 N.W.2d 114, 124 (Wis. 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.”);

*Finger Furniture Co. v. Travelers Indem. Co.*, No. H-01-2797, 2002 WL 32113755, at \*13 (S.D. Tex. Aug. 19, 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.”);

*Elcom Techs. v. Hartford Ins. Co.*, 991 F. Supp. 1294, 1298 (D. Utah 1997) (applying Pennsylvania law) (“Phoenix’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.”).

<sup>32</sup>*Atlantic Mutual Ins. Co. v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017, 1040 (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, this can **only** affect its liability for indemnification. . . . That **potential** . . . cannot be negated short of an actual trial . . .”).

- Some decisions applying New York law suggest that findings that a defendant is a “serial infringer” or intended to undertake infringing activity have applied this exclusion.<sup>34</sup>
- Recent New York authority from its highest court, however, 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.<sup>35</sup>

### C. “Failure to Conform” Exclusion

#### The 1976 ISO Policy Form

*This insurance will not apply:*

- (a) *To advertising injury arising out of:*

*Incorrect description or mistake in advertised price of goods, products or services sold, offered for sale or advertised.*

#### The 1986 ISO Policy Form

*This insurance will not apply to:*

- (b) *“Advertising injury” arising out of:*

(1) *The failure of goods, products or services to conform with advertised quality or performance*

(2) *The wrong description of the price of goods, products or services.*

#### The 2001 ISO Policy Form

- (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”.*

---

<sup>33</sup>*Del Monte Fresh Produce N.A., Inc. v. Transportation Ins. Co.*, 500 F.3d 640, 645 (7th Cir. (Ill.) 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.”).

<sup>34</sup>*A.J. Sheepskin & Leather Co., Inc. v. Colonia Ins. Co.*, 709 N.Y.S.2d 82, 83 (N.Y. App. Div. 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.”).

<sup>35</sup>*Town of Massena v. Healthcare Underwriters Mut. Ins. Co.*, 98 N.Y.2d 435, 445 (N.Y. Ct. App. 2002) (statements made with reckless disregard for truth not within exclusion and defense for same is compelled).

- Limited to breach of warranty claims.<sup>36</sup>
- It has no application to false advertising claims.<sup>37</sup>

#### **D. “Intentional Harm” Exclusion**

##### b. Exclusion

This insurance does not apply to:

- a. “Personal and advertising injury”:
  - (1) 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”<sup>38</sup>

#### **E. Intellectual Property Exclusions**

---

<sup>36</sup>*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.”).

<sup>37</sup>*Elcom Techs. v. Hartford Ins. Co.*, 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. Group*, 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.).

<sup>38</sup>*Ohio Cas. Ins. Co. v. Cloud Nine, LLC*, 464 F. Supp. 2d 1161, 1168-69 (D. Utah 2006) (“The 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)...Intentional act exclusions do not negate the duty to defend unless there is no potential for liability under the allegations. ...See, e.g., *Elcom Tech., Inc. v. Hartford Ins. Co. Of the Midwest*, 991 Supp. 1294, 1298 (D.Utah 1997) (holding that ‘knowledge of falsity’ exclusion did not negate duty to defend because false advertising claim could be proved by establishing reckless indifference)...Even where the complaint details egregious, intentional conduct, an expected injury exclusion like the one found in the Homeowners Policy does not relieve an insurer of its duty to defend claims of unintentional injury.”);

*Educational Training Sys., Inc. v. Monroe Guar. Ins. Co.*, 129 S.W.3d 850, 853 (Ky. Ct. App. 2003) (The insured acted with intent to confuse its service mark with that of ETS with the intent to harm ETS and therefore, the exclusion applied. As the deliberate use of Weikel’s name was decided against Weikel on summary judgment, the intent element was plainly satisfied. No intent to cause harm need be proved, “It is in the knowledge that the intended act will cause harm that the exclusion is triggered. . . . the act itself must also be done with knowledge that it will violate the rights of another.”);

*TIG Ins. Co. v. Nobel Learning Communities, Inc.*, No. 01-4708, 2002 WL 1340332, at \*10 (E.D. Pa. June 18, 2002) (“[B]are assertion of knowledge or willfulness merely state a conclusion of law. The counterclaim in the Florida action does not set forth facts from which a court could find that Nobel’s infringement, if any, had to be willful.”).

## 1. Travelers – IP Exclusion

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.<sup>39</sup>

## 2. Hartford Ins. Co. – IP Exclusion

The Policy excludes Hartford from coverage of any “personal and advertising injury:”

\* \* \*

- (9) Arising out of the infringement of trademark, trade name, service mark, or other designation of origin or authenticity.<sup>40</sup>

## 3. St. Paul Ins. Co. – IP Exclusion

We won’t cover injury or damage . . . that result 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.<sup>41</sup>

## 4. National Union Fire Ins. Co. – IP Exclusion

National’s General Policy “does not apply to: . . . ‘advertising injury’ arising out of, or directly or indirectly related to, . . . any oral or written statement . . . which is claimed as

---

<sup>39</sup>*KLA-Tencor Corp. v. Travelers Indem. Co.*, No. C-02-05641 RMW, 2003 WL 21655097, at \*5-6 (N.D. Cal. (San Jose Div.) Apr. 11, 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.)

<sup>40</sup>*Superformance Int’l, Inc. v. Hartford Cas. Ins. Co.*, 332 F.3d 215, 223 (4th Cir. (Va.) 2003) (The insured, a manufacturer of replicas of classic cars, was sued for trademark infringement and dilution and for unfair competition by a trademark licensee. The court held that the claims fell within the policy’s exclusion of injury arising out of trademark infringement because “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.”).

<sup>41</sup>*Santa’s Best Craft, LLC v. St. Paul Fire & Marine Ins. Co.*, No. 04 C 1342, 2004 WL 1730332, at \*8-10 (N.D. Ill. July 30, 2004) (YES) (Slogans, allegedly copied, “patent-pending ‘Stay-On’ feature keeps bulbs lit” [and] “String Stays Lit even if a bulb is loose or missing,” fall within “infringement of slogan” offense even if they create liability for excluded trade dress or unauthorized use of [J&L’s] slogan.)

. . . [a] violation of legal rights relating to . . . [p]atent[ ] [or] [t]rade secrets.”<sup>42</sup>

## 5. Federal Ins. Co. – Exception to an IP Exclusion

The policy excludes coverage of any advertising injury:

*“Arising out of breach of contract,” or “an infringement, violation or defense of any . . . trademark or service mark or certification mark or collective mark or trade name, other than trademarked or service marked titles or slogans.”*<sup>43</sup>

## IV. A NUMBER OF DISTINCT FACTUAL SCENARIOS WHICH ASSERT LIABILITY FOR COPYRIGHT, TRADEMARK INFRINGEMENT OR UNFAIR COMPETITION MAY TRIGGER POTENTIAL COVERAGE UNDER VARIOUS “ADVERTISING INJURY” OFFENSES

### A. “Infringement of Copyright” / (1976/1986) (1998-2000) “Infringement upon Another’s Copyright . . . in Your ‘Advertisement’”

#### 1. Scope of Meaning

- “Infringement of” *an intellectual property*. An act that interferes with one of the exclusive rights of a patent, copyright or trademark owner. See INTELLECTUAL PROPERTY; *cf.* plagiarism. – Infringe. *vb.* *Copyright infringement* the act of violating any of a copyright owner’s exclusive rights granted by the federal copyright act, 17 U.S.C. section 106, 602. [Black’s Law Dictionary (8th ed. 2004).]

#### 2. Fact Scenarios Analyzing Coverage

- (1) A seller of dog breed jewelry that allegedly infringed on what the claimant urged were its copyrighted pieces at trade shows and on a website with digitally photographed dog breed jewelry, pricing information, and a “shopping cart” page.<sup>44</sup>

---

<sup>42</sup>*National Union Fire Ins. Co. v. Seagate Tech., Inc.*, No. C 04-01593 JW, 2005 WL 756599, at \*9 (N.D. Cal. April 4, 2005) (“National’s interpretation of the General Policy entirely omits the italicized language. . . . Because . . . neither Convolve nor MIT ‘assert that [Seagate’s press releases **themselves**] constitute[ ] a misappropriation of trade secrets or infringement of a patent,’ this Court concludes that the General Policy’s patent/trade secret exclusion does not apply here.”).

<sup>43</sup>*Houbigant, Inc. v. Federal Ins. Co.*, 374 F.3d 192, 198-99 (3d Cir. (N.J.) 2004) (“Title” includes “any name . . . appellation, . . . epithet [or] . . . word by which a product or service is known . . . . Houbigant’s house mark and product mark (e.g. ‘Chantilly’) falls within this definition.”).

<sup>44</sup>*AMCO Ins. Co. v. Lauren-Spencer, Inc.*, 500 F. Supp. 2d 721, 729 (S.D. Ohio 2007) (Coverage for “infringing upon another’s copyright . . . in your ‘advertisement’” was implicated. The court found that the claimant alleged copying of both the products involved and advertising of copyrighted material since the bundle of rights at issue included the right to preclude others from advertising his images (even if misappropriated). “Harris *is* alleging injury because of the advertising of the offending pins (using Harris’ copyrighted work via knockoffs in the photographs) *as well as* injury related to the physical creation and sale of the offending pins themselves. Harris’ pleading fairly encompasses a claim for misappropriation of his copyrighted property, which includes the right to create (or exclude) derivative works. The advertised images are not original to the Lauren-Spencer Defendants, despite the fact that they are responsible for the images; the Lauren-Spencer Defendants did not create the intellectual property shown via their handiwork. AMCO is therefore incorrect in asserting that ‘every element’ of

- (2) Alleged CD counterfeiter advertised on its website the availability of sound recordings.<sup>45</sup>
- (3) Sale of videocassette series using “Crusade in Europe” on packaging was not violative of Copyright Act or an advertising activity.<sup>46</sup>
- (4) Wrongful access to and use of a competitor’s business plan was not covered cyberspace activity.<sup>47</sup>
- (5) Company’s circumvention of rolling code technology used to create a universal garage door opener did not trigger copyright infringement coverage.<sup>48</sup>
- (6) Dissemination of greeting cards bearing designs substantially similar to claimant’s works.<sup>49</sup>

---

the brochure and website was original to and created by the Lauren-Spencer Defendants. . . . The insurance company’s allegation may be true for most of the elements involved, but not for the infringing elements.”).

<sup>45</sup>*Columbus Farmers Market, LLC v. Farm Family Cas. Ins. Co.*, No. 05-2087, 2006 WL 3761987, at \*8 (D. N.J. Dec. 21, 2006) (“[T]he relationship alleged in the Arista Litigation is causal. . . . [T]he RIAA alleged that Plaintiffs are liable for contributory infringement. An essential element of contributory infringement is that Plaintiffs ‘materially contributed’ to direct infringement (the sale of counterfeit and pirated CDs). According to the complaint in the Arista Litigation, Plaintiffs ‘materially contributed’ by, among other things, advertising and promoting the Market. . . . (Plaintiffs ‘advertis[ed] on their web site the availability of sound recordings on the premises’).”).

<sup>46</sup>*American States Ins. Co. v. Dastar Corp.*, No. 00-6058-HO, 2006 WL 1514857, at \*1, \*2 (D. Or. May 25, 2006) (“Dastar contends that it committed copyright infringement in the course of advertising activity by selling its videocassette series under the title Campaigns in Europe, and by using the title Crusade in Europe on the packaging for Campaigns in Europe. . . . The sale of infringing material is not copyright infringement in the course of advertising. Sales may result from advertising activities, but sales are not the same thing as advertising. Dastar’s use of the title Crusade in Europe on packaging for Campaigns in Europe does not violate the Copyright Act.” (citations omitted)).

<sup>47</sup>*I-Frontier, Inc. v. Gulf Underwriters Ins. Co.*, No. Civ.A. 04-5797, 2005 WL 1353614, at \*2 (E.D. Pa. June 3, 2005) (Analyzing a cyberspace policy which expressly included coverage for any claim arising out of “D. infringement of copyright . . . committed by the Insured during the Policy Period in performing Cyberspace Activities . . . .” The term “Cyberspace Activities” was defined in the policies as “creation of internet advertising content for others.” The court found this provision not satisfied because the allegations are that I-Frontier “wrongly accessed and used what is, essentially [MBC’s] business plan. . . . Because this claim does not arise out of i-Frontier’s performance of covered cyberspace activities, it is not covered by the policy . . . .”).

<sup>48</sup>*Skylink Techs., Inc. v. Assurance Co. of Am.*, 400 F.3d 982, 985, 986 (7th Cir. (Ill.) 2005) (It was alleged that Skylink violated 17 U.S.C. § 1201(a)(2) because it “offered to the public, provided and otherwise trafficked in a Model 39 universal transmitter and a Model 89 keypad that (a) are designed or produced for the purpose of circumventing the technological measure . . . . [T]he real harm Chamberlain alleges results from the fact that the Skylink transmitter and keypad circumvent the rolling code technology, not from the way the products are packaged. Again, Chamberlain does not object to Skylink’s marketing of its products except to the extent that they claim to use the rolling code technology. It is that failure to use the technology, not the advertisement, that caused the alleged injury.”).

<sup>49</sup>*General Cas. Co. v. Four Seasons Greetings, LLC*, Nos. A04-518, A04-920, 2004 WL 2987796, at \*7-8, \*9 (Minn. Ct. App. Dec. 28, 2004) (“Taylor’s complaint in the underlying action alleges that ‘Four Seasons has infringed the copyright in [Taylor’s] Works by copying, manufacturing, producing, publishing, selling, promoting

- (7) A developer of a condominium complex constructed two units after cancelling its agreement with the architect that duplicated Timberlane's design of the first unit. This conduct, creating copyright infringement liability, did not have a nexus to advertising so as to trigger a defense.<sup>50</sup>
- (8) Insured's misappropriation of a computerized police reporting system developed by Facstore did not constitute copyright infringement in advertising so as to trigger a defense.<sup>51</sup>
- (9) Custom homebuilder's sign next to house, identifying itself as builder and the home as open for tours, infringed copyright of architectural plans through advertising.<sup>52</sup>
- (10) Copyrighted carpet pattern infringed by advertisement because ads bore images of patterns.<sup>53</sup>

---

and/or advertising, in the United States, greeting cards bearing designs ... substantially similar to [Taylor's] Works.' Under the Copyright Act, infringement occurs when 'any of the exclusive rights of the copyright owner' are violated. 17 U.S.C. § 501(a) (2000). These exclusive rights include the rights . . . '(5) ... to display the copyrighted work publicly.' 17 U.S.C. § 106 (2000). . . . Here, the catalogs distributed by Four Seasons are more than simply 'the product.' The catalogs include samples or mock-ups of the cards, but also include other information such as pricing and the selection of verses available for imprint in the cards. Thus, Four Seasons' catalogs do 'make a statement' about the product.'").

<sup>50</sup>*Varilease Technology Group, Inc. v. Michigan Mut. Ins. Co.*, No. 249121, 2004 WL 2913661, at \*4 (Mich. Ct. App. Dec. 16, 2004) ("As noted by the trial court, Timberlane asserted in each lawsuit that plaintiffs wrongfully constructed and sold homes that were built using Timberlane's misappropriated designs, and that Timberlane incurred damages because of the construction and sale of those homes. Timberlane did not allege that plaintiffs used the allegedly misappropriated designs in plaintiffs' advertising or that damages resulted from such advertising; therefore, the necessary third element cannot be established. . . . In the present case, the Unisys complaint alleges copyright infringement. Plaintiffs contend that the allegations concerning representations to potential and actual customers involve a 'course of advertising.' Even if we accepted that position, however, the complaint does not allege that copyright infringement was committed in the course of plaintiffs' advertising.").

<sup>51</sup>*Information Spectrum, Inc. v. Hartford*, 860 A.2d 926, 929, 182 N.J. 34, 37-38 (N.J. 2004) ("Here Facstore never alleged that the insured advertised the offending product, let alone that the advertising engendered the injury. Moreover, even if Facstore had complained of incidental marketing activities, that would not have brought the claim within the policy language. For the 'advertising injury' provision of the policy to apply, the harm alleged must be 'caused by' the advertising act itself and not by the underlying purloinment. As the Appellate Division correctly concluded, that simply did not happen here.").

<sup>52</sup>*King Constr. v. Continental Western Ins. Co.*, 123 S.W.3d 259, 265 (Mo. Ct. App. 2003) (The court affirmed the trial court's finding of a duty to defend where a custom home builder was accused of copyright infringement when it used a copyrighted house plan as its own. Finding that the homebuilder's construction sign placed on the project during construction was an "advertisement" just like a billboard, the court observed that "Continental's argument overlooks the fact that the home construction in this case was part of the advertising.").

<sup>53</sup>*Interface, Inc. v. Standard Fire Ins. Co.*, No. 1:99-CV-1485-MHS, 2000 WL 33194955, at \*3 (N.D. Ga. Aug. 10, 2000) ("According to CAF's complaint, Interface infringes its copyrights every time it displays, produces, distributes or sells carpet bearing the infringing pattern. Under the Copyright Act, infringement occurs when 'any of the exclusive rights of the copyright owner' are violated. 17 U.S.C. § 501. . . . Under CAF's theory, then, anytime Interface does any of the aforementioned activities with respect to carpets bearing the infringing pattern, CAF is injured.").

## **B. “Misappropriation of Advertising Ideas or Style of Doing Business” (1986 CGL ISO)**

### **1. Scope of Meaning**

- “Misappropriate” means to put to a wrong use; to apply wrongfully or dishonestly, as funds entrusted to one’s care. RANDOM HOUSE UNABRIDGED DICTIONARY 1228 (2d ed. 1993). “Misuse” means wrong or improper use; misappropriation. RANDOM HOUSE UNABRIDGED DICTIONARY 1228 (2d ed. 1993).<sup>54</sup>

### **2. Fact Scenarios Analyzing Coverage**

- (1) “Offer for sale” patent infringement based on advertisements of a revolutionary massage table not within offense.<sup>55</sup>
- (2) Infringement of business method patents by consumers’ use of “virtual shopping carts,” “electronic catalog systems” and “customized electronic identification.”<sup>56</sup>
- (3) Former employee’s use of customer lists and marketing data to promote current employer’s products and to solicit business from former employer’s customers.<sup>57</sup>

---

<sup>54</sup>*Applied Bolting Tech. Products, Inc. v. United States Fid. & Guar. Co.*, 942 F. Supp. 1029, 1033 (E.D. Pa. 1996) (“[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.”).

<sup>55</sup>*Everett Associates, Inc. v. Transcontinental Ins. Co.*, 57 F. Supp. 2d 874, 882 (N.D. Cal. 1999), *partial summ. judg. granted, summ. judg. denied*, 141 F. Supp. 2d 989, 994 (N.D. Cal. 2001) (Lower court found claims of “offer for sale” patent infringement triggered a duty to defend under the ambiguous “advertising injury” offenses of “misappropriation of advertising ideas or style of doing business” and “infringement of copyright, title or slogan.”); *but see, aff’d in part and rev. in part by, remanded by*, 2002 U.S. App. LEXIS 8583, at \*5 (9th Cir. Cal. May 2, 2002) (“No matter how revolutionary, a massage table with unique cradle locks cannot fairly be described as a ‘style of doing business.’”) (No analysis of “misappropriation of advertising idea” offense which the trial court held was ambiguous.).

<sup>56</sup>*Discover Financial Services LLC v. National Union Fire Ins. Co. of Pittsburgh, PA*, No. 06 C 4359, 2007 WL 2893624, at \*4-5 (N.D. Ill. Sept. 26, 2007) (“Notably, the claims Discover has identified as relevant are not the focus of RAKTL’s lawsuit.” The few representative claims submitted in response to the underlying court’s order to reduce its list to them did not list any claims Discover relied upon. “[T]he plaintiff’s misappropriation of an advertising idea must have occurred in the elements of the advertising itself.”);

*Amazon.com, Inc. v. Atlantic Mutual Ins. Co.*, No.C05 00719RSM, 2005 WL 1711966, at \*3-7 (W.D. Wash. July 21, 2005) (“Plaintiff’s website exists for the purpose of promoting products for sale to the public. This is advertising. . . but for plaintiff’s infringement [the claimant] would not be suffering the irreparable harm it alleges in the complaint.” These activities constituted misappropriation because each activity takes an “advertising technique” that is itself patented as well as an “idea about advertising”).

<sup>57</sup>*Hameid v. National Fire Ins. of Hartford*, 94 Cal. App. 4th 1155, 114 Cal. Rptr. 2d 843 (2001), *rev. granted*, 119 Cal. Rptr. 2d 296 (Cal. 2002) (Court raised scope of “misappropriation of advertising ideas” as issue on review, but did not reach it upon finding that conduct of issue did not constitute “advertising..” (**Gauntlett & Associates was Amicus Curiae for United Policyholders.**));

- (4) Confusion of source of goods based on use of same professional title “Doctor of Audiology” gave one credentialing entity, AFA, an unfair advantage in its competition with ASHA.<sup>58</sup>
- (5) False description of Southwestern-style arts and crafts as “Indian Made” was violative of the Indian Arts & Crafts Act of 1990 “which prohibits the offer, display for sale, or sale of any good ‘in a manner that falsely suggests it is Indian produced. . . .’ 25 U.S.C. § 305e(a).”<sup>59</sup>

---

*Sentex Sys., Inc. v. Hartford Acc. & Indem. Co.*, 882 F. Supp. 930 (C.D. Cal. 1995), *aff’d*, 93 F.3d 578, 580 (9th Cir. (Cal.) 1996) (“The ordinary meaning of the policy’s language did not limit coverage to misappropriation of an actual advertising text, but was concerned with ideas, a broader term.” Misappropriation of customer mailing lists alone might not have brought the complaint within the scope of possible coverage. However, claims of misappropriation of trade secrets related to marketing and sales triggered a defense.);

*State Farm Fire & Cas. Co. v. Steinberg*, 393 F.3d 1226, 1234 (11th Cir. (Fla.) 2004) (“A confidential customer list is a trade secret, not an idea about advertising or an outward expression of a business’s style. Without relevant attendant allegations pertaining to advertising, no coverage...is available.”).

<sup>58</sup>*Hoosier Ins. Co. v. Audiology Foundation of America*, 745 N.E.2d 300, 308 (Ind. Ct. App. 2001) (Unfair competition claims asserting that use of the term “Doctor of Audiology” gave AFA an unfair advantage in its competition with ASHA. The court ruled that “[b]ased on the *Advanced Polymer* definition of style of doing business, a company’s comprehensive manner of operating its business, it is clear that ASHA’s complaint about AFA and its issuance of the Au.D. credential would reasonably fall under the policy provision of ‘misappropriation of . . . style of doing business.’”).

<sup>59</sup>*Native American Arts, Inc. v. Hartford Cas. Ins. Co.*, 435 F.3d 729, 733 (7th Cir. (Ill.) 2006) (NAA’s advertisements emphasized the authenticity of its goods and “by falsely doing the same, Stravina’s advertisements traded upon a reputation, history, and sales advantage that it did not deserve,” thereby implicating misappropriation of an advertising idea. The court found, however, that there was no duty to defend because of an applicable policy exclusion for infringement of designation of origin/authenticity.);

*Flodine v. State Farm Ins. Co.*, 2001 WL 204786, at \*2 (N.D. Ill. Mar. 1, 2001) (At issue in the underlying suit was a claim by various Indian arts and crafts organizations that the Southwestern-style arts and crafts sold by J.C. Penney in Northern Illinois stores violated the Indian Arts & Crafts Act of 1990 “which prohibits the offer, display for sale, or sale of any good ‘in a manner that falsely suggests it is Indian produced. . . .’ 25 U.S.C. § 305e(a).” *Id.* at \*5. The court noted: “Many courts have construed the terms ‘misappropriation of advertising idea’ and ‘misappropriation of the style of doing business’ to mean, generally, a wrongful taking of the way another promotes its business, and have included ‘passing off’ and trademark and trade dress infringement allegations within this definition of ‘advertising injury.’ . . . Under the definition of ‘misappropriation’ applied in these cases, ‘passing off’ one’s goods as those of another and trademark and trade dress infringement all constitute advertising injury because the offenses involve the wrongful use of marks, packaging, and/or other means by which competitors identify and promote their products to consumers.”).

- (6) False advertising based on:
- (a) Use of popular red/yellow color scheme for pain medication in gel-cap form.<sup>60</sup>
  - (b) Improper use of title “fullblood” to designate Simmental cattle breed.<sup>61</sup>
  - (c) Promotion of product or patent protected where patent was owned by competitor.<sup>62</sup>
  - (d) Falsely labeling a canola/olive oil blend as “pure olive oil.”<sup>63</sup>
- (7) Asserted “trade dress infringement” claims are a subset of the “false designation of origin” or “false or misleading description of fact” claims originally recognized under § 43(a). The Lanham Act claim alleged that Double R had used artwork from Inter-Global’s brochures in its advertisements and designated its products using model numbers similar to those used by Inter-Global.<sup>64</sup>

---

<sup>60</sup>*Granutec, Inc. v. St. Paul Fire & Marine Ins. Co.*, No. 5:96-CV-489-BO(2), 1998 U.S. Dist. LEXIS 3527, at \*10 (E.D.N.C. (W. Div.) Jan. 16, 1998) (“McNeil’s allegations that Granutec switched to a red/yellow color scheme to trade upon the good will and popularity of plaintiff’s well known Tylenol Gelcap product and to enhance its own sales at the expense of McNeil fell within that offense as well constituting a *prima facie* case of unfair trade practices in violation of Section 75-1.1.”).

<sup>61</sup>*American Simmental Ass’n v. Coregis Ins. Co.*, 282 F.3d 582, 586 (8th Cir. (Neb.) 2002) (applying Montana law) (“The plain and ordinary meaning of ‘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.’”);

*Advance Watch Co., Ltd. v. Kemper Nat’l Ins. Co.*, 99 F.3d 795, 801 (6th Cir. (Mich.) 1996) (“Blue Dane used the word ‘fullblood’ in a manner that falls within the ordinary meaning of an ‘advertising idea.’ Blue Dane used the term ‘fullblood’ to call attention to its Simmental cattle, and all parties agree that ‘fullblood’ was a desirable quality in Simmental cattle.”).

<sup>62</sup>*Elcom Techs., Inc. v. Hartford Ins. Co.*; 991 F. Supp. 1294, 1297 (D. Utah 1997) (applying Pennsylvania law) (“When Elcom began making the very same claims about its product [that were made by Phoenix respecting PHONEJAK], it is a fair argument to make that Elcom usurped from Phoenix that style of doing business.”).

<sup>63</sup>*Atlapac Trading Co., Inc. v. American Motorists Ins. Co.*, No. CV 97-0781 CBM, 1997 WL 1941512, at \*1 (C.D. Cal. Sept. 19, 1997) (“Tama alleged that Plaintiff was falsely labeling and marketing its olive oil products as ‘pure olive oil’ when instead they were blends of other oils. Tama alleged that Plaintiff’s false labeling and marketing included pricing its blended oils well below the prices that Tama offered for its olive oil. Tama alleged that this pricing, coupled with the false representation that the product was ‘pure olive oil,’ caused damages to Tama through lost sales. Tama alleged that its customers stopped buying from Tama because they were getting a better deal with Plaintiff.”)

<sup>64</sup>*Hyman v. Nationwide Mut. Ins. Co.*, 304 F.3d 1179, 1188-89 (11th Cir. (Fla.) 2002) (“[A]s it is commonly understood, advertising means the ‘action of calling something to the attention of the public.’ . . . An ‘advertising idea,’ therefore, can be any idea or concept related to the promotion of a product to the public. See *id.* (citing BLACK’S LAW DICTIONARY (7th ed. 1999), which defines advertising as ‘the action of drawing the public’s attention to something to promote its sale’); . . . (‘In this day and age, advertising cannot be limited to written sales materials, and the concept of marketing includes a wide variety of direct and indirect advertising strategies.’). . . . [W]ithout defining the exact parameters of the phrase, we conclude that ‘style of doing business’ must include the manner in which a company promotes, presents, and markets its products to the public. See, e.g., *St. Paul Fire and Marine Ins. Co. v. Advanced Interventional Systems, Inc.*, 824 F. Supp. 583, 585 (E.D. Va. 1993) (finding that “‘style of doing business” expresses essentially the same concept as the more widely used term: “trade dress.”), *aff’d*, 21 F.3d 424 (4th Cir. 1994).”)

- (8) “Style of doing business” is synonymous with the concept of “trade dress.” Insured was accused of advertising for sale and distribution hair care products and hand lotions bearing certain trademarks allegedly identified with and owned by underlying plaintiff.<sup>65</sup>
- (9) Insured accused of copying the unique design of a handle and selling same in commerce as their own, thus confusing customers as to the source of the handle.<sup>66</sup>

---

<sup>65</sup>*Sport Supply Group, Inc. v. Columbia Casualty Co.*, 335 F.3d 453 (5th Cir. (Tex.) 2003) (“We decline to adopt the Sixth Circuit’s more limited definition of the term “misappropriation.” The Sixth Circuit, in analyzing an identical insurance policy, determined that trademark infringement can never constitute “advertising injury.” See *Advance Watch*, 99 F.3d at 802. The court’s holding rested in part on its determination that the term “misappropriation” referred primarily to the common law tort of “misappropriation,” rather than to a lay person’s understanding of the term (i.e., as the wrongful taking of property). See *id.* The Sixth Circuit’s narrow and technical interpretation of “misappropriation” does not, in our view, accord with the requirement under Texas law that terms in an insurance policy “are to be given their ordinary and generally accepted meaning, unless the policy shows that the words were meant in a technical or different sense.”);

*Adolfo House Distrib. Corp. v. Travelers Prop. & Cas. Ins. Co.*, 165 F. Supp. 2d 1332, 1340 (S.D. Fla. 2001) (rejecting the *Advance Watch* holding and concluding that “misappropriation” in the policy encompasses claims of trademark and trade dress infringement. “It could mean the wrongful taking of the way another does business or promotes its products, e.g., through infringement of trade dress.”);

<sup>66</sup>*Western Wisconsin Water, Inc. v. Quality Beverages of Wisconsin, Inc.*, 738 N.W.2d 114, 121-22 (Wis. 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 (7<sup>th</sup> 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.”);

***El-Com Hardware, Inc. v. Fireman’s Fund Ins. Co.*, 92 Cal. App. 4th 205, 214, 218-19, 111 Cal. Rptr. 2d 670, 676-77, 680 (Cal. Ct. App. 2001)** (“The relationship between trademark and trade dress is discussed in Restatement Third of Unfair Competition. ‘The law of trademarks deals primarily with designations consisting of words or other symbols used to indicate the source of goods or services. However, the manner in which the goods or services are presented to prospective purchasers, or the physical features of the product itself, may also serve as an indication of source. Source significance may attach, for example, to the overall appearance of a product . . . or to some specific element or aspect of that appearance. The appearance [i.e., the trade dress] then functions as a trademark, distinguishing the goods . . . of one seller from those of others.’ (Rest. 3d Unfair Competition, § 16, com. a, p. 157.) . . . Trademark infringement was among the policies’ predicate offenses defining advertising injury. Trade dress infringement was caused by the advertising of the insureds’ product using the infringing trade dress of another company. “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.”);

***Bay Electric Supply, Inc. v. Travelers Lloyds Ins. Co.*, 61 F. Supp. 2d 611, 616 (S.D. Tex 1999)** (“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 or style of doing business.’ ”);

***Lebas Fashion Imports of USA v. ITT Hartford Ins. Group*, 50 Cal. App. 4th 548, 565 (1996), rev. den., 1997 Cal. LEXIS 296 (Cal. Jan. 22, 1997) (Gauntlett & Associates was Amicus Curiae for the AIPLA)** (“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.”).

- (10) Insured used the NISSAN trademark in its domain names and in its logo on one of its websites, where it solicited business for itself.<sup>67</sup>

**C. “Use of Another’s Advertising Idea in Your ‘Advertisement’ ” (1998 ISO CGL)**

**1. Scope of Meaning**

- Proper application of linguistic principles to the construction of this offense reveals both its ambiguity as well as the proposed definition’s viability – “promotion of one’s own products under another’s idea for calling attention to a product or business, especially by proclaiming desirable qualities so as to increase sales or patronage.”

○ RANDOM HOUSE UNABRIDGED DICTIONARY (2d ed. 1993):

**Use** [p. 2097]: “1. To employ for some purpose; put into service; make use of: to use a knife.”

**Of** [p. 1343]: “5. (used to indicate apposition or identity). Is that idiot of a salesman calling again?”

**Another’s** [p. 85]: “1. Being one more or more of the same; further; additional; another’s piece of cake.”

**Advertising** [p.29]: “1. The act or practice of calling public attention to one’s product, service, need, etc. by paid announcements, as a goods for sale, in newspapers or magazines, on radio or television, etc.”

**Idea** [p. 949]: “1. Any conception existing in the mind as the result of mental understanding, or activity; 2. A thought, conception or notion. That is an excellent idea.”

**In** [p. 964]: “1. (Used to indicate inclusion within space, a place or limits)”

**Your** [p. 2205]: “1. (A form or the possessive case of you used as an attributive adjective). Your jacket is in that closet. I like your idea (used to indicate that one belonging to one’s self or to any person)”

**Advertisement** [p. 29]: “1. A paid announcement, as of goods for sale in newspapers or

---

<sup>67</sup>*Westfield Ins. Co. v. Factfinder Marketing Research Inc.*, 168 Ohio App. 3d 391, 401, 860 N.E.2d 145, 152 (Ohio Ct. App. 2006) (“Some courts have defined ‘advertising idea’ to mean ‘any idea or concept related to the promotion of a product to the public.’ The provision has been held to trigger coverage where the insured was sued for trademark or trade dress infringement.”);

*State Auto Prop. and Cas. Ins. Co. v. Travelers Indem. Co. of Am.*, 343 F.3d 249, 260 (4th Cir. (N.C.) 2003) (“[T]he term ‘misappropriation’ . . . refers generally to the wrongful acquisition of property, . . . at the very least, a trademark has the potential to be an advertising idea. . . . trademark, by identifying and distinguishing the trademark holder’s products, promotes those products to the public. . . . The NISSAN mark promotes Nissan’s vehicles to the public. . . . the mark has become instantly recognizable throughout the United States and the world as a symbol of high-quality automobiles. Thus, the NISSAN trademark is an advertising idea. . . The use of a domain name to lead consumers to advertisements on NCC’s websites is clearly an act that occurs ‘in the course of’ advertising.”).

magazines, on radio or television, etc. 2. A public notice esp. (3) the action of making generally known; a calling to the attention of the public. The news of the event will receive wide advertisement.”

## 2. Fact Scenarios Analyzing Coverage

- (1) Compensation dispute between parties to a contract – a consultant and a company developing career assessment tools – over development of interest inventory for inclusion in a new publication entitled Future Focus, which precipitated unfair competition claims, did not fall within offense.<sup>68</sup>
- (2) Pro-Seal’s shipment of counterfeit seals to a customer in a shipping crate prominently labeled with the competitor’s “Flowserve” label did not trigger applicable offense.<sup>69</sup>
- (3) Trade dress claims based on advertising of ornamental jewelry design featuring dog breeds.<sup>70</sup>

---

<sup>68</sup>*Shafe v. American States Ins. Co.*, 288 Ga. App. 315, 653 S.E.2d 870, 874 (Ga. Ct. App. 2007) (The court focused on the earlier 1986 ISO language where the “use of another’s advertising idea in your ‘advertisement’ ” policy form was also in effect. “What the Insureds’ argument fails to recognize is that the mere use of another’s material in their advertising does not invoke coverage; rather, there must be an allegation that the Insureds’ use of such material was wrongful – i.e., that they were not otherwise entitled to use the same. . . . In its order, the federal court found, as a matter of law, that because Future Focus was a joint work, co-owned by the Insureds and Nicholson, Nicholson could not assert a copyright infringement claim against the Insureds for their use of that material. This ruling, in turn, prevents Nicholson from asserting that the Insureds misappropriated her work for inclusion in Future Focus; by definition, one cannot misappropriate that which one owns.” The court presumed that the merits of the claim had been already determined against the insured, foreclosing a defense obligation to an otherwise frivolous claim, and did not focus on the actual policy language of the use of another’s advertising idea in your advertisement, which has no wrongful act component.).

<sup>69</sup>*Citizens Ins. Co. v. Pro-Seal Service Group, Inc.*, 730 N.W.2d 682, 687, 688 (Mich. 2007) (“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. . . . [T]he harm alleged to have been caused by Pro-Seal’s act of shipping a seal in a Flowserve container did not “arise out of an advertisement” and, therefore, plaintiff was not obligated to tender a defense based on this allegation under the terms of the CGL policy.”).

<sup>70</sup>*AMCO Ins. Co. v. Lauren-Spencer, Inc.*, 500 F. Supp. 2d 721, 733 (S.D. Ohio 2007) (Citing prior Ohio appellate court authority as well as the severe criticism of *Advance Watch Co. v. Kemper Nat’l Ins. Co.*, 99 F.3d 795 (6th Cir. (Mich.) 1996) and *Pizza Magia Int’l, LLC v. Assurance Co. of Am.*, 447 F. Supp. 2d 766, 772 (W.D. Ky. 2006) (summarizing criticism of *Advance Watch* and declining to apply its holding to Kentucky law), the court refused to follow *Advance Watch*. It reasoned, “Section V of the policy involved here tracks this same definition of advertisement as ‘a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters.’ . . . Subsections (a) and (b) of the policy definition specifically contemplate website advertising. The second *Advance Watch* rationale, the insufficiency of a causal nexus, fares no better for AMCO. . . . Some courts have held in insurance disputes such as this one that the cause of an alleged trade-dress advertising injury is the initial copying of the trade dress, not the subsequent advertising that depicts the copied trade dress. . . . If we were to apply this rule, the advertising-injury coverage with respect to trade dress would be illusory – the insured would always be foreclosed from meeting the causation requirement. . . . The language of the insurance contract required only that the ‘ “advertising injury” [be] caused by an offense arising out of your business \* \* \* and that the “advertising injury” aris[e] out of \* \* \*

- (4) Breach of licensing agreement through sale of a patented elastomer gel technology and product known as “Gelastic” and “GellyComb” and “Intelli-Gel” (another name for “GellyComb”), creating liability not only for trademark infringement but unfair competition and false designation of origin.<sup>71</sup>
- (5) Misrepresenting goods as Native American-made when they are not.<sup>72</sup>
- (6) Landlord who allowed tenants to use premises to engage in sale of counterfeit products, leading to contributory trademark counterfeiting and infringement exposure, did not fall within offense.<sup>73</sup>
- (7) Interference with prospective business advantage claim based on violations of nondisclosure agreements in quotes by disclosing and using for their own benefit and for the benefit of Muldoon Marine Services, Inc. d/b/a Water Technology

---

infringing upon another’s copyright, trade dress or slogan in your ‘advertisement.’” Both the Second Circuit Court of Appeals and the Third Circuit Court of Appeals have interpreted the ‘arising out of’ language as requiring the advertising to materially contribute to the injury of creating consumer confusion. But the advertisement does not need to be the only cause of the injury to trigger the duty to defend. Ohio courts have interpreted the ‘arising out of’ language more broadly. The phrase has been defined to mean ‘flowing from,’ ‘having its origin in’ or ‘growing out of.’ The phrase indicates a requirement of a causal relationship but not one of proximate cause. We apply the broad definition under Ohio insurance law, and, in doing so, we conclude that the requisite causal relationship was alleged in the complaint.”).

<sup>71</sup>*Ohio Cas. Ins. Co. v. Cloud Nine, LLC*, 464 F. Supp. 2d 1161, 1166-68 (D. Utah 2006) (“The discrete trade names of GellyComb, Gelastic, and Intelli-Gel expressly describe and promote the gel-like and elastic qualities of the material, calling the public’s attention to the desirable qualities of Edizone’s products. Those trade names are ‘advertising ideas’ as that phrase is understood by the average, reasonable purchaser of insurance. . . . Certainly Edizone has alleged ‘use’ of those advertising ideas in the Cloud Nine Defendants’ advertisements. . . . 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.”).

<sup>72</sup>*Native American Arts, Inc. v. Hartford Cas. Ins. Co.*, 435 F.3d 729, 733 (7th Cir. (Ill.) 2006) (“[T]he complaints adequately alleged that Stravina’s advertisements were injurious. Stravina’s policies included as part of the definition of such an injury the copying of another ‘organization’s “advertising idea,” which the policy defined circularly as ‘any idea for an advertisement,’ or the copying of another’s ‘style of advertisement.’ ”).

<sup>73</sup>*Marvisi v. Greenwich Ins. Co.*, No. 04 CV 6733(TPG), 2006 WL 1422693, at \*4, \*5 (S.D.N.Y. May 23, 2006) (“Coverage B, ‘Personal and Advertising Injury,’ provides coverage for ‘the use of another’s advertising idea in your “advertisement” ’ . . . . ‘Advertisement’ is defined in the policy as ‘a notice that is broadcast to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters.’ Thus, coverage would exist only for injuries caused by the advertising of Marvisi’s goods, products or services. However, the federal and state actions contain no allegations of such ‘advertisements.’ . . . The federal actions do not contain any allegation that Marvisi sold or advertised any ‘goods, products or services,’ or that he otherwise had any personal involvement in the business that was being conducted at the Subject Premises. The state actions do not contain any allegations of advertising by Marvisi, and are predicated solely upon Marvisi’s creation of a ‘criminal nuisance . . . by knowingly conducting and/or maintaining the subject premises as an illegal establishment where persons gather for purposes of purchasing, selling, and/or possessing merchandise bearing counterfeit trademarks.’ Thus, the allegations in the state actions also cannot be read to fall within the scope of the policy’s coverage for advertising injury.”).

confidential and proprietary information that was the subject of the nondisclosure agreement did not fall within the offense.<sup>74</sup>

- (8) Breakfast meeting and solicitation of participants did not involve advertising and, critically, Filipino Press report on Internet of content of breakfast meeting did not involve offense.<sup>75</sup>
- (9) Claim that pharmaceutical product was Lipitor to consumers and the trade, when it was not.<sup>76</sup>

---

<sup>74</sup>*Continental Ins. Co. v. American Equity Ins. Co.*, No. A109642, 2006 WL 787975, at \*7, \*10 (Cal. Ct. App. (1st Dist.) Mar. 29, 2006) (“[N]either the Complaint nor the Amended Complaint contains any allegation that Muldoon used Liquid Engineering’s advertising idea in Muldoon’s ‘advertisement.’ What Liquid Engineering did allege was that Hansen and Wehmeyer had damaged its business when they breached their nondisclosure agreements by disclosing and using for their own and Muldoon’s benefit confidential and proprietary information that they had obtained while employed by Liquid Engineering. These allegations clearly do not satisfy the definition of ‘personal and advertising injury’ in the American Equity policy. (See *We Do Graphics, Inc. v. Mercury Casualty Co.* (2004) 124 Cal.App.4th 131, 138 (*We Do Graphics*) [complaint charging defecting employee with stealing former employer’s trade secrets and attempting to solicit former employer’s customers did not allege any ‘advertising injury’ within meaning of business liability policy].)” Interrogatory responses did not change the result and post-declaration material was not relevant to consideration because it was not known at the time of tender. In any event, it would not make a difference because the new extrinsic evidence did not allege the use of Liquid Engineering’s advertising ideas by Muldoon and found that a marketing video itself cannot be considered a proprietary “advertising idea” where the material offered was silent on the content of the videos and nothing indicated that the videos to which Hemphill (a former employee) referred contained any of Liquid Engineering’s advertising ideas. A “truck and trailer set up,” which consists of a pickup truck hauling a trailer that bears a logo, does not evidence an allegation that the logo was misappropriated from Liquid Engineering.)

<sup>75</sup>*Rombe Corp. v. Allied Ins. Co.*, 128 Cal. App. 4th 482, 493, 27 Cal. Rptr. 3d 99, 107 (Cal. Ct. App. 2005) (“Neither the breakfast meeting Rombe hosted nor any solicitation which occurred there involved the broad dissemination of information which AMCO’s policy required. . . . [T]he record shows that the breakfast involved invited guests who learned about Rombe’s future plans and were encouraged to use its services. This in-person form of promotion is not what is commonly thought of as advertising. (*Hameid, supra*, 31 Cal.4th at pp. 29-30, 1 Cal.Rptr.3d 401, 71 P.3d 761.) . . . [T]he Filipino Press report was attached to TRC’s complaint, it does not appear in the record on appeal in this case. Given its presumptively broad dissemination, the press report might have been an advertisement within the meaning of AMCO’s policy. However, under the terms of AMCO’s policy, in order to give rise to coverage, advertising by an insured must also involve some advertising offense. Here, nothing in the record suggests that the Internet account of the breakfast involved any such offense. . . . The report appears to have simply reported what occurred at the Rombe breakfast. Thus the press report would not by itself give rise to the possibility of any coverage under AMCO’s policy.”)

<sup>76</sup>*Ohio Cas. Ins. Co. v. Albers Medical, Inc.*, No. 03-1037-CV-W-ODS, 2005 WL 2319820, at \*4 (W.D. Mo. Sept. 22, 2005) (“[T]he term ‘misappropriation’ is not present in Albers’ policy. The policy provides coverage if another’s advertising idea is ‘used.’ ‘Used’ does not have the same technical, defined meaning in the law as ‘misappropriation,’ so the rationale of [*Callas Enters. v. Travelers Indem. Co. of Am.*, 193 F.3d 952, 956 (8th Cir. (Neb.) 1999)] (which incorporates the rationale of [*Advance Watch Co. v. Kemper Nat’l Ins. Co.*, 99 F.3d 795, 802-03 (6th Cir. (Mich.) 1996)]) does not apply to the case at bar. ‘Use’ 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.’ . . . 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.”’ *American Simmental Ass’n v. Coregis Ins. Co.*, 282 F.3d 582, 587 (8th Cir.2002) . . . [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. In addition (and contrary to Plaintiff’s contention), some of Pfizer’s alleged damages are connected to or arise from Albers’ use of that advertising idea.” (footnote omitted)).

- (10) Representations by StunFence in industry periodicals that it developed, introduced and owned the Power Fence and its related technology – on which its competitor, Gallagher, had registered a trademark.<sup>77</sup>

#### **D. “Infringement of Title” (1976/1986 ISO CGL)**

##### **1. Scope of Meaning**

- “Title” is a mark, style or designation; a distinctive appellation; the name by which anything is known. BLACK’S LAW DICTIONARY 1485 (6th ed. 1990).

##### **2. Fact Scenarios Analyzing Coverage**

- (1) Use of the trade name “Crystal Canyon” as a business name.<sup>78</sup>
- (2) False representations that goods were produced by Native Americans is an “infringement of title,” but exclusion bars coverage.<sup>79</sup>
- (3) Making and selling dental chairs that incorporated Support Design’s trademarked seat design was not infringement of title.<sup>80</sup>

---

<sup>77</sup>*Central Mutual Ins. Co. v. StunFence, Inc.*, 292 F. Supp. 2d 1072, 1079-80 (N.D. Ill. (E. Div.) 2003) (“[Central’s policy] employs the word ‘use’ and not ‘misappropriation.’ Under a straightforward reading of the revised Primary Policy language, Central had a duty to defend StunFence if Gallagher claimed (as it did) that it suffered an injury that arose out of StunFence’s use of its ‘advertising idea.’ In that regard a trademark (a designation affixed to goods to identify their source) easily qualifies as an ‘advertising idea’ under the line of analysis exemplified by [*Flodine v. State Farm Ins. Co.*, No. 99 C 7466, 2001 U.S. Dist. LEXIS 2204, at \*8-9 (N.D. Ill. Mar. 1, 2001)] and [*Winklevoss Consultants, Inc. v. Federal Ins. Co.*, 991 F. Supp. 1024, 1038 (N.D. Ill. 1998)]. In this instance Gallagher alleged that StunFence used Gallagher’s trademark ‘Power Fence’ on its website and made promotional claims identical to those used by Gallagher in marketing its own product. 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. And of course Gallagher asserted that it suffered harm as a result of StunFence’s advertising. In combination those allegations are more than sufficient to generate Central’s duty to defend under the Primary Policy’s coverage of injuries arising from the ‘use of another’s advertising idea in your “advertising.”’ ”).

<sup>78</sup>*Western Wisconsin Water, Inc. v. Quality Beverages of Wisconsin, Inc.*, 738 N.W.2d 114, 121-22 (Wis. Ct. App. 2007) (“Crystal Canyon’s trademark infringement is an ‘infringement of ... title’ and is covered conduct. . . . The [*Charter Oak Fire Ins. Co. v. Hedeem & 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.”).

<sup>79</sup>*Native American Arts, Inc. v. Hartford Cas. Ins. Co.*, 435 F.3d 729, 734 (7th Cir. (Ill.) 2006) (“[T]he best NAA can offer is that Stravina ‘passed off their goods under the designation or descriptive heading of Indian-made.’ Such false descriptions do not constitute ‘infringements of title,’ and thus this allegation fails the notice test.”).

<sup>80</sup>*RGP Dental, Inc. v. Charter Oak Fire Ins. Co.*, No. CA 04-445ML, 2005 WL 3003063, at \*3, \*4 (D.R.I. Nov. 8, 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

- (4) Advertisement of gasoline under Shell-branded trademarks, colors, and other Shell Identifications on or about station.<sup>81</sup>
- (5) Perfume manufacturer's house mark and product mark "Chantilly" fall within definition of "trademarked title."<sup>82</sup>
- (6) Use of "fullblood" to call attention to American Simmental cattle.<sup>83</sup>
- (7) Solicitation of customers whose identity was learned from another firm did not constitute "infringement of title."<sup>84</sup>
- (8) Use of "Valencia" mark to describe Newhall real estate projects was not a "title" under unique policy language with broad trademark infringement exclusion.<sup>85</sup>

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.").

<sup>81</sup>*Auto Owners Ins. Co. v. La Oasis, Inc.*, No. 2:04 CV 174, 2005 WL 1313684, at \*6 (N.D. Ind. May 26, 2005) (" '[I]nfringement of title "presumably" involves titles "of books, songs, products, services, and so forth" and is not clearly limited, as *Charter Oak* asserts, to the infringement of a noncopyrightable title of a creative work.... [I]n analyzing the word "title" in the phrase "infringement of copyright, title or slogan," we [have previously] held that "[r]eading these words together implies that 'infringement' means using someone else's words, so that 'title' refers to names and related trademarks, following the phrase 'copyright infringement.'" . . . [*Charter Oak Fire Ins. Co. v. Hedeon & Cos.*, 280 F.3d 730, 736 (7<sup>th</sup> Cir. 2002), quoting *Curtis-Universal, Inc. v. Sheboygan Emerg. Med. Servs., Inc.*, 43 F.3d 1119, 1124 (7<sup>th</sup> Cir. (Wis.) 1994) and quoting *Zurich Ins. Co. v. Amcor Sunclipse N. Am.*, 241 F.3d 605, 680 (7<sup>th</sup> Cir. 2001).]").

<sup>82</sup>*Houbigant v. Federal Ins. Co.*, 374 F.3d 192, 200 (3d Cir. (N.J.) 2004) ("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.").

<sup>83</sup>*American Simmental Ass'n v. Coregis Ins. Co.*, 282 F.3d 582, 587 (8<sup>th</sup> Cir. (Neb.) 2002) (applying Montana law) ("[T]he word 'fullblood' would be commonly understood to be a 'title.' 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.").

<sup>84</sup>*Zurich Ins. Co. v. Amcor Sunclipse N. Am.*, 241 F.3d 605, 608 (7<sup>th</sup> Cir. (Ill.) 2001) (applying California law) ("*Palmer v. Truck Insurance Exchange*, 21 Cal.4th 1109, 90 Cal.Rptr.2d 647, 988 P.2d 568 (1999), holds that solicitation of customers whose identity had been learned from another firm was not 'infringement of title' . . . . The Supreme Court of California reserved decision on policies phrased differently, as Zurich's is. 90 Cal.Rptr.2d 647, 988 P.2d at 575. . . . Vendors do not have 'title' in their customers, or their custom, so it would take a bold court indeed to say that a policy with this language covered solicitation of customers. . . . [In context,] 'infringement' means using someone else's words, so that 'title' refers to names and related trademarks, following the pattern of the phrase 'copyright infringement.' ").

<sup>85</sup>*Palmer v. Truck Ins. Exchange*, 21 Cal. 4th 1109, 1117, 1118-19, 988 P.2d 568, 574, 575 (1999) ("Only one definition fits: the name of a literary or artistic work. 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. . . . 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.").

- (9) Name of fraternity, Alpha Delta Phi.<sup>86</sup>
- (10) Descriptive business name “Dust-Free Precision Pellets.”<sup>87</sup>

**E. “Infringement of ... Slogan” (1976/1986 ISO CGL)**

“Any ‘advertising injury’ arising out of: Infringement of trademark ... other than ... slogan ...” (St. Paul Insurance Co.)

**1. Scope of Meaning**

A slogan is any attention-getting device, phrase, moniker or utterance that is used to promote products or services. It does not have to be registered.

**2. Fact Scenarios Analyzing Coverage**

- (1) Slogans include “New Technology,” “Patent-Pending ‘Stay-On’ feature keeps bulbs lit,” “String Stays Lit even if a bulb is loose or missing,” and “worry-free lighting.”<sup>88</sup>
- (2) “Wearable light” phrase used to promote product mark “Sapphire.”<sup>89</sup>
- (3) TRUE VALUE, as an advertising idea to convey a positive service experience customers will receive, is a slogan.<sup>90</sup>

---

<sup>86</sup>*First State Ins. Co. v. Alpha Delta Phi Fraternity*, No. 1-94-1050, 1995 WL 901452, at \*11, 39 U.S.P.Q.2d (BNA) 1905, 1912-13 (Ill. App. Ct. (1st Dist.) 1995) (“Infringement of trademark . . . ‘exists if words or designs used by 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 781 (6th ed. 1990). Based on the definitions of ‘title’ . . . we find that the underlying complaint alleges infringement of ‘title’ . . . potentially [within] coverage . . . where ‘Alpha Delta Phi’ and ‘Alpha Delt’ fit those descriptions.”).

<sup>87</sup>*P.J. Noyes Co. v. American Motorists Ins. Co.*, 855 F. Supp. 492, 494-95 (D.N.H. 1994) (“[T]he allegation that Noyes used the name ‘Dustfree Precision Pellets’ in their advertising, literature and packaging, arguably falls within the ambit of . . . infringement of a title or slogan.”).

<sup>88</sup>*Santa’s Best Craft, LLC v. St. Paul Fire & Marine Ins.*, 2004 U.S. Dist. LEXIS 14760 (N.D. Ill. July 28, 2004) (The exception for “trademarked slogans” at least potentially applies to the slogans “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,” thereby implicating a duty to defend).

<sup>89</sup>*The Cincinnati Ins. Co. v. Zen Design Group, Ltd.*, 329 F.3d 546 (6th Cir. (Mich.) 2003) (Court concluded that the underlying action 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.” It found it plausible that WEARABLE LIGHT could be more of a slogan used to promote the product mark SAPPHIRE than a product mark.).

<sup>90</sup>*Finger Furniture Co. v. Travelers Indem. Co.*, No. H-01-2797, 2002 U.S. Dist. LEXIS 15351, at \*32 (S.D. Tex. Aug. 19, 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.””).

- (4) QVM, as an abbreviation for descriptive moniker “Quality Vehicle Modifier,” a description for stretching Ford Navigators into limousines.<sup>91</sup>
- (5) The word “Boss,” as incorporated into insured’s House Mark, was not a “trademarked slogan,” but legal uncertainty regarding the issue required a defense.<sup>92</sup>
- (6) Advertising statement by Lexmark that emphasized superior qualities of its printer was not a slogan.<sup>93</sup>
- (7) Marks “Rusty’s Island Chips” and “Island Chips” are not slogans.<sup>94</sup>
- (8) Advertising goods by use of generic terms “fat free,” “sugar free,” “low calorie” or “cholesterol free.”<sup>95</sup>
- (9) Failure to fulfill representation that DTIs are made to ASTM F959-94a is not an “infringement of . . . slogan.”<sup>96</sup>

---

<sup>91</sup>*Ultra Coachbuilders, Inc. v. General Sec. Ins. Co.*, No. 02 CV 675(LLS), 2002 U.S. Dist. LEXIS 13027, at \*7 (S.D.N.Y. July 15, 2002) (Court concluded that 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.”).

<sup>92</sup>*Hugo Boss Fashions, Inc. v. Federal Ins. Co.*, 252 F.3d 608, 619 (2001) (“[A] ‘slogan’ must be something, **other than the house mark or product mark itself**, that provides such a reminder. . . . [O]ne federal court has explicitly acknowledged that ‘a slogan can only function as a separate trademark if it creates a separate impression from the house mark.’ ”).

<sup>93</sup>*Lexmark Int’l, Inc. v. Transportation Ins. Co.*, 327 Ill. App. 3d 128, 141-42, 761 N.E.2d 1214, 1226 (Ill. App. Ct. 2001) (“Lexmark’s product announcements ‘trumpeted’ . . . Lexmark’s ‘ability to support the widest variety of media including challenging labels, signage and card stock,’ and on paragraph 21, . . . Lexmark was accused of marketing its new printers as a ‘bold new breed’ and ‘an entirely new generation,’ which offers ‘versatile paper handling options for the most demanding printing needs.’ There are no factual allegations that Lexmark lifted any of BDT’s advertising slogans. The word ‘slogan’ does not appear in the BDT complaints. Nor does BDT allege the words of any of its own advertising ideas. BDT never claimed ownership or exclusive right to the language it accused Lexmark of using.”).

<sup>94</sup>*Aloha Pacific, Inc. v. California 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)).

<sup>95</sup>*Sorbee Int’l Ltd. v. Chubb Custom Ins. Co.*, 735 A.2d 712, 714-15, 717 (1999) (Candy manufacturer did not infringe on competitor’s slogan by advertising its product as “low calorie,” “sugar free,” “fat free” and “cholesterol free.” “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....The words at issue in this case were not so created and ‘owned’ by Simply Lite, or by any other manufacturer of hard candy.”).

(10) Use of a similar business name was not a slogan.<sup>97</sup>

## V. INSURANCE COVERAGE FOR INTELLECTUAL PROPERTY AND ANTITRUST EXPOSURE

### A. Limited Protection Under General Liability Policy

- Commercial General Liability (CGL) Policies (ISO 1976, 1986, 1998, 2001) / Umbrella & Excess Insurance
- Errors and Omissions/Professional Liability Policies
- Directors and Officers Policies

### B. Claims Potentially Falling Within “Personal/Advertising Injury” Coverage

- |                           |                                 |
|---------------------------|---------------------------------|
| – Copyright               | – Antitrust                     |
| – Patent                  | – Libel, Slander, Disparagement |
| – Trademark (Trade Dress) | – Unfair Competition            |
| – Trade Secret            | – Invasion of Privacy           |

### C. IP/Internet-Specific Policies

#### 1. Cyberspace/Multimedia Policies – Policy Providers

- **ACE** – [www.ace-ina.com](http://www.ace-ina.com) DigiTech Digital Technology Professional Liability Insurance Policy; ACE Digital DNA Network Risk Insurance Program for Business Interruption Coverage
- **AIG** – [www.aignationalunion.com](http://www.aignationalunion.com) AIG netAdvantage Complete – Internet Media Liability, Internet Professional Services Liability, Cyber Extortion, Information Asset, Business
- **Chubb** – [www.chubb.com](http://www.chubb.com) Information and Network Technology Errors or Omissions and Endorsements Reputational Injury and Communications Liability Coverage
- **Euclid Managers LLC** – [www.euclidmanagers.com](http://www.euclidmanagers.com) The Hyper Drive Technology Liability policy
- **Gulf Underwriters, et al.** – [www.gulfinsurance.com](http://www.gulfinsurance.com) Media Pro Insurance Agency
- **Hartford** – [www.thehartford.com](http://www.thehartford.com) Fail Safe Technology Liability Internet Advantage Policy
- **Insuretrust.Com** – [www.insuretrust.com](http://www.insuretrust.com) Multimedia/Cyberspace/Ebusiness insurance policies
- **Liberty International** – [www.libertymutual.com](http://www.libertymutual.com) Internet and Network Liability Insurance

---

<sup>96</sup>*Applied Bolting Tech. Prods., Inc. v. United States Fid. & Guar. Co.*, 942 F. Supp. 1029, 1034-35 (E.D. Pa. 1996) (“Applied has not cited any case . . . in which a court has interpreted ‘infringement of ... slogan’ to cover an underlying claim that does not involve an alleged infringement of an ownership interest in or exclusive right to use a slogan. . . . It is undisputed that Turner does not allege that it has an ownership interest in or an exclusive right to use ‘all DTIs made to ASTM F959-94a.’”).

<sup>97</sup>*Ross v. Briggs & Morgan*, 540 N.W.2d 843, 848 (Minn. 1995) (Dermatologist did not infringe on competitor “Institute of Cosmetic Surgery and Hair Transplants” by advertising itself as “Institute of Cosmetic and Laser Surgery.”).

- **Marsh** –[www.marsh.com](http://www.marsh.com) CyberLiability Plus Insurance Policy
- **Media/Professional Insurance Agency** –[www.mediaprof.com](http://www.mediaprof.com) CyberLiability Plus Insurance Policy
- **SafeOnline** –[www.safeonline.com](http://www.safeonline.com) SafeEnterprise, Technology Errors and Omissions, Intellectual Property and Media Liability Insurance
- **Steadfast insurance brokerage** – [www.steadfast.com.au](http://www.steadfast.com.au) Information Technology, Professional Liability
- **St. Paul** –  
[www.stpaultravelers.com/business\\_insurance/specialty/products/internet\\_liability/](http://www.stpaultravelers.com/business_insurance/specialty/products/internet_liability/) Internet Liability/ E-commerce
- **ZC Specialty Insurance** –<http://www.zurichna.com> E-risk

## 2. Sample Policy Language IP First Party (IP Assets)

### Cyberspace/Multimedia Policies

- **AIG NetAdvantage Liability Internet & Network Liability Ins., Policy Form - 78082 (6/01)**, [www.aig.com](http://www.aig.com):

#### I. INSURING AGREEMENT

We shall pay on your behalf those amounts . . . you are legally obligated to pay, including content-based liability . . . as damages, resulting from any claim(s) made against you from your wrongful act(s) in the display of internet media . . .

U. Wrongful Act(s) means any actual or alleged breach of duty, neglect, act error, misstatement, misleading statement, omission that results in: . . .

(2) an infringement of copyright, domain name, title, slogan, trademark, trade name, trade dress, mark or service name, or any form of improper deep linking or framing; plagiarism, piracy or misappropriation of ideas under implied contract or other misappropriation of property rights, ideas or information.

## 3. Coverage Cases Analyzing Cyberspace Coverage

- ***Sony Computer Ent. America v. American Home Assur. Co.***, No. C 04-0492 PJH, 2005 WL 3260483, at \*4-5 (N.D. Cal. Dec. 1, 2005) (The court found that "negligent publication" could not mean "communication of information to the public, lacking or exhibiting a lack of due care or concern," it must be narrowly construed to refer to that category of tort claims typified by defamation and misappropriation claims, which the court claimed was an appropriate contextual understanding of "negligent publication." The only reason offered for this reading was that defining communication lacking due care or concern to be a "negligent publication" would subsume the false advertising and negligent misrepresentation claims which was expressly excluded. The court rejected the view that an exception to an exclusion for false advertising claims meant a defense would arise if they were triggered.);
- ***Time Warner Entm't Co. v. Continental Cas. Co.***, No. 02-56221, 72 Fed. Appx. 586, at \*7 (9th Cir. (Cal.) July 30, 2003) ("Looking at the policy as a whole – including Section I.C. which provides relief for an "election by the Insured to cease or forego the dissemination of Matter" (undermining Continental's argument that coverage only attaches after a creative work has been released to a consuming audience) – we conclude that the acquisition and creation of material for a motion picture is within the scope of the Policy's coverage.");

- *Walt Disney Co. v. American Cas. Co.*, No. 02-55261, 65 Fed. Appx. 147, at \*5-6 (9th Cir. (Cal.) May 14, 2003) ("As modified by the phrase 'any medium of expression,' the terms 'utterance' and 'dissemination' can reasonably be understood to include the reproduction of architectural plans or the construction of buildings, and, by extension, the reproduction of a concept for a sports complex. . . . Disney's interpretation of the clause does not require us 'to indulge in tortured constructions, . . . nor does any other portion of the Policy prohibit an interpretation of the term 'Matter' which includes architectural concepts or works.'").
- *Western Int'l Syndication v. Gulf Ins. Co.*, No. 05-55092, 2007 WL 625264, at \*2 (9th Cir. (Cal.) Feb. 26, 2007) ("New York courts have previously recognized as disparagement the intentional utterance of an injurious falsehood that causes the plaintiff to suffer actual damage . . . The statements allegedly made by Western . . . [are] reasonably understood to cast doubt upon the existence or extent of [the Apollo's] property in . . . intangible things, or upon their quality . . . . The allegations therefore constitute disparagement . . . .").
- *Indian Harbor Ins. Co. v. Hartford Casualty Ins. Co.*, No. B192829, 2007 WL2955564, at \*10 (Cal. Ct. App. (2d Dist.) Oct. 11, 2007) ("Hartford owed Skechers a duty to defend the Adidas action under the terms of the Hartford policy. The Indian Harbor policy, in contrast, contains no provision imposing a duty to defend and expressly disclaims such a duty. It imposes only a duty to reimburse Skechers for defense costs paid to a third party arising out of covered litigation and exceeding the \$500,000 self-insured retention. . . . Because Hartford was primarily liable for Skechers's defense costs, Indian Harbor is entitled to equitable indemnity for the amounts it paid.").

## VI. CONCLUSION

Insurance can be a powerful tool for successfully attaining an intellectual property litigant's objectives, whether as plaintiff or defendant. Focus on potential counterclaims, what policy provisions are in place to respond to same, coverage for pursuit of IP litigation, as well as licensing disputes, all present opportunities that expand the nexus between insurance and intellectual property litigation.

Savvy IP litigators will assess how insurance may benefit clients and integrate understanding of coverage into their litigation strategy. However, effective use of this "tool" requires careful planning and implementation of a well-designed litigation plan that accurately reflects the intricacies of coverage law. As such, successfully navigating the coverage waters to reach the desired destination may require the guidance of an experienced hand. In most instances, the benefits of obtaining external coverage expertise will far outweigh the incremental increase in litigation costs and should be seriously considered by coverage-savvy intellectual property and antitrust counsel.