Insurance Coverage
FROM THE SECTION OF LITIGATION INSURANCE COVERAGE COMMITTEE

Advertising-Injury Coverage for Trade Dress, Slogans

By Cort T. Malone – June 28, 2012

Almost all major companies or corporations purchase some form of commercial general-liability (CGL) insurance or similar general-liability insurance coverage. For the period of time between 1981 and 2001, these CGL or general-liability policies often included broad coverage for enumerated "advertising-injury" offenses, but with little explanation as to what that term meant or what risks it was intended to protect against. Policyholders soon relied on the advertising-injury provision to access coverage for lawsuits alleging any type of infringing activity regardless of the circumstances surrounding or leading to the infringement.

Eventually, insurance companies adjusted advertising-injury provisions by excluding coverage for advertising injury arising out of the infringement of copyrights, patents, trademark, trade secrets, or other intellectual property rights if the infringing material is not in the policyholder's advertisement but specifically including coverage for the infringement of copyright, trade dress, or slogan within the policyholder's advertisement. Accordingly, recent litigation involving potential insurance coverage for underlying allegations of infringement has focused on whether the infringing material was part of an advertisement and, if so, whether the allegations met the definition of "trade-dress" or "slogan" infringement. Several courts have provided a set of standards to be used for determining whether an underlying claim meets these definitions and qualifies for advertising-injury coverage under the liability-insurance policies.

Who Might Benefit from Advertising-Injury Coverage?
Companies ranging from direct product manufacturers to web-based distributors often need to advertise that their goods possess a certain brand-recognition factor or meet a specific standard of quality. Such advertising may inadvertently infringe on a trademark, and the company may face litigation as a result. Almost every company or corporation currently touts its products via a website, and the term "advertisement" has been held to include only the parts of a website that are about goods, products, or services and that serve the purpose of attracting customers or supporters. As evidenced by a recent case involving a company sued by the National Football League (NFL) for selling allegedly infringing clothing, companies confronted with such lawsuits should look to their CGL policies for advertising-injury insurance coverage. In short, every company that advertises its products in any fashion whatsoever is both at risk for infringement claims and a potential beneficiary of advertising-injury coverage.

What Types of Claims Does Advertising-Injury Insurance Cover?
While many of the typical post-2001 policy form's advertising-injury provisions include an exclusion for intellectual-property claims, actions that allege "copyright, trade dress,

and slogan" infringement within a policyholder's advertising are explicitly excepted from the exclusion. Copyright infringement protects artistic works of authorship from improper use by others. Trade-dress infringement involves allegations of similarities in product packaging. Slogan infringement involves the alleged use of protected "attention-getting phrases." Trade-dress and slogan infringement causes of action are intended to protect consumers from confusion as to the source of the trademarked goods.

Although insurance companies often attempt to take a narrow view of the advertising-injury insurance coverage included in CGL policies, presenting advertising-injury claims the right way may allow policyholders to access valuable insurance coverage for infringement claims. Where coverage exists for advertising injury, it includes payment of attorney fees incurred in defending such actions, as well as potential recovery for settlements or judgments paid in such actions. While policyholders must present their insurance claims properly to access their insurance, courts have shown a willingness to find coverage under the policies' advertising-injury provisions for such claims when supported by the underlying facts.

Decisions Supporting Advertising-Injury Insurance Coverage

Courts have interpreted the term "trade dress" broadly. "In short: any 'thing' that dresses a good can constitute trade dress." *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619, 630 (6th Cir. 2002). Indeed, the trade dress of an item is viewed in totality and may include a mark on packaging. *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, No. 99 Civ. 10175, 2001 U.S. Dist. LEXIS 162, at *1 (S.D.N.Y. Feb. 21, 2001). Because the term "trade dress" in the advertising-injury provision has been interpreted broadly, policyholders who have been sued for trademark infringement regarding their product's packaging should look to their CGL policies for insurance coverage.

In a recent case, *Acuity v. Ross Glove Co.*, No. 2011 AP 1464, 2012 Wisc. App. LEXIS 274, at *1 (Wis. Ct. App. Apr. 4, 2012), the court found that the insurance company had a duty to defend the policyholder for trade-dress infringement under the policy's advertising-injury coverage and evaluated three questions in reaching this determination. The questions were:

- Did the underlying complaint state an offense covered under the policy's advertising-injury provision?
- Did the underlying complaint allege that the policyholder engaged in advertising activity?
- Did the underlying complaint allege a causal connection between the injury alleged and the policyholder's advertising activity?

Id. at *11–12.

The court answered all three questions in the affirmative and found that the policy's advertising-injury coverage required the insurance company to defend the underlying

claims of trade-dress infringement, as well as all other claims raised in the complaint. *Id.* at *12–22. *Acuity* is one example of the analysis that courts may conduct in deciding whether a policyholder can access advertising-injury coverage for underlying infringement claims. The case further demonstrates that policyholders should look to advertising-injury coverage under CGL or other general-liability policies when faced with infringement claims that could fall under the trade-dress exception.

When a trademark-infringement action alleges the use of a phrase as "an attention-getting device" or as a "slogan" and not merely as a trademark, the policyholder may be entitled to coverage under the advertising-injury provision enumerating infringement of a "slogan." Courts have interpreted the term in the advertising-injury provision broadly.

In *Ultra Coachbuilders, Inc. v. Gen. Security Ins. Co.*, No. 02 CV 675, 2002 U.S. Dist. LEXIS 13027, at *1 (S.D.N.Y July 15, 2002), at issue was the Ford Motor Company's certification program, Quality Vehicle Modifier (QVM). QVM-certified companies were authorized to convert Ford vehicles into limousine-style stretch vehicles. Ford sued Ultra Coachbuilders for infringing on the QVM mark by using a similar "VQM" mark in advertising and selling converted Ford vehicles. Ultra tendered a claim to its insurance company, which denied the claim because it alleged trademark infringement, which was excluded from coverage. Ultra argued that its claim fit within the exception to the bar on coverage for trademark claims for use of a slogan in the advertising at issue.

The U.S. District Court for the Southern District of New York found that if "the alleged infringement of Ford's unregistered marks 'Quality Vehicle Modifier' or the abbreviation, 'QVM,' could support a claim of slogan infringement, there is a duty to defend." *Id.* The court cited the Supreme Court of California's definition of a slogan: "a brief attention-getting phrase used in advertising or promotion or a phrase used repeatedly, as in promotion." *Id.* The court held that under California insurance law, the acronym "'QVM' or 'Quality Vehicle Modifier' could potentially qualify as a slogan under either of these articulations [for the purposes of 'personal and advertising injury' coverage]." *Id.*

Recently, in *Hudson Ins. Co. v. Colony Ins. Co.*, 624 F.3d 1264 (9th Cir. 2010), the U.S. Court of Appeals for the Ninth Circuit held that allegations by NFL properties that the policyholder company had sold league jerseys, including the use of the words "Steel Curtain" in reference to the Pittsburgh Steelers, were covered under the advertising-injury provision. Specifically, the Ninth Circuit held that "Steel Curtain" was a term used to promote fan loyalty and that it was a "brief attention-getting phrase used in advertising or promotion," thus meeting the standard for a slogan. *Id.*

Because the term "slogan" in the advertising-injury provision has been interpreted broadly, policyholders who have been sued for trademark infringement regarding any terms or slogans in their advertisements should look to their CGL policies for insurance coverage.

Conclusion

As shown by the cases described above, policyholders confronting copyright, trade-dress, or slogan-infringement claims should carefully evaluate their advertising-injury coverage, as it may provide valuable protection against losses for such claims.

Keywords: litigation, insurance, coverage, commercial general liability, advertising injury, trademark infringement, trade-dress infringement, slogan infringement

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