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OUTSIDE PERSPECTIVES

Don't Get Locked Out - How To Score Insurance Coverage For Trademark Infringement Claims

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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 inadvertently may infringe on a trademark, and the company may face litigation as a result. As evidenced by a recent case involving a company sued by the NFL for selling allegedly infringing clothing, companies confronted with such lawsuits should look to their Comprehensive General Liability ("CGL") policies for "advertising injury" insurance coverage. Although insurance companies often attempt to take an overly narrow view of the broad "advertising injury" insurance coverage included in CGL policies sold to policyholders, presenting "advertising injury" claims the right way will allow policyholders to access valuable insurance coverage for infringement claims.

1. "Advertising Injury" Insurance Coverage Under the Current Policy Form

CGL policies have explicitly offered coverage for "advertising injury" since at least 1981, when that coverage was included in the broad form endorsement to the ISO CGL policy. Since that time, the coverage has gone through several changes in definition and scope. Most recently, a 2001 change to the standard form CGL policy excluded coverage for "advertising injury" arising out of the infringement of copyright, patent, trademark, trade secret, or other intellectual property rights if the infringing material is not in the policyholder's "advertisement" – but specifically included coverage for infringement of copyright, trade dress, or slogan within the policyholder's "advertisement." Regarding websites, "advertisement" has been held to include "only the part of a website that is about your goods, products or services for the purposes of attracting customers or supporters." Where coverage exists for "advertising injury," it includes payment of attorney's fees incurred in defending such actions as well as potential recovery for settlements or judgments paid in such actions.

While the current 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 the improper use of others. Trade dress involves allegations of similarities in product packaging. Slogan infringement involves 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. Policyholders must present their insurance claims properly in order to argue for a broad interpretation of these terms and receive the promised "advertising injury" coverage. Fortunately, courts have shown a willingness to support such claims when pled properly and supported by the underlying facts.

2. Several Court Decisions Support "Advertising Injury" Insurance Coverage for "Trade Dress" and "Slogan" Infringement

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.*, 289 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. 999 Civ. 10175 JSM, 2001 WL 170672 (S.D.N.Y. 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.

When the trademark infringement action alleges the use of a phrase as "an

attention getting device" or 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 "slogan" in the "advertising injury" provision broadly.

In *Ultra Coachbuilders, Inc. v. Gen. Security Ins. Co.*, No. 02 CV 675(LLS), 2002 WL 31528474 (S.D.N.Y July 15, 2002), at issue was the Ford Motor Company's certification program called Quality Vehicle Modifier or "QVM." QVM-certified companies were authorized to convert Ford vehicles into limousine-style stretch vehicles. *Id*. Ford sued Ultra Coachbuilders for infringing on the QVM mark by using a similar "VQM" mark in advertising and selling converted Ford vehicles. *Id*. Ultra tendered a claim to its insurance company, who denied the claim because it alleged trademark infringement, which was excluded from coverage. *Id*. 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. *Id*.

The United States 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 slogan: "A slogan is 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 United States 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 was a "brief attention-getting phrase used in advertising or promotion" and thus met the standard for a "slogan." *Id*.

Accordingly, 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.

3. Do Not Take "No" For An Answer When Presenting An "Advertising Injury" Insurance Coverage Claim

Insurance companies know that denying claims means a measurable percentage of policyholders simply walk away from insurance coverage to which they are rightfully entitled. The better approach to an "advertising injury" insurance coverage claim is insisting upon receiving the full value of CGL policies and refuting the insurance company's improper arguments to the contrary. As shown by the cases described above, proper presentation of a policyholder's copyright, trade dress, or slogan infringement insurance claims makes all the difference in accessing valuable "advertising injury" coverage.

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