Got Trademark Infringement? (Is it Advertising Injury?)

By Rahul Karnani, Esq.

Litigation focusing on the advertising injury coverage of commercial general liability policies has increased substantially in recent years. One of the hottest issues currently being litigated across the nation is whether alleged "trademark infringement" by the insured is covered under the advertising injury section of typical commercial general liability policies.

The typical 1986 ISO general liability policy defines "advertising injury" to include, among other things, "[m]isappropriation of advertising ideas or style of doing business" and "[i]nfringement of copyright, title or slogan." Most 1986 ISO general liability policies also require that the advertising injury occur "in the course of advertising." The heart of the issue, therefore, is whether trademark infringement qualifies as a "misappropriation of an advertising idea" and/or an "infringement of copyright, title, or slogan" and, if so, whether the trademark infringement occurred "in the course" of advertising.

However, while nearly all courts agree that for trademark infringement to qualify as a covered advertising injury the infringement must meet the standards described above, courts apply those standards quite differently, leading to a decisive split between jurisdictions on the ultimate issue of whether trademark infringement is covered under a typical liability policy.

For instance, there are a number of cases, mostly decided at the federal Circuit Court of Appeals level, that hold that trademark infringement is not "a misappropriation of advertising ideas or style of doing business." Many of those cases interpret the word "misappropriation" narrowly, defining it to mean the tort of "misappropriation" as established in the common law with respect to claims of unfair business practices. However, a significant number of courts, mostly at the state level, have refused to apply a narrow interpretation of the word "misappropriation," opining instead that the word "misappropriation" should be interpreted more broadly to include any type of wrongful taking.

The fight does not end there. There is also a split among the courts as to whether a trademark infringement claim qualifies as an "infringement of copyright, title or slogan." Some courts hold that because the word "trademark" does not itself appear in the advertising injury section of typical general liability policies, those policies were not meant to cover trademark infringement. Other courts hold that trademarks can be considered to be "titles" or "slogans."

Finally, the courts are also split on whether a trademark infringement occurs "in the course of advertising." In examining whether a claim of trademark infringement occurs in the course of advertising, the jurisdictional split usually depends a great deal on the facts presented to each court. In

cases where the trademark infringement involves the sale of a confusingly similar product, the courts are less likely to hold that the infringement occurred in the course of advertising. In cases where the underlying complaint solely contains allegations of the use of a trade name in a communiqué to potential clients, the courts are more likely to hold that the infringement occurred in the course of advertising.

Given the divisive split between the courts on the various issues involved in determining whether trademark infringement is covered under the typical general liability policy, litigation between policyholders and insurers regarding coverage for trademark infringement is bound to continue for some time.

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