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INSURANCE COVERAGE FOR THE NEW BREED OF INTERNET-RELATED TRADEMARK INFRINGEMENT CLAIMS

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BEYOND question, the advent and virtual *explosion* of the Internet into the lives of people across the world rank among the most significant phenomena of recent years. The attendant possibilities and opportunities know only the uncharted boundaries of “cyberspace.” Much good has already resulted. After all, the world has been wrapped in a “world wide web” of shared information and near-real-time communications.

Of course, the seemingly boundless opportunities of the Internet have not gone unnoticed by thoughtful businesspeople. In fact, one is increasingly hard-pressed to find a business enterprise—from the corporate giant to the “mom and pop” corner shop—without its own web page. The Internet, like no pre-existing medium of communication, offers seemingly unlimited, affordable advertising and marketing opportunities.

But vice inevitably follows hard upon the heels of virtue. While the Internet provides opportunities to globally network one’s business, it also provides opportunities to wrongfully usurp the identity, reputation and good will of *someone else’s* business. In particular, the Internet provides new guises for an old vice: trademark infringement.

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As a result, the new world of e-commerce poses twin threats to businesses seeking to protect—and to disseminate—trademarked intellectual property. Even businesses that do *not* advertise or transact business via the Internet face the first threat: that Internet users will infringe upon *their* trademarked property. But those businesses that *do* venture into cyberspace encounter a second threat: that they will—intentionally, inadvertently, or even just allegedly—infringe upon the trademarked property of another.

This Article focuses on businesses accused of Internet-related trademark infringement. More specifically, it focuses on whether those businesses may have—or can get—liability insurance coverage for such claims. As this Article explains, policyholders' optimism in the face of trademark infringement claims is often justified. Yet, the quest for coverage in this context is rendered more difficult by the fact that the language of liability insurance policies, and the laws interpreting it, are at least a step (if not a full lap) behind the technology driving Internet advances. The point of this Article is to walk policyholders and their attorneys through the basics of this technological, contractual, and legal quagmire.

Toward that end, Part I of this Article defines the problem: the new breed of trademark infringement claims facing those who do business on the Internet. Part II explores the possibility of, and potential impediments to, coverage for such claims under the traditional Commercial General Liability (CGL) policy owned by most businesses. Part III answers the question, "What if my CGL policy *doesn't* apply?" by introducing a representative sampling of new insurance products designed to fill—at least in part—potential gaps in traditional coverage for high-tech trademark infringement claims.

I. TRADEMARK INFRINGEMENT RISKS IN CYBERSPACE

A. INTRODUCTION

1. *Trademark Infringement Generally*

Section 43 of the Lanham Act, codified at 15 U.S.C. § 1125, is the source of trademark infringement actions. The Lanham Act creates a private cause of action against a person who: (1) uses any word, term, name, symbol, or device; (2) which is likely to cause confusion as to the affiliation of such person or that person's goods with another person or the other person's goods.¹

2. *The Internet*

The Internet is an international "super network" connecting millions of computer networks and individual computers. The Internet is not a single entity. It is a highly diffuse and complex system. For commercial users, the World Wide Web (the "Web") may be the most important part

1. See 15 U.S.C. § 1125 (Supp. V 1994).

of the Internet. Unlike previous Internet-based communication formats, the Web is easy to use for people inexperienced with computers. Information on the Web can be presented on “pages” of graphics and text that contain “links” to other pages either within the same set of data files (“web site”) or within data files located on other computer networks.

B. TYPES OF TRADEMARK INFRINGEMENT RISKS CREATED BY USE OF THE INTERNET

The early Internet was largely a conduit for the exchange of information. Today’s Internet has become increasingly commercial. All commercial settings pose a risk that people will try to profit from the ideas and good will of others. This is evident in the explosion of intellectual property infringement claims arising from the use of the Internet.

The focus of this Article is solely on the use of trademarks on the Internet. The most common Internet-based trademark infringement actions involve the unauthorized use of trademarks in domain names, meta tags, linking and keying.

1. Domain Names and Cybersquatting

Web sites, like other information resources on the Internet, are currently addressed using the Internet “domain name system.” The “Internet protocol” numbering system gives each individual computer or network a unique numerical address on the Internet. The “Internet protocol number” (or “IP number”) comprises four groups of digits separated by periods, such as “192.215.247.50.” For the convenience of users, individual computers on the Internet may also have an alphanumeric name (“domain name”). Specialized computers known as “domain name servers” maintain tables linking domain names to IP numbers.

Domain names are arranged so that, reading from right to left, each part of the name moves toward a more localized area of the Internet. “Second level” domain names, the name just to the left of the “.com” or other Top Level Domain (“TLD”), such as “.gov,” “.org” or “.net,” must be exclusive.² Therefore, although two companies can have non-exclusive trademark rights in a word, only one company can have a second level domain name that corresponds letter-for-letter to its trademark.³

The exclusive nature of second level domain names has pitted trademark owners against each other in a struggle to establish a commercial presence on the Internet, and has set businesses against domain name holders (known as “registrants”) who seek to continue the traditional use

2. TLDs are created and governed by the Internet Corporation of Assigned Names and Numbers (ICANN). ICANN’s most recent expansion of TLDs includes .info and .biz. On May 15, 2001, ICANN approved a company called Afilias to maintain the registry for the .info TLD and a company called Neulevel to maintain the .biz registries.

3. This is a real problem for the owners of the 487 trademarks containing the word Delta, because there can be only one www.Delta.com. Melinda S. Giftos, *Reinventing A Sensible View Of Trademark Law In The Information Age*, J. INTELL. PROP. (Fall 2000).

of the Internet as a non-commercial medium of communication. As a result, trademark infringement actions involving domain names almost exclusively involve second level domain names. In fact, some jurisdictions have held that only the second level domain name is protected under the Lanham Act.⁴

The first time a federal court held that a domain name was protectable under the Lanham Act was in the Central District of California⁵ 1996 decision, *Comp Examiner Agency, Inc. v. Juris, Inc.* That Court relied on the Lanham Act's injunctive power to enjoin the use of the domain name "juris.com" because it infringed on the Juris trademark. The *Comp Examiner* case and its progeny established that unauthorized use of a trademark in a domain name creates exposure in a civil suit to liability under the Lanham Act,⁶ so long as a commercial use is made of the domain name⁷ and the domain name is not a constitutionally protected parody of the trademark owner's business.⁸

Once the ability to trademark domain names was cemented by the courts, trademark holders launched an offensive against the profitable business of cybersquatting/cyberpiracy.⁹ The pioneers of cybersquatting, such as Dennis Toeppen, began this practice of registering a domain name that the "squatter" knows to be the trademark of another for the purpose of selling the domain name to the true trademark owner. For

4. See, e.g., *Patmont Motor Werks, Inc. v. Gateway Marine Inc.*, No. C 96-2703, 1997 U.S. Dist. LEXIS 20877, at *13 (N.D. Cal. Dec. 18, 1997) (holding that words appearing after the second level domain name are not protected by the Lanham Act, thus "goped" in www.idiosync.com/goped was not protected).

5. No. 96-0213, 1996 U.S. Dist. LEXIS 20259 (C.D. Cal. Apr. 26, 1996). In this case the Comp Examiner used the domain name "juris.com" to sell software and services to professionals in the legal, insurance, and forensic businesses. Juris Inc., the registrant and prior user of the trademark JURIS for law office management software and related services, sought to enjoin the Examiner from using the domain name "juris.com". The court found that the Examiner's use of the domain name "juris.com" for selling software to Juris's target market of lawyers and law firms was likely to cause confusion as to the source of the Examiner's goods and services, thus infringing on Juris's trademark rights.

6. See, e.g., *Columbia Ins. Co. v. Seescandy.com*, 185 F.R.D. 573, 580 (N.D. Cal. 1999) (denying motion to dismiss filed by company that had registered Seescandy.com as a domain name); *Planned Parenthood Fed'n of Am., Inc. v. Bucci*, 42 U.S.P.Q.2d (BNA) 1430 (S.D.N.Y. 1997) (plannedparenthood.com), *aff'd*, 152 F.3d 920 (2d Cir. 1998); *Playboy Enters., Inc. v. Imagenet, Inc.*, 95 Civ. 9589 (S.D.N.Y. filed Aug. 8, 1995) (playmates.com).

7. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 879-80 (9th Cir. 1999) (registration of avery.net and dennison.net as vanity domain names was not commercial use and did not cause dilution).

8. See, e.g., *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161, 1167 (C.D. Cal. 1998) (ballysucks.com was protected speech and not commercial use). Use of the actual name of the trademark owner's business, however, can still be infringement despite the intent to parody the trademark. See *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 308 (D.N.J. 1998) (jewsforjesus.org).

9. A variation of cybersquatting has been dubbed typosquatting, which is the registration of a domain name that is a misspelling of a trademark. Few lawsuits have been filed against typosquatters, but courts have indicated that this would constitute an infringement. See, e.g., *PaineWebber, Inc. v. Fortuny*, No. 99-0456-A, 1999 U.S. Dist. LEXIS 6552 (E.D. Va. Apr. 9, 1999) (holding registration of www.wwwpainewebber.com violated the statute, even though Paine Webber had already registered www.painewebber.com, and stripping the defendant of the domain name).

instance, Toeppen registered the domain panavision.com, knowing that such a domain belonged to Panavision International.¹⁰ The motive behind cybersquatting is to extort payment from the trademark owner in exchange for release of the domain name.¹¹

While the Lanham Act, in its original form, effectively dealt with cybersquatters, it did not treat them differently than an innocent infringer who stumbled onto a domain name containing a trademark. In order to up the ante on cybersquatting, Congress tacked the Anticybersquatting Consumer Protection Act (ACPA) onto the Lanham Act. Pub. L. No. 106-113, 113 Stat. 150 (1999) (codified at 15 U.S.C. §§ 1114, 1116-17, 1125(d), 1127, 1129).¹²

10. Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998).

11. Dennis Toeppen is commonly thought of as the original cybersquatter, and several of the most cited cybersquatter cases bear his name. See e.g., *id.* (Toeppen enjoined from using panavision.com and panaflex.com); *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227, 1241 (N.D. Ill. 1996) (Toeppen enjoined from using intermatic.com); *American Standard, Inc. v. Toeppen*, No. 96-2147 1996 U.S. Dist. LEXIS 14451, at *1, 2 (C.D. Ill. Sept. 3, 1996) (Toeppen enjoined from using americanstandard.com). Toeppen was also the registered owner of several other trademark-containing domain names including: aircanada.com; anaheimstadium.com; arriflex.com; australiaopen.com; camdenyards.com; deltaairlines.com; eddiebauer.com; flydelta.com; frenchopen.com; lufthansa.com; neiman-marcus.com; northwestairlines.com; and yankeestadium.com. See *Panavision Int'l, L.P. v. Toeppen*, 938 F. Supp. 616, 619 (C.D. Cal. 1996). Many other cases involve other cybersquatters. See, e.g., *McGraw v. Salmon*, No. 98-2495R, 1998 U.S. Dist. LEXIS 10987 (C.D. Cal. June 30, 1998) (country singers sought and obtained injunctive relief from cybersquatter that registered their names).

12. (d) Cyberpiracy prevention.

(1) (A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.

(B) (i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

The ACPA created a cause of action specifically directed toward cybersquatters by adding a bad faith intent to profit element to typical infringement claims.¹³

Obviously, cybersquatting liability is not a risk that concerns most companies, but the use of domain names is a definite risk for anyone that uses the Internet. Every time a company registers a domain name and starts up a web-site using that domain name, it faces the possibility of an infringement action.

2. *Meta Tags*

A meta tag is a non-displaying (hidden) HTML¹⁴ tag that provides web-site owners with some degree of control over how their web pages are indexed by search engines. Properly formatted and well composed meta tags can increase the relevancy of retrieved web pages when searches are performed at a number of very popular search engines.¹⁵ Because meta tags are not visible when viewing a web site, a web designer is able to use trademarks in the meta tags to draw people to that web site who are actually interested in viewing the trademark owner's web site. For instance, a person searching for the Coca Cola web site might enter "Coke" into a search engine. If PepsiCo's web designer has placed "Coke" in its meta tags, then PepsiCo's web site would appear in the search results. This can cause confusion to the consumer regarding the affiliation and/or ownership of the PepsiCo web site.

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43 [subsec. (c)(1) of this section].

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

13. *See id.*

14. HTML is an acronym for Hypertext Markup Language, which is the computer language used to program web-sites.

15. Search engines that index meta tag information include: AltaVista, HotBot, Infoseek and Webcrawler. Other search engines, such as Yahoo, use the actual text of the web-site or information submitted to the search engine when the web site owner registers with the search engine.

The confusion as to affiliation or ownership is the *touchstone* of trademark infringement. Due to the confusion created by the search engine results, courts consistently view the use of a trademark in meta tags as infringement.¹⁶ The test is not whether the person is confused when viewing the web-site. Rather, the trademark infringement occurs where the Internet user is initially confused as to the association of the web-site with the business of the trademark owner.¹⁷ This is sometimes referred to as “foot in the door” confusion.

3. Keying

Another service provided by most search engines is called keying. This permits a web-site owner to pay a fee for its banner advertisement¹⁸ to appear when certain search terms are entered into the computer. For instance, if “books” is entered as a search term in the Yahoo search engine, the www.barnesandnoble.com banner advertisement appears at the top of the page. As with meta tags, infringers can capitalize on their competitors’ good will by paying for their banner ad to appear when a search term containing their competitors’ trademarks is entered. Again confusion arises because of the apparent affiliation between the trademark term entered and the banner advertisement that appears. Courts have consistently held that this type of initial confusion constitutes infringement.¹⁹

4. Web-site Content

A more traditional type of infringement occurs when a web-site owner

16. See, e.g., *Playboy Enters., Inc. v. AsiaFocus Int’l, Inc.*, No. 97-734-A, 1998 U.S. Dist. LEXIS 10359, at *18-20 (E.D. Va. Feb. 2, 1998) (holding use of Playboy as a meta tag for web site was infringement); see also *Playboy Enters., Inc. v. Calvin Designer Label*, 985 F. Supp. 1220, at *2-3 (N.D. Cal. 1997) (same); *Niton Corp. v. Radiation Monitoring Devices, Inc.*, 27 F. Supp. 2d 102 (D.Mass. 1998) (in addition to infringement, use of references to competitor in meta tags to lure customers to web site constitutes deceptive and harmful trade practices).

17. *Brookfield Communications, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999) (enjoining use of domain name due to “initial interest confusion” caused by use of competitor’s marks in meta tags because that initial interest allowed the infringer to profit from its competitor’s good will); see also *N.V.E. Pharm., Inc. v. Hoffman-La Roche, Inc.*, No. 99-5858, 1999 U.S. Dist. LEXIS 20204 (D.N.J. Dec. 27, 1999) (holding use of “Stacker 2” (a weight loss drug) as meta tag to draw consumers to web-site for competitor Xenical was infringement).

18. A banner advertisement is an advertisement that appears at another’s web-site that resembles a billboard. A person can click on the banner and be immediately transported to the advertiser’s web-site.

19. See, e.g., *Estee Lauder, Inc. v. The Fragrance Counter, Inc.*, 189 F.R.D. 269 (RS) (S.D.N.Y. 1999) (lawsuit against Excite for selling keywords relating to Estee Lauder). But see, *Playboy Enters., Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070, 1073-74 (C.D. Cal. 1999), *aff’d*, 202 F.3d 278 (9th Cir. 1999) (holding no infringement where Netscape sold keying term “Playboy” to pornographic web-sites). See also *Playboy Enters. v. Excite*, (C.D. Cal. filed Feb. 1999) (unresolved, but Playboy sued because Excite displayed other companies’ banner ads above search results when users enter Playboy’s trademarks).

places a trade- or service-mark in the content of the web-site.²⁰ While many examples exist, nothing about these lawsuits is unique to the Internet.

5. Registrar Liability

More than one hundred registrars have domain names in the “.com,” “.org,” and “.net” TLDs on the Internet. A domain name registrar is a company that acts as a registry for the domain names people want to use for their web-sites. The premier registrar is NSI which acts as the principal registrar for .com, .net, .gov, .org, .edu, and .ws.²¹ Because of its prominence, NSI will be discussed here exclusively for describing the types of infringement liability encountered by registrars.

NSI, like other registrars, maintains the authoritative database of Internet registrations in TLDs.²² By direction of the U.S. Department of Commerce, NSI is required to provide registry data to the public.

NSI now receives its authority to act as a domain name registrar and registry from ICANN and the Department of Commerce, and its conduct and policies are governed by detailed, sometimes three-way contracts.²³ Pursuant to those contracts and policies, NSI accepts registrations of more than 100,000 Internet domain names per month and has accepted more than twelve million domain name registrations to date.²⁴

Registrars perform two functions in the domain name system. First, they screen domain name applications against a registry database of existing second level domain names to prevent duplicate registrations of the same name.²⁵ Second, they maintain a directory linking domain names with the IP numbers of domain name servers.²⁶ As a registry, NSI must accept and list whatever domain name registrations are accepted by all ICANN-accredited domain name registrars.

Registrars do not make independent determinations of an applicant's right to use a domain name. Nor do they “assign” domain names; users may create and choose any available second level domain name.²⁷ More than ninety percent of the electronic registrations for domain names are processed completely electronically.²⁸ Most registrars do not consult with third parties during the registration process to determine if the registrant

20. *Playboy Enters., Inc. v. Universal Tel-A-Talk, Inc.*, No. 96-6961, 1998 U.S. Dist. LEXIS 17282, at *21 (E.D. Pa. Nov. 3, 1998) (held using Playboy trademarks to advertise adult photos in web-site constituted infringement).

21. *See Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 982 (9th Cir. 1999).

22. Department of Commerce Information.

23. *Lockheed Martin Corp. v. Network Solutions, Inc.*, Civil Action No. 400-CV-0405-A (N.D. Tex. 2001) (Defendant's brief in response to Motion for Summary Judgment).

24. *See id.*

25. *See id.*

26. *See id.*; *see also Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 953 (C.D. Cal. 1997).

27. *Lockheed*, 985 F. Supp. at 953.

28. *Lockheed*, 194 F.3d at 982.

is attempting to register a domain name that happens to be the trademark of another.²⁹ Despite the rather passive involvement of registrars in domain name registration and ownership, registrars are frequently dragged into trademark infringement suits for their alleged participation in the infringement.³⁰ Prior to the enactment of the ACPA, the question of whether or not a registrar was liable for permitting the registration of an infringing domain name was left open.³¹ The passing of the ACPA seemingly disposed of the issue by stating that passive registrars could not be held liable for infringement.³²

C. TRADEMARK INFRINGEMENT REMEDIES

The Lanham Act provides a variety of remedies to trademark owners prosecuting infringement lawsuits.³³ In all infringement cases, the trademark owner may seek injunctive relief against the infringer.³⁴ In cases where the infringer has used the trademark commercially or where the infringement is willful, the trademark owner can also recover monetary damages, including profits, and costs.³⁵ In domain name disputes under the ACPA, the trademark owner is limited to injunctive relief, except in instances where the infringer acted in bad faith, in which case monetary damages are available.³⁶ The ACPA also provides very specific injunctive relief including the forfeit of the domain name and all related materials.

29. *See id.*

30. *See, e.g.,* Panavision Int'l L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998); Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999).

31. *Compare Panavision*, 141 F.3d at 1316 (Ninth Circuit did not reach the issue, but suggested that liability for NSI was possible) *with Lockheed*, 194 F.3d at 984 (holding NSI not liable for infringement and likening NSI to a post office, which routes mail but does not supply the address).

32. ACPA, § 10(d)(2)(D)(ii) ("The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order."); *see Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp. 2d 648, 654 (N.D. Tex. 2001) (granting summary judgment in favor of NSI for alleged infringement as registrar because no showing of bad faith as required by ACPA).

33. 15 U.S.C. §§ 1114-23.

34. *Id.*

35. 15 U.S.C. §§ 1114, 1117.

36. 15 U.S.C. §§ 1114, 1116-17, 1125(d), 1127, 1129:

(c) Remedies for dilution of famous marks. (1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. . . . (2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 34 [15 USC §1116] unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36 [15 USC §§1117(a), 1118], subject to the discretion of the court and the principles of equity."

In addition, the ACPA provides an automatic remedy whereby a registrar upon notice of an infringement suit must constructively deposit the domain name into the registry of the court.³⁷ Some form of injunctive relief is the most common remedy awarded in domain name cases.³⁸

D. TRADEMARK INFRINGEMENT FORUMS

The most common forum for trademark infringement disputes, until recently, was federal court. Now, however, an alternative dispute resolution forum has been created by ICANN in conjunction with certain registrars, called the Uniform Dispute Resolution Policy ("UDRP"). The UDRP requires all Registrars worldwide to follow the same dispute resolution policy. The UDRP calls for a mandatory administrative proceeding, using either the World Intellectual Property Organization (WIPO) or the National Arbitration Forum (NAF). NSI took the lead in instituting the UDRP by creating a Uniform Domain Name Dispute Resolution Policy that was approved by ICANN. This electronic form, which must be signed by any registrant of a domain name with NSI, requires the registrant to submit all disputes to one of the dispute resolution forums approved by the UDRP.³⁹ Whether or not courts will enforce NSI's policy is still questionable.⁴⁰

E. POLICING YOUR COMPANY'S TRADEMARK—INACTION CAN LEAD TO LOSING PROTECTION

This Article's primary focus is on the defense of trademark infringement claims. However, trademark owners must keep in mind that turning a blind eye to an infringer can result in losing the exclusive right to that trademark. Some courts have refused to enjoin an infringing use of a trademark on the Internet where the trademark owner has knowingly al-

37. ACPA, § 10(d)(2)(D)(i):

"Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall— (I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and (II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court."

38. *Panavision Int'l L.P. v. Dennis Toeppen*, 141 F.3d 1316 (9th Cir. 1998) (issuing injunction against Toeppen for use of panavision.com preventing him from making any use of the domain name and ordering him to transfer registration of same to Panavision); *McGraw v. Salmon*, 1998 U.S. Dist. LEXIS 10987 (C.D. Cal. June 30, 1998) (granting country singers injunctive relief against cybersquatter that registered their names).

39. Additional provisions in NSI's policy include: (1) a requirement that NSI be excluded from any infringement disputes; and (2) a required representation that the name for which the registration is being sought is not the trademark of another.

40. See *Oppedahl & Larson v. Network Solutions, Inc.*, 3 F.Supp.2d 1147, 1161 (D. Colo. 1998) (finding consent to arbitrate trademark dispute even though trademark was registered before the dispute policy was created); *Database Consultants, Inc. v. NSI* (N.D. Tex. 1997) (overriding NSI's dispute policy and ordering NSI to reconnect a domain name that was placed on "hold" before the expiration of the 30-day grace period).

lowed the infringement to occur.⁴¹

The following sections of this Article assess the potential for insurance coverages in defending and prosecuting the types of domain name disputes and other Internet-related trademark infringement claims introduced above. The next section demonstrates that the standard Commercial General Liability (CGL) policy will likely cover the defense of trademark infringement claims cases where an actual lawsuit is filed and compensatory damages are sought. The standard CGL policy may not, however, cover lawsuits seeking only injunctive relief (e.g., suits involving innocent infringement) or in cases where the claimant files an administrative claim under a UDRP rather than a lawsuit. Also, the standard CGL policy does not cover the costs of prosecuting a trademark infringement claim. To fill some of the potential gaps in companies' insurance programs created by the limitations in the standard CGL, carriers have begun offering new insurance products. The final section of this Article surveys several non-CGL options available to businesses concerned about insurance coverage for the growing number of domain name and trademark disputes that their standard CGL may not cover. These new products include coverages for the defense of administrative proceedings, defense of lawsuits seeking only injunctive relief and even coverage for the prosecution of infringement claims.

II. CGL COVERAGE FOR TRADEMARK INFRINGEMENT CLAIMS

As demonstrated by Part I of this Article, the emergence and escalating popularity of the Internet have changed the landscape for trademark owners seeking to protect their intellectual property, and have created new opportunities for would-be infringers. New types of claims, new remedies for infringement, and new forums for resolving disputes have entered the scene. These changes should cause businesspeople accused of trademark infringement to ask themselves two important questions. First, if a trademark infringement claim is asserted against them, will they be covered under their traditional liability insurance policies? Second, if they are *not* covered under their traditional policies, what can they do?

Part II of this Article begins by analyzing coverage for trademark infringement claims generally under the standard business liability policy—the Commercial General Liability (CGL) policy. It then discusses potential “gaps” in the CGL’s coverage implicated by the changing face of trademark infringement claims arising from Internet usage. Part III of this Article then describes new insurance products designed to fill some of these potential gaps in a corporate policyholder’s liability insurance program.

41. See generally *Virtual Works, Inc. v. Network Solutions, Inc.*, 106 F. Supp. 2d 845, 848 (E.D. Va. 2000).

A. A POLICYHOLDER'S FIRST LINE OF DEFENSE: THE CGL POLICY

The primary weapon in the defensive arsenal of every corporate policyholder is the Commercial General Liability ("CGL") policy.⁴² While its coverage is not boundless and is restricted by numerous exclusions, the CGL policy nonetheless provides the broadest scope of liability coverage of the basic business policies. For this reason, a policyholder faced with a tort claim, including a claim for trademark infringement, should look *first* to his CGL policy.

The original CGL policy was born out of confusion. Prior to 1940, each carrier drafted its own version of general liability policy. The resulting proliferation of widely different, often conflicting, policies led to difficulty in their interpretation, and presented no "standard" provisions to be construed and clarified over time by judicial precedent. Thus, in 1940, insurance industry organizations developed a standard CGL form to be adopted and issued by participating carriers.⁴³

Today, the industry organization responsible for issuing nearly all standard CGL forms is the Insurance Services Office, Inc. ("ISO").⁴⁴ Founded in 1971, ISO provides a variety of services to more than 1,500 participating carriers and insurance agents.⁴⁵ In addition to promulgating standard form policies, ISO also provides its subscribers with "statistical, actuarial, and underwriting information for and about the property/casualty insurance industry."⁴⁶ ISO occasionally revises its standard CGL form, potentially affecting coverage for various claims, including trademark infringement. These revisions typically (though, perhaps, coincidentally) occur just when policyholders believe they have mastered the previous form. The most significant revisions to the ISO CGL form, for purposes of the present analysis, occurred in 1986 and 1998.

42. Originally, this policy was titled *Comprehensive* General Liability. While retaining the acronym "CGL," ISO changed its meaning to *Commercial* General Liability in 1986, believing "that the term 'comprehensive' might constitute an invitation to courts to expand coverage beyond what insurers intended." See *Bailer v. Erie Ins. Exch.*, 687 A.2d 1375, 1384 n.5 (Md. 1997) (quoting Terri D. Keville, Note, *Advertising Injury Coverage: An Overview*, 65 S. CAL. L. REV. 919, 919 n.1 (1992)).

43. See Laurie Vasichek, Note, *Liability Coverage for "Damages Because of Property Damage" Under the Comprehensive General Liability Policy*, 68 MINN. L. REV. 795, 798 (1984) ("[The CGL] and other standardized liability policies were first developed in 1940 in response to confusion resulting from the previous practice of each insurer drafting its own policy provisions. These standardized provisions have developed into virtual 'boilerplate' clauses for most liability insurance forms").

44. See *Wisconsin Label Corp. v. Northbrook Prop. & Cas. Ins. Co.*, 607 N.W.2d 276, 283 n.3 (Wis. 2000).

45. See www.iso.com/docs/about.htm; see also *New Castle County v. Hartford Accident & Indem. Co.*, 933 F.2d 1162, 1181 (3d Cir. 1991) ("The ISO is a trade association that provides rating, statistical, actuarial and policy drafting services to . . . insurers. . . . Policy forms developed by ISO are approved by its constituent insurance carriers and then submitted to state agencies for review").

46. See www.iso.com/docs/about.htm.

B. HOW THE CGL POLICY WORKS

In its present incarnation, the CGL policy provides two basic—and quite different—types of coverage, somewhat unhelpfully styled “Coverage A” and “Coverage B.”⁴⁷ Coverage A provides coverage for “bodily injury” and “property damage,” as those terms are defined in the policy. The primary limitation on Coverage A is that the “bodily injury” or “property damage” at issue must have been caused by an “occurrence”—a term also specifically defined in the policy. The standard definition of “occurrence” is “an *accident*, including continuous or repeated exposure to substantially the same general harmful conditions.” Thus, coverage is typically not provided for “bodily injury” or “property damage” that was *not* caused by an accident.

In contrast, Coverage B provides coverage for “personal injury” and “advertising injury.” Unlike Coverage A, which broadly provides coverage for various types of “bodily injury” and “property damage,” Coverage B provides coverage only for a specific list of enumerated offenses. As discussed more fully below, the list changes as ISO revises its form over the years to address new types of torts not contemplated at the time previous versions were drafted, and to clarify terms that have proven ambiguous or difficult to interpret. Also unlike Coverage A, Coverage B is not triggered by an “occurrence” (i.e., accident). Rather, it is triggered by one of the listed “offenses,” several of which are *intentional* torts.⁴⁸

The coverage provided by the CGL policy is limited. Obviously, a policyholder may face a variety of claims that do not fall within either Coverage A or Coverage B, or that are barred by an exclusion. A policyholder may purchase an “umbrella” policy to fill in some of the gaps left by the standard CGL policy.

In addition to providing two basic types of coverage, the standard CGL policy generally imposes two basic duties on a carrier responding to a claim within coverage: the duty to defend and the duty to indemnify. The duty to defend requires the carrier to provide a legal defense to a policy-

47. The 1973, 1986 and 1998 forms each distinguish between Coverage A and Coverage B. However, the 1973 form includes only “bodily injury” coverage within Coverage A, and “property damage” coverage within Coverage B. The 1986 form includes both “bodily injury” and “property damage” coverage within Coverage A, and contains both “personal injury” and “advertising injury” coverage within Coverage B. The 1998 form retains “bodily injury” and “property damage” coverage within Coverage A, but combines the Coverage B insuring agreements distinguished as “personal injury” and “advertising injury” in the 1986 form into a single insuring agreement for “personal and advertising injury,” accompanied by a single definition of that term. This section discusses the structure of the 1986 form, which is the form most frequently used today. Differences in the 1973 and 1998 forms are discussed elsewhere in this section of the Article.

48. The coverage for intentional torts provided by Coverage B is unusual, in that insurance is generally designed to cover accidental, fortuitous events. See *North Bank v. Cincinnati Ins. Cos.*, 125 F.3d 983, 988 (6th Cir. 1997) (“It is implied in every insurance contract that the insured event is a fortuitous one”) (quoting EDWIN W. PATTERSON, *ESSENTIALS OF INSURANCE LAW* § 58 (1957)). Both insurers and courts have raised concerns about providing coverage for intentional acts because of the “moral hazard problem”—i.e., that a person who knows he has insurance coverage is more likely to commit a covered act than one who is not covered.

holder faced with a covered claim. Significantly, the duty to defend is determined (in most jurisdictions) by simply comparing the plaintiff's pleadings with the policy, regardless of the actual facts. If the plaintiff alleges a claim that is arguably within coverage—even if that claim is false, frivolous or even fraudulent—the carrier must provide a defense. The duty to indemnify requires the carrier to pay a judgment entered against the insured or, with certain restrictions, to fund a settlement. Unlike the duty to defend, the duty to indemnify is *not* determined by the plaintiff's pleadings, but by the actual facts as they are revealed through litigation.

Another important aspect of the standard CGL policy is that it is an "occurrence-based" policy. Policies with liability components, including the CGL, typically contain one of two very different "coverage triggers."⁴⁹ "Occurrence-based" policies are triggered when a covered event (i.e., an "occurrence" under Coverage A or an "offense" under Coverage B) takes place during the policy period, even if the resulting claim is asserted after the policy period ends. In contrast, "claims-made" policies are triggered when a claim is asserted during the policy period, even if the event giving rise to the claim occurred before the policy period began.⁵⁰ The practical result of this distinction for an "occurrence-based" CGL policyholder is that a claim may implicate either his current policy, a previous policy, or even several different policies, depending on when the covered event(s) occurred.

C. TRADEMARK INFRINGEMENT AND THE CHANGING FACE OF THE CGL'S "ADVERTISING INJURY" COVERAGE

Not even the most creative lawyers have successfully argued that garden-variety trademark infringement is covered as "bodily injury" or "property damage" under Coverage A of the CGL policy. Nor is it arguably covered under the "personal injury" component of Coverage B. Thus, the battle over CGL coverage for trademark infringement is waged entirely under the "advertising injury" component of Coverage B. As discussed below, the ISO form's "advertising injury" section has been revised over time, and the revisions have affected courts' analyses of coverage for trademark infringement.

49. *Boardman Petroleum, Inc. v. Federated Mut. Ins. Co.*, 926 F. Supp. 1566, 1570 n.4 (S.D. Ga. 1995); *Ameriwood Indus. Int'l Corp. v. American Cas. Co.*, 840 F. Supp. 1143, 1148 (W.D. Mich. 1993).

50. "Claims-made" policies generally do not provide retroactive coverage for prior events that occurred in the distant past. Rather, they are limited by a "retroactive date," after which an event must have occurred to trigger the policy. A policy's retroactive date is typically coordinated with the insured's previous program, to prevent a gap in coverage. See *Boardman Petroleum, Inc. v. Federated Mut. Ins. Co.*, 926 F. Supp. 1566, 1570 n.4 (S.D. Ga. 1995). Although some CGL policies are "claims-made," the more common ones are "occurrence-based" policies.

1. *The Three-Pronged “Advertising Injury Test”*

To obtain coverage under the “advertising injury” portion of the CGL policy, an insured must demonstrate the existence of three elements: (1) that a claim against him at least arguably constitutes one or more of the enumerated offenses listed in the policy’s definition of “advertising injury”; (2) that the insured engaged in “advertising activity” (as defined in the policy) during the policy period in which the alleged “advertising injury” occurred; and (3) a causal nexus between the alleged injury and the insured’s advertising activity.⁵¹ These elements—advertising *injury*, advertising *activity*, and a causal nexus between the two—constitute a three-pronged “advertising injury test.”⁵²

Meeting the “nexus” prong of the “advertising injury test” has often proven difficult for claimants seeking coverage for certain types of intellectual property torts, such as patent infringement.⁵³ However, courts and commentators have generally held that the use of a trademark is *inherently* an advertising activity.⁵⁴ Thus, demonstrating a causal nexus between the alleged infringement and the insured’s advertising activities—while not automatic—does not usually present a major obstacle to coverage. For this reason, courts analyzing coverage for trademark infringement under the CGL policy’s “advertising injury” component have focused primarily on the first prong of the test—i.e., whether trademark infringement constitutes one of the enumerated offenses comprising the policy’s definition of “advertising injury.” Complicating this analysis, ISO substantially *changed* the list of “advertising injury” offenses in 1986. Because both the pre-1986 and post-1986 forms are still in use, it is necessary to analyze coverage for trademark infringement under both of them.

2. *Coverage for Trademark Infringement Under the 1973 ISO CGL Form (and the 1981 Broad Form Comprehensive Liability Endorsement)*

ISO frequently makes minor revisions to its CGL form, but rarely un-

51. See, e.g., *Bay Elec. Supply, Inc. v. Travelers Lloyds Ins. Co.*, 61 F. Supp. 2d 611, 615 (S.D. Tex. 1999); *N.H. Ins. Co. v. R.L. Chaides Constr. Co.*, 847 F. Supp. 1452, 1455 (N.D. Cal. 1994).

52. See, e.g., *Zurich Ins. Co. v. Sunclipse, Inc.*, 85 F. Supp. 2d 842, 852 (N.D. Ill. 2000), *aff’d*, *Zurich Ins. Co. v. Amcor Sunclipse N. Am.*, 241 F.3d 605 (7th Cir. 2001); *Bay Electric*, 61 F. Supp. 2d at 615; *Farmington Cas. Co. v. Cyberlogic Techs., Inc.*, 996 F. Supp. 695, 699 (E.D. Mich. 1998).

53. See, e.g., *Iolab Corp. v. Seaboard Sur. Co.*, 15 F.3d 1500, 1506 (9th Cir. 1994); *Nat’l Union Fire Ins. Co. v. Siliconix, Inc.*, 729 F. Supp. 77, 79 (N.D. Cal. 1989).

54. See, e.g., *Parameter Driven Software, Inc. v. Massachusetts Bay Ins. Co.*, 25 F.3d 332, 337 (6th Cir. 1994); *American Employers’ Ins. Co. v. DeLorme Publ’g Co., Inc.*, 39 F. Supp. 2d 64, 74 (D. Me. 1999); *Lebas Fashion Imps. of USA, Inc. v. ITT Hartford Ins. Group*, 59 Cal. Rptr. 2d 36, 41 (Cal. Ct. App. 1996); see also DAVID A. GAUNTLETT, *INSURANCE COVERAGE OF INTELLECTUAL PROPERTY ASSETS* § 12.02[A] (2001) (“Because the purpose of a trademark is to disseminate information identifying a company or product to the public, the use of a trademark establishes that the insured is engaged in advertising activity”).

dertakes a major, substantive overhaul.⁵⁵ For present purposes, the *most* significant revision to the CGL form was made in 1986. The standard ISO form in existence before the 1986 revision was promulgated in 1973, and is therefore referred to as the 1973 ISO CGL form. While the majority of CGL policies in use today are based on the 1986 CGL ISO form, some insurers still issue the 1973 CGL ISO form.⁵⁶ Also, because CGL policies have “occurrence-based” coverage triggers, a policyholder’s *previous* 1973 ISO CGL form policy may be implicated by a claim, even if his current policy is based on the 1986 form.

The 1973 ISO CGL form does not itself provide “advertising injury” coverage. Rather, it only provides coverage for what, under the 1986 form, is designated as Coverage A—i.e., “bodily injury” and “property damage.”⁵⁷ To partially fill this void, policyholders were invited to purchase a 1973 Personal Injury Liability Supplement at additional cost.⁵⁸ However, that supplemental policy expressly excluded coverage for offenses arising out of the policyholder’s advertising, which would bar coverage for trademark infringement claims under the vast majority of circumstances.⁵⁹ Not until 1981 did ISO issue a Broad Form Comprehensive General Liability Endorsement that could be purchased as a supplement to the 1973 form, which expressly provided coverage for “advertising injury.”⁶⁰ That endorsement defines “advertising injury” as follows:

“Advertising Injury” means injury arising out of an offense committed during the policy period occurring in the course of the named insured’s advertising activities, if such injury arises out of libel, slander, defamation, violation of right of privacy, piracy, unfair competition, or infringement of copyright, title or slogan.⁶¹

Obviously, “trademark infringement” is not included in the list of enumerated offenses. However, two rules of insurance policy construction, adopted in most (if not all) jurisdictions, come to the policyholder’s aid at this juncture. The first is that terms that are not defined in an insurance policy are interpreted according to their plain, ordinary and customary

55. The CGL policy’s resistance to major change appears to be driven by the actuary’s science—a complex calculus demonstrating that minor changes can yield major results. This “butterfly effect”—to borrow a term from chaos theory—perhaps explains the CGL policy’s retention of seemingly arcane language, and its rather counter-intuitive inclusions and exclusions.

56. PATRICK J. WIELINSKI, *INSURANCE FOR DEFECTIVE CONSTRUCTION: BEYOND BROAD FORM PROPERTY DAMAGE COVERAGE* 255 (2000).

57. Creating further confusion, the 1973 ISO form identifies coverage for “bodily injury” as Coverage A, and coverage for “property damage” as Coverage B.

58. See Terri D. Keville, Note, *Advertising Injury Coverage: An Overview*, 65 S. CAL. L. REV. 919, 926 (1992).

59. See *id.*

60. Insurance Services Office, Inc., Form GL 04 04 (Ed. 5-81). While “advertising injury” coverage was not available under the ISO CGL until the issuance of this 1981 broad form endorsement, because that endorsement was issued in connection with the standard 1973 ISO CGL form (and in an attempt to avoid confusion), this Article refers to “advertising injury” coverage under the 1973 ISO form.

61. *Id.*

meanings.⁶² None of the terms included in the policy's list of "advertising injury" offenses is defined in the policy. Thus, policyholders can argue that trademark infringement is included within the plain and ordinary meanings of one or more of the terms listed as covered offenses.

The second rule of policy construction is related to the first: any ambiguity in insurance policy language must be construed against the carrier and in favor of the policyholder.⁶³ These two rules work together. Thus, a policyholder may obtain CGL coverage for trademark infringement in either one of two ways. First, if trademark infringement unambiguously falls within the plain and ordinary definition of any of the enumerated offenses, coverage exists. And second, if any of the enumerated terms is *ambiguous* regarding whether it does or does not encompass trademark infringement, coverage exists.

Policyholders have argued that *three* of the enumerated offenses in the 1973 policy—piracy,⁶⁴ unfair competition, and infringement of . . . title or slogan—encompass trademark infringement. Most courts have *agreed* that claims of trademark infringement either fall within the scope of one of these three terms, or that those terms are sufficiently ambiguous to warrant coverage.⁶⁵

Of the three terms at issue, "unfair competition" has been the subject of the most litigation. The source of the controversy is that the undefined term "unfair competition" is arguably subject to two very different inter-

62. See, e.g., *United Fire & Cas. Co. v. Fid. Title Ins. Co.*, 258 F.3d 714, 718 (8th Cir. 2001) (applying Minnesota law); *Winter v. Minn. Mut. Life Ins. Co.*, 199 F.3d 399, 408 (7th Cir. 1999) (applying Illinois law); *Anderson v. Auto-Owners Ins. Co.*, 172 F.3d 767, 769 (11th Cir. 1999) (applying Florida law); *Nat'l State Bank v. Am. Home Assur. Co.*, 492 F. Supp. 393, 396 (S.D.N.Y. 1980) (applying New York law); *Ramsay v. Md. Am. Gen. Ins. Co.*, 533 S.W.2d 344, 346 (Tex. 1976).

63. See, e.g., *Hardy v. Hartford Ins. Co.*, 236 F.3d 287, 291 (5th Cir. 2001) (applying Louisiana law); *Meridian Mut. Ins. Co. v. Kellman*, 197 F.3d 1178, 1183 (6th Cir. 1999) (applying Michigan law); *Compass Ins. Co. v. City of Littleton*, 984 P.2d 606, 613 (Colo. 1999); *AIU Ins. Co. v. Superior Court of Santa Clara County*, 799 P.2d 1253, 1264 (Cal. 1990); *S & S Tobacco and Candy Co. v. Greater N.Y. Mut. Ins. Co.*, 617 A.2d 1388, 1391 (Conn. 1992); *Balderama v. W. Cas. Life Ins. Co.*, 825 S.W.2d 432, 434 (Tex. 1991); *Mathews v. Ranger Ins. Co.*, 281 So.2d 345, 349 (Fla. 1973).

64. The term "piracy," once in relative disuse, enjoys renewed relevance in the burgeoning field of "cyber-torts". See, e.g., *Chandnani v. Victoria's Secret Catalogue, Inc.*, No. 00-7820-CIV, 2001 U.S. Dist. LEXIS 8069 (S.D. Fla. Mar. 19, 2001) (addressing "cyber-piracy" claim); *Nissan Motor Co., Ltd. v. Nissan Computer Corp.*, 89 F. Supp. 2d 1154 (C.D. Cal.), *aff'd*, 246 F.3d 675 (9th Cir. 2000) (analyzing claim of "domain name piracy").

65. See, e.g., *Parameter Driven Software v. Mass. Bay Ins. Co.*, 25 F.3d 332 (6th Cir. 1994) (applying Michigan law) (concluding that trademark infringement falls within scope of "unfair competition"); *Nat'l Union Fire Ins. Co. v. Siliconix, Inc.*, 729 F. Supp. 77, 80 (N.D. Cal. 1989) (applying California law) (although analyzing claim of patent infringement, concluded that term "piracy" is ambiguous, and would encompass trademark infringement within meaning of "advertising injury" coverage); *J.S. Brundage Plumbing & Roto-Rooter, Inc. v. Massachusetts Bay Ins. Co.*, 818 F. Supp. 553, 559 (W.D.N.Y. 1994) ("Clearly, then, infringement of title can include trademark or tradename infringement"); *Union Ins. Co. v. Knife Co.*, 897 F. Supp. 1213, 1217 (W.D. Ark. 1995) ("This court also concludes that an action for trademark infringement can be described as 'infringement of a copyright, title or slogan' as those terms are used in the policy").

pretations.⁶⁶ Insurers have argued that the term should be limited to its narrow, common-law definition—i.e., synonymous with the tort of “passing off” one’s products as those of another.⁶⁷ In contrast, policyholders have argued that the term should be interpreted more expansively to include a variety of unfair business practices in addition to “passing off.” Judicial analysis of this issue has resulted in a split of authority, with some courts adopting the insurers’ preferred narrow definition of “unfair competition,”⁶⁸ and others adopting the policyholders’ broader reading of that term.⁶⁹ Still other courts have ruled that the term is ambiguous, in that both possible interpretations are reasonable, resulting in coverage.⁷⁰ The resulting confusion led ISO to delete the term “unfair competition” in its 1986 revision, as discussed more fully below.

While most instances of trademark infringement would arguably fall within the definition of at least one of the three listed “advertising injury” offenses discussed above, the inquiry does not end there. The 1981 Broad Form Comprehensive General Liability Endorsement which added an optional “advertising injury” rider to the 1973 ISO form also contains two particularly relevant exclusions. First, the endorsement excludes “advertising injury” coverage “to any insured in the business of advertising, broadcasting, publishing or telecasting.”⁷¹ Thus, policyholders whose *business* is advertising, broadcasting, etc., must purchase specialized coverage rather than relying on their standard CGL policy.

Second, the 1981 endorsement contains the following exclusion: “This insurance does not apply: . . . to advertising injury arising out of . . . *infringement of trademark*, service mark or trade name, *other than titles or slogans*, by use thereof on or in connection with goods, products or services sold, offered for sale or advertised”⁷²

This unusual clause is, in essence, an *exclusion* coupled with an *exception* to the exclusion that restores coverage for much (though certainly

66. See *Novell, Inc. v. Fed. Ins. Co.*, 141 F.3d 983, 987 (10th Cir. 1998) (“Litigation over policies incorporating this definition often focused on the meaning of the term ‘unfair competition,’ which can either be defined narrowly to mean the tort of ‘passing off,’ i.e., endeavoring to substitute one’s own goods or products in the markets for those of another, or broadly to include ‘a whole host of loosely defined, unethical business practices’”) (quoting Terri D. Keville, Note, *Advertising Injury Coverage: An Overview*, 65 S. CAL. L. REV. 919, 928 (1992)).

67. See *id.*

68. See, e.g., *Standard Fire Ins. Co. v. Peoples Church*, 985 F.2d 446, 449 (9th Cir. 1993); *Westfield Ins. Co. v. TWT, Inc.*, 723 F. Supp. 492, 496 (N.D. Cal. 1989).

69. See, e.g., *Henderson v. United States Fid. & Guar. Co.*, 488 S.E.2d 234, 238-39 (N.C. 1997).

70. See *Rymal v. Woodcock*, 896 F. Supp. 637, 638 (W.D. La. 1995); *Am. States Ins. Co. v. Canyon Creek*, 786 F. Supp. 821, 827 (N.D. Cal. 1991). The split of authority regarding the proper definition of “unfair competition” supports the conclusion that the term is ambiguous, and should be construed in favor of coverage.

71. See Insurance Services Offices, Inc., Form GL 04 04 (Ed. 5-81), p. 2.

72. Insurance Services Offices, Inc., Form GL 04 04 (Ed. 5-81), p. 2 (emphasis added). As discussed in Part III.B of this Article, some carriers have added an exclusion that is similar—though broader—to new CGL forms by endorsement.

not all) of what the clause would otherwise exclude.⁷³ The exclusionary portion of the clause expressly carves “infringement of trademark” out of the policy’s coverage. However, the exception provides that the exclusion does *not* apply to claims of trademark infringement when the trademarks at issue are “titles or slogans.”

This exception is important in two respects. First, it clarifies that the policy *is* intended to cover certain types of trademark infringement claims. That intent was not entirely clear from the policy’s inclusion of the terms “unfair competition” and “piracy” as discussed above, and the exception confirms that the term “infringement of . . . title or slogan” was clearly intended to cover claims of infringement of *trademarks* that are “titles or slogans.”

Second, inclusion of coverage for infringement of trademarks that are “titles or slogans” is significant in that *many* trademarks likely fall within the meaning of these broad terms.⁷⁴ However, courts have recognized that some trademarks are *not* “titles or slogans.”⁷⁵

In view of the insuring agreement, the definitions of “advertising injury” and its enumerated offenses, and the exclusion/exception discussed above, it appears that the 1973 ISO CGL policy coupled with the 1981 endorsement does provide coverage for at least certain types of trademark infringement claims. However, ISO substantially revised its form CGL policy in 1986, raising additional issues for those seeking coverage of trademark infringement claims.

3. Coverage for Trademark Infringement Under the 1986 ISO CGL Form

The most sweeping changes to the ISO CGL policy form in recent years were made in 1986.⁷⁶ Included in these changes were a substantial revision of the policy’s “advertising injury” coverage. Because the vast majority of CGL policies in current usage are based on the 1986 ISO

73. For an excellent analysis of this exclusion, see generally DAVID A. GAUNTLETT, *INSURANCE COVERAGE FOR INTELLECTUAL PROPERTY ASSETS* § 3.06 (1999).

74. See *id.*, § 3.06[B]1 (“Thus, by its plain language, this exclusion does not apply to a significant number of the referenced excluded infringement actions”).

75. See *A Touch of Class Imps., Ltd. v. Aetna Cas. & Sur. Co.*, 901 F. Supp. 175, 176 (S.D.N.Y. 1995) (ruling that phrase “A Touch of Class” was a trademark “slogan,” but noting that “[t]rademarks can consist of something ‘other than a title or slogan,’ as the insurance policy suggests,” including color, scent, design of a package, etc.); see also *Hugo Boss Fashions, Inc. v. Fed. Ins. Co.*, 252 F.3d 608, 618-20 (2d Cir. 2001) (excluding coverage for trademark infringement claim because term “Boss” was not a “slogan”).

76. For a thorough comparison of the 1973 ISO CGL form and the 1986 ISO CGL form, see generally I INTERNATIONAL RISK MANAGEMENT INSTITUTE, INC., *COMMERCIAL LIABILITY INSURANCE* §§ IV.E.1 - IV.E.18 (1997); DONALD S. MALECKI & ARTHUR L. FLITNER, *COMMERCIAL GENERAL LIABILITY* (4th ed. 1992). For an analysis of these changes in the specific context of “advertising injury” coverage, see generally DAVID A. GAUNTLETT, *INSURANCE COVERAGE FOR INTELLECTUAL PROPERTY ASSETS* Ch. 13 (1999); Terri D. Keville, Note, *Advertising Injury Coverage: An Overview*, 65 S. CAL. L. REV. 919 (1992).

form, policyholders should carefully consider the differences between the 1973 form and the 1986 form.

First, it should be noted that "advertising injury" coverage was incorporated into the body of the 1986 ISO CGL form, whereas it was merely offered by an optional endorsement to the 1973 form. The 1986 form includes both "personal injury" and "advertising injury" within Coverage B.

Second, the 1986 form significantly modifies the laundry list of enumerated offenses that constitute the policy's definition of "advertising injury":

1. "Advertising injury" means injury arising out of one or more of the following offenses:
 - a. 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;
 - b. Oral or written publication of material that violates a person's right of privacy;
 - c. *Misappropriation of advertising ideas or style of doing business*;
 - or
 - d. *Infringement of copyright, title or slogan.*⁷⁷

Conspicuously absent from this list are the two terms that proved troublesome for courts construing the 1973 policy form, "unfair competition" and "piracy." The 1986 form retains the term "infringement of . . . title or slogan" from the 1981 broad form endorsement, and courts have generally followed the same analysis of that term under the 1986 policy. However, the 1986 ISO CGL form adds an entirely *new* item to its list of "advertising injury" offenses: "misappropriation of advertising ideas or style of doing business." Courts have suggested that this new term was substituted for the term "unfair competition," which led to extensive confusion under the 1973 form.⁷⁸ As discussed below, whether this new provision encompasses claims of trademark infringement has been the subject of significant litigation.

Third, the exclusion for "infringement of trademark" other than "titles or slogans" contained in the 1981 endorsement is *omitted* from the 1986 ISO CGL form. Thus, it appears that the 1986 form is intended to provide more extensive coverage for trademark infringement than its predecessor.⁷⁹

Of the changes to the ISO CGL form in 1986, by far the most litigated has been the extent of coverage provided by the new term, "misappropri-

77. Insurance Services Office, Inc., Form CG 00 01 11 85, p. 7 (emphasis added).

78. *Dogloo, Inc. v. N. Ins. Co.*, 907 F. Supp. 1383, 1389 (C.D. Cal. 1995); *Union Ins. Co. v. Knife Co.*, 897 F. Supp. 1213, 1216-17 (W.D. Ark. 1995); *Lebas Fashion Imps. of USA, Inc. v. ITT Hartford Ins. Group*, 59 Cal. Rptr. 2d 36, 46 (Cal. Ct. App. 1996).

79. See GAUNTLETT, *supra* note 73, § 13.03[F] ("Courts have suggested that the removal of this exclusion provides evidence of coverage for trademark infringement under the 1986 ISO") (citing *Lebas Fashion Imports v. ITT Hartford Ins. Group*, 52 Cal. Rptr. 2d 26, 31 (Cal. Ct. App. 1996); Keville, *supra* note 73, at 950 ("The absence of the trademark infringement exclusion, however, seems to broaden coverage under the 1986 CGL").

ation of advertising ideas or style of doing business.” Specifically, courts have struggled to identify the proper scope of the term “misappropriation.” As one court has explained, “[s]ome courts define the term narrowly and technically to track the common-law tort of misappropriation while others define the term generally and in its lay sense to mean ‘take wrongfully.’”⁸⁰

In the context of trademark infringement claims, this controversy was instigated by two landmark cases that reached opposite conclusions.⁸¹ In *Lebas Fashion Imports of USA, Inc. v. ITT Hartford Insurance Group* (“*Lebas*”),⁸² the California Court of Appeals carefully analyzed the changes to the CGL’s “advertising injury” coverage effected by the 1986 revision. The court concluded that trademark infringement is covered as “misappropriation of advertising ideas or style of doing business,” as follows:

It appears to us, reading the policy as a layman would, that an objectively reasonable purpose of the phrase “misappropriation” of either an “advertising idea” or a “style of doing business” is an attempt to restrict or more narrowly focus the broader coverage potentially encompassed by the general term, “unfair competition” which was utilized in the earlier policy language. When read in light of the fact that a trademark infringement could reasonably be considered as one example of a misappropriation, and taking into account that a trademark could reasonably be considered to be part of either an advertising idea or a style of doing business, it would appear objectively reasonable that “advertising injury” coverage could now extend to the infringement of a trademark.⁸³

Seven days after the *Lebas* opinion was issued, the Sixth Circuit Court of Appeals issued an opinion in *Advance Watch Co. v. Kemper National Insurance Co.* (“*Advance Watch*”).⁸⁴ After analyzing the development of the CGL policy, principles of Michigan intellectual property law, and conflicting case authorities, the Sixth Circuit concluded that trademark infringement was *not* covered, as follows:

[T]his court concludes . . . that “misappropriation of advertising ideas or style of doing business” does not refer to a category or grouping of actionable conduct which includes trademark or trade dress infringement. “Misappropriation of advertising ideas or style of doing business” does not necessarily refer only to the common-law tort of misappropriation . . . but, we conclude, it does refer to the unauthorized taking or use of interests other than those which are eligible for protection under statutory or common-law trademark law. . . . Recog-

80. *Am. Nat’l Fire Ins. Co. v. Methods Research Corp.*, No. 99C 7484, 2000 U.S. Dist. LEXIS 17748 (N.D. Ill. Dec. 4, 2000).

81. *Compare* *Lebas Fashion Imps. of USA, Inc. v. ITT Hartford Ins. Group*, 59 Cal. Rptr. 2d 36 (Cal. Ct. App. 1996) (concluding that trademark infringement is covered) *with* *Advance Watch Co., Ltd. v. Kemper Nat’l Ins. Co.*, 99 F.3d 795 (6th Cir. 1996) (concluding that trademark infringement is *not* covered).

82. 59 Cal. Rptr. 2d 36 (Cal. Ct. App. 1996).

83. *Id.* at 46.

84. 99 F.3d 795 (6th Cir. 1996).

nition of trademark and trade dress infringement as a distinct category of actionable conduct is so common that the only reasonable assumption is that if [the insurer] had intended to provide coverage for such liability, the insurer would have referred to it by name in the policy, as it did in the case of "infringement of copyright, title or slogan."⁸⁵

As if it anticipated the sharp criticism this unusual holding was destined to generate, the court added, "[t]he reading which we give 'misappropriation of advertising ideas or of style of doing business' is not a technical or strained one, and does not violate the injunction of Michigan law to construe terms in insurance policies according to their commonly understood meanings."⁸⁶ The court concluded that a broader interpretation of the term "would lead to the absurd result of providing coverage for liability for trademark infringement without any mention of the word 'trademark.'"⁸⁷

Of course, courts across the nation had found coverage for trademark infringement claims despite the fact that the 1973 ISO CGL form did not mention the word "trademark" in its definition of "advertising injury," and the conclusions of those courts, presumably, are not "absurd." At any rate, the *Advance Watch* court's attempt to preempt criticism failed miserably. Leading the charge in rebuttal was the *Lebas* court itself, which revised its original opinion for the express purpose of debunking the *Advance Watch* holding.⁸⁸ Additional criticism followed, most sharply from a Michigan court voicing its displeasure with what it considered the Sixth Circuit's gross misinterpretation of Michigan law:

The analysis and reasoning of the Sixth Circuit is not only unpersuasive and flawed, but demonstrates a lamentable lack of understanding and grasp of the law of trademark/trade dress, and ultimately led to an unduly narrow holding and somewhat bizarre and tortured application of Michigan insurance law.⁸⁹

At least one other jurisdiction has followed *Advance Watch* in holding that the term "misappropriation of advertising ideas or style of doing business" does not encompass trademark infringement.⁹⁰ However, the vast majority have concluded that trademark infringement falls within the meaning of that term, and is therefore covered under the "advertising injury" portion of the 1986 ISO CGL form.⁹¹ Although the *Advance*

85. *Id.* at 802-03.

86. *Id.* at 803.

87. *Id.*

88. *See Lebas*, 59 Cal. Rptr. 2d at 47 n.14.

89. *Am. States Ins. Co. v. Hayes Specialties, Inc.*, No. 97-020037, 1998 WL 1740968, at *3 (Mich. Cir. Ct. 1998).

90. *See Callas Enters., Inc. v. Travelers Indem. Co. of Am.*, 193 F.3d 952, 956-57 (8th Cir. 1999). Several other jurisdictions have followed the rationale of *Advance Watch* in the context of other types of claims, such as patent infringement and copyright infringement. However, an analysis of those opinions is beyond the scope of this Article.

91. *See, e.g., Applied Bolting Tech. Prods., Inc. v. United States Fid. & Guar. Co.*, 942 F. Supp. 1029, 1034 (E.D. Pa. 1996), *aff'd*, 118 F.3d 1574 (3d Cir. 1997); *Cat Internet Sys. v. Providence Wash. Ins. Co.*, 153 F. Supp. 2d 755, 762 (E.D. Pa. July 25, 2001); *Flodine v.*

Watch opinion has become something of a favorite punching bag for policyholders and courts alike, it is still valid precedent in the Sixth Circuit (at least applying Michigan law), as well as in the Eighth Circuit (applying Minnesota law). In addition, carriers in jurisdictions that have not yet addressed the issue of coverage for trademark infringement under the 1986 form will undoubtedly argue that *Advance Watch* should be followed. Nonetheless, it appears that most jurisdictions either have, or would, hold that trademark infringement falls within the definition of "misappropriation of advertising ideas or style of doing business" and/or the term "infringement of . . . title or slogan" carried forward from the 1973 ISO form.

However, as with the 1973 ISO CGL form, policyholders seeking coverage for trademark infringement under the 1986 form must consider not only the policy's insuring agreement and definition of "advertising injury," but also potentially applicable exclusions. As noted above, the 1986 form omits the exclusion expressly referencing trademark infringement contained in the 1981 Broad Form Comprehensive Liability Endorsement. However, it does contain an exclusion for "an offense committed by an insured whose business is advertising, broadcasting, publishing or telecasting."⁹² This exclusion, which is quite similar to an exclusion contained in the 1973 ISO CGL form, requires a policyholder whose business is advertising, etc., to look beyond its standard CGL policy for coverage.

State Farm Ins. Co., No. 99-C-7466, 2001 U.S. Dist. LEXIS 2204, at *20-34 (N.D. Ill. Feb. 27, 2001) (and authorities cited therein); *Ecko Group, Inc. v. Travelers Indem. Co.*, No. 99-236-JD 2000 U.S. Dist. LEXIS 17702, at *17 (D.N.H. 2000); *Bay Elec. Supply, Inc. v. Travelers Lloyds Ins. Co.*, 61 F. Supp. 2d 611, 615-17 (S.D. Tex. 1999); *Am. Employers' Ins., Co. v. DeLorme Publ'g Co.*, 39 F. Supp. 2d 64, 75-76 (D. Me. 1999); *Vivid Video, Inc. v. N. Am. Specialty Ins. Co.*, No. CV98-8674 RSWL, 1999 U.S. Dist. LEXIS 15322 (C.D. Cal. June 29, 1999); *Essex Ins. Co. v. Redtail Prods.*, No. 3:97-CV-2120-D, 1998 U.S. Dist. LEXIS 18507, at *6 n.1 (N.D. Tex. Nov. 12, 1998), *aff'd*, 213 F.3d 636 (5th Cir. 2000); *Mass. Bay Ins. Co. v. Penny Preville, Inc.*, No. 95 Civ. 4845, 1996 U.S. Dist. LEXIS 9671 (S.D.N.Y. July 9, 1996); *Dogloo, Inc. v. N. Ins. Co.*, 907 F. Supp. 1383, 1389-90 (C.D. Cal. 1995); *Union Ins. Co. v. Knife Co., Inc.*, 897 F. Supp. 1213, 1216-17 (W.D. Ark. 1995); *Poof Toy Prods., Inc. v. United States Fidelity & Guar. Co.*, 891 F. Supp. 1228, 1233 (E.D. Mich. 1995); *Ben Berger & Son, Inc. v. Am. Motorists Ins. Co.*, No. 94 Civ. 3250, 1995 U.S. Dist. LEXIS 8976 (S.D.N.Y. June 29, 1995); *Am. Econ. Ins. Co. v. Reboans, Inc.*, 900 F. Supp. 1246 (N.D. Cal. 1995); *Nortek, Inc. v. Liberty Mut. Ins. Co.*, 858 F. Supp. 1231, 1237 (D.R.I. 1993); *P.J. Noyes v. Am. Motorists Ins. Co.*, 855 F. Supp. 492 (D.N.H. 1994); *St. Paul Fire & Marine Ins. Co. v. Advanced Interventional Sys., Inc.*, 824 F. Supp. 583, 585 (E.D. Va. 1993), *aff'd*, 21 F.3d 424 (4th Cir. 1994); *J.A. Brundage Plumbing & Roto-Rooter, Inc. v. Massachusetts Bay Ins. Co.*, 818 F. Supp. 553, 557-58 (W.D.N.Y. 1993), *vacated*, 153 F.R.D. 36 (W.D.N.Y. 1994); *Sorbee Int'l Ltd. v. Chubb Custom Ins. Co.*, 735 A.2d 712, 716-17 (Pa. 1999); *Ross v. Briggs & Morgan*, 520 N.W.2d 432 (Minn. Ct. App. 1994); see GAUNTLETT, *supra* note 73, § 13.01[A] ("Most courts that have analyzed trademark infringement under the 1986 Insurance Service Office (ISO) policy have found it to be a covered offense").

92. Insurance Services Office, Inc., Form CG 00 01 11 85, p. 4.

4. Coverage for Trademark Infringement Under the 1998 ISO CGL Form

ISO again substantially revised its CGL form policy in 1998.⁹³ The 1998 ISO CGL form is not yet in widespread use, and has not been the subject of judicial interpretation. However, since the new form significantly modifies the policy's "advertising injury" coverage, it may affect future analysis of CGL coverage for trademark infringement claims.

The 1998 ISO form combines the Coverage B components traditionally distinguished as "personal injury" and "advertising injury" into a single insuring agreement for "personal and advertising injury," accompanied by a single definition of that term. The new form includes several significant changes relevant to the present analysis. A leading commentary explains the basic significance of these changes:

The 1998 edition CGL attempted to remove some of the uncertainty regarding the meanings of "advertising" and "in the course of advertising" by eliminating both terms from the policy wording. In their place, the 1998 version of coverage B ties only two of its "personal and advertising injury" offenses specifically to advertising activities: misappropriation of advertising ideas and copyright infringement. . . . Moreover, the newly redefined offenses must be committed not "in the course of advertising" but rather in an "advertisement," a term that is also defined in the policy.⁹⁴

The new term "advertisement" is defined 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."⁹⁵ This definition of "advertisement" is intended to clarify, in several respects, the intended scope of the undefined terms "advertising" and "in the course of advertising" that proved problematic in the 1986 format. For example, courts have grappled with how widespread the distribution of information must be to constitute "advertising."⁹⁶ While the 1998 definition does not entirely resolve this question, it at least clarifies that, to constitute an "advertisement," a policyholder's "notice" must be distributed "to the general public or specific market segments." Distribution via the Internet should generally meet this requirement. The new definition also provides some clarification regarding the *purpose* of a cov-

93. See I INTERNATIONAL RISK MANAGEMENT INSTITUTE, INC., COMMERCIAL LIABILITY INSURANCE § V.E.2 (2000) ("The most sweeping set of changes in the history of coverage B were introduced as part of the 1998 edition of the CGL form").

94. *Id.* § V.E.7.

95. *Id.*

96. See, e.g., *Fox Chem. Co., Inc. v. Great Am. Ins. Co.*, 264 N.W.2d 385, 386 (Minn. 1978) (holding "public or widespread distribution" required); *Playboy Enters., Inc. v. St. Paul Fire & Marine Ins. Co.*, 769 F.2d 425, 429 (7th Cir. 1985) (following *Fox Chemical* in concluding that letter sent to 11 people did not constitute advertising); *John Deere Ins. Co. v. Shamrock Indus., Inc.*, 696 F. Supp. 434, 439-40 (D. Minn. 1988), *aff'd*, 929 F.2d 413 (8th Cir. 1991) (expressly rejecting *Fox Chemical* and *Playboy* requirement of broad distribution and concluding that publication to even one person may constitute "advertising"); see generally Keville, *supra* note 73, 936-46 (analyzing conflicting authorities and arguing for retention of broad distribution requirement).

ered “advertisement”—i.e., “attracting customers or supporters.” A policyholder’s “notice” may well fall within this newly clarified definition of “advertisement.”

Another significant change in the 1998 ISO CGL form is its definition of the term “personal and advertising injury.” This definition combines the laundry lists of enumerated offenses distinguished as “personal injury” and “advertising injury” under the 1986 form. It also changes the wording of several enumerated offenses in ways that may affect coverage for trademark infringement. The new definition of “personal and advertising injury” provides as follows:

“Personal and advertising injury” means injury, including consequential “bodily injury,” arising out of one or more of the following offenses:

- a. False arrest, detention or imprisonment;
- b. Malicious prosecution;
- c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
- d. 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;
- e. Oral or written publication of material that violates a person’s right of privacy;
- f. *The use of another’s advertising idea in your “advertisement”*; or
- g. *Infringing upon another’s copyright, trade dress or slogan in your “advertisement”*.⁹⁷

As evident from the above-quoted list, ISO replaced the 1986 term “misappropriation of advertising ideas or style of doing business” with the new term “use of another’s advertising idea in your ‘advertisement.’” The primary purpose of this change was undoubtedly to delete the controversial term “misappropriation” that spawned extensive litigation in the *Lebas* and *Advance Watch* lines of cases, discussed above. Substitution of the term “use” for “misappropriation” in the 1998 form also indicates ISO’s rejection of the Sixth Circuit’s limitation of the term “misappropriation” to something akin to the narrowly defined common-law tort of misappropriation.

ISO also removed the broad term “style of doing business” from this provision, limiting the definition to “use of another’s advertising *idea* in your advertisement.” This change is significant, in that courts have construed certain trademarks as encompassed within the term “style of doing business.”⁹⁸ Based on case authorities construing the 1986 provision, however, it does not appear that this change would affect coverage for a majority of trademark infringement claims, which would still be covered

97. Insurance Services Offices, Inc., Form CG 00 01 07 98 (emphasis added).

98. See GAUNTLETT, *supra* note 73 § 13.03[D][3] (and authorities analyzed therein).

as "use of another's advertising idea."⁹⁹

The 1998 ISO form also substitutes the term "[i]nfringing upon another's copyright, *trade dress* or slogan in your 'advertisement'" for the analogous 1986 term, "infringement of copyright, *title* or slogan." This change is also significant, in that it would appear to limit the types of trademark infringement claims that would fall within the meaning of this enumerated offense. Specifically, courts analyzing the 1973 and 1986 forms have held that a trademark may be a "title."¹⁰⁰

Substitution of the new term "trade dress" for "title" *may* also impact coverage for trademark infringement claims, in that trademark and trade dress have traditionally been considered distinct concepts.¹⁰¹ However, the terms clearly overlap. In fact, in the landmark *Two Pesos* opinion, the United States Supreme Court stated that there is no basis for distinguishing between trademark and trade dress infringement claims under the Lanham Act.¹⁰² Thus, a policyholder faced with a trademark infringement claim may actually be able to obtain coverage under the 1998 policy's "infringing upon another's . . . trade dress" offense.

In addition, the 1998 ISO form contains a new exclusion potentially relevant to certain trademark infringement claims, barring coverage for "personal or advertising injury" that is "[c]aused 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.'"¹⁰³ This exclusion is broader than the analogous provision contained in the 1981 endorsement and the 1986 form, which excluded coverage only for "personal injury" or "advertising injury" "[a]rising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured."¹⁰⁴ It thus appears that the 1998 CGL form may be interpreted to exclude coverage for *any* intentional act of trademark infringement, regardless of whether that act violates a "penal statute or ordinance." As many acts of trademark infringement are likely to be intentional, this new exclusion may significantly limit coverage.

99. See, e.g., *P.J. Noyes v. Am. Motorists Ins. Co.*, 855 F. Supp. 492, 495 (D.N.H. 1994); *J.A. Brundage Plumbing & Roto-Rooter, Inc. v. Mass. Bay Ins. Co.*, 818 F. Supp. 553, 557 (W.D.N.Y. 1993), *vacated*, 153 F.R.D. 36 (W.D.N.Y. 1994); *Sorbee Int'l Ltd. v. Chubb Custom Ins. Co.*, 735 A.2d 712, 716 (Pa. 1999).

100. See, e.g., *J.A. Brundage Plumbing & Roto-Rooter, Inc. v. Mass. Bay Co.*, 818 F. Supp. 553, 559 (W.D.N.Y. 1993); *Merchants Co. v. Am. Motorists Ins. Co.*, 794 F. Supp. 611, 619 (S.D. Miss. 1992).

101. See *Univ. of Fla. v. KPB, Inc.*, 89 F.3d 773, 776 n.4 (11th Cir. 1996) (presenting traditional definitions of "trademark" and "trade dress").

102. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773 (1992); see *Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 251 & n.4 (5th Cir. 1997), *cert. denied*, 523 U.S. 1118 (1998) ("[B]ecause the Lanham Act 'provides no basis for distinguishing between trademark and trade dress,' the test for trade dress protection is identical to that for trademark protection").

103. Insurance Services Office, Inc., Form CG00010798.

104. Insurance Services Office, Inc., Form GL 04 04 (Ed. 5-81), p. 2; Form CG 00 01 11 85, p. 3.

In the balance, however, the changes in the 1998 ISO CGL form would appear to broaden potential coverage at least for claims of *unintentional* trademark infringement. Addition of “[t]he use of another’s advertising idea in your ‘advertisement’” as a covered offense would appear to encompass a broad variety of trademark infringement claims. In addition, as discussed above, a trademark infringement claim may fall within the meaning of the term “infringing upon another’s copyright, trade dress or slogan in your ‘advertisement.’” The newly defined term “advertisement” is broad enough to include numerous activities that may give rise to trademark infringement claims.

Moreover, it appears that ISO *intends* for the CGL form to cover certain types of trademark infringement claims. ISO is well aware of the extensive litigation regarding CGL coverage for trademark claims discussed in this Article. If it intended to exclude coverage for trademark infringement, it could have easily added an exclusion to that effect in its 1998 revision. Its decision not to do so, as well as its *deletion* in 1986 of a former exclusion expressly barring coverage for certain types of trademark infringement claims, indicates that the ISO CGL form is intended to cover claims of trademark infringement.

Despite these changes, the litigation continues. Even if a policyholder ultimately *prevails* in demonstrating that the trademark claim against him is covered by his standard CGL policy, coverage litigation can be tremendously expensive. Moreover, the gray areas remaining in the 1986 ISO form, currently the most common CGL policy, invite carriers to contest coverage for trademark claims—particularly in jurisdictions that have not yet addressed some of the thorny issues discussed in this Article.

D. CGL COVERAGE FOR INTERNET-RELATED TRADEMARK INFRINGEMENT CLAIMS

The preceding analysis of traditional CGL coverage for trademark infringement claims foreshadows potential problems for policyholders faced with the emerging types of Internet-related claims discussed in Part I of this Article. This section discusses the more significant threats to CGL coverage posed by these new claims.

1. *Does the Claim Seek “Damages”?*

Most fundamentally, the question arises whether the Insuring Agreement of Coverage “B” extends, on its face, to these new types of claims. For example, the Insuring Agreement of the 1986 ISO form¹⁰⁵ provides as follows:

We will pay those sums that the insured becomes legally obligated to pay as damages because of “personal injury” or “advertising injury” to which this insurance applies. We will have the right and duty to

105. The 1986 Insuring Agreement is representative of the CGL form policies discussed in this Article for purposes of the present analysis.

defend any "suit" seeking those damages. We may at our discretion investigate any "occurrence" or offense and settle any claim or "suit" that may result.¹⁰⁶

Several aspects of this insuring agreement are relevant to the present analysis. First, it only extends to claims for "damages." As discussed in Part I of this Article, the primary remedy available under the Lanham Act is *injunctive* relief.¹⁰⁷ The Anticybersquatting Consumer Protection Act (ACPA) incorporated into the Lanham Act to address the specific concerns presented by cybersquatting and related activities also provides injunctive relief as its principal remedy.¹⁰⁸ Obviously, claims regarding the misuse of meta tags, linking or keying may also seek injunctive remedies.

Suits seeking *only* injunctive relief have proven problematic to insureds seeking liability coverage under their CGL policies, in that numerous courts have held that such suits do not seek "damages" within the meaning of the CGL insuring agreement.¹⁰⁹ However, despite this general principle, policyholders faced with trademark infringement claims should not abandon hope for CGL coverage too hastily. Regarding Lanham Act claims, while they may *primarily* seek injunctive relief, they can also include claims for *damages*.¹¹⁰ Many jurisdictions have held that a CGL carrier must defend an entire suit if even *one* claim in the suit is covered.¹¹¹ Thus, a policyholder facing a trademark infringement suit seeking both injunctive relief and monetary damages would be entitled to a defense of the entire suit.¹¹² Moreover, several courts have determined

106. Insurance Services Office, Inc., Form CG 00 01 11 85 (emphasis added).

107. See 15 U.S.C. § 1125(c)(2) ("In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief . . . unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark").

108. ACPA § 12.

109. See, e.g., *Aetna Cas. & Sur. Co. v. Hanna*, 224 F.2d 499 (5th Cir. 1955); *Haynes v. St. Paul Fire & Marine Ins. Co.*, 428 F. Supp. 435 (D. Md. 1977); *Maryland Cup Corp. v. Employers Mut. Liab. Ins. Co.*, 568 A.2d 1129 (Md. Ct. App. 1990); *Feed Store, Inc. v. Reliance Ins. Co.*, 774 S.W.2d 73 (Tex. App.—Houston [14th Dist.] 1989, writ denied); *Garden Sanctuary, Inc. v. Ins. Co. of N. Am.*, 292 So.2d 75 (Fla. Ct. App. 1974).

110. See, e.g., *Burger King Corp. v. Mason*, 855 F.2d 779, 780-81 (11th Cir. 1988); *Thelen Oil Co. v. Fina Oil & Chem. Co.*, 962 F.2d 821, 822 (8th Cir. 1992). As noted in Part I of this Article, however, monetary damages are only available in domain name disputes where the infringement was in bad faith.

111. See, e.g., *Lafarge Corp. v. Hartford Cas. Ins. Co.*, 61 F.3d 389, 393 (5th Cir. 1995)(applying Texas law); *Morrow Corp. v. Harleysville Mut. Ins. Co.*, 110 F.Supp.2d 441, 445 (E.D. Va. 2000)(applying Virginia law); *Farmington Cas. Co. v. United Educators Ins. Risk Retention Group, Inc.*, 117 F.Supp.2d 1022, 1029 (D. Colo. 1999)(applying Colorado law); *St. Paul Ins. Co. v. Texas Dep't of Transp.*, 999 S.W.2d 881, 883-84 (Tex. App.—Austin 1999, pet. denied); *Irvine v. Prudential Prop. & Cas. Ins. Co.*, 630 So.2d 579, 579-80 (Fla. Ct. App. 1993); *Allstate Ins. v. Freeman*, 443 N.W.2d 734 (Mich. 1989); *First Ins. Co. of Hawaii v. State*, 665 P.2d 648 (Ha. 1983).

112. As a caveat, note that carriers have recently attempted to persuade courts that they should be allowed to seek reimbursement from their insureds of defense costs incurred in connection with non-covered claims. The leading opinion on this issue is *Buss v. Superior Court*, 939 P.2d 766 (Cal. 1997). While *Buss* provides that a carrier must state its intent to seek reimbursement of defense costs in a reservation of rights letter in order to

that certain types of *injunctive* relief may themselves constitute “damages” within the scope of CGL coverage, distinguishing between injunctions that merely prohibit the continuation of improper activities and those that require the enjoined party to incur monetary costs to comply with the injunction.¹¹³ Thus, even if a trademark infringement suit *only* seeks “injunctive” relief, the defendant should consider the possibility of CGL coverage.

2. Does the Claim Involve a “Suit”?

A second potential impediment to coverage for new types of trademark infringement claims posed by the CGL insuring agreement is the requirement of a “suit” to trigger the duty to defend. The 1973 ISO form does not define the term “suit,” and carriers will argue that nothing short of a formal judicial proceeding constitutes a “suit” within the meaning of that term. The 1986 and 1998 ISO forms define the term “suit” as follows:

“Suit” means a civil proceeding in which damages because of “bodily injury,” “property damage,” “personal injury” or “advertising injury” to which this insurance applies are alleged. “Suit” includes:

- a. An arbitration proceeding in which such damages are claimed and to which you must submit or do submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which you submit with our consent.¹¹⁴

As discussed in Part I.D. of this Article, mandatory alternative dispute resolution (“ADR”) is an emerging trend in the resolution of high-tech trademark infringement claims. While the post-1986 CGL definition of “suit” does encompass certain types of arbitrations and, with the carrier’s *consent*, other types of ADR proceedings, carriers may argue that the definition of “suit” does not extend to the emerging types of non-judicial proceedings in which trademark infringement claims are resolved. Moreover, those carriers that still issue the 1973 ISO form will argue that only a formal civil lawsuit constitutes a covered “suit.”

Carriers support these arguments by noting that the insuring agreement itself distinguishes between a “claim” and a “suit,” indicating that the term “suit” does not encompass a mere “claim” for damages asserted outside the courtroom.¹¹⁵ Unfortunately for policyholders, courts in various jurisdictions have reached different, conflicting resolutions of this is-

recoup them from the insured, the opinion has encouraged carriers across the nation to seek reimbursement. This issue remains unresolved in a majority of jurisdictions.

113. See, e.g., *In re Texas E. Transmission Corp.*, 870 F. Supp. 1293, 1332 (E.D. Pa. 1992), *aff’d without op.*, 995 F.2d 219 (3d Cir. 1993), *aff’d*, 15 F.3d 1230 (3d Cir. 1994); *AIU Ins. Co. v. Superior Court*, 51 Cal.3d 807, 841-42 (Cal. 1990).

114. Insurance Services Office, Inc., Form CG 00 01 10 93.

115. See, e.g., *Foster-Gardner, Inc. v. Nat’l Union Fire Ins. Co. of Pittsburgh, PA*, 959 P.2d 265, 274 (Cal. 1998); *Lapham-Hickey Steel v. Protection Mut. Ins.*, 655 N.E.2d 842, 847-48 (Ill. 1995).

sue.¹¹⁶ In view of these conflicting authorities, policyholders should be aware that their carriers may balk at providing a defense for a trademark infringement claim that does not involve a formal lawsuit—or, for carriers issuing the 1986 or 1998 ISO form—at least mandatory arbitration.

3. *Does the Claim Seek Punitive Damages?*

A third potential impediment to CGL coverage posed by emerging types of Internet-related trademark infringement claims involves coverage for punitive damages. As discussed in Part I of this Article, the Lanham Act imposes monetary damages on a defendant who infringes on another's domain name in bad faith. Moreover, the ACPA with which the Lanham Act was recently supplemented adds a "bad faith intent to profit" element to a traditional infringement claim. To the extent that resulting damages are construed as punitive damages for intentional misconduct, CGL coverage for those damages may be restricted.

As noted above, the CGL form has evolved over time, evidencing a trend toward *excluding* coverage for claims of intentional trademark infringement. Moreover, many carriers incorporate express exclusions for punitive or exemplary damages into their CGL policies. And even in cases where the policy itself is *silent* regarding coverage for punitive damages, some jurisdictions prohibit coverage for punitive damages as a matter of public policy.¹¹⁷ Some jurisdictions have carved an exception out of this general prohibition in cases where punitive damages are assessed solely for vicarious liability resulting from the misconduct of another.¹¹⁸ Still other jurisdictions, including Texas, have *not* ruled that insurance coverage for punitive damages violates public policy.¹¹⁹ Although not all jurisdictions have reached this issue, policyholders faced with high-tech trademark infringement claims should be aware that their CGL policies may limit coverage for punitive damages.

116. See *Foster-Gardner*, 959 P.2d at 272-279 (comparing authorities adopting a "literal meaning" approach, i.e., requiring a formal lawsuit; a "functional" approach, i.e., requiring the "functional equivalency" of a judicial proceeding; and a "hybrid" approach, i.e., requiring a demand that has progressed beyond a mere, informal request for voluntary action but still falls short of a formal lawsuit). While the *Foster-Gardner* decision specifically involved CGL coverage for environmental cleanup actions, it provides a thorough analysis of how courts have addressed the meaning of the term "suit" generally.

117. See, e.g., *Derechin v. State Univ. of N.Y.*, 963 F.2d 513, 519 (2d Cir. 1992) (applying New York law) (noting that, as of the date of the opinion, "[e]ighteen states have held that insurance policies covering punitive damages assessed directly on the defendant are void as a matter of public policy"). Among the states prohibiting coverage for punitive damages are California and New York.

118. See, e.g., *Dayton Hudson Corp. v. Am. Mut. Liab. Ins. Co.*, 621 P.2d 1155, 1156 (Okla. 1980).

119. Compare *Am. Home Assur. Co. v. Safway Steel Prods. Co.*, 743 S.W.2d 698 (Tex. App.—Austin 1987, writ denied) (concluding, along with three other opinions applying Texas law, that public policy does not prohibit coverage for punitive damages) with *Hartford Cas. Ins. Co. v. Powell*, 19 F. Supp. 2d 678 (N.D. Tex. 1998) (analyzing Texas precedent and predicting that the Texas Supreme Court would conclude that punitive damages are uninsurable).

4. *Were Damages Caused Within the "Coverage Territory"?*

Another aspect of the CGL policy relevant to Internet-related trademark infringement claims is the "Coverage Territory" to which the policy applies. The 1986 and 1998 ISO forms define "Coverage Territory," in relevant part, as "The United States of America (including its territories and possessions), Puerto Rico and Canada"¹²⁰ Many carriers are willing to negotiate a broader "coverage territory" (e.g., "anywhere in the world") for corporate policyholders with international business operations. But Internet usage exposes *all* businesses to a risk of international infringement claims. Because coverage for such claims might be excluded by the standard CGL definition of "Coverage Territory," policyholders facing international exposure should consider obtaining a worldwide endorsement. They may also consider supplementing their traditional liability program with a new product providing worldwide coverage for trademark infringement.¹²¹

In summary, the new age of cybertorts and e-commerce promise new challenges to policyholders not contemplated by the drafters of the CGL form in 1986, or even in its 1998 revision. For these reasons, policyholders facing a significant risk of Internet-related trademark infringement claims should consider a variety of new products offered by insurers expressly designed for their needs. Part III of this Article describes some of these new products.

III. TRADEMARK INFRINGEMENT: NEW PRODUCTS

Allegations of trademark infringement potentially can devastate a business. In addition to facing the possibility of paying a large judgment, an alleged infringer may also have to bear the considerable fees and costs of defending against an infringement action. As discussed above, depending on the allegations made against the alleged infringer, the remedies sought and the forum in which the claim is disputed, the traditional CGL policy may not afford complete coverage for a trademark infringement claim. The standard CGL policy may also leave the alleged infringer in a lurch if the action seeks only injunctive relief. And what about the trademark holder seeking to protect itself from the improper use of its trademark by others? While the trademark holder can bring legal action to enforce its rights, the typical CGL policy provides no coverage for such expenses.

Fortunately, a number of insurance carriers offer products to fill certain of the coverage gaps left by traditional CGL policies, both for defense against infringement claims and prosecution of trademark infringement.

120. Insurance Services Office, Inc., Form CG 00 01 10 93; Form CG 00 01 07 98. The limited international coverage provided by the portion of the definition *not* quoted herein would not likely apply to an Internet-related trademark infringement claim.

121. *E.g.*, Chubb Intellectual Property and Communications Liability Form 80-02-2080 (Ed. 1-99), discussed in Part III.B.1 of this Article.

An overview of a representative sampling of these products follows.¹²²

A. ABATEMENT COVERAGE

A company that fails to enforce its trademark against infringement runs the risk of losing its trademark rights in their entirety. Instituting a legal action to protect one's trademark, however, can be costly. To defray the costs of trademark enforcement, a number of carriers offer infringement "abatement" or "enforcement" coverage.

1. Coverage

While the terms of infringement abatement policies vary by carrier, the general purpose of such policies is to reimburse the insured for litigation expenses incurred in the *enforcement* of patents, trademarks or copyrights against an alleged infringer. The policy offered by Intellectual Property Insurance Services Corp. ("IPIS") exemplifies the type of coverage available for infringement abatement.

In particular, the IPIS abatement policy provides reimbursement for (1) litigation brought by the insured against the alleged wrongdoer, (2) for infringement, (3) which began during the policy period. Additionally, the policy affords coverage for so-called "invalidity counterclaims" brought against the insured, in which the alleged infringer attempts to invalidate the trademark at issue.

2. Conditions

Carriers offering abatement policies often require both that the infringing act begin and that the insured file the claim during the policy period. The IPIS abatement policy, for example, will cover only those infringement abatement actions commenced with the carriers' express authorization. Among other requirements, the carrier may compel the insured to provide detailed information regarding the alleged infringement, an estimate of litigation expenses likely to be incurred, and an opinion by qualified counsel that infringement has indeed occurred before the carrier will authorize an enforcement action.¹²³

Further, abatement policies may only reimburse the insured for a certain percentage of the expenses incurred in the enforcement litigation.¹²⁴ In the event that the insured ultimately obtains an award of attorney fees

122. Although many carriers now offer policies specifically targeting intellectual property and Internet liability, this Article examines only a few of these products. This Article also provides only a general overview of sample policies and does not address all of the policies' coverage terms, conditions, or exclusions. Further, the terms of the sample policies addressed herein are subject to modification by the carriers, and may have been changed since the time this Article was published.

123. See, e.g., the IPIS abatement policy.

124. According to Intellectual Property Insurance Services Corp.'s abatement policy, for example, the Insured must pay a "coinsurance percentage" on certain litigation expenses. Likewise, the abatement policy offered by Litigation Risk Management, Inc. pays for 80% of the expenses incurred by the insured in an enforcement action.

or costs in the trademark enforcement litigation, the policy may compel the insured to share such award pro rata with the carrier, at least until the carrier has recouped the amount it has paid in the litigation.¹²⁵ Unless the insured secures an endorsement covering international infringement, abatement policies may apply only to infringement occurring in the United States.¹²⁶ The global reach of the Internet poses a legitimate risk of international infringement. Thus, policyholders should consider an international endorsement.

3. Exclusions

Abatement policies may not cover acts of infringement which began before the policy period, nor insure expenses incurred prior to initiation of authorized enforcement litigation.¹²⁷ To the extent that a countersuit is filed against the insured in the enforcement litigation, abatement policies will not likely cover liability for any judgment or damages awarded against the insured. However, the insured's traditional liability policies, including the CGL, may fill such gaps left by the abatement policy coverage.

4. Limits

Depending on the premium amount the insured is willing to pay, infringement abatement policies can be obtained with widely varying limits of coverage. Intellectual Property Insurance Services, for instance, advertises infringement abatement policies with coverage limits of \$100,000 to \$5,000,000 per claim.¹²⁸

B. INFRINGEMENT COVERAGE

As discussed in Part II of this Article, courts across the country have found coverage for some types of traditional trademark infringement claims under standard CGL policies. However, based on restricting language in the ISO policy form, the courts have restricted such coverage to apply only to trademark infringement committed in the course of advertising activities. CGL policies also have been held not to insure against claims for purely injunctive relief. Additionally, faced with court decisions requiring carriers to provide at least limited coverage for trademark violations, certain carriers are now adding specific endorsements to liability policies excluding coverage for most intellectual property violations. An endorsement from Chubb Insurance Companies, for example, provides as follows:

This insurance does not apply to any liability arising out of or directly or indirectly related to: the actual or alleged publication or utterances of oral or written statement of any type which is claimed

125. See, e.g., the IPIS abatement policy.

126. See *id.*

127. See *id.*

128. See IPIS website, at www.infringeins.com.

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. trade mark or service mark or certification or collective mark or trade name; other than trademarked or service marked titles or slogans.¹²⁹

While such an exclusion would not bar coverage for infringement of trademarks or service marks that are “titles or slogans,” it would appear to halt the trend toward expanding CGL coverage for trademark infringement claims—at least of the unintentional variety—evidenced by the 1986 and 1998 ISO revisions. In fact, it marks a return to exclusionary language abandoned with the 1986 revision.¹³⁰

Increasingly then, insureds accused of trademark infringement may find that their CGL policies provide limited coverage for infringement actions brought against them. However, the recent proliferation of trademark and other intellectual property infringement disputes spawned by Internet usage has prompted insurance companies to develop policies specifically targeted to intellectual property exposures. The following examples are representative of carriers’ efforts to provide infringement coverage that is excluded by, or at least questionable, under the CGL.

1. Example No. 1: Chubb Insurance Company’s Intellectual Property and Communications Liability Policy

Unlike the typical CGL coverage form, the newly developed intellectual property policies, such as Chubb Insurance Company’s Intellectual Property and Communications Liability Policy (“IPCL Policy”), explicitly identify trademark infringement as a covered offense:

Coverage A

[W]e will pay damages the insured becomes legally obligated to pay by reason of liability imposed by law or assumed under an insured contract arising out of any of the following Specified Offenses committed by or on behalf of the insured:

Specified Offenses

- A. infringement of:
1. copyright;
 2. title;
 3. slogan;

129. See Chubb Commercial General Liability Form.

130. The exclusion of trademark infringement claims other than those involving “titles or slogans” provided by the Chubb endorsement is substantively identical to the exclusion added to the 1973 ISO form by endorsement in 1981, and omitted from the 1986 revision. Part II.C.2 of this Article analyzes this exclusionary language and how courts have construed it.

4. *trademark*, trade name or trade dress;
5. service mark or service name; or
6. patent¹³¹

In addition to expressly covering trademark infringement, the IPCL Policy obligates the carrier to “defend the insured against a claim or suit seeking damages or *injunctive relief*, or both, arising out of a Specified Offense.”¹³² The IPCL Policy thus fills the CGL policy’s void with respect to defense costs for injunctive relief actions.

With respect to coverage territory, the IPCL Policy applies to “Specified Offenses” committed “anywhere” in the world.¹³³ The standard CGL policy, by contrast, covers only those offenses taking place within the United States. As noted above, the global reach of the Internet exposes companies to an increased risk of international trademark infringement. Thus, the global coverage extended by the IPCL Policy could prove significant, particularly for high-tech businesses.

2. *Example No. 2: AIG netAdvantage Complete*SM

Recognizing that companies which market or advertise on the Internet are exposed to liability for the content they display or disseminate on their web sites, certain carriers offer specific coverage for Internet advertising and marketing liabilities. For example, through its netAdvantageSM series of policies, AIG offers “Internet Media Liability Insurance,” which provides coverage as follows:

We shall pay on your behalf those amounts, in excess of the applicable Retention, you are legally obligated to pay, including content-based liability and liability assumed under contract, as damages, resulting from any claim(s) made against you for your wrongful act(s) in the display of Internet media. Such wrongful acts must occur during the policy period.¹³⁴

The policy broadly defines “wrongful act(s)” to include “any actual or alleged breach of duty, neglect, act, error, misstatement, misleading statement, omissions that results in . . . 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”¹³⁵ “Internet media,” in turn, is defined as “any material on your Internet site, including advertising.”¹³⁶

Unlike the 1986 form CGL policy, which provides coverage for trademark infringement only if the infringement arises out of an “advertising

131. See Chubb Intellectual Property and Communications Liability Form 80-02-2080 (Ed. 1-99) (emphasis added).

132. *Id.*

133. *Id.*

134. See AIG netAdvantage CompleteSM Form No. 78079 (6/01).

135. *Id.* (emphasis added).

136. *Id.*

activity,” the “Internet Media Liability Insurance” form covers trademark infringement which occurs in the display of material on the Insured’s Internet site, whether or not the infringement is advertisement-related.¹³⁷

The “Internet Media Liability Insurance” form also obligates the carrier “to defend a ‘suit’ brought against [the insured].”¹³⁸ The policy defines “suit” to include “a civil or criminal proceeding for monetary, non-monetary or injunctive relief, including “a binding arbitration proceeding in which damages are alleged and to which you must submit or do submit with our prior written consent.”¹³⁹ Thus, the “Internet Media Liability Insurance” form also exceeds the scope of coverage offered by a CGL policy by protecting the insured against claims for purely injunctive relief, and claims pending in an arbitration proceeding.

Like Chubb’s IPCL policy, AIG’s “Internet Media Liability Insurance” bridges the “coverage territory” gap left by CGL policies in that it applies to wrongful acts that occur, claims that are brought, and losses suffered anywhere in the world.¹⁴⁰ Finally, in contrast to the typical CGL policy, the Internet Media Liability Insurance Form includes “punitive, exemplary and multiple damages (where insurable by law)” in the definition of “damages” covered by the policy.

IV. CONCLUSION

The world wide web has opened a floodgate of opportunity for individuals and businesses alike. At the same time, the Internet has created unprecedented exposure to virtually all businesses, particularly in the area of trademark infringement. Businesses that avail themselves of the marketing potential of the world wide web run the risk of infringing upon the trademark of another. Businesses that abstain from using the web face the risk that someone else will use the Internet to infringe upon *their* trademarks. Either way, the increasing significance of insurance coverage for the prosecution of and defense against Internet-related trademark infringement is apparent.

As this Article has discussed, companies should first look to their CGL policies in the event that they face liability for Internet-related trademark infringement. The typical liability policy, however, may provide limited coverage, or none at all, for certain types of trademark infringement claims, and almost certainly will not cover the costs of prosecuting such claims. Accordingly, businesses are well-advised to explore and consider supplementing their existing liability programs with new insurance products on the market that are designed to fill at least some of the coverage gaps arguably left by more traditional policies.

137. *Id.*

138. *Id.*

139. *Id.*

140. *Id.*