

Coverage for Trademark Infringement Has Expanded

By Ronald M. St. Marle

Understanding insurance law is crucial to any attorney litigating trademark claims. A failure to tender a claim to an insurer can spell disaster for the client and, arguably, a malpractice suit for the defense attorney. Similarly, a failure to appreciate the nuances of a defendant's coverage can stampede the plaintiff's counsel into an unnecessarily discounted settlement.

The trademark litigator, therefore, should know the fundamentals of interpreting the variety of advertising-injury coverages in standard commercial insurance policies. An understanding of basic insurance principles can be gleaned from hornbooks and case law outside of the trademark context. Until recently, however, there were no state cases analyzing coverage issues unique to trademark-infringement claims.

Within the last two years, two decisions addressing coverage for trademark claims have been published: *Lebas Fashion Imports of USA Inc. v ITT Hartford Ins. Group*, 50 Cal.App.4th 548 (1996), and, more recently, *Palmer v Truck Ins. Exchange*, 66 Cal.App.4th 916 (1998).

Lebas Fashion held that coverage for "misappropriation of an advertising idea or style of doing business" includes trademark infringement claims. The *Lebas* court concluded that the phrase was susceptible to differing reasonable interpretations. One of those interpretations would include trademark infringement: "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." The *Lebas Fashion* court therefore found the insurance company had a duty to defend the trademark claims.

Palmer took up where *Lebas Fashion* left off: It held that coverage for infringement "of title or of slogan" includes infringement of some trademarks. In this regard, *Palmer* is essential reading for the trademark litigator.

Palmer involved two related real estate developers who named their projects "Valencia Vista," "Valencia

Terrace" and "Valencia Village." Plaintiff Newhall Land and Farming Co. sued, claiming infringement of its mark "Valencia." The developers were ultimately found liable on a judgment exceeding \$2 million.

After judgment, the claims were tendered to multiple insurance companies, including Truck Insurance Exchange. While Truck agreed to defend the case on appeal, it refused to contribute to a settlement reached with the plaintiff. The insureds thereafter sued Truck and the other recalcitrant insurers. The trial court granted the insurers' demurrers without leave to amend. The insureds appealed.

Among the issues addressed by the court was the meaning of the policy language covering "infringement of copyright or of title or of slogan." Truck argued that this language only covered infringement of works of authorship, such as literary or artistic works, not trademarks.

The court applied the standard principles of policy construction set out in *Lebas Fashion*, taking care to read the words "title" and "slogan" as "as a layman would read [them] and not as [they] might be analyzed by an attorney or an insurance expert." It rejected Truck's argument that coverage for infringement of title or slogan should be read in the context of infringement of copyright, thereby limiting its scope to works of authorship that could be copyrighted. It pointed out that the coverage provision was described disjunctively. There was no reason to find that the term "copyright" confined the meaning of "title" or "slogan."

The *Palmer* court also was not persuaded by Truck's reliance on dictionaries defining "title" as meaning the names of literary or artistic works. It looked instead to Black's Law Dictionary's definition of "title": "A mark, style, or designation; a distinctive appellation; the name by which anything is known." The court also noted the common meaning of slogan as including trademarks. The court therefore concluded that infringement of title or of slogan included infringement of trademark.

As a fallback position, Truck argued that the trademark claims fell within the policy's trademark exclusion eliminating coverage for "infringement of registered trade mark, service mark or trade name ... but this shall not relate to titles or slogans." The court noted that the exclusion supported its construction of "title or slogan" as being broader than literary or artistic titles.

The *Palmer* court then focused on the language of the exclusion excepting titles or slogans. Finding that titles or slogans could mean trademarks, it concluded that the exclusion did not apply to the types of trademarks at issue in the case. The logic of this finding was set forth in the decision in *A Touch of Class Imports Ltd. v Aetna Casualty and Surety Co.*, 901 F. Supp. 175 (S.D.N.Y. 1995), discussed extensively by the court.

A Touch of Class examined much the same policy exclusion as in the Truck policy. The court distinguished between word marks and symbol marks (such as designs, scents, colors and sounds). Finding that the meaning of title or slogan was limited to words only, the exclusion was construed to cover only infringement of symbol trademarks; infringement of word trademarks was excepted from the exclusion and therefore remained covered under the policy.

Palmer also found that even if the exclusion were ambiguous, the ambiguity would be resolved in favor of the insured's reasonable expectations which, based on the court's policy interpretation, was that trademark infringement claims would be covered. It concluded that the trial court therefore erred in holding that, as a matter of law, there was no coverage for the infringement of "Valencia."

With *Lebas Fashion* and *Palmer*, many issues involving coverage for trademark claims have been clarified. *Lebas Fashion* carefully outlined the rules governing interpretation of insurance policies and found coverage for trademark infringement under the "misappropriation" language. *Palmer* applied those same rules to find coverage for trademark infringement under the infringement of title or slogan, and it did so in the face of an express trademark exclusion.

These cases give the trademark litigator two powerful weapons with which to lay claim to insurance coverage and to protect the client's interests.

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