

RECOGNIZING THE LIMITS OF ADVERTISING INJURY OFFENSES

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This commentary responds in part to the recent commentary by Robert M. Harkovich and William B. Passannante published in an earlier issue (hereinafter “Harkovich and Passannante Commentary”) promoting broad coverage for a wide range of claims under Advertising Injury provisions of general liability policies.¹ It responds only in part because this commentary offers no quarrel with the notion of coverage for claims resulting from enumerated offenses taking place in the course of an insured’s advertising activity; however, the suggestion in the Harkovich and Passannante Commentary that a broad range of business torts is covered, and in circumstances having little or nothing to do with commonly understood concepts of advertising, is inconsistent with the obvious limitations in Advertising Injury cover. Many of the opinions which support the view promoted by the Harkovich and Passannante Commentary share the common feature of ignoring the words used in the policies and seizing upon the lack of definition for certain terms to find ambiguity and therefore coverage. The Harkovich and Passannante Commentary, for example, states that the phrase “advertising activities” is undefined in many policies (actually, most policies) and should be construed “broadly.” Why? Is it because it is undefined? Simply because a term in an insurance policy is not defined does not make it ambiguous. Even so, and accepting the premise, just how “broadly” should the phrase “advertising activities” be construed; to the point that it no longer means advertising? One assumes so, because after all, this can be the only practical goal for such a position. On what basis, however, does one argue that a phrase or a term means something other than it is generally understood to mean? There is, of course, no logical basis. The ramifications of the approach suggested in the Harkovich and Passannante Commentary in construing the term “advertising” and the phrase “in the course of advertising,” i.e., converting Advertising Injury cover into “Business Injury” cover, has been addressed in earlier commentaries,² and that discussion will not be repeated here. This commentary focuses on the notion also promoted by the Harkovich and Passannante Commentary that Advertising Injury provisions cover liability for a broad range of claims that they in fact do not.

The Advertising Injury cover, unlike other aspects of a general liability policy, is a named perils cover. It does not, for example, purport to cover unlimited damage, however caused, and stands in stark contrast to the coverage grant of a general liability policy that requires essentially only a claim

¹ Robert M. Harkovich and William G. Passannante, “Insurance Coverage for Intellectual Property Liabilities Under the ‘Advertising Injury’ Coverage Provision in Liability Insurance Policies,” *Mealey’s Emerging Insurance Disputes*, Vol. 2, #23 (Dec. 4, 1997).

² George B. Hall, Jr., “Keep the ‘Advertising’ in ‘Advertising Injury,’” *Mealey’s Emerging Insurance Disputes*, Vol. 1, #8 (Apr. 22, 1996); George B. Hall, Jr., “Keep the ‘Advertising’ in ‘Advertising Injury,’ Part Two,” *Mealey’s Emerging Insurance Disputes*, Vol. 1, #16 (Aug. 26, 1996).

for damages on account of property damage or bodily injury caused by an accident. The nature of the property damage or bodily injury is not important, nor is it important how the accident happened or what the accident was, as long as it was an accident. The Advertising Injury cover, on the other hand, has no such broad coverage grant. The definition of the term “advertising injury” (incorporated into the coverage grant) is a short list of carefully and discretely described conduct. The small number of exclusions (four in the current ISO wording) compared to the many in a typical general liability policy and the paucity of opinions addressing them (suggesting infrequent reliance on them by insurers) underscores the point: Advertising Injury cover is, by design, broad only in the sense that it provides insurance for certain business risks (as opposed to bodily injury and property damage resulting from casualties) that a general liability policy typically does not. There is nothing which even remotely suggests the breadth of coverage suggested by some.

It is, therefore, inherently inconsistent with the fundamental approach of Advertising Injury cover to suggest that the words used include offenses which, in fact, are not listed in the definition of the term “Advertising Injury,” as though drafters of the wording really had no idea of what they meant by the words they chose and cannot, therefore, possibly be relied upon to have articulated accurately and precisely their intent. The concept of policy construction is betrayed because it is no longer a process to determine the intent of the parties based on the plain meaning of the words used in the contract between them, but simply a justification for reaching a preconceived result. What starts then as an exercise of policy construction very quickly becomes an exercise of affirmatively seeking out (and, not surprisingly, finding) ambiguity, even if the case for ambiguity requires a misreading of the policy. Why, for example, would one conclude that a policy which specifically covers infringement of copyright, title or slogan, but not patent or trademark, nevertheless covers infringement of patent and trademark? Why are so few who advocate (or find) coverage of patent infringement not bothered by the most obvious of conclusions that had there really been an intent to cover patent infringement, it would have been stated? One can forgive the advocates, but one cannot be so forgiving of the courts whose job it is supposed to be to discern the intent of the parties based on the words in the contracts, and not to find coverage simply because an insured has been sued.

There are far too many instances of courts simply assuming that a particular claim is encompassed by one of the enumerated offenses. Because the Advertising Injury cover is a named perils cover, it is not only appropriate but essential to examine whether an underlying claim actually does constitute one of the offenses contained within the definition of Advertising Injury. It has been accurately stated that the offenses contained in the 1986 ISO wording are “well recognized and narrow categories of legal claims.” Owens-Brockway Glass Container, Inc. v. International Ins. Co., 884 F. Supp. 363, 367 (E.D. Cal. 1955), aff’d, 94 F.3d 652 (9th Cir. 1996). This statement is equally true relative to the pre-1986 offenses of piracy and unfair competition. Piracy, for example, is another name for plagiarism, which is part of the tort of misappropriation. Unfair competition is not simply any unethical business practice or violation of a consumer protection statute, but the traditional common law tort of “passing off” another’s goods as one’s own. Claims which do not fall within the confines of a well recognized common law or statutory tort embodied in one of the Advertising Injury offenses do not constitute an offense under the Advertising Injury cover, and should not be held to.

Many underlying petitions or complaints use terms which may be found in the offenses enumerated in a particular policy’s definition of the term “Advertising Injury;” this does not mean that the cause of action is either pled or established. As an example, consider the allegation that there has been an invasion of privacy. Invasion of privacy is generally recognized as requiring proof of one of the following: unreasonably intruding into one’s solitude, appropriating one’s likeness or name, publicly placing one in false light before the public, or unreasonably disclosing embarrassing private facts. See generally, Speiser, Krause and Gans, *The American Law of Torts* §30 (1991 ed.) (hereinafter

“Speiser, Krause and Gans”). However, claims alleging invasion of privacy may not allege facts which establish any of these elements.

It is very important also to read carefully the underlying complaint to determine whether, in fact, the pleading supports a characterization which an insured might make. See, e.g., Mulberry Square Productions, Inc. v. State Farm Fire and Cas. Co., 101 F.3d 414 (5th Cir. 1996) (no allegations in complaint of any oral or written publication amounting to trade libel or product disparagement). There are some very loose characterizations of pleadings which are made, even in good faith; one should not assume a given claim constitutes one of the enumerated offenses simply because a quick reading of the complaint seems to indicate that it does.

With these concepts in mind, it is helpful to review some of the offenses contained in the Advertising Injury definition, beginning with offenses found only in the pre-1986 ISO wordings (piracy and unfair competition) and then moving to offenses included within both the pre-1986 and 1986 wordings. This discussion will include all offenses except invasion of privacy as there seem to be virtually no claims which trigger this offense in the Advertising Injury context.

A. Piracy

The offense of piracy has been subject to the most and consistently expansive construction in patent and trademark infringement claims. As can many terms, the term “piracy” can be used rather freely and loosely. However, piracy is another name for plagiarism, which is part of the tort of misappropriation. See generally, Speiser, Krause and Gans, §31.25.³ The tort of piracy is the misappropriation of original ideas, typically in literary, artistic and musical works and recordings, generally those works not protected by copyright. International News Service v. Associated Press, 248 U.S. 215, 39 S.Ct. 68 (1918); A & M Records, Inc. v. M.V.C. Distributing Corp., 574 F.2d 312 (6th Cir. 1978). This limitation relative to works not protected by copyright apparently is on the basis that an idea is not property and not subject to copyright. Speiser, Krause and Gans, §31.25. Notwithstanding some dictionary definitions that the term “piracy” includes copyright infringement, and even patent and trademark infringement, legal treatises addressing the subject restrict the tort to the literary and artistic realm and consider only the original idea, as opposed to the work or performance, to be subject to the tort of plagiarism or piracy. Speiser, Krause and Gans, §31.25; Prosser and Keaton on the Law of Torts, §130, p. 1020-1021 (Lawyers Edition) (5th ed. 1984) (hereinafter “Prosser and Keaton on Torts”).

If the concept of piracy is restricted to plagiarism of ideas, on what basis does one conclude that an underwriter did not intend to so restrict it in Advertising Injury coverage? It is done principally on the basis of dictionary definitions broadly defining the term, but the reality is that an insured does not decide to obtain this coverage because he has just read his Funk & Wagnalls (any more than he has read Prosser and Keaton on Torts). With that red herring out of the way, one arguing a “common man” understanding is left with arguing that “piracy” means theft on the high seas because that is probably the most common understanding of the term. However, no one seriously suggests that this is what was intended; nor is it seriously suggested that it means any theft (otherwise one would have to explain why the term “theft,” not “piracy,” was used). There must be, therefore, a general recognition that the term “piracy” has a limited meaning. It is appropriate to conclude that this limited meaning is the one given by the law.

³ The offense may be considered a quasi-contractual cause of action, rather than a tort, because there is no property right involved, only an idea. See, e.g., Donahue v. Ziv Television Programs, Inc., 245 Cal. App.2d 593, 54 Cal. Rptr. 130 (1966). But see, Giesecking v. Urania Records, Inc., 17 Misc.2d 1034, 155 N.Y.S.2d 171 (N.Y. 1956) (a performer has a “property right” in his performance).

In the insurance context, therefore, the term “piracy” can be restricted to misappropriation of an advertisement itself,⁴ or the plagiarism or misappropriation of the elements of the advertisement, i.e., its text, form, logo and pictures.⁵ This would not include infringement of a product being advertised, i.e., patent infringement, notwithstanding the number of courts which have concluded otherwise. Those courts have failed to analyze the offense properly, or have merely so concluded without analysis.

B. Unfair Competition

With the advent of consumer protection statutes and “consumerism” generally, businesses began to be sued by consumers alleging violation of those statutes and on the basis of common law torts of unfair and deceptive trade practices and advertising. These businesses, as well as businesses sued for securities fraud and violations of federal and state securities laws, have sought coverage from their insurers under Advertising Injury provisions of their policies claiming that they were alleged to have engaged in “unfair competition.” Some courts have agreed with these insureds that the claims asserted are encompassed by this offense.

However, the more generally accepted meaning of the term “unfair competition” is the common law concept of “palming off” or “passing off,” which is a “false representation tending to induce buyers to believe that the defendant’s product is that of the plaintiff, usually but not always because the plaintiff’s product is better known or has a better reputation.” Prosser and Keaton on Torts, §130, p. 1015. This concept has generally been recognized in recent coverage opinions. While not the first to address the issue, the California Supreme Court opinion in Bank of the West v. Superior Court (Industrial Indem. Co.), 277 Cal. Rptr. 219 (Cal. App. 1991), rev’d on other grounds, 2 Cal.4th 1254, 10 Cal. Rptr.2d 538, 833 P.2d 545 (1992), is often cited as a preeminent opinion on the subject. The thrust of the opinion dealt with the required nexus of an offense to advertising activity discussed previously, but the court discussed in some detail the nature of the common law tort of unfair competition and noted the then majority of opinions holding that the term “unfair competition” refers only to the common law tort of “passing off” of another’s goods as one’s own. Most other courts have subsequently agreed.⁶ There are cases going the other way, but many of those at least require the misappropriation of another’s commercial advantage,⁷ or accept that the offense of unfair competition should not apply to a claim brought against an insured by one other than a competitor, i.e., not a customer.⁸

⁴ Iolab Corp. v. Seaboard Sur. Co., 15 F.3d 1500 (9th Cir. 1994); Gencor Industries Inc. v. Wausau Underwriters Ins. Co., 857 F.Supp. 1560 (M.D. Fla. 1994).

⁵ Atlantic Mut. Ins. Co. v. Brotech Corp., 857 F.Supp. 423 (E.D. Pa. 1994), aff’d, 60 F.3d 813 (3d Cir. 1995); Herman Miller, Ins. v. The Travelers Indemnity Co., No. 1:96-CV-671 (W.D. Mich., Dec. 13, 1996) (unpublished opinion).

⁶ See, e.g., John Markel Ford, Inc. v. Auto-Owners Ins. Co., 249 Neb. 286, 543 N.W.2d 173 (1996); A-Mark Financial Corp. v. CIGNA Property & Cas. Co. - Ins. Co. of N. Am., 34 Cal. App.4th 1179, 40 Cal. Rptr.2d 808 (1995), rev. denied (July 27, 1995); McLaughlin v. National Union Fire Ins. Co. of Pittsburgh, PA., 23 Cal. App.4th 1132, 29 Cal. Rptr.2d 559 (1994), rev. denied (1994); Practice Management Associates, Inc. v. Old Dominion Ins. Co., 601 So.2d 587 (Fla. App. 1992), rev. denied, 613 So.2d 8 (Fla. 1992); Aetna Casualty & Surety Co. v. M & S Industries, Inc., 64 Wash. App. 916, 827 P.2d 321 (1992).

⁷ Ruder & Finn, Inc. v. Seaboard Surety Co., 422 N.E.2d 518 (N.Y. 1981), reargument denied 426 N.E.2d. 756 (1981).

⁸ Granite State Ins. Co. v. Aamco Transmissions, Inc., 57 F.3d 316 (3d Cir. 1995), reh’g and reh’g en banc denied (1995); Standard Fire Ins. Co. v. Peoples Church of Fresno, 985 F.2d 446 (9th Cir. 1993); American Cyanamid Co. v. American Home Assur. Co., 30 Cal. App.4th 969, 35 Cal. Rptr.2d 920 (1994) modified on denial of reh’g and reh’g denied (1995). See also, Henderson v. U. S. Fidelity & Guaranty Co., 124

Claims of securities fraud and antitrust, therefore, should not constitute unfair competition.⁹ The cases referred to in the Harkovich and Passannante Commentary do not support a view that antitrust claims are covered. Tews Funeral Home, Inc. v. Ohio Casualty Ins. Co., 832 F.2d 1037 (7th Cir. 1987) and CNA Casualty of California v. Seaboard Surety Co., 176 Cal. App.3d 598, 222 Cal. Rptr. 276 (1986) based their conclusions that a duty to defend existed because of allegations of defamation (even though much of the “defamatory” material appears to have been product disparagement which was not covered under the policies at issue). The CNA Casualty opinion, moreover, before discussing whether any of the offenses were triggered, had already concluded a defense was owed on other grounds. Finally as to CNA Casualty, one assumes, based on subsequent California opinions, that the issue would be decided differently today under California law.

The offense of unfair competition also does not include patent infringement. Bank of the West v. Superior Court (Industrial Indem. Co.), *supra*; Iolab Corp. v. Seaboard Sur. Co., *supra*; A. Myers & Sons, Corp. v. Zurich Americana Ins. Group, 74 N.Y.2d 298, 546 N.Y.S.2d 818, 545 N.E.2d. 1206 (1989). There is, in fact, authority that the federal preemption doctrine precludes a claim which is governed by federal statute from being brought as a claim for unfair competition, which has been relied on in this context by at least one court. St. Paul Fire & Marine Ins. Co. v. Advanced Interventional Systems, Inc., 824 F. Supp. 583 (E.D. Va. 1993), *aff’d*, 21 F.3d 424 (4th Cir. 1994), *citing* Sears Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964).

Unfair competition does, however, include trademark and trade name infringement. Speiser, Krause and Gans, §31.5. The objectives are consistent with the principle behind the tort of unfair competition: to protect consumers from being misled as to the source of a product and to prevent the impairment of a trademark’s value to the owner. The intent of the pre-1986 policy wordings, however, was not to cover those torts; accordingly, an exclusion for trademark, service mark or trade name was included, which exclusion has been enforced.¹⁰ When the offense of unfair competition was deleted in the 1986 wording, the exclusion was no longer necessary, and it was also deleted. The deletion, however, does not mean that the 1986 wording intended to introduce the cover, even though at least two courts have held or suggested otherwise.¹¹

Some courts dealing with the related claim of trade dress infringement have found it included the offense of unfair competition. Letro Products Ins. v. Liberty Mutual Ins. Co., 114 F.3d 1194 (9th Cir. 1997). Trade dress infringement (which will be discussed in more detail later) has been characterized as part of the tort of trademark infringement and therefore the common law tort of unfair competition. Speiser, Krause and Gans, §31.7. Since there is no explicit exclusion for trade

N.C. App. 103, 476 S.E.2d 459 (N.C. App. 1996), *aff’d*, 488 S.E.2d 234 (1997); Delta Pride Catfish, Inc. v. Home Ins. Co., 697 So.2d 400 (Miss. 1997).

⁹ Keating v. National Union Fire Ins. Co. of Pittsburgh, PA, 995 F.2d 154 (9th Cir. 1993); Globe Indemnity Co. v. First American State Bank, 720 F. Supp. 853 (W.D. Wash. 1989), *aff’d*, 904 F.2d 710 (9th Cir. 1990); Cahill v. Liberty Mut. Ins. Co., 80 F.3d 336 (9th Cir. 1996); Graham Resources, Inc. v. Lexington Ins. Co., 625 So.2d 716 (La. App. 1993), *writ denied*, 631 So.2d 1164 (La. 1994), *reconsideration denied*, 633 So.2d 163 (La. 1994).

¹⁰ Parameter Driven Software, Ins. v. Massachusetts Bay Ins. Co., 25 F.3d 332 (6th Cir. 1994); Gulf & Western Industries, Inc. v. Seaboard Surety Co., 474 N.Y.S.2d 754, 100 A.D.2d 820 (1984), *appeal dismissed*, 63 N.Y.2d 675, 484 N.E.2d 1058 (1984), *reargument denied*, 63 N.Y.2d 771, 484 N.E.2d 1054 (1984); Feed Store, Inc. v. Reliance Ins. Co., 774 S.W.2d 73 (Tex. App. 1989), *writ denied* (1989).

¹¹ Poof Toy Products, Inc. v. U.S. Fidelity & Guaranty Ins. Co., 891 F. Supp. 1228 (E.D. Mich. 1995); Lebas Fashion Imports of USA, Inc. v. ITT Hartford Ins. Group, 59 Cal. Rptr.2d 36, 50 Cal. App.4th 548 (1996), *modified on denial of reh’g*, (Nov. 27, 1996), *rev. denied* (Jan. 22, 1997).

dress infringement in the pre-1986 wordings (as there is for trademark infringement), one could argue that the Letro Products decision is defensible. However, since trade dress infringement is part of the tort of trademark infringement, it should be excluded as well.

Some also argue that trade libel is unfair competition; it is not. Aetna Cas. and Sur. Co., Inc. v. Centennial Ins. Co., 838 F.2d 346 (9th Cir. 1988). Trade libel is the intentional disparagement of the quality of another's product, and it is neither an infringement nor a misrepresentation as to the product's source. It is part of the overall tort of "injurious falsehood," which is a non-defamatory statement causing financial injury. Speiser, Krause and Gans, §33.2; Restatement (Second) of Torts §§623A-624. The tort of injurious falsehood may trigger the offense of an oral or written publication that disparages a person's goods, products or services, and that is discussed further in the following section.

C. Libel/Slander and Disparagement

The pre-1986 wordings include the offenses of libel, slander and defamation. The 1986 ISO wording defines the offense as follows: "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." The tort of defamation (of which libel and slander are part) involves a reputational injury, which does not include the disparagement offenses. Defamation and disparagement are separate and distinct torts. As noted, the latter is an intentional disparagement of the quality of property or an interest, part of the overall tort of "injurious falsehood," which is a non-defamatory false statement about the quality of another's property or thing of value that the publisher should recognize as likely to result in pecuniary harm in respect of the other's interest in property.

The tort of injurious falsehood, although commonly viewed as restricted to interests in property, is in fact far-reaching and can involve almost any aspect of one's life. To that extent, it can involve a reputational injury. However, the gist of the disparagement tort of injurious falsehood is "...the interference with the prospect of sale or some other advantageous relation...." Prosser and Keaton on Torts, §128, p. 966. Furthermore, a plaintiff asserting injurious falsehood must prove special damages as an essential part of the cause of action. This is not a matter of recovery; if there are no special damages, there is no cause of action. Id., at pp. 970-71. This requirement further restricts the tort. The inclusion of the disparagement offense, therefore, is intended to cover limited commercial disparagement torts, such as trade libel, despite the fact that trade libel has been held incorrectly to be included under pre-1986 wordings of libel and slander (Lindsey v. Admiral Insurance Co., 804 F. Supp. 47 (N.D. Cal. 1992)), as has slander of title. Royce v. Citizens Insurance Co., 557 N.W.2d 144 (Mich. App. 1996), appeal dismissed, 560 N.W.2d. 631 (1997).

Slander of title, however, as noted earlier, is not a defamation tort; it is a disparagement tort and part of the tort of "injurious falsehood." The Advertising Injury offense of "disparagement of...goods, products or services," however, does not, however, include slander of title, because it does not involve "goods, products or services." Bank One, Milwaukee, N.A. v. Breakers Development, Inc., 559 N.W.2d 911 (Wis. App. 1997); see also, Truck Insurance Exchange v. Bennett, 53 Cal. App.4th 75, 61 Cal. Rptr.2d 497 (1997), rev. denied (1997). Slander of title is restricted to false statements disparaging another's rights or interests in land, chattel or intangible things. Speiser, Krause and Gans §31.13; Restatement (Second) of Torts, §624.

D. Misappropriation of Advertising Ideas/Style of Doing Business

The misappropriation tort was first recognized for the protection of something of value not already protected by patent, copyright or trademark law, or the traditional doctrine of unfair competition, and which had been misappropriated.¹² The tort has been described as the defendant's use of the plaintiff's product or a copy thereof in competition with the plaintiff and gaining an advantage by virtue of the fact that the plaintiff, and not the defendant, has expended resources to develop and produce the product.¹³ Misappropriation of an advertising idea is a recognized subset of the tort of misappropriation. John W. Shaw Advertising, Inc. v. Ford Motor Co., 112 F. Supp. 121 (N.D. Ill. 1953). The tort of "misappropriation of advertising ideas" has been defined as "the wrongful taking of the manner in which another advertises its goods or services" (Union Ins. Co. v. The Knife Co., Inc., 897 F. Supp. 1213, 1216 (W.D. Ark. 1995); J.A. Brundage Plumbing & Roto-Rooter, Inc. v. Massachusetts Bay Ins. Co., 818 F. Supp. 553, 557 (W.D.N.Y. 1993), vacated by settlement, 153 F.R.D. 36 (W.D.N.Y. 1994)) and "the wrongful taking of another's manner of advertising." Fluoroware, Inc. v. Chubb Group of Ins. Companies, 545 N.W.2d 678 (Minn. App. 1996). In order to establish the tort of misappropriation of an advertising idea, one must establish that the idea is novel and concrete and that there is a legal relationship between the parties. 4 Nimmer on Copyright §16.01 (1997 ed.). Above all, however, it must involve an advertising (as opposed to any) idea and it should go without saying that it must involve an advertising idea (as opposed to merely advertising). An advertising idea is an idea for calling to the public's attention a product or business. Atlantic Mut. Ins. Co. v. Badger Medical Supply Co., 191 Wis.2d 229, 528 N.W.2d 486 (Wis. App. 1995).

The tort of "misappropriation of style of doing business" has been characterized as referring to a company's "comprehensive manner of operating its business." Poof Toy Products, Inc. v. U.S. Fidelity & Guaranty Co., supra; St. Paul Fire & Marine Ins. Co. v. Advanced International Systems, Inc., supra. Note that it is the comprehensive manner of operating a business, not just a part of the business. One court recently relied on the above definition to find coverage for claims of false marking and patent infringement. However, the court found that the strategy of advertising usurped by the insured was merely a "part of [its] style of doing business." Elcom Technologies, Inc. v. Hartford Insurance Co. of the Midwest, No. 2:96 CV1056B (Mem. Op. Dec. 10, 1997, D. Utah). Clearly, by the court's finding, there was not a misappropriation of the competitor's comprehensive manner of operating its business. While not so explicitly incorrect, there are other examples of courts almost assuming that a trademark infringement or a trade dress infringement involving a single product or product line is a misappropriation of style of doing business, i.e., the comprehensive manner of doing business.¹⁴ Because the offense refers to the overall manner of operating a business, the offense should not include misappropriation of less than the comprehensive manner of conducting business such as breach of contract, false advertising, or misappropriation of a product. Atlantic Mut. Ins. Co. v. Badger Medical Supply Co., supra; Applied Bolting Technology Products, Inc. v. U.S. Fidelity & Guaranty Co., 942 F. Supp. 1029 (E.D. Pa. 1996).

¹² International News Service v. Associated Press, supra; Balboa Insurance Co. v. Trans Global Equities, 218 Cal. App.3d 1327, 267 Cal. Rptr. 787 (1990), reh'g denied, (1990), rev. denied, (1990), cert. denied, Collateral Protection Ins. Services v. Balboa Ins. Co., 498 U.S. 940 (1990); United States Golf Ass'n. v. St. Andrews Systems, Data-Max, Inc., 749 F.2d 1028 (3d Cir. 1984); Sykes Laboratory v. Kalvin, 610 F. Supp. 849 (C.D. Cal. 1985).

¹³ Mercury Record Productions, Inc. v. Economic Consultants, Inc., 64 Wis.2d 163, 218 N.W.2d 705 (1974), cert. denied, 420 U.S. 914 (1975).

¹⁴ B.H. Smith, Inc. v. Zurich Ins. Co., 285 Ill. App.3d 536, 676 N.E.2d 221 (1996), app. denied by Smith v. Zurich Ins. Co., 173 Ill.2d 546, 684 N.E.2d 1342 (1997); Ben Berger & Son, Inc. v. American Motorist Ins. Co., 36 U.S.P.Q.2d 1105, 1995 WL 386560 (S.D.N.Y. 1995).

Some courts consider the offense to include infringement of trade dress and/or trademark.¹⁵ However, these opinions involve little or no analysis of the tort of infringement compared to the tort of misappropriation or simply reflect gratuitous statements. As with many claims for coverage under Advertising Injury provisions, there are often assumptions by the court (and even concessions by the insurer) that the claim for trade dress or trademark infringement is, in fact, included within this enumerated offense. Union Ins. Co. v. The Knife Co., Inc., *supra*; Nortek, Inc. v. Liberty Mutual Ins. Co., 858 F. Supp. 1231 (D.R.I. 1994).

To some extent, the impetus to conclude that claims for trademark infringement are covered is based on the deletion in the 1986 ISO wording of the exclusion for infringement of trademark, service mark or trade name. The argument is that this deletion reflects an intent to cover.¹⁶ Given that the cover is a named perils cover, this is a particularly inappropriate approach. Coverage is determined by what is in the coverage grant, not what is not, and certainly not what used to be, in an exclusion. This approach simply represents a failure to analyze properly the claim. A trademark is a symbol, word, letter or an emblem that must be generally known and disclosed to the public. 15 U.S.C. §§1127, 1651. Trademarks are afforded protection only upon usage. American Steel Foundaries v. Robertson, 269 U.S. 372 (1926). A trademark has physical qualities and characteristics in shape, color or style. An idea is intangible property, a concept or approach; it has no physical qualities or characteristics except perhaps in its manifestation or implementation. A trademark is not an idea; neither is a trademark a style of doing business, which is not a protected interest. Power Test Petroleum Distributors, Inc. v. Calcu Gas, Inc., 754 F.2d 91 (2d Cir. 1985).

While trade dress infringement has been equated with misappropriation of style of doing business (St. Paul Fire & Marine Ins. Co. v. Advanced Interventional Systems, Inc., *supra*), trade dress is, in fact, a well defined cause of action which protects against an infringement of the form in which a producer presents its brand to the market. Trade dress can be a label, a package, or even the cover of a book, but it refers to the total image of the product. Speiser, Krause and Gans, §31.7. It has been held to be the total image of a product or business and “may include features such as size, shape, color or color combinations, texture, graphics or even particular sales techniques.” Two Pesos, Inc. v. Taco Cabana, Inc., 112 S.Ct. 2753, 505 U.S. 763 (1992), *reh’g denied*, 505 U.S. 1244 (1992). Trade dress, like a trademark, is protected by the Lanham Act, 15 U.S.C. §1125(a), and is a specie of the common law tort of unfair competition. However, trade dress requires three or four (depending on how they are expressed) elements in order for protection to attach: the trade dress must be non-functional, it must be distinctive, it must have acquired a secondary meaning and its imitation must create the likelihood of confusion. Prufrock Ltd., Inc. v. Lasater, 781 F.2d 129 (8th Cir. 1986); Blue Bell Bio-Medical v. Cin-Bad, Inc., 864 F.2d 1253 (5th Cir. 1989); Speiser, Krause and Gans, §31.7. Conceivably, a trade dress infringement could qualify as misappropriation of style of doing business, but only if it meets these criteria and, in fact, infringes a protected image. Two Pesos, Inc. v. Taco Cabana, Inc., *supra*. However, misappropriation does not require the likelihood of public confusion, because the plaintiff and the defendant do not even need to be in direct competition. J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, §10.51 (4th ed. 1996) (hereinafter “McCarthy on Trademarks”). Therefore, trade dress infringement is something different from misappropriation of an advertising idea or style of doing business.

¹⁵ Dogloo, Inc. v. Northern Ins. Co. of N.Y., 907 F. Supp. 1383 (C.D. Cal. 1995); Lebas Fashion Imports of USA, Inc. v. ITT Hartford Ins. Group, *supra*; J.A. Brundage Plumbing & Roto-Rooter, Inc. v. Massachusetts Bay Ins. Co., *supra*; St. Paul Fire & Marine Ins. Co. v. Advanced Interventional Systems, Inc., *supra*; Poof Toy Products, Inc. v. U.S. Fidelity & Guaranty Co., *supra*.

¹⁶ See note 11 *supra*.

There is a rationale expressed in some opinions that because non-functional trade dress is adopted primarily for identification and individuality, it is inherently entwined with advertising. For example, in Rosco, Inc. v. TIG Insurance Co., 1996 WL 724896 (N.D. Cal. 1996) and in St. Paul Mercury Ins. Co. v. Engineered Products Co., No. C7-97-3501 (Minn. Dist. Ct., November 24, 1997) (unpublished opinion) (the latter of which relies heavily on Rosco), the courts seem to find a perceived advertising element alone sufficient to qualify as misappropriation of a style of doing business, even if the infringement is of an image of only a product (as opposed to a business). However, both also seem to assume simply because the trade dress being infringed may have had some aspect of marketing attached to it by the insured's apparent competitor that the insured's infringement is also done with the idea of advertising. The intent of the competitor may not be the intent of the insured. That aside, the court in Rosco concluded that functional trade dress infringement (whatever that is since trade dress must be non-functional to be protected) is not necessarily equated with "misappropriation of a style of doing business." Trade dress infringement is trade dress infringement, and if functional trade dress infringement is not a misappropriation of style of doing business, one is hard pressed to see how non-functional trade dress infringement is.

The U.S. Court of Appeals for the Sixth Circuit in Advance Watch Co., Ltd. v. Kemper National Ins. Co., 99 F.3d 795 (6th Cir. 1996), reh'g and suggestion for reh'g en banc denied (Dec. 30, 1996), took great pains to analyze trade dress and trademark infringement on the one hand and the tort of misappropriation on the other. The court concluded that the tort of misappropriation requires certain elements not contained in the tort of trademark or trade dress infringement torts and that the term "misappropriation of advertising ideas or style of doing business" encompasses a different class of tort from, and does not include, trademark or trade dress infringement. The Sixth Circuit held that the offense refers only to the unauthorized taking or use of interests other than those eligible for statutory or common law trademark law. Significant in the court's analysis is the observation that the recognition of trademark and trade dress infringement as causes of action is so common that the "only reasonable assumption" is that if the insurer had intended to cover these, it would have referred to them by name in the policy. There will be those who will not accept this analysis (and there are at least two courts which have not). These views reflect simply an inclination to find coverage regardless of the wordings.

The California Court of Appeal carefully analyzed the same issues, and after conceding that the many opinions finding coverage were "without much analysis," threw its lot with those analytically challenged opinions and found coverage. Lebas Fashion Imports of USA, Inc. v. ITT Hartford Ins. Group, supra. It did so by stretching the meaning of "misappropriation" beyond the common law concept, by stretching the meaning of "advertising idea" (originally citing the subsequently reversed district court opinion in Advance Watch, which cite then had to be deleted in the court's modified opinion) and by concluding that since a trademark is used in advertising, it is reasonable to conclude that a trademark can be considered an integral part of a style of doing business. The last point, that it is reasonable to conclude that a trademark is a part of the style of doing business, ignores the nature of the offense. A trademark is certainly a part of a business and perhaps even a business' advertising. That is not the same as a business' style of doing business.

Attempts have been made to include patent infringement within the offense of "misappropriation of advertising ideas or style of doing business," presumably on the theory that this offense replaced the offenses of piracy and unfair competition. Patent infringement should not be included within this offense. St. Paul Fire & Marine Ins. Co. v. Advanced Interventional Systems, Inc., supra; Gencor Industries, Inc. v. Wausau Underwriters Ins. Co., supra. The trial court in Gencor Industries, Inc. was particularly emphatic on the point:

It is nonsense to suppose that if the parties had intended the insurance policy in question to cover patent infringement claims the policy would explicitly cover infringement of “copyright, title or slogan” and then include patent infringement, sub silentio, in a different provision by reference to unauthorized taking of ...[the] style of doing business. 857 F. Supp. at 1564.

E. Infringement of Copyright, Title or Slogan

The part of the offense dealing with copyright infringement has not generated problems; most of the difficulty has developed with respect to claims of trademark, and to some extent patent, infringement. Of course, since the pre-1986 wordings excluded infringement of trademark, service mark or trade name, the issue relative to trademark infringement is relatively recent. Since the 1986 ISO wording does not include the offense of piracy, some efforts have been made to suggest that the offense of “infringement of copyright, title or slogan” is a proper new home for trademark and patent infringement claims.

With respect to trademark infringement claims, the focus is typically on infringement of title. In this context, the term “title” has been defined as a “mark, style, or designation; a distinctive appellation; the name by which anything is known.” J. A. Brundage Plumbing & Roto-Rooter, Inc. v. Massachusetts Bay Ins. Co., *supra* (citing Black’s Law Dictionary (6th ed.)). See also, Clary Corporation v. Union Standard Ins. Co., 27 Cal. App.4th 1410, 32 Cal. Rptr.2d 486 (1994) (the term “title” means a descriptive or general heading or distinguishing name). On the one hand, the term has also been defined much more narrowly as the title of a literary or artistic work. Atlantic Mut. Ins. Co. v. Brotech Corp., *supra*. It does not appear that there is much support for the notion that the term “title” refers to one’s legal interest in property. See, Everest v. American Motorist Ins. Co., 23 F.3d 226 (9th Cir. 1994); Atlantic Mut. Ins. Co. v. Brotech, *supra*.¹⁷

One would think it significant that the word “trademark” does not appear in the offense. As noted in the prior section, the absence of the term “patent” has been found significant in finding no coverage for patent infringement; however, the absence of the term “trademark” has not led courts to a similar conclusion for trademark infringement claims.¹⁸ One would have thought that if the underwriting intent were to cover trademark infringement, it would have been included in this offense. Some consideration also is warranted of the fact that pre-1986 wordings specifically exclude trademark infringement. These two facts, combined with the fact that the offense of unfair competition (of which trademark infringement is a part) is no longer an offense, should compel the conclusion that trademark infringement is not covered as an infringement of title.

This conclusion is compelled in considering certain aspects of copyright law as well. Copyright protection is available generally to the following works:

- literary

¹⁷ The contrary conclusion in Merchants Co. v. American Motorists Ins. Co., 794 F.Supp. 611 (S.D. Miss. 1992) is discounted because the opinion reflects a complete disregard for any of the restrictions of Advertising Injury coverage.

¹⁸ J.A. Brundage Plumbing & Roto-Rooter, Inc. v. Massachusetts Bay Ins. Co., *supra*; P.J. Noyes Co. v. American Motorists Ins. Co., 855 F. Supp. 492 (D.N.H. 1994), *recons. denied* (1994); Touch of Class Imports, Ltd. v. Aetna Casualty and Surety Co., 901 F. Supp. 175 (S.D.N.Y. 1995), *adhered to on reargument* (1996); First State Insurance Co. v. Alpha Delta Phi Fraternity (Northwestern Chapter), 39 U.S.P.Q.2d 1905 (Ill. App. 1995), *appeal denied*, 165 Ill.2d 549, 662 N.E.2d 424 (1996). See also, American Economy Ins. Co. v. Reboans, Inc., 900 F. Supp. 1246 (N.D. Cal. 1994), *recons. denied* (1995) (infringement of title includes use of another’s name or designation in an advertisement even if it is not a trademark).

- musical
- dramatic
- pantomimes and choreography
- pictorial, graphic and sculptural
- audiovisual
- sound recordings
- works of utility/architecture.

See generally, 1 Nimmer on Copyright §2. However, titles and slogans, the other components of the offense, are not subject to statutory copyright protection. 1 Nimmer on Copyright, §2.08[G][2] and §2.16. Furthermore, titles may not even be entitled to protection under common law copyright. 1 Nimmer on Copyright, §2.16. Protection for a title, if available, will generally only be found under the common law doctrine of unfair competition. 1 Nimmer on Copyright, §2.16. It seems then that the offense of infringement of copyright, title or slogan is intended to include only those matters associated with works which are protectable under statutory and common law copyright laws, but which themselves are not. As evidence of this, consider further that McCarthy on Trademarks discusses “titles” under a chapter entitled “Literary and Entertainment Rights.” McCarthy on Trademarks, §10. While titles may be protectable under trademark statute (McCarthy on Trademark, §10.1), it seems that intellectual property treatises consider that the concept of title infringement is restricted to literary and entertainment matters. This restriction should be persuasive as well. Title infringement does not appear to be a cause of action which is cognizable for general trademark or trade name infringement claims.

None of the cases finding that trademark infringement is included in the offense of infringement of title analyze the nature of trademark infringement and attempt to determine whether it is, in fact, title infringement. Courts which have analyzed the issue have concluded that trademark infringement is something other than infringement of title. Houston General Ins. Corp. v. BSM Corp., 843 F. Supp. 1264 (N.D. Ill. 1993) (which after its analysis stated the obvious that had the policy intended to cover trademark infringement, trademark infringement coverage would have been enumerated along with infringement of copyright, title and slogan).

Conclusion

Advertising Injury covers are not, as has been suggested, broad covers to the point they cover a broad range of business claims. The cover is generally restricted to well defined causes of action which have discrete elements and recognized bounds, and even then only in a narrow set of circumstances. There is no intent to cover the wide range of modern commercial torts with which many insureds must deal. Because of the manner in which this insurance has been written, i.e., in precise and restricted words rather than broad and general concepts, it is appropriate to recognize those words and the approach.