

The Coverage Inkwell

Emerging Coverage Issues in Intellectual Property, Privacy,
and Cyber Liability



Joshua A. Mooney
mooneyj@whiteandwilliams.com

June 8, 2012

A TRADEMARK INFRINGEMENT ACTION ALSO CAN BE AN ACTION FOR INFRINGEMENT OF A SLOGAN

When I was young, I hated Peter, Paul and Mary's "Where Have All The Flowers Gone?" I despised it. Although I did not fully appreciate the song's allegory at the time, even if I had, I don't think it would have mattered. Now, I like a Pete Seeger song just as much as the next person, but, you see, for 6th grade chorus, I had to sing the daft song in front of the entire school as part of a long medley that also included such timeless wonders as "Blowing in the Wind" and "Puff, the Magic Dragon." Double entendres or not, that's a brutal thing to ask of an eleven-year-old boy. That song has been on my mind in recent weeks for a couple of reasons.

First, now long time passing, my own ten-year-old is thinking about quitting the school band, which would mean that he would have to take chorus. Now, I am not trying to persuade him from choosing one activity over the other, but I told him my story. When his decision is made, it should be with eyes wide open.

Second, there seems to be a recent slump in the number of important decisions coming out that involve insurance coverage issues for intellectual property, privacy rights, and cyber liability. Really, where have all the decisions gone?

So, during this brief pause, I am taking the opportunity to address an important and somewhat recurring issue in intellectual property coverage—when an action for trademark infringement also can aver infringement of a slogan, so to circumvent a policy's trademark infringement exclusion.

The issue is not always an obvious one. The issue can hide in the language of the pleading like weeds in grass, and missing a slogan claim can be an easy mistake to make, as illustrated by the United States Court's of Appeals for the Ninth Circuit decision in *Hudson Insurance Company v. Colony Insurance Company*, 624 F.3d 1264 (9th Cir. 2010). There, the Ninth Circuit held that an underlying counterfeiting/trademark action did not fall within a trademark infringement exclusion and therefore implicated defense and liability coverage under the policy. In some ways, the Ninth Circuit's decision is a wee bit unfair ("When will they ever learn?"), which makes this lesson an all the more important one.

In *Hudson Insurance*, NFL Properties LLC commenced an underlying action (the NFL Action) against the insured All Authentic Corporation (All Authentic), accusing All Authentic of making and selling counterfeit NFL jerseys. The complaint listed several causes of action for trademark infringement, trademark counterfeiting, trademark dilution, unfair competition, and deceptive acts and practices. *Hudson Ins.*, 624 F.3d at 1265. Infringement of a slogan was not one of them. In fact, the complaint never mentioned “slogan.”

However, the complaint alleged that All Authentic offered on its website a counterfeit “Steel Curtain Custom Limited Edition Steelers Jersey,” averring:

The Counterfeit Jersey reads “Steel Curtain” across the back and bears the numbers of four Pittsburgh Steelers players using the same style of numbering and lettering as appears on the authentic Pittsburgh Steelers' NFL Uniform Design Jerseys. The Steelers have strong common law rights in the mark “Steel Curtain” and own a state registration for the mark “Steel Curtain ... Pittsburgh Steelers.” The Counterfeit Jersey features the same black and gold color combination and striping as the official Pittsburgh Steelers' NFL Uniform Design Jerseys.

Id. at 1265-66 (emphasis in original). Again—no mention of a slogan. The problem: the phrase “steel curtain” could be construed as a slogan.

All Authentic tendered the NFL Action to two insurance companies, Colony and Hudson. Hudson defended All Authentic under a reservation of rights, while Colony declined coverage based on a trademark infringement exclusion. After the NFL Action had settled, Hudson commenced an action against Colony seeking contribution for the defense and indemnity costs. *Id.* at 1266.

Like most CGL policies, the insurance policy at issue covered “personal and advertising injury,” defined in part as injury arising out of “[i]nfringing upon another’s copyright, trade dress or slogan in your ‘advertisement.’” *Id.* The policy also possessed a trademark infringement exclusion, which provided that the insurance did not apply to:

“Personal and advertising injury” arising out of the infringement of copyright, patent, trademark, trade secret or other intellectual property rights. However, this exclusion does not apply to infringement, in your “advertisement,” of copyright, trade dress or slogan.

Id.

Hudson argued that the trademark infringement exclusion did not apply to preclude coverage for the NFL Action because, “[b]ased on the allegations in the NFL Action, All Authentic faced potentially covered liability for trade dress infringement and slogan infringement in All Authentic’s advertisements.” *Id.* The trial court agreed with respect to potential liability for infringement of a

slogan, concluding that “by alleging that the insured infringed ‘Steel Curtain,’ the [underlying complaint] set forth a claim for slogan infringement that was potentially covered by the Colony Policy.” *Id.*

Again, not to beat a dead horse, but the trial court reached this conclusion despite the fact that the NFL complaint did not expressly allege infringement of a slogan. The Ninth Circuit affirmed. *Id.*

In the appeal before the Ninth Circuit, Colony argued that there was no coverage for the underlying NFL Action because “[n]o such claim [of slogan infringement] was made in the [underlying] complaint.” *Id.* at 1267. Therefore, it was illogical that the trademark infringement exclusion did not apply. The Ninth Circuit disagreed. The court held that the phrase “Steel Curtain” constituted a slogan that was infringed upon in All Authentic’s website advertising, thereby implicating coverage. The court explained:

...the facts alleged in the NFL complaint state that All Authentic sold a “Steel Curtain Limited Edition Steelers Jersey” on its website, which “reads ‘Steel Curtain’ across the back and bears the numbers of four Pittsburgh Steelers players.” As the district court noted, “A fair reading of the [NFL complaint] reveals that ‘Steel Curtain’ is used to promote fan loyalty to the Steelers (an NFL Member Club) in general, and a subset of Steeler players in particular.” The district court concluded that this potentially stated a claim for slogan infringement because a “slogan” is a “brief attention-getting phrase used in advertising or promotion.” . . . here, the NFL complaint alleges facts potentially supporting a legal theory of slogan infringement.

Id. at 1268 (emphasis added).

The court reasoned, “under California law ‘the insurer’s duty is not measured by the technical legal cause of action pleaded in the underlying third party complaint, but rather by the potential for liability under the policy’s coverage as revealed by the facts alleged in the complaint or otherwise known to the insurer.” *Id.* For the court:

...it does not matter that the NFL complaint never referred to “steel curtain” as a slogan and never listed slogan infringement as a cause of action.

Id. at 1269 (emphasis added). Because “Steel Curtain” was a slogan, and the complaint alleged facts showing its infringement, the NFL Action fell outside the trademark infringement exclusion and within the policy’s definition for “personal and advertising injury.”

The difficult thing about the *Hudson Insurance* decision is that it requires an insurance company to know the difference between a trademark and a slogan. One gets the feeling that had the phrase “Steel Curtain” not been infringed, there would not have been coverage.

The decision, therefore should serve as a reminder that when determining coverage for intellectual property matters, special care must be given to the distinctions between different forms of intellectual property. For instance, sometimes a trademark is just a trademark. Sometimes, it's also a slogan. A failure to understand those distinctions could lead an insurance carrier to make a wrong coverage determination. Special attention also must be given to the facts alleged in the complaint itself, and not just to the causes of action alleged.

Questions are welcome.

The Coverage Inkwell

Joshua A. Mooney | Counsel
1650 Market Street | One Liberty Place, Suite 1800 | Philadelphia, PA 19103-7395
Direct 215.864.6345 | Fax 215.399.9613
mooneyj@whiteandwilliams.com | whiteandwilliams.com
Assistant: Dana Genovese | 215.864-6331



The views expressed above are solely those of the author and are not necessarily those of White and Williams LLP or its clients. The information contained above is not legal advice; you are advised to consult with an attorney concerning how any of the issues addressed above may apply to your own situation. If you do not wish to receive future emails of The Coverage Inkwell, please "Reply" to the email address above with the title "Unsubscribe."