

INSURANCE COVERAGE FOR TRADEMARK INFRINGEMENT

Trademark infringement is covered by insurance if the general liability insurance policy includes “advertising injury.” This was the holding by the court in *Charter Oak Fire Insurance Co. v. Hedeem & Companies, Inc.*, 280 F.3d (7th Cir. 2002). Therefore, whenever there is a trademark infringement claim against you, you should check your insurance coverage.

Facts. In this case, a major toy company agreed to manufacture and market toy vehicles for the insured. The toy company obtained a U.S. trademark registration for the MICRO MACHINES name and logo and later sued the insured for trademark infringement when the insured used the MICRO MACHINES name and logo on its stationery and advertising.

Policies. The insured’s insurance policy provided 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 coverage applies. We will have the right and duty to defend any suit seeking those damages.” Thus, advertising injury was covered so the issue was whether trademark infringement was included under advertising injury.

The policy went on to state: “This insurance applies to: ‘Advertising Injury’ caused by an offense committed in the course of advertising your goods, products or services” and defined “advertising injury” to include injury arising out of the “misappropriation of advertising ideas or style of doing business” and “infringement of copyright, title or slogan.”

Analysis. The insurance company argued that trademark infringement was not expressly named in the policy so it should not be covered. The court looked to the wording “infringement of copyright, title or slogan.” In a previous case, *Zurich Insurance Company v. Amcor Sunclipse North America*, 241 F.3d 605, 608 (7th Cir. 2001), the court had analyzed these words as follows: “reading these words together implies that ‘infringement’ means using someone else’s words, so that ‘title’ refers to names and related trademarks.”

Holding. Based on the above analysis, the court in *Charter Oak* found that the wording “infringement of...title” was broad enough to encompass the alleged claims of trademark infringement (even though not expressly stated as trademark infringement) if there was “use” in “advertising.” The court found that the letterhead usage was arguably in the course of the insureds advertising and thus was covered by the policy. Therefore, the insurance company had a duty to defend the insured.

Recommendation. Based on the holding in *Charter Oak*, we recommend that you review your insurance policy whenever confronted with a claim for trademark infringement or any similar claim related to advertising. Our attorneys are trained in insurance and trademarks issues and can assist with defending or asserting a claim.