Allocation of Indemnity in Advertising Injury Intellectual Property Cases

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TIP

Damages experts' reports in intellectual property cases often contain valuable information for allocation of loss by time, by geographic region, and between advertising and non-advertising uses.

In intellectual property disputes potentially covered by insurance, several allocation problems surface with respect to settlements and judgments. Some of these include timing of the offenses, what offenses are covered, what offenses are committed in advertising, the nature of the recovery—past damages, disgorgement of lost profits, prospective relief, treble damages, and attorney fees—and application of exclusions. If the parties anticipate these issues from the outset, they can make informed decisions throughout the litigation, during any settlement discussions, and after a judgment.

Initial Considerations

Did the insurer defend? If the insurer has breached a duty to defend, some states will prevent the insurer from raising coverage defenses to its duty to indemnify. Most states treat the duty to indemnify separately from the duty to defend, and do not prevent the insurer from arguing coverage defenses to the duty to indemnify even if it has breached the duty to defend. To be sure, many of those states make the insurer's burden more difficult when it has not defended. An insurer that has defended under reservation of rights is in a much stronger position as to coverage of the judgment or settlement than an insurer that has erroneously denied a duty to defend.

Who has the burden of proof? The parties must consider the burden of proof as to coverage, exclusions, and exceptions. Burden of proof can be outcome determinative if the settlement or judgment is not allocated. They must also consider public policy concerns, such as indemnification of willful injury, punitive damages, and restitution.

What remedies are sought? Finally, the parties must consider which remedies for intellectual property are being sought. Remedies for intellectual property infringement share some concepts and themes. Various statutes allow recovery of profits of the defendant, statutory damages, multiple damages, attorney fees, and injunctive relief. Use of intellectual property is often licensed. Licensing costs can figure into damages—such as the idea of a "reasonable royalty" in patent law, or a paid-up license for future use negotiated as part of a settlement. Royalties and licensing costs suggest issues for consideration under a liability insurance policy. Are these royalties and licensing costs "damages"? Does intent required for multiple damages or attorney fees exclude coverage?

Timing of the Offense

The parties must determine: (1) what policies are triggered; (2) how loss is allocated among triggered policies and what part of the loss, if any, can be allocated to the insured; and (3) what happens if the infringement occurred before, during, and after the insurer's policy period.

Policy language governs which policies are triggered. Policyholders and insurers have litigated "all sums" versus "pro rata" allocation. Parties have litigated allocation of progressive or continuous loss among insurers, and between insureds and insurers. But personal and advertising injury concerns commission of listed offenses or specified perils. The current Insurance Services Office (ISO) insuring agreement "applies to 'personal and advertising injury' caused by an offense . . . but only if the offense was committed . . . during the policy period."[1] "Personal and advertising injury" is defined as injury arising out of listed offenses.

Date of loss analysis as to advertising injury depends on the policy language. In *American Cyanamid Co. v. American Home Assurance Co.*, there were four different policy language styles over 20 years of coverage.[2] Two styles required that the *injury* occur during the policy period. The other two required that the *offense* be committed during the policy period. Cyanamid was sued by competitor Chemical Device Corp. (CDC) for anticompetitive conduct. CDC was formed and began to compete just *after* the last of the policies under consideration. The court held that the policies which required that the *offense* be committed in the policy period were triggered. However, the policies which required *injury* during the policy period were not triggered because CDC did not yet exist, and could not yet suffer injury.

Umbrella layer policies may have different terms describing the trigger of coverage. Some umbrellas have "deemer" language. Such language states that all "personal and advertising injury" arising from "the same injurious material or act, regardless of the frequency of repetition thereof, the number or kind of media used, or the number of claimants, shall be deemed to arise out of one occurrence."[3]

Allocation of loss. There are a number of allocation theories: by insurer, by policy, by limits, by time on the risk, by modified time on the risk, by premiums charged, and by "closeness to the risk." In intellectual property cases, other theories may be pursued. If the plaintiff's sales are growing or declining over the timeframe in question, one party may argue for a lesser share based on lesser damages suffered by the plaintiff in its policy period.

While often there is little or no evidence to prove how much property damage or bodily injury occurred in a given policy period, intellectual property cases often have that data. Businesses conventionally tally and calculate sales, costs, profits, etc., on a quarter-by-quarter and year-by-year basis, providing a ready basis for such calculations. This information is often used by the damages experts in their opinions.

Statutes of limitations and prior publication exclusion. Timing issues are also important in intellectual property litigation. In trademark disputes, priority (in time) of use establishes rights to a trademark, and is a defense to trademark infringement claims. Applications to register a trademark with the U.S. Patent and Trademark Office require a statement of first use in commerce, contain an application date, and if granted, indicate the date of registration.

Statutes of limitations impact the determination of which policy period(s) must be considered.[4] In Lanham Act cases, courts use laches and in some jurisdictions adopt a comparable local state statute of limitations.

There are statutory durations for certain types of intellectual property.[5] Certain intellectual properties, such as copyrights and patents, have terms defined by a number of years. Trademarks and service marks are not limited to a specified number of years. Instead their "terms" are defined by continuity of use in commerce to signify the source of the product or service. Trade secrets generally endure as long as secrecy can be maintained. The expiration of an intellectual property right before the inception of a policy or the commencement of an intellectual property right after a policy has expired may affect coverage for the intellectual property right under that policy.

The timing of certain events affects recovery. In a copyright case, a party may not recover statutory damages or attorney fees for infringement of an unpublished work before the effective date of registration.[6] A plaintiff cannot recover statutory damages or attorney fees for infringement after first publication of the work but before the registration date, unless the work is registered within three months of the first publication.[7] If a policy begins or ends at or around the time of registration, this may affect coverage.

If a party applies for a temporary restraining order or a preliminary injunction, there may be arguments about the timing of events with regard to the need for such immediate relief, and with regard to a defense of laches against such a claim for equitable relief.

Related issues come up in applying the "Material Published Prior to Policy Period" exclusion. This prior publication exclusion precludes coverage for advertising injury arising out of oral or written publication of material whose first publication took place *before* the beginning of the policy period. The exclusion would restrict coverage to the policy in effect when the material was first published. If the subject advertisement was published in the first policy period, and continued into the second period, the second insurer would argue that coverage is excluded under its policy by this exclusion.

Some policyholders argue that the prior publication exclusion applies to defamation, disparagement, and invasion of privacy offenses but not to, for example, copyright infringement.[8] The theory is that the term "publication" is used in the defamation, disparagement, and invasion of privacy offenses but not in the other offenses; therefore, this exclusion must only apply to those particular offenses. If the court follows this reasoning, subsequent policies might be triggered by a continuing infringement.

The better reasoned view applies the exclusion to intellectual property infringements. This restricts the coverage to the policy in effect at first publication.[9] One argument is that the exclusion applies to "advertising injury"; advertising injury includes these other offenses; therefore, the exclusion must also apply to these other offenses. Another argument is that this is advertising injury coverage; advertising involves "publication" of an advertisement; therefore, the wording of the exclusion makes it applicable to all advertising injury offenses.

Another issue is whether the exclusion applies when there has been some change in the advertising over time. In *United National Insurance Co. v. Spectrum Worldwide, Inc.*, the insured, Spectrum, opposed a competitor's application for preliminary injunction.[10] Spectrum argued that the changes in the subject label were small and incremental since the label was first adopted (which was before the policy incepted). In the coverage lawsuit, the trial court found that the insured was judicially estopped to argue that it did not first publish infringing material before the policy inception, because of its representations in the prior case. Therefore the prior publication exclusion applied. The Ninth Circuit affirmed, finding that the prior publication exclusion applied, and that summary judgment was proper to determine that the insured first published infringing material before the policy.[11]

If the prior publication exclusion does not apply, there may be several policy periods triggered. If so, there is an issue as to how those policies will allocate the loss. For example, can the insurer argue that it is only responsible for damages during its policy period? Will the court leave the insured to pay the damages from subsequent policy periods? Or will the court shift the full amount of damages to the first policy period?

Covered Offense

Advertising injury covers listed offenses. For example, the 2007 ISO Commercial General Liability (CGL) Coverage Form defines "personal and advertising injury" offenses as follows: "The use of another's advertising idea in your 'advertisement,'" and "Infringing upon another's copyright, trade dress or slogan in your 'advertisement.'"[12] The 1981 ISO Broad Form Comprehensive General Liability Endorsement defined "advertising injury" to include offenses of "piracy, unfair competition, or infringement of copyright, title or slogan."[13]

What if some of the conduct is a covered offense, and some is not? For instance, what if the insured has been sued for selling a product that infringes a utility patent, and for using a product name that infringes a trademark, where the former is not covered and the latter is covered? Courts are willing to consider allocation between those claims. For example, in *Ekco Group, Inc. v. Travelers Indemnity Co. of Illinois*, the court considered whether it could allocate indemnity between a trade dress and a patent infringement claim.[14] However, it determined that the patent claim concerned a design patent, and contained similar allegations to the trade dress claim so that the two could not be allocated. The court might have ruled differently if the patent was a utility patent—and thus not related to the trade dress—and not a covered offense.

"In an Advertisement"/ Causal Connection

In some cases, all of the infringement will be committed in an advertisement—for example, use of a jingle or other music in a radio or television commercial, use of video in a television commercial, or use of a photo or other graphic work in a print ad. As to websites, the current CGL form defines "advertisement" to include "material placed on the Internet or on similar electronic means of communication," and regarding websites, "that part of a website that is about [the named insured's] goods, products or services for the purposes of attracting customers or supporters."[15] If protected intellectual property is used in "that part" of the website, it would be use in an advertisement.

In many cases, some of the infringement is committed in an advertisement and some is not.[16] For example, a motion picture might contain material that infringes a copyright. What if that infringing material is significantly featured in a television commercial or print ad, but not in the film itself? Conversely, what if the infringing material is significantly featured in the film, but not in the television commercial or print ad?[17]

Parties might use experts to allocate these different components of damages. Sometimes the parties in the underlying action, particularly in expert reports and testimony, may break down infringing uses in this way, as it may affect damages calculations, and this information can be used by the parties in arguing allocation issues.[18]

In Lanham Act cases, a court can order a defendant to engage in corrective advertising. A plaintiff can seek to recover the cost of corrective advertising as a measure of its damages. This concept of corrective advertising is not applicable to copyright, patent, and trade secret cases. Arguments and evidence regarding corrective advertising may be relevant to what damages were caused by advertising.

In *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, the district court awarded such "corrective advertising" damages.[19] The amount the defendant spent in advertising using the infringing mark was presumptively the amount that the plaintiff would need to spend to overcome the advertising, and restore its trademark to its preinfringement value. The Tenth Circuit felt that the "dollar-for-dollar" measure was too much and adopted the 25 percent ratio sometimes used by the Federal Trade Commission.

If, however, the plaintiff actually spends money on corrective advertising, it can recover that amount as damages.[20] The Ninth Circuit allowed such damages even when they were twice as much as the defendant had originally spent.[21]

In expert reports, the amount of advertising done by the defendant is often broken out and a figure for corrective damages advertising is set forth. Insurers argue that this amount represents that part of the loss due to advertising injury as opposed to non-advertising-related injury. Policyholders argue that the insurer should pay everything, because advertising drives all sales and/or does the most substantial damage to the plaintiff's mark.

Damages vs. Prospective Relief and Paid-Up Licenses

Damages awards and settlements often include both recovery of past damages and prospective relief (e.g., a paid-up royalty for future use).

The most common view is that an insurer need not pay for such relief.[22] In *Zurich Insurance Co. v. Killer Music, Inc.*, a songwriter wrote and performed jingles for the insured.[23] Their contract expired. The insured compiled and sold a music library that included these jingles. The songwriter sued. The insured settled with the songwriter: the songwriter transferred his rights to the songs and dismissed his suit, in exchange for $175,000. The court held the insurer would be liable only for the amount of a "reasonable settlement of the claim in good faith," but not for the cost of acquiring rights in the songs.[24] The court recognized that the settlement represented, in part, an exchange of money for rights to the songs, not simply compensation for damages from infringement.[25]

Damages vs. Recovery of Infringer's Profits

Does the recovery of an infringer's profits qualify as covered "damages"? How do the parties allocate between damages and profits recovered?

In copyright cases, the infringer is liable for the copyright owner's actual damages and "any additional profits of the infringer."[26] The Lanham Act allows recovery by the plaintiff of damages sustained by the plaintiff and the defendant's profits.[27] The Patent Act does not contain similar language: it allows recovery of the claimant's damages, in no event less than a reasonable royalty.[28] The Uniform Trade Secrets Act allows recovery of damages for actual loss, recovery for the unjust enrichment not included in the foregoing damages, and a reasonable royalty if no damages or unjust enrichment is provable.[29]

Damages awarded under these statutes would satisfy the "as damages" requirement. To the extent that such damages overlap with recovery of the infringer's profits, courts would likely find such amounts to be recoverable under a liability policy. However, if there are discrete amounts awarded that are not damages suffered by the plaintiff, but are instead only profits being disgorged by the infringer, insurers argue that such amounts are not covered.[30] "It is well established that one may not insure against the risk of being ordered to return money or property that has been wrongfully acquired. Such orders do not award 'damages' as that term is used in insurance policies."[31]

Trademarks. As a practical matter, there are cases where the bulk—or all—of the monetary recovery is profits of the infringer and not damages suffered by the plaintiff. For example in trademark cases, where the parties serve different markets, sell different goods, sell to different customers, and/or sell at different price points, there can be no damages, yet there can be a claim for profits of the infringer. In these cases, the evidence may show and expert reports may calculate damages and infringer's profits. But where the parties compete head-to-head, sales by the infringer may well equal or approximate sales lost by the plaintiff.

Policyholders argue that lost profits is just a measure of damages or proxy to measure the trademark owner's own damages. In *Limelight Productions, Inc. v. Limelite Studios, Inc.*, the Eleventh Circuit recognized ill-gotten profits as merely another form of damages that the statute permits to be presumed because of the proof unavailability in these actions.[32]

There are three rationales for recovery of the infringer's profits: as a measure of the plaintiff's damages, as a remedy for unjust enrichment of the defendant, and as deterrence for willful conduct. If the ruling uses lost profits as a proxy for the plaintiff's damages, particularly in a case where the parties are direct competitors, policyholders may argue that *Limelight* is more applicable. If the court's ruling is based on the second aspect, the recovery arguably is disgorgement or restitution and not damages.[33] If deterrence is the point, the recovery seems punitive and may be subject to an exclusion or public policy restraints on insurability.

Some trademark cases allege sale of counterfeit goods. Intent and deterrence are much more significant components in the court's consideration in cases involving blatant knockoffs.

Copyrights. In copyright cases, the purpose of such an award under copyright law is to prevent the infringer from unfairly benefiting from a wrongful act.[34] The purpose "of allowing suit for the infringer's lost profits is to make infringement worthless to the infringer."[35]

> The reasoning . . . is clear: it makes the infringer realize that it is cheaper to buy than to steal. . . . [A]warding only the plaintiff's injury, would allow for cases of "efficient infringement," i.e., situations where the profit exceeded the licensing fee, leaving infringers indifferent as to whether they paid up front or paid in court. By stripping the infringer not only of the licensing fee but also of the profit generated as a result of the use of the infringed item, the law makes clear that there is no gain to be made from taking someone else's intellectual property without their consent.[36]

This rationale is undermined if the insurer were required to pay the infringer's profits. Such payment would allow the infringer to retain those profits, thus making the infringement worthwhile to the infringer, contrary to public policy.

Sometimes in direct competitor situations, profits is a surrogate for damages. "If the infringer occupies the same market as the copyright owner, courts usually employ [the owner's] lost sales as the measure of damages on the assumption that every sale made by the defendant is one that the plaintiff otherwise could have made."[37]

In copyright cases, where a defendant's infringing product is not sold in competition with the plaintiff's product, but is only used to advertise, there are problems in establishing damages caused by the infringement.[38] Most often recovery of profits earned from advertising is denied for failure of proof.[39] Sometimes faced with this difficulty, courts will award a "licensing fee" as actual damages.[40]

Patents. Profits of the infringer is not a measure of recovery in patent infringement cases. Rather the recovery is damages, with a floor set by the concept of a "reasonable royalty," which may be trebled in an appropriate case.[41] In *Owens-Brockway Glass Container, Inc. v. International Insurance Co.*, the court held that the rule of uninsurable restitution applies only when the insured is returning something that was acquired in violation of a statute.[42] The Patent Act remedies for infringement of a utility patent include damages but not restitution, or for recovery of profits of the infringer. The court distinguished *Intex Plastic Sales Co. v. United National Insurance Co.*,[43] which involved a design patent, for which the Patent Act does allow recovery of the infringer's profits.

Punitive and Multiple Damages

Punitive damages are not covered pursuant to public policy in many states.[44] Other states permit indemnification of such damages.[45]

Most intellectual property laws do not provide for the award of punitive damages. Under the Lanham Act, the court may award up to treble damages. This sum "shall constitute compensation and not a penalty."[46] Thus, an insured will argue that such multiple damages are covered unless expressly excluded. Most decisions hold that punitive damages are not recoverable under the Lanham Act.[47]

The Patent Act also allows treble damages.[48] The Copyright Act does not provide for multiple damages.[49] But there are statutory damages under the copyright scheme. Most courts hold that punitive damages are not permitted for statutory copyright claims.[50]

There are often related state law claims that might support a claim for punitive damages, such as common law unfair competition or common law copyright.

Attorney Fee Awards

Generally, an award of attorney fees would not constitute "damages."[51] But if covered damages are awarded, then attorney fees may be covered if they are awarded as costs pursuant to a covered claim.[52] If under the particular statute in question attorney fees are awarded as costs, a policyholder will argue that the fee award is covered as a "supplementary payment." Beginning with the 2007 ISO CGL form however, supplementary payments include costs but "do not include attorneys' fees or attorneys' expenses taxed against the insured."[53]

Only the Copyright Act treats the award as part of the costs—in a copyright case, the court may award a "reasonable attorney's fee to the prevailing party as part of the costs."[54] The other statutory schemes do not specify that the award is "part of the costs," thus treating it as something different from and in addition to costs. In trademark cases under the Lanham Act, "The court in exceptional cases may award reasonable attorney fees to the prevailing party."[55] The Patent Act contains the same language.[56] Under the Uniform Trade Secrets Act, in an appropriate case the court may award reasonable attorney fees and costs.[57]

Some courts have held that there is no duty to pay for attorney fees when they are awarded based upon wrongful intent.[58] Accordingly, the intent issues must be examined in these cases. An award of attorney fees in a copyright case is justified, inter alia, where the infringement is willful.[59] Attorney fees under the Lanham Act require proof of willfulness to show an "extraordinary case."[60] This can be established if there is "some form of willful, deliberate, or fraudulent conduct."[61] Such a finding would vitiate coverage. Where there is no proof of intent to deceive or confuse the public, an attorney fee award will be reversed.[62] The Uniform Trade Secrets Act allows recovery of attorney fees if willful or malicious misappropriation exists.[63]

Exclusions

Another allocation issue that arises occurs when some part of the damages is covered and some part is excluded. Some exclusions that should be considered include the Knowing Violation of Rights of Another, Breach of Contract, Unauthorized Use of Another's Name or Product, and Contractual Liability exclusions.

Knowing Violation of Rights of Another. This provision excludes injury caused 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. There are several issues in intellectual property cases that involve intent of the defendant. Intent is relevant, for example, to the amount of statutory damages in a copyright case, to liability for contributory patent infringement, and to disgorgement of profits of the infringer.

Statutory damages may be awarded in copyright cases. The plaintiff may elect statutory damages at any time before final judgment. The plaintiff has a right to statutory damages in a "normal" case in an amount between $750 and $30,000 per work according to what the court finds "just."[64] In cases where the plaintiff establishes "willful" copyright infringement, statutory damages can be increased up to $150,000.[65] Where the infringer establishes "innocent infringement," statutory damages are to be reduced to a sum not less than $200.[66] So willfulness is only required for the enhanced amount of statutory damages. And innocent infringement is only required to get the lower amount of statutory damages.

The intent necessary for showing willful infringement will be argued by insurers as that which would arguably vitiate coverage under the knowing violation exclusion. "Willful infringement" means with knowledge that the defendant's conduct constitutes copyright infringement.[67] But some commentators and courts use a "reckless disregard" standard in defining willful infringement.[68] And an infringer who has been notified that he or she is infringing a copyright, but who reasonably and in good faith believes that he or she is not, is not willfully infringing for purposes of increased statutory damages.[69] Of course, if the issue is payment or allocation of a judgment, there may be a jury instruction defining willful infringement, and there may be jury findings on this issue.

In *Zurich*, the insured was sued for copyright infringement. These claims arose out of the sale of songs without compensation to the songwriter after a license to use the songs had terminated. The Ninth Circuit held that such claims cannot be excluded from an insurance policy by virtue of California's public policy and California Insurance Code Section 533. While Section 533 was found to be an implicit exclusion in every insurance contract, the court held that copyright infringement is not an act which is willful per se, for the purposes of Section 533. The implicit assumption of the court's discussion is that if willful infringement is proven, then Section 533 would preclude coverage.[70]

Some commentators and cases describe statutory damages for infringement as essentially "punitive." For example, in *Rodgers v. Quests, Inc.*, the court indicated that it was treating some or all of any sum fixed in excess of $250 as punitive damages.[71] Yet, the $30,000 cap on "normal" statu- tory damages (previously $20,000 and before that $10,000) indicates that presumably the defendant did not act willfully. Other courts and commentators disapprove of the view that such damages are punitive.[72]

Direct patent infringement need not be intentional. However, there must be willfulness for the court to multiply the damages.[73] Inducement of patent infringement and contributory patent infringement are two additional theories of liability.

Contributory infringement[74] relates to conduct involving the sale of components of a known patented device and requires a showing that the contributory infringer has knowledge that the combination for which the component was especially designed was both patented and infringing.[75]

Inducement of patent infringement[76] comprises all other conduct that would have been common law contributory infringement under the patent law prior to the Patent Act of 1952. Intent to infringe is an essential element for liability as an infringer.[77]

Both contributory infringement and inducement require intent that would be excluded.[78]

Breach of Contract. This provision excludes injury arising out of a breach of contract, except an implied contract to use another's advertising idea in your "advertisement." A number of courts have found that the exclusion does not prevent coverage if the liability also arises in tort, or if the injury would not exist but for the breach of contract. Most of the cases have looked at this in the context of the duty to defend.

In *Zurich*, the insured sold a music library including songs written by a songwriter under contract. The policy excluded advertising injury "arising out of breach of contract." The court found that the insurer had a duty to defend because the action could also be characterized as sounding in tort.[79]

Another issue in this regard is the claim often made by the plaintiff that the wrongful conduct is a breach of the agreement, that the breach terminates the agreement under a termination provision, so that the agreement is not operative. This argument serves to undercut the application of the Breach of Contract exclusion, and the related allocation analysis.

Unauthorized Use of Another's Name or Product. This exclusion precludes coverage for advertising injury arising out of the unauthorized use of another's name or product in the named insured's e-mail address, domain name, or metatag, or any other similar tactics to mislead another's potential customers.[80] These exclusions may provide further points for an allocation analysis.

Contractual Liability. This exclusion provides that the policy does not apply to personal and advertising injury for which the insured has assumed liability in a contract or agreement. But the exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement.

In advertising, often the client agrees to indemnify the advertising agency. So it is possible that there may be indemnification damages with respect to the advertising agency, which will not be covered by the policy. This would include attorney fees that the insured may be liable to pay to or on behalf of its advertising agency if the indemnity applies. This part of any judgment or settlement would be excluded. This liability should be allocated to the insured.[81]

Covered and Uncovered Parties

Federal intellectual property laws cover infringements in the United States. In some cases, foreign affiliates of domestic corporations are joined as defendants. Usually, the foreign affiliate is not an insured on the domestic policy. Any part of a settlement attributable to infringing use of a trademark or patent or copyright by the foreign affiliate would not be covered. Expert reports often will break down revenues and profits between foreign and domestic activities.

The policy covers offenses committed in the coverage territory. "Coverage territory" is defined in part as the United States (including territories and possessions), Puerto Rico, and Canada; and all other parts of the world if the injury or damage arises out of, inter alia, "'Personal and advertising injury' offenses that take place through the Internet or similar electronic means of communication."[82]

Conclusion

Intellectual property cases are expensive to litigate, often expensive to settle, and can result in significant judgments. By anticipating the allocation issues, and considering all aspects of the indemnity obligation, the parties will be able to make informed decisions throughout the litigation process and during any settlement discussions.

Notes

1. Ins. Servs. Office, Inc., Commercial General Liability Coverage Form, CG 00 01 12 07, ¶ I.B.1.b. [hereinafter ISO Form CG 00 01 12 07].
2. 35 Cal. Rptr. 2d 920 (Ct. App. 1994).
3. *See, e.g.*, Jasmin v. Dumas, 781 F.2d 1161, 1164 n.3 (5th Cir. 1986).
4. *See* 17 U.S.C. § 507(b) (three years for copyright infringement); 35 U.S.C. § 286 (six years for patent infringement); CAL. CIV. CODE § 3426.6 (three years for trade secrets).
5. *E.g.*, 17 U.S.C. § 302(a) (for copyrights, life of the author plus 70 years is a basic rule in a very complicated scheme); 35 U.S.C. §§ 154 (20 years for utility patents), 173 (14 years for design patents).
6. 17 U.S.C. § 412.
7. *Id.*
8. Irons Home Builders, Inc. v. Auto-Owners Ins. Co., 839 F. Supp. 1260, 1265 (E.D. Mich. 1993).
9. *See* Applied Bolting Tech. Prods., Inc. v. U.S. Fid. & Guar. Co., 942 F. Supp. 1029, 1037 (E.D. Pa. 1996); Kim Seng Co. v. Great Am. Ins. Co. of N.Y., 101 Cal. Rptr. 3d 537 (Ct. App. 2009).
10. 555 F.3d 772 (9th Cir. 2009).
11. *Cf.* Taco Bell Corp. v. Cont'l Cas. Co., 388 F.3d 1069 (7th Cir. 2004) (holding that later Chihuahua television commercials were sufficiently distinct from earlier ones so that prior publication exclusion did not apply).
12. ISO Form CG 00 01 12 07, *supra* note 1, ¶¶ V.14.f., g.
13. Ins. Servs. Office, Inc., Broad Form Comprehensive General Liability Endorsement, GL 04 04 05 81, ¶ II.(D).
14. 57 U.S.P.Q.2d 1267 (D.N.H. 2000), *rev'd*, 273 F.3d 409 (1st Cir. 2001).
15. ISO Form CG 00 01 12 07, *supra* note 1, ¶ V.1.
16. *See* Toffler Assocs., Inc. v. Hartford Fire Ins. Co., 651 F. Supp. 2d 332 (E.D. Pa. 2009) (finding insurer had no duty to indemnify damages arising from distribution of newsletter by insured, a consulting firm, to its 300 customers, because this limited distribution was not "advertising").

17. *See* Gitano Grp., Inc. v. Kemper Grp., 31 Cal. Rptr. 2d 271 (Ct. App. 1994) (finding no coverage when the product infringed the patent, the infringer advertised the product, but there was no "separate" harm due to the advertising).

18. *See* Hyundai Motor Am. v. Nat'l Union Fire Ins. Co. of Pittsburgh, Pa., 600 F.3d 1092 (9th Cir. 2010) (finding a patent for a "build your own" product website feature to be an advertising idea, but not a patent for an online parts catalog; on remand, insurer sought reimbursement of defense expenses for allocation on the theory that only one of the two patents in suit was covered).

19. 408 F. Supp. 1219 (D. Colo. 1976), *modified*, 561 F.2d 1365 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 1052 (1978).

20. Cuisinarts, Inc. v. Robot-Coupe Int'l Corp., 580 F. Supp. 634 (S.D.N.Y. 1984).

21. U-Haul Int'l, Inc. v. Jartran, Inc., 793 F.2d 1034 (9th Cir. 1986).

22. *See* Platinum Tech., Inc. v. Fed. Ins. Co., 282 F.3d 927, 932 (7th Cir. 2002) (noting that on remand insurer could argue that a portion or all of the settlement was for the purchase of plaintiff's trademark assets, and not for a release from liability for trademark infringement, notwithstanding insured's argument for estoppel); Hugo Boss Fashions, Inc. v. Fed. Ins. Co., 252 F.3d 608, 624 (2d Cir. 2001) ("[T]he jury might have reasonably concluded that the amount of the settlement reflects a payment by [the defendant] not only for [the plaintiff's] termination of the lawsuit, but also for an expansion of its rights under the Concurrent Use Agreement. And [the insurer] was not obligated to pay attorneys' fees expended in securing this expansion of rights."); Zurich Ins. Co. v. Killer Music, Inc., 998 F.2d 674 (9th Cir. 1993).

23. 998 F.2d 674.

24. *Id.* at 679.

25. *Id.* at 679–80 ("Zurich will have the opportunity to demonstrate that some portion, if not all, of the settlement amount is allocable to the value of the songs which Killer received in the settlement agreement.").

26. 17 U.S.C. § 504(a).

27. 15 U.S.C. § 1117(a).

28. 35 U.S.C. § 284.

29. *E.g.*, CAL. CIV. CODE § 3426.3.

30. *Zurich*, 998 F.2d at 679.

31. Bank of the W. v. Superior Court, 833 P.2d 545, 552–53 (Cal. 1992).

32. 60 F.3d 767, 769 (11th Cir. 1995); *see* Am. Emp'rs' Ins. Co. v. DeLorme Publ'g Co., 39 F. Supp. 2d 64, 79 (D. Me. 1999) (holding that compensation for loss is one of the rationales for an accounting of profits under the Lanham Act).

33. *See Bank of the W.*, 833 P.2d 545.

34. *In re* Indep. Serv. Orgs. Antitrust Litig., 23 F. Supp. 2d 1242, 1250 (D. Kan. 1998).

35. Bucklew v. Hawkins, Ash, Baptie & Co., 329 F.3d 923, 933 (7th Cir. 2003).

36. Walker v. Forbes, Inc., 28 F.3d 409, 412 (4th Cir. 1994).

37. Getaped.com, Inc. v. Cangemi, 188 F. Supp. 2d 398, 404 (S.D.N.Y. 2002) (quoting PAUL GOLDSTEIN, COPYRIGHT § 12.1.1.1, at 12:7 (2d ed. 2000)).

38. *Id.* at 404 ("'[T]he value of [Getaped's] copyrighted work resides not in its intrinsic value, but rather . . . in its tendency to promote the sales of other products.' As such, Getaped's ability to establish a causal connection is difficult." (alterations in original) (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.02[A], at 14-14 (2001))).

39. Mackie v. Rieser, 296 F.3d 909, 915 (9th Cir. 2002); Taylor v. Meirick, 712 F.2d 1112, 1122 (7th Cir. 1983) ("If General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors' corporate income tax return in the record and rest your case for an award of infringer's profits."). *Contra* Andreas v. Volkswagen of Am., Inc., 336 F.3d 789, 799 (8th Cir. 2003) (holding jury's finding that plaintiff established a nexus between Audi's infringing use of his copyrighted work and Audi's profits from the sales of the automobile was sufficiently supported by the evidence).

40. On Davis v. Gap, Inc., 246 F.3d 152 (2d Cir. 2001); *Getaped.com*, 188 F. Supp. 2d at 404.

41. 35 U.S.C. § 284; Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 507 (1964).

42. 31 U.S.P.Q.2d 1332 (E.D. Cal. 1993).

43. No. CV-9002010 (C.D. Cal. June 10, 1992).

44. *E.g.*, Ford Motor Co. v. Home Ins. Co., 172 Cal. Rptr. 59 (Ct. App. 1981); Pub. Serv. Mut. Ins. Co. v. Goldfarb, 425 N.E.2d 810 (N.Y. 1981).

45. *E.g.*, Carroway v. Johnson, 139 S.E.2d 908 (S.C. 1965).

46. 15 U.S.C. § 1117.

47. Getty Petroleum Corp. v. Bartco Petroleum Corp., 858 F.2d 103, 109 (2d Cir. 1988).

48. 35 U.S.C. § 284.

49. *See* 17 U.S.C. § 504.

50. *E.g.*, On Davis v. Gap, Inc., 246 F.3d 152, 172 (2d Cir. 2001).

51. Sullivan Cnty. v. Home Indem. Co., 925 F.2d 152, 153 (6th Cir. 1991); Cutler-Orosi Unified Sch. Dist. v. Tulare Cnty. Sch. Dists. Liab./Prop. Self-Ins. Auth., 37 Cal. Rptr. 2d 106 (Ct. App. 1994).

52. *See* Argento v. Vill. of Melrose Park, 838 F.2d 1483 (7th Cir. 1988) (holding that fees awarded under Civil Rights Act (42 U.S.C. § 1988) were costs and therefore covered as a supplementary payment); *cf.* United States v. Sec. Mgmt. Co., 96 F.3d 260 (7th Cir. 1996) (holding that because Fair Housing Act treated attorney fees as separate from costs, fees were not costs under the supplementary payment provision).

53. ISO Form CG 00 01 12 07, *supra* note 1, Supplementary Payments ¶ 1.e.

54. 17 U.S.C. § 505.

55. 15 U.S.C. § 1117(a).

56. 35 U.S.C. § 285.

57. *E.g.*, CAL. CIV. CODE § 3426.4.

58. Combs v. State Farm Fire & Cas. Co., 49 Cal. Rptr. 3d 917 (Ct. App. 2006) (holding that because the basis of the attorney fee award was intentional discrimination, there could be no coverage).

59. Getaped.com, Inc. v. Cangemi, 188 F. Supp. 2d 398, 406 (S.D.N.Y. 2002).

60. 15 U.S.C. § 1117.

61. Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1127 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992).

62. VIP Foods, Inc. v. Vulcan Pet, Inc., 675 F.2d 1106 (10th Cir. 1982).

63. *E.g.*, CAL. CIV. CODE § 3426.4.

64. 17 U.S.C. § 504(c)(1).

65. *Id.* § 504(c)(2).

66. *Id.*

67. NIMMER ON COPYRIGHT, *supra* note 38, § 14.04[B][3], at 14-59 to 14-60.

68. N.A.S. Import, Corp. v. Chenson Enters., Inc., 968 F.2d 250, 252 (2d Cir. 1992).

69. Princeton Univ. Press. v. Mich. Document Servs., Inc., 99 F.3d 1381 (6th Cir. 1996) (en banc).

70. Zurich Ins. Co. v. Killer Music, Inc., 998 F.2d 674, 678–79 (9th Cir. 1992).
71. 213 U.S.P.Q. 212, 220 (N.D. Ohio 1981).
72. Doehrer v. Caldwell, 207 U.S.P.Q. 391 (N.D. Ill. 1980).
73. Wilden Pump & Eng'g Co. v. Pressed & Welded Prods. Co., 655 F.2d 984 (9th Cir. 1981).
74. 35 U.S.C. § 271(c).
75. Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 488–93 (1964).
76. 35 U.S.C. § 271(b).
77. Knapp-Monarch Co. v. Casco Prods. Corp., 342 F.2d 622 (7th Cir. 1965).
78. Mez Indus., Inc. v. Pac. Nat'l Ins. Co., 90 Cal. Rptr. 2d 721, 736 (Ct. App. 1999) (finding that inducement to patent infringement as alleged could not be committed except as a knowing, intentional, and purposeful act that is clearly wrongful and necessarily harmful); Aetna Cas. & Sur. Co. v. Superior Court, 23 Cal. Rptr. 2d 442 (Ct. App. 1993) (finding no recovery of damages for inducement of infringement under CAL. INS. CODE § 533 in absence of showing that the insured acted with specific intent to induce the infringement).
79. Zurich Ins. Co. v. Killer Music, Inc., 998 F.2d 674, 678 (9th Cir. 1992); *see* Houbigant, Inc. v. Fed. Ins. Co., 374 F.3d 192 (3d Cir. 2004) (not applying contract exclusion because although the parties were in contract with each other, the conduct was independently tortious); Hugo Boss Fashions, Inc. v. Fed. Ins. Co., 252 F.3d 608, 623 (2d Cir. 2001) (finding that insured's advertising injury would "arise out of" breach of contract only if it would not exist but for the breach of contract); Indus. Indem. Co. v. Apple Computer, Inc., 95 Cal. Rptr. 2d 528, 544 (Ct. App. 1999) (discussing trademark coexistence agreement, but deciding case on trademark infringement exclusion).
80. Oglio Entm't Grp., Inc. v. Hartford Cas. Ins. Co., 132 Cal. Rptr. 3d 754 (Ct. App. 2011) (holding that use of comical lounge singer's name as a domain name to promote albums was excluded by the "Unauthorized Use of Another's Name or Product" exclusion).
81. *See* Gitano Grp., Inc. v. Kemper Grp., 31 Cal. Rptr. 2d 271 (Ct. App. 1994) (finding insurer owed no duty to parties who were not named insureds).
82. ISO Form CG 00 01 12 07, *supra* note 1, ¶ V.4.c.(3).