

Contents

Introduction	xiii
1 Intellectual Property Attorney's Checklist	1
A. Commercial General Liability/Umbrella/Excess Insurance Policies	1
1. Insurance Services Office (ISO) Commercial General Liability (CGL) Policy Forms "Advertising Injury" Coverage	1
2. Non-ISO CGL "Advertising Injury" Coverage	2
3. Best Prospects for Intellectual Property Insurance Coverage under Personal and Advertising Injury Coverage in ISO CGL/ Umbrella/Excess Policies [1976, 1986, 1998, 2001, 2003, 2007]	5
4. Broad View of Coverage Opportunities Based on Business Interests in Accord with Principles of Enterprise Risk Management	6
5. Insurance Coverage for Corporate Counsel	8
B. Intellectual Property Insurance Policies	9
1. Insurance Policy Providers	9
C. Cyberspace/Multimedia Coverage	14
1. Selecting the Coverage That Suits the Company	14
2. Insurance Product Offerings: Analyzing Their Applicability to Exposure	18
3. Policy Provisions	23
4. Issues Posed by Claims-Made Insurance Coverage and the Requirement of Prompt Notice	31
5. Coverage Case Analysis	33
D. Directors and Officers Policies	36
1. Representative Policy Forms	36
2. Coverage Case Analysis	36
E. Errors and Omissions (Professional Liability) Policies	37
1. Representative Policy Forms	37
2. Coverage Case Analysis	37

2	What Intellectual Property Owners Should Know about Insurance Coverage	41
A.	The Insurance Product Marketplace for Intellectual Property Insurance	41
1.	The Entrepreneurial Insurance Marketplace	41
2.	Surmounting Corporate Roadblocks to Integrated IP Insurance Risk Management	41
3.	The Insurance/IP Audit	42
4.	Setting Up Protocols to Assess Coverage for Claims Involving IP Assets	42
5.	Restoring Balance to the IP/Insurance Interface	43
B.	Questions IPOs Should Ask Regarding Insurance Coverage	43
C.	IPOs as Plaintiffs	44
1.	How to Get an Insurer to Pursue Patent Infringers with Attorneys You Choose at Its Expense: The Advent of Patent Pursuit Policies	44
2.	Industries Likely to Benefit from Pursuit Coverage	45
3.	Coverages Available for Pursuit of Patent Infringement Lawsuits	45
4.	What Insurance Coverage Will Your Litigation against Defendants Trigger That Might Benefit Them or Your Company?	46
D.	IPOs as Defendants/Counterdefendants	47
1.	Issues to Confront in Assessing the Potential for Insurance Coverage	47
2.	What Insurance Coverage Will Litigation against Your Company Trigger That Benefits Its Interests?	48
3.	Recommendations for IPOs Serving as Defendants/Counterdefendants	50
4.	When Can an Insurer Be Compelled to Pay the Full Amount of the Contemplated Settlement of an Underlying Action?	50
E.	Assessing an Insurance Portfolio as an IPO to Maximize Value	52
1.	New Insurance Policies Covering Cyberspace Torts	52
2.	Cyberspace Policies	53
3.	Net Secure Policies	54
3	Special Aspects of Coverage under Offense-Based “Personal/Advertising Injury”/Cyberspace/Multimedia Coverage	55
A.	Ten Rules of Policy Construction Applicable to Offense-Based Coverage	55
B.	Ten Key Rules for Policyholders in Coverage Disputes	56
C.	Ten Rules for Communications with Carriers	56

4	What Are the Facts for Purposes of Coverage Analysis?	59
A.	Distinct Tests for Determining What Facts Are Pertinent	59
B.	Facts Asserted in the Complaint	59
1.	The Complaint Allegations Rule	59
2.	Amended Complaint May Trigger a Defense	61
3.	Limitations on Use of the Complaint-Allegations Rule in Analyzing Offense-Based Coverage	62
4.	Case Law Applying the Complaint-Allegations Rule to Offense-Based Allegations	63
5.	Survey of Case Law	64
C.	Facts Known or Knowable to the Insurer/Facts Asserted in the Complaint	65
1.	Facts Known or Knowable Places a Burden on Policyholders to Alert Insurers to Ongoing Facts	65
2.	Survey of Case Law	66
D.	Facts Available to the Insurer (Duty to Investigate)	67
1.	Facts Can Be Developed to Enhance Coverage Prospects	67
2.	Survey of Case Law	67
E.	Shaping the Underlying Litigation to Clarify the Duty of Defense and Right to Independent Counsel	68
1.	Defense Counsel Should Not Dismiss Covered Claims	68
2.	Opposing Claimant's Discovery into Insurer/Policyholder Communications	68
5	Proper Parties Covered under the Policy	69
6	Notice	71
A.	Who Should Be Notified?	71
B.	Late-Notice Rules	71
1.	Survey of Key Jurisdictions' Late Notice Rules	71
2.	Delay in Notice under Ultimate Net Loss Coverage Paired with a Voluntary Payments Provision May Preclude Defense Fee Reimbursement	73
3.	Insurance Brokers Who Advise Policyholders Not to Give the Insurer Notice May Be Liable for Affirmative Misrepresentation	74
4.	Recovery of Pre-Tender Fees	74
5.	Relation Back Doctrine	82

C.	Notifying the Policyholder of a Reduction in Coverage	84
1.	General Admonition to Read the Policy Is Not Enough	84
2.	Survey of Case Law	86
D.	Circumstances in Which Notice Can Be Established When an Insurer Was Not Directly Provided with a Copy of a Potentially Covered Lawsuit	86
1.	Voluntary Payment Provisions as a Bar to Coverage Following Late Notice	86
2.	Failure to Understand the Scope and Application of Offense-Based Personal Injury Coverage Is No Excuse for Late Notice	87
3.	Where Notice Is a Condition Precedent to Coverage, Extra Vigilance in Providing Prompt Notice Is Required	88
4.	Notice May Be Constructive and Actual in Many Jurisdictions	88
5.	Late Notice Is Especially Problematic in Procuring Coverage in Intellectual Property / Antitrust Litigation	91
7	Choice of Law	93
A.	Once a Forum Is Selected, What Law Will Apply?	93
B.	Survey of Forums' Choice-of-Law Rules	93
1.	<i>Lex Loci Contractus</i> (Place Contract Made)	93
2.	Most Significant Relationship Test	93
3.	Two-Pronged Test	95
4.	Place of Performance	95
5.	Government Interest Analysis	95
6.	Place of the Last Act to Give Rise to a Valid Contract	96
7.	Most Intimate Contacts Test	96
8.	Greatest Interest in the Outcome Test	96
9.	Balancing the Competing Interests of the States	96
10.	Aggregation of Contacts: Five-Factor Test	96
11.	Center of Gravity Test	97
12.	Most Significant Contacts Test	97
13.	Governmental Interests	97
14.	Location of Risk	98
C.	Preferred Venues for Choice of Forum	98
1.	Choice of Forum, Choice of Law: Key Criteria in Determining What Law Will Apply to Coverage Disputes	98
2.	States That Permit Recovery of Attorneys' Fees to the Prevailing Policyholder in a Coverage Litigation	99

3. States That Award Prejudgment Interest in Excess of the Market Rate to a Prevailing Policyholder	100
4. States That Permit the Selection of Independent Counsel at the Insurer’s Expense When a Conflict of Interest Arises Due to the Presence of Covered and Uncovered Claims in a “Mixed Action”	102
5. States That Find Ambiguity in Policy Language Evident Where Courts Disagree	105
8 Errors & Omissions Exposure for Failure to Notify Insurer of Claims	107
A. Broker Exposure for Failure to Notify	107
B. Lawyer Malpractice for Failure to Provide Notice	109
1. Rule 26(f) Requires Intellectual Property Defense Counsel to Advise the Court Whether There Is Potential Coverage	109
2. Coverage Cases Increasingly Look to “Facts Known to the Insurer”	109
3. A Survey of “Facts Known” Coverage Reveals Additional Duties Insurers May Impose on Defense Counsel	109
4. The Failure to Assure Effective Access to Policy Benefits Triggers IP Counsel’s Malpractice Exposure	111
5. The Duty to Protect Policy Benefits Includes Securing Insurer-Funded Settlements	113
C. Broadening Intellectual Property Counsel’s Retainer Agreement to Include Securing the Assistance of Coverage Counsel	114
9 Advertising Injury Provisions	117
A. Three-Part Test	117
B. Applying the Three-Part Test	117
1. The Offense Element	117
2. The Advertising Element	118
3. The Causal Nexus Element	134
4. Patent Infringement	137
5. Trade Secret Misappropriation	138
6. Trademark Infringement	138
C. Fourth Element: During the Policy Period	141
1. Scope of Meaning	141
2. Coverage	141
3. No Coverage	141
D. Fifth Element: As Damages	142

1. Scope of Meaning	142
2. Coverage	143
3. No Coverage	144
10 IP Insurance Coverage Cases	147
A. Copyright	147
1. Nature of Copyright Claims	147
2. Coverage Cases (Offense)	147
3. Coverage Cases (Causal Nexus)	148
B. Patent	166
1. Patent Elements That Potentially Implicate “Advertising Injury” Coverage	166
2. Coverage Cases (Offense)	166
3. Coverage Cases (Causal Nexus)	204
4. Patent Infringement Lawsuits Conjoined with Other Potentially Covered Claims	223
5. Non-ISO Policy Language	227
C. Trademark	235
1. Nature of Trademark Claims	235
2. Coverage Cases (Offense)	235
3. Non-ISO Policy Language	270
4. Coverage Cases (Causal Nexus)	276
5. Non-ISO Coverage Cases (Causal Nexus)	283
D. Trade Secret	292
1. Trade Secret Claims That Potentially Implicate “Advertising Injury” Coverage	292
3. Coverage Cases (Causal Nexus)	313
4. Non-ISO Policy	316
11 Personal and Advertising Injury Exclusions	321
A. Breach of Contract (All ISO CGL)	321
1. Policy Language	321
2. Scope of Meaning	321
3. Coverage	322
4. No Coverage	326
B. Business of Advertising (All ISO CGL)	331
C. Failure to Conform to Advertising (All ISO CGL)	331
1. Policy Language	331
2. Scope of Meaning	332

3. Coverage	332
4. No Coverage	333
D. First Publication (All ISO CGL)	338
1. Policy Language	338
2. Scope of Meaning	338
3. Exclusion Limited to Offenses That Require an Oral or Written Publication of Material: Libel, Slander, Disparagement, Invasion of Privacy	340
4. Complaint Silent as to When Infringing Conduct Commenced	348
5. No Injurious Use of Infringing Publication before Policy Inception	350
6. Distinct Material Published After Policy Inception Even Though Related to That Published Before	352
7. Same Publication Both Before and After Policy Inception	355
E. Intellectual Property (2001/2003/2007/2014 ISO CGL)	358
1. ISO Exclusions	358
2. Trademark, Service Mark, Trade Name, Other Than Titles and Slogans	368
3. Non-ISO Exclusions	370
4. Field of Entertainment Limitation Endorsement	383
F. Knowing Violation of Rights of Another (1998/2001/2003/2007 ISO CGL)	384
1. Policy Language	384
2. Scope of Meaning	384
3. Coverage	386
4. No Coverage	390
G. Knowledge of Falsity (All ISO CGL)	390
1. Policy Language	390
2. Scope of Meaning	390
3. Coverage	391
4. No Coverage	400
H. Knowledge of Personal and Advertising Injury	404
1. Policy Language	404
2. Scope of Meaning	404
3. Coverage	404
4. No Coverage	407
I. Liability Assumed under Contract (All ISO CGL)	408
1. Policy Language	408
2. Scope of Meaning	408

3. Coverage	408
4. No Coverage	410
J. Professional Services (All ISO CGL)	411
1. Policy Language	411
2. Scope of Meaning	411
3. Coverage	411
K. Public Policy (Dependent on State Law)	413
1. Statutory Language	413
2. Scope of Meaning	413
3. Coverage	414
L. Willful Violation of Penal Statute (All ISO CGL)	416
1. Policy Language	416
2. Scope of Meaning	416
3. Coverage	417
4. No Coverage	418
M. Business of Publishing (All ISO CGL)	419
1. Policy Language	419
2. The Advertising Exclusion Cannot Preclude a Defense for an Insured Whose Business Is Not Primarily an Advertiser	420
3. “Business of Advertising” Has Been Narrowly Construed by Courts	420
N. Unauthorized Use	423
1. Policy Language	423
2. Coverage	423
3. No Coverage	425
O. Intended and Expected Exclusion	425
1. Policy Language	425
2. No Coverage	425
12 Counterclaims	427
A. Defamation/Libel or Slander (1976 ISO CGL); Oral or Written Publication of Material That Slanders or Libels Another Person’s or Organization’s Goods, Products, or Services (1986/1998/2001/2003/2007 ISO CGL)	427
1. Policy Language	427
2. Scope of Meaning	427
3. Coverage for Defamation	428

B. Disparagement—“Oral or Written Publication of Material That Disparages a Person’s or Organization’s Goods, Products, or Services” (1976/1986/1998/2001/2003/2007 ISO CGL)	433
1. Policy Language	433
2. Scope of Meaning	433
3. Coverage for Disparagement	434
4. No Coverage for Disparagement	442
C. Making Known Material That Violates a Person’s Right of Privacy	446
1. Policy Language	446
2. Scope of Meaning	447
3. Coverage	447
4. No Coverage	458
D. Malicious Prosecution	461
1. Policy Language	461
2. Scope of Meaning	461
3. Coverage	462
4. No Coverage	464
E. Unfair Competition	466
1. Policy Language	466
2. Scope of Meaning	467
3. Coverage	468
4. No Coverage	469
5. Causal Nexus	471
F. Non-ISO Language	475
1. Discrimination	475
2. Idea Misappropriation under an Implied Contract	478
Table of Cases	483
Index	543