



# The IP Update: Protect. Defend. Prevail.

5/1/2017

Volume 4 Issue 1

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## News & Announcements

### Upcoming IP Litigation Committee Seminar in Chicago

by *Clint Brannon and Brian Brookey*



We have nearly concluded the planning and preparation for the [DRI IP Seminar](#), and are pleased that we have once again been able to put together an amazing program that includes high-quality CLE, and networking events that will allow you to meet new colleagues and reconnect with existing ones.

Speakers will address the impact of IP laws on nascent industries, such as the legalized marijuana industry, and will also provide updates on the latest legal precedents and trends impacting patents, trademarks, copyrights, and trade secrets.

We would like to invite everyone in the DRI community to attend the Seminar to experience this program for themselves. The Seminar will be held on May 10-12 at the Gleacher Center in Chicago. DRI has secured a block of rooms at the nearby Loews Hotel that is available to Seminar attendees at a discounted rate. Registration is now open at <http://demo.dri.org/Event/20170030>.

We look forward to seeing everyone in Chicago!

Clint Brannon and Brian Brookey

Program Chair and Vice Chair

## Articles of Note

### Resolve to Strengthen Your IP Rights: Foolproof Exercises For 2017

by *Alison D. Frey*



Protecting your intellectual property has never been easier or more cost-effective, even if you engage outside counsel. Whether you are positioning your company for sale or expansion or simply want to step up your game, here is a list of exercises a savvy business manager should have in their routine to ensure the company's IP rights grow stronger this year:

#### 1. Register Your Proprietary Visual or Textual Works With the Copyright Office

Do you have a particularly creative website? Do your marketing materials or packaging contain desirable copy, proprietary photographs, or original graphics? Consider registering these works with the copyright office. It's easy, inexpensive, and can be an invaluable tool against your competitors or other would-be infringers.

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### Upcoming Seminar



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### DRI Publications

Copyrights attach upon creation, but before a copyright owner can sue an infringer, they must register the infringed-upon work with the Copyright Office. However, unless the work was registered with the Copyright Office *prior to the infringement*, the copyright owner is generally not entitled to statutory damages (which can be up to \$150,000 for willful infringement) or attorneys' fees. Actual damages and profits are often non-existent or too low to warrant a lawsuit. For a work registered within five years of publication, the registration is *prima facie* evidence in court. As a result, a demand letter to an infringer that does not reference a registration may seem disingenuous to the recipient and likely to be ignored, whereas a demand letter that references a registration *and* states that the copyright owner could be entitled to statutory damages and attorneys' fees is likely to get the recipient's attention and increase the chances of cooperation. A copyright registration can also be recorded with U.S. Customs to prevent the importation of infringing items.

Seek reputable IP counsel to help you evaluate what is registrable and what is not. Be involved in the process and ask them to explain anything you don't understand. Once you have an idea of what can be protected via a copyright registration and how to go about it, you may be able to handle future copyright applications for similar materials in-house.

### 2. Engage in Clearance Searching Before Choosing That New Trademark

Are you thinking of a re-brand or refresh this year? Launching a new product? Hoping to grab customer's attention with a catchy new tagline? The best time to search for conflicting rights is well before the company has invested time, money, and emotion into a proposed new mark or tagline. Engage outside counsel to clear your front-runners prior to making a final selection. You may just save yourself from the aggravation (or humiliation) of having to back off of the CEO's favorite mark or worse, rebrand after spending half of your budget on marketing materials containing a mark that a third-party asserts is infringing.

Trademark counsel can suggest the best approach for clearing your proposed marks. If you have a large number of them, a brief and inexpensive "knock-out" search could be done to eliminate those that are clearly problematic. With the list narrowed, you may wish to have your counsel perform a more extensive search on the final few and rank them in order of perceived risk *and* ease of enforcement and registration. In addition to simply avoiding an infringement situation, the information gleaned from a full search can be very helpful in your final selection process, allowing you to choose a trademark or tagline that is (1) unlikely to draw an objection, (2) easy to register, and (3) capable of being enforced against others. All this can be learned from a clearance search, and most firms are willing to provide these results on an expedited basis, if requested.

### 3. Register Minor Marks and Taglines

You did everything right when the company's house mark was selected and registered, but what has been developed since then? Do you have product names or taglines that you feel proprietary about but haven't registered? Even if you have been using them for a few years, there is a significant added benefit to securing a federal registration for secondary or even tertiary marks and taglines. As a federally registered mark, these minor marks are more likely to be discovered and avoided by those looking to adopt a new mark. A federal trademark registration can often facilitate the settlement or even avoidance of a difficult dispute because the owner of that federal registration enjoys statutory presumptions which can cut through the gray area that often surrounds common law rights. A federal registration can mean the difference between being able to expand use of the mark into new product lines and new geographic areas in the future or being frozen into your original scope of use by a third party who has adopted and registered a similar mark. So, think big, alert others to your rights, and secure the benefits of a federal registration for those minor marks.

### 4. Police Your Trademarks

In the U.S., a trademark owner has an obligation to police its trademark and prevent third parties from using and registering confusingly similar marks. The consequences for failing to do so can be a loss of rights. The U.S. Trademark Office examines new applications for conflicts, but this does not prevent 100% of conflicting marks from being registered. For this reason, a trademark application is published for third party opposition prior to registration. Additionally, many businesses simply put a mark into use without attempting to clear or register the

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mark. A watch service subscription can provide a trademark owner with regular alerts to federal applications that cover conflicting marks so that a letter of protest or opposition can be filed, when necessary. A watch service can also cover business names, domain name registrations, news articles, and other indicators that would show if a third party is adopting or using a conflicting mark. Typically, the earlier a third party is made aware of your prior rights, the easier it is to resolve the dispute but, without a watch service, it could be years before a conflicting trademark registration or common law use is discovered. Talk to your IP counsel about initiating a watch service that is tailored to your specific mark, goods and services, and geographic area of operation. Many companies are able to review and evaluate these notices in-house, which makes the process very cost-effective.

### 5. Find Your gTLD Strategy

If you have a reasonably important online presence, you should have a domain name strategy in place. There are a great many approaches to protecting a company's trademarks and internet footprint through domain name registration. Some companies prefer to avoid any domain name disputes altogether by defensively registering anything a cyber squatter or competitor might want to register. Others maintain only a handful of domain name registrations and fight the good fight when the need arises. A company's budget, internet presence, and appetite for risk all play into the formulation of a sound strategy. Competent IP counsel can work with you to develop a plan that will maximize your budget and align with your priorities. With more gTLDs launching this year, it's a good time to think about your online domain.

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## Obtaining Statutory Damages for Trademark Infringement – A Cross Border Approach Under the Trademark Act of the Republic of Korea

by *Mi-Jeong Oh and Kurt B. Gerstner*



Under the Trademark Act of the Republic of Korea ("the Act"), a trademark owner is entitled to receive compensation for damage arising from its trademark being infringed. The Supreme Court of Korea recently provided further guidance on a trademark owner's right to obtain statutory damages for infringement of its trademark (Supreme Court case No.

2014da59712,59729, decided on September 30, 2016).

Under Korean law, a trademark owner can choose to claim one of the following types of damages:

1. Actual Damages resulting from the infringement;
2. Estimated Damages – the Act provides various ways of estimating damages, such as an estimate based on the fees normally paid to the owner by someone using the trademark;
3. Statutory (Legal) Damages - compensation for a reasonable amount to the extent not exceeding 50 million won (approximately \$44,000 U.S. dollars).

In ordinary situations, when estimating damages, the trademark owner must prove that its trademark has been infringed as well as the fees that normally would be paid for the trademark's use. The trademark owner is not required to claim and/or prove the existence of its damages in detail. However, if the trademark owner has simply registered the trademark without actually using it—then the infringer typically will deny the existence of any damages. Such an argument effectively would deprive the owner of any right to compensation, even though the owner has properly registered the mark.

As noted above, in addition to the provision allowing for the estimation of damages, the Act also provides for the award of statutory damages where it is difficult to prove actual damages or even to estimate the damages. Under the Act, rather than claiming and proving the actual amount lost due to the infringement of its trademark or the fees normally paid for using the trademark, a trademark owner may file a claim for statutory damages against a person who used a trademark identical to the trademark owner's, either intentionally or by mistake, on goods identical to the designated goods. In dealing with this type of claim, the court will review all the arguments and the relevant evidence presented and in its discretion it will determine the amount to be paid to the trademark owner. The amount of statutory damages to be awarded by the court may not exceed KRW 50 million (roughly USD \$44,000.)

Recently, on September 30, 2016, the Supreme Court of Korea provided further guidance on a trademark owner's right to obtain statutory damages for infringement of its trademark (Supreme Court case No. 2014da59712,59729, decided on September 30, 2016). In that case, the plaintiff trademark owner brought a trademark infringement action against a defendant gene testing companythe defendantthe defendant. The plaintiff sought estimated damages in the amount of fees normally paid to the trademark owner, or at least it should be awarded statutory damages, even if it did not qualify for the estimated damages. The facts of the case are described as follows:

On February 25, 2008, the trademark owner filed an application for Trademark "X" regarding gene testing. Trademark X was registered on March 4, 2010, but not actually used by the Plaintiff at that time. Meanwhile, the defendant started using its marks Y1, Y2 and Y3 beginning on February 28, 2008 when it was conducting its gene testing business. The defendant ceased using those marks roughly four years later on May 12, 2012, when the Plaintiff accused the defendant of infringing the Plaintiff's Trademark X. Thereafter, the defendant instead began using its mark Y4.

The Plaintiff had begun operating its gene testing business beginning around February 10, 2003, but it did not use its Trademark X in that business. Instead, Trademark X was first used around July 2012, by the Plaintiff's subsidiary, Company A. The Plaintiff established Company A on April 26, 2012 in order to conduct another gene testing business through that company.

The Plaintiff alleged that the defendant's use of its marks Y1, Y2, Y3 and Y4 all infringed the Plaintiff's Trademark X. The court held that because the marks Y1, Y2 and Y3 used by the defendant were similar to the Plaintiff's registered Trademark X, the defendant's use of these marks in the defendant's gene testing business constituted an infringement of the Plaintiff's trademark. It held that the scope of the Plaintiff's trademark right was not effective as to the defendant's mark Y4, which mark was not similar to the Plaintiff's Trademark X.

Although the court found that the defendant's use of the marks Y1, Y2 and Y3 infringed Trademark X, nonetheless it dismissed the Plaintiff's infringement damages claim. For part of its damages claim the Plaintiff sought estimated damages equivalent to the fees normally paid to the Plaintiff for using the trademark. But the Plaintiff actually had not been using its Trademark X in its gene testing business. Conversely, during the period when it conducted business using Trademark X through its subsidiary, Company A, the defendant was not using the marks Y1, Y2 and Y3. Therefore, the defendant was causing no harm to the Plaintiff at that time.

With regard to the Plaintiff's claim for statutory damages, although the marks Y1, Y2 and Y3 are similar to Trademark X, they are not identical. Moreover, during the period when those marks were used by the defendant, the Plaintiff was not using its Trademark X in doing its gene testing business. The court ruled that a trademark owner may not file a claim for statutory damages under the Act if the owner has not in fact been using the registered trademark.

In reaching its decision, the court noted that the statutory damages provision applies only exceptionally, in order to allow a trademark owner to receive a certain amount of compensation, even when the owner is not able to prove the amount of its damages. This prevents the trademark infringer from avoiding the consequences of its unlawful activities. Nonetheless, the requirements for the Act's statutory damages application should be interpreted strictly as required under the law. The court appears to have interpreted the Act as requiring that there must be some actual harm to the Plaintiff in order to recover statutory damages. This new ruling also makes it clear that when filing a claim for statutory

damages, the trademark owner must have actually been using the registered mark at the time such mark was infringed, in order to qualify for statutory damages.

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## Advertising Injury Coverage May Not Be As Advertised

by Jason L. Ederer



To defend or not to defend? That is the question. Whether an alleged intellectual property infringement is covered under the advertising injury clause of a commercial general liability (CGL) policy, so as to trigger an insurance company's duty to defend, has become a particularly vexing question (on all sides of the "v"). Claimants may be hopeful they can craft allegations in a complaint so that the insurance company will provide coverage and ensure that they will be properly compensated either in settlement or at trial -- or, strategically, they may not want the infringer to be covered so they can extract an early settlement before significant legal fees are expended. Defendants being sued for infringement, on the other hand, are typically hopeful that the alleged claims will be construed as covered either by the insurance company or a court, so they don't need to incur legal fees they cannot afford. Finally, insurance companies are frequently asked to make difficult coverage determinations in this still-developing area of coverage, and hope for clear and consistent guidance from the courts.

With these questions of coverage and the duty to defend so important to all parties, litigation in the field has grown exponentially. In just the first few months of 2017, several federal courts have been called upon to articulate whether certain claims fall within the parameters of what constitutes an "advertising injury," some of which decisions are addressed below.

First though, an overview of general principles. The most basic principle applicable here is that the "duty of a liability insurer to defend an action brought against an insured is determined by the allegations in the complaint." *Bridge Metal Indus., LLC v. Travelers Indem. Co.*, 559 Fed. Appx. 15, 19 (2d Cir. 2014); *Selective Ins. Co. v. Target Corp.*, 845 F.3d 263, 269 (7th Cir. 2016). Generally speaking, an insurer's duty to defend is "exceedingly broad," and the insurer "will be called upon to provide a defense whenever the allegations of the complaint suggest . . . a reasonable possibility of coverage." *General Star Indem. Co. v. Driven Sports, Inc.*, 80 F. Supp. 3d 442, 450 (E.D.N.Y. 2015); see also *Selective Ins. Co. v. Target Corp.*, 845 F.3d 263, 269 (7th Cir. 2016).

Now, oftentimes a court's decision on the duty to defend issue is easy, because the policy in question is simple in its construction and the allegations fit squarely within it. For example, in one recent case, the policy stated that a "personal and advertising injury" must arise out of "[c]opying, in your 'advertisement.'" *Sentinel Ins. Co. v. Yorktown Indus.*, 2017 U.S. Dist. LEXIS 14439, at \*9 (N.D. Ill. Feb. 2, 2017). Since there were no relevant allegations that the plaintiff was injured by the defendant/insured's alleged copying of their trade secrets "**in an 'advertisement,'**" or that anything had been "publically disseminated...to promote...goods and services...", the court found there could be no coverage for "personal and advertising injury." Similarly, in another recent case, the policy at issue stated that "[a]dvertising injury . . . [m]eans injury caused by the infringement of copyright, 'title' or 'slogan' **in your 'advertisement'** ", provided that the claim was made by the owner of such copyright, 'title' or 'slogan.' *Educ. Impact v. Travelers Prop. Cas. Co. of Am.*, 2016 U.S. Dist. LEXIS 176799, \*3-4 (N.D. Cal. Dec. 21, 2016). Again, the court there found that "[b]y its terms, this provision does not apply to general copyright infringement...[and that] the relevant infringement must have occurred **in [an] advertisement.**" As such, a substantive infringement claim was not an "advertising injury" under the policy. *Id.* at \*18-19.

So, what then about this "broad duty to defend"? Is it as simple as looking at the

complaint and seeing whether the infringement is alleged to have occurred in “advertising”? Well, in truth, the issue is getting more complicated than that. More recently, as a correction to the insurance companies’ narrow reading of the pleadings in infringement actions, it appears a newer standard has started to emerge. Indeed, some courts have recently noted that whether such duty to defend exists is no longer limited by the specific language of the pleadings, but that they (and the insurers) now must look *behind* the claimant’s allegations to analyze whether coverage is possible. *S. Bertram Inc. v. Citizens Ins. Co. of Am.*, 657 Fed. Appx. 477, 480 (6th Cir. 2016).

For example, in *High 5 Sportswear, Inc. v. H5G, LLC*, 2017 U.S. Dist. LEXIS 23937 (S.D. Ohio Feb. 21, 2017), the plaintiff sought damages from the defendant arising out of a complaint for trademark infringement and cybersquatting. *Id.* at \*2. The defendant’s “advertising injury” claim was denied, and the defendant then filed a third-party complaint against its insurer, seeking a declaratory judgment that, among other things, its insurer had a duty to defend. *Id.* The insurance company argued in its motion for summary judgment that the lawsuit did not trigger a duty to defend because “the Complaint’s allegations [e]ll outside the Insurance Policy’s coverage terms”, specifically focusing on the fact that the infringement and cybersquatting were not alleged to have occurred in advertising, and therefore were not covered. *Id.* at \*9-10. In response, defendant argued that the claimant’s allegations stated a claim for infringement of the plaintiff’s *trade dress* or *slogan*, and therefore, by definition, came within the advertising injury provisions of the policy. *Id.*

Noting that the policy defined “personal and advertising injury” as “[i]nfringing upon another’s copyright, trade dress or slogan in your ‘advertisement[.]’” the court found that this definition, on its face, did not automatically include trademark infringement. *Id.* at \*16. However, and though it ended up dismissing the accused infringer’s claim because trademark infringement was not specifically enumerated under the policy’s advertising injury coverage, the Court was equally careful in giving the argument its due, i.e., that the alleged trademark infringement was, in essence and nature, a claim for infringement of a slogan, and tantamount to a claim of trade dress infringement and/or false designation of origin, for which coverage would have been provided. *Id.* at \*16-19. On the other hand, the court found that because the allegedly infringing elements were neither the “total image,” nor the design or packaging of Plaintiff’s products, here they could only be construed as marks, and not trade dress. *Id.* at \*20-21. Nevertheless, the fact that the court was willing to look beyond the allegations in the complaint and even consider the accused infringer’s slogan/trade dress arguments was a change in the approach of the courts in and of itself.

Similarly, in *Unwired Solutions v. Ohio Sec. Ins. Co.*, 2017 U.S. Dist. LEXIS 46215 (D. Md. 2017), Sprint had filed a underlying complaint for against the plaintiff, Unwired, for tortious interference and federal trademark infringement arising out of an alleged scheme which took advantage of the fact that Sprint sells phones to its customers for use on the Sprint network at subsidized rates. *Id.* at \*2-4. The plaintiff was a provider of services to Sprint customers, and allegedly had “gained control of Sprint customer accounts in order to acquire subsidized Sprint phones for itself and sell them at a profit.” *Id.* In this action, the plaintiff and its insurance company disputed whether a duty to defend existed where “personal and advertising injury” was defined in several relevant policies as injury “arising out of” “oral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products, or services.” *Id.* at \*3-4. Both sides moved for summary judgment as to whether Sprint’s underlying claims triggered the duty to defend.

What is most notable about this case is the argument made by the plaintiff insured that even though Sprint did not specifically identify the “tort of product disparagement” as a cause of action in the underlying action, the coverage inquiry, especially under Maryland law, should go beyond the allegations themselves, and extend to the question of whether such undesignated or unlabeled causes of action which *would* trigger such duty. *Id.* at \*6-10. The court agreed that this was the proper approach, noting that “the relevant inquiry is whether the underlying lawsuit alleges or *implies* that Sprint suffered an injury that arose out of the publication of disparaging material by [Plaintiff] - regardless of how Sprint labeled its counts.” Further, the court noted that at least in its own jurisdiction, an insurance company has a duty to defend its insured “for all claims that are potentially covered, [e]ven if a tort plaintiff does not allege facts which clearly bring the claim within or without the policy coverage.” *Id.* So, although the Court then proceeded to find that no such duty to defend existed--holding that

“[a] mere allegation of reputational harm does not establish disparagement”—the case demonstrates yet another recent court’s apparent willingness to go beyond the face of the pleadings in attempting to determine whether a duty to defend exists under a policy’s advertising injury language. *Id.* at 10.

In the end, whether courts will eventually read implicit advertising injury “into” a complaint alleging infringement of intellectual property that does not use the word “advertising” remains to be seen. But as the results continue to filter in, it appears more likely than not that courts will continue look to the nature or implication of what is being alleged, and not just the exact wording, in an effort to ensure that insurers fulfill their coverage promises to their insured’s. One thing remains certain -- stakeholders on all sides will be watching intently as the case law continues to develop.

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