

**COPYRIGHT AND IP ISSUES INVOLVING CONSTRUCTION**

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**I. COPYRIGHT GENERALLY**

A copyright is a form of statutory protection for original works.<sup>1</sup> Title 17 of the Construction U.S. Code protects the owner of the copyright by giving him the exclusive right to perform certain actions with the original work or authorize others to do so. It is illegal for anyone to violate any of the rights provided by copyright law to the owner of the copyright.

Generally, a copyright protects the exclusive right of the owner to copy, publicly display, and derive works from the original creation. The copyright standard of originality requires only that there be a minimal amount of creativity.

Copyright protection exists from the time the work is created in a fixed form, even if unpublished. The author or creator is the immediate and automatic owner of the copyright in most situations. Section 101 of Title 17 defines a “work made for hire” in which the employer and not the employee/creator is considered the owner of the copyright. This exception to the general rule requires the parties to expressly agree in a signed written instrument that the work is made for hire, as well as adhere to other specific criteria, such as the work being prepared within the scope of normal employment. Joint work will result in co-owners of the copyright unless there is an agreement to the contrary.

A copyright in a work created after January 1, 1978, is valid for the life of the author plus 70 years the author’s death.<sup>2</sup> The term for “work made for hire” is 95 years from the year of the first publication or 120 years from its creation, whichever is shorter.<sup>3</sup>

Copyrightable works include:

1. literary works;
2. musical works, including any accompanying words;
3. dramatic works, including any accompanying music;

4. pantomimes and choreographic works;
5. pictorial, graphic, and sculptural works;
6. motion pictures and other audiovisual works;
7. sound recordings; and
8. architectural works.

These categories are often viewed broadly. For example, a computer program may be copyrighted as a literary work or a map as a pictorial or graphic work.

However, there are many categories of works that are not generally copyrightable. These include 1) works that are not fixed in a tangible form, 2) titles, names, short phrases, slogans, familiar symbols or designs, 3) ideas, procedures, methods, systems, processes, concepts, principles, discoveries, and 4) works consisting entirely of information that is common property.

A common misconception is that because the *expression* of an idea in a fixed medium is protected, the idea itself is protected. This is not true as “in no case does copyright protection... extend to any idea.”<sup>4</sup> “Others are free to utilize the ‘idea’ so long as they do not plagiarize its ‘expression.’”<sup>5</sup> In situations where the expression and the idea are so closely intertwined that there is only one way to express an idea, the merger doctrine creates an exception to the protection of the expression. Protecting the ‘expression’ in these circumstances would confer a monopoly of the ‘idea’ upon the copyright owner free of the conditions and limitations imposed by patent law.<sup>6</sup>

The merger doctrine requires the court to determine whether the idea is capable of various modes of expression.<sup>7</sup> The court must first

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<sup>1</sup> Title 17 U.S.C.A.

<sup>2</sup> *Id.* at § 302(a).

<sup>3</sup> *Id.* at § 302(c).

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<sup>4</sup> 17 U.S.C.A. § 102(b).

<sup>5</sup> *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 46 F.2d 738, 741 (9<sup>th</sup> Cir. 1971).

<sup>6</sup> *Id.* at 742; *Kern River Gas Transmission Co. v. Coastal Corp.*, 899 F.2d 1458, 1463 (5<sup>th</sup> Cir.), *cert. denied*, 498 U.S. 952 (1990).

<sup>7</sup> *Mason v. Montgomery Data, Inc.* 967 F.2d 135 (5<sup>th</sup> Cir. 1992).

identify the idea that the work expresses and then attempt to distinguish that idea from the expression.<sup>8</sup> If the idea can stand independent of the expression, merger has not occurred and the expression can be protected under federal copyright law.

Originally, under the Copyright Act of 1909, publication or registration of the work was necessary for copyright protection. Because, under current federal law, the copyright is secured automatically upon creation, publication or registration with the Copyright Office is no longer required. However, publication remains an important concept for various reasons. Also, there are significant legal advantages to registration and possible consequences associated with a failure, intentional or not, to register an original work.

Registration of a copyright establishes a public record of the claim, can be made at anytime during the life of the copyright, and is necessary when filing an infringement suit. Registration may establish prima facie evidence of copyright validity if filed within five years of publication.<sup>9</sup> Damages available to the plaintiff are directly affected by whether or not registration was made within three (3) months of publication or prior to the infringement. Following federal registration guidelines allows the copyright owner to seek statutory damages and attorney's fees, while a failure to do so limits the possible award to actual damages and profits. When exclusive rights are split among owners, each owner can and should register a separate claim in the work.

Owning the actual work or a copy of the work does not grant the possessor with the copyright to that work. Transfer of any material that embodies a protected work does not automatically convey any rights in the copyright, even in the absence of a copyright notice.

Although the use of a copyright notice may still be relevant to the status of older works, the use of a notice is no longer required under U.S.

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<sup>8</sup> *Id.*

<sup>9</sup> 17 U.S.C. § 410(c).

law. A copyright notice informs the public that the work is protected by copyright, identifies the copyright owner, and shows the year of first publication.<sup>10</sup> A copyright notice may be used by the owner regardless of publication status or registration with the Copyright Office,<sup>11</sup> so it may behoove a copyright owner to place a notice on any copies or materials depicting his work, even before publication. The proper notice will usually protect the author from an "innocent infringement" defense if it is necessary to proceed to litigation.

Copyright is a personal property right that is subject to the various state laws and regulations that govern the transfer of personal property as well as relevant contract principles. The copyright owner has the ability to transfer any or all of his exclusive rights to the work as long as the transfer is in writing. Transfer of a right on a nonexclusive basis does not require a written agreement. Other methods of transferring personal property, such as by will, are also valid.

A common exception to copyright arises under the doctrine of fair use. A use that might otherwise be infringing, could be excused depending on 1) the purpose and character of the use,<sup>12</sup> 2) the nature of the copyrighted work, 3) the amount and substantiality of the portion used, and 4) the effect of the use on the potential market for or value of the copyrighted work.

#### **A. Historical Application of Copyright to Construction**

The first 'copyright' protection may have had its roots in ancient Egypt. Architectural legend describes the ancients' deification of the Master Builder. He was glorified by the Egyptians as the god "Imhotep, " the master architect of the step pyramid in Egypt. The master architect held high station in Egyptian civilization. He was the only one who knew the way to the burial chamber of the pharaoh. As a result, he was killed as part of the burial ceremony and buried with his king. Today, such

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<sup>10</sup> Example: © 2008 R. Brent Cooper

<sup>11</sup> Example: Unpublished work © 2008 R. Brent Cooper

<sup>12</sup> Personal rather than commercial use.

dire steps to protect the integrity of architectural design are no longer necessary.

Under the 1909 Copyright Act, “drawings or plastic works of a scientific or technical nature” could be protected by copyright.<sup>13</sup> The 1976 Copyright Act reiterated the right to copyright scientific and technical drawings. Therefore, the creator of an engineering drawing is usually entitled to copyright protection for the original portions of the drawing. Under the 1976 Act, architectural drawings and written specifications were included for the first time under the definition of valid copyrightable subject matter, although the ensuing buildings were not.<sup>14</sup>

Although copyrights for engineering drawings created under a ‘work made for hire’ agreement typically belong to the employer, drawings created outside that type of arrangement, such as work done by a consultant, may be limited in their use by the employer. The employer or purchaser may only use the plans as authorized under a license, while the copyright remains with the creator.

Engineering drawing copyrights may also be limited in protection against third parties who create utilitarian objects in accordance with the drawings. Although the drawings themselves would likely be protected, a copyright is not a patent, and the more stringent protection provided by patents is not extended to copyrighted only creations.

Under prior copyright law, this same limitation extended to architectural drawings. While the drawings could be protected by copyrights, the actual structures were not afforded the same defense. A competitor was prohibited from copying the drawings, but, ironically, could often copy the building. Currently, the Architectural Works Copyright Protection Act of 1990<sup>15</sup> allows for a separate copyrighting of the building.

Courts historically shied away from protecting buildings with copyrights because of the lack of previous direction from the legislature and the difficulty of reconciling the purpose of copyright law and the inherent mix of idea and expression in architecture. The Second Circuit explained the difficulties in distinguishing ideas from expressions in architectural and engineering plans:

The problem of distinguishing an idea from its expression is particularly acute when the work of "authorship" is of a functional nature, as is a plan for the accomplishment of an architectural or engineering project. As a generalization, to the extent that such plans include generalized notions of where to place functional elements, how to route the flow of traffic, and what methods of construction and principles of engineering to rely on, these are "ideas" that may be taken and utilized by a successor without violating the copyright of the original "author" or designer. On the other hand, to the extent that the copier appropriates not only those ideas but the author's personal expression of them, infringement may be found.

*Attia v. Society of New York Hosp.*, 201 F.3d 50, 54 (2d Cir. 1999).

Distinguishing between the functional and the aesthetic aspects of an architectural work can pose difficulties due to the mutualism of creative and practical concerns in a building. Because architecture embodies both art and construction, its "ambivalent nature" has always been a reason for its lack of copyright protection.<sup>16</sup>

It may be difficult, for instance, to distinguish artistic features from functional

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<sup>13</sup> Drawings, being two-dimensional renderings, and plastic work, indicating three-dimensional renderings.

<sup>14</sup> 17 USC § 101

<sup>15</sup> P.L. 101-650, Title VII, § 70. et seq.

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<sup>16</sup> See Michel Huet, *Architecture and Copyright*, 19 UNESCO Copyright Bull., No. 4, at 14, 15 (1985)

features in such modern buildings as the Wang Building in New York City or the Johnson Wax Building in Racine, Wisconsin, by Frank Lloyd Wright. The main decorative motif on the Wang Building's facade is its structural cross-beams, while the interior of the Johnson Wax Building is famous for its mushroom-like columns that hold up the roof.

The Pompidou Center is an example of when functional elements may be protected. Although the steam pipes are essential to the building's function, their placement on the exterior facades is not and is meant to be aesthetic. Therefore, because the functional elements are incorporated into a design and the placement is not dictated solely by function, the entire design may be protected even though it includes very functional elements.

Also, prior to March 1, 1989, copyright protection could be forfeited on published drawings if the appropriate copyright notice was not placed on the work. Because this requirement was also at odds with the Berne Convention international treaty, it was eliminated although using the notice on plans may still be desirable for other benefits. Publication without appropriate copyright notice after March 1, 1989 (while still desirable) is no longer essential.

#### **B. The Architectural Works Copyright Protection Act of 1990**

The Architectural Works Copyright Protection Act of 1990 ("AWCPA") added a new type of protected work to previous copyright law. The Act was initiated to bring the United States into conformance with the Berne Convention and has now been in effect for over 17 years. Prior to this legislation, the author of an architectural design had no copyright remedy if a duplicate structure was constructed from the original as long as the actual drawings and specifications were not copied. The 1990 Act enhances rather than replaces previous copyright law by adding protections for buildings built from original designs.

The AWCPA was signed into law at the same time the act of copying architectural drawings or the building design was budding

with new digital technology. The copying process can now occur with unprecedented speed using digital images of a building and converting those images into workable plans. By strengthening protection of architectural works, design professionals can now diligently protect the ownership, use and transfer of their designs.

An architectural work, defined by the 1990 Act is:

The design of a building as embodied in any tangible medium of expression, including a building,<sup>17</sup> architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of space and elements in the design, but does not include individual standard features.

17 U.S.C. § 101

Now, so long as the plans are original, are not merely functional, and satisfy other general copyright requirements, neither the drawings nor the buildings depicted by them may be copied. Exterior and interior designs are both protected. However, when an architectural work has utilitarian and artistic elements, only the artistic elements that can exist separately from the utilitarian aspects will be protected by copyright.

Architectural works, however, do have less protection than other artistic works. As a concession to practicality, photographs or other renderings of buildings are not prohibited if the building is ordinarily visible from public space.<sup>18</sup> This "public place" limitation permits the unauthorized publication of these representations. Also, the building owner is expressly empowered

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<sup>17</sup> "Buildings" are things designed to be occupied by humans, such as houses, office buildings, churches and museums. Structures other than buildings that are major engineering structures, such as bridges, dams, walkways, tents, mobile homes and boats are not protected under this act. Standard configurations of spaces as well as individual standard features, like doors and windows are likewise not protected. *Id.*

<sup>18</sup> See 17 U.S.C. §§ 106, 120(a).

to renovate or demolish the building.<sup>19</sup> The “building owners” and “public place” limitations acknowledge the need to protect authors of architectural works while simultaneously recognizing architecture as a public art form and real estate investment’s role as an important component of the economy.

Enforcement of state and local zoning, building, landmark and historic preservation codes, which may otherwise infringe upon an architectural copyright, is expressly permitted under the AWCPA. Likewise, concurrent legislative discourse recognized that limited copying and distribution of plans for permit or bid purposes should not constitute copyright infringement.

The protections afforded to architectural works by the AWCPA apply only to designs that were created on or after December 1, 1990 or were not yet published or constructed by that date. However, courts may differ on the moment a drawing was created or a building constructed. Because these are gradual processes, completion may be approached and measured in degrees.

Public Law 101-650 also included The Visual Artists Rights Act of 1990. This act expanded the rights of authors of visual arts, such as art “incorporated in or made part of a building.” Awareness of visual arts protections is important when renovating or demolishing buildings or commissioning new decorative items such murals or sculptures.

These visual artists are protected from 1) inaccurate attribution, 2) loss of integrity, and 3) physical damage to the work.<sup>20</sup> Attribution is the right to claim authorship of the work and to disassociate the author’s name from distorted, mutilated or modified work. The right of integrity gives the artist the right to stop intentional modification of the work which would be prejudicial to the artist. The artist also has a right to stop the intentional or grossly negligent destruction of a work of “recognized stature.” These additional rights remain with the artist,

even if he has transferred all ownership of the work and the corresponding copyrights.

### **C. Situations Typical to Practice**

When one author is responsible for the creation of a new work, original copyright ownership is easily determined. However, joint participation is typical for architectural works. For example:

1. An architect is paid for a design by a project owner who also contributes ideas at times and makes final choices about the end results.
2. The design is produced by a large firm and a number of employees are involved in the final project.
3. A principle architect creates some plans, but others are created by sub-consultants, together forming an integrated parcel.

The general copyright rules regarding employee work for hire and joint ventures were not written with attention to state regulations pertaining to architects and engineers, but are still determinative in deciding authorship.

Accordingly, the firm, rather than the associates, would hold the copyright in example 2. Likewise, a development company or design/build contractor would own copyrights to designs made by staff designers. However, employment agreements can alter or fail to secure this arrangement.

The result is usually different for designers who are independent contractors. Owner/architect contracts typically allow the architect to have independent discretion over products and procedures, even when the owner makes certain choices or contributions. So, like in example 1, the independent architect will be the likely holder of the copyright.

Although this situation is normal, many project owners may be surprised that the

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<sup>19</sup> 17 U.S.C. § 120(b).

<sup>20</sup> 17 U.S.C. § 106A

copyright was not also purchased while purchasing the design services. In fact, standard American Institute of Architects (“AIA”) contract forms leave the copyright with the architect and give owners or contractors limited licenses.<sup>21</sup> Therefore, the right of the owner to build depends upon the design contract.

In example 3, the total joint work probably depends upon the other works for utility. A typical joint work may be a set of plans consisting of architectural, structural, and electrical plans each created by a different firm. The normal rule is that each contributing firm has an undivided interest in the copyright and each firm is the partner of the others. Subject to an accounting to the others for profits, each firm has the right to use the whole work.<sup>22</sup>

Therefore, the principle architect must consider the interests of his subs before permitting plans to be built or copied. The architect should be prepared to contract for the subs interests or pay out some share of the royalties. Firms, organized as partnerships, would probably be treated similarly under copyright rules for joint work, but partners may also have different or additional obligations under state partnership laws.

Another typical situation involves a realtor’s reproduction and distribution of floor-plans to interested homebuyers of newly constructed homes. Under a standard listing agreement to market speculative homes for a builder, the builder will provide a copy of the architectural drawings to be used for marketing purposes. In search for commissions, the realtor will likely distribute these plans effusively.

Assume this particular builder did not secure the correct permissions from the designer or altered the protected designs without permission. The designer may have two copyright claims against the realtor: 1) distribution of an infringing architectural work by brokering the sale of the infringing homes and 2) copyright infringement

by making unauthorized copies of the protected drawings for commercial purposes.

Builders, developers, and realtors are all in a class of persons who should be aware of possible copyright infringement actions. Written permission from the designer should always be acquired *before* copies, faxes, or marketing materials are created. Provisions requiring designers, builders, or developers to warrant that they have the right to use the architectural plans for construction and to indemnify others and hold them harmless from any claims or lawsuits alleging copyright infringement are becoming more common.

In a scenario where a developer or owner paid an architect to design and produce plans for a retail store, restaurant, office, condo building or manufacturing facility, they may want to use the same design and plans for a second location. The original architect will most likely demand a second fee. This fee request is probably correct under the original contract with the architect and U.S. copyright law. However, many construction professionals may give in to the desire to save money or cut corners and fall prey to one or more of these commonly circulated copyright myths:

1. The client owns the copyright to plans if he pays to have the plans drawn up.
2. The plans must be registered in the Copyright Office to be protected.
3. If there is no copyright notice on the plans, they are not protected.
4. The copyright, if any, covers the plans, but not the building.
5. Plans or buildings must be really novel or unique to be protected.
6. If the plans or design is changed by 20 percent, there is no infringement.

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<sup>21</sup> AIA Document B141

<sup>22</sup> See 17 U.S.C. § 201(a) note

7. If an individual is not aware of any copyright, there is no infringement.

8. Liability for copyright infringement is limited to the cost of the plans.

Each of those myths is false and reliance on this common folklore can result in serious liability for copyright infringement. Remedies in a civil lawsuit for copyright infringement may include the defendant's profits from the infringement and the actual damages suffered by the plaintiff, or at the plaintiff's option, statutory damages ranging from \$750 to \$30,000 per infringing copy (and up to \$150,000 per copy in a case of willful infringement). The court can issue an injunction prohibiting further infringement and order destruction of the infringing plans or building. Finally, the court can order the guilty party to pay the plaintiff's attorney fees and costs.

There are other common copyright pitfalls to avoid in day to day design professional activities. Architects and construction professionals should adopt the following procedures for policing rights and avoiding liability for infringement: (1) review vendor software licenses for unauthorized copying of programs such as CADD programs; (2) use the AIA contract only in accordance with its provisions; (3) if engaged to complete or continue a project already under way, determine the right to use original plans in advance; (4) review professional liability insurance policy for copyright infringement coverage; (5) establish in-house procedures for submitting copyright applications and placing appropriate notices on plans; (6) review carefully all "standard" form contracts, whether AIA or otherwise; (7) review employee contracts to determine whether works created off-hours or off-premises belong to the employer; and (8) review contracts with outside consultants.

#### **D. Copyrights or Trademarks**

Copyrights and trademarks are different beasts, but similar in family. Although both concern intangible property rights and overlap in some aspects, there are also significant

differences between them. Trademark law, unlike copyright law, is not derived from the Patent and Copyright Clause, but has its roots in the Commerce Clause of the U.S. Constitution.<sup>23</sup>

A trademark is defined as "any word, name, symbol, or device or any combination thereof" used by a person "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."<sup>24</sup> Although an individual does not need to register the mark prior to use in commerce, by using the mark on or in connection with goods and by displaying the mark in the sale or advertising of services, the mark owner automatically acquires trademark rights in the geographic area of use.<sup>25</sup>

The mark owner may also federally register the mark. Once federal registration is obtained, the owner can use a statutory trademark notice to reasonably notify the public of the ownership. The trademark protection will extend indefinitely as long as the mark is neither abandoned or becomes generic. To determine whether a mark should be afforded trademark protection, the court evaluates the mark on a sliding scale of classification: 1) generic, 2) descriptive, 3) suggestive, 4) arbitrary, or 5) fanciful.<sup>26</sup>

Trademark infringement occurs when someone else uses the same or a confusingly similar term, on the same or closely related goods or services, in the same geographic area of the mark.<sup>27</sup> It is well settled that a trademark protects more than just words and does so even when there is no likelihood of confusion. Current trademark protection includes: words, numbers, slogans, pictures, symbols, characters, sounds, graphic designs, and color.<sup>28</sup> The expansive definition of trademarks allows the mark owner to distinguish his goods from competitors'.

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<sup>23</sup> U.S. CONST. Art. I, § 8, cl 3.

<sup>24</sup> 15 U.S.C. § 1127 et seq.

<sup>25</sup> 15 U.S.C. § 1051

<sup>26</sup> *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2<sup>nd</sup> Cir. 1976).

<sup>27</sup> 15 U.S.C. § 1114

<sup>28</sup> *Id.*

As the principles of trademark policy have evolved, courts have expanded protection to the “trade dress” of a product.<sup>29</sup> Trade dress protection extends beyond packaging to include the product’s total image (i.e. the size, shape, color, texture, or graphics).<sup>30</sup> Therefore, extending the protection to a three-dimensional object is consistent with the purposes of trademark law regardless of whether the design is the packaging or the product itself.

In order to ensure that the mark does not run counter to the purposes of trademark law, the courts use a “functionality” test to determine whether a product design is more “useful” or “aesthetic.”<sup>31</sup> However, simply because the mark has a function or purpose, it is not precluded from being a valid mark, especially in light of any non-functional aspects. Therefore, the underlying principles protecting aesthetically functional marks generally apply to using trademark laws to protect architectural features such as building designs.<sup>32</sup>

To prevail on a claim of trademark infringement of an architectural trademark, the plaintiff must establish that the defendant used 1) a “reproduction, counterfeit, copy or colorable imitation” of the plaintiff’s mark; 2) without consent; 3) in interstate commerce; 4) in connection with a sale or offer for sale; and 5) “where such use is likely to cause confusion.”<sup>33</sup> The plaintiff must also show that it has actually used the mark at issue as a trademark and that the defendant is using the same or similar design as a trademark as well.

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<sup>29</sup> *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 162 (1995).

<sup>30</sup> *John H. Harland Co. v. Clark Checks, Inc.*, 711 F.2d 960, 980 (11<sup>th</sup> Cir. 1983).

<sup>31</sup> *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 169-70 (1995).

<sup>32</sup> Jerome Gilson, Trademark Protection and Practice § 1.02(1)(b)(1999).

<sup>33</sup> 15 U.S.C. § 1114; Annette Lesieutre Honan, *The Skyscraping Reach of the Lanham Act: How Far Should the Protection of Famous Building Design Trademarks Be Extended?* 94 NW. U.L.Rev. 1509, 1513-14 (2000).

Unlike copyright law, federal registration is not a prerequisite to seeking a remedy for trademark infringement. Many architects have successfully prevailed on trademark infringement claims under § 1125(a). Although architectural works have recently been defined as copyrightable under the AWCPA, these works have been protected under intellectual property law, specifically as trademarks, for a longer period.

Copyrights and trademarks provide different but overlapping scopes of protection, the key difference being when the protection attaches. Under copyright law, the protection attaches when the work is created, while for trademarks, it is when the mark has been used in the public domain. However, architects can pursue trade-dress protection of architectural works in conjunction with copyright registration. A likelihood of confusion analysis would favor a more comprehensive analysis than the substantial similarity test under the Copyright Act. Therefore, instead of comparing only certain elements, the likelihood of confusion test compares and examines multiple factors.<sup>34</sup>

In determining which intellectual property protection is appropriate, a designer should evaluate the scope of protection, the duration of protection, and the costs for obtaining the protection. In most cases, trademarks provide a broader protection than copyrights, but trademark protection of architectural work may be more difficult to obtain. Trademark protection last indefinitely while copyright protection has limitation linked to the lifespan of the author. Finally, the cost of copyright registration is very inexpensive and subject to limited review compared to the process for a federally registered trademark.

#### **E. Nature of Copyright Litigation**

Copyright rules can be somewhat contradictory and are very fact intensive. Evaluating how any particular case may be decided should be done with sensitivity to the facts and the whole panoply of copyright tenets.

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<sup>34</sup> *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va. Inc.*, 43 F.3d 922, 930 (4<sup>th</sup> Cir. 1995).

Federal Courts have exclusive jurisdiction to determine copyright infringement. In most cases, the federal district court where the defendant resides is the proper venue for an infringement suit. Infringement actions against the United States or an agency, contractor or person acting for the federal government must be brought in the United States Claims Court. States and their instrumentalities are subject to copyright law.

To prevail on a copyright infringement claim of an architectural work, a copyright owner must prove 1) ownership of a valid copyright and 2) copying or infringement of protected portions of the copyright work. Additionally, the plaintiff must comply with the general copyright requirements such as “originality.” However the threshold of originality is not a high standard.<sup>35</sup>

Before commencing litigation for infringement, the copyright must be registered, even though registration is not a precondition to the copyright itself.<sup>36</sup> Registration is completed through the U.S. Copyright Office and can even be initiated after the infringement without losing the ability to bring suit. A certificate of valid copyright registration is important evidence of the validity of the copyright.

Determining the owner of the copyright may be more complicated in construction cases where there may be several designers/authors, several transfers of partial exclusive rights or licenses, and multiple contracts between owners, builders and designers. Any transfer of exclusive copyright rights requires a written document, however oral or implied assignments are still possible where the right claimed is non-exclusive.<sup>37</sup>

It can not be inferred from the purchase and ownership of plans the right to copy or build from them.<sup>38</sup> Infringement suits can be based on the defendant using more of a protected work

then he was authorized to use or using the work beyond the authorized project.

The plaintiff in a copyright case must prove that the defendant copied the plaintiff’s work.<sup>39</sup> To prove that a defendant copied a protected work, the plaintiff may use 1) direct evidence of copying; or 2) circumstantial evidence of access and substantial similarity between the protected work and the infringing work.<sup>40</sup> Direct proof of copying is rare, so courts accept the combination of reciprocating evidence. Where similarity is higher, access can be less obvious and vice versa. For a strikingly similar copy, access may be presumed.

Proof of access requires only evidence of opportunity to observe the work.<sup>41</sup> “Substantial similarity” exists where an average lay person would recognize the alleged copy as having been appropriated from the copyrighted work.<sup>42</sup> Unfortunately, there are no hard and fast rules to define “substantially.” There isn’t a quick and easy number to use, like 75% of the house is the same. Minor differences such as color schemes or fixtures may be more distinguishable to a lay person than architectural features. The presence of substantial similarities, and not the difference between the works, determines whether infringement has occurred.

A unique feature of the infringement analysis with respect to architectural works is that there are inherent features included in all buildings that must be copied for practical purposes. This can be an advantage and disadvantage because the architect has to be able to articulate which design features are ornamental and original, and therefore protected, without minimizing the overall look and feel of the entire structure.

Using a different approach, the Eleventh Circuit adopted a “virtually identical” standard

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<sup>35</sup> *Folio Impressions Inc. v. Byer California*, 937 F.2d 759, 764-65 (2<sup>nd</sup> Cir. 1991).

<sup>36</sup> 17 U.S.C. § 411(a)

<sup>37</sup> *MacLean v. Mercer-Meidinger-Hansen*, 952 F.2d 769 (3<sup>rd</sup> Cir. 1991).

<sup>38</sup> 17 U.S.C. § 202

<sup>39</sup> *Norma Ribbon & Trimming, Inc. v. Little*, 51 F.3d 45, 47 (5<sup>th</sup> Cir. 1995).

<sup>40</sup> *Id.*

<sup>41</sup> *Robert R. Jones v. Nino Homes*, 858 F.2d 274 (6<sup>th</sup> Cir. 1988)

<sup>42</sup> *Leigh v. Warner Bros., Inc.*, 212 F.3d 1210, 1214 (11<sup>th</sup> Cir. 2000).

for claims of compilation copyright claims.<sup>43</sup> A compilation is a collection of preexisting elements that are selected and arranged in such a way that the result, as a whole, is an original work. Because architectural plans can usually be described as an arrangement of individually unprotectable elements, such as rooms and fixtures, a 'compilation' appellation and treatment has decided effects on litigation of copyright infringement.

The defendant can escape liability by proving independent creation, innocent infringement and fair use. In claims that rely on circumstantial evidence, a defendant may assert that similarities are just coincidental. Innocent infringement requires clean hands on the part of the defendant and a failure by the copyright owner to register and give notice on the copies. A successful fair use defense may be found in situations regarding education, historical reports or newscast exposes.

A defendant can also advance defenses that stem from an author's or copyright owner's failure to properly protect his own rights. Misuse, waiver, estoppel, and laches, while not creating any rights in the defendant, may end the defendant's exposure to the author/copyright owner.

Misuse means that the copyright owner has conditioned the use of his work on the user not also employing a competitor. For example, if an architect insists that a franchise owner uses only his design for all of his stores, the defendant user can exploit this misuse as long as the condition lasts.<sup>44</sup>

Waiver refers to the intentional relinquishment of known rights. The defendant must prove some act by the copyright owner manifesting that state of mind. A common scenario may be where a developer buys out a remainder of a construction administration contract from the designer, affecting a waiver on

the part of the designer/architect to complain about future execution by the developer.

Estoppel requires the defendant's reasonable reliance upon the copyright owner's acts or omissions and proof that the copyright owner knew of the use and that he acted in a way which caused the infringer's reliance. The infringer must also be ignorant of the real intent. The copyright owner would be estopped from complaining of the infringement where he encouraged the use he later wants to stop. For example, an architect should not be able to complain of a derivative work when he suggested the owner make the changes.

Laches can be asserted when the copyright owner took too long to assert his rights. The amount of time which is determined to be too long depends on the facts. An architect that is aware of a copycat building, but waits until construction is completed to demand royalties may be barred by laches.

A workable defense against claims of copyright infringement is built upon two primary areas: 1) the specifics of the Act, and 2) the traditions of architectural practice. There is inevitably an element of subjective judgment in the determination of copying, which is where the arguments of the expert witness are pivotal. It is important not to focus on what the Act covers, but on what it does not cover, and the exclusions fall into three categories:

1. The Act does not cover standard architectural features and design elements such as skylights, domes, gables, moldings, and column capitals. These are part of a broader architectural vocabulary that can be used freely in any design.
2. The Act does not cover functionally required elements, such as walls, doors and windows — elements that are dictated by utilitarian needs and necessary to provide the basics of shelter, light, safety, etc.

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<sup>43</sup> *Mitek Holdings, Inc. v. Arce Eng'g Co., Inc.*, 89F.3d 516 (9<sup>th</sup> Cir. 1997).

<sup>44</sup> *Practice Management v. American Medical Assoc.*, 121 F.3d 516 (9<sup>th</sup> Cir. 1997).

3. The Act does not cover standard configurations of space or traditional relationships between spaces, such as bedroom to bathroom, dining room to kitchen or bedroom to closet.

The combined impact of these exclusions on the design of housing can be significant, as this is a design field where, by virtue of the scale and size of each housing unit, there are very few variables involved, and therefore only a finite number of design solutions possible. Once you have eliminated the need for doors, windows, etc., many of the architectural details and basic spatial configurations, it becomes increasingly difficult to prove that the remaining elements have a justifiable claim to protected originality under the AWCPA, particularly if the creative ability of an architect was not involved.

The strength of a defense against copyright infringement can also be enhanced by reference to the practice traditions of the architectural profession, which casts the use of design protection into a broader perspective. Three points of discussion can be introduced: 1) most architectural design is derivative; 2) most standard, traditional design solutions fall within recognizable styles of past eras and 3) similarities can mean visual coherence often desired in within neighborhoods.

#### **F. Remedies Available**

The 1990 amendments did not change the remedies available for civil infringement. Remedies include actual monetary damages, statutory damages, injunction, and recovery of costs and attorney's fees. There are also criminal sanctions for the willful infringement for commercial gain.

The statute expressly anticipates injunctions, perhaps in acknowledgment of the difficulty involved in quantifying monetary damages in some types of copyright cases.<sup>45</sup> Injunctions may be granted in addition to monetary damages where there is good reason to believe that the violations will continue notwithstanding a

monetary judgment. Preliminary relief may be easier to get in copyright cases as harm is presumed from prima facie proof of copyright violations.<sup>46</sup>

The copyright owner may get actual damages plus the infringer's profits.<sup>47</sup> The "actual damages" are the monies the plaintiff would have received but for the defendants actions, such as the normal charge for the use of plans, lost profits, and loss to the value of the copyright. Plaintiff's can recover the defendant's profits as long as they are not redundant of the plaintiff's lost income.<sup>48</sup> If damages calculated this way are insufficient to justify the cost of litigation, it is even more important to register the copyright before any infringement to preserve the right to recover statutory damages and fees.

Special evidentiary rules enhance this recovery. To prove the loss, the plaintiff need only show that he suffered a reduction of gross receipts during the period of infringement. The burden then shifts to the defendant to show the loss was caused by another source.<sup>49</sup> Similarly, to prove the defendant's profits,, the plaintiff need only show defendant's gross receipts, while the defendant must prove his costs.<sup>50</sup>

It is also possible to show lost profits even if the infringer has not sold the infringing article. The Fourth Circuit agreed with the proposition that a homeowner who uses a house design without authority might be charged with lost profits in the form of the difference between the cost to build and the value of the completed home.<sup>51</sup> This could be particularly penalizing to

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<sup>45</sup> 17 U.S.C. §502

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<sup>46</sup> *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3<sup>rd</sup> Cir. 1983).

<sup>47</sup> 17 U.S.C. § 504(b).

<sup>48</sup> *Id.*

<sup>49</sup> *Harper & Row v. Nation Enterprises*, 471 U.S. 539 (1985).

<sup>50</sup> 17 U.S.C. § 504(b).

<sup>51</sup> *Christopher Phelps & Assocs. V. Galloway*, 477 F.3d 128 (4<sup>th</sup> Cir. 2007).

an individual who uses his own labor for all or part of the construction.

In situations where actual damages are difficult to prove, a statutory schedule of damages can be utilized assuming proper registration of the copyright.<sup>52</sup> The scheduled awards increase significantly when the plaintiff can show that the infringement was willful.

The court may also award costs, including attorneys and expert witnesses' fees to the prevailing party.<sup>53</sup> While plaintiffs must register the copyright accordingly in order to claim fees and costs, defendants are not required to do so. Deliberate infringement and continuing misconduct increase the likelihood that the court will award fees and costs.

### **G. Cases and Judgments**

One of the largest architectural copyright infringement rewards was won by an Austin architectural firm, Kipp Flores, which was paid \$5.2 million by Virginia builders Signature Homes for allegedly using Kipp Flores' designs to build and construct homes.

Another recent copyright case highlights the subjective aspect of calculating damages. In *William Hablinski Architecture v. Amir Construction*, the infringement of an architectural design for a Beverly Hills mansion was at issue. In 2003, WHA sued Amir Construction and others, including the mansion's owners, for copying a design that WHA had created for another client. WHA proved that Amir obtained access to the design from one of WHA's former employees.

To remedy Amir's infringement, WHA sought a permanent injunction, actual and compensatory damages, disgorgement of Amir's profits, punitive damages, and attorneys' fees. The court denied WHA the right to recover statutory damages and attorneys' fees under the Copyright Act because the alleged infringement occurred before the firm had registered its architectural work with the U.S. Copyright Office.

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<sup>52</sup> 17 U.S.C. § 504(c) (1) and (2).

<sup>53</sup> 17 U.S.C. § 505

In the first trial in April 2005, the jury returned a verdict in favor of WHA for total damages of almost \$6 million, which included lost-profit damages of \$5 million. However, Amir convinced the court to order a new trial because the questionnaire the jury used to calculate WHA's damages failed to include a provision allowing the jury to deduct the portion of Amir's profits that were attributable to factors other than the infringement. The court ruled that Amir was entitled to have the jury consider and account for the value of these factors in addition to deducting Amir's construction expenses from its gross profits.

The case was retried in December 2006. Because the only issue under dispute was the proper calculation of damages, the court did not permit evidence on liability, copyright validity, or copyright infringement. This time the jury awarded WHA only \$667,000 in lost profit damages under the theory that only 25 percent of Amir's net profits could be attributed to the infringement of WHA's copyright.

This significantly lower amount was consistent with an earlier attempt by Amir to limit the lost-profit damages to the maximum amount WHA would have charged to design the infringing residence. The court rejected this argument in favor of a measure of damages that allowed WHA to recoup the profits it would have made had it sold the infringing residence itself, which presumably would include the value of factors unrelated to WHA's copyright.

### **H. Insurance Coverage Available**

If you do become the target of a copyright infringement claim or lawsuit, be sure to immediately notify your business liability insurer. Many business insurance policies contain 'advertising injury' or other provisions that will cover your legal defense.

## **II. INSURANCE COVERAGE FOR COPYRIGHT LITIGATION**

### **A. History of Coverage**

Coverage for copyright infringement is typically found under the advertising injury

section of general liability policies. Advertising liability insurance is introduced in the United States as far back as the 1940's in a number of liability policies. In Texas, a first chief standardization with the introduction by the CGL comprehensive general liability endorsement in 1976. In 1986, when the first simplified general liability coverage forms were introduced, personal injury advertising injury were included as standard coverage rather than being optional coverage which could be added for an additional premium. The standardized forms had been revised in 1990, 1993, 1996, 1998, 2001 and 2004. It was not until the mid to 1990's that insureds began to understand the significance of the advertising injury coverage that was being afforded, it was during this time that intellectual property litigation took a sharp upturn and many insureds were seeking ways to find insurance companies that would provide for defense and/or indemnity for those claims.

For the purposes of this article, the discussion will focus primarily on the 2001 form. This is the form used by most insured liability insurers today and is the form where there has been significant case law interpretation.

## **B. Insuring Agreement**

The advertising injury coverage is found in Coverage B of the 2001 commercial general liability form. The insuring agreement provides as follows:

We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal and advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "personal and advertising injury" to which this insurance does not apply. We may, at our discretion, investigate any

offense and settle any claim or "suit" that may result. But:

(a) The amount we will pay for damages is limited as described in Section III – Limits of Insurance; and

(b) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages A and B.

As stated, the insurance company under the 2001 occurrence form agrees to pay sums that the insured becomes legally obligated to pay the damages because of "advertising injury" and also has the duty to defend the insured against any "suit." Suit is defined by the policy to include proceedings broader than just civil litigation. Definition 18 defines suit as follows:

18. "Suit" means a civil proceeding in which damages because of "bodily injury", "property damage or "personal and advertising injury" to which this insurance applies are alleged. "Suit" includes:

a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or

b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

The definition of suit, a duty to defend will apply if advertising injury damages are sought in a civil proceeding as well as an arbitration, provided that the insured is required to submit to arbitration or submits with the consent of the insurer. In the absence of a contractual requirement that the insured submit to arbitration or consent by the insurer, there is no duty to defend on the part of the insurer's arbitration claim seeking copyright damages.

**C. Coverage Trigger**

The insuring agreement in 2001 occurrence form goes on to state that "this insurance applies to 'personal and advertising injury' caused by an offense arising out of your business but only if the offense was committed in the "coverage territory" during the policy period." With respect to claims involving copyright infringement, the coverage will be triggered when there is a infringement by the insured of the copyright of the claimant.

**D. Personal and Advertising Injury  
Definition**

Definition 14 of the policy defines "personal and advertising injury." That definition is as follows:

"Personal and advertising injury" means injury, including consequential "bodily injury", arising out of one or more of the following offenses:

- a. False arrest, detention or imprisonment;
- b. Malicious prosecution;
- c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
- d. 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;

e. Oral or written publication, in any manner, of material that violates a person's right of privacy;

f. The use of another's advertising idea in your "advertisement"; or

g. Infringing upon another's copyright, trade dress or slogan in your "advertisement".

With respect to copyright infringement, the key terms are contained in Subsection G of the definition. This section of the definition provides coverage for "infringing upon another's copyright, trade dress or slogan in your "advertisement". The term "advertisement" is also defined by the policy. Definition 1 of the policy defines advertisement as follows:

1. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters. For the purposes of this definition:

- a. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
- b. Regarding web-sites, only that part of a website that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.

From the definition of advertising injury and the definition of advertisement, it is apparent that all copyright infringement is not covered under the terms of the policy. It is only that

infringement that occurs when the insureds advertising activities that would be covered. In 1998 the general liability form contained a first paragraph of a definition of advertisement. The 2004 revisions added subsections a and b to the definition.

The causal connection between the advertising activities and the damages sought has been addressed by Texas courts. The Fifth Circuit has clearly held this language in the general liability policy mandates there is no coverage unless the Plaintiff's complaint on its face alleges that a predicate offense was committed in the course of the insured's advertising activities. *Sentry Ins. v. J.R.Weber Co.*, 2 F.3d 554 (5th Cir. 1993)(Texas law). *Sentry* involved allegations of copyright infringement. The claimant, Caterpillar, had copyrighted two original written works, one a parts record and the other a parts book library. *Id.* at 556. This was, of course, a covered offense under the general liability policy. The issue posed to the court was whether the offense arose out of advertising activities.

The court stated that the clear language of the policy provided that it covered a copyright infringement suit "only if [the insured] infringes someone's copyright in the course of its advertising." *Id.* If the insured "infringes a copyright in another context, there is no coverage under the terms of the policy." *Id.* The court rejected that this requirement of the policy was a "limitation" upon which the insurance company had the burden of proof. Instead, the court found that it was the insured's burden to establish advertising injury. *Id.*

The insured in *Sentry* attempted to carry its burden by pointing to the fact that the basis of its claims was the copying, publishing, distributing and/or selling copies of the documents in question without permission. *Id.* at 557. Admittedly, the complaint said nothing specifically about advertising. *Id.* The Fifth Circuit refused to rely upon arguments that notice pleading under the federal system somehow required a sufficiently broad interpretation of the underlying pleading to include advertising. The court followed the rule of other courts which

have required that the insured "demonstrate that there is some connection between its advertising activity and the Plaintiff's claim." *Id. citing National Union Fire Ins. v. Siliconix, Inc.*, 729 F.Supp. 77, 80 (N.D. Cal. 1989); *Lazzara Oil Co. v. Columbia Cas. Co.*, 683 F.Supp. 777 (N.D. Fla. 1980) *aff'd*, 868 F.2d 1274 (11th Cir. 1989); and *Bank of the West v. Superior Court of Contra Costa County*, 2 Cal.4th 1254, 10 Cal. Rptr. 538, 833 P.2d 545 (1992). The court found no such connection and affirmed the decision of the district court to the effect that there was no coverage and/or duty to defend the claims in question. *Id.* Unquestionably, the court in *Sentry* required a causal connection between the advertising injury and advertising activities.

#### **E. Knowing Violation of Rights Exclusion**

The knowing violation of rights exclusion provides as follows:

##### **2. Exclusions**

This insurance does not apply to:

- a. "Personal and advertising injury:
  - (1) 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 is no Texas case law interpreting the "knowing violation" exclusion. The "knowing violation" exclusion is intended to prevent an insurer from having to pay for injury caused intentionally by the insured. Donald S. Malecki, *CGL COMMERCIAL GENERAL LIABILITY* 98 (8th ed. 2005). This exclusion is "aimed at eliminating coverage only in situations where the insured commits a personal and advertising injury offense knowing that the act will violate another's rights and be injurious." *Id.* at 98-99 (emphasis added). This is not an intentional acts exclusion. *See id.* at 99. Only where an insured had knowledge its acts would violate the rights of

another is coverage excluded by this exclusion. *See id.* However, one court imputed the subjective knowledge of the illegality of conduct to the insured based on reasons of public policy that people are presumed to know the law. *Educational Training Systems, Inc. v. Monroe Guar. Ins. Co.*, 129 S.W.3d 850, 853 (Ky.App.,2003)

Some courts refuse to apply the “knowing violation” exclusion where the violation (i.e., copyright infringement) can be committed without willfulness or intent. For example, in *Valley Forge Ins. Co. v. Swiderski Electronics, Inc.*, 359 Ill.App.3d 872, 834 N.E.2d 562, 296 (Ill.App. 2 Dist.,2005) coverage for insured's liability for sending unsolicited fax advertisements in violation of the Telephone Consumer Protection Act was not barred by the “knowing violation” exclusion for personal and advertising injury even though the insured allegedly should have known that it lacked recipient's permission, where the claim under the Act could be based on mere negligence. *See also Stanislawski v. Jordan*, 2006 WL 482397, \*4 (E.D.Wis.2006) (nonreported) (Where it is possible that the Stanislawskis could be found to disparage Studio Designs' business without a finding that they acted "with knowledge" that their statements were false or that their acts were somehow criminal then the “knowing violation” exclusion is not applicable); *Westfield Cos. v. O.K.L. Can Line*, 155 Ohio App.3d 747, 757, 804 N.E.2d 45, 52 - 53 (Ohio App. 1 Dist., 2003) (the “knowing violation” exclusion does not apply where complaint stated a claim for non-intentional infringement as well as intentional infringement).

Still, there are multiple decisions where the courts have applied the “knowing violation” exclusion to personal and advertising injury offenses. For example, *Marvisi v. Greenwich Ins. Co.*, 2006 WL 1422693, \*6 (S.D.N.Y.,2006) (nonreported) involved allegations of trade dress infringement against the landlord, Marvisi, of a tenant who sold counterfeit Louis Vuitton and Fendi products. The court held the allegations contained in the federal complaints fell within Exclusion a(1), which excludes from coverage any "advertising 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." The complaints allege that Marvisi knowingly permitted the leased premises to be used for the sale of counterfeit goods that infringed the plaintiffs' trademarks. The court held that such alleged conduct--i.e., knowingly permitting his property to be used for illegal purposes, is certainly "caused by or at the direction of the insured." The court concluded that the claims were excluded on this basis.

In *Dairy Source, Inc. v. Biery Cheese Co.*,269 Wis.2d 542, 674 N.W.2d 680, 2003 WL 22964724 (Wis.App.,2003) the knowing violation exclusion applied to allegations that the protected materials and information were used by the insured, Biery Cheese, knowing that they were protected by the confidentiality agreement, knowing that Biery Cheese was using them in violation of that agreement, and knowing that they were Dairy Source's proprietary information and materials, all without Dairy Source's consent. The court held that there is simply no way to read these allegations other than as allegations that Biery Cheese did these things knowing they would violate the contractual and proprietary rights of Dairy Source, and knowing that they were using Dairy Source's advertising ideas and infringing on Dairy Source's copyright, trademark, and trade dress.

#### **F. First Publication Exclusion**

The first publication exclusion provides as follows:

2. Exclusions  
This insurance does not apply to:
  - a. “Personal and advertising injury”:

\* \* \*

- (3) Arising out of oral or written publication of material whose first publication took place before the

beginning of the  
policy period; . . .

The first-publication exclusion is unambiguous because it is not reasonably subject to differing interpretations. *See Scottsdale Ins. Co. v. Sullivan Props., Inc.*, 2006 U.S. Dist. LEXIS 11582 (D. Haw. 2006). In the defamation context, for example, the first-publication exclusion has been applied when the post-policy period publication involved substantially the same offending material as previously published. *See Ringler Associates, Inc. v. Maryland Casualty Co.*, 80 Cal. App. 4th 1165, 96 Cal. Rptr. 2d 136 150-51 (Cal. Ct. App. 2000).

Relatively few courts have addressed the application of the first-publication exclusion in the trademark context. Some of those that have, however, have looked to the initial date on which the insured allegedly used the infringing trademark regardless of whether the underlying lawsuit involved the exact same infringing conduct. The court in *Interlocken Int'l Camp, Inc. v. Markel Ins. Co.*, 2003 DNH 30, 2003 U.S. Dist. LEXIS 3249, 2003 WL 881002 (D.N.H. 2003), held that the first-publication exclusion barred coverage based on facts substantially identical to those present here. The commercial general liability insurance policy at issue in *Interlocken* contained the same definition of advertising injury and the same first-publication exclusion as in this case. A dispute arose over the use of the trade name "Interlocken". *Id.* Interlocken filed a complaint against another corporation, IIC, alleging trademark infringement, cyber squatting, and deceptive trade practices. 2003 DNH 30, [WL] at \*2. In addressing the applicability of the first-publication exclusion, the court first noted that it was undisputed that IIC, the defendant in the underlying complaint and the party seeking insurance coverage, had used the trade name "Interlocken" in advertising and promotional materials long before it purchased the policies on which its coverage claim was based. *Id.*

The court then addressed the scope of the first-publication exclusion. Interlocken argued that the term "material" meant IIC's use of the confusingly similar name "Interlocken" on its

website and in other advertising and promotional materials. *Id.* IIC, on the other hand, argued that the "material" giving rise to the underlying lawsuit was its use of the domain name "www.interlocken.org" rather than its other advertising uses of "Interlocken". *Id.* IIC submitted, that the underlying complaint was based on its use of the domain name and that its prior use of "Interlocken" in newspaper advertisements was irrelevant. *Id.* The court rejected IIC's narrow reading of the first-publication exclusion (i.e., requiring that the infringing trade name be used in exactly the same way) and found such an interpretation inconsistent with the obvious purpose of the first-publication exclusion which is "to prevent an individual who has caused an injury from buying insurance so that he can continue his injurious behavior." *Id.* *See also Finger Furniture Co. v. Travelers Indem. Co.*, 2002 U.S. Dist. LEXIS 15351, 2002 WL 32113755, at \*12 (S.D. Tex. Aug. 19, 2002) (identifying the key question for application of the first-publication exclusion in the trademark infringement context as when the first infringing publication occurred). *See also Maxtech Holding, Inc. v. Federal Ins. Co.*, 202 F.3d 278, 1999 WL 1038281, at \*2 (9th Cir. 1999) (first-publication exclusion applied to bar coverage where it was undisputed that the first injurious publication of the allegedly infringed trade name occurred prior to the policy period) (applying California law); *Federal Ins. Co. v. Learning Group Int'l*, 56 F.3d 71, 1995 WL 309047, at \*2 (9th Cir. 1995) (Ca. law) (first-publication exclusion was unambiguous and applied to bar coverage where first publication of offending trade name giving rise to alleged advertising injury occurred prior to policy period).