What GCs Should Consider Before Tendering TM Litigation

By **Bill Wagner** (April 17, 2026)

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On Feb. 18, Buc-ee's Ltd. filed a trademark suit in the U.S. District Court for the Northern District of Ohio against Mickey's, an Ohio convenience store chain, over the latter's allegedly similar mascot.

When a trademark lawsuit, such as the Buc-ee's matter, lands on a general counsel's desk, the instinct is to treat it as a routine insurance matter. Tender the claim, accept the insurer's appointed panel counsel, and assume the case will resolve without disrupting the business.

A defendant like Mickey's, sued under its parent company, Coles IP Holdings LLC, will often tender the claim to its commercial general liability insurer under "personal and advertising injury" coverage, allowing the carrier to select and direct defense counsel. That model often breaks down in intellectual property litigation, where the stakes extend far beyond defense costs to injunctions, forced rebranding and permanent market constraints that can dwarf the cost of the litigation itself.

The structural problem is that commercial general liability insurers select panel counsel primarily for cost and volume. A technically competent general litigator can still miss critical early defenses unique to trademark law — narrowing the scope of asserted rights, challenging secondary meaning, exploiting weaknesses in the plaintiff's confusion evidence, or bringing dispositive fair use and functionality arguments at the right procedural moment.

At the same time, Coverage B personal and advertising injury provisions are fragile and contested. Standard CGL policies now include intellectual property exclusions that remove most trademark coverage, with only narrow carvebacks for infringement of copyright, trade dress or slogans "in your advertisement." The facts developed during litigation — often by insurer-selected counsel operating under budget constraints and billing guidelines — directly determine whether coverage exists at all.

Consider the exposure profile in a high-stakes trademark case. Even with the U.S. Supreme Court's February 2025 clarification in Dewberry Group Inc. v. Dewberry Engineers Inc. that Lanham Act disgorgement must be tied to the named defendant's profits, the most significant business risks remain: willfulness findings that support enhanced damages or punitive awards, injunctions that require costly rebranding or channel exits, and consent judgments that cede valuable market territory or set precedents for future plaintiffs.

When those risks materialize, it is the company — not the insurer — that lives with the consequences. Panel counsel selected and compensated by the carrier may prioritize early low-value resolutions that minimize the insurer's short-term spend but leave the company with lasting brand constraints or admissions that undermine its market position.

Where Coverage and Defense Strategy Diverge

The most dangerous gap between insurer and insured interests arises when the carrier defends under a reservation of rights. Insurers routinely reserve coverage on issues like willfulness, "knowing violation" exclusions, punitive damages, and whether the underlying conduct qualifies as "advertising" under the policy. Those reserved issues are not just

coverage questions to be sorted out later — they are core merits issues that will be decided during the underlying litigation, often based on a record shaped by the insurer's appointed counsel.

In many jurisdictions, a reservation of rights that turns on facts to be litigated creates a conflict of interest entitling the insured to select independent counsel at the insurer's expense. Courts have recognized conflicts where the insurer denies indemnity for willful infringement but controls how evidence of intent is developed, or where the carrier contests coverage for certain advertising campaigns or time periods, but appointed counsel controls how those campaigns and timelines are presented to the court.

General counsel cannot afford to treat an insurer's reservation-of-rights letter as boilerplate to file away. It is a strategic document that may justify demanding a defense team aligned with the company's long-term brand objectives, not just the insurer's immediate cost-containment goals.

Structural Problems With Insurer-Controlled Trademark Defense

Beyond the conflict-of-interest dynamics, there are practical reasons why insurer-run IP defenses may underperform. Panel counsel arrangements typically involve discounted rates, strict billing guidelines, and preapproval requirements for experts and motion practice. Those constraints may work for high-volume bodily injury defense, but they are poorly suited to trademark litigation where early investment in consumer surveys, third-party discovery from retailers and platforms, and dispositive challenges to mark strength can determine whether a case ends in a defense verdict or a ruinous settlement.

Insurers also tend to push for early resolution to close files and manage reserves, even when the business case for the company supports more aggressive defense. A low-cost settlement that includes admissions, territory restrictions or a consent judgment may resolve the insurer's immediate exposure, but it can cripple the brand's long-term flexibility and provide ammunition for future plaintiffs or competitors. Without explicit approval authority reserved to the company — not just the insurer — general counsel may find themselves bound by settlements that were never in the company's interest.

The coverage itself creates additional pressure points. Standard exclusions bar coverage where the insured acted with knowledge that its conduct would violate another's rights. That means "close to the line" branding decisions and internal emails acknowledging competing marks do double damage: They support willfulness and enhanced damages, and they give insurers ammunition to invoke knowing-violation exclusions. The very facts that make the case dangerous on the merits can also eliminate coverage.

Taking Control Before and During Litigation

For companies whose trademarks drive enterprise value, the solution is not to fight the insurer, but to build coverage structures and defense protocols that align the insurer's checkbook with the company's brand strategy. That starts with realistic expectations about what CGL Coverage B actually provides.

Before a claim arrives, general counsel should audit current policies for advertising injury definitions, IP exclusions and carvebacks, and limits on knowing violations and punitive damages. Where trademarks and content are core assets, specialized IP or media liability policies are often the only realistic way to secure meaningful coverage with panel options that include experienced trademark litigators.

Preplanning choice of counsel is equally important. Discuss with brokers to have counsel preapproved by key carriers. When a claim does arrive, tender early and precisely, connecting the allegations to covered personal and advertising injury offenses, and provide the pleadings and marketing materials needed to trigger the duty to defend. Put all potentially responsive carriers on notice, including umbrella, excess and any specialized IP policies.

Most importantly, scrutinize the reservation-of-rights letter. Map each reserved issue — intent, willfulness, covered time periods, punitive damages — to the underlying merits questions that will be decided at trial. Where a reserved ground overlaps with key factual disputes, consult coverage counsel on whether that creates a conflict supporting a demand for independent counsel in your jurisdiction. If panel counsel lacks trademark depth, push for substitution or a co-counsel arrangement where an IP specialist handles strategy, briefing and expert work while panel counsel manages discovery coordination and reporting.

Once defense counsel is in place, insist on an early case assessment addressing likelihood-of-confusion factors, mark strength, available defenses including fair use and coexistence, and potential counterclaims. Require a discovery plan focused on consumer surveys, third-party evidence from retailers and platforms to test actual confusion, and internal clearance files that can rebut willfulness. Most critically, reserve approval authority for any settlement that includes consent judgments, territory restrictions, or admissions that could constrain future branding or embolden competitors.

The Long-Term Play

A company that allows its insurer to run the defense on autopilot may save money in the short term but sacrifice brand flexibility, competitive positioning and enterprise value in ways that never show up on the coverage litigation docket.

The good news is that insurers are not adversaries in this process — they are counterparties with different risk horizons and different definitions of success. Sophisticated general counsel can leverage the insurer's duty to defend and substantial defense budgets while retaining strategic control over the decisions that matter most: how the brand is characterized, what admissions are made, which defenses are pursued aggressively and what settlement terms are acceptable.

The key is recognizing that an insured trademark case is not a routine claim to be managed passively. It is a negotiation over who controls the defense, on what terms and in whose interest. General counsel who treat that negotiation seriously are far more likely to emerge with both their coverage and their brand intact.

Conclusion

For companies whose trademarks carry as much value as tangible assets, the arrival of an infringement lawsuit is not just a legal event — it is a strategic inflection point. The question is not simply "Are we covered?" but "Who is defending our brand, and on whose terms?"

Once a trademark lawsuit is tendered to insurance, the insurer's control of the defense can place critical strategic decisions in the hands of lawyers selected for efficiency rather than specialized trademark expertise. General counsel do not need to fight their insurers, but they do need to be intentional. That means understanding the gaps and exclusions in CGL advertising injury coverage, treating reservations of rights as strategic documents that may

justify demanding independent counsel, and insisting on defense teams who understand both trademark law and the business.

The next time a demand letter lands on your desk ask three questions: Does this claim fit within our advertising injury coverage or are we facing substantial uncovered exposure? What positions is the insurer reserving, and do they create a conflict that justifies independent counsel? Is the firm that will sign our pleadings the team we would choose to defend our most valuable intangible asset?

If you cannot answer yes to all three, you have not tendered an insurance claim — you have ceded control of your brand strategy to a third party whose incentives may not match your own. That is a risk no general counsel should accept without a fight.

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