HIGHEST MASSACHUSETTS COURT CONFIRMS COVERAGE FOR “ADVERTISING INJURY” CLAIMS BASED ON USE OF A NAME

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In a case of nationwide first impression, the Massachusetts Supreme Judicial Court ruled in favor of K&L Gates LLP's client, Vibram Corporation ("Vibram"), by holding that allegations regarding Vibram's use of a deceased athlete's name in advertising triggered its insurers' duties to defend Vibram against an underlying lawsuit. [1] In confirming coverage for claims alleging Vibram wrongly named a model of its barefoot-style "FiveFingers" running shoes after a deceased Olympic marathon runner, the court correctly interpreted the policies' coverage for "personal and advertising injury" and specifically for claims based on the insured's "use of another's advertising idea." Significantly for all policyholders, the court's ruling shows that wording commonly found in commercial general liability insurance policies can lead to valuable coverage for advertising-related claims, despite insurers' attempts to impose artificial limitations on coverage.

THE UNDERLYING ACTION

In 2015, relatives of deceased Ethiopian Olympic marathon runner Abebe Bikila — who won the 1960 Olympic gold medal for the marathon event running barefoot — sued Vibram in the U.S. District Court for the Western District of Washington, alleging that Vibram wrongfully named a model of its barefoot-style running shoes "Bikila." The plaintiffs brought claims against Vibram based on the Washington Personality Rights Act, the Washington Consumer Protection Act, False Designation/Federal Unfair Competition under the Lanham Act, and common law unjust enrichment. Of particular relevance to the insurance coverage dispute, the complaint alleged that the plaintiffs, themselves, had previously "marketed" Bikila's name before Vibram had used the name for its shoes. Specifically, the complaint alleged that through the plaintiffs' prior "commercial uses" of the name, they had "intentionally associated their family name with Abebe Bikila's barefoot dedication to succeed under any circumstances." The family's alleged "commercial uses" of the Bikila name included their operation of a sporting goods store named after Bikila and their sponsorship and promotion of a marathon named for him. Represented by defense counsel at K&L Gates, Vibram successfully moved to dismiss the lawsuit on laches and limitations grounds. While the plaintiffs' appeal was pending, Vibram entered into a favorable settlement with the plaintiffs to end the underlying litigation.

THE TRIAL COURT'S COVERAGE RULING

Two insurers issued general liability policies to Vibram for relevant periods. Similar to many general liability policies, each policy at issue provided coverage for "personal and advertising injury" and provided for a duty to defend Vibram against any suit alleging "personal and advertising injury." The policies defined "personal and

advertising injury" to include, in relevant part, the "use of another's advertising idea." The insurers agreed to pay for Vibram's defense subject to a reservation of rights. The insurers then sued Vibram in Massachusetts state court, seeking a declaration that they had no duty to pay for Vibram's defense. Vibram was represented throughout the coverage litigation by K&L Gates insurance coverage lawyers in Pittsburgh and Boston.

Both Vibram and the insurers moved for summary judgment on the duty to defend. The trial court ruled in favor of the insurers, holding that the underlying complaint could not allege that Vibram used another's "advertising idea." According to the trial court, the underlying complaint implicated only "a classic 'personality right' or 'right of publicity,' not an advertising idea." In the trial court's view, an "advertising idea" must be associated with a "particular product or service," and the Bikila family — notwithstanding its extensive alleged commercial uses of the name as described above — had not made such use of the Bikila name as an "advertising idea." In a subsequent ruling (that was mooted by the outcome of Vibram's appeal), the trial court ruled in Vibram's favor that the insurers were not entitled to recoup the defense costs the insurers had paid to Vibram prior to the ruling of no duty to defend. Both sides appealed, and the Supreme Judicial Court granted direct appellate review, allowing the cross-appeals to forgo consideration in the intermediate appellate court.

HIGH COURT CONFIRMS COVERAGE

In September 2018, the Supreme Judicial Court reversed the trial court's ruling of no duty to defend and held that the insurers had duties to defend Vibram against the underlying action. The court correctly acknowledged that under Massachusetts law (similar to many other states), an insurer's duty to defend is broader than its duty to indemnify, such that the defense obligation is triggered whenever there is even a "possibility" that the underlying claim falls within the insurance coverage, with any uncertainty being resolved in favor of the insured. Applying the established duty-to-defend standard, the court agreed with Vibram that the underlying complaint alleged that by naming its barefoot-style shoe after Bikila, Vibram had used the family's "advertising idea" within the policy's definition of "personal and advertising injury" coverage.

The Supreme Judicial Court noted that it had not previously interpreted the phrase "advertising idea" in the context of advertising injury insurance, and it observed that courts nationwide have given the term broad interpretations, including "an idea for calling public attention to a product or business, especially by proclaiming desirable qualities so as to increase sales or patronage." The court proceeded to apply its straightforward interpretation of the "advertising idea" policy wording to the underlying allegations and concluded that: "At its core, the complaint alleges that Vibram improperly used 'Bikila' for the same purposes as the Bikila family had used it — to advertise its running-related ventures and business." Accordingly, the complaint had reasonably alleged the "use of another's advertising idea," and the insurers had duties to defend Vibram.

The Supreme Judicial Court rejected the insurers' attempt to draw an artificial distinction between trademark infringement claims (which have frequently been held to implicate "advertising idea" coverage), on the one hand, and right of publicity claims (which the insurers incorrectly characterized as being the sole basis for the Bikila action), on the other hand. The court correctly explained that the insurers' interpretation of the term "advertising idea" to require "secondary meaning" would be "unnecessarily narrow." The court therefore held that the insurers' defense obligations were triggered, and they were obligated to pay Vibram's reasonable legal costs for defending the Bikila action. Notably, under Massachusetts law, a policyholder who is forced to establish in litigation an

insurer's duty to defend and prevails, as Vibram did, is entitled to an award for the costs of its insurance coverage counsel's legal fees, as well. [2]

CONCLUSION

The Supreme Judicial Court's ruling confirms that policyholders should consider reviewing their general liability policies when they confront claims that concern their advertising or promotions. Although insurers might attempt to resist coverage, advertising injury coverage can be an extremely valuable asset when established insurance coverage principles such as the broad duty to defend are properly applied. K&L Gates insurance coverage attorneys are experienced in this area and are prepared to assist policyholders in seeking defense and indemnity coverage, through litigation if necessary, for their advertising-related claims.

NOTES

[1] Holyoke Mut. Ins. Co. in Salem v. Vibram USA, Inc., 480 Mass. 480, 106 N.E.3d 572 (2018).

[2] Rubenstein v. Royal Ins. Co. of Am., 429 Mass. 355 (1999).

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