

UNITED STATES DISTRICT COURT
DISTRICT OF MAINE

FOUNDATION FOR BLOOD RESEARCH,
Plaintiff

v.

Civil No. 98-131-P-C

ST. PAUL FIRE AND MARINE
INSURANCE COMPANY,
Defendant

GENE CARTER, District Judge

**ORDER CERTIFYING QUESTION OF STATE LAW
TO MAINE SUPREME JUDICIAL COURT**

The Court now has before it St. Paul Fire and Marine Insurance Company's ("St. Paul") Motion to Certify (Docket No. 19) the question of its duty to defend in this case.¹ After a thorough review of Maine case law, the Court will certify the issue in this case to the Maine Supreme Judicial Court.

¹St. Paul asserts that the question to be certified should be:

Whether an underlying action for patent infringement states a covered claim for injury caused by a defined advertising injury offense committed while the policy is in effect and resulting from the advertising of the insured's products, work or completed work.

St. Paul's Motion to Certify at 8. This court disagrees with St. Paul's formulation of the question to be certified. In the summary judgment pleadings, the FBR does not argue that the patent infringement claims, as opposed to the claims for inducing patent infringement, are the basis for the duty to defend. The patent infringement claims, therefore, do not need to be included in the question to be certified.

FACTS

St. Paul issued a Health Care Commercial General Liability Protection policy to the Foundation for Blood Research (“FBR”) which had effective dates of October 5, 1996, to October 5, 1997. Stipulation of Fact (Docket No. 18) ¶ 3. In December of 1996, Biomedical Patent Management Corp. (“BPMC”) filed a four count complaint against the FBR in the United States District Court for the Northern District of California asserting claims for direct patent infringement, patent infringement under the doctrine of equivalents, inducing patent infringement, and inducing patent infringement under the doctrine of equivalents. Stipulation of Fact ¶ 6. The Complaint filed by BPMC is factually laconic, providing in pertinent part as follows:

7. On 25 February 1992, United States Patent 4,874,693 (“the ‘693 Patent”), entitled “Method for assessing placental dysfunction” was duly and legally issued to Mark Bogart, Ph.D. By assignment, Plaintiff now owns and holds all rights to enforce the ‘693 patent, and is solely entitled to recover for all past, present, and future acts of infringement. A true and correct copy of the ‘693 patent is attached hereto as Exhibit 1.
8. Defendant performs diagnostic services which infringe and are continuing to infringe the ‘693 Patent.
9. On information and belief, Plaintiff alleges that prior to Defendant’s acts of infringement, it was aware of the ‘693 patent and its application to the services performed by Defendant. On information and belief, therefore, Defendant’s infringement is willful, making this an exceptional case entitling Plaintiff to treble damages and attorneys fees.
10. Defendant’s infringement of Plaintiff’s exclusive rights under the ‘693 patent is damaging and will continue to damage Plaintiff’s business, causing irreparable harm for which there is no adequate remedy at law. Defendant’s infringement will continue unless

enjoined by this Court.

11. Plaintiff has been injured by Defendant's infringing acts in an amount not yet determinable. Plaintiff seeks a reasonable royalty and other forms of monetary damages.

CLAIM ONE – LITERAL PATENT INFRINGEMENT

12. For its first claim, Plaintiff incorporates herein paragraphs 1 through 11, inclusive.
13. Defendant has literally infringed the '693 patent.

CLAIM TWO – PATENT INFRINGEMENT UNDER THE DOCTRINE OF EQUIVALENTS

14. For its second claim, Plaintiff incorporates herein paragraphs 1 through 11, inclusive.
15. Defendant has infringed the '693 patent under the doctrine of equivalents.

CLAIM THREE – INDUCING LITERAL PATENT INFRINGEMENT

16. For its third claim, Plaintiff incorporates herein paragraphs 1 through 11, inclusive.
17. Defendant has induced the literal infringement of the '693 patent by intentionally causing other persons to perform acts which constitute literal infringement of the '693 patent, despite Defendant's actual knowledge that such acts constitute literal infringement [of] the '693 patent.

CLAIM FOUR – INDUCING PATENT INFRINGEMENT UNDER THE DOCTRINE OF EQUIVALENTS

18. For its fourth claim, Plaintiff incorporates herein paragraphs 1 through 11, inclusive.
19. Defendant has induced infringement of the '693 patent under the doctrine of equivalents by intentionally causing other persons to perform acts which constitute infringement of the '693 patent

under the doctrine of equivalents, despite Defendant's actual knowledge that such acts constitute infringement [of] the '693 patent under the doctrine of equivalents.

Stipulation of Fact Ex. B (attached herein as Ex. 1). FBR tendered the complaint filed by BPMC to St. Paul on a timely basis and demanded that St. Paul provide FBR with a defense. Stipulation of Fact ¶ 9. In a letter dated February 21, 1997, St. Paul denied that it had a duty to defend or indemnify FBR and declined to provide a defense in the action in the case brought by BPMC.² Stipulation of Fact ¶ 10 and Ex. D. The FBR later settled the action with BPMC.

DISCUSSION

The decision whether or not to certify a question of state law to the state's highest court rests within the sound discretion of the federal court. *Maine Drilling and Blasting v. Insurance Co. of North America*, 34 F.3d 1, 3 (1st Cir 1994). In Maine, certification to the Supreme Judicial Court is authorized by 4 M.R.S.A. § 57, which provides in relevant part:

²The parties also stipulate to the following facts:

The FBR filed a motion to dismiss the BPMC case for lack of personal jurisdiction, or in the alternative, to transfer venue, and BPMC filed a memorandum on or about March 14, 1997, in opposition to that motion to dismiss. That memorandum included a statement that the FBR had “transmitted to Alfigen, a Pasadena, CA-based laboratory, *its* opinion that the [693] patent was limited in scope, and probably invalid” and that it “continued to discourage the California Department of Health Services, Genetic Disease Branch from taking a license under the [693 patent], by sharing similar opinions on three occasions with the head of the Branch’s director, George Cunningham, M.D.” The FBR did not provide St. Paul with a copy of this memorandum until after the FBR settled the case against it by BPMC.

Stipulation of Fact ¶ 8 and Ex. C. Under the applicable Maine case law on an insurer’s duty to defend, it is not appropriate for the Court to consider these additional facts.

When it shall appear to the Supreme Court of the United States, or to any court of appeals or district court of the United States, that there are involved in any proceeding before it one or more questions of law of this State, which may be determinative of the cause, and there are no clear controlling precedents in the decisions of the Supreme Judicial Court, such federal court may certify any such questions of law of this State to the Supreme Judicial Court for instructions concerning such questions of state law, which certificate the Supreme Judicial Court sitting as a law court may, by written opinion, answer.³

See also M. R. Civ. P. 76B(a). Under section 57, this Court may certify a question of state law to the Supreme Judicial Court if it finds that there is no clear, controlling state-law precedent. *See Nuccio v. Nuccio*, 62 F.3d 14, 17 (1st Cir.1995). In addition, certification is appropriate only if there is no dispute as to the material facts, and the Supreme Judicial Court's answer to the proposed state-law question will, "in at least one alternative, be determinative of" the federal cause. *Lovell v. One Bancorp.*, 614 A.2d 56, 57 (Me. 1992). Plaintiff asserts that certification of Defendant's proposed question is unnecessary and inappropriate because there is no uncertainty as to how the Supreme Judicial Court would rule. Objection by Foundation for Blood Research to Defendant St. Paul's Motion to Certify (Docket No. 20). St. Paul disagrees.

The parties do not dispute that Maine law governs the substantive issues in this case, St. Paul having issued the policy to FBR in the state of Maine. An insurer's obligation to defend is contractual in nature and is generally determined by the allegations of the complaint against the insured and the indemnity coverage afforded by the policy. *Baywood Corp. v. Maine Bonding & Cas. Co.*, 628 A.2d 1029, 1030 (Me. 1993). The insurer has a duty to defend the insured only if the allegations against the insured in the underlying action possibly fall within the coverage language of the policy. *Union Mut. Fire Ins. Co. v. Town of Topsham*, 441 A.2d 1012, 1015

³The procedures applicable to certification are set forth in M.R.Civ.P. 76B(b)-(f).

(Me. 1982). “There is no requirement that the facts alleged in the complaint specifically and unequivocally make out a claim within the coverage.” *Id.* “If the allegations in the underlying . . . action are within the risk insured against and there is *any potential basis* for recovery, the insurer must defend the insured regardless of the actual facts on which the insured’s ultimate liability may be based.” *Gibson v. Family Farm Mut. Ins. Co.*, 673 A.2d 1350, 1352 (Me. 1996)(emphasis in original)(citing *Merrimack Mut. Fire Ins. Co. v. Brennan*, 534 A.2d 353, 354 (Me. 1987)).

The commercial general liability insurance policy issued by St. Paul to FBR does not mention patent infringement or inducing patent infringement either in defining coverage or in stating exclusions from coverage. The applicable provisions of the policy provide coverage for both “advertising injury” and “personal injury.” FBR contends that both categories of injury provide a basis for finding a duty to defend. Specifically, FBR asserts that in the course of its business activities, FBR made statements to other scientists to the effect that BPMC’s invention is obvious or derivative and that the patent is, therefore, invalid. This statement, FBR asserts, in turn could have caused others to use BPMC’s patented process without a license. These unalleged facts underlying the inducing patent infringement claims, FBR argues, fall within the “belittle[ment]” and libel and slander offenses in the policy and, thus, give rise to St. Paul’s duty to defend. St. Paul disagrees, arguing that the “interpretive principles of Maine law prohibit the speculation or inclusion of hypothetical facts and/or causes of action not contained within the four corners of the underlying complaint.” St. Paul’s Memorandum in Opposition to Plaintiff’s Motion for Partial Summary Judgment and in Support of St. Paul’s Motion for Summary Judgment (Docket No. 17) at 8.

In a section of the policy entitled “What This Agreement Covers,” St. Paul is required to defend FBR in any action for liability caused by a “personal injury offense” or an “advertising injury offense.” The policy provides in relevant part:

Personal injury liability. We’ll pay amounts any protected person is legally required to pay as damages for covered personal injury that:

results from your business activities, other than advertising, broadcasting, publishing or telecasting done by or for you; and
is caused by a personal injury offense committed while this agreement is in effect.

Advertising injury liability. We’ll pay amounts any protected person is legally required to pay as damages for covered advertising injury that:

results from the advertising of your products, work or completed work; and
is caused by an advertising injury offense committed while this agreement is in effect.

Right and duty to defend. We’ll have the right and duty to defend any claim or suit for covered injury or damage made or brought against any protected person. We’ll do so even if any of the allegations of any such claim or suit are groundless, false or fraudulent. But we have no duty to perform other acts or services. And our duty to defend claims or suits ends when we have used up the limits of coverage that apply with the payment of judgments, settlements or medical expenses.

Stipulation of Fact Ex. A at 2-3. The St. Paul insurance policy contains the following definitions of certain terms:

Personal injury means injury, other than bodily injury or advertising injury, caused by a personal injury offense.

Personal injury offense means any of the following offenses:

False arrest, detention or imprisonment.

Malicious prosecution.

Wrongful entry or wrongful invasion.

Invasion of the right of private occupancy of a room, dwelling or premises that a person occupies.

Libel or slander.

Making known to any person or organization written or spoken material that belittles the products, work or completed work of others.

Making known to any person or organization written or spoken material that violates an individual's right of privacy.

Interfering with the rights provided to a person by a Patients' Bill of Rights or any similar law.

Advertising injury means injury, other than bodily injury or personal injury, caused by an advertising injury offense.

Advertising injury offense means any of the following offenses:

Libel or slander.

Making known to any person or organization written or spoken material that belittles the products, work or completed work of others.

Making known to any person or organization written or spoken material that violates an individual's right of privacy.

Unauthorized taking or use of any advertising idea, material, slogan, style or title of others.

Advertising means attracting the attention of others by any means for the purpose of seeking customers or increased sales or business.

Injury or damage means bodily injury, personal injury, advertising injury, property damage, premises damage or patients property damage.

Stipulation of Fact Ex. A at 2 (attached herein as Ex. 2).

Under modern standards of notice pleading, Maine law has placed the burden of uncertainty as to the policy's coverage on the insurer. See *Travelers Indemnity Co. v. Dingwell*, 414 A.2d 220, 227 (Me. 1980)(citing *Babcock & Wilcox v. Parsons Corp.*, 430 F.2d 531, 536 (8th Cir. 1970)). The clearly stated policy in Maine is that "[a]n insured is not at the mercy of the notice pleading of the third party suing him to establish his own insurer's duty to defend." *Gibson*, 673 A.2d at 1352 (citing *J.A.J., Inc. v. Aetna Cas. & Sur. Co.*, 529 A.2d 806, 808 (Me. 1987)). Although the Law Court has repeated that "[i]f the general allegations in the complaint

could give rise to any set of facts that would establish coverage, then the insurer has a duty to defend,” *Northern Security Ins. Co., Inc. v. Dolley*, 669 A.2d 1320, 1322 (Me. 1996)(emphasis added)(citing *Brennan*, 534 A.2d at 354), no Maine case has analyzed the duty to defend a complaint that lacks any reference to any concrete facts. See *Gibson*, 673 A.2d at 1353 (court found a duty to defend based on a complaint alleging intentional trespass where the policy excluded coverage for intentional acts because the complaint stated a possible claim for damages for the loss of use of the land within the policy definition of “property damage” resulting from the unintentional consequences of the intentional act); *L. Ray Packing Co. v. Commercial Union Ins. Co.*, 469 A.2d 832, 835 (Me. 1983)(court found no duty to defend for covered “loss of use” where underlying antitrust complaint alleged damage to business and property even though insured argued that part of the injury resulted from the loss of use of herring); *Horace Mann Ins. Co. v. Maine Teachers Ass’n*, 449 A.2d 358 (Me. 1982)(court found no duty to defend where allegations in the underlying complaint sought to establish liability on the basis of its failure to represent as opposed to any covered “written or oral declarations”); *Dingwell*, 414 A.2d at 224-26 (court found a duty to defend where allegations in complaint provided that the pollution was “a result of negligence” because the facts may have constituted either intentional dumping or burial – excluded from coverage – or unintentional spills, leaks, or other accidents – included in policy’s coverage); *American Policyholders’ Ins. Co. v. Cumberland Cold Storage Co.*, 373 A.2d 247, 249-50 (Me. 1977)(court found a duty to defend where insured was being sued for negligence as the owner of the building even though complaint did not state that he was the owner as opposed to bailee of the stored goods).

The parties have filed cross motions for summary judgment on the issue of St. Paul’s duty

to defend. Although Maine case law has laid down a straightforward framework for analyzing an insurer's duty to defend, the Court finds that it is not reasonably clear⁴ what course the Law Court would take in applying its analytical framework to the facts of this case. This uncertainty arises from two diverging substantive vectors in the pattern of Maine law on the point which, in the absence of any factual allegation in the underlying complaint relative to the delineation of a claim under the policy language, appear to diverge to the point of conflict. On the one hand, Maine's law protects insureds generally from being placed at the mercy of another party's pleading – notice or otherwise – in asserting a claim for a defense. *Gibson*, 673 A.2d at 1352. On the other hand, the established comparison test provides that “[i]f the general allegations in the complaint could give rise to any set of facts that would establish coverage, then the insurer has a duty to defend.” *Dolly*, 669 A.2d at 1322 (citing *Brennan*, 534 A.2d at 354). The negative implication of this latter rule is that no defense is owed in the absence of general allegations that display “any set of facts” establishing coverage. It would seem facially that this implication would be operative to deny a defense if the underlying complaint lacks any factual predicate sufficient to establish coverage. However, such a result denies the insured a defense because of the pleading inadequacy of the underlying complaint of the claimant.

It is unclear whether the Maine court would intend for a duty to defend to arise in the case of a complaint alleging no facts from which a claim within the policy coverage could be limned by the insurer without regard to the failure of a third-party pleading to show the insured's entitlement to a defense. Concisely stated, the uncertainty is whether the policy of not

⁴The Court of Appeals for the First Circuit has made it clear that “ambiguities” in state law of policy coverage are an appropriate subject for certification. *Maine Drilling and Blasting v. Ins. Co. of North America*, 34 F.3d 1 (1st Cir. 1994).

jeopardizing an insured's entitlement to a defense by reason of the need to rely on the pleading prowess of the claimant party, in the absence of any alleged factual predicate, trumps the rule that the insurer's duty to defend arises only when it can discern in the complaint "any set of facts that would establish coverage." *Id.*

The Court, being unable to predict the path of Maine law, will certify the following question to the Maine Supreme Judicial Court.

Does a duty to defend exist under the legal "comparison test" in the context of the "advertising injury" or "personal injury" provisions of the General Liability Policy issued by St. Paul for an underlying third-party complaint which asserts claims of inducing patent infringement when the complaint is devoid of any concrete factual allegations describing the circumstances of the alleged injury?

This question is properly certified given this Court's inability to predict how this question would be answered under Maine law, the lack of factual dispute, and the fact that the resolution of this question satisfies the requirement that in at least in one alternative it will be determinative of the federal claim. In conformity with Rule 76B(b) the Supreme Judicial Court shall treat St. Paul as the appellant. *See* M. R. Civ. P. 76B(b).

Accordingly, it is **ORDERED** that St. Paul's Motion for Certification be, and it is hereby, **GRANTED** and the question the question, stated above, regarding the duty to defend in this case be **CERTIFIED**. The Clerk is hereby **DIRECTED** to cause twelve (12) copies of this Order to be certified, under official seal, to the Maine Supreme Judicial Court sitting as the Law Court. It is **FURTHER ORDERED** that the Clerk of this Court be, and he is hereby, authorized and directed to provide, without any cost, to the Law Court, upon written request of the Chief Justice

or the Clerk thereof copies of any and all filings of the parties herein and of the docket sheets pertaining to this case.

GENE CARTER
District Judge

Dated at Portland, Maine this 11th day of December, 1998.