

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

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BF ADVANCE, LLC and JOSEPH COHEN, :  
 :  
 Plaintiffs, :  
 :  
 -against- :  
 :  
 SENTINEL INSURANCE COMPANY, LTD., :  
 :  
 Defendant. :  
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**MEMORANDUM AND ORDER**

16-CV-5931 (KAM)(JO)

**MATSUMOTO, United States District Judge:**

Plaintiffs BF Advance, LLC ("BF Advance") and Joseph Cohen ("Cohen") (collectively, "plaintiffs") bring this breach of contract and declarative relief action against Sentinel Insurance Company, Ltd. ("Sentinel" or "defendant") in connection with defendant's obligation to defend and indemnify plaintiffs. Currently pending before the court are defendant's motion for summary judgment, plaintiffs' motion for partial summary judgment, and defendant's motion to strike the declaration of plaintiffs' expert Scott Stein. For the reasons stated below, defendant's motion to strike is GRANTED, defendant's motion for summary judgment is GRANTED, and plaintiffs' motion for partial summary judgment is DENIED.

**BACKGROUND**

On October 25, 2016, plaintiffs filed a complaint (the "Complaint") against defendant for breach of contract and

declaratory judgment with respect to an action pending in the United States District Court for the Eastern District of New York, *Live Face on Web, LLC v. BF Advance, LLC and John/Jane Doe Defendants 1-10*, No. 15-cv-7415 (the "Underlying Complaint"). (ECF No. 1, Complaint ("Compl."), filed 10/25/2016, ¶ 1.)

#### **I. The Underlying Complaint**

On December 30, 2015, Live Face on Web ("LFOW") filed an action alleging that BF Advance "used and distributed, without permission, and therefore infringed upon" certain LFOW software. (ECF No. 23-4, Declaration of Katherine Tammaro, Esq. ("Tammaro Decl."), Ex. 1, filed 6/9/2017, ¶ 20.) LFOW alleged that it is the developer and owner of "live person" computer software ("LFOW Software"), which "allows a company to display a video of a 'walking' and 'talking' personal host who introduces a website to an online visitor. The personal host is, in effect, a web spokesperson for the specific company for whom the video has been created." (*Id.* ¶¶ 8-9.) The Underlying Complaint alleges that the software is "representative of LFOW's advertising idea; LFOW (and its customers) advertise services and solicit business through the use of a web spokesperson, which is typically tailored to specific goods and services found on the associated website." (*Id.* ¶ 9.)

The Underlying Complaint alleges that LFOW's customers can utilize LFOW Software in one of two ways—either by

"modifying the HTML code of the LFOW customer's website" or by "storing the copy of the LFOW Software on a different webserver(s) than the [customer's] website." (*Id.* ¶ 12.)

Regardless of where the LFOW Software is stored, LFOW alleges that

the functionality and result is the same. When a web browser is directed to a website linked to LFOW Software, the embedded HTML script tag is read by the web browser and causes the automatic distribution of a copy of the LFOW Software. The LFOW Software is automatically saved by the web browser into cache, and/or a hard drive(s), and loaded into computer memory and/or [random access memory]. As a result of the distribution of the LFOW Software, the specific web spokesperson video is automatically launched and displayed to advertise the associated website.

(*Id.* ¶ 13.)

In the Underlying Complaint, LFOW alleges that it is the developer and owner of LFOW Software, "which is an original work of authorship independently created by LFOW." (*Id.* ¶ 8.) LFOW licenses LFOW Software to customers for a fee, and use of the software is subject to the terms and conditions of LFOW's End User License Agreement. (*Id.* ¶¶ 14-15.) LFOW alleges that it registered the copyright in LFOW Software version 7.0.0, prior to its publication, in the United States Copyright Office, and the Register of Copyrights issued a certificate of registration for TXu001610441 on December 20, 2007. (*Id.* ¶ 16 & Ex. A1, Ex. A2.)

The Underlying Complaint alleges that plaintiffs own, operate, and/or control the website `www.bfadvance.com` ("plaintiffs' website"), and, on that website, plaintiffs have used a web spokesperson video to promote their products and/or services. (*Id.* ¶¶ 17-19.) Further, the Underlying Complaint alleges that "in order to display the web spokesperson video on [plaintiffs'] website, [plaintiffs] used and distributed, without permission, and therefore infringed upon, the infringing version of the LFOW Software." (*Id.* ¶ 20.) Specifically, it alleges that plaintiffs' website was modified by them or on their behalf such that it links the website "to the file '`ip_player.js`', an infringing version of the LFOW Software, which was stored for [plaintiffs] on the webserver(s) for `www.tweople.com`."<sup>1</sup> (*Id.* ¶¶ 21-23.) As a result, "when a web browser retrieves a page from [plaintiffs'] website, a copy of the infringing version of the LFOW Software is distributed by [plaintiffs] to the website visitor and stored on the visitor's computer . . . ." (*Id.* ¶ 24.) Moreover, the infringing version of the LFOW Software allegedly includes "one or more instances of 'LFOW' " and the "unique prefixes '`lf_`,' which were arbitrarily chosen by LFOW to mark its code and indicate LFOW's unique and original code." (*Id.* ¶ 25.)

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<sup>1</sup> The alleged modification is set forth in more detail in the Underlying Complaint and Exhibits B and C attached thereto. (See ECF No. 23-4, Tammaro Decl., Ex. 1.)

The Underlying Complaint explains that the “infringing version of the LFOW Software is a sales and advertising tool” because “[t]he web spokesperson video that launches . . . advertises and promotes the products and/or services of [plaintiffs] . . . .” (*Id.* ¶¶ 26, 29.) LFOW alleges that in order for the web spokesperson to appear on the website visitor’s screen, it is “necessary” that “a copy of the infringing version of the LFOW Software . . . be distributed to website visitors in [plaintiffs’] advertising.” (*Id.* ¶ 27.)

The Underlying Complaint alleges that “[t]he unlawful use, reproduction and/or distribution of the infringing version of the LFOW Software on the [plaintiffs’] website constitutes infringement of LFOW’s intellectual property rights, including without limitation, LFOW’s registered copyrighted material(s).” (*Id.* ¶ 31.) It contains one count of copyright infringement. (*Id.* ¶¶ 37-52.)

## **II. Sentinel’s Policies**

In the instant action, plaintiffs allege that defendant’s “failure to defend Plaintiffs in connection with the [the action arising from the Underlying Complaint (the “Underlying Action”)] constitutes a breach of contract” relating to insurance policies that defendant issued to BF Advance. (ECF No. 1, Compl. at ¶ 43.) Defendant issued Commercial General Liability Policy number 12 SBA BK8994 to “BF Advanced LLC” as

the named insured, effective from July 21, 2011 through July 21, 2012, and which was renewed annually through July 21, 2016 (collectively, the "Sentinel Policies"). (ECF No. 1, Compl. ¶ 14; ECF No. 23-6, Declaration of Jason M. Price ("Price Decl."), Ex. 1, filed 6/9/2017; ECF No. 23-7, Price Decl., Ex. 2, filed 6/9/2017; ECF No. 23-8, Price Decl., Ex. 3, filed 6/9/2017; ECF No. 23-9, Price Decl., Ex. 4, filed 6/9/2017; ECF No. 23-10, Price Decl., Ex. 5, filed 6/9/2017.) For a Limited Liability Company ("LLC"), the Sentinel Policies define as insured the LLC's members "with respect to the conduct of [the LLC's] business" and the LLC's managers with respect "to their duties as [managers]." (ECF No. 23-6, Price Decl., Ex. 1 at 52, 61; ECF No. 23-7, Price Decl., Ex. 2 at 50, 59; ECF No. 23-8, Price Decl., Ex. 3 at 69, 78; ECF No. 23-9, Price Decl., Ex. 4 at 71, 80; ECF No. 23-10, Price Decl., Ex. 5 at 63, 72.<sup>2</sup>)

The Sentinel Policies provide, in part:

**A. COVERAGES**

**1. BUSINESS LIABILITY COVERAGE (BODILY INJURY, PROPERTY DAMAGE, PERSONAL AND ADVERTISING INJURY)**

**Insuring Agreement**

- a.** We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury", "property damage" or "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

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<sup>2</sup> The court refers to the page numbers assigned by the Electronic Case Filing (ECF) system.

will have no duty to defend the insured against any "suit" seeking damages for "bodily injury", "property damage" or "personal and advertising injury" to which this insurance does not apply.

We may, at our discretion, investigate any "occurrence" or offense and settle any claim or "suit" that may result . . .

**b.** This insurance applies: . . .

(2) 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.

(ECF No. 23-6, Price Decl., Ex. 1 at 52; ECF No. 23-7, Price Decl., Ex. 2 at 50; ECF No. 23-8, Price Decl., Ex. 3 at 69; ECF No. 23-9, Price Decl., Ex. 4 at 71; ECF No. 23-10, Price Decl., Ex. 5 at 63.)

The Sentinel Policies define the term "personal and advertising injury" (as amended by the Cyberflex Coverage endorsement<sup>3</sup>) in part as:

**G. LIABILITY AND MEDICAL EXPENSES DEFINITIONS**

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

- f.** Copying, in your "advertisement" or on "your website", a person's or organization's "advertising idea" or style of "advertisement";
- g.** Infringement of copyright, slogan, or title of any literary or artistic work, in your advertisement or on "your website" [.]

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<sup>3</sup> The Cyberflex Coverage endorsement "modifies coverage under the Business Liability Coverage Form for [the insureds'] web site or internet related activities." (See, e.g., ECF No. 23-6, Price Decl., Ex. 1 at 112.)

(ECF No. 23-6, Price Decl., Ex. 1 at 73-74, 112; ECF No. 23-7, Price Decl., Ex. 2 at 71-72, 112; ECF No. 23-8, Price Decl., Ex. 3 at 90-91, 121; ECF No. 23-9, Price Decl., Ex. 4 at 36, 92-93; ECF No. 23-10, Price Decl., Ex. 5 at 30, 84-85.)

The term "advertisement" (as amended by the Cyberflex Coverage endorsement) is defined as:

**G. LIABILITY AND MEDICAL EXPENSES DEFINITIONS**

1. "Advertisement" means the widespread public dissemination of information or images that has the purpose of inducing the sale of goods, products or services through:
  - a. (1) Radio;
  - (2) Television;
  - (3) Billboard;
  - (4) Magazine;
  - (5) Newspaper;
  - b. The Internet;
  - c. Any publication that is given widespread public distribution.

However, "advertisement" does not include:

- a. The design, printed material, information or images contained in, on or upon the packaging or labeling of any goods or products; or
- b. An interactive conversation between or among persons through a computer network.

(ECF No. 23-6, Price Decl., Ex. 1 at 71, 112; ECF No. 23-7, Price Decl., Ex. 2 at 69, 112; ECF No. 23-8, Price Decl., Ex. 3 at 88, 121; ECF No. 23-9, Price Decl., Ex. 4 at 36, 90; ECF No. 23-10, Price Decl., Ex. 5 at 30, 82.)

The term "advertising idea" means "any idea for an 'advertisement.'" (ECF No. 23-6, Price Decl., Ex. 1 at 71, 112; ECF No. 23-7, Price Decl., Ex. 2 at 69; ECF No. 23-8, Price



Decl., Ex. 3 at 88; ECF No. 23-9, Price Decl., Ex. 4 at 90; ECF No. 23-10, Price Decl., Ex. 5 at 82.) The term "your web site" means "a web page or set of interconnected web pages prepared and maintained by [the insureds], or by others on [the insureds'] behalf that is accessible over a computer network." (ECF No. 23-6, Price Decl., Ex. 1 at 112; ECF No. 23-7, Price Decl., Ex. 2 at 112; ECF No. 23-8, Price Decl., Ex. 3 at 121; ECF No. 23-9, Price Decl., Ex. 4 at 36; ECF No. 23-10, Price Decl., Ex. 5 at 30.)

Under the Sentinel Policies, coverage for "personal and advertising injury" is subject to exclusions, including the "Intellectual Property (IP) Exclusion" and the "Software Exclusion" (both as amended by the Cyberflex Coverage endorsement). The IP Exclusion states:

**B. EXCLUSIONS**

**1. Applicable to Business Liability Coverage**

This insurance does not apply to . . .

**p. Personal and Advertising Injury**

"Personal and advertising injury": . . .

- (7) Arising out of any violation of intellectual property rights, such as copyright, patent, trademark, trade name, trade secret, service mark or other designation of origin or authenticity.

However, this exclusion does not apply to infringement, in your "advertisement" or on your "web site", of

- (a) Copyright;
- (b) Slogan, unless the slogan is also a trademark, trade name, service mark or

other designation of origin or  
authenticity; or  
(c) Title of any literary or artistic  
work[.]

(ECF No. 23-6, Price Decl., Ex. 1 at 59, 112; ECF No. 23-7,  
Price Decl., Ex. 2 at 57, 112; ECF No. 23-8, Price Decl., Ex. 3  
at 76, 121; ECF No. 23-9, Price Decl., Ex. 4 at 36, 78; ECF No.  
23-10, Price Decl., Ex. 5 at 30, 70.)

The Software Exclusion provides:

**B. EXCLUSIONS**

**1. Applicable to Business Liability Coverage**

This insurance does not apply to . . .

**p. Personal and Advertising Injury**

"Personal and advertising injury": . . .

**(12) Arising out of:**

**(d) Computer code, software or  
programming used to enable:**

**(i) Your web site; or**

**(ii) The presentation or  
functionality of an  
"advertisement" or other content  
on your web site[.]**

(*Id.*)

**III. Procedural Background**

BF Advance notified defendant of the Underlying Action  
and provided it with a copy of the Underlying Complaint. (ECF  
No. 1, Compl. ¶ 34; ECF No. 9, Answer, filed 12/7/2016, ¶¶ 25-  
28.) Defendant responded by declining to defend or indemnify BF  
Advance in the Underlying Action. (ECF No. 1, Compl. ¶ 4; ECF  
No. 28-10, Declaration of Joel B. Rothman ("Rothman Decl."), Ex.  
7, March 21, 2016 Letter from Sentinel to Defendants ("Def. Mar.

21, 2016 Ltr.".) Defendant communicated its reasons for its position in at least two letters to BF Advance, dated March 21, 2016 and May 13, 2016. (ECF No. 1, Compl. ¶¶ 4, 35, 38; ECF No. 9, Answer ¶¶ 35, 38; ECF No. 28-10, Rothman Decl., Ex. 7 Def. Mar. 21, 2016 Ltr.) In the March 21, 2016 letter, The Hartford, on behalf of defendant, advised plaintiff "there is no potential coverage for this claim," and explained that it believed at least four exclusions, including the Software Exclusion and the IP Exclusion, precluded coverage with respect to the Underlying Complaint. (ECF No. 28-10, Rothman Decl., Ex. 7 Def. Mar. 21, 2016 Ltr. at 5-6.)

On October 25, 2016, plaintiffs, an LLC and an officer and member of that LLC, filed the Complaint in the instant action. (ECF No. 1, Compl. ¶¶ 8-9.) The Complaint seeks declaratory judgments that defendant "is responsible for providing Plaintiffs with a defense in the Underlying Action," and, "to the extent plaintiffs settle the Underlying Action or have a judgment entered against both or either of them in the Underlying Action, [that] Defendant is obligated to pay and/or indemnify Plaintiffs in connection with that settlement agreement or judgment." (*Id.* ¶¶ 49, 55.) Plaintiffs also seek damages in the amount of legal fees and disbursements incurred in connection with the Underlying Action, which, as of October 10, 2016, amounted to \$33,270.00. (*Id.* at 10 & ¶ 44.)

Defendant answered the Complaint on December 7, 2016. (See ECF No. 9, Answer.)

The parties exchanged initial disclosures and, upon representing to the court that no additional discovery was required, Magistrate Judge Orenstein certified that discovery was complete on January 17, 2017. (ECF Minute Entry, dated 1/17/2017; ECF No. 15, Order Certifying Discovery is Complete, dated 1/17/2017.) After a pre-motion conference regarding motions for summary judgment, the parties filed their completed briefing for defendant's motion for summary judgment and plaintiffs' motion for partial summary judgment on June 9, 2017. Attached to their opposition to defendant's motion for summary judgment, plaintiffs included a declaration from Scott Stein (the "Stein Declaration") including what was referred to as an expert opinion and which claims that the Software Exclusion is ambiguous. (ECF No. 24-1, Declaration of Scott Stein ("Stein Decl."), dated 5/31/2017.) Defendant filed a motion to strike the Stein Declaration. (ECF No. 26, Defendant's Motion to Strike and Preclude the Declaration of Scott Stein ("Def. Mot. to Strike"), filed 6/9/2017.) Briefing on the motion to strike the Stein Declaration was complete on July 14, 2017.

#### **LEGAL STANDARD**

Summary judgment is appropriate "only where there is no genuine issue of material fact to be tried, and the facts as

to which there is no such issue warrant the entry of judgment for the moving party as a matter of law." *Kaytor v. Electric Boat Corp.*, 609 F.3d 537, 545 (2d Cir. 2010). "A genuine issue of fact for trial exists where there is 'evidence on which the jury could reasonably find for' " the non-moving party. *Cioffi v. Averill Park Cent. Sch. Dist. Bd. of Educ.*, 444 F.3d 158, 162 (2d Cir. 2006) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986)). In deciding a motion for summary judgment, the court must resolve all ambiguities and draw all reasonable inferences in favor of the non-movant. See *Zalaski v. City of Bridgeport Police Dep't*, 613 F.3d 336, 340 (2d Cir. 2010).

To defeat a motion for summary judgment, the non-movant must identify probative evidence on the record from which a reasonable factfinder could find in its favor. *Liberty Lobby*, 477 U.S. at 256-57. Summary judgment "therefore requires the nonmoving party to go beyond the pleadings and by her own affidavits, or by the depositions, answers to interrogatories, and admissions on file, designate specific facts showing that there is a genuine issue for trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986) (internal quotation marks omitted).

#### **DISCUSSION**

Before considering the parties' motions for summary judgment, the court addresses defendant's motion to strike the

Stein Declaration because plaintiffs rely on the declaration in opposing defendant's motion for summary judgment. (ECF No. 40, Plaintiffs' Memorandum of Law in Opposition to Motion to Strike and Preclude the Declaration of Scott Stein ("Opp'n to Def. Mot. to Strike"), filed 7/1/2017, at 6 n.1.) See *Pray v. Long Island Bone & Joint, LLP*, No. 14-cv-5386, 2016 WL 9455557, at \*4 (E.D.N.Y. Aug. 11, 2016).

### **I. Motion to Strike**

Defendant moves to strike to the Stein Declaration, which plaintiffs attached to their memorandum of law in opposition to defendant's motion for summary judgment. Defendant contends that striking the declaration would be proper under three separate rules: Federal Rule of Civil Procedure 37(c) ("Rule 37(c)"), Federal Rule of Civil Procedure 56(c)(4), and Federal Rule of Evidence 702 ("Rule 702"). (ECF No. 26-1, Memorandum of Law in Support of Motion to Strike and Preclude the Declaration of Scott Stein ("Mem. Support Mot. to Strike"), filed on 6/9/2017, at 6-15.) Because the court finds that plaintiffs violated Federal Rule of Civil Procedure 26 ("Rule 26") by failing to timely identify Stein as an expert witness, the court considers whether their violation warrants preclusion pursuant to Rule 37(c).

Under Rule 26(a)(2), "a party must 'disclose to the other parties the identity of any witness it may use at trial to

present evidence under Federal Rule of Evidence 702, 703, or 705,' and must make such disclosures 'at the times and in the sequence that the court orders.' " *DVL, Inc. v. Niagara Mohawk Power Corp.*, 490 F. App'x 378, 381 (2d Cir. 2012) (citing Fed. R. Civ. P. 26(a)(2)(A), (D)). Rule 37(c), in turn, provides that "[i]f a party fails to . . . identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that . . . witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless." Fed. R. Civ. P. 37(c)(1). Before precluding witness testimony, the court should inquire into the "actual difficulties which the violation causes" and "consider less drastic responses." *Outley v. City of New York*, 837 F.2d 587, 591 (2d Cir. 1988).

Defendant argues that the Stein Declaration is expert testimony that plaintiffs submitted in violation of Rule 26 and, therefore, should be precluded under Rule 37(c)(1). (ECF No. 26-1, Mem. Support Mot. to Strike at 7-8.) Plaintiffs do not dispute that they consented to the close of discovery after initial Rule 26 disclosures and failed timely to disclose Stein as a witness in their Rule 26 disclosures, or at any time prior to submitting their opposition to defendant's summary judgment motion. Nor do plaintiffs dispute defendant's characterization

of the Stein declaration as expert testimony.<sup>4</sup> Instead, plaintiffs argue that their failure to disclose the expert material was substantially justified and harmless, and therefore the court should not strike it. (ECF No. 40, Opp'n to Def. Mot. to Strike at 8-9.) The issue, therefore, is whether the court should strike the Stein Declaration.

The purpose of preclusion is "to prevent the 'sandbagging' of an opposing party with new evidence." *Rienzi & Sons, Inc. v. N. Puglisi & F. Industria Paste Alimentari S.P.A.*, No. 08-cv-2540, 2011 WL 1239867, at \*4 (E.D.N.Y. Mar. 30, 2011) (citations omitted). Thus, where there is an "absence of prejudice" to the complaining party, courts have allowed the admission of "harmless" evidence. *Ritchie Risk-Linked Strategies Trading (Ireland), Ltd. v. Coventry First LLC*, 280 F.R.D. 147, 159 (S.D.N.Y. 2012) (citations omitted). In deciding whether to exercise its discretion to preclude evidence submitted in violation of Rule 26(a), the court considers: (1)

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<sup>4</sup> The court agrees that the Stein Declaration constitutes expert testimony. First, in his declaration, Stein refers to his opinion as "My Expert Opinion." (ECF No. 24-1, Stein Decl. at 10.) Second, Stein's proffered opinion qualifies as an expert opinion under Rule 702 because it is "based upon [his] training, and experience in intellectual property and commercial general liability insurance . . . ." (*Id.* ¶ 44.) See *United States v. Garcia*, 413 F.3d 201, 215 (2d Cir. 2005) ("If the opinion rests 'in any way' upon scientific, technical, or other specialized knowledge, its admissibility must be determined by reference to Rule 702, not Rule 701."); see also *DVL, Inc.*, 490 F. App'x at 381 (affirming district court's conclusion that purported lay witness opined as an expert when he "relied on technical and scientific knowledge in making most of the observations and conclusions in the declarations").



plaintiffs' explanation for their failure to comply with the disclosure requirement; (2) the importance of the testimony of the potentially precluded witness; (3) the prejudice suffered by the opposing party as a result of having to prepare to meet the new testimony; and (4) the possibility of a continuance.

*Patterson v. Balsamico*, 440 F.3d 104, 117 (2d Cir. 2006). "Rule 37(c)(1) by its own terms does not require a showing of bad faith," and the Second Circuit has held that the "requirement should not be read into the Rule." *Design Strategy, Inc. v. Davis*, 469 F.3d 284, 296 (2d Cir. 2006).

Regarding the first factor, plaintiffs offer two reasons for failing to comply with Rule 26(a) disclosure requirements. First, they argue that they failed to timely disclose Stein as an expert witness because discovery was closed following the completion of initial disclosures. (ECF No. 40, Opp'n to Def. Mot. to Strike at 8.) This argument is unpersuasive, especially given that plaintiffs consented to closing discovery upon the completion of initial disclosures. (*Id.* at 9 ("Plaintiffs do not deny that they were party to the decision . . . not to engage in discovery [other than initial disclosures] . . . ."); ECF No. 15, Order Certifying Discovery is Complete, dated 1/17/2017 ("Discovery is closed based on the parties' representation that . . . no additional discovery is required.")) Second, plaintiffs argue that "[a] full

understanding of the ambiguity in Sentinel's policy was not clear on the face of the pleadings," nor was the "lack of clarity regarding Sentinel's interpretation of the 'Software Exclusion'[, ] until the summary judgment stage[.]" (ECF No. 40, Opp'n to Def. Mot. to Strike at 8.) As defendant points out, however, plaintiffs were, or should have been, aware of defendant's position that the Software Exclusion precluded coverage as early as March 21, 2016, when defendant sent a position letter stating the same.<sup>5</sup> (ECF No. 28-10, Declaration of Joel B. Rothman, Ex. 7 at 5.) Plaintiffs' explanations as to why they did not timely disclose Stein as an expert witness are unpersuasive, and the first factor weighs strongly in favor of striking the Stein Declaration.

The second factor, importance of the testimony at issue, also weighs in favor of preclusion. Plaintiffs claim to offer the Stein Declaration "solely for the purposes of demonstrating that . . . as a matter of fact (not law) Sentinel's interpretation of the Software Exclusion, as applied to the LFOW Case, is not 'clear and unambiguous' but rather creates ambiguity that precludes summary judgment in Sentinel's favor." (ECF No. 40, Opp'n to Def. Mot. to Strike at 6.)

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<sup>5</sup> From the Complaint, it appears that plaintiffs received two letters communicating defendant's position that the Software Exclusion precluded coverage of the Underlying Action. (See ECF No. 1, Compl. ¶ 38 (alleging defendant sent a letter on or about May 13, 2016 that "maintain[ed] the same positions as set forth in its earlier March 21, 2016 correspondence.").)

Plaintiffs admit that the Stein Declaration serves a "narrow purpose" and is irrelevant if the court finds that the Sentinel Policies are unambiguous. (*Id.* at 7.) Indeed, only the court may decide if a contract term is ambiguous, and the court must make its determination as a matter of law *without* consideration of extrinsic evidence, such as the Stein Declaration. *In re Holocaust Victim Assets Litig.*, 256 F. Supp. 2d 150, 153 (E.D.N.Y. 2003). The court therefore finds that the Stein Declaration does not contain important testimony.<sup>6</sup> Accordingly, even if the court were to consider the Stein Declaration, the court's summary judgment analysis would remain the same.

The third factor, prejudice to defendants, also weighs in favor of preclusion. Due to the timing of plaintiffs' introduction of the Stein Declaration—after the close of discovery—defendant did not have an opportunity to depose Stein or offer a rebuttal expert, therefore prejudicing defendant. *See Simon v. City of New York*, No. 14-cv-8391, 2017 WL 57860, at

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<sup>6</sup> If the court finds a contract to be ambiguous, at that point it may consider extrinsic evidence. *See Scholastic, Inc. v. Harris*, 259 F. 3d 73, 83 (2d Cir. 2001). Even then, however, if the extrinsic evidence does not resolve the ambiguity, the issue remains a question of law for the court. *Catlin Speciality Ins. Co. v. QA3 Financial Corp.*, 36 F. Supp. 3d 336, 341 (S.D.N.Y. 2014) (internal quotation marks omitted) (quoting *State v. Home Indem. Co.*, 486 N.E.2d 827, 829 (N.Y. 1985)). Although the court does not find the Sentinel Policies to be ambiguous, *see infra*, the court notes that even if it did, the Stein Declaration would be unimportant because it does not even attempt to resolve any alleged ambiguities in the Sentinel Policies. Instead, the Stein Declaration only "offer[s] to show that there is no construction of the 'Software Exclusion' that renders it 'clear and unambiguous.'" (ECF No. 40, Opp'n to Def. Mot. to Strike at 7 (emphasis omitted).)

\*6 (S.D.N.Y. Jan. 5, 2017) (finding prejudice factor weighed in favor of preclusion where expert report was submitted one day before discovery closed because, *inter alia*, opposing party could not depose expert or offer rebuttal testimony). Moreover, if the court reopened discovery to allow defendant to depose Stein and submit further briefing in support of their motion for summary judgment, as plaintiffs propose (ECF No. 40, Opp'n to Def. Mot. to Strike at 9), plaintiffs would be burdened with additional costs. See *Lujan v. Cabana Management, Inc.*, 284 F.R.D. 50, 75 (E.D.N.Y. 2012); *Gotlin v. Lederman*, No. 04-cv-3736, 2009 WL 2843380 (E.D.N.Y. Sept. 1, 2009).

Finally, with respect to the fourth factor, the possibility of continuance, the facts that discovery was closed on consent of the parties six months before plaintiffs submitted the Stein Declaration, and that the parties have fully briefed the summary judgment motion, weigh against the possibility of a continuance. See *Morritt v. Stryker Corp.*, No. 07-cv-2319, 2011 WL 3876960, at \*3, 8 (E.D.N.Y. Sept. 1, 2011) (finding fourth factor weighed against continuance where expert discovery closed approximately six months before the expert declaration that violated Rule 26 was executed); *Spotnana, Inc. v. American Talent Agency, Inc.*, No. 09-cv-3698, 2010 WL 3341837, at \*2 (S.D.N.Y. Aug. 17, 2010) (finding fourth factor "strongly" weighed against continuance where discovery closed four months

prior to the violation of Rule 26); *Lujan*, 284 F.R.D. at 71 (finding that close of discovery weighed slightly in favor of preclusion because continuance would require reopening discovery); *Lebada v. New York City Dep't of Educ.*, No. 14-cv-758, 2016 WL 626059, at \*6 (S.D.N.Y. Feb. 8, 2016) (finding fourth factor weighed against continuance where discovery closed months before and summary judgment was fully briefed), *objections overruled*, 2016 WL 8453417 (S.D.N.Y. May 16, 2016).

Because all four factors of the *Patterson* test weigh in favor of preclusion, defendant's motion to strike the Stein Declaration is GRANTED.

## **II. Motions for Summary Judgment**

Defendant moves for summary judgment, arguing that the Software Exclusion in the Sentinel Policies relieves defendant of the duties to defend and indemnify. Plaintiffs filed a cross-motion for partial summary judgment, claiming that they are entitled to a defense in the Underlying Action. Because both motions hinge on the issue of whether any exclusions in the Sentinel Policies, specifically the Software Exclusion, relieves the defendant of its duty to defend, the court considers the cross-motions for summary judgment together.

**a. Applicable Law**

i. Duty to Defend

Under New York law, an insurer has an “exceedingly broad” duty to defend the insured. *Century 21, Inc. v. Diamond State Ins. Co.*, 442 F.3d 79, 82 (2d Cir. 2006); *Auto. Ins. Co. of Hartford v. Cook*, 850 N.E.2d 1152, 1155 (N.Y. 2006). The duty to defend therefore endures “until it is determined with certainty that the policy does not provide coverage.” *Hugo Boss Fashions, Inc. v. Fed. Ins. Co.*, 252 F.3d 608, 620 (2d Cir. 2001) (emphasis in original).

The duty to defend arises “whenever the allegations in a complaint state a cause of action that gives rise to the reasonable possibility of recovery under the policy.” *Fitzpatrick v. Am. Honda Motor Co.*, 575 N.E.2d 90, 91-92 (N.Y. 1991). To determine whether such a cause of action exists, the court compares the “four corners of the underlying complaint” to the terms of the insurance policies. *Id.* at 92. “The allegations of the complaint must be liberally construed and if they arguably fall within a risk covered by the policies, then the insurer is required to defend regardless of how groundless, false or baseless the suit may be.” *Brooklyn Law Sch. v. Aetna Cas. & Sur. Co.*, 661 F. Supp. 445, 449 (E.D.N.Y. 1987) (citing *Int’l Paper Co. v. Cont’l Cas. Co.*, 332 N.E.2d 619, 620-22 (N.Y. 1974)), *aff’d*, 849 F.2d 788 (2d Cir. 1988)). For the purposes

of the duty to defend, the nature of the claims asserted in an underlying complaint "is to be determined based upon the facts alleged and not the conclusions which the pleader draws therefrom or upon the characterization applied to a claim by a party." *Lucarelli v. Mountain Valley Indem. Co.*, 881 N.Y.S.2d 708, 710 (N.Y. App. Div. 2009) (citations and internal quotation marks omitted); *see also Transamerica Ins. Grp. v. Rubens*, No. 97-cv-8911, 1999 WL 673338, at \*4 (S.D.N.Y. Aug. 27, 1999) ("[T]he Court should be guided by the facts alleged in the complaint and not the legal assertions of the injured party." (citations and internal quotation marks omitted)).

"An insurer has a duty to defend a claim against its policy holder unless it can establish, as a matter of law, that there is no possible factual or legal basis on which the insurer might eventually be obligated to indemnify [the insured] under any provision contained in the policy." *Am. Auto. Ins. Co. v. Sec. Income Planners & Co.*, 847 F. Supp. 2d 454, 460 (E.D.N.Y. 2012) (brackets in original) (internal quotation marks omitted) (quoting *Villa Charlotte Bronte, Inc. v. Commercial Union Ins. Co.*, 476 N.E.2d 640, 641 (N.Y. 1985)). Accordingly, to establish that an exclusion dispenses with the duty to defend, an insurer "bears the heavy burden of demonstrating that the allegations of the complaint cast the pleadings wholly within that exclusion, that the exclusion is subject to no other

reasonable interpretation, and that there is no possible factual or legal basis upon which the insurer may eventually be held obligated to indemnify the insured under any policy provision.” *Id.* (quoting *Frontier Insulation Contractors v. Merchants Mut. Ins. Co.*, 690 N.E.2d 866 (N.Y. 1997)). If any single exclusion in an insurance policy applies, the duty to defend is removed. See *Tudor Ins. Co. v. Golovunin*, No. 07-cv-4792, 2013 WL 5437025, at \*6 (E.D.N.Y. Sept. 27, 2013). “One exclusion is not rendered ineffective by an exception to another exclusion because exclusions in policies of insurance must be read *seriatim*, not cumulatively, and if any one exclusion applies there can be no coverage since no one exclusion can be regarded as inconsistent with another.” *Id.* (citations, alterations, and internal quotation marks omitted) (quoting *Ruge v. Utica First Ins. Co.*, 819 N.Y.S.2d 564, 566 (N.Y. App. Div. 2006); *Zandri Contr. Co. v. Firemen’s Ins. Co.*, 440 N.Y.S.2d 353, 356 (N.Y. App. Div. 1981)).

ii. Contract Interpretation

“Insurance policies are contracts to which the ordinary rules of contractual interpretation apply.” *Accessories Biz, Inc. v. Linda & Jay Keane, Inc.*, 533 F. Supp. 2d 381, 386 (S.D.N.Y. 2008). Whether a contract is ambiguous is a question of law. *Alexander & Alexander Serv., Inc. v. These Certain Underwriters at Lloyd’s, London, England*, 136 F.3d 82,



86 (2d Cir. 1998). The test for ambiguity in a contract is whether "an ordinary business man in applying for insurance and reading the language in these contracts would have thought himself covered against precisely the damage now asserted." *U.S. Specialty Ins. Co. v. LeBeau, Inc.*, 847 F. Supp. 2d 500, 504 (W.D.N.Y. 2012) (internal alteration omitted) (quoting *Kenyon v. Sec. Ins. Co. of Hartford*, 626 N.Y.S.2d 347, 350 (N.Y. Sup. Ct. 1993)). When assessing whether an insurance contract is ambiguous, the court should read the policy "in light of common speech and the reasonable expectations of a businessperson." *Parks Real Estate Purchasing Grp. v. St. Paul Fire and Marine Ins. Co.*, 472 F.3d 33, 42 (2d Cir. 2006) (internal quotation marks omitted) (quoting *Pepsico, Inc. v. Winterthur Int'l Am. Ins. Co.*, 788 N.Y.S.2d 142, 144 (N.Y. App. Div. 2005)). "However, provisions in a contract are not ambiguous merely because the parties interpret them differently." *Mount Vernon Fire Ins. Co. v. Creative Hous., Ltd.*, 668 N.E.2d 404, 405 (N.Y. 1996). "No ambiguity exists when contract language has a 'definite and precise meaning, unattended by danger of misconception in the purport of the [contract] itself, and concerning which there is no reasonable basis for a difference of opinion.'" *Sayers v. Rochester Tel. Corp. Supplemental Mgmt. Pensions Plan*, 7 F.3d 1091, 1095 (2d

Cir. 1993) (brackets in original) (quoting *Breed v. Ins. Co. of N. Am.*, 385 N.E.2d 1280, 1282 (N.Y. 1978)).

"Where insurance coverage is ambiguous, doubts are to be resolved in favor of the insured and against the insurer." *U.S. Specialty Ins. Co.*, 847 F. Supp. 2d at 503-04 (citing *Brabender v. N. Assurance Co. of Am.*, 65 F.3d 269, 273 (2d Cir. 1995); *Handelsman v. Sea Ins. Co., Ltd.*, 647 N.E.2d 1258, 1260 (N.Y. 1994)). Moreover, if "the language in the insurance contract is ambiguous and susceptible of two reasonable interpretations, the parties may submit extrinsic evidence as an aid of construction, and the resolution of the ambiguity is for the trier of fact." *Catlin Speciality Ins. Co.*, 36 F. Supp. 3d at 341 (internal quotation marks omitted) (quoting *State v. Home Indem. Co.*, 486 N.E.2d 827, 829 (N.Y. 1985)). "On the other hand, if the tendered extrinsic evidence is itself conclusory and will not resolve the equivocality of the language of the contract, the issue remains a question of law for the court." *Id.*

**b. Duty to Defend**

Defendant asserts that it has no obligation to defend or indemnify plaintiffs in connection with the Underlying Action because the Software Exclusion applies to the injury alleged in the Underlying Complaint. (ECF No. 23-2, Memorandum of Law in Support of Defendant Sentinel Insurance Company's Motion for

Summary Judgment ("Def. Mem. in Support of Summary Judgment"), filed 6/9/2017, at 15-22; ECF No. 25, Reply Memorandum of Law in Support of Sentinel Insurance Company, Ltd.'s Motion for Summary Judgment ("Def. Reply in Support of Summary Judgment"), filed 6/9/2017, at 6-13; ECF No. 30, Memorandum of Law in Opposition to Plaintiff's Motion for Partial Summary Judgment ("Def. Mem. Opp'n Partial Summary Judgment"), filed 6/9/2017, at 10-16.)

Plaintiffs claim that they are entitled to coverage under the Sentinel Policies. They argue that the Underlying Complaint provides at least two bases for "personal and advertising injury" under the Sentinel Policies—infringement and copying in plaintiffs' advertisement or on plaintiffs' website. (ECF No. 28-1, Plaintiffs' Memorandum of Law in Support of Motion for Partial Summary Judgment ("Pl. Mem. Partial in Support of Summary Judgment"), filed 6/9/2017, at 16-17.) Moreover, plaintiffs argue that the Software Exclusion is ambiguous and therefore does not preclude coverage as a matter of law. (*Id.* at 17-21; ECF No. 24, Plaintiffs' Memorandum of Law in Opposition to Sentinel Insurance Company's Motion for Summary Judgment and Response to Sentinel's Statement of Undisputed Facts ("Pl. Opp'n to Def. Mot. for Summary Judgment"), filed 6/9/2017 at 18-22.) Plaintiffs also claim that the IP Exclusion does not apply to the Underlying Action.

(ECF No. 28-1, Pl. Mem. Partial in Support of Summary Judgment, at 18.)

For the reasons that follow, the court finds that the Software Exclusion unambiguously applies to the Underlying Action, thus relieving defendant of the duty to defend. Consequently, the court need not address plaintiffs' other arguments regarding the duty to defend. The Software Exclusion states that the Sentinel Policies do not provide coverage for "personal and advertising injury arising out of computer code, software or programming used to enable" the insureds' website or "[t]he presentation or functionality of an 'advertisement' or other content on [the insureds'] web site." (ECF No. 23-6, Price Decl., Ex. 1 at 59, 112; ECF No. 23-7, Price Decl., Ex. 2 at 57, 112; ECF No. 23-8, Price Decl., Ex. 3 at 76, 121; ECF No. 23-9, Price Decl., Ex. 4 at 36, 78; ECF No. 23-10, Price Decl., Ex. 5 at 30, 70.) The parties do not dispute that the injury alleged in the Underlying Complaint constitutes a "personal and advertising injury."<sup>7</sup> Thus, the question for the court to decide is whether the injury arises out of "computer code, software or programming used to enable" the insureds' website or "[t]he

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<sup>7</sup> In its memorandum of law supporting its motion for summary judgment, defendant notes, " 'personal and advertising injury' . . . includes the copyright infringement alleged in the Underlying Complaint." (ECF No. 23-2, Def. Mem. in Support of Summary Judgment at 16.) In their memorandum of law supporting their motion for partial summary judgment, plaintiffs argue that the Underlying Complaint gives rise to coverage under the Sentinel Policies for "personal and advertising injury." (ECF No. 28-1, Pl. Mem. in Support of Partial Summary Judgment at 16.)

presentation or functionality of an 'advertisement' or other content on [the insureds'] web site." This requires first determining whether, as a matter of law, the exclusion is ambiguous, and, if it is not, determining whether it applies to the Underlying Complaint.

i. The Software Exclusion is Clear and Unambiguous

The Software Exclusion is clear and unambiguous as a matter of law. It provides that the Sentinel Policies do not apply to personal and advertising injury "[a]rising out of computer code, software or programming used to enable" the insureds' website or "[t]he presentation or functionality of an 'advertisement' or other content on [the insureds'] web site." (See, e.g., ECF No. 23-6, Price Decl., Ex. 1 at 59, 112.) Under New York law, "[i]n the context of a policy exclusion, the phrase 'arising out of' is unambiguous, and is interpreted broadly to mean 'originating from, incident to, or having connection with.'" *Scottsdale Indem. Co. v. Beckerman*, 92 N.Y.S.2d 117, 121 (N.Y. App. Div. 2014) (quoting *Maroney v. New York Cent. Mut. Fire Ins. Co.*, 839 N.E.2d 886, 889 (N.Y. 2005)). The court determines the applicability of an "arising out of" exclusion with a "but-for" test. See *id.* (citing, *inter alia*, *Mount Vernon Fire Ins. Co.*, 668 N.E.2d at 405-06). The test provides,

if the plaintiff in an underlying action . . . alleges the existence of facts clearly falling within such an exclusion, and none of the causes of action that he or she asserts could exist but for the existence of the excluded activity or state of affairs, the insurer is under no obligation to defend the action.

*Id.* (citing *Mount Vernon Fire Ins. Co.*, 668 N.E.2d at 405-06; *U.S. Underwriters Ins. Co. v. Val-Blue Corp.*, 647 N.E.2d 1342, 1343 (N.Y. 1995); *Natural Organics, Inc. v. OneBeacon Am. Ins. Co.*, 959 N.Y.S.2d 204, 207-208 (N.Y. App. Div. 2013)).

Plaintiffs ineffectively argue that the Software Exclusion is ambiguous because the Sentinel Policies do not define computer code, software, or programming.<sup>8</sup> (See ECF No. 24, Pl. Opp'n to Def. Mot. for Summary Judgment at 22.) This fact alone, however, does not render the exclusion ambiguous. *Hansard v. Federal Ins. Co.*, 46 N.Y.S.3d 163, 167 (N.Y. App. Div. 2017) ("[A]n ambiguity does not arise from an undefined term in a policy merely because the parties dispute the meaning of that term." (citing *Mount Vernon Fire Ins. Co.*, 668 N.E.2d at 404)). Rather, "an undefined term in an insurance policy is to

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<sup>8</sup> The Stein Declaration constitutes extrinsic evidence offered to aid the court in determining the meaning of the Sentinel Policies. (See ECF No. 40, Opp'n to Def. Mot. to Strike at 4.) The construction of policy provisions falls within the court's purview and does not require expert assistance to construe unambiguous terms. Thus, in determining whether the Sentinel Policies are ambiguous, the court does not take into consideration plaintiffs' arguments regarding the ambiguity of the Sentinel Policies to the extent that they rely on the Stein Declaration. *Law Debenture Trust Co. of New York v. Maverick Tube Corp.*, 595 F.3d 458, 467-68 (2d Cir. 2010) ("[A] written agreement that is complete, clear and unambiguous on its face must be [interpreted] according to the plain meaning of its terms, without the aid of extrinsic evidence." (second set of brackets in original) (citations and internal quotation marks omitted)).

be construed so as to give the term its ordinary and accepted meaning." *Sloman v. First Fortis Life Ins.*, 698 N.Y.S.2d 295, 297 (N.Y. App. Div. 1999). Because nothing in the Sentinel Policies themselves or the parties' papers suggests that the parties intended "computer code, software or programming" to mean anything other than their ordinary terms, the court looks to the dictionary definitions of those words. See, e.g., *Droplets, Inc. v. E\*trade Fin. Corp.*, 939 F. Supp. 2d 336, 356 (S.D.N.Y. 2013) (using a dictionary definition of "software" where the relevant contract and its negotiating history did not suggest that the contracting parties "intended [the word] to mean anything extraordinary"). Merriam-Webster Dictionary defines "code" as "instructions for a computer (as within a piece of software)," "software" as "programs for a computer," and "programming" as "the process of preparing an instructional program for a device (such as a computer)." *Code*, Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/code> (last visited Mar. 20, 2018); *Software*, Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/software> (last visited Mar. 20, 2018); *Programming*, Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/programming> (last visited Mar. 20, 2018).

The Software Exclusion is clear and unambiguous, and the court interprets it using the definitions provided above.

ii. The Software Exclusion Applies to the Underlying Complaint

The Software Exclusion applies to the Underlying Complaint. In determining whether defendant has a duty to defend in the Underlying Action, the court compares the Underlying Complaint to the Sentinel Policies, specifically the Software Exclusion. See *Int'l Business Machines Corp. v. Liberty Mut. Ins. Co.*, 363 F.3d 137, 144 (2d Cir. 2004). Pursuant to the "but-for" test described above, if defendants can demonstrate that the injury alleged in the Underlying Complaint—copyright infringement—could not exist *but for* the use of computer code, software, or programming to enable plaintiffs' website or the "presentation or functionality of an 'advertisement' or other content" on that website, the Software Exclusion applies and defendant is relieved of the duty to defend in the Underlying Action. Applying this test, the court finds that the Underlying Complaint unambiguously alleges an injury that fits within the Software Exclusion.

On its face, the Underlying Complaint alleges an injury that arises out of the use of software. The Underlying Complaint alleges an injury in the form of plaintiffs' "unlawful use, reproduction and/or distribution of the infringing version



of the LFOW Software on the [plaintiffs'] website which constitutes infringement of LFOW's intellectual property rights, including . . . LFOW's registered copyright material(s)." (ECF No. 23-4, Tammaro Decl., Ex. 1 ¶ 31.) Certainly, these allegations demonstrate that, but for plaintiffs' alleged "use," "reproduction," and/or "distribution" of the infringing LFOW Software, there would be no cause of action in the Underlying Complaint. See *Scottsdale Indem. Co.*, 992 N.Y.S.2d at 121.

The Underlying Complaint also clearly alleges that the software at issue enabled the presentation or functionality of an advertisement on plaintiffs' website. It further alleges that the web spokesperson video enabled by the software "advertises and promotes the products and/or services of [plaintiffs], encouraging the website viewer to purchase and/or use [plaintiffs'] products and/or services . . . ." (ECF No. 23-4, Tammaro Decl., Ex. 1 ¶ 26.) The Underlying Complaint also alleges that "in order to display the web spokesperson video on [plaintiffs'] website, [plaintiffs] used and distributed, without permission, and therefore infringed upon, the infringing version of the LFOW Software." (*Id.* ¶ 20.) LFOW alleges that "as a result of" BF Advance's "distribution of the LFOW Software," which is "necessary for" the "video spokesperson to appear on the screen of the website visitor," BF Advance infringed on LFOW's copyright. (*Id.* ¶¶ 13, 26-27.) Thus, the

Underlying Complaint effectively alleges that plaintiffs' alleged use of the infringing LFOW Software enables a web spokesperson video, which is an advertisement, to appear on plaintiffs' website. Accordingly, the Underlying Complaint falls squarely within the Software Exclusion.

Plaintiffs make three arguments to support their claim that the injury alleged in the Underlying Complaint does not fall within the Software Exclusion—none of which are persuasive. First, plaintiffs argue that the Underlying Complaint does not allege that the infringement arises “solely out of ‘computer code, software or programming’ used to enable [BF Advance’s] website” because it also alleges that the infringement includes “video files.” (ECF No. 24, Pl. Opp’n to Def. Mot. for Summary Judgment at 16-18; ECF No. 28-1, Pl. Mem. in Support of Partial Summary Judgment at 18, 20-21.) Specifically, plaintiffs claim LFOW alleges that “[t]he LFOW software requires the video greeter and the video greeter requires to LFOW software. Without one the other would be useless and no infringement would occur.” (ECF No. 32, Plaintiffs’ Memorandum of Law in Reply to Sentinel Insurance Company’s Opposition to Plaintiffs’ Motion for Partial Summary Judgment (“Pl. Reply in Support of Partial Summary Judgment”), filed 6/9/2017, at 8 (emphasis omitted).) Plaintiffs’ assertions mischaracterize the Underlying Complaint and fail to demonstrate that the Underlying Complaint’s alleged

injury does not satisfy the "arising out of" requirement of the Software Exclusion.

When analyzing the Underlying Complaint, the court looks to the facts alleged—not plaintiffs' interpretation of those allegations. *Lucarelli*, 881 N.Y.S.2d at 710; *Transamerica Ins. Grp.*, 1999 WL 673338, at \*4. As described above, LFOW clearly alleges that plaintiffs infringed on the LFOW Software, not the videos the software creates. The Underlying Complaint alleges that the LFOW Software is necessary for the video to launch, but nowhere does it allege that the web spokesperson video is necessary for the software to operate. Indeed, the plaintiffs do not cite to any portion of the Underlying Complaint that suggests as much in any of their briefing papers. Thus, contrary to plaintiffs' contention, the Underlying Complaint does not allege that the infringement arises from the web spokesperson video separate and apart from the LFOW Software.

Next, plaintiffs argue that the Software Exclusion does not apply because the Underlying Complaint asserts claims related to the "use of a video file for the video greeter that advertises and promotes [BF Advance's] services" on Tweople's website. (ECF No. 24, Pl. Opp'n to Def. Mot. for Summary Judgment at 17.) This argument fails for the same reason stated above—the Underlying Complaint alleges an injury arising only

out of the LFOW Software, not the video that the software launches.

Finally, plaintiffs argue that the Software Exclusion is not applicable because the Underlying Complaint does not allege that "the entire [BF Advance] website is enabled by an infringing version of LFOW's software." (ECF No. 24, Pl. Opp'n to Def. Mot. for Summary Judgment at 16; see also ECF No. 28-1, Pl. Mem. in Support of Partial Summary Judgment at 19.) This argument incorrectly focuses on subsection 12(d)(i) of the Software Exclusion without regard to subsection 12(d)(ii). The Software Exclusion applies to "personal and advertising injuries" arising out of "computer code, software or programming used to enable" the insureds' website (subsection 12(d)(i)) or the "presentation or functionality an 'advertisement' or other content on" that website (subsection 12(d)(ii)). (See, e.g., ECF No. 23-6, Price Decl., Ex. 1 at 59, 112.) Because the Underlying Complaint sufficiently alleges that the injury arises out of software used to enable the presentation or functionality of an advertisement, *i.e.* subsection 12(d)(ii), it is irrelevant whether the Underlying Complaint alleges that the software enables plaintiffs' entire website.

The Software Exclusion in the Sentinel Policies is clear and unambiguous, and the injury alleged in the Underlying Complaint fits squarely within that exclusion. Accordingly,

defendant does not have a duty to defend plaintiffs in the Underlying Action. Because the Software Exclusion captures the Underlying Complaint, the court does not consider plaintiffs' arguments regarding the applicability of an exception to the IP Exclusion or other arguments that the Sentinel Policies apply to the Underlying Complaint. See *Tudor Ins. Co.*, 2013 WL 5437025, at \*6-7 (holding that an auto exclusion, which precluded coverage, was not rendered ineffective by defendants' argument that another exclusion was ambiguous and might provide coverage); *Ruge*, 819 N.Y.S.2d at 566 (holding that an auto exclusion, which precluded coverage, was not rendered ineffective by an exception to another exclusion, which plaintiff argued provided coverage); see also *Graytwig Inc. v. Dryden Mut. Ins. Co.*, 53 N.Y.S.3d 395, 397-98 (N.Y. App. Div. 2017) ("An insurer that disclaims coverage does not need to provide a defense when it can 'demonstrate that the allegations of the [underlying] complaint cast that pleading solely and entirely within the policy exclusions, and, further, that the allegations, *in toto*, are subject to no other interpretation.' " (brackets in original) (quoting *Automobile Ins. Co. of Hartford v. Cook*, 850 N.E.2d 1152, 1155-56 (N.Y. 2006))).

**c. Duty to Indemnify**

The duty to defend is broader than the duty to indemnify. See, e.g., *Seaboard Surety Co. v. Gillette Co.*, 476

N.E.2d 272, 274-75 (N.Y. 1984). "It stands to reason, then, if there is no duty to defend, there can be no duty to indemnify." *Lewis & Stanzione v. St. Paul Fire & Marine Ins. Co.*, No. 13-cv-863, 2015 WL 3795780, at \*5 (N.D.N.Y. June 17, 2015) (citing *EAD Metallurgical, Inc. v. Aetna Cas. & Sur. Co.*, 905 F.2d 8, 11 (2d Cir. 1990)). Defendant has no duty to defend plaintiffs with respect to the Underlying Complaint and, therefore, defendant also does not have a duty to indemnify plaintiffs regarding that complaint. See *id.*

**CONCLUSION**

For the foregoing reasons, defendant's motion to strike plaintiffs' expert report is GRANTED, plaintiffs' motion for partial summary judgment is DENIED, and defendant's motion for summary judgment is GRANTED. The Clerk of the Court is respectfully requested to enter judgment in favor of defendant and close this case.

**SO ORDERED.**

Dated: March 20, 2018  
Brooklyn, New York

\_\_\_\_\_/s/\_\_\_\_\_  
**KIYO A. MATSUMOTO**  
United States District Judge  
Eastern District of New York