

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

THE GILLETTE COMPANY,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No. 15-1158-LPS-CJB
	)	
DOLLAR SHAVE CLUB, INC., DORCO	)	
COMPANY LTD. and PACE SHAVE,	)	
INC.	)	
	)	
Defendant.	)	

**MEMORANDUM ORDER**

At Wilmington, Delaware this **19th day of September, 2016**.

1. Presently before the Court is a motion seeking a stay of all discovery (the “Motion to Stay Discovery”) filed by Defendant Dollar Shave Club, Inc. (“DSC”). (D.I. 70) In this patent infringement action, filed by Plaintiff The Gillette Company (“Gillette”) on December 17, 2015, Gillette alleges that, *inter alia*, DSC’s “The Humble Twin,” “The 4X,” and “The Executive” products (collectively, the “DSC Accused Products”) infringe Gillette’s U.S. Patent No. 6,684,513 (the “513 patent”) regarding thin film coatings on razor products. (D.I. 1; D.I. 98) Pursuant to its Motion to Stay Discovery, DSC seeks a stay of all discovery in the case pending resolution of its Motion to Stay Pending Arbitration (the “Arbitration Motion”). (D.I. 61) DSC’s Arbitration Motion, (D.I. 34), which was filed on June 10, 2016 and was fully briefed on July 8, 2016, (D.I. 51), requests that the Court stay this case pending resolution of an arbitration instituted against Gillette by (1) [REDACTED], Dorco Company Ltd. (“Dorco”); and (2) [REDACTED], Pace Shave, Inc.

(“Pace Shave” and collectively with Dorco, “Dorco/Pace”), (D.I. 35; D.I. 61).<sup>1</sup> Gillette opposes the Motion to Stay Discovery. (D.I. 62) On August 1, 2016, the Court, which has referral authority to resolve this dispute, (D.I. 66), heard oral argument via teleconference regarding the Motion to Stay Discovery, (D.I. 76 (hereinafter, “Tr.”)).

2. Pursuant to the Federal Arbitration Act (“FAA”), a court, “upon being satisfied that the issue involved in such suit or proceeding is referable to arbitration under such an agreement, shall on application of one of the parties stay the trial of the action until such arbitration has been had in accordance with the terms of the agreement[.]” 9 U.S.C. § 3 (“Section 3”). With its Motion to Stay Discovery, DSC argues that the Court should stay discovery until its Arbitration Motion has been resolved “[c]onsistent with the mandate of the FAA and [] precedent [from the United States Court of Appeals for the Third Circuit].” (D.I. 61 at 2) In addition to pointing to Section 3 of the FAA in support, DSC also relies on one Third Circuit decision: *Klepper v. SLI, Inc.*, 45 F. App’x 136 (3d Cir. 2002). (*Id.*)

3. In *Klepper*, the plaintiff sought to exercise stock options under a stock option incentive plan administered by his former employer; the plan contained an arbitration clause providing that “[a]ny dispute or disagreement which shall arise under or as the result of this Option Grant shall be settled by an arbitrator.” *Klepper*, 45 F. App’x at 138. Instead of submitting his stock option claim to arbitration, however, the plaintiff commenced a suit against

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<sup>1</sup> Just recently, on September 12, 2016, Gillette filed a First Amended Complaint (“FAC”) that added Dorco and Pace, in addition to DSC, as Defendants to this action. (D.I. 98) Three days later, on September 15, 2016, Pace filed its own Motion to Stay Action Pending Arbitration (the “Pace Motion to Stay”). (D.I. 101) As the instant Motion to Stay Discovery was filed and argued before the filing of the FAC and the Pace Motion to Stay, the Court has not considered the FAC or the Pace Motion to Stay in assessing the instant Motion.

his former employer in federal district court. *Id.* The defendant requested a ruling on the arbitrability of the plaintiff's stock option claim. *Id.* Thereafter, and before providing a ruling on that motion, the district court issued an order requiring the parties to complete discovery ““on all pending issues, including the stock option issue.”” *Id.* The defendant, in turn, filed an appeal with the Third Circuit. *Id.*

4. The *Klepper* Court first noted its uncertainty as to whether the district court's order was issued with the intent to “permit[] the litigation to proceed without a prior ruling on the arbitrability issue” or to direct “the parties to develop a record on the arbitrability of the stock option claims.” *Id.* It ultimately considered the district court's order to be one amounting to a “declination to stay litigation pending arbitration under” Section 3. *Id.* From there, after quoting Section 3's language, the Third Circuit continued that “[t]hus requiring the parties to submit to full discovery [prior to a ruling on the arbitrability issue] under the Federal Rules of Civil Procedure may unnecessarily subject them to the very complexities, inconveniences and expenses of litigation that they determined to avoid.” *Id.* at 139 (internal quotation marks and citation omitted). The Third Circuit ultimately vacated the district court's discovery order and remanded to the district court “for examination of the scope and applicability of the stock option plan's arbitration clause[,]” leaving discovery with respect to that particular issue to the discretion of the district court judge. *Id.*

5. The *Klepper* decision certainly suggests that, in some circumstances, a court should stay discovery in a case pending the court's ruling on whether the claim at issue is arbitrable pursuant to Section 3. But *Klepper* does not stand for the proposition that this kind of discovery stay is mandatory in all such circumstances. (*See* Tr. at 11 (DSC's counsel

acknowledging that *Klepper* does not explicitly require a mandatory stay of discovery)) Indeed, while some courts have granted motions to stay discovery pending resolution of a party's motion to stay an action in favor of arbitration or a motion to compel arbitration, (*see, e.g.*, D.I. 61 at 2-3 & n.2 (citing cases)), other courts have denied such requests, (*see, e.g.*, D.I. 62 at 3 (citing cases)); *see also, e.g.*, *Elliott v. Essex Motors, LLC*, Civil Action No. 12-cv-01078-REB-KLM, 2012 WL 4049844, at \*2 (D. Colo. Sept. 13, 2012) (citing cases).<sup>2</sup> Whether it is the right call to grant such a discovery stay is a case-by-case decision—one that should be made after a careful analysis of the particular facts at play in a case.

6. That decision—whether the Court should exercise its inherent authority to grant such a stay—is a discretionary one. *See Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985). In making such a decision, our Court has typically considered three factors: (1) whether granting the stay will simplify the issues for trial; (2) the status of the litigation, particularly whether discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from any delay, or allow

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<sup>2</sup> Nor does the FAA's Section 3 require a mandatory stay of discovery in the case at this juncture. Rather, that statute simply requires the court to "stay the trial of the action" pending an arbitration when the court is "*satisfied* that [an] issue involved in such suit or proceeding is referable to arbitration[.]" 9 U.S.C. § 3 (emphasis added). At this time, the Court has not yet assessed the merits of the parties' underlying arguments in conjunction with DSC's Arbitration Motion, and so the Court is not yet "satisfied" that the issues in this case are referable to arbitration. Therefore, a mandatory stay of the case pursuant to Section 3 is not yet required. *See, e.g., Brown v. CMH Mfg., Inc.*, Civil Action No. 2:13-31404, 2014 WL 2973349, at \*1 n.1 (S.D.W.V. July 2, 2014) ("Because the court has yet to decide the motion to compel arbitration, the court is not satisfied that any issue in this case is referable to arbitration, so a stay under [Section] 3 is unwarranted at this time."); *Orbitcom, Inc. v. Quest Commc'ns. Corp.*, Civil Action No. 09-cv-00181, 2009 WL 1668547, at \*1 (D. Colo. June 15, 2009) (noting that "a stay is only required *after* a determination has been made that the parties have a valid arbitration agreement") (emphasis in original).

the movant to gain a clear tactical advantage. *See, e.g., FMC Corp. v. Summit Agro USA, LLC*, Civil Action No. 14-51-LPS, 2014 WL 3703629, at \*2 (D. Del. July 21, 2014).

7. With regard to simplification, on the one hand, were the Court to later decide to grant the Arbitration Motion, that decision could possibly simplify this case a great deal. Gillette has explained that it intends to request a threshold determination of jurisdiction from the arbitration panel because it asserts that the “matter is not properly referable to arbitration.” (D.I. 62 at 1; *see also* D.I. 64 at 2) But should the arbitration proceed past this jurisdictional challenge, the panel will be determining whether Gillette has covenanted not to sue, or released its claims, with respect to the DSC Accused Products, pursuant to various provisions in two settlement agreements between Gillette and Dorco/Pace: a 2008 Settlement Agreement and a 2014 Settlement Agreement. (D.I. 35 at 16) DSC notes that “if the arbitrators determine that all three of the [] [DSC] Accused Products are subject to the covenants not to sue in the 2008 Settlement Agreement, then [this will later cause] Gillette to dismiss this action entirely with respect to the [] [DSC] Accused Products, which constitute over 99.58% of the products Gillette has accused.”<sup>3</sup> (*Id.*) Similarly, DSC argues, if the panel determines that “the releases and/or covenants not to sue [in] the 2014 Agreement encompass the [] [DSC] Accused Products, then the temporal scope of the case will narrow materially (indeed, it will be cut by more than half).” (*Id.*)

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<sup>3</sup> According to DSC, [REDACTED] DSC’s Arbitration Motion requests that the Court use its inherent powers to stay Gillette’s claims [REDACTED] (D.I. 35 at 19)

8. Moreover, the Court is sensitive to the fact that one of the main reasons why parties agree to arbitrate future disputes is to conserve resources, while resolving such disputes outside of the court system. The Court is thus somewhat sympathetic to DSC's argument that allowing discovery to continue in this Court pending resolution of the Arbitration Motion could be seen as defeating the purpose of an agreed-upon arbitration proceeding. (D.I. 61 at 2); *see also Suarez-Valdez v. Shearson Lehman/Am. Express, Inc.*, 858 F.2d 648, 649-50 (11th Cir. 1988) (Tjoflat, J., concurring) (noting that a contract that mandates arbitration of disputes "indicates the parties' preference for more informal, less expensive procedures" and that allowing continued discovery while a dispute proceeds under arbitration "would subject the parties to the very complexities, inconveniences and expenses of litigation that they determined to avoid").<sup>4</sup>

9. On the other hand, even DSC acknowledges that there could be a number of outcomes to the arbitration process that will *not* resolve the parties' dispute entirely (or even substantially) with respect to these DSC Accused Products. (D.I. 35 at 16) For instance, if the arbitration panel determines that only one of the three different DSC Accused Products is encompassed by the covenants not to sue in the 2008 Settlement Agreement, the scope of the DSC products pending before this Court will be narrowed by only one-third, (*id.*), and "Gillette will still have to prove infringement and damages with the same evidence and testimony[,] Gillette will still seek an injunction [and] DSC will argue its noninfringement and invalidity

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<sup>4</sup> Of course, the entire point of the dispute here as to the Arbitration Motion is whether, *in fact*, there was a prior agreement to arbitrate the dispute at issue in this case. If it turns out there was not—but discovery here was stayed pending resolution of the Arbitration Motion—then one would have real sympathy for Gillette, whose infringement allegations would be held up in the meantime, not DSC.

positions” with respect to the remaining two DSC Accused Products, (*see* D.I. 48 at 17).

10. The Court further notes that (although it is not considering the merits of the Arbitration Motion at this stage) in response to that motion, Gillette has at least put forward a number of arguments as to why the matter is not properly referable to arbitration. These arguments include: (1) that the 2014 Settlement Agreement eliminated an arbitration clause found in the 2008 Settlement Agreement, which had previously governed disputes between Gillette and Dorco/Pace; (2) DSC itself is not a party to the 2008 Settlement Agreement, nor is it a third party beneficiary of the dispute resolution clause therein that provides for arbitration; (3) the specific issues in this case between Gillette and DSC are not subject to arbitration, because the 2008 Settlement Agreement dispute resolution clause carves out claims as to patent validity, enforceability and infringement from its scope; (4) the '513 patent is not subject to the Settlement Agreements; and (5) the DSC Accused Products are not subject to the Settlement Agreements. (D.I. 62 at 2; *see also* D.I. 48 at 5-16; Tr. at 33-36) It is not really productive or feasible to make “predictions” at this stage as to whether the Arbitration Motion will be successful. *Cf. Kaavo Inc. v. Cognizant Tech. Sols. Corp.*, Civil Action No. 14-1192-LPS-CJB, Civil Action No. 14-1193-LPS-CJB, 2015 WL 1737476, at \*2 n.4 (D. Del. Apr. 9, 2015). But it at least appears that there are a number of non-frivolous legal arguments standing in the way of a successful outcome for DSC, such that it is not a *fait accompli* that the arbitration proceeding will settle matters at issue in this case.<sup>5</sup>

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<sup>5</sup> Moreover, unlike the case with some stay motions, the outcome of the arbitration proceeding here will not shed light on a large number of patent law issues that would be at play in this case, if the case moved forward after arbitration. Of course, the outcome of the arbitration proceeding would be relevant to a defense of DSC, but it would not touch at all on the various other patent issues that are at the heart of this case.

11. In the end, the prospect of simplification if a stay is granted is real, but it is also possible that the case may not be referable to arbitration at all, or that even if it is, when that arbitration concludes, a significant amount of the relevant legal and factual issues here will still be pending. Where, as here, “[t]he chance that a stay might lead to the total dismissal of the case, or to a very significantly narrowed set of claims or legal issues, seems roughly similar to the chance that it would not[,]” this factor is “neutral.” *Yodlee, Inc. v. Plaid Techs. Inc.*, Civil Action No. 14-1445-LPS-CJB, D.I. 57 at 6 (D. Del. July 31, 2015).

12. As to the litigation’s status, the Court agrees with DSC that this case was still in its early stages when the Motion to Stay Discovery was filed. (D.I. 61 at 3) By the time DSC first made its request for a discovery stay by letter on July 19, 2016, (*id.*), some initial case progress had been made.<sup>6</sup> But a *Markman* hearing is not set to occur until March 6, 2017, fact discovery does not close until June 2017 and a trial will not occur until May 14, 2018. (D.I. 20) This factor favors a stay. *See Toshiba Samsung Storage Tech. Korea Corp. v. LG Elecs., Inc.*, — F. Supp. 3d —, Civil Action No. 15-691-LPS, 2016 WL 3437605, at \*3 (D. Del. June 17, 2016) (coming to the same conclusion where the litigation was at a similar stage).<sup>7</sup>

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<sup>6</sup> Prior to that filing, a Scheduling Order had been entered, the parties had exchanged initial disclosures, they served and responded to some initial discovery requests, Gillette issued three subpoenas *duces tecum* to Pace Shave and two other Dorco subsidiaries, Gillette identified the DSC Accused Products and its damages models, and DSC provided 69 pages of core technical documents and its sales figures. (D.I. 15; D.I. 20-21; D.I. 24-26; D.I. 28; D.I. 30-31; D.I. 45-47; D.I. 57; D.I. 61, ex. E; D.I. 62 at 2-3)

<sup>7</sup> To the extent that Gillette faults DSC for not having filed the Motion to Stay Discovery earlier (that is, before some amount of initial discovery in this case began), (D.I. 62 at 3), the Court cannot concur. Gillette argues that “Dorco delayed filing its arbitration request” in that it “was aware of the settlement agreements and nothing prevented it from requesting arbitration earlier”—and that this delay, in turn, led to DSC’s purportedly late-filed Arbitration Motion and Motion to Stay Discovery. (*Id.*) But whether Dorco could have acted more quickly



13. With regard to undue prejudice, our Court has tended to examine a number of sub-factors: the timing of the request for review, the timing of the request for a stay, the status of the alternate proceeding/event (that is, the proceeding or event whose conclusion would trigger the end of the stay), and the relationship of the parties. *See id.* at \*4-5.

14. There is no evidence that DSC is pursuing an inappropriate tactical advantage in terms of its timing in filing the Arbitration Motion, or the Motion to Stay Discovery. As the Court noted above, *see supra* n.7, those motions were filed at understandable times, given the circumstances.

15. As to the status of the proceeding/event whose conclusion would trigger the end of a stay, here that is an event: the resolution of the Arbitration Motion. Gillette makes a few arguments as to how a stay pending resolution of that motion would cause it prejudice. (D.I. 62 at 3) Of those, the one that resonates with the Court is its argument that even a relatively short stay of discovery would upend the current (and already progressing) case schedule. (*Id.*; *see also* Tr. at 46 (Gillette’s counsel noting that while the *Markman* hearing is still several months away, “technical discovery” illuminates claim construction issues, and Gillette has received “zero technical discovery” thus far)) It likely would. The Court will endeavor to resolve the Arbitration Motion as soon as it can, but it could take a few more months before that happens. A stay of discovery now would likely push the case schedule back for many months, and so the Court finds this sub-factor to weigh against a stay. *See Minn. Odd Fellows Home Found. v.*

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to request arbitration or not, as to DSC’s conduct, the Court understands why its motions were filed when they were. DSC was not aware until June 2016 of the existence of the covenants not to sue and the mandatory arbitration provision found in the 2008 Settlement Agreement. (D.I. 61 at 2; Tr. at 47-48) It filed the Arbitration Motion and Motion to Stay Discovery soon thereafter.

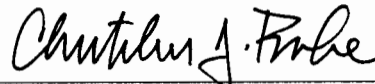
*Engler & Budd Co.*, 630 F. Supp. 797, 800 (D. Minn. 1986) (“Reasonable discovery should go forward [pending resolution of a motion to compel arbitration] to avoid a long delay in the resolution of these claims.”).

16. And as to the last sub-factor, here there is no question that the parties are direct competitors. (See Tr. at 24-25 (DSC’s counsel noting that the parties “are about as direct of a competitor [with each other as there] could be” and that “Gillette’s market share has gone down significantly over the last few years, since 2008 certainly, and since 2012 when [DSC] launched”)) Courts have recognized that when the parties are direct competitors, there is a reasonable chance that delay in adjudicating alleged patent infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill. See, e.g., *Nexans Inc. v. Belden Inc.*, C.A. No. 12-1491-SLR-SRF, 2014 WL 651913, at \*3 (D. Del. Feb. 19, 2014); *SenoRx, Inc. v. Hologic, Inc.*, Civ. Action No. 12-173-LPS-CJB, 2013 WL 144255, at \*7 (D. Del. Jan. 11, 2013). Taking this sub-factor into account, as well as the potential for delay a stay would cause, the Court finds that the undue prejudice factor weighs against a stay.

17. Ultimately, the issue of whether a stay of discovery is warranted prior to resolution of the Arbitration Motion is a close question. The factors are evenly balanced—one (simplification) is neutral, one (status of the litigation) favors DSC and one (undue prejudice) favors Gillette. With the movant not having shown that the equities tilt in its favor, however, the Court will ORDER that the Motion to Stay Discovery is DENIED. See *Toshiba Samsung Storage Tech. Korea Corp.*, 2016 WL 3437605, at \*6. In the end, the potential for harm caused by upending the current case schedule pending resolution of DSC’s Arbitration Motion, a motion

that appears to present some reasonable arguments from both parties, *cf. Orbitcom, Inc. v. Quest Commc'ns. Corp.*, Civil Action No. 09-cv-00181, 2009 WL 1668547, at \*1-2 (D. Colo. June 15, 2009), is compelling enough to warrant denial of the Motion to Stay Discovery.

18. Because this Memorandum Order may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version (if necessary) of the Memorandum Order. Any such redacted version shall be submitted no later than **September 26, 2016** for review by the Court, along with a motion for redaction that includes a clear, factually-detailed explanation as to why disclosure of any proposed redacted material would “work a clearly defined and serious injury to the party seeking closure.” *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Memorandum Order.



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Christopher J. Burke  
UNITED STATES MAGISTRATE JUDGE