

**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.)	
)	
Defendants.)	

MEMORANDUM ORDER

Presently pending in this patent infringement case are two motions (the "Motions"): (1) Defendant Dollar Shave Club, Inc.'s ("DSC") Motion to Stay Action Pending Arbitration, (D.I. 34) ("DSC's Motion to Stay"); and (2) Defendant Pace Shave, Inc. ("Pace") and Dorco Company Ltd.'s ("Dorco" and together with DSC and Pace, "Defendants") Motion to Stay Action Pending Arbitration, (D.I. 101) ("Pace's Motion to Stay"). For the reasons set forth below, the Court DENIES DSC's Motion to Stay and DENIES Pace's Motion to Stay.²

I. BACKGROUND

A. The Parties

Plaintiff Gillette is a Delaware corporation with offices located in Boston, Massachusetts.

While this motion was originally filed by Pace, Dorco recently filed a notice of joinder in the motion. (D.I. 279) When referring to arguments made below by DSC, Dorco and Pace, the Court will refer to them as "Defendants'" arguments—even if the argument was raised in a brief filed by only certain of the Defendants—unless it is clear that an argument is being made only by certain Defendants, not all.

² Motions to stay actions pending arbitration are treated as non-dispositive motions. *V.J. Water & Power Auth. v. Gen. Elec. Int'l Inc.*, 561 F.App'x 131, 133-34 (3d Cir. 2014); *In re Milo's Kitchen Dog Treats*, Civil Action No. 12-1011, 2013 WL 6628636, at *1 n.2 (W.D. Pa. Dec. 17, 2013).

(D.I. 98 at 3) Plaintiff is the owner of the patent-in-suit, United States Patent No. 6,684,513 (the "513 patent"); the patent-in-suit is entitled "Razor Blade Technology" and issued on February 3, 2004. (*Id.* at 29; *see also* D.I. 37, (hereinafter, "First Wit Deel."), ex. 4)

Defendant DSC is a Delaware corporation that sells razors and related shaving products through an online membership club that launched in March 2012. (D.I. 98 at 4, 17-18, 20; D.I. 119 at 4, 17-18, 20) Defendant Dorco is a Korean entity with offices located in Seoul, Korea. (D.I. 98 at 5; D.I. 132 at 5) Defendant Pace, a wholly owned subsidiary of Dorco and its American distributor, is a California corporation with offices located in San Diego, California. (D.J. 35 at 1; D.J. 98 at 6; D.J. 132 at 6; D.J. 135 at 2) [REDACTED]

[REDACTED] (D.I. 35 at 1; D.I. 98 at 124-25; D.I. 102 at 1; D.I. 132 at 24-25)

B. Relevant Settlement Agreements

The content of two settlement agreements, which were generated as a result of a previous litigation between Gillette and Dorco/Pace, are critical to the instant Motions. The Court next provides background with respect to those agreements.

1. 2008 Agreement

On April 25, 2008, Gillette and its parent, The Proctor & Gamble Company ("P&G"), commenced a lawsuit against Dorco/Pace and two other subsidiaries of Dorco in the United States District Court for the District of Massachusetts; the suit (Case No. 1:08-cv-10703-RGS (D. Mass.), or the "2008 Litigation") alleged patent infringement, trademark infringement, trademark dilution, and unfair competition. (First Wit Deel., ex. 1) Gillette/P&G filed an amended complaint approximately two weeks later. (D.J. 35 at 4) With regard to their claims of

patent infringement, Oilette/P&G alleged that the defendants' razor products infringed 11 United States patents relating to razors and razor blades. (First Wit Deel., ex. 1 at 78; *see also* D.I. 35 at 4)

In late 2008, the parties resolved the 2008 Litigation by entering into a "Confidential Settlement Agreement" (hereinafter, the "2008 Agreement"). Pursuant to that agreement, Dorco/Pace agreed to make modifications to certain of their razor products "in order to resolve all disputes, including the Federal Action, completely and amicably, without further litigation in any jurisdiction worldwide[.]" (First Wit Deel., ex. 2 (hereinafter, "2008 Agreement") at 1) Pursuant to the 2008 Agreement, Gillette agreed to certain covenants not to sue and releases, including as follows: (1) Gillette covenanted not to sue Dorco/Pace "[w]ith respect to all *Existing Products* and any *Reasonable Modification*'s...for infringement of any *Gillette/P&G Patents*," (*id.*, § 4.A (emphasis added)); and (2) Gillette covenanted not to sue "Darco/Pace O customers ... where such claims would be due to making, using, importing, offering to sell, or selling" such products, (*id.*).³ The italicized terms above are defined in the 2008 Agreement as follows;

- "Gillette/P&G Patents" is defined as "any and all patents . . . that could have been asserted against Darco/Pace O, either in the Federal Action or elsewhere in the world, prior to the Effective Date [November 24, 2008]." (*Id.*, § 1.D; *see also id.* at § 1.B)
- "Existing Product" is defined as "any and all products listed in Exhibit 1 or Exhibit 2, attached hereto." (*Id.*, § 1.F) Exhibits 1 and 2 encompass Darco/Pace's product lines as of November 24, 2008. (*Id.*, exs. 1 and 2; *see also* D.I. 35 at 4)

³ Similar covenants not to sue Dorco/Pace and their customers applied to "Redesigned Products," a subset of "Existing Products" that were redesigned pursuant to the 2008 Agreement, and to any "Reasonable Modifications" thereof. (2008 Agreement, § 4.C)

- "Reasonable Modification" is defined as "any shaver design, mechanism and/or structure practicing a *Feature* as identified in this Agreement. By way of illustration only, a Reasonable Modification would include shaver product with a cartridge/handle connection that uses the same connection method described in Section 3(A)(iv) herein." (2008 Agreement, § 1.H (emphasis added))

A "Feature," as the term is used in the definition for "Reasonable Modification," means:

- A "design, color and/or packaging change described in Section 3.A and 3.B herein." (*Id.*, § 1.C) Sections 3.A and 3.B. describe, *inter alia*, changes relating to: lubricating strip design (*id.*, § 3.A.(i)); blade-retaining clip design (*id.*, § 3.A.(ii)); blade placement design (*id.*, § 3.A.(iii)); cartridge-handle connection mechanism design (*id.*, §§ 3.A.(iv) and (v)); and shaver cartridge dispenser design (*id.*, §§ 3.A.(vi) and (vii)).

Additionally, the 2008 Agreement sets out specific, mandatory dispute resolution procedures with respect to the following three types of disputes: (1) disputes raised by Gillette/P&G concerning whether a Dorco/Pace shaver product is subject to Sections 3 or 4 (pertaining to covenants not to sue) of the Agreement, (*id.*, § 10.C.1.(a)-(e)); (2) disputes wherein Dorco/Pace seeks relief from the color pantone restrictions for the coloring of the packaging and/or shavers in Dorco/Pace's product lines, described in Section 3(b)(iv) of the Agreement, (*id.*, § 10.C.1.(t)-(h)); and (3) disputes concerning the performance of the 2008 Agreement, (*id.*, § 10.C.2.(a)-(b)). With respect to disputes falling into the first category, the procedures require Gillette to provide Dorco/Pace with written notice and an "opportunity to cure" if Gillette/P&G believes that any Dorco/Pace shaver product is not encompassed by the covenants not to sue; a meet and confer process is then to follow, if Dorco/Pace does not agree with Gillette/P&G's claim. (*Id.*, § 10.C.1.(a)-(c)) If the parties fail to reach agreement pursuant to these informal

procedures, the dispute must be submitted to arbitration at the International Chamber of Commerce ("ICC") (the "Product Arbitration Provision"). (*Id.*, § 10.C.1.(d)) In resolving any such dispute, the arbitrator(s) "may only adjudicate whether the product at issue constitutes an Existing Product or Reasonable Modification encompassed by the Covenants not to sue set forth in Section 4" and "may not adjudicate the validity, enforceability or infringement of any patent owned by the Parties, nor the validity, enforceability, infringement or dilution of any trademark or trade dress governed by (the 2008 Agreement)]." (*Id.*, § 10.C.1.(e)) With respect to the disputes falling into the second category, if Dorco/Pace seeks relief from such color pantone restrictions, it must provide notice to Gillette, engage in a meet and confer process if a disagreement lingers, and submit any remaining dispute to ICC arbitration (the arbitration clause with respect to these disputes shall hereafter be referred to as the "Color Pantone Arbitration Provision"). (*Id.*, §§ 10.C.1.(f)-(h)) As for disputes falling into the third category, the 2008 Agreement notes that the "notice, opportunity to cure, informal meeting, mediation and arbitration provisions" applicable to disputes falling into the first category apply thereto (the arbitration clause with respect to these disputes shall hereafter be referred to as the "Performance Arbitration Provision."). (*Id.*, § 10.C.2)

2. 2014 Agreement

On January 26, 2013, Gillette provided written notice to Dorco/Pace, pursuant to Section 10.C.1.(a) of the 2008 Agreement, stating that it believed that seven Dorco/Pace razor and razor cartridge products (the "2014 Accused Products") infringed a Gillette patent, United States Patent No. 8,286,354 (the w354 patent"). (First Wit Deel., ex. 3 (hereinafter, "2014 Agreement"))

at 2-4)⁴ The parties ultimately entered into a settlement agreement, effective February 21, 2014 (the "2014 Agreement"), in order to "resolve disputes between them regarding" Gillette's infringement claims relating to Dorco/Pace's "current and presently-anticipated blade-retaining clips" as set forth in Exhibit B to the agreement, "including any claims of infringement under the '354 patent" (and to any patents claiming priority to that patent's application) "completely and amicably, without further litigation in any jurisdiction worldwide[.]" (2014 Agreement at 1, 3) The parties next stated in the 2014 Agreement that they "do not intend this Agreement to supersede the [2008] Agreement except as it pertains to the specific rights and obligations granted and assumed herein[.]" (*Id*)

Pursuant to the 2014 Agreement, Dorco/Pace agreed to make modifications to the blade-retaining clip configurations of the razor and razor cartridge products accused by Gillette. (*Id* at 5) For its part, Gillette agreed to a number of releases and covenants not to sue. For example, Gillette covenanted not to sue Dorco/Pace "for patent infringement anywhere in the world based on the making, using, offering for sale, selling, or importing of the Accused Products that were produced or shipped before May 31, 2014." (*Id* at 4) Additionally, Gillette covenanted not to sue Dorco/Pace "for patent infringement anywhere in the world, under any patent . . . based on the making, using, offering for sale, selling, or importing of any razor or razor blade unit because of use of the particular configuration of the blade-retaining clip[.]" as Dorco/Pace had agreed to modify such feature. (*Id* at 4-5) Gillette also released Dorco/Pace "from any liability or claim

⁴ The 2014 Accused Products consisted of the SXA5000 razor (which DSC asserts is the model number for DSC's "Executive" product), the SXA5040 cartridge pack, 1NA3000 razor (which DSC asserts is the model number for DSC's "The Humble Twin" product), TNA3050 cartridge pack, TRA600 razor, TRB100 razor and TNA3006 razor. (2014 Agreement at 3-4 at Article I.A; D.I. 36 at 16)

for damages, royalties, or any other remedy or compensation arising as a result of past patent infringement" by all Dorco/Pace products. (*Id.* at 5-6)

In Article VIII of the 2014 Agreement ("Article VIII"), which is entitled "MISCELLANEOUS PROVISIONS[.]" the parties, *inter alia*, reiterated that:

This Agreement shall not supersede the [2008] Agreement except as it pertains to the specific rights and obligations granted and assumed herein. Nothing herein shall be used to interpret the meaning of the [2008] Agreement or the parties' intent relative to any of the terms in the [2008] Agreement.

(*Id.* at 9-10 at Article VIII.A ("Article VIII.A")) This clause, which is titled "No Superseding of Prior Agreement" and is found in Article VIII.A, is referred to as the "supersession clause." (*Id.* (emphasis omitted))⁵ The 2014 Agreement also included the following procedure in Article VIII.G, titled "Resolution of disputes regarding this Agreement":

1. If GILLETTE believes that (i) any DORCO/PACE [] product violates the terms of this Agreement or the (2008) Agreement, then GILLETTE shall notify DORCO/PACE [] in writing, describing the basis of its claim and giving DORCO/PACE [] a reasonable period of time to cure the asserted violation;[6]
2. DORCO/PACE [] shall have twenty-one (21) days to respond to GILLETTE in writing, or a longer period if the Parties agree, and must state whether DORCO/PACE [] agree or disagree with GILLETTE'S claim;

⁵ The 2014 Agreement explicitly notes that the "headings and subheadings of the articles of this Agreement are . . . not intended to . . . affect the meaning or interpretation of [] this Agreement." (2014 Agreement at 13) The Court has included reference to the titles of certain headings or subheadings in this paragraph only for identification purposes, and will not rely on those titles further herein.

⁶ Article VIII.G.1 is reprinted here accurately. While Article VIII.G.1 makes reference to a subsection "(i)" there is no further reference therein to a subsection "(ii)" or any other subsections thereafter.

3. If DORCO/PACE [] do not agree with GILLETTE'S claim, the Parties shall have an informal meeting by telephone or other means within twenty-one (21) days of DORCO/PACE['s] [] written response to GILLETTE, or a longer period if the Parties agree, where the Parties shall meet in good faith in an effort to resolve the dispute.

(*Id.* at 10-11 at Article VULG ("Article VULG") (emphasis omitted)) The dispute resolution procedure set out in the 2014 Agreement does not include, nor make specific reference to, an arbitration provision.

C. The Instant Lawsuit and ICC Arbitration

On December 17, 2015, without prior notice to Dorco/Pace or to DSC, (First Wit Deel. at 19-10), Gillette commenced this lawsuit against [REDACTED] DSC, alleging that, *inter alia*, DSC's "The Humble Twin," "The 4X," and "The Executive" products (collectively, the "Dorco/Pace DSC Accused Products") infringe the '513 patent regarding thin film coatings on razor products, (D.I. 1; *see also* D.I. 98).⁷ Chief Judge Leonard P. Stark thereafter referred the case to the Court to resolve, *inter alia*, any and all matters with regard to scheduling, as well as any motions to dismiss, stay or transfer venue. (D.I. 6)

At the May 9, 2016 scheduling conference with the Court, the Court granted DSC's request that Gillette be ordered to produce, early in the case, its settlement agreements with Dorco/Pace that arose out of the 2008 litigation. (D.I. 22 at 12-13, 30-32, 76-77; D.I. 20 at 1) On May 23, 2016, Gillette produced the 2008 Agreement and the 2014 Agreement (collectively,

⁷ As of December 2015, [REDACTED] (D.I. 35 at 1, 7; D.I. 36 at ¶¶ 12-13) [REDACTED] (D.I. 35 at 1 n.2, 7; D.I. 36 at ¶¶ 4, 7-8, 13) [REDACTED] (D.I. 35 at 7; D.I. 36 at ¶ 13) [REDACTED] (D.I. 210 at 1 & ex. A)

the "Settlement Agreements") to DSC. (*See* D.I. 25; D.I. 102 at 2-3)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] (D.I. 102 at 2).⁸ [REDACTED]

(Second Wit Deel., ex. 3) [REDACTED]

[REDACTED]

[REDACTED] (*Id.*, ex. 4) [REDACTED]

[REDACTED] (*Id.*, ex. 5 at 2) —

[REDACTED], (D.I. 123, ex. A) [REDACTED]

[REDACTED] (D.I. 195,

ex. C). [REDACTED]

[REDACTED] (*Id.*)

[REDACTED]

[REDACTED] (D.I. 259-1 at 3) Im

[REDACTED]

[REDACTED]

⁸ Prior to Dorco/Pace's initiation of arbitration, on March 3, 2016, Dorco/Pace notified Gillette in writing that it had breached the Settlement Agreements and provided Gillette an opportunity to cure. (*See* D.I. 102 at 6; Second Wit Deel., ex. 1 at ex. C-8) Gillette requested additional time to respond. (Second Wit Deel., ex. 1 at ex. C-8) On June 2, 2016, Gillette ultimately notified Dorco/Pace of its view that the Settlement Agreements and dispute resolution procedures therein were not applicable to Gillette's claim in the instant lawsuit, and therefore that it would not meet and confer with Dorco/Pace. (*Id.* at ex. C-12).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] (D.I. 259-1) —

[REDACTED]

[REDACTED] (*Id.* at 28-29)

Meanwhile, in this lawsuit, the Court entered a Scheduling Order on May 16, 2016. (D.I. 20) On June 10, 2016, DSC filed its Motion to Stay this action pending resolution of that arbitration, pursuant to the Federal Arbitration Act ("FAA"). (D.I. 34) DSC's Motion was fully briefed by July 8, 2016. (D.I. 51) Discovery has been ongoing,⁹ and a five-day jury trial is set to begin on May 14, 2018, (D.I. 20 at 1122; D.I. 282).

On September 12, 2016, Gillette filed a First Amended Complaint ("FAC") in which it: (1) added Dorco and Pace as Defendants to this action; and (2) added several dozen additional Dorco/Pace razors and cartridges as Accused Products ("Dorco/Pace Non-DSC Accused Products") (collectively, with Dorco/Pace DSC Accused Products, the "Dorco/Pace Accused Products"). (D.I. 98)¹⁰ DSC and Pace have filed Answers, (D.I. 119; D.I. 132), while Dorco, after filing and later withdrawing a motion to dismiss pursuant to Federal Rules of Civil

⁹ On September 19, 2016, the Court denied a motion filed by DSC requesting that the Court stay all discovery pending resolution of DSC's Motion to Stay. (D.I. 104)

¹⁰ As a result of the FAC's allegations, which are alleged to constitute further breaches of the covenants not to sue and releases of the Settlement Agreements, Dorco/Pace supplemented their claims in the arbitration to add the newly accused products. (Second Wit Deel., ex. 9)

Procedure 12(b)(2) and 12(b)(5), (D.I. 134; D.I. 279), has not yet filed its Answer.

Three days after the filing of the FAC, Pace filed its Motion to Stay pending resolution of the arbitration. (D.I. 101) Pace's motion was fully briefed by October 21, 2016, (D.I. 155), though the parties have since filed several notices of supplemental authority (and responses thereto) with respect to the Motions, (D.I. 63-64; D.I. 68; D.I. 71; D.I. 75; D.I. 123; D.I. 195; D.I. 210). On October 13, 2016, Gillette also filed a motion seeking to enjoin Pace from continuing the arbitration ("Motion to Enjoin"). (D.I. 139) The Court then heard oral argument on the two pending Motions to Stay, as well as on Gillette's Motion to Enjoin on November 22, 2016. (D.I. 209 (hereinafter, "Tr."))

II. STANDARD OF REVIEW

The FAA was enacted by Congress in 1925 to quell historical judicial hostility toward the enforcement of arbitration agreements. *See, e.g., Circuit City Stores, Inc. v. Adams*, 532 U.S. 105, 111-12 (2001); *Puleo v. Chase Bank USA, N.A.*, 605 F.3d 172, 177-78 (3d Cir. 2010). The United States Court of Appeals for the Third Circuit has "repeatedly recognized that the [FAA] establishes a 'strong federal policy in favor of the resolution of disputes through arbitration.'" *Nino v. Jewelry Exch., Inc.*, 609 F.3d 191, 200 (3d Cir. 2010) (quoting *Puleo*, 605 F.3d at 178).

Pursuant to Section 3 of the 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"). Section 3, thus, "requires the court, on application of one of the parties [to the litigation], to stay the action if it involves an issue referable to arbitration under an agreement in writing." *Arthur Andersen LLP v. Carlisle*,

556 U.S. 624, 630 (2009) (internal quotation marks and citation omitted); *see also Lloyd v. HOVENSA, LLC*, 369 F.3d 263, 269 (3d Cir. 2004) ("[T]he statute clearly states, without exception, that whenever suit is brought on an arbitrable claim, the Court 'shall' upon application stay the litigation until the arbitration has been concluded").

However, "arbitration is a matter of contract and a party cannot be required to submit to arbitration any dispute which he has not agreed so to submit." *AT&T Techs., Inc. v. Comm'n's Workers of Am.*, 475 U.S. 643, 648 (1986). Therefore, a party may not be compelled under the FAA to submit to arbitration "unless there is a contractual basis for concluding that the party agreed to do so." *Stolt-Nielsen S.A. v. Anima! Feeds Int'l Corp.*, 559 U.S. 662, 684 (2010) (emphasis in original). Thus, in deciding whether to compel or enjoin arbitration under the FAA, a court first considers (1) whether there is a valid arbitration agreement at all under the contract in question, and if so, (2) whether the merits-based dispute in question falls within the scope of that valid agreement. *Flintkote Co. v. Aviva PLC*, 769 F.3d 215, 220 (3d Cir. 2014); *John Hancock Mut. Life Ins. Co. v. Olick*, 151 F.3d 132, 137 (3d Cir. 1998); *see also* (D.I. 48 at 3; D.I. 102 at 10; D.I. 155 at 3).

With respect to the first inquiry (or "step one"), courts apply "ordinary state-law principles that govern the formation of contracts." *Century Indenl. Co. v. Certain Underwriters at Lloyd's, London*, 584 F.3d 513, 524 (3d Cir. 2009); *see also Cohen v. Formula Plus, Inc.*, 750 F. Supp. 2d 495, 500 (D. Del. 2010).¹¹ In examining this question, a court utilizes a summary

¹¹ Here, both Settlement Agreements expressly state that New York law shall govern interpretation of the contract, (2008 Agreement, § 10.C.; 2014 Agreement at 10 at Article VIII F), and all sides agree that New York law applies in this regard (*see, e.g.*, D.I. 129 at 4 n.3; D.I. 155 at 5).

judgment standard, because an order compelling arbitration in this context is "in effect a summary disposition of the issue of whether or not there had been a meeting of the minds on the agreement to arbitrate." *Century Indem. Co.*, 584 F.3d at 528 (citation omitted). That is, the court assesses whether there is a genuine issue of material fact as to whether the parties entered into such an arbitration agreement, and, in doing so, gives the opposing party the benefit of all reasonable doubts and inferences that may arise. *Id.*; *see also Vilches v. Travelers Cos.*, 413 F. App'x 487, 490-91 (3d Cir. 2011). If a genuine issue of material fact does exist on that score, this precludes the grant of a motion seeking to compel arbitration. *Century Indem. Co.*, 584 F.3d at 528. A trial is then required to determine whether an arbitration agreement exists. *Schwartz v. Comcast Corp.*, 256 F. App'x 515, 518 (3d Cir. 2007); *see also* 9 U.S.C. § 4. On the other hand, if a determination as to whether an agreement to arbitrate was formed will not turn on disputed issues of fact (and instead simply "involves contract construction" issues), then the Court simply makes a legal determination, using the aforementioned state law principles. *Century Indem. Co.*, 584 F.3d at 528-30.

If there is no genuine issue of material fact as to whether an agreement to arbitrate exists and was formed (and, if such an agreement was, in fact, formed), then the reviewing court moves on to the second inquiry (or "step two"). In deciding this step two question—whether the dispute between the parties falls within the scope of the valid arbitration agreement—the court utilizes federal law. *Id.* at 524. Pursuant to the FAA and federal policy, there is a presumption in favor of arbitration "[i]n determining whether the particular dispute falls within a valid arbitration agreement's scope[.]", *Id.*; *see also Cohen*, 750 F. Supp. 2d at 501. Thus, an "order to arbitrate the particular grievance should not be denied unless it may be said with positive assurance that

the arbitration clause is not susceptible of an interpretation that covers the asserted dispute." *Century Indem. Co.*, 584 F.3d at 524 (citing *AT&T Techs., Inc.*, 475 U.S. at 650).

III. DISCUSSION

The parties' motions raise a number of issues. The Court will address each in turn.

A. Who Determines Arbitrability?

Before assessing whether any of the relevant arbitration provisions in the 2008 Agreement require the case to be stayed pending arbitration, (D.I. 102 at 1-2), or whether the parties novated (or waived) their agreement to arbitrate by way of the execution of the 2014 Agreement,, (D.I. 140 at 3; *see also* D.I. 190 at 2; Tr. at 76, 80), the Court must address a threshold dispute. That dispute is over who decides the gateway issue of arbitrability in the first place: the Court or the arbitral tribunal? Gillette asserts that the question of arbitrability is an issue for this Court, (*see, e.g.*, D.I. 129 at 3; D.I. 190 at 5-8), while Pace claims that *it* lies in the hands of the tribunal, (*see, e.g.*, D.I. 155 at 3-4; D.I. 170 at 7-11).

The question of who should decide whether a dispute is arbitrable "turns upon what the parties agreed about *that* matter." *First Options of Chicago, Inc. v. Kaplan*, 514 U.S. 938, 943 (1995) (emphasis in original)). The Supreme Court of the United States has recognized that "[t]he question whether the parties have submitted a particular dispute to arbitration, *i.e.*, the *question of arbitrability*, is an issue for judicial determination [u]nless the parties [have] clearly and unmistakably" agreed that the arbitration tribunal should decide the issue of arbitrability. *Howsam v. Dean Witter Reynolds, Inc.*, 537 U.S. 79, 83 (2002) (emphasis in original, internal quotation marks and citation omitted); *see also Puleo*, 605 F.3d at 178; *Adtile Techs. Inc. v. Perion Network Ltd*, 192 F. Supp.3d 515 525 (D.Del. 2016). If the contract at issue is silen1

with respect to arbitration of arbitrability, or if it is ambiguous, then the court must itself decide the issue of whether a valid arbitration agreement exists. *First Options of Chicago*, 514 U.S. at 944-45. The burden on a litigant seeking to prove that the parties intended to arbitrate arbitrability is an "onerous" one. *Puleo*, 605 F.3d at 187 (quoting *Ehleiter v. Grapetree Shores, Inc.*, 482 F.3d 207, 221 (3d Cir. 2007)); see also *Chesapeake Appalachia, LLC v. Scout Petroleum, LLC*, 809 F.3d 746, 753 (3d Cir. 2016).¹²

Defendants argue that in the 2008 Agreement, the parties agreed that the ICC would resolve any jurisdictional arbitrability issue in the first instance. (D.I. 102 at 16 & n.10; D.I. 155 at 3-4; D.I. 170 at 7-11; Tr. at 17-18) Defendants note that the arbitration provisions in the 2008 Agreement expressly incorporate the ICC Rules of Arbitration, (D.I. 102 at 16 n.10; D.I. 155 at 3-4), and that ICC Article 6(3) provides that:

If any party against which a claim has been made does not submit an Answer, or raises one or more pleas concerning the existence, validity or scope of the arbitration agreement . . . , the arbitration shall proceed and any question of jurisdiction . . . shall be decided directly by the arbitral tribunal, unless the Secretary General refers the matter to the [International Court of Arbitration] for its decision pursuant to Article 6(4).

(Second Wit Deel., ex. 8 at 14 (emphasis added))¹³ In support of their argument, Defendants

¹² This high bar exists in light of the settled "principle that a party can be forced to arbitrate only those issues it specifically has agreed to submit to arbitration[.]" *First Options of Chicago*, 514 U.S. at 945; see also *Puleo*, 605 F.3d at 187. Accordingly, the Supreme Court has explained that courts 'hesitate to interpret silence or ambiguity on the 'who should decide arbitrability' point as giving the arbitrators that power, for doing so might too often force unwilling parties to arbitrate a matter they reasonably would have thought a judge, not an arbitrator, would decide." *First Options of Chicago*, 514 U.S. at 945; see also *Puleo*, 605 F.3d at 187.

¹³ As was previously noted above, [REDACTED]

state that the "prevailing rule across jurisdictions is that incorporation by reference of rules granting the arbitrator the authority to decide questions of arbitrability . . . is clear and unmistakable evidence that the parties agreed to submit arbitrability questions to the arbitrators." (D.I. 170 at 8-9 (quoting *Way Servs., Inc. v. Adecco N Am., LLC*, Civil No. 06-CV-2109, 2007 WL 1775393, at *4 (E.D. Pa. June 18, 2007)); *see also, e.g., Qualcomm Inc. v. Nokia Corp.*, 466 F.3d 1366, 1373 (Fed. Cir. 2006); *Shaw Grp. Inc. v. Triplefine Int'l Corp.*, 322 F.3d 115, 122-23 (2d Cir. 2003); *Silec Cable S.A.S. v. Alcoa Fjardaal, SF*, Civil No. 12-01392, 2012 WL 5906535, at *18 (W.D. Pa. Nov. 26, 2012) (noting that "[m]any courts have additionally recognized that this principle is even stronger in reference to an arbitration agreement incorporating ICC Rules, given that ICC Rules *require* the arbitrators to determine whether a claim is arbitrable if that issue is raised by one of the parties.") (emphasis in original) (citing cases).

If the 2008 Agreement were the only relevant agreement between the parties, Defendants' argument would at least have more force here. But it is not. To the contrary, Gillette's primary argument is that the arbitration provisions in the 2008 Agreement were *eliminated* by the 2014 Agreement, and thus there is no valid agreement to arbitrate *at all*. (D.I. 129 at 15) If Gillette were right on that point, then the 2008 Agreement's invocation of the ICC Rules would be a nullity. As Gillette points out, then, the very existence of the 2014 Agreement, which sets out a dispute resolution procedure applicable "[i]f GILLETTE believes that [] any DORCO/PACE O product violates the terms of this Agreement *or the {2008} Agreement*," (2014 Agreement at Article VIII.G.1 (emphasis added)), at least raises a real question as to whether the parties

_____, (Second Wit Decl., ex. 4), _____ (*id.*, ex. 5).

"clearly and unmistakably intend[ed] to delegate arbitrability decisions to an arbitratorL]"(D.I. 190 at 6; *see also* Tr. at 134-35). In cases like this one, "where one party argues that there is no valid arbitration agreement" in the first place, "courts have decided the question of arbitrability" since "it is impossible to evaluate 'the parties' intent to arbitrate [the specific issue of] arbitrability' without resolving the bigger question of whether there was an intent to arbitrate at all." *Celtrace Commc'ns Ltd v. Acacia Research Corp.*, 15-CV-4746(AJN), 2016 WL 3407848, at *2 (S.D.N.Y. June 16, 2016) (quoting *Shaw*, 322 F.3d at 122); *see also, e.g., Riley Mfg. Co. v. Anchor Glass Container Corp.*, 157 F.3d 775, 779-81 (10th Cir. 1998) (finding that the question of whether an arbitration provision in a first agreement continued to exist after the parties entered into a second agreement was "for the courts" where (1) nothing in the first agreement indicated a "specific intent to submit to an arbitrator the question whether an agreement to arbitrate exists or remained in existence after [a subsequent agreement;]" (2) the existence of a merger clause in the second agreement "raises legitimate questions as to the continuing existence and scope of the arbitration clause in the [first agreement;]" and (3) the second agreement did not contain an arbitration clause which "creates an ambiguity on the question of arbitrability").¹⁴

¹⁴ The Court also notes that even where an arbitration provision in some way incorporates arbitration rules (such as the ICC Rules) that assign the arbitrator initial responsibility to determine issues of arbitrability, courts *also* consider the breadth of that arbitration provision, in order to determine whether the parties truly intended the arbitrator to decide this gateway issue. One example of a very broad arbitration provision was found in *Shin-I-Grp. Inc. v. Triplefine Int'l Corp.*, 322 F.3d 115 (2d Cir. 2003), where the arbitration clause at issue provided that "[a]ll disputes between [the parties] concerning or arising out of this Agreement shall be referred to arbitration to [the ICC) in accordance with the rules and procedures of International Arbitration." 322 F.3d at 120; *see also id.* at 124-25 ("In sum, because the parties' arbitration agreement is *broadly worded* to require the submission of 'all disputes' concerning the Representation Agreement to arbitration, and because it provides for

Thus, because Defendants have not carried the "onerous" burden to show that the parties "clearly and unmistakably" agreed that an arbitral tribunal should decide the question of arbitrability, the Court will proceed to address that issue.¹⁵

arbitration to be conducted under the rules of the ICC, which assign the arbitrator initial responsibility to determine issues of arbitrability, we conclude that the agreement clearly and unmistakably evidences the parties' intent to arbitrate questions of arbitrability." (emphasis added); *see also* (D.I. 190 at 8 & n.4). However, as Gillette notes, (D.I. 190 at 6-7; Tr. at 137-138), where the arbitration provision carves out certain issues from arbitration, courts have concluded that the incorporated arbitration rules would not apply "until [the gateway issue of] arbitrability is decided." *NASDAQ OMX Grp, Inc. v. UBS Sec., LLC*, 770 F.3d 1010, 1032 (2d Cir. 2014); *see also Microsoft Corp. v. Samsung Elecs. Co.*, 60 F. Supp.3d 525, 530 (S.D.N.Y. 2014) (holding the same where the agreements at issue committed "only specific categories of disputes to ICC arbitration" and noting that "[t]o hold otherwise would allow a party to force arbitration under any contract containing an ICC arbitration provision, no matter how narrow the arbitrable subject matter or how unrelated the actual dispute to that subject matter"); *Virk v. Maple-Gate Anesthesiologists, P.C.*, 80 F. Supp. 3d 469, 474-75 (W.D.N.Y. 2015) (explaining that where the arbitration provision in the employment agreement in question (1) incorporated by reference the rules of the American Arbitration Association ("AAA") and (2) excluded claims relating to non-compete and non-competition provisions of the contract, then the provision "raises an issue of arbitrability that must be resolved [by the court] *before* the AAA rules may be applied[.]" and noting that the fact that the plaintiff's claims "do not fall within the exception to the arbitration provision does not change this result, inasmuch as the preclusion of certain issues from arbitration undermines a conclusion that delegation of any arbitrability determination to the arbitrator was clear and unmistakable") (emphasis in original), *vacated in part on other grounds*, 657 F. App'x 19 (2d Cir. 2016).

Here, Section 10.C of the 2008 Agreement explicitly prohibits arbitration of, at a minimum, disputes about the validity, enforceability or infringement of a patent owned by the parties, as well as disputes about the validity, enforceability, infringement or dilution of any trademark or trade dress otherwise covered by the agreement. Thus, the arbitration provisions in the 2008 Agreement are obviously less broad than those at issue in cases like *Shaw*. This amounts to another reason why it is neither clear nor unmistakable that the parties intended for ICC arbitrators to decide the threshold question of arbitrability.

¹⁵

The Court recognizes

(D.I. 259-1 at 8)

B. Does a Valid Agreement to Arbitrate Currently Exist Between the Parties?

The Court now considers whether a valid arbitration agreement exists here. As a preliminary matter, the parties dispute whether, in conducting this step one analysis, the Court should even consider Gillette's argument as to the 2014 Agreement's impact on the arbitration provisions of the 2008 Agreement.

Defendants argue that the 2014 Agreement does not come into play as part of the step one inquiry. In this regard, they suggest that: (1) since there is no dispute that the parties indeed signed a valid settlement agreement in 2008 that included a valid arbitration provision; and (2) there is no argument that the 2008 Agreement was itself invalid due to, for example, fraud or forgery; then (3) the Court should simply conclude that a valid arbitration agreement exists and (4) then proceed directly to the second step of the pertinent analysis here (i.e., whether the dispute at issue lies within the scope of that agreement). (Tr. at 10, 13-14, 18-20) As for the issue of whether the terms 2014 Agreement obviated the arbitration provisions of the 2008 Agreement, Defendants refer to this as a question of *waiver*, and suggest that such a defense to arbitrability should be considered by the arbitral tribunal. (*Id* at 14-15, 27-28, 70)

For support, Defendants point to the Third Circuit's decision in *Opalinsld v. Robert Half*

[REDACTED]

[REDACTED]

[REDACTED] (*Id* at 7-8 (emphasis in original)) Yet, in assessing the "who decides arbitrability" question, the Court must be guided by United States federal legal precedent (at least as to the issue of whether there is "clea[r] and unmistakabl[e]" evidence of the parties' intent to allow the arbitrators to make this decision), *First Options of Chicago*, 514 U.S. at 944-45, even where the ICC is the relevant arbitral tribunal, *see Microsoft Corp.*, 60 F. Supp. 3d at 529-30. And that precedent suggests that even where an arbitration would proceed before the ICC, if the very existence of an arbitration agreement is itself at issue in the way it is here, then a district court must decide the question of arbitrability. *See, e.g., Celltrace*, 2016 WL 3407848, at * 1-2 (citing cases).

Jnt'l Inc., 761 F.3d 326 (3d Cir. 2014). (*Id* at 14-15, 27) And in *Opalinski*, the Third Circuit did state that while on the one hand, "courts play a limited threshold role in determining . . . a narrow range of gateway issues" such as "'whether the parties are bound by a given arbitration clause. . . . [o]n the other hand, questions that the parties would likely expect the arbitrator to decide are not questions of arbitrability' [include] allegations of waiver, delay, or similar defenses to arbitrability." *Opalinski*, 761 F.3d at 331 (citing *Howsam*, 537 U.S. at 84) (certain internal quotation marks omitted).

But Defendants' bare reliance on this broad language from *Opalinski*—language that, in turn, is derived from the Supreme Court's decision in *Howsam v. Dean Witter Reynolds, Inc.*, 537 U.S. 79 (2002)—is misplaced. Despite the Supreme Court's observation in *Howsam*, several courts have found that certain "waiver" issues (such as waiver due to litigation conduct) should be determined by a judge rather than an arbitrator. See *Apple & Eve, LLC v. Yantai N. Andre Juice Co.*, 610 F. Supp. 2d 226, 230 (E.D.N.Y. 2009) (citing cases). In *Ehleiter v. Grapetree Shores, Inc.*, 482 F.3d 207 (3d Cir. 2007), for example, the Third Circuit examined the statement regarding waiver from *Howsam* closely. The *Ehleiter* Court observed that "[p]roperly considered . . . within the context of the entire opinion . . . we believe it becomes clear that the [Supreme] Court was referring only to waiver, delay, or like defenses arising from non-compliance with contractual conditions precedent to arbitration, such as the NASD time limit rule at issue in that case'[" *Ehleiter*, 482 F.3d at 219. In other words, *Howsam* did not involve (and was not referring to) a scenario like this one—where one party asserts that the content of a subsequent settlement agreement "waived" an arbitration provision in a prior agreement. (Tr. at 161-62)

Indeed, it is not even clear to the Court that it is right to describe this issue (regarding the

2014 Agreement's impact on the 2008 Agreement's arbitration provisions) as relating to a claim of "waiver." Gillette does not think so; it asserts that this "is not an issue of waiver" but instead "an issue of expressed abrogation, a novation of [a] prior agreement" (Tr. at 109-10, 161-63; *see also* D.1. 259-1 at 16).

In the end, whatever the labels ("novation" or "waiver,") used by the parties, *it* is most notable that courts have not considered this to be an issue that should be punted to arbitrators for decision in light of *Howsam*. Instead, courts have simply taken up questions like this one (i.e., whether a subsequent agreement caused an arbitration provision in an earlier agreement to be eliminated) in determining whether a valid arbitration agreement exists in the first place. *See, e.g., Kiessling v. Am. Bankers Life Assurance Co. of Fla.*, Civil No. 1:08-cv-01600, 2008 WL 5248246, at *2-3 (M.D. Pa. Dec. 16, 2008) (considering whether a second agreement novated an arbitration clause in a prior contract, in determining whether a valid agreement to arbitrate was still in existence); *Bank of Am., N.A. v. Diamond State Ins. Co.*, No. 01 Civ. 0645 LMM/GWG, 2002 WL 31720328, at *3 (S.D.N.Y. Dec. 4, 2002) (same); *see also Bank Julius Baer & Co., Ltd. v. Waxfield Ltd.*, 424 F.3d 278, 283-84 (2d Cir. 2005) (analyzing the merits of a district court's decision to deny a stay in favor of arbitration, where the issue was framed in terms of whether a forum selection clause in a later agreement "waive[d]" an earlier agreement to arbitrate), *abrogated on other grounds, Granite Rock Co. v. Int'l Brotherhood of Teamsters*, 130 S.Ct. 2847 (2010). The Court will do the same here.

The Court thus turns to the question of whether a valid arbitration agreement exists between the parties. In doing so, it must assess whether the dispute resolution provision in the 2014 Agreement superseded the arbitration provisions in the 2008 Agreement, effectively

eliminating the right to arbitration as to disputes under either agreement. Gillette claims that it did, and points for effect to Article VIII.G.1 of the 2014 Agreement. That provision, again, states that: "If GILLETTE believes that (i) any DORCO/PACE [] product violates the terms of this Agreement *or the [2008] Agreement*, then GILLETTE shall notify DORCO/PACE [] in writing[.]" (2014 Agreement at Article III.G.1 (emphasis added)) The agreement next provides that if Gillette does provide this notification, then: (1) Darco/Pace will have a "reasonable period of time" to cure the violation; (2) Dorco/Pace will also have at least 21 days to respond to Gillette in writing; and (3) if Darco/Pace disagrees with Gillette's claim, the parties shall have an informal meeting (within 21 days of Dorco/Pace's written response, or longer *if the parties agree*) in an effort to resolve the dispute. (*Id.* at Article ID.G.2.-3.) This procedure, Gillette asserts, "is identical to that of the 2008 Agreement with the critical exceptions that the 2014 Agreement refers to dispute resolution under *both* agreements and does *not* include an arbitration clause." (D.I. 129 at 4-6 (certain emphasis added, certain emphasis in original); *see also* Tr. at 93-94) Gillette argues that this all means that when the parties agreed on the language of the 2014 Agreement's dispute resolution provision, they meant to intentionally eliminate arbitration as a mechanism for resolving disputes that might arise relating to the 2008 Agreement or the 2014 Agreement. (D.I. 129 at 5-6 ("[I]n 2014, the parties agreed that all disputes under either Agreement would be subject to the 2014 dispute resolution procedures, which do not call for arbitration."))

As part of this argument, Gillette also looks for support to the 2014 Agreement's supersession clause. This clause states that the "Agreement shall not supersede the [2008] Agreement except as it pertains to the specific rights and obligations granted and assumed

herein." (2014 Agreement at Article vii.A) Gillette's assertion is that "[b]y referring specifically to the resolution of disputes under the 2008 Agreement, the dispute resolution clause in the 2014 Agreement 'pertains to the specific rights and obligations granted and assumed' in the 2014 Agreement. . . . rights and obligations [that] differ from those in the 2008 Agreement in that they do not require arbitration," (D.I. 129 at 5)

In evaluating Gillette's arguments, the Court first needs to set out the relevant guiding legal principles under the controlling state law—that of New York. New York state contract law requires that a second agreement between parties must serve to clearly indicate the parties' intent to eliminate a prior agreement's arbitration provision, in order to defeat such a provision. (*See* D.I. 155 at 5-6 (citing cases)) This is true whether the issue is deemed a "novation" issue or a "waiver" issue.

With regard to novation, for example, "[u]nder New York law, [] a new agreement will not supersede an existent contract unless the parties have 'clearly expressed or manifested' that intention." *Virk v. Maple-Gate Anesthesiologists, P.C.*, 80 F. Supp. 3d 469, 476 (W.D.N.Y. 2015) (citations omitted), *vacated in part on other grounds*, 657 F. App'x 19 (2d Cir. 2016); *see also Penguin Orp. (USA) Inc. v. Steinbeck*, 537 F.3d 193, 200 (2d Cir. 2008) (explaining that "[u]nder New York law . . . parties to an agreement can mutually agree to terminate it by expressly assenting to its rescission while simultaneously entering into a new agreement dealing with the same subject matter" and that upon doing so, "the new contract provides all the parties' obligations and remedies for breach") (internal quotation marks and citations omitted). "Because a novation has the effect of extinguishing the prior contract between the parties, the existence of a novation must never be presumed, . . . and the party asserting the novation's existence has the

burden of proving that the subsequent agreement was intended as a complete substitute for the parties' prior agreements." *In re Cohen*, 422 B.R. 350, 373 (E.D.N.Y. 2010) (internal quotation marks and citations omitted) (referring to New York state law).¹⁶ As to the doctrine of waiver under New York law, the burden on Gillette is similarly high. Naiver is an "intentional relinquishment of a known right [that] should not be lightly presumed." *Air Support Int'l, Inc. v. Atlas Air, inc.*, 54 F. Supp. 2d 158, 166 (E.D.N.Y. 1999) (quoting *Gilbert Frank Corp. v. Fed. Ins. Co.*, 520 N.E.2d 512, 514 (N.Y. 1988)). The United States Court of Appeals for the Second Circuit has explained that New York law requires "clear and specific waiver [in a subsequent contract, in order] to defeat the express arbitration provision in the [prior contract]/' *WorldCrisa Corp. v. Armstrong*, 129 F.3d 71, 75 (2d Cir. 1997).

Another important question under New York contract law is: Where (and to what) may the Court look in order to determine whether Gillette has shown that there was a "clearly expressed or manifested" decision by the parties to novate the arbitration provision in the 2008 Agreement, or whether there was a "clear and specific waiver,, of such a right to arbitrate? Pursuant to New York law, when the terms of a written contract are clear and unambiguous the contract should be enforced solely according to its terms. *Arnell Constr. Corp. v. N Y C. Sch.*

¹⁶ Cf. *EPAC Techs, Inc. v. Thomas Nelson, Inc.*, No. 3-12-0463, 2015 WL 6872575, at *5 (M.D. Tenn. Nov. 9, 2015) (applying New York law and explaining that under such law, "[a] new agreement will not supercede existing contract . . . unless the parties have clearly expressed or manifested that intention"); *Goshawk Dedicated Ltd v. Portsmouth Settlement Co.* 1466 F. Supp. 2d 1293, 1299 (N.D. Ga. 2006) (noting that all courts that have directly addressed the effect of a novation on a prior agreement to arbitrate, including courts applying New York law, "have held that, absent a showing that the parties specifically agreed to retroactively rescind or terminate the arbitration agreement itself, an arbitration agreement generally survives novation and remains enforceable against an original party") (citing cases).

Constr.Auth., 144 A.D. 3d 714, 716 (N.Y. App. Div. 2016) (citations omitted). Extrinsic evidence may not be considered unless the document itself is ambiguous. *Id.*

With those legal principles in mind, the Court thus turns to disputes, like this one, arising when "GILLETTE believes that . . . any DORCO/PACE O product violates the terms of . . . the [2008] Agreement[.]" (2014 Agreement at Article Vill.G.1) Did Article VIII.G and other portions of the 2014 Agreement novate (or waive) the parties' right to arbitrate at least those disputes?¹⁷ Here, both parties have plausible arguments to make.

On the one hand, as Gillette argues, Article VIII.G of the 2014 Agreement does make specific reference to resolution of disputes relating to the *2008 Agreement*. (D.I.48 at 4) If Article Vill.G had not included such a reference, Gillette's novation/waiver argument would have far less force. (*See* Tr. at 91) But this reference is there, and it has to mean something. *See Cara Assocs., L.L.C. v. Milstein*, 140 A.D. 3d 657, 658 (N.Y. App. Div. 2016) (noting that it is a "cardinal rule of construction that a court should not adopt an interpretation which will operate to

¹⁷ The Court agrees with Gillette that the subject matter of this litigation would fall under the auspices of the Product Arbitration Provision. Defendants had argued that even "if Article Vill.G of the 2014 Agreement did supersede . . . certain dispute resolution provisions of the 2008 Agreement [e.g., the Product Arbitration Provision], the *arbitration* provision [in the 2008 Agreement] would still be valid as to all of the Dorco/Pace Accused Products and all disputes at issue in the pending ICC arbitration." (D.I. 102 at 13 (emphasis in original)) Defendants' argument here is that the instant disputes do not implicate the Product Arbitration Provision, but instead are about "whether *Gillette* has violated th[e] terms of [the settlement agreements] by bringing this action"-conduct purportedly implicating Section D.C.2's Performance Arbitration Provision. (*Id.* (emphasis added)). The Court agrees with Gillette, however) that in these circumstances, "where affirmative allegations and defenses are intertwined, there is no basis to argue that one provision of the (2008 Agreement] provides for resolution of disputes as to Gillette's patent infringement claim but another provision provides for resolution of disputes as to defenses to that claim." (D.J. 129 at 8) Put differently, as Gillette asserts, it appears that "Section 10.C.1 is the dispute resolution provision directed to disputes involving the covenants of Sections 3 and 4 [a bucket into which the instant disputes surely fall, while] Section 10.C.2 is directed to disputes involving other 'performance' issues." (*Id.* at 9 n.5)

leave a provision of a contract without force and effect") (quoting *Corhill Corp. v. S.D. Plants, Inc.*, 176 N.E.2d 37 (N.Y. 1961)); *Estate of Sherez*, 622 N.Y.S. 2d 536, 537 (N.Y. App. Div. 1995) ("It is a basic tenet of contract construction that an interpretation which avoids inconsistencies and gives meaning to **all** of an agreement's provisions is favored[.]").

Moreover, Defendants' counsel's explanation as to *why* the 2014 Agreement makes reference to violations of the 2008 Agreement was confusing. At oral argument, Defendants' counsel asserted that Article VIII.G of the 2014 Agreement was written as it was, *inter alia*, in order to provide "an opportunity to cure that was not part of the 2008 settlement." (Tr. at 47-48; *see also id.* at 54-56; D.I. 102 at 13 (noting that "Article VIII.G grants Dorco/Pace *additional* rights. Specifically, Article VIII.G grants Dorco/Pace the right to notice and **an** opportunity to cure if Gillette believes *any* Dorco product (as of February 21, 2014) violates the terms of *either* Settlement Agreement.")) (emphasis in original)) And it is true that the 2014 Agreement required Gillette to provide written notice to Dorco/Pace "describing the basis of its claim *and giving DORCO/PACE [] a reasonable period of time to cure the asserted violation[.]*" (2014 Agreement, Article VIII.G.1 (emphasis added)) But the way this argument was delivered made it seem as if Defendants were suggesting that the 2008 Agreement did not permit Dorco/Pace *any opportunity to cure* (and that the reason why the phrase "or the [2008] Agreement" was inserted into Article VIII.G.1 was to ensure that a cure period was allowed for certain disputes arising out of the 2008 Agreement). And yet, of course, the 2008 Agreement *does* provide for a cure period—it clearly states that **if** Gillette believes that a Dorco/Pace product violates the terms of the agreement, Gillette shall notify Dorco/Pace in writing "including the basis of their claim and *an opportunity to cure[.]*" (2008 Agreement, § 10.C.1.(a) (emphasis added)) So the purpose of

Article YID.G's reference to the 2008 Agreement could not have been to ensure that a cure period was provided for Gillette-initiated disputes regarding whether Dorco/Pace products violated the 2008 Agreement. (*See* Tr. at 89-90, 93-94)¹⁸

There is at least some basis to argue (as Gillette does), then, that the reason why Article VULG reiterates nearly-identical informal mediation procedures to those set out in the 2008 Agreement-but does not include an arbitration provision regarding such claims-is that the parties intended to do away with arbitration for some or all disputes relating to the 2008 Agreement. If that were the case, then the abolition of arbitration could be seen as having been implemented in favor of agreement as to "specific . . . obligations" (obligations regarding the need to provide Dorco/Pace with notice and the reasonable opportunity to cure) that Gillette took on as part of the 2014 Agreement. (2014 Agreement at Article VIII.A) Under that reading, the 2014 Agreement's supersession clause would be implicated.

On the other hand, Defendants have a reasonable argument that the contractual language in Article Vill.G had nothing to do with eliminating arbitration as a forum for 2008 Agreement-related disputes. They note, for example, that while Article VULG does specifically discuss informal mediation provisions, it "doesn't speak to the arbitration issue" in the sense that it contains no specific mention of arbitration. (Tr. at 143; *see also id* at 48; DJ. 102 at 13-14; D.I.

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[REDACTED]

(D.I. 259-1 at 21)

155 at 5) Thus, it could be that the two Settlement Agreements are meant to be read together.¹⁹ In that scenario, the effect of Article VIII.G might be, for example, that: (1) if Gillette believes that any Dorco/Pace product (as of the effective date of the 2014 Agreement) violates the terms of the 2008 Agreement, then the parties must go through the informal mediation procedures set out in the 2014 Agreement (which now allow Dorco/Pace a *reasonable* period of time to cure any such violation); but (2) if any such dispute remains unresolved after those procedures run their course, they "shall be finally settled" in arbitration, per the terms of the 2008 Agreement. (2008 Agreement, Section IO.C.1.(d))²⁰ And Defendants argue (plausibly) that this would then mean that the 2014 Agreement's supersession clause would not be implicated, since arbitration (or eliminating arbitration as to such disputes) is not an item "specific[ally]" mentioned in the 2014 Agreement. (2014 Agreement, Article VIII.G.I; *see also* Tr. at 146; D.I. 102 at 12-13; D.I. 155 at 5); *Bank Julius Baer & Co.*, 424 F.3d at 282-85 (finding that an arbitration clause in a first agreement was still in effect where a subsequent agreement contained an incorporation clause

¹⁹ Moreover, it is notable that Article VII.G.I's discussion of informal mediation procedures comes only in the context of a reference to circumstances where "*GILLETTE believes that O any DORCOIPACE Dproduct violates the terms of this Agreement or the [2008] Agreement[.]*" (2014 Agreement at Article VIII.G (emphasis added)) There is not an explicit reference in Article VII.G to other categories of disputes that *were* referenced in Section IO.C of the 2008 Agreement (i.e., those where Dorco/Pace seeks relief from certain color pantone restrictions, or those arising out of the performance of the agreement), and for which the 2008 Agreement provided arbitration as a dispute-resolution mechanism. If the parties to the 2014 Agreement meant to eliminate arbitration as an option for *all* disputes arising out of the 2008 Agreement, then why would they craft Article VIII.G in a way that only mimics the language used in Section IO.C of the 2008 Agreement relating to *certain categories* of such disputes? (Tr. at 150-52)

²⁰ Or, alternatively, it might be that Article VII.G applies solely to certain "'clip' related issues," and does not do away with arbitration for disputes as to whether other Dorco/Pace products violate the terms of the 2008 Agreement. (*Cf* D.I. 259-1 at 21)

providing that "all the rights and remedies provided [therein] are cumulative and not exclusive of any rights or remedies provided under any other agreement"--even though the subsequent agreement also had a merger clause that stated that the agreement "supersedes all prior agreements" because it was possible to read the second agreement's language as otherwise complimentary to the first agreement's arbitration clause).²¹

In light of the significant uncertainty generated by the language of Article VIII.G, and the plausible arguments made by both sides, the Court concludes that the terms of the 2014 Agreement are not clear and unambiguous as to this question. *Bank Julius Baer & Co.*, 424 F.3d at 284 (citing approvingly to a case involving "a broad agreement to arbitrate and a later-executed agreement that contained a forum selection clause" that noted that the parties "consent[ed] to the jurisdiction of [certain] courts . . . with respect to controversies arising under *this Agreement*[" wherein the court found that because the later-executed agreement did not specifically mention arbitration, then it was "(therefore at least ambiguous" as to whether the later-executed agreement meant to eliminate the earlier agreed-upon right to arbitration) (quoting *Patten Sec. Corp. v. Diamond Greyhound & Genetics*, 819 F.2d 400, 407 (3d Cir. 1987) (emphasis in original)); (cf. D.I. 259-1 at 23). Therefore } the Court may consider any extrinsic

²¹ As for any unresolved disputes concerning Gillette's belief that a Dorco/Pace product is violating the 2014 Agreement, it does not appear that the parties have a right to arbitration. (Cf. Tr. at 61 (Defendants' counsel acknowledging that "[w]hether there would be an argument that you would not have to arbitrate disputes [regarding Gillette's belief that a Dorco/Pace product violates] the 2014 agreement would be a different issue") (emphasis added); D.I. 129 at 7 n.4 (Gillette asserting that "Pace's allegation of violations of the 2014 Agreement . . . cannot support its motion because there is no arbitration clause in that agreement"))

evidence before it that bears on the issue.²²

On this front, Gillette did point to certain extrinsic evidence: to correspondence from the parties' negotiation of the 2014 Agreement that, in its view, "confirms beyond question the parties' intent to omit arbitration." (DJ. 129 at 6, *see also id* at 10-11) During the drafting process for the 2014 settlement, Dorce/Pace's counsel sent Gillette's counsel a draft settlement agreement that (1) included a dispute resolution clause mirroring the content of what later became Article VULG, but that (2) *also* included an arbitration provision. (D.I. 130, ex. 4 at ex. A at 10-12) Gillette's counsel then sent Dorco/Pace a revised draft, the content of which was purportedly based in part on a "conversation" between counsel; the entire dispute resolution clause was stricken from that draft. (*Id.*, ex. 5 & *id.*, ex. 5 at ex. A at 10-13) In response, Dorce/Pace's counsel circulated a revised redline version of the agreement that re-inserted the informal mediation provisions (i.e., notice, and a reasonable opportunity to cure) that the parties would take if Gillette believed that any Dorco/Pace product violated either Settlement Agreement. (*Id.*, ex. 6 at ex. A at 11-12) Dorco/Pace's counsel did not, however, reinsert the text referencing the arbitration procedures. Instead, he simply included a notation stating "[NEED TO DISCUSS ARBITRATION PROVISION][.]" (*Id.*)

Gillette's counsel then responded by including an electronic comment in the margin of

²² The 2014 Agreement does contain an integration clause, providing that "[t]his Agreement embodies the entire understanding of the Parties with respect to the subject matter of the Agreement, and merges all prior or contemporaneous discussions, negotiations or communications between the Parties as to the matters set forth herein." (2014 Agreement at 12-13 at Article Vill.K) But the presence of such a clause does not hinder a court from considering extrinsic evidence in order to understand the meaning of an ambiguous term in the agreement. *US. Fire Ins. Co. v. Gen. Reinsurance Corp.*, 949 F.2d 569, 571 (2d Cir. 1991) (citing New York state law).

this portion of the draft, which stated: "I explained when we talked that Gillette isn't going to agree to [the above-referenced arbitration provision] as part of the agreement, but would consider discussing a global dispute resolution process separate from the clip dispute." (*Id.* at 12) In an e-mail of record that appears related to this draft, Gillette's counsel states that, *inter alia*, his "Gillette isn't going to agree" notation relates to subject matter added by Dorco/Pace that Gillette's counsel "deem[s] potentially problematic." (D.I. 130, ex.6) Gillette's counsel notes in the e-mail that he wishes to further "discuss" the notation with Dorco/Pace's counsel. (*Id.*) It is not clear what further discussions were had, if any, on this subject.

In the Court's view, the net effect of this extrinsic evidence is to create a genuine issue of material fact as to whether the parties "clearly expressed or manifested" the intention to novate the 2008 Agreement's arbitration provisions (or, in the terminology of waiver, whether Pace/Dorco "clear[ly] and specific[ally]" waived such provisions). The Court acknowledges that the legal standards at issue for novation and waiver — both of which require clear evidence that the parties intended to eliminate the arbitration provisions — at issue amount to a high bar for Gillette to overcome. But the nature of the settlement correspondence, at a minimum, implicates material disputed issues of fact (and a number of unanswered questions).

For example, did the reference by Gillette's counsel to rejection of the arbitration language and to Gillette's openness to "discussing a global dispute resolution process separate from the clip dispute" mean that: (1) Gillette was opposed to arbitration as to only certain "clip dispute[s]" relating to the Settlement Agreements, but acknowledged that it was bound to engage in arbitration for disputes otherwise implicating the 2008 Agreement? or that (2) Gillette intended to eliminate arbitration for *any* disputes relating to either agreement, but *might* consider

revisiting the concept of arbitration in the future as part of some to-be-determined "global dispute resolution process"? (Tr. at 62-64, 158-60; D.I.259-1 at 26) What further "discuss[ions]" did Gillette's counsel and Dorco/Pace's counsel have about Article VIII.G? And (more broadly) what was the drafters' intent in including the phrase "or the [2008] Agreement" in Article VIII.G in the first place? Even though the standards for novation or waiver are challenging for a party like Gillette to surmount, these questions implicate fact disputes that are material and that (depending on the ultimate span of the evidence) could change the outcome.

In sum, giving Gillette the benefit of all reasonable doubts and inferences, the Court concludes that there is a genuine issue of material fact as to whether the parties entered into an arbitration agreement with regard to the instant disputes.

C. Whether the Scope of the Relevant Arbitration Provisions in the 2008 Agreement Encompass the Claims at Issue

Although the Court's finding as to step one of the inquiry leads to a denial of the instant Motions, the Court will, for sake of completeness (and because there is the prospect of objections being filed with the District Court), provide its decision as to a number of the remaining questions that the parties have put before it. In the Court's view, these questions clearly fall into step two of the arbitration-related inquiry. That is, they relate to whether (if there is a valid arbitration agreement in place) the parties' disputes actually fall within the scope of that agreement.

In light of the strong federal policy favoring arbitration, when parties have entered into a written agreement that includes an arbitration provision, but it is unclear whether or not a specific dispute falls within the group of arbitrable claims under the agreement, "any doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration[.]" *Gray Holdco, Inc. v.*

Cassady, 654 F.3d 444, 451 (3d Cir.2011) (quoting *Moses H Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 24-25 (1983)). So long as the movant's claim of arbitrability is plausible, interpretation of the contract should be passed on to the arbitrator. *Sharon Steel Corp. v. Jewell Coal & Coke Co.*, 735 F.2d 775, 778 (3d Cir. 1984); *see also Medtronic AVE Inc. v. Cordis Corp.*, 100 F. App'x 865, 869 (3d Cir.2004). As was previously noted above, the presumption of arbitrability with respect to this question is rebuttable only with evidence providing "positive assurance" that "the arbitration clause is not susceptible of an interpretation that covers the asserted dispute." *Battaglia v. McKendry*, 233 F.3d 720, 727 (3d Cir. 2000) (quoting *AT&T Techs., Inc.*, 475 U.S. at 650).

Gillette makes a number of arguments as to why the instant disputes do not fall within the scope of the parties' agreement to arbitrate. In light of the strong presumption in favor of arbitrability, however, the Court does not find any of them to be persuasive.

Gillette argues, for example, that "the subject matter of this lawsuit is specifically carved out of the reach of the 2008 Agreement's [arbitration provisions]" because "the 2008 Agreement expressly precludes arbitration concerning patent infringement." (DJ.48 at 11; *see also* Tr. at 81) Here, Gillette is referencing Section 10.C.L(e) of that agreement, which states:

In any dispute concerning whether a Darco/Pace [] shaver product is encompassed by the covenants not to sue set forth in Section 4 herein, the arbitrator(s) may only adjudicate whether the product at issue constitutes an Existing Product or Reasonable Modification encompassed by the Covenants not to sue set forth in Section 4 herein. The arbitrator(s) may not adjudicate the validity, enforceability or infringement of any patent owned by any of the Parties[.]

(D.I. 48 at 11 (emphasis added))²³

Gillette's argument, however, misses the mark. As Defendants explain, the "ICC is not adjudicating infringement; it is arbitrating disputes concerning whether the accused products in this case are subject to the covenants not to sue granted in Section 3 of the 2008 Agreement (Section 10.C.1)[.]" (D.I. 155 at 1) And these disputes constitute "threshold issues," (*id.*), since the "purpose of th[e] carve-out [regarding patent infringement, validity and enforceability detenninations] is to stop the train only as to those particular three issues. It's not to prevent an arbitration in the fust place[.]" (Tr. at 45; *see also* D.I. 102 at 10 (noting that the parties at one point agreed to arbitrate "whether the Dorco/Pace Accused Products are encompassed by the 2008 Agreement's covenants not to sue—a key gating issue to this litigation")). The law dictates that "when a non-arbitrable claim (infringement) is dependent on an arbitrable claim (whether a product is encompassed by the 2008 Gillette covenants not to sueO), *both* must be stayed under the FAA." (D.I. 51 at 8); *see Compucom Sys., Inc. v. Getronics Fin. Holdings B.V.*, 635 F. Supp. 2d 371, 378 (D. Del. 2009) ("Just because a claim for indemnification itself cannot be referred to arbitration does not mean that an issue central to the resolution of an indemnification claim cannot be referred to arbitration. The FAA is explicit that if a claim is based on an issuethat is arbitrable, the court must stay the proceeding/") (citing Section 3).

²³ During oral argument, Gillette asserted that this issue is part of the step one inquiry—that is, that it relates to whether the parties have a valid arbitration agreement. (Tr. at 81; *see also* D.I. 129 at i (Gillette's Table of Contents listing this argument under the heading "There is No Agreement to Arbitrate")) The Court does not agree. If the Product Arbitration Provision was not novated (or waived), then the Court would have to assess whether the claims of this action fall within the *scope* of the provision. Gillette's argument here goes right to the scope of that part of the 2008 Agreement—that is, it relates to what the words in Section 10.C.1.(e) of the 2008 Agreement mean and how they apply to what is occurring in this lawsuit.

Gillette's next argument is related to the prior one, and again involves the text of Section 10.C.1.(e). As to Section 10.C.1.(e), it is undisputed that (assuming the 2008 Agreement's arbitration provisions do remain in force) the arbitrators may determine "whether the accused products are 'Existing Products or Reasonable Modifications.'" (D.I. 129 at 12 (citation omitted); *see also* Tr. at 118)²⁴ But Gillette argues that making only that *very particular* decision is the extent of the arbitrators' role. In other words, Gillette is suggesting that although the covenant not to sue in the 2008 Agreement provides that Gillette covenants not to sue Dorco/Pace "[w]ith respect to all Existing Products and any Reasonable Modifications ... *for infringement of any Gillette/P&G Patents[,]*" the question of "whether Gillette's '513 patent is a 'Gillette/P&G Patent' is *not* a decision for the arbitrators." (D.I. 129 at 12 (quoting 2008 Agreement, § 4.A) (emphasis added)) Defendants retort that the Product Arbitration Provision expressly provides that the arbitrator arbitrates whether the product at issue "constitute[s] an Existing Product or Reasonable Modification *encompassed by the Covenants. not to sue*" and that the arbitral tribunal "obviously therefore cannot adjudicate whether a Darco/Pace product is 'encompassed by the covenants not to sue set forth in Section 4'" without "making a determination of what patents fall within the scope of 'Gillette/P&G Patents.'" (D.I. 155 at 7-8 & n.7 (emphasis added); *see also* D.I. 170 at 15 n.10; Tr. at 38-40)

²⁴ Gillette does make an argument in the final pages of its briefing that "[t]he dispute is also not arbitrable for the further, independent reason that the accused Darco/Pace razors are not subject to the 2008 Agreements because they are not 'Existing Products or any Reasonable Modifications'" since (D.I. 129 at 19) This argument is not persuasive, since clearly, that is the one decision that the arbitrators undisputably have the right, under the Product Arbitration Provision, to make: "whether the product at issue constitutes an Existing Product or Reasonable Modification[.]" (2008 Agreement, § 10.C.1.(e); *see also* D.I. 155 at 10 n.10)

Pursuant to the well-settled law set out above, so long as Defendants' rejoinder is plausible, then it is the arbitral tribunal who must ultimately determine the scope of the arbitration provisions. And Defendants' position surely is plausible-that, in order to make the "encompassed by" determination, the arbitrators are going to have to assess whether the patent at issue here is a "Gillette/P&G Patent" in the first place. Resolving all doubts in favor of arbitration, *Moses fl Cone Mem lHosp.*, 460 U.S. at 24-25, the Court certainly could not say with "positive assurance" that the Product Arbitration Provision is not susceptible to an interpretation that governs this dispute. (*Cf* D.I. 259-1 at 13)²⁵

²⁵ In further support of its argument that this particular dispute should not go to arbitration, Gillette cites to a recent decision from the Federal Circuit, *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, 830 F.3d 1335 (Fed. Cir. 2016), as standing for the proposition that "when an arbitration clause has an exclusion for patent infringement, any license, exhaustion or contract-related defenses to patent infringement are also excluded from arbitration" and therefore "the issues surrounding the covenant not to sue including exhaustion and license defenses are questions for the Court[,] not arbitration." (D.I. 129 at 13-15) In *Verinata Health*, the parties' supply agreement included "an arbitration clause and an exclusion-from-arbitration clause" providing that "any dispute . . . arising out of or relating to the breach, termination, enforcement, interpretation or validity of this Agreement, shall be determined by arbitration . . . and no arbitration shall resolve, disputes relating to issues of scope, infringement, invalidity and/or enforceability of any Intellectual Property Rights." *Verinata Health*, 830 F.3d at 1337. Illumina, Inc. ("Illumina") then sued Ariosa Diagnostics, Inc. ("Ariosa") for patent infringement, and Ariosa counterclaimed for breach of contract on grounds that, under the terms of the agreement, Ariosa had a license to the patent in suit. *Id.* at B36. The district court denied Illumina's motion to compel arbitration of license and contract defenses and counterclaims, holding that those defenses "'unambiguously relate to issues of patent infringement' and thus 'are outside of the scope of the arbitration agreement.'" *Id.* at 1340 (citation omitted). The Federal Circuit affirmed the district court's order, explaining that (1) the agreement "makes clear that 'disputes relating to issues of patent scope and infringement are not subject to mandatory arbitration[;]' (2) Illumina put the "scope" of the licensed patent rights at issue by suing Ariosa for patent infringement; and (3) Ariosa's counterclaims for non-infringement and breach of contract "are predicated on the notion that the infringement allegations cannot stand because of the licensing provisions within the supply agreement." *Id.* (citations omitted). Gillette draws a parallel between the facts in *Verinata Health* and the circumstances here, asserting that since the Product Arbitration Provision carves out patent infringement from those issues that are arbitrable, then Defendants' license, exhaustion and contract-related defenses to infringement are also excluded from

Lastly, Gillette argues that the subject matter of this lawsuit is excluded from the parties' agreement to arbitrate, because the '513 patent is not subject to the 2008 Agreement. (D.I. 129 at 17-19) In the 2008 Agreement, Gillette covenanted not to sue with respect to Existing Products and Reasonable Modifications for infringement of any Gillette/P&G Patents, defined therein as "patents . . . that could have been asserted against Dorco/Pace [] . . . prior to the Effective Date" of the agreement. (2008 Agreement, §§ LD & 4.A) Gillette claims that this definition "means patents that Dorco/Pace infringed at the time of the agreement such that Gillette could have asserted them against Dorco/Pace[,]" and concludes that the '513 patent "could not have been asserted by Gillette at the time of the 2008 Agreement because the Accused Dorco/Pace Products were not infringing the '513 Patent at that time." (D.I. 129 at 17-18)

The Court agrees with Defendants that they have a (more than) plausible rejoinder here. As Defendants assert, Gillette's interpretation would seem to rewrite the definition of "Gillette!P&G Patents" to have it read: ". . . patents . . . that could have been asserted against

arbitration. (D.I. 129 at 14-15; Tr. at 129-30)

The Court agrees with Defendants, however, that the facts of *Verinata* are distinguishable. It is notable that the *Verinata* supply agreement carved out from arbitration "disputes *relating to issues of scope*, infringement, validity and/or enforceability of *any* Intellectual Property Rights." *Verinata Health*, 830 F.3d at 1337 (emphasis in original). In contrast, the Product Arbitration Provision here has a much narrower carve-out: it lacks the broad "relating to language" and the references to "issues of scope of any" intellectual property rights that are found in *Verinata's* agreement. (D.I. 155 at 9) Rather, the Product Arbitration Provision excludes adjudication only of the "'validity, enforceability or infringement'" of the relevant patents-issues that are not before the arbitral tribunal. (*Id.*) The arbitrators, would, however, have an explicit undisputed right to "adjudicate whether the product at issue constitutes an Existing Product or Reasonable Modification *encompassed by the Covenants not to sue*[,]" (2008 Agreement, § 10.C.1.(e) (emphasis added)) and therefore by the Product Arbitration Provision's plain terms, issues surrounding the covenant not to sue are questions for the arbitrators.

Dorco/Pace . . . and that Dorco/Pace infringed. . . ." (D.I. 51 at 9) Such an interpretation would also appear to "nullify the covenants not to sue [in the 2008 Agreement] because Dorco . . . expressly *denied* infringement of any Gillette/P&G Patent in the 2008 Agreement" (*Id.* (emphasis in original) (citing 2008 Agreement, § 6.E)) And it would amount to a strange (and litigation-inviting) way to draft a settlement agreement like this one, in that it would make any coverage under the covenant dependant upon a finding of patent infringement (an issue sure to be hotly contested much of the time).'²⁶

IV. CONCLUSION

For the reasons set out above, the Court DENIES DSC's and Pace's Motions to Stay.

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 **March 14, 2017** 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.

Dated: March 7, 2017



Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE

²⁶ In light of the Court's decisions as to these "step two" issues, it is thus clear that the only reason why the Court is denying the instant Motions is the Court's finding that there is a genuine issue of material fact as to the "step one" question.