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6 **IN THE UNITED STATES DISTRICT COURT**
7 **FOR THE DISTRICT OF ARIZONA**
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9 Parsons Xtreme Golf LLC,
10 Plaintiff,

11 v.

12 Taylor Made Golf Company Incorporated,
13 Defendant.

14 Taylor Made Golf Company Incorporated,
15 Counter Claimant,

16 v.

17 Parsons Xtreme Golf LLC,
18 Counter Defendant.

19
20 Parsons Xtreme Golf LLC,
21 Counter Claimant,

22 v.

23 Taylor Made Golf Company Incorporated,
24 Counter Defendant.
25

No. CV-17-03125-PHX-DWL

ORDER

26 This matter was reassigned to the Court on October 31, 2018. (Doc. 171.) At the
27 time, three matters were fully briefed and awaiting resolution: (1) Plaintiff Parsons Xtreme
28 Golf LLC's ("PXG") motion for leave to amend its invalidity and infringement contentions

1 (Doc. 134), (2) Defendant Taylor Made Golf Company, Inc.’s (“Taylor Made”) motion for
2 leave to amend its invalidity contentions (Doc. 154), and (3) the parties’ submission of
3 joint proposed letters rogatory (Doc. 163). Additionally, two more motions have become
4 fully briefed since the reassignment: (1) Taylor Made’s motion to stay pending *inter partes*
5 review (Doc. 164) and (2) PXG’s motion to de-designate materials (Doc. 169). Finally,
6 Taylor Made has also filed a motion to seal the exhibits to the de-designation motion (Doc.
7 176).¹

8 As explained below, the Court will grant Taylor Made’s motion to stay. A stay is
9 appropriate because the Patent and Trademark Office has already agreed to conduct *inter*
10 *partes* review (“IPR”) of a substantial majority of the claims at issue, Taylor Made
11 exhibited diligence (both in seeking IPR and in requesting a stay once the IPR process
12 began), the case was in its early stages at the time the stay was requested, and the Court
13 has not yet held *Markman* hearings or set a trial date. Issuing a stay is the norm, rather
14 than the exception, under these circumstances. Additionally, the recent reassignment of
15 this case undermines PXG’s argument that a stay would squander the Court’s institutional
16 knowledge. It is also relevant that Congress’s intent in creating the IPR system was to
17 create an improved process for evaluating patent claims, by allowing subject matter experts
18 to render binding decisions on a relatively expedited and cost-efficient basis. Issuing a stay
19 here—rather than the alternative of requiring the parties to engage in costly, parallel
20 litigation of overlapping issues in two different forums—will best effectuate Congress’s
21 intent. See Fed. R. Civ. P. 1 (the rules of civil procedure should be construed to promote
22 the “just, speedy, and inexpensive determination of every action and proceeding”).

23 Before entering the stay, however, the Court will grant PXG’s motion to de-
24 designate. The dispute concerns Taylor Made’s effort to designate certain discovery
25

26 ¹ On November 27, 2018, the Court held a telephonic status conference with the
27 parties. During that conference, the parties addressed many of the matters addressed in
28 this order, and the Court also sought supplemental briefing from PXG concerning the stay
request. Accordingly, although the parties have requested oral argument on the pending
motions, the Court will deny the requests—the issues have been fully briefed and further
argument will not aid the Court’s decision. See Fed. R. Civ. P. 78(b) (court may decide
motions without oral hearings); LRCiv. 7.2(f) (same).

1 materials as “Confidential—For Counsel Only”—a designation that prevents four of
2 PXG’s key principals from reviewing these materials. PXG contends this designation is
3 unjustified and prejudicial (because its principals need to review the documents to make
4 informed decisions about settlement and litigation strategy). As explained below, the Court
5 agrees that Taylor Made has failed to justify this heightened level of restriction and
6 therefore orders Taylor Made to re-designate the materials as “Confidential,” which will
7 allow PXG’s principals to review them.

8 Finally, because this matter will be stayed pending the outcome of the IPR process,
9 the Court finds it unnecessary to resolve the parties’ remaining pending motions.
10 Specifically, there is no need to decide, at this juncture, whether the parties should be
11 permitted to amend their invalidity and infringement contentions because the scope of this
12 litigation is likely to be different once the IPR process is complete. For similar reasons,
13 the Court declines, at this juncture, to issue the proposed letters rogatory. The issuance of
14 those letters is likely to cause government officials (both here and in Japan) to expend
15 substantial resources—an expenditure that may prove unnecessary depending on the
16 outcome of the IPR proceedings.

17 A. The Stay Request

18 I. **Background**

19 a. Inter Partes Review

20 In 2011, Congress enacted the Leahy-Smith America Invents Act, which replaced
21 the former *inter partes* reexamination proceeding with the IPR process. *See* 35 U.S.C. §§
22 311-319; *see generally Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 138
23 S. Ct. 1365, 1370-71 (2018); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137
24 (2016). To institute IPR of a patent, a party other than the patent owner files a petition
25 with the Patent and Trademark Office (“PTO”). *See* 35 U.S.C. § 311(a).² The petitioner
26 “can request cancellation of ‘1 or more claims of a patent’ on the grounds that the claim
27 fails the novelty or nonobviousness standards for patentability. The challenges must be

28 ² The Patent Trial and Appeal Board (“PTAB”) conducts IPR proceedings. 35 U.S.C.
§ 316(c). In the context of IPR, courts often use PTO and PTAB interchangeably.

1 made ‘only on the basis of prior art consisting of patents or printed publications.’ If a
2 petition is filed, the patent owner has the right to file a preliminary response explaining
3 why inter partes review should not be instituted.” *Oil States Energy Servs.*, 138 S. Ct. at
4 1371 (citations omitted).

5 Congress’s intent in creating the IPR process was “‘to establish a more efficient and
6 streamlined patent system that will improve patent quality and limit unnecessary and
7 counterproductive litigation costs’ and ‘to create a timely, cost-effective alternative to
8 litigation.’” *PersonalWeb Techs., LLC v. Facebook, Inc.*, 2014 WL 116340, *2 (N.D. Cal.
9 2014) (quoting *Changes to Implement Inter Partes Review Proceedings, Post-Grant*
10 *Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77
11 Fed. Reg. 48,680 (Aug. 14, 2012), codified at 37 C.F.R. §§ 42.100 *et seq.*). As the Supreme
12 Court has explained, “the purpose of the [IPR] proceeding is not quite the same as the
13 purpose of district court litigation. . . . [I]n addition to helping resolve concrete patent-
14 related disputes among parties, *inter partes* review helps protect the public’s ‘paramount
15 interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”
16 *Cuozzo Speed Techs.*, 136 S. Ct. at 2144 (citation omitted).

17 The IPR process “affords at least three advantages to the parties and the district
18 court in any corollary civil action.” *PersonalWeb Techs.*, 2014 WL 116340 at *2. The
19 first advantage is that “IPR provides a path to receive expert guidance from the PTO under
20 a more accelerated timeline than the previous . . . procedure: petitioners must file for IPR
21 within one year of being served with a patent infringement complaint and IPR, if instituted,
22 will typically conclude within 18 months of the filing date. In contrast, the average time
23 from filing to conclusion of the previous . . . procedure ranged from 28.9 to 41.7 months.”
24 *Id.* (citations omitted); *see also Wonderland Nursery Goods Co. v. Baby Trend, Inc.*, 2015
25 WL 1809309, *1-2 (C.D. Cal. 2015) (noting that the IPR “procedure is designed . . . to
26 reduce to 12 months the time the PTO spends reviewing validity, from the previous
27 reexamination average of 36 months”). The second advantage arises from IPR’s
28 heightened standard for granting review. IPR is available only if the PTO finds “there is a

1 *reasonable likelihood* that the petitioner would prevail with respect to at least 1 of the
2 claims challenged in the petition.” 35 U.S.C. § 314(a) (emphasis added). In contrast, under
3 the previous system, a petitioner merely needed to demonstrate a “substantial new question
4 of patentability.” The upshot of this new, heightened standard is that the decision to
5 institute IPR reflects an implicit judgment by the PTO that at least one of the subject claims
6 is likely to be modified or cancelled. This “provides some assurance that the delay suffered
7 as a result of IPR will be worthwhile.” *PersonalWeb Techs.*, 2014 WL 116340 at *2; *see*
8 *also Wonderland Nursery*, 2015 WL 1809309 at *1 (citation omitted) (the new “standard
9 for granting review is more stringent than the previous ‘substantial new question of
10 patentability’ standard”). The third advantage is that “IPR imposes an estoppel
11 requirement that precludes the petitioner from asserting invalidity, during a later civil
12 action, ‘on any ground that the petitioner raised or reasonably could have raised during that
13 *inter partes* review.’ This critical limitation results in a more streamlined litigation and
14 reduces the likelihood of inconsistent judgments.” *PersonalWeb Techs.*, 2014 WL 116340
15 at *2 (quoting 35 U.S.C. § 315(e)(2)).

16 b. Relevant Facts Concerning the Stay Request

17 On September 12, 2017, PXG filed a complaint alleging that Taylor Made’s P790
18 golf irons infringe eight patents held by PXG (Nos. 8,961,336; 9,199,143; 9,345,938;
19 9,346,203; 9,364,727; 9,533,201; 9,610,481; and 9,675,853). (Doc. 1.) Simultaneously,
20 PXG moved for a temporary restraining order (“TRO”). (Doc. 5.) The court denied the
21 TRO request on September 15, 2017. (Doc. 21.) On September 28, 2017, PXG withdrew
22 its motion for a preliminary injunction. (Doc. 30.)

23 On December 4, 2017, PXG amended its complaint to add three more patents (Nos.
24 9,764,208; 9,468,821; and 9,814,952). (Doc. 47.) PXG again amended its complaint on
25 February 2, 2018, adding U.S. Patent No. 9,878,220 and withdrawing the ’208 patent,
26 leaving eleven patents at issue. (Doc. 76.) On February 9, 2018, PXG served Taylor Made
27 with infringement contentions identifying a total of 93 asserted claims. (Doc. 83; *see* Doc.
28 164 at 3.)

1 Taylor Made petitioned for IPR on two of PXG's patents in February 2018, three in
2 March 2018, four in April 2018 (one of these patents was also included in a September
3 2018 petition), one in August 2018, and one in October 2018. When Taylor Made filed its
4 stay request, the PTO had instituted IPR on five patents, and by the time Taylor Made filed
5 its reply, the PTO had instituted IPR on another four patents. At present, the instituted IPR
6 proceedings cover 69 of PXG's 93 asserted claims. Additionally, Taylor Made contends
7 that it expects the PTO to decide whether to institute IPR on the remaining two patents by
8 early May 2019. (Doc. 177 at 1.)

9 At the time the stay request was filed, discovery was underway but in its early
10 stages—only one fact deposition had been taken, only some expert discovery had taken
11 place, and only a portion of documents had been produced. The parties had completed
12 *Markman* briefing, but the *Markman* hearing had not been scheduled. The parties had not
13 begun summary judgment briefing, and a trial date had not been set. The parties agreed to
14 extend this briefing schedule on the stay request, and by the time PXG filed its response,
15 more documents had been produced and four more fact witness depositions had been taken.

16 II. Legal Standard

17 “A court’s power to stay proceedings is incidental to the power inherent in every
18 court to control the disposition of the causes on its docket with economy of time and effort
19 for itself, for counsel, and for litigants. In deciding how best to exercise this inherent
20 power, the court must weigh competing interests and maintain an even balance.” *Drink*
21 *Tanks Corp. v. GrowlerWerks, Inc.*, 2016 WL 3844209, *2 (D. Or. 2016) (citation and
22 internal quotation marks omitted).

23 “With regard to deciding whether to stay litigation pending IPR, courts generally
24 consider the following three factors: (1) whether discovery is complete and whether a trial
25 date has been set; (2) whether a stay will simplify the issues in question and trial of the
26 case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage
27 to the non-moving party.” *Id.* (citation omitted). Although courts generally “apply a liberal
28 policy in favor of granting motions to stay proceedings pending the outcome of PTO IPR

1 proceedings . . . the totality of the circumstances governs . . . and a stay is never required.”
2 *Id.* (citations and internal quotation marks omitted); *cf. Medicis Pharmaceutical Corp. v.*
3 *Upsher-Smith Laboratories, Inc.*, 486 F. Supp. 2d 990, 993 (D. Ariz. 2007) (citations
4 omitted) (“Indeed, district courts within this Circuit have noted that ‘there is a liberal policy
5 in favor of granting motions to stay proceedings pending the outcome of USPTO
6 reexamination . . . proceedings.’”).

7 **III. Analysis**

8 a. Stage of Litigation

9 The Court considers first “whether discovery is complete and whether a trial date
10 has been set.” *Drink Tanks*, 2016 WL 3844209 at *2. Taylor Made argues this factor
11 supports granting a stay because: (1) discovery is not yet complete; (2) the *Markman*
12 hearing has not yet been scheduled, so no disputed claim terms have been construed by the
13 Court; (3) no summary judgment motions or *Daubert* motions have been filed; and (4) no
14 trial date has been set. (Doc. 164 at 8-9.) In response, PXG contends that: (1) discovery
15 is far advanced, as the parties have produced tens of thousands of documents, taken eight
16 depositions, and issued at least twelve third-party subpoenas; (2) the parties have
17 exchanged detailed infringement and invalidity contentions and completed their *Markman*
18 briefing for dozens of claim terms; (3) pre-trial disclosures and dispositive motions are due
19 within the next year; and (4) the Court has invested its resources into the case in resolving
20 various questions to date. (Doc. 172 at 5-8.)

21 Although the parties both present colorable arguments in favor of their respective
22 positions, the Court finds this factor weighs in favor of granting the stay. “Generally, the
23 time of the motion is the relevant time to measure the stage of litigation.” *VirtualAgility*
24 *Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1317 (Fed. Cir. 2014). Here, at the time Taylor
25 Made filed its motion, only one fact deposition had been taken, little expert discovery had
26 taken place, the *Markman* hearing had not been scheduled, no dispositive motions had been
27 filed, and a trial date had not been set. Courts have found that a stay is generally warranted
28 under such circumstances. *See, e.g., Wonderland Nursery*, 2015 WL 1809309 at *3 (first

1 factor weighed in favor of stay where “fact discovery [was] not yet complete, expert
2 discovery ha[d] not yet begun, and a trial date ha[d] not yet been set,” and “although the
3 parties ha[d] submitted claim construction briefs, the *Markman* hearing ha[d] not yet taken
4 place and no disputed claim terms ha[d] been construed by th[e] Court”); *PersonalWeb*
5 *Techns.*, 2014 WL 116340 at *3-4 (first factor weighed in favor of stay where “the parties
6 ha[d] yet to engage in the significant and costly work of conducting expert discovery and
7 preparing summary judgment motions,” even though “[t]he parties and courts ha[d] already
8 invested significant time and effort into [the case]”). Although the parties have completed
9 *Markman* briefing, “[t]hat fact . . . has only minimal impact on this analysis,” as “the
10 possibility of cancellation or modification may require modified or new briefing.”
11 *Convergence Techs. (USA), LLC v. Microloops Corp.*, 2012 WL 1232187, *4 (N.D. Cal.
12 2012). In short, the parties and the Court have substantial work remaining to be done. *See*
13 *id.* (finding that, where discovery was not complete, and the court had not yet heard claim
14 construction or set a trial date, the “case ha[d] not reached the ‘point of no return’ for which
15 a stay would [be] inappropriate”).

16 It is also relevant that this case was reassigned only a few weeks ago, right as PXG
17 was preparing its opposition to the stay request. The reassignment undermines PXG’s
18 arguments that “if a stay is imposed . . . the Court’s institutional knowledge of this case
19 will stagnate” and that “the Court has invested its own resources into this case—starting
20 from the September TRO proceedings—so staying this litigation now will likely result in
21 needless duplication of efforts later.” (Doc. 172 at 3, 8.)

22 The Court also finds it relevant that PXG requested an extension of the briefing
23 schedule on the stay request, and then, during the extended period to file its brief, produced
24 the majority of its documents and scheduled several depositions. A stay request should be
25 evaluated based on the state of play at the time the request was filed. Discovery was, thus,
26 not as far advanced as PXG contends.

27 On balance, the first factor weighs in favor of granting a stay.
28

1 b. Simplification of Issues in Question

2 The Court next considers “whether a stay will simplify the issues in question and
3 trial of the case.” *Drink Tanks*, 2016 WL 3844209 at *2. This factor cuts strongly in favor
4 of a stay. Indeed, staying the case pending the outcome of IPR proceedings “could
5 eliminate the need for trial if the claims are cancelled or, if the claims survive, facilitate
6 trial by providing the court with expert opinion of the PTO and clarifying the scope of the
7 claims.” *Advanced Micro Devices, Inc. v. LG Elecs., Inc.*, 2015 WL 545534, *3 (N.D. Cal.
8 2015) (citation omitted); *see also Evolutionary Intelligence LLC v. Yelp Inc.*, 2013 WL
9 6672451, *6 (N.D. Cal. 2013) (“[I]f the PTAB cancels *all* of the asserted claims of the
10 Asserted Patents, this action will be rendered moot. Should the PTAB cancel or narrow
11 *any* of the asserted claims of the Asserted Patents, the scope of this litigation may be
12 significantly simplified.”). To date, the PTO has granted petitions for IPR on nine of eleven
13 of the patents challenged in this suit, covering about three-quarters of PXG’s asserted
14 claims. A stay is more likely to simplify the issues where, as here, the PTO has already
15 granted most of the petitions. *See generally NFC Tech. LLC v. HTC Am., Inc.*, 2015 WL
16 1069111, *4 (E.D. Tex. 2015) (“[A]fter the PTAB has instituted review proceedings, the
17 parallel district court litigation ordinarily should be stayed.”).

18 PXG contends that, even assuming the PTO eventually institutes IPR proceedings
19 on all eleven patents, the issues would not necessarily be simplified because the standard
20 for instituting IPR is “merely a threshold, preliminary decision.” (Doc. 172 at 10.)³ This
21 argument is unavailing. As one court has noted:

22 Although there is no guarantee that an IPR will eliminate all the claims at
23 issue, the higher standard to initiate an IPR (“reasonable likelihood that the
24 petitioner would prevail with respect to at least 1 of the claims challenged in
25 the petition” as opposed to “substantial new question of patentability”) gives
26 at least some promise that certain challenged claims will be struck down or
27 amended if the PTO grants the petitions.

28 *Software Rights Archive, LLC v. Facebook, Inc.*, 2013 WL 5225522, *5 (N.D. Cal. 2013);

³ When PXG filed its response, the PTO had only instituted IPR on five of the patents at issue. Accordingly, when addressing the “simplification of issues” factor, PXG argued the PTO was unlikely to institute IPR on any additional patents. This prediction turned out to be incorrect—the PTO has now instituted IPR on another four.

1 *see also PersonalWeb Techns.*, 2014 WL 116340 at *2 (the IPR’s new, heightened standard
2 of review “provides some assurance that the delay suffered as a result of IPR will be
3 worthwhile”). In short, there is a good chance that at least some of PXG’s claims will be
4 invalidated or narrowed. Moreover, for any PXG claims that survive a written decision by
5 the PTO, Taylor Made will be estopped from arguing in this litigation “that the claim is
6 invalid on any ground that [Taylor Made] raised or reasonably could have raised during
7 that inter partes review.” 35 U.S.C. § 315(e)(2). Accordingly, one way or another, a stay
8 in this case will simplify the issues for the Court.

9 Finally, the Court also finds it relevant that Congress’s intent in creating the IPR
10 system was to create an improved process for evaluating patent claims, by allowing subject
11 matter experts to render binding decisions on a relatively expedited and cost-efficient basis.
12 *PersonalWeb Techs.*, 2014 WL 116340 at *2 (citations omitted) (IPR is intended in part to
13 “limit unnecessary and counterproductive litigation costs” and create a “cost-effective
14 alternative to litigation”). Issuing a stay here—rather than the alternative of requiring the
15 parties to engage is costly, parallel litigation of many of the same issues in two different
16 forums—will best effectuate this intent. *Cf. Oil States Energy Servs.*, 138 S. Ct. at 1372
17 (noting potential for inefficiency and conflicting judgments in the absence of a stay);
18 Matthew R. Frontz, *Staying Litigation Pending Inter Partes Review & the Effects on Patent*
19 *Litigation*, 24 Fed. Circuit B.J. 469, 491 (2015) (“Congress’s reasoning for implementing
20 *inter partes* review was to present a cost-effective alternative to patent litigation. The
21 district courts have upheld this reasoning by staying 84% of litigations pending an *inter*
22 *partes* review that has been instituted.”). Avoiding costly, duplicative litigation in two
23 forums will also effectuate the overall aim of the Federal Rules of Civil Procedure—to
24 promote the “just, speedy, and inexpensive determination of every action and proceeding.”
25 Fed. R. Civ. P. 1.

26 c. Prejudice

27 The third factor is “whether a stay would unduly prejudice or present a clear tactical
28 disadvantage to the non-moving party.” *Drink Tanks*, 2016 WL 3844209 at *2. “Delay

1 alone does not usually constitute undue prejudice”; nevertheless, courts should consider
2 “evidence of dilatory motives or tactics” on the part of the party seeking review. *See*
3 *GoPro, Inc. v. C&A Mktg., Inc.*, 2017 WL 2591268, *4 (N.D. Cal. 2017) (citation omitted).
4 Accordingly, courts have articulated four sub-factors that are relevant to the prejudice
5 analysis: “(1) the timing of the [IPR] request; (2) the timing of the request for stay; (3) the
6 status of [IPR] proceedings; and (4) the relationship of the parties.” *Id.* (citation omitted).

7 i. Timing of IPR Requests

8 Taylor Made filed IPR petitions for nine of the eleven patents by April 27, 2018,
9 less than three months after PXG served its infringement contentions. Taylor Made then
10 filed the tenth a week after the patent at issue became eligible for IPR and the eleventh the
11 day after the patent at issue became eligible for IPR. Petitioning for IPR mere months after
12 PXG served its infringement contentions did not constitute a lack of diligence on Taylor
13 Made’s part. *See, e.g., GoPro*, 2017 WL 2591268 at *5 (finding reasonable diligence
14 where moving party waited four months after receiving infringement contentions to
15 petition for IPR); *Evolutionary Intelligence LLC*, 2013 WL 6672451 at *9 (granting stay
16 where moving party filed IPR petition five months after service of infringement
17 contentions). “[C]ourts have found that waiting until after receiving infringement
18 contentions to analyze the claims alleged and then filing petitions for review does not cause
19 undue prejudice.” *Cypress Semiconductor Corp. v. GSI Tech., Inc.*, 2014 WL 5021100, *4
20 (N.D. Cal. 2014). Moreover, “[p]rovided an accused infringer is diligent, delay due to
21 preparing an [*inter partes* review] petition, ascertaining the plaintiff’s theories of
22 infringement, or otherwise researching the patents that have been asserted in an action does
23 not unduly prejudice the patent owner.” *Id.* (citation omitted).

24 ii. Timing of Request for Stay

25 Taylor Made filed its stay request within two weeks of the PTO’s decision to
26 institute IPR proceedings on three patents and less than two months after the PTO’s
27 decision to institute IPR proceedings on two other patents. Before Taylor Made filed its
28 reply concerning the stay request, the PTO instituted IPR proceedings on another four

1 patents. The Court thus finds that Taylor Made acted with diligence in moving for the stay.

2 iii. Status of IPR Proceedings

3 Nine of eleven patents, and sixty-nine of ninety-three claims, are currently in IPR
4 proceedings. Courts are more likely to grant a stay when the PTO has already decided to
5 grant IPR. *Compare GoPro*, 2017 WL 2591268 at *5 (“This Court has previously
6 concluded that this sub-factor [status of proceedings] weighs against issuing a stay when
7 the PTO has not yet decided whether to grant IPR.”). This sub-factor, thus, weighs in favor
8 granting the stay.

9 iv. Relationship of Parties

10 As PXG notes, “courts often find that prejudice is likely ‘[w]here the parties are
11 direct competitors.’” *Drink Tanks*, 2016 WL 3844209 at *5 (citation omitted). Thus, the
12 court in *Drink Tanks* noted that “[g]enerally, in cases of direct competition between
13 litigants, ‘courts presume that a stay will prejudice the non-movant.’” *Id.* Nevertheless,
14 “[c]ourts are divided on whether infringement among competitors *necessarily* constitutes
15 undue prejudice to the non-moving party.” *Wonderland Nursery*, 2015 WL 1809309 at *4
16 (emphasis added); *see also Universal Elecs.*, 943 F. Supp. 2d at 1034 (“Other courts have
17 declined to find prejudice even where the parties are direct competitors.”). The key
18 question is whether “monetary damages are sufficient to compensate for harm incurred
19 during a potential stay.” *Wonderland Nursery*, 2015 WL 1809309 at *4. After all,
20 “[w]here the parties are direct competitors, a patent infringer can take market share and
21 build brand loyalty while the case is pending, and these injuries may not be recoverable in
22 damages or later injunctive relief.” *Pentair Water Pool & Spa, Inc. v. Hayward Indus.,*
23 *Inc.*, 2012 WL 6608619, *2 (E.D.N.C. 2012); *see also Mike’s Train House, Inc. v.*
24 *Broadway Ltd. Imports, LLC*, 2011 WL 836673, *2 (D. Md. 2011) (“[I]t may sometimes
25 be impossible to restore a patentee’s original market share after years of infringement,
26 because customers’ business relationships and expectations will have changed.”).

27 PXG contends that it directly competes with Taylor Made with respect to the
28 products at issue in this case and, consequently, monetary damages would be insufficient

1 to compensate for the potential harm caused by a stay. PXG provides evidence of the
2 direct-competitor relationship and asserts that the potential for prejudice is greater given
3 PXG's status as a "relative newcomer to the golf club industry." (Doc. 172 at 13.) PXG
4 also cites the declaration filed in support of its request for a temporary restraining order, in
5 which its expert asserted that that "if Taylor Made is allowed to sell the accused products,"
6 PXG will experience at least the following types of irreparable harm: (1) "[l]oss of sales
7 and market share/spoiled market;" (2) "[l]ost business opportunity to fully benefit from
8 PXG's investment in the patented inventions;" and/or (3) "[l]oss of exclusivity and damage
9 to PXG's reputation as an innovator." (Doc. 5-1 at 3-4.)

10 Taylor Made counters that the previous denial of PXG's request for a temporary
11 restraining order, combined with PXG's decision to withdraw its request for a preliminary
12 injunction, demonstrate that monetary damages would be sufficient to compensate for any
13 potential harm resulting from a stay. Courts are divided on the significance of a plaintiff's
14 decision not to seek a preliminary injunction in this context, but many courts have declined
15 to hold this decision against the plaintiff. *Compare Wonderland Nursery*, 2015 WL
16 1809309 at *5 ("agree[ing] with Plaintiff that its decision not to seek a preliminary
17 injunction does not conclusively establish that monetary relief is sufficient to compensate
18 for harm suffered by the alleged infringement" and "declin[ing] to speculate as to the
19 rationale underlying a party's tactical decisions in this litigation"), and *Mike's Train*
20 *House*, 2011 WL 836673 at *2 (court's earlier holding that plaintiff failed to establish
21 irreparable harm under the preliminary-injunction standard did not constitute a finding of
22 adequate monetary remedy, as defendant "b[ore] the burden of showing that Plaintiff
23 [would] not be prejudiced"), with *GoPro*, 2017 WL 2591268 at *6 ("[T]hough not
24 dispositive, [plaintiff's] failure to seek a preliminary injunction cuts against its claim of
25 prejudice from delay.").

26 Taylor Made further asserts that the relationship between the parties does not create
27 prejudice because (1) PXG's founder has stated that PXG is a luxury brand that does not
28 compete with other club companies and (2) Taylor Made expects to cease wholesale sales

1 of the allegedly infringing clubs by the time the case goes to trial, at which point money
2 damages will become the only available remedy. (Doc. 177 at 9-11.) The Court does not
3 find these arguments persuasive: PXG's comment was arguably taken out of context and
4 Taylor Made's assertions about its future marketing plans are speculative. Thus, the Court
5 finds there is a potential for undue prejudice stemming from the parties' relationship.

6 v. Summary of Prejudice Sub-Factors

7 Based on the foregoing, the Court concludes the prejudice factor is neutral.
8 Although the relationship between the parties creates a potential for prejudice, Taylor Made
9 acted with diligence (both with respect to seeking IPR and with respect to seeking a stay).
10 Moreover, the fact that IPR has been instituted on such a large portion of the patents and
11 claims at issue cuts against a prejudice finding.

12 **IV. Supplemental Briefing**

13 During the telephonic status conference on November 27, 2018, the Court asked
14 PXG to provide supplemental briefing identifying the cases that best supported its position.
15 In response, PXG cited *Invensys Systems, Inc. v. Emerson Electric Co.*, 2014 WL
16 4477393 (E.D. Tex. 2014), *Toshiba Tec Corp. v. Katun Corp.*, 2016 WL 9137646 (C.D.
17 Cal. 2016), and *Mike's Train House, Inc. v. Broadway Ltd. Imports, LLC*, 2011 WL
18 836673, *2 (D. Md. 2011). (Docs. 182, 183.) In each of those cases, the court declined to
19 grant a stay. Each of those cases is, however, distinguishable for the reasons discussed
20 below.

21 In *Invensys*, the defendant was not diligent in seeking IPR, the case was in a much
22 different posture at the time the stay request was made (the deadline for substantial
23 discovery had already expired, a trial date had already been set, and the PTO had not yet
24 instituted IPR on any of the patents at issue), and the case also involved several
25 developments while the stay request was pending that are not present here (the court held
26 *Markman* hearings and the PTO denied some of the IPR requests). See 2014 WL 4477393
27 at *2-3.

28 In *Toshiba*, the PTO had not instituted IPR on any patents when the stay request

1 was made. 2016 WL 9137646 at *2-5. Here, in contrast, Taylor Made has petitioned for
2 IPR on all eleven of the patents at issue and the PTO has already instituted IPR on nine of
3 them. Moreover, the court in *Toshiba* specifically found that the defendant was not diligent
4 in petitioning for IPR or seeking a stay and voiced suspicions that the stay request had an
5 improper tactical motive. *Id.* at *5. This Court does not have those concerns here.

6 Finally, *Mike's Train House* dealt with the old reexamination process, which had a
7 longer timeline, a lower standard for granting review, and less estoppel potential. The court
8 there was, thus, skeptical of the potential for simplification of issues and more concerned
9 with the prejudice that would result from granting the stay. Also, as in *Invensys* and
10 *Toshiba*, the court found the defendant lacked diligence in seeking PTO review. 2016 WL
11 9137646 at *4 (noting that "Defendant has offered no explanation of why it waited so long
12 after the filing of this case to seek reexamination" and that "an 'inexplicable or unjustified'
13 delay in requested reexamination suggests a tactical motive").

14 **V. Conclusion**

15 Because the Court finds that the benefits of a stay outweigh any potential harm that
16 could result from the stay, and in light of the "liberal policy in favor of granting motions
17 to stay proceedings pending the outcome of PTO IPR proceedings," *Drink Tanks*, 2016
18 WL 3844209 at *2 (citation and internal quotation marks omitted), the Court grants Taylor
19 Made's motion to stay.

20 **B. The Motion to De-Designate**

21 During discovery, Taylor Made designated certain documents and deposition
22 transcripts as "Confidential—For Counsel Only." PXG has moved to require Taylor Made
23 to eliminate any confidentiality restrictions on the documents or, at a minimum, to re-
24 designate these materials as "Confidential" so that four of PXG's key principals may
25 review them. (Docs. 169, 178.) PXG contends the current designation is: (1) unwarranted,
26 because the materials aren't particularly sensitive, and some of the information contained
27 within them has already been disclosed in Taylor Made's public filings; and (2) prejudicial,
28 because its principals need to review the documents to make informed decisions about

1 settlement and litigation strategy. (*Id.*) In response, Taylor Made argues the current
2 designation is necessary to avoid the risk that PXG’s principals will “use such information
3 to Taylor Made’s competitive disadvantage.” (Doc. 176 at 9.)

4 Although the Court is sensitive to the potential for abuse that arises whenever a
5 business is required to produce sensitive information to a competitor, Taylor Made has
6 failed to substantiate its claim that such a potential for abuse exists here. A perusal of the
7 documents at issue shows that the information contained within some of them isn’t
8 particularly sensitive. (*See, e.g.*, Doc. 170-1, Exh. A [email from Taylor Made employee
9 discussing his impressions of PXG clubs during trip to driving range].) Moreover, Taylor
10 Made took the position in its stay-related papers that PXG isn’t even a true competitor.
11 (Doc. 177 at 9-10.) It is difficult to reconcile this position with the notion that permitting
12 four of PXG’s principals to inspect the documents would result in competitive harm to
13 Taylor Made. The Court also finds that Taylor Made’s arguments concerning future harm
14 (which are tellingly not substantiated with an affidavit) are largely based on “mights” and
15 “ifs” about potential new strategies and designs that either company could theoretically
16 pursue in the future. This is too slender and speculative of a reed on which to deprive
17 PXG’s principals of access to important documents in this litigation. *See Int’l Bhd. of*
18 *Teamsters v. Alaska Air Grp., Inc.*, 2017 WL 6034363, *2 (W.D. Wash. 2017) (citations
19 omitted) (“Defendants have not demonstrated that an AEO [attorney’s eyes only]
20 designation is appropriate in this case. Under [Rule 26(c)], a party seeking a protective
21 order bears a ‘heavy burden’ of demonstrating that ‘disclosure will cause a specific
22 prejudice or harm’ . . . [and] Defendants’ claims that documents not designated AEO will
23 be improperly disclosed or relied upon in other contexts are speculative and amount to
24 ‘[b]road allegations of harm, unsubstantiated by specific examples or articulated
25 reasoning.’”). Accordingly,

26 **IT IS ORDERED** that:

- 27 1. Taylor Made’s motion to stay (Doc. 164) is **GRANTED**;
- 28 2. PXG’s motion to de-designate materials (Doc. 169) is **GRANTED IN**

PART, such that Taylor Made must re-designate those materials as “Confidential”;

3. PXG's motion for leave to amend its invalidity and infringement contentions (Doc. 134) is **DENIED WITHOUT PREJUDICE**;
4. Taylor Made's motion for leave to amend its invalidity contentions (Doc. 154) is **DENIED WITHOUT PREJUDICE**;
5. Taylor Made's unopposed motion to seal the exhibits to the de-designation motion (Doc. 176) is **GRANTED**;
6. The parties' joint request to issue letters rogatory (Doc. 163) is **DENIED WITHOUT PREJUDICE**;
7. This case is stayed until the IPR proceedings for all challenged patents in this case have concluded; and
8. The parties shall file a joint status report within **14 days** of the conclusion of IPR proceedings for all challenged patents in this case.

Dated this 29th day of November, 2018.


Dominic W. Lanza
United States District Judge