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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

COMMSCOPE, INC. OF NORTH
CAROLINA, COMMSCOPE SOLUTIONS,
INC., and COMMSCOPE SOLUTIONS
PROPERTIES LLC,

Plaintiffs,

v.

ELECTRO PRODUCTS, INC., and
DANIEL EDWARD OBERHOLTZER,
a/k/a DANN OBERHOLTZER,

Defendants.

CASE NO. CV-06-0577RSM

ORDER DENYING DEFENDANT
DANIEL OBERHOLTZER'S
MOTION TO STAY PENDING
RESOLUTION OF THE
PARALLEL CRIMINAL
INVESTIGATION OR IN THE
ALTERNATIVE TO STAY
DISCOVERY AGAINST DANIEL
OBERHOLTZER

This matter is before the Court for consideration of defendant Daniel Oberholtzer's motion to stay pending resolution of the parallel criminal investigation or, in the alternative, to stay discovery against defendant Daniel Oberholtzer alone (Dkt. #16). Defendants have requested oral argument on the motion, but the Court deems it unnecessary. For the reasons set forth below, the Court shall DENY the motion.

BACKGROUND

The parties are familiar with the facts of this matter, so they will only be briefly summarized here. Plaintiffs filed suit against Defendants Electro Products, Inc. and Daniel Oberholtzer, owner and president, for infringing Plaintiffs' registered trademarks. Plaintiffs' complaint is based on

1 Defendants marketing, distributing, and selling counterfeit versions of Plaintiffs' communications
2 patch panels. Communications patch panels are used in settings, such as hospitals, where accurate
3 data transmission is critical. According to Plaintiffs, CommScope only became aware of the
4 counterfeit products after they began investigating customer complaints about faulty equipment
5 traceable to Defendants.

6 On May 4, 2006, shortly after the complaint was filed, the parties agreed to a stipulated
7 preliminary injunction, enjoining Defendants from using or distributing products bearing Plaintiffs'
8 trademarks. In addition, the preliminary injunction granted Plaintiffs the right to immediately
9 commence discovery. It appears that Defendants initially cooperated with Plaintiffs' discovery
10 requests, leading to a substantial amount of discovery. However, discovery has since halted.

11 On August 4, 2006, an FBI agent left his business card with the instruction "Dan, Please call
12 ASAP" written on the back at Defendant Daniel Oberholtzer's residence. After one telephone
13 conversation with the agent, Oberholtzer's attorney was left with the impression that Oberholtzer
14 was being investigated for smuggling or importing the counterfeit communications patch panels at
15 issue in this lawsuit. This raised Fifth Amendment concerns for Oberholtzer, and Defendants ceased
16 responding to Plaintiffs' discovery requests.

17 Defendants filed this motion to stay the civil proceedings, or, alternatively, to stay discovery
18 against Daniel Oberholtzer, until resolution of the alleged criminal investigation. The motion was
19 noted for November 17, 2006. On December 4, 2006, Defendants untimely filed a reply to Plaintiff's
20 opposition. They provided no excuse for the delay other than counsel's mistake. Accordingly, the
21 Court will not consider the untimely reply.

22 ANALYSIS

23 "The Constitution does not ordinarily require a stay of civil proceedings pending the outcome
24 of criminal proceedings." *Keating v. Office of Thrift Supervision*, 45 F.3d 322, 324 (9th Cir. 1995).
25 "In the absence of substantial prejudice to the rights of the parties involved, simultaneous parallel
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1 civil and criminal proceeding are unobjectionable under our jurisprudence.” *Id.* at 324 (quoting
2 *Securities and Exchange Comm’n v. Dresser Indus.*, 628 F.2d 1368, 1374 (D.C. Cir. 1980)).
3 “Nevertheless, a court may decide in its discretion to stay civil proceedings when the interests of
4 justice seem to require such action.” *Id.* (internal quotations and ellipses omitted). One circuit court
5 has noted that “[a] total stay of civil discovery pending the outcome of related criminal matters is an
6 extraordinary remedy appropriate for extraordinary circumstances.” *Weil v. Markowitz*, 829 F.2d
7 166, 175 n.17 (D.C. Cir.,1987).

8 When deciding whether to exercise its discretion to stay a civil proceeding pending a criminal
9 proceeding, a court considers the competing interests presented in the case. *Keating*, 45 F.3d at 324.
10 In such cases, a court generally considers the following factors: (1) the extent to which the
11 defendant’s Fifth Amendment rights are implicated; (2) the plaintiff’s interest in proceeding
12 expeditiously with the litigation, and the potential prejudice to plaintiffs of a delay; (3) the burden
13 which any particular aspect of the proceedings may impose on the defendants; (4) the court’s
14 convenience in managing its cases, and the efficient use of judicial resources; (5) the interests of non-
15 parties to the civil litigation; and (6) the public’s interest in the pending civil and criminal
16 proceedings. *Id.* at 324-25. These factors are considered below.

17 First, Defendants urge this Court to give “serious consideration” to the extent to which
18 Oberholtzer’s Fifth Amendment rights are implicated. While it is true that this is a significant factor,
19 it is only one to be weighed against others. *Keating*, 45 F.3d at 326. Here, Defendants argue that
20 Oberholtzer’s Fifth Amendment privilege is implicated because he is the subject of a criminal
21 investigation based on the same conduct that is at issue in the instant case. Defendants’ concern is
22 two-fold: (1) that information elicited in civil discovery will be used against Oberholtzer to form the
23 basis of a criminal indictment against him, and (2) that the Defendants will be subject to adverse
24 inference in the civil case if Oberholtzer asserts his Fifth Amendment privilege here. However, it is
25 well-settled that “[a] defendant has no absolute right not to be forced to choose between testifying in
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1 a civil matter and asserting his Fifth Amendment privilege.” *Keating*, 45 F.3d at 326. And, if a
2 defendant does assert his Fifth Amendment privilege in a civil proceeding, “it is even permissible for
3 the trier of fact to draw adverse inferences from the invocation. . . .” *Id.* (citing *Baxter v.*
4 *Palmigiano*, 425 U.S. 308, 318 (1976)).

5 As Plaintiffs point out, courts generally disfavor issuing a stay of civil proceedings in the
6 absence of a criminal indictment. *Federal Savings and Loan Insurance Corp. v. Molinaro*, 889 F.2d
7 899 (9th Cir. 1989) (“The case for staying civil proceedings is a far weaker one when no indictment
8 has been returned, and no Fifth Amendment privilege is threatened.”); *United States ex rel. Shank v.*
9 *Lewis Enterprises, Inc.*, 2006 WL 1064072 (S.D. Ill. 2006) (denying stay where defendant is
10 unindicted and finding weight of authority against pre-indictment stays); *U.S. Commodity Futures*
11 *Trading Comm’n v. A.S. Templeton Group, Inc.*, 297 F. Supp.2d 531 (E.D.N.Y. 2003) (stating that
12 pre-indictment stays are generally denied). This has held true even where the subject matter of an
13 ongoing criminal investigation is the same as that of the civil proceeding. *See, e.g., Securities &*
14 *Exchange Comm’n v. Sandifur*, 2006 WL 1719920, *2 (W.D. Wash. 2006) (denying a pre-
15 indictment stay where criminal investigation “overlaps 100% with the subject matter of the [civil]
16 action”).

17 Defendants cite *Integrated Genetics, Inc. v. Bowen*, 678 F.Supp. 1004 (E.D.N.Y. 1988) and
18 *United States v. Certain Real Property and Premises*, 751 F.Supp. 1060 (E.D.N.Y. 1989) as cases
19 where stays have issued prior to indictment. However, these cases are distinguishable from the
20 instant case. In *Integrated Genetics*, the court granted a stay pending the outcome of a grand jury
21 investigation, where the government defendant was investigating the plaintiff company in a closely
22 related criminal matter. *Integrated Genetics*, 678 F.Supp. at 1005. Unlike the instant case,
23 *Integrated Genetics* involved no Fifth Amendment implications, and the court was concerned that the
24 government defendant could not produce the information sought in the civil case without also
25 revealing the focus of its criminal investigation. *Id.* at 1009. Defendants’ invocation of *Certain Real*
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1 *Property* is somewhat closer to the mark, but it is also distinguishable from the instant case. In
2 *Certain Real Property*, one of the two moving defendants had already been indicted in a criminal
3 matter related to the subject matter of the civil lawsuit. *Certain Real Property*, 751 F.Supp. at 1063.
4 Under such circumstances, the court found that the unindicted defendant's possibility of
5 incriminating herself was not "fanciful" or "imaginary." *Id.* Here, Defendant Oberholtzer has not
6 been indicted and the prospect of an indictment seems far less certain than that presented in *Certain*
7 *Real Property* where a co-defendant had already been indicted based on the same subject matter.
8 *See Sandifur*, 2006 WL 1719920 at *2 n.1 (discussing level of uncertainty about an indictment that
9 would render a stay inappropriate).

10 As there is no actual indictment against Defendant Oberholtzer and the prospect of a
11 forthcoming indictment is anything but certain, Defendant Oberholtzer's Fifth Amendment concerns
12 are too speculative to justify a stay of the civil proceeding when weighed against Plaintiffs' interest in
13 proceeding. *See Sandifur*, 2006 WL 1719920 at *2 n.1 (finding that an ongoing investigation of a
14 defendant without an indictment is too attenuated to justify a stay in light of the countervailing
15 interests).

16 Under the second factor, the Court finds that Plaintiffs' interest in proceeding expeditiously
17 and the potential prejudice caused by an indefinite delay favors denying the motion to stay. Plaintiffs
18 in federal court have the privilege to pursue their cases expeditiously. *Koulouris v. Builders Fence*
19 *Co., Inc.*, 146 F.R.D. 193, 194 (W.D.Wash. 1991). In general, courts find that a plaintiff's interest is
20 prejudiced when a stay would cause a lengthy or indefinite delay in the pursuit of his action. *See,*
21 *e.g., Sandifur*, 2006 WL 1719920 at *2 (finding that uncertainty of a forthcoming indictment is too
22 attenuated to justify a stay in light of the plaintiff's interest); *Lewis Enters., Inc.*, 2006 WL 1064072
23 at *4 (finding the indefinite nature of a potential stay weighs in favor of the plaintiff); *Fidelity Nat.*
24 *Title Ins. Co. of N.Y. v. Nat'l Title Res. Corp.*, 980 F.Supp. 1022, 1024 (D.Minn.,1997) (finding a
25 lengthy and indeterminate stay is not in the interest of plaintiffs).

1 However, the existence of the stipulated preliminary injunction in this case potentially
2 weakens Plaintiffs' need to proceed expeditiously. As Defendants argue, the stipulated preliminary
3 injunction will prevent them from engaging in the challenged activities during the pendency of a
4 criminal proceeding. However, the uncertain nature of the criminal investigation would leave this
5 matter unresolved for an indeterminate amount of time. Plaintiffs would still be prejudiced from the
6 negative consequences caused by such a delay, such as, witnesses relocating, fading memories, and
7 the inability of a plaintiff to seek vindication or redress for an indefinite period of time. *Southwest*
8 *Marine, Inc. v. Triple A Machine Shop, Inc.*, 720 F.Supp. 805, 809 (N.D.Cal.,1989). It is also
9 worth noting that it does not appear that Plaintiffs have been anything other than diligent in their
10 pursuit of this case. According to the Complaint, Plaintiffs visited Electro Products' offices to
11 investigate on April 12, 2006, and subsequently filed this lawsuit on April 24, 2006. Dkt. #1 at 1, 5.

12 Next, due to the speculative nature of the criminal investigation, the burden on Defendants
13 does not outweigh the countervailing interests in proceeding with this matter at this time. As
14 previously discussed, in cases such as this, where a defendant's due process concerns are too
15 speculative, the courts generally disfavor granting a stay. As Defendants themselves point out,
16 Oberholtzer is free to selectively invoke his Fifth Amendment privilege as necessary in the civil
17 proceedings. It is not unconstitutional to force him to choose between negative inferences and his
18 Fifth Amendment privilege, particularly when an indictment against him is not certain. *See Lewis*
19 *Enters., Inc.*, 2006 WL 1064072 at *4.

20 Further, it appears that the burden on the corporate defendant is particularly negligible.
21 Defendants have not shown or alleged that there is no other individual aside from Oberholtzer who
22 can answer for the corporation. And, in any case, even if Oberholtzer were the only person qualified
23 to answer for the corporation, due to the conclusion that proceeding with the litigation is not overly-
24 burdensome against him, the result is the same for the corporation.

25 Judicial expediency and the court's ability to manage its caseload also favor denying
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1 Defendants' motion to stay. Although Defendants argue that a criminal proceeding would clarify and
2 streamline this case, the Plaintiffs counter that this lawsuit is not particularly complex, the bulk of
3 discovery has already been conducted, and a subsequent trial would be relatively brief. The Plaintiffs
4 have the more persuasive argument. In addition, because there is currently no indictment, there is no
5 indication of when, if ever, such a parallel criminal proceeding would be available to streamline the
6 instant case. Rather, this case would remain on this Court's docket for an indeterminate amount of
7 time. The court has an interest in clearing its docket and in avoiding indefinite delays based only on a
8 defendant's speculative Fifth Amendment concerns. *Molinaro*, 889 F.2d at 903; *Sandifur*, 2006 WL
9 1719920 at *3.

10 Finally, although the interests of non-parties are not implicated by this case, the public's
11 interest is. This action is brought under the Lanham Act, which has a consumer protection aspect.
12 In particular, the Lanham Act "protect[s] the ability of consumers to distinguish among competing
13 producers." *Park 'n Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985). Considering
14 this standard and the potential for Plaintiffs' products to be used in critical locations such as
15 hospitals, the Court finds that the public's interest weighs in favor of allowing Plaintiffs to proceed
16 with this action.

17 After considering the factors at issue in this case, the Court finds that the interests of justice
18 do not require a stay of the civil proceedings or a stay of discovery against Oberholtzer.
19 Accordingly, Defendants motion is DENIED without prejudice. If the circumstances change and an
20 indictment does issue, Defendants may move the Court for a stay of these proceedings at that time.
21 The Clerk is directed to issue an order regarding initial disclosures, joint status report, and early
22 settlement.

23 DATED this 12 day of February, 2007.

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25 RICARDO S. MARTINEZ
26 UNITED STATES DISTRICT JUDGE