

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

BROOK + WHITTLE LTD,

Plaintiff,

v.

NESTLÉ USA, INC. and
FUJI SEAL INTERNATIONAL, INC.,

Defendants.

CASE NO. 2:24-CV-00735-JRG-RSP

JURY TRIAL DEMANDED

**DEFENDANTS' MOTION TO STAY PENDING RESOLUTION
OF RELATED DECLARATORY JUDGMENT ACTION**

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Defendants Nestlé USA, Inc. (“NUSA”) and Fuji Seal International, Inc. (“FSI”) respectfully move to stay this proceeding pending the resolution of a declaratory action filed by American Fuji Seal, Inc. (“AFS”), the manufacturer of the accused products, against Plaintiff Brook + Whittle LTD (“B+W”), because that suit will resolve the patent claims in this action and involves the “true defendant” in this dispute.

I. INTRODUCTION AND BACKGROUND

In this action, B+W accuses “recyclable shrink sleeve labels,” including those “used on [NUSA’s] line of ready-to-drink Nesquik flavored milk products and Coffee mate products,” (the “Accused Labels”) of infringing B+W’s U.S. Patent No. 11,961,422 (“the ’422 Patent”).¹ B+W is in the business of making sustainable product labels and packaging materials,² and the ’422 Patent is directed to a “recyclable shrink label.”³

The Accused Labels are developed and manufactured by B+W’s competitor, AFS,⁴ which is not a party to this lawsuit. Nonetheless, B+W elected to sue NUSA, a customer of AFS,⁵ and FSI, a Japanese holding company and the parent corporation of AFS,⁶ despite the fact that neither defendant is responsible for the manufacture of the Accused Labels.

Because NUSA and FSI are not proper parties to this lawsuit, both have filed Rule 12 motions to dismiss, which are pending before the Court. Specifically, on November 26, 2024,

¹ Dkt. No. 1, Complaint for Patent Infringement, ¶ 36; Ex. A, LaValle Decl. ¶ 4 and Ex. 1, Plaintiff’s Disclosure of Asserted Claims and Infringement Contentions, at 3.

² *Id.* ¶ 28.

³ Dkt No. 1-1, Ex. A to Complaint (’422 Patent), at Abstract.

⁴ See LaValle Decl. ¶ 7 and Ex. 4, D.I. 1, Complaint, *filed in American Fuji Seal, Inc. v. Brook + Whittle LTD*, No. 1:24-CV-01215-MN (D. Del.) (“AFS’s DJ Complaint”), ¶¶ 10, 14.

⁵ *Id.* ¶ 14.

⁶ Dkt. No. 35-1, Declaration of Fumiaki Takahashi in Support of Defendant Fuji Seal International, Inc.’s Motion to Dismiss for Lack of Personal Jurisdiction, ¶ 4.

NUSA moved to dismiss B+W's claims due to improper venue,⁷ and, on December 12, 2024, FSI moved to dismiss B+W's claims for lack of personal jurisdiction.⁸ These motions have been fully briefed since January 10, 2025 and January 24, 2025, respectively. Additionally, on November 4, 2024, AFS, the manufacturer of the Accused Labels, i.e., the "true defendant" in this dispute, filed a declaratory judgment action in the District of Delaware against B+W (the "AFS Action"), in which AFS requests a declaratory judgment of noninfringement to resolve B+W's infringement claims asserted against the Accused Labels.⁹

B+W's decision not to sue AFS, but instead sue NUSA and FSI in this Court, was no accident—it was intentional and strategic. This lawsuit was designed to put pressure on AFS by targeting both its parent company, FSI, and its large customer, NUSA. In fact, B+W has known all along that AFS is the "true defendant" in this dispute. Before filing this lawsuit, B+W directly contacted AFS and accused AFS of needing a license to the '422 Patent.¹⁰ But B+W knew that it could not sue AFS for patent infringement in this Court because AFS is a Delaware corporation with a principal place of business in Kentucky.¹¹ AFS has no connection to the Eastern District of Texas.¹² And, of course, neither does B+W, a Delaware corporation based in Connecticut.¹³

Notwithstanding these facts, B+W insists on litigating in this Court against NUSA and FSI,

⁷ Dkt. No. 18, Defendant Nestlé USA, Inc.'s Motion to Dismiss for Improper Venue.

⁸ Dkt. No. 32, Defendant Fuji Seal International, Inc.'s Motion to Dismiss for Lack of Personal Jurisdiction.

⁹ See LaValle Decl. ¶ 7 and Ex. 4, AFS's DJ Complaint, ¶¶ 19–23.

¹⁰ *Id.* ¶ 11.

¹¹ *Id.* ¶ 2.

¹² Dkt. No. 35-1, Declaration of Fumiaki Takahashi in Support of Defendant Fuji Seal International, Inc.'s Motion to Dismiss for Lack of Personal Jurisdiction, ¶¶ 6–7.

¹³ Dkt. No. 1, Complaint for Patent Infringement, ¶ 2.

rather than pursuing its claims against AFS—the manufacturer of the Accused Labels and the “true defendant” in this dispute.

Should the Court decline to grant NUSA’s and FSI’s pending motions to dismiss,¹⁴ the Court should stay this action against both NUSA and FSI. The Court should stay this action against NUSA pursuant to the customer-suit exception to the first-to-file rule because the pending AFS Action will fully resolve whether NUSA infringes B+W’s patent. Additionally, or alternatively, the Court should stay this action in its entirety against both NUSA and FSI because each of the traditional stay factors weighs in favor of granting a stay in this case.

II. LEGAL STANDARD

“District courts have ‘the authority to consider motions to stay litigation before them under their broad equitable powers.’” *Lighthouse Consulting Grp., LLC v. Truist Bank*, No. 2:19-CV-00340-JRG, 2020 WL 6781977, at *1 (E.D. Tex. Apr. 7, 2020) (Gilstrap, J.) (quoting *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372, 1378 (Fed. Cir. 2015)); *see also Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936) (“[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the cases on its docket with economy of time and effort for itself, for counsel, and for litigants.”).

A. The Customer-Suit Exception

“When a patent owner files an infringement suit against a manufacturer’s customer and the manufacturer then files an action of noninfringement or patent invalidity, the suit by the manufacturer generally take precedence.” *In re Nintendo of Am., Inc.*, 756 F.3d 1363, 1365 (Fed. Cir. 2014) (citing *Spread Spectrum Screening LLC v. Eastman Kodak Co.*, 657 F.3d 1349, 1357

¹⁴ Dkt. No. 18, Defendant Nestlé USA, Inc.’s Motion to Dismiss for Improper Venue; Dkt. No. 32, Defendant Fuji Seal International, Inc.’s Motion to Dismiss for Lack of Personal Jurisdiction.

(Fed. Cir. 2011); *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990)). This is the “customer-suit” exception to the “first-to-file” rule. *See id.* The “‘customer-suit’ exception to the ‘first-to-file’ rule exists to avoid . . . imposing the burdens of trial on the customer, for it is the manufacturer who is generally the ‘*true defendant*’ in the dispute.” *Lighthouse Consulting*, 2020 WL 6781977, at *1 (emphasis added) (quoting *Nintendo*, 756 F.3d at 1365). “The exception is ‘based on the manufacturer’s presumed greater interest in defending its actions against charges of patent infringement; and to guard against possibility of abuse.’” *Westport Fuel Sys. Canada, Inc. v. Ford Motor Co.*, No. 2:21-CV-0453-RWS-RSP, 2023 WL 318466, at *1 (E.D. Tex. Jan. 19, 2023) (Payne, J.) (quoting *Spread Spectrum*, 657 F.3d at 1357 (citing *Kahn v. Gen. Motors Corp.*, 889 F.2d 1078, 1081 (Fed. Cir. 1989))). Courts utilize the customer-suit exception “to stay earlier-filed litigation against a customer while a later-filed case involving the manufacturer proceeds in another forum.” *Spread Spectrum*, 657 F.3d at 1357.

When deciding whether to stay a litigation based on the customer-suit exception, “courts consider efficiency and judicial economy to determine whether the issues and parties in the subsequent action are such that the resolution would be dispositive of the major issues in the first filed suit.” *Westport Fuel*, 2023 WL 318466, at *2 (citing *Katz*, 909 F.2d at 1463–64). “[T]he primary question is whether the issues and parties are such that the disposition of one case would be dispositive of the other.” *Katz*, 909 F.2d at 1463.

To assess whether judicial resources will be saved under the customer-suit exception, this Court considers three factors:

- (1) whether the customer in the first filed action is a mere reseller of products manufactured or supplied by the party in the second filed action, (2) whether the customer in the first filed action has agreed to be bound by any decision in the second filed action, and (3) whether the party in the second filed action is the only source of the allegedly infringing activity or product.

Lighthouse Consulting, 2020 WL 6781977, at *1 (citing *Tegic Commc’ns Corp. v. Bd. of Regents*

of Univ. of Texas Sys., 458 F.3d 1335, 1343 (Fed. Cir. 2006); *Glob. Equity Mgmt. (SA) Pty. Ltd. v. Ericsson, Inc.*, 2017 WL 365398, at *5 n.3 (E.D. Tex. Jan. 25, 2017) (Gilstrap, J.)). Further, in evaluating whether to stay customer suits, the Federal Circuit has explained that “the manufacturer’s case need only have the potential to resolve the ‘major issues’ concerning the claims against the customer—not every issue—in order to justify a stay of the customer suits.” *Spread Spectrum*, 657 F.3d at 1358 (citing *Katz*, 909 F.2d at 1464).

B. The Traditional Stay Factors

“Additionally, in considering a motion to stay, courts evaluate: ‘(1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2) whether a stay will simplify the issues in question and the trial of the case; and (3) whether discovery is complete and whether a trial date has been set.’” *Lighthouse Consulting*, 2020 WL 6781977, at *2 (quoting *Glob. Equity*, 2017 WL 365398, at *10 (internal quotes omitted)); *Westport Fuel*, 2023 WL 346807, at *2 (same).

III. ARGUMENT AND AUTHORITIES

A. B+W’s Complaint Against NUSA Should Be Stayed Pursuant to the Customer-Suit Exception

As discussed below, all three customer-suit exception factors weigh in favor of staying B+W’s claims against NUSA: (1) NUSA is a mere reseller of the Accused Labels; (2) NUSA agrees to be bound by any decision in the AFS Action regarding the merits of the ’422 Patent claims; and (3) AFS is the only source of the Accused Labels. As such, AFS’s suit against B+W takes precedence over this suit, and the Court should stay this case against NUSA. *See Nintendo*, 756 F.3d at 1365.

1. NUSA is a mere reseller of the Accused Labels.

NUSA is a mere downstream purchaser of the Accused Labels,¹⁵ which weighs heavily in favor of a stay. *See Kahn*, 889 F.2d at 1081 (the customer suit exception applies “where the first suit is filed against a customer who is simply a reseller of the accused goods”). Specifically, NUSA receives the Accused Labels from AFS in their final composition and merely applies them to the bottled products that it sells.¹⁶ Critically, the asserted claims of the ’422 Patent are directed solely to a “recyclable shrink label,”¹⁷ and thus AFS’s shrink labels, which are applied to NUSA’s bottled products, are the only relevant component in connection with NUSA’s accused line of ready-to-drink Nesquik flavored milk products, Coffee mate products, and other offerings. Thus, NUSA is merely a reseller of the Accused Labels.

The fact that NUSA applies the Accused Labels to its own products and then resells them in combination with its own products does not render the customer-suit exception any less applicable. There is no requirement that a reseller of an accused product directly resell the accused product as a *standalone product* to end consumers for the customer-suit exception to apply. In fact, courts have repeatedly held that the mere “use” of allegedly infringing products or technology within or in combination with other products is equivalent to being a “reseller” of the accused products or technology. *See Westport Fuel*, 2023 WL 346807, at *2 (finding that customer-defendant, GM, “is a mere reseller” because “the complaint alleges that GM manufactures accused vehicles that ‘utilize’ the allegedly infringing fuel injector”); *Glob. Equity*, 2017 WL 365398, at

¹⁵ Ex. B, Besman Decl. ¶ 3 (“[AFS] is the manufacturer and sole supplier of the Accused Labels to NUSA.”).

¹⁶ *See id.*

¹⁷ Dkt No. 1-1, Ex. A to Complaint (’422 Patent), at Claims 1 and 19; Ex. A, LaValle Decl. ¶ 4 and Ex. 1, Plaintiff’s Disclosure of Asserted Claims and Infringement Contentions, at 3 (identifying Claims 1–19, including independent Claims 1 and 19, as the asserted claims).

*10 (“a ‘flexible approach’ should be applied, regardless of whether a customer Defendant is really a reseller of [the accused] technology”) (citation omitted).

Additionally, the underlying features of the Accused Labels as alleged in B+W’s infringement contentions are independent of NUSA’s particular use. *See Westport Fuel*, 2023 WL 346807, at *2 (citing *In re Google Inc.*, 588 F. App’x 988, 990 (Fed. Cir. 2014)). In fact, B+W alleges that “**any** light-blocking recyclable shrink sleeve labels used in **any** of Nestlé’s product lines (e.g., Nesquik, Coffee mate, Nestlé Sensations, and/or other products) and/or any recyclable shrink sleeve labels sold by Fuji Seal that utilize the same recyclable, light-blocking shrink sleeve label technology such as Fuji Seal’s RecShrink with light-blocking technology,” infringe the ’422 Patent.¹⁸ B+W’s infringement contentions rely exclusively on the underlying features of the Accused Labels, and there is no allegation that NUSA has modified or customized the Accused Labels.¹⁹ Thus, because NUSA is a mere “reseller” of the Accused Labels, this factor weighs heavily in favor of staying B+W’s claims against NUSA.

2. NUSA agrees to be bound by any decision on the merits in the AFS Action.

In the AFS Action against B+W, AFS has sought a declaratory judgment that it “is not infringing and has not infringed any claims of the ’422 Patent, including claims 1 or 19, which B+W has asserted against Nestlé and Fuji Seal International.”²⁰ When B+W answers the lawsuit, it will be required to file compulsory patent infringement counterclaims and seek damages from AFS. *See Vivid Techs., Inc. v. American Science & Eng’g, Inc.*, 200 F.3d 795, 801–02 (Fed. Cir.

¹⁸ Ex. A, LaValle Decl. ¶ 5 and Ex. 2, Plaintiff’s Exhibit A to Infringement Contentions – ’422 Patent Claim Chart for Accused Nesquik Label, at 1 (emphasis added); *id.* LaValle Decl. ¶ 6 and Ex. 3, Plaintiff’s Exhibit B to Infringement Contentions – ’422 Patent Claim Chart for Accused Nesquik Coffee mate Label, at 1 (emphasis added).

¹⁹ *See generally id.*

²⁰ *See* LaValle Decl. ¶ 7 and Ex. 4, AFS’s DJ Complaint, ¶ 20.

1999) (“[I]t is generally recognized that when the same patent is at issue in an action for declaration of non-infringement, a counterclaim for patent infringement is compulsory and if not made is deemed waived.”).

In the AFS Action, if AFS wins, then there will be no liability for any make, use, sale, offer for sale, or importation of the accused shrink labels (either by AFS or by any of its customers, including NUSA). If B+W wins, it will be entitled to recover damages from AFS, which necessarily will include any damages associated with the Accused Labels sold by AFS to NUSA and any of AFS’s other customers. Importantly, due to the doctrine of patent exhaustion, B+W cannot “double dip” and recover a reasonable royalty from NUSA or any of AFS’s other customers after already recovering damages for the same infringing product directly from AFS. *See Decapolis Sys., LLC v. Univ. Health Sys. Servs. of Texas, Inc.*, No. 6:21-CV-01252-ADA, 2022 WL 2373705, at *4 (W.D. Tex. June 30, 2022) (granting motion to stay and citing *Glenayre Elecs., Inc. v. Jackson*, 443 F.3d 851, 864 (Fed. Cir. 2006)).

Regardless of the outcome of the AFS Action, the litigation against AFS’s customers, including NUSA, will be fully and finally resolved, and NUSA agrees to be bound by any decision in the AFS Action regarding the merits of the ’422 Patent claims.²¹ Furthermore, AFS has agreed to indemnify and hold NUSA harmless for any patent infringement damages levied against NUSA based on the sale of the Accused Labels.²² These agreements—i.e., AFS’s agreement to indemnify NUSA and NUSA’s agreement to be bound by the rulings regarding the merits of the ’422 Patent claims in the AFS case—constitute important factors in the stay analysis. *See, e.g., Katz*, 909 F.2d at 1464; *Kahn*, 889 F.2d at 1082.

²¹ Ex. B, Besman Decl. ¶ 6.

²² *Id.* ¶ 5.

There is no question that this action is duplicative of the AFS Action, and it would be unnecessary and wasteful to allow both suits to proceed in parallel. Accordingly, this factor weighs in favor of staying B+W's claims against NUSA. *See Westport Fuel*, 2023 WL 318466, at *2 (applying the customer-suit exception to stay first-filed case where resolution of the issues in the subsequent action would be dispositive of the major issues in the first-filed suit).

3. *AFS is the only source of the Accused Labels.*

As shown in B+W's complaint and infringement contentions, the only shrink sleeve labels accused of infringing the '422 Patent are the shrink sleeve labels used on NUSA's products.²³ NUSA does not make or sell (as standalone products) the Accused Labels, and it does not source the Accused Labels from any entity other than AFS.²⁴ AFS is the sole supplier of the Accused Labels to NUSA.²⁵ Thus, AFS is the "true defendant" in this dispute, and this factor weighs in favor of staying B+W's claims against NUSA. *See Lighthouse Consulting*, 2020 WL 6781977, at *1 (quoting *Nintendo*, 756 F.3d at 1365).

B. B+W's Complaint Against Both NUSA and FSI Should Be Stayed Based on the Traditional Stay Factors

Additionally, all of the traditional stay factors weigh in favor of staying this action in its entirety—against both Defendants NUSA and FSI.

1. *A stay would not unduly prejudice or present a tactical disadvantage to B+W.*

As discussed above, B+W has known all along that its direct competitor, AFS, is the "true defendant" in this dispute. In fact, before filing this lawsuit, B+W directly contacted AFS and

²³ Dkt. No. 1, Complaint for Patent Infringement, ¶ 36; Ex. A, LaValle Decl. ¶ 4 and Ex. 1, Plaintiff's Disclosure of Asserted Claims and Infringement Contentions, at 3.

²⁴ Ex. B, Besman Decl. ¶ 3.

²⁵ *Id.*

accused AFS of needing a license to the '422 Patent.²⁶ B+W should have sued AFS from the outset; nevertheless, it chose to sue NUSA and FSI for strategic reasons. Thus, a stay of this case—which never should have been filed—will not prejudice B+W.

Moreover, a stay of this case pending the outcome of the AFS Action in Delaware would allow B+W to efficiently resolve its infringement claims in a single action in which the manufacturer of the Accused Labels, AFS, is a named party. This option is more efficient, not only for the judicial system, but for the parties, including B+W. For example, in the AFS Action, discovery taken directly from AFS will likely yield better evidence for B+W because AFS has greater access to evidence regarding the features and composition of the Accused Labels as compared to discovery taken indirectly from NUSA and FSI in this action. *See Westport Fuel*, 2023 WL 318466, at *3. On the other hand, proceeding with this unnecessary, duplicative action would be burdensome on the judicial system by forcing this Court to adjudicate B+W's infringement claims against multiple defendants (NUSA and FSI), with the “true defendant,” AFS, indirectly participating on a limited basis as a third party. Proceeding with this action would also impose a significant and avoidable burden on NUSA, which is exactly what the customer-suit exception aims to prevent. *See Lighthouse Consulting*, 2020 WL 6781977, at *1.

Further, the '422 Patent recently issued on April 16, 2024 (less than six years ago),²⁷ meaning that, if B+W is successful in proving that the Accused Labels manufactured by AFS infringe, the full statutorily available range of damages (for alleged past and future infringement) will be available to B+W, whether it litigates in this Court or proceeds against AFS in the AFS Action. *See* 35 U.S.C. § 286 (providing for the recovery of damages for past infringement up to

²⁶ *Id.* ¶ 11.

²⁷ Dkt No. 1-1, Ex. A to Complaint ('422 Patent).

six years prior to the filing of a complaint or counterclaim for infringement). Finally, B+W's potential success against AFS in the AFS Action would aid B+W in seeking an injunction against AFS and in recovering additional damages for AFS products utilized by other AFS customers—not just NUSA. Accordingly, B+W would be in a more advantageous position proceeding in the AFS Action, rather than in this case. Therefore, a stay would not unduly prejudice or present a tactical disadvantage to B+W, and this factor weighs in favor of staying this action against both NUSA and FSI. *See Westport Fuel*, 2023 WL 318466, at *3.

2. *A stay would simplify the issues in question and a trial of the case.*

A stay in this case would dramatically simplify issues. The AFS Action will resolve infringement definitively, and it would apply to this case. And, if B+W files its compulsory counterclaims, the AFS Action will definitively resolve all issues of liability and damages. On the other hand, if no stay is entered, both this Court and the District of Delaware will be litigating largely the same issues, resulting in judicial inefficiency, waste, and the potential for conflicting results. *See Google*, 588 Fed. Appx. at 990.

Moreover, there are no questions related to jurisdiction and venue in the AFS Action—both AFS and B+W are Delaware corporations. The same, of course, cannot be said of B+W's complaint in this Court where proper venue for NUSA and personal jurisdiction over FSI are both in serious doubt. *See Bristol-Myers Squibb Co. v. Superior Court of California, San Francisco County*, 582 U.S. 255, 263 (2017) (“The ‘primary concern’ in assessing personal jurisdiction is ‘the burden on the defendant,’ [which] ... encompasses the more abstract matter of submitting to the coercive power of a State that may have little legitimate interest in the claims in question.”) (citations omitted).

Because a stay would simplify the issues and a trial of this dispute, this factor weighs in favor of staying this action against both NUSA and FSI.

3. *This action is still in the early stages.*

In this case, discovery is still in the early stages. The parties have exchanged initial disclosures and contentions, but very few documents have been exchanged. The claim construction process has not yet begun, and no depositions have been taken. Although a trial date has been set, it is still over one year away.²⁸ Because this case is still in the early stages, this factor weighs in favor of staying this action against both NUSA and FSI.

IV. CONCLUSION

For the reasons discussed above, the Court should stay this action against both NUSA and FSI. The Court should stay this action against NUSA pursuant to the customer-suit exception to the first-to-file rule because the pending AFS Action will fully resolve whether NUSA infringes B+W's patent. Additionally, or alternatively, the Court should stay this action in its entirety against both NUSA and FSI because each of the traditional stay factors weighs in favor of granting a stay in this case.

²⁸ Dkt. No. 16, Docket Control Order, at 1 (setting Jury Selection for May 18, 2026).

Dated: April 17, 2025

Respectfully submitted,

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CERTIFICATE OF CONFERENCE

Pursuant to Local Rule CV-7(h), the undersigned hereby certifies that lead and local counsel for Defendants met and conferred with lead and local counsel for Plaintiff via teleconference on March 10 and March 25, 2025 to discuss the substantive relief sought in this Motion, and counsel for Defendants followed up via email on March 24 and April 1, 2025 with case law supporting Defendants' positions. On April 4, 2025, counsel for Plaintiff stated that Plaintiff is opposed to the relief sought herein. The parties, therefore, are at an impasse, and it is necessary for the Court to resolve this Motion.

Dated: April 17, 2025

/s/ John F. Bennett

John F. Bennett, Lead Counsel

/s/ Melissa R. Smith

Melissa R. Smith, Local Counsel

CERTIFICATE OF SERVICE

I hereby certify that the foregoing was filed electronically in compliance with Local Rule CV-5(a) and served via electronic mail on all counsel of record who have consented to electronic service.

Dated: April 17, 2025

/s/ Amy E. LaValle

Amy E. LaValle

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