

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

MODORAL BRANDS INC.,

Plaintiff,

v.

SWEDISH MATCH NORTH AMERICA LLC,  
PINKERTON TOBACCO CO. LP, AND NYZ  
AB,

Defendants.

CIVIL ACTION NO. \_\_\_\_\_

**JURY TRIAL DEMANDED**

**COMPLAINT FOR DECLARATORY JUDGMENT**

Plaintiff Modoral Brands Inc. (“Modoral” or “Plaintiff”), for its Complaint against Defendants Swedish Match North America LLC (“Swedish Match”), Pinkerton Tobacco Co. LP (“Pinkerton”), and NYZ AB (“NYZ”) (collectively “Defendants”), hereby alleges:

**THE PARTIES**

1. Modoral is corporation duly organized and existing under the laws of the State of North Carolina.
2. Swedish Match is, on information and belief, a limited liability company organized and existing under the laws of Delaware with a principal place of business at 1021 E. Cary Street, Suite 1600, Richmond, Virginia 23219.
3. Pinkerton is, on information and belief, a limited partnership organized and existing under the laws of Delaware, having a principal place of business at 1121 Industrial Drive, Owensboro, Kentucky 42301.

4. NYZ is, on information and belief, a corporation organized and existing under the laws of Sweden, having a principal place of business at Sveavägen 44, 8<sup>th</sup> floor, SE-111 34 Stockholm and having postal address SE-118 85 Stockholm, Sweden.

#### **JURISDICTION AND VENUE**

5. This action arises under the laws of the United States and this Court has subject matter jurisdiction pursuant to 18 U.S.C. § 1836 *et seq.*, 28 U.S.C. §§ 1331 and 1338, and the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202.

6. Defendants are subject to personal jurisdiction in this District because Swedish Match and Pinkerton reside in this judicial district as Delaware corporations and NYZ, upon information and belief, has availed itself of the rights and benefits of the laws of Delaware and it has conducted business relating to the alleged trade secrets and U.S. Patent No. 9,161,908 (“the ’908 patent”) in this District.

7. Venue properly exists in this Judicial District pursuant to 28 U.S.C. § 1391 as Defendants are subject to personal jurisdiction in this judicial district, and have directed their business relating to the alleged trade secrets and the ’908 patent at this judicial district.

#### **FACTUAL BACKGROUND**

8. Modoral is involved in the development, production, manufacture and sale of tobacco leaf-free nicotine pouch products. These products are smokeless nicotine pouches. Modoral’s nicotine pouches are tobacco-free, smoke-free, and spit-free, and they come in different styles, flavors and nicotine strengths. Through an asset purchase transaction announced on November 3, 2020, Modoral now offers a range of nicotine strengths and flavors providing adult nicotine consumers with a greater degree of choice, covering all key consumer preferences. Modoral markets and sells nicotine pouch products under the global Modern Oral brand Velo.

9. Modoral's nicotine pouch products provide adult nicotine consumers with a wide range of potentially less risky products compared to traditional combustible cigarettes.

10. Modoral entered an Asset Purchase Agreement as Buyer, with Dryft Sciences, LLC as Seller, dated as of September 15, 2020. Through this Asset Purchase Agreement, on October 20, 2020, Modoral acquired the nicotine pouch product assets of Dryft Sciences, LLC. The Asset Purchase Agreement contained representations by Seller Dryft Sciences, LLC that it was conveying good and marketable title to all of the acquired assets. The acquired assets include tobacco leaf-free nicotine pouch products comprising certain scheduled product SKUs. In addition to representing to Modoral that it had good and marketable title to the acquired assets, Seller Dryft Sciences, LLC represented to Modoral in the Asset Purchase Agreement that Seller is the exclusive owner of all right, title and interest in and to each item of intellectual property that is owned by Seller that is used, held for use or intended to be used in the operation or conduct of the business.

11. Seller Dryft Sciences, LLC further agreed in the Asset Purchase Agreement to indemnify, defend and hold harmless Buyer Modoral from and against any losses resulting from liabilities arising out of or resulting from a trade secret misappropriation lawsuit filed by Defendants against Dryft Sciences, LLC and now pending in the Central District of California as Case No. 2:20-cv-08729-SB-MRW.

12. In a letter dated November 17, 2020, counsel for Swedish Match, Pinkerton and NYZ wrote to Modoral's ultimate parent British American Tobacco p.l.c. ("BAT") "that Dryft Sciences has improperly acquired Swedish Match's trade secret and confidential information related to Swedish Match's smokeless nicotine pouches. Such trade secrets and confidential information may include, without limitation, manufacturing processes to make DRYFT and the

DRYFT product formulations.” Swedish Match counsel further wrote “We demand that BAT immediately cease and desist from any and all use, access, dissemination, disclosure, exploitation, and other misappropriation of Swedish Match’s trade secrets.” Swedish Match additionally stated “the misappropriation of Swedish Match’s trade secrets, are urgent matters and violations of Swedish Match’s legal rights. Swedish Match is thus assessing the impact of BAT’s acquisition of Dryft Sciences and its nicotine pouches on the above-referenced actions, including, without limitation, whether BAT and its subsidiaries Reynolds American Inc. and Modoral Brands Inc. should be joined as defendants in the above-referenced actions.” In that referenced trade secret lawsuit, identified in paragraph 11 above, Swedish Match asserts a claim that Dryft Sciences, LLC misappropriated trade secrets for nicotine pouch products and Swedish Match alleges violation of the Defend Trade Secrets Act, 18 U.S.C. § 1836(b). In the November 17, 2020 letter, Defendants’ counsel imposed a short deadline for response.

13. While the November 17, 2020 letter threatened liability for patent infringement and trade secret misappropriation by BAT, Reynolds American Inc. and Modoral, only Modoral acquired assets from Dryft Sciences, LLC and makes and sells nicotine pouch products acquired from Dryft Sciences, LLC, and Modoral denies any liability to Defendants. As the Buyer of nicotine pouch product assets from Dryft Sciences, LLC, Modoral is the party threatened with misappropriation and infringement by the November 17, 2020 letter described above.

14. Accordingly, a case or controversy exists regarding whether Modoral acquired assets from Dryft Sciences, LLC free of any obligation to Defendants, and whether Modoral has freedom to operate its business and produce, manufacture, sell and use tobacco leaf-free nicotine pouch products without obligation to Defendants under the Defend Trade Secrets Act, 18 U.S.C.

§ 1836(b) or any other laws and without responsibility for any alleged trade secret misappropriation or other misuse of proprietary information of Defendants.

15. In the November 17, 2020 letter, counsel for Swedish Match, Pinkerton and NYZ also wrote that “Swedish Match is an owner of the ’908 patent and that the letter “serves as formal notice” “that DRYFT infringes at least one claim of the ’908 patent.” The letter further demanded “immediate steps to avoid further infringement, including, but not limited to, stopping all manufacturing, distribution, offers to sell, and sales of DRYFT, as well as removing offers to sell DRYFT on the website at <https://getdryft.com/>.”

16. The ’908 patent, titled “Pouch Containing Nicotine In Free Salt Form,” lists a PCT filing date of March 28, 2012, states an issue date of October 20, 2015, lists TILLCE AB and WM17 Holding AG as assignees, and is attached as Exhibit A and incorporated herein by this reference.

17. A case or controversy exists whether any of the claims of the ’908 patent are valid and whether any valid and enforceable claim of the ’908 patent is infringed by any Modoral nicotine pouch product.

18. Swedish Match, Pinkerton and NYZ have sued Dryft Sciences, LLC for trade secret misappropriation (referenced in paragraph 11 above) and for infringement of the ’908 patent.

**COUNT I: DECLARATORY JUDGMENT OF FREEDOM TO OPERATE  
REGARDING ALLEGED TRADE SECRET MISAPPROPRIATION  
(28 U.S.C. §§ 2201, 2202; Del. Code Ann. Tit. 10 § 6501)**

19. The allegations of paragraphs 1 through 18 are incorporated herein by reference with the same force and effect as if set forth in full below.

20. An actual controversy exists warranting declaration of the rights and other legal relations of Modoral and Defendants. Modoral seeks a declaration of rights under the Declaratory Judgment Act which allows for declaration of the rights and other legal relations of Modoral and Defendants as a case of actual controversy has arisen. A real and substantial controversy exists warranting determination of specific relief through a decree of a conclusive character, and such controversy is ripe for determination as a controversy over legal rights. A substantial controversy exists between Modoral and Defendants of sufficient immediacy and reality to warrant the issuance of a declaratory judgment to avoid irreparable injury and damage to Modoral.

21. As a consequence of the foregoing, an actual controversy has arisen and now exists between Modoral, on the one hand, and Defendants, on the other hand, regarding Modoral's request for declaratory judgment that Modoral have freedom to operate its business without obligation to Defendants for any alleged trade secret misappropriation or other claim of misuse of proprietary information or other related claim, and that Modoral does not owe any obligation to Defendants.

**COUNT II: DECLARATORY JUDGMENT OF INVALIDITY OF THE '908 PATENT  
(28 U.S.C. §§ 2201, 2202)**

22. The allegations of paragraphs 1 through 21 are incorporated herein by reference with the same force and effect as if set forth in full below.

23. Upon information and belief, Swedish Match is an owner of the '908 patent and contends that the claims of the '908 patent are valid.

24. The claims of the '908 patent are invalid at least for failure to comply with the requirements for patentability of Title 35 of the U.S. Code, including but not limited to 35 U.S.C. §§ 102, 103, and 112.

25. An actual case or controversy exists regarding whether any of the claims of the '908 patent are valid.

26. Declaratory relief is appropriate and necessary to establish that the claims of the '908 patent are invalid and to avoid irreparable injury and damage to Modoral.

27. Pursuant to 28 U.S.C. §§ 2201, 2202, Modoral is entitled to a declaratory judgment that the claims of the '908 patent are invalid.

**COUNT III: DECLARATORY JUDGMENT OF NON-INFRINGEMENT OF THE  
'908 PATENT  
(28 U.S.C. §§ 2201, 2202)**

28. The allegations of paragraphs 1 through 27 are incorporated herein by reference with the same force and effect as if set forth in full below.

29. Upon information and belief, Swedish Match is an owner of the '908 patent and contends that one or more claims of the '908 patent is infringed by Modoral's nicotine pouch products.

30. Modoral contends that it does not infringe, directly, or indirectly, any valid and enforceable claim of the '908 patent.

31. An actual case or controversy exists regarding whether any valid and enforceable claim of the '908 patent is or will be infringed by Modoral's nicotine pouch products.

32. Declaratory relief is appropriate and necessary to establish that the manufacture, use, offer for sale, sale, or importation into the United States of Modoral's nicotine pouch products does not infringe, directly or indirectly, any valid and enforceable claim of the '908 patent under 35 U.S.C. § 271(a), (b), or (c), and to avoid irreparable injury and damage to Modoral.

33. Pursuant to 28 U.S.C. §§ 2201, 2202, Modoral is entitled to a declaratory judgment that Modoral's nicotine pouch products do not infringe any valid and enforceable claim of the '908 patent.

**PRAYER FOR RELIEF**

WHEREFORE, Modoral prays for relief as follows:

- A. Declare that:
  - a. Modoral has freedom to operate its business without obligation to Defendants for any alleged trade secret misappropriation or other claim of misuse of proprietary information or related claim; and
  - b. Modoral does not owe any obligation to Defendants.
- B. Declare that all claims of the '908 patent are invalid;
- C. Declare that Modoral's nicotine pouch products do not infringe any valid and enforceable claim of the '908 patent;
- D. Declare Modoral the prevailing party and this case as exceptional and award Modoral its reasonable attorney fees pursuant to 35 U.S.C. § 285;
- E. For recoverable costs as allowed by law; and
- F. For such other and further relief as the court deems just and proper.

**JURY DEMAND**

Modoral requests a trial by jury on all issues so triable.



ASHBY & GEDDES

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