

STATE OF NORTH CAROLINA
ORANGE COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
22 CVS 255

BIOMILQ, INC.,

Plaintiff,

v.

SHAYNE GUILIANO and 108LABS,
LLC,

Defendants.

**ORDER AND OPINION ON
DEFENDANTS' JOINT MOTION TO
DISMISS OR IN THE ALTERNATIVE
HOLD PROCEEDINGS IN ABEYANCE**

1. **THIS MATTER** is before the Court on Defendants Shayne Guiliano (“Mr. Guiliano”) and 108Labs, LLC’s (“108Labs” and together “Defendants”) filing on 15 June 2022 of the Joint Motion to Dismiss or in the Alternative Hold Proceedings in Abeyance (the “Motion”). (ECF No. 73 [“Mot.”].) Pursuant to Rule 12(b)(6) of the North Carolina Rules of Civil Procedure (the “Rules”), Defendants request dismissal of Plaintiff BIOMILQ, Inc.’s (“BIOMILQ”) First Amended Complaint (“Amended Complaint”), (Mot. 1), or in the alternative, that the Court stay all proceedings pending the resolution of the ongoing equitable distribution matter between Mr. Guiliano as plaintiff, and Dr. Leila Strickland (“Dr. Strickland”), BIOMILQ, and Michelle Egger as defendants, in the District Court of Orange County, Case No. 22 CVD 283 (the “District Court Action”), (Mot. 1).

2. For the reasons set forth herein, the Court **GRANTS** in part and **DENIES** in part the Motion.

Robinson, Bradshaw & Hinson, P.A., by J. Dickson Phillips and Stephen D. Feldman, and Goodwin Procter, LLP, by Rachel M. Walsh for Plaintiff BIOMILQ, Inc.

Bowens & Averhart, PLLC, by Stephon J. Bowens, and Carnes Warwick, PLLC, by Tara D. Warwick and Jonathan A. Carnes for Defendant 108Labs, LLC.

Carnes Warwick, PLLC, by Tara D. Warwick and Jonathan A. Carnes for Defendant Shayne Guiliano.

Robinson, Judge.

I. INTRODUCTION

3. This action arises out of a dispute between Defendants and BIOMILQ regarding certain human cell-cultured technologies and products. The focus of the dispute is on Mr. Guiliano's alleged conduct prior to and on 18 February 2022, when he allegedly photographed pages of a BIOMILQ-issued notebook containing trade secret and confidential information. Defendants contend that they have contributed to the development of BIOMILQ's technology, patents, and alleged trade secrets, and that Defendants have rights in them.

4. This Opinion concerns the Amended Complaint and the seven claims for relief alleged therein. Defendants ask the Court to dismiss the Amended Complaint in full, but to the extent any claim survives the motion to dismiss stage, Defendants request that the Court stay this action until the District Court Action is fully resolved.

II. FACTUAL AND PROCEDURAL BACKGROUND

5. The Motion is brought, in part, pursuant to N.C.G.S. § 1A-1, Rule 12(b)(6) for failure to state a claim upon which relief can be granted. Accordingly, the Court is limited to its review of the Amended Complaint as to that aspect of the Motion. Therefore, to the extent any party has relied on extraneous evidence to support their respective positions, the Court has not considered that evidence.

6. The Court does not make findings of fact on a motion to dismiss pursuant to Rule 12(b)(6), but only recites those factual allegations that are relevant and necessary to the Court's determination of the Motion. *See, e.g., White v. White*, 296 N.C. 661, 667 (1979) (stating that the purpose of "a motion to dismiss is to test the law of a claim, not the facts which support it").

7. BIOMILQ is a Delaware corporation with its principal place of business at 9 Laboratory Drive, Durham, NC 27709. (First Am. Compl. ¶ 6, ECF No. 42 ["Am. Compl."].)

8. Mr. Guiliano is an individual residing in Hillsborough, North Carolina. (Am. Compl. ¶ 7.)

9. 108Labs is a North Carolina limited liability company with its principal place of business at 141 W. King Street, Hillsborough, NC 27278. (Am. Compl. ¶ 8.) It is alleged that 108Labs did not execute an operating agreement.¹ (Am. Compl. ¶ 14.)

A. BIOMILQ, Inc.'s Formation and Events Preceding It

10. On or about 1 October 2013, Mr. Guiliano and Dr. Strickland, a doctor of cell biology with post-doctoral research experience at Stanford Medical School, founded 108Labs. (Am. Compl. ¶¶ 11, 13.) At the time, Mr. Guiliano and Dr. Strickland were married. (Am. Compl. ¶ 13.) BIOMILQ alleges Mr. Guiliano

¹ Pursuant to N.C.G.S. § 57D-2-30(a), an LLC, such as 108Labs, can have a written operating agreement executed by its members which governs its internal affairs. It is unclear from the Amended Complaint whether 108Labs has an operating agreement. The Amended Complaint alleges only that 108Labs "did not execute" one. (Am. Compl. ¶ 14.)

provided operational support for 108Labs, while Dr. Strickland focused on research, scientific planning, and execution. (Am. Compl. ¶ 13.)

11. BIOMILQ alleges that in late 2013, Dr. Strickland began thinking about ideas for synthesizing cell-cultured human milk outside the body. (Am. Compl. ¶ 12.) Between 2013 and 2016, it alleges that 108Labs failed to secure outside funding, and from 2016 to 2019, that 108Labs engaged in “little meaningful activity” such that Mr. Guiliano and Dr. Strickland did not intend to pursue it further. (Am. Compl. ¶ 14.) Dr. Strickland allegedly ceased participation in 108Labs in March 2020 but retained her partial ownership interest in it. (Am. Compl. ¶ 15.)

12. In or around August 2019, Dr. Strickland met Michelle Egger (“Ms. Egger”), the co-founder of BIOMILQ. (Am. Compl. ¶ 20.) The Amended Complaint provides that Dr. Strickland personally funded an experiment involving cell-cultured products, arranging the work through 108Labs, but that she did not use 108Labs’s funds to pay for the experiment. (Am. Compl. ¶ 21.)

13. Dr. Strickland and Ms. Egger founded and incorporated BIOMILQ in January 2020. (Am. Compl. ¶ 23.)

14. In February 2020, BIOMILQ alleges it entered into an agreement with a laboratory at the University of California at Davis for the laboratory to do testing with samples provided by Dr. Strickland. (Am. Compl. ¶ 25.) The laboratory completed the testing, and the results were shared with Dr. Strickland and Mr. Guiliano. (Am. Compl. ¶ 26.)

15. BIOMILQ alleges that Mr. Guiliano was never involved with its research or development efforts. (Am. Compl. ¶ 23.)

16. BIOMILQ hired Dr. Strickland in March 2020, and it alleges that she thereafter assigned to BIOMILQ any intellectual property and business know-how relating to the development of cultured mammary cells. (Am. Compl. ¶ 24.) By June 2020, BIOMILQ had \$3.5 million in funding from various investors, and the next month it opened laboratories in Durham, North Carolina, and hired its first researchers. (Am. Compl. ¶ 28.) BIOMILQ continued to hire researchers and raise funds through April 2022. (Am. Compl. ¶¶ 29–30.)

B. Patents, Patent Applications, and Trademarks at Issue

17. A number of patent applications relevant to this matter were filed with the United States Patent and Trademark Office (“USPTO”) in 2020 and 2021, and some of those applications ultimately resulted in patents.

18. On 8 January 2020, U.S. Provisional Patent Application No. 62/958,407, titled “Live Cell Constructs for Milk Production and Methods Using the Same” was filed, listing Dr. Strickland and Mr. Guiliano as the inventors and applicants (the “’407 Application”). (Am. Compl. ¶ 32; Am. Compl. Ex. A, ECF No. 42.2.) BIOMILQ alleges that Dr. Strickland assigned her interest in the ’407 Application to it on 10 April 2020. (Am. Compl. ¶ 33.) BIOMILQ also alleges that Mr. Guiliano was included on the ’407 Application because of his personal relationship with Dr. Strickland, and his “limited research into the scientific literature” done at her

request, but that the results of Mr. Guiliano’s work “were not incorporated into later work by BIOMILQ.” (Am. Compl. ¶ 32.)

19. On 10 December 2020, U.S. Provisional Patent Application No. 63/199,164, titled “Live Cell Constructs for Milk Production and Methods Using the Same” was filed, listing Dr. Strickland as the sole inventor and BIOMILQ as the sole applicant (the “ ’164 Application”). (Am. Compl. ¶ 34; Am. Compl. Ex. B, ECF No. 42.3.)

20. Eight days later, on 18 December 2020, U.S. Patent Application No. 17/247,672, titled “Live Cell Constructs for Production of Cultured Milk Product and Methods Using the Same” was filed, listing Dr. Strickland as the sole inventor and BIOMILQ as the sole applicant (the “ ’672 Application”).² (Am. Compl. ¶ 35.) The ’672 Application claims priority to both the ’407 Application and ’164 Application.³ (Am. Compl. ¶ 35.) On 7 September 2021, the ’672 Application issued as U.S. Patent No. 11,111,477 (the “ ’477 Patent”). (Am. Compl. Ex. C, ECF No. 42.4.)

21. On 29 March 2021, U.S. Patent Application No. 17/301,216, titled “Milk Product Compositions” was filed, listing Dr. Strickland as the sole inventor and BIOMILQ as the sole applicant (the “ ’216 Application”). (Am. Compl. ¶ 42; Am. Compl. Ex. F, ECF No. 42.7.) The ’216 Application claims priority to U.S. Provisional Patent Application Nos. 63/030,149 and 63/200,480 (the “ ’149 Application” and the “ ’480 Application”), each filed by Dr. Strickland as the sole inventor with BIOMILQ

² The pleadings do not contain a copy of the ’672 Application.

³ 37 C.F.R. § 1.78(a) contains the requirements necessary for later-filed patent applications to “claim the benefit of” or “priority to” prior applications filed. *See also* 35 U.S.C. § 119(e). Further, 37 C.F.R. § 1.78(d) contains provisions relating to claims under 35 U.S.C. §§ 120, 121, 365(c), or 386(c) for the benefit of a prior-filed nonprovisional application.

as the sole applicant. (Am. Compl. ¶¶ 40–42.) The '216 Application disclosed milk compositions containing specific natural components found in human breast milk. (Am. Compl. ¶ 42.) On 28 December 2021, the '216 Application issued as U.S. Patent No. 11,206,843 (the “'843 Patent”). (Am. Compl. ¶ 43; Am. Compl. Ex. G, ECF No. 42.8.)

22. On 6 September 2021, U.S. Patent Application No. 17/467,358, titled “Live Cell Constructs for Production of Cultured Milk Product and Methods Using the Same,” was filed, listing Dr. Strickland as the sole inventor and BIOMILQ as the sole applicant (the “'358 Application”). (Am. Compl. ¶ 37; Am. Compl. Ex. E, ECF No. 42.6.) The '358 Application was a continuation of the '672 Application and concerned milk products separated from the cultured mammary cells that produced them. (Am. Compl. ¶ 37; Am. Compl. Ex. E, ECF No. 42.6.) The '358 Application claims priority to the '407 Application and '164 Application. (Am. Compl. ¶ 37.)

23. BIOMILQ alleges that Dr. Strickland assigned all her rights, title and interest in the preceding patents and patent applications to it. (Am. Compl. ¶¶ 36, 38, 42, 44.)

24. BIOMILQ was granted registration of the mark “BIOMILQ” and design at Reg. No. 6,581,364 for research and development services in international class 42. (Am. Compl. ¶ 46; Am. Compl. Ex. H, ECF No. 42.9.) On 3 August 2021, BIOMILQ also applied to register the mark “BIOMILQ” and design serial number on an “intent-to-use” basis for biotechnology milk products in international class 5, but it alleges

that application is awaiting examination. (Am. Compl. ¶ 47; Am. Compl. Ex. I, ECF No. 42.10.)

C. Relevant Events Following the Formation of BIOMILQ, Inc.

25. In connection with her work for BIOMILQ, Dr. Strickland used notebooks for recording “ideas, observations, and activities.” (Am. Compl. ¶ 50.) The Amended Complaint alleges that she used the BIOMILQ-issued notebooks for taking detailed notes about BIOMILQ’s “technology and product development, to-do lists for [its] ongoing projects, ideas regarding processes and trouble-shooting for BIOMILQ’s production, strategy regarding product development and commercialization, and information relating to potential partnerships and investors for BIOMILQ.” (Am. Compl. ¶ 50.) BIOMILQ alleges that all of Dr. Strickland’s notebooks are its property and contain its trade secrets and confidential information, and that they were kept in secure locations, including at least: at BIOMILQ’s offices; in a closed bag within Dr. Strickland’s residence; in a closed bag together with a laptop when travelling between home and work; or on Dr. Strickland’s work surface at home. (Am. Compl. ¶¶ 50–51.)

26. This case primarily involves Dr. Strickland’s notebook used from approximately 1 December 2021 to 18 February 2022 (the “Notebook”). (Am. Compl. ¶ 52.) BIOMILQ alleges the Notebook contains trade secret information such as: (1) BIOMILQ’s research and development efforts, including new products; (2) research priorities and next steps for research and development; (3) BIOMILQ’s processes and potential refinements and trouble-shooting for those processes; (4) potential partners

and suppliers; (5) personnel and hiring materials for potential employees; and (6) strategies regarding product development and commercialization of products, including notes from a board meeting where “BIOMILQ laid out plans for research and development going forward for the next two years, and for commercializing products for the next five years.” (Am. Compl. ¶ 52.)

27. In or around March 2020, Mr. Guiliano and Dr. Strickland separated.⁴ (Am. Compl. ¶ 53.) They had an informal joint custody arrangement of their two children but lived separately. (Am. Compl. ¶ 54.)

28. On 18 February 2022, Mr. Guiliano was scheduled to drop the children off at the marital home, where Dr. Strickland was living. (Am. Compl. ¶ 55.) At 5:56 p.m., Dr. Strickland received a text message from her child stating “Dads [sic] taking photos of the stuff in your blue journal.” (Am. Compl. ¶ 55; Am. Compl. Ex. K, ECF No. 42.12.) After receiving this message, Dr. Strickland sent a text message to Mr. Guiliano stating “[g]et the [f__k] out of my journal[.]” (Am. Compl. ¶ 56; Am. Compl. Ex. L, ECF No. 42.13.) In his response, Mr. Guiliano wrote “[i]t’s not fun to see it open to a [redacted] project, but not news either. You should better protect your trade secret theft . . . [t]his is my house, you should get an office.” (Am. Compl. Ex. L, ECF No. 42.13.) BIOMILQ alleges that it would be “devastating” and “at a great risk of losing its competitive position” if the contents of the Notebook were revealed to a competitor. (Am. Compl. ¶ 60.)

⁴ The Court understands that the Orange County District Court Judge presiding over the related proceeding has not made a determination on the date of separation.

29. On 22 February 2022, counsel for BIOMILQ sent a cease-and-desist letter to Mr. Guiliano demanding that (1) he return or sequester any photographs of the Notebook, (2) he refrain from using any of the information in the photographs, and from disseminating the photographs or the information contained in them to any third parties, and (3) if any of the information was already shared with third parties, that he identify those third parties. (Am. Compl. ¶ 61.) Mr. Guiliano acknowledged receipt of the letter on 24 February 2022, but neither he nor his counsel responded. (Am. Compl. ¶ 62.)

D. Procedural History

30. This action was initiated on 4 March 2022 on the filing of the Complaint, (ECF No. 3), and was designated to the undersigned the same day (ECF Nos. 1, 7). The Amended Complaint was filed as of right on 13 April 2022. (*See* Am. Compl.)

31. Contemporaneous with the filing of its Complaint, BIOMILQ filed its Motion for Temporary Restraining Order and Preliminary Injunction. (ECF No. 4.) On 8 March 2020, with the consent of all parties, the Court entered a Consent Order on BIOMILQ's Motion for Temporary Restraining Order ("TRO"). (ECF No. 17.) The TRO provided that Mr. Guiliano would refrain from disseminating the information contained in the Notebook or any photos he may have of it. (ECF No. 17.) That restraining order has remained in effect throughout this litigation.

32. BIOMILQ alleges seven claims for relief against Mr. Guiliano: (1) misappropriation of trade secrets pursuant to the North Carolina Trade Secrets Protection Act, N.C.G.S. § 66-152 *et seq.* (the "TSPA"), (Am. Compl. ¶¶ 63–73);

(2) common law trademark infringement, (Am. Compl. ¶¶ 74–79); (3) unfair or deceptive trade practices in violation of N.C.G.S. § 75-1.1 (the “UDTPA”), (Am. Compl. ¶¶ 80–86); (4) common law unfair competition, (Am. Compl. ¶¶ 87–91); (5) trespass to chattels, (Am. Compl. ¶¶ 92–97); (6) declaratory judgment regarding certain trade secrets and other intellectual property pursuant to N.C.G.S. § 1-253, (Am. Compl. ¶¶ 98–105); and (7) declaratory judgment regarding assignment of patents and patent applications pursuant to N.C.G.S. § 1-253, (Am. Compl. ¶¶ 106–17).

33. As against 108Labs, BIOMILQ alleges the same claims for (1) common law trademark infringement, (2) unfair or deceptive trade practices, (3) common law unfair competition, and (4) declaratory judgment as to intellectual property and certain patents and patent applications alleged in Counts Six and Seven.

34. After two extensions of time for Defendants to respond to the Amended Complaint, (ECF Nos. 57, 72), the Motion was filed on 15 June 2022 (Mot.).⁵

35. After full briefing, on 15 August 2022, BIOMILQ filed its Motion for Leave to File Supplemental Brief in Response to the Motion. (ECF No. 90.) On 9 September 2022, the Court denied the motion without prejudice to the refile of the motion with a supporting brief as required by Business Court Rule 7.2. (ECF No. 94.) BIOMILQ

⁵ On 6 February 2023, following extensive briefing and two hearings on the Motion, counsel for Defendants filed a document entitled Answer and Counterclaims. (ECF No. 120.) The filing does not include a response to the averments in Plaintiff’s Complaint and provides that “pursuant to [Rules] 12(a)(1)(a) and 12(b), the time to answer the [Amended] Complaint is not yet required, as Defendants have a pending Motion to Dismiss before th[e] Court[.]” (ECF No. 120, at 1.) The filing does, however, include over 100 pages of factual and legal allegations. (See ECF No. 120.) The Court does not consider this filing as part of the pleadings for purposes of the Motion and has not considered it in its analysis of the Motion.

then properly filed its motion, and after full briefing, the Court ordered that BIOMILQ was permitted to file its supplemental brief and Defendants were permitted to file a response brief. (ECF Nos. 95–98.)

36. A hearing on the Motion was held 17 November 2022 (the “Hearing”) at which all parties were present and represented by counsel. (See ECF No. 101.) After the Hearing, the Court entered an order permitting supplemental briefing on two patent law issues, (see ECF No. 106), allowing each party to file an initial brief on the issues and a subsequent response brief. A hearing regarding the supplemental briefing was held on 3 February 2023 (the “Subsequent Hearing”) at which all parties were present and represented by counsel. (See ECF No. 119.)

37. Having considered the Motion, briefing, and the arguments by counsel at the Hearing and the Subsequent Hearing, the Motion is ripe for resolution.

III. LEGAL STANDARD

38. In ruling on a motion to dismiss pursuant to Rule 12(b)(6) of the North Carolina Rules of Civil Procedure, the Court reviews the allegations in the Amended Complaint in the light most favorable to Plaintiff. See *Christenbury Eye Ctr., P.A. v. Medflow, Inc.*, 370 N.C. 1, 5 (2017). The Court’s inquiry is “whether, as a matter of law, the allegations of the complaint . . . are sufficient to state a claim upon which relief may be granted under some legal theory[.]” *Harris v. NCNB Nat’l Bank*, 85 N.C. App. 669, 670 (1987). The Court accepts all well-pleaded factual allegations in the relevant pleading as true. See *Krawiec v. Manly*, 370 N.C. 602, 606 (2018). The Court is therefore not required “to accept as true allegations that are merely

conclusory, unwarranted deductions of fact, or unreasonable inferences.” *Good Hope Hosp., Inc. v. N.C. Dep’t of Health & Human Servs.*, 174 N.C. App. 266, 274 (2005) (citation omitted).

39. Furthermore, the Court “can reject allegations that are contradicted by the documents attached, specifically referred to, or incorporated by reference in the complaint.” *Moch v. A.M. Pappas & Assocs., LLC*, 251 N.C. App. 198, 206 (2016) (citation omitted). The Court may consider these attached or incorporated documents without converting the Rule 12(b)(6) motion into a motion for summary judgment. *Id.* (citation omitted). Moreover, the Court “may properly consider documents which are the subject of a plaintiff’s complaint and to which the complaint specifically refers even though they are presented by the defendant.” *Oberlin Capital, L.P. v. Slavin*, 147 N.C. App. 52, 60 (2001) (citation omitted).

40. Our Supreme Court has noted that “[i]t is well-established that dismissal pursuant to Rule 12(b)(6) is proper when ‘(1) the complaint on its face reveals that no law supports the plaintiff’s claim; (2) the complaint on its face reveals the absence of facts sufficient to make a good claim; or (3) the complaint discloses some fact that necessarily defeats the plaintiff’s claim.’ ” *Corwin v. British Am. Tobacco PLC*, 371 N.C. 605, 615 (2018) (quoting *Wood v. Guilford Cty.*, 355 N.C. 161, 166 (2002)). This standard of review for Rule 12(b)(6) is the standard our Supreme Court “uses routinely . . . in assessing the sufficiency of complaints in the context of complex commercial litigation.” *Id.* at 615 n.7 (citations omitted).

IV. ANALYSIS

41. Defendants move to dismiss all seven claims for relief alleged in the Amended Complaint. In the alternative, Defendants request the Court stay the present action pending the complete resolution of the District Court Action.

A. Count One: Misappropriation of Trade Secrets

42. In order for BIOMILQ's misappropriation of trade secrets claim to survive the 12(b)(6) stage, it must allege and "identify a trade secret with sufficient particularity so as to enable a defendant to delineate that which he is accused of misappropriating and a court to determine whether misappropriation has or is threatened to occur." *Washburn v. Yadkin Valley Bank & Trust Co.*, 190 N.C. App. 315, 326 (2008) (citations omitted). "[G]eneral allegations in sweeping and conclusory statements, without specifically identifying the trade secrets allegedly misappropriated, [are] 'insufficient to state a claim for misappropriation of trade secrets.'" *Krawiec v. Manly*, 370 N.C. 602, 610 (2018) (quoting *Washburn*, 190 N.C. App. at 327).

43. The TSPA defines a trade secret as "business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique, or process that" both:

- a. Derives independent actual or potential commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value from its disclosure or use; and

b. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

N.C.G.S. § 66-152(3) (2023); *see also United Therapeutics Corp. v. Liquidia Techs.*, 2022 NCBC LEXIS 120, at **8–9 (N.C. Super. Ct. Oct. 13, 2022) (citing *Sterling Title Co. v. Martin*, 266 N.C. App. 593, 601 (2019)).

44. Our Courts have employed six factors when determining the existence of a trade secret:

(1) the extent to which the information is known outside the business; (2) the extent to which it is known to employees and others involved in the business; (3) the extent of measures taken to guard the secrecy of the information; (4) the value of information to business and its competitors; (5) the amount of effort or money expended in developing the information; and (6) the ease or difficulty with which the information could properly be acquired or duplicated by others.

Combs & Assocs. v. Kennedy, 147 N.C. App. 362, 369–70 (2001). “These factors overlap, and courts do not always examine them separately and individually.”

United Therapeutics, 2022 NCBC LEXIS 120, at **9 (quoting *Vitaform, Inc. v. Aeroflow, Inc.*, 2020 NCBC LEXIS 132, at **19 (N.C. Super. Ct. Nov. 4, 2020)).

45. The TSPA defines misappropriation as the “acquisition, disclosure, or use of a trade secret of another without express or implied authority or consent, unless such trade secret was arrived at by independent development, reverse engineering, or was obtained from another person with a right to disclose the trade secret.” N.C.G.S. § 66-152(1). “General and conclusory allegations of misappropriation will not survive a motion to dismiss.” *United Therapeutics*, 2022 NCBC LEXIS 120, at **10 (citations omitted).

46. Defendants argue that BIOMILQ's claim for misappropriation of trade secrets must be dismissed because (1) the information in the Notebook was already known by Mr. Guiliano because he was listed as an inventor on the '407 Application, and (2) Mr. Guiliano had a right to be in the marital home on 18 February 2022, and leaving the Notebook out in the marital home affirmatively demonstrates that BIOMILQ failed to take reasonable efforts to maintain its secrecy. (Defs.' Br. Supp. Mot. 11–12, ECF No. 77 ["Br. Supp."].)

47. BIOMILQ argues that Mr. Guiliano's contention that he knew the trade secrets cannot be a basis for dismissing this claim. Further, BIOMILQ argues it has pled reasonable efforts to maintain secrecy, including the measures Dr. Strickland took with respect to the notebooks issued to her, and that Mr. Guiliano did not have permission to access the Notebook or enter the home. (BIOMILQ's Br. Resp. Mot. 20, 22, ECF No. 83 ["Resp. Br."].)

1. Identifying the Trade Secret with Sufficient Particularity

48. BIOMILQ alleges that the Notebook contained its trade secret information, including: (1) its research and development efforts, including new products; (2) research priorities and next steps for research and development; (3) BIOMILQ's processes and potential refinements and trouble-shooting for those processes; (4) potential partners and suppliers for BIOMILQ; (5) personnel and hiring material for potential employees; and (6) strategies regarding product development and commercialization of products including prospective plans for research, development, and commercializing products. (Am. Compl. ¶¶ 52, 65.)

49. These allegations are sufficient to survive Rule 12(b)(6) scrutiny, and are similar to allegations that have been sufficient in prior cases. *See, e.g., S. Fastening Sys. v. Grabber Constr. Prods.*, 2015 NCBC LEXIS 42, at *11 (N.C. Super. Ct. Apr. 28, 2015) (trade secrets were alleged as “confidential freight information, sales reports, prices and terms books, sales memos, sales training manuals, commission reports, and information concerning SFS’s relationship with its vendors”); *Bldg. Ctr., Inc. v. Carter Lumber, Inc.*, 2016 NCBC LEXIS 79, at *11–13 (N.C. Super. Ct. Oct. 21, 2016) (trade secrets were alleged as including “confidential and proprietary business information such as: names and contacts of customers; customer preferences, including the needs, requirements, and values of customers; sales and marketing strategies; pricing structures; margins and profits; manufacturing technologies; and other confidential business information”).

2. Taking Reasonable Steps to Maintain the Secrecy of the Alleged Trade Secrets

50. The far more difficult inquiry is whether BIOMILQ pled sufficient facts demonstrating that it engaged in reasonable efforts to maintain the secrecy of its alleged trade secrets.

51. North Carolina law is clear that to state a claim for misappropriation of trade secrets, a plaintiff must allege that the trade secret information is subject to reasonable efforts to maintain its secrecy. N.C.G.S. § 66-152(3)(b). “Plaintiffs must allege the reasonable efforts taken . . . [because t]he mere assertion that [trade secrets] were kept confidential is not enough to withstand a [Rule] 12(b)(6) motion to

dismiss.” *McKee v. James*, 2013 NCBC LEXIS 33, at *37–38 (N.C. Super. Ct. July 24, 2013) (citation omitted).

52. BIOMILQ contends that it alleged reasonable steps to keep this information secret and confidential. (Resp. Br. 22–23; see Am. Compl. ¶¶ 66–67.) It alleges that a full notebook, meaning one no longer in use, “is stored in a secure location in BIOMILQ’s offices” and that Dr. Strickland’s filled notebooks are stored in a locked drawer in her personal office at BIOMILQ. (Am. Compl. ¶ 67.)

53. While BIOMILQ alleges its security measures generally, it does not allege measures taken to maintain the secrecy of the trade secrets at issue in the Notebook, or what its security practices were for notebooks currently in use by Dr. Strickland. Instead, BIOMILQ makes only general statements about how notebooks were treated during use. It alleges that Dr. Strickland kept her notebooks in secure locations such as (1) at BIOMILQ’s offices, (2) in a closed bag within her residence which, it alleges, she does not share with Mr. Guiliano, (3) in a closed bag together with her laptop when travelling between home and work, and (4) on her work surface at home. (Am. Compl. ¶ 51.) However, North Carolina law is clear that stating something is “secure” or “kept confidential” is not enough to survive a motion to dismiss without allegations of efforts to protect the misappropriated trade secrets. See *McKee v. James*, 2013 NCBC LEXIS 33, at **37–38 (N.C. Super. Ct. July 24, 2013); *Bldg. Ctr., Inc. v. Carter Lumber, Inc.*, 2016 NCBC LEXIS 79, at *13–14 (N.C. Super. Ct. Oct. 21, 2016).

54. This case is similar to *McKee v. James*, where the complaint contained “no allegations outlining the reasonable measures [p]laintiffs relied on to maintain the

secrecy of their construction methods.” 2013 NCBC LEXIS 33, at **38. There, the only allegation in the complaint mentioning the protection of plaintiffs’ confidential information was that the information was password protected. *Id.* at **38. The Court held that plaintiffs failed to allege facts tending to demonstrate reasonable efforts to protect the secrecy of the information. *Id.* at **39.

55. Here, the sole protection afforded the Notebook on Dr. Strickland’s desk at her shared home is analogous to the confidential information in *McKee*. Just as the construction methods in *McKee* were protected only by a password, the Notebook was protected only by a lock on the home to which Mr. Guiliano had access.⁶ *See also Edgewater Servs. v. Epic Logistics, Inc.*, 2009 NCBC LEXIS 21, at **12–13 (N.C. Super. Ct. Aug. 11, 2009) (recognizing that maintaining files in an unlocked room, accessible to all employees without safeguards to ensure security, was not reasonable under the circumstances given that “anybody could access the information . . . if they knew where to go and what they were looking for”).

56. BIOMILQ cites *Building Center Inc. v. Carter Lumber, Inc.* to support its contention that it has sufficiently alleged the reasonable secrecy efforts element, claiming that “only where efforts to maintain secrecy of the allegedly misappropriated trade secrets were completely absent have North Carolina courts dismissed claims at the 12(b)(6) stage.” 2016 NCBC LEXIS 79, at *13. However, in *Building Center*, this

⁶ The Amended Complaint does not allege facts addressing whether Mr. Guiliano had a key to the dwelling, or if the children had a key and let him in on the occasions that he took them home after school. The Amended Complaint also does not allege that the Orange County District Court Judge presiding over the related proceeding made a determination on whether the house was Dr. Strickland’s private residence or whether Mr. Guiliano was prohibited from entering it even though he holds title to it.

Court found that there were *three* security measures pled by plaintiff, including a “password-protected login, controlled and permission-restricted access on a need-to-know basis, and confidentiality policies and/or agreements.” *Id.* at *14.

57. Unlike in *Building Center*, BIOMILQ has pled that, at most, the Notebook was protected by Dr. Strickland individually or by the home. It does not allege that the Notebook stayed in a locked drawer or room within the home, nor does it allege any restricted access to the Notebook, or any confidentiality policies or agreements, like in *Building Center*. Keeping the Notebook in a closed bag at home, in a closed bag when travelling between work and home, or on a work surface at home, are not measures taken to maintain the secrecy of the trade secrets.

58. Given that BIOMILQ alleges the trade secrets contained in the Notebook were highly sought after by competitors, that Mr. Guiliano was allegedly pursuing cell-cultured human milks, that Mr. Guiliano on at least some occasions brought the children to Dr. Strickland’s residence, and that Dr. Strickland was keeping the Notebook unlocked in a building at least partially owned by Mr. Guiliano and to which he had access, at least on the occasions he took the children to the home, the measures BIOMILQ took to maintain the secrecy of the Notebook are unreasonable under the circumstances.

59. Even giving BIOMILQ the benefit of an expansive and forgiving reading of the Amended Complaint, it has failed to allege reasonable measures to maintain the secrecy of the Notebook and the alleged trade secrets contained therein. Since the Amended Complaint fails to allege facts specific to a required element of the

misappropriation claim, the Motion is **GRANTED** as to Count One and that claim is hereby dismissed without prejudice.⁷

B. Count Two: Common Law Trademark Infringement

60. “Under North Carolina law, a common law claim for trademark infringement of an unregistered mark is analyzed under federal law standards regarding infringement claims of unregistered trademarks.” *Cty. of Wake Johnson & Morris, PLLC v. Abdelbaky & Boes, PLLC*, 2017 NCBC LEXIS 89, at *13 (N.C. Super. Ct. Sept. 28, 2017) (citations omitted). For the common law trademark infringement claim to survive at the Rule 12(b)(6) stage, BIOMILQ must allege “(a) [that] it has a valid and protectable mark, and (b) that [Defendants] use of its mark is likely to cause confusion among consumers.” *Id.* at *13–14 (citing *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 930 (4th Cir. 1995); *B & J Enters. v. Giordano*, 329 Fed. App’x 411, 416 (4th Cir. 2009)).

61. Defendants argue that Count Two must be dismissed because the Amended Complaint fails to allege that the mark “BIOMILQ” was used by BIOMILQ at any definitive time prior to the use of the mark by Defendants. (Br. Supp. 13.) Defendants contend that 108Labs was the first to use the word mark “BIOMILQ” in

⁷ Notwithstanding the Court’s conclusions that this claim should be dismissed, “[t]he decision to dismiss an action with or without prejudice is in the discretion of the trial court.” *First Fed. Bank v. Aldridge*, 230 N.C. App. 187, 191 (2013). The Court concludes, in the exercise of its discretion, that dismissal of BIOMILQ’s misappropriation of trade secrets claim should be without prejudice to BIOMILQ’s right to attempt to reassert such claim through proper factual allegations by way of a motion to amend.

December 2019, and therefore that it has priority over any alleged use by BIOMILQ of that word mark.⁸ (Br. Supp. 13–14.)

62. BIOMILQ argues that it has alleged “(1) it has valid protectable rights in the BIOMILQ mark, and (2) that Defendants’ use of a colorable imitation is likely to cause confusion among consumers.” (Resp. Br. 24 (citing *Windsor Jewelers, Inc. v. Windsor Fine Jewelers, LLC*, 2009 NCBC LEXIS 19, at *64 (N.C. Super. Ct. Feb. 16, 2009)).) It argues that, at this stage, nothing else is required for the claim to survive. The Court agrees.

63. BIOMILQ alleged it has used the word mark “BIOMILQ” since no later than 2020, and that Defendants’ use of the mark is likely to cause confusion by misleading the public into inferring an affiliation between Defendants and BIOMILQ. (Am. Compl. ¶¶ 75, 77–78.) BIOMILQ has satisfied the pleading requirements for this claim to survive the Motion, and therefore the Motion is **DENIED** with respect to Count Two.

C. Count Three: Unfair and Deceptive Trade Practices

64. BIOMILQ brings its claim for violations of the UDTPA against Defendants for (1) falsely representing that Mr. Guiliano’s own ventures are affiliated with BIOMILQ, and (2) trade secret theft. (Resp. Br. 25.)

65. To state a claim for a violation of the UDTPA, a plaintiff must allege that “(1) defendant committed an unfair or deceptive act or practice, (2) the action in

⁸ While Defendants assert that 108Labs has priority as the first to use the word mark “BIOMILQ”, Defendants rely on information outside the Amended Complaint for this proposition.

question was in or affecting commerce, and (3) the act proximately caused injury to the plaintiff.” *Dalton v. Camp*, 353 N.C. 647, 656 (2001). “A practice is unfair if it is unethical or unscrupulous, and it is deceptive if it has a tendency to deceive.” *Id.*

66. BIOMILQ alleges a violation of the UDTPA against Defendants for knowingly and intentionally misrepresenting to BIOMILQ’s potential investors that Defendants were affiliated with BIOMILQ and its technology. As against Mr. Guiliano only, BIOMILQ alleges a violation of the UDTPA for theft of the Notebook and the trade secret information therein. (Am. Compl. ¶¶ 81, 83.)

67. As to the first alleged violation of the UDTPA, this claim appears to rely on BIOMILQ’s claim for trademark infringement alleged in Count Two. (Am. Compl. ¶¶ 77, 81.) Pursuant to N.C.G.S. §§ 80-11–13, a claim for common law trademark infringement may constitute a violation of the UDTPA. *See also Window Gang Ventures, Corp. v. Salinas*, 2019 NCBC LEXIS 24, at *55 (N.C. Super. Ct. Apr. 2, 2019) (“Window Gang’s allegations in support of its surviving claims for trademark infringement . . . support[s] the denial of [d]efendants’ [m]otion to dismiss Window Gang’s UDTPA claim”).

68. Therefore, because the Court at this stage declines to dismiss the common law trademark infringement claim, the Court **DENIES** in part the Motion as to this claim to the extent it relies on the allegations in Count Two. However, given that the misappropriation of trade secrets claim is dismissed, the Court **GRANTS** in part the Motion, without prejudice, to the extent this claim is premised on Count One.

D. Count Four: Common Law Unfair Competition

69. BIOMILQ brings its unfair competition claim against Defendants, alleging Defendants' claims of connection with BIOMILQ, including its technology, were misleading and deceiving. (Am. Compl. ¶ 88.) BIOMILQ alleges that it developed its own technology and patents, without contribution from 108Labs or Mr. Guiliano. (Am. Compl. ¶ 89.)

70. "The gravamen of unfair competition is the protection of a business from misappropriation of its commercial advantage earned through organization, skill, labor, and money." *Henderson v. U.S. Fid. & Guar. Co.*, 346 N.C. 741, 749 (1997). "Unfair competition has been found to encompass a range of behaviors 'such as trademark infringement, imitation of a competitor's product or its appearance, interference with a competitor's contractual relations, [and] disparagement of a competitor's product or business methods, and misappropriation of a competitor's intangible property rights such as advertising devices or business systems.'" *Gateway Mgmt. Servs. v. Carrbridge Berkshire Grp., Inc.*, 2018 NCBC LEXIS 45, at *19–20 (N.C. Super. Ct. May 9, 2018) (quoting *Stearns v. Genrad, Inc.*, 564 F. Supp. 1309, 1320 (M.D.N.C. 1983)).

71. "Courts have recognized that a claim for common law unfair competition is analyzed as a claim for unfair or deceptive trade practices under [N.C.]G.S. § 75-1.1." *Cty. Wake PDF Elec. & Supply Co., LLC v. Jacobsen*, 2020 NCBC LEXIS 103, at *26 (N.C. Super. Ct. Sept. 9, 2020); see also *Global Textile Alliance, Inc. v. TDI Worldwide, LLC*, 2018 NCBC LEXIS 104, at *23 (N.C. Super. Ct. Oct. 9, 2018) ("The standard

which a plaintiff must meet to recover on an unfair competition claim under the common law is not appreciably different from a claim for unfair or deceptive trade practices.” (cleaned up)).

72. Because the same analysis for UDTPA claims applies to claims for common law unfair competition, and that these allegations mirror those against Defendants in Count Two, the Court concludes that this claim survives dismissal to the extent it is based on Count Two. *See Global Textile Alliance*, 2018 NCBC LEXIS 159, at *23. Therefore, the Motion is **DENIED** as to Count Four.

E. Count Five: Trespass to Chattels

73. “The tort of trespass to chattels is a trespass to personal property based on an ‘injury to possession.’” *Dishner v. Goneau*, 2017 NCBC LEXIS 7, at *12 (N.C. Super. Ct. Jan. 30, 2017) (quoting *Fordham v. Eason*, 351 N.C. 151, 155 (1999)). To state a claim of trespass to chattels, a plaintiff must allege that it “had either actual or constructive possession of the [personal property] in question at the time of the trespass, and that there was an unauthorized, unlawful interference [with] or dispossession of the property.” *Fordham*, 351 N.C. at 155. “Actual possession consists of exercising dominion over” or “making ordinary use of” the property, while constructive possession exists where “there is title granting an immediate right to actual possession.” *Id.* “The key to assessing possession under a trespass to chattel claim is determining if there is a right to present possession whenever so desired, or a right to immediate actual possession.” *Id.* (citing *Carson v. Noblet*, 4 N.C. 136, 136 (1814); *White v. Morris*, 8 N.C. 301, 303 (1821)).

74. An unauthorized, unlawful interference or dispossession of the property may be shown by alleging that “(1) a person dispossesses the other of the chattel; or (2) the chattel is impaired as to condition, quality, or value; or (3) the possessor is deprived of use of chattel for a substantial time; or (4) bodily harm is caused to the possessor or some person or thing in which possessor has a legally protected interest.” *HSG, LLC v. Edge-Works Mfg. Co.*, 2015 NCBC LEXIS 91, at *18 (N.C. Super. Ct. Oct. 5, 2015) (citation omitted). “A party may not merely claim that another accessed or touched [its] property without permission; instead [it] must show that such access or touching actually interfered with [its] use of the property in some fashion.” *Id.* (citation omitted).

75. Defendants argue that BIOMILQ has failed to satisfy the element of actual or constructive possession of the Notebook, arguing that the Notebook was outside its possession because it was in Dr. Strickland’s possession, unsecured and unattended. (Br. Supp. 19.)

76. The Amended Complaint alleges that Mr. Guiliano photographed the Notebook while in Dr. Strickland’s residence, and that, even though the Notebook was in the custody of Dr. Strickland, it was possessed by BIOMILQ. (Am. Compl. ¶¶ 93–94.) Therefore, it alleges BIOMILQ had constructive possession of the Notebook, given that Dr. Strickland was its employee. The Court agrees with BIOMILQ that the allegations in the Amended Complaint marginally meet the pleading requirement for the first required element of the claim.

77. As to the second required element, BIOMILQ alleges that Mr. Guiliano, by photographing each page and turning the pages of the Notebook, intentionally trespassed and caused harm to BIOMILQ's interest in its confidential business information and trade secrets. (Am. Compl. ¶¶ 95–96.) However, this is insufficient to meet the pleading requirements because, even viewing the allegations in the light most favorable to BIOMILQ, it has not alleged an unauthorized, unlawful interference with or dispossession of the property.

78. BIOMILQ has not alleged the existence of any of the four non-exclusive factors provided by the Court in *Edge-Works Manufacturing*. BIOMILQ has not alleged that Mr. Guiliano dispossessed it of the Notebook; it has not alleged that the condition, quality, or value of the Notebook was impaired; it has not alleged that it was deprived of using the Notebook for a substantial time; and, it has not alleged that bodily harm was caused to the possessor. *See Edge-Works Mfg. Co.*, 2015 NCBC LEXIS 91, at *18. Rather, BIOMILQ alleged at most that the purported trade secrets contained *within* the Notebook were devalued. That, however, is an intellectual property issue fit for a different cause of action. Therefore, the pleadings do not support a viable claim for trespass to chattels, and the Motion is hereby **GRANTED** as to Count Five.

F. Counts Six and Seven: The Declaratory Judgment Claims

79. “A motion to dismiss for failure to state a claim is seldom appropriate ‘in actions for declaratory judgments, and will not be allowed simply because the plaintiff may not be able to prevail.’” *Morris v. Plyler Paper Stock Co.*, 89 N.C. App. 555, 557

(1988) (quoting *N.C. Consumers Power, Inc. v. Duke Power Co.*, 285 N.C. 434, 439 (1974)). “Rather, a motion to dismiss a declaratory[] judgment claim is appropriate only when the complaint does not allege an actual, genuine existing controversy, which prevents a court from entering a purely advisory opinion.” *Bennett v. Bennett*, 2019 NCBC LEXIS 19, at *30–31 (N.C. Super. Ct. Mar. 15, 2019) (cleaned up). The question is not whether the plaintiff will prevail on their claim, “[i]t is only whether they have identified an actual, genuine controversy.” *Id.* at *32.

1. Count Six

80. BIOMILQ’s claim for declaratory judgment in Count Six alleges that “an actual controversy exists . . . as to the ownership of certain trade secrets, know-how, processes, and confidential and/or proprietary information, or other intellectual property developed by BIOMILQ.” (Am. Compl. ¶ 100.) It also alleges that these assets are “the sole property of BIOMILQ” and that Defendants have no ownership rights in, or rights to use, those assets. (Am. Compl. ¶¶ 101–02.) BIOMILQ alleges it suffered from Defendants’ contention of ownership to third parties when potential investors reached out to BIOMILQ for clarification, and then ultimately declined to invest in BIOMILQ. (Am. Compl. ¶ 104.) Therefore, BIOMILQ alleges it is entitled to a declaration from the Court as to its ownership rights in these assets. (Am. Compl. ¶ 105.)

81. Defendants contend that Count Six must be dismissed because there is no actual controversy. According to Defendants, all BIOMILQ’s activities and intellectual property are derived from “inventions, discoveries, intellectual property,

and patentable processes created by Dr. Strickland and [Mr.] Guiliano under the banner of 108Labs.” (Br. Supp. 20–21.) This argument by Defendants seems to confirm, rather than dispel, the existence of a genuine dispute.

82. Here, BIOMILQ has identified and pled an actual, genuine controversy between it and Defendants concerning the ownership rights of certain trade secrets,⁹ know-how, and other intellectual property developed as early as 2019. The controversy arises out of the parties’ opposing contentions regarding Dr. Strickland’s alleged assignment agreement with BIOMILQ in March 2020. (Am. Compl. ¶ 24.)

83. BIOMILQ has adequately stated a claim for declaratory judgment. Therefore, the Motion with respect to Count Six is hereby **DENIED**.

2. Count Seven

84. Count Seven requests a declaratory judgment on BIOMILQ’s and Defendants’ respective rights to use or to exclude others from using the subject matter of the patents discussed herein at Part II.B. (Am. Compl. ¶ 108; *see supra* ¶¶ 18–22.)

85. Federal courts have exclusive jurisdiction over claims arising under federal patent law, but they do not have general subject matter jurisdiction over *all* issues involving patents. *See* 28 U.S.C § 1338; 35 U.S.C. § 256 (2023). Federal jurisdiction under 28 U.S.C. § 1338(a) extends “only to those cases in which a well-pleaded complaint establishes either (1) that federal patent law creates the cause of action or

⁹ The Court has granted the Motion as to Count One for BIOMILQ’s failure to allege sufficient facts concerning its efforts to maintain the secrecy of alleged trade secrets in the Notebook. Therefore, to the extent BIOMILQ requests a declaratory judgment concerning its ownership of that information, the claim does not survive the Motion. However, to the extent BIOMILQ seeks a declaratory judgment with respect to other trade secrets, Count Six survives.

(2) that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." *Christianson v. Cold Indus. Operating Corp.*, 486 U.S. 800, 808–09 (1988) (cleaned up). For cases arising under § 1338(a), Congress has expressly eliminated state jurisdiction. *See Gunn v. Minton*, 568 U.S. 251, 257 (2013). However, "[t]he mere existence of a patent law issue does not necessarily mean that the claim arises under federal patent law." *Litéra Corp. v. Martinez*, 2017 NCBC LEXIS 35, at *19 (N.C. Super. Ct. Apr. 19, 2017).

86. Where a claim "finds its origins in state rather than federal law," the Supreme Court has "identified a special and small category in which arising under jurisdiction still lies." *Gunn*, 568 U.S. at 258. "[F]ederal jurisdiction over a state law claim will lie if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress." *Id.* Where all four elements are met, "jurisdiction is proper because there is a 'serious federal interest in claiming the advantages thought to be inherent in a federal forum'[".]” *Id.* (quoting *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 314 (2005)).

87. Whether a claim depends on a substantial question of patent law "must be determined from what necessarily appears in the [party's] statement of his own claim." *Christianson*, 486 U.S. at 809. "If on the face of a well-pleaded complaint there are reasons completely unrelated to the provisions and purposes of the patent laws why the party may be entitled to the relief it seeks, then the claim does not arise

under patent law.” *Litéra Corp.*, 2017 NCBC LEXIS 35, at *19–20 (cleaned up) (citations omitted).

88. “[I]nventorship is a question of who actually invented the subject matter claimed in a patent,” whereas “[o]wnership . . . is a question of who owns legal title to the subject matter claimed in a patent, patents having the attributes of personal property.” *See Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248 (Fed. Cir. 1993). “[T]he question of who owns patent rights, and on what terms, typically is a question exclusively for state courts and not one arising under United States patent laws.” *Int’l Nutrition Co. v. Horphag Research Ltd.*, 257 F.3d 1324, 1329 (Fed. Cir. 2001). For example, “[i]f a party’s claim of ownership arises based on an express assignment contract or an implied-in-fact contract then state law controls, and the claim does not involve a question of federal patent law.” *Litéra Corp.*, 2017 NCBC LEXIS 35, at *21–22 (citing *Morris v. Scenera Research, LLC*, 2012 NCBC LEXIS 1, at *16 (N.C. Super. Ct. Jan. 4, 2012)). However, “if a party’s claim of ownership depends entirely on the assertion that he invented the technology, then the ‘ownership claim . . . turn[s] on the question of inventorship’ and federal patent law controls.” *Id.* at *22 (citing *CamSoft Data Sys., Inc. v. S. Elecs. Supply, Inc.*, 638 F. App’x 255, 263 (5th Cir. 2015)).

89. Here, the critical issue before the Court is whether BIOMILQ’s Count Seven for declaratory judgment necessarily depends upon the issue of inventorship, given that it is well established that “inventorship is a unique question of patent law”

that cannot be adjudicated by state courts. *HIF Bio, Inc. v. Yung Shin Pharms. Indus. Co.*, 600 F.3d 1347, 1353 (Fed. Cir. 2010).

90. BIOMILQ alleges that “an actual controversy exists between the parties as to the ownership of the ’358 Application, the ’149 Application, the ’480 Application, the ’216 Application, the ’477 Patent, and the ’843 Patent, and patents and applications claiming priority to the same.” (Am. Compl. ¶ 108.) It alleges that Dr. Strickland, as the sole named inventor on the ’358 Application and the ’478 Patent, assigned all her rights in those to BIOMILQ. (Am. Compl. ¶ 109.) It further alleges that Dr. Strickland, as the sole named inventor on the ’149 Application, the ’480 Application, the ’216 Application, and the ’843 Patent, assigned all rights in each of those to BIOMILQ. (Am. Compl. ¶ 110.)

91. BIOMILQ alleges that Mr. Guiliano “falsely and repeatedly asserted that he was involved in the development of, or is entitled to exploit for his and 108Labs’[s] own benefit, at least a portion of the subject matter claimed” in the listed patents and patent applications. (Am. Compl. ¶ 111.) It also alleges that Mr. Guiliano has asserted that Defendants have an ownership interest in those patents and patent applications. (Am. Compl. ¶ 112.) Therefore, BIOMILQ seeks a declaration that it is the sole owner of the patents and patent applications, and that Defendants have no ownership or claim to ownership of them, including no rights in or rights to control or direct activities related the patents and patent applications. (Am. Compl. ¶ 115.)

92. The relevant inquiry is “whether ‘the only possible theory upon which relief could be granted . . . would be one in which determining the true inventor(s) of

competing patents is essential,’ in which event the claim arises under patent law.” *Litéra Corp.*, 2017 NCBC LEXIS 35, at *20 (quoting *HIF Bio, Inc.*, 600 F.3d at 1353). Here, it is not, and thus Count Seven does not arise under federal patent law.

93. Here, BIOMILQ alleges that, except for the ’407 Application, it is the owner of the patents and applications discussed herein. (Am. Compl. ¶ 108.) BIOMILQ alleges that its ownership in the patents and applications is a result of Dr. Strickland assigning her “rights in each of those patents and applications to BIOMILQ.” (Am. Compl. ¶ 109–10.)

94. In its allegations concerning ownership, BIOMILQ does not raise any arguments concerning the validity or invalidity of the inventorship of the patents and patent applications. In fact, at the Subsequent Hearing, the Court asked counsel if either side contended that there was a real, present controversy over inventorship. Counsel for Defendants stated that Defendants did not wish to make a claim for inventorship in this Court, and counsel for BIOMILQ reiterated that Count Seven is expressly limited to the issue of its ownership resulting from Dr. Strickland’s assignment agreements. Counsel for BIOMILQ also clarified that Count Seven, as alleged, concerns the various ways Mr. Guiliano has allegedly asserted that the patents and patent applications should properly belong to him or to 108Labs through some operation of contract or corporate laws. (See Am. Compl. ¶ 116–17.) Counsel argued, therefore, that Count Seven is a claim properly presented to a state court rather than a federal court.

95. BIOMILQ has expressly limited its Count Seven to the issue of its ownership of the '358 Application, the '149 Application, the '480 Application, the '216 Application, the '477 Patent, the '843 Patent, and those patents and patent applications claiming priority to the same. (Am. Compl. ¶ 114–15.) If a party's claim of ownership arises based on an assignment contract, either express or implied, state law controls, and the claim need not be dismissed for lack of subject matter jurisdiction. *See Litéra Corp.*, 2017 NCBC LEXIS 35, at *21–22; *CamSoft Data Sys.*, 638 Fed. Appx. at 263 (“To be certain, there will be disputes over ownership in which inventorship is immaterial. For example, parties may make other arrangements, such as a contract, that result in the automatic assignment of ownership rights to persons other than the undisputed inventor.”); *Int’l Nutrition Co.*, 257 F.3d at 1329 (“[T]he question of who owns patent rights, and on what terms, typically is a question exclusively for state courts and not one arising under United States patent laws.”); *see also Speck v. North Carolina Dairy Foundation, Inc.*, 311 N.C. 679, 686–87 (1984) (The Supreme Court of North Carolina, dealing with a patent ownership issue, finding that “the secret process developed through the research of the plaintiffs belonged to the University absent a written contract by the University to assign,” thus indicating that ownership of patentable processes is adjudicated in state court).

96. Further, even if Defendants, in answering the Amended Complaint, raise a defense of inventorship, that is not enough to remove this case to federal court. *See Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 14 (1983) (“[A] case may not be removed to federal court on the basis of a federal defense . . . even if the

defense is anticipated . . . and even if both parties admit that the defense is the only question truly at issue in the case.”).

97. Therefore, this Court has subject matter jurisdiction to reach Defendants’ Motion as to BIOMILQ’s Count Seven because the claim concerns ownership of certain patent rights, not the inventorship of those patents or patent applications. Further, based on the allegations in the Amended Complaint and the exhibits thereto, BIOMILQ has identified and pled an actual, genuine controversy between it and Defendants concerning the ownership rights of the ’358 Application, the ’149 Application, the ’480 Application, the ’216 Application, the ’477 Patent, and the ’843 Patent, arising out of opposing contentions regarding Dr. Strickland’s alleged assignment to BIOMILQ of her rights in them. Therefore, BIOMILQ has stated a claim for declaratory judgment, and the Motion is hereby **DENIED** as to Count Seven.

G. Defendants’ Request the Court Stay the Business Court Action, Pending Resolution of the District Court Action

98. In addition to seeking dismissal of all claims, the Motion alternatively requests a stay of any surviving claims. In this regard, Defendants contend that the issues before the Court are “interrelated” to those in the District Court Action and that, because the parties and subject matter overlap, the Court must stay the matters pending before it. (Br. Supp. 22.) Defendants contend that “[a]ll of the matters in this litigation as to ownership of intellectual property and patentable processes are interrelated to” the District Court Action. (Br. Supp. 22.)

99. In North Carolina, the district courts are “the proper division . . . for the trial of civil actions and proceedings for annulment, divorce, equitable distribution of property, alimony, child support, child custody and the enforcement of separation or property settlement agreements between spouses, or recovery for the breach thereof.” N.C.G.S. § 7A-244. In an equitable distribution action, the district court must “determine what is the marital property and divisible property and shall provide for an equitable distribution of the marital property and divisible property between the parties[.]” N.C.G.S. § 50-20(a). The purpose of the Equitable Distribution Act is “to divide property equitably, based upon the relative positions of the parties at the time of divorce, rather than on what they may have intended when the property was acquired.” *Mims v. Mims*, 305 N.C. 41, 54 (1982).

100. In *Baldelli v. Baldelli*, the Court of Appeals decided an issue factually similar to the issue now before the Court. 249 N.C. App. 603 (2016). In that case, the parties were separated in 2013 and filed claims for equitable distribution of their marital property in Moore County District Court. *Id.* at 604. Plaintiff later filed an action in Moore County Superior Court, asserting five claims related to businesses incorporated during the marriage. *Id.* Defendant moved to dismiss the action in Superior Court, and in the alternative, requested that court hold the action in abeyance until the district court matter was settled. *Id.* The Superior Court dismissed the action for lack of subject matter jurisdiction, and plaintiff appealed. *Id.* at 604–05. On appeal, the Court of Appeals found that the Superior Court erred by dismissing the action. *Id.* at 605.

101. The Court of Appeals in *Baldelli*, relying on its prior decision in *Jessee v. Jessee*, applied the “prior pending action” doctrine in finding that the dismissal was in error. *Id.*; see *Jessee v. Jessee*, 212 N.C. App. 426, 438 (2011). The prior pending action doctrine is

intended to prevent the maintenance of a subsequent action that is wholly unnecessary and, for that reason, furthers the interest of judicial economy. The ordinary test for determining whether or not the parties and causes are the same for the purpose of abatement by reason of the pendency of the prior action is this: Do the two actions present a substantial identity as to parties, subject matter, issues involved, and relief demanded?

Jessee, 212 N.C. App. at 438 (internal citations and marks omitted). In applying this test, the *Baldelli* Court found that while “it is possible that the equitable distribution action could resolve the [breach of fiduciary duty claim], it is also possible that the equitable distribution action will leave these issues unresolved, or . . . leave [p]laintiffs without the full remedy that would be provided in the superior court action.” *Baldelli*, 249 N.C. App. at 607.

102. In *Jessee v. Jessee*, the Court of Appeals held that, even though the “prior pending action” doctrine did not mandate dismissal of the superior court action, where “there is a clear interrelationship between the two cases, such that the equitable distribution portion of the domestic relations case should be resolved prior to the determination of the [superior court] case,” the superior court case should be “held in abeyance pending resolution of the domestic relations case[.]” *Jessee*, 212 N.C. App. at 439.

103. In *Burgess v. Burgess*, ownership of a company jointly owned by a husband and wife was at issue in an equitable distribution action, and while that case was pending, the wife filed a shareholder derivative suit in superior court. 205 N.C. App. 325, 326 (2010). The Court of Appeals held that the superior court had jurisdiction over the wife's claims for breach of fiduciary duty and for an accounting and inspection of corporate books and records, because those claims did not involve the division of marital property, were outside the scope of N.C.G.S. § 50-20, and were separate claims of the corporation. *Id.* at 331–32. The court held that even if the corporation were added as a party to the district court action, the wife in *Burgess* would not be entitled to the relief she sought in the derivative action, and the district court could not obtain jurisdiction over the shareholder derivative suit by statute. *Id.* at 333–34.

104. Here, the Business Court action is the first filed action because it was initiated on 4 March 2022 with the filing of the Complaint. (ECF No. 3.) The record indicates that the District Court Action was initiated on 8 March 2022. (ECF No. 75.2.) Consequently, this case differs from *Baldelli*, *Jessee*, and *Burgess*, given that the Business Court action predates the District Court Action.

105. Further, the parties and causes of action before the Court differ from those in the District Court Action. In this case, the parties are BIOMILQ, Mr. Guiliano, and 108Labs, while in the District Court Action, the parties are BIOMILQ, Mr. Guiliano, Dr. Strickland, and Ms. Egger. Moreover, as in *Burgess*, the issues involved and relief demanded here are dissimilar from those in the District Court

Action. As discussed at length herein, this case concerns the separate claims of BIOMILQ regarding Defendants’ alleged trademark infringement, unfair and deceptive trade practices, unfair competition, and ownership over certain claimed trade secrets and intellectual property. The District Court Action concerns the identification and distribution of Dr. Strickland and Mr. Guiliano’s marital and divisible property. Thus, there is hardly overlap, if any, between this action and the District Court Action.¹⁰ Just as in *Burgess*, this case does not involve the division of marital property, and even if the parties in each action were identical, BIOMILQ would not be entitled to the relief it seeks here in the District Court Action.

106. Because the Court determines that the two cases are not sufficiently interrelated that a stay, at this time, is warranted, the Court hereby **DENIES** the Motion as to Defendants’ request to hold these proceedings in abeyance, without prejudice.

V. CONCLUSION

107. **THEREFORE**, for the foregoing reasons, the Court hereby **GRANTS** in part, and **DENIES** in part, the Motion as follows:

- a. The Motion is **GRANTED** as to Count One, and this claim is dismissed without prejudice;

¹⁰ The Amended Complaint alleges that Dr. Strickland used “her personal funds to pay for” the first cell-cultured human breast milk experiment in November 2019, and that she “did not use 108Labs funds to pay for the experiment” even though the work was arranged through 108Labs. (Am. Compl. ¶ 21.) Dr. Strickland also allegedly rented lab space and equipment under the name of 108Labs. (Am. Compl. ¶ 22.) Given the procedural posture of this case and the District Court Action, these allegations are not sufficient to give rise to a conclusion that any of the issues before this Court would require it to divide and distribute marital property.

- b. The Motion is **DENIED** as to Count Two;
- c. The Motion is **GRANTED** in part, and **DENIED** in part as to Count Three, and this claim is dismissed in part without prejudice to the extent it is premised on Count One;
- d. The Motion is **DENIED** as to Count Four;
- e. The Motion is **GRANTED** as to Count Five, and this claim is dismissed without prejudice;
- f. The Motion is **DENIED** as to Count Six;
- g. The Motion is **DENIED** as to Count Seven; and
- h. The alternative Motion to hold proceedings in abeyance pending resolution of the District Court Action is **DENIED** without prejudice.

Pursuant to Rule 12(a)(1)(a), Defendants shall serve a responsive pleading within 20 days of entry of this Order.

IT IS SO ORDERED, this the 10th day of February, 2023.

/s/ Michael L. Robinson
Michael L. Robinson
Special Superior Court Judge
for Complex Business Cases