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JUUL INSIGHTS

PROTECTING YOUTH FROM ILLEGAL, UNREGULATED, AND HARMFUL COUNTERFEIT AND INFRINGING PRODUCTS

Overview

In November 2018, JUUL Labs announced our action plan to combat underage use.

We have since been aggressively examining the landscape through thousands of secret-shopping visits to stores and online-monitoring, and are dismayed that other companies are aggressively selling counterfeit JUUL devices and JUUL-compatible nicotine cartridges illegally. These products, which are sold both online and in physical stores, are unlawful, made with unknown and potentially hazardous chemicals, and with unregulated quality standards. These products often target youth with flavors such as Strawberry Milk, Lucky Charm, Bubble Bubble, Sour Gummy, Rainbow Drops, Taffy Burst, Cotton Candy, and Lemonade.

Illegal manufacturers and distributors focus on several types of potentially harmful products: counterfeits, which mimic actual JUUL products; and plug-compatible infringers, who offer illicit pods, often falsely implying authorization by JUUL Labs.

These products could undermine public health and the efforts of all of us who are trying to keep nicotine delivery systems out of the hands of young people. In response, JUUL Labs has intensified its efforts to combat these illegal products by focusing on:

- Eliminating counterfeit goods
- Eliminating plug-compatible infringing products
- Studying the problem to create additional measures
- Eliminating counterfeit goods

JUUL Labs recently hired Adrian Punderson (previously at PwC and Apple), alongside an industry-leading team with decades of experience, to help implement the company's plan to eliminate counterfeit goods.

Preventing production

Our first step is to try and shut down manufacturers before they can even distribute counterfeit products. We partner with law enforcement agencies around the world to identify producers and then take administrative and criminal action to dismantle their manufacturing facilities and seize their illegal, and potentially harmful, products.

Seizing product before it enters the marketplace

Customs agencies worldwide are critical partners in stopping counterfeit products from entering marketplaces. We work closely with customs agencies at ports around the world — including in China, where approximately 90% of counterfeit products originate — to seize counterfeit products by:

- Conducting training sessions with customs agencies to identify counterfeit JUUL products
- Working closely with investigators to identify smugglers attempting to bring counterfeit products into markets
- Exposing smuggling routes used by counterfeiters and distributors so they can be shut down

Through these initiatives, we have already conducted multiple seizures of counterfeit products.

Removing products in the marketplace

We are taking significant actions to remove counterfeit products that make it to the marketplace through online and retail outlets.

We scour physical stores, online retailers, and social media accounts to identify outlets that are either selling or promoting counterfeit products.

Once we find that someone is distributing or selling counterfeit product, we have a robust toolbox of measures: we send cease and desist letters, conduct investigations, pursue litigation, and refer cases to the police. So far, we have deployed each one of these measures.

Eliminating plug-compatible infringing products

JUUL Labs' industry-leading intellectual property legal group, led by Wayne Sobon, focuses on eliminating infringing plug-compatible and other illegal knock-off products by pursuing infringers that misuse JUUL Labs' intellectual property without our permission, or falsely imply association with JUUL Labs to sell unregulated, and potentially harmful, products that often target youth.

First, the IP legal team, working with JUUL Labs' Brand Protection team, monitors online and retail stores for infringing plug-compatible and other illegal copy-cat products, and then aggressively goes after illegal manufacturers and distributors. We use all means to get bad player to stop these illegal actions, including everything from cease and desist letters to litigation.

JUUL Labs' IP team has already filed trademark lawsuits in multiple federal district courts and patent infringement actions at the U.S. International Trade Commission (ITC) and federal district courts, against a number of counterfeiters, infringing knock-offs, and purveyors of illegal

plug-compatible cartridges. Scores of defendants have already settled with us; and we are seeking swift resolution in a number of the other actions, helping ensure that illegal products leave the marketplace forever.

We are also actively pursuing civil actions across several federal courts against those involved in distribution and sales of such infringing and potentially dangerous products.

For infringers and knock-offs, we are also communicating with government agencies about supporting their investigations and ensuring compliance.

Studying the problem

Counterfeiters and infringing plug-compatible manufacturers and distributors constantly change their infringement methods. We are aggressively studying their actions and patterns, so we can always be one step ahead.

We have built a global team to investigate what these bad actors do and how they adapt to our enforcement efforts. We are also working on a peer-reviewed research study that may illuminate the role that counterfeit and infringing products have on youth usage.

Conclusion

JUUL Labs' mission is to help improve the lives of the world's one billion adult smokers by providing them with a true alternative to combustible cigarettes. To accomplish our mission, we must restrict youth usage. That's why taking swift and decisive action against counterfeit and infringing products is one of our key priorities.

We will continue to take forceful actions and do what we can to stop these counterfeit and infringing products from flooding the markets. We will work with regulators, law enforcement and other key stakeholders to protect public health and combat youth access.