

1 PETER B. MORRISON (State Bar No. 230148)
peter.morrison@skadden.com
2 JULIA M. NAHIGIAN (State Bar No. 307508)
julia.nahigian@skadden.com
3 SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
300 South Grand Avenue, Suite 3400
4 Los Angeles, California 90071-3144
Telephone: (213) 687-5000
5 Facsimile: (213) 687-5600

6 JOSEPH N. SACCA (admitted *pro hac vice*)
joseph.sacca@skadden.com
7 BRADLEY E. HONIGMAN (admitted *pro hac vice*)
bradley.honigman@skadden.com
8 MICHAEL M. POWELL (admitted *pro hac vice*)
michael.powell@skadden.com
9 SPENCER A. GOTTLIEB (admitted *pro hac vice*)
spencer.gottlieb@skadden.com
10 SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
Four Times Square
11 New York, New York 10036
Telephone: (212) 735-3000
12 Facsimile: (212) 735-2000

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- I. **FACTS**2
 - A. **ChromaDex’s Supply of NR and Implied License of ChromaDex’s Patent Rights to Elysium**2
 - B. **ChromaDex’s Termination of Elysium’s Patent License After Elysium Questions ChromaDex’s Compliance with the Parties’ Agreements**3
 - C. **ChromaDex’s Threats of Patent Enforcement in an Attempt to Sow Uncertainty Regarding Elysium’s Alternative Source of NR**.....4
 - D. **ChromaDex’s Repeated Attempts to Evade Elysium’s Patent Misuse Declaratory Judgment Claim Through Motion Practice**4
- II. **ARGUMENT**.....6
 - A. **There is a Real and Immediate Controversy Between the Parties Regarding the Enforceability of ChromaDex’s Patent Rights**.....6
 - 1. **The totality of the circumstances supports declaratory judgment jurisdiction**6
 - 2. **ChromaDex has engaged in sufficient affirmative acts to support Declaratory Judgment Jurisdiction** 10
 - 3. **An admission of infringement is not an element of a declaratory judgment claim**..... 11
 - B. **Elysium’s Declaratory Judgment and Restitution Claims are not Mooted by ChromaDex’s Promise of a Future “Credit” for Royalties Paid** 12
 - C. **Elysium’s Quasi-Contractual Restitution Claim is Actionable** 15
 - D. **The Remedy for ChromaDex’s Admission that the Trademark Agreement is Unenforceable is Judgment of Liability on Count V, not Striking Material Allegations** 17
- III. **CONCLUSION** 19

TABLE OF AUTHORITIES

Cases

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

3M Co. v. Avery Dennison Corp.,
673 F.3d 1372 (Fed. Cir. 2012).....10

ABB Inc. v. Cooper Industries, LLC,
635 F.3d 1345 (Fed. Cir. 2011).....8, 11

Already, LLC v. Nike, Inc.,
568 U.S. 85 (2013)11, 13

Arris Grp., Inc. v. British Telecomms. PLC,
639 F.3d 1368 (Fed. Cir. 2011).....10

Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.,
846 F.2d 731 (Fed. Cir. 1988)..... 9

Asia Vital Components Co. v. Asetek Danmark A/S,
837 F.3d 1249 (Fed Cir. 2016).....9, 11, 12

Astiana v. Hain Celestial Grp., Inc.,
783 F.3d 753 (9th Cir. 2015)16

B. Braun Med., Inc. v. Abbott Labs.,
124 F.3d 1419 (Fed. Cir. 1997).....15

Brulotte v. Thys Co.,
379 U.S. 29 (1964)16

Cal. Dep’t of Toxic Substances Control v. Alco Pac., Inc.,
217 F. Supp. 2d 1028 (C.D. Cal. 2002).....17

Campbell-Ewald Co. v. Gomez,
136 S. Ct. 663 (2016).....13, 14

Chen v. Allstate Ins. Co.,
819 F.3d 1136 (9th Cir. 2016)14

Danisco US, Inc. v. Novozymes A/S,
744 F.3d 1325 (Fed. Cir. 2014).....9, 10, 11

ESG Capital Partners, LP v. Stratos,
828 F.3d 1023 (9th Cir. 2016)16

Fantasy, Inc. v. Fogerty,
984 F.2d 1524 (9th Cir. 1993)18

Fiji Water Co. v. Fiji Mineral Water USA, LLC,
2010 U.S. Dist. LEXIS 148669 (C.D. Cal. July 28, 2010)17, 18

Finnegan v. Spiegl Farms, Inc.,
234 Cal. App. 2d 408 (Cal Ct. App. 1965).....15, 16

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Jacobs v. Nintendo of Am., Inc.,
370 F.3d 1097 (Fed. Cir. 2004)..... 7

Luman v. NAC Mktg. Co., LLC,
2007 U.S. Dist. LEXIS 125498 (E.D. Cal. Aug. 8, 2017).....14

McCauley v. Trans Union, LLC,
402 F.3d 340 (2nd Cir. 2005).....19

MedImmune, Inc. v. Genentech, Inc.,
549 U.S. 118 (2007)6, 7, 9

Micron Tech., Inc. v. MOSAID Techs., Inc.,
518 F.3d 897 (Fed. Cir. 2008).....9, 10

Miotox LLC v. Allergan, Inc.,
2015 U.S. Dist. LEXIS 58896 (C.D. Cal. May 5, 2015) 9

Morton Salt Co. v. G.S. Suppiger Co.,
314 U.S. 488 (1942)12

Rennie & Laughlin, Inc. v. Chrysler Corp.,
242 F.2d 208 (9th Cir. 1957)18

Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.,
556 F.3d 1294 (Fed. Cir. 2009).....9, 10, 12

SanDisk Corp. v. STMicroelectronics, Inc.,
480 F.3d 1372 (Fed. Cir. 2007).....10, 12

Wailua Assocs. v. Aetna Cas. And Surety Co.,
183 F.RD. 550 (D. Haw. 1998).....17

Whittlestone, Inc. v. Handi-Craft Co.,
618 F.3d 970 (9th Cir. 2010)17

Zenith Elecs. Corp. v. PDI Commc’n. Sys. Inc.,
522 F.3d 1348 (Fed. Cir. 2008)..... 7

Rules

Fed. R. Civ. P. 12(f).....17

1 Yet again, ChromaDex moves to dismiss Elysium’s patent misuse-related
2 counterclaims. The third time is not the charm. ChromaDex’s arguments for
3 dismissal are just as weak as they were before. There is no excuse for ChromaDex’s
4 taking up still more of the Court’s time and resources on duplicative motion practice.

5 A case or controversy still exists regarding ChromaDex’s conduct, which it
6 now effectively admits constituted unlawful patent misuse. It is undisputed that after
7 the relationship between Elysium and ChromaDex soured, ChromaDex terminated
8 the agreement under which ChromaDex had both supplied nicotinamide riboside
9 (“NR”) to Elysium and provided Elysium an implied license to ChromaDex’s NR-
10 related patents. ChromaDex did this knowing that Elysium intended to continue
11 selling its NR supplement product Basis® and would need an alternative source of
12 NR to do so. In public statements, ChromaDex has made abundantly clear its intent
13 to assert its patent rights, and it has made specific threats with respect to Elysium’s
14 alternative sourcing of NR.

15 These actions, calculated to inject uncertainty in the minds of Elysium’s
16 customers and potential sources of NR, are precisely the scare-the-customer-and-run
17 tactics that the Declaratory Judgment Act is designed to prevent. Tellingly,
18 ChromaDex refuses to provide Elysium a covenant not to sue for patent infringement.
19 If the Court granted ChromaDex’s motion to dismiss, ChromaDex would be free to
20 sue Elysium for patent infringement a week later. And it could do so in another
21 venue, in front of another judge, producing judicial inefficiency and encouraging
22 customer confusion. The time and energy ChromaDex has devoted to striking the
23 patent misuse claim rather than trying it on the merits belie any suggestion that
24 ChromaDex has no plans to enforce its patents as soon as it has the opportunity to do
25 so.

26 ChromaDex has not mooted Elysium’s counterclaims by promising to provide
27 a future “credit” to Elysium for royalties paid under the unlawful trademark
28 agreement. Under Supreme Court and Ninth Circuit law, a plaintiff must actually

1 receive complete relief before its claim is mooted. ChromaDex’s vaguely promised
2 “credit,” to be applied only against a hypothetical damages award against Elysium
3 that Elysium hotly contests, does not provide Elysium with any relief, much less
4 complete relief.

5 ChromaDex’s arguments regarding Elysium’s restitution counterclaim fare no
6 better. ChromaDex’s argument that California law provides no avenue for relief
7 against a party that has been unjustly enriched has been expressly rejected by the
8 Ninth Circuit in binding precedent that ChromaDex failed to disclose to this Court.

9 As for ChromaDex’s motion to strike, that remedy is disfavored, and
10 ChromaDex cannot show that Elysium’s allegations underlying its restitution claim
11 are immaterial and prejudicial. ChromaDex’s admission that the trademark
12 agreement it imposed on Elysium was unlawful is not grounds for striking Elysium’s
13 allegations. Rather, it is grounds for granting Elysium judgment of liability under
14 Count V. The Court should do so, and it should deny ChromaDex’s motions.

15 **I. FACTS**

16 **A. ChromaDex’s Supply of NR and Implied License of ChromaDex’s 17 Patent Rights to Elysium**

18 Elysium sells a single product, a dietary supplement called Basis®, which
19 contains nicotinamide riboside (“NR”). Second Amended Counterclaims, D.N. 65
20 (“SACC”) ¶¶ 2, 42, 94-95. ChromaDex, Elysium’s former supplier, has in-licensed
21 several patents related to NR and its manufacture. *Id.* ¶¶ 5, 34-36, 54-55.

22 ChromaDex heavily promotes these patents on its website, *id.* ¶ 36, and publicizes
23 the “proprietary” nature of its asserted rights to NR. *Id.* ¶ 38. ChromaDex’s own
24 complaint similarly alleges that ChromaDex is “the exclusive licensee to several
25 patents related to NR and its manufacture” and repeatedly emphasizes

26 ChromaDex’s allegation that the NR supplied to Elysium is “patent protected.”
27 Third Amended Complaint (“TAC”), D.N. 48, at ¶¶ 13, 18. ChromaDex’s claims
28 to patent rights related to NR have contributed to ChromaDex’s market power in

1 the NR supply market. SACC ¶¶ 5, 33. Indeed, at the time of the relevant
2 agreements, ChromaDex was the sole commercial supplier of NR. *Id.* at ¶ 29; *see*
3 *also* TAC ¶ 18. ChromaDex’s CEO told Elysium on numerous occasions that “I
4 am NR.” SACC ¶ 30.

5 Elysium and ChromaDex entered into a supply agreement for NR (the
6 Supply Agreement”). *Id.* ¶ 54. This agreement granted Elysium, as a matter of
7 law, an implied license to the patent rights held by ChromaDex covering or relating
8 to NR or its manufacture. *Id.* ¶ 54-55, 90. However, ChromaDex conditioned
9 access to NR on Elysium also entering into a trademark and license royalty
10 agreement (the “Trademark Agreement”). *Id.* ¶ 49, 52-53. Under the Trademark
11 Agreement, Elysium was required to pay royalties for a license to ChromaDex’s
12 trademarks, regardless of whether Elysium used ChromaDex’s licensed trademarks.
13 *Id.* ¶ 57.

14 **B. ChromaDex’s Termination of Elysium’s Patent License After**
15 **Elysium Questions ChromaDex’s Compliance with the Parties’**
16 **Agreements**

17 In December of 2016, after Elysium raised concerns regarding ChromaDex’s
18 compliance with the parties’ agreements and requested an audit, ChromaDex
19 terminated the Supply Agreement and, with it, the patent license it had provided to
20 Elysium. *Id.* ¶ 85. ChromaDex terminated the NR Supply agreement knowing
21 that Elysium intended to continue selling Basis, and would need a source of NR
22 other than ChromaDex. *Id.* ¶¶ 91, 93. *See also* TAC ¶ 18 (ChromaDex’s statement
23 that it terminated supply to Elysium of allegedly “patent protected NR”). In short,
24 ChromaDex used its termination of the Supply Agreement, and its withdrawal of
25 patent rights, as leverage against Elysium. Shortly thereafter, ChromaDex filed this
26 lawsuit against Elysium for breach of the Supply Agreement and Trademark
27 Agreement. D.N. 1 at Counts 2-3. Elysium counterclaimed alleging, among other
28 things, that ChromaDex engaged in patent misuse. SACC, Count 4.

1 **C. ChromaDex’s Threats of Patent Enforcement in an Attempt to**
2 **Sow Uncertainty Regarding Elysium’s Alternative Source of NR**

3 Since then, ChromaDex has emphasized its patent rights and its intent to use
4 them. In a May 2017 earnings call with investors, ChromaDex’s CEO, Frank
5 Jaksch, stated “[W]e are going to be focusing pretty heavily on NIAGEN as
6 ingredient technology. We have a substantial patent portfolio underlying in
7 protecting it and we have multiple different ways.” *Id.* ¶ 96.

8 ChromaDex has specifically targeted Elysium in a transparent attempt to sow
9 distrust and uncertainty about Elysium’s ability to continue selling Basis without
10 ChromaDex as a supplier. In an August 2017 earnings call, Mr. Jaksch described
11 how “Elysium has stated that they have incorporated a new source of NR into their
12 Basis product.” *Id.* ¶ 97. Moments later, Mr. Jaksch continued, “Today
13 ChromaDex has a comprehensive global patent portfolio of 16 patents and
14 applications spanning the processing use and composition of nicotinamide riboside.
15 We will vigorously defend this estate.” *Id.* In that same earnings call,
16 ChromaDex’s President and Chief Strategy Officer Robert Fried, specifically
17 accused Elysium of copying ChromaDex’s NR product stating that “[they] actually
18 go out of their way to try and copy the ingredient and manufacture it who knows
19 where and put it out in the marketplace.” *Id.* ¶ 98.

20 **D. ChromaDex’s Repeated Attempts to Evade Elysium’s Patent**
21 **Misuse Declaratory Judgment Claim Through Motion Practice**

22 This is the third time ChromaDex has tried to dispose of Elysium’s
23 declaratory judgment claim for patent misuse on the pleadings. In February,
24 ChromaDex filed its first motion to dismiss, arguing that patent misuse can only be
25 asserted as an affirmative defense and not as a count for declaratory judgment.

26 D.N. 34. On March 7, this Court denied the motion, ruling that a case or
27 controversy existed to support a declaratory judgment claim because “ChromaDex
28 seeks to enforce the royalty requirement in the parties’ Agreement, and Elysium

1 contends that the royalty requirement is unenforceable due to patent misuse.” D.N.
2 44 at 17.

3 In response, ChromaDex amended its complaint, alleging that it
4 “unequivocally renounces any rights to collect, charge, or obtain royalties under the
5 Trademark License and Royalty Agreement.” D.N. 48 ¶ 62. ChromaDex also
6 stated that it will provide Elysium a credit for past royalties “against the damages
7 owed by Elysium in this case.” *Id.* ¶ 64. ChromaDex vaguely asserted it was
8 taking similar actions with respect to other customers, but provided no details or
9 confirmation. *Id.* at ¶¶ 63-64. ChromaDex stated that it took these actions to
10 “dissipate any and all alleged effects of any alleged patent misuse in the market”
11 and “to moot Elysium’s allegation and counterclaim for a declaratory judgment that
12 ChromaDex has misused any of its patents.” *Id.* at 65. Elysium, in its Answer,
13 denied these allegations, and specifically denied that ChromaDex had purged its
14 patent misuse. D.N. 51 at ¶¶ 63-65. Elysium’s Counterclaims also challenge the
15 veracity of ChromaDex’s promises about what it might do someday. Indeed,
16 ChromaDex has recently told the public and investors in its quarterly financial
17 statements that it would only repay royalties to Elysium if “forced” to do so, stating
18 that it “may be forced to pay... restitution for any royalty payments that we
19 received from” Elysium, but only if “we are unsuccessful in resolving the litigation
20 on favorable terms to us.” SACC ¶ 107. And ChromaDex’s financial statements
21 do not indicate ChromaDex has provided refunds to other customers either. SACC
22 ¶ 105.

23 ChromaDex then moved for judgment on the pleadings, claiming that
24 ChromaDex’s representations had deprived the Court of subject matter jurisdiction.
25 D.N. 56. Elysium opposed, on the ground that a case or controversy remained over
26 ChromaDex’s right to enforce its patents as well as its failure to actually refund any
27 royalties paid by Elysium under the unlawful Trademark Agreement. On
28 September 26, 2017, the Court denied ChromaDex’s second motion, and directed

1 Elysium to “clarify whether Elysium seeks any relief beyond ChromaDex’s
2 covenant not to sue for royalties under the TLRA.” D.N. 63. Elysium then filed
3 amended counterclaims clarifying that it was seeking *both* a declaration that
4 ChromaDex’s patent rights were unenforceable and restitution of royalties paid
5 under the Trademark Agreement. D.N. 65 (“SACC”). As to the latter, Elysium
6 pled a substantive quasi-contractual count for restitution of royalties paid under an
7 unlawful and unenforceable agreement, a theory of liability that previously had
8 been encompassed within its claim for declaratory judgment.

9 ChromaDex has now filed its third motion to dismiss. In its latest brief,
10 ChromaDex affirmatively admits that the Trademark Agreement is unenforceable,
11 effectively conceding that ChromaDex has engaged in patent misuse. Br. at 20.

12 **II. ARGUMENT**

13 **A. There is a Real and Immediate Controversy Between the Parties** 14 **Regarding the Enforceability of ChromaDex’s Patent Rights**

15 1. The totality of the circumstances supports declaratory judgment 16 jurisdiction

17 Elysium’s counterclaims allege more than sufficient facts to support a
18 declaratory judgment that ChromaDex’s patents are unenforceable. In *MedImmune,*
19 *Inc. v. Genentech, Inc.*, the Supreme Court, after a licensee challenged the validity of
20 a licensed patent, held that “the question in each case [for declaratory relief] is
21 whether the facts alleged, under all the circumstances, show that there is a substantial
22 controversy, between parties having adverse legal interests, of sufficient immediacy
23 and reality to warrant the issuance of a declaratory judgment.” 549 U.S. 118, 127
(2007) .

24 The *MedImmune* Court held that a justiciable controversy existed even though
25 the patent license agreement there had not been terminated and the licensee was still
26 in good standing. *Id.* at 121-22. The Court explained that there was a justiciable
27 controversy as to whether the licensee could continue its activity in the absence of
28 the license and did not first need to terminate or breach the license agreement to

1 obtain declaratory relief. *See Id.* at 133-134. As the Court explained, a “rule that a
2 plaintiff must destroy a large building, bet the farm, or (as here) risk treble damages
3 and the loss of 80 percent of its business before seeking a declaration of its actively
4 contested legal rights finds no support in Article III.” *Id.*

5 This case, as in *MedImmune*, involves a declaratory judgment plaintiff’s
6 request for a determination of its right to continue engaging in commercial activities
7 in the absence of a patent license.¹ But here, termination of the license is not
8 hypothetical. ChromaDex has gone the extra, antagonistic step eschewed by the
9 *MedImmune* licensor: ChromaDex terminated its license to Elysium when the
10 relationship between the companies soured, throwing Elysium into the very peril that
11 the Supreme Court stated entitles a licensee to declaratory relief. SACC ¶¶ 85, 92-
12 93. Indeed, when it terminated the Supply Agreement, ChromaDex knew that
13 Elysium intended to continue selling Basis and would need an alternative source of
14 NR. SACC ¶ 93. And ChromaDex’s *own complaint in this case* draws a clear link
15 between ChromaDex’s termination of the supply agreement and the allegedly “patent
16 protected NR.” TAC at ¶ 18.

17 Even before terminating Elysium’s license, ChromaDex had taken an
18 aggressive posture with respect to its patent rights. ChromaDex touts its control of
19 patents related to nicotinamide riboside and its manufacture on ChromaDex’s
20 website. SACC ¶ 36. It claims to have “proprietary” rights, due to these patents, on
21 the compound NR itself. SACC ¶ 38. As a result of asserting rights to NR based on
22 patents, ChromaDex secured for itself market power in the market for supply of NR.
23 SACC ¶¶ 28-33.

24
25 ¹ A licensed manufacturer who then supplies product to third parties pursuant to the
26 manufacturer’s license grants an implied patent license to its customers to use that
27 product for all purposes. *See Zenith Elecs. Corp. v. PDI Commc’n. Sys. Inc.*, 522 F.3d
28 1348, 1360-62 (Fed. Cir. 2008); *Jacobs v. Nintendo of Am., Inc.*, 370 F.3d 1097,
1099-1102 (Fed. Cir. 2004). ChromaDex’s supply agreement with Elysium therefore
contained such an implied license.

1 After terminating Elysium’s license, ChromaDex continued to reinforce its
2 intentions to use its patent rights to protect its monopoly in the NR supply market.
3 In a conference call after terminating Elysium’s license, ChromaDex’s CEO stated
4 that ChromaDex would be “focusing pretty heavily” on its NR ingredient technology.
5 SACC ¶ 96. In the next breath, he explained that ChromaDex has a “substantial
6 patent portfolio underlying in protecting it” which provide it “multiple different
7 ways” of accomplishing that goal. *Id.*

8 A few months later, ChromaDex specifically targeted Elysium and its
9 alternative sourcing of NR. In another public earnings conference call, ChromaDex’s
10 President accused Elysium of “copy[ing] the ingredient [NR] and manufactur[ing] it
11 who knows where...” *Id.* at 98. In that same call, ChromaDex’s CEO went even
12 further, observing that Elysium had “incorporated a new source of NR into their Basis
13 product.” *Id.* at ¶ 97. To ensure that the point was not lost, just moments later he
14 specifically referenced ChromaDex’s “comprehensive global patent portfolio of 16
15 patents and applications spanning the processing use and composition of”
16 nicotinamide riboside and stated that ChromaDex intended to “vigorously defend”
17 its patent rights. *Id.*²

18 ChromaDex, in summary, has touted its patents as giving it proprietary rights
19 to NR. It took steps to affirmatively terminate the patent license it had provided to
20 Elysium, and then made thinly-veiled public threats aimed at injecting uncertainty
21 into Elysium’s business and scaring away Elysium’s customers and potential sources
22 of supply once Elysium no longer had access to ChromaDex’s patent rights.

23
24
25 ² ChromaDex’s attempt to explain away its CEO’s statement that ChromaDex would
26 “defend” its patent rights is contrary to the case law. In *ABB Inc. v. Cooper*
27 *Industries, LLC*, 635 F.3d 1345, 1347, 1348 (Fed. Cir. 2011) the Federal Circuit
28 found declaratory judgment jurisdiction where the patentee used ***exactly the same***
words – “vigorously defend” – used by ChromaDex’s CEO here.

1 Elysium is not required to stand by impotently while ChromaDex “infect[s]
2 the competitive environment of the business community with uncertainty and
3 insecurity.” *Arrowhead Indus. Water v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed.
4 Cir. 1988). Through its actions, ChromaDex has thrust Elysium into the very
5 situation the *MedImmune* Court said a licensee has the right to avoid. 549 U.S. at
6 134, 137. A licensee faced with termination of its license is not “restricted to an *in*
7 *terrorem* choice between the incurrence of a growing potential liability for patent
8 infringement and abandonment of [its] enterprises; [it] could clear the air by suing
9 for a judgment that would settle the conflict....” *Arrowhead*, 846 F.2d at 735. *See*
10 *also Miotox LLC v. Allergan, Inc.*, 2015 U.S. Dist. LEXIS 58896 at **13-14 (C.D.
11 Cal. May 5, 2015) (court had jurisdiction over declaratory judgment counterclaim
12 alleging invalidity and patent misuse because patentee signaled possibility of
13 termination of license by bringing the breach of contract claim that initiated the
14 litigation).

15 The Federal Circuit has deplored such “scare-the-customer-and-run tactics.”
16 *See Arrowhead*, 846 F.2d at 734-35 (patent owner may not “engage[] in a *danse*
17 *macabre*, brandishing a Damoclean threat with a sheathed sword.”). *See also*
18 *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1299 (Fed. Cir.
19 2009). Indeed, “[t]he Declaratory Judgement Act exists precisely for situations such
20 as this.” *Micron Tech., Inc. v. MOSAID Techs., Inc.*, 518 F.3d 897, 902 (Fed. Cir.
21 2008)

22 Other facts also support declaratory judgment jurisdiction under the totality of
23 circumstances. The relationship between Elysium and ChromaDex is obviously a
24 contentious one with a troubled history. *See Danisco US, Inc. v. Novozymes A/S*, 744
25 F.3d 1325, 1331 (Fed. Cir. 2014) (“The parties have plainly been at war....”); *Asia*
26 *Vital Components Co. v. Asetek Danmark A/S*, 837 F.3d 1249, 1253 (Fed Cir. 2016)
27 (noting “volatile relationship between the parties...” including “poor experiences”
28 that “have sown distrust”). Tellingly, ChromaDex’s brief makes clear that that it has

1 not granted, and is not willing to grant, Elysium a covenant not to sue for patent
2 infringement. Br. at 15, SACC ¶ 142. *Danisco*, 744 F.3d at 1331 (noting that
3 patentee had not “offered any assurance, such as a covenant not to sue, that it will not
4 accuse [the DJ plaintiff’s] products of infringement”); *Arris Grp., Inc. v. British*
5 *Telecomms. PLC*, 639 F.3d 1368, 1381 (Fed. Cir. 2011) (“BT’s refusal to grant... a
6 covenant not to sue provides a level of additional support for our finding that an
7 actual controversy exists.”); *Revolution Eyewear*, 556 F.3d at 1300 (patentee’s
8 retention of a right to sue “preserved this controversy at a level of sufficient
9 immediacy and reality to allow Aspex to pursue its declaratory judgment
10 counterclaims”).

11 2. ChromaDex has engaged in sufficient affirmative acts to support
12 Declaratory Judgment Jurisdiction

13 ChromaDex’s argument that Elysium has not alleged “any affirmative acts” by
14 ChromaDex, Br. at 13, is counterfactual. It is hard to imagine a more affirmative and
15 aggressive act than a patent holder’s termination of the declaratory judgment
16 plaintiff’s license. The Federal Circuit has routinely found declaratory judgment
17 jurisdiction where the patentee merely *offered* a license. *Micron*, 518 F.3d 899, 901-
18 902 (offer to license patents); *3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1379
19 (Fed. Cir. 2012) (patentee stated “licenses are available”); *SanDisk Corp. v.*
20 *STMicroelectronics, Inc.*, 480 F.3d 1372, 1382 (Fed. Cir. 2007) (parties engaged in
21 license negotiations). *See also SanDisk*, 480 F.3d at 1385 (Bryson, J., concurring)
22 (*MedImmune* “compels” jurisdiction “in virtually any case in which the recipient of
23 an invitation to take a patent license elects to dispute the need for a license.”).

24 Not only that, but ChromaDex went on to publicly question Elysium’s right to
25 obtain an alternative source of NR and engaged in sabre rattling regarding
26 ChromaDex’s patent rights. These facts are consistent with the Federal Circuit’s
27 cases finding declaratory judgment jurisdiction. For example, in *Micron* the Federal
28 Circuit reversed a district court’s dismissal for lack of jurisdiction where the patentee

1 had sent the declaratory judgment plaintiff letters offering to license its patents and
2 then made comments in “public statements and annual reports [that]... confirm[ed]
3 its intent to continue an aggressive litigation strategy.” 518 F.3d 899, 901-902.

4 ChromaDex complains that it has never explicitly “accused Elysium of patent
5 infringement.” Br. at 1. But “Article III does not mandate that the declaratory
6 judgment defendant have threatened litigation or otherwise taken action to enforce
7 its rights before a justiciable controversy can arise.” *Danisco*, 744 F.3d at 1330; *Asia*
8 *Vital*, 837 F.3d at 1254 (“[A] specific threat of infringement litigation by the patentee
9 is not required to establish jurisdiction.”) quoting *ABB Inc.*, 635 F.3d at 1348.

10 3. An admission of infringement is not an element of a declaratory
11 judgment claim

12 ChromaDex misleadingly doctors a quotation from *Already, LLC v. Nike, Inc.*,
13 568 U.S. 85, 94 (2013) to assert that a declaratory judgment plaintiff must admit to
14 plans to “engage in [*infringement*].” Br. at 12 (emphasis added showing
15 ChromaDex’s alteration). But *Already* only observed that the declaratory judgment
16 plaintiff there had not asserted it would “engage in *activities not covered by the*
17 *covenant*.” *Already*, 568 U.S. at 94 (emphasis added showing original language).
18 As noted above, ChromaDex has not provided any covenant not to sue for
19 infringement. Moreover, the covenant in *Already* was extremely broad and covered
20 “any claims” based on “any... current and/or previous... product designs”. *Id.* at 93
21 (emphasis original).

22 ChromaDex’s argument that a declaratory judgment plaintiff must first admit
23 to infringement is contrary to the law. It would require the nonsensical result that a
24 party seeking a declaration of noninfringement admit to patent infringement to obtain
25 a declaration that it does not infringe. The Federal Circuit has rejected this idea. *Asia*
26 *Vital*, 837 F.3d at 1255-56 (a declaratory judgment plaintiff is “not required... to
27 specifically allege that the structural similarities between its products... are relevant
28 to the claims of the asserted patents.... Indeed, to require more... would precipitate

1 the anomalous result where-by a party seeking a declaration of noninfringement must
2 show that its product is the same as the patented product in relevant respects. As is
3 clear from our case law – and from common sense – that is not the test for
4 jurisdiction.”).

5 Instead, Elysium is required only to allege plans to engage in “potentially” or
6 “arguably” infringing activities, *Asia Vital*, 837 F.3d at 1254-55; *SanDisk*, 480 F.3d
7 at 1381. Here, the counterclaims allege that ChromaDex asserts that its patents cover
8 NR, and that Elysium is selling and intends to continue to sell a product containing
9 NR. SACC ¶¶33-36, 38, 42, 94-97. These allegations, which must be accepted as
10 true for purposes of ChromaDex’s motion to dismiss, are more than sufficient to
11 support a declaratory judgment claim. *See Revolution Eyewear*, 556 F.3d at 1299.

12 **B. Elysium’s Declaratory Judgment and Restitution Claims are not**
13 **Mooted by ChromaDex’s Promise of a Future “Credit” for**
14 **Royalties Paid**

15 Elysium’s counterclaim also seeks a declaration that the Trademark
16 Agreement is unenforceable due to patent misuse and recovery in restitution of
17 royalties paid under that agreement. As this Court held months ago, a case or
18 controversy has existed with respect to Elysium’s patent misuse claim from the outset
19 of this case as to the enforceability of ChromaDex’s trademark license. (D.N. 44 at
20 17-18). ChromaDex’s limited promises not to enforce its unlawful trademark license
21 and to provide a “credit” against a potential damages award against Elysium at some
22 indeterminate time in the future do not moot the declaratory judgment claim and do
23 not strip Elysium of standing to bring its restitution claim, as ChromaDex asserts.
24 These promises do not provide Elysium with complete relief under either of its
25 counterclaims and Elysium remains injured.

26 ChromaDex’s assertion that its promises moot this case conflates the merits of
27 Elysium’s patent misuse claim with its justiciability. A patentee guilty of misuse is
28 unable to enforce its patents unless and until the illegal practice has been abandoned
and all of its consequences have fully dissipated. *Morton Salt Co. v. G.S. Suppiger*

1 Co., 314 U.S. 488, 493 (1942). In its motion, ChromaDex simply assumes success
2 on its claim that it has purged its patent misuse as the predicate of its argument that
3 there is no longer any case or controversy. ChromaDex has it backwards. Under the
4 pleadings, taken in the light most favorable to Elysium, ChromaDex has not purged
5 its patent misuse, and certainly has not dissipated all of its effects.

6 As the Supreme Court explained in *Already, LLC v. Nike, Inc.*, a “defendant
7 cannot automatically moot a case simply by ending its unlawful conduct once sued.”
8 568 U.S. 85, 91 (2013). Otherwise, “a defendant could engage in unlawful conduct,
9 stop when sued to have the case declared moot, then pick up where he left off,
10 repeating this cycle until he achieves all his unlawful ends.” *Id.* To avoid such
11 gamesmanship, under the voluntary cessation doctrine, “a defendant claiming that its
12 voluntary compliance moots a case bears the formidable burden of showing that it is
13 *absolutely clear the allegedly wrongful behavior could not reasonably be expected*
14 *to recur.*” *Id.* (emphasis added). ChromaDex cannot meet this heavy burden.

15 At most, ChromaDex has promised to “credit” Elysium for royalties
16 previously paid under the unlawful trademark license, to be applied to any future
17 judgment obtained by ChromaDex in this case. ChromaDex now, belatedly, also
18 offers to include interest. But Elysium denies ChromaDex’s claims for breach of
19 contract, and there may never be a damages award judgment for ChromaDex at the
20 conclusion of this case. In that event, there will be nothing against which to apply a
21 “credit.” Moreover, Elysium has not accepted the offered credit, and the Supreme
22 Court has been clear that “an unaccepted settlement offer or offer of judgment does
23 not moot a plaintiff’s case.” *Campbell-Ewald Co. v. Gomez*, 136 S. Ct. 663, 672
24 (2016). “A case becomes moot... only when it is impossible for a court to grant any
25 effectual relief what-ever to the prevailing party.” *Id.* at 669. And, in allegations that
26 must be taken as true, the Counterclaims allege that ChromaDex has told the
27 investing public that it would only repay Elysium if “forced” to after failing to
28 “resolv[e] the litigation on favorable terms to [ChromaDex].” SACC ¶ 107.

1 Indeed, in *Chen v. Allstate Ins. Co.*, the case was not moot even after the
2 defendant agreed to an injunction and deposited the claimed damages in a third-party
3 escrow account – steps providing far more security than ChromaDex’s vaguely-
4 promised “credit.” 819 F.3d 1136, 1144 (9th Cir. 2016). The Ninth Circuit held the
5 case was not moot because “a claim becomes moot when a plaintiff *actually receives*
6 complete relief on that claim, not merely when that relief is offered or tendered.” *Id.*
7 at 1138, 1144 (emphasis original).

8 Here, Elysium is still injured by ChromaDex’s conduct and it has not received
9 complete relief; indeed, ChromaDex has provided Elysium no relief whatsoever. It
10 is undisputed that ChromaDex has not repaid Elysium any of the royalties
11 ChromaDex illegally extracted. ChromaDex’s promised credit, “far from providing
12 [ChromaDex] the relief sought in [its] complaint” gives Elysium “nary a penny.”
13 *Campbell-Ewald*, 136 S. Ct. at 671, n. 5. Nor has ChromaDex paid interest to
14 compensate Elysium for the time value of the payments it made, or compensated
15 Elysium for its costs and attorneys’ fees. *See Luman v. NAC Mktg. Co., LLC*, 2017
16 U.S. Dist. LEXIS 125498, at *8) (E.D. Cal. Aug. 8, 2017) (“[Defendant] has not
17 agreed to the injunctive relief [plaintiff] requests, paid his attorneys’ fees, or
18 reimbursed his litigation related costs.... Accordingly, defendant has not afforded
19 plaintiff complete relief and plaintiff’s claims are therefore not moot.”).
20 Furthermore, dissipating the effects of the patent misuse requires more than restoring
21 Elysium to where it was before the patent misuse occurred. ChromaDex must also
22 establish that it has provided complete relief to its other licensees who were
23 victimized by its unlawful practices. It has presented no such evidence and the
24 Counterclaims allege facts that indicate ChromaDex has not made those payments
25 either. SACC ¶ 105.

26 With respect to the declaratory judgment claim, ChromaDex’s primary
27 argument in response – that a party seeking a declaration of patent misuse is
28 categorically barred from monetary relief – is incorrect. The Federal Circuit in *B.*

1 *Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419 (Fed. Cir. 1997) did not hold that
2 declaratory judgment plaintiffs could never obtain monetary relief, as ChromaDex
3 falsely asserts. In fact, the Federal Circuit held the opposite: in appropriate
4 circumstances, a plaintiff can obtain monetary relief incident to a patent misuse
5 declaratory judgment claim. As the court explained, “if the district court enters a
6 declaratory judgment that the patent is unenforceable due to misuse, it *could* then
7 exercise its discretion to hold a hearing to allow [the plaintiff] to state a substantive
8 claim upon which it is entitled to recover damages.” *Id.* at 1428 (emphasis original).
9 Such a claim can sound, for example, under the law of contract. *Id.* at n. 5 (“a party
10 in Abbott’s position might be entitled to damages under... breach of contract
11 theory”).

12 These quotations from *B. Braun* are at odds with ChromaDex’s argument, so
13 ChromaDex simply ignores them. But, the language is there and ChromaDex’s head-
14 in-the-sand approach to the caselaw should not win the day. The fairest reading of
15 *B. Braun* is that monetary damages are not available *as of right* in a declaratory
16 judgment claim, but may be ordered incident to declaratory relief if supported by
17 other substantive law.

18 A monetary remedy sounding in the law of quasi-contract is available here and,
19 as discussed above, Elysium has standing to assert it because it remains injured.
20 Indeed, Elysium has expressly pled a quasi-contractual restitution claim under Count
21 5. Under California law – which governs ChromaDex’s unlawful trademark license
22 (D.N. 1, Ex. D at § 15.2) – a party that paid unlawful royalties due to patent misuse
23 under a contract may recover them by way of restitution. *Finnegan v. Spiegl Farms,*
24 *Inc.*, 234 Cal. App. 2d 408, 412 (Cal Ct. App. 1965).

25 **C. Elysium’s Quasi-Contractual Restitution Claim is Actionable**

26 ChromaDex makes the surprising claim that, even where a defendant admits
27 that an agreement is unlawful – as ChromaDex does in its brief – a party that pays
28 royalties under that agreement is without any remedy under California common law

1 for the defendant's unjust enrichment, and the defendant is free to retain its ill-gotten
2 gains without any legal recourse. Citing cases that all predate 2014, ChromaDex
3 argues that this is the law applied by "[c]ourts in this circuit" and that there is "no
4 actual split" in California authority.

5 ChromaDex is wrong on both counts, and its arguments are highly misleading.
6 ChromaDex can make this argument only by hewing to pre-2014 cases and failing to
7 bring to this Court's attention later Ninth Circuit precedent that provides a definitive
8 answer to the question, and makes clear that ChromaDex's motion to dismiss must
9 fail.

10 Last year, in *ESG Capital Partners, LP v. Stratos*, 828 F.3d 1023, 1038 (9th
11 Cir. 2016) the Ninth Circuit held that in this circuit, the court has "construed the
12 [California] common law to allow an unjust enrichment cause of action through
13 quasi-contract.... We therefore allow the cause of action, as we believe it states a
14 claim for relief as an independent cause of action or as a quasi-contract claim for
15 restitution." *Id. citing Astiana v. Hain Celestial Grp., Inc.*, 783 F.3d 753, 762 (9th
16 Cir. 2015) ("When a plaintiff alleges unjust enrichment, a court may construe the
17 cause of action as a quasi-contract claim seeking restitution.").

18 A quasi-contractual claim for restitution is exactly what Count V alleges. *See*
19 *ESG*, 828 F.3d at 1038; *Astiana*, 783 F.3d at 762. The claim is expressly styled as
20 "Restitution for Unjust Enrichment" and it asserts all of the elements of a claim for
21 restitution. *See id.* The count presents a theory of liability expressly recognized in
22 California caselaw. *Finnegan*, 234 Cal. App. 2d 408, 412 (Cal Ct. App. 1965).
23 *Finnegan* involved a patent licensee's counterclaim seeking recovery of royalties
24 paid after the licensed patents had expired. *Id.* at 409-10. A licensor's collection of
25 royalties for use of the patent after patent expiration is a form of patent misuse.
26 *Brulotte v. Thys Co.* 379 U.S. 29, 30-33 (1964). The California Court of Appeal,
27 reversing the trial court, ordered that the unlawful post-expiration royalties be repaid
28 by the licensor under a theory of restitution. *Finnegan*, 234 Cal. App. 2d at 412.

1 **D. The Remedy for ChromaDex’s Admission that the Trademark**
2 **Agreement is Unenforceable is Judgment of Liability on Count V,**
3 **not Striking Material Allegations**

4 ChromaDex moves alternatively to strike Elysium’s patent misuse allegations
5 related to Elysium’s restitution claim.³ This motion likewise is without merit.
6 “[M]otions to strike are typically viewed with disfavor because they are often used
7 for purposes of delay, and because of the strong judicial policy favoring resolution
8 on the merits.” *Fiji Water Co. v. Fiji Mineral Water USA, LLC*, 2010 U.S. Dist.
9 LEXIS 148669, at *7 (C.D. Cal. July 28, 2010) (Carney, J.). “Matter will not be
10 stricken from a pleading unless it is clear that it can have no possible bearing upon
11 the subject matter of the litigation; if there is any doubt as to whether under any
12 contingency the matter may raise an issue, the motion may be denied.” *Cal. Dep’t*
13 *of Toxic Substances Control v. Alco Pac., Inc.*, 217 F. Supp. 2d 1028, 1032-33 (C.D.
14 Cal. 2002) quoting *Wailua Assocs. v. Aetna Cas. And Surety Co.*, 183 F.R.D. 550,
15 553-54 (D. Haw. 1998). In evaluating a motion to strike, a court must “view[] the
16 pleadings in the light most favorable to the non-moving party... and resolve[] any
17 doubt as to the relevance of the challenged allegations” in favor of the non-moving
18 party. *Alco Pac.*, 217 F. Supp. 2d at 1032-33.

19 Under Rule 12(f) a motion to strike can be directed only to an “insufficient
20 defense” or matter that is “redundant, immaterial, impertinent, or scandalous.”
21 *Whittlestone, Inc. v. Handi-Craft Co.*, 618 F.3d 970, 973, 974 (9th Cir. 2010) (A
22 district court should not use a motion to strike to “dismiss some or all of a pleading”
23 or to “resolve disputed and substantial factual or legal issues.”). Elysium’s
24 allegations of patent misuse fall into “none of the five categories” set forth in the
25 Rule. *Id.* Rather, the allegations are central to an element that Elysium is required

26 ³ ChromaDex does not move to strike patent misuse counterclaims relating to the
27 Count IV, the declaratory judgment claim. Therefore, if ChromaDex fails to obtain
28 dismissal of Count IV, then ChromaDex’s motion to strike must be denied because
the patent misuse allegations also support Count IV.

1 to prove: that the Trademark Agreement is unlawful and unenforceable and
2 ChromaDex, therefore, is unjustly enriched by retention of money Elysium paid
3 under it. The allegations are not “immaterial” but “relate[] directly to [Elysium’s]
4 underlying claim for relief.” *Id.* at 974, citing *Fantasy, Inc. v. Fogerty*, 984 F.2d 984
5 F.2d 1524, 1527 (9th Cir. 1993) (“Immaterial matter is that which has no essential or
6 important relationship to the claim for relief or the defenses being pleaded.”).

7 Nor are the patent misuse allegations “impertinent” (which ChromaDex has
8 restyled as “prejudicial”). “Impertinent matter consists of statements that do not
9 pertain, and are not necessary, to the issues in question.” *Id.* But the prejudice that
10 ChromaDex complains of – discovery to prove a material element of a claim – is not
11 the type of prejudice the Ninth Circuit addressed in *Fantasy v. Fogerty*. Rather,
12 *Fantasy* involved allegations directed to claims already barred by the statute of
13 limitations and res judicata, and at best merely provided “relevant background and
14 foundational facts” for other claims. 984 F.2d at 1527-28. That is not the case here,
15 where the patent misuse allegations go to the core of the theory of liability under
16 Elysium’s claim for restitution.

17 ChromaDex’s primary argument is that it has now admitted that “ChromaDex
18 does not contest whether the [Trademark Agreement] is enforceable with respect to
19 the royalties at issue.” Br. at 20. But that does not mean that the allegations
20 supporting unenforceability should be stricken. If that were the case, then a
21 defendant could simply admit to allegations in a complaint and then have them
22 stricken from the case, with the anomalous result that admitted allegations would be
23 deemed not to have been part of the case, and potentially would have no res judicata
24 or other preclusive effects. ChromaDex’s argument turns the “strong judicial policy
25 favoring resolution on the merits” upside down. See *Fiji Water*, 2010 U.S. Dist.
26 LEXIS 148669 at *7; *Rennie & Laughlin, Inc. v. Chrysler Corp.*, 242 F.2d 208, 213
27 (9th Cir. 1957) (“[A] case should be tried on the proofs rather than the pleadings.”).

28

1 In this case, ChromaDex's statement that it does not contest the
2 unenforceability of the Trademark Agreement is a binding judicial admission of
3 liability. Such an admission should not result in striking the now-admitted
4 allegations. Rather, it entitles Elysium to a *judgment of liability*. Indeed, in
5 *McCauley v. Trans Union, LLC*, a case ChromaDex itself cites (Br. at 20), the court
6 refused to dismiss the case as moot despite the defendant's contingent agreement to
7 pay monies due. 402 F.3d 340, 342 (2nd Cir. 2005). The court reasoned that the
8 defendant's contingent offer did not provide complete relief to the plaintiff unless
9 and until the defendant agreed to entry of a judgment against it. *Id.* The same holds
10 true here. The Court should grant the relief that follows naturally from ChromaDex's
11 admission that the Trademark Agreement is unlawful: judgment of liability under
12 Count V.

13 Entry of a judgment, rather than striking allegations that now stand admitted,
14 would provide certainty and finality, and would promote judicial economy. Not only
15 would it simplify further proceedings on Elysium's claim for restitution, it would
16 prevent ChromaDex, under the doctrines of claim and issue preclusion, from
17 attempting to relitigate issues that it had the opportunity to fully and fairly litigate in
18 this case.

19 **III. CONCLUSION**

20 For the foregoing reasons, Elysium respectfully requests that ChromaDex's
21 motion to dismiss be denied and that the Court enter judgment of liability in favor of
22 Elysium on Count V of the Counterclaims.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: November 13, 2017

Respectfully submitted,

By /s/ Marco J. Quina

Donald R. Ware
Marco J. Quina
FOLEY HOAG LLP

Peter B. Morrison
Julia M. Nahigian
Joseph N. Sacca
Bradley E. Honigman
Michael M. Powell
Spencer Gottlieb
SKADDEN, ARPS, SLATE,
MEAGHER & FLÖM LLP

Attorneys for Defendant and
Counterclaimant Elysium Health, Inc.