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10 **UNITED STATES DISTRICT COURT**
 11 **CENTRAL DISTRICT OF CALIFORNIA**
 12 **(SOUTHERN DIVISION)**

13
 14 ChromaDex, Inc.,
 15 Plaintiff,

16 v.

17 Elysium Health, Inc.,
 18 Defendant.

Case No. SACV 16-02277-CJC(DFMx)

**CHROMADEx, INC.’S MEMORANDUM
 OF POINTS AND AUTHORITIES IN
 SUPPORT OF MOTION FOR PARTIAL
 JUDGMENT ON THE PLEADINGS**

Date: October 2, 2017
 Time: 1:30 p.m.
 Judge: Hon. Cormac J. Carney

19 Elysium Health, Inc.,
 20 Counterclaimant,
 21 v.
 22 ChromaDex, Inc.,
 23 Counter-Defendant.

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

PAGE

I. INTRODUCTION 1

II. FACTUAL AND PROCEDURAL BACKGROUND 2

III. LEGAL STANDARD 4

IV. ELYSIUM’S FOURTH COUNTERCLAIM FOR DECLARATORY
 JUDGMENT OF PATENT MISUSE SHOULD BE DISMISSED
 BECAUSE IT FAILS TO SATISFY ARTICLE III’S CASE OR
 CONTROVERSY REQUIREMENT 5

 A. ChromaDex’s Renouncement of Any Right to Enforce the Royalty
 Provisions of the Trademark License and Royalty Agreement
 Divested the Court of Subject Matter Jurisdiction over Elysium’s
 Counterclaim 6

 B. If Elysium Claims it Is Entitled to Damages as a Result of the
 Alleged Patent Misuse, It Will Still Not Be Able to Establish
 Subject Matter Jurisdiction Because Damages Are Not An
 Available Remedy Under A Counterclaim for Declaratory Relief..... 9

V. CONCLUSION 10

TABLE OF AUTHORITIES

PAGE(S)

Cases

1

2

3

4 *A-Z Int’l v. Phillips,*

5 323 F.3d 1141 (9th Cir. 2003) 4

6 *Aetna Life Ins. Co. v. Haworth,*

7 300 U.S. 227 (1937)..... 5

8 *B. Braun Med., Inc. v. Abbott Labs.,*

9 124 F.3d 1419 (Fed. Cir. 1997) 9, 10

10 *Bayer v. Neiman Marcus Grp., Inc.,*

11 861 F.3d 853 (9th Cir. 2017) 7

12 *Benitec Australia, Ltd. v. Nucleonics, Inc.,*

13 495 F.3d 1340 (Fed. Cir. 2007) 5, 9

14 *Dow Jones & Co. v. Ablaise Ltd.,*

15 606 F.3d 1338 (Fed. Cir. 2010) 7

16 *Excelstor Tech., Inc. v. Papst Licensing GmbH & Co. KG,*

17 2010 WL 2560481 (N.D. Cal. June 22, 2010) 7, 8

18 *Formula One Motors, Ltd. v. United States,*

19 777 F.2d 822 (2d Cir. 1985) 4

20 *Hewitt v. Helms,*

21 482 U.S. 755 (1987)..... 6

22 *Hewlett-Packard Co. v. Acceleron LLC,*

23 587 F.3d 1358 (Fed. Cir. 2009) 7

24 *Internet Pipeline, Inc. v. Aplifi, Inc.,*

25 2011 WL 4528340 (E.D. Pa. Sept. 29, 2011)..... 7, 10

26 *J & J Sports Prods., Inc. v. Kooner,*

27 2013 WL 6070407 (E.D. Cal. Nov. 18, 2013) 4

28 *Knappenberger v. City of Phx.,*

566 F.3d 936 (9th Cir. 2009) 4

**TABLE OF AUTHORITIES
(CONTINUED)**

PAGE(S)

1		
2		
3	<i>MedImmune, Inc. v. Genentech, Inc.</i> ,	
4	549 U.S. 118 (2007).....	2, 6, 8
5	<i>Merchants Home Delivery Serv., Inc. v. Frank B. Hall & Co.</i> ,	
6	50 F.3d 1486 (9th Cir.1995)	4
7	<i>Powertech Tech., Inc. v. Tessera, Inc.</i> ,	
8	2012 WL 3283420 (N.D. Cal. Aug. 10, 2012)	10
9	<i>Preiser v. Newkirk</i> ,	
10	422 U.S. 395 (1975).....	6
11	<i>Rattlesnake Coal. v. U.S. E.P.A.</i> ,	
12	509 F.3d 1095 (9th Cir. 2007)	4, 5
13	<i>SanDisk Corp. v. STMicroelectronics, Inc.</i> ,	
14	480 F.3d 1372 (Fed. Cir. 2007)	9
15	<i>Seven Words LLC v. Network Sols.</i> ,	
16	260 F.3d 1089 (9th Cir. 2001)	6
17	<i>Steffel v. Thompson</i> ,	
18	415 U.S. 452 (1974).....	5
19	<i>Streck, Inc. v. Research & Diagnostic Sys., Inc.</i> ,	
20	665 F.3d 1269 (Fed. Cir. 2012)	5
21	<i>Super Sack Mfg. Corp. v. Chase Packaging Corp.</i> ,	
22	57 F.3d 1054 (Fed. Cir. 1995)	8
23	Statutes	
24	28 U.S.C. § 2201(a)	5
25	Other Authorities	
26	Fed. R. Civ. P.	
27	12(c).....	4
28	12(h)(3)	1, 5
	U.S. Const. art. III, § 2, cl. 1	5, 9

1 **I. INTRODUCTION**

2 An action for declaratory judgment must satisfy Article III’s case or
3 controversy requirement in order for the court to have subject matter jurisdiction over
4 the claim. “If the court determines at *any time* that it lacks subject matter jurisdiction,
5 the court *must* dismiss the action.” Fed. R. Civ. P. 12(h)(3) (emphasis added). No
6 present case or controversy exists here with respect to Elysium Health, Inc.’s
7 (“Elysium”) Fourth Counterclaim for declaratory judgment of patent misuse.
8 Elysium’s counterclaim is only an affirmative defense with a limited remedy. At
9 most, it could theoretically result in a declaration that ChromaDex, Inc.
10 (“ChromaDex”) engaged in patent misuse, rendering ChromaDex unable to enforce its
11 patent rights including through the royalty obligation in the parties’ Trademark
12 License and Royalty Agreement. The Court previously held that this created a case or
13 controversy sufficient to maintain Elysium’s declaratory judgment claim.

14 However, ChromaDex eliminated the case or controversy by covenanting not to
15 enforce the royalty obligation in this (or any) action. ChromaDex explicitly
16 renounced and abandoned its claim for breach of the Trademark License and Royalty
17 Agreement in the operative Third Amended Complaint (ECF 48) (hereinafter “TAC”)
18 and in its Answer to Elysium’s First Amended Counterclaim (ECF 46). ChromaDex
19 has further renounced all rights to obtain royalties under the agreement, even
20 covenanting to refund all past royalties paid by Elysium as a credit against the
21 damages Elysium owes ChromaDex in this matter. Further, no other claim, by
22 ChromaDex or Elysium, involves the enforceability of ChromaDex’s nicotinamide
23 riboside (“NR”) patent rights. Accordingly, there is no present or impending
24 controversy requiring that the Court determine whether ChromaDex may enforce its
25 NR patent rights.

26 Because there is no current or impending controversy as to ChromaDex’s patent
27 rights—and whether those rights were misused—the Court lacks subject matter
28 jurisdiction over Elysium’s claim for a declaratory judgment of patent misuse and

1 must dismiss the claim. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127
2 (2007). For these reasons and those discussed below, Elysium’s fourth counterclaim
3 for declaratory judgment of patent misuse should be dismissed for lack of subject
4 matter jurisdiction.

5 **II. FACTUAL AND PROCEDURAL BACKGROUND**

6 ChromaDex sells NIAGEN, a trademarked name for NR, and other ingredients
7 to customers across the country, one of which was Elysium. (TAC ¶ 11.) Elysium
8 sells one product, “Basis,” which combines NIAGEN and pTeroPure, a trademarked
9 name for pterostilbene, also sold by ChromaDex. (TAC ¶ 2.) ChromaDex sold—and
10 Elysium promised to buy and pay for—NIAGEN and pTeroPure pursuant to three
11 contracts: (1) the “NIAGEN Supply Agreement” (as amended); (2) the “pTeroPure
12 Supply Agreement, (together with the NIAGEN Supply Agreement, the “Supply
13 Agreements”); and (3) a Trademark License and Royalty Agreement. (TAC ¶ 16.)
14 The NIAGEN Supply Agreement and the Trademark License and Royalty Agreement
15 are now terminated. (TAC ¶ 16.)

16 On December 29, 2016, ChromaDex filed its Complaint against Elysium. (ECF
17 1.) In its third cause of action, ChromaDex sought damages under the Trademark
18 License and Royalty Agreement for unpaid royalties by Elysium. In response,
19 Elysium counterclaimed against ChromaDex for, *inter alia*, a declaratory judgment of
20 patent misuse. (ECF 11; ECF 31 (“FACC”).) Elysium contends that ChromaDex
21 misused its NR patent rights by “tying of access to its patent rights to a royalty-
22 bearing trademark license” in the Trademark License and Royalty Agreement.
23 (FACC ¶¶ 38, 113.) Elysium seeks a declaratory judgment of patent misuse and a
24 judgment “[e]njoining ChromaDex from enforcing the [Trademark] License and
25 Royalty Agreement.” (FACC at 24).

26 ChromaDex moved to dismiss Elysium’s declaratory judgment for patent
27 misuse claim, among others. (ECF 34.) ChromaDex argued that patent misuse was
28 not a cognizable affirmative claim and that its conduct did not constitute misuse as a

1 matter of law. (ECF 34-1 at 11–15.) In its Opposition, Elysium argued that the claim
2 was legally cognizable because ChromaDex’s claim to enforce the royalty provisions
3 of the Trademark License and Royalty Agreement created a case or controversy
4 supporting the Court’s jurisdiction over its claim. Elysium argued:

5 A case or controversy plainly exists here. ChromaDex, in Count 3 of its
6 Complaint, seeks to enforce the royalty requirement in the parties’
7 Trademark Agreement. Elysium seeks to enjoin enforcement of the
8 Trademark Agreement’s royalty requirement due to ChromaDex’s patent
9 misuse.

10 (ECF 38 at 15.) Over ChromaDex’s objection, the Court agreed with Elysium. On
11 May 10, 2017, the Court denied ChromaDex’s motion to dismiss the declaratory
12 judgment counterclaim, finding that “[a] case or controversy exists here because
13 ChromaDex seeks to enforce the royalty requirement in the parties’ Agreement, and
14 Elysium contends that the royalty requirement is unenforceable due to patent misuse.”
15 (ECF 44 at 17 (emphasis added).)

16 To address the Court’s finding, ChromaDex filed a second amended complaint
17 (“SAC”) that explicitly omitted, renounced, and abandoned its claim for unpaid
18 royalties under the Trademark License and Royalty Agreement. (ECF 45). In the
19 SAC, ChromaDex made a binding statement and covenant that

20 to eliminate an issue from this litigation, to conserve the parties’ and the
21 Court’s resources and to streamline this action, and without prejudice to
22 ChromaDex’s arguments and contentions, ChromaDex restates that it has
23 already terminated the Trademark License and Royalty Agreement on
24 February 2, 2017 and further, hereby unequivocally renounces any rights
25 to collect, charge, or obtain royalties under the [agreement] with
26 Elysium.

27 (SAC ¶ 91.) ChromaDex further stated:

28 Pursuant to Section 14.1 of the Trademark License and Royalty
Agreement and ChromaDex’s notice sent to Elysium on October 31,
2016, the Trademark License and Royalty Agreement was permanently
terminated along with the NIAGEN Supply Agreement, effective
February 2, 2017. Accordingly, the allegedly offending terms of the
Trademark License and Royalty Agreement as alleged by Elysium are no
longer of any operative effect.

(SAC ¶ 91). ChromaDex further represented in a binding manner that ChromaDex
“will provide a credit to Elysium for all past royalties against the damages owed by

1 Elysium in this case, including for the failure to pay for product purchased.” (SAC
2 ¶ 93.)

3 ChromaDex later filed its TAC asserting only two breach of contract claims for
4 failure to pay for the product it delivered to Elysium and including identical covenants
5 and statements regarding the renouncement of its claim under Trademark License and
6 Royalty Agreement. (*Compare* SAC ¶¶ 91, 93 *with* TAC ¶¶ 62, 64.) Elysium
7 answered the TAC and restated the FACC, still including its claim for a declaratory
8 judgment of patent misuse despite the fact that ChromaDex is no longer enforcing the
9 royalty provision in the Trademark License and Royalty Agreement, renounced all
10 rights under it, and bound itself to credit Elysium for all past royalties paid against
11 damages owed to ChromaDex for Elysium’s non-payment of product. (ECF 51.)

12 III. LEGAL STANDARD

13 “After the pleadings are closed—but early enough not to delay trial—a party
14 may move for judgment on the pleadings.” Fed. R. Civ. P. 12(c). “Judgment on the
15 pleadings is properly granted when, taking all allegations in the pleading as true, the
16 moving party is entitled to judgment as a matter of law.” *Knappenberger v. City of*
17 *Phx.*, 566 F.3d 936, 939 (9th Cir. 2009) (quoting *Merchants Home Delivery Serv., Inc.*
18 *v. Frank B. Hall & Co.*, 50 F.3d 1486, 1488 (9th Cir. 1995)).

19 Subject matter jurisdiction may be challenged with a Rule 12(c) motion. *See*
20 *e.g., Formula One Motors, Ltd. v. United States*, 777 F.2d 822, 822–23 (2d Cir. 1985)
21 (affirming dismissal of action for lack of subject matter jurisdiction on a Rule 12(c)
22 motion); *J & J Sports Prods., Inc. v. Kooner*, 2013 WL 6070407, at *2 (E.D. Cal.
23 Nov. 18, 2013). “A federal court is presumed to lack jurisdiction in a particular case
24 unless the contrary affirmatively appears.” *A–Z Int’l v. Phillips*, 323 F.3d 1141, 1145
25 (9th Cir. 2003) (citation omitted). Therefore “[o]nce challenged, the party asserting
26 subject matter jurisdiction has the burden of proving its existence.” *Rattlesnake Coal.*
27 *v. U.S. E.P.A.*, 509 F.3d 1095, 1102 n.1 (9th Cir. 2007). “If the court determines at
28 any time that it lacks subject matter jurisdiction, the court must dismiss the action.”

1 Fed. R. Civ. P. 12(h)(3); *see also Steffel v. Thompson*, 415 U.S. 452, 459 n.10 (1974)
2 (“[A]n actual controversy must be extant at all stages of review, not merely at the time
3 the complaint is filed.”).

4 The Court’s subject matter jurisdiction may be based on the Declaratory
5 Judgment Act, which provides that “[i]n a case of actual controversy within its
6 jurisdiction . . . any court of the United States . . . may declare the rights and other
7 legal relations of any interested party seeking such declaration, whether or not further
8 relief is or could be sought.” 28 U.S.C. § 2201(a). The phrase “case of actual
9 controversy” in the Act refers to the type of “Cases” and “Controversies” that are
10 justiciable under Article III. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239–40
11 (1937); *see* U.S. Const. art. III, § 2, cl. 1.

12 **IV. ELYSIUM’S FOURTH COUNTERCLAIM FOR DECLARATORY**
13 **JUDGMENT OF PATENT MISUSE SHOULD BE DISMISSED**
14 **BECAUSE IT FAILS TO SATISFY ARTICLE III’S CASE OR**
15 **CONTROVERSY REQUIREMENT.**

15 Elysium bears the burden of establishing that the Court’s subject matter
16 jurisdiction over its claim for declaratory judgment of patent misuse has continued
17 since the claim was filed. *See Rattlesnake Coal*, 509 F.3d at 1102 n.1; *Streck, Inc. v.*
18 *Research & Diagnostic Sys., Inc.*, 665 F.3d 1269, 1282 (Fed. Cir. 2012) (The party
19 seeking a declaratory judgment has the burden of establishing that “jurisdiction
20 ‘existed at the time the claim for declaratory relief was filed *and that it has continued*
21 *since.*” (emphasis added) (quoting *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495
22 F.3d 1340, 1343 (Fed. Cir. 2007)). Elysium cannot meet its burden because patent
23 misuse is an affirmative defense, and it is no longer relevant to an actual claim or
24 controversy between the parties. When ChromaDex filed its SAC, which expressly
25 renounced and abandoned its prior claim for breach of the Trademark License and
26 Royalty Agreement, the Court’s subject matter jurisdiction over the patent misuse
27 claim was eliminated and lost.

1 **A. CHROMADDEX’S RENOUNCEMENT OF ANY RIGHT TO ENFORCE THE**
2 **ROYALTY PROVISIONS OF THE TRADEMARK LICENSE AND ROYALTY**
3 **AGREEMENT DIVESTED THE COURT OF SUBJECT MATTER**
4 **JURISDICTION OVER ELYSIUM’S COUNTERCLAIM.**

5 ChromaDex’s unequivocal renouncement of any right to enforce the royalty
6 provisions of the Trademark License and Royalty Agreement eliminated the case or
7 controversy that existed at the time Elysium filed its counterclaims. A court has
8 jurisdiction over a declaratory judgment action “only when the challenged . . . activity
9 . . . has not evaporated or disappeared, and, by its continuing and brooding presence,
10 casts what may well be a substantial adverse effect on the interests of the . . . parties.”
11 *Seven Words LLC v. Network Sols.*, 260 F.3d 1089, 1098–99 (9th Cir. 2001) (citation
12 omitted). *See also Preiser v. Newkirk*, 422 U.S. 395, 401 (1975). ChromaDex’s
13 amended pleadings preclude Elysium from establishing that there remains a case or
14 controversy regarding the enforceability of the Trademark License and Royalty
15 Agreement. Elysium is unable to satisfy its burden to show that there is a dispute “of
16 sufficient immediacy and reality to warrant the issuance of a declaratory judgment”
17 regarding Elysium’s alleged patent misuse affirmative defense. *MedImmune*, 549
18 U.S. at 127.

19 First, ChromaDex has voluntarily ceased the challenged activity: it is no longer
20 suing to enforce the royalty provisions of the Trademark License and Royalty
21 Agreement through a breach of contract claim. (*See generally* TAC). That claim was
22 the only alleged conduct that Elysium’s allegations of patent misuse had any bearing
23 on and it was the basis for the Court’s decision declining to dismiss the patent misuse
24 counterclaim. (ECF 44 at 17 (“A case or controversy exists here because ChromaDex
25 seeks to enforce the royalty requirement in the parties’ Agreement, and Elysium
26 contends that the royalty requirement is unenforceable due to patent misuse.”).) With
27 this claim gone, a declaratory judgment of patent misuse does not, and would not,
28 resolve any current dispute before the Court. *See Hewitt v. Helms*, 482 U.S. 755, 761
29 (1987) (“what makes [a judicial pronouncement] a proper judicial resolution of a ‘case

1 or controversy’ rather than an advisory opinion[,] is in the settling of some dispute
2 *which affects the behavior of the defendant towards the plaintiff*”). Nor would it
3 affect ChromaDex’s conduct concerning the Trademark License and Royalty
4 Agreement—it will not resolve a claim that ChromaDex has already abandoned. *Cf.*
5 *Bayer v. Neiman Marcus Grp., Inc.*, 861 F.3d 853, 868 (9th Cir. 2017) (concluding
6 claim for declaratory judgment was moot because plaintiff “provided no basis upon
7 which to conclude declaratory relief might affect [defendant’s] behavior towards
8 him,” and “produced no evidence to show the conduct complained of in this action
9 presently affects him or can reasonably be expected to affect him in the future”).

10 Second, ChromaDex’s amended pleadings eliminated the possibility of a future
11 controversy under the Trademark License and Royalty Agreement by “unequivocally
12 renounc[ing] any rights to collect, charge, or obtain royalties under the Trademark
13 License and Royalty Agreement with Elysium.” (TAC ¶ 62.) The objective actions
14 and statements of the patentee are “controlling” in the declaratory judgment
15 jurisdictional analysis. *Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1363
16 (Fed. Cir. 2009). Courts have long held that a covenant not to sue, such as the
17 statements in ChromaDex’s TAC, divest the Court of jurisdiction to adjudicate a
18 counterclaimant’s action for declaratory judgment. *See e.g., Dow Jones & Co. v.*
19 *Ablaise Ltd.*, 606 F.3d 1338, 1346–48 (Fed. Cir. 2010) (collecting cases and reversing
20 a district court’s denial of a motion to dismiss counterclaim for declaratory judgment
21 of patent invalidity because patentee’s covenant not to sue “extinguished any current
22 or future case or controversy between the parties, and divested the district court of
23 subject matter jurisdiction”); *Excelstor Tech., Inc. v. Papst Licensing GmbH & Co.*
24 *KG*, 2010 WL 2560481, at *7 (N.D. Cal. June 22, 2010) (“Because the covenant not
25 to sue is sufficient to preclude a finding of possibility of future claims of patent
26 infringement, the court finds, under all the circumstances, that sufficient immediacy
27 and reality do not exist to support declaratory judgment jurisdiction.”); *Internet*
28 *Pipeline, Inc. v. Aplifi, Inc.*, 2011 WL 4528340, at *3 (E.D. Pa. Sept. 29, 2011)

1 (finding court did not have subject matter jurisdiction over patent misuse counterclaim
2 after patentee filed covenant not to sue). In light of ChromaDex’s unequivocal
3 renunciation of the right to obtain royalties under the Trademark License and Royalty
4 Agreement, Elysium cannot persuasively argue that a case or controversy of sufficient
5 immediacy and reality remains alive in this action such that the Court still has subject
6 matter jurisdiction over its patent misuse declaratory judgment counterclaim.
7 *MedImmune*, 549 U.S. at 127.

8 *Excelstor Tech., Inc. v. Papst Licensing GmbH & Co. KG* is instructive and this
9 Court should adopt the same reasoning. There, defendant moved to dismiss plaintiff’s
10 claim for a declaratory judgment of patent misuse for lack of subject matter
11 jurisdiction. 2010 WL 2560481 at *2. The *Excelstor* court held that plaintiff did not
12 meet “its burden of establishing a ‘substantial controversy’ of ‘sufficient immediacy’
13 to warrant a declaratory judgment” because defendant did not assert that plaintiff had
14 infringed its patents and had filed a covenant not to sue plaintiff for infringement. *Id.*
15 at *3, 5–6. Further, plaintiff presented no facts establishing that it would engage in
16 activity “that will expose it to liability for infringement.” *Id.* at *6. A “vaguely
17 articulated defined intent to [engage in such activity] in the future” could “not meet
18 the immediacy and reality requirement.” *Id.* at *7.

19 Similarly, ChromaDex explicitly renounced the conduct that Elysium
20 specifically alleged as the act of patent misuse. ChromaDex’s binding judicial
21 representations renouncing its right to obtain royalties under the Trademark License
22 and Royalty Agreement are the equivalent of a covenant not to sue. *Super Sack Mfg.*
23 *Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1059 (Fed. Cir. 1995), *abrogated on*
24 *other grounds by MedImmune*, 549 U.S. at 118 (circuit court found that “statement of
25 counsel in motion papers and briefs, rather than a covenant signed by [patentee]
26 itself,” was binding on patentee and equivalent of covenant not to sue). Accordingly,
27 Elysium cannot satisfy its burden to allege any facts plausibly establishing that any
28 live case or controversy still exists with respect to the patent misuse counterclaim.

1 The Court therefore lacks subject matter jurisdiction over the claim and must dismiss
2 it. *See Benitec Australia, Ltd.*, 495 F.3d at 1344 (“Article III jurisdiction may be met
3 where the patentee takes a position that puts the declaratory judgment plaintiff in the
4 position of either pursuing arguably illegal behavior or abandoning that which he
5 claims a right to do.” (quoting *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d
6 1372, 1381 (Fed. Cir. 2007))). Just as in *Benitec*, Elysium is no longer in any such
7 position and no case or controversy exists.

8 **B. IF ELYSIUM CLAIMS IT IS ENTITLED TO DAMAGES AS A RESULT OF THE**
9 **ALLEGED PATENT MISUSE, IT WILL STILL NOT BE ABLE TO ESTABLISH**
10 **SUBJECT MATTER JURISDICTION BECAUSE DAMAGES ARE NOT AN**
11 **AVAILABLE REMEDY UNDER A COUNTERCLAIM FOR DECLARATORY**
12 **RELIEF.**

13 Elysium suggested during the meet and confer process preceding this motion
14 that it will claim that it has unresolved damages arising from ChromaDex’s alleged
15 patent misuse that are sufficient to establish the Court’s subject matter jurisdiction.
16 However, because damages are not an available remedy under Elysium’s counterclaim
17 for a declaratory judgment of patent misuse, this purported dispute over damages does
18 not create a case or controversy regarding patent misuse.

19 “[T]he patent misuse doctrine is an extension of the equitable doctrine of
20 unclean hands, whereby a court of equity will not lend its support to enforcement of a
21 patent that has been misused.” *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419,
22 1427 (Fed. Cir. 1997). In *B. Braun Medical*, the Federal Circuit foreclosed Elysium’s
23 argument, holding that:

24 monetary damages may not be awarded “under a declaratory judgment
25 counterclaim based on patent misuse,” because patent misuse simply
26 renders the patent unenforceable. In other words, the defense of patent
27 misuse may not be converted to an affirmative claim for damages simply
28 by restyling it as a declaratory judgment counterclaim.

Id. at 1428.¹

¹ The court did note that “the same *actions* by a patentee that result in patent misuse may also serve as an element of an affirmative claim for damages” in, for example, a substantive “antitrust or breach of contract” action. *Id.* at 1428 n.5. Elysium, however, has not alleged, and cannot allege, such a claim.

1 The rule stated by *B. Braun Medical* was applied in *Internet Pipeline, Inc. v.*
2 *Aplifi, Inc.*, 2011 WL 4528340, in a case where the defendant brought a patent misuse
3 counterclaim after being sued for infringement. Citing *B. Braun Medical*, the court
4 restated the long-standing rule that “a counterclaim of patent misuse may only seek
5 declaratory relief, not monetary damages, because patent misuse only renders the
6 patent unenforceable.” *Id.* at *3 (citing 124 F.3d at 1427). The court then held that,
7 because the most the counterclaimant “could ever obtain in such a counterclaim is
8 declaratory relief,” the “patent misuse counterclaim fa[iled] as a result of [the
9 patentee’s] covenant not to sue.” *Id.* The court further found that it did not have
10 subject matter jurisdiction over the counterclaim. *Id.* The same factual scenario is
11 now before this Court. ChromaDex’s binding statements renouncing the right to
12 obtain royalties under the Trademark License and Royalty Agreement eliminated any
13 controversy that the claim could resolve because Elysium is only entitled to
14 declaratory relief under its declaratory judgment counterclaim. Thus, a hypothetical
15 claim for damages arising from the alleged misuse does not, and cannot, create a case
16 or controversy that supports a declaratory judgment. *See also Powertech Tech., Inc. v.*
17 *Tessera, Inc.*, 2012 WL 3283420, at *5 (N.D. Cal. Aug. 10, 2012) (holding that
18 restitution of past royalties paid was “not available through [a declaratory judgment of
19 patent misuse] claim”).

20 **V. CONCLUSION**

21 Because there is no case or controversy involving ChromaDex’s patent rights
22 before the Court, the Court lacks subject matter jurisdiction over Elysium’s Fourth
23 Counterclaim for declaratory judgment of patent misuse and the counterclaim should
24 be dismissed.

25 ///

26 ///

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1 Dated: August 14, 2017

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