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9
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 REPLY 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.

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1 **I. INTRODUCTION**

2 The Court originally found that it had subject matter jurisdiction over Elysium
3 Health, Inc.'s ("Elysium") claim for declaratory judgment of patent misuse because
4 "ChromaDex seeks to enforce the royalty requirement in the parties' Agreement, and
5 Elysium contends that the royalty requirement is unenforceable due to patent misuse."
6 (ECF 44 at 17.) However, things have changed—a fact that Elysium fails to
7 acknowledge. In response to the Court's Order, ChromaDex, Inc. ("ChromaDex")
8 unequivocally withdrew and irrevocably renounced its claim to enforce the royalty
9 requirement in the parties' Trademark License and Royalty Agreement. Without that
10 anchor claim, there is no reason, basis, or cause to adjudicate Elysium's declaratory
11 relief claim, and no "case or controversy." The declaratory relief claim is now an
12 affirmative defense irrelevant to ChromaDex's remaining breach of contract claims.

13 Elysium makes three fallacious arguments in an attempt to resurrect now non-
14 existent subject matter jurisdiction for its patent misuse declaratory relief claim. (ECF
15 60 ("Oppp.")). First, it argues that ChromaDex must covenant not to sue Elysium for
16 patent infringement to eliminate subject matter jurisdiction. Elysium is wrong. This
17 case is not—and never has been—about patent infringement. There are no allegations
18 of patent infringement anywhere in the pleadings, or elsewhere. To eliminate
19 jurisdiction over the patent misuse counterclaim actually pleaded by Elysium,
20 ChromaDex had to covenant not to continue the conduct allegedly giving rise to the
21 declaratory judgment claim. ChromaDex did so by irrevocably renouncing and
22 withdrawing its claim to enforce the Trademark License and Royalty Agreement.

23 Second, Elysium argues that the Court should adjudicate its declaratory
24 judgment claim to provide additional relief in the form of damages or restitution.
25 However, because patent misuse is an affirmative defense, Elysium is entitled to
26 nothing more than what it has already received: non-enforcement of the Trademark
27 License and Royalty Agreement.

28

1 Third, Elysium engages in a remarkable “bait-and-switch” by now contradicting
2 its earlier contentions and representations about the basis for the Court’s subject
3 matter jurisdiction. In response to ChromaDex’s prior Motion to Dismiss the patent
4 misuse declaratory relief claim, Elysium said:

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.) But now, faced with ChromaDex’s renunciation of the Trademark
11 License and Royalty Agreement claim, which divests this Court’s subject matter
12 jurisdiction, for the first time Elysium contends that this dispute is not about
13 enforcement of the Trademark License and Royalty Agreement at all, but is really
14 about unpleaded and hypothetical patent infringement. As the Court is aware,
15 however, there are no allegations anywhere, let alone in the pleadings of this lawsuit,
16 that Elysium has infringed ChromaDex’s patents. ChromaDex has never threatened a
17 patent infringement action against Elysium and there is, therefore, no basis to litigate a
18 hypothetical patent misuse affirmative defense to a non-existent claim.

19 Elysium would have this Court transform a simple breach of contract dispute
20 over Elysium’s failure to pay for product it has already received (and likely resold at a
21 profit) into a complicated antitrust case. This would substantially expand the scope of
22 discovery and unnecessarily increase the burden on both parties and the Court. All
23 this added effort would result in nothing more than an advisory opinion, where there is
24 currently no justiciable case or controversy regarding patent infringement or patent
25 misuse.

26 For these reasons, as further explained below, the Court should grant
27 ChromaDex’s partial motion for judgment on the pleadings and dismiss Elysium’s
28 claim for declaratory judgment of patent misuse, because no case or controversy
exists.

1 **II. THERE IS NO DISPUTE THAT THE COURT’S BASIS FOR FINDING SUBJECT**
2 **MATTER JURISDICTION NO LONGER EXISTS**

3 Elysium does not dispute (nor could it) that the Court previously held that its
4 subject matter jurisdiction over Elysium’s declaratory judgment claim rested on
5 ChromaDex’s claim for breach of the Trademark License and Royalty Agreement.
6 (ECF 44 at 17 (“A case or controversy exists here because ChromaDex seeks to
7 enforce the royalty requirement in the parties’ Agreement, and Elysium contends that
8 the royalty requirement is unenforceable due to patent misuse.”).) Indeed, Elysium
9 argued this—and only this—in its opposition to ChromaDex’s motion to dismiss:

10 A case or controversy plainly exists here. ChromaDex, in Count 3 of its
11 Complaint, seeks to enforce the royalty requirement in the parties’
12 Trademark Agreement. Elysium seeks to enjoin enforcement of the
13 Trademark Agreement’s royalty requirement due to ChromaDex’s patent
14 misuse.

15 (ECF 38 at 15.) Nor does Elysium dispute that ChromaDex’s claim for breach of the
16 Trademark License and Royalty Agreement is no longer at issue. (*See* ECF 48,
17 ChromaDex’s Third Amended Complaint (“TAC”).) Nor does Elysium dispute that
18 ChromaDex “unequivocally renounce[d] any rights to collect, charge, or obtain
19 royalties under the [agreement] with Elysium.”¹ (ECF 45, ChromaDex’s Second
20 Amended Complaint ¶ 91; TAC ¶ 62.)

21 As ChromaDex argued in its motion for judgment on the pleadings (ECF 56),
22 these undisputed facts demonstrate that there is no reason or basis for the Court to
23 burden itself to adjudicate Elysium’s affirmative defense of patent misuse, and,
24 indeed, the Court now lacks subject matter jurisdiction because ChromaDex

25 ¹ Indeed, ChromaDex has renounced and refunded royalties to all of its customers.
26 (*See* TAC ¶¶ 63–64.) While Elysium disputes this insofar as it has not engaged in
27 discovery (*see* *Opp.* at 3), this factual dispute is irrelevant to this motion. There is no
28 basis for the Court to adjudicate whether ChromaDex sufficiently purged the alleged
patent misuse, because ChromaDex withdrew the claim to which patent misuse
allegedly applied, and there is now no case or controversy for the Court to adjudicate.

1 voluntarily took the issue off the table.² Why should the Court adjudicate an
 2 affirmative defense that is not a defense to any active claim? Elysium makes two
 3 arguments, but neither is a sufficient answer to the question.

4 **A. CHROMADDEX’S COVENANT NOT TO ENFORCE THE TRADEMARK**
 5 **LICENSE AND ROYALTY AGREEMENT ELIMINATES THE CASE OR**
 6 **CONTROVERSY**

7 Elysium argues that ChromaDex’s covenant not to enforce the royalty
 8 obligation is too narrow to divest the Court of subject matter jurisdiction. Instead,
 9 Elysium argues, ChromaDex “must provide an irrevocable covenant not to sue *for*
 10 *infringement* of the patent” to eliminate any Article III case or controversy. (Opp. at
 11 5.) Elysium is wrong, and it critically misleads the Court by misconstruing the case
 12 law it cites.

13 Elysium cites several cases for the proposition that “Courts have provided a
 14 clear roadmap for defendants seeking to moot a declaratory judgment claim
 15 challenging the validity or enforceability of their patent rights: they must provide an
 16 irrevocable covenant not to sue *for infringement of the patent.*” (Opp. at 5.) These
 17 cases do not hold that the only way to moot a declaratory judgment claim is to
 18 covenant not to sue for patent infringement.³ Instead, these cases hold that to divest a
 19 court of subject matter jurisdiction over a declaratory judgment action, the plaintiff
 20 must irrevocably withdraw *the claim that gave rise to the defense.* The reason two of
 21 these cases required a covenant not to sue for patent infringement is because, in both
 22 cases, subject matter jurisdiction was predicated on an accusation of patent

23 ² While Elysium disputes its burden on ChromaDex’s motion, it is clear that “[o]nce
 24 challenged, the party asserting subject matter jurisdiction has the burden of proving its
 25 existence.” *Rattlesnake Coal. v. U.S. E.P.A.*, 509 F.3d 1095, 1102 n.1 (9th Cir. 2007).
 26 In any case, ChromaDex’s motion should be granted regardless of who carries the
 27 burden of proof because there is no dispute about facts.

28 ³ One of the cases that Elysium cites as an example of the “clear roadmap”—*Already, LLC v. Nike, Inc.*, 568 U.S. 85 (2013)—is a trademark case that had nothing to with
 patent infringement. *See id.* at 88.

1 infringement. *See Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294,
2 1295 (“In 2003 [plaintiff] filed suit against [defendant] . . . charging infringement of
3 [a patent]”); *Dow Jones & Co. v. Ablaise Ltd.*, 606 F.3d 1338, 1344 (Fed. Cir. 2010)
4 (“In 2006, Ablaise accused Dow Jones of infringing its ’737 and ’530 patents”). Of
5 course then, in those cases, a covenant not to sue for patent infringement was required
6 to eliminate the case or controversy. But that circumstance is not this case.

7 Unlike the cases Elysium cites, this case does *not* involve any patent
8 infringement claims or allegations. The claim that ChromaDex pleaded, and
9 irrevocably withdrew, was for breach of the Trademark License and Royalty
10 Agreement. By renouncing that claim, no live case or controversy remains over the
11 affirmative defense pleaded against it. ChromaDex has, accordingly, established that
12 Elysium’s “only legally cognizable injury” under its declaratory relief claim as
13 pleaded in Elysium’s First Amended Counterclaims (ECF 31 (“FACC”)) is now gone
14 and, given the breadth of the covenant, cannot reasonably be expected to recur.
15 *Already*, 568 U.S. at 100. There is, therefore, no remaining live justiciable case or
16 controversy to support this Court’s subject matter jurisdiction. “There being no other
17 basis on which to find a live controversy, the [claim] is clearly moot.” *Id.*

18 **B. ELYSIUM HAS OBTAINED THE “COMPLETE RELIEF” AVAILABLE FROM**
19 **ITS DECLARATORY JUDGMENT CLAIM**

20 Elysium’s second argument is that ChromaDex’s renouncement of its claim for
21 breach of the Trademark License and Royalty Agreement does not “provide Elysium
22 with complete relief under its counterclaim” for declaratory judgment of patent
23 misuse. (Opp. at 10.) Elysium, however, misstates what relief is available under its
24 counterclaim. Patent misuse is an affirmative defense, not a substantive claim. *See B.*
25 *Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1428 (Fed. Cir. 1997) (“patent
26 misuse simply renders the patent unenforceable”). An affirmative defense can only
27 provide relief from the claim against which it is asserted, which in this case is the now
28 fully abandoned claim for breach of the Trademark License and Royalty Agreement.

1 Elysium’s arguments to the contrary—that it is entitled to damages or
2 restitution—are wrong and rely on incorrect interpretations of both federal and state
3 law. First, in arguing that damages are available under its declaratory relief claim,
4 Elysium misguides the Court by relying on a quote from *B. Braun* that is completely
5 out of context. (Opp. at 12.) The full context of that quote proves that the Federal
6 Circuit expressly held that “*monetary damages may not be awarded ‘under a
7 declaratory judgment counterclaim based on patent misuse,’ because patent misuse
8 simply renders the patent unenforceable.*” 124 F.3d at 1428 (emphasis added).
9 Nevertheless, Elysium argues the court in *B. Braun Medical* actually found that “in
10 appropriate circumstances, a plaintiff can obtain monetary benefit incident to a patent
11 misuse declaratory judgment claim.” (Opp. at 12.) As the Federal Circuit further
12 explains, however, those “appropriate circumstances” exist only when the party has a
13 separate, independent “substantive claim upon which it is entitled to recover
14 damages,” such as “under an antitrust or breach of contract theory.” 124 F.3d at 1428
15 & n.5. Elysium’s distortion and omission is material in this case because Elysium has
16 pleaded no such independent claim involving the conduct allegedly constituting patent
17 misuse that would entitle it to damages. Moreover, the Federal Circuit held that “the
18 defense of patent misuse *may not* be converted to an affirmative claim for damages
19 simply by restyling it as a declaratory judgment counterclaim,” as Elysium now
20 requests. *Id.* at 1428 (emphasis added).

21 Similarly, Elysium misconstrues a vintage California state law case, *Finnegan*
22 *v. Spiegl Farms, Inc.*, 234 Cal. App. 2d 408 (1965), to support its argument.⁴ Unlike
23 *B. Braun*, the *Finnegan* court never even considered a claim for declaratory judgment
24

25 ⁴ *Finnegan* is not even binding authority. “Federal Circuit law governs the
26 determination of subject matter jurisdiction in a patent declaratory judgment
27 action.” *Seaboard Int’l, Inc. v. Cameron Int’l Corp.*, 2013 WL 3936889, at *8 (E.D.
28 Cal. July 30, 2013) (citing *MedImmune, Inc. v. Centocor, Inc.*, 409 F.3d 1376, 1378
(Fed. Cir. 2005), *overruled on other grounds, MedImmune*, 549 U.S. 118).

1 of patent misuse. *See, generally*, 234 Cal. App. 2d 408. Instead, it awarded
 2 restitution based on a quasi-contract theory of “mutual mistake.” *Id.* at 412. Elysium
 3 has pleaded no such quasi-contract claim under which it seeks restitution and its
 4 overly aggressive advocacy is misleading.

5 Because no damages or restitution are available under Elysium’s declaratory
 6 judgment claim, there is no further relief for the Court to provide. The only relief
 7 available was a declaration that ChromaDex’s claim for breach of the Trademark
 8 License and Royalty Agreement was unenforceable, but that claim is now irrevocably
 9 gone from this case.

10 **III. THERE IS NO “CONCRETE” OR “IMMEDIATE” CONTROVERSY REGARDING**
 11 **THE INFRINGEMENT OF CHROMADDEX’S PATENTS**

12 In a final attempt to save its declaratory judgment claim, Elysium argues, for
 13 the first time, that its patent misuse defense is directed not only at ChromaDex’s
 14 renounced claim for breach of the Trademark License and Royalty Agreement, but
 15 also at some previously undisclosed (to both the Court and ChromaDex) patent
 16 infringement dispute. (Opp. at 6.) Elysium’s eleventh hour argument directly
 17 contradicts what it represented to the Court only five months ago (ECF 38 at 15).
 18 Elysium now improperly asks the Court to take judicial notice of facts that post-date
 19 the pleadings and, in any case, are insufficient to establish a case or controversy that is
 20 sufficiently “concrete” or “immedia[te]” to be justiciable. *MedImmune*, 549 U.S. 118,
 21 127 (2007).

22 **A. IT WOULD BE ERRONEOUS FOR THE COURT TO CONSIDER MATTERS**
 23 **OUTSIDE THE PLEADINGS**

24 As the Federal Circuit stated in *Arrowhead Indus. Water, Inc. v. Ecolochem,*
 25 *Inc.*, a case on which Elysium relies (Opp. at 8), “[t]he presence or absence of
 26 jurisdiction must be determined on the facts existing at the time the complaint under
 27 consideration was filed.” 846 F.2d 731, 734 n.2 (Fed. Cir. 1988), *overruled in part on*
 28 *other grounds MedImmune*, 549 U.S. at 133–34. Applying this principle, the Federal

1 Circuit disregarded allegations in its jurisdictional analysis of a declaratory relief
 2 claim concerning events that occurred after the filing of the complaint. *Id.*; *see also*
 3 *GAF Bldg. Materials Corp. v. Elk Corp. of Dallas*, 90 F.3d 479, 483 (Fed. Cir. 1996)
 4 (“[L]ater events may not create jurisdiction where none existed at the time of filing.”
 5 (citation omitted)).

6 Like the declaratory judgment claimant in *Arrowhead*, Elysium also belatedly
 7 cites facts that did not exist at the time it filed its FACC and were certainly not
 8 pleaded. Elysium’s Opposition cites two exhibits attached to the declaration of its
 9 counsel (ECF 60-1): Exhibit A, which is a copy of web pages from Elysium’s website
 10 on September 11, 2017; and Exhibit B, a copy of a transcript of ChromaDex’s August
 11 10, 2017 “Q2 2017 Earnings Conference Call.” Both of these exhibits concern
 12 evidence of events or statements made *after* March 6, 2017—the date on which
 13 Elysium filed the FACC. Accordingly, the exhibits do not speak to the facts “existing
 14 at the time the complaint under consideration was filed,” may not be considered for
 15 the purposes of this jurisdictional analysis, and should be disregarded. *Arrowhead*
 16 *Indus. Water*, 846 F.2d at 734 n.2.

17 **B. SPECULATION ABOUT POTENTIAL FUTURE PATENT INFRINGEMENT**
 18 **DOES NOT CREATE A CONCRETE OR IMMEDIATE CASE OR**
 19 **CONTROVERSY**

20 Even if the Court did consider Elysium’s new exhibits, there is no “substantial
 21 controversy, between parties having adverse legal interests, of sufficient immediacy
 22 and reality to warrant the issuance of a declaratory judgment” regarding whether (1)
 23 Elysium has infringed ChromaDex’s patents or (2) the alleged patent misuse renders
 24 ChromaDex’s patents unenforceable. *MedImmune*, 549 U.S. at 127 (citation omitted).
 25 Indeed, Elysium asks the Court to do exactly what the Supreme Court has expressly
 26 held courts may not do under Article III: issue “an opinion advising what the law
 27 would be upon a hypothetical state of facts.” *Id.* (citation omitted).⁵

28 ⁵ Elysium implicitly acknowledges the hypothetical nature of the dispute, which it

1 To demonstrate a case or controversy regarding a potential claim for patent
2 infringement, Elysium would have to establish two things: (1) “that it engages in or
3 has sufficiently concrete plans to engage in [infringement],” *Already*, 568 U.S. at 94–
4 95; and (2) “some affirmative act” by ChromaDex to create a dispute regarding
5 infringement. *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380–81
6 (Fed. Cir. 2007). Neither exists here, and Elysium does not make a case that they do.

7 First, the only allegations regarding Elysium’s business plans are two vague
8 statements by Elysium: (i) “[d]espite the termination of the NR Supply Agreement,
9 Elysium ‘intends to, and is highly confident it will continue to, supply its customers
10 with Elysium’s lead product, Basis™, both now and in the future;” and (ii) Elysium
11 “continues to market and sell Basis on its website.” (Opp. at 3.) These statements
12 lack a crucial element—they do not state that Elysium’s sales actually infringe
13 ChromaDex’s patents. *Cf. Already*, 568 U.S. at 95 (holding the Court did not have
14 jurisdiction because the declaratory judgment plaintiff “never stated that these shoes
15 would arguably infringe Nike’s trademark”). Absent that stated concern over patent
16 infringement, the crucial element is missing.

17 Second, Elysium also fails to identify any affirmative acts by ChromaDex
18 evidencing an intent to sue Elysium for patent infringement. Elysium argues that four
19 acts evidence ChromaDex’s intent to bring a patent infringement action: (1)
20 ChromaDex terminated the NIAGEN Supply Agreement after Elysium failed to pay a
21 \$3 million bill (Opp. at 8); (2) “ChromaDex has not provided Elysium with a covenant
22 not to sue for patent infringement” (Opp. at 5); (3) ChromaDex stated in an earnings
23 call that it would *defend* its patent rights⁶ (Opp. at 9); (4) ChromaDex stated in the

24 _____
25 states (in the subjunctive) as: “*Were ChromaDex to sue Elysium for patent*
26 *infringement – an action that ChromaDex continues to preserve and implicitly*
threaten.” (Opp. at 5 (emphasis added).)

27 ⁶ A general statement that a company would defend its intellectual property rights
28 does not give rise to subject matter jurisdiction here. Dartmouth College will be
defending its rights to two patents (which it exclusively licenses to ChromaDex) by

1 same earnings call that Elysium was “try[ing] to copy the ingredient and manufacturer
2 [sic] who knows where . . .” (Opp. at 3, 9–10). These allegations do not constitute an
3 allegation of patent infringement, nor do they support subject matter jurisdiction.

4 Black letter law instructs that these allegations are insufficient to create a case
5 or controversy regarding patent infringement. For example, in *Arrowhead Indus.*
6 *Water, Inc. v. Ecolochem, Inc.*, 846 F.2d at 737, the declaratory judgment claimant
7 presented a letter which stated its “express intent to enforce its patent rights by
8 litigation” and a suit in state court in which it asked the court to find the claimant an
9 infringer. In *MedImmune*, the patentee sent a letter to the declaratory judgment
10 claimant stating that the claimant’s products were covered by its patent and demanded
11 royalties. 549 U.S. at 121–22. In *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*, the
12 court found declaratory judgment jurisdiction based on the trademark owner’s cease
13 and desist letter. 223 F.3d 1082, 1085 (9th Cir. 2000). Elysium alleges no
14 comparable facts here and none exist. ChromaDex has not threatened Elysium with a
15 patent infringement action and, accordingly, no live and immediate case or
16 controversy exists.

17 **IV. CONCLUSION**

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

22
23 responding to two petitions for inter partes review requested by Elysium at the United
24 States Patent and Trademark Office. “Inter partes review is a trial proceeding
25 conducted at the [USPTO] to review the patentability of one or more claims in a
26 patent only on a ground that could be raised under §§ 102 or 103, and only on the
27 basis of prior art consisting of patents or printed publications.” See
28 [https://www.uspto.gov/patents-application-process/appealing-patent-
decisions/trials/inter-partes-review](https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review); 35 U.S.C. § 311. Because of the limited grounds
considered in an inter partes review, Elysium’s patent misuse allegations are irrelevant
to that dispute as well.

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Dated: September 18, 2017

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