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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION**

CHROMADEX, INC.,

Plaintiff,

v.

ELYSIUM HEALTH, INC.,

Defendant.

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

**ORDER DENYING PLAINTIFF'S
MOTION TO DISMISS
DEFENDANT'S COUNTERCLAIMS
AND MOTION TO STRIKE**

ELYSIUM HEALTH, INC.,

Counter Claimant,

v.

CHROMADEX, INC.,

Counter Defendant.

1 **I. INTRODUCTION**

2
3 Plaintiff ChromaDex, Inc. (“ChromaDex”), filed this action against Defendant
4 Elysium Health, Inc. (“Elysium”) on December 29, 2016. (*See generally* Dkt. 1
5 [hereinafter “Compl.”].) Elysium counterclaims against ChromaDex, and filed its
6 operative Second Amended Counterclaim on October 11, 2017. (Dkt. 65 [Second
7 Amended Counterclaim, hereinafter “SACC”].) ChromaDex now moves to dismiss
8 Elysium’s fourth and fifth amended counterclaims and to strike patent misuse allegations
9 related to the fifth amended counterclaim. (Dkt. 67 [hereinafter “Mot.”].) For the
10 following reasons, the motion is DENIED.¹

11
12 **II. BACKGROUND**

13
14 The factual background of this case is discussed at length in the Court’s May 10,
15 2017, Order granting in substantial part Defendant’s motion to dismiss claims and
16 granting in part Plaintiff’s motion to dismiss counterclaims. (*See* Dkt. 44 [hereinafter
17 “May 10 Order”].) Relevant to this particular motion are the following facts.

18
19 ChromaDex is a corporation that develops patented ingredients for use in dietary
20 supplements, food, beverages, skin care, and pharmaceuticals. (Dkt. 48 [Third Amended
21 Complaint, hereinafter “TAC”] ¶ 9.) Elysium is a corporation that sells a dietary
22 supplement named “Basis.” (*Id.* ¶ 2.) ChromaDex alleges that it is “Elysium’s sole
23 authorized United States supplies of the two fundamental ingredients” in Basis. (*Id.*)
24 These two ingredients are NIAGEN®, a health ingredient that is comprised of

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¹ Having read and considered the papers presented by the parties, the Court finds this matter appropriate for disposition without a hearing. *See* Fed. R. Civ. P. 78; Local Rule 7-15. Accordingly, the hearing set for December 4, 2017, at 1:30 p.m. is hereby vacated and off calendar.

1 nicotinamide riboside (“NR”), and pTeroPure®, a health ingredient made of
2 pterostilbene. (*Id.*)

3
4 ChromaDex and Elysium allegedly entered into various contracts under which
5 ChromaDex sold and Elysium bought NIAGEN and pTeroPure. (*Id.* ¶ 16.) One of the
6 contracts was a Trademark License and Royalty Agreement (“TLRA”), dated February 3,
7 2014. (*Id.*)

8
9 When ChromaDex first filed this lawsuit in December 2016, ChromaDex alleged
10 that Elysium was required to pay royalties under the TLRA based on Elysium’s “net sales
11 of product containing NIAGEN NR.” (Compl. ¶ 76.) ChromaDex claimed that Elysium
12 failed to pay the required royalties and brought a cause of action for breach of the TLRA.
13 (*Id.* ¶¶ 96–100.)

14
15 On January 25, 2017, Elysium filed counterclaims against ChromaDex. (Dkt. 11
16 [Counterclaim, hereinafter “CC”].) One of the counterclaims was for declaratory
17 judgment of patent misuse. (*Id.* ¶¶ 119–123.) Elysium claimed that ChromaDex’s “tying
18 of access to its patent rights to a royalty-bearing trademark license impermissibly
19 broadens the scope of those patent rights, with anticompetitive effect.” (*Id.* ¶ 121.)

20
21 ChromaDex sought to dismiss Elysium’s counterclaim for declaratory judgment of
22 patent misuse, arguing that a patent misuse claim can only be brought as an equitable
23 defense to a patent infringement action. (Dkt. 34.) The Court rejected ChromaDex’s
24 argument, and ruled that “[a] case or controversy exists here because ChromaDex seeks
25 to enforce the royalty requirement in the parties’ Agreement.” (May 10 Order at 17.)

26
27 ChromaDex then filed the operative Third Amended Complaint on June 7, 2017.
28 (Dkt. 48 [“TAC”].) In its TAC, ChromaDex removed its cause of action for contract

1 damages under the TLRA. (*See generally* TAC.) Further, ChromaDex included the
2 following statements to renounce any rights to collect royalties under the TLRA:

3
4 [T]o eliminate an issue from this litigation, to conserve the parties’ and the Court’s
5 resources and to streamline this action, and without prejudice to ChromaDex’s
6 arguments and contentions, ChromaDex restates that it has already terminated the
7 Trademark License and Royalty Agreement on February 2, 2017 and further,
8 hereby unequivocally renounces any rights to collect, charge, or obtain royalties
9 under the Trademark License and Royalty Agreement with Elysium.

10 [...]

11 ChromaDex likewise hereby unequivocally renounces any rights to charge, obtain,
12 or collect royalties on sales of non-trademark bearing NIAGEN from customers
13 other than Elysium, or to require the use of its trademarks under any agreement.
14 ChromaDex represents to the Court that it is immediately terminating all such
15 trademark license agreements. These terminations are made for the purpose of
16 purging any and all allegations of patent misuse.

17 ChromaDex is further refunding and/or crediting any and all past royalties paid by
18 all customers pursuant to all “royalty-bearing trademark licenses.” ChromaDex
19 represents to the Court that it will provide a credit to Elysium for all past royalties
20 against the damages owed by Elysium in this case, including for the failure to pay
21 for product purchased.

22 These voluntary and proactive actions by ChromaDex are not an admission of any
23 wrongdoing or acts of patent misuse, but instead are intended to prophylactically
24 and completely eliminate issues in this and any other dispute related to
25 ChromaDex’s patents by purging any and all allegedly unlawful conduct with
26 respect to all allegations by Elysium of patent misuse. In particular, these
27 voluntary acts are made to dissipate any and all alleged effects of any alleged
28 patent misuse in the market. These voluntary steps taken by ChromaDex are
intended to moot Elysium’s allegation and counterclaim for a declaratory judgment
that ChromaDex has misused any of its patents. Such counterclaim should be
promptly voluntarily dismissed by Elysium, or dismissed *sua sponte* by the Court
based on the unequivocal terminations and renouncements made herein.

(TAC ¶¶ 62–65.)

1 Notwithstanding these representations made by ChromaDex in its TAC, Elysium
2 has maintained its counterclaim for declaratory judgment of patent misuse. (*See*
3 *generally* TAC.) Elysium has also added a counterclaim for restitution for unjust
4 enrichment, seeking repayment of royalties that it paid under the TLRA, plus interest and
5 attorneys’ fees. (*Id.* ¶¶ 144–150.) ChromaDex now moves under Federal Rules of Civil
6 Procedure 12(b)(6) and 12(b)(1) to dismiss the counterclaims for patent misuse and
7 unjust enrichment. (*See generally* Mot.) ChromaDex also moves to strike Elysium’s
8 allegations of patent misuse as immaterial to the unjust enrichment counterclaim. (*Id.*)
9

10 **III. DISCUSSION**

11 **A. Declaratory Judgment of Patent Misuse**

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13
14 ChromaDex claims the Court lacks Article III jurisdiction over Elysium’s fourth
15 counterclaim for declaratory judgment of patent misuse because there is no controversy
16 regarding patent infringement. (Mot. at 11.) “Jurisdiction over a declaratory judgment
17 action must be present at all stages of review, not merely at the time the complaint is
18 filed.” *Janssen Pharmaceutica, N.V. v. Apotex, Inc.*, 540 F.3d 1353, 1360 (Fed. Cir.
19 2008) (citations and quotations omitted). A declaratory judgment action is available
20 where “the facts alleged, under all the circumstances, show that there is a substantial
21 controversy, between parties having adverse legal interests, of sufficient immediacy and
22 reality to warrant the issuance of a declaratory judgment.” *MedImmune, Inc. v.*
23 *Genentech, Inc.*, 549 U.S. 118, 127 (2007).
24

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1 The question here is whether there remains a substantial controversy between the
2 parties to warrant a declaratory judgment. ChromaDex claims that no controversy
3 remains, since it renounced certain rights in the TAC. Namely, ChromaDex makes the
4 following three representations: (1) ChromaDex “unequivocally renounces any rights to
5 collect, charge, or obtain royalties under the [TLRA]”; (2) ChromaDex “unequivocally
6 renounces any rights to charge, obtain, or collect royalties on sales of non-trademark
7 bearing NIAGEN from customers other than Elysium, or to require the use of its
8 trademarks under any agreement”; and (3) Chromadex is “refunding and/or crediting any
9 and all past royalties paid by all customers pursuant to all ‘royalty-bearing trademark
10 licenses,” and “will provide a credit to Elysium for all past royalties against the damages
11 owed by Elysium in this case.” (TAC ¶¶ 62–64.)

12
13 In short, ChromaDex has provided a covenant not to collect past-due royalty
14 payments from Elysium and other customers under the TLRA. Elysium argues that this
15 is not sufficient to eliminate the Court’s jurisdiction because ChromaDex has not granted
16 Elysium a covenant not to sue for patent infringement. (Dkt. 71 [Opposition, hereinafter
17 “Opp.”] at 9–10.) Elysium alleges that “ChromaDex has continued to tout its patent
18 rights to its investors and the public, has stated that it intends to defend its patent rights in
19 the context of describing Elysium’s continued sale of Basis containing NR, has accused
20 Elysium of obtaining supply of NR from another source, and has accused Elysium of
21 ‘copying’ NR.” (SACC ¶ 141.) Because ChromaDex has “impliedly threatened Elysium
22 with patent litigation,” (*id.*), Elysium alleges that only an irrevocable covenant not to sue
23 for patent infringement would eliminate the “substantial controversy” between the
24 parties, (*id.* ¶¶ 142–143).

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1 Applying the Supreme Court’s “totality of the circumstances test” in *MedImmune*,
2 a district court determining whether a covenant not to sue eliminates a justiciable case or
3 controversy in a declaratory judgment action “should especially consider, in addition to
4 other factors: (1) the language of the covenant, (2) whether the covenant covers future, as
5 well as past, activity and products, and (3) evidence of intention or lack of intention, on
6 the part of the party asserting jurisdiction, to engage in new activity or to develop new
7 potentially infringing products that arguably are not covered by the covenant.” *Nike, Inc.*
8 *v. Already, LLC*, 663 F.3d 89, 96 (2d Cir. 2011), *aff’d*, 568 U.S. 85 (2013).

9
10 The totality of the circumstances here show that there remains a substantial
11 controversy for the Court to exercise jurisdiction over Elysium’s declaratory judgment
12 counterclaim. First, there remains a threat of future litigation over ChromaDex’s NR
13 patents. *Nike, Inc.*, 663 F.3d at 96 (“[T]he threat of future litigation remains relevant in
14 determining whether an actual controversy exists.”). ChromaDex has affirmatively
15 protected its patents against Elysium, by requiring Elysium to pay royalties on sales of its
16 products containing NR, and then by initiating a lawsuit against Elysium for those
17 royalties. ChromaDex has decided to drop its cause of action for royalty payments, but
18 only after Elysium’s patent misuse counterclaim survived ChromaDex’s motion to
19 dismiss. Furthermore, when ChromaDex decided to drop its cause of action, the
20 language in its covenant was carefully prescribed to eliminate only the threat of a lawsuit
21 for past royalty payments. The covenant does not enjoin ChromaDex from any future
22 action that it might take against Elysium for any future sales of Basis, which ChromaDex
23 acknowledges contains NR and is Elysium’s only product.² The totality of these
24 circumstances, including the narrow language of the covenant, indicates that an actual
25 controversy between the parties remains. *See e.g., Revolution Eyewear, Inc. v. Aspex*

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27
28 ² Any of Elysium’s future sales of Basis will contain NR, whether the NR is obtained from ChromaDex
or another company. Such future sales could form the basis of a patent infringement lawsuit between
the parties.

1 *Eyewear, Inc.*, 556 F.3d 1294 (Fed. Cir. 2009) (finding that a controversy persisted even
2 though the plaintiff had delivered a covenant not to sue because the covenant only
3 covered prior sales of the allegedly infringing product and did not extend to future sales
4 or marketing). Accordingly, ChromaDex’s motion to dismiss Elysium’s fourth
5 counterclaim is DENIED.

6

7 **B. Restitution for Unjust Enrichment**

8

9 In its fifth counterclaim, which is styled as restitution for unjust enrichment,
10 Elysium seeks restitution of royalties it paid under the TLRA, plus interest and attorneys’
11 fees. (SACC ¶ 150.) ChromaDex claims that Elysium lacks standing to bring such a
12 claim because ChromaDex has agreed to credit Elysium for all past royalties, with
13 interest, against the damages Elysium is found to owe in this case. (Mot. at 16–18.) In
14 its reply brief in support of its motion, ChromaDex even offers to deposit the royalties
15 and interests it owes with the Court. (Dkt. 72 [Reply] at 13.) On the other hand, Elysium
16 asserts that a “credit” to Elysium is not sufficient to eliminate standing because “there
17 may never be a damages award judgment for ChromaDex at the conclusion of this case.
18 In that event, there will be nothing against which to apply a ‘credit.’” (Opp. at 13.)

19
20 The Court agrees with Elysium that ChromaDex’s offer of a credit, and even its
21 offer to deposit money with the Court, does not moot Elysium’s claim for restitution.
22 “Under Supreme Court and Ninth Circuit case law, a claim becomes moot when a
23 plaintiff *actually receives* complete relief on that claim, not merely when that relief is
24 offered or tendered.” *Chen v. Allstate Ins. Co.*, 819 F.3d 1136, 1138 (9th Cir. 2016)
25 (finding that subject matter jurisdiction persisted where plaintiff was offered funds
26 deposited in an escrow account, but had not yet received any relief on his claims.)

1 Elysium has not actually received the payments it seeks under its restitution
2 counterclaim, so the claim is not moot.³

3
4 ChromaDex further argues that even if Elysium's counterclaim for restitution is not
5 moot, it must be dismissed because unjust enrichment is not an independent cause of
6 action under California law. The Court disagrees. "While California case law appears
7 unsettled on the availability of such a cause of action, this Circuit has construed the
8 common law to allow an unjust enrichment cause of action through quasi-contract." *ESG*
9 *Capital Partners, LP v. Stratos*, 828 F.3d 1023, 1038 (9th Cir. 2016). "Under California
10 law, the elements of unjust enrichment are: (1) receipt of a benefit; and (2) unjust
11 retention of the benefit at the expense of another." *Baggett v. Hewlett-Packard Co.*, 582
12 F. Supp. 2d 1261, 1270 (C.D. Cal. 2007).

13
14 Elysium alleges that it paid royalties to ChromaDex, and that ChromaDex
15 unlawfully retained these payments because requiring the royalty payments constituted
16 patent misuse. These allegations are sufficient to show that ChromaDex received and
17 unjustly retained the royalty payments. *See ESG Capital Partners, LP*, 828 F.3d at 1039.
18 Should ChromaDex be found to have unlawfully required royalty payments, Elysium
19 would be able to recover restitution based on the theory of unjust enrichment.⁴
20 Accordingly, ChromaDex's motion to dismiss Elysium's fifth counterclaim is DENIED.

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22
23 ³ ChromaDex suggests that Elysium's restitution counterclaim may be mooted once ChromaDex
24 deposits money with the Court and unconditionally relinquishes its entire interest in the deposited funds.
25 (Mot. at 13.) But the Court is not persuaded that such conduct would moot Elysium's counterclaim.
26 The Ninth Circuit has stated that under the common law doctrine of tender, there may have been
27 occasions when such a deposit would constitute an actual payment, but "common law tender exists
28 principally as a means of limiting damages or costs rather than mooting claims." *Chen*, 819 F.3d at
1146.

⁴ District courts have dismissed unjust enrichment claims where the sole remedy available to the
plaintiff would be available under the plaintiff's other claims. *Baggett*, 582 F. Supp. 2d at 1271. That
reasoning does not apply here, because none of Elysium's other counterclaims allow for a recovery of
money damages for patent misuse.

1 **C. Motion to Strike**

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3 Pursuant to Federal Rule of Civil Procedure 12(f), the court may strike “from a
4 pleading an insufficient defense or any redundant, immaterial, impertinent, or scandalous
5 matter.” Fed. R. Civ. P. 12(f). The essential function of a Rule 12(f) motion is to “avoid
6 the expenditure of time and money that must arise from litigating spurious issues by
7 dispensing with those issues prior to trial.” *Sidney-Vinsein v. A.H. Robins Co.*, 697 F.2d
8 880, 885 (9th Cir. 1983). However, motions to strike are typically viewed with disfavor
9 because they are often used for purposes of delay, and because of the strong judicial
10 policy favoring resolution on the merits. *RDF Media Ltd. v. Fox Broadcasting Co.*, 372
11 F. Supp. 2d 556, 566 (C.D. Cal. 2005). In reviewing a motion to strike, the court must
12 view the pleadings under attack in the light most favorable to the pleader. *Lazar v. Trans*
13 *Union LLC*, 195 F.R.D. 665, 669 (C.D. Cal. 2000). “If there is any doubt whether the
14 portion to be stricken might bear on an issue in the litigation, the court should deny the
15 motion.” *Platte Anchor Bolt, Inc. v. IHI, Inc.*, 352 F. Supp. 2d 1048, 1057 (N.D. Cal.
16 2004).

17
18 ChromaDex moves to strike the allegations of patent misuse in Elysium’s fifth
19 counterclaim as immaterial. (Mot. at 19.) ChromaDex argues that whether ChromaDex
20 engaged in patent misuse is immaterial because ChromaDex has renounced its right to
21 collect any of the royalty payments. (*Id.*) ChromaDex’s argument is based on the
22 presumption that Elysium’s patent misuse counterclaim is moot. Because the Court has
23 found that Elysium maintains standing to pursue its counterclaims for declaratory
24 judgment and unjust enrichment based on ChromaDex’s patent misuse, ChromaDex’s
25 motion to strike is DENIED.

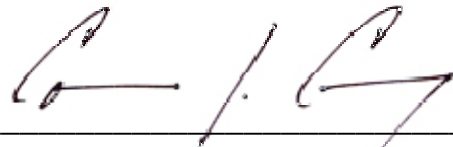
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1 **IV. CONCLUSION**

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3 For the foregoing reasons, Plaintiff's motion to dismiss Defendant's fourth and
4 fifth counterclaims is DENIED. Plaintiff's motion to strike allegations of patent misuse
5 in Defendant's fifth counterclaim is also DENIED.

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9 DATED: November 28, 2017



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11 CORMAC J. CARNEY
12 UNITED STATES DISTRICT JUDGE
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