

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

CHROMADEx, INC. and TRUSTEES  
OF DARTMOUTH COLLEGE,

Plaintiffs,

v.

ELYSIUM HEALTH, INC.,

Defendant.

C.A. No. 18-1434-CFC

**JOINT STATUS REPORT**

Pursuant to the Court's Oral Order dated January 6, 2020, the parties hereby submit this Joint Status Report following the January 13, 2020 motions hearing in *ChromaDex, Inc. v. Elysium Health, Inc.*, No. 16-0277-CJC(DFMx), in the Central District of California.

The California Court held a hearing on the parties' motions for summary judgment on January 13, 2020. On January 16, 2020, the California Court issued an order on the pending motions. Ex. 1. It denied ChromaDex's motion for summary judgment on Elysium's patent misuse counterclaim on the ground that the "issues require weighing evidence in a way not appropriate for summary judgment." *Id.* at 24. On January 22, 2020, the California Court issued a scheduling order setting a pretrial conference for April 20, 2020 and a jury trial to begin on May 12, 2020.

## 1. Plaintiffs' Position

Plaintiffs respectfully submit that the Court should grant their pending motion to lift the stay (D.I. 28) and set a scheduling conference at the Court's earliest convenience. This case has been pending since September 2018. The Court previously stayed this litigation on June 19, 2019—at a time when the California Litigation was set for trial in October 2019—noting that the stay would only be for “six months” and that the decision was a “close call.” (June 18, 2019 Hearing Trans. at 25–26 (D.I. 27).) As this Court is aware, the California Court subsequently vacated the October trial in California pending its ruling on the parties' summary judgment motions.

At the motion hearing on January 13, 2020, the California Court did not receive oral argument on ChromaDex's motion for summary judgment on the patent misuse counterclaim, stating that it would be decided on the papers and noting that any trial on the counterclaim is “going to be a bench trial if it goes.” Ex. 2, Tr. at 66-67. And although the California Court concluded in its January 16, 2020 order that there are factual disputes requiring a bench trial on the patent misuse counterclaim,<sup>1</sup> notably, at a conference on January 21, 2020, the California

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<sup>1</sup> The bench trial has not been scheduled. Elysium cites to a proposed pretrial order submitted in connection with the vacated October 15, 2019 trial for the proposition that the bench trial will follow immediately after the jury trial. (*See* Ex. 4.) But that is not what the scheduling order *entered by the California Court* on January 22, 2020 says. (*See* Ex. 5.) That scheduling order only references a jury trial to occur

Court expressed deep skepticism about Elysium's patent misuse counterclaim and particularly Elysium's contention that ChromaDex has failed to purge any alleged misuse:

[M]y response to the patent misuse is maybe there were some things that shouldn't have been done. I know ChromaDex disagrees that anything was improper. But they sure seem like they tried to purge. And as I understand the patent misuse, you're trying to get them for conduct they did a while ago.

And again, I'm having -- I'm having a little bit of a problem being convinced that there really is an impact on competition by something that happened, which I'm going to assume shouldn't have happened. But they've refunded all the money except to Elysium, as I understand it. And now they're willing to pay that, but I guess as an offset.

Ex. 3, Tr. at 12.)

As explained in Plaintiffs' motion to lift the stay, even assuming Elysium were correct that the Trademark License and Royalty Agreement constituted patent misuse (it is not), any such misuse only temporarily limits the time period during which the patent can be enforced—i.e., until the misuse has been purged. (D.I. 29 at 12.) The California Court is rightly skeptical about Elysium's contention that there has been no purge, given that the Trademark License and Royalty Agreement was terminated on February 2, 2017 and ChromaDex renounced its right to collect any royalties owed under the agreement on May 24, 2017. (*Id.* at 8.)

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on May 12, 2020 and the limitations on that trial (e.g., the number of hours each side has to present its case). (*Id.* at 2-3.) The scheduling order says nothing about a bench trial, the number of hours each side will have to present, etc.

In light of these circumstances, and the ongoing prejudice to ChromaDex, as outlined in Plaintiffs' motion to lift the stay, Plaintiffs respectfully request the Court grant the motion to lift the stay (D.I. 28) and convene a scheduling conference at the Court's earliest convenience.<sup>2</sup>

## **2. Defendant's Position**

### **A. Additional Information Regarding Status of California Action and Federal Circuit Appeal**

Defendant wishes to inform the Court of the following, which Plaintiffs refuse to include in the parties' joint statement above.

With respect to the California Action, the parties have agreed that the common law claims "shall be heard in the first stage of the trial and decided by the jury. Elysium's counterclaims for declaratory judgment of patent misuse and unjust enrichment, and any equitable defenses, shall be heard in the second stage of the trial and decided by the Court." Ex. 4 at 32-33. The parties have estimated 2-3 trial days for the patent misuse counterclaim. *Id.* at 2. As discussed below, the patent misuse trial will follow upon completion of the first stage of the trial scheduled for May 12, in accordance with the California Court's order to be

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<sup>2</sup> Elysium's renewed attempt to rely on the Federal Circuit appeal is without merit. Only one of the two patents-in-suit is the subject of that appeal (the PTAB declined to even institute an IPR on the other patent), and Elysium's suggestion that the Federal Circuit appeal will somehow "eliminat[e] this case entirely" is unsupported and unsupportable.

entered at the pretrial conference in April.

There has also been a significant development in the Federal Circuit appeal of the Patent and Trademark Appeal Board's construction of the claim term "isolated" and its decision upholding the validity of claim 2 of the '086 patent. On January 21, 2020, the Court of Appeals notified the parties it has scheduled oral argument of the appeal for March 5, 2020.

### **B. Response to Plaintiffs' Position**

The recent developments in the California Action and in the Federal Circuit show why this Court should maintain its previously-entered stay, not lift it. In particular, the newly entered trial schedule for the California Action, and the Federal Circuit's order scheduling oral argument just weeks from today, both counsel in favor of a stay. As Elysium explained in its Opposition to Plaintiffs' Motion to Lift Stay (D.I. 31), resolution of the patent misuse counterclaim in Elysium's favor will end this case, and resolution of the Federal Circuit appeal in Elysium's favor will establish the invalidity of all claims in one of the two asserted patents and effectively will establish the invalidity of all claims in the second.

The California Action will proceed to trial commencing on May 12, 2020, less than four months from the filing of this status report, preceded by a pretrial conference on April 20 at which further details for the trial will be ordered. The first stage of the trial will be a jury trial to resolve breach of contract and other

claims and counterclaims. Although the January 22 scheduling order does not recite a specific date to begin the bench trial of Elysium's patent misuse counterclaim, the California Court and the parties understand that it will follow upon completion of the jury trial. Indeed, the parties have *already agreed* that Elysium's patent misuse counterclaim "shall be heard in the second stage of the trial and decided by the Court." Ex. 4 at 33. What is more, it is apparent that the California Court plans to try the issue of patent misuse promptly after the jury renders its verdict on the common law causes of action.

The California Court has made clear its intent to bring the entire California litigation to a conclusion without delay. As that court explained on January 13, "You are now one of the oldest cases I have on my civil docket, and it's a problem for me. So I've got to get you to trial." Ex. 2 at 26. *See also id.* ("I'm going to try to get you to trial in the next few months.") The court reiterated that sentiment on January 21. Ex. 3 at 6 ("I think it's the oldest case on my docket."), 10 ("This case is a problem for me. It's so old."), 13 ("So that's going to be a high priority is trying to get the case to try."). Any suggestion by Plaintiffs that trial of the patent misuse counterclaim will be dragged out indefinitely after the jury's verdict in the first stage of trial is both inaccurate and misleading.

The California Court's comment on patent misuse at the January 21 hearing does not warrant lifting the stay. That court did not express "skepticism" of the

merits of the patent misuse counterclaim. On the contrary, the court identified as a factual issue for trial, “whether ChromaDex used its patent leverage to exact agreements to use the Niagen mark.” Ex. 1 at 23. The evidence shows that ChromaDex did, and the court firmly rejected ChromaDex’s motion for summary judgment challenging the misuse counterclaim, finding that triable factual issues exist. *Id.* at 23-24. During a January 21 hearing, the court expressly noted that ChromaDex may have done “some things that shouldn’t have been done.” Ex. 3 at 12. If at trial Elysium proves the facts it has alleged—and it is confident it will—Elysium will prevail on patent misuse and the patents will be unenforceable.

Nor should this Court assume for purposes of the pending motion that ChromaDex will be able to establish that it has fully purged the misuse. On this issue, it is ChromaDex that bears the burden of proof, and it is a heavy one, requiring proof (1) that ChromaDex has “fully abandoned” its misuse; and (2) “that the consequences of [its misuse] have been fully dissipated.” *B.B. Chem. Co. v. Ellis*, 314 U.S. 495, 498 (1942). At the January 21 hearing, the California Court made no findings of either abandonment or dissipation, nor could it have, observing only that ChromaDex had “*tried*” to purge the misuse. Ex. 3 at 12. Moreover, even if ChromaDex could establish enforceability of the patents going forward by repaying, at some future date, the trademark royalties it unlawfully imposed on Elysium, a finding of patent misuse will eliminate any claim by

ChromaDex for past damages. That finding alone would materially alter the scope (and cost) of discovery in this case, as well as the burdens on this Court in managing pretrial discovery.

ChromaDex's argument about the California Action also ignores an important development in the pending Federal Circuit appeal, which now will be heard in a matter of weeks from the date of this status report. As Elysium has explained in prior briefing, it would be highly inefficient and wasteful of judicial resources to proceed with complex patent litigation in this Court when the Federal Circuit's ruling on the construction of a critical claim term that appears in the only surviving claim of the '086 patent and in every claim of the '807 patent could have the effect of invalidating both of them and eliminating this case entirely.

The Court should deny ChromaDex's motion to vacate the stay. The California Action should take precedence as the first-filed case raising Elysium's patent misuse claim. In considering ChromaDex's motion, the Court should also take into account that ChromaDex chose to wait nearly two years after suing in California to file this action, despite the pendency in California of Elysium's claim of patent misuse. ChromaDex has never provided this Court with any explanation for its long delay in bringing suit in Delaware, and its newfound cries of urgency ring hollow. Rather than lift the stay, the Court should set a date for the parties to submit another joint status report in April, after the Federal Circuit appeal has been



argued and the California Court has held its pretrial conference with regard to the first and second stages of the May trial.

Dated: January 30, 2020

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**CERTIFICATE OF SERVICE**

I, Adam W. Poff, hereby certify that on January 30, 2020, I caused to be electronically filed a true and correct copy of the foregoing document with the Clerk of the Court using CM/ECF, which will send notification that such filing is available for viewing and downloading to the following counsel of record:

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I further certify that on January 30, 2020, I caused the foregoing document to be served via electronic mail upon the above-listed counsel.

Dated: January 30, 2020

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