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11 **UNITED STATES DISTRICT COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**
13 **WESTERN DIVISION**

14 ChromaDex, Inc.,
15 Plaintiff,
16 v.
17 Elysium Health, Inc. and Mark
18 Morris,
19 Defendants.

Case No.: 8:16-cv-02277-CJC-DFM
[Assigned to the Hon. Cormac J. Carney]
**ELYSIUM HEALTH, INC.'S AND
MARK MORRIS'S OPENING
SUPPLEMENTAL BRIEF PURSUANT
TO OCTOBER 9, 2019 ORDER ON
MOTIONS FOR SUMMARY
JUDGMENT**

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

Hearing
Date: January 13, 2020
Time: 1:30 pm
Ctrl: 7C

Pre-Trial Conference: TBD
Trial: TBD

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1 **I. INTRODUCTION**

2 Pursuant to the Court’s October 9, 2019 Order (ECF No. 369) (“October 9
3 Order”), Defendants Elysium Health, Inc. and Mark Morris (“Elysium,” “Morris,”
4 and together, “Defendants”) hereby submit their opening supplemental brief in
5 support of their motion for partial summary judgment against ChromaDex, Inc.
6 (“ChromaDex”).

7 In its October 9 Order, the Court stated that it “is seriously concerned that
8 ChromaDex’s damages are overstated,” and that its “main concern centers on
9 causation—that is, how Elysium’s and Mark Morris’s alleged theft and misuse of
10 alleged trade secrets and other confidential information allegedly caused such
11 extensive harm.” (*Id.* at 3). This concern is well-founded, and the Court’s “struggl[e]
12 to connect the dots” (*id.*) between the tens of millions of dollars in damages
13 ChromaDex demands and Elysium’s possession of ChromaDex’s alleged trade
14 secrets results from the fact that the record is devoid of evidence to provide any such
15 connection.

16 ChromaDex’s damages expert does not address the issue of causation; instead,
17 ChromaDex’s intention appears to be to ask a jury to award it tens of millions of
18 dollars if it proves *any* of its claims, regardless of whether the alleged wrongs
19 underlying those claims actually caused the purported harm for which ChromaDex
20 seeks to recover. (ECF No. 249-02 ¶¶ 98-100; ECF No. 249-11 at 97:11-20, 124:4-
21 10, 200:18-203:23).¹ But the Court has noted its role as gatekeeper, and that the links
22 alleged by ChromaDex in the chain of causation may not be “hypothetical or
23 tenuous.” (October 9 Order at 4, citation omitted). Accordingly, the Court has
24 directed the parties to brief, among other things, “what specific evidence shows (or
25 disproves) that Elysium’s and Mark Morris’s trade secret theft and use caused” each
26 specific category of claimed damages. (October 9 Order at 9). As discussed below,

27 _____
28 ¹ Defendants filed a motion *in limine* to exclude the testimony of ChromaDex’s
expert witness, Lance Gunderson, in part because his damages calculations failed to
establish causation. (ECF No. 265; ECF No. 340).

1 *no* evidence shows that Elysium’s and Mark Morris’s alleged trade secret
2 misappropriation caused (1) Elysium to stay in business such that ChromaDex may
3 recover about \$30 million in Elysium’s profits; (2) Elysium to stop ordering from
4 ChromaDex such that ChromaDex may recover about \$25.5 million in alleged lost
5 profits; (3) any injury justifying recovery of Mark Morris’s \$685,000 compensation
6 earned during his last months at ChromaDex and during his employment at Elysium;
7 (4) Elysium to secure a price “discount” of \$600,000 on its last order from
8 ChromaDex; or (5) Elysium to avoid about \$525,000 in research and development
9 costs. These claims therefore fail as a matter of law.

10 In contrast, the evidence in the record, as discussed below, disproves
11 ChromaDex’s claims. Specifically, the record evidence shows that: (1) Elysium
12 made a substantial investment of time and money in developing an alternative source
13 of supply of NR; (2) Elysium stopped ordering from ChromaDex because of
14 ChromaDex’s breaches of the supply contract and the resulting dispute between the
15 parties, and in any event ChromaDex had come to its own decision to stop selling to
16 Elysium; (3) ChromaDex received value from Mark Morris’s services and has
17 demonstrated no injury from his alleged conduct; (4) the price Elysium secured on
18 its last order for NR actually exceeded substantially the price the contract dictated,
19 but appeared to be the price to which it was entitled under the supply contract based
20 on the information ChromaDex provided Elysium at the time; and (5) Elysium in fact
21 incurred its own research and development costs.

22 With respect to patent misuse, Elysium seeks a declaration that ChromaDex’s
23 NR-related patents are unenforceable due to ChromaDex’s misuse of those patents
24 and also seeks restitution of royalties paid. Elysium’s evidence shows that
25 ChromaDex misused its patents by conditioning supply of NR on use or licensing of
26 its NIAGEN® trademark in an unlawful effort to use the patents to strengthen the
27 mark. The legal effect of a finding of patent misuse is to make ChromaDex’s patent
28 rights unenforceable unless and until the misuse is purged.

1 ChromaDex’s unfulfilled promise to return royalties paid by Elysium does not
2 meet ChromaDex’s burden of establishing that the misuse has been purged, and
3 consequently the patents remain unenforceable. To this day, ChromaDex continues
4 to reap the benefits of its misuse by using its NIAGEN® mark to make advertising
5 claims that competitors’ products are not “true” NR and are ineffective and unsafe.
6 ChromaDex’s unfulfilled promise to repay royalties also does not moot the misuse
7 counterclaim. Making a payment to Elysium would not dissipate the continuing
8 effects of the misuse on competition in the NR market. Moreover, this Court has
9 already found that a justiciable case or controversy exists despite ChromaDex’s
10 promise to refund royalties. Since then, the need for relief has come into even sharper
11 focus, as ChromaDex has now sued Elysium for patent infringement, despite its prior
12 representation to this Court that it did not intend to do so.

13 **II. CHROMADDEX’S SPECULATIVE AND UNFOUNDED DAMAGES**
14 **ARE NOT RECOVERABLE.**

15 **A. Background**

16 ChromaDex’s First Amended Complaint added claims for misappropriation of
17 trade secrets (ECF No. 26), which the Court dismissed in May 2017 on the grounds
18 that ChromaDex failed to allege any protectable trade secret. (ECF No. 44 at 13-14).
19 ChromaDex then filed a Second Amended Complaint (ECF No. 45), which
20 ChromaDex later amended to withdraw its trade secret misappropriation claims.
21 (ECF No. 48). ChromaDex filed its Fourth Amended Complaint in June 2018,
22 alleging a claim for trade secret misappropriation relating to a document it called the
23 “Ingredient Sales Spreadsheet” (“ISS”), which tracked ChromaDex’s quarterly
24 ingredient sales by customer, amount, and price, among other information. (ECF No.
25 109). ChromaDex also added a new claim for the alleged conversion of certain
26 documents for which it could not make out a trade secret claim, which this Court
27 dismissed with prejudice. (ECF No. 115 at 7-8). In November 2018, ChromaDex
28 filed its Fifth Amended Complaint adding its former employee Morris as a defendant,

1 and still alleged only the misappropriation of a single trade secret (the ISS). (ECF
2 No. 153).² On the night discovery closed, ChromaDex identified the twelve trade
3 secrets it now claims were misappropriated, which it divided into four categories.
4 (ECF No. 249-02 ¶¶ 91-93; ECF No. 249-15 at 17-24).

5 **B. ChromaDex’s Damages Theories Are Speculative and Unsupported**
6 **by the Law.**

7 ChromaDex cannot show that Elysium’s or Morris’s alleged theft or use of a
8 trade secret caused it *any* harm under either California or federal law.³ Cal. Civ.
9 Code § 3426.3(a) provides that “[a] complainant may recover damages for the *actual*
10 *loss caused* by misappropriation” and for “the unjust enrichment *caused by*
11 misappropriation that is not taken into account in computing damages for actual
12 loss.” (emphasis added).⁴ To prove causation, a plaintiff must show that “defendant’s
13 conduct was a substantial factor in bringing about the injury.” *Mitchell v. Gonzalez*,
14 54 Cal. 3d 1041, 1049 (1991); *see also BladeRoom Grp. Ltd. v. Emerson Elec. Co.*,
15 331 F. Supp. 3d 977, 987 (N.D. Cal. 2018); *Founder Starcoin, Inc. v. Launch Labs,*
16 *Inc.*, 2018 WL 3343790, at *12 (S.D. Cal. July 9, 2018) (applying same causation
17 standard as CUTSA to a DTSA claim). “[T]he mere possibility of such causation is
18 not enough; and when the matter remains one of pure speculation or conjecture, or
19 the probabilities are at best evenly balanced, it becomes the duty of the court to direct
20 a verdict for the defendant.” *Ortega v. Kmart Corp.*, 26 Cal. 4th 1200, 1205-06
21 (2001) (citation omitted). *See also Nat’l Audubon Soc’y, Inc. v. Davis*, 307 F.3d 835,
22 849 (9th Cir. 2002), *opinion amended on denial of reh’g*, 312 F.3d 416 (9th Cir.
23 2002). Uncertainty as to the fact of damages—that is, as to the nature, existence or

24 ² Hereinafter referred to as “5AC.”

25 ³ *See InteliClear, LLC v. ETC Glob. Holdings, Inc.*, 2019 WL 4233578, at * (C.D.
26 Cal. June 28, 2019) (“Courts often analyze DTSA and CUTSA claims together
because the analysis is similar.”)

27 ⁴ The Defend Trade Secrets Act is similar. 18 U.S.C.A. § 1836(b)(3)(B) (“damages
28 for actual loss caused by the misappropriation of the trade secret; and . . . damages
for any unjust enrichment caused by the misappropriation of the trade secret that is
not addressed in computing damages for actual loss”).

1 cause of the damage—is fatal to a plaintiff’s claim. *See, e.g., Allen v. Gardner*, 126
2 Cal. App. 2d 335, 340, 272 P.2d 99 (1954). As explained below, ChromaDex cannot
3 meet this standard for its claimed damages.

4 **C. ChromaDex Cannot Recover Elysium’s Profits.**

5 As this Court observed, ChromaDex contends it is entitled to Elysium’s profits
6 on two theories: that (a) Elysium shared ChromaDex’s alleged trade secrets with
7 potential investors to secure additional investment (“investor theory”), and
8 (b) Elysium used ChromaDex’s alleged trade secrets to obtain a new supply of NR
9 (“alternative supply theory”). (October 9 Order at 4). As the Court further noted,
10 ChromaDex must be able to prove *all* of the following (at a minimum) in order to
11 recover on its investor theory: “(1) it had a trade secret, (2) which Defendants
12 obtained improperly and (3) gave to investors, (4) that the trade secret information
13 was a substantial factor in the investors’ decision to invest, and (5) that the trade
14 secret information was a substantial factor in Elysium being able to stay in business.”
15 (October 9 Order at 4). To recover on the alternative supply theory, ChromaDex
16 must be able to prove *all* of the following (at a minimum): “(1) it had a trade secret,
17 (2) which Defendants obtained improperly and (3) used to develop an alternative
18 supply (4) that it would not have found without the specific trade secret information,
19 or that the trade secret information was a substantial factor in finding the supply, and
20 (5) Elysium would not have been able to stay in business without that specific
21 alternative supply.” (October 9 Order at 4). ChromaDex cannot prove the causal
22 links in either theory.

23 **1. Investor Theory**

24 The first question posed by the Court with respect to ChromaDex’s investor
25 theory is “what specific evidence is there to show that a specific ChromaDex trade
26 secret was a substantial factor in an investors’ decision to invest?” (*Id.* at 5). The
27 answer to that question is none. In fact, there is no evidence in the record about the
28 reason for any investor’s decision to invest in Elysium, because during the nearly

1 three years that this litigation has been pending, ChromaDex chose not to obtain any
2 documents or testimony from any of Elysium’s investors. ChromaDex issued a
3 subpoena to General Catalyst Partners (“General Catalyst”), the lead investor in
4 Elysium’s Series B financing, but for reasons of its own decided not to pursue the
5 production of any documents or testimony from General Catalyst. (ECF No. 181-
6 00). Without any information as to an investor’s state of mind, ChromaDex cannot
7 prove that any particular piece of information (trade secret or otherwise) was a
8 “substantial factor in an investor’s decision to invest,” and the necessary causal
9 linkage fails. (October 9 Order at 4).

10 Of the four categories of alleged trade secrets at issue in this case (*see* October
11 9 Order at 3), ChromaDex appears to contend that Elysium disclosed two to potential
12 investors: the per-kilogram purchase price ChromaDex paid for NR, and information
13 regarding Elysium’s market position, ostensibly derived from the ISS. (ECF No.
14 249-10 at 49 and n.257 (“ChromaDex asserts that Elysium used its wrongfully
15 obtained knowledge regarding its market position and the information regarding the
16 cost per kilogram of ChromaDex’s NR from its manufacturer to obtain investors for
17 its Series B financing, including General Catalyst Partners”). Even if either of these
18 two pieces of information constitutes as a trade secret (which Defendants dispute),
19 the record is devoid of evidence that Elysium provided either to any potential
20 investor, much less that any potential investor relied on either as a substantial factor
21 in an investment decision. *Merrill v. Navegar, Inc.*, 26 Cal. 4th 465, 490 (2001)
22 (“Although evidence of causation may be circumstantial, it must be substantial; it is
23 insufficient where, as here, it leaves the question of causation in the realm of mere
24 speculation and conjecture.”) (internal quotations omitted).

25 First, there is no evidence that Elysium divulged the per-kilogram purchase
26 price ChromaDex paid its supplier to anyone, let alone potential investors. In fact,
27 neither of the two documents on which ChromaDex relies (ECF No. 302-19; ECF
28 No. 302-21) in its expert report and summary judgment briefing (ECF No. 249-15 at

1 22; ECF No. 302-01 at 17-18) make any reference at all to ChromaDex’s cost of
2 acquiring NR.⁵ One document is an email from Elysium’s CEO to General Catalyst
3 that includes, among voluminous other information, the prediction that Elysium
4 could potentially lower the price it would pay for NR to [REDACTED]. (ECF No. 302-19).
5 That price bore no relationship to the price ChromaDex was paying its NR
6 manufacturer (it was [REDACTED] *below* the price ChromaDex paid), and the
7 email makes no reference whatsoever to ChromaDex’s cost. The second document
8 is another email from Elysium’s CEO to General Catalyst stating that its new NR
9 manufacturer was able to produce NR at a cost of [REDACTED], a price again different
10 from *ChromaDex’s* cost to acquire NR from its supplier, which again was nowhere
11 addressed in the email. (ECF No. 302-21 at 2). Elysium telling potential investors
12 what it hoped its costs of acquiring NR would be is plainly not using or disclosing a
13 *ChromaDex* trade secret, particularly since neither document made any reference to
14 ChromaDex’s cost of purchasing NR. A causal link requires far more substantiation
15 than this. *See, e.g., Mitchell*, 54 Cal. 3d at 1049 (defendant’s conduct must be a
16 substantial factor in bringing about the injury); *Ortega*, 26 Cal. 4th at 1205-06 (causal
17 link requires more than “probabilities . . . at best evenly balanced”).

18 Second, even if there were any evidence that Elysium disclosed the “price
19 ChromaDex paid to obtain NR from its contract manufacturer” to potential investors
20 (instead of disclosing only its own projected future supply costs), ChromaDex cannot
21 show that Elysium obtained this information improperly. Instead, it is undisputed
22 that ChromaDex’s then-CEO, Frank Jaksch, told Elysium what margin ChromaDex
23 sought on its sales of NR well before Elysium sent either email to General Catalyst.

24 _____
25 ⁵ ChromaDex has also asserted that certain allegedly “confidential” documents were
26 disclosed by Elysium to potential investors, but for all the reasons stated in Elysium’s
27 opening brief for summary judgment, those documents cannot, as a matter of law,
28 form the basis for alleged trade secret damages. (ECF No. 249-01 at 22-23). *First
Advantage Background Servs. Corp. v. Private Eyes, Inc.*, 569 F. Supp. 2d 929, 942
(N.D. Cal. 2008) (“By its own terms, however, CUTSA only provides remedies for
misappropriation of *trade secrets*, not of any confidential information, and defines
that term specifically.”).

1 (ECF No. 249-02 ¶ 73; EFC No. 244-01 at 251:10-16). As ChromaDex’s own expert
2 admits, once Elysium knew ChromaDex’s margin and the price at which ChromaDex
3 would sell NR to Elysium, it was possible for Elysium to determine what ChromaDex
4 paid its own supplier for NR. (ECF No. 249-02 ¶ 74; ECF No. 249-11 at 102:18-
5 103:6, 133:14-135).

6 Third, as to the supposed “knowledge regarding its market position” that
7 ChromaDex alleges Elysium disclosed, ChromaDex cites only to a document in
8 which Elysium advised General Catalyst that a *third party* could have as much as 18
9 years’ worth of NR in its inventory. (ECF No. 249-10 at 49 and n.257).
10 ChromaDex’s supposition appears to be that Elysium could only have obtained its
11 knowledge of the third party’s inventory through Elysium’s possession of the ISS (an
12 alleged ChromaDex trade secret). The very document on which ChromaDex relies,
13 however, makes clear that Elysium and the third party were engaged in discussions
14 *between themselves* about Elysium potentially purchasing some of the third party’s
15 excess inventory. (ECF No. 298-04 at 11-13 (“Thorne is actually sitting on 18 (!)
16 years of inventory after unsuccessfully trying to copy our product, and we are in the
17 process of a possible deal to purchase some of their raw materials.”)). Information
18 learned from a third party about the third party’s business plainly cannot be a
19 *ChromaDex* trade secret. And contrary to ChromaDex’s theory that the information
20 in question came from the ISS, the ISS itself says nothing about how long the third
21 party’s NR purchases would remain in inventory. (ECF No. 249-08). Moreover, the
22 testimony is undisputed that no one at Elysium ever reviewed the ISS. (ECF No.
23 249-02 ¶¶ 67-68; ECF No. 235-01 at 277:17-278:20; ECF No. 248-06 at 316:14-
24 318:16).

25 Fourth, ChromaDex cannot substantiate that *any* of the alleged trade secrets it
26 contends Elysium provided to investors were “a substantial factor in the investors’
27 decision to invest.” (October 9 Order at 4). There is simply nothing in the record to
28 support that causal link, both because ChromaDex never pursued discovery from

1 investors, and because the record is replete with discussions between potential
2 investors and Elysium on topics having nothing to do with the subject matter of
3 ChromaDex’s alleged trade secrets. The utter absence of evidence that investors even
4 took note of ChromaDex’s supposed trade secret information, in combination with
5 the evidence that the investors focused their decisions on a wealth of other factors,
6 fatally undermines the causal link ChromaDex seeks to create. (Exs. 1, 2, 3).⁶

7 **2. Alternative Source Theory**

8 As to ChromaDex’s alternative source theory, the Court’s first question is
9 “[w]hat specific trade secret was a substantial factor in Elysium being able to develop
10 an alternative supply, and how?” (October 9 Order at 5). Again, the answer is none.

11 ChromaDex appears to rely for this theory on two pieces of information
12 relating to its research and development (“R&D”). First, ChromaDex alleges that
13 Morris improperly relied on ChromaDex R&D when he advised Elysium’s new
14 manufacturer of NR that it should use [REDACTED] in the manufacture of NR and not
15 “evaluate other salts.” (ECF No. 249-10 at 47-48). But the fact that ChromaDex’s
16 NR is made with [REDACTED] was (and is) public. The full name of the NR
17 ChromaDex sells is nicotinamide riboside chloride (NRCI)—[REDACTED]
18 [REDACTED] is directly referenced in the name of the substance and on
19 ChromaDex’s product label (*see* https://www.truniagen.com/product_page.html).
20 More importantly, the “Generally Recognized as Safe (GRAS) Determination for
21 Niagen™ (Nicotinamide Riboside Chloride)” ChromaDex filed with the United
22 States Food and Drug Administration on March 8, 2016—and which is publicly
23 available on FDA’s website—expressly refers to [REDACTED] in the name of the
24 substance and throughout the filing. (ECF No. 246-08.) The manufacturing process
25 described within the Niagen GRAS Report clearly results in the production of a
26 [REDACTED]. (*Id.* at 23).

27 _____
28 ⁶ Unless otherwise stated, all references to “Ex.” are to the concurrently filed
October 30, 2019 Declaration of Joseph N. Sacca.

1 ChromaDex’s argument seems to be that Elysium was able to forgo conducting
2 its own research into possible alternative salts and simply proceed with [REDACTED].
3 (ECF No. 249-10 at 47-48). But Elysium needed no trade secret to know that
4 ChromaDex’s NRCl contains [REDACTED], and thus needed no trade secret to decide
5 to use [REDACTED] as well. Accordingly, ChromaDex cannot show that Elysium’s
6 possession or use of information regarding rejected alternatives to [REDACTED] was a
7 factor (much less a substantial factor) in Elysium’s ability to find an alternative
8 supply.

9 The other manufacturing-related trade secret alleged by ChromaDex is that
10 Morris informed Elysium about ChromaDex’s R&D work with a company called
11 Genomatica to find a potentially cheaper manufacturing process for NR using [REDACTED].
12 (October 9 Order at 3; ECF No. 249-10 at 50). It is, however, uncontested that none
13 of Elysium’s alternative suppliers has ever used this manufacturing method, which
14 does not appear ever to have been commercialized. Accordingly, there is no evidence
15 that the alleged trade secret—the fact that ChromaDex was exploring this method—
16 was “a substantial factor in Elysium being able to develop an alternative supply” of
17 NR. (*See* October 9 Order at 5).

18 **D. ChromaDex Cannot Recover Its Alleged Lost Profits.**

19 The Court has asked what specific evidence shows that (1) “a specific
20 ChromaDex trade secret was a substantial factor in Elysium’s decision to stop
21 ordering” NR from ChromaDex; (2) “Elysium would have made these purchases if
22 it did not have the trade secrets,” or (3) “Elysium would not have been able to find
23 an alternative supplier absent the trade secrets for the entire time period for which
24 ChromaDex seeks lost profits.” (October 9 Order at 5). Yet again, the answer to the
25 Court’s questions is none. Instead, the undisputed evidence shows that ChromaDex
26 stopped selling, and Elysium stopped buying, for reasons entirely unrelated to any
27 alleged trade secrets.

28

1 As discussed above, there is no evidence linking any alleged trade secret to
2 Elysium’s ability to find an alternate source of supply. Similarly, there is no evidence
3 linking Elysium’s possession or use of any of the alleged trade secrets to the
4 termination of the NR Supply Agreement or Elysium’s decisions to order or not to
5 order NR from ChromaDex. The evidence instead shows that Elysium continued to
6 order from ChromaDex until their contract dispute at issue in this litigation destroyed
7 the parties’ commercial relationship. This evidence further shows ChromaDex—not
8 Elysium—terminated the NR Supply Agreement and decided to eliminate NR sales
9 to Elysium (and its other direct-to-consumer (“DTC”) NR customers) as part of its
10 strategy to become Elysium’s competitor instead of its supplier.

11 The facts surrounding the disintegration of the parties’ commercial
12 relationship are laid out in Defendants’ opening brief for partial summary judgment.
13 (ECF No. 249-01 at 11-13, 15-17). As described, by the time Elysium placed its final
14 order on June 30, 2016, it had basis to believe that ChromaDex had breached the
15 most favored nations pricing provision of the parties’ NR Supply Agreement and
16 attempted to conceal that breach from Elysium. Throughout 2016, Elysium
17 continued to seek from ChromaDex the refund or credit to which it was entitled, and
18 continued to discover additional breaches of the NR Supply Agreement by
19 ChromaDex. With the parties unable to reach a resolution, it was ChromaDex that,
20 in November 2016, terminated the NR Supply Agreement, without ever providing
21 Elysium the requested information. (*Id.*; ECF No. 249-02 ¶ 30; ECF No. 235-06).

22 ChromaDex’s own documents prove that ChromaDex’s termination of the NR
23 Supply Agreement was part of a larger plan to eliminate Elysium as a customer and
24 “be our own Elysium” with its own DTC NR product. (ECF No. 249-02 ¶¶ 23-28;
25 ECF No. 235-09; ECF No. 237-06; ECF No. 237-08, ECF No. 249-01 at 13).
26 ChromaDex launched this product in June 2016—before Elysium placed its final
27 order—and its documents show its intent was to cut off supply of NR to Elysium and
28 its other direct-to-consumer NR customers in the fall of 2016. (SAMF ¶¶ 29, 33;

1 ECF No. 237-08; ECF No. 235-06; Cockburn Rpt. ¶¶ 45, 140, 142; ECF No. 312-04
2 at 1-22; ECF No. 312-03 at 119-222; ECF No. 318-07; ECF No. 318-08).⁷
3 ChromaDex cannot recover “lost profits” on goods the undisputed evidence shows it
4 never intended to sell to Elysium in the first place.

5 In addition to lacking any factual basis, ChromaDex’s claim for lost profits
6 lacks legal merit. “Evidence to establish profits must not be uncertain or
7 speculative,” regardless of whether “the loss of profits was the result of the wrong
8 and whether any such profits would have been derived at all.” *Cont’l Car-Na-Var*
9 *Corp. v. Moseley*, 24 Cal.2d 104, 113 (1944). *See also BladeRoom Grp. Ltd. v.*
10 *Facebook, Inc.*, 2018 WL 514923, at *12 (N.D. Cal. Jan. 23, 2018) (“lost profits may
11 not be based upon sheer speculation or surmise, and the mere possibility or even
12 probability that damage will result from wrongful conduct does not render it
13 actionable”) (internal quotation omitted).

14 **E. ChromaDex Cannot Recover Morris’s Compensation.**

15 With regard to ChromaDex’s attempt to seek disgorgement of Morris’s
16 compensation, the Court justifiably questioned whether ChromaDex has any basis
17 for these damages, because no reasonable basis exists.⁸ (October 9 Order at 6). Put
18 simply, there is no evidence that Morris’s work was “a complete loss or waste of
19 time” while he was employed at ChromaDex.⁹ (*Id.*) Neither ChromaDex nor its
20 damages expert has attempted to quantify the actual time Morris allegedly spent
21 working “against” ChromaDex or specific damages resulting therefrom, nor do they
22

23 ⁷ References to “SAMF” refer to Elysium’s Statement of Additional Material Facts
24 previously filed as part of ECF No. 318-16. References to “Cockburn Rpt.” are to
the expert report of Iain M. Cockburn, filed as ECF No. 318-15.

25 ⁸ ChromaDex argues that it is entitled to approximately \$77,000 for the period from
26 February 20, 2016 to July 16, 2016 when Morris was employed by ChromaDex, and
approximately \$608,000 for the period from August 1, 2016 through December 2018,
27 during which Morris was employed by Elysium. (ECF No. 249-10 at 118).

28 ⁹ Notably, ChromaDex alleges that Morris “acted as Elysium’s inside agent” for two
months, yet seeks nearly five months of Morris’s compensation without any further
explanation or evidence. (5AC ¶ 4).

1 claim that Morris’s time from February to July 2016 was entirely spent working on
2 behalf of Elysium and against ChromaDex. *See Morlife, Inc. v. Perry*, 56
3 Cal.App.4th 1514, 1528 (Cal. Ct. App. 1997) (upholding judgment awarding 33% of
4 the defendants’ salaries during a six-month period, because defendants breached their
5 fiduciary duty as to one customer that constituted 1/3 of the plaintiff’s business). In
6 fact, ChromaDex’s witnesses testified that Morris was successfully performing his
7 job duties at ChromaDex. (*See Exs. 4, 5, 6, 7*).

8 ChromaDex has asserted three claims against Morris: breach of fiduciary duty,
9 breach of contract, and trade secret appropriation. As discussed above, ChromaDex
10 has failed to show any causal link between Elysium’s alleged possession or use of
11 any trade secret and any of its claimed damages; this claim therefore also cannot
12 support an award against Morris. The same is true for ChromaDex’s claims against
13 Morris for breach of fiduciary duty and breach of contract. Again, as discussed in
14 Defendants’ opening and reply briefs on their motion for partial summary judgment,
15 ChromaDex makes no effort (and thus fails) to establish any link between any alleged
16 breach by Morris and any specific harm to ChromaDex. (ECF No. 249-01 at 22-26;
17 ECF No. 342-01 at 21-22). ChromaDex’s theory appears to be that if a jury finds
18 Morris breached any duty or contract provision, it is entitled to Morris’s
19 compensation regardless of whether this breach can be linked to any particular harm.
20 (ECF No. 249-10 at 117-118). That is not the law. *See, e.g., Mattel, Inc. v. MGA*
21 *Entm’t, Inc.*, 616 F.3d 904, 910-11 (9th Cir. 2010) (rejecting over-inclusive damages
22 award that included amounts not traceable to the actionable wrong).¹⁰

23 **F. ChromaDex Cannot Recover the Alleged Price “Discount.”**

24 The Court asked: “What specific evidence shows Elysium could not have
25 found out through information or strategy other than ChromaDex’s trade secrets that
26 ChromaDex might give it a more favorable rate, or that ChromaDex’s trade secrets

27 _____
28 ¹⁰ Defendants refer the Court to the more complete discussion in their opening and
reply summary judgment briefs on this point. (ECF No. 249-01 at 22-26; ECF No.
342-01 at 21-22).

1 were a substantial factor in ChromaDex giving Elysium the discounted price?” and
2 “What specific evidence is there that Elysium would not have otherwise negotiated
3 a discounted price, even absent new information?” (October 9 Order at 6). As
4 described below, the evidence shows that Elysium learned the information that led to
5 the claimed “discount” through communications with ChromaDex’s then-CEO and
6 its Vice President of Sales and Marketing, and that the terms of the NR Supply
7 Agreement dictated the pricing.

8 Notably, the price ChromaDex provided Elysium was not discounted, but was
9 instead the price that, *based on the information ChromaDex provided at the time of*
10 *the transaction*, Elysium was entitled to receive under the parties’ NR Supply
11 Agreement.¹¹ Under the MFN Provision of the NR Supply Agreement, Elysium was
12 entitled to the same price charged to any customer who purchased an equal or lower
13 amount of NR from ChromaDex. ChromaDex takes the position that its own breach
14 of the MFN Provision is a trade secret that was improperly disclosed to Elysium,
15 claiming that Elysium was able to obtain a more favorable price for NR because
16 Morris informed Elysium that another ChromaDex customer was receiving more
17 favorable pricing terms. (ECF No. 249-10 at 102-04; ECF No. 302-01 at 13; 5AC
18 ¶¶ 192-93). However, the factual record demonstrates that during the call in which
19 ChromaDex and Elysium negotiated the purported “discount,” ChromaDex’s then-
20 CEO and its Vice President of Sales and Marketing disclosed to Elysium that
21 ChromaDex was charging another customer \$800/kg, and in emails prior to that call
22 ChromaDex’s then-CEO had advised Elysium that it was a higher volume purchaser
23 than this other customer. (ECF No. 244-04; ECF No. 244-05; ECF No. 244-01 at
24 249:17-250:3; ECF No. 245-08; ECF No. 245-09; ECF No. 249-07; ECF No. 249-06
25

26 _____
27 ¹¹ As more thoroughly explained in Defendants’ opening and reply summary
28 judgment briefs, ChromaDex falsely represented the extent of its breach of the MFN
Provision of the NR Supply Agreement, and Elysium was actually entitled to much
lower pricing. (ECF No. 249-01 at 11-13, 15-17; ECF No. 342-01 at 6, 10-16).

1 at 255:17-258:5). Based on these disclosures, the parties agreed to the same \$800/kg
2 price as was being paid by the lower-volume customer.

3 **G. ChromaDex Cannot Recover the Alleged “Avoided Costs.”**

4 In answer to the Court’s questions, there is no specific evidence to show that
5 “ChromaDex did all the work for Elysium” or that Elysium would have paid the
6 “avoided costs” that ChromaDex alleges. (October 9 Order at 7). There is no
7 evidence that “Elysium would have studied to learn this particular information,”
8 much less that these *non-trade secrets* were “trade secrets [that] were a substantial
9 factor in Elysium not having to spend this money.” (*Id.*) ChromaDex’s assertions of
10 avoided costs by Elysium are based on three allegedly confidential documents (not
11 alleged to be trade secrets), which ChromaDex alleges Elysium disclosed in violation
12 of the parties’ contracts: (1) the pTeroPure GRAS Report, (2) the NRCl Analytical
13 Method, and (3) the NR Study Data. (*Id.*) None supports ChromaDex’s damages
14 theory.

15 There is no evidence in the record to show that Elysium avoided any costs by
16 using the pTeroPure GRAS Report or that Elysium used the pTeroPure GRAS Report
17 to create its own GRAS report for pterostilbene. Instead, there is evidence that
18 Elysium incurred significant costs. Although Elysium contemplated the possibility
19 of using the pTeroPure GRAS Report in connection with a potential New Dietary
20 Ingredient Notification to FDA, it abandoned that project. (Ex. 8). Moreover, when
21 it came to establishing GRAS (an acronym for “generally recognized as safe”) status
22 for its own pterostilbene, Elysium did not use the pTeroPure GRAS Report, but
23 instead engaged and paid its own consultants to create its own pterostilbene GRAS
24 assessment. (Exs. 9, 10, 11).

25 Similarly, with respect to the NRCl Analytical method, Elysium incurred
26 significant costs to have its new NR manufacturer, over the course of several months
27 and through painstaking work, create its own analytical method as part of its work
28 for Elysium, which Elysium paid for as part of the costs of manufacturing NR. (Exs.

1 12, 13, 14, 15). Additionally, as Defendants noted in their reply brief in support of
2 their motion for partial summary judgment, the NRCI Analytical Method was
3 available online (ECF No. 342-01 at 9), and was therefore not confidential under the
4 terms of the NR Supply Agreement.¹² Thus, Elysium could not have breached the
5 agreement by disclosing it, and this is an independent reason why ChromaDex cannot
6 recover damages based upon its disclosure. *Ahanchian v. Xenon Pictures, Inc.*, 403
7 F. App’x 166, 168 (9th Cir. 2010) (“Without a breach of the contract, there can be no
8 loss or damage for the injured party to discover.”).

9 Nor can ChromaDex prove that Elysium avoided any costs through its use of
10 the NR Study Data. Elysium conducted and published its own clinical study of its
11 NR-containing product Basis, which it paid for. (Exs. 16, 17, 18). Additionally,
12 ChromaDex itself presented the NR Study Data in May 2015 at an industry
13 conference (Ex. 19), and published it online in October 2016 in *Nature*
14 *Communications*. (Ex. 20). Because the NR Study Data, like the NRCI Analytical
15 Method, was not confidential under the terms of the NR Supply Agreement, there
16 can be no breach and therefore no damages. *Ahanchian*, 403 F. App’x at 168.

17 **H. ChromaDex Cannot Recover Its Out-of-Pocket Financing**
18 **Expenses.**

19 ChromaDex’s “out-of-pocket financing expenses” are not recoverable.
20 California courts limit contract damages to those “within the contemplation of the
21 parties when the contract was entered into or at least reasonably foreseeable by them
22 at that time” and “follow the common law rule set forth by an English court in *Hadley*
23 *v. Baxendale*.” *Ash v. N. Am. Title Co.*, 223 Cal.App.4th 1258, 1268-69 (Cal. Ct.
24 App. 2014). Consequential damages beyond the expectation of the parties are not
25

26 ¹² The relevant language states that “Confidential Information of a party shall not
27 include information which the other party can establish by written documentation
28 (a) to have been publicly known prior to disclosure of such information by the
disclosing party to the other party, (b) to have become publicly known, without fault
on the part of the other party, subsequent to disclosure of such information by the
disclosing party to the other party” (5AC Ex. C at Section 1.4).

1 recoverable. *Erlich v. Menezes*, 21 Cal. 4th 543, 550 (1999). Therefore, “if special
2 circumstances caused some unusual injury, special damages are not recoverable []
3 unless the circumstances were known or should have been known to the breaching
4 party at the time he entered into the contract.” *Resort Video, Ltd. v. Laser Video,*
5 *Inc.*, 35 Cal.App.4th 1679, 1697 (Cal. Ct. App. 1995).

6 In *Ash*, the plaintiff claimed that the defendant’s breach led to plaintiff’s
7 bankruptcy and associated costs when defendant failed to follow through with a
8 purchase. The court found that the damages were not foreseeable as likely to result
9 from the breach, as far as the defendant was concerned, because (1) the plaintiff never
10 communicated a risk of bankruptcy to the defendant during the time of contracting;
11 and (2) there was nothing inherent in the transaction to suggest that defendant knew
12 or should have known of the risk of such damages as a result of any breach. *Ash*, 223
13 Cal. App. 4th at 1270-272. Here, there is likewise no evidence that anyone from
14 ChromaDex communicated to Elysium at the time of contract that if Elysium were
15 to breach the contract, ChromaDex would need to acquire a revolving line of credit,
16 nor was there anything inherent in Elysium’s purchases of NR from ChromaDex—
17 which was routine business for ChromaDex as an ingredient supplier—that would
18 have led Elysium to know that ChromaDex would need to seek financing if Elysium
19 breached the NR Supply Agreement.

20 Moreover, under the California Commercial Code, a seller of goods, like
21 ChromaDex is here, cannot recover consequential damages for a breach of contract.
22 *See Twin Creeks Entm’t, Inc. v. U.S. JVC Corp.*, 1995 WL 86563 at *5-6 (N.D. Cal.
23 Feb. 22, 1995) (granting summary judgment to defendant on issue of damages where
24 plaintiff-seller sought consequential damages under the California Commercial
25 Code); 4 Witkin, Summary of Cal. Law (11th ed. 2019) Sales, § 187. There is no
26 evidence to support ChromaDex’s attempt to recover its financing costs, and that
27 ill-founded claim must be dismissed along with each of the others.

28

1 **III. ELYSIUM’S REMEDY FOR CHROMADDEX’S PATENT MISUSE**

2 **A. Background**

3 **1. ChromaDex’s Patent Misuse**

4 Elysium’s patent misuse counterclaim is based on ChromaDex’s misuse of its
5 NR patents by conditioning the supply of NR on use of, or purchase of a license to
6 use, ChromaDex’s NIAGEN® trademark. ChromaDex’s very first NR supply
7 agreement specified that “Buyer agrees to use the Product trademark NIAGEN.”
8 (SAMF ¶ 12). Numerous NR supply agreements with other purchasers similarly
9 conditioned supply of NR on the purchaser’s use of ChromaDex’s trademark when
10 it sold the purchaser’s product, stating that “Buyer shall use the Product trademark
11 NIAGEN” (SAMF ¶¶ 10, 13). While Elysium was not required to use the
12 NIAGEN® trademark, it was required to license the mark and pay significant
13 royalties on product sales whether or not it used the mark. (SAMF ¶¶ 15-19).

14 The impact of ChromaDex’s unlawful patent misuse went beyond its effect on
15 Elysium and impact on Elysium’s cost structure. As explained by Elysium’s expert
16 economist, ChromaDex’s conduct minimized brand competition among NR products
17 sold to consumers and greatly strengthened the NIAGEN® mark. (SAMF ¶¶ 23-28;
18 Cockburn Rpt. ¶ 139). ChromaDex recognized that it had caused its customers to
19 make a “substantial investment . . . with respect to the use of the brand name
20 NIAGEN.” (SAMF ¶ 29). ChromaDex’s trademark use requirement leveraged
21 ChromaDex’s NR patent rights to build the strength of ChromaDex’s NIAGEN
22 trademark, increasing barriers to entry and foreclosing competition more effectively
23 and durably than could ChromaDex’s patent rights alone. (SAMF ¶¶ 23-35;
24 Cockburn Rpt. ¶¶ 142-43). As ChromaDex recognized, its “NIAGEN ingredient TM
25 strategy strengthens the overall NR business” because it “[p]rovides
26 differentiation for CDX [ChromaDex] if/when NR competition arrives.” (SAMF
27 ¶ 28).

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1 ChromaDex has not purged its misuse; rather, it has capitalized on the
2 differentiation its misuse enabled. (Cockburn Rpt. ¶¶ 163-64). In 2017, after forcing
3 NR customers to invest substantially in ChromaDex’s NIAGEN® mark and grow its
4 intrinsic value by conditioning supply of patented NR on use of the mark,
5 ChromaDex abruptly cut off supply to those customers. (SAMF ¶¶ 29, 33). Based
6 on the strength of the NIAGEN® brand, ChromaDex was then able to supplant its
7 direct-to-consumer licensees and promote its own NR product, branded TRU
8 NIAGEN®. (SAMF ¶¶ 31-35). ChromaDex, to this day, tells customers to “*Look*
9 *for ‘Niagen®’ on the label*” to determine if an NR product is “authentic, safe, &
10 effective.” (SAMF ¶ 35). As recently as just a few weeks ago, ChromaDex issued a
11 press release exploiting its patent misuse by equating NR and Niagen®, stating “NR
12 is also known as Niagen®.” (Ex. 21).

13 2. Procedural Background

14 After Elysium asserted a counterclaim for patent misuse, and after ChromaDex
15 failed in its first attempt to dismiss it, ChromaDex amended its complaint to try to
16 moot Elysium’s patent misuse counterclaim. (ECF No. 48). In its amended
17 complaint, ChromaDex renounced its contractual rights to collect royalties from
18 customers or to require the use of the NIAGEN® mark. It also stated that it would,
19 on some unspecified future day, provide Elysium a credit for past royalties. (*Id.*
20 ¶¶ 62-65). Before Elysium could file its responsive pleading, ChromaDex filed a
21 motion for judgment on the pleadings, arguing that Elysium’s patent misuse claim
22 was moot. (ECF No. 56). This Court denied the motion. (ECF No. 63).

23 After Elysium filed its amended counterclaims, ChromaDex moved to dismiss
24 again, arguing that Elysium was no longer injured by the misuse. (ECF No. 67). This
25 Court denied that motion, holding that ChromaDex’s statements in the pleadings did
26 not moot Elysium’s requested remedies of declaratory relief and restitution. (ECF
27 No. 73). The Court found that Elysium was legally entitled to seek declaratory relief
28 that the patents were unenforceable because “there remains a threat of future

1 litigation over ChromaDex’s NR patents” and ChromaDex had not provided a
2 covenant not to sue for patent infringement. (*Id.* at 7). The Court also found that
3 “ChromaDex’s offer of a credit, and even its offer to deposit money with the Court,
4 does not moot Elysium’s claim for restitution.” (*Id.* at 8). Quoting the Ninth Circuit,
5 it explained: “Under Supreme Court and Ninth Circuit case law, a claim becomes
6 moot when a plaintiff *actually receives* complete relief on that claim, not merely
7 when that relief is offered or tendered.” (*Id.*)

8 Less than a year later—despite having represented to this Court that
9 ChromaDex “*has not* made plans to assert” infringement (ECF No. 67-1 at 21) and
10 that such a suit was “extremely hypothetical” (*id.* at 17)—ChromaDex sued Elysium
11 for patent infringement in the U.S. District Court for the District of Delaware. (Ex.
12 22).¹³ To this date, ChromaDex has not refunded any part of the royalties Elysium
13 was forced to pay.

14 **B. Elysium’s Remedies for Patent Misuse Are Not Moot.**

15 In its October 9 Order, the Court asks “what recovery Elysium may now seek
16 on its patent misuse counterclaim?” (ECF No. 369 at 2). The answer is twofold.
17 First, Elysium seeks a declaration that ChromaDex’s NR-related patent rights are,
18 and remain, unenforceable due to ChromaDex’s patent misuse and its failure to
19 abandon the misuse and dissipate its effects. Second, Elysium seeks restitution for
20 royalties it paid to ChromaDex, plus interest. Neither of these remedies has been
21 mooted by ChromaDex’s actions, as this Court already ruled in denying
22 ChromaDex’s third motion to dismiss. (ECF No. 73).

23 Patent misuse is an equitable doctrine developed by courts to ensure that
24 holders of patent rights do not abuse them to extend their patent monopoly beyond
25 the scope of the patent. *Morton Salt Co. v. G.S. Suppiger*, 314 U.S. 488, 492 (1942).
26 A successful patent misuse counterclaim entitles the party asserting misuse to a
27

28 ¹³ That lawsuit is currently stayed pending this Court’s resolution of Elysium’s patent
misuse counterclaim.

1 declaration that the misused patents are unenforceable. *See id.*; *see also U.S. Gypsum*
2 *v. Nat'l Gypsum*, 352 U.S. 457, 465 (1957). The doctrine is bottomed on public
3 policy that equity will not aid in enforcing a patent where the patentee has abused
4 rights granted by the patent. *Morton Salt*, 314 U.S. at 492; *U.S. Gypsum*, 352 U.S.
5 at 465. As the Supreme Court has explained, it is “familiar law that the courts will
6 not aid a patent owner who has misused his patents to recover any of their
7 emoluments accruing during the period of misuse or thereafter until the effects of
8 such misuse have been dissipated, or ‘purged’ as the conventional saying goes.” (*Id.*)

9 It has been long-settled, since the Supreme Court’s seminal decision in *Morton*
10 *Salt*, that misuse can be asserted even by a party who was not itself harmed by the
11 misuse. As the Court explained, it is the “patentee’s course of conduct” which is
12 critical “regardless of whether the particular defendant has suffered from the misuse
13 of the patent.” 314 U.S. at 494. *Accord* 6A Chisum on Patents § 19.04[5] (party
14 asserting misuse “need not show that he was personally harmed by the abusive
15 practice”). Elysium can assert misuse even if the conduct was directed at others and
16 ChromaDex is able to prove that it did not harm Elysium.

17 A threatened claim of patent infringement is the only injury required to create
18 a justiciable controversy permitting a party to seek a remedy of declaratory relief that
19 a patent is not enforceable. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118,
20 127 (2007). That is present here, *as this Court already found* in rejecting
21 ChromaDex’s argument that Elysium lacked sufficient injury in its prior motion to
22 dismiss. (ECF Nos. 67, 73). The Court found that declaratory relief was available
23 because “there remains a threat of future litigation over ChromaDex’s NR patents”
24 as “ChromaDex has affirmatively protected its patents against Elysium.” (ECF No.
25 73 at 7). As the Court noted, ChromaDex’s covenant not to enforce the trademark
26 license against Elysium “was carefully prescribed to eliminate only the threat of a
27 lawsuit for past royalty payments.” (*Id.* at 7-8). Most critically, it did not include a
28 covenant not to sue Elysium for patent infringement.

1 As for the remedy of restitution, this Court also found that relief was not
2 mooted by ChromaDex’s unconsummated promises. As this Court explained, “The
3 Court agrees with Elysium that ChromaDex’s offer of a credit . . . does not moot
4 Elysium’s claim for restitution. Under Supreme Court and Ninth Circuit case law, a
5 claim becomes moot when a plaintiff actually receives complete relief on that claim,
6 not merely when that relief is offered or tendered.” (ECF No. 73 at 8-9) (quoting
7 *Chen v. Allstate*, 819 F.3d 1136, 1138 (9th Cir. 2016)).

8 The facts have only gotten stronger. In seeking dismissal of Elysium’s patent
9 misuse counterclaim, ChromaDex told this Court that a patent infringement lawsuit
10 was “extremely hypothetical,” (ECF No. 67-1 at 17), and that ChromaDex “*has not*
11 made plans to assert that Basis infringes its patent rights.” (*Id.* at 21) (emphasis
12 original). These statements were false. In fact, less than a year later, ChromaDex
13 sued Elysium for patent infringement. As for the promised refund, two years later
14 ChromaDex has made no payment to Elysium. Should Elysium prevail on its patent
15 misuse counterclaim, it is entitled to a declaration that ChromaDex’s patent rights are
16 unenforceable, plus restitution for royalties paid plus interest.

17 **C. ChromaDex Has Not Purged its Misuse.**

18 ChromaDex has also not purged its misuse. Indeed, it has continued to exploit
19 its illegally strengthened NIAGEN® trademark. Purgation requires showing that the
20 misuse has (1) been fully abandoned; and (2) that the consequences of the misuse
21 have been fully dissipated. *B.B. Chem. Co. v. Ellis*, 314 U.S. 495, 498 (1942).
22 **ChromaDex** bears the burden of proving that it has purged its misuse. (*Id.*) *See also*
23 *Jack Winter, Inc. v. Koratron Co.*, 375 F. Supp. 1, 72 (N.D. Cal. 1974) (“Until
24 [patentee] demonstrates to the satisfaction of this Court that these practices or similar
25 ones are no longer followed and that their effects in the market have been dissipated
26 the ’432 patent will not be enforceable.”).

27 Purgation is highly factual. *U.S. Gypsum*, 352 U.S. at 465 (purgation “involves
28 essentially a question of fact”). That is why, unsurprisingly (as this Court observed),

1 the “parties do not address the Purge in their summary judgment briefing.” (ECF No.
2 369).¹⁴ Clearly, there are disputed issues of fact that preclude summary judgment on
3 the issue even if such a motion had been filed by ChromaDex. *See U.S. Gypsum*, 352
4 U.S. at 465 (district court erred by resolving purgation “purely as a matter of law”).

5 Elysium contends that ChromaDex, by requiring customers to use or license
6 the NIAGEN® mark as a condition of supply, improperly misused its patent
7 monopoly to strengthen the NIAGEN® mark. ChromaDex effectively extended its
8 patent monopoly into its trademarks, causing customers to conflate the compound
9 NR with ChromaDex’s product trademark, NIAGEN®. Elysium has proffered
10 expert opinion demonstrating the continuing effects of ChromaDex’s misuse on the
11 market for NR, and explaining that these effects will not be dissipated while
12 ChromaDex continues to use the NIAGEN® trademark. (Cockburn Rpt. at ¶¶ 163-
13 169). As shown in Elysium’s summary judgment papers, there is uncontroverted
14 evidence that ChromaDex’s NR supply agreements required customers to use the
15 NIAGEN® mark as a condition of supply. (SAMF ¶¶ 10-13, 22). Internal
16 ChromaDex memoranda recognize that this arrangement caused its customers to
17 make “substantial investment . . . with respect to the use of the brand name
18 NIAGEN.” (*Id.* ¶ 29).

19 ChromaDex recognized that its “NIAGEN ingredient TM strategy strengthens
20 the overall NR business” and “provides differentiation for [ChromaDex] if/when NR
21 competition arrives.” (*Id.* ¶ 28). ChromaDex continues to exploit its NIAGEN®
22 mark and its efforts to conflate it with NR itself. Indeed, the direct-to-consumer NR
23 product that ChromaDex launched is branded “TRU NIAGEN”, conveying the clear
24

25 ¹⁴ In its Order, the Court referred to Elysium’s response to a motion in limine as
26 indicating that Elysium “does not argue that the Purge was insufficient or improper.”
27 (October 9 Order at 8). With due respect, the Court is mistaken. To be clear, Elysium
28 does argue the alleged purge was insufficient, and it has proffered substantial
evidence, in the form of expert testimony and documents, demonstrating the
inadequacy of ChromaDex’s alleged purge. However, ChromaDex did not seek
summary judgment as to the adequacy of its alleged purge, and thus Elysium had no
occasion to address it as part of the summary judgment briefing.

1 implication that any other NR is fake. Indeed, ChromaDex’s website, to this day,
2 tells its customers that they should “Look for ‘NIAGEN®’ on the label” if they want
3 to know if their “nicotinamide riboside [is] authentic, safe, & effective.” (*Id.* ¶ 35).
4 ChromaDex’s exploitation of its illegally strengthened trademark continues to this
5 day. Just two days before this Court’s October 9 Order, ChromaDex issued a press
6 release deceptively stating that “NR is also known as Niagen®.” (Ex. 21). These
7 facts and more, viewed in Elysium’s favor, show that that the effects of ChromaDex’s
8 misuse have not dissipated but rather continue to impact competition in the market
9 for NR products. In short, ChromaDex continues to this day to reap the benefits of
10 its misconduct.

11 **D. ChromaDex’s Motion *in Limine* Seeking to Exclude Evidence Is Not**
12 **Evidence of an Effective Purge.**

13 As noted above, the Court was mistaken in suggesting that “Elysium does not
14 argue that the Purge was insufficient or otherwise improper.” (ECF No. 369 at 8).
15 The Court’s citation was to Elysium’s response to a narrow motion *in limine* filed by
16 ChromaDex directed to a different issue. ChromaDex’s motion sought only to
17 exclude evidence “*from the jury trial*” of ChromaDex’s statements in the pleadings
18 concerning its alleged purge. (ECF No. 263-01 at 12). The parties agree that patent
19 misuse is an equitable claim that should be tried to the Court, not to the jury. (*See*
20 September 11, 2019 Proposed Pretrial Order at 33 (Notice of Lodging at ECF No.
21 358)). In other words, ChromaDex’s motion in limine merely asked the Court to
22 exclude *from the jury* evidence that is not relevant to any jury-triable claims. (ECF
23 No. 263-1 at 13 (arguing that presentation of purgation to the jury would be an
24 improper “trial within a trial”)) *citing Cordance Corp. v. Amazon.com, Inc.*, 2009
25 WL 2252556 (D. Del. July 28, 2009) (misuse should be tried to the court). The
26 motion in limine, and Elysium’s response, stand for nothing more than the parties’
27 agreement that they should not present evidence the jury on issues it will not be
28

1 deciding. By this motion, ChromaDex was not seeking summary judgment on the
2 question of whether it has purged its misuse.

3 Moreover, ChromaDex bears the burden of proof to establish its purge defense.
4 If anything, ChromaDex's motion to *exclude* evidence on its theory of purgation
5 would suggest that ChromaDex was abandoning that theory, not advancing it. There
6 would be no reason for Elysium to argue in response that evidence ChromaDex
7 proposed to exclude "was insufficient" to prove purgation or was "otherwise
8 improper." ChromaDex wanted it excluded, so its insufficiency or impropriety was
9 immaterial. In any event, Elysium expressly reserved its right to rebut ChromaDex's
10 alleged evidence of purge if "ChromaDex itself proffers such evidence." (ECF No.
11 29-001 at 15).

12 **IV. CONCLUSION**

13 For the foregoing reasons, and the reasons stated in Defendants' opening and
14 reply briefs on their motion for partial summary judgment, the Court should grant
15 Elysium's motion for partial summary judgment, and for the foregoing reasons and
16 the reasons stated in Defendants' brief in opposition to ChromaDex's motion for
17 partial summary judgment, the Court should deny ChromaDex's motion for summary
18 judgment and schedule trial on Elysium's patent misuse counterclaim.

19
20
21 Respectfully submitted,

22 Dated: October 30, 2019

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23
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