

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

CHROMADEx, INC. and TRUSTEES OF)	
DARTMOUTH COLLEGE,)	
)	
Plaintiffs,)	
)	C.A. No. 18-1434-CFC
v.)	
)	
ELYSIUM HEALTH, INC.,)	
)	
Defendant.)	

**OPENING BRIEF IN SUPPORT OF
DEFENDANT ELYSIUM HEALTH, INC.'S MOTION TO STAY**

ASHBY & GEDDES
Steven J. Balick (#2114)
Andrew C. Mayo (#5207)
500 Delaware Avenue, 8th Floor
P.O. Box 1150
Wilmington, DE 19899
(302) 654-1888
sbalick@ashbygeddes.com
amayo@ashbygeddes.com

Of Counsel:

Donald R. Ware
dware@foleyhoag.com
Jeremy A. Younkin
jyounkin@foleyhoag.com
Peter G. Ellis
pgellis@foleyhoag.com
Urszula Nowak
unowak@foleyhoag.com
FOLEY HOAG LLP
155 Seaport Boulevard
Boston, Massachusetts 02210
Phone: (617) 832-1000

Attorneys for Defendant

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I. INTRODUCTION

In their Complaint, Plaintiffs ChromaDex, Inc. (“ChromaDex”) and Trustees of Dartmouth College (“Dartmouth”) (collectively, “Plaintiffs”) accuse Defendant Elysium Health, Inc. (“Elysium”) of infringing two patents: U.S. Patent Nos. 8,197,807 (the “’807 patent”) and 8,383,086 (the “’086 patent”). These patents are the subject of pending, prior-filed, parallel actions, the resolution of which could completely resolve or significantly narrow the issues in this case. To promote judicial efficiency and conserve the Court’s and the parties’ resources, this case should be stayed pending final resolution of the parallel proceedings.

In January 2018, the U.S. Patent Trial and Appeal Board (“PTAB”) granted Elysium’s petition for *Inter Partes* Review (“IPR”) of the ’086 patent. Over the past ten months, Dartmouth and Elysium have filed briefs addressing the validity of all five claims of the ’086 patent, conducted expert depositions, and presented final oral argument to a panel of Administrative Patent Judges. By statute, the panel is required to issue its decision by January 19, 2019, less than three months from now. A decision that all claims of the ’086 patent are invalid would not only narrow this case by eliminating one of two asserted patents, but for reasons discussed below could also effectively ensure the invalidation of the second asserted patent, the ’807.

Both asserted patents also are the subject of pending federal court litigation between ChromaDex and Elysium in California. See *ChromaDex Inc. v. Elysium Health, Inc.*, Case No. SACV 16-02277-CJC(DFMx) (C.D. Cal.) (the “California Litigation”). In the California Litigation, commenced nearly two years ago, Elysium asserts a counterclaim for patent misuse alleging that misconduct of ChromaDex precludes ChromaDex from enforcing the asserted patents against Elysium. On three occasions, the California court has denied ChromaDex’s

attempts to have Elysium's patent misuse counterclaim dismissed, and the counterclaim is currently scheduled for trial on April 2, 2019.¹ If Elysium prevails, ChromaDex will be barred from maintaining any of the claims it has asserted in this case.

This case should be stayed pending final resolution of the IPR of the '086 patent and Elysium's counterclaim for patent misuse in the California Litigation. Decisions in these two parallel actions could resolve or significantly narrow the issues in this case. The parallel actions have been pending for a long time, have reached advanced stages, and will be decided relatively soon. In contrast, this case has barely begun. As of the filing of this motion, Elysium has answered the Complaint, but the initial scheduling conference has not yet been held. Finally, a stay poses no risk of prejudice to Plaintiffs. By ChromaDex's own admission, it has known the facts underlying its infringement claims since at least the summer of 2017. Not only did ChromaDex deliberately choose not to assert a claim for patent infringement for over a year, but it also made that choice a centerpiece of its efforts to dismiss Elysium's patent misuse counterclaims in the California Litigation. In short, there are many reasons why this case should be stayed, and none that weigh in favor of subjecting both Elysium and this Court to the burden of simultaneously litigating a third action involving the same asserted patents.

II. NATURE AND STAGE OF PROCEEDINGS

Plaintiffs filed their Complaint on September 17, 2018, alleging that Elysium's dietary supplement BASIS® infringes the '086 and '807 patents, which allegedly are owned by Dartmouth and licensed exclusively to ChromaDex.

¹ The parties recently agreed to jointly request that case deadlines in the California Litigation be extended by 90 days. If their request is allowed, Elysium's patent misuse counterclaim will be tried in July.

On October 23, 2018, Elysium filed its Answer to Plaintiffs' complaint. Elysium is filing an Amended Answer concurrently with the filing of this motion for stay. Elysium has asserted thirteen defenses, including non-infringement, invalidity, and patent misuse.

On October 24, Elysium informed Plaintiffs of its intent to file this motion and requested a meet and confer teleconference to discuss it. The parties conferred about Elysium's stay request on October 31 but were unable to reach agreement.

On October 31, the Court scheduled a Rule 16(b) conference for November 19, 2018.

III. SUMMARY OF THE ARGUMENT

1. The Court should grant a stay pending final resolution of the pending IPR because: (1) the PTAB will issue its decision in the IPR no later than January 19, 2019; (2) resolution of the IPR may eliminate or simplify many, if not all, of the issues in dispute; (3) this litigation is only just beginning, and a stay will advance judicial efficiency and conserve resources; and (4) a stay will not unfairly prejudice or tactically disadvantage Plaintiffs, inasmuch as ChromaDex was aware of the facts underlying its patent infringement claim over a year ago and made a strategic decision not to pursue that claim.

2. The Court should grant a stay pending final resolution of Elysium's pending patent misuse counterclaim because: (1) the counterclaim will be tried by mid-July 2019; (2) resolution of the patent misuse counterclaim may eliminate or simplify many, if not all, of the issues in dispute; (3) this litigation is only just beginning, and a stay will advance judicial efficiency and conserve resources; and (4) a stay will not unfairly prejudice or tactically disadvantage Plaintiffs, inasmuch as ChromaDex was aware of the facts underlying its patent infringement claim over a year ago and made a strategic decision not to pursue that claim.

3. In accordance with the first-filed rule, the Court should grant a stay pending resolution of Elysium's parallel patent misuse counterclaim, which was filed long before the Complaint in this action and is scheduled for trial in California beginning in mid-2019.

IV. STATEMENT OF FACTS

Elysium is New York-based company that sells a groundbreaking, proprietary dietary supplement, marketed under the trademark BASIS®. ChromaDex previously supplied Elysium with nicotinamide riboside ("NR"), a naturally occurring compound that is one of the ingredients of BASIS®. After Elysium discovered that ChromaDex had induced Elysium to enter into certain contracts under false pretenses and then breached those contracts in material respects, the parties' relationship soured and the supply agreement ended.

A. The California Litigation

The California Litigation began on December 29, 2016, when ChromaDex filed a Complaint against Elysium alleging breach of contract and deceit. *See* Ex. 1, California Litigation Docket, at D.I. 1.² On January 25, 2017, Elysium filed its answer and counterclaims, including a counterclaim for patent misuse. *Id.* at D.I. 11. Elysium's counterclaim alleges that ChromaDex leveraged its market power to impose conditions on its customers that impermissibly broaden the scope of the patent grant with anticompetitive effect. *Id.* Among the relief Elysium seeks in the California Litigation is the entry of a declaratory judgment that the '086 and '807 patents are unenforceable by ChromaDex. *Id.*

ChromaDex has repeatedly, but unsuccessfully, tried to have the California court dismiss Elysium's patent misuse counterclaim. First, ChromaDex filed a Rule 12(b)(6) motion arguing

²"Ex. ___" cites refer to the accompanying Declaration of Peter G. Ellis In Support Of Defendant Elysium Health Inc.'s Motion to Stay.

that patent misuse is not a cognizable affirmative cause of action and that Elysium's counterclaim would fail even if it were. *Id.* at D.I. 27. The court denied the motion. *Id.* at D.I. 44. ChromaDex then filed an amended complaint and moved for partial judgment on the pleadings, requesting dismissal of Elysium's patent misuse counterclaim. *Id.* at D.I. 56. The court denied the motion without prejudice and directed Elysium to file an amended counterclaim in light of ChromaDex's amended complaint. *Id.* at D.I. 63.

After Elysium filed its amended counterclaims, ChromaDex filed a third Rule 12 motion asking the Court to dismiss Elysium's patent misuse counterclaim. *See* Ex. 2, ChromaDex, Inc.'s Memorandum of Points and Authorities in Support of Motion to Dismiss Elysium's Fourth and Fifth Counterclaims and/or Strike Patent Misuse Allegations Related to Elysium's Fifth Counterclaim, at 8-14.³ This time, ChromaDex added the argument that the California court lacked subject matter jurisdiction over the claim. As part of that argument, ChromaDex affirmatively represented to the Court that there was no actual case or controversy concerning the prospect of patent infringement litigation between the parties. In particular, ChromaDex argued that, even though it knew Elysium was selling a product containing NR from a source other than ChromaDex, ChromaDex

has not accused Elysium of patent infringement, *it has not* taken any actions which imply such a claim, *it has not* made plans to assert that Basis infringes its patent rights, and *it has not* taken any affirmative action to enforce its patent rights against Elysium.

Id. at 13-14 (emphasis in original). The Court denied this motion as well. *See* Ex. 1, California Litigation Docket, at D.I. 73.

³ Elysium's patent misuse counterclaim is set forth in Ex. 3, Third Amended Counterclaims.

In their Delaware complaint, Plaintiffs now assert the very infringement claims they told the California court were not in the works in hopes of gaining a strategic advantage. In other words, when it served ChromaDex's purposes in California, ChromaDex was content to delay enforcing the patents against Elysium. This duplicity undercuts any protest that the stay Elysium seeks would somehow prejudice ChromaDex's rights.

Elysium's patent misuse counterclaim in the California Litigation, and its request that the California court enter a declaratory judgment that the '086 and '807 patents are unenforceable against Elysium, are currently pending in the California Litigation and will be tried either in April or July 2019.

B. The IPR Proceedings

On July 17, 2017, Elysium filed IPR petitions requesting that the PTAB cancel all five claims of the '086 patent and all three claims of the '807 patent because the claims are anticipated by two prior art publications.

1. The '086 IPR

On January 29, 2018, the PTAB instituted an IPR of the '086 patent (the "'086 IPR"). The PTAB determined that Elysium "has demonstrated that there is a reasonable likelihood that it would prevail with respect to claims 1 and 3-5." Ex. 4, Decision in IPR2017-01795, dated January 29, 2018 (the "'086 IPR Institution Decision"), at 2.

The PTAB initially denied Elysium's petition with respect to claim 2 of the '086 patent, based on the PTAB's interpretation of the claim term "isolated." Claim 2 is a dependent claim directed to: "The pharmaceutical composition of claim 1, wherein the nicotinamide riboside is isolated from a natural or synthetic source." Ex. 5, '086 patent, at claim 2.

In its IPR Petition, Elysium explained that the phrase "is isolated" in claim 2 should be

understood to mean “is separated or substantially free from at least some of the other components of the naturally occurring organism.” *See* Ex. 4, ’086 IPR Institution Decision, at 7. In support of this proposed construction, Elysium cited the express definition of “isolated” in the specification of the ’086 patent, which states:

As used herein, an isolated molecule . . . means a molecule separated or substantially free from at least some of the other components of the naturally occurring organism, such as for example, the cell structural components or other polypeptides or nucleic acids commonly found associated with the molecule.

Id.

In its Preliminary Response, Dartmouth argued that the phrase “is isolated from a natural or synthetic source” in claim 2 should be construed to mean “fractionated from other cellular components.” *Id.*

In the ’086 IPR Institution Decision, the PTAB disagreed with both parties’ proposed constructions and ruled that the term “isolated” should be construed to mean “that the nicotinamide riboside is separated or substantially free from at least some of the other components associated with the source of the molecule such that it constitutes at least 25% (w/w) of the composition.” *Id.* at 9. It based this interpretation on language in the specification that, by its terms, did not apply to NR. Nevertheless, the PTAB initially denied Elysium’s petition with respect to claim 2. *Id.* at 13-14, 19. In particular, the PTAB ruled that while Elysium had submitted prior art disclosing NR that was separated from at least some other components associated with NR, the NR did not constitute at least 25% by weight of the prior art composition. *Id.* at 13-14.

On April 24, 2018, the Supreme Court held that the PTAB’s practice of limiting an IPR proceeding to fewer than all of the claims challenged was contrary to statute. *See SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018). In view of *SAS*, the PTAB issued an Order in the ’086 IPR

confirming that the IPR would encompass *all* challenged claims, including claim 2 of the '086 patent. Ex. 6, Order on the Conduct of the Proceeding, dated April 27, 2018, at 2. The parties' subsequent briefing and argument addressed claim 2, including the proper construction of the claim term "isolated." Elysium's contention that claim 2, in addition to claims 1 and 3-5, is invalid is now pending before the PTAB.

Oral argument in the '086 IPR took place before a panel of three Administrative Patent Judges on October 2, 2018. By statute, the panel is required to issue its ruling on the patentability of all claims of the '086 patent by January 29, 2019 (*i.e.*, one year after the IPR was instituted). *See* 35 U.S.C. §316(a)(11).

2. The '807 IPR

The PTAB's interpretation of the term "isolated," discussed above, led it to deny institution of an IPR on the '807 patent. Whereas the claim term "isolated" is recited in only one claim of the '086 patent (*i.e.*, claim 2), it is a requirement of all three claims of the '807 patent.⁴ The same reasoning that caused the PTAB initially to deny review of claim 2 of the '086 patent caused it to deny review of all claims of the '807 patent. Ex. 7, Decision in IPR2017-01796, dated January 18, 2018, at 5-7, 10. Specifically, the PTAB concluded that while Elysium had shown that the prior art disclosed NR that had been separated from at least some other components associated with NR, the NR did not constitute at least 25% by weight of the prior art composition. *Id.* at 10.

As noted above, the validity of that reasoning is one of the issues being litigated in the '086 IPR and is currently under review by the PTAB. If the PTAB reconsiders its interpretation

⁴ The term appears in independent claim 1 of the '807 patent and therefore it necessarily is included in dependent claims 2 and 3.

of the term “isolated” in the context of the ’086 IPR and finds that claim 2 of the ’086 patent is invalid over the prior art, it is also likely to conclude that the prior art invalidates all claims of the ’807 patent as well.

C. Other Proceedings

Although not directly relevant to this motion for stay, the parties are engaged in several additional legal and administrative proceedings. On August 18, 2017, ChromaDex filed a citizen petition requesting that the FDA determine that Elysium’s BASIS® product is adulterated and contains a new dietary ingredient. Elysium thereafter submitted comments on the citizen petition explaining why it is an abuse of the citizen petition process, contains false and misleading statements, is contrary to law, and should be denied.

On September 27, 2017, Elysium filed an action against ChromaDex in the United States District Court for the Southern District of New York for false advertising, trade libel, deceptive business practices, and tortious interference with prospective economic relations. *See In re: Elysium Health-ChromaDex Litigation*, Case No. 1:17-cv-07394(CM) (S.D.N.Y.). Elysium’s Complaint alleges, among other things, that ChromaDex’s citizen petition was a sham intended only to harm Elysium. Indeed, as Elysium’s New York Complaint explains, ChromaDex’s citizen petition seeks relief that the FDA does not grant in response to a citizen petition.

On October 25, 2017, ChromaDex brought a separate action in the Southern District of New York against Elysium alleging false advertising, unfair competition, deceptive practices, and tortious interference with prospective economic advantage. *See ChromaDex, Inc. v. Elysium Health, Inc.*, Case No. 1:17-cv-08239-VEC (S.D.N.Y.). The two cases were consolidated in November 2017 and that litigation is ongoing.

V. ARGUMENT

The Court should stay this case pending final resolution of both the '086 IPR and Elysium's patent misuse counterclaim in the California Litigation in order to promote judicial efficiency, conserve the parties' and the Court's resources, and simplify the issues (if any) to be litigated in this case.

A. The Court Should Stay This Action Pending Final Resolution of the '086 IPR

In patent litigation, it is well established that courts have the authority to stay litigation in cases where the PTAB has been asked to conduct an IPR of an asserted patent. *See, e.g., Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, Civil Action No. 12-cv-1107-GMS, 2014 U.S. Dist. LEXIS 47430, at *7 (D. Del. April 7, 2014); *Princeton Dig. Image Corp. v. Konami Dig. Entm't Inc.*, Civil Action No. 12-1461-LPS-CJB, 2015 U.S. Dist. LEXIS 4234, at *4 (D. Del. Jan. 14, 2015); *Peschke Map Techs., LLC v. J.J. Gumberg Co.*, 40 F. Supp. 3d 393, 396 (D. Del. 2014).

To determine whether granting a stay pending resolution of a related IPR is appropriate, courts examine the following three factors: (1) whether a stay will simplify the issues in question and trial of the case; (2) whether discovery is complete or whether a trial date has been set; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party. *Bonutti*, 2014 U.S. Dist. Lexis 47430, at *7. Here, all three factors strongly weigh in favor of a stay.

1. Final resolution of the IPR would simplify the issues in this action and trial of the case.

The simplification prong of the stay analysis weighs heavily in favor of granting a stay in this case. As courts have observed, IPR proceedings can simplify related litigation in a number of ways:

(1) all prior art presented to the court at trial will have been first considered by the PTO [*i.e.*, U.S. Patent and Trademark Office] with its particular expertise, (2) many discovery problems relating to the prior art can be alleviated, (3) if patent is declared invalid, the suit will likely be dismissed, (4) the outcome of the reexamination may encourage a settlement without further involvement of the court, (5) the record of the reexamination would probably be entered at trial, reducing the complexity and the length of the litigation, (6) issues, defenses, and evidence will be more easily limited in pre-trial conferences and (7) the cost will likely be reduced both for the parties and the court.

Neste Oil Oyj v. Dynamic Fuels, LLC, Civil Action No. 12-1744-GMS, 2013 U.S. Dist. LEXIS 92416, *12 (D. Del. July 2, 2013) (quoting *Gioello Enters. Ltd. v. Mattel, Inc.*, No. 99-375-GMS, 2001 U.S. Dist. LEXIS 26158 (D. Del. Jan. 29, 2001) and applying its standard to a request for stay pending IPR proceedings).

In the '086 IPR, the PTAB will consider, with its special expertise, Elysium's contentions that the prior art anticipates the claims of the '086 patent. If any claims of the '086 patent are declared invalid, Plaintiffs' allegations of infringement of such claims in this case will be dismissed. If all claims of the '086 patent are declared invalid, Count II of Plaintiffs' Complaint will be dismissed in its entirety. *See, e.g., 454 Life Scis. Corp. v. Ion Torrent Sys.*, Civil Action No. 15-595-LPS, 2016 U.S. Dist. LEXIS 153978, *7 (D. Del. November 7, 2016) (explaining that litigation would be simplified if PTAB invalidated some or all of the challenged claims); *Message Notification Techs. LLC v. Microsoft Corp.*, Civil Action No. 13-1881-GMS, 2015 U.S. Dist. LEXIS 30626, at *3 n.4 (D. Del. Feb. 23, 2015) ("Moreover, should the PTAB invalidate any or all of the asserted claims, the issues for trial will undoubtedly be simplified.").

Moreover, the PTAB's decision in the '086 IPR construing the claim term "isolated" could have significant consequences for the validity of all claims of the '807 patent. As noted above, the PTAB denied institution of IPR of all claims of the '807 patent and initially denied institution of IPR on claim 2 of the '086 patent based entirely on its construction of the claim

term “isolated.” If the PTAB modifies its interpretation of “isolated” in the ’086 IPR and finds that claim 2 of the ’086 patent is anticipated by the prior art, the basis for the PTAB’s denial of IPR for the ’807 patent will disappear. Under those circumstances, it is likely that the PTAB would institute a new IPR of the ’807 patent, and would promptly invalidate all three claims of that patent.⁵

A stay pending final resolution of the ’086 IPR could simplify this action for additional reasons. It is possible that the outcome of the IPR could encourage a settlement without further involvement of the Court. Resolution of the IPR also could also eliminate issues regarding the validity of the asserted patents, thereby reduce the complexity and length of this case, and limit issues, defenses and evidence. Finally, a stay may reduce the costs for the parties and the burden for the Court because it will ensure that the parties and the Court do not waste resources litigating issues that are mooted by the IPR.

2. This litigation is in its earliest stages.

When determining whether a stay is appropriate, courts also consider the current stage of the litigation, namely whether discovery is complete and a trial date has been set. Because this

⁵ A stay would be appropriate even if the ’086 IPR did not have implications for Plaintiffs’ claim of infringement of the ’807 patent. As one court explained, “[a] complete overlap of the issues in the litigation and the IPR is not required to establish simplification of the case.” *Nexans Inc. v. Belden Inc.*, Civil Action No. 12-1491-SLF-SRF, 2014 U.S. Dist. LEXIS 20116, *11 (D. Del. February 19, 2014); *see also Bonutti*, 2014 U.S. Dist. Lexis 47430, at *19 (granting stay even though parallel IPRs “do not involve all of the issues, claims and patents” at issue in the litigation); *Princeton Dig. Image*, 2015 U.S. Dist. LEXIS 4234, at *8-9 (finding that “simplification” prong of the stay analysis weighed in favor of stay even though IPR did not encompass all asserted claims); *Neste Oil Oyj*, 2013 U.S. Dist. LEXIS 92416, at *15 (“[W]hile the court recognizes that this case likely presents certain questions that simply cannot be addressed through inter partes review, it notes that the ‘issue simplification’ factor does not require complete overlap.”).

litigation is at its earliest stages – as of the filing of this motion Elysium has only just filed its Answer and a schedule has not yet been entered – this factor also weighs heavily in favor of granting a stay. *See, e.g., Bonutti*, 2014 U.S. Dist. LEXIS 47430, at *23-24 (weighing the “stage of litigation” factor heavily in favor of granting a stay because the litigation was “still in its early stages” where “[t]here is not yet a case scheduling order in place nor has discovery begun nor has a trial date been set”). Indeed, “staying a case in its early stages advances judicial efficiency and prevents the court and the parties from expending resources on claims that may be rendered invalid.” *Id.* at *23; *see also 454 Life Scis. Corp.*, 2016 U.S. Dist. LEXIS 153978, *11 (deciding to grant a stay, and observing that the IPR proceedings were “mature” and “set for oral argument” compared to the litigation which remained in its “very early stages”). This factor is entitled to even greater weight here, where by comparison the PTAB will issue its decision in the ’086 IPR in less than three months.

3. A stay will not unduly prejudice Plaintiffs or give them any clear tactical disadvantage.

Lastly, courts look to whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party. More specifically, courts examine the following four sub-factors to determine whether this “prejudice” prong weighs for or against granting a stay: (1) the timing of the IPR petition; (2) the timing of the request for stay; (3) the status of the IPR proceedings; and (4) the relationship of the parties. *Bonutti*, 2014 U.S. Dist. LEXIS 47430, at *8.

With respect to the timing of the IPR request, the more diligent a defendant is in seeking *inter partes* review, “the less likely it is that the non-movant will be prejudiced by a stay or that the court will find the defendant’s filing of the IPR petition to be a dilatory tactic.” *Id.* at *9. Generally, courts have held that IPR petitions are timely and not dilatory if they are filed within

the year after an infringement action is commenced. *See, e.g., id.* at *10 (finding that IPRs filed eight months and one year after complaints were served were not dilatory); *Neste Oil Oyj*, 2013 U.S. Dist. LEXIS 92416, at *6 (finding that an IPR filed less than three months after receiving notice of the lawsuit was not dilatory); *454 Life Scis. Corp.*, 2016 U.S. Dist. LEXIS 153978, at *12 (finding that an IPR filed less than six months into litigation did not prejudice the non-movant or give the movant an unfair tactical advantage).

Here, Elysium filed the relevant IPR petition more than a year *before* Plaintiffs filed their Complaint in this action, negating any possible assertion by Plaintiffs that Elysium filed the petition in order to unfairly delay the progress of this lawsuit. Similarly, the timing of Elysium's request for a stay does not prejudice Plaintiffs or confer any unfair advantage upon Elysium. As explained above, Elysium is seeking a stay at the earliest possible stage of litigation. It informed Plaintiffs that it intended to seek a stay the day after filing its Answer and promptly filed this Motion following a meet-and-confer teleconference.

In addition, the status of the IPR proceedings does not prejudice Plaintiffs in any way. As noted, the '086 IPR already is at an advanced stage. Oral argument took place on October 2, and a written decision is due by January 29, 2019. Accordingly, this subfactor weighs against finding that Plaintiffs would be unduly prejudiced by a stay.

A stay would not unduly prejudice Plaintiffs for the further reason that ChromaDex has admittedly known the facts underlying its patent infringement claims for over a year, made the strategic decision to forego filing a patent infringement suit against Elysium in order to advance its interests in the California Litigation, and represented to the California court that there was no plan to sue Elysium for patent infringement. *See* California Litigation, D.I. 67, at 11-15. In particular, to support an argument that there was no case or controversy to justify Elysium's

patent misuse counterclaim, ChromaDex argued that it had not accused Elysium of patent infringement, and had no plans to do so, even though ChromaDex “is aware that Elysium is selling NR from another source.” *Id.* at 15.⁶ In view of Plaintiffs’ willingness to refrain from bringing their infringement claims against Elysium when they believed such delay suited their strategic interests, they cannot plausibly contend that the requested stay is unfairly prejudicial to them.

B. The Court should stay these proceedings pending resolution of Elysium’s patent misuse counterclaim currently scheduled for trial in the California Litigation.

This case should be stayed pending resolution of Elysium’s patent misuse counterclaim in the California Litigation under both the three-factor analysis for a stay discussed above and under the first-filed rule.

1. A stay pending resolution of Elysium’s patent misuse counterclaim will promote judicial economy and conserve the Court’s and the parties’ resources.

The Court should stay these proceedings pending resolution of Elysium’s patent misuse counterclaim in the California Litigation pursuant to its “inherent power to conserve judicial resources by controlling its own docket.” *Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985). As explained above with respect to Elysium’s request for a stay pending resolution of the ’086 IPR, courts evaluate a stay request by examining whether a stay will simplify the case; whether discovery is complete and a trial date has been set; and whether a stay

⁶ ChromaDex indicated, during the parties’ meet-and-confer regarding this motion, that it may argue that Elysium infringed the asserted patents when it sold accused product containing NR previously supplied by ChromaDex. That position, although incorrect as a matter of law, means that ChromaDex knew of the alleged infringement much earlier.

would unduly prejudice the non-moving party. Here, all three factors strongly weigh in favor of a stay.

Staying this action until resolution of Elysium's pending patent misuse counterclaim makes sense because the outcome of that counterclaim may entirely dispose of this case, and at a minimum will simplify the issues. If Elysium prevails on its patent misuse counterclaim, ChromaDex will be unable to enforce the asserted patents against Elysium, ending this case altogether. *See, e.g., B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1427 (Fed. Cir. 1997) (explaining that a successful patent misuse defense "results in rendering the patent unenforceable until the misuse is purged"). However, even if the patent misuse counterclaim is unsuccessful and does not lead to outright dismissal of this case, its resolution in the California Litigation will still simplify the disputes at issue here. By entering a stay and awaiting the outcome of the approaching California trial, this Court could avoid entirely the need to address disputes over pleadings, discovery, jury instructions, and other issues related to ChromaDex's patent misuse. The desirability of simplifying issues therefore weighs in favor of granting a stay pending resolution of the California Litigation regardless of the outcome of that case.

As noted above, this litigation is at its earliest stage, and there is no reason to believe a stay would unduly prejudice the Plaintiffs or grant Elysium any unfair tactical advantage. Elysium's patent misuse counterclaim is scheduled to be tried in the coming months, long before ChromaDex's patent infringement claims will be tried in this action. Notably, the sequencing of these two trials is due entirely to the strategic decisions of ChromaDex. ChromaDex made the deliberate choice to forego asserting patent infringement in the California Litigation and to delay filing suit in Delaware until October 2018. Under those circumstances, the parties and this Court

should have the benefit of a final decision on Elysium's patent misuse counterclaim before wastefully engaging in duplicative litigation of that same issue here.

Granting a stay pending resolution of the patent misuse counterclaim also comports with the Federal Rules. Rule 13(a)(2)(A) of the Federal Rules of Civil Procedure provides that Elysium is not required to assert a counterclaim for a declaratory judgment of patent misuse in this case because, when this case commenced, the patent misuse counterclaim "was the subject of another pending action." Accordingly, the Federal Rules clearly favor allowing Elysium to litigate its allegations that the asserted patents are unenforceable due to patent misuse in the California Litigation. It would be duplicative and wasteful to require Elysium to defend against Plaintiffs' allegations of infringement of the asserted patents in Delaware while Elysium's earlier-filed patent misuse counterclaim is being litigated, and is approaching trial, in California. Indeed, if ChromaDex is barred from enforcing the '086 and '807 patents by reason of patent misuse, as Elysium contends, Elysium should be protected from having to incur the burden and expense of litigating those patents in this Court.

2. The first-filed rule strongly supports a stay.

A stay is also warranted under the first-filed rule, which counsels that "a later-filed action involving the same controversy should be dismissed, transferred, or stayed in favor of the first-filed action." *Nexans Inc. v. Belden Inc.*, 966 F. Supp. 2d 396, 403 (D. Del. August 6, 2013). Except when special exceptions apply, courts have interpreted the rule to favor first-filed actions seeking a declaratory judgment over a parallel, later-filed patent infringement action by the patent owner. *See id.* (citing *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993)).

Elysium's patent misuse counterclaim in the California Litigation was filed on January 25, 2017, approximately 20 months before Plaintiffs brought this action in Delaware on September 17, 2018. For comparison, courts have applied the first-filed rule where the filing of two parallel actions was separated *by only one or two days*. See, e.g., *Nexans Inc.*, 966 F. Supp. 2d at 406; *TSMC Tech., Inc. v. Zond, LLC*, Civil Action No. 14-721-LPS-CJB, 2014 U.S. Dist. LEXIS 175201, *55 (D. Del. December 19, 2014) (adopted by *TSMC Tech., Inc. v. Zond, LLC*, Civil Action No. 14-721-LPS-CJB, 2015 U.S. Dist. LEXIS 8411, at *3 (D. Del. Jan. 26, 2015)).

Elysium's patent misuse counterclaim in the California Litigation clearly is parallel to Plaintiffs' action here. Part of the relief Elysium has requested in the California Litigation is a declaratory judgment declaring that the '086 and '807 patents are unenforceable by ChromaDex. Thus, like the first-filed declaratory judgment actions courts have favored in the past, Elysium's patent misuse counterclaim can "resolve the various legal relations in dispute and afford relief from the controversy that gave rise to [this] proceeding." *Nexans*, 966 F. Supp. 2d at 403 (quoting *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d at 938).

None of the exceptions to the first-filed rule applies in this case. Typical exceptions include bad faith, forum shopping, and instances where the later-filed litigation has progressed further than the initial suit. *Id.* Elysium did not act in bad faith. It brought and has maintained its patent misuse counterclaim as a proper response to claims asserted by ChromaDex in the California Litigation, and the California Court has repeatedly rejected ChromaDex's efforts to have it dismissed. Nor has Elysium engaged in forum shopping, as the Central District of California was chosen *by ChromaDex* and is where it is headquartered. Lastly, the first-filed California Litigation has progressed much further than this newly-filed litigation, as the

California trial is scheduled for mid-2019. Thus there is no reason not to apply the first-filed rule and to stay these proceedings pending resolution of the California Litigation.

VI. CONCLUSION

For the reasons stated above, the Court should stay these proceedings pending final resolution of the '086 IPR and resolution of Elysium's patent misuse counterclaim in the California Litigation.

ASHBY & GEDDES

/s/ Steven J. Balick

Steven J. Balick (#2114)
Andrew C. Mayo (#5207)
500 Delaware Avenue, 8th Floor
P.O. Box 1150
Wilmington, DE 19899
(302) 654-1888
sbalick@ashbygeddes.com
amayo@ashbygeddes.com

Attorneys for Defendant

Of Counsel:

Donald R. Ware
dware@foleyhoag.com
Jeremy A. Younkin
jyounkin@foleyhoag.com
Peter G. Ellis
pgellis@foleyhoag.com
Urszula Nowak
unowak@foleyhoag.com
FOLEY HOAG LLP
155 Seaport Boulevard
Boston, Massachusetts 02210
Phone: (617) 832-1000

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