IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

CHROMADEX, INC. and TRUSTEES OF DARTMOUTH COLLEGE,

Plaintiffs,

v.

ELYSIUM HEALTH, INC.,

Defendant.

C.A. No. 18-1434-CFC

[redacted]

PLAINTIFFS' OPPOSITION TO ELYSIUM'S *DAUBERT* MOTION (NO. 2) TO EXCLUDE EXPERT TESTIMONY REGARDING CHROMADEX'S DAMAGES AND IRREPARABLE HARM (D.I. 210)

Dated: May 14, 2021

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TABLE OF EXHIBITS

Exhibit	Description
1	*Nichols Institute Diagnostics, Inc. v. Scantibodies Clinical Laboratory, Inc. et al.*, No. 02-CV-0046-B (JMA), ECF 623-1 (S.D. Cal. May 3, 2006)

TABLE OF ABBREVIATIONS

Abbreviation	Description
ChromaDex	Plaintiff ChromaDex, Inc.
Dartmouth	Plaintiff Trustees of Dartmouth College
Dartmouth-ChromaDex License	Exclusive License Agreement between Dartmouth and ChromaDex, effective July 13, 2012, as restated and amended
the Dartmouth Patents	U.S. Patent Nos. 8,383,086 and 8,197,807
Plaintiffs	Collectively Plaintiffs ChromaDex, Inc. and Trustees of Dartmouth College
Elysium	Defendant Elysium Health, Inc.

Plaintiffs understand that the Court has denied their motion for reargument regarding ChromaDex's standing and will not present damages testimony regarding any damages owed or irreparable harm to ChromaDex that are inconsistent with this Court's instructions.[1] But Elysium also seeks to exclude testimony from Plaintiffs' damages expert, Mr. Gunderson, about the damages suffered by Dartmouth. Specifically, Elysium argues that Mr. Gunderson's estimate of Dartmouth's damages premised on a hypothetical sub-license royalty from its existing licensee should be excluded. Mr. Gunderson's opinions are proper; the hypothetical-negotiation construct used to estimate a royalty for use of the patents-in-suit *must* include the party with the right to grant a license at the time of the hypothetical negotiation, even if that party is different from the plaintiff recovering damages. ChromaDex (and its commonly owned and controlled affiliate Healthspan) were the only parties with the right to grant a license to the Dartmouth Patents at the time of the 2017 hypothetical negotiation in this case, and Mr. Gunderson properly opined on Dartmouth's damages under those circumstances. There is no basis to exclude

[1] At present the Court has not explicitly stated whether its orders apply to damages and ongoing harm after the January 2021 dissolution of Healthspan. Indeed, under the decision's logic, and as explained in ChromaDex's response to Elysium's motion for summary judgment (no. 4), ChromaDex does have standing to pursue remedies for infringement from January 2021 onward. These issues may be resolved in connection with Elysium's motion for summary judgment (no. 4) regarding ChromaDex's claims. D.I. 203. If not, and to the extent that such damages and harm will be tried and/or heard as part of this action, Plaintiffs maintain the right to present Mr. Gunderson's opinions relevant to those damages and ongoing harm.

Mr. Gunderson's opinions about Dartmouth's damages. Elysium's motion should be denied.

I. Mr. Gunderson's Opinions about Dartmouth's Damages Are Proper

Mr. Gunderson's opinions reflect the reality that ChromaDex and Healthspan had the sole contractual right to license the Dartmouth Patents at the time of the 2017 hypothetical negotiation. Regardless of whether ChromaDex and Healthspan were exclusive or non-exclusive licensees, the Dartmouth-ChromaDex License, as restated and amended, granted only ChromaDex and Healthspan the "right to grant sublicenses to third parties … with the consent of Dartmouth." D.I. 50, Ex. D at 2. During the damages time-period, Dartmouth did not have a right to grant further licenses to the Dartmouth Patents, but it did have the right to veto any proposed sublicenses, *id.*, and it was entitled to receive 30% of any consideration received by ChromaDex and Healthspan from any sublicense. *Id.* at 5. Mr. Gunderson's opinions therefore consider a hypothetical negotiation between ChromaDex and Elysium for a sublicense to the Dartmouth Patents and then estimate Dartmouth's damages as 30% of the royalties paid by Elysium in this hypothetical sublicense. D.I. 212, Ex. B at 12-13.

Elysium mischaracterizes Mr. Gunderson's opinion as a "transparent attempt to circumvent" the Court's orders, D.I. 211 at 3, but the challenged opinions are not about ChromaDex, they are an analysis of the damages owed to Dartmouth. The

challenged opinions do not suggest that Elysium would owe any damages to ChromaDex.

Elysium's argument is bereft of legal support, perhaps because many courts have held that the licensor in the hypothetical negotiation is not necessarily the same as the party in suit or owed damages. Rather, it is proper to consider the party that had the right to license the patent at the time of the hypothetical negotiation. For example, in *Oracle America, Inc. v. Google, Inc.*, the court held that the hypothetical licensor should be the previous owner of the patent (Sun), not the current owner and plaintiff (Oracle). 798 F.Supp.2d 1111, 1117 (N.D. Cal. 2011). The court reasoned that because that hypothetical negotiation occurs at the time infringement began, and because at that time "Sun was the patentee, not Oracle," Sun must be the hypothetical licensor. *Id.* (citing *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579 (Fed. Cir. 1996)); *see also* Ex. 1, *Nichols Institute Diagnostics, Inc. v. Scantibodies Clinical Laboratory, Inc.*, No. 02-CV-0046-B (JMA), ECF 623-1 (S.D. Cal. May 3, 2006) (holding that the hypothetical licensor should be the patent owner at the time of the hypothetical (Pharis) and not the exclusive-licensee plaintiff who later acquired its exclusive rights (Nichols)). While *Oracle* and *Nichols Institute* both refer to a prior owner of the patents-in-suit, exclusive licensees can also be the licensor in the hypothetical negotiation. *See Schneider (Eur.) AG v. Scimed Life Systems, Inc.*, 852 F. Supp. 813 (D. Minn. 1994) (licensor in the hypothetical negotiation is the

exclusive licensee); *Pentech Intern., Inc. v. Hayduchok*, 931 F. Supp. 1167 (S.D.N.Y. 1996) (same). Taken together, these cases hold that the licensor in the hypothetical negotiation should be the party with the right to grant a license to the patent-in-suit at the time infringement began.

In addition, the Federal Circuit has held that the hypothetical negotiation should take into account the "genuine relationship" between a patent owner and its licensees. *See Union Carbide Chemicals. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1378 (Fed. Cir. 2005) (hypothetical negotiation between holding company and defendant must take into account the position of the holding company's licensee and corporate parent); *see also AstraZeneca AB v. Apotex Corp.*, 985 F.Supp.2d 452, 498 (S.D.N.Y. 2013), *affirmed-in-part and reversed-in-part* 782 F.3d 1324 (Fed. Cir. 2015), (holding that the hypothetical negotiation should "account" for the role of the exclusive licensee practicing the patent and not just the patent owner). The case law demonstrates that it is not only proper, but required, for an expert to consider the genuine relationship between patent owners and licensees existing at the time, when opining on the hypothetical negotiation, regardless of which entity is recovering damages in the litigation.

Here, the Dartmouth-ChromaDex Agreement makes clear that only ChromaDex and Healthspan could have granted a license to the Dartmouth Patents at the time of the hypothetical negotiation. Even if Dartmouth were to negotiate

directly with Elysium, it would not be willing to accept a rate less than the contractual 30% sublicense royalty that it would receive from a sublicense between ChromaDex and Elysium. Thus, Mr. Gunderson's opinions about a negotiation between ChromaDex and Elysium for a sublicense to the Dartmouth Patents properly account for the genuine relationship between the parties and are permissible. Elysium is, of course, free to cross-examine Mr. Gunderson at trial, but its naked attempt to exclude Mr. Gunderson's opinions about Dartmouth's damages, taking into account the economic and contractual reality at the time of the hypothetical negotiation, should be rejected.

Dated: May 14, 2021

Respectfully submitted,

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WORD COUNT CERTIFICATION

The undersigned counsel hereby certifies that Chromadex, Inc. and Trustees of Dartmouth College's Opposition to Elysium's *Daubert* motion (No. 2) to exclude expert testimony regarding ChromaDex's damages and irreparable harm contains 1098 words (exclusive of the title, caption, Table of Contents, Table of Authorities, Table of Exhibits, List of Abbreviations, and signature block) in Times New Roman 14-point font.

Dated: May 14, 2021

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Adam W. Poff, hereby certify that on May 28, 2021, I caused to be electronically filed a true and correct copy of the foregoing document with the Clerk of the Court using CM/ECF, which will send notification that such filing is available for viewing and downloading to the following counsel of record:

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I further certify that on May 28, 2021, I caused the foregoing document to be served via electronic mail upon the above-listed counsel.

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