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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

In re:

INVITAE CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 24-11362 (MBK)

Hearing Date: May 7, 2024

(Jointly Administered)

**OBJECTION OF INTEGRATED DNA TECHNOLOGIES, INC. TO DEBTORS'
NOTICE TO CONTRACT PARTIES TO POTENTIALLY ASSUMED EXECUTORY
CONTRACTS AND UNEXPIRED LEASES IN CONNECTION WITH MOTION FOR
ENTRY OF AN ORDER AUTHORIZING ASSUMPTION AND ASSIGNMENT OF
ASSUMED CONTRACTS AND AUTHORIZING THE SALE OF ASSETS**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Integrated DNA Technologies, Inc. (“IDT”) respectfully objects to the *Debtors’ Notice to Contract Parties to Potentially Assumed Executory Contracts and Unexpired Leases* [Docket No. 365] (the “Notice”), which was filed in connection with the *Debtors’ Motion for Entry of an Order (I) Approving Bidding Procedures And Bid Protections, (II) Scheduling Certain Dates And*

¹ The last four digits of Debtor Invitae Corporation’s (“Invitae,” and with its subsidiary debtors, the “Debtors”) tax identification number are 1898. A complete list of the Debtors in these chapter 11 cases and each such Debtor’s tax identification number may be obtained on the website of the Debtors’ proposed claims and noticing agent at www.kcellc.net/invitae. The Debtors’ service address in these chapter 11 cases is 1400 16th Street, San Francisco, California 94103.



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Deadlines With Respect Thereto, (III) Approving The Form And Manner Of Notice Thereof, (IV) Establishing Notice And Procedures For The Assumption And Assignment Of Contracts And Leases, (V) Authorizing The Assumption And Assignment Of Assumed Contracts, And (VI) Authorizing The Sale Of Assets [Docket No. 19] (the “Motion”),² filed in the chapter 11 cases of the above-captioned debtors and debtors in possession, seeking authorization to sell certain assets to Labcorp Genetics Inc. (“Labcorp” or the “Buyer”) pursuant to the Sale Transaction, as further defined in the Motion, and respectfully states as follows:

INTRODUCTION

1. IDT is not objecting to the Sale Transaction as a whole. However, the Debtors have indicated an intention to assign a certain “Supply Agreement” between Invitae (defined below) and IDT, dated December 19, 2022 (the “Supply Agreement”), to Labcorp in connection with the proposed Sale Transaction. As set forth more fully herein, the Supply Agreement is not a stand-alone agreement, but is part of a larger transaction governed by a comprehensive Asset Purchase Agreement (defined below).

2. The Debtors have failed to provide IDT with adequate assurance of future performance by Labcorp of Invitae’s obligations under the Asset Purchase Agreement and related Agreements (defined below), which are essential to IDT’s continued performance under the Supply Agreement.

3. These obligations include (i) certain indemnification obligations that are integral to the contractual relationship between Invitae and IDT and (ii) continued access to certain

² Capitalized but undefined terms used herein shall have the meaning ascribed to them in the Motion.

intellectual property, which Invitae has licensed to IDT pursuant to an IP License Agreement (defined below).

4. Without assurances that Labcorp will perform the obligations of Invitae under the Asset Purchase Agreement and related Agreements, IDT cannot continue to perform its obligations under the Supply Agreement.

BACKGROUND AND RELEVANT FACTS

5. On February 13, 2024, Invitae Corporation (“Invitae”) and its subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of New Jersey (the “Court”).

6. The cases are being jointly administered in accordance with Rule 1015(b) of the Federal Rules of Bankruptcy Procedure.

7. The Debtors continue to operate their businesses and manage their properties as debtors in possession in accordance with sections 1107(a) and 1108 of the Bankruptcy Code.

The Invitae-IDT Asset Purchase Agreement

8. On December 19, 2022, Invitae and IDT entered into that certain asset purchase agreement (the “Asset Purchase Agreement”),³ as well as a number of associated agreements and

³ The Asset Purchase Agreement (with exhibits) is attached as **Exhibit A** to the *Declaration of Ross Allen in Support of the Objection of Integrated DNA Technologies, Inc. to Debtors’ Notice to Contract Parties to Potentially Assumed Executory Contracts and Unexpired Leases in Connection With Motion for Entry of an Order Authorizing Assumption and Assignment of Assumed Contracts and Authorizing the Sale of Assets* (“Declaration”) filed contemporaneously herewith.

licenses identified as exhibits to the Asset Purchase Agreement (the “Ancillary Agreements” and collectively, with the Asset Purchase Agreement, the “Agreements”).⁴

9. In the Asset Purchase Agreement, the Ancillary Agreements are specifically identified as follows:

- ArcherDX Software Source Code License Agreement
- Assignment and Assumption Agreement and Bill of Sale
- Intellectual Property License Agreement
- Registered IP Assignment Agreement
- Sublease Agreement
- Supply Agreement
- Transition Services Agreement

10. While the Debtors intend to assume and assign the Supply Agreement (and only the Supply Agreement) related to the Asset Purchase Agreement, all the Agreements were entered into contemporaneously as part of a single, integrated transaction pursuant to which (i) the Debtors sold substantially all the assets of the ArcherDX LLC (“Archer”) business, including assets related to the Archer NGS research assays (the “Products”) to IDT and (ii) IDT agreed to manufacture and supply certain Products back to Invitae.⁵

11. Taken as a whole, the Agreements relate to the sale of a business, including the license of intellectual property (“IP”) used in the manufacture of the Products as well as an ongoing commercial relationship, as provided for in the Supply Agreement. That the Agreements, read

⁴ Because the Agreements contain confidential information, IDT requests that they be filed under seal. IDT is filing a separate motion in that regard contemporaneously herewith.

⁵ As set forth in the Notice, the Debtors also seek to assume and assign three (3) other agreements involving IDT: the Quality Terms and Conditions dated 12/8/20, Work Order dated 9/26/18, and Assignment and Assumption Agreement dated 10/3/23. The Debtors have identified a cure amount of \$2,358,079.66 in connection with the Work Order. IDT is not objecting to the assumption of these agreements.

together, constitute an “entire” and “complete” agreement, is stated and reiterated throughout the various documents.⁶ For example, the Asset Purchase Agreement provides:

Section 7.6 Entire Agreement; No Third Party Rights. Except as otherwise contemplated herein, **this Agreement** (along with the Disclosure Schedule) **and the Ancillary Agreements** (a) **constitute the entire agreement** and supersede all prior agreements and understandings, both written and oral, between the Parties, with respect to the subject matter hereof

Declaration at IDT-055 (Emphasis added).

12. Likewise, the Supply Agreement provides that the “complete agreement” includes the Supply Agreement, the Asset Purchase Agreement, and other Ancillary Agreements:

17.7 Entire Agreement. This [Supply] Agreement, **together with its attached Exhibits, the Purchase Agreement and other Ancillary Agreements**, constitutes the **entire, full, and complete agreement between** the Parties concerning the subject matter hereof, and supersedes all prior agreements, negotiations, representations, and discussions, written or oral, express or implied, between the Parties in relation thereto, including the Prior CDA.

Declaration at IDT-261 (Emphasis added).

13. To provide IDT with the IP necessary to perform its obligations under the Supply Agreement, the parties also entered into an Intellectual Property License Agreement, also dated December 19, 2022 (the “IP License Agreement”). Like the Asset Purchase Agreement and the Supply Agreement, the IP License Agreement highlights that it is linked to the Asset Purchase Agreement, Supply Agreement, and other Ancillary Agreements.

⁶ At the time of the Asset Purchase Agreement, Invitae issued a Press Release highlighting that the sale transaction “includes a strategic supply partnership” and stated that “[a]s part of the transaction, Invitae also entered into a supply agreement with IDT to support Invitae’s PCM services.” Declaration at IDT-307.

Section 9.5 Entire Agreement; Amendments. This [IP License] Agreement, together with its attached Exhibits, the Purchase Agreement and other Ancillary Agreements, contains the entire understanding of the Parties with regard to the subject matter contained herein...

Declaration at IDT-132.

The Indemnity Provisions

14. As noted above, pursuant to the Agreements, Invitae sold substantially all the assets of the ArcherDX business to IDT and provided IDT with certain licenses for software source code and IP in connection with the sale. IDT agreed to manufacture and supply the Products back to Invitae, using the software and IP. To protect IDT, and ensure IDT could perform in the event of a dispute with a third party regarding the software and IP Invitae sold or licensed to IDT, Invitae agreed to indemnify IDT, including for liabilities of arising in connection with the “infringement, misappropriation or other violation of the Intellectual Property of any third party, or allegation thereof, in each case solely to the extent resulting or alleged to result from any products or services of” sold to IDT.

15. Woven throughout the various Agreements, Invitae and IDT included such indemnity provisions. With respect to indemnification, the Asset Purchase Agreement provides, in part:

Section 6.2(a): From and after the Closing Date and subject to the other limitations set forth in this Article VI, Seller [Invitae] agrees to indemnify, defend and hold harmless Buyer, its Affiliates and any of their respective directors, officers, partners, members, employees, stockholders, agents, representatives, successors and permitted assigns ... against and in respect of any and all losses, claims, damages, Liabilities, fines, fees, assessments, penalties, interest, judgments, claims, settlements, costs and expenses, including reasonable and documented costs of investigation and legal fees, expert witness fees, and their respective expenses (collectively, “Losses”), resulting or arising from or otherwise relating to: (i) any inaccuracy or breach of any representation or warranty of Seller set forth in Article III or any certificate delivered by Seller or the Selling Subsidiary pursuant to the terms hereof (and for purposes of determining the amount of any Losses in respect

of any breach or inaccuracy of any representation or warranty contained in this Agreement, any qualifications or limitations set forth in such representation or warranty as to materiality or other words of similar import contained therein shall be disregarded)...

Declaration at IDT-050.

16. Article III of the Asset Purchase Agreement sets forth certain representations of Invitae with respect to the IP sold and/or licensed to IDT, including representations that the sale and/or subsequent use of such IP by IDT would not and did not violate any rights of third parties. Further, in the Asset Purchase Agreement, the parties specifically carved out certain “Excluded Liabilities” to be retained by Invitae, including liabilities arising in connection with the infringement, misappropriation, or other violation of the IP rights of any third party. The indemnification provisions, included throughout the Agreements, protect IDT from claims related to such Excluded Liabilities.⁷

17. There is also an indemnification in the Supply Agreement. Specifically, Section 15.1 of the Supply Agreement provides:

15.1 **Invitae.** Invitae shall indemnify, defend and hold harmless IDT, its Affiliates, and their respective directors, officers, employees and agents (the IDT Indemnified Parties) from and against all losses, liabilities, costs, damages and expenses (including reasonable attorneys fees and costs) payable to Third Parties that any IDT Indemnified Parties incur or suffer as a result of any claims, demands, actions or other proceedings made or instituted by any Third Party (Action) and arising out of or relating to (i) Invitae’s or its Affiliates use (or misuse), sale or other exploitation of the Products; (ii) Invitae’s or its Affiliates breach of any representation, warranty or covenant under this Agreement; (iii) **any alleged or actual infringement, misappropriation or violation of any intellectual property rights of a Third Party due to IDT’s use of any Invitae Supplied Materials in the manufacturing and supply of the Products in accordance with this**

⁷ Excluded Liabilities includes: “all Liabilities of the Business arising in connection with the infringement, misappropriation or other violation of the Intellectual Property of any third party, or allegation thereof, in each case solely to the extent resulting or alleged to result from any products or services of the Business sold or performed in the operation of the Business prior to the Closing Date...” Asset Purchase Agreement Section 2.4(b), Declaration at IDT-020.

Agreement; (iv) any alleged or actual infringement, misappropriation or violation of any intellectual property rights of a Third Party due to IDT's manufacture and supply of PCM Library Test Kits in accordance with this Agreement (except to the extent resulting from IDT's breach of Section 10.1(c)); or (v) Invitae's or its Affiliates gross negligence or willful misconduct, in each case except to the extent any such losses, liabilities, damages and expenses are due to conduct described in clauses (i)-(iii) in Section 15.2.

Declaration at IDT-257 (Emphasis added.)⁸

18. While the Supply Agreement has its own indemnity provisions, it too was not meant to stand alone. The Supply Agreement has no fewer than nineteen (19) cross- references to the Asset Purchase Agreement, including the “Indemnification Procedure” provisions, which are incorporated into the Supply Agreement as follows:

15.3 Indemnification Procedure. Upon the occurrence of an event that entitles [an] IDT Indemnified Party or [an] Invitae Indemnified Party to indemnification under Section 15.1 (Invitae) or 15.2 (IDT), respectively, the provisions of Section 6.3 of the Purchase Agreement [method of asserting claims] shall be applied, *mutatis mutandis*, as if fully set forth herein.

Declaration at IDT-258.

The Tecan Action

19. After IDT and Invitae entered into the Asset Purchase Agreement, IDT, Invitae, and ArcherDX (a debtor in these cases) were named as defendants in that certain litigation styled *Tecan Genomics, Inc. v. Invitae Corporation*, Case No. 23-cv-01114-GBW (D. Del.) (the “Tecan Action”), which was commenced in the United States District Court for the District of Delaware in October 2023. In the Tecan Action, plaintiff Tecan Genomics, Inc. (“Tecan”), asserted various claims against Invitae, ArcherDX, and IDT alleging infringement of various patents and asserting

⁸ The PCM Library Test Kit is one of the Products that is the subject of the Supply Agreement, and is referred to in the Supply Agreement as a “Kit Product for PCM under the Purchase Agreement.” Supply Agreement, Declaration at IDT-236.

that certain “Accused Products now sold by IDT make use of the same infringing AMP technology that was used by the Accused Products before the limited asset sale.”

20. ITD filed an answer in the Tecan Action, in which IDT denied, among other things, Tecan’s allegations of infringement.⁹

IDT’s Indemnification Claim in the Tecan Action

21. In its simplest distillation: (i) in the Asset Purchase Agreement, Invitae sold or licensed to IDT Invitae’s rights (including IP rights) in the Products, and (ii) in the Supply Agreement, IDT agreed to manufacture the Products and supply them back to Invitae. Tecan alleges that the Products use technology that infringes on Tecan’s patent rights.

22. Pursuant Section 6.2 and Section 6.3 of the Asset Purchase Agreement, IDT timely informed Invitae that the allegations in the Tecan Action may give rise to a claim for indemnification against Invitae, ArcherDX, and/or other Debtors, in an amount yet to be determined. This indemnification obligation is similarly carried into Section 15 of the Supply Agreement, pursuant to which the Debtors must indemnify IDT for any infringements (*e.g.*, Invitae agrees to indemnify IDT for “any alleged or actual infringement, misappropriation or violation of any intellectual property rights of a Third Party due to IDT’s manufacture and supply of PCM Library Test Kits in accordance with this Agreement”). As set forth in section 15 of the Supply Agreement, the procedures for indemnification set forth in Section 6.3 of the Asset Purchase Agreement are incorporated in the Supply Agreement *mutatis mutandis*.

⁹ IDT’s First Amended Answer to the Complaint [Case 1:23-cv-01114-GBW at Docket 27].

The Sale

23. The Debtors now seek to assign the Supply Agreement to Labcorp. Because of the related nature of the Agreements, the transfer of the Supply Agreement to Labcorp must also carry the obligation to fully indemnify IDT if the Products IDT is manufacturing and providing under the Supply Agreement are found to be infringing. This means indemnifying IDT in the Tecan Action, and anywhere else an infringement claim is made where IDT would otherwise be entitled to indemnification from Invitae under the Asset Purchase Agreement and/or the Ancillary Agreements.

24. Although IDT firmly believes it will prevail in the Tecan Action, it would be manifestly unjust and contrary to the plain terms of the Agreements if IDT found itself unable to manufacture the Products under the Supply Agreement (which were initially sold to IDT by Invitae) due to an infringement finding, while simultaneously being contractually obligated to provide such Products to Labcorp under the Supply Agreement.

25. Likewise, as part of Sale, IDT must have continued access to the IP utilized in connection with the Products. This requires continued performance under the IP License Agreement by Labcorp, as assignee, in accordance with the terms of the IP License Agreement.

OBJECTION

26. When multiple agreements form a single, integrated agreement, a Debtor may not assume and assign portions of the agreements piecemeal. *Huron Consulting Services, LLC v. Physiotherapy Holdings, Inc. (In re Physiotherapy Holdings, Inc.)*, 538 B.R. 225 (D. Del. 2015). In *Huron Consulting*, the district court held that a master agreement and license agreement were integrated, such that the debtors could not separate the obligations under the license agreement from the obligations under the master agreement. In *Huron Consulting*, the debtors had entered

into six related agreements, but only sought to assume one of them (a license agreement), while rejecting a master agreement with “broad indemnity rights against the debtor.” *Id.* at 228. In finding that the Debtors could not single out just the licensing agreement for assumption, the *Huron Consulting* court found that (i) the integration clause of the master agreement stated that it, together with the license agreement and certain other agreements, constituted the parties’ entire agreement as to the subject matter of the agreements (*i.e.*, the services to be performed by Huron); and (ii) the terms and conditions of the master agreement were “incorporated into [the license agreement] by this reference.” 538 B.R. at 235.

27. Here, the case that the Agreements are fully integrated is even clearer. Not only do they each provide that, taken together, the Asset Purchase Agreement and the Ancillary Agreements (including the Supply Agreement, the IP License Agreement, and the ArcherDX Software Source Code License, which obligates Invitae to provide IDT certain software code) form a single agreement, they were also entered into simultaneously and cannot be read to stand alone. Indeed, there are multiple cross-references throughout the different Agreements, including defined terms and incorporation of provisions across documents, which establish that they form a unified transaction and must be assumed and assigned *cum onere*, if at all.

28. Having concluded that the multiple agreements at issue formed a single agreement, the *Huron Consulting* court went on to conclude that the obligations in the agreements could not be separated, and stated as follows:

“The Third Circuit has held that the principle of *cum onere* applies to a debtor’s assumption of an executory contract under 11 U.S.C. § 365. *See In re Fleming Cos.*, 499 F.3d at 308. Accordingly, “[s]ection 365(f) requires a debtor to assume a contract subject to the benefits and burdens thereunder.” *Id.*

Huron Consulting, 538 B.R. at 233. The same holds true here.

29. To approve the Sale and assignment to Labcorp, this Court must require that the Supply Agreement be assumed by Labcorp in its entirety, including with respect to all burdens and obligations imposed by the Asset Purchase Agreement and Ancillary Agreements. *See In re Buffets Holdings, Inc.*, 387 B.R. 115, 119 (Bankr. D. Del. 2008) (holding that if a debtor assumes an executory contract, it must generally assume all of the terms of the contract and may not pick and choose only favorable terms to be assumed); *Pirinate Consulting Group, LLC v. C.R. Meyer & Sons Co. (In re Newpage Corp.)*, 2017 Bankr. LEXIS 413, *14 (Bankr. D. Del. Feb. 13, 2017) (“a debtor can only assume a contract *cum onere* –accepting the benefits along with the burden.”).

30. Accordingly, IDT respectfully requests that the Sale Order make clear that Labcorp is assuming, and will perform, Invitae’s current and future obligations under the Asset Purchase Agreement and the Ancillary Agreements. This includes the obligation to indemnify IDT and provide IP to IDT in accordance with the IP License Agreement, as well as the obligation to provide software code to IDT in accordance with the ArcherDX Software Source Code License.¹⁰

31. Further, sections 365(b) and (f) of the Bankruptcy Code require that Invitae provide IDT with adequate assurance of future performance by Labcorp under the Agreements. *See* 11 U.S.C. §§ 365(b) and 365(f). Adequate assurance requires, at a minimum, the Debtors to show that Labcorp is capable of performing all material and economically significant terms of the Agreements (including the indemnification obligations and the provision of IP). *See In re Fleming Cos.*, 499 F.3d 300, 305 (3d Cir. 2007) (“a bankruptcy court ... must be sensitive to the rights of the non-debtor contracting party ... and the policy requiring that the non-debtor receive the full benefit of his or her bargain.”); *In re Joshua Slocum Ltd.*, 922 F.2d 1081, 1091-92 (3d Cir.

¹⁰ IDT is also entitled to the protections of a licensee under section 365(n) of the Bankruptcy Code.

1990) (same); *Southland Royalty Co., LLC v. Wamsutter LLC (In re Southland Royalty Co., LLC)*, 623 B.R. 64, 93 (Bankr. D. Del. 2020) (same). See *In re Filene's Basement, LLC*, 2014 Bankr. LEXIS 2000, *34 (Bankr. D. Del. Apr. 29, 2014); *In re Embers 86th St., Inc.*, 184 B.R. 892, 902 (Bankr. S.D.N.Y. 1995); *In re Gen. Oil Distrib., Inc.*, 18 B.R. 654, 668 (Bankr. E.D.N.Y. 1982)).

32. The Supply Agreement, IP License Agreement, and ArcherDX Software Source Code License are integral parts of a larger transaction, which is embodied in the Asset Purchase Agreement and all of the Ancillary Agreements and cannot be separated. Accordingly, the Debtors' indemnification obligations, which are directly related to the subject matter of the Supply Agreement, are expressly incorporated therein, and for which IDT has already made a claim against the Seller, cannot be separated from the Supply Agreement. The Sale Order must make clear that the Buyer is not excluding the indemnification obligations of the Seller in connection with the Sale Transaction and will be bound to such obligations under the Asset Purchase Agreement and Supply Agreement in the same manner and to the same extent as the Seller is currently obligated.

33. Likewise, the Debtors' obligations to provide IP under the IP License Agreement and software under the ArcherDX Software Source Code License are necessary components of IDT's ability to provide the Products under the Supply Agreement. IDT needs assurance that it will have continuing access to such IP and software code as part of the adequate assurance in connection with the sale to Labcorp.

34. To hold otherwise would be inconsistent with the express terms of the Agreements and would deny IDT the benefit of its bargain under them.

RESERVATION OF RIGHTS

35. Nothing contained in this objection shall constitute a waiver or limitation of IDT's rights and remedies under any of the Agreements, and IDT reserves all rights under Asset Purchase Agreement and Ancillary Agreements, including the Supply Agreement, IP License Agreement, and the ArcherDX Software Source Code License, as well as all rights with respect to any other agreements with the Debtors, including any administrative expense claims. IDT further reserves the right to supplement this objection.

CONCLUSION

36. The Buyer cannot take the benefits of the Supply Agreement without also being bound by the larger obligations of the Seller under the Asset Purchase Agreement. Those obligations include, but are not limited to, the existing indemnification obligations of the Debtors and provision of IP under the IP License Agreement and software code under the ArcherDX Software Source Code License.

WHEREFORE, IDT respectfully requests that the assumption and assignment of the Supply Agreement (and related Agreements) be conditioned on the Sale Order specifically providing that the Buyer is assuming the outstanding obligations of Invitae under the Asset Purchase Agreement, including the indemnification obligations and continued performance under the IP License Agreement and the ArcherDX Software Source Code License, and the provision of adequate assurance that the Buyer will perform such obligations if the sale is approved.

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Dated: May 1, 2024

Respectfully submitted,

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