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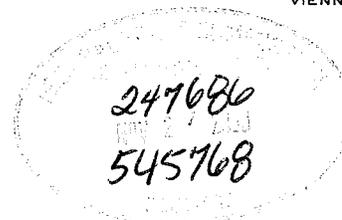
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PUBLIC VERSION

November 27, 2009

By Hand Delivery
Mr. Donald S. Clark
Secretary
Federal Trade Commission
600 Pennsylvania Avenue, NW
Room H135
Washington, DC 20580



Re: FTC File No. 0610182

Dear Mr. Clark:

I write on behalf of Mr. Paul M. Bisaro, President and Chief Executive Officer of Watson Pharmaceuticals, Inc. (“Watson” or the “Company”), and Watson to request review by the full Federal Trade Commission (“FTC” or the “Commission”) of the Petition to Quash Subpoena *Ad Testificandum* dated July 22, 2009 (the “Petition”) filed in connection with the matter referenced above. A copy of the Petition is attached as Appendix A.

Acting as the Commission’s delegate, Commissioner Pamela Jones Harbour denied the Petition by letter dated November 13, 2009 (attached as Appendix B). Pursuant to 16 C.F.R. § 2.7(f), a request for review of this matter by the full Commission must be filed with the Secretary of the Commission within three business days after service of the letter ruling. The letter ruling was received by counsel for Mr. Bisaro via hand delivery on November 23, 2009.

We believe that the Commission’s ruling overlooks the key basis for the Petition: that Watson has already responded fully to the Commission’s inquiries, and the subpoena issued to Mr. Bisaro is not calculated to obtain additional relevant information. In particular, the Commission seeks information regarding: (i) whether Watson’s settlement agreement with Cephalon [REDACTED]

[REDACTED]; and (ii) whether Watson has [REDACTED].¹ Watson has repeatedly stated – including through the sworn testimony of its General Counsel – [REDACTED].² Moreover, Watson’s General Counsel has fully explained the Company’s business rationale for [REDACTED].

The Commission disregards these responses in its letter ruling, characterizing Mr. Bisaro’s testimony on these issues as “necessary” despite the fact that Mr. Bisaro has *no* responsive documents and *no* contacts [REDACTED],³ and indeed was not even employed by Watson at the time the Company entered into its settlement agreement with Cephalon. Enforcement of the subpoena under these circumstances is not calculated to yield information that the FTC does not already possess.

Thus, notwithstanding the General Counsel’s testimony [REDACTED], the Commission’s letter ruling strongly suggests that the Commission is entitled to something more than this information – *i.e.*, Watson’s detailed legal interpretation of various provisions of the settlement agreement. This type of legal analysis is protected by privilege and its disclosure is not an appropriate goal of the Commission’s investigatory process.⁴ Likewise, to the extent they implicate legal analysis, Watson’s internal deliberations [REDACTED] are not appropriate subjects of the FTC’s subpoena power. As the Commission’s letter ruling makes clear, these are the only conceivable topics remaining for the Commission to attempt to probe. Under these circumstances, the Commission’s continued insistence on deposing Mr. Bisaro, together with the circumstances and staff communications with Watson surrounding the issuance and enforcement of compulsory process as detailed in the Petition, leads to a strong inference that the subpoena was issued for an improper purpose.

¹ See Letter dated November 13, 2009 at 4.

² See Petition at 11, 16-17. See also Letter dated November 13, 2009 at 4, n. 10.

³ See Petition at 10.

⁴ See Letter dated November 13, 2009 at 5, n. 16, stating that the Commission has a right to obtain information regarding “Watson’s understanding” of provisions of the contract. See also *id.* at 7, stating that because “Mr. Bisaro is an attorney” he can answer questions regarding the Cephalon settlement agreement.

Accordingly, we request full Commission review of the entire Petition and all the issues presented therein (which are hereby incorporated by reference), including Petitioner's arguments that:

(i) the subpoena demands information that the Commission already possesses;

(ii) the subpoena unreasonably seeks testimony from the Chief Executive Officer of Watson when the information it demands has already been obtained elsewhere;

(iii) the Commission resolution authorizing compulsory process in connection with the above-referenced matter has already culminated in a lawsuit, and may not now be resurrected to burden Watson with additional process;

(iv) the subpoena was likely issued for an improper purpose as described in the Petition; and

(v) compelling Petitioner to travel to Washington, D.C. to undergo an investigational hearing under these circumstances would be unduly burdensome.

Please do not hesitate to contact me if you should have any questions regarding this request for review by the full Commission.

Very truly yours,

Steven C. Sunshine HCS

Steven C. Sunshine

cc: Saralisa Brau, Esq.

Enclosures

Appendix A

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

IN RE

**SUBPOENA *AD TESTIFICANDUM*
DATED JULY 22, 2009**

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**PETITION TO QUASH
SUBPOENA *AD TESTIFICANDUM* DATED JULY 22, 2009**

**Skadden, Arps, Slate, Meagher & Flom
LLP**

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Dated: July 30, 2009

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**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

IN RE)
)
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SUBPOENA *AD TESTIFICANDUM*)
DATED JULY 22, 2009)
_____)

COMMISSIONERS:

**Jon Leibowitz, Chairman
Pamela Jones Harbour
William E. Kovacic
J. Thomas Rosch**

File No. 0610182

**PETITION TO QUASH
SUBPOENA AD TESTIFICANDUM DATED JULY 22, 2009**

Pursuant to 16 C.F.R. § 2.7(d), petitioner Paul M. Bisaro, President and Chief Executive Officer of Watson Pharmaceuticals, Inc. (“Watson” or the “Company”) petitions the Federal Trade Commission (“FTC”) to quash the Subpoena *Ad Testificandum* issued on July 22, 2009 (the “Subpoena”) under Sections 6, 9, 10 and 20 of the FTC Act, 15 U.S.C. §§ 46, 49, 50 and 57b-1, as amended.¹ The FTC issued the Subpoena under an August 2006 resolution authorizing the investigation of settlement agreements between Cephalon, Inc. (“Cephalon”) and several generic pharmaceutical companies relating to Provigil®, Cephalon’s branded modafinil drug.² To date, Watson, its employees and its development partner Carlsbad Technologies, Inc. (“Carlsbad”) have received four civil investigative demands (“CID”), one subpoena *duces tecum*, a request for a voluntary investigational hearing, and five subpoenas *ad testificandum* relating to

¹ See Subpoena *Ad Testificandum* dated July 22, 2009 (Exhibit A).

² See Commission Resolution dated August 30, 2006, File No. 0610182 (“Resolution”) (Exhibit B).

the modafinil investigation. Prior to the filing of this Petition, the Company has cooperated fully with each of the FTC's previous requests for information and documents.

After this long litany of investigatory burdens, FTC Staff now seek to compel the testimony of Watson's Chief Executive Officer, Mr. Bisaro. This Subpoena, however, must be quashed for three independent reasons. First, the FTC has already obtained all of the responsive information available from Watson, including through document submissions, narrative responses to interrogatories, discussions with FTC Staff, and the testimony of Watson's Senior Vice President and General Counsel, who was the primary point of contact and decision-maker responsible for the subject matter being investigated by the FTC. FTC Staff now insist on deposing Mr. Bisaro, who has *no* responsive documents, and *no* contacts with any third party, and whose knowledge about the subject matter is wholly indirect, learned only through "fewer than five" conversations with Watson's General Counsel. Subjecting Mr. Bisaro to an investigational hearing will not unearth information that the FTC does not already possess.

Even if on the margin Mr. Bisaro could provide any shred of new information, as the highest-ranking executive at Watson, he should not be compelled to undergo an investigational hearing unless he has personal knowledge of the relevant subject matter, and possesses information that is not obtainable through other means. Neither is true here, and FTC Staff cannot claim otherwise. Indeed, FTC Staff have *twice* deferred Mr. Bisaro's investigational hearing – once to determine whether such a hearing was "even necessary" in light of testimony establishing Mr. Bisaro's marginal familiarity with the subject matter, and a second time *indefinitely*, presumably after weighing the necessity of a hearing once in possession of the full evidentiary record. Nevertheless, FTC Staff now unreasonably insist that the individual at the apex of Watson's organization be burdened with a deposition.

[REDACTED]

[REDACTED] This is an improper use of the FTC's authority and the Subpoena should be quashed.

BACKGROUND

History of the '516 Patent Litigation and Settlements

This Petition relates to the FTC's investigation of modafinil, a wakefulness-enhancing drug developed and marketed by Cephalon under the brand name Provigil®. At the time the Federal Food and Drug Administration (FDA) approved Provigil® on December 24, 1998, the FDA Orange Book listed two patents covering the product: US Patent No. 4,927,855 (the "855 Patent") and U.S. Reissued Patent No. 37,516 (the "'516 Patent"). On December 22, 2002, four generic pharmaceutical companies – Barr Laboratories, Inc., Mylan Pharmaceuticals Inc., Ranbaxy Laboratories Ltd. and Teva Pharmaceutical Industries Ltd. (together, the "First Filers") – filed ANDAs seeking approval to market generic modafinil. Each of the ANDAs included a Paragraph IV certification relating to the listed patents. Thus, according to prevailing FDA rules at the time, each of the four First Filers shared the 180-day period of marketing exclusivity provided by the Drug Price Competition and Patent Term Restoration Act ("Hatch-Waxman") to the first generic challengers to file ANDAs with Paragraph IV certifications. On March 28, 2003, Cephalon filed a complaint in the United States District Court for the District of New Jersey charging each of the First Filers with infringement of the '516 Patent. Between December 9, 2005 and February 1, 2006, all four generic companies with first-filer status settled

their litigation with Cephalon and entered into licensing agreements providing for generic entry prior to the expiration of the patents covering Provigil®.

Watson and its development partner, Carlsbad, filed their ANDA for Provigil® in December 2004, approximately two years after the First Filers.³ Watson and Carlsbad's ANDA also contained a Paragraph IV certification as to the then-listed patents.⁴ Cephalon responded to the ANDA notification by suing Carlsbad for infringement of the '516 Patent in the United States District Court for the District of New Jersey on February 24, 2005.⁵ On August 2, 2006, after all of the First Filers had reached settlements, Watson, Carlsbad and Cephalon settled their dispute and entered into a Settlement and License Agreement (the "Settlement Agreement") pursuant to which Watson obtained a license to market generic modafinil prior to the expiration of the listed patents.⁶

The Pre-Complaint Investigation

Shortly thereafter, by resolution dated August 30, 2006, the FTC initiated a non-public inquiry "to determine whether Cephalon, Inc. [and others] engaged in any unfair methods of competition . . . by entering into agreements regarding any modafinil products."⁷ The investigation focused on Cephalon's alleged use of patent settlements as a means of preventing generic competition, most immediately from the four First Filers – Teva, Barr, Mylan and Ranbaxy. In connection with its investigation, on November 9, 2006, the FTC issued a subpoena *duces tecum* to Watson, demanding voluminous documents relating to Provigil®, generic

³ Declaration of Steven C. Sunshine ("Sunshine Decl.") ¶ 4. Pursuant to Watson and Carlsbad's development agreement, Carlsbad and its majority shareholder Yung Shin Pharmaceutical Ind. Co., Ltd. are responsible for the development of generic modafinil, and the preparation of the ANDA and any other regulatory documents required to be submitted in connection with obtaining FDA approval of the product.

⁴ *Id.* ¶ 5.

⁵ See Complaint, *Cephalon, Inc. v. Carlsbad Techs., Inc.*, Doc. No. 1, C.A. No. 05-01089 (D.N.J. Feb. 24, 2005).

⁶ Sunshine Decl. ¶ 7. Watson obtained a license to market generic modafinil beginning on April 6, 2012.

⁷ See Resolution (Exhibit B).

modafinil, and the Settlement Agreement.⁸ On May 18, 2007, the FTC issued a further request for information and documents – a CID consisting of 17 different specifications regarding generic modafinil, the Settlement Agreement and the '516 patent litigation.⁹ Carlsbad received a similar request dated June 5, 2007 – a CID containing 7 different specifications on these same subjects.¹⁰

Watson and Carlsbad cooperated fully with each of the FTC's inquiries, providing thousands of documents and extensive information relevant to the investigation.¹¹ The FTC cited no deficiencies with Watson's response to either the November 9, 2006 subpoena or the May 18, 2007 CID. In addition, on August 7, 2007, Watson's Senior Vice President, General Counsel and Secretary, Mr. David A. Buchen, voluntarily appeared and provided sworn testimony in an investigational hearing requested by FTC Staff in connection with its inquiry.¹² Counsel for Watson also met with FTC Staff on May 8, 2007 and September 25, 2007, and provided detailed presentations regarding the Settlement Agreement in an effort to address the FTC Staff's questions and concerns.¹³ In short, the FTC has had every opportunity to explore all aspects of the Settlement Agreement, which it has now had in its possession for nearly three years.

On February 13, 2008, the FTC brought an action against Cephalon, alleging that its settlements with the First Filers prevented generic competition to Provigil® in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.¹⁴ None of the First Filers – at least some of whom had maintained their Hatch-Waxman exclusivity – were named in the FTC's

⁸ See Subpoena *Duces Tecum* dated November 9, 2006 (Exhibit C).

⁹ See Civil Investigative Demand dated May 18, 2007 (Exhibit D). Pursuant to Watson and Carlsbad's development agreement, Watson is responsible for any legal costs arising out of the modafinil ANDA.

¹⁰ See Civil Investigative Demand dated June 5, 2007 (Exhibit E).

¹¹ Sunshine Decl. ¶¶ 10 – 11.

¹² *Id.* ¶ 12.

¹³ *Id.*

¹⁴ *F.T.C. v. Cephalon, Inc.*, C.A. No. 08-2141 (E.D. Pa. filed May 8, 2008) (originally filed in 08-00244 (D.D.C. Feb. 13, 2008)).

complaint.¹⁵ Watson and Carlsbad were also not named in the FTC's complaint. The FTC instituted the action against Cephalon in the District of Columbia, resisting transfer on the basis that consolidation with related class actions in Pennsylvania would contravene the public interest in expediting the FTC's case.¹⁶ The case was nonetheless transferred to United States District Court for the Eastern District of Pennsylvania over the FTC's objection, where it has remained relatively dormant for over a year.

The Current Phase of the Investigation

More recently, using the same August 30, 2006 resolution that culminated in a suit against Cephalon only, the FTC has taken steps to continue its investigation by issuing new demands for information and testimony to Watson and Carlsbad, and their respective senior executives. [REDACTED]

[REDACTED]

[REDACTED]¹⁷ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]¹⁸

¹⁵ Commissioner Leibowitz dissented in part from the Commission's decision to bring suit, stating that he would have named as additional defendants any generic that "now refuses to relinquish their 180-day exclusivity." Statement of Commissioner Jon Leibowitz Concurring in Part and Dissenting in Part in the Matter of Cephalon, Inc., Matter Number 061-0182.

¹⁶ See Opposition to Transfer, *F.T.C. v. Cephalon, Inc.*, Doc. No. 8, C.A. No. 1:08-cv-00244 (D.D.C. Mar. 6, 2008).

¹⁷ Sunshine Decl. ¶ 13. [REDACTED]

¹⁸ Sunshine Decl. ¶ 14.

[REDACTED]

[REDACTED]¹⁹ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]²⁰ [REDACTED]

Nevertheless, on March 4, 2009, Markus H. Meier, Assistant Director in the Health Care Division at the FTC, telephoned Steven C. Sunshine of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for Watson, [REDACTED]

[REDACTED]²¹ [REDACTED]

[REDACTED]

[REDACTED]²² Messrs. Meier and Sunshine spoke again by telephone on March 10, 2009 and March 13, 2009, [REDACTED]

[REDACTED]²³

¹⁹ *Id.* ¶¶ 13 – 14.
²⁰ *See* Transcript, *In the Matter of Cephalon, Inc.*, FTC File No. 0610182, dated June 25, 2009 (“Buchen Dep.”), at 28 – 29.
²¹ Sunshine Decl. ¶ 15.
²² *Id.*
²³ *Id.* ¶ 16.

[REDACTED]

[REDACTED]

[REDACTED]²⁴ [REDACTED]

[REDACTED]²⁵ [REDACTED]

[REDACTED]²⁶ [REDACTED]

[REDACTED]²⁷ In response to these contacts, Watson considered its alternatives. Responsibility for the business decisions lay with Mr. Buchen, Watson's Senior Vice President and General Counsel, and a member of the Executive Committee.²⁸ Mr. Buchen had not reached a conclusion by the time that the FTC issued compulsory process.²⁹

[REDACTED]

[REDACTED]

[REDACTED]³⁰ Shortly thereafter, on May 19, 2009, the FTC issued a new CID and a subpoena *ad testificandum* to Mr. Buchen.³¹ On May 22, 2009, the FTC issued another subpoena *ad testificandum* to Mr. Bisaro.³² The FTC also issued a CID and two subpoenas *ad testificandum* to Watson's development partner, Carlsbad, even though Carlsbad had no real participation in any of the relevant events.³³ [REDACTED]

²⁴ *Id.* ¶ 17.

²⁵ *Id.* ¶ 15.

²⁶ Buchen Dep. at 28.

²⁷ Sunshine Decl. ¶ 17.

²⁸ Buchen Dep. at 67.

²⁹ *Id.* at 40, 67.

³⁰ Sunshine Decl. ¶ 16.

³¹ See Civil Investigative Demand dated May 19, 2009 (Exhibit F) and Subpoena *Ad Testificandum* dated May 19, 2009 issued to David Buchen (Exhibit G). While the CID and subpoena were issued on May 19, 2009, they were actually served on May 28, 2009. Declaration of Maria A. Raptis ("Raptis Decl.") ¶ 8.

³² See Subpoena *Ad Testificandum* dated May 22, 2009 issued to Paul Bisaro (Exhibit H). While the subpoena was issued on May 22, 2009, it was actually served on May 28, 2009.

³³ See Civil Investigative Demand dated May 19, 2009 (Exhibit I); Subpoena *Ad Testificandum* dated May 19, 2009 issued to Robert Wan (Exhibit J); and Subpoena *Ad Testificandum* dated May 19, 2009 issued to Lanie

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]³⁴

Beginning on May 21, 2009, counsel for Watson contacted Saralisa C. Brau, Deputy Assistant Director in the Health Care Division at the FTC, to discuss the May 19, 2009 CID and subpoenas.³⁵ [REDACTED]

[REDACTED]³⁶ [REDACTED]

[REDACTED]

[REDACTED]³⁷ However, the FTC Staff declined to narrow the scope of its investigation.³⁸ Watson then agreed to respond to the CID fully, but sought a one-week extension of the return date; the CID as issued listed a return date of June 3, 2009 – less than one week after Watson was served.³⁹ Watson’s counsel also sought a temporary deferral of the subpoenas until such time as the FTC could have the opportunity to review Watson’s response to the CID [REDACTED]

Wang (Exhibit K). The subpoena issued to Lanie Wang, Supervisor of Regulatory Affairs at Carlsbad, was withdrawn because Ms. Wang has not been employed by Carlsbad since September 2007. *See* June 2, 2009 Letter from Saralisa Brau, Deputy Assistant Director, Health Care Division, FTC (“June 2, 2009 Letter”) (Exhibit L).

³⁴ Raptis Decl. ¶ 6.
³⁵ *Id.*
³⁶ *Id.*
³⁷ *Id.* ¶ 7.
³⁸ *Id.*
³⁹ *Id.* ¶ 8.

[REDACTED]⁴⁰ The FTC declined to reach an agreement on a reasonable extension of time.⁴¹

Watson then informed FTC Staff that it would respond to the CID in its entirety by June 10, 2009, but absent an agreement on a short extension of the original return dates of June 10, 2009 for Mr. Buchen, and June 22, 2009 for Mr. Bisaro, the Company would in all likelihood seek to quash the subpoenas for testimony on the basis that the FTC should defer questioning Watson's senior executives until Staff had an opportunity to review the Company's CID response.⁴² On June 1, 2009, the FTC and Watson agreed on new dates for the investigational hearings (June 25 and June 30, respectively), and one-week extensions on Watson's deadline to file a petition to quash the subpoenas.⁴³

On June 10, 2009, Watson submitted its response to the May 19, 2009 CID.⁴⁴ [REDACTED]

[REDACTED]

[REDACTED]⁴⁵ [REDACTED]

[REDACTED]⁴⁶ Moreover, Watson submitted all documents relevant to these topics together with its written response to the CID.⁴⁷ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁴⁰ *Id.*
⁴¹ *Id.*
⁴² *Id.* ¶ 9.
⁴³ *Id.* ¶ 10; *see also* June 2, 2009 Letter (Exhibit L).
⁴⁴ Raptis Decl. ¶ 11.
⁴⁵ *Id.*
⁴⁶ *Id.*
⁴⁷ *Id.*

[REDACTED]⁴⁸ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]⁴⁹

While deposing Mr. Buchen was also unlikely to yield significant additional information, in the interest of avoiding a dispute, Watson's counsel informed Staff that it would nonetheless proceed with Mr. Buchen's hearing.⁵⁰

On June 25, 2009, Mr. Buchen provided sworn testimony in this matter in an investigational hearing conducted by Mr. Meier. [REDACTED]

[REDACTED]⁵¹ [REDACTED]
[REDACTED]

[REDACTED]⁵² [REDACTED]
[REDACTED]

[REDACTED]⁵³
[REDACTED]

[REDACTED]⁵⁴ Due to Mr. Buchen's role as General Counsel of the Company, however, these conversations would implicate legal advice.⁵⁵

⁴⁸ *Id.* ¶ 12.
⁴⁹ *Id.*
⁵⁰ *Id.*
⁵¹ Buchen Dep. at 40, 67.
⁵² *Id.* at 39 – 40.
⁵³ *Id.* at 29, 40, 51, 66 – 67.
⁵⁴ *Id.* at 37, 67.
⁵⁵ *Id.* at 37 – 38.

The Pending Subpoena

At the time of Mr. Buchen's investigational hearing, the first subpoena *ad testificandum* issued to Mr. Bisaro was still pending. Therefore, in light of Mr. Buchen's testimony regarding Mr. Bisaro's marginal familiarity with the relevant topics, Mr. Meier and Mr. Sunshine reached an agreement on the record extending the return date for Mr. Bisaro's subpoena to July 2, 2009.⁵⁶ Mr. Meier further stated that, in the interim, he would "talk with people at the FTC about whether it's *even necessary* to do an investigational hearing of Mr. Bisaro."⁵⁷ Mr. Sunshine reiterated that Watson would petition to quash the subpoena issued to Mr. Bisaro if the FTC determined to enforce the subpoena.

Shortly thereafter, Mr. Meier telephoned Mr. Sunshine and indicated that the FTC had no present intention of conducting an investigational hearing of Mr. Bisaro.⁵⁸ Mr. Meier agreed to indefinitely postpone the hearing, but preserved the right to seek to enforce the subpoena at a later date. Watson also preserved its right to petition to quash Mr. Bisaro's subpoena. A letter memorializing this agreement was provided to Mr. Meier for his countersignature on June 30, 2009.⁵⁹

Weeks later, on the afternoon of Friday, July 17, 2009, Mr. Meier telephoned Mr. Sunshine to inform him that the FTC had determined to proceed with Mr. Bisaro's investigational hearing.⁶⁰ [REDACTED]

⁵⁶ *Id.* at 71.

⁵⁷ *Id.* (emphasis added).

⁵⁸ Sunshine Decl. ¶ 21.

⁵⁹ See Letter dated June 30, 2009 from Steven C. Sunshine to Markus H. Meier ("June 30, 2009 Letter") (Exhibit M). Mr. Meier was traveling when the letter was transmitted on June 30, 2009. While he was therefore unable to sign the letter, during subsequent telephone calls he twice reiterated that the parties had an agreement and that his workload was the only factor preventing him from providing a countersigned copy of the letter. (Sunshine Decl. ¶ 21.)

⁶⁰ Sunshine Decl. ¶ 22.

██████████⁶¹ Notwithstanding Watson's claim that these discussions would certainly implicate privileged communications, Mr. Meier indicated that there might be portions of the conversations which could be disclosed.⁶² Mr. Sunshine informed Mr. Meier that Watson would in all probability petition to quash the subpoena. Mr. Meier asked Mr. Sunshine to telephone Ms. Brau on the following Monday, July 20, 2009, to agree on a schedule.⁶³

On Monday, July 20, 2009, counsel for Watson contacted Ms. Brau and proposed a return date of August 21, 2009.⁶⁴ Ms. Brau indicated that the FTC's preferred return date was Friday, July 24, 2009 (*i.e.*, four days later), and that a return period of roughly a month was a non-starter.⁶⁵ At best, Ms. Brau suggested a return date of August 3, 2009.⁶⁶ Counsel for Watson explained that due to vacation schedules during the month of August, and Mr. Sunshine's absence during this period, Watson would not be able to agree to these dates.⁶⁷

On Tuesday, July 21, 2009, counsel for Watson telephoned Ms. Brau to propose August 17, 2009 as an alternative date.⁶⁸ However, Ms. Brau indicated that despite the existence of an indefinite extension on the return date for Mr. Bisaro's subpoena, the FTC did not need to negotiate this matter and could issue a new subpoena to unilaterally set its schedule.⁶⁹ Counsel for Watson then proposed August 14, 2009.⁷⁰ Ms. Brau declined to consider this new proposal, and notwithstanding the present agreement between the FTC and Watson, reiterated that Staff

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ Raptis Decl. ¶ 15; *see also* Letter dated July 21, 2009 from Maria A. Raptis to Saralisa C. Brau ("July 21, 2009 Letter") (Exhibit N) and Letter dated July 22, 2009 from Saralisa C. Brau to Maria A. Raptis ("July 22, 2009 Letter") (Exhibit O).

⁶⁵ Raptis Decl. ¶ 15.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.* ¶ 16.

⁶⁹ *Id.*

⁷⁰ *Id.*

felt no need to reach an agreement with Watson.⁷¹ On July 22, 2009, the FTC issued a second subpoena *ad testificandum* to Mr. Bisaro. The subpoena was received on July 23, 2009 and carries a return date of July 31, 2009.⁷²

APPLICABLE STANDARDS

Congress has conferred upon the FTC investigative powers to fulfill its mandate under Section 5 of the Federal Trade Commission Act to prevent “unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce.” 15 U.S.C. § 45(a)(2). The FTC’s investigative authority includes the power to issue compulsory process, including civil investigative demands or subpoenas. 15 U.S.C. § 49. However, none of the FTC’s compulsory process is self-executing; rather, the FTC must seek enforcement of the subpoena in an appropriate district court. *Id.* In general, the mandate of the courts is to protect recipients of agency process from “unreasonable” inquiries. *See United States v. Morton Salt Co.*, 338 U.S. 632, 652-53 (1950) (citing *Okla. Press Publ’g Co. v. Walling*, 327 U.S. 186, 208 (1946)).

The Supreme Court has articulated four criteria which must be met for the FTC to obtain enforcement of a subpoena or other compulsory process: (i) the investigation must be conducted pursuant to a legitimate purpose; (ii) the inquiry must be relevant to the purpose of the investigation; (iii) the information sought must not already be within the agency’s possession; and (iv) the agency must have followed the administrative steps required by the applicable law. *See United States v. Powell*, 379 U.S. 48, 57-8 (1964). Moreover, the Supreme Court has held that even where these criteria are met, agency process may not be enforceable if it has been issued for an improper purpose, such as “to harass the [recipient] or to put pressure on him to

⁷¹ *Id.*

⁷² *Id.* ¶ 17. The subpoena was mailed to Watson’s Corona location rather than to the New Jersey location, where Mr. Bisaro resides. *Id.*

settle a collateral dispute, or for any other purpose reflecting on the good faith of the particular investigation.” *Id.* at 58 (stating that “[i]t is the court’s process which is invoked to enforce the administrative summons and a court may not permit its process to be abused”).

LEGAL OBJECTIONS

1. The Subpoena Unreasonably Demands Information That the FTC Already Possesses.

Where, as here, the FTC already possesses the information being sought by subpoena, enforcement of the subpoena is improper. *Id.*⁷³ [REDACTED]

[REDACTED] These topics have been covered at length – repeatedly – including under the CID issued contemporaneously with the original subpoena to Mr. Bisaro. Specifically, the FTC’s CID sought the following categories of information:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

⁷³ Watson also objects to the Subpoena on the grounds that the Resolution authorizing compulsory process resulted in a lawsuit against Cephalon, and a public decision not to challenge any generic company. The Commission may not now resurrect this Resolution to burden Watson with more process.

⁷⁴ See Civil Investigative Demand dated May 19, 2009 (Exhibit F).

Watson has responded to each and every inquiry fully. To the extent it possessed documents that were responsive to the CID, Watson produced them. Notably, Mr. Bisaro had *no responsive documents*. Moreover, through written responses to interrogatories, Watson informed the FTC that:

- [REDACTED]
- [REDACTED]
- [REDACTED]⁷⁵
- [REDACTED]
- [REDACTED]⁷⁶

Mr. Buchen confirmed this information during his investigational hearing. [REDACTED]

[REDACTED]
[REDACTED]⁷⁷ [REDACTED]
[REDACTED]⁷⁸ [REDACTED]
[REDACTED]

⁷⁵ [REDACTED]

⁷⁶ See Watson Pharmaceuticals, Inc., Responses to Civil Investigative Demand, FTC File No. 061-0182 (June 10, 2009).

⁷⁷ Buchen Dep. at 28.

⁷⁸ *Id.* at 52.

[REDACTED]

[REDACTED]⁷⁹

It is clear, moreover, that there is nothing more on these subjects for the FTC to unearth. [REDACTED]

[REDACTED]⁸⁰ [REDACTED]

[REDACTED]

[REDACTED]⁸¹ Due to Mr. Buchen's role as General Counsel of the Company, Mr. Buchen also explained that these conversations likely were privileged.⁸² In short, enforcing Mr. Bisaro's subpoena can only yield information that the FTC already possesses.⁸³

2. The Subpoena Unreasonably Seeks Testimony from the Apex of Watson's Organization.

FTC Staff's insistence on questioning Mr. Bisaro under these circumstances is particularly unreasonable in light of the fact that he is the President and Chief Executive Officer of Watson. Courts routinely hold that it is improper to depose a high-ranking or "apex" employee unless the requesting party has reason to believe that he has personal knowledge of

⁷⁹ *Id.* at 35 – 37, 40, 67.

⁸⁰ *Id.* at 29, 40, 51, 66 – 67. Nor can the FTC claim that persons outside Watson may have had relevant discussions that Mr. Bisaro is uniquely aware of; the FTC also deposed Carlsbad's Chief Executive Officer, Robert Wan, regarding these issues. [REDACTED]

[REDACTED] See Transcript, *In the Matter of Cephalon, Inc.*, FTC File No. 061-0182, dated July 15, 2009, at 10.

⁸¹ Buchen Dep. at 37.

⁸² *Id.* at 37 – 38.

⁸³ This is not a situation in which there is merely "some redundancy" between the information the agency already has and the information expected to be provided under the challenged subpoena. See *Adamowicz v. United States*, 531 F.3d 151, 159 (2d Cir. 2008) (finding that "if the bulk of the materials" requested are not in the possession of the agency, then some overlap between what is requested and what the agency already possesses does not render the subpoena unenforceable). Nor is this a situation in which the FTC issued the subpoena to help it isolate relevant facts among huge volumes of information it already possesses. See *United States v. Berkowitz*, 355 F. Supp. 897, 901 (E.D. Pa. 1973) (finding that although the information was already in the agency's possession, it was "impossible or unjustifiably difficult and expensive to identify"); see also *United States v. Monumental Life Ins. Co.*, 440 F.3d 729, 734-35 (6th Cir. 2006) (where information was already in government's possession, agency must prove that its interests in requesting such information outweighed hardship on defendant in producing it).

relevant information that cannot be obtained through other means. *See, e.g., Thomas v. IBM*, 48 F.3d 478, 483 (10th Cir. 1995) (upholding protective order to prevent apex deposition where potential deponent lacked personal knowledge of relevant facts and the requesting party had made no attempt to demonstrate it could not obtain the requested information elsewhere); *Salter v. Upjohn Co.*, 593 F.2d 649, 651 (5th Cir. 1979) (upholding a lower court's interim prohibition of the deposition of a company president until depositions of lower-level employees revealed whether the president had personal knowledge of facts that could not be obtained elsewhere); *Baine v. Gen. Motors Corp.*, 141 F.R.D. 332, 335 (M.D. Ala. 1991) (finding apex deposition inappropriate because the requesting party failed to establish that the information sought could not be obtained from lower-level employees without imposing burden and inconvenience on the company's top executive).⁸⁴

The FTC cannot claim that Mr. Bisaro has personal knowledge of facts that could not be obtained elsewhere. [REDACTED]

[REDACTED] Mr. Buchen testified that while he kept Mr. Bisaro informed, Mr. Bisaro did not participate in any discussions first-hand.⁸⁵ Any non-privileged information told to Mr. Bisaro by Mr. Buchen was discoverable during Mr. Buchen's investigational hearing. Finally, as General Counsel of Watson, much of the substance of Mr. Buchen's conversations with Mr. Bisaro are attorney-client communications and constituted

⁸⁴ Federal Rule of Civil Procedure 26 provides the underlying justification for the "apex" doctrine. Rule 26 proscribes discovery that is obtainable "from some other source that is more convenient, less burdensome, or less expensive," Fed. R. Civ. P. 26(b)(2)(C)(i), or that will result in "annoyance, embarrassment, oppression, or undue burden or expense," Fed. R. Civ. P. 26(c)(1). The *Powell* criteria address many of the same concerns underlying restrictions on private party discovery requests in Rule 26, *see generally United States v. Powell*, 379 U.S. 48, 57-58 (1964), and apply with equal force to assess the reasonability of an apex deposition in this context.

⁸⁵ Buchen Dep. at 67.

attorney work product, and as such are protected from disclosure by privilege.⁸⁶ Under these circumstances, there is no reasonable basis to expend valuable time and resources on the deposition of Watson's Chief Executive Officer. Watson further objects that FTC Staff is seeking to compel Mr. Bisaro to travel to the District of Columbia to sit for an investigational hearing. If the Staff insists on burdening Mr. Bisaro, it should travel to his place of residence.

3. The Subpoena Was Likely Issued for an Improper Purpose.

According to long-standing Supreme Court precedent, a subpoena is unenforceable if it has been issued for an improper purpose, such as "to harass the [recipient] or to put pressure on him to settle a collateral dispute, or for any other purpose reflecting on the good faith of the particular investigation." *Powell*, 379 U.S. at 58. FTC Staff is aware that subjecting Mr. Bisaro to an investigational hearing will not yield any new or different information than it already possesses. Indeed, Mr. Meier indefinitely deferred Mr. Bisaro's hearing, *after* deposing Mr. Buchen, ostensibly because the hearing no longer appeared to be necessary or reasonably calculated to lead to new information.⁸⁷

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁸⁸ The FTC's

intentions have been evident since FTC Staff first contacted Watson's counsel. [REDACTED]

⁸⁶ Even if the FTC could articulate a good-faith basis for believing Mr. Bisaro has personal information that is discoverable, a simple interrogatory would have been more appropriate than subjecting the CEO of the company to provide testimony. *See, e.g., Baine v. Gen. Motors Corp.*, 141 F.R.D. 332, 334-35 (M.D. Ala. 1991).

⁸⁷ *See* June 30, 2009 Letter (Exhibit M).

⁸⁸ Document and testimonial discovery of relevant persons may yield clarity as to the extent of such disclosures and the propriety of its use.

[REDACTED]

[REDACTED]⁸⁹ [REDACTED]

[REDACTED]⁹⁰ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁹¹ When Watson did not comply, the CID and subpoenas to Messrs. Buchen and Bisaro followed, and despite repeated attempts by Watson to provide what limited information exists on this subject matter in an efficient manner, FTC Staff continue to issue new process. Most recently, Staff jettisoned an agreement between the FTC and Watson to indefinitely postpone Mr. Bisaro's hearing and preserve both parties' rights in connection with the May 19, 2009 subpoena.⁹² Rather than engage in a good faith negotiation on a revised return date, the FTC simply issued a new subpoena.

Under these circumstances, the FTC's insistence on deposing Mr. Bisaro can only be characterized as harassment. [REDACTED]

[REDACTED]

[REDACTED]

CONCLUSION

For all of the foregoing reasons, the subpoena *ad testificandum* issued on July 22, 2009 for the investigational hearing of Mr. Paul Bisaro should be quashed.

⁸⁹ Sunshine Decl. ¶ 15.
⁹⁰ *Id.* ¶ 17.
⁹¹ *Id.* ¶ 16.
⁹² Raptis Decl. ¶ 16; *see also* June 30, 2009 Letter (Exhibit M); July 21, 2009 Letter (Exhibit N); and July 22, 2009 Letter (Exhibit O).

REQUEST FOR CONFIDENTIAL TREATMENT

Watson requests that this entire Petition, as well as all supporting Exhibits, be maintained by the FTC as highly confidential. The information contained herein includes sensitive and proprietary business information of Watson. Accordingly, Watson requests that the Petition and all of its Exhibits receive the highest level of protection for confidentiality available under the Federal Trade Commission Act, including 15 U.S.C. § 57b-2, the Commissions' Rules of Practice (including 16 C.F.R. §§ 2.7(g) and 4.10(a)), the Freedom of Information Act (including 5 U.S.C. § 552(b)), and all other applicable statutes, rules and regulations.

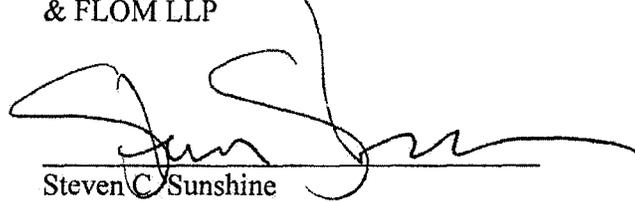
[REDACTED]

At a minimum, however, the Commission should limit disclosure of the Petition and its Exhibits to the redacted non-confidential version submitted with this Petition. The redacted information is exempt from disclosure under 16 C.F.R. § 4.10(a), 5 U.S.C. § 552(b) and other applicable statutes, rules and regulations.

Dated: July 30, 2009

Respectfully submitted,

SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP

A handwritten signature in black ink, appearing to read "Steven C. Sunshine", is written over a horizontal line.

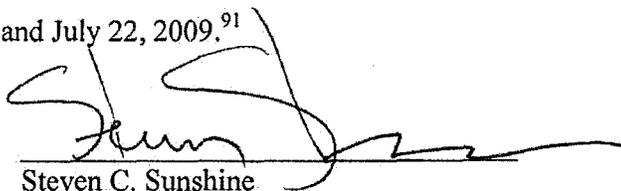
Steven C. Sunshine
Tara L. Reinhart
1440 New York Ave., N.W.
Washington, D.C. 20005
(202) 371-7000

Maria A. Raptis
Four Times Square
New York, NY 10036
(212) 735-3000

CERTIFICATION REQUIRED BY 16 C.F.R. § 2.7(d)(2)

Pursuant to 16 C.F.R. § 2.7(d)(2), counsel for Watson Pharmaceuticals, Inc. (“Watson”) and petitioner Paul M. Bisaro, President and Chief Executive Officer of Watson, hereby certifies that they have conferred repeatedly with Federal Trade Commission (“FTC”) counsel and staff on numerous occasions in a good faith effort to resolve by agreement the issues raised by this petition. Counsel have been unable to reach such an agreement.

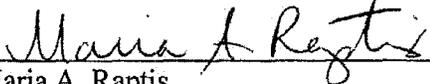
In particular, counsel to Watson and Mr. Bisaro, including Steven C. Sunshine, Esq. and Maria A. Raptis, Esq., had oral and written communications with FTC Staff, including Markus H. Meier, Assistant Director in the Health Care Division at the FTC, Bradley S. Albert, Deputy Assistant Director in the Health Care Division at the FTC, and Saralisa C. Brau, Deputy Assistant Director in the Health Care Division at the FTC, regarding the FTC’s requests for information, and agreed to respond to the Civil Investigative Demand and Subpoena *Ad Testificandum* issued on May 19, 2009 in connection with this matter. These agreements and discussions are reflected in correspondence between Watson’s counsel and FTC counsel, dated June 2, 2009, June 30, 2009, July 21, 2009 and July 22, 2009.⁹¹


Steven C. Sunshine

⁹¹ See Exhibits L – O.

CERTIFICATE OF SERVICE

I hereby certify that on the 30th day of July, 2009, I caused the original and twelve (12) copies of the Petition to Quash the Subpoena *Ad Testificandum* with attached Exhibits and documentation to be filed by hand delivery with the Secretary of the Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Washington, D.C., 20580; and a copy of Petition to be filed by hand delivery with Markus H. Meier, Bradley S. Albert, Saralisa C. Brau, Mark Woodward, Ellen Connelly and Alpa Gandhi, Federal Trade Commission, 601 New Jersey Avenue, N.W., Washington, D.C., 20580.



Maria A. Raptis

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

IN RE)
)
)

SUBPOENA *AD TESTIFICANDUM*)
DATED JULY 22, 2009)
_____)

DECLARATION OF STEVEN C. SUNSHINE

Pursuant to 28 U.S.C. § 1746, Steven C. Sunshine, Esq. declares as follows:

1. I am an attorney and a member of the bars of New York and the District of Columbia. I am a partner in the firm of Skadden, Arps, Slate, Meagher & Flom LLP. I am counsel to Watson Pharmaceuticals, Inc. ("Watson") in connection with the FTC's modafinil investigation. I am also counsel to Paul M. Bisaro in connection with the Petition to Quash the Subpoena *Ad Testificandum* dated July 22, 2009.

2. I submit this declaration in support of the Petition to Quash the Subpoena *Ad Testificandum* dated July 22, 2009. The facts set forth herein are based on my personal knowledge or information made known to me in the course of my duties.

3. Watson is a leading generic pharmaceutical company engaged in the research, development, manufacture, sale, marketing and distribution of generic versions of branded pharmaceutical drugs.

4. Watson and its development partner, Carlsbad Technology, Inc. ("Carlsbad"), filed an ANDA for generic Provigil®, Cephalon Inc.'s ("Cephalon") branded modafinil drug, in December 2004.

5. Watson and Carlsbad's ANDA contained a Paragraph IV certification as to certain patents then listed in the Federal Food and Drug Administration (FDA) Orange Book, including U.S. Reissued Patent No. 37,516 (the "'516 Patent").

6. Cephalon responded to the ANDA notification by suing Carlsbad for infringement of the '516 Patent in the United States District Court for the District of New Jersey on February 24, 2005.

7. On August 2, 2006, Watson, Carlsbad and Cephalon settled their dispute and entered into a Settlement and License Agreement (the "Settlement Agreement") pursuant to which Watson obtained a license to market generic modafinil prior to the expiration of the listed patents.

8. Shortly thereafter, by resolution dated August 30, 2006, the Federal Trade Commission (FTC) initiated a non-public inquiry to investigate whether Cephalon engaged in any unfair methods of competition by entering into a series of settlements agreements regarding its modafinil products. The investigation culminated in the FTC bringing a complaint against Cephalon. None of the four generic companies with first-to-file rights as to the '516 Patent were sued.

9. Watson was investigated but not sued in connection with the FTC's investigation.

10. Watson complied with an FTC subpoena *duces tecum* issued on November 9, 2006 by producing volumes of responsive documents to the FTC.

11. Watson and Carlsbad likewise complied with Civil Investigative Demands ("CID") for additional categories of information issued on May 18, 2007 and June 5, 2007.

12. Other cooperation provided by Watson included voluntary participation on August 7, 2007 in an investigational hearing by Watson's Senior Vice President, General Counsel and Secretary, Mr. David A. Buchen; and counsel presentations to FTC Staff on May 8 and September 25, 2007.

13. [REDACTED]

14. [REDACTED]

15. On March 4, 2009, Markus H. Meier, Assistant Director in the Health Care Division at the FTC, telephoned me to discuss the modafinil matter. [REDACTED]

16. [REDACTED]

17. [REDACTED]

[REDACTED]

[REDACTED]

18. On May 19, 2009, the FTC issued a CID and a subpoena *ad testificandum* to Mr. Buchen, and on May 22, 2009 the FTC issued a subpoena *ad testificandum* to Mr. Bisaro.

19. Watson complied with the May 19, 2009 CID by producing all responsive documents and relevant information.

20. Mr. Buchen complied with the May 19, 2009 subpoena issued to him by participating in an investigational hearing conducted by Mr. Meier on June 25, 2009.

21. On June 29, 2009, Mr. Meier informed me by telephone that the FTC had no present intention of conducting an investigational hearing with respect to Mr. Bisaro. During that conversation, Mr. Meier and I reached an agreement to indefinitely postpone Mr. Bisaro's hearing. On June 30, 2009, a letter memorializing this agreement was provided to Mr. Meier for his countersignature. On subsequent telephone calls, Mr. Meier twice reiterated that the parties had an agreement and that his workload was the only factor preventing him from providing a countersigned copy of the letter.

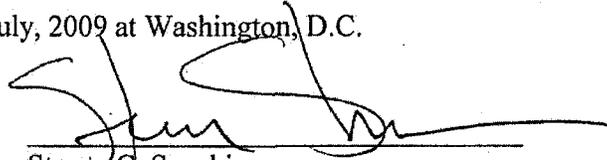
22. On July 17, 2009, Mr. Meier telephoned to inform me that the FTC had determined to proceed with Mr. Bisaro's investigational hearing. [REDACTED]

[REDACTED]

[REDACTED] Notwithstanding Watson's claim that these discussions would certainly implicate privileged communications, Mr. Meier indicated that there might be portions of the conversations which could be disclosed.

I declare under the penalty of perjury under the laws of the United States that the foregoing is true and correct.

Signed on this 30th day of July, 2009 at Washington, D.C.

A handwritten signature in black ink, appearing to read "Sunshine", written over a horizontal line.

Steven C. Sunshine
Counsel for Watson Pharmaceuticals, Inc.,
Paul M. Bisaro

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

IN RE)
)
)

SUBPOENA *AD TESTIFICANDUM*)
DATED JULY 22, 2009)
_____)

DECLARATION OF MARIA A. RAPTIS

Pursuant to 28 U.S.C. § 1746, Maria A. Raptis, Esq. declares as follows:

1. I am an attorney and a member of the bar of New York. I am an associate in the firm of Skadden, Arps, Slate, Meagher & Flom LLP. I am counsel to Watson Pharmaceuticals, Inc. (“Watson”) in connection with the FTC’s modafinil investigation. I am also counsel to Paul M. Bisaro in connection with the Petition to Quash the Subpoena *Ad Testificandum* dated July 22, 2009.

2. I submit this declaration in support of the Petition to Quash the Subpoena *Ad Testificandum* dated July 22, 2009. The facts set forth herein are based on my personal knowledge or information made known to me in the course of my duties.

3. I have read the Petition to Quash the Subpoena *Ad Testificandum* dated July 22, 2009 and the exhibits attached thereto, and verify that Exhibits A through O are true and correct copies of original documents.

4. On May 19, 2009, the FTC issued a Civil Investigative Demand and a subpoena *ad testificandum* to David A. Buchen, Senior Vice President, General Counsel and Secretary of Watson.

5. On May 22, 2009, the FTC issued a subpoena *ad testificandum* to Mr. Bisaro, President and Chief Executive Officer of Watson.

6. On May 21, 2009, together with Mr. Steven C. Sunshine, a partner at Skadden, Arps, Slate, Meagher & Flom LLP, I spoke with Ms. Saralisa C. Brau, Deputy Assistant Director in the Health Care Division at the FTC, by telephone to discuss the May 19, 2009 CID issued to Watson and the May 19, 2009 and May 22, 2009 subpoenas *ad testificandum* issued to Mr. Buchen and Mr. Bisaro. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7. [REDACTED]

[REDACTED]

[REDACTED] Ms. Brau

initially indicated that she would consider this proposal, but later declined to narrow the scope of the FTC's investigation.

8. On May 28, 2009, Mr. Sunshine and I contacted Ms. Brau by telephone to confirm that Watson would respond to the CID fully, but also to seek a one-week extension of the return date; the CID as issued listed a return date of June 3, 2009 – less than one week after Watson and its senior executives were served on May 28, 2009. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Later that day, Ms. Brau telephoned me and declined to reach an agreement on an extension of time for either the CID or the subpoenas.

9. On May 29, 2009, I informed Ms. Brau that we would respond fully to the CID by June 10, 2009. In addition, I again suggested deferring the subpoenas until such time as FTC Staff would have the opportunity to review Watson's responses to the CID. Absent an agreement on a short extension of the original return dates of June 10, 2009 for Mr. Buchen, and June 22, 2009 for Mr. Bisaro, I informed Ms. Brau that the Company would in all likelihood seek to quash the subpoenas for testimony. Later that day, Ms. Brau proposed allowing a one-week extension on the return dates if Watson provided certain firm dates for investigational hearings for Mr. Buchen and Mr. Bisaro.

10. On June 1, 2009, Ms. Brau and I spoke by telephone and agreed on new dates for the investigational hearings of Mr. Buchen (June 25, 2009) and Mr. Bisaro (June 30, 2009), and a one-week extension (to June 17 and June 29, respectively) on Watson's deadline to file a petition to quash the subpoenas. A letter memorializing this agreement is dated June 2, 2009.

11. On June 10, 2009, Watson submitted its response to the May 19, 2009 CID. [REDACTED]

[REDACTED] Moreover, Watson submitted all documents relevant to these topics together with its written response to the CID.

12. On June 12, 2009, Mr. Sunshine and I met with FTC Staff, including Mr. Bradley S. Albert, Deputy Assistant Director in the Health Care Division at the FTC, and Ms. Brau, to discuss Watson's response to the CID. We informed Mr. Albert and Ms. Brau that

Watson would proceed with Mr. Buchen's hearing, but suggested that the subpoena for Mr. Bisaro's testimony should be withdrawn.

13. On June 29, 2009, Mr. Meier and Mr. Sunshine agreed to indefinitely postpone the hearing of Mr. Bisaro. A letter memorializing this agreement was provided to Mr. Meier for his countersignature on June 30, 2009.

14. On the afternoon of Friday, July 17, 2009, Mr. Meier telephoned Mr. Sunshine to inform him that the FTC had determined to proceed with Mr. Bisaro's investigational hearing.

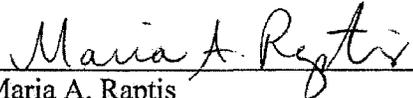
15. On Monday, July 20, 2009, I contacted Ms. Brau to agree on a schedule and proposed a return date of August 21, 2009. Ms. Brau indicated that the FTC's preferred return date was Friday, July 24, 2009 (*i.e.*, four days later), and that a return period of roughly a month was a non-starter. At best, Ms. Brau suggested a return date of August 3, 2009. I explained that due to vacation schedules during the month of August, and Mr. Sunshine's absence during this period, Watson would not be able to agree to these dates.

16. On Tuesday, July 21, 2009, I telephoned Ms. Brau to propose August 17, 2009 as an alternative date. However, Ms. Brau stated that the FTC did not need to negotiate the matter and could issue a new subpoena to unilaterally set its schedule. I then proposed August 14, 2009. Ms. Brau declined to consider this new proposal and reiterated that Staff felt no need to reach an agreement with Watson.

17. On July 22, 2009, the FTC issued a second subpoena *ad testificandum* to Mr. Bisaro. The subpoena was received at Watson's Corona location on July 23, 2009 rather than in New Jersey, where Mr. Bisaro resides, and carries a return date of July 31, 2009.

I declare under the penalty of perjury under the laws of the United States that the foregoing is true and correct.

Signed on this 29th day of July, 2009 at Washington, D.C.



Maria A. Raptis
Counsel to Watson Pharmaceuticals, Inc.,
Paul M. Bisaro

Exhibit A



SUBPOENA AD TESTIFICANDUM

1. TO

Paul Bisaro
President/CEO, Watson Pharmaceuticals, Inc.
c/o Steven C. Sunshine, Esq.
Skadden, Arps, Slate, Meagher & Flom, LLP
1440 New York Ave. NW, Washington, DC 20005

2. FROM

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

This subpoena requires you to appear and testify at the request of the Federal Trade Commission at a hearing [or deposition] in the proceeding described below (Item 6).

3. LOCATION OF HEARING

Federal Trade Commission
601 New Jersey Ave. NW
Washington, DC 20001
Rm 7100

4. YOUR APPEARANCE WILL BE BEFORE

Markus Meier

5. DATE AND TIME OF HEARING OR DEPOSITION

July 31, 2009 at 10:00am

6. SUBJECT OF INVESTIGATION

See attached resolution, File No. 0610182

7. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN

Markus H. Meier, Records Custodian
Saralisa C. Brau, Deputy Records Custodian

8. COMMISSION COUNSEL

Saralisa Brau, Mark Woodward, Ellen Connelly, Alpa Gandhi

DATE ISSUED

7/27/09

COMMISSIONER'S SIGNATURE

GENERAL INSTRUCTIONS

The delivery of this subpoena to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this subpoena be filed within 20 days after service or, if the return date is less than 20 days after service, prior to the return date. The original and ten copies of the petition must be filed with the Secretary of the Federal Trade Commission. Send one copy to the Commission Counsel named in Item 8.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this subpoena should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this subpoena and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

This subpoena does not require approval by OMB under the Paperwork Reduction Act of 1980.

FTC Form 68-A (rev. 10/93)

The original was delivered to: Mr. Paul Bisaro
Watson Pharmaceuticals, Inc.
311 Bonnie Circle
Corona, California 92880

Copies were sent to counsel
identified under Item 1

RETURN OF SERVICE

I hereby certify that a duplicate original of the within subpoena was duly served: (check the method used)

in person.

by registered mail.

by leaving copy at principal office or place of business, to wit:

.....
.....
.....
.....

on the person named herein on:

.....
(Month, day, and year)

.....
(Name of person making service)

.....
(Official title)

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
 Pamela Jones Harbour
 Jon Leibowitz
 William E. Kovacic
 J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

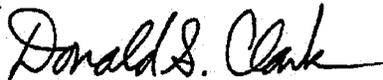
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et. seq.*, and supplements thereto.

By direction of the Commission.



Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit B

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

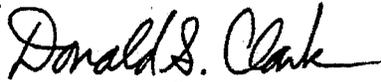
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et. seq.*, and supplements thereto.

By direction of the Commission.



Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit C



SUBPOENA DUCES TECUM

1. TO Legal Department Watson Pharmaceuticals, Inc. 311 Bonnie Circle Corona, CA 92880 Attn: General Counsel	2. FROM UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION
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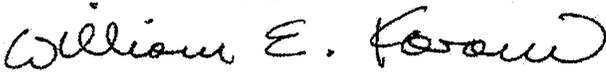
This subpoena requires you to appear and testify at the request of the Federal Trade Commission at a hearing [or deposition] in the proceeding described in Item 6.

3. LOCATION OF HEARING Federal Trade Commission 601 New Jersey Ave., NW Room NJ-7207 Washington, DC 20001	4. YOUR APPEARANCE WILL BE BEFORE No appearance required. 5. DATE AND TIME OF HEARING OR DEPOSITION Documents to be produced in accordance with subpoena.
---	--

6. SUBJECT OF INVESTIGATION Cephalon, Inc.; File No. 0610182
--

7. RECORDS YOU MUST BRING WITH YOU See attached Definitions, Instructions, and Specifications.
--

8. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN Markus H. Meier, Records Custodian Philip M. Eisenstat, Deputy Records Custodian	9. COMMISSION COUNSEL Philip M. Eisenstat, John P. DeGceter, Saralisa C. Brau
---	---

DATE ISSUED November 9, 2006	COMMISSIONER'S SIGNATURE 
--	---

GENERAL INSTRUCTIONS

The delivery of this subpoena to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this subpoena be filed within 20 days after service or, if the return date is less than 20 days after service, prior to the return date. The original and ten copies of the petition must be filed with the Secretary of the Federal Trade Commission. Send one copy to the Commission Counsel named in Item 9.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this subpoena should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this subpoena and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

This subpoena does not require approval by OMB under the Paperwork Reduction Act of 1980.

RETURN OF SERVICE

I hereby certify that a duplicate original of the within subpoena was duly served: (check the method used)

in person.

by registered mail.

by leaving copy at principal office or place of business, to wit:

.....
.....
.....
.....

on the person named herein on:

.....
(Month, day, and year)

.....
(Name of person making service)

.....
(Official title)

SUBPOENA DUCES TECUM TO WATSON PHARMACEUTICALS, INC.

DEFINITIONS

1. "Watson," "You," "Your," or "the Company" refers to Watson Pharmaceuticals, Inc., its domestic and foreign parents, predecessors, divisions, and wholly or partially owned subsidiaries, affiliates, partnerships, and joint ventures; and all directors, officers, employees, consultants, agents and representatives of the foregoing. The terms "subsidiary," "affiliate," and "joint venture" refer to any person in which there is partial (25 percent or more) or total ownership or control by Watson.
2. "Barr Agreements" means any agreement or side-agreement between Barr Laboratories, Inc. or any of its affiliates (collectively, "Barr") and Cephalon, Inc. and any of its affiliates (collectively, "Cephalon") related to patent litigation settlement for Provigil, including, but not limited to, the following agreements between Barr and Cephalon, all dated February 1, 2006, which were filed with the Federal Trade Commission pursuant to Section 1112(a) of Subtitle B of Title XI of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Medicare Modernization Act"), and any subsequent additions, amendments or modifications thereto: the Provigil Settlement Agreement, the Modafinil License and Supply Agreement, the Actiq Settlement Agreement, the Actiq Supplemental License and Supply Agreement, and the letter from Paul M. Bisaro (President and COO of Barr) to Boaz Laor (President of Chemagis Ltd.) concerning modafinil sales to Cephalon.
3. "Carlsbad/Watson Agreements" means any agreements or side agreements between Watson or Carlsbad Technology, Inc. ("Carlsbad"), and any of their affiliates, and Cephalon related to patent litigation settlement for Provigil, including, but not limited to, the following agreements dated August 2, 2006, which were filed with the Federal Trade Commission pursuant to the Medicare Modernization Act, and any subsequent additions, amendments or modifications thereto: the Provigil Settlement and License Agreement by and among Carlsbad, Watson and Cephalon, and the Oral Transmucosal Fentanyl Citrate Sales Agent Agreement by and between Watson and Cephalon. For the purpose of this definition, "side agreements" include any agreement entered into between (1) Cephalon and Carlsbad; (2) Cephalon and Watson; or (3) Cephalon and any affiliate of Carlsbad or Watson, either (1) within 30 days of the signing of the Provigil Settlement and License Agreement or (2) that is in any way related to the negotiation of the Provigil Settlement and License Agreement.
4. "Communication" is used in the broadest possible sense and means every conceivable manner or means of disclosure, transfer, or exchange of oral, written, or electronic information between one or more persons or entities.
5. "Document" means all written, recorded, or graphic materials of every kind, prepared by any person, that are in the possession, custody, or control of Watson. The term "document" includes the complete original document (or a copy thereof if the original is not available), all drafts, whether or not they resulted in a final document, and all copies that differ in any respect from the original, including any notation, underlining, marking, or information not on

the original. Documents covered by this subpoena include, but are not limited to, the following: Electronically Stored Information; letters; memoranda; all papers filed with a court in litigation and relating to litigation settlement; reports; contracts, including patent license agreements; studies; plans; notes; entries in calendars; publications; facsimiles; tabulations; ledgers and other records of financial matters or commercial transactions; audio and video tapes; and computer printouts.

6. "Electronically Stored Information" refers to any portion of data found only on a computer or other device capable of storing electronic data, where such data is capable of being manipulated as an entry. "Electronically Stored Information" includes, but is not limited to, e-mail, spreadsheets, databases, word processing documents, images, presentations, application files, executable files, log files, and all other files present on any type of device capable of storing electronic data. Devices capable of storing Electronically Stored Information include, but are not limited to: servers, desktop computers, portable computers, handheld computers, flash memory devices, wireless communication devices, pagers, workstations, minicomputers, mainframes, and any other forms of online or offline storage, whether on or off company premises.

7. "Generic Agreements" means the Barr Agreements, Carlsbad/Watson Agreements, Mylan Agreements, Ranbaxy Agreements and/or Teva Agreement.

8. "Mylan Agreements" means any agreement or side-agreement between Mylan Pharmaceuticals, Inc. or any of its affiliates (collectively, "Mylan") and Cephalon related to patent litigation settlement for Provigil, including, but not limited to, the following agreements between Mylan and Cephalon, which were filed with the Federal Trade Commission pursuant to the Medicare Modernization Act, and any subsequent additions, amendments or modifications thereto: the Provigil Settlement Agreement dated January 9, 2006, the Modafinil License Agreement dated March 23, 2006, the Transdermal Fentanyl Patch Option and Exclusivity Agreement, and the Transdermal Fentanyl Patch Collaboration Agreement, both dated January 9, 2006

9. "Product" refers to both the commercialized version of a drug, as well as any pre-commercialized, proposed, or anticipated versions of a drug.

10. "Ranbaxy Agreements" means any agreement or side-agreement between Ranbaxy Laboratories, Inc. or any of its affiliates (collectively, "Ranbaxy") and Cephalon related to patent litigation settlement for Provigil, including, but not limited to, the following agreements between Ranbaxy and Cephalon, which were filed with the Federal Trade Commission pursuant to the Medicare Modernization Act, and any subsequent additions, amendments or modifications thereto: the Provigil Settlement Agreement dated December 12, 2005, and the Modafinil License Agreement dated May 23, 2006.

11. "Relating to" is used in the broadest possible sense and means, in whole or in part, addressing, analyzing, concerning, constituting, containing, commenting, in connection with, dealing with, discussing, describing, embodying, evidencing, identifying, pertaining to, referring to, reflecting, reporting, stating, or summarizing.

12. "Teva Agreement" means any agreement or side-agreement between Teva Pharmaceutical Industries Ltd., Teva Pharmaceuticals USA, Inc., or any of their affiliates (collectively, "Teva") and Cephalon related to patent litigation settlement for Provigil, including, but not limited to, the Settlement Agreement between Teva and Cephalon dated December 8, 2005 which was filed with the Federal Trade Commission pursuant to the Medicare Modernization Act, and any subsequent additions, amendments or modifications thereto.

INSTRUCTIONS

1. Unless otherwise indicated, each specification in this subpoena covers any and all Documents prepared, created, sent, or received during, and all Documents relating to, the period from January 1, 2002, to present. This subpoena is continuing in nature and requires the production of all documents written or obtained by You up to fourteen (14) days prior to the time of the final response to this request.

2. Documents requested are those in actual or constructive possession, custody, or control of Watson, and its representatives, attorneys, and other agents, including but not limited to, consultants, accountants, lawyers, or any other persons retained, consulted by, or working on behalf or under the direction of Watson, wherever they may be located.

3. Documents shall be accompanied by an index that identifies: (i) the name of each person from whom responsive Documents are submitted (e.g., files of "X", Vice President of Watson); and (ii) the corresponding consecutive document control number(s) used to identify that person's Documents.

4. Produce all Documents in complete, unredacted form, unless privileged. Submit Documents as stored by the Company or individual. Mark in a color other than black each page of each Document with a corporate identification and consecutive Bates numbers, except that bound pamphlets or books with numbered pages may be marked with corporate identification and a single Bates number. Provide a translation of non-English Documents into English; submit the foreign language Document, with the English translation attached.

5. The Company shall discuss the form and method of production of responsive documents with the Commission representative identified in paragraph 10, or with the representative's designee. The Company shall be permitted to use any form and method of production of responsive documents that the Commission representative specifically approves.

- A. You may, with the prior approval from the FTC, submit copies of original hard copy Documents as either hard copies or electronic copies in lieu of original Documents, provided that such copies are accompanied by an affidavit of an officer of the Company stating that the copies are true, correct, and complete copies of the original Documents.
- (1). Hard copies. Provide color photocopies where the original Document is in color. Submit copies in sturdy cartons not larger than 1.5 cubic feet. Number and mark each box with corporate identification. Produce all Documents as they are kept in the ordinary course of business (e.g., produce Documents that in their original condition were stapled, clipped, or otherwise fastened in the same form).
 - (2). Electronic copies. You may submit original hard copy Documents as fully text-searchable electronic copies in single-page, 300 DPI (dots per inch) - Group IV TIFF (tagged image file format) files, named for the Bates number of the Document, and accompanied by a Summation image load file (*.dii), which denotes the appropriate information to allow the loading of the images into Summation with all Document breaks (Document delimitation) preserved, and a corresponding text file containing the optical character recognition (OCR) for either each page or each Document.
- B. Electronically Stored Information. You may, with the prior approval of the FTC, produce Electronically Stored Information in the following forms and formats, provided that such copies are true, correct, and complete copies of the original Documents:
- (1). Microsoft Excel and Access files must be submitted in native format. Documents provided in native format shall be accompanied by a Summation Class III DII file containing document control numbers for each file submitted.
 - (2). TIFF files. Submit files as single-page, 300 DPI - Group IV TIFF files, with a corresponding file containing the extracted text from the Document. Name each file, comprised of both images and text, for the Bates number of the Document. Include a Summation DII file that denotes the appropriate information and allows the loading of the images into Summation, while preserving all Document breaks (Document delimitation). Include metadata and other

information about the Documents in delimited ASCII format. Produce Microsoft PowerPoint presentations in "Notes Pages" format. "Notes Pages" includes a small version of the slide that appears at the top of the page with any notes appearing directly below.

- (i). Include the following metadata fields for electronic files other than email: creation date/time; modified date/time; last accessed date/time; size; location or "path"; file name; and custodian.
 - (ii). Include the following metadata fields for emails: to; from; CC; BCC; subject; date and time sent; attachment (range or begin attach, end attach); file name of attachments; and custodian.
- (3). Native format. Submit files, accompanied by a Summation Class III DII file containing Document control numbers for each Document. Provide any Documents that are originally stored in .ZIP format, or any other compressed format, as extracted, uncompressed files. Microsoft Outlook files may be produced as Outlook .PST files. Each .PST file should contain e-mails from only one custodian, and should be accompanied by a Summation Class III DII file containing a Bates number and Message ID for each e-mail. Please note that any .MSG files located on a file system should be treated as an electronic Document and not as an e-mail. All other e-mail formats must be produced in TIFF or PDF formats. Any PDF files produced must be searchable and include all metadata and attachments.
- C. Data productions as ASCII text files. You may submit database files, with prior approval, as delimited ASCII text files, with field names as the first record, or as fixed-length flat files with appropriate record layout. For ASCII text files, provide field-level Documentation and ensure that delimiters and quote characters do not appear in the data. All database files should include or be accompanied with the definitions of the field names, codes, and abbreviations used in the database and, upon request from the FTC, the instructions for using the database. The FTC may require that a sample of the data be sent for testing. File and record structures must conform to the following requirements:

- (1). File structures. The FTC will accept sequential files only. Convert all other file structures into sequential format.
 - (2). Record structures. The FTC will accept fixed-length records only. Include all data in the record as it would appear in printed format: viz, numbers unpacked, and decimal points and signs printed.
- D. Submit electronic files and images in any combination of the following forms:
- (1). For any production over 10 gigabytes, use IDE and EIDE hard disk drives, formatted in Microsoft Windows-compatible, uncompressed data.
 - (2). For productions under 10 gigabytes, CD-R CD-ROMs formatted to ISO 9660 specifications, DVD-ROM for Windows-compatible personal computers, and USB 2.0 Flash Drives are also acceptable storage formats.
- E. All documents produced in electronic format shall be scanned for and free of viruses. The FTC will return any infected media for replacement.

6. You are to produce entire Documents including all attachments, cover letters, memoranda, and appendices, as well as the file, folder tabs, and labels appended to or containing any Documents. Copies which differ in any respect from an original (because, by way of example only, handwritten or printed notations have been added) should be produced separately. Each Document requested herein must be produced in its entirety and without deletion, abbreviation, redaction, expurgation, or excisions, regardless of whether You consider the entire Document to be relevant or responsive to these Requests. If You have redacted any portion of a Document, stamp the word "redacted" where the redacted material originally appeared, on each page of the Document which You have redacted. Privileged redactions must be included in a privilege log prepared pursuant to Paragraph 7; any non-privileged redactions must also be included in a log describing the basis for redaction, prepared pursuant to Paragraph 8.

7. If any privilege is claimed as a ground for not producing a Document or tangible thing, provide a privilege log describing the basis for the claim of privilege and all information necessary for the FTC to assess the claim of privilege. Separately, for each Document and attachment withheld or redacted, the log shall include the following: (i) specific grounds for the claim of privilege; (ii) the title of the Document or attachment; (iii) the date of the Document or attachment; (iv) the author of the Document or attachment; (v) the addressees and recipients of the Document or attachment or any copy thereof (including persons "cc'd," or "bcc'd," or "blind

cc'd"); (vi) a description of the subject matter of the Document or attachment in sufficient detail to assess the claim of privilege; (vii) the Bates range or page length of the Document or attachment; and (viii) the Requests to which the Document or attachment are responsive. Additionally, for each Document withheld under a claim of attorney work product immunity, state whether the Document was produced in anticipation of litigation or for trial, and, if so, identify the anticipated litigation or trial upon which the assertion is based. Any attachment to a Document withheld under a claim of privilege or immunity shall be produced unless the attachment is also subject to a claim of privilege or immunity, and the basis for such claim is described in a privilege log.

8. If any Documents are redacted on a basis other than privilege, provide the information and reason for redacting that Document per instruction 7.

9. Whenever necessary to bring within the scope of a Request a response that might otherwise be construed to be outside its scope, the following constructions should be applied:

- A. Construing the terms "and" and "or" in the disjunctive or conjunctive, as necessary, to make the Request more inclusive;
- B. Construing the singular form of any word to include the plural and the plural form to include the singular;
- C. Construing the past tense of the verb to include the present tense and the present tense to include the past tense;
- D. Construing the masculine form to include the feminine form; and
- E. Construing the term "Date" to mean the exact day, month, and year if ascertainable; if not, the closest approximation that can be made by means of relationship to other events, locations, or matters.

10. You are required to submit all documents specified in the subpoena on or before the formal return date together with the attached executed affidavit stating that the attached submission constitutes full compliance with the subpoena. You should comply with this subpoena by submitting all responsive documents on or before the return date to Kelly Vaughan, Federal Trade Commission, Bureau of Competition, 601 New Jersey Avenue, N.W., Room 6148, Washington, D.C. 20001. Please contact Saralisa Brau at (202) 326-2774 with any questions.

SPECIFICATIONS

In accordance with the above Definitions and Instructions, submit the following documents:

1. All Documents relating to the Generic Agreements and the terms contained therein, including but not limited to Documents relating to the negotiations of such agreement(s); discussions, communications, analyses, evaluations, and notes regarding such agreements; and drafts of the agreements (whether or not incorporated in the executed agreement).
2. All Documents discussing competition for the sale of any modafinil product.
3. All Documents (including forecasts) discussing the marketing or sale of Provigil or any generic Provigil product, including but not limited to: business plans, marketing plans, strategic plans, short term and long range strategies and objectives, collaboration plans, budgets and financial projections, and presentations to management committees, executive committees, and boards of directors.
4. All Documents constituting or relating to any communication relating to the sale of any modafinil product between or among any parties to the Generic Agreements or any other company that has filed an Abbreviated New Drug Application (ANDA) referencing Provigil.
5. Submit one copy of each organization chart and personnel directory in effect since January 1, 2004 for the Company as a whole and for each of the Company's facilities or divisions involved in any activity relating to any modafinil product.
6. One unredacted copy of each of the following Documents relating to any patent infringement litigation concerning Provigil or a generic version of Provigil:
 - A. All complaints and counterclaims and answers, replies or responses thereto, and any amendments or supplements to the foregoing filed by your Company;
 - B. All motions and briefs and oppositions, replies and other responsive pleadings thereto filed by your Company, including any memoranda, exhibits, or other Documents filed in support of such pleadings; and
 - C. All expert reports prepared by or for your Company and all supporting Documents and exhibits.

7. All Documents constituting or relating to any communication involving any intellectual property that does, could, or is claimed to apply to the manufacture, sale, and composition of a modafinil product.

SUBPOENA DUCES TECUM TO WATSON PHARMACEUTICALS, INC.

CERTIFICATION

This response to the Subpoena Duces Tecum issued by the Federal Trade Commission, together with any and all appendices and attachments thereto, was prepared and assembled under my supervision in accordance with instructions issued by the Federal Trade Commission. Subject to the recognition that, where so indicated, reasonable estimates have been made because books and records do not provide the required data, the information is, to the best of my knowledge, true, correct, and complete in accordance with the statute and rules.

Where copies rather than original documents have been submitted, the copies are true, correct, and complete. If the Commission uses such copies in any court or administrative proceeding, the Company will not object based on the Commission not offering the original document.

I declare under penalty of perjury that the foregoing is true and correct.

TYPE OR PRINT NAME AND TITLE

(Signature)

Subscribed and sworn to before me at the City of _____,

State of _____, this _____ day of _____, 2006.

(Notary Public)

My Commission expires: _____

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

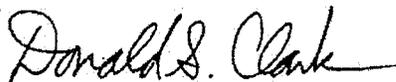
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et. seq.*, and supplements thereto.

By direction of the Commission.



Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit D



United States of America
Federal Trade Commission

CIVIL INVESTIGATIVE DEMAND

1. TO

Watson Pharmaceuticals, Inc.
c/o Steven C. Sunshine
Skadden, Arps, Slate, Meagher & Flom, LLP
1440 New York Ave. NW
Washington, D.C. 20005

This demand is issued pursuant to Section 20 of the Federal Trade Commission Act, 15 U.S.C. § 57b-1, in the course of an investigation to determine whether there is, has been, or may be a violation of any laws administered by the Federal Trade Commission by conduct, activities or proposed action as described in Item 3.

2. ACTION REQUIRED

You are required to appear and testify.

LOCATION OF HEARING

YOUR APPEARANCE WILL BE BEFORE

No appearance required.

DATE AND TIME OF HEARING OR DEPOSITION

You are required to produce all documents described in the attached schedule that are in your possession, custody, or control, and to make them available at your address indicated above for inspection and copying or reproduction at the date and time specified below.

You are required to answer the interrogatories or provide the written report described on the attached schedule. Answer each interrogatory or report separately and fully in writing. Submit your answers or report to the Records Custodian named in Item 4 on or before the date specified below.

DATE AND TIME THE DOCUMENTS MUST BE AVAILABLE

Return date is 30 days from date of CID.

3. SUBJECT OF INVESTIGATION

See attached resolution, File No. 0610182.

4. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN

Markus H. Meier, Records Custodian
Philip M. Eisenstat, Deputy Records Custodian

5. COMMISSION COUNSEL

Philip M. Eisenstat, Saralisa C. Brau, Mark Woodward,
Jeffrey Bank

DATE ISSUED

18 May 2007

COMMISSIONER'S SIGNATURE

William E. Farrow

INSTRUCTIONS AND NOTICES

The delivery of this demand to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply. The production of documents or the submission of answers and report in response to this demand must be made under a sworn certificate, in the form printed on the second page of this demand, by the person to whom this demand is directed or, if not a natural person, by a person or persons having knowledge of the facts and circumstances of such production or responsible for answering each interrogatory or report question. This demand does not require approval by OMB under the Paperwork Reduction Act of 1980.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this demand be filed within 20 days after service, or, if the return date is less than 20 days after service, prior to the return date. The original and twelve copies of the petition must be filed with the Secretary of the Federal Trade Commission, and one copy should be sent to the Commission Counsel named in Item 5.

YOUR RIGHTS TO REGULATORY ENFORCEMENT FAIRNESS

The FTC has a longstanding commitment to a fair regulatory enforcement environment. If you are a small business (under Small Business Administration standards), you have a right to contact the Small Business Administration's National Ombudsman at 1-888-REGFAIR (1-888-734-3247) or www.sba.gov/ombudsman regarding the fairness of the compliance and enforcement activities of the agency. You should understand, however, that the National Ombudsman cannot change, stop, or delay a federal agency enforcement action.

The FTC strictly forbids retaliatory acts by its employees, and you will not be penalized for expressing a concern about these activities.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this demand should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this demand and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

Form of Certificate of Compliance*

I/We do certify that all of the documents required by the attached Civil Investigative Demand which are in the possession, custody, control, or knowledge of the person to whom the demand is directed have been submitted to a custodian named herein.

If a document responsive to this has not been submitted, the objection to its submission and the reasons for the objection have been stated.

Signature _____

Title _____

Sworn to before me this day

Notary Public

*In the event that more than one person is responsible for complying with this demand, the certificate shall identify the documents for which each certifying individual was responsible. In place of a sworn statement, the above certificate of compliance may be supported by an unsworn declaration as provided for by 28 U.S.C. § 1746.

CIVIL INVESTIGATIVE DEMAND TO WATSON PHARMACEUTICALS, INC.

DEFINITIONS

- A. The term “516 Patent” means U.S. Reissue Patent No. RE37,516.
- B. The term “516 Patent Litigation” means the actions captioned *Cephalon, Inc. v. Carlsbad Technology, Inc.*, Civil Action No. 05-CV-1089 (JCL) and *Cephalon, Inc. v. Mylan Pharmaceuticals Inc., et al.*, Civil Action No. 03-CV-1394 (JCL), each filed in the United States District Court for the District of New Jersey.
- C. The term “Actiq Authorized Generic Agreement” means the August 2, 2006 Oral Transmucosal Fentanyl Citrate Sales Agent Agreement between Cephalon and Watson, and any additions, amendments or modifications to the foregoing.
- D. The term “August 2, 2006 Agreements” means (1) the Provigil Settlement Agreement; and (2) the Actiq Authorized Generic Agreement; (3) any Side Agreement; and (4) any additions, amendments or modifications to any of the foregoing.
- E. The term “Carlsbad” means Carlsbad Technology, Inc., its successors, predecessors, divisions, wholly or partially owned subsidiaries, domestic or foreign parents (including, but not limited to Yung Shin Pharmaceutical Ind. Co., Ltd.), affiliates, partnerships, and joint ventures; and all the directors, officers, employees, consultants, agents, and representatives of the foregoing.
- F. The term “Cephalon” means Cephalon, Inc., its successors, predecessors, divisions, wholly or partially owned subsidiaries, domestic or foreign parents, affiliates, partnerships, and joint ventures; and all the directors, officers, employees, consultants, agents, and representatives of the foregoing.
- G. The term “Claim Chart” means any type of document where a patent is analyzed or compared to another thing on a claim-by-claim basis, regardless of whether all or less than all of the claims in the patent are analyzed, for purposes relating to invalidity, infringement or non-infringement.
- H. The term “Generic Provigil” means a product sold or projected to be sold pursuant to an ANDA which references NDA 20-717.
- I. The term “identify,” when used in reference to a natural person, shall mean to state the person’s (1) full name; (2) present or last known business address and telephone number; (3) present or last known employer and job title; and (4) the nature (including job title) and dates of any affiliation, by employment or otherwise, with Watson. For any person

identified, if any of the above information was different during the time period relevant to the CID, supply both the current information and such different information as applies to the time period relevant to the CID. Once a natural person has been identified properly, it shall be sufficient thereafter when identifying that same person to state the name only.

The term "identify," when used in reference to a corporation or other non-natural person, shall mean (1) to state that entity's name; (2) to describe its nature (*e.g.*, corporation, partnership, etc.); (3) to state the location of its principal place of business; and (4) to identify the natural person or persons employed by such entity whose actions on behalf of the entity are responsive to the CID. Once such a person has been identified properly, it shall be sufficient thereafter when identifying that same person to state the name only.

The term "identify," when used in reference to facts, acts, events, occurrences, meetings, or communications, shall mean to describe with particularity the fact, act, event, occurrence, meeting, or communication in question, including but not limited to (1) identifying the participants and witnesses of the fact, act, event, occurrence, meeting, or communication; (2) stating the date or dates on which the fact, act, event, occurrence, meeting, or communication took place; (3) stating the location or locations at which the fact, act, event occurrence, meeting, or communication took place; and (4) providing a description of the substance of the fact, act, event, occurrence, meeting, or communication.

- J. The term "Modafinil Development Agreement" means the May 3, 2002 Development Agreement between Watson and Yung Shin Pharmaceutical Ind. Co., Ltd. ("YSP"), and any additions, amendments, or modifications to the foregoing, including but not limited to the March 31, 2003 Amended and Restated Development Agreement (Modafinil) between Watson and YSP.
- K. The term "Provigil Settlement Agreement" means the August 2, 2006 Settlement and License Agreement among Cephalon, Watson, and Carlsbad, and any additions, amendments or modifications to the foregoing.
- L. The term "relating to" is used in the broadest possible sense and means, in whole or in part, addressing, analyzing, concerning, constituting, containing, commenting, in connection with, dealing with, discussing, describing, embodying, evidencing, identifying, pertaining to, referring to, reflecting, reporting, stating, or summarizing.
- M. The term "Side Agreement" means any agreement, whether oral or written, entered into among Cephalon, Watson, or Carlsbad, either (i) within 30 days of August 2, 2006 or (ii) that is in any way related to the August 2, 2006 Agreements.

INSTRUCTIONS

1. Unless otherwise indicated, each specification in this CID covers information and documents dated, generated, received or in effect from January 1, 2002 to the present.
2. For procedures applicable to the search for and production of documents responsive to this CID, the Instructions contained in the Federal Trade Commission Subpoena dated November 9, 2006 are incorporated herein by reference.
3. Where Watson has previously produced documents responsive to this CID, Watson need not produce another copy of the document but may instead identify responsive documents by Bates number.
4. Watson is required to submit all information and documents demanded by this CID on or before the return date, which is 30 days from the date of the CID. Watson should comply with this CID by submitting all responsive information and documents to Kelly Vaughan, Federal Trade Commission, Bureau of Competition, 601 New Jersey Avenue, N.W., Room 6148, Washington, D.C. 20001. Please contact Jeffrey Bank at (202) 326-3102 or Philip Eisenstat at (202) 326-2769 with any questions.

SPECIFICATIONS

- SPECIFICATION 1: Identify the date and amount of each payment made by Cephalon to Watson relating to the August 2, 2006 Agreements. For each payment, identify the services, product, or right associated with the payment.
- SPECIFICATION 2: Identify the date and amount of each payment made by Watson to Carlsbad relating to the August 2, 2006 Agreements. For each payment, identify the services, product, or right associated with the payment.
- SPECIFICATION 3: Identify each employee, officer, or director of Watson involved in the decision to enter the August 2, 2006 Agreements. For each employee, officer, or director, identify (i) his or her current title, (ii) title as of the dates of the August 2, 2006 Agreements (if different), (iii) the name and address of the current employer if no longer employed by Watson, and (iv) the agreement(s) and/or subject matter with respect to which the individual was involved in decision making.

- SPECIFICATION 4: Identify each and every reason why Watson entered into the Provigil Settlement Agreement, including each and every reason why Watson agreed to a Date Certain of April 6, 2012, as that term is defined in the Provigil Settlement Agreement.
- SPECIFICATION 5: Identify each and every reason why each of (1) the Provigil Settlement Agreement; and (2) the Actiq Authorized Generic Agreement were entered on the same day (August 2, 2006).
- SPECIFICATION 6: Identify each and every reason why Watson proposed amending the Modafinil Development Agreement on August 3, 2006 so as to pay Carlsbad \$150,000, as indicated in the document bearing the Bates number WAT-E-0300546.
- SPECIFICATION 7: Identify and provide one copy of each and every forecast or analysis of Watson's projected revenues or profits under the August 2, 2006 Agreements.
- SPECIFICATION 8: Identify and estimate the value of each and every benefit to Watson of entering into the Actiq Authorized Generic Agreement.
- SPECIFICATION 9: Identify and provide one copy of each and every forecast or analysis of projected revenues or profits from Watson's sales of Generic Provigil, including but not limited to forecasts or analyses prepared on or after December 8, 2005.
- SPECIFICATION 10: Identify and provide one copy of each agreement Watson has entered to market, distribute or sell any authorized generic product. In response to this Specification, provide one copy of each such agreement regardless of date.
- SPECIFICATION 11: Identify and provide one copy of each report prepared under Section 4.2.3 of the Actiq Authorized Generic Agreement.
- SPECIFICATION 12: Identify and provide one copy of each Indemnification Notice, Indemnification Acknowledgment and statement of expenses prepared or exchanged under Section 5 of the Provigil Settlement Agreement.
- SPECIFICATION 13: Identify and provide one copy of documents sufficient to show Watson's actual or forecasted cost per kilogram for the acquisition of modafinil API to be incorporated into Carlsbad/Watson's Generic Provigil, separately for both (1) acquisition of API in commercial

quantities; and (2) acquisition of API in pre-commercial launch quantities.

- SPECIFICATION 14:** Provide one copy of each document produced by Watson or Carlsbad in the '516 Patent Litigation and one copy of each privilege log prepared by Watson or Carlsbad.
- SPECIFICATION 15:** Provide one copy of each communication between Carlsbad or Watson and the Food and Drug Administration concerning (i) any drug or proposed drug containing modafinil or r-modafinil; or (ii) modafinil API.
- SPECIFICATION 16:** Provide one copy of each document that expresses an opinion as to the validity, invalidity, enforceability, unenforceability, infringement, or non-infringement of the '516 Patent or U.S. Patent No. 5,618,845, including but not limited to freedom to practice opinions and Claim Charts.
- SPECIFICATION 17:** Identify the steps Watson took to preserve documents related to the Federal Trade Commission's review of the January 9, 2006 Agreements.

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
 Pamela Jones Harbour
 Jon Leibowitz
 William E. Kovacic
 J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

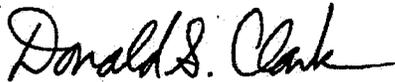
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et. seq.*, and supplements thereto.

By direction of the Commission.



Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit E



United States of America
Federal Trade Commission

CIVIL INVESTIGATIVE DEMAND

1. TO

Carlsbad Technology, Inc.
c/o Steven C. Sunshine
Skadden, Arps, Slate, Meagher, & Flom, LLP
1440 New York Avenue NW
Washington, DC 20005

This demand is issued pursuant to Section 20 of the Federal Trade Commission Act, 15 U.S.C. § 57b-1, in the course of an investigation to determine whether there is, has been, or may be a violation of any laws administered by the Federal Trade Commission by conduct, activities or proposed action as described in Item 3.

2. ACTION REQUIRED

You are required to appear and testify.

LOCATION OF HEARING

YOUR APPEARANCE WILL BE BEFORE

No appearance required.

DATE AND TIME OF HEARING OR DEPOSITION

You are required to produce all documents described in the attached schedule that are in your possession, custody, or control, and to make them available at your address indicated above for inspection and copying or reproduction at the date and time specified below.

You are required to answer the interrogatories or provide the written report described on the attached schedule. Answer each interrogatory or report separately and fully in writing. Submit your answers or report to the Records Custodian named in Item 4 on or before the date specified below.

DATE AND TIME THE DOCUMENTS MUST BE AVAILABLE

Return date is 30 days from date of CID.

3. SUBJECT OF INVESTIGATION

See attached resolution, File No. 0610182.

4. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN

Markus H. Meier, Records Custodian
Philip M. Eisenstat, Deputy Records Custodian

5. COMMISSION COUNSEL

Philip M. Eisenstat, Saralisa C. Brau, Mark Woodward, Ellen Connelly, Jeffrey Bank

DATE ISSUED

5 June 2007

COMMISSIONER'S SIGNATURE

INSTRUCTIONS AND NOTICES

The delivery of this demand to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply. The production of documents or the submission of answers and report in response to this demand must be made under a sworn certificate, in the form printed on the second page of this demand, by the person to whom this demand is directed or, if not a natural person, by a person or persons having knowledge of the facts and circumstances of such production or responsible for answering each interrogatory or report question. This demand does not require approval by OMB under the Paperwork Reduction Act of 1980.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this demand be filed within 20 days after service, or, if the return date is less than 20 days after service, prior to the return date. The original and twelve copies of the petition must be filed with the Secretary of the Federal Trade Commission, and one copy should be sent to the Commission Counsel named in Item 5.

YOUR RIGHTS TO REGULATORY ENFORCEMENT FAIRNESS

The FTC has a longstanding commitment to a fair regulatory enforcement environment. If you are a small business (under Small Business Administration standards), you have a right to contact the Small Business Administration's National Ombudsman at 1-888-REGFAIR (1-888-734-3247) or www.sba.gov/ombudsman regarding the fairness of the compliance and enforcement activities of the agency. You should understand, however, that the National Ombudsman cannot change, stop, or delay a federal agency enforcement action.

The FTC strictly forbids retaliatory acts by its employees, and you will not be penalized for expressing a concern about these activities.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this demand should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this demand and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

Form of Certificate of Compliance*

I/We do certify that all of the documents required by the attached Civil Investigative Demand which are in the possession, custody, control, or knowledge of the person to whom the demand is directed have been submitted to a custodian named herein.

If a document responsive to this has not been submitted, the objection to its submission and the reasons for the objection have been stated.

Signature _____

Title _____

Sworn to before me this day

Notary Public

*In the event that more than one person is responsible for complying with this demand, the certificate shall identify the documents for which each certifying individual was responsible. In place of a sworn statement, the above certificate of compliance may be supported by an unsworn declaration as provided for by 28 U.S.C. § 1746.

CIVIL INVESTIGATIVE DEMAND TO CARLSBAD TECHNOLOGY, INC.

DEFINITIONS

- A. The term "Carlsbad" means Carlsbad Technology, Inc., its successors, predecessors, divisions, wholly or partially owned subsidiaries, domestic or foreign parents (including, but not limited to Yung Shin Pharmaceutical Ind. Co., Ltd. ("YSP")), affiliates, partnerships, and joint ventures; and all the directors, officers, employees, consultants, agents, and representatives of the foregoing.
- B. The term "August 2, 2006 Agreements" means (1) the Provigil Settlement Agreement; (2) any Side Agreement; and (3) any additions, amendments or modifications to any of the foregoing.
- C. The term "Cephalon" means Cephalon, Inc., its successors, predecessors, divisions, wholly or partially owned subsidiaries, domestic or foreign parents, affiliates, partnerships, and joint ventures; and all the directors, officers, employees, consultants, agents, and representatives of the foregoing.
- D. The term "Communication" is used in the broadest possible sense and means every conceivable manner or means of disclosure, transfer, or exchange of oral, written, or electronic information between one or more persons or entities.
- E. The term "identify," when used in reference to a natural person, shall mean to state the person's (1) full name; (2) present or last known business address and telephone number; (3) present or last known employer and job title; and (4) the nature (including job title) and dates of any affiliation, by employment or otherwise, with Carlsbad. For any person identified, if any of the above information was different during the time period relevant to the CID, supply both the current information and such different information as applies to the time period relevant to the CID. Once a natural person has been identified properly, it shall be sufficient thereafter when identifying that same person to state the name only.

The term "identify," when used in reference to a corporation or other non-natural person, shall mean (1) to state that entity's name; (2) to describe its nature (*e.g.*, corporation, partnership, etc.); (3) to state the location of its principal place of business; and (4) to identify the natural person or persons employed by such entity whose actions on behalf of the entity are responsive to the CID. Once such a person has been identified properly, it shall be sufficient thereafter when identifying that same person to state the name only.

The term "identify," when used in reference to facts, acts, events, occurrences, meetings, or Communications, shall mean to describe with particularity the fact, act, event,

occurrence, meeting, or communication in question, including but not limited to (1) identifying the participants and witnesses of the fact, act, event, occurrence, meeting, or Communication; (2) stating the date or dates on which the fact, act, event, occurrence, meeting, or Communication took place; (3) stating the location or locations at which the fact, act, event occurrence, meeting, or Communication took place; and (4) providing a description of the substance of the fact, act, event, occurrence, meeting, or Communication.

- F. The term "Modafinil Development Agreement" means the May 3, 2002 Development Agreement between Watson and YSP, and any additions, amendments, or modifications to the foregoing, including but not limited to the March 31, 2003 Amended and Restated Development Agreement (Modafinil) between Watson and YSP.
- G. The term "Provigil Settlement Agreement" means the August 2, 2006 Settlement and License Agreement among Cephalon, Watson, and Carlsbad, and any additions, amendments or modifications to the foregoing.
- H. The term "relating to" is used in the broadest possible sense and means, in whole or in part, addressing, analyzing, concerning, constituting, containing, commenting, in connection with, dealing with, discussing, describing, embodying, evidencing, identifying, pertaining to, referring to, reflecting, reporting, stating, or summarizing.
- I. The term "Side Agreement" means any agreement, whether oral or written, entered into between or among Cephalon, Watson, or Carlsbad, either (i) within 30 days of August 2, 2006 or (ii) that is in any way related to the August 2, 2006 Agreements.

INSTRUCTIONS

- 1. Unless otherwise indicated, each specification in this CID covers information and documents dated, generated, received or in effect from January 1, 2002 to the present.
- 2. For procedures applicable to the search for and production of documents responsive to this CID, the Instructions contained in the Federal Trade Commission Subpoena dated November 9, 2006 are incorporated herein by reference.
- 3. Where Carlsbad has previously produced documents responsive to this CID, Carlsbad need not produce another copy of the document but may instead identify responsive documents by Bates number.
- 4. Carlsbad is required to submit all information and documents demanded by this CID on or before the return date, which is 30 days from the date of the CID. Carlsbad should

comply with this CID by submitting all responsive information and documents to Kelly Vaughan, Federal Trade Commission, Bureau of Competition, 601 New Jersey Avenue, N.W., Room 6148, Washington, D.C. 20001. Please contact Jeffrey Bank at (202) 326-3102 or Philip Eisenstat at (202) 326-2769 with any questions.

SPECIFICATIONS

- SPECIFICATION 1:** Identify the date and amount of each payment made by Watson to Carlsbad, or to YSP, relating to (i) the August 2, 2006 Agreements or (ii) the Modafinil Development Agreement. For each payment, identify the services, product, or right associated with the payment.
- SPECIFICATION 2:** Identify each employee, officer, or director of Carlsbad involved in the decision to enter the August 2, 2006 Agreements. For each employee, officer, or director, identify (i) his or her current title, (ii) title as of the dates of the August 2, 2006 Agreements (if different), (iii) the name and address of the current employer if no longer employed by Carlsbad, and (iv) the agreement(s) and/or subject matter with respect to which the individual was involved in decision making.
- SPECIFICATION 3:** Identify each and every reason why Carlsbad entered into the Provigil Settlement Agreement, including each and every reason why Carlsbad agreed to a Date Certain of April 6, 2012, as that term is defined in the Provigil Settlement Agreement.
- SPECIFICATION 4:** Identify each and every reason why YSP believed that it was entitled to compensation related to the August 2, 2006 Agreements, as indicated in the document bearing the Bates number CTI-E-0100048.
- SPECIFICATION 5:** Identify and provide one copy of each Communication between or among YSP, Carlsbad, and Watson relating to YSP's request for compensation related to the document bearing the Bates number CTI-E-0100048.
- SPECIFICATION 6:** Provide one copy of each Communication between Carlsbad or Watson and the Food and Drug Administration concerning (i) any drug or proposed drug containing modafinil or r-modafinil; or (ii) modafinil API.

SPECIFICATION 7: Identify the steps Carlsbad took to preserve documents related to the Federal Trade Commission's review of the August 2, 2006 Agreements.

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

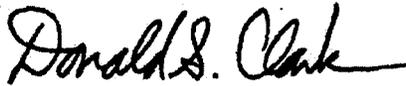
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et. seq.*, and supplements thereto.

By direction of the Commission.



Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit F

**MATERIAL
WITHHELD**

Exhibit G



SUBPOENA AD TESTIFICANDUM

1. TO

David Buchen, Esq., General Counsel
Watson Pharmaceuticals, Inc.
c/o Steven C. Sunshine, Esq.
Skadden, Arps, Slate, Meagher & Flom, LLP
1440 New York Ave. NW, Washington, DC 20005

2. FROM

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

This subpoena requires you to appear and testify at the request of the Federal Trade Commission at a hearing [or deposition] in the proceeding described below (Item 6).

3. LOCATION OF HEARING

Federal Trade Commission
601 New Jersey Ave. NW
Washington, DC 20001
Rm 7100

4. YOUR APPEARANCE WILL BE BEFORE

Saralisa Brau

5. DATE AND TIME OF HEARING OR DEPOSITION

June 10, 2009 at 10:00am

6. SUBJECT OF INVESTIGATION

See attached resolution, File No. 0610182

7. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN

Markus H. Meier, Records Custodian
Saralisa C. Brau, Deputy Records Custodian

8. COMMISSION COUNSEL

Saralisa Brau, Mark Woodward, Ellen Connelly, Alpa Gandhi

DATE ISSUED

MAY 18 2009

COMMISSIONER'S SIGNATURE

GENERAL INSTRUCTIONS

The delivery of this subpoena to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this subpoena be filed within 20 days after service or, if the return date is less than 20 days after service, prior to the return date. The original and ten copies of the petition must be filed with the Secretary of the Federal Trade Commission. Send one copy to the Commission Counsel named in Item 8.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this subpoena should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this subpoena and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

This subpoena does not require approval by OMB under the Paperwork Reduction Act of 1980.

RETURN OF SERVICE

I hereby certify that a duplicate original of the within subpoena was duly served; (check the method used)

- in person.*
- by registered mail.*
- by leaving copy at principal office or place of business, to wit:*

on the person named herein on:

(Month, day, and year)

(Name of person making service)

(Official title)

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

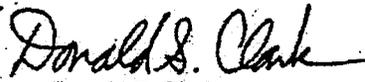
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carisbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et. seq.*, and supplements thereto.

By direction of the Commission.


Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit H



SUBPOENA AD TESTIFICANDUM

<p>1. TO</p> <p>Paul Bisaro President/CEO, Watson Pharmaceuticals, Inc. c/o Steven C. Sunshine, Esq. Skadden, Arps, Slate, Meagher & Flom, LLP 1440 New York Ave. NW, Washington, DC 20005</p>	<p>2. FROM</p> <p>UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION</p>
--	---

This subpoena requires you to appear and testify at the request of the Federal Trade Commission at a hearing [or deposition] in the proceeding described below (Item 6).

<p>3. LOCATION OF HEARING</p> <p>Federal Trade Commission 601 New Jersey Ave. NW Washington, DC 20001 Rm 7100</p>	<p>4. YOUR APPEARANCE WILL BE BEFORE</p> <p>Markus Meier</p> <hr/> <p>5. DATE AND TIME OF HEARING OR DEPOSITION</p> <p>June 22, 2009 at 10:00am</p>
---	---

6. SUBJECT OF INVESTIGATION

See attached resolution, File No. 0610182

<p>7. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN</p> <p>Markus H. Meier, Records Custodian Saralisa C. Brau, Deputy Records Custodian</p>	<p>8. COMMISSION COUNSEL</p> <p>Saralisa Brau, Mark Woodward, Ellen Connelly, Alpa Gandhi</p>
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<p>DATE ISSUED</p> <p>5/22/09</p>	<p>COMMISSIONER'S SIGNATURE</p> <p><i>J. T. Ross</i></p>
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GENERAL INSTRUCTIONS

The delivery of this subpoena to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this subpoena be filed within 20 days after service or, if the return date is less than 20 days after service, prior to the return date. The original and ten copies of the petition must be filed with the Secretary of the Federal Trade Commission. Send one copy to the Commission Counsel named in Item 8.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this subpoena should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this subpoena and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

This subpoena does not require approval by OMB under the Paperwork Reduction Act of 1980.

RETURN OF SERVICE

I hereby certify that a duplicate original of the within subpoena was duly served: (check the method used)

in person.

by registered mail.

by leaving copy at principal office or place of business, to wit:

.....
.....
.....
.....

on the person named herein on:

.....
(Month, day, and year)

.....
(Name of person making service)

.....
(Official title)

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

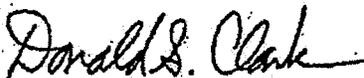
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et. seq.*, and supplements thereto.

By direction of the Commission.



Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit I

**MATERIAL
WITHHELD**

Exhibit J



SUBPOENA AD TESTIFICANDUM

1. TO

Robert Wan, Chief Financial Officer
Carlsbad Technology, Inc.
c/o Steven C. Sunshine
Skadden, Arps, Slate, Meagher, & Flom, LLP
1440 New York Avenue NW, Washington, DC 20005

2. FROM

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

This subpoena requires you to appear and testify at the request of the Federal Trade Commission at a hearing [or deposition] in the proceeding described below (Item 6).

3. LOCATION OF HEARING

Federal Trade Commission
601 New Jersey Ave. NW
Washington, DC 20001
Rm 7100

4. YOUR APPEARANCE WILL BE BEFORE

Markus Meier

5. DATE AND TIME OF HEARING OR DEPOSITION

June 18, 2009 at 10:00am

6. SUBJECT OF INVESTIGATION

See attached resolution, File No. 0610182

7. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN

Markus H. Meier, Records Custodian
Saralisa C. Brau, Deputy Records Custodian

8. COMMISSION COUNSEL

Saralisa Brau, Mark Woodward, Ellen Connelly, Alpa Gandhi

DATE ISSUED

MAY 19 2009

COMMISSIONER'S SIGNATURE

GENERAL INSTRUCTIONS

The delivery of this subpoena to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this subpoena be filed within 20 days after service or, if the return date is less than 20 days after service, prior to the return date. The original and ten copies of the petition must be filed with the Secretary of the Federal Trade Commission. Send one copy to the Commission Counsel named in Item 8.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this subpoena should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this subpoena and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

This subpoena does not require approval by OMB under the Paperwork Reduction Act of 1980.

RETURN OF SERVICE

I hereby certify that a duplicate original of the within subpoena was duly served: (check the method used)

in person.

by registered mail.

by leaving copy at principal office or place of business, to wit:

on the person named herein on:

(Month, day, and year)

(Name of person making service)

(Official title)

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

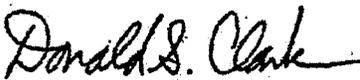
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et seq.*, and supplements thereto.

By direction of the Commission.


Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit K



SUBPOENA AD TESTIFICANDUM

1. TO

Lanie Wang, Supervisor Regulatory Affairs
Carlsbad Technology, Inc.
c/o Steven C. Sunshine
Skadden, Arps, Slate, Mcagher, & Flom, LLP
1440 New York Avenue NW, Washington, DC 20005

2. FROM

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

This subpoena requires you to appear and testify at the request of the Federal Trade Commission at a hearing [or deposition] in the proceeding described below (Item 6).

3. LOCATION OF HEARING

Federal Trade Commission
601 New Jersey Ave. NW
Washington, DC 20001
Rm 7100

4. YOUR APPEARANCE WILL BE BEFORE

Alpa Gandhi

5. DATE AND TIME OF HEARING OR DEPOSITION

June 11, 2009 at 10:00am

6. SUBJECT OF INVESTIGATION

See attached resolution, File No. 0610182

7. RECORDS CUSTODIAN/DEPUTY RECORDS CUSTODIAN

Markus H. Meier, Records Custodian
Saralisa C. Brau, Deputy Records Custodian

8. COMMISSION COUNSEL

Saralisa Brau, Mark Woodward, Ellen Connelly, Alpa Gandhi

DATE ISSUED

MAY 19 2009

COMMISSIONER'S SIGNATURE

GENERAL INSTRUCTIONS

The delivery of this subpoena to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply.

PETITION TO LIMIT OR QUASH

The Commission's Rules of Practice require that any petition to limit or quash this subpoena be filed within 20 days after service or, if the return date is less than 20 days after service, prior to the return date. The original and ten copies of the petition must be filed with the Secretary of the Federal Trade Commission. Send one copy to the Commission Counsel named in Item 8.

TRAVEL EXPENSES

Use the enclosed travel voucher to claim compensation to which you are entitled as a witness for the Commission. The completed travel voucher and this subpoena should be presented to Commission Counsel for payment. If you are permanently or temporarily living somewhere other than the address on this subpoena and it would require excessive travel for you to appear, you must get prior approval from Commission Counsel.

This subpoena does not require approval by OMB under the Paperwork Reduction Act of 1980.

RETURN OF SERVICE

I hereby certify that a duplicate original of the within subpoena was duly served: (check the method used)

in person.

by registered mail.

by leaving copy at principal office or place of business, to wit:

on the person named herein on:

(Month, day, and year)

(Name of person making service)

(Official title)

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

RESOLUTION AUTHORIZING USE OF COMPULSORY
PROCESS IN A NONPUBLIC INVESTIGATION

File No. 0610182

Nature and Scope of Investigation:

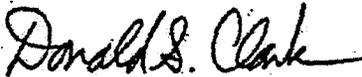
To determine whether Cephalon, Inc., Teva Pharmaceutical Industries, Inc. (and its affiliate Teva Pharmaceuticals USA, Inc.), Barr Laboratories, Inc., Ranbaxy Laboratories, Inc., Mylan Pharmaceuticals, Inc., Carlsbad Technology, Inc., Watson Pharmaceuticals, Inc., or others have engaged in any unfair methods of competition that violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Sec. 45, as amended, by entering into agreements regarding any modafinil products.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation.

Authority to Conduct Investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. *et seq.*, and supplements thereto.

By direction of the Commission.



Donald S. Clark
Secretary

ISSUED: August 30, 2006

Exhibit L



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Bureau of Competition
Health Care Division

Saralisa C. Brau
Deputy Assistant Director

Direct Dial
(202) 326-2774
sbrau@ftc.gov

June 2, 2009

By Electronic Mail

Maria Raptis, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036

Re: Cephalon, Inc., FTC File No. 061-0182

Dear Maria:

I write to confirm our agreement to the following modifications to the May 19, 2009 Civil Investigative Demands (CIDs) and Subpoenas Ad Testificandum (SATs) issued to Watson Pharmaceuticals, Inc., and Carlsbad Technologies, Inc. in the above-referenced investigation.¹

The FTC agrees to your request to extend the date for the CID responses from June 3, 2009 to June 10, 2009 with the understanding that Watson and Carlsbad intend to produce substantially all relevant, non-privileged documents and narrative responses by that date. The FTC is willing to defer the production of a privilege log by June 10, 2009, but reserves the right to request the production of such log at a future date.² We have discussed, and will continue to discuss, potential limitations to the scope of CID Specification 6, as necessary.

¹The first set of CIDs and SATs were served on Watson and Carlsbad care of counsel at Skadden Arps. Because you indicated concern about whether you were authorized to accept investigative demands on behalf of your clients, for the avoidance of doubt about perfection of service, the FTC issued the same set of CIDs and SATs to Watson and Carlsbad directly on May 26, 2009.

²You have indicated that Watson and Carlsbad aim to produce the privilege log on June 10, 2009, and that this extension may not be necessary.

Maria Raptis, Esq.
June 2, 2009
Page 2

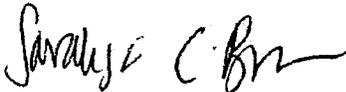
The FTC also agrees to your request for new hearing dates and, in two cases, new locations for the SATs. You have agreed to abide by new deadlines for filing any petitions to quash the SATs. Our agreements are reflected in the following chart:

Name	Title	Original Hearing Date & Quash Deadline/ Location	New Hearing Date /Location	New Deadline for Petition for Motion to Quash
David Buchen	Watson General Counsel	June 10 in DC	June 25 in LA	June 17
Paul Bisaro	Watson CEO	June 22 in DC	June 30 in NJ	June 29
Robert Wan	Carlsbad CFO	June 18 in DC	July 2 in DC	June 29

Based on your representation that Lanie Wang, the Carlsbad Supervisor of Regulatory Affairs, has not been employed by Carlsbad since September 2007, we hereby withdraw our SAT for her hearing (originally scheduled for June 11, 2009).

Please let me know at your earliest convenience if this letter misstates any aspect of our agreement. Please feel free to call me with any questions.

Sincerely,



Saralisa C. Brau

Approved:



Markus H. Meier
Assistant Director

Exhibit M

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

TEL: (202) 371-7000
FAX: (202) 393-5760
www.skadden.com

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TORONTO
VIENNA

DIRECT DIAL
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DIRECT FAX
(202) 393-5760
EMAIL ADDRESS
SSUNSHIN@SKADDE.COM

CONFIDENTIAL

June 30, 2009

Markus H. Meier, Esq.
Assistant Director
Bureau of Competition
Health Care Division
Federal Trade Commission
601 New Jersey Avenue, N.W.
Washington, D.C. 20580

Re: Cephalon, Inc., FTC File No. 061-0182

Dear Markus:

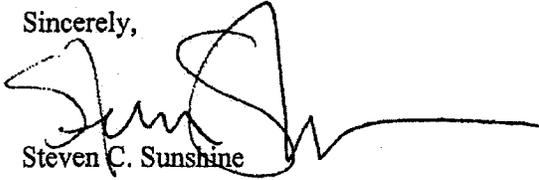
I write to confirm our agreement to modify the subpoena *ad testificandum* issued on May 19, 2009 to Mr. Paul Bisaro, President and Chief Executive Officer of Watson Pharmaceuticals, Inc. ("Watson"), in connection with the above-referenced investigation.

The Federal Trade Commission ("FTC") agrees to indefinitely postpone the hearing date for Mr. Bisaro. This agreement is without prejudice to all the rights of both parties, including our right to petition to quash Mr. Bisaro's subpoena at a later date. Moreover, while you indicated that the FTC has no present intention to conduct an investigational hearing of Mr. Bisaro, this agreement would also not preclude the FTC from enforcing the subpoena at a later date.

Markus H. Meier, Esq.
June 30, 2009
Page 2

Please let me know at your earliest convenience if this letter does not accurately reflect any aspect of our agreement.

Sincerely,



Steven C. Sunshine

Agreed:

Markus H. Meier
Assistant Director

Exhibit N

**MATERIAL
WITHHELD**

**MATERIAL
WITHHELD**

**MATERIAL
WITHHELD**

**MATERIAL
WITHHELD**

Exhibit O



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Bureau of Competition
Health Care Division

Saralisa C. Brau
Deputy Assistant Director

Direct Dial
(202) 326-2774
sbrau@ftc.gov

July 22, 2009

By Electronic Mail

Maria A. Raptis, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036

Re: Cephalon, Inc., FTC File No. 061-0182

Dear Maria:

I write to express disagreement with the characterizations in your letter of July 21, 2009 in the above-referenced matter, including but not limited to those relating to the subpoenas ad testificandum issued to Mr. Paul Bisaro, President and Chief Executive officer of Watson Pharmaceuticals, Inc.

We believe that a two week period – from the date FTC staff called Mr. Sunshine on July 17, 2009 informing him of the decision to conduct an investigational hearing of Mr. Bisaro, until July 31, 2009 – is a reasonable amount of time for Watson to file a petition to quash Mr. Bisaro's subpoena. This is particularly true here, where Watson has been on notice of the FTC's potential interest in speaking with Mr. Bisaro for two months (since mid-May),¹ and counsel from your

¹Watson has been on notice concerning the FTC's interest in speaking with Mr. Bisaro since May 19, 2009, when the Commission issued the first subpoena for Mr. Bisaro's testimony. The first subpoena ad testificandum to Mr. Bisaro was issued care of counsel at Skadden Arps. Because you expressed concern about your firm's authorization to accept service, for the avoidance of doubt about perfection of service, the FTC issued the same subpoena to Mr. Bisaro directly on May 26, 2009. Because we were unable to come to an agreement on a date in this matter after our conversations of July 17, 20, and 21, 2009, the Commission issued a third subpoena to Mr. Bisaro dated July 21, 2009 with a "return date" of July 31, 2009.

Letter to Maria A. Raptis, Esq.
July 22, 2009
Page 2 of 2

firm informed FTC staff on multiple occasions that Watson would petition to quash any subpoena to Mr. Bisaro.² In light of these circumstances and the ongoing harm to consumers of Provigil, FTC staff is not prepared to accept your proposal that Watson enjoy a prolonged four-or-five week period to file a petition to quash.

Of course, if Watson were willing to allow Mr. Bisaro to appear and testify at an investigational hearing, FTC staff would be willing to discuss a mutually convenient return date.

Please feel free to call me with any questions at (202) 326-2774.

Sincerely,



Saralisa C. Brau

²Indeed, your own letter specifically cites to at least two such examples, including: (1) the June 25, 2009 investigational hearing of Watson's General Counsel, Mr. David Buchen, at which, according to your letter: "Mr. Sunshine informed Mr. Meier that Watson would in all probability petition to quash the subpoena."; and (2) the July 17, 2009 telephone call from FTC staff to Mr. Sunshine informing Mr. Sunshine of the decision to enforce the subpoena, during which, according to your letter: "Mr. Sunshine informed Mr. Meier that Watson would in all probability petition to quash the subpoena." Raptis Letter to Brau (July 21, 2009) at 3.

Appendix B



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 13, 2009

VIA FACSIMILE AND EXPRESS MAIL

Non-Public

Watson Pharmaceuticals, Inc.
c/o Steven C. Sunshine, Esquire
Skadden Arps, Slate, Meagher & Flom LLP
1440 New York Ave., N.W.
Washington, DC 20005

Re: *Petition to Quash Subpoena Ad Testificandum Dated July 22, 2009*, File No. 091-0182

Dear Mr. Sunshine:

On July 30, 2009, Paul M. Bisaro (Petitioner), the President and Chief Executive Officer of Watson Pharmaceuticals, Inc. ("Watson"), filed a *Petition to Quash Subpoena Ad Testificandum Dated July 22, 2009* ("Petition"). The challenged subpoena was issued in the Commission's ongoing investigation to determine whether Watson, or others, are depriving consumers of access to lower-cost, generic modafinil drug products through any unfair method of competition in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

In the course of the investigation, a subpoena was issued for Petitioner's testimony at an investigational hearing ("IH") to be held on July 31, 2009 at the Commission's offices at 601 New Jersey Ave., N.W. in Washington, DC.¹ Petitioner did not provide the requested testimony. Instead, he filed a *Petition* asking the Commission to quash the subpoena on the grounds that (a) the Commission already has all the information that it might obtain from his responses to any questions propounded in such an investigational hearing;² (b) the subpoena is unreasonable in that it seeks the testimony of a high-level corporate executive;³ and (c) the subpoena purportedly

¹ *Petition*, Exhibit A at 1 (Subpoena *Ad Testificandum* issued to Paul Bisaro on July 27, 2009).

² *Id.* at 15-17.

³ *Id.* at 17-19.

was issued for an improper purpose.⁴ The record does not support these claims. Therefore, the relief requested by the Petition is denied.

This letter advises you of the Commission's disposition of the Petition.⁵ This ruling was made by Commissioner Pamela Jones Harbour, acting as the Commission's delegate. *See* 16 C.F.R. § 2.7(d)(4). Pursuant to 16 C.F.R. § 2.7(f), Petitioner has the right to request review of this matter by the full Commission. Such a request must be filed with the Secretary of the Commission within three days after service of this letter.⁶

Background and Summary

Watson develops, manufactures, and markets generic versions of brand-name drugs. In December 2004, Watson and its development partner (Carlsbad Technology, Inc.), filed an abbreviated new drug application ("ANDA") for a modafinil product with the United States Food and Drug Administration ("FDA"). Modafinil is the active ingredient in a wakefulness-enhancing drug that at present is distributed in the United States exclusively by Cephalon, Inc. under the brand name Provigil®. Provigil is covered by two Cephalon patents that are relevant to the Petition: U.S. Reissued Patent No. 37,516 ("the '516 Patent"); and U.S. Patent No. [REDACTED] Patent"). Petition at 3, 6.

On December 22, 2002, four manufacturers of generic drugs (the so-called four "first filers" for the '516 Patent) filed Paragraph IV ANDAs for modafinil – the first step in opening

⁴ *Id.* at 19-20. Watson also suggests (without supporting authority) that the investigatory resolution cited by staff as authority for issuing the instant subpoena expired when the Commission instituted a civil action against Cephalon in February 2008. *Id.* at 15 note 73. This claim is without merit. This is a continuing resolution that contains no time or other limitations. The Commission's litigation against Cephalon has no effect on the Commission's ability to continue the investigation of other parties for potential acts of wrongdoing covered by the resolution. Watson also claims the subpoena is unreasonably burdensome because it is returnable in Washington, DC rather than New Jersey, Mr. Bisaro's place of residence. *Id.* at 14 note 72, 19. Petitioner, however, provides no factual basis for this claim of burden.

⁵ The request for confidential treatment in the Petition is under review by the Commission Office of General Counsel. Pending the completion of that review, the bracketed material in boldface print in this letter ruling will be redacted from the public record version of this letter ruling. The public record version of this letter ruling will be placed on the public record, including the public Commission Website, at or after 9 a.m. on November 30, 2009.

⁶ This letter ruling is being delivered by facsimile and express mail. The facsimile copy is provided as a courtesy. Computation of the time for appeal, therefore, should be calculated from the date you received the original by express mail. In accordance with the provisions of 16 C.F.R. § 2.7(f), the timely filing of a request for review of this matter by the full Commission shall not stay the return date established pursuant to this decision.

the U.S. market for modafinil to generic competition. Under the Hatch-Waxman Act (the Drug Price Competition and Patent Restoration Act of 1984, Pub. L. 98-417, as amended), the first firm(s) to file a Paragraph IV ANDA for a generic version of a branded drug are eligible for a 180-day period of marketing exclusivity before the FDA can approve later filed ANDAs. Petition at 3. The first-filers' ANDAs certified that their generic versions of modafinil products either did not infringe Cephalon's patents listed in the FDA's Orange Book, or that those patents were invalid. *Id.*⁷ Watson and Carlsbad filed their ANDA for modafinil on August 2, 2006, and were not first filers on the '516 patent; however, they were sued by Cephalon for patent infringement and did obtain a license to market generic modafinil as part of the settlement agreement for that suit. Sunshine Decl. at ¶ 7. Under that license, Watson may commence modafinil marketing on April 6, 2012. Petition at 4 n.6.

[REDACTED]

[REDACTED]

[REDACTED] Sunshine Decl. at ¶¶ 13-14.⁸

On February 13, 2008, the FTC filed an action against Cephalon, alleging that its settlements of the ensuing patent infringement litigation with the four first filers for the '516 Patent prevented generic competition to Provigil® in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45. "None of the four first filers for the '516 Patent – at least some of whom had maintained their Hatch-Waxman exclusivity – were named in the FTC's complaint." Petition at 5-6.

I. The Subpoena is Within the Commission's Authority To Seek Relevant Information in a Law Enforcement Investigation

The Congress provided the Commission with the power to issue subpoenas because law enforcement investigations, like this one, frequently require the FTC "to get information from those who best can give it and who are most interested in not doing so." *United States v. Morton Salt Co.*, 338 U.S. 632, 643 (1950). The scope of information that may be required in response to a subpoena is broad. As a general matter, "it is sufficient if the inquiry is within the authority of the agency, the demand is not too indefinite and the information sought is reasonably necessary," *id.* at 652, and the information sought can be produced without being "unduly burdensome" or disruptive. *Fed. Trade Comm'n v. Texaco, Inc.*, 555 F.2d 862, 882 (D.C. Cir. 1977). Further, the party who moves to quash an FTC administrative subpoena bears the burden of demonstrating

⁷ At that time, Cephalon's listing in the FDA's "Orange Book" included the '516 Patent, but did not [REDACTED] *Id.* at 3, Sunshine Decl. at ¶ 13.

that the subpoena is unreasonable. “[T]he burden of showing that an agency subpoena is unreasonable remains with the respondent, . . . and where, as here, the agency inquiry is authorized by law and the materials sought are relevant to the inquiry, that burden is not easily met. [citations omitted].” *Fed. Trade Comm’n v. Rockefeller*, 591 F.2d 182, 190 (2nd Cir. 1979), quoting *Sec. and Exchange Comm’n v. Brigadoon Scotch Distributing Co.*, 480 F.2d 1047, 1056 (2nd Cir. 1973), cert. denied, 415 U.S. 915 (1974). As shown below, Petitioner has not demonstrated that the subpoena issued to Mr. Bisaro fails to meet these criteria. Nothing in *United States v. Powell*, 379 U.S.48 (1964), is to the contrary.

Specifically, an earlier civil investigative demand (CID) asked whether Watson’s settlement agreement with Cephalon [REDACTED]

[REDACTED] The Petition effectively acknowledges that Watson’s prior responses regarding these issues have been incomplete. Watson’s CID response stated unequivocally, [REDACTED]

[REDACTED]¹⁰ But at the same time, the Petition confirms that Watson’s CID response regarding the absence of a potentially illegal agreement was qualified such that its completeness, and accuracy, was questionable. See Petition at 16 n.75.¹¹

On June 11, 2009, FTC staff advised Watson that its responses to the Commission’s CID were deficient in that the responses failed, among other things, to indicate “the portion(s) of [each] agreement that [REDACTED]

[REDACTED]¹² Watson declined to supplement its CID responses, stating that the FTC has a copy of the Settlement Agreement, and “The Agreement speaks for itself.”¹³ Citing attorney-client privilege, Watson declined to state the reasons [REDACTED]

[REDACTED] is inextricably intertwined with legal matters; Watson’s internal deliberations regarding this matter implicate legal advice and are protected from disclosure by the attorney-client privilege.”¹⁴

⁹ Petition at 15.

¹⁰ *Id.* at 16.

¹¹ *Id.* at 16 note 75.

¹² Letter from Saralisa Brau to Maria Raptis (June 11, 2009) at 1-2.

¹³ Letter from Maria Raptis to Saralisa Brau (June 17, 2009) at 2.

¹⁴ *Id.* Mr. Buchen’s [REDACTED]

[REDACTED] appear to have been conducted in the ordinary course of

Watson's claim that its settlement with Cephalon "speaks for itself,"¹⁹ lacks all merit. Mr. Bisaro's knowledge of the document and its meaning has independent evidentiary value. Thus, contrary to Petitioner's claims, the instant subpoena does not seek information that is already in the Commission's possession. Furthermore, whether the materials and testimony that have been made available to the Commission thus far satisfy its investigative needs is a matter for the Commission to determine, not Petitioner. *See Sec. and Exchange Comm'n v. Arthur Young & Co.*, 584 F.2d 1018, 1031 (D.C. Cir. 1978) ("The breadth of an investigation is for the investigators to determine."). There is therefore no apparent justification for Mr. Bisaro to refuse to answer questions regarding his understanding of Watson's settlement agreement with Cephalon.

II. Exhaustion of Other Investigational Avenues Is Not Required

There is no support for Petitioner's claim that the FTC may only take testimony from Watson's CEO when it can show that he has personal information that is not obtainable through other means.²⁰ The initial mistake lies in Petitioner's assumption that the Commission's investigational hearings should be governed, by analogy, by discretionary limitations that may be placed on depositions conducted pursuant to the Federal Rules of Civil Procedure. Counsel has not provided appropriate authority to support its claim that the Commission can only take testimony from Mr. Bisaro regarding relinquishment as a last resort, and then only if the Commission can show that he has personal knowledge of the subjects that will be examined during the investigational hearing.²¹

More importantly, only Mr. Buchen and Mr. Bisaro possess relevant knowledge regarding the [REDACTED] issues being investigated by the Commission.²² Counsel has instructed Mr. Buchen not to tell the FTC which provisions of the Cephalon settlement agreement related to

¹⁹ Letter from Maria Raptis to Saralisa Brau (June 17, 2009) at 2.

²⁰ Petitioner's reliance on cases holding that a district court judge has discretion to defer discovery depositions of a company's CEO until after other discovery means have been exhausted is not relevant to resolving the Petition. Petition at 17-20. Many of the cases relied upon by Petitioner appear to involve claims asserted by lower level employees in remote company offices about which the CEO was unlikely to have been either involved or informed. For instance, in *Thomas v. Internat'l Bus. Mach.*, 48 F.3d 478 (10th Cir. 1995), a wrongful termination suit, the court affirmed the district court's grant of a protective order where a former clerical employee in IBM's Oklahoma City marketing office sought to compel the CEO, located in New York, to appear in Oklahoma City for a deposition on five days notice. The record in that case indicated that the CEO did not have any knowledge of the employee, the quality of her prior work, or the reasons for her termination.

²¹ Petition at 17-18.

²² Buchen IH at 39:1.

other than a provision regarding Cephalon's obligation to

²³

Unlike Mr. Buchen, Mr. Bisaro is not the General Counsel of Watson; rather, he is Watson's CEO. Mr. Bisaro is an attorney with significant prior business experience as both the general counsel and chief operating officer of another generic drug company.²⁴ Mr. Bisaro appears to be competent to answer questions regarding the Cephalon settlement agreement without having to disclose any privileged communications that he might have had with Mr. Buchen.

III. The Subpoena Was Issued for A Proper Purpose.

Petitioner claims that the subpoena should be quashed because it was issued by the FTC for an improper purpose – namely, “

²⁵

The analysis of the purpose for the issuance of this subpoena must begin by an examination of the resolution authorizing staff to use compulsory process in conducting this investigation.²⁶ The Commission's resolution of August 30, 2006 authorized FTC staff to use compulsory process to “determine whether Cephalon, Inc., . . . Watson . . . , or others have engaged in any unfair methods of competition” in violation of the FTC Act “by entering into agreements regarding any modafinil product.”²⁷ Watson does not claim that an agreement not to regarding modafinil products is beyond the scope of the resolution, nor does it claim that its patent settlement and license with Cephalon would be beyond the scope of the resolution. Further, Watson does not claim that the Bisaro investigational hearing is beyond the scope of the resolution. Thus, the subpoena to Mr. Bisaro is authorized by the resolution, and Petitioner has the burden of establishing the existence of “extraordinary

²³ *Id.* at 47:10-11. The relationship between Cephalon's obligations to Watson and are not obvious. This is especially true in light of other provisions in that agreement that appear more likely to be related to ; provisions about which Mr. Buchen was instructed by counsel not to testify. *Id.* at 51:6.

²⁴ Press Release, Watson, Watson Announces CEO Succession Plan (Aug. 2, 2007), available at: <http://ir.watson.com/phoenix.zhtml?c=65778&p=irol-newsArticle&ID=1035647&highlight=> (Last Visited Oct. 2, 2009).

²⁵ Petition at 19.

²⁶ *Fed. Trade Comm'n v. Invention Submission Corp.*, 965 F.2d 1086, 1092 (D.C. Cir. 1992), citing *Fed. Trade Comm'n v. Carter*, 636 F.2d 781, 789 (D.C. Cir. 1980).

²⁷ Petition, Exhibit B.

circumstances” before a further inquiry into the *bona fides* of this subpoena would be appropriate. *Carter*, 636 F.2d at 789.²⁸

Petitioner speculates that the “

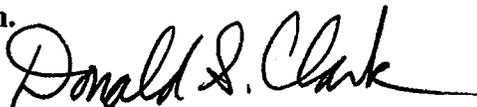
”²⁹ Rather than cooperate in the investigation, Watson has chosen to rely instead on incomplete and contradictory answers, and on dubious claims of privilege.³⁰ These stratagems deprive Petitioner’s speculations of probative value. Petitioner acknowledges that FTC staff have expressed concerns that certain provisions of the settlement agreement with Cephalon might delay consumer access to lower-cost generic drugs and violate the FTC Act.³¹ Those concerns, even without considering Watson’s incomplete and contradictory responses to CIDs and subpoenas, provide ample grounds for asking Mr. Bisaro to sit for an investigational hearing as part of the Commission’s continuing investigation.

CONCLUSION AND ORDER

For all the foregoing reasons, **IT IS ORDERED THAT** the Petition be, and it hereby is, **DENIED**.

IT IS FURTHER ORDERED THAT Commission staff may reschedule the investigational hearing of Mr. Bisaro at such date and time as they may direct in writing, in accordance with the powers delegated to them by 16 C.F.R. § 2.9(b)(6).

By direction of the Commission.



Donald S. Clark
Secretary

²⁸ The full scope of Petitioner’s burden is demonstrated by the D.C. Circuit’s reliance on *Donaldson v. United States*, 400 U.S. 517, 534-35 (1971), for the proposition that an administrative subpoena must be enforced whenever a valid purpose appears, even if an otherwise improper purpose also appeared.

²⁹ Petition at 19-20.

³⁰ This record lends a hollow ring to any claim that Watson has “cooperated fully” throughout this investigation. Petition at 5, Sunshine Decl. at ¶ 12.

³¹ Petition, Exhibit N at 2 (Letter from Maria Raptis to Saralisa Brau, dated July 21, 2009).