

No. 12-416

In the Supreme Court of the United States

FEDERAL TRADE COMMISSION, PETITIONER

v.

WATSON PHARMACEUTICALS, INC., ET AL.

*ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT*

JOINT APPENDIX

**(VOLUME 2)
(UNDER SEAL)**

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PETITION FOR A WRIT OF CERTIORARI FILED: OCT. 4, 2012
CERTIORARI GRANTED: DEC. 7, 2012

TABLE OF CONTENTS

Page

Volume 1

Court of appeals docket entries.....1
 District court docket entries7
 Second amended complaint (Docket entry No. 114) 27
 Docket entries in *Unimed Pharmaceuticals, Inc. v. Watson Pharmaceuticals, Inc.*, No. 03-cv-2501 (N.D. Ga.) (Docket entry No. 44, Attachment 15) (Excerpts)..... 65
 Docket Entries in *Unimed Pharmaceuticals, Inc. v. Paddock Laboratories*, No. 03-cv-2503 (N.D. Ga.) (Docket entry No. 44, Attachment 16) (Excerpts) 79
 Transcript of Proceedings Held February 26, 2004, in *Unimed Pharmaceuticals, Inc. v. Watson Pharmaceuticals, Inc.*, No. 03-cv-2501 (N.D. Ga.), and *Unimed Pharmaceuticals, Inc. v. Paddock Laboratories*, No. 03-cv-2503 (N.D. Ga.) (Docket entry No. 64) (Excerpts) 94
 Consent Judgment and Order of Permanent Injunction, *Unimed Pharmaceuticals, Inc. v. Paddock Laboratories*, No. 03-cv-2503 (N.D. Ga. Sept. 15, 2006) (Docket entry No. 131, Attachment 2) 97

Volume 2

Second Amended Complaint Exhibit A (Docket entry No. 114, Attachment 1) 103

II

The following opinions and orders have been omitted in printing this joint appendix because they appear on the following pages in the appendix to the petition for a writ of certiorari:

Appendix A: Court of appeals opinion (Apr. 12, 2012)..... 1a
 Appendix B: District court order (Feb. 22, 2010)..... 37a
 Appendix C: Order denying rehearing (July 18, 2012) 62a

From: Yang, Elaine
Sent: Wednesday, April 26, 2006 2:29 PM
To: Kay, Murray; Hynd, Jim; Mitchell, Brian; Janco, Jay
Subject: Tulip updates

Attachments: Tulip-042606-v3.ppt



Tulip-042606-v3.ppt
(654 KB)

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Business Outlook without Settlement

All in MUSD	Solvay	Watson	Par	Other	Total
Solvay wins patent litigation	1,241	0	0	0	1,241
Solvay loses patent litigation	359	152	131	0	642
Mid Point	800	76	66	0	942

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Business Outlook with Settlement

(no additional features such as commercial or manufacturing alliance)

Androgel NPV	Solvay	Watson	Par	Other	Total
2011	786	92	92	92	1,062
2012	900	75	75	75	1,125
2013	959	62	62	62	1,145
2014	1,021	50	50	50	1,171
2015	1,060	41	41	41	1,183

Delta to Mid-point Androgel NPV	Solvay	Watson	Par	Other	Total
2011	(14)	16	27	92	121
2012	100	(1)	10	75	184
2013	159	(14)	(4)	62	204
2014	221	(26)	(16)	50	230
2015	260	(35)	(25)	41	242

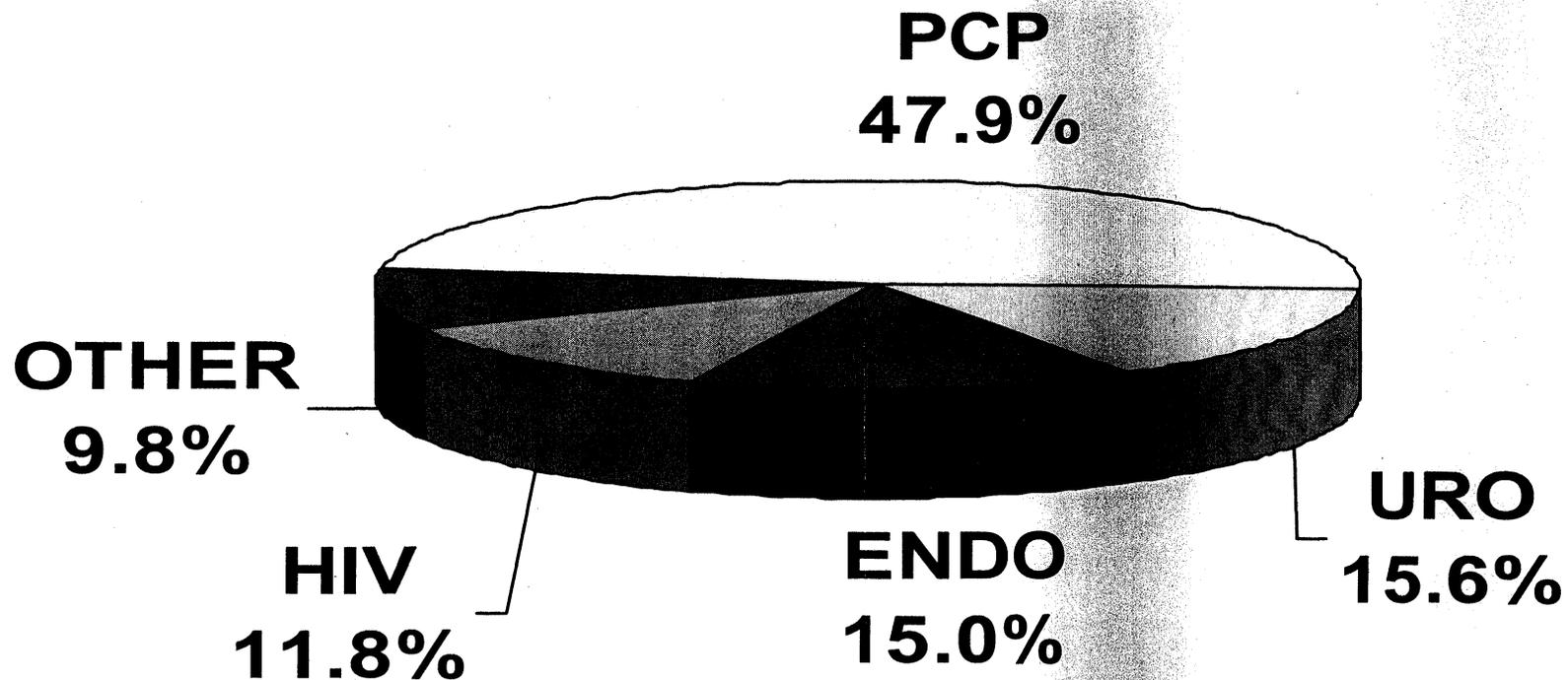
Splits of newly created value are NOT attractive to Watson or Par.

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Distribution of AndroGel® Prescriptions



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Potential Partnership Options: PAR

- **Par Co-promotes Androgel in HIV**
- Potential Compensation Alternatives to Par:
 - Pay 50% to Par for sales above \$26 MUSD
 - Pay \$30/detail for 10,000 details and 50% of sales above \$32 MUSD
 - Carve-out Marinol HIV business and share profits
 - Offer right to manufacture a portion of Androgel
 - Offer right to Marinol Authorized Generic.
 - In-license Par's technology related to Marinol manufacturing/formulation, and pay royalty on existing Marinol business.



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Potential Partnership Options: PAR

- Solvay will provide marketing support
- Solvay will train Par sales force
- Solvay will book sales
- Par pays sales force incentive comp
- Par participates in launch of low volume



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Potential Partnership Options: WATSON

- Watson Promote Androgel in Urology
- Watson will receive profit sharing for its detailing effort according to following scale:

	Watson Profit Share (%)
2007	50.0%
2008	52.5%
2009	55.0%
2010	57.5%
2011	60.0%
2012	62.5%
2013	65.0%
2014	67.5%
2015	70.0%

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Potential Partnership Options: WATSON

- Watson Promote Androgel in Urology
- Solvay will provide marketing support
- Solvay will train Watson sales force
- Solvay will book sales
- Solvay will phase out detailing support in urology universe over 18 months
- Watson pays sales force incentive comp
- Watson participates in launch of low volume
- Option for Watson to launch diabetes indication



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Business Logic on Profit Sharing

Urology Based Androgel Business (all in Million USD)

		2007	2014
Androgel Total Brand Sales		\$330	\$450
% Business in Urology		15%	15%
Androgel Urology Dollar Sales		\$50	\$68
Androgel Gross Margin	80%	\$40	\$54
Marketing Expense in Urology	15% of Androgel marketing budget	(\$3)	(\$3)
Other commercial support for Urology space	10% of Androgel Urology Sales	(\$5)	(\$7)
Net Profit		\$32	\$44
Watson Share		50%	70%
Watson Net Profit Sharing		\$16	\$31



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Business Outlook with Settlement

(with urology carve-out for Watson and Pay per detail + baseline structure for Par)

Assume 3-player generic market	Solvay NPV	Watson			Par		
		Generic	Carve-out	Total	Generic	Carve-out	Total
2011	711	82	59	141	82	24	106
2012	779	67	71	138	67	28	95
2013	827	56	82	138	56	31	87
2014	865	46	91	137	46	33	79
2015	888	39	99	138	39	35	74

Delta to Mid-point Androgel NPV	Solvay	Watson	Par	Other	Total
2011				0	0
2012				0	0
2013	16%	37%	13%	34%	100%
2014	35%	33%	7%	25%	100%
2015	45%	31%	4%	20%	100%



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Watson/Par Financial View

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Watson Income if launching generic Androgel(\$ MUSD)	50	30	20	14	14	14	14	14	14	14
Watson Income with settlement(\$ MUSD)	15	16	18	20	18	20	19	17	55	45
Delta	(35)	(14)	(2)	6	4	6	5	3	41	31

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Par Income if launching generic Androgel(\$ MUSD)	15	30	20	14	14	14	14	14	14	14
Par Income with settlement(\$ MUSD)	6	7	7	9	6	4	4	3	55	45
Delta	(9)	(23)	(13)	(5)	(8)	(10)	(10)	(11)	41	31

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Solvay Financial Impact

Androgel				
	2007	2008	2009	2010
Sales - Five Year Plan	311	312	310	317
Androgel Income- Five Year Plan	149	143	139	138
Impact of Settlement				
Watson Urology Co-Promotion	(19)	(20)	(22)	(23)
Par Co-Promotion/Manufacturing Back-up	(6)	(7)	(7)	(9)
Total Watson/Par	(25)	(27)	(29)	(32)
Redeployment of Reps	10	10	11	11
Besins Contribution	6	6	6	6
Net Impact	(9)	(11)	(12)	(15)
Androgel Income after Settlement	140	132	127	123
Androgel Income-Generic Competition	24	15	11	10
Delta	116	117	116	114

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Watson Counter Offer

	Feature #1	Feature #2	Feature #3	Watson NPV (\$ MUSD)
Solvay Offer On 4/24/2006	Exclusivity through Jan, 2015	Start Date: Q1, 2007	Profit Sharing: 50% and grow by 2.5%/year with cap of 70%	99
Watson Counter 4/26/2006	Exclusivity through Jan, 2015	Start Date: Q4, 2006	Profit Sharing: 65% and grow by 1%/year with cap of 70%	122
Delta				23

Annual Payment to Watson (\$ MUSD)

2006	2007	2008	2009	2010	2011
0	(15)	(16)	(18)	(20)	(18)
(5)	(19)	(20)	(22)	(23)	(21)

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AndroGel Coverage of Prescriber Universe is Very Strong

AndroGel Decile	MDs	All Targets	% Reach	Cum. Reach	URO MDs	URO Targets	% Reach	Cum. Reach
Decile 10	450	443	98%	98%	74	74	100%	100%
Decile 9	972	955	98%	98%	221	217	98%	99%
Decile 8	1,457	1413	97%	98%	339	335	99%	99%
Decile 7	2,014	1942	96%	97%	425	413	97%	98%
Decile 6	2,705	2614	97%	97%	486	463	95%	97%
Decile 5	3,631	3434	95%	96%	572	543	95%	97%
Decile 4	4,991	4593	92%	95%	634	566	89%	95%
Decile 3	7,193	6148	85%	92%	706	548	78%	91%
Decile 2	11,726	8549	73%	85%	836	504	60%	85%
Decile 1	38,861	16259	42%	63%	1,699	591	35%	71%
Decile 0		23,918			5,682			
Total	74,000	70,268			11,674	4,254		

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