



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

Bureau of Competition

December 3, 2001

**Via hand delivery**

Hon. D. Michael Chappell  
Administrative Law Judge  
Federal Trade Commission  
Room 104  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

Re: *In the Matter of Schering-Plough Corp., Upsher-Smith Laboratories, and  
American Home Products, Docket No. 9297*

Dear Judge Chappell:

On behalf of complaint counsel, I have enclosed two courtesy copies of Complaint Counsel's Opposition to Respondent Schering-Plough Corporation Motion to Compel Supplementary Interrogatory Responses On Patent Issues.

Sincerely,

Steve Vieux  
Counsel Supporting the Complaint

cc: Laura Shores, Esquire  
Christopher M. Curran, Esquire

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

In the Matter of

SCHERING-PLOUGH CORPORATION,  
a corporation,

UPSHER-SMITH LABORATORIES, INC.,  
a corporation,

and

AMERICAN HOME PRODUCTS  
CORPORATION,  
a corporation.

Docket No. 9297

**COMPLAINT COUNSEL'S OPPOSITION TO RESPONDENT SCHERING-PLOUGH  
CORPORATION'S MOTION TO COMPEL SUPPLEMENTARY INTERROGATORY  
RESPONSES ON PATENT ISSUES**

Schering's motion to compel complaint counsel to further supplement responses to four interrogatories concerning Schering's '743 patent reflects its continuing effort to turn this antitrust case into a patent infringement trial. In June, Schering attacked the Commission's complaint on the ground that it failed to make any allegation that the '743 patent was invalid or not infringed.<sup>1</sup> Schering now claims that its patent interrogatories seek complaint counsel's contentions "regarding core allegations in the Complaint." Schering Mem. at 1. In fact, however, as your Honor has recognized, and as Schering is well aware, complaint counsel's position is that Schering's agreements with Upsher-Smith and American Home Products -- agreements involving millions of dollars in payments from Schering to its would-be competitors

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<sup>1</sup> Respondent Schering-Plough Corporation's Motion for Partial Dismissal of the Complaint (June 7, 2001).

to induce them to withdraw their challenges to the patent and agree to a delayed market entry date -- violate the antitrust laws *regardless* of the underlying patent invalidity or infringement issues.<sup>2</sup>

Contention interrogatories serve “to narrow and define issues for trial and to enable the propounding party to determine the proof required to rebut the respondent’s position.”<sup>3</sup>

Complaint counsel’s responses to Schering patent interrogatories fulfill that goal. They disclose what we will contend at trial, that is, that the merits of the patent disputes between Schering and Upsher-Smith and between Schering and AHP were vigorously contested but never resolved, due to the anticompetitive settlement agreements that the parties entered into. Because complaint counsel’s answers are fully responsive, Schering’s motion to compel should be denied.

#### **I. Interrogatories 13 and 14**

The first two of the interrogatories at issue ask the same question, with respect to Upsher-Smith and AHP respectively:

*Is it Complaint Counsel’s contention that the ‘743 Patent is invalid, unenforceable or not infringed by [Upsher/AHP] in the Schering/[Upsher/AHP] Patent Infringement Litigation? If your answer is other than an unqualified statement that the patent is valid, enforceable and infringed, identify and describe your contentions, and identify all facts upon which Complaint Counsel intends to rely at trial in support of it.*

In response, complaint counsel explained that questions of invalidity, enforceability, and infringement in Schering’s patent suits against Upsher-Smith and AHP were disputed issues, but

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<sup>2</sup> Order Denying Motions of Schering-Plough and Upsher-Smith to Dismiss the Complaint (October 31, 2001) at 5.

<sup>3</sup> *Baltimore Therapeutic Equipment Co. v. Loredan Biomedical, Inc.* No. 89-1085-GEB, 1993 WL 129781, at \*16 (E.D.Cal. Feb 19, 1993).

cannot be determined, because there was no court ruling on those issues. For example, with respect to Upsher-Smith, it stated:

Schering and Upsher were engaged in a dispute in which the validity and enforceability of the '743 Patent was directly at issue. Upsher filed a Summary Judgment Motion on the Issue of Non-Infringement on October 29, 1996, in which it argued that Schering could not prove literal infringement or infringement under the doctrine of equivalents. Schering and Upsher ultimately dismissed their patent litigation in the District of New Jersey before the court had ruled on the merits of this dispute. Accordingly, neither the court in the District of New Jersey nor any other court has found the '743 Patent to be not invalid or to be infringed.

Complaint counsel has also explained that – if necessary to rebut evidence introduced by respondents<sup>4</sup> -- it is prepared to offer additional evidence in rebuttal as to the nature of the patent dispute between the parties and expert testimony that in each case Schering was faced with a reasonable possibility that it would lose the patent case. Thus, with respect to Upsher-Smith, we stated:

*See also* the rebuttal expert reports of Professors Adelman and Banakar. These reports set forth additional facts that demonstrate that the infringement of the '743 patent was a disputed issue during the Schering-Upsher Patent Litigation, and show that there are strong reasons to believe that the '743 patent was not infringed by Upsher's K-Dur product.

Complaint counsel thus fully answered these interrogatories. As requested -- because we did not respond with “an unqualified statement that the patent is valid, enforceable, and infringed” -- we described our contentions with respect to the merits of the patent cases (that they are unresolved disputes) and identified facts upon which we base those contentions (court papers filed by Upsher and AHP). Schering is thus incorrect when it states (Mem. at. 4) that we have failed to specify any contention with respect to the validity or enforceability of the patent.

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<sup>4</sup> Schering has listed four expert witnesses to testify on the question of validity and infringement of the “743 patent.

On the contrary, we have described our contention that those issues were in dispute in the litigation. Indeed, it is impossible to determine in this proceeding how the courts would have resolved Schering's patent claims against Upsher-Smith and AHP. Moreover, since there was no trial in either case, there is no factual record, and in any event the alleged infringers no longer have the same incentive to defend their products against Schering's charges.

Schering's fundamental problem is not that complaint counsel's answers are "non-responsive." Rather, Schering's problem is that it doesn't like these answers – anymore than it likes the theory of the case that it challenged in its unsuccessful motion to dismiss. Complaint counsel's position is that all that need be shown about the patent cases is a bona fide dispute about the patent issues. Schering, on the other hand, wants to place on complaint counsel a burden to prove either a definitive resolution of the patent issues or else some sort of numerical assessment of the probabilities that Upsher-Smith and AHP would have prevailed had they continued to litigate (a burden, we note, that it urges while at the same time withholding information about contemporaneous assessments of those probabilities on grounds of privilege). But that is Schering's theory, not ours. Our interrogatory responses plainly provide Schering with our "present concept of the theory of the case."<sup>5</sup>

We have contended elsewhere, and will demonstrate in legal briefs, that Schering is wrong in contending that – absent proof of the ultimate merits or probabilities of the patent infringement claims – a patent holder is free to pay off alleged infringers to induce them to abandon their patent challenges and forestall their entry. For purpose of this motion, however, it is sufficient that we have disclosed our contentions and thus fully and fairly responded to

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<sup>5</sup> *Flowers Industries*, FTC Dkt. No. 9148, 1981 FTC LEXIS 110 at \*3 (October 7, 1981).

Schering's interrogatories.

## **II. Interrogatories 15 and 16**

These interrogatories ask about complaint counsel's intent to rely on contentions made by Upsher-Smith and AHP in the patent suits. For example, with respect to Upsher-Smith, Schering asked:

*Do you intend to rely at trial upon any contentions made by Upsher in the Schering/Upsher Patent Infringement Litigation that the '743 patent is invalid, unenforceable, or not infringed? If your answer is yes, please identify and describe the basis for this contention and identify all facts upon which Complaint Counsel intends to rely at trial in support of it.*

We responded that we do intend to rely on those contentions by Upsher-Smith and AHP. They support our position that Schering faced a reasonable possibility that it would lose the patent infringement suits:

Complaint Counsel intends to rely at trial upon any and all contentions made by Upsher in the Schering/Upsher Patent Infringement Litigation that the '743 patent is invalid, unenforceable, or not infringed as proof that there was some probability that Upsher would prevail in the patent litigation with Schering, and to show that Schering was fully aware of these contentions in assessing that there was a substantial probability that it would lose the patent litigation over the '743 patent. In addition, Complaint Counsel intends to rely, without limitation, on any and all facts underlying Upsher's contentions that Schering's patent is invalid, unenforceable or not infringed as evidence that Schering knew that there were objective and ascertainable facts that created a substantial probability that it would lose the patent litigation over the '743 patent.

Schering complains that this answer is "non-responsive," but its explanation reveals that the failure here is not with the answer, but instead with the questions. Apparently, Schering now wishes it had drafted these two interrogatories differently. It turns out that what Schering really wants to know (and what it tries to suggest is "plain" from the questions) is whether we intend to rely on the contentions of the defendants in the patent suits "in support of complaint counsel's

same or similar contentions.” Mem. at 4.

Complaint counsel fully and fairly answered the questions that were asked. Nothing more is required. And in any event, as with the other interrogatories discussed above, we have disclosed our contentions with respect to the patent issues. The fact that those contentions do not jibe with the burdens of proof that Schering would like to impose on us does not require anything further on our part.

To the extent that Schering’s complaint is that we do not identify and describe the basis for Upsher and AHP’s contentions in the prior patent litigation, we submit we have no obligation to do so. We need not provide a basis for another party’s contentions, only our own, and we have fully done so here. Moreover, Schering has at least as much information, if not more, than we do about the basis for contentions made by Upsher-Smith and AHP in their respective challenges to Schering’s ‘743 patent.

## **CONCLUSION**

The supplemental responses provided by complaint counsel fully respond to Schering’s interrogatories, and Schering has failed to show otherwise. Complaint counsel therefore respectfully request that Schering’s motion to compel be denied.

Respectfully submitted

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Karen G. Bokat  
Counsel Supporting the Complaint

Dated: December 3, 2001

## CERTIFICATE OF SERVICE

I, Steve Vieux, hereby certify that on December 3, 2001, I caused a copy of Complaint Counsel's Opposition to Respondent Schering-Plough Corporation's Motion to Compel Supplementary Interrogatory Responses On Patent Issues to be served upon the following by hand delivery and facsimile:

Laura S. Shores, Esq.  
Howrey Simon Arnold & White, LLP  
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Christopher M. Curran, Esq.  
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and that two paper copies were served by hand upon:

The Honorable D. Michael Chappell  
Administrative Law Judge  
Federal Trade Commission  
Room 104  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

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Steve Vieux