

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

ALLERGAN, INC.,

Plaintiff,

v.

**TEVA PHARMACEUTICALS USA, INC., et
al.,**

Defendants.

Civil Action No. 2:15-cv-1455 WCB LEAD

FILED UNDER SEAL

**PLAINTIFF'S MEMORANDUM IN SUPPORT OF ITS MOTION TO JOIN THE TRIBE
AS A PARTY PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 25(c) AND
RESPONSE TO COURT'S OCTOBER 6, 2017 ORDER (DKT. 503)**

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. FACTUAL BACKGROUND.....	2
III. ARGUMENT	5
A. The Tribe Is the Owner of the Patents-in-Suit.....	5
B. It Is Proper to Join the Tribe as a Plaintiff Under Fed. R. Civ. P. 25(c)	6
C. The Transaction Between Allergan and The Tribe Was Not a Sham	9
1. The Transfer of the Patents-in-Suit Provides Significant and Much-Needed Benefit to the Tribe	9
2. The Assignment Was Supported by Good and Valuable Consideration	11
3. There Is No Support for Defendants’ Assertion that the Transaction Between Allergan and the Tribe Was a Sham	13
a. The Tribe’s Assertion of Sovereign Immunity in the PTAB Does Not Make This a Sham Transaction.....	13
b. Tribal Lending Cases Are Inapplicable and Do Not Establish that the Transaction Was a Sham	16
c. The Assignment Is Not a Collusive Assignment Under 28 U.S.C. § 1359.....	18
IV. CONCLUSION.....	20

TABLE OF AUTHORITIES

	<u>Page(s)</u>
Cases	
<i>AI23 Sys., Inc. v. Hydro-Quebec</i> , 626 F.3d 1213 (Fed. Cir. 2010).....	5, 6
<i>Affinion Loyalty Grp., Inc. v. Maritz, Inc.</i> , 2006 WL 1431065 (D. Del. May 22, 2006).....	7
<i>Airlines Reporting Co. v. S and N Travel</i> , 58 F.3d 857 (2d Cir. 1995).....	19
<i>Amoco Rocmount Co. v. Anschutz Corp.</i> , 7 F.3d 909 (10th Cir. 1993)	19
<i>Attorneys Tr. v. Videotape Computer Prods., Inc.</i> , 93 F.3d 593 (9th Cir. 1996)	20
<i>Bank of Bermuda, Ltd. v. Rosenbloom</i> , 76 Civ. 1830 (GLG), 1976 U.S. Dist. LEXIS 11648 (S.D.N.Y. Dec. 28, 1976).....	12
<i>Betar v. De Havilland Aircraft of Canada, Ltd.</i> , 603 F.2d 30 (7th Cir. 1979)	19
<i>United States ex rel. Cain v. Salish Kootenai Coll., Inc.</i> , 862 F.3d 939 (9th Cir. 2017)	17
<i>El Paso Healthcare Sys. v. Molina Healthcare of New Mexico, Inc.</i> , 683 F. Supp. 2d 454 (W.D. Tex. 2010).....	13
<i>Finn v. Great Plains Lending, LLC</i> , 689 F. App'x 608 (10th Cir. 2017)	17
<i>Gen. Battery Corp. v. Globe-Union, Inc.</i> , 100 F.R.D. 258 (D. Del. 1982)	7, 8, 9
<i>Hyatt Chalet Motels, Inc. v. Salem Bldg. & Constr. Trades Council</i> , 298 F. Supp. 699 (D. Or. 1968)	8
<i>Inline Connection Corp. v. Verizon Internet Servs., Inc.</i> , 2016 WL 5532598 (D. Del. Sept. 28, 2016).....	7
<i>Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.</i> , 248 F.3d 1333 (Fed. Cir. 2001).....	6
<i>Keller v. Bass Pro Shops, Inc.</i> , 15 F.3d 122 (8th Cir. 1994)	12-13

TABLE OF AUTHORITIES (cont'd)

	<u>Page(s)</u>
<i>Kinley Corp. v. Ancira</i> , 859 F. Supp. 652 (W.D.N.Y. 1994)	11
<i>Kramer v. Caribbean Mills, Inc.</i> , 394 U.S. 823 (1969).....	19
<i>Luxliner P.L. Exp., Co. v. RDI/Luxliner, Inc.</i> , 13 F.3d 69 (3d Cir. 1993).....	7, 8
<i>Mars, Inc. v. JCM Am. Corp.</i> , 2007 WL 776786 (D.N.J. Mar. 9, 2007).....	8
<i>Maysonet-Robles v. Cabrero</i> , 323 F.3d 43 (1st Cir. 2003).....	15
<i>McSparran v. Weist</i> , 402 F.2d 867 (3d Cir. 1968).....	19-20
<i>Memorylink Corp. v. Motorola Sols., Inc., Motorola Mobility, Inc.</i> , 773 F.3d 1266 (Fed. Cir. 2014).....	12
<i>Michigan v. Bay Mills Indian Community</i> 134 S. Ct. 202 (2014).....	10, 18
<i>Mitutoyo Corp. v. Central Purchasing, LLC</i> , 499 F.3d 1284 (Fed. Cir. 2007).....	9
<i>Oil States Energy Servs. LLC v. Greene’s Energy Grp., LLC</i> , 639 F. App’x 639 (Fed. Cir. 2016), <i>cert. granted</i> , 198 L. Ed. 2d 677 (U.S. Jun. 12, 2017)	14
<i>People ex rel. Owen v. Miami Nation Enterprises</i> , 2 Cal. 5th 222, 236 (2016)	17, 18
<i>Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.</i> , 247 F.Supp.3d 76 (D.D.C. 2017)	7
<i>Pharmachemie B.V. v. Pharmacia S.p.A.</i> , 934 F. Supp. 484 (D. Mass. 1996)	15
<i>Prima Tek II, L.L.C. v. A–Roo Co.</i> , 222 F.3d 1372 (Fed. Cir. 2000).....	5
<i>Roth v. Isomed, Inc.</i> , 746 F. Supp. 316 (S.D.N.Y. 1990)	11-12

TABLE OF AUTHORITIES (cont'd)

	<u>Page(s)</u>
<i>Secured Worldwide LLC v. Kinney</i> , No. 15 CIV. 1761 (CM), 2015 WL 1514738 (S.D.N.Y. Apr. 1, 2015).....	12
<i>Toste Farm Corp. v. Hadbury, Inc.</i> , 70 F.3d 640 (1st Cir. 1995).....	19
<i>United States v. Tucker</i> , 2017 WL 2470836 (S.D.N.Y. June 6, 2017)	16, 17
<i>W.L. Gore & Assocs., Inc. v. C.R. Bard, Inc.</i> , 198 F. Supp. 3d 366 (D. Del. 2016).....	13
<i>Yokeno v. Mafnas</i> , 973 F.2d 803 (9th Cir. 1992)	19
 Statutes	
28 U.S.C. § 1359.....	18, 19, 20
 Other Authorities	
Federal Rule of Civil Procedure 25(c).....	<i>passim</i>
Moore’s Federal Practice (Matthew Bender 3d ed. 1997) (2007)	8, 9

I. INTRODUCTION

Allergan moves under Federal Rule of Civil Procedure 25(c) to join patent owner, Saint Regis Mohawk Tribe (“the Tribe”), as a party to this case. Allergan [REDACTED] [REDACTED] in U.S. Patent Nos. 8,629,111, 8,648,048, 8,685,930, and 9,248,191 (the “patents-in-suit”) to the Tribe on September 8, 2017. (Dkt. 508, Ex. B at § 1.) As of that time, the Tribe became the owner of the patents-in-suit and Allergan became an exclusive licensee, with Allergan no longer holding all of the rights in the patents-in-suit. (Dkt. 508, Ex. C at §§ 2.1, 2.4.) Joining the Tribe will not disrupt this case or otherwise impact the substantive issues the Court is currently deciding. Allergan retains an exclusive field-of-use license to practice the patents-in-suit in the United States for all FDA-approved uses of products under the Restasis® NDAs and thus remains a proper party. (*Id.*) Because joinder will facilitate the conduct of this litigation without undue disruption, Allergan respectfully requests that the Court grant its motion and join the Tribe under Rule 25(c).

Defendants, without evidence or legal support, have repeatedly asserted that the transaction between Allergan and the Tribe was a “sham,” and appear to oppose Allergan’s motion on that basis. But, as detailed below and in Allergan’s October 10 filing, the transfer of the patents-in-suit was a legitimate arm’s-length transaction between Allergan and the Tribe, supported by good and valuable consideration. And, as the Tribe set forth in its briefing to the PTAB, the transaction serves the legitimate economic interests of the Tribe, and will help to fulfill its obligations to its members to provide basic services and support.

While Defendants may not like the outcome of the transaction with respect to the proceedings in the PTAB, that does not render the transaction between the parties a sham. The Tribe is now the legitimate owner of the patents-in-suit and therefore eligible to be joined as a

co-Plaintiff in this case. Allergan respectfully requests that the Tribe be joined to this litigation as a party.

II. FACTUAL BACKGROUND

When Allergan filed this case, it owned the patents-in-suit. (Dkt. 1 at ¶¶ 74, 79, 84, 89, 94; Dkt. 96 at ¶ 96.) On September 8, 2017, Allergan assigned the patents-in-suit to the Tribe. (Dkt. 508, Ex. B.) The assignment agreement lays out the transfer of rights in explicit terms, stating that “for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged,” Allergan, as the Assignor, [REDACTED]

[REDACTED] (Dkt. 508, Ex. B at § 1.) Under the assignment agreement, the Tribe promised that it “will not waive its or any other Tribal Party’s sovereign immunity in relation to any *inter partes* review or any other proceeding in the United States Patent & Trademark Office or any administrative proceeding that may be filed for the purpose of invalidating or rendering unenforceable any Assigned Patents.” (*Id.* at § 12(i).)

The Tribe also granted a license back to Allergan for the patents-in-suit. The license agreement provides Allergan with an exclusive field-of-use license [REDACTED] [REDACTED] (Dkt. 508, Ex. C at § 2.1.)

[REDACTED]. (*Id.* at § 1.33.) The Tribe retained the rights to practice the patents in all other fields of use, [REDACTED]

[REDACTED] (*Id.* at § 2.4.) The Tribe also retained the right to [REDACTED]

[REDACTED]. (See
id. at §§ 1.10, 1.33, 2.1.) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] (*Id.* at § 5.2.2.) [REDACTED]

[REDACTED]. (*Id.*) [REDACTED]

[REDACTED]

[REDACTED]. (*Id.* at § 5.2.3 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. (*Id.*

at § 5.2.5.) [REDACTED]

[REDACTED]. (*Id.* at § 5.2.4.)

Additionally, the Tribe receives quarterly royalties from Allergan of \$3,750,000 for its field-of-use license until the Licensed Patents expire or are rendered invalid by a non-appealable final judgment. (*Id.* at §§ 4.2, 9.1.1.) [REDACTED]

[REDACTED] (*Id.* at § 10.3.) [REDACTED]

[REDACTED] (*Id.* at § 5.1.3.)

On the same day that Allergan and the Tribe entered into the assignment and license agreements, they recorded the assignment with the PTO. (Dkt. 510, Ex. E.) The Tribe informed the PTAB, as required in the agreements (Dkt. 508, Ex. B at § 12(i); Dkt. 508, Ex. C at § 5.3),

that it intended to invoke its tribal sovereign immunity to seek dismissal of the pending *inter partes* review proceedings. After the PTAB delayed the hearing to address the issue of sovereign immunity, the Tribe filed a formal motion to dismiss the IPR proceedings based on its immunity. (Dkt. 510, Ex. L.) That motion remains pending before the PTAB.

As more fully discussed below in Section III.C.1, Allergan's assignment of the patents-in-suit to the Tribe was in furtherance of the Tribe's economic development and diversification and to allow the Tribe to raise much-needed revenue to provide for its members. As set forth in the Tribe's motion before the PTAB, the Tribe has over 15,600 tribal members, 8,000 of whom live on the Tribal reservation in rural upstate New York. (Dkt. 510, Ex. L at 2.) As the Tribe is the sovereign government for its members, it is responsible for performing and providing many government functions, including education, law enforcement, infrastructure, housing services, social services, and health care. (See Ex. 1 (<https://www.srmt-nsn.gov/about-the-tribe>)). While the Tribe has the responsibilities of a sovereign, its ability to raise revenues through taxes is much more limited than other sovereign entities. As a result, "[m]ost Indian reservations are plagued with disproportionately high levels of unemployment and poverty, not to mention a severe lack of employment opportunities." (Ex. 2 at 1; Ex. 3 (Oct. 12, 2017 Ltr. from Saint Regis Mohawk Tribe to Grassley and Feinstein).) As more fully discussed below, in an effort to diversify the ways in which it raises income, the Tribe formed the Tribe's Office of Technology, Research and Patents ("OTRAP"). (See Ex. 4 (https://www.srmt-nsn.gov/uploads/site_files/OTRAP-Website-Blurb.pdf)). Among other things, the purpose of OTRAP is to "contribute to the strengthening of the Tribal economy by encouraging the development of emerging science and technology initiatives and projects and promoting the

modernization of Tribal and other businesses.” (*Id.* at 1.) Assignment and exploitation of patents is one of the methods that the OTRAP will use to serve these purposes.

III. ARGUMENT

A. The Tribe Is the Owner of the Patents-in-Suit

Under the assignment and license agreements, the Tribe is the legitimate owner of the patents-in-suit. The Tribe has therefore become a proper party to this case and should be added. *See Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1377 (Fed. Cir. 2000). Moreover, to the extent that Defendants allege, without proof or explanation, that the transactions between Allergan and the Tribe were a “sham,” the legitimate transfer of ownership and rights rebuts that allegation.

The assignment agreement transferred full ownership of all patents-in-suit to the Tribe. (Dkt. 508, Ex. B at § 1.) In the license agreement, the Tribe granted certain rights to Allergan, particularly an [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. (Dkt. 508, Ex. C. at §§ 2.1, 5.2.2.) But the Tribe retained all rights in the patents outside that specific field, [REDACTED]

[REDACTED]. (*Id.* at §§ 2.4, 5.2.3.)

Under the case law, the Tribe is the proper owner of the patents because Allergan does not have “all substantial rights” under its license. For example, in *A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1217-18 (Fed. Cir. 2010), the Federal Circuit explained that an exclusive field-of-use licensee does not have all substantial rights in a patent. In that case, HQ had an “exclusive license to make, use and sell a significant portion of the field of technology described

and claimed” in the patents in suit, including an “exclusive, worldwide license to manufacture LiFePO₄ and sell LiFePO₄ in bulk quantities for all applications of the technology,” and those rights were exclusive even against the licensor. *Id.* at 1218. The Federal Circuit found that “[t]hese statements unmistakably identify HQ’s license as less than a complete grant of rights under the patents, even if an exclusive grant of certain rights. HQ states that it received an exclusive license to a *significant portion* of the field of technology, not *all* fields of technology described and claimed in the patents.” *Id.* (emphasis in original). Similarly, while Allergan received significant, exclusive rights under the patents-in-suit [REDACTED], the Tribe retains all rights outside that grant, including, among other things, the right to practice the inventions in other fields, [REDACTED], and the right to quarterly royalty payments. (*See supra* Section II.)

B. It Is Proper to Join the Tribe as a Plaintiff Under Fed. R. Civ. P. 25(c)

Because the Tribe is the now the owner of the patents-in-suit, the Federal Rules permit them to be joined as a party in this case.¹ And because the Tribe now owns the patents-in-suit, joinder will ensure that the Tribe’s interests are represented. Because Allergan, as an exclusive licensee, remains a proper party to the case and the joinder will not otherwise impact the substantive issues in the litigation, Defendants will suffer no prejudice as a result of the joinder.

Generally, a “patent owner should be joined, either voluntarily or involuntarily, in any patent infringement suit brought by an exclusive licensee having fewer than all substantial patent rights.” *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1347 (Fed. Cir. 2001). Rule 25(c) provides that “[i]f an interest is transferred, the action may be continued

¹ Allergan has consulted with counsel for the Tribe, and the Tribe consents to joinder in this case in accordance with Allergan’s motion.

by or against the original party, unless the court, on motion, orders the transferee to be substituted in the action or joined with the original party.” Fed. R. Civ. P. 25(c); *Affinion Loyalty Grp., Inc. v. Maritz, Inc.*, 2006 WL 1431065, at n.3 (D. Del. May 22, 2006); *see also Gen. Battery Corp. v. Globe-Union, Inc.*, 100 F.R.D. 258, 261 (D. Del. 1982). “Rather than require the assignee to initiate a new action, the rule enables the court to continue the action with the assignee joined with or in the place of the original party.” *Gen. Battery*, 100 F.R.D. at 262-63.

Rule 25(c) allows for the orderly continuation of pending cases when rights are transferred. *Id.* Indeed, the “joinder or substitution under Rule 25(c) does not ordinarily alter the substantive rights of parties but is merely a procedural device designed to facilitate the conduct of a case.” *Inline Connection Corp. v. Verizon Internet Servs., Inc.*, 2016 WL 5532598, at *3 (D. Del. Sept. 28, 2016) (quoting *Luxliner P.L. Exp., Co. v. RDI/Luxliner, Inc.*, 13 F.3d 69, 71 (3d Cir. 1993)). And here, under the terms of the license agreement, joinder of the Tribe will alter no substantive rights because the Tribe has agreed not to assert sovereign immunity and has agreed to cooperate in the conduct of the litigation. (Dkt. 508, Ex. C at § 5.2.2.)

Courts have expressly recognized that Rule 25(c) may be invoked at any time during the pendency of an action because there is no time limit on a party seeking substitution or joinder. *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 247 F.Supp.3d 76, 87 (D.D.C. 2017); *see also Inline Connection Corp.*, 2016 WL 5532598, at *4. As such, a Rule 25(c) motion may be granted at any time, even when patents are assigned after trial. *See Inline Connection Corp.*, 2016 WL 5532598, at *4 (joining successor in interest to patents-in-suit after trial under Rule 25(c)).

While granting a motion under Rule 25(c) is discretionary, where an interest in the patents-in-suit has been transferred, a motion to join should be granted when the “transferee’s

presence would facilitate the conduct of the litigation.” *Luxliner P.L. Exp.*, 3 F.3d at 72; *see also Mars, Inc. v. JCM Am. Corp.*, 2007 WL 776786, *1 (D.N.J. Mar. 9, 2007) (“Since joinder or substitution under Rule 25(c) is a procedural device that does not typically alter the substantive rights of a party, a Rule 25(c) decision is generally left to the court’s discretion.”). That is the case here.

The Tribe owns the right, title and interest in the patents-in-suit, [REDACTED]

[REDACTED]. (Dkt. 508, Ex. C at §§ 5.2.2, 5.2.3.) Joining the Tribe will adjudicate the rights and obligations of the Tribe, not just Allergan. *See Gen. Battery*, 100 F.R.D. at 263. Moreover, it will facilitate the management of the remainder of the litigation, and will ensure that the Tribe is bound to the outcome and can participate in the remainder of the litigation, including any appeals. Indeed, under the license between Allergan and the Tribe, [REDACTED], all of which will be easier to do if the Tribe is a party in this case and in any appeal and is able to see all materials, even those filed under seal. (Dkt. 508, Ex. C at § 5.2.4.) [REDACTED] (*Id.*)

There is also no persuasive reason not to join the Tribe. Joinder should be denied only where there is “good reason for not allowing the suit to proceed in the name of the original party and the real party in interest.” *Hyatt Chalet Motels, Inc. v. Salem Bldg. & Constr. Trades Council*, 298 F. Supp. 699, 704 (D. Or. 1968); *see also* Moore’s Federal Practice, § 25.34 (Matthew Bender 3d ed. 1997) (2007). Neither reason applies here.

For the reasons described below, the transaction between Allergan and the Tribe was not a “sham,” as best that term can be understood without explanation from Defendants. And

because the Tribe granted an exclusive license back to Allergan in the field-of-use covering Restasis®, Allergan retains standing and remains in this litigation as a proper co-plaintiff and co-counter-defendant. *See Mitutoyo Corp. v. Central Purchasing, LLC*, 499 F.3d 1284, 1291 (Fed. Cir. 2007) (“In order for a licensee to have co-plaintiff standing, it must hold at least some of the proprietary rights under the patent.”); *see also* Moore’s Federal Practice, § 25.34 n.10 (Matthew Bender 3d ed. 1997) (2007). Allergan will thus properly remain as a co-plaintiff, and there will be no substantive effect on the litigation. Thus, the Defendants will not be prejudiced by the joinder of the Tribe. *See Gen. Battery*, 100 F.R.D. at 263 (stating that because the “allegations in the counterclaim and the relief sought are identical,” and the assignee is placed in the “identical position” of the original party, the opposing party “will not be prejudiced in any way by the joinder”).

C. The Transaction Between Allergan and The Tribe Was Not a Sham

1. The Transfer of the Patents-in-Suit Provides Significant and Much-Needed Benefit to the Tribe

As the Tribe has stated in its Motion to Dismiss before the PTAB, it is a sovereign entity that provides essential government functions to its over 15,600 members, such as education, law enforcement, infrastructure, housing services, social services, and health care. (*See* Dkt. 510, Ex. L at 2; *see also* Ex. 1 (<https://www.srmt-nsn.gov/about-the-tribe>)). The transaction with Allergan gives the Tribe resources that will directly and significantly impact the lives of its members by providing not only for basic needs, but for a platform that will promote continued and expanded education of the Mohawk people. (Dkt. 510, Ex. L at 5-6.)

As discussed in the Tribe’s Motion to Dismiss before the PTAB, the Tribe’s ability to raise revenues through taxes is much more limited than other sovereign entities. The National

Congress of American Indians has elaborated on this inability and the significant negative consequences to Native American communities:

In general, tribal governments lack parity with states, local governments, and the federal government in exercising taxing authority. For example, tribes are unable to levy property taxes because of the trust status of their land, and they generally do not levy income taxes on tribal members. Most Indian reservations are plagued with disproportionately high levels of unemployment and poverty, not to mention a severe lack of employment opportunities. As a result, tribes are unable to establish a strong tax base structured around the property taxes and income taxes typically found at the local state government level. To the degree that they are able, tribes use sales and excise taxes, but these do not generate enough revenue to support tribal government functions.

(Ex. 2 at 1.) Justice Sotomayor echoed this sentiment, and the Federal Government's important role in facilitating self-sufficiency of Native American Tribes, in her concurring opinion in *Michigan v. Bay Mills Indian Community*:

A key goal of the Federal Government is to render Tribes more self-sufficient, and better positioned to fund their own sovereign functions, rather than relying on federal funding. And tribal business operations are critical to the goals of tribal self-sufficiency because such enterprises in some cases may be the only means by which a tribe can raise revenues. This is due in large part to the insuperable (and often state-imposed) barriers Tribes face in raising revenue through more traditional means.

134 S. Ct. 2024, 2043–44 (2014) (Sotomayor, J., concurring) (internal citations and quotation marks omitted).

To overcome such disparities, the Tribe explained to the PTAB that it has taken steps to diversify its income, including by fostering relationships with innovator companies, like Allergan. (Dkt. 510, Ex. L at 5-6.) Looking to a business model that has already been utilized by state universities and their technology transfer offices, many of which hold and acquire numerous patents, including Orange Book-listed patents, the Tribe adopted a Tribal Resolution endorsing the creation of the Tribe's Office of Technology, Research and Patents ("OTRAP") for the commercialization of existing and emerging technologies. (Ex. 4 ([10](https://www.srmt-</p></div><div data-bbox=)

nsn.gov/uploads/site_files/OTRAP-Website-Blurb.pdf) at 1; Ex. 3 (Oct. 12, 2017 Ltr. from Saint Regis Mohawk Tribe to Grassley and Feinstein) at 3-4, 5-6.) OTRAP operates to “manage the acquisition of intellectual property from third parties,” and “maintain and license the acquired legally protected intellectual property.” (Ex. 4.) All revenue generated by OTRAP, including the revenue generated by the transfer from Allergan, goes into the Tribal General Fund and will be used to address the chronically unmet needs of the Tribal community, such as housing, employment, education, healthcare, cultural and the preservation of Mohawk cultural traditions. (*Id.* at 2.)

2. The Assignment Was Supported by Good and Valuable Consideration

As set forth in Allergan’s October 10, 2017 filing, Allergan’s assignment to the Tribe was supported by consideration—in particular, the promise of the Tribe to assert sovereign immunity before the PTAB, and its actual assertion of immunity in that proceeding, as well as the Tribe’s promise *not* to assert immunity before this Court, but instead to cooperate in the litigation. (*See* Dkt. 508, Ex. B at § 12(i); Dkt. 508, Ex. C at §§ 5.2, 5.3, 7.2.12; Dkt. 510, Ex. L.) These promises related to the assertion and non-assertion of immunity are of critical and unique importance to the Tribe and, as set forth in detail in Section III.C.1, may have a substantial effect on the Tribe’s economic development activities.

That the consideration from the Tribe is not in monetary form is of no moment—the Tribe’s promises and commitments, and its subsequent performance, serves as consideration under the law, including under New York law, which governs the agreements. *See Kinley Corp. v. Ancira*, 859 F. Supp. 652, 657 (W.D.N.Y. 1994) (“A benefit to a promisor or a detriment to a promisee is sufficient consideration for a contract ... It is enough that something is promised, done, forborne, or suffered by the party to whom the promise is made as consideration for the promise made to him.”) (citation omitted); *Roth v. Isomed, Inc.*, 746 F. Supp. 316, 319 (S.D.N.Y.

1990) (“Consideration, which can take the form of either promise or performance, can be either a bargained for gain or advantage to the promisee or a bargained for legal detriment or disadvantage to the promisor.”); *Bank of Bermuda, Ltd. v. Rosenbloom*, 76 Civ. 1830 (GLG), 1976 U.S. Dist. LEXIS 11648, at *8 (S.D.N.Y. Dec. 28, 1976) (“It is hornbook law that in the absence of fraud any benefit conferred upon a promisor in exchange for his promise is sufficient to constitute a valid consideration and the court will not look to the sufficiency or the insufficiency of such benefit conferred.”). Moreover, the assignment agreement itself expressly acknowledges the existence and adequacy of the consideration received by Allergan (Dkt. 508, Ex. B at § 1), which confirms that such consideration existed. *See Memorylink Corp. v. Motorola Sols., Inc., Motorola Mobility, Inc.*, 773 F.3d 1266, 1271 (Fed. Cir. 2014) (“We agree with Motorola that there is no genuine issue of material fact that consideration existed, because the Assignment explicitly acknowledges consideration for the sale, assignment, and transfer of rights relating to the wireless video technology.”).

Moreover, the adequacy of the consideration is generally an issue for the contracting parties to determine, and, where both Allergan and the Tribe are satisfied with the consideration received for the assignment and license agreements, the Court should be hesitant to question its adequacy. *See Secured Worldwide LLC v. Kinney*, No. 15 CIV. 1761 (CM), 2015 WL 1514738, at *21 (S.D.N.Y. Apr. 1, 2015) (explaining that, under New York law, “the issue of inadequacy of consideration is for the parties to resolve upon entering into the contract” and “the court still will not inquire into the adequacy of consideration”) (internal citations omitted). Indeed, even if *no* consideration had changed hands, that does not make the assignment agreement a “sham.” No consideration is necessary to make a written, signed patent assignment valid. *See Keller v. Bass Pro Shops, Inc.*, 15 F.3d 122, 125 (8th Cir. 1994) (“[A]n effective voluntary assignment of

a patent need not be supported by consideration.”); *W.L. Gore & Assocs., Inc. v. C.R. Bard, Inc.*, 198 F. Supp. 3d 366, 377–78 (D. Del. 2016) (“[C]onsideration on the part of assignees is not required for gratuitous assignments.”); *El Paso Healthcare Sys. v. Molina Healthcare of New Mexico, Inc.*, 683 F. Supp. 2d 454, 459 (W.D. Tex. 2010) (“First, as a matter of hornbook law, contractual rights may be assigned gratuitously—such an assignment is not void for lack of consideration, and the assignee has standing to sue to enforce or protect those gratuitously obtained rights.”). Though, as set forth above, the assignment here was supported by good and valuable consideration, but even if it had not been, it would still be valid and enforceable.

Thus, the assignment and license agreements are not a “sham.”

3. There Is No Support for Defendants’ Assertion that the Transaction Between Allergan and the Tribe Was a Sham

a. The Tribe’s Assertion of Sovereign Immunity in the PTAB Does Not Make This a Sham Transaction

Allergan’s transaction with the Tribe does not prevent the adjudication of the patents-in-suit. To the contrary, the license agreement that the Tribe entered into with Allergan specifically states that “[w]ith regard to the E.D. Texas Litigations, Licensor (i) consents to join as a party and (ii) shall not assert its sovereign immunity as to any claim, counter-claim or affirmative defense in the E.D. Texas Litigations.” (Dkt. 508, Ex. C at § 5.2.2.) Far from preventing the adjudication of the validity of the patents-in-suit, the transaction between Allergan and the Tribe specifically contemplates that this Court will make such an adjudication.

While the Tribe has indeed asserted its sovereign immunity in the ongoing IPR proceedings (*see* Dkt. 510, Ex. L; Dkt. 508, Ex. C at § 5.3), that fact should be given little or no weight in the present analysis. This is a Hatch-Waxman case, being litigated under a statutory system that strikes a careful balance between the rights of innovator companies who develop new and important medications and generic companies who wish to sell cheaper copies of those

medications. Congress did not provide for IPR review so Defendants in Hatch-Waxman patent litigations could be afforded a second chance at pursuing the same invalidity arguments they pursued during a complete trial in an Article III court, but on a far less complete record and with different legal standards. (*See* Ex. 5 (Oct. 12, 2017 Ltr. from Biotechnology Innovation Organization to Sens. Grassley and Feinstein) at n.3 (“Statement of Senator Charles Schumer (D-NY): ‘When we passed the AIA and set up the IPR process, no one anticipated it would be used as an end run around Hatch-Waxman ... That pattern is troubling to me and many other sponsors and I see a strong justification for work to preserve the incentive structure as it existed for decades.’”) (quoting Transcript of Executive Business Meeting, Senate Judiciary Committee, June 4, 2015); *id.* (“Statement of Senator John Cornyn (R-TX): ‘When we passed the America Invents Act, no one anticipated that IPR would impact [Hatch Waxman] in the way that it has and it is important we preserve incentives both for generics to come to market and to encourage future investments in developing new treatments for patients.’).) The use of IPRs in the Hatch-Waxman context unfairly penalizes pharmaceutical companies who rely on the balance of the Hatch-Waxman Act, thereby discouraging innovation. (*See* Ex. 5.)

The general propriety of IPR proceedings is an issue currently pending before the Supreme Court, which granted certiorari to answer the question of “[w]hether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury,” and will hear oral argument on the issue in November. *Oil States Energy Servs. LLC v. Greene’s Energy Grp., LLC*, 639 F. App’x 639 (Fed. Cir. 2016), *cert. granted*, 198 L. Ed. 2d 677 (U.S. Jun. 12, 2017) (No. 16-712); (*see also* Ex. 6, Statement of Judge Paul Michel Before the Subcommittee on Courts, Intellectual Property,

and the Internet, Committee on the Judiciary, July 13, 2017); Ex. 7 (Supplemental Statement of Judge Paul Michel Before the Subcommittee on Courts, Intellectual Property, and the Internet, Committee on the Judiciary, Sept. 12, 2017).

The Tribe's assertion of sovereign immunity and motion to dismiss in the IPR proceedings does not make the transaction between Allergan and the Tribe a sham. In *Maysonet-Robles v. Cabrero*, 323 F.3d 43, 47-50 (1st Cir. 2003), an entity controlled by Puerto Rico was involved in litigation, and, during the pendency of that case, transferred the assets in dispute to a different entity cloaked in Puerto Rico's sovereignty to allow for the assertion of sovereign immunity. The First Circuit affirmed the district court's dismissal on the basis of sovereign immunity, rejecting the Plaintiff's argument as to the timing of the transfer because "Department is an arm of the State, regardless of its late arrival at the courthouse as a successor in interest, and it must be accorded the same respect due a State under the Eleventh Amendment." *Id.* at 50. Thus, rather than finding a "sham," the Court affirmed the sovereign entity's action to assert immunity and achieve dismissal of claims.

Similarly, in *Pharmachemie B.V. v. Pharmacia S.p.A.*, 934 F. Supp. 484 (D. Mass. 1996), the District of Massachusetts addressed the issue of whether an assignment of patents to avoid jurisdiction was a sham. While the Court found that the timing of the assignment, made just weeks after the initiation of the lawsuit, was "no mere coincidence," the Court further found that it nonetheless lacked jurisdiction, saying "this Court cannot disregard the fact that the assignment of title to the patents divests this Court of declaratory judgment jurisdiction regardless of the motive behind the assignment." *Id.* at 489. Here, Allergan's assignment to the Tribe is similarly valid. And unlike in *Pharmachemie*, Defendants here already had a full and fair opportunity to challenge the validity of the patents-in-suit before this Court, and the Court will adjudicate those

patents based on the record developed at trial. It is no “sham” that Defendants may not have a second bite at challenging these same patents in a different forum under different rules.

b. Tribal Lending Cases Are Inapplicable and Do Not Establish that the Transaction Was a Sham

As Allergan explained in its October 9, 2017 filing in response to Defendants’ demands for discovery related to the assignment and license transactions (Dkt. 510), Defendants have, to this point, failed to lay out any argument for their repeated allegations that the transactions are a “sham.” The closest Defendants have come to articulating a theory as to why the transaction between Allergan and the Tribe was supposedly a sham came during a hearing with the PTAB, where counsel for Mylan generally referred to cases related to the invocation of sovereign immunity by Indian tribe-affiliated entities in the lending fraud context. (Ex. 8 (IPR 2016-01127, Tr. of Sept. 11, 2017 Telephonic Hearing) at 23.) Mylan’s counsel, however, failed to explain how those cases are applicable in the context of this case, and for good reason—they are not.

Tribal lending fraud cases fall into two general categories. In the first, individuals have entered into transactions with a tribe in order to invoke sovereign immunity to shield otherwise illegal conduct. One example of such a case is *United States v. Tucker*, 2017 WL 2470836, at *1 (S.D.N.Y. June 6, 2017), where the court applied the crime-fraud exception to attorney-client privilege where an individual (Scott Tucker) had been charged with “enter[ing] into sham relationships with the Indian tribes in order to invoke tribal immunity and continue lending practices that would otherwise be unlawful.” In *Tucker*, the defendant, a payday lender, had repeatedly issued loans with interest rates exceeding state usury limits. *Id.* at *2. In an attempt to shield these illegal practices from usury laws, he was accused of setting up sham business relationships with Indian tribes, falsely suggesting that the Tribe had ownership and control of

the businesses, in order to invoke tribal immunity. *Id.* *Tucker* and similar cases bear no relationship to this case because there is no allegation of fraudulent, criminal activity and because the Tribe *is*, in fact the owner of the patents-in-suit here.

The second category of cases have considered whether a lending entity affiliated with but distinct from the Tribe itself can claim tribal immunity as an “arm of the tribe.” Courts in those cases generally apply the following factors, or something very similar, when making that determination: (1) the method of the entity’s creation; (2) the entity’s purpose; (3) the entity’s structure, ownership, and management, including the amount of control the Tribe has; (4) whether the Tribe intended for the entity to have tribal immunity; (5) the financial relationship between the Tribe and the entity; and (6) whether the purposes of tribal immunity are served by granting immunity to the entity. *See Finn v. Great Plains Lending, LLC*, 689 F. App’x 608, 610 (10th Cir. 2017); *see also United States ex rel. Cain v. Salish Kootenai Coll., Inc.*, 862 F.3d 939, 944-945 (9th Cir. 2017). The California Supreme Court has explained that the “arm of the tribe” analysis must account for “both formal and functional considerations—in other words, not only the legal or organizational relationship between the tribe and the entity, but also the practical operation of the entity in relation to the tribe.” *People ex rel. Owen v. Miami Nation Enterprises*, 2 Cal. 5th 222, 236 (2016).

But those cases also bear no relevance here. As an initial matter, they deal only with the issue of sovereign immunity, which, as the terms of the license between Allergan and the Tribe make plain, is not an issue before this Court. (Dkt. 508, Ex. C at § 5.2.2.) Moreover, the law set forth in these cases would not affect the Tribe’s assertion of immunity before the PTAB in any event. Unlike in the lending cases discussed above, the Tribe itself is the owner of the patents-in-suit and the relevant party here—not a newly-created entity affiliated with the Tribe. The

“arm of the tribe” analysis is therefore irrelevant because the Tribe *itself* is asserting immunity before the PTAB. Importantly, the California Supreme Court has recognized that the analysis would be different in that situation, implicitly acknowledging that even sham transactions between the tribal entities and private parties would not be a reason to deny immunity to a tribe, as opposed to a tribal-affiliated entity. *See Miami Nation*, 2 Cal. 5th at 233, 236 (noting that “the Miami Tribe of Oklahoma and Santee Sioux Nation are themselves immune from suit,” and framing issue as “how to determine whether a tribally affiliated entity shares in a tribe’s immunity from suit”). That conclusion is consistent with the Supreme Court’s decision in *Bay Mills*, which upheld immunity for tribes engaged in commercial activities even after the dissent raised concerns about non-tribal companies deliberately partnering with tribes to avoid liability in the payday lending context. 134 S. Ct. at 2028; *id.* at 2052 (Scalia, J. dissenting). Moreover, unlike the “arm of the tribe” lending cases, which generally involve two affiliated entities, the Tribe and Allergan are entirely independent parties with no prior relationship.

c. The Assignment Is Not a Collusive Assignment Under 28 U.S.C. § 1359

Although Allergan does not know what other theories of “sham” assignment Defendants may raise, Allergan is aware of none that would actually support Defendants’ sham allegations. One category of cases that Defendants may raise relates to allegations of collusive assignments under 28 U.S.C. § 1359, a federal jurisdictional statute providing that “[a] district court shall not have jurisdiction of a civil action in which any party, *by assignment or otherwise*, has been improperly or collusively made or joined *to invoke the jurisdiction* of such court.” (emphasis added). By its plain terms, this statute does not apply to the transaction between Allergan and the Tribe. There is no question about this Court’s jurisdiction (*see* Dkt. 508, Ex. C at § 5.2.2), only about the jurisdiction of the PTAB, an administrative tribunal, not a district court as the

statute requires. Furthermore, the statute by its terms applies to efforts to “*invoke* the jurisdiction” of a federal district court. 28 U.S.C. § 1359 (emphasis added). The purpose of the statute is to “prevent the *manufacture* of Federal jurisdiction by the device of assignment.” *Kramer v. Caribbean Mills, Inc.*, 394 U.S. 823, 826 (1969) (emphasis added). The Supreme Court has articulated the policy behind the statute as follows: “If federal jurisdiction could be created by assignments of this kind, which are easy to arrange and involve few disadvantages for the assignor, then a vast quantity of ordinary contract and tort litigation could be channeled into the federal courts at the will of one of the parties.” *Id.* at 828-829. Here, there is no question that jurisdiction in this Court is proper regardless of the assignment.

Section 1359 has most often been applied to prevent assignment from a non-diverse to a diverse party for purposes of creating diversity jurisdiction. *See, e.g., Toste Farm Corp. v. Hadbury, Inc.*, 70 F.3d 640, 643 (1st Cir. 1995) (“Commentators and courts have construed improper or collusive as conferring jurisdiction not justified by aims of diversity.”) (internal citations and quotation marks omitted); *Airlines Reporting Co. v. S and N Travel*, 58 F.3d 857, 862 (2d Cir. 1995) (“[W]e construe section 1359 broadly to bar any agreement whose primary aim is to concoct federal diversity jurisdiction”) (internal citations and quotation marks omitted); *Amoco Rocmount Co. v. Anschutz Corp.*, 7 F.3d 909, 916 (10th Cir. 1993) (explaining that statute is “aimed at preventing parties from manufacturing diversity jurisdiction”); *Yokeno v. Mafnas*, 973 F.2d 803, 809 (9th Cir. 1992). In contrast, some courts have held that assignments made to *defeat* jurisdiction do not run afoul of § 1359. *See, e.g., Betar v. De Havilland Aircraft of Canada, Ltd.*, 603 F.2d 30, 33 (7th Cir. 1979) (“Devices to create federal jurisdiction have historically been limited by statute; devices to defeat jurisdiction have not.”); *McSparran v.*

Weist, 402 F.2d 867, 875 (3d Cir. 1968) (“Section 1359, as its language clearly shows, expresses a policy against the creation of federal jurisdiction and not against its avoidance.”).

Even if the statute could be applied to assignments to divest a court (or agency) of jurisdiction, *see, e.g., Attorneys Tr. v. Videotape Computer Prods., Inc.*, 93 F.3d 593, 598 (9th Cir. 1996), the facts of this case demonstrate that the assignment here was not collusive. The Tribe is a sovereign entity with a legitimate reason for the transaction—promoting economic self-sufficiency. The Tribe is also represented by its own counsel and had no prior business affiliation with Allergan—this was an arm’s length transaction between independent parties. But most importantly, the Tribe ultimately received full ownership of the patents and therefore has a real, concrete interest in the stake of the IPR proceedings. The Court in *Attorneys Trust* suggested that a “collusive” assignment as one in which “the assignee was not truly a real party in interest,” but rather a “strawman” with “no real interest in the outcome of the case.” 93 F.3d at 598. As set forth above in Sections II and III.A, there is no question that, under the terms of the assignment and license, the Tribe’s royalty stream from Allergan depends on the validity of the patents, and thus the Tribe has a real, economic stake in the outcome of this case. This defeats any suggestion of collusive assignment.

IV. CONCLUSION

For the reasons set forth above, the agreements between Allergan and the Tribe are legitimate arm’s-length business agreements that transfer ownership, and they are not a sham. The Tribe is a proper party to this case, and the Court should grant Allergan’s motion to join the Tribe as a co-plaintiff under Federal Rule of Civil Procedure 25(c).

Dated: October 13, 2017

Respectfully submitted,

FISH & RICHARDSON P.C.

By: /s/ Susan E. Morrison

Jonathan E. Singer (CA Bar No. 187908)
LEAD ATTORNEY
singer@fr.com
Juanita R. Brooks (CA Bar No. 75934)
brooks@fr.com
12390 El Camino Real
San Diego, CA 92130
Telephone: 858-678-5070
Facsimile: 858-678-5099

Michael J. Kane (MN Bar No. 0247625)
kane@fr.com
Deanna J. Reichel (MN Bar No. 0326513)
reichel@fr.com
Joseph A. Herriges (MN Bar No. 390350)
herriges@fr.com
60 South Sixth Street, #3200
Minneapolis, MN 55402
Telephone: (612) 335-5070
Facsimile: (612) 288-9696

Douglas E. McCann (DE Bar No. 3852)
dmccann@fr.com
Susan Morrison (DE Bar No. 4690)
morrison@fr.com
Robert M. Oakes (DE Bar No. 5217)
oakes@fr.com
222 Delaware Avenue, 17th Floor
Wilmington, DE 19801
Telephone: (302) 652-5070
Facsimile: (302) 652-0607

J. Wesley Samples (OR Bar No. 121784)
samples@fr.com
901 15th Street, N.W., 7th Floor
Washington, D.C. 20005
Telephone: (202) 783-5070
Facsimile: (202) 783-2331

T. John Ward, Jr.
State Bar No. 00794818
E-mail: jw@wsfirm.com
Wesley Hill
State Bar No. 24032294
E-mail: wh@wsfirm.com
Claire Abernathy Henry

State Bar No. 24053063
E-mail: claire@wsfirm.com
Andrea L. Fair
State Bar No. 24078488
E-mail: andrea@wsfirm.com
WARD, SMITH & HILL, PLLC
1507 Bill Owens Parkway
Longview, Texas 75604
Telephone: (903) 757-6400
Facsimile: (903) 757-2323

COUNSEL FOR PLAINTIFF
ALLERGAN, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served on all counsel of record by email this 13th day of October, 2017.

/s/ Susan E. Morrison

Susan E. Morrison

CERTIFICATE OF AUTHORIZATION TO FILE UNDER SEAL

This is to certify that the above document should be filed under seal because they contain material designated by the parties as confidential pursuant to the Protective Order entered in this case (Dkt. 86).

/s/ Susan E. Morrison

Susan E. Morrison