

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE PATENT TRIAL AND APPEAL BOARD

---

COALITION FOR AFFORDABLE DRUGS II LLC  
Petitioner

v.

NPS PHARMACEUTICALS, INC.  
Patent Owner

---

Case No. IPR2015-00990 and IPR2015-01093

Patent No. 7,056,886

**DECLARATION OF PROFESSOR MARC I. STEINBERG**

I, Marc I. Steinberg, hereby declare as follows:

**I. INTRODUCTION**

(A) I am over the age of eighteen years and otherwise am competent to make this Declaration.

(B) I have been retained as an expert witness by Merchant & Gould P.C., on behalf of the Coalition for Affordable Drugs II LLC ("Petitioner"), for the above-captioned *inter partes* review ("IPR").

(C) I am being compensated for my time in connection with this IPR at my customary rate of \$750 per hour, with a minimum fee of \$10,000. My compensation

Page Two (Declaration of Marc I. Steinberg)

is not contingent upon my reaching any particular findings or conclusions, or on any particular outcome in this matter.

(D) I understand this Declaration is being submitted in support of Petitioner's Brief In Response To The Board's Request for Additional Briefing Pursuant to 37 U.S.C. Sec. 42.20(D).

(E) In preparing this Declaration and formulating my opinions, I have relied upon my knowledge, education, research and experience, as reflected by my qualifications and credentials described below in Section II of this Declaration and as set forth in my *curriculum vitae* which is attached to this Declaration in Annex A.

(F) In preparing this Declaration and formulating my opinions, I have reviewed and considered the documents set forth in Annex B of this Declaration. This list was prepared by the law firm of Merchant & Gould P.C.

## II. BACKGROUND

(A) I am the Rupert and Lillian Radford Professor of Law at the Southern Methodist University (SMU) Dedman School of Law. I am the Director of the SMU Law School's Corporate Directors' Institute, the Director of the Law School's Corporate Extern Program, the faculty adviser to the SMU Corporate Counsel Symposium, and the former Senior Associate Dean for Academics and for Research at the SMU Law School. The courses I have taught since I entered full-time teaching in 1982 include Securities Regulation, Securities Litigation and Enforcement, and Business Enterprises.

Page Three (Declaration of Marc I. Steinberg)

(B) Prior to becoming a full-time academician in 1982, I was an attorney at the U.S. Securities and Exchange Commission (SEC), including serving as an attorney in the SEC's Division of Enforcement and as special projects counsel to the SEC's General Counsel.

(C) From 1986 to the present, I have served as a consultant to law firms and as an expert witness in scores of matters involving the securities laws, including with respect to custom and practice in this area.

(D) I received my undergraduate degree at the University of Michigan, my law degree (J.D.) from the University of California, Los Angeles (UCLA), and my masters of law degree (LL.M.) from Yale University. I am a member of the California, District of Columbia (inactive), Maryland, and Texas Bars. I also am a life member of The American Law Institute (ALI).

(E) I have authored over 125 law journal articles as well as approximately 28 books. For example, books of mine that address issues raised in this Matter include: "Securities Regulation" (6<sup>th</sup> edition 2013); "Understanding Securities Law" (6<sup>th</sup> edition 2014); "Securities Regulation: Liabilities and Remedies" (2014) (first published 1984); "Securities Practice: Federal and State Enforcement" (2d edition 2001) (and annual supplement) (coauthored); "Corporate Internal Affairs: A Corporate and Securities Law Perspective" (1983). I also have authored a number of law journal articles that analyze issues related to this Matter.

(F) I have lectured outside of the United States on securities law issues,

Page Four (Declaration of Marc I. Steinberg)

including for example, presenting at law schools and/or the practicing bar in Argentina, Australia, Canada, China, England, Finland, Germany, Israel, Italy, Japan, Russia, South Africa, and Sweden.

(G) I am the editor-in-chief of The Securities Regulation Law Journal, am the co-editor-in-chief of The International Lawyer, and serve on the advisory board of The Journal of Corporation Law.

### **III. OPINIONS RENDERED**

In this Matter, NPS Pharmaceuticals, Inc. (Patent Owner) contends that Petitioner has engaged in stock manipulation in violation of Section 10(b) of The Securities Exchange Act of 1934 and SEC Rule 10b-5 promulgated thereunder. See, e.g., Patent Owner's Brief in Response to the Board's Request for Additional Briefing Pursuant to 37 C.F.R. Sec. 42.20(d), at page 6 (hereinafter referred to as Patent Owner's Brief). This contention is erroneous.

(A) Patent Owner alleges in this Matter that Petitioner has engaged in stock manipulation in violation of Section 10(b) of the Securities Exchange Act and SEC Rule 10b-5 promulgated thereunder. The law is clear that the federal district courts "shall have exclusive jurisdiction of violations of [the Securities Exchange Act] or the rules and regulations thereunder ...." Section 27(a) of the Securities Exchange Act. Insofar as I am aware, the only exception to this principle is when the litigating

parties enter into an enforceable arbitration agreement. See *Shearson/American Express, Inc. v. McMahon*, 482 U.S. 220 (1987) (holding, *inter alia*, that pre-dispute arbitration agreements between brokerage firms and their customers permissible under the Securities Exchange Act).

(B) Patent Owner contends in this Matter that Petitioner violated Section 10(b) of the Securities Exchange Act and SEC Rule 10b-5 thereunder. Clearly, in an action for damages for violations of these provisions, a plaintiff must be a purchaser or seller of the subject securities in connection with the alleged misconduct. See *Blue Chip Stamps v. Manor Drug Stores*, 421 U.S. 723 (1975). A number of courts have extended this purchaser-seller standing requirement to suits seeking injunctive relief. See *Cowin v. Bresler*, 741 F.2d 410 (D.C. Cir. 1984). In this Matter, I have seen no materials that indicate that Patent Owner was a purchaser or seller of the subject securities in connection with Petitioner's alleged misconduct.

(C) In this Matter, Patent Owner contends that, by engaging in stock manipulation, Petitioner has engaged in fraud. In order to state such a claim in an action brought in federal court for alleged violation of Section 10(b) and Rule 10b-5, a complainant must not only plead fraud with particularity under Rule 9(b) of the Federal Rules of Civil Procedure but also must satisfy the more stringent pleading requirements set forth in Section 21D(b) of the Securities Exchange Act. Enacted pursuant to the Private Securities Litigation Reform Act of 1995 (PSLRA), this statute requires, *inter alia*, that plaintiffs must "state with particularity facts

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.