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March 9, 2016

Via Email (headley@fr.com)

Michael Headley
500 Arguello Street, Suite 500
Redwood City, CA 94063

Re: *Inter Partes* Review of Power Integrations' U.S. Patent No. 6,212,079

Dear Mr. Headley:

I am writing to follow-up on our telephonic discussion on March 3, 2016, and your letter dated March 7, 2016. As previously disclosed, Silver Star Capital, LLC ("Silver Star") is a privately held venture with various long/short positions in the securities of an assortment of global semiconductor technology enterprises. In support of its investment interests, Silver Star retained external patent counsel as well as expert witnesses with extensive experience in switched mode power supply design to investigate the validity of U.S. Patent No. 6,212,079 ("the '079 Patent"). Based on that exhaustive due diligence, Silver Star developed the view that specific claims of the '079 Patent are invalid based on anticipation and obviousness arguments substantiated with prior art references.

Silver Star was already aware, as stated in your March 3, 2016 letter, that prior challenges of the '079 Patent have not invalidated these specific claims at issue. You overlook, however, that Silver Star's draft IPR uses both prior art and legal arguments that have not been reviewed in any district court litigation or in the reexamination proceeding that allowed the back-door creation of these specific claims at issue. Furthermore, the '079 Patent's validity was sustained based purely on a jury verdict that Fairchild did not prove invalidity by clear and convincing evidence considering a single 102 ground. As you are likely aware, the burden of proof at the PTAB Trial is significantly reduced to a preponderance of the evidence and even lower, reasonable likelihood of success, for IPR institution. Your suggestion that Silver Star's business strategy is therefore an improper "scheme" to "game" the patent system is incomprehensible.

During the telephonic discussion on March 3, 2016 and pursuant to Federal Rule of Evidence Section 408, Silver Star proposed two potential resolution scenarios which it would consider to forgo its statutory right to dispute the validity of the '079 Patent via an *inter partes* review at the United States Patent and Trademark Office. However, these two potential resolution scenarios do not change the results of Silver Star's diligence, which showed, as demonstrated in the draft IPR, that the '079 Patent is likely to be found invalid. Nor does this alter Silver Star's assessment of the likely market outcome for its investment strategy upon IPR success.

In the recent United States Patent and Trademark Office Patent Trial and Appeal Board ruling dated September 25, 2015 (IPR2015-01169, Paper No. 21), the six administrative patent judges stated:

"Profit is at the heart of nearly every patent and nearly every inter partes review. As such, an economic motive for challenging a patent claim does not itself raise abuse of process issues. We take no position on the merits of short-selling as an investment strategy other than it is legal, and regulated."

Thus, Silver Star will not be intimidated by Power Integrations legal posturing and attempts to mischaracterize the facts.

Sincerely,

Kevin Barnes
Silver Star Capital, LLC