

FDA Removes Teeth From Exclusivity Forfeiture

Thursday, Jan 24, 2008 --- On Jan. 17, 2008, the Food & Drug Administration (“FDA”) issued a letter ruling that the forfeiture provisions added to the Hatch-Waxman Act by the 2003 Medicare Modernization Act (the “MMA”) do not require the generic exclusivity holder to forfeit its exclusivity if more than 30 months have passed since the generic company filed its Abbreviated New Drug Application (“ANDA”).

Specifically, FDA determined that Teva Parenteral Medicines Inc. (“Teva”) had not forfeited its 180-day generic exclusivity period relating to granisetron when it failed to market its product within 30 months of filing its ANDA because a court decision against the patent had not occurred and the patent had not been delisted from FDA’s Orange Book.

While this issue may ultimately be resolved by the courts, FDA has largely removed the teeth from the forfeiture provisions.

Under FDA’s ruling, a brand company and generic exclusivity holder can continue to “park” the exclusivity period by entering into an agreement in which the exclusivity holder agrees to refrain from marketing its product for a period of time. Such agreements can potentially prevent FDA from approving subsequently-filed ANDAs, delaying generic competition.

While many had expected that the 30-month “failure to market” forfeiture provision would overcome such parking agreements, FDA’s ruling precludes this possibility.

The Hatch-Waxman Act

Before marketing a new drug in the United States, the Federal Food, Drug and Cosmetics Act (“FDCA”) requires that a drug company submit to FDA a New Drug Application (“NDA”), demonstrating that the drug is safe and effective for its proposed use.

Once approved by FDA, a new drug is generally referred to as a “branded” (or “innovator”) drug because NDA holders usually market such drugs under brand-name trademarks.

Along with clinical studies and other data submitted to FDA, an NDA applicant is required to provide to FDA the patent number and expiration date of any patent covering the drug product or method of using such drug product. FDA lists this patent information in a publication commonly referred to as the “Orange Book.”

Under the Hatch-Waxman Act, the manufacturer of a generic drug may file an ANDA, relying on the safety and efficacy data submitted by the NDA holder, if the ANDA applicant can demonstrate that the proposed generic product is bioequivalent to the approved drug.

An ANDA applicant must file, in addition to its proof of bioequivalence, a certification with respect to any patent covering the proposed generic product or a method of using such product. The applicant must certify one of the following:

(I) that patent information has not been filed for the approved drug;

(II) that the listed patent has expired;

(III) that the listed patent will expire on a particular date (and that the ANDA applicant is not seeking to market its generic product until the patent expires); or

(IV) that the listed patent is invalid, unenforceable or would not be infringed by the manufacture, use or sale of the proposed generic product (a “Paragraph IV certification”).

To encourage patent challenges, Congress provided that the first applicant to file an ANDA with a Paragraph IV certification with respect to a particular branded drug (the “First Filer”) is, under certain circumstances, entitled to a 180-day exclusivity period during which the First Filer is the only ANDA applicant allowed to market a generic version of the branded product.

As originally enacted, the 180-day exclusivity period begins to run on the earlier of:

(1) the date of the first commercial marketing by the First Filer; or

(2) the date of a decision by a court holding the listed patent invalid, unenforceable or not infringed.

Under the changes implemented by the MMA in 2003, however, the 180-day exclusivity period is triggered only by the first commercial marketing of the generic drug. The exclusivity period is, however, now subject to numerous forfeiture events, including the failure to commence marketing within certain statutorily mandated time periods.

The granisetron matter recently decided by FDA involved FDA’s application of the failure to commence marketing provision by applying a statutorily mandated “earlier-of/later-of” analysis.

The “Failure To Market” Forfeiture Provision

The failure to market forfeiture provision was adopted by Congress in large part to stem the prevalence of “exclusivity parking” by brand companies and

First Filers.

Under such arrangements, a First Filer would enter into an agreement with a brand company in which the First Filer would agree to delay entering the market until a predetermined future date, thereby having the effect of “parking” the 180-day exclusivity period.

This “parking” delays generic entry not only by the First Filer but also by any subsequent generic applicant until 180 days after the First Filer enters, the relevant listed patents expires or a subsequent generic applicant obtains a favorable appellate court decision on the Orange Book patents.

This problem was particularly acute in those instances when lawsuits with the First Filer were resolved with no court decision on the merits and subsequent generic applicants were not sued by the brand company.

In response to this exclusivity parking, Congress created a set of conditions in the MMA under which a First Filer forfeits its 180-day exclusivity period. While some forfeiture provisions are relatively straightforward (e.g., withdrawal of the ANDA or expiration of the listed patent), the failure to market provision was created as a complex algorithm of conditions which requires the application of an “earlier-of/later-of” analysis:

(I) Failure to market. The first applicant fails to market the drug by the later of –

(aa) the earlier of the date that is –

(AA) 75 days after the date on which the approval of the application of the first applicant is made effective under subparagraph (B)(iii); or

(BB) 30 months after the date of submission of the application of the first applicant; or

(bb) with respect to the first applicant or any other applicant (which other applicant has received tentative approval), the date that is 75 days after the date as of which, as to each of the patents with respect to which the first applicant submitted and lawfully maintained a certification qualifying the first applicant for the 180-day exclusivity period under subparagraph (B)(iv), at least 1 of the following has occurred:

(AA) In an infringement action brought against that applicant with respect to the patent or in a declaratory judgment action brought by that applicant with respect to the patent, a court enters a final decision from which no appeal (other than a petition to the Supreme Court for a writ of certiorari) has been or can be taken that the patent is invalid or not infringed.

(BB) In an infringement action or a declaratory judgment action described in subitem (AA), a court signs a settlement order or consent decree that enters a final judgment that includes a finding that the patent is invalid or not

infringed.

(CC) The patent information submitted under subsection (b) or (c) is withdrawn by the holder of the application approved under subsection (b).

FDA's Granisetron Letter Ruling

Teva was the First Filer with respect to certain patents listed in the Orange Book for Hoffman-LaRoche, Inc.'s ("Roche") Kytril® (granisetron hydrochloride injection).

While Teva filed a Paragraph IV certification to U.S. Patent Number 6,294,548 ("the '548 patent") when it filed its ANDA on June 1, 2004, Teva also filed a Paragraph III certification to U.S. Patent Number 5,953,340 ("the '340 patent"), which was set to expire in December 2007.

Roche did not file a patent infringement suit against Teva, nor any subsequent generic applicant. Teva's ANDA, which was tentatively approved in August 2005, received final approval Dec. 31, 2007 upon the expiration of the '340 patent.

Several months prior to the expiration of the '340 patent, Teva submitted a letter to FDA, requesting that the agency confirm that Teva was entitled to the 180-day generic exclusivity period under the MMA regime.

Teva argued that, although it had not commercially marketed its product within 30 months of submitting its ANDA, it remained eligible for the 180-day exclusivity period because the court decision forfeiture events had yet to occur.

Applying a plain language reading of the statute, FDA agreed with Teva's argument. The agency stated that:

"180-day exclusivity is not forfeited for failure to market when an event under subpart (aa) has occurred, but – as in this case – none of the events in subpart (bb) has occurred. The 'failure to market' provision results in forfeiture when there are two dates on the basis of which FDA may identify the 'later' event as described in section 505(j)(5)(D)(i)(I). The provision does not effect a forfeiture when an event under subpart (aa) has occurred, but no event under subpart (bb) has yet occurred."

In other words, even if 30 months have passed since the First Filer submitted its ANDA to FDA, the First Filer will not forfeit its exclusivity unless there has been an appellate court decision against the Orange Book patent, a district court settlement order or consent decree against the patent or the patent has been removed from the Orange Book.

The fact that neither Teva nor any subsequent generic applicant had been sued did not convince FDA that this was a situation in which it would be impossible for a later event to occur. Central to FDA's decision is the

following excerpt:

“Although at the time FDA made its exclusivity decision, there was no litigation regarding the '548 patent pending that could result in a forfeiture event under subitem (AA) or (BB) of subpart (bb), there was nevertheless the possibility that either an additional ANDA applicant would be sued as a result of a paragraph IV certification to the patent or one of the applicants would bring a declaratory judgment action against the NDA holder or patent owner. Either of these actions could result in a forfeiture event. In addition, the patent could be withdrawn by the NDA holder, resulting in a forfeiture event under subitem (CC).”

Although these specific forfeiture events cited by FDA could potentially occur, the probability of such events occurring is remote at best.

Under FDA’s ruling, a brand company and First Filer can enter into an agreement to park the generic exclusivity period until some date before the patent expires without risking forfeiture. Such a scenario could leave subsequent ANDA filers with little ability to obtain marketing approval. In fact, FDA recognized this very risk:

“This inability to force a forfeiture of 180-day exclusivity could result in delays in the approval of otherwise approvable ANDAs owned by applicants that would market their generic drugs if they could but obtain approval. This potential scenario is not one for which the statute currently provides a remedy.”

Where Does This Leave Us?

FDA’s decision largely takes the teeth out of the MMA’s forfeiture provisions.

Although many expected the MMA to be a quick fix to the widely perceived problem of exclusivity parking, FDA has determined that, unless the patent is removed from the Orange Book, only certain court decisions or final approval for the First Filer will lead to forfeiture.

It remains to be seen whether Congress will want to tackle this complicated issue if FDA’s decision is not ultimately overturned by the courts.

-- By Chad A. Landmon and Jay B. Sitlani, Axinn, Veltrop & Harkrider LLP

Chad A. Landmon is a partner in Axinn Veltrop's Hartford, Conn., office and Jay B. Sitlani is an associate in the firm's Washington, D.C. office.