

Here Comes The Tidal Wave Of Generic DJ Actions

Thursday, Apr 03, 2008 --- In yet another decision that will dramatically alter the landscape in the pharmaceutical industry, the Federal Circuit decided on Tuesday, in *Caraco Pharm. Labs. Ltd. v. Forest Labs. Inc.* (No. 2007-1404), that a generic drug applicant could bring a declaratory judgment action to challenge a brand company's patent even after the brand company granted a covenant not to sue.

Specifically, the court determined that an actual and justiciable controversy existed as to Caraco's right to come to market because Forest's patent was listed in the Orange Book for Lexapro and was the basis for an earlier generic applicant's (Ivax) 180-day generic exclusivity period.

Prior to the Supreme Court's January 2007 decision in *MedImmune Inc. v. Genentech Inc.*, the Federal Circuit's decision in *Caraco* would have been unthinkable.

This decision is certainly going to encourage an increasing number of generic drug applicants to challenge brand company patents, potentially leading to the triggering or forfeiture of the 180-day generic drug exclusivity period.

These challenges by later generic applicants may lead to speedier generic market entry, overcoming any failure to market by the generic exclusivity holder.

The Hatch-Waxman Act

Before marketing a new drug in the United States, the Federal Food, Drug and Cosmetics Act 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, the 180-day exclusivity period is now triggered only by the first commercial marketing of the generic drug.

The exclusivity period is, however, subject to numerous forfeiture events, including the failure to commence marketing within certain statutorily mandated time periods, such as within 75 days of a court decision finding the relevant patent invalid or not infringed.

The Lexapro ANDA Challenges

Forest is the holder of the NDA for Lexapro, a blockbuster drug used to treat anxiety and depression. Forest listed two patents in the Orange Book – U.S. Patent Numbers RE34,712 ("the '712 patent") and 6,916,941 ("the '941 patent").

While the '712 patent is directed towards pure forms of the active ingredient in Lexapro (escitalopram), the '941 patent is directed towards crystalline

particles of escitalopram oxate of a particular size, dosage forms having particles of this size and methods of manufacturing such particles. The '712 patent expires in 2012, while the '941 patent expires in 2023.

Ivax was the first company to file an escitalopram Abbreviated New Drug Application (“ANDA”) with a Paragraph IV certification to the '712 and '941 patents, thus obtaining the right to the 180-day generic drug exclusivity period.

Because Ivax filed its ANDA with the Paragraph IV certification prior to Dec. 8, 2003, its exclusivity is governed by pre-MMA law, which means that its exclusivity will be triggered by the commercial marketing by Ivax or a court decision against both patents.

Ivax was sued by Forest only on the '712 patent, and a judgment of infringement was entered against Ivax. As a result of the judgment, Ivax was enjoined from entering the market until the '712 patent expires in 2012.

In addition to Ivax being enjoined from entering the market until 2012, all subsequent ANDA filers are precluded from obtaining final FDA approval by virtue of Ivax's 180-day generic exclusivity period. Prior to 2012, the exclusivity period will only be triggered by a court decision finding both the '712 and '914 patents invalid or not infringed.

In May 2006, Caraco filed its escitalopram ANDA with a Paragraph IV certification to the '712 and '941 patents. Forest sued Caraco for infringement of the '712 patent only. After that suit was initiated, Caraco filed a separate declaratory judgment action against Forest, challenging the '941 patent.

While Forest's motion to dismiss was pending (and after the Supreme Court's decision in *MedImmune* and the Federal Circuit's decision in *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*), Forest unilaterally granted Caraco a covenant not to sue. As a result, the district court dismissed the case for lack of Article III jurisdiction.

The Federal Circuit's Decision

Notwithstanding the covenant not to sue, the Federal Circuit determined that Article III jurisdiction existed considering all of the circumstances in the case. Specifically, the Federal Circuit found:

If Caraco is correct that its generic drug does not infringe Forest's '941 patent, then it has a right to enter the generic drug market, and its exclusion from the generic drug market by Forest's actions is a sufficient Article III injury-in-fact.

Moreover, the fact that Forest's actions can only exclude Caraco from the drug market in the context of the Hatch-Waxman framework does not render Caraco's injury any less “concrete, actual or imminent.” (Opinion at 20;

citation omitted.)

The Federal Circuit went on to find that Caraco's injury flowed directly from Forest's action in listing the '941 patent in the Orange Book.

Moreover, the court determined that Caraco's injury could be redressed by a declaratory judgment of non-infringement because such a decision, coupled with a decision on the '712 patent, would trigger Ivax's exclusivity period, allowing Caraco to obtain final FDA approval and enter the market.

What Does This All Mean?

The Federal Circuit's decision will encourage an increasing number of declaratory judgment patent challenges by generic applicants. In particular, later ANDA applicants who are subject to a First Filer's exclusivity period will be encouraged to bring declaratory judgment actions in order to trigger the exclusivity period or effectuate a forfeiture of the exclusivity period under the MMA.

Prior to the Federal Circuit's decision, NDA holders could simply refrain from filing suit against later ANDA filers when the First Filer was precluded from going to market, either by a court decision of patent infringement against the First Filer (as in Lexapro) or a settlement agreement in which the First Filer agrees to a delayed entry date.

Now, even if the brand company grants the later ANDA challenger a covenant not to sue, the ANDA filer will be able to maintain the declaratory judgment action, potentially obtaining a court decision against the patent.

While this ruling will certainly create opportunities for later ANDA filers, it should be viewed with caution by brand companies and First Filers.

Decisions by FDA just this year had indicated that the MMA's failure to market forfeiture provision would not be used aggressively to take away the generic exclusivity period and speed generic competition. (See, e.g., FDA Removes Teeth from Exclusivity Forfeiture, IPLaw360, January 25, 2008.)

While that may still be true, the Federal Circuit's decision in Caraco allows later ANDA filers to initiate declaratory judgment challenges to the Orange Book patents in almost all circumstances.

Court decisions against the patents at issue will either trigger the 180 day exclusivity period in pre-MMA cases or act as a forfeiture of the exclusivity period in post-MMA cases.

Unless the Federal Circuit decides to rehear this case en banc or the Supreme Court grants cert., Caraco will surely trigger an unprecedented tidal wave of new declaratory judgment patent actions in the pharmaceutical industry.

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