

memorANDA

LIFE SCIENCES LITIGATION review

Risky Business: Keeping the “At Risk Launch” Genie in the Bottle

We are happy to bring you the third edition of *memorANDA*, a quarterly newsletter providing a strategic look at life sciences litigation in the District of Delaware, with a focus on the ever-growing docket of Hatch-Waxman litigation.

We hope our readers will find this to be an insightful and educational snapshot of the Court's docket that will provide a deeper understanding of the current and evolving state of the law.

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The Hatch-Waxman Act provides a 30-month stay of litigation in order to ensure that the FDA will not approve an Abbreviated New Drug Application (“ANDA”) until a court from which no further appeal can be taken decides that a patent is not infringed, or is invalid or unenforceable. However, because Hatch-Waxman cases can take more than 30 months to make their way through the courts, and because the FDA can approve an ANDA after the 30 months have passed, but before the court has rendered a decision in the case, the generic manufacturer may opt for an “at risk” launch. Under those circumstances, the generic begins marketing and selling its version of the drug before the court renders a decision on the merits, or before all appeals are exhausted. The launch is “at risk” because patent infringement liability has not been finally determined, and, should a court declare the innovator’s patent valid, enforceable, and infringed, the generic manufacturer may be on the hook—not only for the innovator drug company’s actual damages, but also for treble damages and attorneys’ fees, if the case is found exceptional.

Despite the risks, generic manufacturers have nonetheless embarked on at-risk launches. In light of recent consolidations in the generic industry, at least a handful of generics may be more willing to take disproportionate financial risks, making such launches more likely. What is an innovator to do? One option is to seek a preliminary injunction to prevent the generic manufacturer from marketing or selling its drug until the court renders its final decision on the merits of the case.

To obtain a preliminary injunction, a patentee must establish (1) a reasonable likelihood of success on the merits; (2) that irreparable harm will result if the preliminary injunction is not granted; (3) that the balance of hardships weighs in its favor; and (4) that the public is best served through a grant of the injunction.

The U.S. Court of Appeals for the Federal Circuit recently addressed the application of the preliminary injunction standard in the context of preventing an “at risk” launch in *Abbott Laboratories v. Sandoz, Inc.*, 544 F.3d 1341 (Fed. Cir. 2008). In *Abbott*, the Federal Circuit affirmed the District Court’s grant of a preliminary injunction to the plaintiff, preventing Sandoz from launching its generic version of Abbott’s drug, Biaxin® XL. The Federal Circuit concluded that “[t]he question is not whether the patent is vulnerable; the question is who is likely to prevail in the end,” noting that “[t]he presentation of sufficient evidence to show the likelihood of prevailing on the merits is quite different from the presentation of substantial evidence to show vulnerability.” When ruling on a preliminary injunction, evidence that favors the patent must be considered, as well as evidence against the patent. According to the Federal Circuit, then, the trial court—considering both—“decides which side is likely ultimately to prevail.” 544 F.3d at 1364 (emphasis added).

Selected District of Delaware Court Decisions

ALPHAGAN® P:

In re Brimonidine Patent Litigation
C.A. No. 07-MD-1866-GMS

In an opinion dated October 31, 2008, the Court denied plaintiff Allergan's motion to stay the action against one group of MDL defendants, the Exela defendants. Exela filed an Abbreviated New Drug Application seeking to market a generic version of Allergan's ALPHAGAN® P 0.15%. Allergan argued that the case against Exela should be stayed because Exela's partners, including its designated manufacturer, were no longer in partnership with Exela, because Exela had not provided the FDA with required bioequivalence testing, and because Exela had no remaining partner(s) capable of conducting the necessary testing. The Court denied the motion to stay, finding that a stay would work to Exela's substantial prejudice, as it would likely cause Exela to lose the exclusivity granted because of its first-to-file status, and would delay Exela's entry into the market. The Court further found that a stay would not simplify the issues in the case, and because the case was "quite far along," was not persuaded that a stay was justified. The Court also denied Allergan's motion to toll the 30-month stay, finding Exela had reasonably cooperated in the litigation. The Court also denied Allergan's motion to use protected information in a Citizen's Petition to the FDA.

ALPHAGAN® P:

In re Brimonidine Patent Litigation
C.A. No. 07-MD-1866-GMS

On October 6, 2008, Chief Judge Sleet issued an order construing terms from claims 1 and 10 of U.S. Patent No. 6,641,834. The Court generally found that the disputed terms had their plain and ordinary meaning. Of particular interest, the Court construed the term "about" in the asserted claims to mean "approximately." The Court noted that it had previously construed the term "about" in claims 1 and 10 of the same patent in *Allergan, Inc. v. Alcon, Inc.*, C.A. No. 04-968-GMS Order (D. Del. July 26, 2005), and found no reason to deviate from the term's construction in the prior case.

CRESTOR®:

AstraZeneca Pharmaceuticals LP v. Apotex, Inc.
C.A. Nos. 07-805, 07-806, 07-807, 07-808, 07-809, 07-810, 07-811, 08-359, 08-426-JJF-LPS; MDL No. 08-1949

In a Report and Recommendation dated November 24, 2008, Magistrate Judge Stark addressed several motions to dismiss asserted by defendants in a consolidated multi-district litigation (MDL) involving U.S. Patent No. RE37,314, which covers AstraZeneca's CRESTOR®.

The U.S. subsidiaries (Apotex USA and Aurobindo USA) of two foreign defendants (Apotex Canada and Aurobindo India) moved to dismiss on grounds that they did not "submit" the ANDA within the meaning of the Hatch-Waxman Act, while their foreign parents simultaneously moved to dismiss for lack of personal jurisdiction. The U.S. subsidiaries argued that § 271(e) of the Hatch-Waxman Act provides a cause of action for infringement only as to a party that "submits" an ANDA for a drug claimed in a patent, and because they signed their respective ANDAs only as agents of their foreign parents, they should not be subject to suit.

Magistrate Stark disagreed, explaining that such an interpretation of "submit" would undermine congressional intent "to promote the relatively expeditious resolution of patent disputes that relate to the development and marketing

of generic drugs." Magistrate Stark recommended that these motions be denied, finding that representations made by the U.S. subsidiary defendants in signing the ANDAs weighed in favor of holding them subject to suit as parties who have "submitted" an ANDA. Magistrate Stark also found that MDL consolidation of all pretrial proceedings in Delaware mooted the foreign defendants' personal jurisdiction arguments for all proceedings prior to trial.

Magistrate Stark further recommended dismissal of AstraZeneca's causes of action for declaratory judgment that the defendants' proposed manufacture and sale of generic Crestor® would infringe the '314 patent, finding that any controversy between AstraZeneca and the defendants lacked "sufficient immediacy," in part because AstraZeneca's filing of infringement actions stayed FDA approval of the defendants' ANDAs.

Only the Aurobindo defendants filed objections to the Magistrate Judge's Report and Recommendation.

OPANA® ER

Endo Pharmaceuticals v. Impax Laboratories and Sandoz, Inc.
C.A. Nos. 07-731, 08-057, 08-463, 08-534, 08-782

In related actions, defendants Impax and Sandoz moved to transfer their respective actions to the District of New Jersey where Endo had sued Actavis on the same patents covering OPANA® ER. Notably, the *Actavis* action pending in D.N.J. was the second ANDA action that Endo had filed against a generic competitor over OPANA® ER—the first was the 07-731 action against Impax. In a two-page order dated November 3, 2008, the Court recited the public and private interests relevant to a transfer analysis under Third Circuit precedent of *Jumara v. State Farm Ins. Co.*, 55 F.3d 873 (3d Cir. 1995), noting that the movant bears the burden of establishing the need to transfer, and that "the plaintiff's choice of venue [will] not be lightly disturbed." The Court denied Impax's and Sandoz's motions, holding that the defendants had not met their burden of demonstrating that transfer was appropriate.

Although the Court denied Impax's and Sandoz's motions to transfer, the Court entered an order on December 29, 2008, designating and assigning the five OPANA® ER actions pending in Delaware to the Honorable Katherine S. Hayden, who presides over the *Endo v. Actavis* action in the District of New Jersey.

ULTRAM® ER:

Purdue Pharma Products, et al. v. Par Pharmaceutical, Inc.
C.A. No. 07-255-KAJ (consolidated)

Plaintiffs Purdue Pharma and Napp Pharmaceutical, the owners by assignment of U.S. Patent Nos. 6,254,887 and 7,074,430, brought this action joined by co-plaintiff Ortho-McNeil, holder of a "semi-exclusive license" under the '887 patent to manufacture, market, and sell products in the United States. By an order dated December 3, 2008, Circuit Judge Jordan, sitting by designation, dismissed Ortho-McNeil from this action for lack of standing. The Court cited *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1367 (Fed. Cir. 2008), for the proposition that "[o]nly a patent owner or an exclusive licensee can have constitutional standing to bring an infringement suit; a non-exclusive licensee does not." The Court rejected Ortho McNeil's argument that its "semi-exclusive license" conferred it a right to an exclusive field of use, namely a "single entity extended release tramadol product," noting that other entities appeared to have licenses to "single entity extended release tramadol products" under the '887 patent. The Court also noted that, although Ortho McNeil's license permitted it to participate in any patent litigation initiated by Purdue, such a contractual provision cannot confer standing.

District of Delaware Paragraph IV Litigation

Filed October through December 2008

| PARTIES | C.A. No. | DATE FILED | BRAND DRUG | PATENT(S) |
|---|----------|------------|------------|--|
| <i>Procter & Gamble Co. v. Teva Pharmaceuticals USA, Inc.</i> | 08-627 | 9/26/2008 | ACTONEL® | 5,583,122 |
| <i>Endo Pharmaceuticals, Inc. v. Barr Laboratories, Inc.</i> | 08-782 | 10/20/2008 | OPANA® ER | 5,958,456; 5,662,933 |
| <i>Watson Laboratories, Inc. v. Barr Laboratories, Inc.</i> | 08-793 | 10/23/2008 | OXYTROL® | 5,601,839; 5,834,010 6,743,441; 7,081,249 7,081,250; 7,081,251 7,081,252; 7,179,483 |
| <i>Cephalon, Inc. v. Barr Pharmaceuticals, Inc.</i> | 08-810 | 10/29/2008 | FENTORA® | 6,200,604; 6,974,590 |
| <i>Purdue Pharma Products L.P. v. Impax Laboratories, Inc.</i> | 08-827 | 11/4/2008 | ULTRAM® ER | 6,254,887 |
| <i>Eli Lilly and Co. v. Teva Parenteral Medicines, Inc.</i> | 08-860 | 11/19/2008 | ALIMTA® | 5,344,932 |
| <i>CIMA LABS, Inc. v. Novel Laboratories, Inc.</i> | 08-886 | 11/25/2008 | FAZACLO™ | 6,024,981; 6,221,392 |
| <i>Eurand, Inc. v. Mylan Pharmaceuticals, Inc.</i> | 08-889 | 11/25/2008 | AMRIX® | 7,387,793 |
| <i>Auxilium Pharms., Inc. v. Upsher-Smith Laboratories, Inc.</i> | 08-908 | 12/4/2008 | TESTIM® | 7,320,968 |
| <i>Orion Corp. v. Wockhardt USA, Inc.</i> | 08-917 | 12/8/2008 | STALEVO® | 5,135,950; 5,446,194 6,500,867 |
| <i>Pfizer, Inc. v. Apotex, Inc.</i> | 08-948 | 12/17/2008 | LIPITOR® | 5,273,995 |
| <i>Novartis Corp. v. Teva Parenteral Medicines, Inc.</i> | 08-952 | 12/18/2008 | RECLAST® | 4,939,130 |
| <i>Endo Pharmaceuticals, Inc. v. Sandoz, Inc.</i> | 08-970 | 12/30/2008 | OPANA® ER | 5,958,456 |

Federal Circuit Review of Hatch-Waxman Decisions

PREVACID®, *Takeda Pharm. Co. Ltd., et al. v. Teva Pharm. USA, Inc., et al.*, No. 2008-1314 (Fed. Cir. November 7, 2008)

In a non-precedential opinion, the Court of Appeals for the Federal Circuit affirmed the trial court's findings in the District of Delaware, C.A. No. 06-33-SLR. Following a bench trial on issues of infringement, invalidity, and unenforceability of Takeda's U.S. Patent Nos. 4,628,098 and 5,045,321 covering PREVACID® (lansoprazole), the trial court had held that Takeda failed to prove that Teva infringed the '321 patent, that the '098 and '321 patents were not invalid for obviousness, and that the '098 was not unenforceable due to inequitable conduct. Teva conceded infringement of the '098 patent.

BIAXIN®, *Abbott Labs. v. Sandoz, Inc.*, No. 2007-1300 (Fed. Cir. October 21, 2008)

On appeal from N.D. Ill., 500 F.Supp.2d 807, the Court of Appeals for the Federal Circuit affirmed the trial court's grant of a preliminary injunction, holding that the trial court's weighing of the four preliminary injunction factors (likelihood of success on the merits, irreparable harm, balance of hardships, and public interest) was not clearly erroneous.

Judge Newman, for the majority, addressed the proper standard for showing "likelihood of success," contrasting the question of whether a patent is merely vulnerable—that is, whether a "substantial question" of validity exists—with the question of who is likely to prevail on the merits. The majority concluded that "[t]he correct standard is not whether a substantial question has been raised, but whether the patentee is likely to succeed on the merits, upon application of the standards of proof that will prevail at trial."

In dissent, Judge Gajarsa wrote that a substantial question of invalidity is sufficient to defeat a motion for preliminary injunction, and that such a showing requires less proof than the clear and convincing showing necessary to prove invalidity at trial. In Judge Gajarsa's view, the trial court erred in applying the clear and convincing evidentiary standard applicable at trial at the preliminary stage of the proceedings. Because Sandoz raised a substantial question of invalidity, that showing was sufficient, under the more relaxed evidentiary standard applicable in preliminary proceedings, to defeat Abbott's motion for a preliminary injunction.

Selected District of Delaware Closed Cases and Settlements

RAZADYNE®, *Janssen Pharmaceutica N.V. et al. v. Sandoz, Inc.*, C.A. No. 08-511-SLR

On December 18, 2008, Plaintiffs dismissed their action against Sandoz. The plaintiffs had sued Sandoz in August, alleging infringement of the 4,663,318 patent based on Sandoz's filing of ANDA No. 77-589 for a generic version of RAZADYNE®. Plaintiffs' voluntary dismissal was filed the day after Sandoz filed a motion to dismiss, noting that the '318 patent had expired on December 14, and further noting that Judge Robinson had previously found that the patent was invalid.

NASACORT AQ®, *Aventis Pharms., Inc., et al. v. Barr Laboratories, Inc.*, C. A. No. 06-286-GMS

Sanofi-Aventis and Teva Pharmaceuticals USA Inc. reached a settlement in November, 2008. Sanofi said in a statement that its American unit, Sanofi-Aventis, has agreed to grant Barr and Teva a license to certain patent rights, allowing them to sell generic versions of ALLEGRA® in the U.S. in exchange for payment of royalties. Part of the royalties due under the settlement are to be retroactively applied to past sales. Teva and Barr will each pay Sanofi-Aventis approximately \$30 million plus an undisclosed royalty on future sales of the products.

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(cont'd from page 1)

Examining whether a patentee is likely to succeed on the merits under the *Abbott* standard may make it more difficult for a generic manufacturer to defeat a motion for preliminary injunction, because the clear and convincing burden to prove invalidity is higher than the burden to prove infringement by a preponderance of the evidence. Under the framework of the *Abbott* case, raising a “substantial question” of invalidity may no longer be enough to defeat an innovator’s bid for a preliminary injunction.

As with most litigation decisions, the choice of whether to pursue a preliminary injunction in the face of an at-risk launch should be based on a cost-benefit analysis. How much of its case does an innovator want to reveal to “the enemy” early in the litigation? How strong are the generic’s defenses? Has the presiding judge been willing to enter preliminary injunctions in appropriate cases? How much money is at stake if a generic manufacturer enters the market one, two, or three years earlier than expected? What bond will be required if an injunction is granted? How much money does an innovator stand to gain if the generic manufacturer’s at-risk sales are trebled upon a final adjudication of infringement, validity, and enforceability?

In sum, a preliminary injunction is an innovator’s first—and perhaps best—strike at keeping a generic manufacturer off the market upon expiration of the 30-month stay. The *Abbott* case may have made such relief somewhat more attainable. Whether innovator drug companies’ motions for preliminary injunctive relief will become a practical tool to keep the at-risk launch genie in the bottle remains to be seen, and an innovator’s decision to pursue such relief should be carefully and strategically considered.

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