

News

Gilead, Fish & Richardson Fend Off \$200 Million Merck Verdict

The Federal Circuit backed U.S. District Judge Beth Labson Freeman's finding that Merck's business and litigation misconduct justified unwinding the verdict.

By Scott Graham

Gilead Sciences will not have to pay a \$200 million jury award for infringing two Merck & Co. patents on hepatitis C medication. The U.S. Court of Appeals for the Federal Circuit on Wednesday backed a San Jose trial judge's decision to throw out the award based on Merck's unclean hands.

U.S. District Judge Beth Labson Freeman had found that a patent prosecutor for Merck breached an ethical firewall in prosecuting the company's patents, and then gave false testimony about his role at a deposition.

"Those findings establish serious misconduct, violating clear standards of probity in the circumstances, that led to the acquisition of the less risky '499 patent," Judge Richard Taranto wrote in *Gilead Sciences v. Merck*.



Juanita Brooks, Fish & Richardson

Taranto stressed throughout his opinion that the doctrine of unclean hands is not to be invoked lightly. But in this case, Taranto concluded, Merck's conduct was "immediately and necessarily related to the equity of giving

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Merck the relief of patent enforcement it seeks in this litigation.”

Wednesday’s decision culminates a jury trial that led to a \$200 million award, a bench trial unwinding it, and then a 95-minute long oral argument before the Federal Circuit in February. In the middle of it all has been Fish & Richardson partner Juanita Brooks, who tried the case and then led an all-women team for Gilead at the Federal Circuit hearing.

“It took awhile. It wasn’t necessarily a straight course, but we are very pleased with the outcome,” Brooks said Wednesday.

Jurors found that Gilead’s sofosbuvir compound, an active ingredient in such medications as Sovaldi and Harvoni, infringed Merck’s 7,105,499 and 8,481,712 patents. Gilead had obtained sofosbuvir with its 2011 acquisition of Pharmasset Inc. for \$11 billion. By the time of trial, Sovaldi and Harvoni had rung up \$20 billion in sales.

But Freeman threw out the verdict. She found that one of Merck’s patent attorneys, Phillippe Durette, had listened in with Merck’s knowledge on a 2004 phone conference with Pharmasset to discuss a possible collaboration. On that call, Pharmasset disclosed the structure

of the compound that would eventually become sofosbuvir.

The phone conference was subject to a confidentiality agreement and intended only for Merck employees outside of the company’s Hepatitis C Virus program. Merck had been experimenting in the same area, and Durette subsequently contributed to the ’499 patent, which narrowed the range of its claims.

He swore repeatedly at his deposition that he wasn’t on the phone conference—then later said he couldn’t remember if he was on or not. Freeman found that Durette “fabricated testimony in this case and that Merck supported that bad-faith conduct.” All of that together rendered the patents unenforceable against Gilead, Freeman ruled.

The Federal Circuit’s opinion was less fiery than Freeman’s, and even discounted some of the misconduct Freeman cited. But it still ended up in the same place. “We have relied on a more limited set of wrongful conduct than recited in the district court’s opinion,” Taranto wrote, “but we do not think that the equitable balance is altered by that narrowing.”

Merck’s appellate counsel Jeffrey Lamken of MoloLamken

had argued before the Federal Circuit that there wasn’t a sufficient nexus between the misconduct and the jury verdict to justify the drastic defense of unclean hands.

Taranto wrote that the court was mindful of “the potential for misuse of this necessarily flexible doctrine.” But quoting repeatedly from Freeman’s opinion, he found enough to support her decision “under the applicable deferential standard of review.”

Gilead was represented on appeal by a team of lawyers from Fish & Richardson and from Orrick, Herrington & Sutcliffe. Brooks prepared for oral argument and was accompanied in the courtroom by Fish partners Elizabeth (Betsy) Flanagan and Deanna Reichel and by Gilead’s Lori Ann Morgan and Andrea Hutchison.

“Before the oral argument, we looked at each other and realized it was an all-women team,” Brooks said.

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