Hatch-Waxman Pre-suit Considerations from the Generic Perspective

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This practice note addresses how counsel for a generic drug company should prepare for patent litigation under the Drug Price Competition and Patent Term Restoration Act of 1984, better known as the Hatch-Waxman Act. It examines strategies that you should review with your client and actions that you should take in advance of Hatch-Waxman litigation. Careful pre-suit preparation increases the likelihood of a favorable result, whether through litigation or settlement, and minimizes the small, but real, risk of a fees award against your client that may result from insufficient attention to pre-suit issues.

A short recap of the background and structure of Hatch-Waxman litigation is included. However, if you are new to Hatch-Waxman litigation, see Hatch-Waxman Act Fundamentals. If you are unfamiliar with pharmaceutical patent terminology, also see Pharmaceutical Patent Litigation Terminology Checklist. For a discussion of pre-suit considerations from the viewpoint of a brand-name drug company, see Pre-litigation Preparation and Strategy for Pharmaceutical Product Patents and Exclusivity. For a discussion of Hatch-Waxman litigation strategies, see Hatch-Waxman Patent Litigation Strategies.

The terms generic drug company and brand-name drug company are used in this practice note to denote the parties' respective positions in relation to a particular drug, rather than defining each company's overall business. (A generic drug company may innovate and own patents, and a brand-name drug company may have a generic drug division). For convenience, the generic drug company may sometimes be referred to as "the generic," and the brand-name drug may be referred to as "the brand."

The focus of this practice note is preparation for a Hatch-Waxman suit based on the filing of an ANDA. However, many of the same considerations apply to Hatch-Waxman suits based on the filing of a 505(b)(2) application. For more on 505(b)(2) applications, see Hatch-Waxman Act Fundamentals — The Drug Approval Process under the Act.

Hatch-Waxman Recap

The Hatch-Waxman Act affords a generic drug company an abbreviated path to approval of a generic version of a brand-name drug. It also provides a special patent litigation scheme that enables patent infringement and validity issues to be determined before the generic drug is launched on the market. Originally conceived to be an incentive to challenge patents that blocked generic versions of brand-name drugs, the Act promised a potentially lucrative 180-day marketing exclusivity to the first generic drug company to file an ANDA and successfully challenge the brand's patent. Over time, changes in patent law and amendments to the Hatch-Waxman Act, as well as developments in the pharmaceutical marketplace, have significantly altered the typical Hatch-Waxman litigation. In particular, the promise of a single generic company obtaining a 180-day marketing exclusivity has become elusive. The sharing of the 180-day marketing exclusivity among more than 20 ANDA applicants is not uncommon.

Other changes have exacerbated the complexity of the strategic considerations in a Hatch-Waxman suit. These include the availability of concurrent Patent Trial and Appeal Board (PTAB) validity challenges and the evolving case law on the proper venue for a Hatch-Waxman suit under TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct.

1514 (2017). (For a discussion of issues arising in concurrent district court and PTAB proceedings see Coordinating PTAB Proceedings with Parallel District Court Patent Litigation. For a discussion of proper venue post-TC Heartland, see Venue Rules and Practice for Patent Infringement Litigation).

The following summarizes the essential concepts and important features of Hatch-Waxman litigation.

New Drug Application (NDA)

A drug company seeking government approval to market a new drug must submit an NDA establishing the drug's safety and efficacy to the FDA. The NDA must also identify each patent claiming the drug, or a use of the drug, which could reasonably be asserted against a person not authorized to engage in the manufacture, use, or sale of the drug. The patent information and any marketing exclusivities covering the approved drug product are provided in the FDA publication entitled The Approved Drug Product with Therapeutic Equivalence Evaluations (the Orange Book).

Abbreviated New Drug Application (ANDA)

The Hatch-Waxman Act provides generic companies with an abbreviated route to FDA approval of a generic drug, piggybacking on the NDA's safety and efficacy data. Instead of filing a full NDA, the generic drug company need only demonstrate in an ANDA that the generic product is bioequivalent to the RLD (i.e., the approved NDA drug). Also, for each Orange Book patent, the ANDA applicant must make one of the following four certifications: (I) no patent information has been provided, (II) the patent has expired, (III) the applicant will not market the drug until the patent has expired, or (IV) the patent is invalid or will not be infringed by the generic drug (the latter is referred to as a "Paragraph IV certification"). See 21 U.S.C. § 355(j)(2)(vii)(I)–(IV).

Orange Book Listed Patents

Only certain types of patents can be listed in the Orange Book, and thus require a patent certification by the generic company. The listed patents are those claiming the API, product or formulation, composition, treatment or method of use, drug delivery system (e.g., inhalers), and polymorphs, as well as product-by-process patents. Patents that claim other aspects of the product, such as metabolites, intermediates, and methods of manufacture, cannot be listed in the Orange Book. The ANDA filer makes no certification with respect to any unlisted patent.

Paragraph IV Certification

If the ANDA includes a Paragraph IV certification, the applicant must provide notice of the certification to the patent owner and the NDA holder. Under the Hatch-Waxman Act, the filing of an ANDA with a Paragraph IV certification as to any Orange Book patent is an artificial act of patent infringement. See 35 U.S.C. § 271(e)(2). The infringement under Section 271(e)(2) is termed artificial because it is not based on any allegedly infringing use, sale, or offer for sale but rather is designed to provide federal courts with subject matter jurisdiction over an infringement dispute. Infringement litigation (along with any invalidity counterclaims) may then proceed contemporaneously with the FDA approval process. As sales of the generic product have not yet begun at this point, the ANDA filer can litigate the validity and infringement issues without being exposed to a potential award of damages for patent infringement.

30-Month Stay of FDA Approval

If the patent owner files a patent infringement suit against the ANDA filer within 45 days of receiving notice of the Paragraph IV certification, the FDA stays approval of the ANDA for 30 months. This 30-month period is meant to approximate the duration of the patent infringement litigation and can be shortened or extended, but only based on a party's failure to reasonably cooperate in expediting the action. See 21 U.S.C. § 355(j)(5)(B).

180-Day Marketing Exclusivity for First Generic Filer with a Paragraph IV Certification

The ANDA applicant who is first to file an ANDA with a Paragraph IV certification against an Orange Book patent is entitled to a 180-day marketing exclusivity, excluding other generic drug companies from the market for the generic drug for the 180-day period. Should more than one ANDA applicant file a Paragraph IV certification on the same patent on the same day, the applicants will share the 180-day exclusivity period. The exclusivity can be forfeited if the applicant fails to obtain FDA approval or market its product within certain time periods. Also, an authorized generic will not be blocked by the 180-day exclusivity period. Note that the 180-day exclusivity is not granted for 505(b)(2) applications; it applies only to ANDAs with a Paragraph IV certification.

Section VIII Carve-Out

If the Orange Book lists a method-of-use patent that does not cover the use for which the ANDA seeks approval, the ANDA must contain a statement to this effect (a so-called Section viii carve-out or skinny label). See 21 U.S.C. § 355(j)(2)(A)(viii). This statement allows the ANDA applicant to avoid having to litigate the applicable method of use patent.

Preparing to File an ANDA

The decision to pursue FDA approval for a particular generic drug requires analysis of related economic, scientific, and legal factors. A generic drug company must balance the economic potential of the product with the costs and the difficulties of obtaining FDA approval. The latter can include both product development and legal issues.

Choosing a Generic Product

In choosing which generic drugs to pursue, generic drug companies try to predict the number and identity of likely competitors and use this information to help estimate future profits. A generic drug company may gather the relevant business, technical, and manufacturing facts for this analysis by taking the following actions:

- Analyze business intelligence on brand-name drug companies and generic competitors
- Monitor NDA approvals by the FDA
- Track sales of brand-name drugs
- Research the availability and cost of the APIs for drugs of interest, including the number of suppliers
- Investigate formulation and testing issues, including the complexity and likely cost of the required bioequivalence studies and the ability to produce a consistently stable formulation

Marketing exclusivities that may attach to the brand-name drug will also inform the choice of which generic drug to pursue and the timing of an ANDA filing. Such exclusivities may preclude the filing of an ANDA or prevent approval of a generic version of the drug for certain time periods. The types of marketing exclusivities that commonly attach to a brand-name drug are the following:

- **New chemical entity (NCE) exclusivity**. NCE exclusivity applies to an active ingredient not previously approved by the FDA. A generic drug company cannot file an application for approval of a generic version of the NCE drug for five years following the approval of the NCE application. The exclusivity period is reduced to four years if the generic drug application includes a Paragraph IV certification (four and a half years if there is pediatric exclusivity).
- **Orphan drug exclusivity**. The FDA may grant orphan drug exclusivity for a drug approved to treat a disease or condition affecting fewer than 200,000 people in the U.S. (or more if there is no hope of recovering the drug company's costs). Orphan drug exclusivity lasts seven years from FDA approval, limited to the approved indication.
- **Pediatric exclusivity**. Pediatric exclusivity may apply if the new drug sponsor conducts and submits pediatric studies of the active ingredient. It does not exist as an independent period but rather adds six months to another exclusivity period.
- **New clinical investigation exclusivity**. This exclusivity applies to a new indication or dosage, that requires new clinical investigations to obtain FDA approval, providing a three-year exclusivity period from the date of approval.

For more information on marketing exclusivities, see Marketing Exclusivities for Prescription Drugs.

Absent an NCE exclusivity, which blocks the ANDA filing (not merely the approval), an ANDA may be filed at any time after NDA approval. If another exclusivity applies, your client should consider filing its ANDA in the time frame before the expiration of the exclusivity period, calculated based on the time that it typically takes for the FDA to approve an ANDA. Recent information indicates that the median time to tentative approval is 30 months, but it may be as short as 15 months.

If a new clinical investigation exclusivity applies, your client should consider limiting its ANDA to the reference listed drug as previously approved (excluding the new indication or formulation). Because the exclusivity applies only to the new indication or formulation, this may avoid the three-year wait.

As counsel, you should ensure that your client has sufficient information about the relevant patents before it makes its final choice of which drug to pursue. In particular, the strength or weakness of the patents may effectively narrow your client's choice. Ultimately, the overall assessment of the benefit and risk will be your client's business decision, but you should ensure that your client carefully considers critical patent issues in making its determination.

Analyzing the potential patent issues includes taking the following steps:

- Check the status of any Orange Book listed patents directed to the API and the formulation
- Search for any pending applications on the API or formulation
- Search for any pertinent patents not listed in the Orange Book, as well as pending applications that may be directed to:
    - Methods of use
    - Manufacturing methods
    - Methods of treatment
- Study the most important patents and assess the strength of any noninfringement and invalidity arguments

Defining the Objective and Choosing the Procedural Path

When choosing the product to pursue, your client should decide on its ultimate goal, which may or may not be qualifying for the 180-day marketing exclusivity. Consider and discuss with your client which procedural path to take.

Among the possible objectives and procedural options are the following:

- **File early**. File your ANDA at the earliest possible date to try to obtain the first filer 180-day marketing exclusivity

and litigate the patent infringement and validity issues through trial and appeal.

- **Delay filing**. Wait to file your ANDA until after the first filer lawsuits have begun and litigate in a second round. During the first round of litigation, the patent(s) may be invalidated, or the issues may be narrowed, potentially saving your client legal and expert fees.
- **Settle**. Settle with the brand for payment, or to obtain early entry into the market as an authorized generic. Note as follows:
    - While reverse payment settlements (also known as pay-for-delay) must pass muster with the Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) under antitrust laws, such a settlement may be lucrative for your client. (See Medicare Prescription Drug, Improvement, and Modernization Act of 2003, § 1112).
    - A deal that allows your client to enter the generic market for the drug ahead of other generic competitors offers a valuable first-mover advantage.
- **Sell**. Sell your ANDA to another generic who is in litigation with the brand, or to a third party.
- **Partner with other generics**. Partner with one or more ANDA filers on the same patent(s) to reduce legal expenses (e.g., in one ANDA litigation, a single law firm was listed as representing seven generics on the appeal). Note as follows:
    - This may be an attractive option if there are a large number of ANDA filers, and your client is not the first ANDA applicant to file and is, thus, not eligible for the 180-day marketing exclusivity.
    - Be sure that the arguments of the other ANDA applicants on infringement and validity are not in conflict with those of your client.
    - Enter into a joint defense agreement, including a provision addressing the potential conflicts that arise if one ANDA applicant settles, but others do not.
- **File a PTAB proceeding**. Initiate an inter partes review (IPR) before the PTAB to challenge the validity of one or more of the Orange Book patents or any blocking patents not listed in the Orange Book. In evaluating when and whether to pursue an IPR, consider the following factors:
    - An IPR affords the ability to challenge the validity of a patent before you file an ANDA (and during any NCE exclusivity period barring an ANDA filing).
    - As with district court litigation, you may effectively decrease the costs of an IPR by partnering with other generics which are interested in challenging the patent, or you may join an existing IPR.
    - An IPR is a faster and less expensive procedure for challenging patent validity than a district court litigation, although discovery in an IPR is more limited.
    - If the PTAB proceeding is instituted early, a district court will generally grant a stay of any pending Hatch-Waxman suit on the same patent until the PTAB's final written decision. However, note that the stay does not toll the statutory 30-month stay of ANDA approval. See, e.g., Alcon Labs., Inc. v. Akorn, Inc., 2016 U.S. Dist. LEXIS 2182 (D.N.J. Jan. 8, 2016); Eli Lilly & Co. v. Accord Healthcare, Inc., 2015 U.S. Dist. LEXIS 166106 (S.D. Ind., Dec. 11, 2015).
    - The standard of proof of invalidity in an IPR (preponderance of the evidence) is lower than that used in a district court (clear and convincing evidence).
    - An IPR may make it easier to settle with a brand that is reluctant to fight in two venues.
    - Be aware that an IPR is limited to invalidity challenges for obviousness and anticipation based on prior art patents and publications. If you have a strong noninfringement position or a strong non-prior based invalidity position, it may be better to focus all your resources instead on the district court litigation.
    - An IPR is not an effective substitute for a first-filed ANDA with a Paragraph IV certification as it does not provide the benefit of the 180-day marketing exclusivity.
    - Note that there is an appeal (BTG International Ltd. v. Amneal Pharmaceuticals LLC, Case No.19-1147) pending before the Federal Circuit in which the Patent Office seeks to preclude a defendant from raising in the district court the same invalidity arguments that were successfully raised in the IPR proceeding. See BTG Int'l Ltd. v. Amneal Pharms. LLC, 352 F. Supp. 3d 352, 374, n. 13 (D.N.J. 2018).
    - If your client is not the first ANDA applicant to file, you may consider filing an IPR to get a judgment of invalidity and to attempt to cause the first ANDA filer to forfeit its 180-day marketing exclusivity. Note as follows:

      — If the first ANDA filer is not ready to launch its generic drug within 75 days after the date of a "final decision" that the patent is invalid or not infringed, it could forfeit its exclusivity (see Timing Considerations for 180-day Exclusivity below).

      — However, this forfeiture provision was written contemplating a final decision in federal court litigation, not a PTAB proceeding. Accordingly, it remains unclear whether a PTAB final written

decision, even when affirmed by the Federal Circuit, qualifies as a final decision for forfeiture purposes.

- Note that an ANDA applicant has standing to pursue an IPR to invalidate a patent even if its ANDA has a Paragraph III certification as to that patent. See Amerigen Pharms. Ltd. v. UCB Pharma GmbH, 913 F.3d 1076 (Fed. Cir. 2019).

(For a more comprehensive comparison of PTAB and district court proceedings and how to coordinate the two, see Coordinating PTAB Proceedings with Parallel District Court Patent Litigation.)

Your client's chosen objective and preferred procedural options should inform its regulatory and legal strategy. They will also impact the amount of legal and expert fees incurred. A particular objective may require that certain actions be taken at some stage before the litigation begins, for example, contacting possible generic partners (i.e., potential co-defendants) in advance of litigation and preparing for a PTAB proceeding. It is, therefore, essential that you review the various options with your client and analyze how they impact your litigation strategy in sufficient time to avoid foreclosing a preferred option.

Early Input from Patent Counsel and Outside Experts

Because of the complexities of Hatch-Waxman litigation and the interrelationship of regulatory, patent, and litigation considerations, it is best to involve both outside counsel and technical experts in the process as early as possible to the extent that your client's budget permits this.

The importance of technical experts in Hatch-Waxman litigation cannot be overstated. The most important witnesses, whether on summary judgment motions or trial, are the experts. It is not uncommon to find that there are only a limited number of litigation (or litigation-friendly) experienced technical experts in a highly specialized field. Considering that Hatch-Waxman actions can involve scores of generic companies as defendants (e.g., Celgene initiated patent litigations against 25 defendants in New Jersey on the drug Otezla), delaying retention of an expert may result in your chosen experts having a conflict. If it proves impossible to engage a knowledgeable and capable expert, you might even want to advise your client to reconsider its strategy.

Effective preparation includes the following:

- **Pre-filing expert input**. Consider retaining a technical expert to assist you with the pre-ANDA filing analysis, and the preparation of the Paragraph IV certification and notice letter. Note that this may not be the same expert ultimately retained to testify in the litigation. Early input from both patent counsel and an outside technical expert may suggest modifications to the ANDA product that in-house scientists may not have considered, such as a potentially effective formulation design-around, or a labeling change that can carve out a particular method of use to avoid a problematic patent.
- **ANDA and related communications with the FDA**. Be aware that the contents of the ANDA and related communications with the FDA will be disclosed during discovery. Consideration of litigation strategy and consultation with patent litigation counsel in formulating important communications with the FDA will minimize admissions or other potentially problematic material in the regulatory documents that might inadvertently undermine your future noninfringement or invalidity arguments.

Timing Considerations for 180-Day Marketing Exclusivity

If your client's goal is to obtain a 180-day marketing exclusivity, the timing of its ANDA filing is critical. Your client must be the first ANDA applicant to file a substantially complete ANDA with a Paragraph IV certification. An ANDA that is sufficiently complete to permit a substantive review qualifies as substantially complete. See 21 U.S.C. § 355(j)(5)(B)(iv)(II)(bb)–(cc).

If marketing exclusivity is the goal, you need to be aware of the factors that could cause forfeiture of the 180-day marketing exclusivity. Your client will forfeit its exclusivity if it fails to market its generic drug after the later of the following dates:

- The date that is the earlier of the following two dates:
  - 75 days after approval of its ANDA
  - 30 months after its ANDA filing date
- The date that is 75 days after the date as of which (for each patent for which it qualified for 180-day exclusivity), at least one of the following has occurred:
  - A final decision that the patent is invalid or not infringed
  - A settlement agreement entering a final judgment that the patent is invalid or not infringed
  - The patent listing is withdrawn from the Orange Book

See 21 U.S.C. § 355 (j)(5)(D).

The statutory scheme for forfeiture is both complex and relatively new. An FDA publication offers some assistance with interpreting the statute. See Guidance for Industry – 180-Day Exclusivity Questions and Answers.

Given the dire consequences of forfeiture for failure to market, make sure that your client understands the timing requirements. In particular, your client should ensure that it does not forfeit due to inability to begin the marketing of

its generic drug because of lack of FDA approval or other blocking patents. Your client should carefully plan the filing of its ANDA to allow sufficient time to obtain FDA approval and prepare to start marketing its product soon after approval so that it meets the statutory time frames.

Venue Analysis

Before filing an ANDA, you should investigate the venue in which the brand-name drug company is most likely to sue your client. If the most likely venue is not favorable for your client, you may be able to take steps to make it an improper venue for the litigation. A review of the specific rules and other requirements of the most likely venues will also help you prepare for the litigation.

The Supreme Court's decision in TC Heartland LLC v. Kraft Food Group Brands LLC, 137 S. Ct. 1514 (2017), clarified that, under 28 U.S.C. § 1400(b) (the so-called patent venue statute), a patent infringement suit must be filed either (1) where the defendant is incorporated or (2) where the defendant has committed acts of infringement and has a regular and established place of business. (For a complete discussion of venue rules and practice post-TC Heartland, see Venue Rules and Practice for Patent Infringement Litigation.)

However, a venue analysis is not straightforward in a Hatch-Waxman suit because the artificial act of infringement does not fit the statutory language of Section 1400(b). Thus, the analysis of proper venue in Hatch-Waxman litigation has differed among district courts. In at least one case, the patent owner tried to argue that Section 1400(b) was never meant to govern venue in Hatch-Waxman suits and that courts should instead look to the general venue statute, 28 U.S.C. § 1391. See Bristol-Myers Squibb Co. v. Aurobindo Pharma USA Inc., 2018 U.S. Dist. LEXIS 179154, at *15–17 (D. Del. October 18, 2018) (rejecting that argument).

For domestic ANDA applicants, the location under the first prong of Section 1400(b) (i.e., the state of incorporation) is clear. However, district courts are divided on how to identify the location of infringement under the second prong as the act of infringement consists of the ANDA filing rather than the sale of the accused generic drug. Compare, Bristol-Myers Squibb Company v. Mylan Pharmaceuticals, Inc., 2017 U.S. Dist. LEXIS 146372, at *20–21 (D. Del. Sept. 11, 2017) with Galderma Labs. LP v. Teva Pharmaceuticals, 290 F. Supp. 3d 599 (N.D. Tex. 2017).

In *Bristol Myers Squibb*, the Delaware Court looked to the venues in which the proposed generic drug would likely be marketed in determining that infringement was committed in Delaware. In contrast, in *Galderma*, the Texas Court dismissed the suit for improper venue, holding that the act of infringement occurred where the ANDA was prepared and filed with the FDA, not where the generic drug would be marketed.

If the proper venue in an infringement suit against your client would be undesirable, consider whether a corporate affiliate with a place of business and state of incorporation in a more desirable venue could be the ANDA applicant instead of your client. Also note that if your client is a foreign ANDA applicant, it can select a U.S. agent for filing the ANDA, making the residence of the agent a potentially proper venue.

When reviewing possible venues, investigate the following:

- Local patent rules
- Any special local rules for Hatch-Waxman litigation
- The timing of any mandated early exchange of infringement and invalidity contentions and claim construction positions (bearing in mind that you should prepare for any early deadlines even before the litigation starts)
- The court's experience with Hatch-Waxman litigation
- The average time to trial in a Hatch-Waxman (or patent) litigation
- Potential local counsel in any proper venue where you are not admitted (considering early retention of local counsel in popular venues such as New Jersey or Delaware, where ANDA litigations often involve numerous defendants, to avoid having your preferred choice retained by another party)
- The potential for jury bias against your client, noting as follows:
    - In a Hatch Waxman litigation, there is generally no right to a jury trial since there is usually no damages claim.
    - If your client might launch at risk (i.e., market its generic product before a ruling on infringement or validity), thereby giving rise to an amended complaint for damages and a potential jury trial, you should consider possible jury bias in any venue reputed to be biased against alleged infringers.

The Patent Certification

Other than any method of use patent for which the ANDA applicant makes a Section viii carve-out statement, an ANDA applicant must include a patent certification in the ANDA, or an amendment or supplement to the ANDA, as to any Orange Book listed patents.

While you can challenge whether a patent is properly listed in the Orange Book (see 21 C.F.R. § 314.53), the FDA will not independently verify whether the listing is proper or accurate. The NDA holder need only confirm the correctness of its patent listing for the listing to remain. Even if a patent appears to be improperly listed, your client must still make one of the four patent certifications in 21 U.S.C. § 355(j)(2)(vii)(I)–(IV). After a litigation is instituted, an ANDA applicant

can counterclaim for an order requiring the NDA holder to correct or delete improper Orange Book patent listings. See 21 U.S.C. § 355(c)(3)(D)(ii)(I)).

The wording of a patent certification is relatively succinct. For example, a Paragraph IV certification may state as follows: "Company A certifies that Patent No. [number] is invalid, unenforceable and/or not infringed by the manufacture, use or sale of [ANDA Product] under this ANDA."

You must provide a detailed statement of the factual and legal basis for your Paragraph IV certification in the notice letter that you must serve within 20 days from the FDA's acceptance of the ANDA filing. See Preparing the Notice Letter below.

When selecting the certification as to each Orange Book patent, you should consider the impact on the exclusivity period and stay current on the latest interpretation of the statutory intricacies. For example, in 2019 the FDA indicated that two ANDA applicants that filed a Paragraph IV certification and then withdrew their applications before providing notice to the NDA holder and patent owner, were nonetheless first filers, destroying the potential 180-day marketing exclusivity of the next ANDA applicant with a proper Paragraph IV certification. See, Teva Pharm. USA, Inc. v. Azar, 2019 U.S. Dist. LEXIS 30346 (D.D.C, February26, 2019). In another decision, the Federal Circuit held that a Paragraph IV certification as to a disclaimed patent and subsequent declaratory judgment action filed by the ANDA applicant on that patent, could result in a decision that triggers the forfeiture period and the possible forfeit by the first filer of its exclusivity rights. See, Apotex Inc. v. Daiichi Sankyo, Inc., 781 F.3d 1356 (Fed. Cir., March 31, 2015). These cases teach that you should consider including a paragraph IV certification to imminently expiring or disclaimed patents, and file as early as possible.

Asserting Invalidity

Before deciding how to certify for each listed patent, you should conduct a comprehensive prior art search to uncover any possible grounds for asserting that the patent is invalid for anticipation or obviousness.

As part of that search, you should carefully review the patent claims and files histories of the Orange Book patents and related patents and patent applications. Also, you need to review the record of any prior litigations and PTAB proceedings involving the patents or patent applications. Depending on your client's budget, you should also review the prosecution history of any foreign counterpart patents and applications and the record of any foreign proceedings. Such review may uncover invalidity and unenforceability issues, such as defects in the chain of title affecting standing, failure to cite prior art disclosed in foreign proceedings, or prosecution history estoppel preventing a claim of infringement under the doctrine of equivalents. These issues may be significant in determining what patent challenges you will assert.

As part of your patent review and certification process, you should consider the construction of key terms in the patent claims. File histories of related and foreign counterpart patents and applications, as well as the record of U.S. and foreign proceedings, may offer important information as to the meaning of the patent claims. Other patent litigations in which the NDA holder or the patent owner was a party may also be a useful source of their positions and assertions regarding the technology (e.g., formulations, polymorphs, enantiomers) and relevant patent law issues. You should also analyze any possible patentable subject matter or enablement and written description issues under 35 U.S.C. §§ 101 or 112.

Comprehensive studies of Hatch-Waxman patent challenge outcomes can also be a helpful resource. In Pharmaceutical Patent Challenges: Company Strategies and Litigation Outcomes, Henry Grabowski et al., 3 AM. J. HEALTH ECON. 33 (2017), Henry Grabowski and his co-authors compiled Hatch-Waxman patent challenge statistics according to drug and patent type. The historical data in the study details the number of first ANDA filers according to drug type, and litigation outcomes according to patent type. For example, a review of outcomes may reveal that you are unlikely to invalidate a polymorph patent as obvious but may be able to demonstrate that the patented polymorph is anticipated by the prior art. However, while statistics reveal trends, they do not necessarily predict the outcome in any given case due to the inherent uncertainty of patent litigation. For example, to the surprise of many patent lawyers, in one case a generic drug company succeeded in an obviousness challenge to a patent on the API. See Eurand, Inc. v. Mylan Pharms., Inc. (In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.), 676 F.3d 1063 (Fed. Cir. 2012). The lesson from this result is that you should always explore potential validity challenges even to seemingly invincible patents.

Also remember that if, as the litigation proceeds, you decide to abandon your validity challenge, you can amend your Paragraph IV certification for the challenged patent to a paragraph III certification (certifying that your client will not market its generic drug until the patent has expired).

Asserting Noninfringement

An ANDA applicant cannot assert that it does not infringe a patent that claims the API because the proposed generic drug must have the same API as the RLD. However, you may argue that your client's proposed generic drug does not infringe

other types of patents that may be listed in the Orange Book (e.g., patents directed to a formulation, composition, or polymorph), while still qualifying as bioequivalent to the RLD.

To prepare your noninfringement defense, you should retain a technical expert who can testify about the differences between your client's generic product and the patent claims (and patented product). Because the NDA holder will usually assert that its product practices the patented invention, you may be able to use differences between the generic and the brand-name drug to demonstrate that your client's product does not infringe. You may also need an expert to perform tests if, for example, your noninfringement argument relates to the crystalline nature of the product or the presence of a polymorph.

Unclaimed subject matter disclosed in the patent specification, as well as the prosecution history and the record of any Patent Office post-issuance proceedings concerning the patent, may suggest possible claim constructions on which to base your noninfringement arguments.

Noninfringement arguments have an advantage over invalidity and unenforceability arguments. Unlike a successful invalidity or unenforceability argument, a successful noninfringement defense may benefit only your client and not any co-defendant ANDA filers who may, for example, use a different formulation for the drug.

Relying on a Section VIII Carve-Out Statement

For each Orange Book method of use patent, the NDA holder must provide a "use code" to be listed in the Orange Book. Your client should carefully consider whether to seek approval for each listed use. If your client excludes (or carves out) a patented use, omitting the labeling language relating to that use, it can submit a so-called Section viii carve-out statement (also called a skinny label) under 21 U.S.C. § 505(j)(2)(A)(viii). As a result, your client may avoid the need to certify as to the patent.

With a carve-out statement, your client can also avoid any marketing exclusivity period granted to the NDA holder that is predicated on the excluded use. See, e.g., Otsuka Pharm. Co., Ltd. v. Burwell, 2015 U.S. Dist. LEXIS 68230 (D. Md., May 27, 2015). A Section viii carve-out can thus provide significant benefits. For example, in one case, a generic drug company with a carve-out was the first to sell the generic drug, beating to market the first ANDA filer (which had 180-day marketing exclusivity). See Hospira, Inc. v. Burwell, 2014 U.S. Dist. LEXIS 123972 (D. Md., Sept. 5, 2014).

Preparing the Notice Letter

Within 20 days from the date of the postmark on the FDA's letter of acceptance of the ANDA for filing, your client must send a notice letter for each certification that it makes as to each Orange Book patent. The letter must be sent to each patent owner and the domestic NDA holder or authorized agent (if the NDA holder has no domestic place of business). While the patent owner and the NDA holder are generally the same entity, they may be different.

Technical Requirements

Ensure that the notice letter meets all of the technical requirements of 21 C.F.R. § 314.95 and 21 U.S.C. § 355(j)(2)(B)(v) as to the ANDA number, name of the drug product, and the active ingredient strength and dosage. Work with your client's scientific and regulatory personnel to ensure the accuracy and completeness of this information.

Detailed Statement of Basis for Paragraph IV Certification

The notice letter must include a detailed statement of the factual and legal basis for your client's Paragraph IV certification that the patent is invalid, unenforceable, or will not be infringed. See 21 U.S.C. § 355(b)(3)(D)(ii). This statement is the foundation for your defense of a Hatch-Waxman complaint. Prepare the statement with the same care that you would take in preparing an important pleading or legal opinion. Carefully investigate and state the factual and legal basis for your contentions, bearing in mind that you risk sanctions if your contentions are later shown to be knowingly ill-founded or carelessly prepared.

Among the considerations when preparing the detailed statement are your ability to change or amplify the arguments, and the possible consequences of doing so. Be aware that courts have not limited ANDA applicants to the defenses identified in the notice letter. Efforts by NDA holders to restrict the defenses in the litigation to the substance of the notice letter have been unsuccessful. See Acorda Therapeutics Inc. v. Apotex Inc., 2011 U.S. Dist. LEXIS 102875, at *32, n.3 (D.N.J., Sept. 6, 2011) (The "volume of authority" does not require every defense to be asserted). Nor have the courts required a further certification and notice letter based on the changes. See, e.g., Abbott Labs. v. Lupin Ltd., 2011 U.S. Dist. LEXIS 53846, at *16 (D. Del. May 19, 2011), citing Minnesota Mining & Mfg. Co. v. Barr Labs., 289 F.3d 775, 777 (Fed. Cir. 2002) (statutory requirement regarding notice cannot be enforced by a private party in a patent infringement action); Abbott v. Apotex, Inc., 795 F. Supp. 2d 724 (N.D. Ill. 2010); SmithKline Beecham Corp. v. Apotex Corp., 2000 U.S. Dist. LEXIS 667 (N.D. Ill., Jan. 24, 2000).

Thus, although the statement needs to be detailed, it need not be comprehensive. You should, therefore, carefully consider how much information to disclose in the statement. There may be a tactical advantage in the litigation, relative to the brand-name drug company, to initially limiting your disclosure of the full details of your arguments. For example, limiting the initial disclosure delays the brand-name drug company's ability to take countermeasures to correct an issue. In considering possible tactical advantages, be aware, however, that you may have to disclose the full scope of your noninfringement and invalidity contentions early in the litigation. Many courts, either in the local patent rules or an initial case management or scheduling order, require early service of detailed noninfringement and invalidity contentions.

While you may expand your contentions during the litigation, you cannot abandon them without risking sanctions. Your notice letter must present a good faith, legally and scientifically vetted, statement of noninfringement, invalidity, or unenforceability. Always have more than one set of eyes review the final statement. Have your client's relevant scientific personnel and outside technical expert (if one has been retained) review the scientific statements for accuracy. Have at least two attorneys with patent experience review the statement. At least one of the attorneys should be an experienced patent litigator since the contentions will ultimately have to be litigated and presented to a judge.

A notice letter statement not made in good faith, sloppily prepared, and abandoned by the defendant and its experts at trial have been factors supporting an award of attorneys and expert fees to the plaintiff. See Takeda Chemical Industries v. Mylan Laboratories, 549 F.3d 1381, 1384–85 (Fed. Cir. 2008), affirming an award of $16.8 million in attorneys and expert fees and expenses against Alphapharm and Mylan. See also Yamanouchi v. Danbury, 231 F.3d 1339 (Fed. Cir. 2000), granting JMOL after trial and awarding $1,635,440 in attorney's fees and $400,000 in disbursements.

An Offer of Confidential Access to the ANDA

If the patent owner does not file an infringement suit against the ANDA applicant within 45 days of the Paragraph IV notice letter, the ANDA applicant may file a declaratory judgment action seeking a declaration of noninfringement, or patent invalidity or unenforceability. The declaratory judgment action is also designed to achieve a determination of patent infringement issues before the generic drug is launched and potential damages for infringing sales are incurred. If your declaratory judgment suit would be limited to invalidity for anticipation or obviousness based on prior art publications or patents, consider filing an IPR instead to obtain the same objective at a lower cost.

However, there may be a reason to file a declaratory judgment action rather than an IPR. If your client is not the first ANDA filer, bear in mind that a first ANDA filer who is not ready to launch its generic drug within 75 days after a final decision that the patent is not infringed, may forfeit its 180-day marketing exclusivity (see Preparing to File an ANDA; Timing Considerations for 180-day Exclusivity above). As discussed, the courts might find that, under the statute, an IPR decision may not be a proper trigger of the forfeiture period.

To preserve your client's right to file a declaratory judgment action for a declaration of noninfringement (whether in a complaint or counterclaim), you must include in your notice letter an offer of confidential access to your client's ANDA for the sole purpose of allowing the patent owner to evaluate possible infringement of the patent that is the subject of the certification. See 21 U.S.C. § 355(j)(5)(C)(i)(III). The offer must contain restrictions similar to those that would be contained in a protective order to protect confidential business information. The ANDA may be redacted to remove irrelevant information before it is reviewed.

Your offer of confidential access should only cover access to relevant information, but be careful not to be overly restrictive or unreasonable. You should negotiate the terms of access in good faith. In one case, the court concluded that the NDA holder was not precluded from suing for infringement despite lacking sufficient information to evaluate infringement, because the ANDA applicant made an unreasonably restrictive offer of confidential access and refused to negotiate. See, In Re Cyclobenzaprine Hydrochloride Extended Release Capsule Patent Litigation, 693 F. Supp. 2d 409 (D. Del. 2010). See also discussion in Pfizer v. Apotex, 726 F. Supp. 2d 921 (N.D. Ill. 2010).

Opinion Letter

While a pre-suit opinion letter to help defend against a charge of willful patent infringement is usually advisable, it may be less useful in the context of Hatch-Waxman litigation. Courts have generally decided that the artificial act of infringement under 35 U.S.C. § 271(e)(2) cannot be the basis for a finding of willful infringement. However, there may be exposure to a willfulness determination and enhanced damages under 35 U.S.C. § 284 if your client decides to launch at risk (i.e., offer its generic drug for sale before a ruling on infringement or validity). Therefore, as a precaution in the event of a later decision to launch at risk, outside counsel should prepare an opinion letter that tracks the conclusions and reasoning of the notice letter. Trial counsel may produce the opinion letter during the litigation to help defend against a claim of willful infringement or a

claim of bad faith in asserting an invalidity counterclaim. Preferably, the attorney who prepares the opinion should not be trial counsel. Nonetheless, in practice, the opinion letter is frequently prepared by patent litigation counsel to save costs, given the overlap with the notice letter and litigation preparation.

Conclusion

This practice note summarizes some of the key issues and strategy considerations in preparing for a Hatch-Waxman litigation from the generic perspective. However, not only is the governing law complicated, it is continually evolving. Significant issues remain unresolved and pending legislation could change the rules once again. Effective preparation requires extensive business, technical and legal input from regulatory counsel, and patent counsel knowledgeable about the most recent developments in the FDA and the courts.

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Janet is an intellectual property litigator with more than 25 years of experience trying and litigating patent, trademark, unfair competition and trade secret cases in a broad range of technologies, including pharmaceuticals, medical devices, consumer products and mechanical devices.

Janet has extensive experience in pharmaceutical (Hatch-Waxman) patent litigation, and has acted as trial counsel in patent, trade secret and antitrust actions involving pharmaceuticals with annual billion dollar sales. She is also experienced in trademark prosecution, inter partes proceedings, false advertising and copyright litigation.

Janet is currently the Vice Chair of the Food, Drug and Cosmetic Section of the New York State Bar Association. From 2010 to 2013, she was the chair of the Patents Committee of the Association of the Bar of the City of New York. On behalf of the Patents Committee, she authored an amicus brief to the Federal Circuit in its en banc consideration of claim construction in Lighting Ballast Control LLC v. Philips Electronics North America Corporation, which was favorably quoted by the four justices in dissent.