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LEARNING THE STEPS OF THE BPCIA'S PATENT DANCE: NOTICE OF COMMERCIAL MARKETING IS MANDATORY

The Federal Circuit's second opinion interpreting the Biologics Act in *Amgen v. Apotex* is dense, but the outcome is simple. There are two takeaways from this decision. First, notice of commercial marketing pursuant to § 262(l)(8)(A) is mandatory, even if the applicant engages in the "patent dance." Second, a preliminary injunction is an appropriate remedy for a reference product sponsor when an applicant does not comply with (8)(A)'s notice requirement.

Statutory Background

A quick overview of the Biologics Act of 2010 and the amendments it made to the Patent Act is helpful in understanding the Federal Circuit's decision.

§ 262(l) of the Biologics Act focuses on potential patent disputes between the reference product sponsor ("RPS") and the biosimilar product applicant ("applicant").[1] § 262(l) lays out an information-exchange procedure commonly referred to as the "patent dance." Under paragraph (2)(A), within 20 days after the U.S. Food and Drug Administration (FDA) notifies the applicant that its application has been accepted for review, the applicant is to give notice to the RPS by providing the biosimilar application as well as information describing the manufacturing process.[2]

Paragraph (3)(A) requires the RPS, within 60 days of receiving notice under (2)(A), to provide a list of patents that could reasonably be asserted against the applicant and specify which patents it would be prepared to license to the applicant.[3] Within 60 days after receiving the RPS's list, the applicant must respond with a statement identifying why each patent on the list is invalid, unenforceable, or not infringed, or declaring that it does not intend to commercially market the biosimilar product before a particular patent expires.[4] Within 60 days of receiving the applicant's response, the RPS is to reply regarding the (3)(A) patents the applicant has claimed are not infringed, invalid, or unenforceable.[5]

1. *Amgen Inc. v. Apotex Inc.*, No. 2016-1308, 2016 WL 3606770 at 5 (Fed. Cir. July 5, 2016).
2. § 262(l)(2)(A); *Apotex* at 5.
3. § 262(l)(3)(A); *Apotex* at 5.
4. § 262(l)(3)(B); *Apotex* at 5-6.
5. § 262(l)(3)(C); *Apotex* at 6.

"It is important to note that the Biologics Act amended the infringement provision of the Patent Act."

Patent Litigation – First and Second Stages

The parties must enter into good-faith negotiations over which patents listed under paragraph (3) will be the subject of an immediate patent infringement action.[6] If the parties reach agreement, the RPS has 30 days to bring a patent infringement action.[7] If the parties can't agree, the applicant tells the RPS how many patents will be on the applicant's list, and that number caps how many patents the RPS may put on its list.[8] The RPS has 30 days to sue for infringement on the patents that appear on both the applicant's and RPS's lists.[9]

Paragraph (8) provides for a second stage of patent litigation.[10] (8)(A) requires that the applicant give the RPS notice at least 180 days before commercially marketing its "licensed product."[11] The RPS is then allowed to seek a preliminary injunction based on any patent within either of two classes.[12] The first class consists of the patents that were on any of the lists exchanged pursuant to paragraph (3)(A), minus the patents that were part of paragraph (6) litigation.[13] The second class consists of patents that were issued to or exclusively licensed by the RPS after it gave the applicant its (3)(A) list.[14]

Paragraph (9) reinforces the litigation channels discussed above by addressing when declaratory-judgment actions are or are not available.[15]

Acts of Infringement and Available Remedies

It is important to note that the Biologics Act amended the infringement provision of the Patent Act. As amended, 35 U.S.C. § 271(e)(2) provides that it is an "act of infringement" to submit an application "seeking approval of a biological product" for the purpose of obtaining approval "to engage in the commercial manufacture, use, or sale of a… biological product claimed in a patent or the use of which is claimed in a patent before" such patent expires.[16] This applies both for an applicant that has begun the information exchange process under the Biologics Act and for an applicant that has not.[17] Filing a biosimilar application is an act of infringement of the patents that the RPS listed under (3)(A), which only occurs when the applicant has provided notice under (2)(A).[18] And

6. § 262(l)(4)(A); *Apotex* at 6.
7. § 262(l)(6)(C); *Apotex* at 6.
8. § 262(l)(5); *Apotex* at 6-7.
9. § 262(l)(6)(B); *Apotex* at 7.
10. *Apotex* at 7.
11. § 262(l)(8)(A); *Apotex* at 7.
12. § 262(l)(8)(B); *Apotex* at 7.
13. *Id.*
14. *Id.* at 7.
15. *Id.*at 8.
16. 35 U.S.C. § 271(e)(2)(C)(i), (ii).
17. *Apotex* at 10.
18. *Id.*

even if an applicant does not provide notice under (2)(A), filing the biosimilar application is an act of infringement of a patent that the RPS *could* identify as one it believes "could reasonably be asserted" against the biosimilar product.[19]

§ 271(e)(4) authorizes injunctions and damages as remedies to infringement and states that those remedies "are the only remedies which may be granted by a court for an act of infringement described in paragraph (2)" (except for attorney's fees).[20] § 271(e)(6) limits these remedies in two ways that were designed to follow the BPCIA where the applicant has launched that information-exchange process.[21] First, the only remedy available to the RPS is a reasonable royalty if the RPS brings the first-stage infringement action under §262(l)(6) more than 30 days after the scope of that litigation is determined by §262(l)(4) or (5).[22] Second, the owner of a patent may not sue for infringement with respect to the biological product at issue if the RPS did not timely include that patent on its §262(l)(3)(A) list or §262(l)(7) supplement.[23]

"Second, the owner of a patent may not sue for infringement with respect to the biological product at issue if the RPS did not timely include that patent on its §262(l)(3)(A) list or §262(l)(7) supplement."

Factual Background

Amgen markets Neulasta, whose active ingredient is pegfilgrastim, a biologic that decreases the incidence of infection in chemotherapy patients by stimulating the production of white blood cells.[24] Apotex filed an application for an FDA license to market a biosimilar version of Neulasta in 2014, invoking the abbreviated pathway for regulatory approval under the Biologics Act.[25]

Apotex provided Amgen a copy of the application and information detailing Apotex's pegfilgrastim manufacturing requirements in compliance with paragraph (2)(A).[26] The parties proceeded through the remaining steps of the patent dance.[27] Apotex sent a letter to Amgen providing notice of future commercial marketing pursuant to (8)(A), although Apotex lacked an FDA license at the time.[28]

Amgen filed a motion asking the district court to issue a preliminary injunction that would require Apotex to provide an (8)(A) notice if and when it receives a license to market from the FDA, and to delay any commercial marketing for 180 days from that notice.[29] The parties stipulated that the irreparable harm, balance of hardships, and public

19. *Id.* (emphasis added).
20. *Id.*
21. *Id.*at 10-11.
22. *Id.* at 11.
23. *Id.*
24. *Id.* at 4.
25. *Id.*
26. *Id.* at 11.
27. *Id.*
28. *Id.* at 11-12.
29. *Id.* at 13.

interest factors favored granting a preliminary injunction.[30] Therefore, the decision whether to grant Amgen's preliminary injunction motion turned on the legal question presented: "whether the (8)(A) notice requirement is a mandatory one enforceable by injunction as to an applicant… that … gave (2)(A) notice to launch the information-exchange process leading to the paragraph (6) infringement suit."[31]

The district court granted Amgen's preliminary injunction motion because it found that the (8)(A) notice-of-commercial-marketing requirement "provides a defined statutory window during which the court and the parties can fairly assess the parties' rights prior to the launch of the biosimilar product" and that window "exists for all biosimilar products that obtain FDA licenses, regardless of whether the subsection (k) applicant complies with § 262(l)(2)."[32]

"Also worth noting, in *Amgen v. Sandoz*, the Federal Circuit held that (2)(A) was optional, but that (8)(A) was mandatory and must follow, not precede, FDA licensure of the applicant's biosimilar."

Also worth noting, in *Amgen v. Sandoz*, the Federal Circuit held that (2)(A) was optional, but that (8)(A) was mandatory and must follow, not precede, FDA licensure of the applicant's biosimilar.[33]

(8)(A) Notice of Commercial Marketing Is Mandatory

The Federal Circuit affirmed the district court's grant of a preliminary injunction and held that the (8)(A) 180-day post-licensure notice before commercial marketing is a mandatory requirement enforceable by injunction whether or not (2)(A) notice was given.[34] The Federal Circuit focused on two main issues in coming to its conclusion that (8)(A) notice is mandatory: (1) the plain language of (8)(A); and (2) the litigation-driven purpose of (8)(A), as evidenced by the Biologics Act's legislative history.

Plain Language of (8)(A) Supports Finding Notice Mandatory

The Federal Circuit began its analysis with the plain language of the statute, relying heavily on its decision in *Amgen v. Sandoz*. It noted that *Amgen v. Sandoz* held that the "shall" in (8)(A) did indeed mean that pre-commercial marketing notice is mandatory, and "did not say that it was mandatory only in non-(2)(A)-notice circumstances."[35] There is no other statutory language that "compels a treatment of (8)(A) as non-mandatory."[36] The Federal Circuit further noted that (8)(A) contains no language that conditions notice on whether the applicant provided the (2)(A) notice, and reiterated that (8)(A) is "a standalone notice provision" independent of the § 262(l) patent dance process that begins with (2)(A).[37]

30. *Id.*
31. *Id.* at 13-14.
32. *Id.* at 14 (citations and quotations omitted).
33. *Sandoz* at 1358; *Apotex* at 12.
34. *Id.* at 15.
35. *Id.*
36. *Id.* at 16.
37. *Id.* at 15-16 (*citing Sandoz* at 1359-60).

The Federal Circuit distinguished the "shall" in (8)(A) from the "shall" in (2)(A).[38] It reiterated its explanation in *Amgen v. Sandoz* that "the language of 35 U.S.C. § 271(e)(2) & (4) forces (2)(A)'s 'shall' not to be a term of enforceable compulsory obligation" because compelling the applicant to provide (2)(A) notice would go beyond the exclusive remedy of a patent-merits infringement suit provided for in § 271(e)(4).[39] Interpreting (2)(A)'s "shall" as mandatory would contradict Congress's intent that § 271(e)(4)'s infringement remedies are "the *only* remedies which may be granted by a court for an act of infringement described in § 271(e)(2)."[40]

"Additionally, (8)(A) allows the notice of commercial marketing to be sent 'as soon as the license issues, even if it is not yet effective, because it is at the time of the license that 'the product, its therapeutic uses, and its manufacturing processes are fixed.'"

The Federal Circuit rejected Apotex's argument that giving (8)(A) its plain meaning would provide a six-month extension to the 12-year exclusivity period given to an RPS by § 262(k)(7), again citing to its decision in *Amgen v. Sandoz*.[41] § 262(k)(7) establishes the 12-year date as the earliest date on which a biosimilar license can take effect, and an additional six-month delay is consistent with § 262(k)(7).

The Federal Circuit also seemed to believe that any additional six months of exclusivity would gradually become less frequent over time.[42] It reasoned that "as time passes, more and more of the reference products will be newer," that applicants are "entitled to file an application a mere four years after licensure of the reference product," and that they can therefore "seek approval long before the 12-year exclusivity period is up."[43] As a result, the FDA might potentially issue a license "before the 11.5 year mark and deem the license to take effect on the 12-year date," which is contemplated by § 262(k)(7)(A).[44] Additionally, (8)(A) allows the notice of commercial marketing to be sent "as soon as the license issues, even if it is not yet effective, because it is at the time of the license that 'the product, its therapeutic uses, and its manufacturing processes are fixed.'"[45]

Litigation Focus of (8)(A) Supports Mandatory Notice

The Federal Circuit emphasized the purpose of (8)(A)'s 180-day notice is to ensure that the RPS, applicant, and district court are not rushed

38. *Id.* at 16.
39. *Id.*
40. *Id.* (*citing Sandoz* at 1356, internal quotations omitted).
41. *Id.* at 16.
42. *Id.* at 17.
43. *Id.*
44. *Id.* at 17. § 262(k)(7)(A) states that "Approval of an application under this subsection may not be made effective… until the date that is 12 years after the reference product was first licensed under subsection (a)."
45. *Id.* at 17 (*citing Sandoz* at 1358).

through the complexities of patent litigation, including requests for temporary restraining orders and preliminary injunctions. These requests are often associated with a "reliability-reducing rush" and can create "time pressure that will impair [patent litigation's] fairness and accuracy."[46] The 180-day notice period gives the RPS "time to assess its infringement position for the final FDA-approved product as to yet-to-be-litigated patents."[47] Moreover, "the final biosimilar product cannot be known with certainty until the FDA license issues."[48]

(8)(A)'s time-conscious purpose is evident from the legislative history of the Biologics Act and "on the face of §262(l)."[49] Congress clearly intended to create a "categorical fixed period judgment in (8)(A)."[50]

"The Federal Circuit also rejected Apotex's argument that § 262(l)(9)(B) makes a declaratory-judgment action the implied exclusive remedy for violations of (8)(A), and refused to infer that from the language of paragraph (9)."

Preliminary Injunction Is an Appropriate Remedy for Failing to Comply (8)(A) Notice Requirement

The Federal Circuit also rejected Apotex's argument that § 262(l)(9)(B) makes a declaratory-judgment action the implied exclusive remedy for violations of (8)(A), and refused to infer that from the language of paragraph (9).[51] Apotex suggested that the only remedy for an applicant's refusal to provide the RPS the "180-day period for post-licensure litigation decision-making is a declaratory-judgment action on the patent."[52] According to Apotex, (9)(B) permits such an action if the applicant "'fails to complete' any one of several steps" including giving (8)(A) notice.[53]

Apotex, however, did not point to any language in paragraph (9) to support its argument that declaratory judgment actions are the exclusive remedy for an RPS when an applicant does not provide (8)(A) notice.[54] Nor does paragraph (9) imply exclusivity.[55] *Amgen v. Sandoz* confirms that monetary and injunctive relief are expressly authorized by § 271(e)(4) and did not establish declaratory judgment actions as "the full remedial consequence of (8)(A) noncompliance."[56]

46. *Id.* at 19.
47. *Id.*
48. *Id.* at 18.
49. *Id.* at 19-20.
50. *Id.* at 18.
51. *Id.* at 21.
52. *Id.*
53. *Id.*
54. *Id.* at 21-22.
55. *Id.* at 22.
56. *Id.* at 22-23.

Indeed, the Federal Circuit found that "it would be surprising to infer exclusivity" of declaratory judgment actions as a remedy given paragraph (9)'s "generally *non*-exclusive character."[57] "Such an exclusivity conclusion regarding (8)(A) would, in fact, make little sense" because a declaratory judgment action "would not serve (8)(A)'s essential purpose" or "be a meaningful remedy *for the (8)(A) violation*."[58] A declaratory judgment action would instead "introduce the very problem of rushed decision-making as to the patent merits that it is (8)(A)'s purpose to avoid" and thus "is so gross a mismatch for the (8)(A) right that it cannot fairly be treated… as the exclusive remedy for (8)(A)'s violation."[59]

"As a practical matter, we are likely to see more preliminary injunction motions addressing these issues. Such motions will have a particularly short track to decision when filed following a 180-day notice upon actual licensure, and the applicant has not previously provided a prior (2)(A) notice of FDA review."

Practical Implications

At a minimum, biosimilar applicants should consider routinely giving 180-days' notice of commercial marketing immediately upon receiving an FDA license, to maximize the the likelihood of being able to market the biosimilar at the end of that period without further delay.

As for the Federal Circuit's observation that the FDA might issue a license long before expiration of the 12-year exclusivity period, and "deem" that license to be effective as of the 12-year date, it remains to be seen how the FDA will actually issue biosimilar licenses. The analogous practice for ANDA purposes is "tentative approval." But in the ANDA context, even after receiving tentative approval, the applicant has to file another request for final approval 90 days before the eligibility date, even if the proposed generic product hasn't changed. If the FDA follows this same procedure for biosimilars, it is not clear that an early approval indication could effectively serve as a license "issuance" with a deemed effective date.

As a practical matter, we are likely to see more preliminary injunction motions addressing these issues. Such motions will have a particularly short track to decision when filed following a 180-day notice upon actual licensure, and the applicant has not previously provided a prior (2)(A) notice of FDA review.

There is a pending *cert* petition in *Amgen v. Sandoz* that, if granted, could put the 180-day notice issue back on the table.[60] On June 20, 2016, the Supreme Court asked for the Solicitor General's views on the issue.[61] The Solicitor General has not replied as of the publishing of this article and there is no deadline set for the Solicitor General to reply.

57. *Id.* (emphasis in original).
58. *Id.* at 23 (emphasis in original).
59. *Id.* at 23-24.
60. *Sandoz v. Amgen,* Case No. 15-1039.
61. *Id.*

In closing, the Federal Circuit's *Amgen v. Apotex* ruling has already sparked a flurry of activity by district court litigants trying to interpret the decision. In *Amgen v. Hospira*, for example, Hospira moved to dismiss Amgen's complaint seeking declaratory judgment and injunctive relief. Hospira claimed that Amgen could not privately enforce the commercial notice provision of paragraph (8)(A). After the Federal Circuit issued its ruling in *Apotex*, Hospira argued that the question of whether there is a private right of action to enforce (8)(A) is still open for the court to decide, because the Federal Circuit did not reach this issue in *Apotex*. The district court, however, denied Hospira's motion to dismiss, finding that the Federal Circuit recognized the availability of injunctive relief for violations of (8)(A) and "it would make sense to come to the same conclusion regarding the availability of declaratory relief."[62]

62. *Amgen v. Hospira*, Case No. 15-839, Dkt. 68 at 7 (D. Del.).