Federal Circuit Rules Against Patent Declaratory Judgment Actions Before Biosimilar Application Is Filed

On December 5, 2014, the Federal Circuit issued its opinion in *Sandoz Inc. v. Amgen Inc. et al.* In a unanimous panel opinion (Judges Dyk, Taranto and Chen), the Court held that clinical trials initiated to support a possible subsequent filing of a biosimilar application with the U.S. Food and Drug Administration ("FDA") do ***not*** constitute sufficient activity to create subject matter jurisdiction for a declaratory judgment action.

Background on the BPCIA

Unlike traditional "small-molecule" prescription drugs made through chemical synthetic processes, biological products – sometimes called "biologics" – are made by culturing human and/or animal cells. Examples of biologics include proteins and antibodies. Biological products are generally larger and have a more complicated structure than small-molecule drugs.

A "biosimilar" or "follow-on biologic" is a biological product that is highly similar to a U.S.-licensed biological product, notwithstanding minor differences in clinically inactive components. According to the FDA, there must also be no clinically meaningful differences between the biosimilar and the biologic reference product in terms of safety, purity and potency.

The Biologics Price Competition and Innovation Act ("BPCIA") establishes a statutory framework for resolving patent disputes between innovator companies and biosimilar applicants. This framework contemplates two potential rounds of patent litigation. The first round is triggered by the filing of the biosimilar application and includes a series of exchanges of confidential information and patent positions between the biosimilar applicant and the innovator. The second round is triggered by the applicant providing the innovator with 180 days' notice before the first commercial marketing of the biosimilar product.

Case Background

Sandoz Inc. ("Sandoz") brought a declaratory judgment action in the Northern District of California seeking a declaration of non-infringement, unenforceability and invalidity of two patents owned by Hoffmann-La Roche Inc. ("Roche") and exclusively licensed to Amgen, Inc. ("Amgen" and, collectively with Roche, "Defendants"). Prior to suit, Amgen had publicly asserted that the patents covered a recombinant protein called etanercept, which Amgen markets under the brand name Enbrel® as a treatment for rheumatoid arthritis. Enbrel® is an FDA-approved biologic drug.

Sandoz had developed a biosimilar etanercept product that it hoped to bring to market using the BPCIA biosimilar pathway. Sandoz sought to circumvent the BPCIA's statutory framework, however, by filing a declaratory judgment action on the day that it began a Phase III clinical trial of the biosimilar. The successful completion of this trial, which was not expected to occur before 2015, is a predicate to Sandoz filing its biosimilar application with the FDA.

In the trial court, Defendants filed a motion to dismiss Sandoz's complaint for lack of subject matter jurisdiction or, in the alternative, for the District Court to exercise its discretion by declining declaratory judgment jurisdiction in light of the patent dispute framework of the BPCIA. Defendants argued that any putative controversy between the parties lacked sufficient immediacy or reality to support declaratory judgment jurisdiction, and that Sandoz consequently lacked standing. Defendants had never said explicitly that they intended to sue Sandoz or suggested that anything Sandoz was doing in the United States exposed Sandoz to infringement liability. Moreover, Defendants argued that there were many uncertainties regarding Sandoz's FDA application and its biosimilar product, including whether an application would be filed at all.

In response, Sandoz asserted that the uncertainties that Defendants pointed to regarding its future FDA application for the biosimilar were unsupported and speculative. Sandoz argued its biological product was in the final stages of development and in Phase III clinical testing, thus, its product was not subject to change. Sandoz further argued that the provisions of the BPCIA did not apply because Sandoz had not yet filed its biosimilar application. Moreover, Sandoz had complied with the BPCIA by providing Amgen with a notice of intended first commercial marketing.

The District Court dismissed the case, determining that no Article III controversy existed between the parties and that, in an exercise of the Court's discretion, the patent dispute framework of the BPCIA was favored over declaratory judgment.

The Federal Circuit Decision

In its opinion, authored by Judge Taranto, the Federal Circuit affirmed in part the decision of the Northern District of California. The Federal Circuit found that there was no real or immediate injury or threat of injury to Sandoz because Sandoz had yet to file its biosimilar application. That FDA application would, necessarily, define Sandoz's proposed product, and could be altered or even abandoned depending on the outcome of Sandoz's clinical testing:

> [S]andoz's complaint does not present a case or controversy. We reach this conclusion on the particular facts before us.
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> We are aware of no decision in which we have found a case or controversy when the only activity that would create exposure to potential infringement liability was a future activity requiring an FDA approval that had not yet been sought.

The Federal Circuit was careful to tailor its decision to the specific factual scenario raised on appeal:

> Without adopting a categorical rule, we conclude that the present case does not meet the requirements of immediacy and reality. We begin with the immediacy requirement, noting again that contingency plays a role in applying this requirement as it does in applying the reality requirement. When Sandoz filed its suit, it was conducting a Phase III trial of a drug it hopes to make the subject of an FDA application. It told the National Institutes of Health that its trial would last until April 2015. Even that date, let alone any FDA approval, was several years away when Sandoz brought this suit. And if the Phase III trial uncovers material problems, Sandoz may, at a minimum, need to delay any FDA application considerably longer.
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> Any dispute about patent infringement is at present subject to significant uncertainties–concerning whether it will actually arise and if so what specific issues will require decision. Sandoz's Phase III trial may fail in material ways.
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> At the same time, Sandoz has not shown that it will suffer an immediate and substantial adverse impact from not being able to seek or secure a patent adjudication before filing an application for FDA approval.

Next Steps

Although the Federal Circuit opinion answers the question of whether a company may avoid the BPCIA framework for resolving patent disputes prior to filing a biosimilar application with the FDA, it leaves other questions open. Notably, the Federal Circuit declined to address (1) whether particular hardships occasioned by a later patent challenge could establish the necessary immediate and substantial impact for a declaratory judgment action in the biosimilar context; (2) whether the BPCIA actually prohibited Sandoz's suit (which Sandoz had argued as an alternative ground for dismissal in the District Court); and (3) whether, if and when Sandoz filed an application under the BPCIA, that statute would foreclose a declaratory judgment action.

These questions have not been clarified elsewhere. So far, only two other District Court decisions have addressed declaratory judgment actions involving biosimilar applications under the BPCIA. *See Celltrion Healthcare Co., Ltd. v. Kennedy Trust for Rheumatology Research*, No. 14 Civ. 2256 (PAC) (S.D.N.Y. Dec. 1, 2014); *Hospira, Inc. v. Janssen Biotech, Inc.*, No. 14 Civ. 7049 (PAC) (S.D.N.Y. Dec. 1, 2014). These decisions found subject matter jurisdiction lacking and held that, even if the Article III case or controversy standard were met by the declaratory judgment action, the court would in its discretion decline to hear the case in favor of the framework for resolving patent disputes set forth in the BPCIA.

The BPCIA's patent dispute framework is also being challenged in a current litigation involving Sandoz's proposed biosimilar to Amgen's biologic Neupogen.® In that case, Sandoz had ***already*** applied to the FDA for approval to market its biosimilar. Sandoz, however, informed Amgen that it did not intend to adhere to the BPCIA patent dispute framework. As a consequence, Amgen brought a declaratory judgment suit against Sandoz alleging conversion and infringement, and seeking to enjoin Sandoz from marketing its biosimilar until it follows the BPCIA patent dispute requirements. *See Amgen Inc. et al v. Sandoz Inc. et al*, No. 14 Civ. 4741 (EDL) (N.D. Ca.) Amgen has also filed a Citizen Petition with the FDA requesting that it require all biosimilar applicants to certify that they will comply with the BPCIA framework to resolve patent disputes before the FDA accepts a biosimilar application for review. That petition will not affect Sandoz, whose application the FDA has already accepted. It may, however, cabin the actions of future biosimilar applicants seeking FDA marketing approval and mandate their use of the BPCIA framework to resolve patent disputes.

As more applicants use the BPCIA to seek approval to market biosimilars in the United States, we expect that the procedures to resolve patent disputes will continue to be the subject of significant litigation in the Courts, the Patent Office and the FDA.

To find out how the Federal Circuit's *Sandoz Inc. v. Amgen Inc. et al* decision may affect your interests, please contact your usual Ropes & Gray attorney or one of the Ropes & Gray attorneys listed below.

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