IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

APOTEX INC.,	)	
Plaintiff,	)	
v.	)	Civil Action No. 09-cv-00477
EISAI INC. and EISAI CO., LTD.,	)	
Defendants.	)	

RESPONSE IN OPPOSITION TO EISAI'S MOTION TO DISMISS
FOR LACK OF SUBJECT MATTER JURISDICTION

STATEMENT OF THE NATURE OF THE MATTER BEFORE THE COURT

The current dispute arises from the Eisai Defendants' (collectively "Eisai") efforts to limit competition in the market for its donepezil hydrochloride drug product, Aricept®. Plaintiff Apotex filed this declaratory judgment action to obtain a court decision on Eisai's patents and to clear the anticompetitive regulatory blockade that delays Apotex's ability to market its generic donepezil hydrochloride product. This brief is submitted in opposition to Eisai's pending Motion to Dismiss.

INTRODUCTION

The only patent Eisai has to legitimately protect its Aricept® monopoly is U.S. Patent No. 4,895,841 ("the '841 patent"). This patent is not at issue in this case and is set to expire on November 25, 2010, at which point Eisai will not have patent rights with which to prevent generic competition. Under normal circumstances, the expiration of patent protection on a product enables competitors to freely enter the market. However, the market for prescription pharmaceuticals is unique in that companies must obtain FDA approval to market their products. In this case, Eisai is attempting to manipulate the FDA's approval process to create a regulatory blockade that prevents the FDA from approving the generic drug products of its competitors, including Apotex.

Eisai was able to create this regulatory barrier by representing to the FDA that four other patents (the patents at issue here) could reasonably be asserted against a generic version of Aricept®. But Apotex's generic donepezil product will not infringe any of these patents, and two of these patents have been dedicated to the public by

statutory disclaimer. Thus, although no patent could prevent Apotex from entering the market in November 2010 when the '841 patent expires, Eisai's procedural manipulation of Hatch-Waxman creates a situation wherein Eisai can delay Apotex's market entry by at least half a year unless Apotex can obtain a court decision of non-infringement regarding the patents-in-suit. In the pharmaceutical industry, any delay in a company's ability to market its product results in a significant financial loss. Aricept® sales in the United States are over $1 billion per year. Each day Apotex is delayed from entering the market could result in millions of dollars of lost profits. Moreover, a delay in entering the market also adversely affects Apotex's ability to capture market share, resulting in significant financial injury for the life of the product.

In sum, Apotex is being excluded from the market by disclaimed patents and patents that it clearly does not infringe. To remedy this injury and clear the regulatory barrier preventing Apotex's market entry, Apotex requires a court decision finding that the patents-in-suit are not infringed. If the Court denies Eisai's Motion to Dismiss, Apotex will seek summary judgment of non-infringement. Because of Eisai's statutory disclaimers and covenant not to sue, Eisai will be hard pressed to argue that Apotex's product infringes any of these patents.

The Court should therefore deny Eisai's Motion to Dismiss and exercise jurisdiction over Apotex's declaratory judgment claims. A resolution in Apotex's favor will prevent injury to Apotex and benefit consumers by making generic versions of Aricept® available as soon as the only patent protecting that drug expires.

STATUTORY FRAMEWORK

Under the Federal Food, Drug, and Cosmetics Act, 21 U.S.C. §§ 301-392, manufacturers who want to sell a new drug product must obtain FDA approval by filing a New Drug Application ("NDA") that includes information regarding each patent that claims the drug or a method of its use. *See* Compl. ¶ 10. The FDA publishes that patent information in the Approved Drug Products with Therapeutic Equivalence Evaluations (known as the "Orange Book"). 21 U.S.C. §355(j)(7)(A)(iii); *see also* Compl. ¶ 14.

In 1984, Congress enacted the Hatch-Waxman Act to enable generic drug manufacturers, such as Apotex, to bring generic prescription drugs to market more quickly, thereby fostering competition and reducing the cost of prescription medication. *See In re Barr Labs., Inc*., 930 F.2d 72, 76 (D.C. Cir. 1991) (In passing Hatch-Waxman, "Congress sought to get generic drugs into the hands of patients at reasonable prices – fast."). To that end, Hatch-Waxman allows for an expedited review process by which generic manufacturers may file an Abbreviated New Drug Application ("ANDA") to obtain FDA approval to sell a generic version of a previously approved drug. *See* Compl. ¶ 11. If a drug company seeks to market a generic version of a drug before the expiration of any Orange Book-listed patents covering that drug, it must file a certify that the patents are invalid, unenforceable, or not infringed under 21 U.S.C. § 355(j)(2)(A)(vii)(IV) (a "paragraph IV certification"). *See* Compl. ¶ 16. To facilitate a quick resolution of the status of those patents, Hatch-Waxman makes the submission of an ANDA with a paragraph IV certification a technical act of infringement. 35 U.S.C. § 271(e)(2).

Hatch-Waxman incentivizes ANDA applicants to file paragraph IV certifications to challenge Orange Book-listed patents and incur the risk and cost of litigation by making the first ANDA filer with a paragraph IV certification (the "first filer") eligible for a 180-day period of exclusivity, during which time no subsequently filed ANDA may be approved. The start of the exclusivity period is triggered by the earlier of two events: (1) the commercial marketing of a drug product; or (2) a court decision of non-infringement or invalidity. 21 U.S.C. § 355(j)(5)(B)(iv) (2000). Only the first filer can trigger its exclusivity period via the commercial-marketing trigger. 21 U.S.C. § 355(j)(5)(B)(iv)(I) (2000). However, subsequent ANDA filers can trigger the first filer's exclusivity period via a successful court judgment. *Minn. Mining and Mfg. Co. v. Barr Labs., Inc*., 289 F.3d 775, 780 (Fed. Cir. 2002).

STATEMENT OF FACTS

Eisai's NDA 20-690 for donepezil hydrochloride (Aricept®) was approved by the FDA on November 25, 1996. *See* Mem. of Law in Supp. of Defs. Eisai's Mot. to Dismiss, Dkt. # 14 (the "Eisai Mem."), at 3. In connection with its NDA for Aricept®, Eisai listed five patents in FDA's Orange Book: U.S. Patent Nos. 4,895,841 (the "'841 patent"); 5,985,864 (the "'864 patent"); 6,140,321 (the "'321 patent"); 6,245,911 (the "'911 patent") and 6,372,760 (the "'760 patent"). By listing these patents in the Orange Book, Eisai affirmatively represented that these patents claim the approved drug or a method of using the drug and that an infringement suit "could reasonably be asserted if a

person not licensed by the [patent] owner engaged in the manufacture, use, or sale of the drug." 21 U.S.C. § 355(b)(1).

However, the only patent directed to the drug Aricept® is the '841 patent, which will expire in November 2010.[1] Eisai disclaimed all rights to the '321 and '864 patents. Eisai Mem. at 3, 7, 10-11. Therefore, these two patents could not be reasonably asserted against any product. The formulation claimed in the '760 patent does not cover Aricept® and thus this patent also could not reasonably be asserted against an exact copy of Aricept®. Moreover, a reasonable opportunity for discovery will establish that Aricept® does not contain any significant amount of the polymorphic forms claimed in the '911 patent. Thus, it is unlikely that any of these patents could reasonably be asserted against even Eisai's own drug product. As such, ANDA applicants seeking to market a generic version of Aricept®, including Apotex, necessarily submitted paragraph IV certifications to those patents and the first filer became eligible for the 180 day exclusivity period. By listing these patents in the Orange Book, Eisai created a situation wherein the operation of the exclusivity provisions of Hatch-Waxman could limit Eisai's competition in the market for at least six months after expiration of its patent protection for Aricept®, even though these patents do not actually cover Aricept®.

Ranbaxy was the first generic manufacturer to submit an ANDA for donepezil. Ranbaxy's ANDA included paragraph IV certifications to the '864, '321, '911, and '760 patents (collectively, the "DJ Patents"). As such, Ranbaxy is eligible for the 180-day

[1] Apotex does not admit to the validity, enforceability, or infringement of the '841 patent.

exclusivity period. However, because Ranbaxy's ANDA included a certification that it would not seek to market its generic product before the expiration of the '841 patent (a "paragraph III certification"), Ranbaxy will not be able to obtain FDA approval to market its product until, at the earliest, the expiration of that patent on November 25, 2010. Moreover, Apotex has reason to believe that Ranbaxy's approval will be revoked and that it will not be able to enter the market and trigger the exclusivity period promptly at the expiration of the '841 patent. *See* Compl. ¶¶ 31-34. Without a court decision on the DJ Patents, Ranbaxy's exclusivity period will exclude all subsequent ANDA filers from the generic market for donepezil until at least May 2011 and potentially much later, even where there are no patents protecting Aricept®.

Teva Pharmaceuticals also has filed an ANDA for donepezil, which includes a paragraph IV certification with regard to each of the Orange-Book-listed patents. Although the FDA currently classifies Teva as a first filer eligible to share exclusivity with Ranbaxy, this is likely to change given that Teva's exclusivity is based entirely on its paragraph IV certification to the '841 patent. *See* Eisai Mem. at 6; Compl. ¶ 37-39. When the '841 patent expires, Teva will be rendered ineligible for exclusivity.[2] *Dr. Reddy's Laboratories, Inc. v. Thompson*, 302 F. Supp. 2d 340, 351 (D.N.J. 2003) ("the FDA will not grant exclusivity based upon a paragraph IV certification on a patent that has expired at the time the exclusivity decision is made."). Teva, like every other generic

[2] Although Teva is presently litigating the '841 patent, it will not likely be able to receive a court decision before expiration of the '841 patent.

manufacturer, will be blocked from going to market by Ranbaxy's exclusivity period—a period which will not begin until there is a court decision on the DJ Patents or Ranbaxy begins marketing its generic product.

Apotex's ANDA 78-841 seeks FDA approval to market 5 mg and 10 mg donepezil hydrochloride tablets ("Apotex's donepezil product"). Apotex's donepezil product will not infringe any of the DJ Patents. The claims of the '864 Patent, the '321 Patent, and the '911 Patent are limited to certain polymorphic forms of donepezil, namely forms (II), (III), (IV), (V), (A), (B), and (C) of the prior art. Apotex's donepezil product does not contain any of these polymorphic forms. Accordingly, Apotex's donepezil product will not infringe any of these patents. Similarly, the claims of the '760 Patent are limited to compositions comprising an organic acid selected from tosyllic acid, mesyllic acid, benzoic acid, salicylic acid, tartaric acid, citric acid, and combinations thereof. Apotex's donepezil product will not infringe this patent because it will not include any such acid or an obvious equivalent.

Because Apotex's donepezil product does not infringe any of the DJ patents, Apotex intends to market its product before the expiration of those patents. Accordingly, Apotex's ANDA included paragraph IV certifications to the four DJ Patents. In an attempt to divest this Court of subject matter jurisdiction and avoid an adverse decision with respect to the DJ Patents, Eisai chose not to sue Apotex, disclaimed all rights to both the '321 and '864 patents pursuant to 35 U.S.C. § 253, and granted Apotex a covenant not to sue on the DJ Patents. Eisai Brief, at 3, 7, 10-12. As Eisai's patent protection for

Aricept® will expire on November 25, 2010, Eisai hopes to manipulate this Court's jurisdiction to delay an adverse court decision that would trigger the exclusivity period and allow competition in the market for donepezil.

QUESTIONS PRESENTED

1. Whether a justiciable controversy exists where an NDA holder manipulates the Hatch-Waxman Act to prevent competition in the market by listing in the Orange Book statutorily disclaimed patents and patents that could not reasonably be asserted against the drug product that is the subject of the NDA.

2. Whether a justiciable controversy exists where a subsequent ANDA filer is indefinitely excluded from the market because the first filer is unable to obtain FDA approval to market its drug.

ARGUMENT

This Court has jurisdiction over Apotex's declaratory judgment claims because there is an actual case or controversy under Article III of the Constitution. The Declaratory Judgment Act provides that "[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought." 28 U.S.C. § 2201(a). The Declaratory Judgment Act has long been understood to confer on federal courts "unique and substantial discretion in deciding whether to declare the rights of litigants." *MedImmune, Inc, v. Genentech, Inc*., 549 U.S. 118, 136 (2007) (internal citations omitted). With respect to declaratory judgment

actions brought by ANDA filers with paragraph IV certifications to establish non-infringement or invalidity of Orange-Book-listed patents, Congress has specifically directed federal courts to exercise jurisdiction "to the extent consistent with the Constitution." 35 U.S.C. § 271(e)(5); *see also Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330, 1335 (Fed. Cir. 2007). An action is justiciable under Article III if: (1) the plaintiff has standing; (2) the issues presented are ripe for judicial review; and (3) the case is not rendered moot at any stage of the litigation. *See Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, 527 F.3d 1278, 1291 (Fed. Cir. 2008).

A. APOTEX HAS STANDING TO BRING THIS DECLARATORY JUDGMENT ACTION BECAUSE IT: (1) ALLEGED AN INJURY-IN-FACT; (2) CAN SHOW CAUSATION BETWEEN APOTEX'S INJURY AND EISAI'S CONDUCT; AND (3) CAN DEMONSTRATE A LIKELIHOOD THAT THE REQUESTED RELIEF WILL REDRESS THE ALLEGED INJURY.

The Supreme Court has established three requirements for demonstrating standing: (1) a concrete harm suffered by plaintiff that is actual or imminent; (2) a fairly traceable connection between the plaintiff's injury and the complained-of conduct of the defendant; and (3) a likelihood that the requested relief will redress the alleged injury. *Caraco*, 527 F.3d at 1291.

1. The Restraint On Apotex's Free Exploitation Of Non-Infringing Goods Is A Judicially Cognizable Injury-In-Fact.

As explained above, Apotex's donepezil product will not infringe any of the DJ Patents. *See supra* at 7. Although these DJ Patents are listed in the Orange Book in connection with Aricept®, two are disclaimed, a third claims alternative salt forms neither

the same as or equivalent to donepezil hydrochloride found in Aricept®, and a reasonable opportunity for discovery will likely show Aricept® does not contain any significant amounts of the polymorph forms claimed in the fourth patent. Therefore, when Eisai listed these patents in the Orange Book, it knew that these patents could not be reasonably asserted against an exact copy of Aricept®.

The '841 patent provides Eisai's only real patent protection for its Aricept® drug product. This patent is set to expire in November 2010. Under normal circumstances, when a patent expires, the invention is committed to the public and competitors would be entitled to enter the market with their own products immediately upon expiration of the patent. However, by listing in the Orange Book disclaimed patents and patents that would clearly not be infringed by an exact copy its own drug, Eisai ensured that this would not be the case with respect to its Aricept® product. Instead, by listing these patents in the Orange Book, a 180-day exclusivity period during which the FDA is prohibited from approving subsequent ANDAs attaches to the end of Eisai's '841 patent, extending its monopoly (albeit with one potential competitor). Thus, even though Eisai's patent protection for Aricept® will expire on November 25, 2010, by listing these DJ Patents in the Orange Book, Eisai can misuse the exclusivity provisions of Hatch-Waxman to limit competition in the market to itself and the first ANDA applicant for at least an additional 180 days.

Because the first ANDA filer, Ranbaxy, filed a paragraph III certification with regard to the '841 patent, it cannot possibly trigger its 180-day exclusivity through the

commercial manufacture trigger until the expiration of that patent on November 25, 2010. Thus, subsequent generic manufactures will be excluded from the market until at least May 2011. Moreover, given Ranbaxy's regulatory issues, it is unclear whether Ranbaxy will be able to market its product promptly upon expiration of the '841 patent. *See* Compl. at ¶¶ 31-34. If Ranbaxy cannot market its donepezil product at that time and there is no court decision on the DJ Patents, the 180-day exclusivity period will create a bottleneck preventing generic entry indefinitely.[3]

Had the DJ Patents never been listed in the Orange Book, Apotex (as well as other generics) would have been able to enter the donepezil market upon expiration of the '841 patent in November 2010. As it stands now, however, Eisai's listing of the DJ Patents in the Orange Book created a situation which prohibits Apotex from entering the market when it otherwise could have. This delay in Apotex's ability to market its non-infringing product is not a hypothetical or theoretical injury. Without a court decision on the DJ Patents, the delay in Apotex's market entry is imminent. The injury caused by this delay is not trivial. Aricept® is a $1.4 billion-a-year product. *See* R. Raynovich, "Alzheimer's Market Set to Grow Substantially," Genetic Eng'r & Biotechnology News (Apr. 1, 2008), http://www.genengnews.com/articles/chitem_print.aspx?aid=2423&chid=0. Thus, each

[3] Plaintiffs argue that even if Ranbaxy's regulatory problems prevent it from bringing its generic drug product to market, Teva shares exclusivity and will be able to trigger the 180-day exclusivity period by marketing its product at the expiration of the '841 patent. However, as explained above, Ranbaxy's exclusivity will also prevent Teva from marketing at the expiration of the '841 patent. *See supra* at 6-7.

day Eisai can prevent generic competition results in millions of dollars of profits for Eisai and millions of dollars of potential loss for Apotex.

Apotex can prevent this delay of its ability to market donepezil only by obtaining a court decision of non-infringement with respect to the DJ Patents, thereby triggering the exclusivity period and clearing the regulatory blockade created by Eisai. As Eisai points out, however, it has not sued anyone on the DJ Patents. Further, Eisai seeks to dismiss this case to avoid an adverse decision that would trigger the exclusivity period. If there is a triggering event at least 180 days prior to expiration of the '841 patent, then all subsequent generic filers may enter the market at the same time on November 25, 2010, and Eisai would have to compete with a number of generics rather than just one.

Generic entry in the prescription drug market rapidly lowers the price that brand name pharmaceuticals can extract for their drug product. When the first generic product becomes available, however, the price of the drug product drops only 6%. "Generic Competition and Drug Prices," FDA Center for Drug Evaluation and Research (Apr. 30, 2009), http://www.fda.gov/AboutFDA/CentersOffices/CDER/ucm129385.htm. "The appearance of a second generic manufacturer reduces the average generic price to nearly half the brand name price," and "[f]or products that attract a large number of generic manufacturers, the average generic price falls to 20% of the branded price and lower." *Id*. Eisai stands to lose even more of its market share, and drug prices will be lower, if more than one generic competitor enters the market. Thus, Eisai seeks to manipulate the Court's jurisdiction to control the market and avoid a triggering event as long as possible.

Eisai heavily relies on the Federal Circuit's decision in *Janssen Pharm., N.V. v. Apotex, Inc*., 540 F.3d 1353 (Fed. Cir. 2008), to support its position that Apotex's inability to promptly launch its donepezil product is not a justiciable injury. Eisai Mem. at 13-18. However, the *Janssen* court was not presented with the issue of whether a justiciable controversy exists when an ANDA filer is delayed from market entry because the NDA holder lists in the Orange Book disclaimed patents and patents which could not possibly be asserted against an exact copy of its own drug product. Nor was it presented with the issue of whether a justiciable controversy exists when the first filer is unable to obtain market approval from the FDA and thus indefinitely delays generic competition even in the absence of a patent protecting the product. As explained above, it is unlikely that any of the DJ patents even cover Eisai's own product. Moreover, Eisai admits that the disclaimed patents are dedicated to the public and could not be reasonably asserted against anyone. Eisai Mem. at 3, 7, 10-11. It cannot be the case that a patent which is dedicated to the public can still be used as a basis to exclude Eisai's competitors from the market. Nonetheless, if the Court does not exercise jurisdiction over Apotex's declaratory judgment claims in this case, Eisai will be able to use these DJ patents to delay competition in the market solely because subsequent ANDA filers are unable to obtain a judgment of non-infringement.

The Supreme Court has cautioned that there is no bright-line rule for determining whether an action satisfies the case or controversy requirement. *MedImmune*, 549 U.S. at 127. Instead of a bright-line rule, "the analysis must be calibrated to ***the particular facts***

of each case, with the fundamental inquiry being 'whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'" *Cat Tech LLC v. TubeMaster, Inc*., 528 F.3d 871, 879 (Fed. Cir. 2008) (*quoting MedImmune*, 549 U.S. at 127) (emphasis added). Under all the circumstances here, Eisai's listing of the DJ Patents in the Orange Book creates an independent barrier to the drug market, depriving Apotex of an economic opportunity to compete when it otherwise would have. *See Caraco*, 527 F.3d at 1293. The fact that the financial effect of Apotex's injury will not manifest until November 2010 does not make Apotex's injury any less concrete or imminent. Apotex's inability to sell non-infringing goods when it otherwise could is exactly the "type of injury that the Declaratory Judgment Act is designed to remedy." *Id.* at 1293-94.

2. Apotex's Injury Is Fairly Traceable To Eisai's Conduct.

Apotex's injury is not due to the operation of Hatch-Waxman as intended by Congress. Rather, Apotex's injury arises because of Eisai's attempt to game the system and manipulate the Court's jurisdiction. Even though Apotex's donepezil generic product does not infringe any of the DJ Patents and Eisai has statutorily disclaimed two of these patents, Eisai's listing of these patents in the Orange Book creates an independent barrier to the drug market, depriving Apotex of an economic opportunity to compete when it otherwise could have. "[T]he creation of such barriers to compete

satisfies the causation requirement of Article III standing." *See, e.g., Caraco,* 527 F.3d at 1293. As the Federal Circuit explained in *Caraco*:

> Caraco's injury is also fairly traceable to the complained-of conduct of the defendant. It is not the Hatch-Waxman Act or the FDA framework that prevents Caraco's ANDA from being approved by the FDA, but rather Forest's actions in the context—i.e. "under all the circumstances," of the Hatch-Waxman framework. Simply put, if Forest had not listed its '712 and '941 patents in the FDA's Orange Book as valid patents covering the drug described in its NDA for Lexapro®, then 21 U.S.C. § 355(j)(5)(B)(iv) (2000) would not independently delay Caraco's ANDA from being approved by the FDA. Such but-for causation is sufficient to satisfy the traceability requirement of Article III standing.

Id. at 1293 (internal quotations omitted). By listing the DJ Patents in the Orange Book, Eisai is using non-infringed and disclaimed patents to exclude Apotex from the market. Accordingly, Apotex's injury is fairly traceable to Eisai's conduct.

3. A Decision Of Non-infringement On The DJ Patents Would Clear The Regulatory Blockade Created By Eisai And Remedy Apotex's Injury.

As discussed above, because Apotex's product does not infringe any of the DJ Patents, Apotex expects that it would be able to obtain summary judgment of non-infringement if given the opportunity. If Apotex prevails on summary judgment, the exclusivity period would be triggered and Ranbaxy's exclusivity would no longer present a regulatory barrier for Apotex and other subsequent ANDA filers. *See, e.g., Caraco*, 527 F.3d at 1293 ("A favorable judgment in this case would clear the path to FDA approval that Forest's actions would otherwise deny Caraco–namely, using the court-judgment trigger of 21 U.S.C. § 355(j)(5)(B)(iv)(II) (2000) to activate Ivax's exclusivity period."). Here, a court decision of non-infringement would allow Apotex and other

generic manufacturers to go to market in November 2010, as they would have been able to do if Eisai had not listed the DJ patents in the Orange Book. Eisai should not be allowed to avoid an adverse court decision to delay competition. Such manipulation of the Court's jurisdiction and the regulatory scheme would frustrate the goals of Hatch-Waxman by delaying generic competition and maintaining high drug prices.

The fact that the Court's decision may trigger Ranbaxy's exclusivity at a time when Ranbaxy itself cannot go to market does not deprive this Court of jurisdiction to resolve the current dispute. While Congress created the 180-day exclusivity period to encourage challenges to brand-name drug patents, it never intended first-filers to unduly delay all subsequent generic entrants. *See Minn. Mining*, 289 F.3d at 780. Quite the contrary, Congress expressly provided the means for later filers who successfully designed around a patent to prevent the first-filer from delaying approval of all other generic products through declaratory judgment actions. 21 U.S.C. § 355(j)(5)(C)(2003). Indeed, courts have recognized that subsequent ANDA filers must be able to trigger the exclusivity period to prevent a bottleneck that delays rather than promotes generic competition. *See Caraco*, 527 F.3d at 1294 ("a significant part of this carefully crafted dialectic balance is encouraging the early resolution of patent disputes when subsequent Paragraph IV ANDA filers are blocked by a first generic applicant's 180-day exclusivity.") (internal quotations omitted).

In this case, allowing resolution of Apotex's declaratory judgment claims is particularly appropriate because the exclusivity period is not functioning as intended.

Normally, the exclusivity period acts as an incentive for generic manufacturers to incur the risk and cost of litigation over Orange-Book-listed patents. However, when the brand-name manufacturer lists patents that are disclaimed or are clearly not infringed by an exact copy of their drug, there is no need for an incentive because there is no risk of litigation. Essentially, Eisai is attempting to use Hatch-Waxman to create a benefit for itself that was never intend or contemplated by Congress. If the Court declines to exercise jurisdiction in this case, not only will Apotex's entry into the market be delayed, but pharmaceutical companies will be incentivized to list questionable patents in the Orange Book to transform the exclusivity period from an instrument to foster competition into a tool for preventing competition.

B. THESE ISSUE ARE RIPE FOR JUDICIAL REVIEW.

"Whether an action is 'ripe' requires an evaluation of both the fitness of the issues for judicial decision and the hardship to the parties of withholding court consideration." *Caraco*, 527 F.3d at 1294-95 (internal quotations omitted). As to the first prong, an action is fit for judicial review where further factual development would not "significantly advance [a court's] ability to deal with the legal issues presented . . . ." *Id.* at 1295. As to the second prong, withholding court consideration of an action causes hardship to the plaintiff when the complained-of conduct has an "immediate and substantial impact" on the plaintiff. *Id.*

In this case, both prongs of the ripeness inquiry are satisfied. First, additional factual development would not advance the Court's ability to decide Apotex's claims for

declaratory judgment of non-infringement. Apotex has a generic drug product that has been submitted to the FDA for approval, and no additional facts are required to determine whether this drug product infringes the claims of Eisai's DJ Patents. *See Caraco*, 527 F.3d at 1295. Second, if Apotex's drug product does not infringe Eisai's DJ Patents, then withholding court consideration of Apotex's declaratory judgment action has the "immediate and substantial impact" of forestalling Apotex's ability to activate Ranbaxy's exclusivity period through the court-judgment trigger. *See Caraco*, 527 F.3d at 1295-96. This in turn delays the date on which Apotex can market its donepezil product and creates a potential for lost profits.

That Apotex's ANDA included a paragraph III certification with regard to the '841 patent does not make Apotex's injury any less concrete, nor does it deprive Apotex's injury of the immediacy necessary for subject matter jurisdiction. While Apotex's paragraph III certification means that Apotex cannot market its generic product until November 2010, without a court decision on the DJ Patents, Apotex will be prevented from entering the market for at least ***an additional six months*** despite the fact that its donepezil product will not infringe any patent. As in *Caraco*, Apotex's alleged injury is the delay in its ability to trigger the exclusivity period. Accordingly, Apotex's action is ripe for judicial review. *See id.* at 1296.

C. EISAI'S STATUTORY DISCLAIMERS AND COVENANT NOT TO SUE DO NOT MOOT APOTEX'S DECLARATORY JUDGMENT CLAIMS.

In furtherance of its efforts to avoid an adverse court decision, Eisai offered Apotex a covenant not to sue. In a normal patent case, a covenant not to sue would

eliminate the possibility of an infringement action, thereby removing the restraint on the competitor's ability to bring its product to market. However, as the Federal Circuit explained in *Caraco*, in the Hatch-Waxman context a covenant not to sue does not allow the recipient to bring its product to market and therefore "even after a covenant not to sue has been granted, the dispute as to infringement or invalidity of the relevant Orange-Book-listed patents constitutes 'a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'" 527 F.3d at 1297 (*quoting MedImmune*, 549 U.S. at 127).

Similarly, the fact that Eisai has filed statutory disclaimers as to the '321 and '864 patents does not eliminate the controversy between the parties in this case. The *Caraco* rationale for finding a justiciable controversy where there is a convent not to sue is equally applicable to patents that are statutorily disclaimed.[4] Disclaimed or not, these patents remain in the Orange Book and therefore remain a barrier preventing the FDA from approving Apotex's ANDA when it otherwise would have. Because Eisai's disclaimers do not remove the restraint on Apotex's ability to bring its product to market, the dispute regarding infringement of these patents is not moot.

[4] To the extent that cases Eisai relies on to support its argument that there is no "substantial controversy" are inconsistent with the rational in *Caraco*, they are inapplicable to the current situation. For example, in *Merck & Co., Inc. v. Apotex, Inc.*, Civ. No. 06-5789, 2007 WL 4082616, at *5 (D.N.J. Nov. 15, 2007), the court found that there was no justiciable controversy with respect to disclaimed patents in the Hatch-Waxman context. This decision was relied on by the district court for the district of New Jersey in reaching a similar conclusion in *Teva Pharms. USA, Inc. v. Eisai Co., Ltd.*, Civ. No. 08-2344, 2009 WL 2905534, at *12 (D.N.J. Sept. 9, 2009). However, the *Merck* decision was prior to the Federal Circuit's decision in *Caraco*, so to the extent it is inconsistent with the reasoning of *Caraco*, it should not apply to this case.

Eisai's strategy of seeking dismissal by disclaiming patents and granting covenants not to sue is merely an attempt to manipulate the jurisdiction of this Court in order to avoid an adverse judgment that would trigger the first generic applicant's exclusivity and allow Apotex, as well as several others, to enter the market on November 25, 2010. By manipulating the Court's jurisdiction in this way, Eisai hopes to keep all subsequent ANDA filers out of the market during the first 180 days after the first generic filer enters. Courts have recognized the prudence of retaining jurisdiction to avoid such manipulation. *City of Erie v. Pap's A.M.*, 529 U.S. 277, 288 (2000) ("Our interest in preventing litigants from attempting to manipulate the Court's jurisdiction to insulate a favorable decision from review further counsels against a finding of mootness here.").

Thus, Apotex's claims are not moot because an actual controversy remains over whether Eisai's patents are infringed despite Eisai's statutory disclaimers and its covenant not to sue. *Cf. Caraco*, 527 F.3d at 1297 ("In these circumstances, Forest's covenant not to sue Caraco does not eliminate the controversy between the parties.").

CONCLUSION

For the above-stated reasons, Apotex respectfully requests that this Court deny Eisai's Motion to Dismiss and set a briefing schedule for summary judgment so that Apotex can obtain a court decision and eliminate the regulatory blockade delaying Apotex's entry into the generic market for donepezil.

This the 23rd day of October, 2009.

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing **Response In Opposition To Eisai's Motion To Dismiss For Lack Of Subject Matter Jurisdiction** with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to all participants.

This the 23th day of October, 2009.

/s/ Darrell A. Fruth
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