Cooley

GSK v. Teva: Federal Circuit Opinion After Rehearing Confirms Induced Infringement Liability Despite Skinny Label

August 17, 2021

In October 2020, as reported in a previous Cooley alert, the US Court of Appeals for the Federal Circuit reinstated a jury's verdict that Teva infringed GSK's patented method of using its Coreg drug product, even though Teva's product was initially launched with a skinny label that carved out the infringing method. *See GlaxoSmithKline LLC v. Teva Pharmaceuticals USA, Inc.*, No. 2018-1976 (Fed. Cir. Oct. 2, 2020). The 2-1 opinion included a lengthy dissent from then-Chief Judge Sharon Prost, and Teva sought rehearing. The decision prompted widespread concern in the generic pharmaceutical industry that the decision conflicted with long-standing precedent on induced infringement liability in the context of a "section viii" skinny label.

On February 9, 2021, the court granted Teva's decision for rehearing, and vacated and withdrew its October 2020 opinions. *Amici curiae* briefs from several pharmaceutical companies and industry groups, and from former US Rep. Henry Waxman, one of the original sponsors of the Hatch-Waxman legislation, were filed on Teva's behalf. The court heard another round of arguments in February 2021 and issued its precedential new decision on August 5, 2021. *See GlaxoSmithKline LLC v. Teva Pharmaceuticals USA, Inc.*, No. 2018-1976 (Fed. Cir. Aug. 5, 2021) (*GSK*).

The new opinion again confirms that Teva is liable for induced infringement of GSK's patent on a specific method of use for Coreg. Although the holding of the opinion was unchanged, the majority opinion addressed concerns raised by Teva and the *amici*, and repeatedly stressed that the case should be interpreted considering its specific facts and not as a change to the law of induced infringement. Judge Prost again filed a lengthy dissent, contending that the new opinion does not resolve the concerns caused by the court's prior opinion, and that it will still leave significant risk and uncertainty for generic drug manufacturers who follow a skinny label route to approval.

35 US Code § 271(b): Induced infringement and new uses for old drugs

Section 271(b) defines liability for inducing the direct infringement of another party: "whoever actively induces infringement of a patent shall be liable as an infringer." To prove inducement, a plaintiff must present evidence of active steps taken to encourage direct infringement; mere knowledge about a product's characteristics or that it may be put to infringing uses is not enough.[1] A generic or biosimilar manufacturer may induce infringement of a method of treatment patent under § 271(b) by proposing drug labeling with knowledge and specific intent to actively induce direct infringement by physicians.[2] When a plaintiff relies on a generic or biosimilar drug label for evidence of intent, courts examine whether the proposed label "encourage[s], recommend[s], or promote[s] infringement."[3] "Merely describing the infringing use, or knowing of the possibility of infringement, will not suffice; specific intent and action to induce infringement must be shown."[4]

Jury found Teva induced infringement, but trial judge overruled them

The litigation involved GSK's blood pressure drug, Coreg, which is used to treat patients with congestive heart failure (CHF) and other cardiovascular disorders. Teva filed an abbreviated new drug application (ANDA) with the FDA to manufacture a generic version of Coreg, and sought approval under section viii[5] for a label that carved out GSK's patented indication for treatment of CHF. By this time, composition of matter patents for Coreg had

expired. Teva launched with this skinny label in 2007, but was required by the FDA to amend its label in 2011 to add back the patented CHF indication.

Although GSK's patent for the CHF indication had been reissued in 2008, GSK only brought suit for patent infringement in Delaware after the 2011 full label expansion. GSK alleged that Teva had induced infringement during the period when Teva's label included the CHF indication (full label period), as well as the period when Teva's label did not include the CHF indication (skinny label period). GSK argued, with support from expert testimony, that the post-MI LVD indication[6] that remained on Teva's skinny label would encourage infringement of the patented CHF indication because a physician would recognize that at least a subset of post-MI LVD patients would be classified as having CHF.[7] GSK also pointed to 2004 and 2007 press releases and Teva marketing materials describing its generic carvedilol as AB-rated and "equivalent" to Coreg.[8] A jury agreed with GSK, awarding it $235 million in damages.[9]

After trial, Teva moved for judgment as a matter of law (JMOL) to reverse the jury verdict. Teva argued that its skinny label followed standard FDA procedures, and at most only described – but did not encourage – the infringing use. Teva's JMOL motion also centered on the standard for inducement-causation, which had been disputed during the litigation in the fight over proposed jury instructions.[10] Teva argued that proof of liability for inducement required GSK to prove that "Teva's alleged inducement, *as opposed to other factors*, actually caused the physicians to directly infringe."[11] GSK meanwhile argued that the Federal Circuit's acceptance of circumstantial evidence to support a showing of inducement meant that "[p]roduct labels, advertisements, or user manuals directed to a class of direct infringers can be sufficient to prove inducement without hard proof that any direct infringer physician stated that she read Teva's labels and that caused her to prescribe Teva's generic … in an infringing manner."[12]

In siding with Teva's theory on causation, US District Judge Leonard Stark found that GSK had not presented any evidence "that any doctor was ever induced to infringe the … patent by Teva's label (either skinny or full)," while Teva had presented "uncontroverted evidence of alternative factors that caused physicians to prescribe [its generic] in an infringing manner."[13] Such "uncontroverted evidence" included:

- Proof that doctors had access to various resources, such as the American Heart Association and American College of Cardiology guidelines, which they relied on in making treatment decisions.
- Proof of GSK's own Coreg label/product insert, and its promotional activity, which instructed physicians on how to use carvedilol.
- Expert testimony from doctors that they relied on "guidelines and research, as well as their own experience [and] GSK marketing" when deciding how to prescribe Teva's generic.[14]

Notably, none of these doctors testified that they viewed Teva's label as impacting prescribing behavior. GSK's expert admitted that he had not read Teva's generic label before he started writing prescriptions for carvedilol, and that prescriptions for Coreg were automatically switched to generic without any knowledge on the physicians' part.[15]

Judge Stark distinguished the pre-launch case law on induced infringement cited by GSK, explaining that "[t]his Court has decided that reliance on a label and speculation about what may occur in the future cannot substitute for actual evidence about what has actually occurred in the past when, as in this case, there has been a period of actual, past conduct that is pertinent to infringement."[16] Based on that post-launch record, Judge Stark found that a reasonable jury could only have found that alternative "non-Teva" sources of information are what actually caused physicians to infringe. Without sufficient evidence of causation, Judge Stark held that GSK had failed to meet its burden of proof for induced infringement.

Federal Circuit maintains reversal of JMOL, reinstates GSK's $235 million jury verdict

In its new 2-1 decision, the Federal Circuit again sided with GSK. It found that interpretation of Teva's skinny label by GSK's expert, along with Teva press releases and other marketing materials, were sufficient evidence for the jury to reasonably conclude that Teva was encouraging physicians to practice the claimed method of

using carvedilol to treat CHF.[17]

The majority directly addressed many of the concerns raised by Teva and the *amici*, contending that the decision does not change the law of induced infringement in the context of skinny label cases:[18]

Amici were concerned that our prior decision could be read to upset the careful balance struck with section viii carve-outs. The Novartis Brief explained, "Generics *could* be held liable for actively inducing infringement if they marketed a drug with a label describing a patented therapeutic use or if they took active steps to encourage doctors or patients to use the drug in an infringing manner. But generics could not be held liable for merely marketing and selling under a 'skinny' label omitting all patented indications, or for merely noting (without mentioning any infringing uses) that FDA had rated a product as therapeutically equivalent to a brand-name drug." We agree that Novartis accurately stated the law, and we agreed to rehear this case to make clear how the facts of this case place it clearly outside the boundaries of the concerns expressed by *amici*.

The opinion also rejected concerns that induced infringement liability could be based on a generic manufacturer describing its drug as "equivalent" to the branded drug, or as AB-rated, stressing that its holdings to that effect were limited to the unique facts of the case.[19]

The majority opinion also emphasized its deferential standard of review of jury-found facts:[20]

This is a case in which substantial evidence supports a jury finding that the patented use was on the generic label at all relevant times and that, therefore, Teva failed to carve out all patented indications. This narrow, case-specific review of substantial evidence does not upset the careful balance struck by the Hatch-Waxman Act regarding section viii carve-outs.

The majority opinion referred to the district court's *de novo* treatment of the induced infringement issues as a critical error, because they presented a fact question "for the jury, not this court or the district court, to resolve."[21] Indeed, the standard of review was central to the majority opinion's holding, which noted that "[t]o be sure, the record was not devoid of contrary or equivocal evidence."[22] Despite this, the majority ultimately re-affirmed its prior reversal of JMOL because the record "contained substantial evidence from which the jury could find Teva intended to infringe."[23]

In a 38-page dissent, Judge Prost maintained that the new opinion was wrongly decided, and expressed concerns that it failed to remedy the confusion caused by the withdrawn opinion that had triggered so much industry comment: "The majority['s] … first try prompted widespread criticism concerning the troubling implications for skinny labels. This effort is no better."[24] In Judge Prost's view, the majority opinion "effectively eliminat[ed]" the distinction between encouraging an infringing use on a label and merely describing it.[25] Judge Prost also contended that the majority "eviscerat[ed]" the causation prong of inducement and created confusion for generics.[26]

Judge Prost would have affirmed the district court's grant of JMOL based on her conclusion that no reasonable jury could conclude that the skinny label encouraged doctors to infringe – let alone that any doctor was actually *caused* to infringe because of the label or Teva's press releases and marketing.[27] Based on this view of the causation requirement, Judge Prost would also have affirmed the district court's JMOL of no inducement during the period when Teva's generic was sold with a "full label" that included the infringing indication.[28] Finally, Judge Prost highlighted concerns about a lack of nexus between GSK's induced infringement theory (focused only on the subset of post-MI LVD patents classified as having CHF) and its damages verdict (based on all CHF patients more broadly).[29]

Remaining issues in *GSK v. Teva* litigation

Judge Prost's dissent emphasized that Teva should have been permitted to rely on GSK's under-oath representations to the FDA about what content from the Coreg label remained on-patent and thus needed to be removed by a generic pursuing a skinny label.[30] GSK's submissions did not remove the language later used by GSK's expert witness to argue that the label encouraged infringement, and Teva relied on those submissions in deciding what to remove from the skinny label that it presented to the FDA. Judge Prost argued these facts

showed that Teva could not have had specific intent to induce infringement.[31]

The majority rejected this view and focused on Teva's remaining equitable estoppel defense, stating that Teva will still have its day in court on the theory that GSK should be estopped from relying on the skinny label as evidence of inducement, in light of Teva's reliance on GSK's representations to the FDA.[32] The estoppel issue will remain for adjudication by the district court after remand by the panel majority.

Consequences for generic drug and biosimilar cases going forward

Brand manufactures in post-launch cases may use the majority opinion as a road map to seek damages for induced infringement, even when the generic has expressly carved out the infringing use from its FDA-approved label. Brands can build a circumstantial case to demonstrate inducement by pointing to how doctors may interpret the label as encouragement, and by relying on evidence beyond the label, including:

- External communications that generally announce equivalence between the generic and brand drugs.
- Testimony that physicians know of and rely on such communications.
- The generic's knowledge of possible revenue from off-label infringing uses.

Considering the *GSK* decision, brands will seek to develop evidence to prove that generics know they will profit from infringing sales even if they don't include them on their skinny label.

Generic drug and biosimilar manufacturers seeking to avoid infringement liability by a skinny label strategy now face infringement risk despite carving out a patented method from its label. They should carefully evaluate all external communications, promotional materials, and market predictions for evidence implying the generic can or will be used for the infringing method of use. In view of the risks, generics and biosimilar manufacturers should consider expressly disclaiming patented methods in marketing materials to avoid induced infringement liability.[33]

Teva is likely to renew its request for en banc review by the full Federal Circuit. Depending on the outcome, it might seek Supreme Court review, giving the high court the opportunity to revisit induced infringement liability for the first time since its 2011 *Global-Tech* decision. Due to the timeline remaining for appeals and the importance of clear standards on this issue for the industry, expect stakeholders to utilize the majority and dissenting opinions in *GSK* for months, if not years, to come.

Take-home lessons for the biopharmaceutical industry

- The Federal Circuit sought to characterize its holding narrowly, to situations where a skinny label nonetheless contains allegedly inducing language.
- Brand manufactures and reference product sponsors may still use the case to pursue induced infringement claims in skinny label cases.
- Generic drug and biosimilar manufacturers pursuing skinny label strategies should scrutinize all aspects of their labels, promotional materials, market predictions, and any other external communications, and should consider express disclaimers of patented methods in its marketing materials.
- Judge Prost's dissent raises critical questions about the causation requirement and the impact of this case on generic manufacturers who pursue a skinny label strategy. These important issues may be sufficient to merit Supreme Court review.

Notes

1. *Takeda Pharm. U.S.A., Inc. v. West-Ward Pharm. Corp.*, 785 F.3d 625, 630–31 (Fed. Cir. 2015); *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1365 (Fed. Cir. 2003).
2. 35 U.S.C. § 271(b); *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1364 (Fed. Cir. 2003) ("[M]ere knowledge of possible infringement by others does not amount to inducement; specific intent and action to induce infringement must be proven.").
3. *Takeda Pharm. U.S.A.*, 785 F.3d at 631.

4. *HZNP Medicines LLC v. Actavis Labs. UT, Inc.*, 940 F.3d 680, 702 (Fed. Cir. 2019).
5. *See* 21 U.S.C § 355(j)(2)(A)(viii).
6. "Post-MI LVD" refers to Left Ventricular Dysfunction following a Myocardial Infarction; *see GlaxoSmithKline LLC v. Teva Pharmaceuticals USA, Inc.*, No. 2018-1976 (Fed. Cir. Aug. 5, 2021) ("*GSK*"), slip op. at 4-5.
7. *Id.* at 14-15.
8. *Id.* at 28-31.
9. *Id.* at 37.
10. *Id.* at 9, 35-37.
11. *GlaxoSmithKline LLC v. Teva Pharmaceuticals USA, Inc.* (C.A. No. 1:18-cv-878) (D.I. 431 at p. 30) (emphasis added).
12. *Id.* at pp. 28-29.
13. *GlaxoSmithKline LLC v. Teva Pharmaceuticals USA, Inc.*, 313 F.Supp.3d at 595.
14. *Id.* at 594.
15. *Id.*
16. *Id.* at n.14.
17. *GSK*, slip op. at 24, 27.
18. *Id.* at 10 (emphasis in original; internal citations omitted).
19. *Id.* at 10 ("[Teva] did not … 'merely note (without mentioning any infringing uses) that FDA had rated a product as therapeutically equivalent to a brand-name drug.'"); 28 ("Teva's AB rated representations *under these limited circumstances* … are further affirmative evidence supporting the jury's inducement finding.") (emphasis added); 28 n.7 ("We do not hold that an AB rating in a true section viii carve-out … would be evidence of inducement."); 29 ("The dissent criticizes our analysis, claiming that we have weakened intentional encouragement because 'simply calling a product a 'generic version' or 'generic equivalent' – is now enough … .' That is not our holding or the facts.").
20. *Id.* at 10-11.
21. *Id.* at 19.
22. *Id.* at 19.
23. *Id.* at 23.
24. *Id.* at 42 (Prost, J., dissenting).
25. *Id.* at 43 (Prost, J., dissenting).
26. *Id.* at 43 (Prost, J., dissenting).
27. *Id.* at 60 (Prost, J., dissenting).
28. *Id.* at 68-69 (Prost, J., dissenting).
29. *Id.* at 61-62 (Prost, J., dissenting).
30. *Id.* at 59 (Prost, J., dissenting).
31. *Id.* at 59 (Prost, J., dissenting).
32. *Id.* at 22-23.
33. *See, e.g., Otsuka Pharm. Co. v. Torrent Pharm. Ltd., Inc.*, 99 F. Supp. 3d 461, 490 (D.N.J. 2015); *Takeda Pharm. USA, Inc. v. W.-Ward Pharm. Corp.*, 72 F. Supp. 3d 539, 547 (D. Del. 2014), aff'd (Jan. 9, 2015), *aff'd in part, appeal dismissed in part sub nom. Takeda Pharm. U.S.A., Inc. v. W.-Ward Pharm. Corp.*, 785 F.3d 625 (Fed. Cir. 2015).

Press coverage

Fed. Circ. Teva Ruling May Shake Up Skinny Label Strategies – Law360

Key Contacts

Dr. Daniel Knauss Palo Alto	dknauss@cooley.com +1 650 843 5287
Dr. Michelle Rhyu Palo Alto	rhyums@cooley.com +1 650 843 5505