SB3868

LRB10120800CPF70495b

101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

SB3868

Introduced 2/14/2020, by Sen. Jacqueline Y. Collins

SYNOPSIS AS INTRODUCED:

New Act

Creates the Preserving Access to Affordable Drugs Act. Provides that an agreement resolving or settling, on a final or interim basis, a patent infringement claim in connection with the sale of a pharmaceutical product is presumed to have anticompetitive effects and is a violation of the Act if certain circumstances apply. Provides other requirements for patent infringement claims in connection with the sale of a pharmaceutical product. Contains provisions regarding presumptions in an action under the Act. Provides civil penalties for violating the Act. Provides that any penalty shall accrue only to the State of Illinois and shall be recovered in a civil action brought by the Attorney General against any party to an agreement that violates this Act. Requires an action to enforce a cause of action for a violation of the Act to be commenced within 4 years after the cause of action accrued. Contains other provisions.

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FISCAL NOTE ACT
MAY APPLY

A BILL FOR

AN ACT concerning health.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 1. Short title. This Act may be cited as the Preserving Access to Affordable Drugs Act.

Section 5. Definitions. In this Act:

"ANDA" means abbreviated new drug application.

"ANDA filer" means a party that owns or controls an ANDA filed with the Food and Drug Administration or has the exclusive rights under that ANDA to distribute the ANDA product.

"Agreement" means anything that would constitute an agreement or a trust under Illinois law.

"Agreement resolving or settling a patent infringement claim" includes any agreement that is entered into within 30 days of the resolution or the settlement of the claim or any other agreement that is contingent upon, provides a contingent condition for, or is otherwise related to the resolution or settlement of the claim. "Agreement resolving or settling a patent infringement claim" includes, but is not limited to, the following:

(1) Any agreement required to be provided to the Federal Trade Commission or the Antitrust Division of the

United States Department of Justice under the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173).

(2) Any agreement between a biosimilar or interchangeable product applicant and a reference product sponsor that resolves patent claims between the applicant and sponsor.

"Biosimilar biological product application filer" means a party that owns or controls a biosimilar biological product application filed with the Food and Drug Administration under Section 351(k) of the federal Public Health Service Act (42 U.S.C. 262(k)) for licensure of a biological product as biosimilar to, or interchangeable with, a reference product, or that has the exclusive rights under the application to distribute the biosimilar biological product.

"NDA" means new drug application.

"Nonreference drug filer" means either:

(1) an ANDA filer; or

(2) a biosimilar biological product application filer.

"Nonreference drug product" means the product to be manufactured under an ANDA that is the subject of the patent infringement claim, a biosimilar biological product that is the product to be manufactured under the biosimilar biological product application that is the subject of the patent infringement claim, or both.

"Patent infringement" means infringement of any patent or

of any filed patent application, extension, reissue, renewal, division, continuation, continuation in part, reexamination, patent term restoration, patent of addition, and any extension thereof.

"Patent infringement claim" means any allegation made against a nonreference drug filer, whether or not included in a complaint filed with a court of law, that its nonreference drug product or application infringes any patent held by, or exclusively licensed to, the reference drug holder.

"Reference drug holder" means either:

(1) A brand holder that is any of the following:

(A) The holder of an approved NDA for a drug product application filed under Section 505(b) of the federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(b)).

(B) A person owning or controlling enforcement of the patent listed in the Approved Drug Products With Therapeutic Equivalence Evaluations (commonly known as the "FDA Orange Book") in connection with the NDA.

(C) The predecessors, subsidiaries, divisions, groups, and affiliates controlled by, controlling, or under common control with, any of the entities described in subparagraph (A) or (B), with control to be presumed by direct or indirect share ownership of 50% or greater, as well as the licensees, licensors, successors, and assigns of each of those entities.

(2) A biological product license holder, which means any of the following:

(A) The holder of an approved biological product license application for a biological drug product under Section 351(a) of the federal Public Health Service Act (42 U.S.C. 262(a)).

(B) A person owning or controlling enforcement of any patents that claim the biological product that is the subject of the approved biological patent license application.

(C) The predecessors, subsidiaries, divisions, groups, and affiliates controlled by, controlling, or under common control with, any of the entities described in subparagraph (A) or (B), with control to be presumed by direct or indirect share ownership of 50% or greater, as well as the licensees, licensors, successors, and assigns of each of those entities.

"Reference drug product" means the product to be manufactured by the reference drug holder and includes both branded drugs of the NDA holder and the biologic drug product of the biologic product license applicant.

"Statutory exclusivity" means those prohibitions on the approval of drug applications under clauses (ii) through (iv), inclusive, of Section 505(c)(3)(E) (5-year and 3-year data exclusivity), Section 527 (orphan drug exclusivity), or Section 505A (pediatric exclusivity) of the federal Food, Drug,

and Cosmetic Act (21 U.S.C. 355(c)(3)(E), 360cc, and 355a, respectively) or on the licensing of biological product applications under Section 262(k)(7) of Title 42 of the United States Code (12-year exclusivity) or Section 262(m)(2) or (3) of Title 42 of the United States Code (pediatric exclusivity).

Section 10. Patent infringement claim.

(a) Except as provided in subsection (b), an agreement resolving or settling, on a final or interim basis, a patent infringement claim, in connection with the sale of a pharmaceutical product, is presumed to have anticompetitive effects and is a violation of this Act if both of the following apply:

(1) A nonreference drug filer receives anything of value from another company asserting patent infringement, including, but not limited to, an exclusive license or a promise that the brand company will not launch an authorized generic version of its brand drug.

(2) The nonreference drug filer agrees to limit or forgo research, development, manufacturing, marketing, or sales of the nonreference drug filer's product for any period of time.

As used in this subsection, "anything of value" does not include a settlement of a patent infringement claim in which the consideration granted by the brand or reference drug filer to the nonreference drug filer as part of the resolution or

settlement consists of only one or more of the following:

(1) The right to market the competing product in the United States before the expiration of either:

(A) a patent that is the basis for the patent infringement claim; or

(B) a patent right or other statutory exclusivity that would prevent the marketing of the drug.

(2) A covenant not to sue on a claim that the nonreference drug product infringes a United States patent.

(3) Compensation for saved reasonable future litigation expenses of the reference drug holder, but only if both of the following are true:

(A) The total compensation for saved litigation expenses is reflected in budgets that the reference drug holder documented and adopted at least 6 months before the settlement.

(B) The compensation does not exceed the lower of the following:

(i) $7,500,000.

(ii) 5% of the revenue that the nonreference drug holder projected or forecasted it would receive in the first 3 years of sales of its version of the reference drug documented at least 12 months before the settlement. If no projections or forecasts are available, the compensation does

not exceed $250,000.

(4) An agreement resolving or settling a patent infringement claim that permits a nonreference drug filer to begin selling, offering for sale, or distributing the nonreference drug product if the reference drug holder seeks approval to launch, obtains approval to launch, or launches a different dosage, strength, or form of the reference drug having the same active ingredient before the date set by the agreement for entry of the nonreference drug filer. A different form of the reference drug does not include an authorized generic version of the reference drug.

(5) An agreement by the reference drug holder not to interfere with the nonreference drug filer's ability to secure and maintain regulatory approval to market the nonreference drug product or an agreement to facilitate the nonreference drug filer's ability to secure and maintain regulatory approval to market the nonreference drug product.

(6) An agreement resolving a patent infringement claim in which the reference drug holder forgives the potential damages accrued by a nonreference drug holder for an at-risk launch of the nonreference drug product that is the subject of that claim.

(b) Parties to an agreement are not in violation of subsection (a) if they can demonstrate by a preponderance of

the evidence that either of the following are met:

(1) The value received by the nonreference drug filer described in paragraph (1) of subsection (a) is a fair and reasonable compensation solely for other goods or services that the nonreference drug filer has promised to provide.

(2) The agreement has directly generated procompetitive benefits and the procompetitive benefits of the agreement outweigh the anticompetitive effects of the agreement.

Section 15. Presumptions.

(a) In determining whether the parties to the agreement have met their burden under subsection (b) of Section 10, the fact-finder shall not presume any of the following:

(1) That entry into the marketplace could not have occurred until the expiration of the relevant patent exclusivity or that the agreement's provision for entry of the nonreference drug product before the expiration of any patent exclusivity means that the agreement is procompetitive within the meaning of paragraph (2) of subsection (b) of Section 10.

(2) That any patent is enforceable and infringed by the nonreference drug filer in the absence of a final adjudication binding on the filer of those issues.

(3) That the agreement caused no delay in entry of the nonreference drug filer's drug product because of the lack

of United States Food and Drug Administration approval of that or of another nonreference drug product.

(4) That the agreement caused no harm or delay due to the possibility that the nonreference drug filer's drug product might infringe some patent that has not been asserted against the nonreference drug filer or that is not subject to a final and binding adjudication on that filer as to the patent's scope, enforceability, and infringement.

This subsection shall not be construed to preclude a party from introducing evidence regarding paragraphs (1) through (4), inclusive, and shall not be construed to preclude the fact-finder from making a determination regarding paragraphs (1) through (4), based on the full scope of the evidence.

(b) In determining whether the parties to the agreement have met their burden under subsection (b) of Section 10, the fact-finder shall presume that the relevant product market is that market consisting of the brand or reference drug of the company alleging patent infringement and the drug product of the nonreference company accused of infringement and any other biological product that is licensed as biosimilar or is an AB-rated generic to the reference product.

(c) This Act does not modify, impair, limit, or supersede the right of any drug company applicant to assert claims or counterclaims against any person under the antitrust laws or other laws relating to unfair competition of the federal

antitrust law or State law.

Section 20. Violations; commencing an action.

(a) Each person that violates or assists in the violation of this Act shall forfeit and pay to the State of Illinois a civil penalty sufficient to deter violations of this Act, as follows:

(1) If the person who violated this Section received any value due to that violation, an amount up to 3 times the value received by the party that is reasonably attributable to the violation of this Section, or $20,000,000, whichever is greater.

(2) If the violator has not received anything of value due to that violation, an amount up to 3 times the value given to other parties to the agreement reasonably attributable to the violation of this Act, or $20,000,000, whichever is greater.

For purposes of this subsection, "reasonably attributable to the violation" shall be determined by Illinois' share of the market for the brand drug at issue in the agreement.

(b) Any penalty described in subsection (a) shall accrue only to the State of Illinois and shall be recovered in a civil action brought by the Attorney General in his or her own name, or by any of his or her attorneys designated by him or her for that purpose, against any party to an agreement that violates this Act.

(c) An action to enforce a cause of action for a violation of this Act shall be commenced within 4 years after the cause of action accrued.