

IP MUSINGS

with

Percy the Lizard



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Aftermath of Allergan's Transfer of Restasis™ Patents to a Native American Tribe (September - October) Allergan sells Restasis™, a blockbuster eye care drug having an annual sales revenue of \$1.5 billion. After generic drug makers Teva, Apotex, Akorn, and Mylan, introduced generic versions of the drug to the market, Allergan sued the generic drug makers for infringing its patents that cover Restasis™. In response, the generic drug makers instituted an IPR challenge to invalidate the patents.

As a countermove, Allergan transferred ownership of the Restasis™ patents to a native American tribe, the Saint Regis Mohawks, and licensed the patents from the tribe. The patents would be protected from the IPR under a tribal sovereign immunity. Allergan paid the tribe \$13.75 million, in addition to \$15 million in annual potential royalties to transfer the patents to the Mohawks.

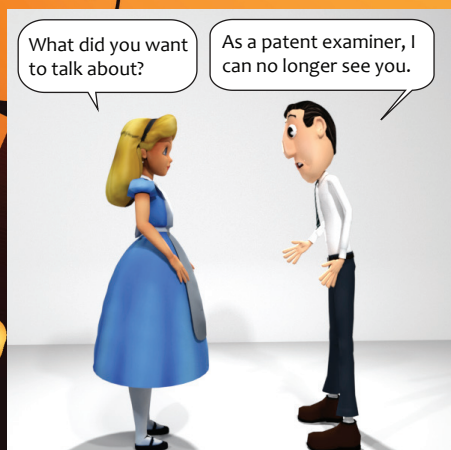
Although Allergan's maneuver was initially hailed as creative (immediately after the patent transfer, Allergan's stock rose about 1%), Allergan saw a strong public backlash against the move (Allergan's stock later fell 7%). Several Congressmen spoke up against Allergan, including Sherrod Brown (D-Ohio), Bob Casey (D-Pa), and Richard Blumenthal (D-Conn), arguing that the move allows Allergan's patents to avoid being legally reviewed and extends Allergan's patent monopoly at the expense of patients. The senators submitted a request to investigate the deal to the Senate Judiciary Committee.

Allergan responded in a letter to members of the Senate Judiciary Committee. In the letter, Allergan's CEO Brent Saunders argued that, regardless of whether the patent transfer provides sovereign

immunity against a pending IPR proceeding, the patents are still under judicial review at a federal court. Saunders urged the members to review the IPR process itself, asserting that the process places an undue burden on innovators to bear inconsistently adjudicated challenges in federal courts and the Patent Trial and Appeal Board (PTAB).

Senator McCaskill has introduced a bill, S.1948, to neutralize any attempts to transfer patents to Indian tribes to immunize the patents against IPR proceedings. S.1948 states, "an Indian tribe may not assert sovereign immunity as a defense in a review that is conducted under chapter 31 of title 37, United States Code." Saint Regis Mohawk tribe has criticized the bill because the bill sets a double standard for the tribe, in contrast to other sovereign entities (e.g., state universities and other sovereign government entities). The tribe further points out that the tribe's sovereignty has been affirmed in various instances through prior treaties and past legislation.

Judge Bryson, who is overseeing Allergan's federal patent suit, has requested Allergan to decide whether the Mohawks will be co-plaintiffs, and asked both Allergan and the defendants to explain whether the assignments of the patents to the tribe should be disregarded as an inappropriate loophole. It is unclear if the Mohawk's joining Allergan as co-plaintiffs waives their sovereign immunity.



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