# <sup>116TH CONGRESS</sup> 1ST SESSION **S. 1416**

AUTHENTICATED U.S. GOVERNMENT INFORMATION

GPO

To amend the Federal Trade Commission Act to prohibit anticompetitive behaviors by drug product manufacturers, and for other purposes.

## IN THE SENATE OF THE UNITED STATES

MAY 9, 2019

Mr. CORNYN (for himself and Mr. BLUMENTHAL) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

# A BILL

- To amend the Federal Trade Commission Act to prohibit anticompetitive behaviors by drug product manufacturers, and for other purposes.
  - 1 Be it enacted by the Senate and House of Representa-
  - 2 tives of the United States of America in Congress assembled,

#### **3** SECTION 1. SHORT TITLE.

- 4 This Act may be cited as the "Affordable Prescrip-
- 5 tions for Patients Act of 2019".

## 6 SEC. 2. PRODUCT HOPPING; PATENT THICKETING.

- 7 (a) IN GENERAL.—The Federal Trade Commission
- 8 Act (15 U.S.C. 41 et seq.) is amended by inserting after
- 9 section 26 (15 U.S.C. 57c–2) the following:

1	"SEC. 27. PRODUCT HOPPING; PATENT THICKETING.
2	"(a) DEFINITIONS.—In this section:
3	"(1) Abbreviated new drug application.—
4	The term 'abbreviated new drug application' means
5	an application under subsection $(b)(2)$ or $(j)$ of sec-
6	tion 505 of the Federal Food, Drug, and Cosmetic
7	Act (21 U.S.C. 355).
8	"(2) BIOSIMILAR BIOLOGICAL PRODUCT.—The
9	term 'biosimilar biological product' means a biologi-
10	cal product licensed under section $351(k)$ of the
11	Public Health Service Act (42 U.S.C. 262(k)).
12	"(3) BIOSIMILAR BIOLOGICAL PRODUCT LI-
13	CENSE APPLICATION.—The term 'biosimilar biologi-
14	cal product license application' means an application
15	submitted under section 351(k) of the Public Health
16	Service Act (42 U.S.C. 262(k)).
17	"(4) Competition window.—The term 'com-
18	petition window' means—
19	"(A) with respect to a listed drug, the pe-
20	riod between—
21	"(i) the date that is the earlier of—
22	"(I) 8 years before any patent or
23	marketing exclusivity granted under
24	chapter V of the Federal Food, Drug,
25	and Cosmetic Act (21 U.S.C. 351 et

1	seq.) with respect to such listed drug
2	expires; and
3	"(II) the date on which the first
4	abbreviated new drug application that
5	references such listed drug is filed;
6	and
7	"(ii) the later of—
8	"(I) the date that is 180 days
9	after the first abbreviated new drug
10	application that references such listed
11	drug is filed; and
12	"(II) the date that is 1 year after
13	the date on which the generic drug
14	that is the subject of the abbreviated
15	new drug application described in sub-
16	clause (I) enters the marketplace; or
17	"(B) with respect to a reference product,
18	the period between—
19	"(i) the date that is the earlier of—
20	"(I) 6 years before any patent or
21	marketing exclusivity (including any
22	extension of such exclusivity) granted
23	under section 351 of the Public
24	Health Service Act (42 U.S.C. 262)
25	or section 527 of the Federal Food,

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1	Drug, and Cosmetic Act (21 U.S.C.
2	360cc) with respect to such reference
3	product expires; and
4	"(II) the date on which the first
5	biosimilar biological product license
6	application that references such ref-
7	erence product is filed; and
8	"(ii) the later of—
9	"(I) the date that is 180 days
10	after the date on which the first bio-
11	similar biological product license ap-
12	plication that references such ref-
13	erence product enters the market-
14	place; and
15	"(II) the date that is 1 year after
16	the date on which the biosimilar bio-
17	logical product that is the subject of
18	the biosimilar biological product li-
19	cense application described in sub-
20	clause (I) enters the marketplace.
21	"(5) Expected revenue.—The term 'ex-
22	pected revenue', with respect to a follow-on product,
23	means the financial value represented by the number
24	of individuals in the target population multiplied by
25	the financial revenue generated by each member of

the target population over the 3-year period begin ning—

3 "(A) on the day that 3 generic drugs ref4 erencing the same listed drug or 2 or more bio5 similar biological products referencing the same
6 reference product would have been widely avail7 able in the market; or

8 "(B) if 3 or more generic drugs ref-9 erencing the same listed drug or 2 or more bio-10 similar biological products referencing the same 11 reference product are already widely available in 12 the market, the day that the follow-on product 13 enters the market.

14 "(6) FOLLOW-ON PRODUCT.—The term 'follow-15 on product' means a drug approved through an ap-16 plication or supplement to an application submitted 17 under section 505(b) of the Federal Food, Drug, 18 and Cosmetic Act (21 U.S.C. 355(c)) or a biological 19 product licensed through an application or supple-20 ment to an application submitted under section 21 351(a) of the Public Health Service Act (42 U.S.C. 22 262(a)) for a change, modification, or reformulation 23 to the same manufacturer's previously approved 24 drug or biological product.

1	"(7) GENERIC DRUG.—The term 'generic drug'
2	means a drug approved under subsection $(b)(2)$ or
3	(j) of section 505 of the Federal Food, Drug, and
4	Cosmetic Act (21 U.S.C. 355).
5	"(8) LISTED DRUG.—The term 'listed drug'
6	means a drug listed under section $505(j)(7)$ of the
7	Federal Food, Drug, and Cosmetic Act (21 U.S.C.
8	355(j)(7)).
9	"(9) PATENT FAMILY.—The term 'patent fam-
10	ily' means a group of related patents that continue
11	the priority date of the underlying composition of
12	matter patent, all of which claim the same drug or
13	biological product or a use of the same drug or bio-
14	logical product.
15	"(10) PATENT PORTFOLIO.—The term 'patent
16	portfolio' means a group of related patents covering
17	the same or similar technical content.
18	"(11) PATENT THICKETING.—
19	"(A) IN GENERAL.—The term 'patent
20	thicketing' means an action taken to limit com-
21	petition by a patentee with respect to a drug
22	approved under section 505(c) of the Federal
23	Food, Drug, and Cosmetic Act (21 U.S.C.
24	355(c)) or a biological product licensed under

1	section 351(a) of the Public Health Service Act
2	(42 U.S.C. 262(a)) in which—
3	"(i)(I) the patentee obtains patents in
4	the same patent family or patent port-
5	folio—
6	"(aa) that claim the drug or bio-
7	logical product or a use of the drug or
8	biological product, a form of the drug
9	or biological product, a method of use
10	of the drug or biological product, or a
11	method of manufacture of a drug or
12	biological product; and
13	"(bb) whose effective filing date
14	does not precede the date of filing the
15	application under section 505(b) of
16	the Federal Food, Drug, and Cos-
17	metic Act $(21 \text{ U.S.C. } 355(b))$ or sec-
18	tion 351(a) of the Public Health Serv-
19	ice Act (42 U.S.C. 262(a)); or
20	"(II) the underlying composition of
21	matter patent is found invalid and the pat-
22	entee obtains patents in the same patent
23	family or patent portfolio that claim the
24	drug or biological product or a use of the
25	drug or biological product, a form of the

1	drug or biological product, a method of use
2	of the drug or biological product, or a
3	method of manufacture of the drug or bio-
4	logical product;
5	"(ii) an abbreviated new drug applica-
6	tion referencing such approved drug or a
7	biosimilar biological product license appli-
8	cation referencing such licensed biological
9	product could not be marketed without
10	practicing one or more of the inventions
11	claimed in the additional patents described
12	in subclause (I) or (II) of clause (i); and
13	"(iii) the Commission determines that
14	the patentee improperly limited competi-
15	tion by obtaining patents described in sub-
16	clause (I) or (II) of clause (i).
17	"(B) FACTORS TO CONSIDER.—The Com-
18	mission may establish that an action described
19	in subparagraph (A) improperly limits competi-
20	tion if the Commission establishes a reasonable
21	number of the following factors in a manner
22	that is sufficient to demonstrate anticompetitive
23	intent:
24	"(i) The additional patents described
25	in subparagraph (A)(i) (referred to in this

1	subparagraph as the 'additional patents')
2	stem from few patent families.
3	"(ii) The additional patents have com-
4	mon specifications.
5	"(iii) The additional patents did not
6	issue on an application with respect to
7	which a requirement for restriction under
8	section 121 of title 35, United States
9	Code, has been made, or on an application
10	filed as a result of such a requirement.
11	"(iv) The additional patents have
12	overlapping or identical claims.
13	"(v) The additional patents have been
14	granted to the patentee on formulations or
15	compositions of the product and not used.
16	"(vi) One or more of the additional
17	patents have been invalidated in an inter
18	partes review conducted under chapter 31
19	of title 35, United States Code, or a post-
20	grant proceeding conducted under chapter
21	32 of that title.
22	"(vii) Litigation with applicants under
23	section 351(k) of the Public Health Service
24	Act has been extended based on the addi-
25	tional patents.

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1	"(viii) The applications with respect
2	to the additional patents described in sub-
3	clause (I) or (II) of subparagraph $(A)(i)$
4	are submitted not more than 36 months
5	before the expiration of the underlying
6	composition of matter patent.
7	"(ix) A public or internal statement, a
8	shareholder call, or another demonstration
9	of purpose that the patentee intended to
10	use the number of patents or length of ex-
11	tended patent protection in order to unduly
12	limit competition.
13	"(12) Reference product.—The term 'ref-
14	erence product' has the meaning given the term in
15	section 351(i) of the Public Health Service Act (42
16	U.S.C. 262(i)).
17	"(13) TARGET POPULATION.—The term 'target
18	population', with respect to a drug, means the popu-
19	lation of individuals that—
20	"(A) would experience a significant health
21	improvement from a follow-on product; and
22	"(B) would have bought the follow-on
23	product solely because of the significant health
24	improvement that those individuals would expe-
25	rience.

1	"(14) Ultimate parent entity.—The term
2	'ultimate parent entity' has the meaning given the
3	term in section 801.1 of title 16, Code of Federal
4	Regulations, or any successor regulation.
5	"(15) Underlying composition of matter
6	PATENT.—The term 'underlying composition of mat-
7	ter patent' means a patent with respect to the mol-
8	ecules, compounds, or new formulations of the active
9	ingredient of a drug or biological product.
10	"(b) Prohibitions.—
11	"(1) PATENT THICKETING.—
12	"(A) PRIMA FACIE.—Except as provided in
13	subparagraph (B), an action by a drug manu-
14	facturer that constitutes patent thicketing shall
15	be considered to be an unfair method of com-
16	petition in or affecting commerce in violation of
17	section 5(a).
18	"(B) REBUTTAL.—
19	"(i) IN GENERAL.—Subject to sub-
20	paragraph (C), an action that constitutes
21	patent thicketing shall not be considered to
22	be an unfair method of competition in or
23	affecting commerce in violation of section
24	5(a) if the manufacturer described in that
25	paragraph demonstrates to the Commis-

1	sion or a district court of the United
2	States, as applicable, by a preponderance
3	of the evidence in a proceeding initiated by
4	the Commission under subsection
5	(c)(1)(A), or in a suit brought under sub-
6	paragraph (B) or (C) of subsection $(c)(1)$ ,
7	that the anticompetitive effects of the ac-
8	tion do not outweigh the pro-competitive
9	effects of the action.
10	"(ii) EVIDENCE.—In making a dem-
11	onstration under clause (i) that the anti-
12	competitive effects of patent thicketing do
13	not outweigh the pro-competitive effects of
14	that behavior, a manufacturer described in
15	subparagraph (A)—
16	"(I) may present evidence that—
17	"(aa) the inventions claimed
18	in the additional patents de-
19	scribed in subclauses (I) and (II)
20	of subsection (a)(11)(A)(i) re-
21	sulted in—
22	"(AA) clinically mean-
23	ingful and significant thera-
24	peutic or safety benefits;

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1	"(BB) significantly im-
2	proved product purity or po-
3	tency;
4	"(CC) significant
5	gained efficiencies in manu-
6	facturing; or
7	"(DD) other improved
8	product attributes having
9	substantial benefits for con-
10	sumers or patients;
11	"(bb) a generic drug or bio-
12	similar biological product could
13	be marketed commercially with-
14	out incorporating the improve-
15	ments claimed in the additional
16	patents described in item (aa); or
17	"(cc) for each of the later
18	filed patents, the manufacturer
19	had substantial financial reason,
20	apart from the financial effects
21	of reduced competition, to file
22	each of the patents; and
23	"(II) in making a demonstration
24	under subclause (I), shall submit to
25	the Commission or the court, as appli-

1	cable, all research and development,
2	manufacturing, marketing, and other
3	costs associated with approval of the
4	original drug under section 505(c) of
5	the Federal Food, Drug, and Cos-
6	metic Act (21 U.S.C. 355(c)) or licen-
7	sure of the original biological product
8	under section 351(a) of the Public
9	Health Service Act (42 U.S.C.
10	262(a)), which—
11	"(aa) shall include—
12	"(AA) any documents
13	relating to the costs and
14	benefits of the later filed
15	patents with respect to pa-
16	tients who use the drug; and
17	"(BB) any applications
18	for patents that were filed
19	and rejected; and
20	"(bb) shall not be construed
21	to limit the information that the
22	Commission or the court, as ap-
23	plicable, may otherwise obtain in
24	any proceeding or action insti-

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1	tuted with respect to a violation
2	of this section.
3	"(C) RESPONSE.—The Commission may
4	rebut any evidence presented by a drug manu-
5	facturer under subparagraph (B) by estab-
6	lishing by a preponderance of the evidence that
7	the harm to consumers from the action that is
8	the subject of that presentation is greater than
9	the benefits to consumers from that action.
10	"(2) Product hopping.—
11	"(A) PRIMA FACIE.—Except as provided in
12	subparagraph (B), any of the following actions
13	by a manufacturer of a reference product or
14	listed drug shall be considered to be an unfair
15	method of competition in or affecting commerce
16	in violation of section 5(a):
17	"(i) If, during the period beginning on
18	the date on which the manufacturer of the
19	reference drug receives notice that an ap-
20	plicant has submitted to the Commissioner
21	of Food and Drugs an abbreviated new
22	drug application or biosimilar biological
23	product license application and ending on
24	the date that is 180 days after the date on
25	which that generic drug or biosimilar bio-

1 logical product first enters, or could enter, 2 the market, or is denied— 3 "(I) upon the request of the 4 manufacturer of the listed drug or 5 reference product, the Commissioner 6 of Food and Drugs-7 "(aa) withdraws the ap-8 proval of the application for the 9 listed drug or reference product; 10 or "(bb) places the listed drug 11 12 or reference product on the dis-13 continued products list; or 14 "(II) the manufacturer of the 15 listed drug or reference product announces discontinuance of, or intent 16 17 to withdraw, the application for the 18 reference product. 19 "(ii) The manufacturer of a previously 20 approved drug or biological product mar-21 kets or sells a follow-on product during the 22 competition window. "(B) REBUTTAL.— 23 "(i) IN GENERAL.—Subject to sub-24 25 paragraph (C), an action described in sub-

- 1 paragraph (A) shall not be considered to 2 be an unfair method of competition in or 3 affecting commerce if— "(I) with respect to an action de-4 5 scribed in subparagraph (A)(i), the 6 manufacturer of the listed drug or 7 reference product demonstrates to the 8 Commission or a district court of the 9 United States, as applicable, by a pre-10 ponderance of the evidence in a pro-11 ceeding initiated by the Commission 12 under subsection (c)(1)(A), or in a 13 suit brought under subparagraph (B) 14 or (C) of subsection (c)(1), that the 15 manufacturer removed such drug 16 from the market for significant and 17 documented safety reasons; or 18 "(II) with respect to an action 19 described in subparagraph (A)(ii)— 20 "(aa) the manufacturer 21 demonstrates to the Commission 22 or a district court of the United 23 States, as applicable, by a pre-24 ponderance of the evidence in a
- 25 proceeding initiated by the Com-

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1	mission under subsection
2	(c)(1)(A), or in a suit brought
3	under subparagraph (B) or (C)
4	of subsection (c)(1), that—
5	"(AA) the follow-on
6	product described in such
7	subparagraph (A)(ii) (re-
8	ferred to in this subclause as
9	the 'follow-on product') pro-
10	vides a clinically meaningful
11	and significant additional
12	health benefit to the target
13	population beyond that pro-
14	vided by the previously ap-
15	proved drug or biological
16	product;
17	"(BB) the follow-on
18	product was the available
19	means that was least likely
20	to reduce competition; and
21	"(CC) the manufac-
22	turer had substantive finan-
23	cial reasons, apart from the
24	financial effects of reduced
25	competition, to introduce the

1	follow-on product to the
2	market; and
3	"(bb) in making the dem-
4	onstration required under item
5	(aa), the manufacturer provides
6	to the Commission—
7	"(AA) all research and
8	development, manufacturing,
9	marketing, and other related
10	costs associated with the
11	drug or biological product
12	previously approved under
13	section 505(c) of the Fed-
14	eral Food, Drug, and Cos-
15	metic Act (21 U.S.C.
16	355(c)) or section $351(a)$ of
17	the Public Health Service
18	Act (42 U.S.C. 262(a)) and
19	the follow-on product, in-
20	cluding all documents,
21	memos, or other business
22	documents that explain,
23	mention, or otherwise justify
24	the decision of the manufac-
25	turer to develop and manu-

1	facture the follow-on prod-
2	uct; and
3	"(BB) the revenue ob-
4	tained by the manufacturer
5	with respect to the drug or
6	biological product previously
7	approved under section
8	505(c) of the Federal Food,
9	Drug, and Cosmetic Act (21
10	U.S.C. $355(c)$ ) or section
11	351(a) of the Public Health
12	Service Act (42 U.S.C.
13	262(a)) and the expected
14	revenue of the manufacturer
15	with respect to the pre-
16	viously approved drug or bi-
17	ological product and the fol-
18	low-on product.
19	"(ii) Rule of construction.—
20	Nothing in clause (i) may be construed to
21	limit the information that the Commission
22	may otherwise obtain in any proceeding or

action instituted with respect to a violation

of this section.

23

1	"(C) Response.—The Commission may
2	rebut any evidence presented by a drug manu-
3	facturer under subparagraph (B) by estab-
4	lishing by a preponderance of the evidence
5	that—
6	"(i) the harm to consumers of the
7	drug or biological product that is the sub-
8	ject of the product from the action that is
9	the subject of that presentation is greater
10	than the benefits to consumers of the drug
11	or biological product that is the subject of
12	challenged action; or
13	"(ii) a primary purpose of the manu-
14	facturer in pursuing the challenged action
15	was to block or otherwise hinder the entry
16	into the market of a generic drug or bio-
17	similar biological product.
18	"(c) Enforcement.—
19	"(1) IN GENERAL.—If the Commission has rea-
20	son to believe that any drug manufacturer has vio-
21	lated, is violating, or is about to violate this section,
22	the Commission may take any of the following ac-
23	tions:
24	"(A) Institute a proceeding—

1	"(i) that, except as provided in para-
2	graph (2), complies with the requirements
3	under section 5(b); and
4	"(ii) in which the Commission may
5	impose on the manufacturer any penalty
6	that the Commission may impose for a vio-
7	lation of section 5.
8	"(B) In the same manner and to the same
9	extent as provided in section 13(b), bring suit
10	in a district court of the United States to tem-
11	porarily enjoin the action of the drug manufac-
12	turer.
13	"(C)(i) Bring suit in a district court of the
14	United States to permanently enjoin the action
15	of the drug manufacturer.
16	"(ii) In a suit brought under clause (i), the
17	Commission may seek—
18	"(I) any of the remedies described in
19	paragraph (3); and
20	"(II) any other equitable remedy, in-
21	cluding ancillary equitable relief.
22	"(2) JUDICIAL REVIEW.—
23	"(A) IN GENERAL.—Notwithstanding any
24	provision of section 5, any drug manufacturer
25	that is subject to a final order of the Commis-

1	sion that is issued in a proceeding initiated
2	under paragraph $(1)(A)$ may, not later than 30
3	days after the date on which the Commission
4	issues the order, petition for review of the order
5	in—
6	"(i) the United States Court of Ap-
7	peals for the District of Columbia Circuit;
8	Oľ
9	"(ii) the court of appeals of the
10	United States for the circuit in which the
11	ultimate parent entity of the manufacturer
12	is incorporated, as of the date on which the
13	manufacturer obtains the underlying com-
14	position of matter patent with respect to
15	the proceeding or files a new drug applica-
16	tion under section $505(b)$ of the Federal
17	Food, Drug, and Cosmetic Act (21 U.S.C.
18	355(b)) or biological product license appli-
19	cation under section 351(a) of the Public
20	Health Service Act (42 U.S.C. 262(a))
21	that is the subject of the proceeding, as
22	applicable.
23	"(B) TREATMENT OF FINDINGS.—In a re-
24	view of an order issued by the Commission con-
25	ducted by a court of appeals of the United

1	States under subparagraph (A), the factual
2	findings of the Commission shall be conclusive
3	if those facts are supported by the evidence.
4	"(3) Equitable remedies.—
5	"(A) DISGORGEMENT.—
6	"(i) IN GENERAL.—In a suit brought
7	under paragraph $(1)(C)$ , the Commission
8	may seek, and the court may order,
9	disgorgement of any unjust enrichment
10	that a person obtained as a result of the
11	violation that gives rise to the suit in
12	which the Commission seeks the claim.
13	"(ii) CALCULATION.—Any disgorge-
14	ment that is ordered with respect to a per-
15	son under clause (i) shall be offset by any
16	amount of restitution that the person is or-
17	dered to pay under subparagraph (B).
18	"(iii) LIMITATIONS PERIOD.—The
19	Commission may bring a claim for
20	disgorgement under this subparagraph not
21	later than 5 years after the latest date on
22	which the person against which the claim
23	is brought receives any unjust enrichment
24	from the effects of the violation that gives

1	rise to the suit in which the Commission
2	seeks the claim.
3	"(B) RESTITUTION.—
4	"(i) IN GENERAL.—In a suit brought
5	under paragraph $(1)(C)$ , the Commission
6	may seek, and the court may order, res-
7	titution with respect to the violation that
8	gives rise to the suit in which the Commis-
9	sion seeks the claim.
10	"(ii) Limitations period.—The
11	Commission may bring a claim for restitu-
12	tion under this subparagraph not later
13	than 5 years after the latest date on which
14	the person against which the claim is
15	brought receives any unjust enrichment
16	from the effects of the violation that gives
17	rise to the suit in which the Commission
18	seeks the claim.
19	"(4) RULES OF CONSTRUCTION.—Nothing in
20	this subsection may be construed as—
21	"(A) requiring the Commission to bring a
22	suit seeking a temporary injunction under para-
23	graph (1)(B) before bringing a suit seeking a
24	permanent injunction under paragraph $(1)(C)$ ;
25	Oľ

1 "(B) affecting any other authority of the 2 Commission under this Act to seek relief or ob-3 tain a remedy with respect to a violation of this 4 Act.". 5 (b) APPLICABILITY.—Section 27 of the Federal Trade Commission Act, as added by subsection (a), shall 6 7 apply with respect to any— 8 (1) conduct that occurs on or after the date of 9 enactment of this Act; and 10 (2) action or proceeding that is commenced on 11 or after the date of enactment of this Act. 12 (c) ANTITRUST LAWS.—Nothing in this section, or the amendments made by this section, shall modify, im-13 pair, limit, or supersede the applicability of the antitrust 14 15 laws as defined in subsection (a) of the first section of the Clayton Act (15 U.S.C. 12(a)), and of section 5 of 16 the Federal Trade Commission Act (15 U.S.C. 45) to the 17 18 extent that it applies to unfair methods of competition. 19 (d) RULEMAKING.—The Federal Trade Commission 20 may issue rules under section 553 of title 5, United States 21 Code, to carry out section 27 of the Federal Trade Com-22 mission Act, as added by subsection (a), including by defining any terms used in such section 27. 23