

Federal Circuit Patent Bulletin: *Endo Pharms. Inc. v. Actavis, Inc.*

March 31, 2014

"[A] patent license does not convey to the licensee 'an absolute right' to make, use, or sell a product 'because not even the patentee . . . is given that right.' The patentee's right 'is merely one to exclude others from making, using or selling [the product covered by the licensed patent]"

On March 31, 2014, in *Endo Pharms. Inc. v. Actavis, Inc.*, the U.S. Court of Appeals for the Federal Circuit (Newman, Dyk, Moore*) vacated and remanded the district court's denial of a preliminary injunction enjoining Roxane and Actavis from marketing and selling generic Opana® ER in violation of U.S. Patents No. 8,309,122 and No. 8,329,216, which related to extended-release oxymorphone compositions and pain treatment using those compositions, and U.S. Patent No. 7,851,482, which related to purified oxymorphone compositions and methods of making those compositions. The Federal Circuit stated:

Prior to this litigation, Endo sued Appellees for patent infringement under 35 U.S.C. § 271(e)(2)(A) based on their Abbreviated New Drug Applications (ANDAs) to market generic versions of Opana® ER—the same products as those at issue in these appeals. The first set of lawsuits settled after Endo granted to Appellees a license and a covenant not to sue. . . .

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Endo contends that the plain language of the agreements, which limit “Licensed Patents” to several enumerated patents and applications claiming priority to them, does not grant Appellees an express license to practice the asserted patents. It argues that the “No Implied Rights” provision further makes clear that the agreements do not cover the asserted patents. In the district court, both Actavis and Roxane argued that they have an express license to practice these newly issued patents. . . .

Roxane responds that the express terms of the settlement and license agreement grant it a license to practice the asserted patents because the previously licensed U.S. Patent No. 7,276,250 (‘250 patent) claims priority to U.S. Provisional Application No. 60/303,357 (‘357 application), and the ‘122 and ‘216 patents also claim priority to that provisional application. It contends that the word “including” in §1.16(b) of the Roxane Agreement shows that the agreement covers more than just continuation, continuation-in-part, and divisional applications that claim priority to the Opana® ER Patents. Roxane argues that this section “necessarily embraces any patent applications that claim priority to any applications and provisional applications” to which the licensed patents likewise claim priority. It contends that Endo’s interpretation reads out the word “including” and other license terms, and argues that the common provisional application teaches subject matter that “binds” the ‘250 patent to the asserted ‘122 and ‘216 patents.

Roxane’s express license arguments are meritless. Section 1.16(b) of the Roxane Agreement covers U.S. patent applications that “claim priority to the Opana® ER Patents [e.g., any of the licensed patents], including any continuation, continuation-in-part and divisional patent applications that claim priority to Opana® ER Patents.” There can be no dispute that the ‘122 and ‘216 patents are not continuations of any of the licensed patents. Likewise, there is no reasonable argument that the ‘122 and ‘216 patents claim priority to any of the licensed patents. An application that claims priority to another patent must contain an express cross-reference to “a prior-filed nonprovisional application from which the patent issued.” The ‘216 and ‘122 patents, however, do not cross-reference the applications that issued as any of the licensed patents. Therefore, it is quite clear that the ‘122 and ‘216 patents do not “claim priority to” any of the licensed patents. . . .

The Actavis Agreement likewise does not cover the ‘122, ‘216, and ‘482 patents at issue in the Actavis appeal. It contains the same “continuations, continuations-in-part or divisionals” language as the Roxane Agreement. . . . Finally, the ‘482 patent is completely unrelated to any of the previously licensed patents, and is likewise not covered by the agreement. We hold that Appellees do not have an express license to practice any of the patents asserted in this litigation. . . .

Appellees contend that Endo granted them a license to market their accused generic products for valuable consideration, that they relied on the license in going forward with the Food and Drug Administration approval of the ANDAs, and that Endo's later-obtained patents "eviscerated" the benefit of the licenses. Appellees argue that the "No Implied Rights" language in the agreements is not dispositive because estoppel "must override any such provision."

[A] patent license does not convey to the licensee "an absolute right" to make, use, or sell a product "because not even the patentee . . . is given that right." The patentee's right "is merely one to exclude others from making, using or selling [the product covered by the licensed patent], 35 U.S.C. § 154" and "the patentee . . . and his licensee, when making, using, or selling [the product], can be subject to suit under other patents" when practicing the patented invention. The doctrine of legal estoppel does not nullify these general principles. Instead, it "refers to a narrow category of conduct encompassing scenarios where a patentee has licensed or assigned a right, received consideration, and then sought to derogate from the right granted." . . .

Endo is not estopped from asserting the patents at issue in these appeals because none of the asserted patents is a continuation of any of the licensed patents. The only familial relationship between the asserted and licensed patents is that the '122 and '216 patents claim priority to the same provisional application as the '250 patent. That, however, does not make these patents continuations of the '250 patent. The '482 patent is not related to any of the licensed patents. The lack of a continuation relationship between any of the asserted and licensed patents and explicit disclaimer of any other licenses not within the literal terms of the contract are dispositive. [R]ather than grant a license to an "idea," Endo has granted to Appellees a license and covenant not to sue limited to specific patents and patent applications. If Appellees wanted to market and sell their accused generic products free from any threat of being sued by Endo for patent infringement, they could have negotiated for the appropriate language in the settlement and license agreements. . . . Having agreed to licenses that do not cover the patents at issue in these appeals, Appellees will not now be heard to complain.