

# Calendar No. 110

112TH CONGRESS  
1ST SESSION

## S. 27

To prohibit brand name drug companies from compensating generic drug companies to delay the entry of a generic drug into the market.

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### IN THE SENATE OF THE UNITED STATES

JANUARY 25 (legislative day, JANUARY 5), 2011

Mr. KOHL (for himself, Mr. GRASSLEY, Mr. DURBIN, Ms. COLLINS, Ms. KLOBUCHAR, Mr. FRANKEN, Mr. BROWN of Ohio, Mr. SANDERS, and Mr. JOHNSON of South Dakota) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

JULY 22, 2011

Reported by Mr. LEAHY, without amendment

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## A BILL

To prohibit brand name drug companies from compensating generic drug companies to delay the entry of a generic drug into the market.

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Preserve Access to Af-  
3 fordable Generics Act”.

4 **SEC. 2. CONGRESSIONAL FINDINGS AND DECLARATION OF**  
5 **PURPOSES.**

6       (a) FINDINGS.—Congress finds the following:

1           (1) In 1984, the Drug Price Competition and  
2 Patent Term Restoration Act (Public Law 98–417)  
3 (referred to in this Act as the “1984 Act”), was en-  
4 acted with the intent of facilitating the early entry  
5 of generic drugs while preserving incentives for inno-  
6 vation.

7           (2) Prescription drugs make up 10 percent of  
8 the national health care spending but for the past  
9 decade have been one of the fastest growing seg-  
10 ments of health care expenditures.

11           (3) Until recently, the 1984 Act was successful  
12 in facilitating generic competition to the benefit of  
13 consumers and health care payers—although 67 per-  
14 cent of all prescriptions dispensed in the United  
15 States are generic drugs, they account for only 20  
16 percent of all expenditures.

17           (4) Generic drugs cost substantially less than  
18 brand name drugs, with discounts off the brand  
19 price sometimes exceeding 90 percent.

20           (5) Federal dollars currently account for an es-  
21 timated 30 percent of the \$235,000,000,000 spent  
22 on prescription drugs in 2008, and this share is ex-  
23 pected to rise to 40 percent by 2018.

24           (6)(A) In recent years, the intent of the 1984  
25 Act has been subverted by certain settlement agree-

1       ments between brand companies and their potential  
2       generic competitors that make “reverse payments”  
3       which are payments by the brand company to the  
4       generic company.

5           (B) These settlement agreements have unduly  
6       delayed the marketing of low-cost generic drugs con-  
7       trary to free competition, the interests of consumers,  
8       and the principles underlying antitrust law.

9           (C) Because of the price disparity between  
10      brand name and generic drugs, such agreements are  
11      more profitable for both the brand and generic man-  
12      ufacturers than competition, and will become in-  
13      creasingly common unless prohibited.

14          (D) These agreements result in consumers los-  
15      ing the benefits that the 1984 Act was intended to  
16      provide.

17      (b) PURPOSES.—The purposes of this Act are—

18          (1) to enhance competition in the pharma-  
19      ceutical market by stopping anticompetitive agree-  
20      ments between brand name and generic drug manu-  
21      facturers that limit, delay, or otherwise prevent com-  
22      petition from generic drugs; and

23          (2) to support the purpose and intent of anti-  
24      trust law by prohibiting anticompetitive practices in  
25      the pharmaceutical industry that harm consumers.

1 **SEC. 3. UNLAWFUL COMPENSATION FOR DELAY.**

2 (a) IN GENERAL.—The Federal Trade Commission  
3 Act (15 U.S.C. 44 et seq.) is amended by—

4 (1) redesignating section 28 as section 29; and

5 (2) inserting before section 29, as redesignated,  
6 the following:

7 **“SEC. 28. PRESERVING ACCESS TO AFFORDABLE**  
8 **GENERICS.**

9 “(a) IN GENERAL.—

10 “(1) ENFORCEMENT PROCEEDING.—The Fed-  
11 eral Trade Commission may initiate a proceeding to  
12 enforce the provisions of this section against the  
13 parties to any agreement resolving or settling, on a  
14 final or interim basis, a patent infringement claim,  
15 in connection with the sale of a drug product.

16 “(2) PRESUMPTION.—

17 “(A) IN GENERAL.—Subject to subpara-  
18 graph (B), in such a proceeding, an agreement  
19 shall be presumed to have anticompetitive ef-  
20 fects and be unlawful if—

21 “(i) an ANDA filer receives anything  
22 of value; and

23 “(ii) the ANDA filer agrees to limit or  
24 forego research, development, manufac-  
25 turing, marketing, or sales of the ANDA  
26 product for any period of time.

1           “(B) EXCEPTION.—The presumption in  
2           subparagraph (A) shall not apply if the parties  
3           to such agreement demonstrate by clear and  
4           convincing evidence that the procompetitive  
5           benefits of the agreement outweigh the anti-  
6           competitive effects of the agreement.

7           “(b) COMPETITIVE FACTORS.—In determining  
8           whether the settling parties have met their burden under  
9           subsection (a)(2)(B), the fact finder shall consider—

10           “(1) the length of time remaining until the end  
11           of the life of the relevant patent, compared with the  
12           agreed upon entry date for the ANDA product;

13           “(2) the value to consumers of the competition  
14           from the ANDA product allowed under the agree-  
15           ment;

16           “(3) the form and amount of consideration re-  
17           ceived by the ANDA filer in the agreement resolving  
18           or settling the patent infringement claim;

19           “(4) the revenue the ANDA filer would have re-  
20           ceived by winning the patent litigation;

21           “(5) the reduction in the NDA holder’s reve-  
22           nues if it had lost the patent litigation;

23           “(6) the time period between the date of the  
24           agreement conveying value to the ANDA filer and

1 the date of the settlement of the patent infringement  
2 claim; and

3 “(7) any other factor that the fact finder, in its  
4 discretion, deems relevant to its determination of  
5 competitive effects under this subsection.

6 “(c) LIMITATIONS.—In determining whether the set-  
7 tling parties have met their burden under subsection  
8 (a)(2)(B), the fact finder shall not presume—

9 “(1) that entry would not have occurred until  
10 the expiration of the relevant patent or statutory ex-  
11 clusivity; or

12 “(2) that the agreement’s provision for entry of  
13 the ANDA product prior to the expiration of the rel-  
14 evant patent or statutory exclusivity means that the  
15 agreement is pro-competitive, although such evidence  
16 may be relevant to the fact finder’s determination  
17 under this section.

18 “(d) EXCLUSIONS.—Nothing in this section shall pro-  
19 hibit a resolution or settlement of a patent infringement  
20 claim in which the consideration granted by the NDA  
21 holder to the ANDA filer as part of the resolution or set-  
22 tlement includes only one or more of the following:

23 “(1) The right to market the ANDA product in  
24 the United States prior to the expiration of—

1           “(A) any patent that is the basis for the  
2           patent infringement claim; or

3           “(B) any patent right or other statutory  
4           exclusivity that would prevent the marketing of  
5           such drug.

6           “(2) A payment for reasonable litigation ex-  
7           penses not to exceed \$7,500,000.

8           “(3) A covenant not to sue on any claim that  
9           the ANDA product infringes a United States patent.

10          “(e) REGULATIONS AND ENFORCEMENT.—

11           “(1) REGULATIONS.—The Federal Trade Com-  
12           mission may issue, in accordance with section 553 of  
13           title 5, United States Code, regulations imple-  
14           menting and interpreting this section. These regula-  
15           tions may exempt certain types of agreements de-  
16           scribed in subsection (a) if the Commission deter-  
17           mines such agreements will further market competi-  
18           tion and benefit consumers. Judicial review of any  
19           such regulation shall be in the United States Dis-  
20           trict Court for the District of Columbia pursuant to  
21           section 706 of title 5, United States Code.

22           “(2) ENFORCEMENT.—A violation of this sec-  
23           tion shall be treated as a violation of section 5.

24           “(3) JUDICIAL REVIEW.—Any person, partner-  
25           ship or corporation that is subject to a final order

1 of the Commission, issued in an administrative adju-  
2 dicative proceeding under the authority of subsection  
3 (a)(1), may, within 30 days of the issuance of such  
4 order, petition for review of such order in the United  
5 States Court of Appeals for the District of Columbia  
6 Circuit or the United States Court of Appeals for  
7 the circuit in which the ultimate parent entity, as  
8 defined at 16 CFR 801.1(a)(3), of the NDA holder  
9 is incorporated as of the date that the NDA is filed  
10 with the Secretary of the Food and Drug Adminis-  
11 tration, or the United States Court of Appeals for  
12 the circuit in which the ultimate parent entity of the  
13 ANDA filer is incorporated as of the date that the  
14 ANDA is filed with the Secretary of the Food and  
15 Drug Administration. In such a review proceeding,  
16 the findings of the Commission as to the facts, if  
17 supported by evidence, shall be conclusive.

18 “(f) ANTITRUST LAWS.—Nothing in this section shall  
19 be construed to modify, impair or supersede the applica-  
20 bility of the antitrust laws as defined in subsection (a)  
21 of the 1st section of the Clayton Act (15 U.S.C. 12(a))  
22 and of section 5 of this Act to the extent that section 5  
23 applies to unfair methods of competition. Nothing in this  
24 section shall modify, impair, limit or supersede the right  
25 of an ANDA filer to assert claims or counterclaims against



1 any person, under the antitrust laws or other laws relating  
2 to unfair competition.

3 “(g) PENALTIES.—

4 “(1) FORFEITURE.—Each person, partnership  
5 or corporation that violates or assists in the violation  
6 of this section shall forfeit and pay to the United  
7 States a civil penalty sufficient to deter violations of  
8 this section, but in no event greater than 3 times the  
9 value received by the party that is reasonably attrib-  
10 utable to a violation of this section. If no such value  
11 has been received by the NDA holder, the penalty to  
12 the NDA holder shall be shall be sufficient to deter  
13 violations, but in no event greater than 3 times the  
14 value given to the ANDA filer reasonably attrib-  
15 utable to the violation of this section. Such penalty  
16 shall accrue to the United States and may be recov-  
17 ered in a civil action brought by the Federal Trade  
18 Commission, in its own name by any of its attorneys  
19 designated by it for such purpose, in a district court  
20 of the United States against any person, partnership  
21 or corporation that violates this section. In such ac-  
22 tions, the United States district courts are empow-  
23 ered to grant mandatory injunctions and such other  
24 and further equitable relief as they deem appro-  
25 priate.

1           “(2) CEASE AND DESIST.—

2                   “(A) IN GENERAL.—If the Commission has  
3 issued a cease and desist order with respect to  
4 a person, partnership or corporation in an ad-  
5 ministrative adjudicative proceeding under the  
6 authority of subsection (a)(1), an action  
7 brought pursuant to paragraph (1) may be  
8 commenced against such person, partnership or  
9 corporation at any time before the expiration of  
10 one year after such order becomes final pursu-  
11 ant to section 5(g).

12                   “(B) EXCEPTION.—In an action under  
13 subparagraph (A), the findings of the Commis-  
14 sion as to the material facts in the administra-  
15 tive adjudicative proceeding with respect to  
16 such person’s, partnership’s or corporation’s  
17 violation of this section shall be conclusive un-  
18 less—

19                           “(i) the terms of such cease and de-  
20 sist order expressly provide that the Com-  
21 mission’s findings shall not be conclusive;  
22 or

23                           “(ii) the order became final by reason  
24 of section 5(g)(1), in which case such find-

1           ing shall be conclusive if supported by evi-  
2           dence.

3           “(3) CIVIL PENALTY.—In determining the  
4           amount of the civil penalty described in this section,  
5           the court shall take into account—

6                   “(A) the nature, circumstances, extent,  
7                   and gravity of the violation;

8                   “(B) with respect to the violator, the de-  
9                   gree of culpability, any history of violations, the  
10                  ability to pay, any effect on the ability to con-  
11                  tinue doing business, profits earned by the  
12                  NDA holder, compensation received by the  
13                  ANDA filer, and the amount of commerce af-  
14                  fected; and

15                  “(C) other matters that justice requires.

16           “(4) REMEDIES IN ADDITION.—Remedies pro-  
17           vided in this subsection are in addition to, and not  
18           in lieu of, any other remedy provided by Federal  
19           law. Nothing in this paragraph shall be construed to  
20           affect any authority of the Commission under any  
21           other provision of law.

22           “(h) DEFINITIONS.—In this section:

23                   “(1) AGREEMENT.—The term ‘agreement’  
24                   means anything that would constitute an agreement

1 under section 1 of the Sherman Act (15 U.S.C. 1)  
2 or section 5 of this Act.

3 “(2) AGREEMENT RESOLVING OR SETTling A  
4 PATENT INFRINGEMENT CLAIM.—The term ‘agree-  
5 ment resolving or settling a patent infringement  
6 claim’ includes any agreement that is entered into  
7 within 30 days of the resolution or the settlement of  
8 the claim, or any other agreement that is contingent  
9 upon, provides a contingent condition for, or is oth-  
10 erwise related to the resolution or settlement of the  
11 claim.

12 “(3) ANDA.—The term ‘ANDA’ means an ab-  
13 breviated new drug application, as defined under  
14 section 505(j) of the Federal Food, Drug, and Cos-  
15 metic Act (21 U.S.C. 355(j)).

16 “(4) ANDA FILER.—The term ‘ANDA filer’  
17 means a party who has filed an ANDA with the  
18 Food and Drug Administration.

19 “(5) ANDA PRODUCT.—The term ‘ANDA  
20 product’ means the product to be manufactured  
21 under the ANDA that is the subject of the patent  
22 infringement claim.

23 “(6) DRUG PRODUCT.—The term ‘drug prod-  
24 uct’ means a finished dosage form (e.g., tablet, cap-  
25 sule, or solution) that contains a drug substance,

1 generally, but not necessarily, in association with 1  
2 or more other ingredients, as defined in section  
3 314.3(b) of title 21, Code of Federal Regulations.

4 “(7) NDA.—The term ‘NDA’ means a new  
5 drug application, as defined under section 505(b) of  
6 the Federal Food, Drug, and Cosmetic Act (21  
7 U.S.C. 355(b)).

8 “(8) NDA HOLDER.—The term ‘NDA holder’  
9 means—

10 “(A) the party that received FDA approval  
11 to market a drug product pursuant to an NDA;

12 “(B) a party owning or controlling enforce-  
13 ment of the patent listed in the Approved Drug  
14 Products With Therapeutic Equivalence Eval-  
15 uations (commonly known as the ‘FDA Orange  
16 Book’) in connection with the NDA; or

17 “(C) the predecessors, subsidiaries, divi-  
18 sions, groups, and affiliates controlled by, con-  
19 trolling, or under common control with any of  
20 the entities described in subparagraphs (A) and  
21 (B) (such control to be presumed by direct or  
22 indirect share ownership of 50 percent or great-  
23 er), as well as the licensees, licensors, succes-  
24 sors, and assigns of each of the entities.

1           “(9) PATENT INFRINGEMENT.—The term ‘pat-  
2           ent infringement’ means infringement of any patent  
3           or of any filed patent application, extension, reissue,  
4           renewal, division, continuation, continuation in part,  
5           reexamination, patent term restoration, patents of  
6           addition and extensions thereof.

7           “(10) PATENT INFRINGEMENT CLAIM.—The  
8           term ‘patent infringement claim’ means any allega-  
9           tion made to an ANDA filer, whether or not in-  
10          cluded in a complaint filed with a court of law, that  
11          its ANDA or ANDA product may infringe any pat-  
12          ent held by, or exclusively licensed to, the NDA  
13          holder of the drug product.

14          “(11) STATUTORY EXCLUSIVITY.—The term  
15          ‘statutory exclusivity’ means those prohibitions on  
16          the approval of drug applications under clauses (ii)  
17          through (iv) of section 505(c)(3)(E) (5- and 3-year  
18          data exclusivity), section 527 (orphan drug exclu-  
19          sivity), or section 505A (pediatric exclusivity) of the  
20          Federal Food, Drug, and Cosmetic Act.”.

21          (b) EFFECTIVE DATE.—Section 28 of the Federal  
22          Trade Commission Act, as added by this section, shall  
23          apply to all agreements described in section 28(a)(1) of  
24          that Act entered into after November 15, 2009. Section  
25          28(g) of the Federal Trade Commission Act, as added by

1 this section, shall not apply to agreements entered into  
2 before the date of enactment of this Act.

3 **SEC. 4. NOTICE AND CERTIFICATION OF AGREEMENTS.**

4 (a) NOTICE OF ALL AGREEMENTS.—Section  
5 1112(c)(2) of the Medicare Prescription Drug, Improve-  
6 ment, and Modernization Act of 2003 (21 U.S.C. 355  
7 note) is amended by—

8 (1) striking “the Commission the” and insert-  
9 ing the following: “the Commission—

10 “(1) the”;

11 (2) striking the period and inserting “; and”;  
12 and

13 (3) inserting at the end the following:

14 “(2) any other agreement the parties enter into  
15 within 30 days of entering into an agreement cov-  
16 ered by subsection (a) or (b).”.

17 (b) CERTIFICATION OF AGREEMENTS.—Section 1112  
18 of such Act is amended by adding at the end the following:

19 “(d) CERTIFICATION.—The Chief Executive Officer  
20 or the company official responsible for negotiating any  
21 agreement required to be filed under subsection (a), (b),  
22 or (c) shall execute and file with the Assistant Attorney  
23 General and the Commission a certification as follows: ‘I  
24 declare that the following is true, correct, and complete  
25 to the best of my knowledge: The materials filed with the

1 Federal Trade Commission and the Department of Justice  
2 under section 1112 of subtitle B of title XI of the Medi-  
3 care Prescription Drug, Improvement, and Modernization  
4 Act of 2003, with respect to the agreement referenced in  
5 this certification: (1) represent the complete, final, and ex-  
6 clusive agreement between the parties; (2) include any an-  
7 cillary agreements that are contingent upon, provide a  
8 contingent condition for, or are otherwise related to, the  
9 referenced agreement; and (3) include written descriptions  
10 of any oral agreements, representations, commitments, or  
11 promises between the parties that are responsive to sub-  
12 section (a) or (b) of such section 1112 and have not been  
13 reduced to writing.’.’.

14 **SEC. 5. FORFEITURE OF 180-DAY EXCLUSIVITY PERIOD.**

15 Section 505(j)(5)(D)(i)(V) of the Federal Food, Drug  
16 and Cosmetic Act (21 U.S.C. 355(j)(5)(D)(i)(V)) is  
17 amended by inserting “section 28 of the Federal Trade  
18 Commission Act or” after “that the agreement has vio-  
19 lated”.

20 **SEC. 6. COMMISSION LITIGATION AUTHORITY.**

21 Section 16(a)(2) of the Federal Trade Commission  
22 Act (15 U.S.C. 56(a)(2)) is amended—

23 (1) in subparagraph (D), by striking “or” after  
24 the semicolon;



1           (2) in subparagraph (E), by inserting “or”  
2           after the semicolon; and

3           (3) inserting after subparagraph (E) the fol-  
4           lowing:

5                     “(F) under section 28;”.

6 **SEC. 7. STATUTE OF LIMITATIONS.**

7           The Commission shall commence any enforcement  
8           proceeding described in section 28 of the Federal Trade  
9           Commission Act, as added by section 3, except for an ac-  
10          tion described in section 28(g)(2) of the Federal Trade  
11          Commission Act, not later than 3 years after the date on  
12          which the parties to the agreement file the Notice of  
13          Agreement as provided by sections 1112(c)(2) and (d) of  
14          the Medicare Prescription Drug Improvement and Mod-  
15          ernization Act of 2003 (21 U.S.C. 355 note).

16 **SEC. 8. SEVERABILITY.**

17          If any provision of this Act, an amendment made by  
18          this Act, or the application of such provision or amend-  
19          ment to any person or circumstance is held to be unconsti-  
20          tutional, the remainder of this Act, the amendments made  
21          by this Act, and the application of the provisions of such  
22          Act or amendments to any person or circumstance shall  
23          not be affected thereby.

**Calendar No. 110**

112<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**S. 27**

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**A BILL**

To prohibit brand name drug companies from compensating generic drug companies to delay the entry of a generic drug into the market.

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JULY 22, 2011

Reported without amendment