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Hatch-Waxman Overview

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The Drug Price Competition and Patent Term Restoration Act of 1984, commonly known as the Hatch-Waxman Act, forms the current framework for the United States' regulation of drug approvals. The law amended the Food, Drug, and Cosmetic Act of 1938 (FDCA) in an effort to streamline the approval process for generic drugs while preserving incentives to innovate. Given the Hatch-Waxman Act's significance in the United States' regulatory and patent systems, it is important to understand its structure and contours.

Accordingly, this article will detail the types of drug applications allowed under the Act, describe its patent listing requirements, outline the Act's patent litigation scheme, and conclude with a discussion of the 180-day generic drug exclusivity period.

Types of Applications

The unabbreviated drug approval pathway begins with a New Drug Application (NDA). Although NDAs predated the Hatch-Waxman Act, the Act added provisions requiring applicants to submit to FDA any patents that claim the drug itself or a method of using the drug for which approval is sought. These patents are listed in FDA's publication entitled Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. An NDA must be supported by studies supporting the subject drug's safety and efficacy.

Drug efficacy studies must include adequate and well-controlled clinical investigations. Products approved through NDAs are often the reference listed drugs (RLDs) relied upon by applicants submitting Abbreviated New Drug Applications (ANDAs) for generic versions of branded drugs.

A cornerstone of the Hatch-Waxman framework, ANDAs offer an expedited approval pathway for generics. An ANDA must generally seek approval for the same conditions of use and have the same labelling as an RLD. It need not contain new clinical studies or the substantial safety and efficacy data required for a new NDA. Instead, an ANDA must include data showing that the proposed drug is bioequivalent to the RLD. Bioequivalence means that the ANDA product and RLD are pharmaceutically equivalent (i.e., have the same active ingredient(s), dosage form, strength, quality, purity, and identity) and that their rates and extents of absorption do not differ significantly under experimental conditions. Certain differences between a proposed generic and RLD can be reconciled with a suitability petition to FDA if clinical trials are not required to bridge the gap.

The Hatch-Waxman Act also offers an NDA/ANDA "hybrid" pathway in the form of the 505(b)(2) application. Like an NDA, a 505(b)(2) application must contain safety and efficacy data. But the application can rely on studies not conducted by the applicant and for which the applicant has not obtained a right of reference. 505(b)(2)s are most often used when a proposed drug is different from an RLD in some way that prohibits the use of an ANDA, such as a new dosage form, different strength, or different chemical form of the active pharmaceutical ingredient. This pathway is generally unavailable to applicants seeking approval for a pharmaceutical equivalent of an RLD—in that instance, the applicant would instead have to submit an ANDA.

Orange Book Listings

FDA's Orange Book, which lists all drugs approved to be marketed in the United States, is central to the Hatch-Waxman framework. NDA sponsors are required to "list" in the Orange Book all patents covering a drug substance, drug product, or an approved method of use; product-by-process patents where the product claimed is novel; and drug delivery system patents where the patent recites a drug substance or product. FDA regulations prohibit the listing of patents claiming packaging, metabolites, intermediates, unapproved methods of use, or methods of manufacturing.

Orange Book listings perform a core function of the Hatch-Waxman Act by facilitating patent litigation before the commercial launch of a generic drug. An ANDA applicant must send a notice letter to the NDA holder and all owners of Orange Book patents claiming the RLD or uses of the RLD for which the ANDA applicant seeks FDA approval. The Hatch-Waxman Act classifies the act of filing an ANDA or 505(b)(2) application as an artificial act of infringement for purposes of establishing jurisdiction in court to provide the patent holder with the opportunity to commence a patent action against a generic applicant well in advance of the ANDA being approved by FDA.

Despite the Orange Book's importance, FDA does not currently review the propriety of patents submitted for listing. Patentees have thus occasionally been accused of listing patents that should not be listed in the Orange Book in an attempt to limit generic competition. Although there is no private right of action to delist an improperly listed patent, the 2003 Medicare Modernization Act (MMA) allows an ANDA applicant to assert a delisting

counterclaim against the owner of an improperly listed patent in any litigation that results from such patent listing. And, in 2023, FTC issued a policy statement announcing that it would increase scrutiny of and consider enforcement action against improperly listed patents. The Agency subsequently sent letters to 10 branded drug manufacturers warning that FTC viewed some of their patents as improperly listed. FTC has since filed amici briefs in patent litigation cases warning about the anticompetitive effects of improper listings, indicating FTC's continued focus on the issue.

Patent Certifications & Notice Letters

When an applicant submits an ANDA, the application must contain a statement with one of four certifications to each patent listed in the Orange Book for the RLD. A "Paragraph I" certification states that no patent information has been filed for the RLD; a "Paragraph II" certification states that the listed patent has expired; a "Paragraph III" certification states that the sponsor does not intend to market its ANDA product until after the expiration of the listed patent; and a "Paragraph IV" certification states that the ANDA product will not infringe or that the listed patent is invalid or unenforceable. A filer of an ANDA referencing a method of use patent can alternatively file a "section viii statement," which states that the listed method patent does not claim a use for which the applicant seeks approval. An ANDA filer that submits a section viii statement will carve out the claimed use from its label through what's commonly referred to as a "skinny label."

An applicant who submits an ANDA with a Paragraph IV certification must send a Notice Letter to the patent owner(s) and NDA holder(s) stating that an ANDA has been submitted with reference to the patent(s) listed in the Orange Book for the referenced NDA. The Notice Letter must include a detailed statement of the factual and legal bases for the applicant's opinion that the listed patent will not be infringed and/or is invalid or unenforceable. The Notice Letter may also contain an offer of confidential access to the applicant's ANDA if the applicant asserts non-infringement.

After an applicant submits an ANDA to FDA, the Agency has 60 days to determine whether it will be accepted for filing. Within 20 days of FDA notifying the ANDA sponsor that the ANDA has been accepted for filing, the applicant must send any required Notice Letter in connection with Paragraph IV certifications. The applicant must provide documentation of receipt of each Notice Letter to FDA. As discussed below, the Notice Letter serves as a potential trigger for patent litigation and a 30-month stay of FDA approval of the ANDA.

In certain circumstances, the USPTO will issue a relevant patent after an NDA has been submitted to or approved by FDA. FDA regulations give the NDA holder 30 days after the issuance of this type of patent to submit the patent to FDA for Orange Book listing. If the NDA holder submits within 30 days, applicants with unapproved ANDAs on file and subsequent ANDA filers must file a certification to the patent. If the NDA holder does not submit the patent for listing within 30 days, only applicants that have not yet filed their ANDAs must certify to the "late-listed" patent. Applicants with an ANDA already on file need not certify to that patent, although there may be strategic reasons to do so.

30-Month Stay of Approval

To allow parties to resolve patent disputes before the commercial launch of a generic drug, the Hatch-Waxman Act provides an automatic 30-month stay of FDA approval of generics pending litigation. To obtain the 30-month stay, the NDA holder must bring an infringement suit within 45 days of receiving an ANDA or 505(b)(2) applicant's Notice Letter. If an NDA holder fails to file suit during the 45-day window, it is not entitled to a 30-month stay. Pursuant to the MMA, a 30-month stay is not available for a patent that was listed after an ANDA or 505(b)(2) was submitted.

For NDA products that have been deemed New Chemical Entities (NCE) by FDA, the 30-month stay will actually extend for a longer period of time, approximately about 40 months. This arises from a quirk in the five-year regulatory exclusivity that is awarded by FDA to all NCE products. For such products, an ANDA with a paragraph IV certification may be filed one year before the five-year period expires (commonly referred to as the NCE-1 date). In order to allow the NDA holder to obtain the full benefit of its five-year NCE exclusivity and the typical length of a 30-month stay, Congress provided that the stay in such a situation would extend for 7.5 years from when the NCE product was first approved, which lengthens the stay beyond 30 months.

In situations where Paragraph IV certifications are not filed on the NCE-1 date, the 30-month stay begins on the date of the NDA holder's receipt of the notice letter. When there are multiple recipients, FDA uses the date upon which notice was received by the latest-receiving party. Because the 30-month stay only blocks final FDA approval of generics, it allows for simultaneous FDA review. FDA can tentatively approve generics during the stay and grant final approval when the stay terminates.

Pursuant to the MMA, a 30-month stay terminates on the date a district court enters a judgment of non-infringement, invalidity, or unenforceability. The stay will also terminate on the date that a district court enters a settlement order or consent decree that contains a finding of invalidity or noninfringement. If the district court does not render a decision within the 30 months, a patentee or NDA holder may seek a preliminary injunction or other court order to extend the stay. If an ANDA or 505(b)(2) applicant successfully appeals a finding of infringement, the 30-month stay will terminate on the date the appeals court enters a judgment of invalidity or noninfringement or enters a settlement order or consent decree stating the same. Finally, a stay can terminate if the patentee waives its rights to a stay.

A court can extend or reduce the term of a 30-month stay if either party in the litigation fails to reasonably cooperate in expediting the litigation. See, e.g., Eli Lilly & Co. v. Teva Pharms., 557 F.3d 1346 (Fed. Cir. 2009) (extending stay where defendant amended its ANDA near the discovery deadline in order to defeat infringement claims and did not disclose its plan to amend for eight months).

Prior to enactment of the MMA in 2003, it was possible for an NDA holder to obtain a 30-month stay for patents subsequently listed in the Orange Book, which led to multiple 30-month stays when new patents were issued. Under the MMA, however, patents listed after the date that the ANDA or 505(b)(2) is submitted do not give rise to new 30-month stay, even though, if the patent is timely listed, a certification must still be filed to that patent. FDA guidance has set forth one exception to the general rule that there will only be one 30-month stay: where an ANDA is submitted with a Paragraph IV certification to one patent (giving rise to a 30-month stay) and a Paragraph III certification to a second patent (which does not give rise to a 30-month stay), and the ANDA applicant later converts the Paragraph III certification to a

Paragraph IV certification, a second 30-month stay can be associated with the converted certification.

Notably, major product changes or reformulations can cause FDA to request recertification to listed patents and re-notification, potentially giving rise to a superseding 30-month stay.

Use Codes, Section viii Statements & Carve-Outs

In addition to drug products and substances, the Orange Book lists patents claiming methods of using certain drugs. Where a listed patent claims a method of use, the Orange Book will contain a "use code," which describes a use for which the drug is approved that is purportedly covered by the patent.

When an ANDA applicant is seeking approval only for a different use than that claimed in an Orange Book-listed method of use patent, the applicant can submit a section viii statement, which indicates that the ANDA is not seeking approval for the patented use. In such a situation, the applicant need not submit a Paragraph IV certification or send a Notice Letter to the patentee or NDA holder. Accordingly, there is no litigation trigger and no 30-month stay associated with the method of use patent. A section viii statement must be accompanied by a "skinny label" that "carves out" (i.e., does not include) the use claimed by the relevant patent. FDA analyzes the appropriateness of carve-outs on a case-by-case basis. If FDA determines that a carve-out is improper, it may require an applicant to instead submit a Paragraph III or IV certification or to revise the carved-out label in some way.

Some patents may contain both method of use claims and claims to drug products or substances. An ANDA applicant can certify to this type of patent with a "split certification," whereby it submits a section viii statement for method of use claims and Paragraph III or IV certifications for the drug substance or product claims.

If an Orange Book use code is overly broad, an ANDA applicant can bring a delisting counterclaim, as discussed above, to correct the inaccurate use code.

180-Day Exclusivity

To incentive generic companies to promptly challenge patents listed in the Orange Book and promote generic competition, the Hatch-Waxman Act provides that the first applicant(s) to file a "substantially complete" ANDA with a Paragraph IV certification to any patent listed for the RLD can obtain a 180-day exclusivity period during which subsequent ANDAs for the same product will not be approved. Exclusivity can be shared among multiple ANDA applicants who file on the same first day.

Commercial marketing of a first-filer's ANDA product starts the 180-day period of exclusivity. Where multiple filers share exclusivity, any first filer can trigger the start of the period by commercially marketing its product.

The MMA amended the Hatch-Waxman Act such that a first filer can forfeit its exclusivity if any of several events occur. The MMA's forfeiture provisions were intended by Congress to prevent bottle-necking, whereby a first applicant will unreasonably delay approval of other generics—sometimes through cooperation with the NDA holder—by purposely delaying the

start of the 180-day period. A first filer can forfeit its exclusivity if it fails to market its product or obtain tentative approval within a specified period of time; withdraws its ANDA or the application is withdrawn because the applicant failed to meet approval requirements; amends or withdraws its Paragraph IV certification; enters into an agreement with another generic applicant, the NDA holder, or patent owner, and the FTC or an appeals court rules that the agreement violates antitrust laws; or if all patents certified to in the generic applicant's Paragraph IV certification have expired.

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