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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN RE ABBOTT LABORATORIES NORVIR  
ANTI-TRUST LITIGATION

No. C 04-1511 CW  
(Consolidated Case)  
No. C 04-4203 CW

ORDER DENYING  
DEFENDANT'S RENEWED  
MOTION FOR SUMMARY  
JUDGMENT

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Defendant Abbott Laboratories moves for summary judgment. Plaintiffs John Doe 1, John Doe 2, and the Service Employees International Union Health and Welfare Fund (SEIU) oppose the motion. The matter was heard on April 7, 2006. Having considered the parties' papers, the evidence cited therein and oral arguments, the Court denies Defendant's renewed summary judgment motion.

BACKGROUND

Protease inhibitors (PIs) are considered the most potent class of drugs to combat the HIV virus. In 1996, Defendant introduced Norvir as a stand-alone PI with a daily recommended dose of 1,200

1 milligrams (twelve 100-mg capsules a day), priced at approximately  
2 eighteen dollars per day. Norvir is the brand name for a patented  
3 compound called ritonavir.

4 After Norvir's release, it was discovered that, when used in  
5 small quantities with another PI, Norvir would "boost" the anti-  
6 viral properties of that PI. Not only did a small dose of Norvir,  
7 about 100 to 400 milligrams per day, make other PIs more effective  
8 and decrease side effects associated with high doses, but it also  
9 slowed down the rate at which HIV developed resistance to the  
10 effects of PIs. The use of Norvir as a "booster" has enabled HIV  
11 patients to live longer. But the use of Norvir as a booster, and  
12 not a stand-alone PI, has also meant that the average daily price  
13 of Norvir has plummeted since Norvir was first introduced, because  
14 patients need only a small daily dose of Norvir as a booster. By  
15 2003, the average daily price of Norvir was \$1.71.

16 In 2000, Defendant introduced Kaletra, a pill containing the  
17 protease inhibitor lopinavir and Norvir. Although effective and  
18 widely used, Kaletra had significant side effects for some  
19 patients.

20 In 2003, two new PIs, Bristol-Myers Squibb's Reyataz and  
21 GlaxoSmithKline's Lexiva, were about to be introduced to the  
22 market. Studies showed that, when boosted with Norvir, the new PIs  
23 were as effective as Kaletra, and were more convenient. In July,  
24 2003, Reyataz was successfully introduced to the market. As a  
25 result, Kaletra's market share fell more than Defendant  
26 anticipated. The average daily dose of Norvir also fell. Before  
27 Reyataz's release, the most common boosting dose of Norvir ranged  
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1 from 200 milligrams to 400 milligrams a day. Clinical trials,  
2 however, showed that a Norvir dose of only 100 milligrams a day  
3 effectively boosted Reyataz.

4 On December 3, 2003, Defendant raised by 400 percent the  
5 wholesale price of Norvir. Defendant contends that it raised  
6 Norvir's price so that it would be more in line with the drug's  
7 enormous clinical value. Plaintiffs contend that the Norvir price  
8 increase was an illegal attempt to achieve an anti-competitive  
9 purpose in the "boosted market," which Plaintiffs define as the  
10 market for those PIs, such as Reyataz, Lexiva and Kaletra, that are  
11 prescribed for use with Norvir as a booster. Plaintiffs sued for  
12 violations of section 2 of the Sherman Act and California Business  
13 and Professions Code section 17200.

14 On June 1, 2005, Defendant filed a motion for summary  
15 judgment. On June 27, 2005, Plaintiffs filed a Rule 56(f)  
16 response. The Court granted Plaintiffs' Rule 56(f) motion and  
17 denied Defendant's motion for summary judgment without prejudice as  
18 premature. Following further discovery, Defendant now renews its  
19 motion for summary judgment.

20 LEGAL STANDARD

21 Summary judgment is properly granted when no genuine and  
22 disputed issues of material fact remain, and when, viewing the  
23 evidence most favorably to the non-moving party, the movant is  
24 clearly entitled to prevail as a matter of law. Fed. R. Civ.  
25 P. 56; Celotex Corp. v. Catrett, 477 U.S. 317, 322-23 (1986);  
26 Eisenberg v. Ins. Co. of N. Am., 815 F.2d 1285, 1288-89 (9th Cir.  
27 1987).

1 The moving party bears the burden of showing that there is no  
2 material factual dispute. Therefore, the court must regard as true  
3 the opposing party's evidence, if supported by affidavits or other  
4 evidentiary material. Celotex, 477 U.S. at 324; Eisenberg, 815  
5 F.2d at 1289. The court must draw all reasonable inferences in  
6 favor of the party against whom summary judgment is sought.  
7 Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574,  
8 587 (1986); Intel Corp. v. Hartford Accident & Indem. Co., 952 F.2d  
9 1551, 1558 (9th Cir. 1991).

10 Material facts which would preclude entry of summary judgment  
11 are those which, under applicable substantive law, may affect the  
12 outcome of the case. The substantive law will identify which facts  
13 are material. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248  
14 (1986).

15 Where the moving party does not bear the burden of proof on an  
16 issue at trial, the moving party may discharge its burden of  
17 production by either of two methods. Nissan Fire & Marine Ins.  
18 Co., Ltd., v. Fritz Cos., Inc., 210 F.3d 1099, 1106 (9th Cir.  
19 2000).

20 The moving party may produce evidence negating an  
21 essential element of the nonmoving party's case, or,  
22 after suitable discovery, the moving party may show that  
23 the nonmoving party does not have enough evidence of an  
24 essential element of its claim or defense to carry its  
25 ultimate burden of persuasion at trial.

26 Id.

27 If the moving party discharges its burden by showing an  
28 absence of evidence to support an essential element of a claim or  
29 defense, it is not required to produce evidence showing the absence

1 of a material fact on such issues, or to support its motion with  
2 evidence negating the non-moving party's claim. Id.; see also  
3 Lujan v. Nat'l Wildlife Fed'n, 497 U.S. 871, 885 (1990); Bhan v.  
4 NME Hosps., Inc., 929 F.2d 1404, 1409 (9th Cir. 1991). If the  
5 moving party shows an absence of evidence to support the non-moving  
6 party's case, the burden then shifts to the non-moving party to  
7 produce "specific evidence, through affidavits or admissible  
8 discovery material, to show that the dispute exists." Bhan, 929  
9 F.2d at 1409.

10 If the moving party discharges its burden by negating an  
11 essential element of the non-moving party's claim or defense, it  
12 must produce affirmative evidence of such negation. Nissan, 210  
13 F.3d at 1105. If the moving party produces such evidence, the  
14 burden then shifts to the non-moving party to produce specific  
15 evidence to show that a dispute of material fact exists. Id.

16 If the moving party does not meet its initial burden of  
17 production by either method, the non-moving party is under no  
18 obligation to offer any evidence in support of its opposition. Id.  
19 This is true even though the non-moving party bears the ultimate  
20 burden of persuasion at trial. Id. at 1107.

21 Where the moving party bears the burden of proof on an issue  
22 at trial, it must, in order to discharge its burden of showing that  
23 no genuine issue of material fact remains, make a prima facie  
24 showing in support of its position on that issue. UA Local 343 v.  
25 Nor-Cal Plumbing, Inc., 48 F.3d 1465, 1471 (9th Cir. 1994). That  
26 is, the moving party must present evidence that, if uncontroverted  
27 at trial, would entitle it to prevail on that issue. Id.; see also

1 Int'l Shortstop, Inc. v. Rally's, Inc., 939 F.2d 1257, 1264-65 (5th  
2 Cir. 1991). Once it has done so, the non-moving party must set  
3 forth specific facts controverting the moving party's prima facie  
4 case. UA Local 343, 48 F.3d at 1471. The non-moving party's  
5 "burden of contradicting [the moving party's] evidence is not  
6 negligible." Id. This standard does not change merely because  
7 resolution of the relevant issue is "highly fact specific." Id.

8 DISCUSSION

9 I. Plaintiffs' Claims under the Sherman Act

10 Defendant argues that Plaintiffs cannot satisfy the necessary  
11 elements of their monopolization or attempted monopolization claims  
12 under the Sherman Act. Specifically, Defendant argues that  
13 Plaintiffs' claims fail as a matter of law because (1) Kaletra's  
14 falling market share establishes a lack of monopoly power,  
15 (2) Plaintiffs cannot establish anti-competitive conduct,  
16 (3) Plaintiffs cannot establish an anti-trust injury and  
17 (4) Defendant's patents, which it contends cover the boosted  
18 market, provide immunity from Plaintiffs' anti-trust claims.

19 A monopolization claim under section 2 of the Sherman Act  
20 requires a plaintiff to prove "(1) possession of monopoly power in  
21 the relevant market, (2) willful acquisition or maintenance of that  
22 power, and (3) causal 'antitrust injury.'" Rutman Wine Co. v.  
23 E. & J. Gallo Winery, 829 F.2d 729, 736 (9th Cir. 1987). An  
24 attempted monopolization claim requires "(1) specific intent to  
25 control prices or destroy competition in the relevant market,  
26 (2) predatory or anti-competitive conduct directed to accomplishing  
27 the unlawful purpose, and (3) a dangerous probability of success."

1 Id. As the Ninth Circuit has noted, the requirements of both  
2 claims are similar, "differing primarily in the requisite intent  
3 and the necessary level of monopoly power." Image Technical  
4 Servs., Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1202 (9th Cir.  
5 1997).

6 A. Monopoly Power

7 Monopoly power can be shown through either direct or  
8 circumstantial evidence. See Rebel Oil Co., Inc. v. Atlantic  
9 Richfield Co., 51 F.3d 1421, 1434 (9th Cir. 1995). Plaintiffs  
10 contend that they have proffered both kinds of evidence that  
11 Defendant has monopoly power in the boosted market.

12 1. Direct Evidence

13 Plaintiffs present evidence showing that Defendant's 400  
14 percent increase of Norvir's price had a significant impact on the  
15 boosted market. One of Defendant's competitors in the boosted  
16 market, GlaxoSmithKline, the maker of Lexiva, believed that  
17 Lexiva's failure to meet forecasted expectations was due, in part,  
18 to the Norvir price hike. Professor Douglas F. Greer, Plaintiffs'  
19 expert, notes that, in the absence of the price hike, Defendant  
20 anticipated that Kaletra's market share would decline by ten  
21 percent in 2004. But, according to Professor Greer, following the  
22 price increase in December, 2003, sales of Kaletra essentially  
23 remained stable. Furthermore, Defendant's documents show that it  
24 knew that raising Norvir's price could result in formularies  
25 restricting access to Norvir and a potential increase in Kaletra's  
26 market share. As a result of increasing the price of Norvir,  
27 Defendant believed that at least one of its competitors in the

1 boosted market "will need to give away significant rebates to be  
2 cost neutral to Kaletra."

3 Defendant responds that this is not direct evidence of  
4 monopoly power. Defendant contends that direct evidence requires  
5 proof that it restricted output to produce "supracompetitive  
6 prices." The case Defendant cites, however, involved predatory  
7 pricing, which is not at issue in this case. See Rebel Oil., 51  
8 F.3d at 1434. As the court stated in Forsyth v. Humana, Inc., 114  
9 F.3d 1467, 1475 (9th Cir. 1997), "Direct proof of market power may  
10 be shown by evidence of restricted output and supracompetitive  
11 prices." But it does not have to be shown by such evidence. It  
12 can also be shown by "'injury to competition which a competitor  
13 with market power may inflict, and thus, of the actual exercise of  
14 market power.'" Id. (quoting Rebel Oil., 51 F.3d at 1434).  
15 Plaintiffs provide such direct proof, thus creating a material  
16 factual dispute. See Confederated Tribes of Siletz Indians of Or.  
17 v. Weyerhaeuser Co., 411 F.3d 1030, 1043 (9th Cir. 2005)  
18 (defendant's employees' testimony that the defendant had power to  
19 influence prices and used that power was direct evidence).

20 2. Circumstantial Evidence

21 To demonstrate monopoly power by circumstantial evidence,  
22 Plaintiffs must "(1) define the relevant market, (2) show that the  
23 defendant owns a dominant share of that market, and (3) show that  
24 there are significant barriers to entry." Rebel Oil, 51 F.3d at  
25 1434.

26 The relevant market is the boosted market. Both parties agree  
27 that, to establish a prima facie case of market power, courts

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1 generally require a sixty-five percent market share. See, e.g.,  
2 Image Technical, 125 F.3d at 1206. Professor Greer finds that  
3 Defendant's share of the boosted market is no longer falling and  
4 presently is seventy-three percent. Defendant attacks this figure:  
5 its vice-president contends that its share in the boosted market  
6 has fallen from seventy-seven percent in July, 2003, to forty-seven  
7 percent in November, 2005, well below the required sixty-five  
8 percent. In calculating Defendant's market share in the boosted  
9 market, Professor Greer contends that both of Defendant's products  
10 in that market must be accounted for: Kaletra and Norvir. The  
11 Court cannot determine, on a motion for summary judgment, who is  
12 providing the correct market share percentage, Plaintiff's expert  
13 economist or Defendant's vice-president; that must be determined by  
14 a jury.

15 Finally, circumstantial evidence of monopoly power also  
16 requires a showing that there are significant barriers to entry  
17 into the relevant market. Plaintiffs note that the cost of  
18 bringing a new PI to the market exceeds \$300 million dollars and  
19 takes several years. It took GlaxoSmithKline over seven years to  
20 bring its PI, Lexiva, to the market. In addition, patents are a  
21 common entry barrier. Id. at 1208.

22 Defendant responds that there are no significant barriers,  
23 noting that two PIs created by its competitor are currently being  
24 evaluated in clinical trials. Defendant further notes that it  
25 costs hundreds of millions of dollars for any company to bring a  
26 new PI to the market; the fact that entry requires an enormous  
27 expenditure of funds does not by itself constitute a barrier to  
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1 entry. Los Angeles Land Co. v. Brunswick Corp., 6 F.3d 1422, 1428  
2 (9th Cir. 1993). The hundreds of millions of dollars required,  
3 combined with the patents already in the field and the years  
4 required to get a product to the market, however, create a material  
5 factual dispute whether there are significant barriers to entry  
6 into the boosted market.

7 B. Anti-competitive Conduct

8 Defendant contends that, in order to offer evidence of anti-  
9 competitive conduct, Plaintiffs must show that Defendant impaired  
10 the opportunities of its rivals in an unnecessarily restrictive  
11 way. See Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472  
12 U.S. 585 (1985). That is incorrect. Aspen Skiing Co., involving a  
13 defendant's refusal to cooperate with its smaller rival, is  
14 inapposite. This is not a failure to deal, or failure to  
15 cooperate, case. Nor is this a case seeking liability under the  
16 Sherman Act for a defendant merely "charging too much." As this  
17 Court has recognized in its prior orders, Plaintiffs allege,  
18 relying on the monopoly leveraging theory recognized in Image  
19 Technical, 125 F.3d at 1208, that, while Defendant holds patents in  
20 the booster market, Defendant's Norvir price increase constituted  
21 impermissible anti-competitive conduct in the boosted market. See  
22 Image Technical, 125 F.3d at 1216 ("a monopolist who acquires a  
23 dominant position in one market through patents and copyrights may  
24 violate § 2 if the monopolist exploits that dominant position to  
25 enhance a monopoly in another market").

26 Plaintiffs provide evidence that Defendant abused its patent  
27 rights to Norvir to maintain its monopoly in the boosted market.

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1 According to Plaintiffs' expert, although the 400 percent price  
2 increase did not raise Kaletra's market share, it raised its market  
3 share substantially above what it would have been absent the price  
4 increase. Even Defendant's calculations show that Kaletra remains  
5 the most prescribed PI in the boosted market. Defendant realized  
6 that drastically increasing the price of Norvir had the potential  
7 to increase Kaletra's market share in the boosted market; that  
8 potential was listed among the "pros" for raising Norvir's price.

9 Defendant offers evidence that its competitors are thriving.  
10 Defendant's data shows that, from July, 2003 to November, 2005,  
11 Reyataz's market share increased from 5.7 percent to 33.8 percent;  
12 Lexiva has achieved a 11.6 percent market share since it entered  
13 the market in November, 2004. Defendant notes that two of its  
14 competitors have raised the price of their PIs since it raised  
15 Norvir's price: GlaxoSmithKline twice raised Lexiva's price by a  
16 total of about ten percent and Bristol-Myers twice raised Reyataz's  
17 price by a total of about eight percent. Although this evidence  
18 may weaken Plaintiffs' case, it does not dispel the material  
19 factual dispute regarding whether Defendant engaged in anti-  
20 competitive conduct when it raised Norvir's price by 400 percent.

#### 21 C. Anti-trust Injury

22 To show an anti-trust injury, Plaintiffs must prove that their  
23 loss flows from an anti-competitive aspect or effect of Defendant's  
24 behavior. See, e.g., Rebel Oil, 51 F.3d at 1433 (noting that "it  
25 is inimical to the antitrust laws to award damages for losses  
26 stemming from acts that do not hurt competition"). Defendant  
27 argues that Plaintiffs fail to show an anti-trust injury because

1 paying a high price for a patented drug is not an anti-trust  
2 injury. However, Plaintiffs provide their expert's finding that  
3 Defendant's price increase harms HIV patients by creating another  
4 barrier to entry that hinders the introduction of new PIs from  
5 Defendant's competitors, and, therefore, provide evidence of anti-  
6 trust injury.

7 Because there are disputed issues of material fact, the Court  
8 denies Defendant's motion for summary judgment that Plaintiffs have  
9 failed to establish a lack of monopoly power, anti-competitive  
10 conduct or anti-trust injury.

11 D. Asserted Anti-trust Immunity Based on Defendant's Patents

12 Defendant asserts that, even if it were capable of  
13 monopolizing the boosted market, its patent defense still ends this  
14 case in its favor. See Image Technical, 125 F.3d at 1215  
15 ("Legally, a patent amounts to a permissible monopoly over the  
16 protected work."). Defendant argues that its patents cover the  
17 boosted market, as well as the booster market, and that, even if  
18 its patents do not cover boosted market, its decision to raise  
19 Norvir's price was not a pretext to monopolize the market.<sup>1</sup>  
20 Plaintiffs disagree, noting that Defendant bears the burden of  
21 establishing its patent immunity affirmative defense. See ITSI

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23 <sup>1</sup> Defendant argues that, under Image Technical, it is entitled  
24 to summary judgment because there is no evidence of any anti-  
25 competitive intent that would rebut the presumption that its  
26 conduct was legitimate. See 125 F.3d at 1218-19. Defendant  
27 presents evidence that its decision to raise Norvir's price was a  
28 legitimate business decision. But Plaintiffs present evidence of  
anti-competitive intent, suggesting that Defendant's "legitimate  
business decision" was a pretext to monopolize, or attempt to  
monopolize, the market. Thus, summary judgment on this issue is  
not appropriate.

1 T.V. Productions, Inc. v. Agric. Associations, 3 F.3d 1289, 1291  
2 (9th Cir. 1993) (an affirmative defense must be proved by the party  
3 that asserts it). According to Plaintiffs, Defendant fails to  
4 carry its burden because Defendant impliedly licensed patients to  
5 use Norvir as a booster and because its U.S. Patent No. 6,037,157  
6 (the '157 patent) is invalid and its prosecution history shows that  
7 it does not encompass the use of Norvir with other PIs to treat  
8 HIV.

9 1. Defendant's Patents and the Boosted Market

10 Defendant notes that in Image Technology the defendant had  
11 patent rights over only one of the relevant markets; the plaintiffs  
12 alleged that the defendant's refusal to sell a patented product,  
13 the photocopier parts, was an attempt to monopolize an unpatented  
14 service market for repairing photocopiers. Defendant contends  
15 that, unlike the defendant in Image Technology, it has patents that  
16 cover both booster and boosted markets. Although Defendant states  
17 that it has at least two patents, the '157 patent and U.S. Patent  
18 No. 5,886,036 (the '036 patent), that plainly cover the boosted  
19 market, in the argument section of its moving papers, it focuses  
20 only on the '157 patent.

21 According to Defendant, the '157 patent claims a "method for  
22 improving" the efficacy of another protease inhibitor by  
23 administering a "therapeutically effective amount of a combination  
24 of said drug" and Norvir, and thus covers the boosted market. But,  
25 as Plaintiffs note, in proffering its proposed claim construction  
26 of the '157 patent, Defendant only paraphrases claim 1, which  
27 provides,

1 A method for improving the pharmacokinetics of a drug which  
2 is metabolized by cytochrome P450 monooxygenase comprising  
3 administering to a human in need of such treatment a  
4 therapeutically effective amount of a combination of said  
5 drug or a pharmaceutically acceptable salt thereof and  
6 ritonavir or a pharmaceutically acceptable salt thereof.

7 Park Dec., Ex. C at 13:42-48.

8 The Federal Circuit has held that a patent's "prosecution  
9 history must be considered in construing claims." Pall Corp. v.  
10 PTI Techs., Inc., 259 F.3d 1383, 1391 (Fed. Cir. 2001), vacated and  
11 remanded on other grounds, 535 U.S. 1109 (2002). As the court  
12 explained in Southwall Technologies, Inc. v. Cardinal IG Co., 54  
13 F.3d 1570 (Fed. Cir. 1995),

14 Arguments and amendments made during the prosecution of a  
15 patent application and other aspects of the prosecution  
16 history, as well as the specification and other claims,  
17 must be examined to determine the meaning of terms in the  
18 claims. The prosecution history limits the interpretation  
19 of claim terms so as to exclude any interpretation that  
20 was disclaimed during prosecution. Claims may not be  
21 construed one way in order to obtain their allowance and  
22 in a different way against accused infringers.

23 54 F.3d at 1576 (citations omitted).

24 The patent examiner twice rejected the '157 patent for  
25 obviousness. First, the examiner found that it would have been  
26 obvious to one skilled in the art to combine Norvir "with other HIV  
27 protease inhibitors for treating an HIV infection" because another  
28 of Defendant's patents, U.S. Patent No. 5,552,558 (the '558  
patent), suggests this. Second Weibe Dec., Ex. D at 2. Defendant  
did not dispute this. Instead, Defendant asserted that the '558  
patent "neither discloses or suggests (1) that ritonavir inhibits  
cytochrome P450 monooxygenase or (2) that ritonavir improves the  
pharmacokinetics of compounds which are metabolized by cytochrome

1 P450 monooxygenase" and therefore the '558 patent "does not make  
2 unpatentable the presently claimed invention." Id., Ex. E at 1-2.  
3 The patent examiner disagreed and for the second time rejected the  
4 '157 patent as obvious, stating that "one skilled in the art would  
5 have been motivated to use the combination of Ritonavir and another  
6 HIV protease inhibitor for treating an HIV infection since the  
7 utility is the same, i.e., increase efficacy of combination  
8 treatment and [the '558 patent] teaches using combination treatment  
9 for an HIV infection." Id., Ex. I at 2. Again, Defendant did not  
10 dispute this and instead focused on cytochrome P450 monooxygenase.  
11 In addition, Defendant amended its '157 patent application to  
12 cancel its express claims of use of Norvir with other PIs to treat  
13 HIV, although Defendant later refiled those canceled claims as a  
14 separate patent. Plaintiffs contend that, because Defendant did  
15 not argue during the patent prosecution that the patent covered  
16 Norvir's use as a booster, it should now be excluded from arguing  
17 that it does. See Standard Oil Co. v. Am. Cyanamid Co., 774 F.2d  
18 448, 452-53 (Fed. Cir. 1985) (noting that "the prosecution history  
19 (or file wrapper) limits the interpretation of claims so as to  
20 exclude any interpretation that may have been disclaimed or  
21 disavowed during prosecution in order to obtain claim allowance").

22 Defendant responds that the '157 patent clearly covers the  
23 boosted market, arguing that the scope of a claim can be limited  
24 through disclaimer only where such a disclaimer is clear and  
25 unmistakable, determined by what "a competitor would reasonably  
26 believe that the applicant had surrendered." Tech. Licensing Corp.  
27 v. AV Techs. LLC, 2005 U.S. Dist. LEXIS 40717, \*26 (E.D. Cal.

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1 2005). Because five of its competitors took a license to the '157  
2 patent, Defendant argues that its competitors do not believe that  
3 it disclaimed coverage over PI boosting. That argument is not  
4 convincing. Those competitors could have decided it was to their  
5 advantage to get a license, even while believing that Defendant did  
6 make a clear disclaimer. Defendant notes that most PIs are  
7 metabolized by cytochrome P450 monooxygenase. It could well be  
8 that the competitors whose PIs are metabolized by cytochrome P450  
9 monooxygenase are the five who obtained a license. Defendant also  
10 argues that it did not disclaim Norvir's boosting use with other  
11 PIs because it later obtained a patent based on the cancelled  
12 claims of the '157 patent. This argument is likewise not  
13 convincing. In light of the prosecution history of the '157  
14 patent, the Court is persuaded that Defendant disclaimed the use of  
15 Norvir with other PIs to treat HIV.

16 Nor is the Court persuaded that Defendant is entitled to  
17 immunity provided by its other patents that cover the boosted  
18 market. Defendant has the burden regarding its affirmative  
19 defense. It not meet its burden by referring to a case where  
20 another court found that it had patents covering Norvir's use in  
21 both the booster and boosted market. See Schor v. Abbott Labs.,  
22 378 F. Supp. 2d 850, 859 (N.D. Ill. 2005). In that case, unlike in  
23 this case, the plaintiff did not challenge Defendant's assertion  
24 that its patents explicitly cover the use of Norvir as a booster in  
25 combination with another PI. Defendant must do more than name a  
26 few of its patents, quote a couple of lines from each patent, and  
27 assert that each patent clearly covers the boosted market. Thus,  
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1 the Court denies Defendant summary judgment that its patents cover  
2 the boosted market. This issue remains in dispute.

3 2. Implied License

4 Plaintiffs contend that, even if Defendant's patents covered  
5 the boosted market, those patents would not give Defendant the  
6 power to exclude competitors from the boosted market because  
7 Defendant impliedly licenses patients to use Norvir as a booster.  
8 If patients are not potential or actual infringers, Plaintiffs  
9 contend that Defendant's competitors are not infringers. Thus,  
10 Defendant cannot sell Norvir for boosting use and then exclude  
11 competitors from the boosted market.

12 An implied license signifies a patentee's waiver of the  
13 statutory right to exclude others from making, using or selling the  
14 patented invention. Wang Labs., Inc. v. Mitsubishi Electronics  
15 Am., Inc., 103 F.3d 1571, 1580 (Fed. Cir. 1997). Implied licenses  
16 arise by acquiescence, by conduct, by equitable estoppel, or by  
17 legal estoppel. The Federal Circuit notes that the different ways  
18 in which implied licenses can arise "describe not different kinds  
19 of licenses, but rather different categories of conduct which lead  
20 to the same conclusion: an implied license." Id. This Court has  
21 previously stated that, to prevail on an implied license defense,

22 the alleged infringer must show both that the device sold by  
23 the patentee has no reasonable, non-infringing use, and that  
24 "the circumstances plainly indicate that the grant of a  
25 license should be inferred." This second requirement will be  
26 met when the elements of equitable estoppel are satisfied. In  
27 other words, if the patentee's actions lead the alleged  
28 infringer to believe that it has a license to use the  
invention and, in reliance on those actions, the alleged  
infringer practices the patent, the court may determine that  
the patentee's actions created an implied license.

1 LG Electronics, Inc. v. Asustek Computer, Inc., 2002 WL 31996860,  
2 \*13 (N.D. Cal.) (citations omitted; quoting Bandag, Inc. v. Al  
3 Bolser's Tire Stores, Inc., 750 F.2d 903, 925 (Fed. Cir. 1984)).

4 Defendant responds that the cases Plaintiff cites discuss  
5 implied licenses as a defense to patent infringement charges, not  
6 as a defense to anti-trust charges. Plaintiffs do not cite a case  
7 holding that an implied license eliminates patent immunity. Nor  
8 does Defendant cite a case holding that an implied license cannot  
9 eliminate patent immunity under anti-trust laws. In the absence of  
10 cited authority, the Court finds that an implied license can  
11 eliminate patent immunity under anti-trust laws. If Defendant has  
12 impliedly licensed Norvir's use as a booster, then it has waived  
13 its right to exclude others from using Norvir as a booster, and  
14 cannot rely on its patents to immunize its conduct from anti-trust  
15 scrutiny.

16 Plaintiffs provide evidence that Defendant is aware that  
17 patients use Norvir with other PIs to treat HIV and that, by its  
18 conduct, Defendant approves and encourages such use. Defendant  
19 knows that Norvir is now used almost exclusively as booster for  
20 other PIs. Mr. Jesus Leal, Defendant's former general manager,  
21 stated that "the company basically finally said" that Norvir "is  
22 not a stand-alone PI anymore, this PI is a straight booster."  
23 First Weibe Dec., Ex. H at 23:25-26:2. One-hundred milligrams of  
24 Norvir is the most commonly used boosting dosage; Defendant markets  
25 Norvir as a 100 milligram tablet in a thirty-pill bottle, which  
26 Plaintiffs note reflects the fact that many health plans permit a  
27 patient to obtain only a thirty-day supply of a drug at one time.

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1 Previously, Norvir was sold in a 120-pill bottle.

2 Defendant states that it protects its patent rights and has  
3 not given anyone an implied license to Norvir's boosting use. But  
4 Defendant's own words show otherwise. As Defendant stated in a  
5 June 4, 2004 letter to the Federal Trade Commission, "Despite  
6 having a right to do so, Abbott did not exclude anybody from taking  
7 advantage of ritonavir's boosting properties without buying  
8 Kaletra. Instead, Abbott has continued to allow others access to  
9 ritonavir's boosting properties by keeping Norvir on the market,  
10 even to competitors who refuse to pay a license and encourage the  
11 infringement of the patent." First Weibe Dec., Ex. B at NOR 91660  
12 (citation omitted). Defendant notes that five of its competitors  
13 have obtained licenses, and contends that patients who buy PIs from  
14 those five competitors have the benefit of its express license  
15 agreements. Defendant's expert, Hon. Gerald J. Mossinghoff,  
16 contends that these license agreements show that Defendant has been  
17 protective of its intellectual property rights. At the hearing,  
18 Plaintiffs disagreed, arguing that the licenses, which are not in  
19 the record, prohibit sublicensing and do not expressly authorize  
20 patients to use Norvir as a booster.

21 Defendant also argues that Plaintiffs' implied license  
22 argument fails because they cannot show that there are no non-  
23 infringing uses for Norvir; some patients still use Norvir as a  
24 stand alone drug. See Glass Equip. Dev., Inc. v. Besten, Inc., 174  
25 F.3d 1337, 1343 (Fed. Cir. 1999). Those patients, however, are  
26 few, and likely would not be using Defendant's thirty-pill bottle.

27 There is a dispute as to whether Defendant has impliedly  
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1 licensed Norvir. This is an additional reason to deny Defendant's  
2 motion for summary judgment.

3 3. Anticipation and Obviousness

4 Plaintiffs also argue that Defendant's immunity defense fails  
5 because the '157 patent is invalid. Plaintiff argue that the '157  
6 patent is anticipated by Defendant's '882 and '558 patents, and is  
7 obvious. Anticipation of a patent claim requires that a prior art  
8 reference "disclose every limitation of the claimed invention,  
9 either explicitly or inherently." Atlas Powder Co. v. Ireco, Inc.,  
10 190 F.3d 1342, 1346 (Fed. Cir. 1999). The Federal Circuit has  
11 instructed that

12 a prior art reference may anticipate when the claim  
13 limitation or limitations not expressly found in that  
14 reference are nonetheless inherent in it. Under the  
15 principles of inherency, if the prior art necessarily  
16 functions in accordance with, or includes, the claimed  
17 limitations, it anticipates. Inherency is not necessarily  
18 coterminous with the knowledge of those of ordinary skill  
19 in the art. Artisans of ordinary skill may not recognize  
20 the inherent characteristics or functioning of the prior  
21 art. However, the discovery of a previously unappreciated  
22 property of a prior art composition, or of a scientific  
23 explanation for the prior art's functioning, does not  
24 render the old composition patentably new to the  
25 discoverer.

19 Id. at 1347.

20 A patent is invalid for obviousness if the differences  
21 between it and the prior art "are such that the subject matter as a  
22 whole would have been obvious at the time the invention was made to  
23 a person having ordinary skill in the art." 35 U.S.C. § 103(a).  
24 To determine if a patent is invalid for obviousness, the court must  
25 consider the scope and content of the prior art, the difference  
26 between the patented invention and the prior art, and the level of  
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1 skill in the art. Graham v. John Deere Co., 383 U.S. 1, 17 (1966);  
2 see also Crown Operations Int'l, Ltd. v. Solutia Inc., 289 F.3d  
3 1367, 1375 (Fed. Cir. 2002). "Determination of obviousness cannot  
4 be based on the hindsight combination of components selectively  
5 culled from the prior art to fit the parameters of the patented  
6 invention." ATD Corp. v. Lydall, Inc., 159 F.3d 534, 546 (Fed.  
7 Cir. 1998).

8 Plaintiffs contend that the '882 and '558 patents disclosed  
9 the use of Norvir with other PIs to treat HIV, and that the use of  
10 Norvir with other PIs to treat HIV was obvious under the prior art.  
11 The '882 and '558 patents both state, "Other antiviral agents to be  
12 administered in combination with [Norvir] include . . . retroviral  
13 protease inhibitors (for example HIV protease inhibitors . . . .").  
14 Second Weibe Dec., Exs. L ('558 patent at 107:67 to 108:10); M  
15 ('882 patent at 110:14-25). Claim 1 of the '882 patent states: "A  
16 method of inhibiting an HIV infection comprising administering to a  
17 human in need thereof a therapeutically effective amount of  
18 [Norvir] or a pharmaceutically acceptable salt thereof in  
19 combination with a therapeutically effective amount of another HIV  
20 protease inhibiting compound." Id., Ex. L at 112:21-29. According  
21 to Plaintiffs, inherent in the use of Norvir with other PIs  
22 disclosed in these patents is the interaction of Norvir with  
23 cytochrome P450 monooxygenase and the resulting improved  
24 pharmacokinetics that the '157 patent claims. As noted above, "the  
25 discovery of a previously unappreciated property of a prior art  
26 composition, or of a scientific explanation for the prior art's  
27 functioning, does not render the old composition patentably new to  
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1 the discoverer." Atlas Powder, 190 F.3d at 1347.

2 Defendant first responds by arguing that it has several  
3 patents covering the boosted market and thus, even if the '157  
4 patent is found to be invalid, its other patents would provide  
5 anti-trust immunity. But, as noted above, the Court denies  
6 Defendant summary judgment that its other patents covered the  
7 boosted market. Defendant next argues that the validity of the  
8 '157 patent is irrelevant because anti-trust immunity does not  
9 retroactively disappear if a patent is later deemed invalid. The  
10 First Circuit has held that "a patentee who has a good faith belief  
11 in the validity of a patent will not be exposed to antitrust  
12 damages even if the patent proves to be invalid." CVD, Inc. v.  
13 Raytheon Co., 769 F.2d 842, 850 (1st Cir. 1985). As Plaintiffs  
14 note, however, here, they are not seeking retroactive damages for  
15 past anti-competitive conduct; instead, they seek injunctive relief  
16 for future monopolistic conduct. CVD, Inc. and other cases  
17 Defendant cites are inapposite. Because Plaintiffs seek to address  
18 future harm, the validity of Defendant's patent is relevant.

19 Plaintiffs must prove invalidity by clear and convincing  
20 evidence. See, e.g., Perricone v. Medicis Pharm. Corp., 432 F.3d  
21 1368, 1372 (Fed. Cir. 2005). But, because they are only opposing  
22 Defendant's summary judgment motion, they do not need to prove  
23 invalidity by clear and convincing evidence in their opposition.  
24 Rather, they need to show that there is a dispute of fact and that  
25 there are enough facts from which a jury reasonably could find  
26 clear and convincing evidence that the '157 was anticipated and/or  
27 obvious. Plaintiffs make such a showing. This is an additional

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1 basis for denying Defendant's motion for summary judgment.

2 II. Plaintiffs' Objections to the Magistrate's Order

3 In their discussion of the validity of the '157 patent,  
4 Plaintiffs note that they have been denied patent validity  
5 discovery. Plaintiffs filed an objection to the Magistrate Judge's  
6 January 18, 2006 Discovery Order, which denied Plaintiffs' request  
7 for discovery regarding the validity of Defendant's patents.  
8 Because of the briefing schedule, Plaintiffs had to file their  
9 opposition to Defendant's summary judgment motion before this Court  
10 could decide the merits of Plaintiffs' objections. Plaintiffs  
11 state that the Magistrate Judge viewed this Court's September 12,  
12 2005 order, granting Plaintiffs' Rule 56(f) motion and denying  
13 Defendant's motion for summary judgment without prejudice, as  
14 susceptible to contrary interpretations. The Magistrate Judge  
15 interpreted the Court's order as providing that Plaintiffs were not  
16 entitled to discovery regarding patent validity. But the Court's  
17 order did not limit discovery; rather, it merely provided a  
18 continuance, allowing Plaintiffs additional time for discovery.  
19 Plaintiff's objections (Docket No. 177) to the Magistrate Judge's  
20 discovery order are sustained.

21 III. Plaintiffs' State Law Claims

22 The parties agree that if the anti-trust claims fail, both of  
23 Plaintiffs' State law claims fail as well. As discussed above, the  
24 anti-trust claims do not fail as a matter of law. Thus, the State  
25 law claims for unfair competition and unjust enrichment under  
26 section 17200 of the California Business and Professions Code also  
27 do not fail as a matter of law.

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CONCLUSION

For the foregoing reasons, Defendant's renewed motion for summary judgment motion (Docket No. 167) is DENIED.<sup>2</sup>

IT IS SO ORDERED.

Dated: 7/6/06



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CLAUDIA WILKEN  
United States District Judge

**United States District Court**  
For the Northern District of California

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<sup>2</sup> In addition, Plaintiffs' Motion to Unseal (Docket No. 219) is DENIED. Defendant's Motion for Leave to File Supplemental Material (Docket No. 244) is also DENIED.