

[Docket # 348]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CAMDEN VICINAGE

SUPERNUS PHARMACEUTICALS, INC.,

Plaintiff,

v.

TWI PHARMACEUTICALS, INC. and
TWI INTERNATIONAL LLC d/b/a
TWI PHARMACEUTICALS USA,

Defendants.

Civil No. 15-369 (RMB/JS)

OPINION *FILED UNDER SEAL*

APPEARANCES:

Charles Michael Lizza, Esq.
William C. Baton, Esq.
Sarah Ann Sullivan, Esq.
Saul Ewing, LLP
One Riverfront Plaza
Newark, NJ 07102

Edgar H. Haug, Esq.
Nicholas F. Giove, Esq.
Andrew S. Roper, Esq.
Erika Vanessa Selli, Esq.
Kevin J. Georgek, Esq.
Rachel P. McClure, Esq.
Stephanie M. Roberts, Esq.
Jonathan A. Herstoff, Esq.
Laura A. Chubb, Esq.
Haug Partners LLP
745 Fifth Avenue, Suite 10
New York, NY 10151

Attorneys for Plaintiff Supernus Pharmaceuticals, Inc.

Karen A. Confoy, Esq.
Allison Linda Hollows, Esq.
Fox Rothschild LLP
997 Lenox Drive, Building 3
Lawrenceville, NJ 06648

Don J. Mizerk, Esq.
John A. Sholar, Esq.
Marc R. Wezowski, Esq.
Dustin L. Taylor, Esq.
Husch Blackwell LLP
120 S. Riverside Plaza, Suite 2200
Chicago, IL 60606
*Attorneys for Defendants TWi Pharmaceuticals, Inc. and
TWi International LLC d/b/a TWi Pharmaceuticals USA*

BUMB, UNITED STATES DISTRICT JUDGE:

After a four-day bench trial, this Court held that Defendants TWi Pharmaceuticals, Inc. and TWi International LLC d/b/a TWi Pharmaceuticals USA (collectively "TWi") infringed Plaintiff Supernus Pharmaceuticals, Inc.'s patents, and that those patents were not invalid for lack of written description, nor for indefiniteness. See Supernus Pharm., Inc. v. TWi Pharm., Inc., 265 F. Supp. 3d 490, 493 (D.N.J. 2017).¹ Shortly thereafter, final judgment was entered in favor of Supernus and against TWi. The Court of Appeals for the Federal Circuit affirmed the judgment on September 6, 2018. See Supernus Pharm., Inc. v. TWi Pharm., Inc., 747 F. App'x 852 (Fed. Cir. 2018). Presently before the Court is Supernus' Motion for Attorney's Fees pursuant to 35 U.S.C. § 285. For the reasons

¹ By the time of trial, the Patents-in-Suit were U.S. Patent Nos. 7,722,898 (the "'898 Patent"), 7,910,131 (the "'131 Patent"), and 8,821,930 (the "'930 Patent").

stated herein, the motion will be granted, in part, and denied, in part.²

I.

At the heart of the parties' present dispute is the fact-- found by this Court at trial-- that TWi used [REDACTED] as a binder and a solubility enhancer in its ANDA product.³ Supernus asserts that TWi knew this fact before this litigation began-- again, that [REDACTED] was being used as a solubility enhancer (and not just a binder)-- but took tactical steps at every turn during discovery to keep this fact out of the litigation. More troublingly, Supernus asserts that TWi persisted in its attempts to obscure the true use of [REDACTED] even after this Court had ruled against TWi that evidence establishing [REDACTED] use as a solubility enhancer was not privileged. Thus, Supernus asserts that an examination of the entire course of the parties' dispute-- culminating at trial and post-trial briefing-- reveals "the unreasonable manner in which this case was litigated."

² In this opinion, the Court "find[s] the facts and state[s] its conclusions of law as provided in Rule 52(a)." Fed. R. Civ. P. 54(d)(2)(C).

³ The legal significance of this fact is explained at length in the Court's trial opinion. Briefly, the use of [REDACTED] as a solubility enhancer resulted in the Court's conclusion that claim element 1(c) of the Patents-in-Suit was satisfied, i.e., that TWi's formulation infringed that element of the Patents-in-Suit.

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S.
545, 554 (2014).

In 2013, TWi, during the formulation of its ANDA product, "conducted internal solubility tests, using the shake-flask method and modeled after the test protocol in Example 3 of the Patents-in-Suit." Supernus, 265 F. Supp. at 511 n.8. As found by Magistrate Judge Schneider and specifically affirmed by this Court, "the purpose of [those] tests was to conduct research and development in order to assist TWi to prepare and file its ANDA, and to decide what ingredients to use." Id. Results of TWi's own formulation tests revealed a statistically significant increase⁴ in the solubility of oxcarbazepine with the addition of 1% [REDACTED] (Plaintiff's Trial Exhibit, "PTX" 269.95; Trial Tr.

⁴ Remarkably, TWi persists in its attempt to dismiss this result as a mere "de minimus" increase. [Opposition Brief, p. 14] This Court and the Federal Circuit have both rejected TWi's argument in this regard. See Supernus, 265 F. Supp. 3d at 511-12, aff'd by Supernus, 747 F. App'x at 857 ("TWi also contends that the district court failed to apply its own construction of the solubility agent limitation which the district court agreed implicitly required that the solubility agent enhance solubility by more than a de minimis amount. While the district court did not use the magic words "de minimis," we conclude that it made the necessary findings to support a conclusion of infringement of the limitation as construed. Specifically, the district court found, consistent with expert testimony, that the patents do not require any specific amount of enhancement and that the accused agent enhanced solubility by a statistically significant amount. That TWi disagrees with the district court's assessment that a statistically significant increase satisfies the claim limitation as construed is not grounds for error. Thus, we conclude that the district court did not err in this respect.").

282:3-283:4 (Chyall Direct); Trial Tr. 740:7-741:10 (Little Direct))

These formulation test results were initially produced to Supernus during discovery in November 2015, but approximately six weeks later, TWi clawed them back on the basis of attorney-client privilege. (Georgek Decl. Ex. 4) Supernus thereafter filed a Motion to Compel seeking return of the test results. Supernus prevailed on that motion before Magistrate Judge Schneider. Significantly, on June 21, 2016, Judge Schneider ruled that the test results were not privileged even though TWi's counsel was involved in planning the tests, and ordered TWi to reproduce the documents at issue. (Docket # 117) TWi promptly notified the Court of its intent to appeal the decision and sought a stay of the decision (see Docket # 118), which Magistrate Judge Schneider granted in advance of the depositions that were scheduled to take place in Taiwan-- and did take place-- in the following 10 days. (See Docket # 122)⁵ Judge Schneider's Order allowed TWi to delay producing the documents until after this Court ruled on the appeal but explained, "[t]his Order serves to put defendant on notice that if its appeal is denied, and unless defendant shows good cause to issue

⁵ TWi did not file its formal Notice of Appeal until July 5, 2016, after the depositions had taken place. But the docket is clear that TWi requested a stay pending appeal on June 23, 2016, before the depositions occurred.

a protective order, the Court will permit plaintiff to re-depose the Taiwanese witnesses about the subject documents." (Id.)

(emphasis added)

Against this cautionary backdrop, during the depositions of TWi's Taiwanese witnesses, TWi repeatedly asserted the attorney-client privilege and directed its witnesses not to answer questions from Supernus that sought to understand why and how TWi selected ██████████ for inclusion in its ANDA product. (See Georgek Decl. Exs. 1, 2 and 7)

On September 19, 2016, this Court affirmed Magistrate Judge Schneider's privilege decision in its entirety. (Docket # 159)⁶ During oral argument on the appeal, this Court expressed its concerns about TWi possibly making arguments contrary to the evidence during the remainder of the litigation. (See Docket # 159) Specifically, the Court expressed its view that "a lawyer can't say to a client, run A, B, C, D test and [the tests] show X and then thereafter argue anything other than they show X." (Id. at p. 13) As the Court explained, making such an argument

⁶ The Court notes that Supernus did not move, pursuant to Fed. R. Civ. P. 37(a)(5)(A), for reasonable expenses and attorney's fees incurred in making the motion to compel. Nor did Supernus move, pursuant to Fed. R. Civ. P. 30(d)(2), for reasonable expenses and attorney's fees in connection with the Taiwanese depositions. In this regard, the Court notes that had Supernus made such motions, the issue would have been the propriety of the attorney-client privilege assertion in the first instance. As discussed infra at note 9 this Court does not decide the privilege issue.

would be tantamount to "perpetrating a fraud on the Court."

(Id.)

Trial was held on April 3 through 7, 2017. As stated above, this Court found that "the TWi Tablets contain an element 1(c) solubility enhancer in the form of ██████████."

Supernus, 265 F. Supp. 3d at 511. The evidence supporting this finding was overwhelming. Most importantly, TWi's own internal test results ("showing X") showed that TWi used ██████████ as a solubility enhancer. In addition to TWi's own internal test results, as discussed in the Trial Opinion:

- Supernus' expert, Dr. Chyall, performed his own tests showing that the solubility of oxcarbazepine increased in the 1% and 5% ██████████ solutions. Supernus, 265 F. Supp. 3d at 511.
- TWi's expert, Dr. Berkland, performed tests that "established that the solubility of oxcarbazepine increased as the percent concentration of ██████████ increased," id. at 512, and testified on cross-examination "that he could not independently opine that ██████████ does not enhance the solubility of oxcarbazepine." Id. at 513.
- Supernus' other expert, Dr. Little, testified "that ██████████ acts as an agent that enhances the solubility of oxcarbazepine in the TWi Tablets." Id. at 514.
- The Court found that "the prosecution history confirms the understanding in the art that ██████████ is considered an agent that enhances the solubility of drugs such as oxcarbazepine." Id.
- The Court found that "the relevant scientific literature and product materials [evidence] that ██████████ including ██████████, the grade of ██████████

used in the TWi Tablets, is known in the art as an agent that enhances the solubility of poorly soluble drugs." Id. at 515.

- "The product informational and advertising materials for [REDACTED] offered at trial also establish that [REDACTED] is known in the art as a solubility enhancer." Id.

Confronted with all of this evidence, TWi nonetheless "urged this Court to find that TWi's use of [REDACTED] was 'extraordinarily routine' and that it was 'employed in the most routine possible way,' namely, as a binder." Supernus, 265 F. Supp. 3d at 516 (citations to the trial transcript omitted). "Yet," this Court expressly found, "there is no actual evidence in the record from TWi formulators or employees that [REDACTED] was selected for this 'routine' purpose only." Id.⁷

After having examined all of the evidence introduced at trial, this Court found that during the course of the litigation, "TWi simultaneously s[ought] to withhold its reasons for selecting [REDACTED] as privileged, while urging the Court that [REDACTED] was selected due to its routine function as a binder." Supernus, 265 F. Supp. at 517 n.11. In this way, the Court

⁷ Indeed, as Supernus correctly observes, it was very telling that TWi chose not to call any of its employees to testify as to [REDACTED] function in TWi's ANDA product. See Supernus, 265 F. Supp. 3d at 517 n.11 (noting that TWi's witness, Dr. Chen did not testify as to the reason TWi selected a particular grade of [REDACTED] for use in its ANDA product).

found, TWi had "tactical[ly]" "invoke[d] the privilege as both a sword and a shield." Id.

Similarly, the Court rejected TWi's post-trial briefing argument "that the Patents-in-Suit describe formulations with certain grades of [REDACTED] as lacking a 'solubility enhancer.'" Supernus, 265 F. Supp. 3d at 514. The Court found this argument "disingenuous" for two reasons. Id. First, "[t]his Court considered and squarely rejected similar arguments in [a related case.]" Id. Second, and most troubling, the argument was irreconcilably inconsistent with "the record [] developed in this litigation." Id.

II.

"The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285.

The Supreme Court has explained,

an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances.

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545, 554 (2014). A party's conduct need not be independently sanctionable to be "'so exceptional as to justify an award of

fees.'" In re Rembrandt Techs. LP Patent Litig., 899 F.3d 1254, 1269 (Fed. Cir. 2018) (quoting Octane Fitness).

Patent litigants must establish their entitlement to fees under § 285 by a preponderance of the evidence. Octane Fitness, 572 U.S. at 557.

III.

In opposition to the instant motion, TWi asserts that an award of fees should be reserved for only "rare and exceptional cases." [Opposition Brief, p. 4] This is true. In this Court's experience, it is, indeed, a rare and exceptional circumstance in which a party argues a position at trial that is squarely at odds with the evidence presented, and moreover, does so in a manner that inexorably leads to the conclusion that asserting and maintaining that position was designed to obfuscate the evidence in a manner calculated to mislead, or at a minimum, unnecessarily protract the litigation. But that is what happened here. TWi pursued a position at trial as if: (a) all of the evidence proving that TWi used [REDACTED] as a solubility enhancer did not exist and (b) evidence that TWi used [REDACTED] solely as a binder did exist. As the Court's findings of fact set forth above demonstrate by a preponderance of the evidence, however, neither (a) nor (b) was true.⁸ TWi's conduct may or may

⁸ TWi argues in its Opposition Brief that its trial argument was consistent with the evidence because TWi's

not have been unreasonable while the privilege issue remained on appeal (i.e., during the Taiwan depositions)-- an issue this Court avoids⁹-- but the bounds of permissible advocacy conclusively shifted with this Court's decision on September 19, 2016, affirming Magistrate Judge Schneider's decision that TWi's internal solubility test results were not privileged. And as noted, those internal test results showed clearly that [REDACTED] was used as a solubility enhancer and a binder. Indeed, the

documents and testimony from its employee, S. Chen, demonstrated that [REDACTED] was used as a binder. [Opposition Brief, p. 28] That was never the issue at trial, however. The parties did not dispute that [REDACTED] was used as a binder. The issue was whether [REDACTED] was also used as a solubility enhancer, or in other words, whether [REDACTED] had no other function than as a binder. The salient point is that there was no evidence whatsoever put forward at trial that [REDACTED] functioned *solely* as a binder and nothing else as argued by TWi behind the veil of the attorney-client privilege.

⁹ In the Trial Opinion, the Court expressly "ma[de] no finding as to the propriety of [the] invocation of attorney-client privilege." Supernus, 265 F. Supp. 3d at 517 n.11. Here, as well, the Court declines to find that TWi asserted attorney-client privilege in bad faith and, indeed, Supernus has never argued that TWi took a frivolous position when TWi asserted that its internal test results were privileged because such tests were conducted at counsel's direction. In this limited regard, the Court agrees with TWi that "[w]hile this Court ultimately did not agree that certain documents reflecting test results counsel requested were privileged, that is not to say that TWi's privilege assertions over them were not made in good faith." [Sur-Reply Brief, p. 2] A finding that TWi's assertion of attorney-client privilege was, or was not, made in good faith is not necessary to a finding that this case was litigated in an unreasonable manner. As set forth in this opinion, TWi's litigation conduct became unreasonable after the privilege issue was decided by this Court on appeal.

Court could not have been clearer about where the line was drawn at that point in the litigation: "a lawyer can't say to a client, run A, B, C, D test and they show X and then thereafter argue anything other than they show X." (Docket # 159, p. 13) After that line had been drawn by the Court, TWi, by continuing to argue that [REDACTED] functions solely as a binder in TWi's ANDA product, the defendant argued something other than "the evidence shows X." This was in direct contravention of this Court's warning. It is this conduct which the Court finds unreasonable and exceptional.

Accordingly, the Court holds that Supernus has proven by a preponderance of the evidence that this case is exceptional thereby supporting the imposition of attorney's fees pursuant to § 285. However, this Court does not hold that Supernus is entitled to fees for the entire case.¹⁰ Supernus' § 285 exceptional case argument is based solely on its assertion of TWi's misconduct in connection with the "claim element 1(c) non-infringement defense." (Supernus Moving Brief, p. 1) That issue was only relevant to the non-infringement portion of the case, as Supernus implicitly admits. In other words, Supernus makes no argument that TWi's invalidity defenses (written description

¹⁰ Supernus' "fair estimate" of fees sought is \$6.5 million. [Moving Brief, p. 11] The Court assumes this is the amount of fees associated with litigating the entire case through post-trial briefing.

and indefiniteness) were frivolous, nor that TWi withheld evidence relevant to those defenses. Moreover, the element 1(c) non-infringement defense was only one of two arguments made as to the non-infringement of the '898 patent and the '131 patent (homogeneous matrix being the other), and only one of three arguments made as to the non-infringement of the '930 patent (homogeneous matrix and percent by weight being the other two). Thus, Supernus' future submission to this Court concerning the value of services, see Fed. R. Civ. P. 54(d)(2)(C), should reflect this Court's ruling herein that TWi is liable for Supernus' attorney's fees associated only with the litigation of the claim element 1(c) non-infringement defense after September 19, 2016.

IV.

For the above-stated reasons, Supernus' Motion for Attorney's Fees pursuant to 35 U.S.C. § 285 will be granted, in part, and denied, in part. An appropriate Order accompanies this Opinion.

Dated: June 18, 2019

s/ Renée Marie Bumb
Renée Marie Bumb, U.S.D.J.