

Novartis To Pay \$12.3M, Royalties To End IP Row With Juno

By Kurt Orzeck

Law360, Los Angeles (April 6, 2015, 5:22 PM ET) -- Novartis Pharmaceuticals Corp. will pay \$12.25 million and royalties to Juno Therapeutics Inc. to settle a three-year-old patent dispute over cancer immunotherapy drugs between a university and a hospital with which they struck licensing deals, the parties said on Monday.

Novartis and co-party the Trustees of the University of Pennsylvania reached the deal with Juno and its partner St. Jude Children's Research Hospital over patent and contract claims relating to Novartis' chimeric antigen receptor research and development program, according to Monday statements.

The settlement, reached Saturday, resolves all claims in the litigation — which involved multiple suits and counterclaims — Novartis said. Juno will receive future milestone payments from Novartis, which will be licensed to continue research, development and commercialization of chimeric antigen receptor therapy programs, according to the parties.

Former collaborators St. Jude and Penn battled over who developed the treatment, while Juno and Novartis were brought into the litigation after reaching licensing deals with the hospital and university. Juno CEO Hans Bishop said in a Monday statement that they are pleased with the settlement.

"[It] benefits patients by allowing each party to advance its promising cancer immunotherapies and rewards the investigators on whose insights those developments are based," Bishop said.

Novartis said in a Monday statement that clinical trials show that its CAR program is showing potential for patients who have exhausted all other treatment options.

"Our collaboration with Penn was formed to bring important new therapies to patients who are in desperate need of new treatment options," Novartis said. "We are proud to be working with [university professor] Carl June and the renowned researchers from Penn."

The patent at issue, U.S. Patent No. 8,399,645, is entitled "Chimeric Receptors with 4-1BB Stimulatory Signaling Domain."

Penn has claimed that the immunotherapy treatment was developed by June, though St. Jude was granted a patent for a purportedly similar process in March 2013. St. Jude has maintained that its own Dr. Dario Campana developed the patented treatment in the early 2000s and has accused Penn of improperly attempting to commercialize the procedure.

St. Jude sued Penn in Tennessee in July 2012 for breach of the parties' collaboration agreements after June published journal articles detailing his research and revealing in a footnote that he had filed a patent application over the research.

Penn shot back with a lawsuit of its own in July 2012, acknowledging that it was seeking a partner to help develop the treatment for commercial use but arguing that it gave the hospital written notice in November 2011 that it had terminated the agreement in question.

The suits were later consolidated in Pennsylvania.

In August 2012, a Novartis affiliate entered into a licensing deal with Penn, according to court papers. In December 2013, St. Jude agreed to license rights under the '645 patent to Juno, while Juno became obligated to defend St. Jude's causes of action in the Penn litigation.

Under the terms of the settlement reached Saturday, Juno will grant to Novartis a nonexclusive, royalty-bearing sublicense to make products and services related to the '645 patent, according to an 8-K Form that Juno filed Monday with the U.S. Securities and Exchange Commission.

Also pursuant to the deal, Novartis must pay mid-single digit royalties on the U.S. net sales of products and services related to the disputed contract and patent claims, a low double-digit percentage of the royalties Novartis pays to Penn for global net sales of the products, and milestone payments, the 8-K Form said.

If Juno reaches any of the milestones before Novartis, the milestone payment will be cut in half, according to the securities filing. Also, if Juno achieves any milestone after Novartis, Juno will reimburse Novartis for half of any related milestone payment previously paid by Novartis to Juno.

The patent at issue is U.S. Patent No. 8,399,645.

Penn is represented by Eric Kraeutler, John V. Gorman, Deborah W. Frey, Aaron V. Skrypski, Frederick G. Vogt, Elisa P. McEnroe and David W. Clough of Morgan Lewis & Bockius LLP.

St. Jude is represented by Daniel Segal and Rebecca S. Melley of Hangley Aronchick Segal Pudlin & Schiller, Glenn L. Krinsky and S. Christian Platt of Jones Day, and Alan E. Friedman, Sonia Salinas and Pooja Nair of Foley & Lardner LLP.

Novartis is represented by Madeline M. Sherry of Gibbons PC, and David K. Barr, Richard De Sevo, Aaron Stiefel, Abigail Langsam and Katherine O'Brien of Kaye Scholer LLP.

Juno is represented by Morgan Chu, Alan J. Heinrich, Andrei Iancu, Melissa Sedrish Rabbani, Elizabeth Tuan, Xinlin Li and Joseph M. Lipner of Irell & Manella LLP, and Abraham C. Reich and Robert S. Tintner of Fox Rothschild LLP.

The case is Trustees of the University of Pennsylvania et al. v. St. Jude Children's Research Hospital Inc. et al., case number 2:13-cv-01502, in the U.S. District Court for the Eastern District of Pennsylvania.

--Additional reporting by Gavin Broady and Dan Packel. Editing by Kelly Duncan.
