percent in 1980, a finding consistent with other studies.[53]

However, by the 1970s Canada stood alone among its major trading partners in its approach to compulsory licensing for patented pharmaceuticals. The provisions were seen as a violation of the principle that an innovator has a right to an adequate period of protection for what he or she has worked on, invented, and developed. As Canada entered the 1980s, the federal government faced a deepening dilemma. On the one hand, Canada's trading partners (France, Germany, Sweden, Switzerland, the United Kingdom and the United States) had made it clear that the offending provisions of the Patent Act were unacceptable. The anomaly undermined efforts to reinforce Canada's image as a preferred site for investment and discouraged R&D expenditures in Canada by the pharmaceutical industry. On the other hand, application of the compulsory licensing system had been successful in lowering Canadian drug prices relative to those in the United States (thus helping to control costs for the health care system) and in promoting a thriving Canadian generic drug industry.

In 1983, the federal government set up a Commission of Inquiry to examine the pharmaceutical industry in Canada. The Eastman Commission reported back in 1985 with its recommendations. In 1987, Bill C-22 increased the patent protection for pharmaceutical firms. For new patented medicines, a compulsory license could not be exercised, in practice, for 7 years after the medicine had been approved for sale in the market. This time interval is referred to as the period of exclusivity. In exchange for extended patent protection, the Canadian pharmaceutical industry undertook to double its ratio of R&D to sales by the end of 1996. The effect of these provisions is to assure patentees the exclusive right to market a new medicine in Canada. Moreover, the Patented Medicine Prices Review Board was established in 1987 as well. The Board's regulatory function is to ensure that the prices of patented medicines charged by patentees are not excessive. In December 1992, compulsory licensing was eliminated. This change makes Canadian practice consistent with the well-established international standard.

[53] See Paul K. Gorecki, *Regulating the Price of Prescription Drugs in Canada: Compulsory Licensing, Product Selection, and Government Reimbursement Programmes*, Technical Report No. 8, Ottawa: Economic Council of Canada, 1981; J.J. McRae and F. Tapon, P.K. Gorecki, D.G. Hartle, "Compulsory Licensing of Drug Patents: Three Comments", *Canadian Public Policy*, X(1), 1984: 74-87; Joel Lexchin, "Pharmaceutical, Patents and Politics: Canada and Bill C-22", *The Canadian Centre of Policy Alternatives*, 1992.