

R&D COMMITMENTS IN THE PHARMACEUTICAL INDUSTRY

The changes to Canada's Patent Act in 1987 in respect of compulsory licensing of patented medicines were made to bring about greater levels of pharmaceutical research and development (R&D). In response to this legislative change, the innovative pharmaceutical industry made a public commitment to increase R&D expenditures as a percentage of sales to 8 percent by the end of 1991, and to 10% by the end of 1996 from the existing level of 4.9 percent. This commitment represented new spending on pharmaceutical R&D totalling \$1.4 billion for the period between 1987 and 1996.

As reported by the Patented Medicine Prices Review Board (PMPRB), total R&D expenditures by pharmaceutical patent holders have gone from \$165.7 million in 1988 to \$281.3 million in 1990. At the same time, sales revenues of patented medicines increased from \$2.7 billion in 1988 to \$3.2 billion in 1990. This means that, for all patent holders, the R&D to sales ratio has risen from 6.1 to 8.8 percent in two years.

The world pharmaceutical industry is highly competitive, with many countries vying for greater levels of pharmaceutical R&D. At this point in time, the Government is actively pursuing policies to enhance the competitiveness of Canadian industries, among them the pharmaceutical industry. Any further improvement in Canada's intellectual property laws would improve the investment conditions in Canada for pharmaceutical R&D, thus improving the chances for Canadian researchers to develop new medicines in their own country.