note that patent-protected drugs either in bulk material, semi-finished dosage or final dosage form cannot be imported except by the patentee, his assignee of licensee.

Insofar as the export market is concerned, unless the patent owner is Canadian, the international patent system can prevent, and does discourage further development of the drug industry in Canada. With most foreign owned patents, subsidiary companies of the parent patentees control the market within their own jurisdictions; and export activity must therefore be confined to world areas where patents are not taken out—areas which commercially are not too significant. On a question, for example, addressed to one Canadian subsidiary of a U.S. parent corporation, the answer was succinctly put: "We have so many plants all over the world I just do not know where we would export to".

It should also be added that even if exports of drugs could be increased in certain areas, many domestic patent laws limit importing, requiring manufacturing to take place within their jurisdictions on pain of forfeiture of the patent.

All this is pointed out to indicate that increased production of drugs in Canada—which conceivably could lower prices—is not likely to incur through foreign sales.

As will be described later, one factor in influencing drug prices at the consumer level is the cost of producing drugs at the manufacturer's level, i.e. to that point where the manufacturer sells to the wholesaler or, in other cases, sells directly to the retail druggist, hospital or government department. There is, as mentioned, serious disagreement between those companies represented by PMAC and those other companies represented by groups (b) and (c). The PMAC members consider that their manufacturing and selling costs and pricing generally are "fair and reasonable" while their opposition claims that PMAC manufacturers' costs are excessive for reasons that will be dealt with later. As stated, PMAC alleges that its rival manufacturers are "copiers" as opposed to "innovators" which the PMAC claims to represent. The "copiers" apparently 'suffer' from two arguments advanced by PMAC, first, through the implication that generic named drugs (in the case of the generic drug manufacturers) do not possess the corresponding high qualities possessed by brand name products; and, secondly, that through its members' research program and high quality control in their drug production, better and safer drugs result—an argument violently opposed by the Association of Canadian Drug Manufacturers and the Independents. It might be well at this point to describe in more detail the distinction between generic and brand name products, as this distinction was of considerable importance in laying the basis for some of your Committee's recommendations.

4. *Nomenclature in the Industry*

As a prelude to the study of the drug industry it is necessary to be familiar with the nomenclature of drugs. Drugs constitute, of course, a group of fine chemicals (i.e. therapeutically active ingredients) which can be clearly defined by standard chemical names following standard chemical nomenclature. These follow the ordinary rules of chemistry which describe chemical compounds.