Government of Canada | Gouvernement du Canada

news release

Date
For release **January 14, 1992** **No. 13**

GATT INTELLECTUAL PROPERTY MEASURES ENDORSED

The Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, and the Honourable Pierre Blais, Minister of Consumer and Corporate Affairs today endorsed multilateral trade proposals to strengthen patent protection for pharmaceuticals.

The proposals contained in the draft text of the General Agreement on Tariffs and Trade (GATT) agreement would allow pharmaceutical patent owners to enjoy the full term of protection now provided to patent owners in all other sectors of our economy.

The Ministers said that Canada's position is consistent with the emerging multilateral consensus among developed and developing countries, that stronger patent protection greatly improves the investment climate and the atmosphere in which innovation can take place.

They stressed that the changes to the current patent protection regime for pharmaceuticals reflect three overriding objectives of importance to all Canadians:

1) We want more and better medicines and treatments for the diseases that afflict Canadians;

2) We want more research and development to occur in this country; and

3) We want to ensure that the prices of patented medicines are reasonable for consumers.

The Ministers added that the multilateral proposal can accomplish all three objectives.

Mr. Wilson stated: "These measures will encourage increased research and development in Canada, providing high-paying, skilled jobs for the medical and scientific communities." He also said, "Canada's international competitiveness in attracting new investment to the pharmaceutical industry will be enhanced."

The Minister noted that investment by the brand-name pharmaceutical industry has increased substantially since patent protection was improved in 1987, consistent with the commitment made by them at that time. In response to this legislative change, the innovative pharmaceutical sector made a public commitment to increase research and development expenditures to 8 per cent as a percentage of sales by the end of 1991. For all patent holders, the R & D to sales ratio has risen from 6.1 per cent to 8.8 per cent between 1988 and 1990. Total R & D expenditures have gone from $165.7 million to $281.3 million in this period.

Mr. Blais pointed out that since the Patent Act was amended, R & D has gone up and the Patented Medicine Prices Review Board has kept price increases for patented drugs below the increase in the Consumer Price Index.

Mr. Blais said "Canadians will continue to have access to reasonably priced medicines and the benefits that increased medical research bring to our health care system." He added that the Patented Medicine Prices Review Board will have enhanced powers to continue to do the job it has done since 1987.

Moreover, the Ministers noted that the Honourable Benoit Bouchard, Minister of National Health and Welfare, will meet provincial and territorial health ministers on January 27 to discuss ways to work together to ensure that drug costs remain reasonable.

Canada's generic drug industry will continue to play an important role in providing medicines to Canadians. These manufacturers can continue to produce drugs under their existing compulsory licences. Under the proposed changes they will still be able to market drugs once patents have expired. Currently, a drug typically enters the market 10 years after its patent is filed and the generic can enter seven years later. The new proposals would add another three years to this period, meaning that generic products would come on the market after 20 years rather than 17. The government considers this will prove a reasonable transition to the new system from the existing one.

The Ministers stated that Canada has a lot to gain from a successful GATT outcome. "These patent protection provisions represent just one way this trade agreement can help Canada strengthen its position in world markets that put a steadily rising premium on research and innovation."

-30-

For further information, media representatives may contact:

Media Relations Office
External Affairs and International Trade Canada
(613) 995-1874

or

Jim Keon
Consumer and Corporate Affairs Canada
(613) 953-7845

1987 CHANGES TO THE PATENT REGIME ON PHARMACEUTICALS

In 1987, the Government enacted changes to the Patent Act the most important of which was the increase in patent protection for pharmaceuticals. The new Act granted drug patent holders a period of market exclusivity of seven years against manufacturing in Canada and ten years against importation.

Following the Government's announcement, the innovative sector of the Canadian pharmaceutical industry publicly committed itself to double its R&D expenditures in Canada between 1987 and 1996 and to maintain the prices of its patented products at a reasonable level.

To assure the price of patented drugs remained reasonable and to monitor R&D expenses in the industry, the government created the Patented Medicine Prices Review Board. The objective of these important changes to the compulsory licensing regime for pharmaceuticals was to create a better climate for investment in this important sector of our economy and to increase the competitiveness of our industry at the international level.

THE PRICE OF PATENTED MEDICINES IN CANADA

In 1987, amendments were made to the Patent Act which raised the level of protection for the makers of innovative pharmaceuticals. At the same time, the control of price levels for patented medicines remained a central theme in the government's policy agenda. The Patented Medicine Prices Review Board (PMPRB) was created to monitor price levels set by Canadian pharmaceutical patent holders as well as their R&D activities.

From January 1987 until December 1990, the prices of patented pharmaceutical products that fall within the PMPRB's jurisdiction have increased at an average annual rate of only 3.1 percent which is considerably less than the rate of inflation. This clearly indicates that the PMPRB has been effective in controlling the prices of patented pharmaceutical products.

By contrast, from January 1983 until the creation of the PMPRB in December 1987, the wholesale price of drugs increased at an average annual rate of 7.1 percent. The rate of inflation was, on average, 4.3 percent per year during the same time period.

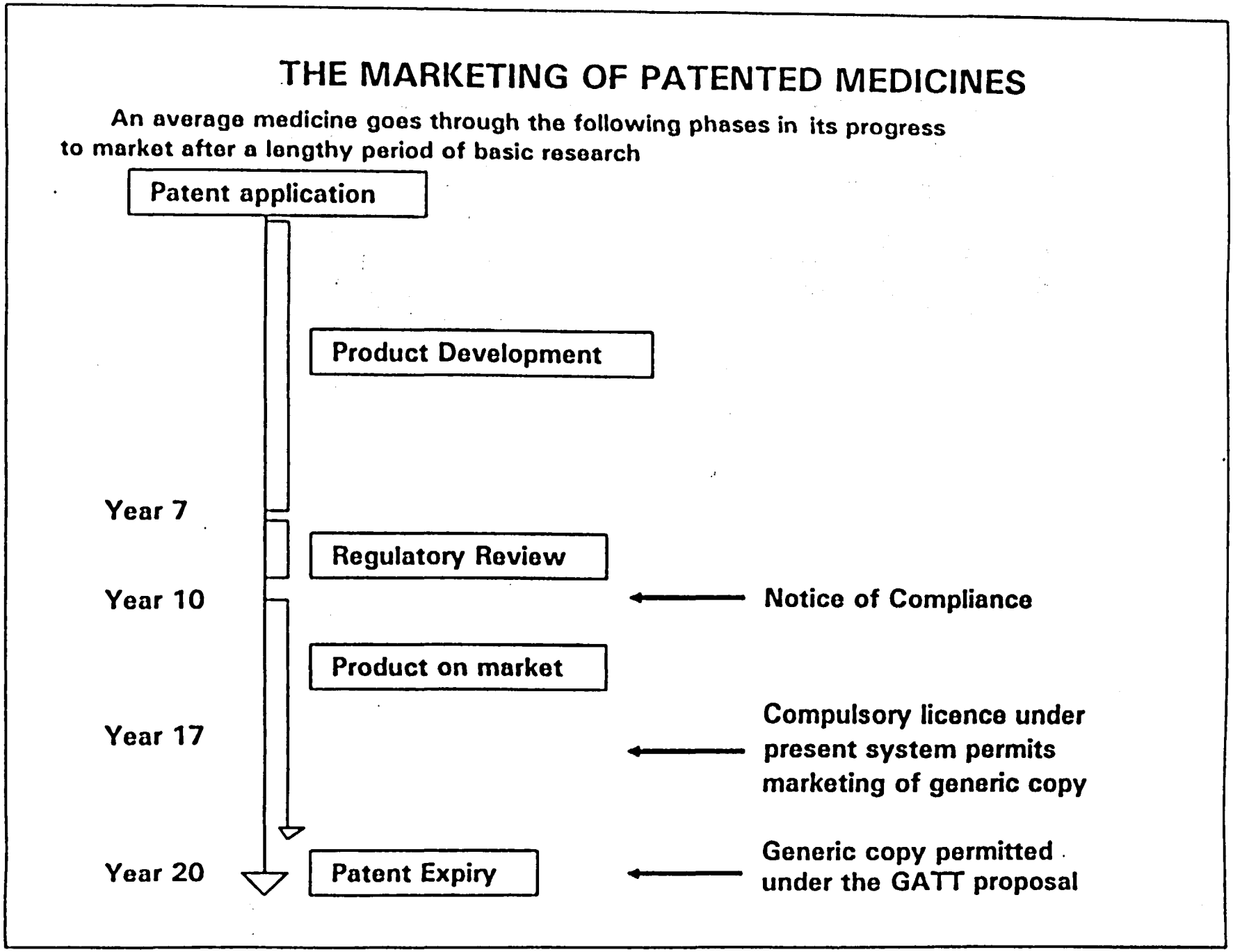
Price Trends in the Pharmaceutical Industry
Source: PMPRB, Third Annual Report, 1991

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.


THE MARKETING OF PATENTED MEDICINES
An average medicine goes through the following phases in its progress to market after a lengthy period of basic research
Patent application
Product Development
Year 7
Regulatory Review
Year 10
Notice of Compliance
Product on market
Year 17
Compulsory licence under present system permits marketing of generic copy
Year 20
Patent Expiry
Generic copy permitted under the GATT proposal