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# Consumer perspectives on Intellectual Property, Competition & Access to Medicines in Europe

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# Current Model

The dominant current model...

- Relies heavily on **Intellectual Property** protection.
- Rewards R&D with **market exclusivity** and **monopoly prices**.
- No competition, which leads to **high prices, high profits, high costs** → **poor access**

# Costs and Competition

European countries devote a high percentage of their health expenditure to medicines and...it is still growing

- **A decade ago**, no industrialised country spent more than **10% of its health budget on medicines**
- **Now** In Germany: **15.2 %** , Spain: **22.8%**, Finland **16.3%**, France: **16.6 %**, Italy: **20.1%** (US 12.48%)

# Costs and Competition

**Competition is vital** to drive down prices, support broader access, and open the field to more innovation

- Generic market entry: **25% decrease in prices** within first year; 40% after two years.

# Model of Litigation and Marketing

- Many **blockbusters** are going off-patent
- Originators have **profit-driven incentives** to hold on to market exclusivity
  - ➔ hinders competition
- **Business model** increasingly focused on litigation, excessive patenting, and marketing and promotion.
  - ➔ incentives structure contrary to citizen interests.

# DG Competition

# Pharmaceutical Sector Inquiry

Investigation conducted between late 2007-mid 2010

Serious concerns about:

- **slow generic entry**
- **weak innovation**

Could infringe on EC Treaty:

- **Art 81.** Prevent, restrict or distort competition
- **Art 82.** Abuse of a dominant position

# Findings: DG Competition Report

- Revealed some **structural practices**
- Observed that pharmaceutical companies have...

*...“designed and implemented strategies aimed at blocking or delaying generic entry”*

AND

*...used tactics that “reduce incentives to innovate” and “cause significant additional costs for public health budgets”.*



# Findings: DG Competition Report

- Calculated that EU health systems **could have saved more than 3 billion euros** between 2000 and 2007
- Found that originator companies **spend 15 times more on marketing, blocking tactics and litigation** than on discovering new beneficial medicines.
- Identified a **'toolbox' of tactics** employed by originator company to discourage, delay, and prevent generic entry into the market.

# Practices: Originator-Generics

- i. **“Patent clusters”** → substantial barrier to potential generic manufacturers
- ii. Patent-related **disputes and litigation**
- iii. **Settlements** with generic companies
- iv. **Misleading claims** about inferior quality of generics in decisions on product authorisation, pricing and reimbursement status
- v. Launching **follow-on products** in order to displace generic medicines based on the original product

# Follow-up: DG Competition Inquiry

- **Regulatory frameworks:**
  - Patents and patentability
  - Market authorisation
  - Pricing and reimbursement
- Enforcement of competition law: **Anti-trust cases**
- **Deterrence**

BUT, companies will still act according to the current framework of incentives:

**Prioritising profits over public health needs**

# How to go forward

High prices and lack of competition are at the core of the debate about **Access to Medicines**.

IP protection provides incentives to:

- Engage in **anti-competitive** practices
- Develop strategies that hamper **innovation**

We need fair and effective competition to promote widespread access to essential medicines.

# Thank you

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