

Intellectual Property Rights and Access to Innovation: Evidence from TRIPS

by

Margaret Kyle and Yi Qian

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ABSTRACT

We examine the effect of pharmaceutical patent protection on the speed of drug launch, price, and quantity in 60 countries from 2000-2013. The World Trade Organization required its member countries to implement a minimum level of patent protection within a specified time period as part of the TRIPS Agreement. However, members retained the right to impose price controls and to issue compulsory licenses under certain conditions. These countervailing policies were intended to reduce the potential static losses that result from reduced competition during the patent term. Using detailed patent data at both the product and country levels, we exploit the fact that selection into "treatment" with a post-TRIPS patent is exogenously determined by compliance deadlines that vary across countries. We find that patents have important consequences for access to new drugs: in the absence of a patent, launch is unlikely. That is, even when no patent barrier exists, generic entry may not occur. Conditional on launch, patented drugs have higher prices but higher sales as well. The price premium associated with patents is smaller in poorer countries. Price discrimination across countries has increased for drugs patented post-TRIPS and prices are negatively related to the burden of disease, suggesting that countervailing policies to offset expected price increases may have had the intended effects.