IPR & Access to Innovation: Evidence from TRIPS

by Margaret Kyle & Yi Qian

Comments

Rosemarie Ziedonis

Hoover IP2 Workshop

May 2015

A Dynamic Duo

DO NATIONAL PATENT LAWS STIMULATE DOMESTIC INNOVATION IN A GLOBAL PATENTING ENVIRONMENT?
A Cross-Country Analysis of Pharmaceutical Patent Protection, 1978–2002

Yi Qian*

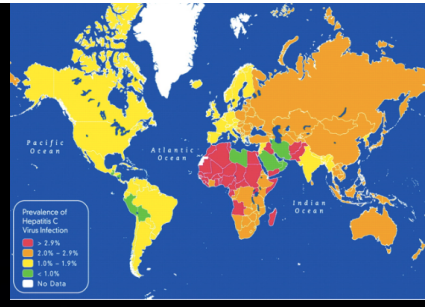
The role of firm characteristics in pharmaceutical product launches

Margaret K. Kyle*

INVESTMENTS IN PHARMACEUTICALS BEFORE AND AFTER TRIPS

Margaret K. Kyle and Anita M. McGahan*

…tackling vital Qs



- Q1: Effects of patent rights on
  - innovation incentives and use?
  - market entry and pricing decisions?
  - access to new medicines?

- Q2: "Net" effects of TRIPs on market entry & product access in the global pharmaceutical industry
  - stronger patents post-TRIPs
  - but…"treated" countries often non-compliant
    - price controls, compulsory licenses, patent/reg approval process, courts
  - and…even if comply, private incentives to stay out?
    - patients & insurers able/willing to pay?
    - entry = costly

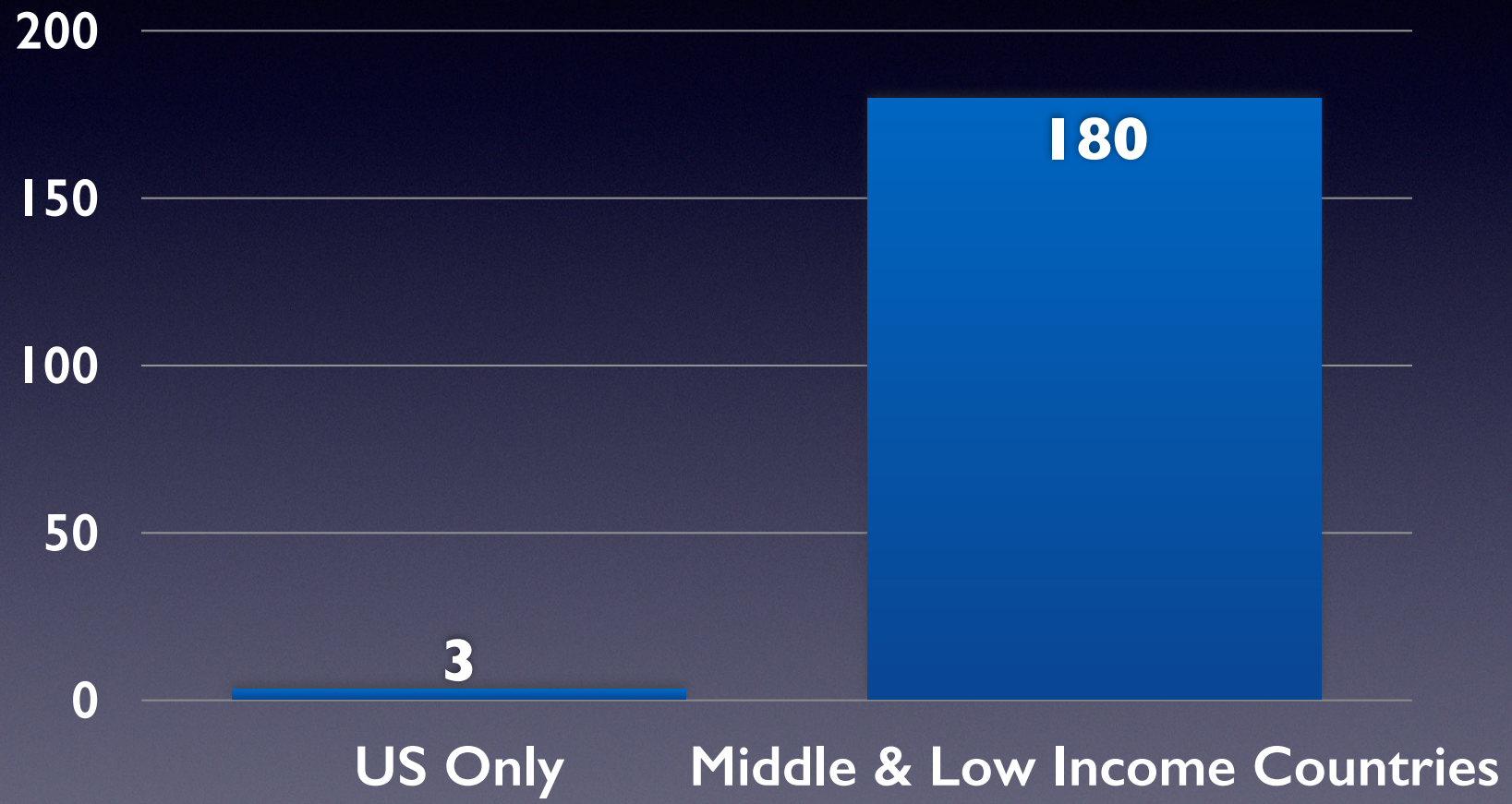
Example

Sales of Sovaldi, New Gilead Hepatitis C Drug, Soar to $10.3 Billion

By ANDREW POLLACK FEB. 3, 2015 The New York Times

- cures Hep C in ~80% patients w/ minimal side effects
- priced high in US: $1k per pill, or $84k for typical treatment
- facing political push-back: Senate Finance Committee, Veterans Administration, Insurers, Government Officials
- in a "battle for payers" with rival AbbVie
  - reportedly discounting price to payers like Express Scripts by ~50% for inclusion on formulary list
  - in return, payers agree to cover patients at earlier disease stages, thus expanding quantity sold

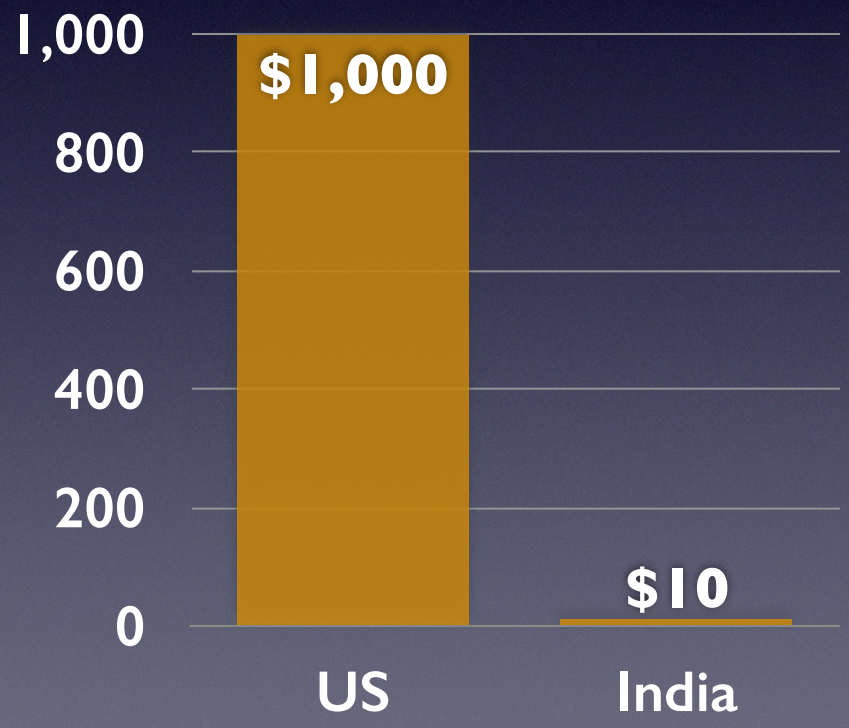
Much More At Stake:
Millions of Known Hepatitis C Patients, 2014



Maker of Costly Hepatitis C Drug Sovaldi Strikes Deal on Generics for Poor Countries

By GARDINER HARRIS SEPT. 15, 2014

"We've negotiated with the aim of increasing access," Paul Carter, Gilead's executive vice president for commercial operations, said in the conference call.



Price per Pill ($)

Typical Treatment Cost ($)

Why This Study is Important

- Reminds us that "treating" countries with stronger patent rights is a small part of a much bigger problem
  - lots of ways for a country to be non-compliant
  - even if patent protection is strong, barriers to enter/distribute new drugs are often high

- Does so with remarkable…
  - data (at molecule/country/quarter level)
  - creativity & skill (exogenous factors affecting drug-level likelihood of being "treated" with stronger patents)
  - understanding of the complex realities underpinning their data

Suggestions/Wishes

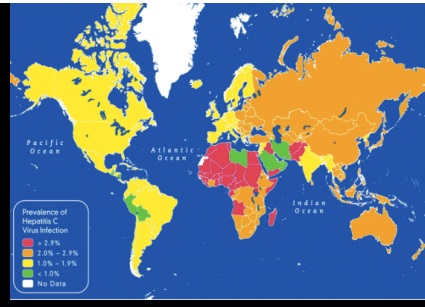
- Nit-picky
  - Terminology: “Originators”?

Originators

Suggestions/Wishes

- Other nit-picky
  - Narrow scope? (maybe pricing + launch only; quantity in appendix?)
  - On Instruments: explain why post-TRIPs compliance is unlikely to affect Y directly
- More substantive
  - Let firms play a more active role
    - some have sunk huge pre-TRIPs country-specific investments, while others have not — compare?
    - technical: cluster errors at firm + country level
  - Tell us more about trade-offs in the "middle" (is this where the margin is more binding?)
- Wishes
  - Examine shifts in firm-level investments (adv, infrastructure) more directly?
  - Replicate & join forces?
  - Set the paper free! (about Q2, net effects of TRIPS)

In Sum



- An ambitious, important research agenda
- "Wow"