

For immediate release

Increased Use of Generics Slows Rise in Canada's Drug Bill

“Evergreening” loopholes in drug patent laws still hampering Canadians' access

Toronto, March 15, 2006 – A report on Canada's prescription drug spending released today by IMS Health shows increased use of lower-cost generic prescription medicines is helping to curb skyrocketing costs.

“The good news is that increased use of generic drugs is helping to curb Canadians' prescription drug costs,” said Jim Keon, President of the Canadian Generic Pharmaceutical Association (CGPA). “The bad news is that loopholes in drug patent laws continue to force governments, employers and consumers in Canada to pay for higher-priced brand-name drugs for longer than they should.”

Today's report from IMS Health, the world's leading source for prescription drug sales information, shows growth in prescription drug spending in Canada in 2005 dropped to 7.3%, the lowest level of growth since 1996. IMS Health attributes the slower growth to new generic competition to several brand-name drugs, government cost-containment measures, fewer new drugs entering the market, and safety concerns about certain classes of drugs such as COX-2 Inhibitors.

Keon called on the federal government to take immediate steps to stop “evergreening” of drug patents by brand-name drugs companies that keeps lower-cost generic competition off the market using the automatic 24-month injunction under the *Patented Medicines (Notice of Compliance) Regulations* of Canada's *Patent Act*. By exploiting legal loopholes brand-name drug companies can delay generic competition sometimes for years after the initial 20-year patents expire.

“The facts are in, using more generic drugs helps save money for our health-care system – money that would be better spent on initiatives like reducing waiting times. But Canadians can't save that money if generic drugs are being blocked from coming to market by loopholes in our drug patent laws.”

Health-care commissioner Roy Romanow called on the federal government to review the practice of evergreening in his November 2002 report. In February 2004, the Competition Bureau made the same recommendation. The Supreme Court of Canada has described the regulations that allow evergreening as “a draconian regime.” The Health Accord signed by First Ministers in 2004 calls for “accelerated access to non-patented drugs” to save money for government-sponsored drug plans.

After an extensive investigation by the Federal Trade Commission in the United States into similar tactics by brand-name drug companies, the U.S. amended its drug patent laws in 2003 to stop evergreening.

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According to IMS Health, generic drugs are dispensed to fill fully 43% of all prescriptions in Canada yet account for only 17% of the \$16.6-billion spent in 2005 on prescription medicines. By contrast, generic drugs are used to fill 53% of prescriptions in the United States. CGPA estimates that if use of lower-priced generics in Canada increased to the same level as in the U.S., it would save Canada's health-care system between \$400- to \$500-million in the first year alone.

A November 2005 study by Professor Joseph D'Cruz and colleagues from the Rotman School of Management at the University of Toronto found that prices of generic drugs in Canada and the United States are, on average, the same.

“Under the current rules, brand-name drug companies find it more lucrative to litigate than to innovate and that isn't how the patent system is supposed to work,” Keon said. “It's time for the federal government to put a stop to evergreening. If the United States can do it, Canada can do it.”

About the Canadian Generic Pharmaceutical Association

The Canadian Generic Pharmaceutical Association (CGPA) represents Canada's generic drug industry – a dynamic group of companies that specialize in the production of high quality, affordable generic drugs and fine chemicals and in conducting the clinical trials required for government approval of generic drugs. The industry plays an important role in controlling health-care costs in Canada.

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For more information, please contact:

Jeff Connell
Director of Public Affairs
Canadian Generic Pharmaceutical Association (CGPA)
Tel: (416) 223-2333
Cell: (647) 274-3379
Email: jeff@canadiangenerics.ca
Web: www.canadiangenerics.ca