



28.1.2009

European Commission
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PHARMACEUTICAL SECTOR INQUIRY PRELIMINARY REPORT (DG COMPETITION STAFF WORKING PAPER)

The Confederation of Finnish Industries EK is the leading business organisation in Finland. It represents the entire private sector, both industry and services, and companies of all sizes. EK's member companies represent more than 70 percent of Finland's gross domestic product and over 95 percent of exports from Finland. EK has 33 different branch federations with a membership of 16.000 companies in all, which employ about 950 000 employees.

EK welcomes the opportunity to contribute to the examination of competition and innovation in the pharmaceutical sector and takes note with great interest of the publication of the preliminary report. However, EK would not like to comment on the specific issues of the sector inquiry, but would like to raise some general remarks on the role of intellectual property rights for innovation in Europe.

EK has always supported effective competition and public enforcement of antitrust rules. In properly contested markets, business must strive to be innovative and to maximise its productivity if they want to succeed. At the same time it needs to be taken into account that a strong and effective patent system is a necessary element to boost innovation in Europe. Both competition law and intellectual property rights are designed to promote innovation and economic efficiency. But they pull in different directions and it's up to the competition authorities to strike the right balance. Competition policy can also influence the ability of firms to gather the rewards of investment in R&D.

EK would like to point out that the use of patents and their effective enforcement, patent settlements and marketing of new technologies are normal practices for most high technology industries and essential to them. Otherwise, the value of IPR would be undermined. Also patent portfolios are an important part of competition. For example, in the field of consumer electronics, high tech products, computers and pharmaceu-

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tics, business relies on complex patent inventions. The role of the patent litigation is to ensure effective patent enforcement and avoid the over-flooding of so called low-quality patents. Therefore, it is extremely important that the analysis takes into account the nature of the IPR and patent system.

Europe's future prosperity depends to a large extent on its success in developing and sustaining successful high-tech business. The reasons for the lack of innovation compared to the US are complex and should be taken seriously. The Lisbon agenda of economic reforms in 2000 recognises this and also the fact that competition policy can also influence on the ability of firms to invest in R&D. However, the principal reason for the weaker growth of productivity in pharmaceutical sector may also be other than a lack of competition.

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