



May 21st, 2024

Members of the U.S. Senate Judiciary Committee,

In today's hearing, ATR urges lawmakers to push back on erroneous, anti-patent talking points and resist all efforts to undermine intellectual property rights.

Strong patents ensure much-needed medical innovation, are explicitly protected by the U.S. Constitution, and support millions of high-paying jobs across the country.

Patents incentivize much-needed innovation. Developing new medicines is a costly and uncertain process and the patent protection system is key to ensuring that costs can be recouped and risks can be taken.

During an average drug development process, a manufacturer must invest an average of \$2.6 billion and spend [11.5 to 15 years](#) in research and development. Even so, most drug development programs fail.

As [detailed](#) by Stephen Ezell of the Information Technology & Innovation Foundation (ITIF), as little as 0.05 percent of drugs make it from drug discovery to clinical trials. Of the few medicines that make it to clinical testing, only about [12 percent](#) of medicines that begin clinical trials are approved for introduction by the FDA. Even if a drug is approved, it is likely that the profits from said drug will not recoup its R&D costs. One study in the Health Economics journal found that [80 percent](#) of new drugs made less than their capitalized R&D costs.

Patents are not absolute – while they prevent competitors from bringing an exact duplicate to market, they do nothing to prevent the development of similar medicines. In fact, there are numerous cases of strong competition between different products designed to treat the same disease.

Because of strong IP protections, the U.S. is a world leader when it comes to medical innovation. According to [research](#) by the Galen Institute, 290 new medical substances were [launched](#) worldwide between 2011 and 2018. The U.S. had access to 90 percent of these cures, a rate far greater than comparable foreign countries. By comparison, the United Kingdom had access to 60 percent of medicines, Japan had 50 percent, and Canada had just 44 percent.

Disincentivizing medical innovation could lead to long-term shortages, increase costs to the healthcare system, and harm the development of the next generation of medicines. As lawmakers consider legislation reforming the patent system, they should be sure to consider the immediate and long-term damage these reforms could have on the U.S. patent system.

IP rights are explicitly protected in the Constitution. The Founding Fathers recognized the importance of intellectual property rights in Article 1, Section 8 of the Constitution: “To promote the Progress of Science and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Strong IP rights are vital

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

www.ATR.org

because they turn new ideas into tangible goods and services that improve the quality of life for Americans by creating high-paying jobs and increasing economic growth.

Undermining IP rights will harm American competitiveness and workers. IP supports millions of high-paying jobs across the country. According to the United States Patent and Trademark Office (USPTO), IP-intensive industries accounted for \$7.8 trillion in GDP in 2019, or 41 percent of the economy. These industries accounted for 47.2 million jobs, or 33 percent of total U.S. employment.

Pharmaceutical manufacturers are no exception – these businesses invest over \$100 billion in the U.S. economy every year, directly supporting over [800,000 jobs](#). When indirect jobs are included, pharmaceutical innovation supports 4 million jobs and \$1.1 trillion in total economic impact. These jobs are high paying – the average compensation is over \$126,000 – more than double the \$60,000 average compensation in the U.S.

Lawmakers should resist all efforts to undermine intellectual property rights.

Onward,



Grover G. Norquist
President, Americans for Tax Reform