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VEPACHEDU EDUCATIONAL FOUNDATION

The Andhra Journal of Industrial News

IP and Industry News

Chief Editor: Dr. Sreenivasarao Vepachedu, Esq.

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Justifying Intellectual Property

Why should a property interest exist in an intangible item? In recent years, arguments over intellectual property have often divided proponents—who emphasize the importance of providing incentives for producers of creative works—from skeptics who emphasize the need for free and open access to knowledge.

In a wide-ranging and ambitious analysis, Robert P. Merges establishes a sophisticated rationale for the most vital form of modern property: IP rights. His insightful new book answers the many critics who contend that these rights are inefficient, unfair, and theoretically incoherent. But Merges' vigorous defense of IP is also a call for appropriate legal constraints and boundaries: IP rights are real, but they come with real limits.

Drawing on Kant, Locke, and Rawls as well as contemporary scholars, Merges crafts an original theory to explain why IP rights make sense as a reward for effort and as a way to encourage individuals to strive.

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He also provides a novel explanation of why awarding IP rights to creative people is fair for everyone else in society, by contributing to a just distribution of resources. Merges argues convincingly that IP rights are based on a solid ethical foundation, and—when subject to fair limits—these rights are an indispensable part of a well-functioning society. <http://www.hup.harvard.edu/catalog.php?isbn=9780674049482>

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IP Law Harmonization

In their efforts to promote harmonization in the field of patents, the European Patent Office (EPO) and the United States Patent and Trademark Office (USPTO) have launched a dedicated website for the Cooperative Patent Classification (CPC) initiative. CPC is a joint project aimed at developing a classification scheme for inventions that will be used by both offices in the search and examination of patent applications. The launch of the website highlights the progress of this collaborative effort over the year since the Offices agreed to work toward formation of a joint patent classification system. The website, www.cpcinfo.org, will contain detailed information about the new classification scheme. <http://www.uspto.gov/news/pr/2011/11-58.jsp>

The Dying Big Pharma in the US

Merck & Co. will expand its presence in Singapore through new manufacturing, marketing and research investments, according to a joint announcement from the pharmaceutical company and the Singapore Economic Development Board. Merck will spend \$250 million over the next 10 years on improvements to its manufacturing site in Tuas, Singapore. It will also spend S\$700 million on local research activities,

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it said. <http://www.businessweek.com/news/2011-10-21/merck-co-says-to-invest-in-singapore-expansion-and-research.html>

At the heart of Novartis' financial troubles, as with so many other Big Pharmas, is the issue of strong generic competition and a lack of blockbuster drugs coming out of pipelines. In the case of Novartis, its breast cancer drug Femara and its blood pressure drug Diovan are both losing patent protection. According to recent reporting by Swiss daily *Tages Anzeiger*, [Novartis](#) axed some 2,500 jobs at sites across the world over the past year in a bid to control costs.

In the United States also came recent news of layoffs, with [Merck & Co.](#) recently informing its employees via memo that it can't reach its goal of cutting up to 13,000 jobs by 2015 simply by eliminating vacant jobs. As such, the company has decided to accelerate the pace of layoffs in the United States.

Back in 1990, the world's 50 leading drugmakers generated an average post-tax return on R&D expenditure of around 17 percent, yet by last year this had dwindled to little more than 10 percent, according to KPMG calculations. Multinationals will manage from EU and US and operate in Russia, India and China. The slow death of American innovative pharma started in 1984 with Hatch-Waxman, the tip of the ice berg that created Teva, Reddy's etc., and created a booming generic pharmaceutical industry in China, India and other countries. India began to emerge as a formidable market competitor due to opening of the continental country and economic reforms in early 1990s by the then Prime Minister Narasimharao Pamulaparathi (PV Rao). Thanks to the push from the US and the West for globalization of Indian economy.

There is no turning back for the dying innovative big pharma in the US. With pressure mounting for a deficit-reduction deal in Congress, the \$300 billion U.S. pharmaceutical industry is a sinking Titanic at sea. Drug makers have begun to emerge as a favorite target for cost-cutting proposals from others in the healthcare sphere who hope to avoid the fiscal knife themselves, lobbyists and analysts say. The six Democrats and six Republicans who make up the congressional "super committee" tasked with finding at least \$1.2 trillion in deficit savings over 10 years are less than six weeks away from their Nov. 23 deadline

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to designate cuts. Analysts say any deal could include \$300 billion to \$500 billion in reductions from Medicare, Medicaid and other federal health programs -- a prospect that has thousands of healthcare lobbyists frantic to find ways to minimize damage for drug makers, insurers, hospitals, doctors, state governments, the elderly, the poor and the disabled. Among initiatives aimed at the pharmaceutical industry is a proposal backed by President Barack Obama, Democratic lawmakers and health consumer advocates that would impose drug rebates on Medicare Part D, the program's prescription drug benefit plan. The White House estimates that such a move would save \$135 billion over 10 years, or about 42 percent of the \$320 billion healthcare deficit savings that Obama has proposed to the super committee. Some healthcare providers, including hospitals, also want the super panel to lower Medicare costs by speeding the arrival of cheaper generic drugs on the market. The so-called powerful Pharmaceutical Research and Manufacturers of America (PhRMA) trade group vehemently rejects the rebate idea as a failed price control. It also defends Medicare Part D as a program with declining costs and points to U.S. government estimates that predict average premiums for the program's drug benefits will be 44 percent lower than expected in 2012. <http://www.trust.org/alertnet/news/lobbyists-circle-us-drug-makers-over-deficit-talks>

Overpaid CEOs of the dying Big Pharma and laid off workers and the growing gap between rich and poor in the US is daily news. No wonder there is a movement all over the world, including in the US to take over the greedy, oppressive and corrupt regimes, such as Arab Spring and Occupy Wall Street. The three top overpaid CEOs in the US are from drugmakers. Number four in the overpaid CEO list is Miles White, the Abbott Laboratories CEO. Last year, his total compensation was \$25.6 million, while the stock sank 11.3 percent with more than 5000 employees laid off and more cuts looming in future. The drug and device maker was hurt by a lack of big, new products and a study showing its Niaspan pill failed to reduce the risk of cardiovascular events ([look here](#)). Meanwhile, revenue rose to \$35.2 billion last year from \$30.8 billion, but net income fell to \$4.6 billion from \$5.7. Recently, in a very wise move, Miles announced plans to split the company in half, since the drug biz seemed to drag down overall valuation--two publicly traded companies, one in diversified medical products and the other in dying research-based pharmaceuticals. The diversified medical products company will consist of Abbott's existing diversified medical products portfolio, including its branded generic pharmaceutical, devices, diagnostic and

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nutritional businesses, and will retain the Abbott name, and of course, will be led by himself. The dying research-based pharmaceutical company will include Abbott's current portfolio of soon-to-be-off-patent proprietary pharmaceuticals and biologics and will be named later. <http://www.biospace.com/News/abbott-laboratories-to-split-into-2-companies/236919>

At No. 7 is **Bill Weldon**. The Johnson & Johnson CEO suffered a bad year in 2010 - a seemingly endless list of product recalls due to manufacturing blunders that closed a plant for retooling; prompted Congressional hearings and government probes; layoffs; an FDA consent decree; a loss of valuable shelf space and lost sales. His total 2010 compensation was \$28.7 million while J&J stock fell 4 percent and thousands were laid off.

Coming in at No. 8 was Amgen CEO **Kevin Sharer**, whose total compensation was \$21.2 million. The biotech suffered a 3 percent decline in share price. The drop reflected concerns about the vulnerability of the flagship Epogen and Aranesp anemia meds. To appease investors, Amgen declared its first-ever dividend earlier this year and is now restructuring by laying off hundreds of employees. About 225 jobs will be eliminated from the Thousand Oaks, California, headquarters (see [here and here](#)). <http://247wallst.com/2011/10/20/america%E2%80%99s-most-overpaid-ceos/>

British drugmaker AstraZeneca PLC said it would cut about 400 jobs from its US commercial business as part of a push to streamline operations. The company has about 14,400 employees in the United States and Canada.

The US is rapidly losing innovative research capability to the third world, the so-called emerging markets or the soon-to-be new-first-world. Once the destruction of the innovative pharma is achieved in the US, any new outbreak of a new disease will have to be dealt with the innovative research done in India and China, while US will look for generic drugs for its poor population (~99%), and probably will ban product patent regime as India did in 1970s. The 1% of rich US population (consisting essentially of CEOs (see above)) will import expensive innovative drugs from India. History repeats and a role reversal is coming! "You can stone us (the US) back to the Stone Age. But I don't know that anybody's going to

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like what's left in the dust," said Cindy Moran, a government relations specialist at the American College of Radiology. <http://www.trust.org/alertnet/news/lobbyists-circle-us-drug-makers-over-deficit-talks>

Crude Oil from Wood

Clay Wheeler, the University of Maine chemical engineering professor, discovered a new process last year with the help of two innovative undergraduates. In the first step of Wheeler's process, wood is bathed in sulfuric acid, isolating the sugars in cellulose and producing an energy-intense organic acid mixture. That mixture is then heated with calcium hydroxide in a reactor to 450 degrees Celsius (840 Fahrenheit), a step that removes oxygen. What drips out is a hydrocarbon liquid that chemically mimics crude oil.

For every ton of cellulose processed, Wheeler is able to make about 1.25 barrels of oil equivalent, a unit of energy comparable to the amount of energy produced by burning one barrel of crude oil. Even though the United States has 10 percent of the world's forest land, its pulp and paper industry has slowly declined in the past 50 years due to shrinking paper demand. In August, paper shipments fell 6.4 percent from the same month last year and box production slipped 2.7 percent, according to the American Forest and Paper Association. Wheeler's process could entice the paper industry to take a second look at Maine, Oregon and other timber-rich states. <http://www.reuters.com/article/2011/10/18/us-cellulose-oil-idUSTRE79H6SL20111018>

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Om! Asatoma Sadgamaya, Tamasoma Jyotirgamaya, Mrityorma Amritangamaya, Om Shantih, Shantih, Shantih!

(Aum! Lead the world from wrong path to the right path, from ignorance to knowledge, from mortality to immortality, and peace!)

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