

June 4, 2006

Federal Trade Commission  
Washington, DC

Re: "Authorized Generic Drug Study: FTC Project No. P062105"

Dear Commission:

Consumers Union, is the independent, nonprofit publisher of *Consumer Reports*.<sup>1</sup>

We believe that there are severe, anti-competitive, anti-consumer abuses in many of the brand and generic drug industry arrangements relating to the first entry of a generic into the market. These Byzantine arrangements can actually involve the payment by a brand name drug manufacturer to a possible generic manufacturer that delays, in some way, the marketing of the generic. These abuses include the practice of authorized generics, in which a brand manufacturer 'authorizes' a related party or other entity to be first to market with a generic version of the brand that is, in general, shadow-priced or otherwise subservient to the brand product. The very term 'authorized' is inconsistent with a capitalist system of competition.

We strongly support a thorough but quick review of recent transactions and subsequent action to stop collusive practices that are denying consumers access to more reasonably priced prescription drugs. We believe that 'authorized generics' are simply a device to moderate or slow true competition.

Our readers constantly and consistently report that one of the most difficult consumer issues they face is unaffordable prescription drug prices. Because such drugs are often key to life and health, it is essential that the FTC move quickly to investigate this sector and take appropriate remedial action.

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<sup>1</sup> Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education and counsel about goods, services, health, and personal finance. Consumers Union's income is solely derived from the sale of Consumer Reports and ConsumerReports.org, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union's own product testing, **Consumer Reports and ConsumerReports.org, with approximately 6.5 million combined paid circulation**, regularly carry articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions that affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.

In response to the Commission's questions, we believe that the proposed collection of information is absolutely essential "for the proper performance of the functions of the FTC." Indeed, not to conduct this study would be a failure of duty. We strongly believe that the collection of "the information will have practical utility," because we believe the data will show serious anti-competitive consequences of these arrangements. The societal cost of unaffordable prescriptions, and the continued above average rate of inflation in this sector justify any cost of data collection that may be caused by the Commission's study.

Thank you for your consideration of these comments in support of an immediate and quality study of one of the most troubling areas of anti-consumer behavior in the American economy.

Sincerely,

William Vaughan  
Senior Policy Analyst