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Title	Pharamaceutical patents and generic entry competition: the role of marketing exclusivity
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Abstract	Extensive tests required by FDA severely curtail effective patent length for innovation drugs, raising concern that incentives to develop new drugs are insufficient in the U.S. The Hatch-Waxman Act addresses this issue with a few-year patent extension. At the same time, Hatch-Waxman promotes generic entry by reducing the entry cost for generics and by granting 180-day marketing exclusivity to a first challenger of the patent. While these two objectives seem at odds with other, we show that if the entry cost reduction is substantial, granting the marketing exclusivity also contributes to restoration of incentives to innovate. However, market exclusivity most likely decreases social welfare.
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