Q9

Case study. One of the scientists working in the R & D laboratory of a major pharmaceutical company discovers that one of the company's best selling veterinary drugs, B has the potential to cure a currently incurable liver disease that is prevalent in tribal areas. However, developing a variant of the drug suitable for human beings entailed a lot of research and development having a huge expenditure to the extent of f 50 crores. It was unlikely that the company would recover the costs as the disease was rampant only in poverty-stricken area having very little market otherwise. If you were the CEO, then- (a) identify the various actions that you could take; (b) evaluate the pros and cons of each of your actions.

UPSC Civil Services Mains 2015 · GS IV · 20 marks · Ethics Case Studies

Case Studies on above issues.

Core demand of the question

- **As CEO of a pharmaceutical firm:** a best-selling veterinary drug B may yield a human cure for an incurable tribal liver disease, but R&D may cost about Rs 50 crore with little market. (a) Identify possible actions. (b) Evaluate pros and cons of each

Revision summary

A possible human cure for a tribal liver disease has little market; Rs 50 crore R&D may not be recovered.

Stakeholders include patients, the scientist, workers and owners.

Suppressing the finding is unethical; unaided spend that sinks the firm is imprudent.

The sound path is partnership with government, public science and philanthropy, with a binding access clause.

If partners fail, publish for public labs rather than bury the lead or sell it to be shelved.

Introduction

A laboratory accident of good news meets a profit-and-loss sheet. Tribal patients have a disease the market will not pay to cure. As CEO I still hold duties to workers, owners, regulators and those patients.

Body

Stakeholders

- Tribal patients with the incurable liver disease, who have almost no purchasing power.

- The scientist who found the lead, and the R&D team.
- Shareholders, lenders and the workforce whose wages depend on a going concern.
- Existing veterinary customers who use drug B.
- The State, ICMR-type public research, and possible public-private partners.
- **You as CEO:** profit is a duty, not a licence to ignore a preventable death.

Values and issues

- **Beneficence and justice:** a molecule that could save the poorest should not die only because they are poor.
- **Fiduciary duty to the company:** Rs 50 crore is not play money if it bankrupts the firm and throws out jobs.
- **Transparency:** do not hide the finding to protect the veterinary cash cow.
- **Intellectual property:** a patent can be a tool for partnership, not only a wall.

(a) and (b) Actions with pros and cons

- **Option 1:** Suppress the finding and continue selling veterinary B only.
- **Merit:** protects current profit and avoids a Rs 50 crore risk.
- **Demerit:** conceals a possible human therapy; ethically a betrayal of the scientist's discovery and of patients. If the fact leaks, reputational ruin.
- **Option 2:** Fund the full human R&D from company cash alone and price the drug for a tribal market that cannot pay.
- **Merit:** maximum moral clarity if the science works.
- **Demerit:** may sink the firm, halt other useful drugs, and still fail if trials are negative. Heroism that destroys the company helps nobody in year three.
- **Option 3:** Open a structured partnership: licence or co-develop with government, ICMR, WHO-type programmes, a philanthropic foundation, or a larger firm, with a clear access clause for tribal patients (at-cost or free).
- **Merit:** shares cost and risk; uses public duty where the market is absent; keeps the company solvent; scientist stays engaged.
- **Demerit:** slower negotiations; partners may demand control; some profit is given up. Still the least bad mix of justice and prudence.
- **Option 4:** Ask the State for an advance market commitment, tax incentive, or orphan-disease style grant, while publishing the lead so that others may also try.
- **Merit:** honest science; public money for a public need; aligns with the National Health Mission logic of serving the poor.
- **Demerit:** political delay; competitors may free-ride. Free-riding is acceptable if patients live.
- **Option 5:** Sell the molecule outright to the highest bidder with no access condition.
- **Merit:** immediate cash, perhaps more than Rs 50 crore.
- **Demerit:** the buyer may shelf it (a veterinary rival) or price it as a luxury. Patients remain untreated. I would not choose this without a binding access covenant.
- **Option 6:** Create a not-for-profit subsidiary or patent pool for the human variant, keeping veterinary B as the commercial engine.
- **Merit:** ring-fences risk; states a public purpose; staff can see the firm's character.
- **Demerit:** governance complexity; still needs external money.

What I would do

• Do not suppress. Thank the scientist, protect the data, and take the finding to the board as a duty item, not as a hobby.

• Seek co-development and public or philanthropic finance first; put tribal access in the contract.

• **Keep veterinary production ethical and separate:** do not raise animal-drug prices to secretly fund a vanity project without disclosure.

• If every partner refuses and the firm cannot bear Rs 50 crore, publish enough for public laboratories to try, rather than bury the light.

• Measure success as patients on a safe therapy, not as a press conference.

Flow diagram

Veterinary B human lead -> Do not suppress

Do not suppress -> Public private philanthropic co-develop

Public private philanthropic co-develop -> Access for tribal patients

Solo Rs 50 crore -> Firm failure risk

Sell with no covenant -> Shelf or luxury price

Conclusion

The market will not pull a tribal liver cure by itself. Suppressing the lead is the worst act. Solo bankruptcy is not required. As CEO I would partner, bind access, and if need be give the science to the public system - profit as a going concern, not as a veto on the poor.

Facts & figures

Neglected tropical and poverty-linked disease problem

Diseases concentrated among the poor attract little private R&D because paying demand is weak; this case is that structure in one molecule.

Advance market commitment / orphan incentives

Public tools that pay for a future supply or reduce cost so that a firm can develop a drug the market will not pull.

Patent pools and access covenants

Ways to keep intellectual property from becoming a wall against the patients who need the therapy.

Fiduciary duty of a CEO

Duty to the company's lawful health, including jobs and solvency, which still does not permit hiding a life-saving lead.

Indian Council of Medical Research / public health system

Natural public partners when a disease is concentrated in tribal and poor geographies.

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