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Danish Drugmaker Faces Hefty Fine

By Irina Filatova

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The Federal Anti-Monopoly Service accused Danish pharmaceutical company Novo Nordisk of violating anti-monopoly legislation on Friday and said the firm might face a fine of up to 15 percent of its Russian revenue.

The watchdog said Novo Nordisk, the world's largest producer of diabetes drugs, refused to sign supply contracts with some drug distributors, restricting competition on the pharmaceutical market.

“The violation was in the company's unjustified avoidance and refusal to sign agreements with some buyers and discriminating against some potential partners in favor of existing ones, which has led to limited competition,” the Federal Anti-Monopoly Service said in a statement on its web site.

The statement also said the anti-monopoly service would send Novo Nordisk an order to stop violating the law. The service began a probe into the company's activities in July.

Under Russian law, a company that "occupies a dominant position" on a market is not allowed to refuse, without cause, to sign a contract with a partner, said Yevgenia Borzilo, head of the anti-monopoly group at law firm Goltsblat BLP.

Novo Nordisk says on its web site that it is a leader in diabetes treatment in Russia.

The only basis for such a refusal may be specific reasons, including economic or technical ones, Borzilo said. “For example, if a partner has frequently violated its obligations,” the supplier may legally not work with it, she told The Moscow Times.

The refusal by Novo Nordisk's Russian subsidiary to sign direct supply contracts “with the majority of pharmaceutical distributors” affected the prices for drugs, particularly insulin, said Timofei Nizhegorodtsev, head of the Federal Anti-Monopoly Service's social sphere and trade control department.

As a result the company may face an administrative fine of 1 percent to 15 percent of its sales in Russia, he said in the statement.

“If a commodity is available to a limited number of dealers, that means it's less available on the market and there is less competition,” Borzilo said, adding that prices for such goods would, therefore, be high.

Novo Nordisk spokespeople were unavailable for comment on Sunday, but the company told Bloomberg on Friday that the drugmaker didn't agree with the watchdog's decision.

"We are considering whether to appeal,” said Katrine Sperling, a Novo Nordisk spokeswoman in Copenhagen.

Borzilo said the fine might be significant, taking into account that it would apply to the local revenue for the entire previous fiscal year.

Vladimir Shipkov, head of the Association of International Pharmaceutical Manufacturers, said he was not aware of the issue.

Novo Nordisk has been praised by officials for being aligned with the government's Pharma 2020 program, which is aimed at raising the competitiveness of Russia's pharmaceutical industry and stimulating production of innovative medicines.

In April, the company announced its intention to invest up to $100 million in the construction of an insulin-packaging plant in the Kaluga region. Initially the plant will pack insulin in cartridges and delivery devices, but it may expand later to full-scale insulin production, the company said.

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