

## **Event Study Analysis in Cases with Multiple Brand-Generic Reverse-Payment Settlements**

Event studies of stock price movements have been used to assess the anticompetitive impact of 'reverse-payment' settlement of patent disputes in the drug industry. Evidence for an anticompetitive effect is found when financial markets reward a brand manufacturer with larger stock market capitalization – signaling the agreed upon generic entry date was more profitable (i.e. later) than investors' expectations. In practice, reverse-payment cases can involve multiple generic competitors and settlements. This paper considers how event-study methodology applies in such cases, with a study of the stock price movements of Cephalon, manufacturer of the drug Provigil. Cephalon entered into four patent litigation settlements with potential generic competitors over a two-month period beginning in December 2005. Event study methods can readily be applied to such a case. Cephalon's total increase in stock value across four narrow windows around each settlement totaled over \$1.0 billion, indicating the agreements delayed generic entry beyond the market's expectation.