

STATE OF NEW YORK

5262

2017-2018 Regular Sessions

IN SENATE

March 17, 2017

Introduced by Sen. LANZA -- read twice and ordered printed, and when printed to be committed to the Committee on Consumer Protection

AN ACT to amend the general business law, in relation to the price gouging of medicine

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The general business law is amended by adding a new section
2 396-rrr to read as follows:

3 § 396-rrr. Price gouging of medicine. 1. For the purposes of this
4 section, "drug subject to a shortage" shall mean any drug or medical
5 product intended for human use publicly reported as being subject to a
6 shortage by the U.S. food and drug administration on its website,
7 provided, however, that a drug or medical product shall only be consid-
8 ered a "drug subject to a shortage" during the period of time that such
9 drug or medical product is listed as being subject to a shortage on such
10 website.

11 2. No party within the chain of distribution of any drug subject to a
12 shortage shall sell or offer to sell any such drug subject to a shortage
13 for an amount which represents an unconscionably excessive price.

14 3. Whether a price is unconscionably excessive is a question of law
15 for the court.

16 (a) The court's determination that a violation of this section has
17 occurred shall be based on any of the following factors:

18 (i) that the amount of the excess in price is unconscionably extreme;

19 (ii) that there was an exercise of unfair leverage or unconscionable
20 means; or

21 (iii) a combination of both factors in subparagraphs (i) and (ii) of
22 this paragraph.

23 (b) In any proceeding commenced pursuant to subdivision four of this
24 section, prima facie proof that a violation of this section has occurred
25 shall include evidence that:

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 (i) the amount charged represents a gross disparity between the price
2 of the drug subject to a shortage which was the subject of the trans-
3 action and their value measured by the price at which such drug was sold
4 or offered for sale by the defendant in the usual course of business
5 immediately prior to the onset of the shortage; and

6 (ii) the amount charged grossly exceeded the price at which the same
7 or similar drug subject to a shortage was readily obtainable by other
8 purchasers in the trade area. A defendant may rebut a prima facie case
9 with evidence that additional costs not within the control of the
10 defendant were imposed on the defendant for the drug subject to a short-
11 age.

12 4. Where a violation of this section is alleged to have occurred, the
13 attorney general may apply in the name of the People of the State of New
14 York to the supreme court within the judicial district in which such
15 violation is alleged to have occurred, on notice of five days, for an
16 order enjoining or restraining commission or continuance of the alleged
17 unlawful acts. In any such proceeding, the court shall impose a civil
18 penalty in an amount not to exceed one hundred thousand dollars and,
19 where appropriate, order restitution to aggrieved consumers.

20 5. Prior to applying for an order from the supreme court pursuant to
21 subdivision four of this section, the attorney general, in consultation
22 with the department of health, shall consider the pricing dynamics
23 unique to the small and independent distributors within the supply chain
24 including, but not limited to, the price charged by the end use dispen-
25 ser relative to its acquisition cost.

26 § 2. This act shall take effect immediately.