

Mr. GORDON. Are you paying royalty or did you pay royalties to Syntex? They were included in the patent interference, were they not?

Mr. MCGREGOR. We had a license agreement with Syntex on this product also.

Mr. GORDON. And you paid royalties to them?

Mr. MCGREGOR. No; we did not. We knew or we believed that Schering was the inventor of the product. We knew that they were the first on the market with it. It was our opinion, after getting all the patent information we could, that Schering had the best chance of success.

Mr. GORDON. Of course, if they did not succeed, you would have been out on the royalty payments?

Mr. MCGREGOR. Yes.

Mr. GORDON. Up until that time?

Mr. MCGREGOR. Yes.

Mr. GORDON. Now, is it customary in industry to pay royalties on an unissued patent?

Mr. MCGREGOR. It is not unusual.

Mr. GORDON. You have done this on other occasions?

Mr. BURROWS. We have done it, and reciprocally, both ways. We have had people pay us on patents as well.

Mr. GORDON. Not on patents.

Mr. MCGREGOR. On applications.

Mr. GORDON. On applications only?

Mr. MCGREGOR. Yes.

Mr. GORDON. Now; is this because you feel that if you do not pay the royalty, you may not get a license afterward?

Mr. MCGREGOR. Of course.

Mr. GORDON. Were any conditions imposed upon you by the license that you eventually got?

Mr. MCGREGOR. What do you mean by conditions?

Mr. GORDON. For example, am I correct that you were not allowed to manufacture the bulk material? You could manufacture only the finished material?

Mr. MCGREGOR. I am not aware of any such condition. I haven't examined the license agreement with that specific thought in mind.

Mr. GORDON. But you could have manufactured the bulk material if you desired to do so?

Mr. MCGREGOR. I don't know, Mr. Gordon. I would have to look that up and tell you later.

Mr. GORDON. Would you please supply the license to the committee.

Mr. MCGREGOR. I would be glad to. It already is in the Kefauver record and I assumed you had looked at it.

Mr. GORDON. I did but I was just wondering if there is a newer one.

Mr. MCGREGOR. No, there isn't.

Mr. GORDON. Well, that one did impose a condition that you could not sell the bulk, or manufacture the bulk.

Mr. MCGREGOR. I see. That is quite possible.

Mr. GORDON. I don't know if Senator Nelson has already asked this question, but do you manufacture for other companies?

Mr. BURROWS. You mean do we do contract manufacturing for other companies?

Mr. GORDON. Yes.