

Mr. GORDON. Now, it is also correct, I believe, that the higher priced drug gives the pharmacist a larger absolute profit.

Dr. APPLE. That is a matter of sheer mathematics. Certainly it does.

Mr. GORDON. Given the present system, then, isn't there somewhat of a conflict of interest in allowing the pharmacist to select the particular product to be dispensed? In other words, it is to his economic interest to dispense a higher priced product than a lower priced product given the present system; isn't that correct?

Dr. APPLE. That is theoretically true, but I think I go into that later on here, Mr. Gordon, in which I explain the markup system, the professional-fee system, the contrast in these systems, and I would prefer to go through it at that point if you don't mind, and give you an answer to that question after we have covered that.

Mr. GORDON. All right.

Senator NELSON. We will at this time recess until 12:30, if that is allright with everybody here.

(Whereupon, at 11:55 a.m., the subcommittee recessed, to reconvene at 12:30 p.m., the same day.)

AFTERNOON SESSION

Senator NELSON. The hearing will resume.

Dr. Apple, I believe you were on page 11; is that correct?

Dr. APPLE. Yes, sir.

Senator NELSON. You have referred to research in your statement, and this committee has continually had discussions about trade names and generic names and what they mean, and so forth. If trade names were to be eliminated from use, do you have any judgment or guess about how that might affect research in the drug field?

STATEMENT OF DR. WILLIAM S. APPLE ET AL.—Resumed

Dr. APPLE. Well, Mr. Chairman, if you mean by the use of some coined name rather than the established name, a proprietary name, which has no scientific relationship to the drug itself, it would seem to us that, certainly, if a manufacturer is going to invest in research to discover or improve a drug, and receives a process patent which permits him to have a 17-year limited monopoly, he has complete access to reimburse himself for that research investment.

We can't fathom how the use of proprietary names has anything to do with research because we have the cases of many firms which do no research but which use proprietary names. And they really don't mean anything.

Brand names assist the advertising and promotion of a drug; they do not have anything to do with the effect of the drug, the scientific production and discovery, and certainly not with the patent system, which guarantees manufacturers the reward of their investment in research.

Our association stands for the patent system 100 percent. We don't see how anybody can be asked to invest millions of dollars and not have an opportunity to recover his investment.

But we don't see where brand names have anything to do with the system of recovering for research.