

Mr. GORDON. I have a couple of additional questions, Mr. Stetler.

You discussed the differences at the beginning of your statement between the innovator and the non-innovator. The inevitable conclusion is that every licensee of a patent holder is a non-innovator, is that correct?

Mr. STETLER. That may be true with respect to that product. But, of course, most firms have a variety of products. They do an extensive job of research. But part of their product line may be a drug that has been researched and marketed or patented by someone else. But you cannot put them in the category of an innovator or a non-innovator, depending on what they do with just one product.

Mr. GORDON. As I understand your statement, you are saying that a person is an innovator, hence the quality of the product is necessarily better?

Mr. STETLER. No. If I have left that impression, it is wrong. There are two elements, obviously. One is innovation, the activity of the company which does the research, and does develop new products. That is a specific contribution which that type of a manufacturer makes. He cannot stop there. In addition, he has to do all of the quality control work that is essential to producing that product properly. But you will find, if you look at the manufacturers, that the companies engaged in significant research effort, those that have acquired this type of expertise and personnel, do not skip the quality process. They are more or less automatically in that role. But they are two distinct things. A company that does not do research can do a quality job.

Mr. GORDON. In other words, a certain company can also emphasize the manufacturing aspects, not the research aspects, and produce a drug of the same high quality as another company which may be an innovator. Is that reasonable?

Mr. STETLER. Quite possible.

Mr. GORDON. Now, Mr. Stetler, you justified the high cost of advertising as a necessary cost. Where would that be in your statement?

Mr. STETLER. Page 22.

Mr. GORDON. No; page 4.

The fact is that advertising is the most economical and efficient means of getting the facts about the new product to the physicians who need them.

Page 4, the third paragraph down.

Is it not a fact some of the most extensive advertising campaigns have been for old products, under a new name? For example—Noctec? A new name, relatively for an old product, choral hydrate. A lot of advertising is being done to advertise that particular name. This is not what you had in mind, though?

Mr. STETLER. Well, there are obviously some expenditures in advertising for old products, and if that is indicated—it gets the product back to the attention of the doctor, and the purpose of advertising is still to sell drugs.

But I think you will find that the larger proportion of the advertising budget is expended to get information available to physicians and pharmacists on new drugs rather than old drugs. As a general rule, I think that is a safe statement.

Mr. GORDON. We have also been told by Dr. Cluff, of the University of Florida Medical School, that another effect of advertising, both direct mail advertising and the efforts of detail men, is to cause serious