Mr. SQUIBB. Would receive a royalty, a fair standard royalty.

Senator NELSON. That was to be my next question. Would you establish the royalty by law or how would you do it?

Mr. SQUIBB. I would establish the royalty, I think, in the law.

Senator NELSON. And would you require compulsory licensing immediately after the drug becomes available?

Mr. SQUIBB. No. I think probably some type of a period for exclusivity is necessary to stimulate or to keep going with research. I would have such a period a good deal shorter than 17 years, maybe 5 years or 3 years of marketing before anybody who asked for a license would be required to be given one.

Senator NELSON. So if the law remained as it is, with a 17-year patent period, do I understand you to be saying then once the drug is introduced on the market, some other period of exclusivity, 2 years, 3 years, or 4 years ought to be established, to be followed by compulsory licensing?

Mr. SQUIBB. That would seem to be the most equitable and fairest approach, serving the public on the one hand and the inventor on the other.

Senator NELSON. Thank you.

Mr. SQUIBB. The notion that without the inducement of a 17 year patent with no licensing requirements all medical research would die seems quite an extravagant and unrealistic claim. To the extent it can be modified drug prices will come down.

Laws that now are concerned with competitive forces in the distribution system for medicine must also be reexamined, particularly the effect of Robinson-Patman. The rigidity of drug prices in retail pharmacy where this law is applicable, and quite the opposite situation in hosiptals where it is not, have already been discussed. It has been publicly suggested by Dr. Apple of APhA that consideration should be given to enforcing Robinson-Patman on prices to institutional purchasers. This would ceratinly tend to bring the same price rigidity to this area of drug distribution now benefiting from unregulated price competition among suppliers. It is worth at least as much consideration to suggest the removal of Robinson-Patman from application to the pricing of prescription drug prices to the retail pharmacist. This would undoubtedly bring drug prices to the consumer down, but it would also bring down many retail pharmacists now benefiting from percentage markups of manufacturers prices. To the degree that the professional fee replaces this markup system however—pharmacists would survive. This is a difficult problem, but one for which solutions can be found if the public welfare is given first consideration as certainly it should be.

As a matter of fact and as prelude to any possible revision of Robinson-Patman or other laws bearing on pricing of drug products, a better general understanding of the economics of the entire drug distribution system is essential. If real benefits are to be obtained in the form of lower drug prices without loss of product quality or medical progress in the form of new drugs, a full realization of the costs that now go into a patient's prescription dollar is obviously called for. Attacking one small piece of this cost which even if completely removed would not appreciably help solve the problem at hand would be