

# Drugs Made In U. S. Yield Nazis Profits

German Labels and Boxes  
Copied Here, Products  
Sold in Latin America

Bayer Patent Rights  
Force 75% Pay-off

Deals Seek to Protect  
Axis Post-War Markets,  
Evade British Blockade

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By John Chabot Smith

The New York Herald Tribune is able to shed light today on the mystery of German profits from the patent-medicine trade of the twenty-one American good neighbor republics.

Evidence has come to hand that manufacturers in the United States are supplying German dealers south of the Rio Grande with products exactly the same as those made in Germany, in similar boxes under exactly the same labels and trade marks.

On one portion of the trade, estimated at \$4,000,000 annually, Germany receives 75 per cent of the profits; but in a larger trade, estimated as high as \$20,000,000 a year, the terms of profit-sharing remain unknown.

The problem has puzzled Washington ever since the early days of the war, when American products began turning up under German labels in Latin America. Competitors of German manufacturers in Latin America who have seen them turning out a steady supply of finished products after the British blockade cut them off from German sources of raw materials have wondered where they bought their supplies.

## Supplies Propaganda Funds

Defense experts attach particular importance to the trade, because it not only keeps the German products before the market ready for a resumption of trade after the war, but also supplies Nazi agents in Latin America with funds for propaganda.

Department of Commerce statisticians have been unable to account for sudden jumps in exports from the United States to South America, more than doubling the exports in a small field of chemicals and bringing a total increase in the field of \$5,000,000 between 1939 and 1940.

Investigation of some of the companies involved in this trade has shown German interests of long standing suddenly disappearing from the scene and replaced by mysterious "Swiss companies" whose ownership and in most cases whose names have not been found out.

Officials of the companies concerned have either refused to be quoted or cast so little light on the situation as to deepen the mystery. The president of one of the firms said he was baffled himself.

To date three companies have been found engaged in the German-label trade in Latin America—The Bayer Company, Inc., of New York; the Schering Corporation, of Bloomfield, N. J., and the Eilinuber-Knoll Corporation, of Orange, N. J.

## Contract With Dye Trust

Chief of these is The Bayer Company, Inc., manufacturers of aspirin products. This company has a contract with I. G. Farbenindustrie, the German dye trust, by which 75 per cent of the profits from the sale of aspirin products in Latin America goes to the German trust, whether the products are manufactured in the United States or in Germany. The remaining 25 per cent goes to the Bayer Company in New York.

This contract was made in 1920, eighteen months after the Bayer

(Continued on page 10, column 2)

**Pills for Good-Neighbor Republics—Made in Germany and U.S.A.**



**MADE IN GERMANY**—This box of Bayer "Cafiaspirina," a pill compound of aspirin and caffeine, was made in Germany by the I. G. Farben trust. Sample was bought in Caracas, Venezuela, but the British blockade has been cutting off the supply



**MADE IN U. S. A.**—This box of Bayer "Cafiaspirina" was also bought in Caracas. It's the same as the German product, but was made in New York. Seventy-five per cent of the profits go to Germany under patent agreement

A. F. Sozio photos

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# Drugs Manufactured in U. S. Are Yielding Profits to Nazis

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Company was bought from the Allen Property Custodian by Sterling Products, Inc. The custodian took over the company in 1917 from its original German owners, Friedrich Bayer & Co., one of seven great firms which united in the war years to form I. G. Farbenindustrie.

Until the second war put Germany against the mercy of a British blockade, the German company manufactured all or almost all the aspirin products sold in Latin America. In recent months the American company has taken over that trade, selling the same products under the same labels as those used by the German company.

What resulted is shown by two packages bought by Walter Kerr, New York Herald Tribune correspondent, in Caracas, Venezuela. Both contain "caffaspirina," a combination of aspirin and caffeine, and both are exactly the same except for the manufacturers' name.

In one case the label, translated from the Spanish, reads "Made by I. G. Farbenindustrie Aktiengesellschaft, Leverkusen, Germany, for La Quimica Bayer, Weskott & Cia., Caracas."

On the other box the label reads "Made by the Bayer Company, Inc., New York, N. Y., U. S. A., for Farma Pan-Americana, S. A., Caracas."

Both boxes bear the same seal, carrying the guarantee of Quimica Bayer, Weskott & Cia.

## Purchases in Caracas

Other products bought in Caracas included "cortal," another form of aspirin, made by Bayer in New York, and "Tonico Bayer," a tonic composed chiefly of muscatel wine and vitamin extracts, made by Farma Pan-Americana.

The contract prescribing the profit-sharing basis on which this trade is carried on resulted from a situation in the last war not unlike what appears to be going on now in regard to other products made in both Germany and the United States.

When the German sources of supply were cut off Bayer in the United States began supplying aspirin products to German dealers in Latin America, and agreements were made governing the use of the Bayer trade mark in that area.

When Sterling bought Bayer in 1919 the American firm continued to sell aspirin in Latin America, profiting by the confused trademark situation. Lawsuits resulted, which were eventually settled by the profit-sharing agreement. This applied to aspirin alone, and no agreement was then made regarding other products now made by different companies in both the United States and Germany.

The situation in regard to the Schering and Bilhuber-Knoll products is less clear. The name of Bilhuber-Knoll was found on two packages in Caracas, one containing "Bromural," a sedative, and the other "Cardiazol," a heart stimulant. In each case the same product was bought under labels similar in all respects except that the name of the manufacturer was "Knoll A.-G., Ludwigshafen, Germany."

## Calls Export Trade Small

Questioned about this matter in his factory, Dr. E. A. Bilhuber, president of Bilhuber-Knoll and of E. Bilhuber, Inc., denied that his companies did any export trade. Pressed for a further explanation, he said he knew nothing about what happened to his goods after he sold them to shipping agents, but in any case his Latin American trade was very small. He estimated it at a couple of thousand dollars a year.

Dr. Bilhuber, a large man with a toothbrush moustache and a floppy hat, said the idea of imitating the German labels originated with the Latin American buyer. He said he did not know whether the German trade mark was protected in Latin America, or whether any royalties were paid for the use of it.

Dr. Bilhuber denied that he had any connection with Knoll, of Germany, although he admitted that before the last war, "back about 1905," he had acted as their agents in the United States. He also admitted that some of his products were made under patents obtained from the German company. He did not say what he paid for them.

Officials of the Schering Corporation, four of whose hormone products were bought in Caracas under the same trademark as used by Schering A. G. of Berlin, told a longer and somewhat different story. Dr. Julius Weltzien, president, said he sold his products, some in bulk and some in packages, to importers in Latin-American countries. Delta

Pharmaceutical Co., Inc., a subsidiary, handles the sales.

These importers, called in most cases "Quimica Schering S. A.," own the trademarks they use and pay no royalties to any one. They are owned by "a Swiss company," Dr. Weltzien said, adding that he had made sure of that before trading with them. Until recently these companies were all owned in Germany.

Dr. Weltzien added that Schering of Bloomfield is also owned by "a Swiss company," which bought it from the German Schering Company in 1936. "Not one nickel of our profits goes to Germany," he said. He did not say whether the same Swiss company owns all the Schering companies in this hemisphere; why the German company sold its American holdings to a Swiss company or companies, or who controls the Swiss companies or what they do with their money. He estimated his profits from both domestic and export trade at \$200,000 last year. Half of this, he said, went to Switzerland.

## Transfer of Assets

The device of transferring assets from German to Swiss companies has also been used by I. G. Farbenindustrie in a chain of holding company links which carry it around by an indirect route back to the Bayer companies.

The German dye trust, which controls nearly all the chemical industry in Germany, is dependent for its profits to a large extent, reportedly 50 per cent, on export trade. Possibly as a result of its experience in the United States during the last war, when the member companies lost all their American subsidiaries to the American government, the trust set up a subsidiary in Switzerland after the war called I. G. Chemische Unternehmungen A. G., as a superholding company to hold all the trust's foreign interests.

Among these foreign interests is the General Aniline & Film Corporation, formerly known as the American I. G. Chemical Corporation, which was set up in the United States in 1929. Among the holdings of this company is a 50 per cent interest in the Winthrop Chemical Company, of New York, which is controlled by Sterling Products, owner of the Bayer Company, Inc.

The Winthrop Chemical Company got its start manufacturing chemical products sold in the United States by the old German Bayer Company before the last war, and it now manufactures and sells in the United States the same products as the German Bayer companies sell in Latin America. These products are so-called "ethical drugs," which are sold only on a doctor's prescription. They include salvarsan, the famous syphilis cure, and stabrine, a synthetic quinine.

Before the last war these drugs were not made in the United States, but the German Bayer company took out patents here to prevent competitors from manufacturing them. The same situation governed aniline dyes, which were imported from Germany and sold by Bayer and other companies, and protected by American patents.

## Sold Drug Patents

When Sterling bought Bayer it retained only the aspirin patents, and sold the others. While the drug patents became the possession of the Winthrop company, the dye patents went to the General Aniline Works, Inc., then a subsidiary of American I. G. and now an operating division of General Aniline.

The companies concerned then went a step farther, and obtained from I. G. Farbenindustrie the right to use all formulae and patented manufacturing processes developed by the German dye trust in their respective manufacturing lines. The contracts gave the American companies the exclusive right to manufacture and sell under these patents in the United States, while German patent rights barred them from selling in other countries.

In the case of the Winthrop Chemical Company, the German I. G. was granted a half interest in the profits in payment for these rights. This half interest was subsequently exchanged for a 50 per cent share in the stock ownership of Winthrop, which the German I. G. turned over to the American I. G., now General Aniline.

All German interest in the General Aniline & Film Corporation has since been sold to the Swiss I. G., but the transfer of new patents to Winthrop continues. In 1940 Winthrop was assigned twenty-eight patents by German inventors, according to the Patent Office index, and only one by an inventor in Albany, where the Winthrop laboratories are.

The same situation continues in regard to the dye patents used by

the General Aniline Works Division, and the photographic patents of the Agfa-Ansco Corporation, a subsidiary of General Aniline & Film Corp. All profits, royalties, dividends, or other payments due the Swiss I. G., or the Swiss companies owning Schering, are at present beyond the reach of United States laws and cannot even be measured by Federal officials. The assets of the German I. G. in New York were recently attached by the anti-trust division of the Justice Department when the company failed to appear in answer to an indictment.

German assets in the States have not been reported because the Government fears reprisals against American property. In assets have not that little co on three sic

on the fourth by France, has been invaded.

Nevertheless the history of group of companies and the tent use of the Swiss hold pany has given rise to some government quar German interest may as thoroughly disr appears.

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