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Marketing has looked at the succesful PR re-launch of the Johnson and Johnson drug Tylenol.

122 words

2 December 1983

Marketing

MKTG

12

English

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A crisis came in Tylenol's sales when the analgesic was contaminated in-store with cyanide causing 7 deaths. To allay public reaction to this disaster, staff volunteers manned a telephone hotline, 150,000 press advertisements were taken out, and 450,000 mailgrams sent. The food and Drugs Administration testified that Johnson was not responsible for the contaminations.

A decision was made not to change the name of Tylenol for its relaunch. A tamper resistant pack was designed and the product relaunched on November 11th. Within 12 month's Tylenol's share of the over-the-counter analgesic market has risen from 7% to 28.6%.

Document mktg000020011206dfc2000y7

campaign

Johnson and Johnson's **Tylenol** analgesic capsules have staged a dramatic recovery since seven people in Chicago died after taking **Tylenol** capsules laced with cyanide last year and they now have 31.5% of the US market.

126 words

25 November 1983

Campaign

CMPN

8

English

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Shortly after the cyanide scare, **Tylenol**'s share of the over the counter analgesic market fell from 35.3% to under 7%. Mr Robert Andrews, assistant director public relations at Johnson and Johnson, described the comeback as "an amazing public relations exercise". This was done by withdrawing and destroying 31 million bottles of the capsules at a cost of \$100m. All advertising was stopped and tamper resistant packaging was introduced. Two months after the crisis, the product was back on store shelves. TV advertising resumed, in January, this year.

Document cmpn000020011206dfbp003lu

Johnson and Johnson has reported net earnings of \$150.3m, or 79 cents a share, for the third quarter of 1983.

78 words

28 October 1983

Financial Times

FTFT

25

English

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This compares with operating earnings of \$146.5m, or 78 cents a share, before a \$50m charge relating to the recall of **Tylenol** capsule products.

The withdrawal of Zomax continues to affect business. Sales were static at \$1.47bn. The withdrawal of Zomax (worldwide sales \$82m) "continues to have an adverse impact on 1983 sales and earnings".

Document fft000020011206dfas00ecg

The New York Times

Financial Desk; D

No Headline

146 words

28 October 1983

The New York Times

NYTF

Late City Final Edition

English

Copyright 1983 The New York Times Company. All Rights Reserved.

J. & J. Reports Profit Increase NEW BRUNSWICK, N.J.,

Oct. 27 (AP) - Johnson &

Johnson today reported third-

quarter earnings of \$150.3 million, or 79 cents a share. In the

same period last year, earnings before an extraordinary

charge were \$146.5 million, or

78 cents a share; net income

after the charge was \$96.5 million, or 51 cents a share.

The extraordinary charge of

\$50 million last year was related to the company's withdrawal of its **Tylenol** pain reliever from the market after

tampering with the product led

to the poisoning deaths of seven

people in the Chicago area. In the first quarter of 1983,

the maker of health care products temporarily withdrew another product, Zomax zomepirac sodium. Lawrence G. Foster, vice president for corporate communications, said the

Zomax withdrawal continued

to depress sales and earnings.

Document NYTF000020050512dfas00azp

Companies and Markets: Drug problems hit Johnson & Johnson

By PAUL TAYLOR

273 words

28 October 1983

Financial Times

FTFT

Page 17

English

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JOHNSON AND JOHNSON, the major US pharmaceutical group, yesterday reported flat third-quarter earnings and sales reflecting, in part, the continuing impact of its decision earlier this year to withdraw its Zomax prescription pain-killer from the market.

The company withdrew Zomax from the market in March following reports that five people had died after taking the drug, which had worldwide sales of Dollars 82m. Withdrawal of Zomax, which reduced first-quarter earnings by Dollars 20m or 11 cents a share, 'continues to have an adverse impact on 1983 sales and earnings,' Johnson and Johnson said.

It was the second major blow to hit the company. A year ago the company was forced temporarily to withdraw **Tylenol** capsule products from the market following the tragic death of seven Chicago area residents who took the drug after it had been tampered with and laced with cyanide.

Although the company has reintroduced **Tylenol** in new tamper-resistant packages and has regained much of its earlier 37 per cent market share, the third-quarter results yesterday provided a further reminder of the incident.

Net earnings were Dollars 150.3m or 79 cents a share compared with Dollars 96.5m or 51 cents a share a year earlier, when the **Tylenol** recall cost Dollars 50m.

Worldwide sales for the latest quarter also remained flat at Dollars 1.47bn.

The impact of the drug withdrawals is even more apparent in the nine month figures when net earnings were Dollars 424m or Dollars 2.23 a share, down from Dollars 394m or Dollars 2.10 a share.

Document FTFT000020070505dfas01ygn

JOHNSON & JOHNSON 3RD QTR NET 79C A SHARE VS. OPER. NET 78C

238 words

27 October 1983

Dow Jones News Service

DJ

English

(Copyright (c) 1983, Dow Jones & Co., Inc.)

NET \$150.3 MILLION VS OPERATING INCOME \$146.5 MILLION. IN THE YEAR AGO QUARTER AN EXTRAORDINARY CHARGE OF \$50 MILLION MADE FINAL NET \$96.5 MILLION OR 51C A SHR.

WORLDWIDE SALES \$1 475 700 000 VS \$1 476 800 000.

9 MOS NET \$424 MILLION OR \$2.23 A SHR VS OPERATING INCOME \$444 MILLION OR \$2.37.

IN THE YEAR AGO 9 MOS AN EXTRAORDINARY CHARGE OF \$50 MILLION MADE FINAL NET \$394 MILLION OR \$2.10.

SALES \$4 500 500 000 VS \$4 379 100 000.

THE COMPANY NOTED THAT THE EXTRAORDINARY CHARGE IN THE YEAR AGO QUARTER AND NINE MONTHS STEMMED FROM THE WITHDRAWAL OF **TYLENOL** CAPSULE PRODUCTS FROM THE MARKET FOLLOWING THE TRAGIC EVENTS RESULTING FROM THE CRIMINAL TAMPERING IN THE CHICAGO AREA.

DURING THE FIRST QUARTER OF 1983 THE COMPANY SAID IT TEMPORARILY WITHDREW ZOMAX BRAND ZOMEPIRAC SODIUM FROM THE MARKET. COSTS ASSOCIATED WITH THIS WITHDRAWAL REDUCED EARNINGS BY ABOUT \$20 MILL OR 11 CENTS PER SHARE.

WITHDRAWAL OF THIS PRODUCT FROM THE MARKET CONTINUES TO HAVE AN ADDITIONAL ADVERSE IMPACT ON 1983 SALES AND EARNINGS IT SAID.

INTERNATIONAL OPERATIONS REMAINED POSITIVE ON A LOCAL CURRENCY BASIS HOWEVER BOTH SALES AND EARNINGS CONTINUED TO BE ADVERSELY AFFECTED BY THE STRENGTH OF THE U.S. DOLLAR COMPARED TO THE SAME PERIOD OF 1982 THE COMPANY SAID.

10 55 AM

Document dj00000020011125dfar03ii1

The New York Times

National Desk; A

Defense Calls Publicity Goal Of Tylenol Extortion Letters

AP

154 words

27 October 1983

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Oct. 26 -- James Lewis, accused of trying to extort money from the makers of Tylenol after last year's murders, intended only to focus the attention of the authorities on his wife's former employer, his attorney contended in wrapping up the defense.

Mr. Lewis is charged with attempting to extort \$1 million from Johnson & Johnson, the parent company of the concern that manufactures Tylenol, in a letter that demanded the money "to stop the killing."

The letter was received by Johnson & Johnson after seven people in the Chicago area died from ingesting cyanide-laced Extra-Strength Tylenol capsules. No charges have been filed in the deaths.

The defense attorney, Michael Monico, said that "intent is the issue in this case" and the author intended to expose wrongdoing by LeAnn Lewis's former employer, Lakeside Travel Agency, of Chicago.

Document NYTF000020050512dfar00amh

The New York Times

Week in Review Desk; 4

HEADLINERS

115 words

23 October 1983

The New York Times

NYTF

Late City Final Edition

English

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Extortion Defense James Lewis wrote a letter to Johnson & Johnson demanding \$1 million in the **Tylenol** murder case last year, but he didn't really want the money, his attorney said last week. Mr. Lewis, who is on trial for extortion in Chicago but has not been implicated in the murders, contended he wrote the letter only to get even with his wife's former employer, a travel agent who paid workers off with bad checks before going out of business. His letter instructed the **Tylenol** manufacturer to deposit the money in a certain bank account, which, it developed, belonged to the travel agency.

photo of James Lewis

Document NYTF000020050512dfan009ma

The New York Times

Financial Desk; D
'HUMANIZING' CORPORATIONS

By PAMELA G. HOLLIE

709 words

21 October 1983

The New York Times

NYTF

Late City Final Edition

English

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When Procter & Gamble was accused of promoting Satanism, the company turned to its consumer center, which took more than 100,000 calls on the company's 800 number, to make its case. "It also helped us track how the rumor was going day by day and hour by hour," a company spokesman said. P. & G. later successfully sued several individuals for spreading the false rumor that the company's moon and stars trademark was a sign of loyalty to Satan.

Johnson & Johnson found a similar use for its consumer hot line during last year's panic associated with the deaths of seven Chicago-area consumers from cyanide-laced Extra-Strength **Tylenol** capsules. The company continues to operate a half-dozen consumer lines. "It is a way of humanizing the large corporation," said Jane Yates, a vice president for Johnson & Johnson Products Inc., the unit that makes Band-Aids and dental floss.

Soft-Drink Rivalry

Yesterday, Edward W. Frantel, president of Seven-Up, a unit of Philip Morris, announced that the nation's third-largest soft-drink company was also establishing a consumer phone center. But, almost before Seven-Up got its first call, the Coca-Cola Company, the industry's largest soft-drink maker, announced its toll-free, 800 consumer line, also effective immediately. Coke's number: 800-GET- COKE. Seven-Up's is 800-325-7272.

Seven-Up had hoped to get a jump on its major competitor by becoming the first in the industry to establish a consumer center. But, recognizing the public relations value of such consumer centers, Coca-Cola rushed its own version into service.

The competition underscored the outward eagerness with which consumer companies try to show that they care about those who buy their products. "If you're a consumer company, you have to answer to the consumer," said Mr. Frantel, who was in New York yesterday to open Seven-Up's consumer center. "I can't image anyone saying that's bad."

Like a growing number of consumer companies, Seven-Up and Coca-Cola are convinced that centers equipped with toll-free lines provide a marketing advantage. Not only do the lines provide information for market research, but according to Clairol Inc., which expects to take 500,000 calls this year, companies also are able to get "instant feedback."

Consumer Questions

Mr. Frantel said, "It's easy to make the assumption that everyone understands what you are doing." However, he added, the rapid changes in the \$35 billion soft-drink industry have raised a number of consumer questions.

Among those are the industry's use of caffeine; the trend toward sodium-free drinks; the use of a new sugar substitute called Nutrasweet, and the use of that substitute in combination with saccharin. Both saccharin, an artificial sweetener that has been found in tests to cause cancer in laboratory animals, and Nutrasweet, which includes an ingredient that may not be safe for every consumer, require health warnings.

Seven-Up's center will start with about 10 consultants working from 9 A.M. to 4 P.M. five days a week. It is a small operation compared with the 24-hour-a-day, 7-day-a-week operation at General Electric, which gets about 6,000 calls a day.

"One-third of the calls are pre-purchase, which of course excites our marketing people," said Powell Taylor, manager of G.E.'s Answer Center in Louisville, Ky.

"Mondays are the most difficult days," Mr. Taylor said, adding that generally about 700 calls come in between 11 A.M. and 3 P.M. Each of the 100 consultants are supported by a data base that provides answers to 500,000 questions. By monitoring the number of times a question is answered, the company can judge whether any of its 120 product lines is presenting problems.

In some cases, G.E. technicians provide guidance on maintenance or repairs over the telephone.

Such assistance has made consumer centers popular competitive services for the appliance companies. In 1981, the Whirlpool Corporation found that 70 percent of its calls were from consumers who wanted information on repairs.

photo of General Electric Answer Center in Louisville, Ky.

Document NYTF000020050512dfal008vw

The Washington Post

politics

Tylenol Letter Writer Denies Profit Motive

Kevin Klose

485 words

20 October 1983

The Washington Post

WP

English

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James W. Lewis, accused of attempting to extort \$1 million from the maker of Extra-Strength Tylenol after seven Chicago-area residents were killed last year by Tylenol capsules tainted with cyanide, never intended to profit from the tragedy, his attorney argued here today in U.S. District court.

In opening arguments after two days of jury selection in Lewis' trial, defense attorney Michael D. Monico conceded that Lewis "wrote the letter" to Johnson & Johnson, parent company of McNeil Consumer Products Co., which makes Tylenol.

The deaths last September and October caused a nationwide scare and led to a recall of the best-selling pain-relief medicine and all other Tylenol, subsequently made available in tamper-proof packaging.

The handwritten letter, read today to the 14 jurors and alternates, said that "if you want to stop the killing," payment must be made to the bank account of a defunct travel agency owned by Frederick Miller McCahey, a wealthy Chicagoan described in court as a member of the Miller brewing family.

U.S. Attorney Dan K. Webb set a 3-foot-high enlargement of the letter on an easel before the jury. After a few minutes, Monico silently removed the exhibit.

Monico said Lewis wrote the note because he harbored a grudge against McCahey. Lewis' wife, LeAnn, had worked at McCahey's travel agency and, after the agency went out of business, her final paycheck bounced, Monico said.

When LeAnn Lewis lost a pay appeal in a state hearing, McCahey "became a bigger and bigger enemy" in the couple's mind, Monico said. He said Lewis wanted to attract law-enforcement attention to his wife's former employer.

Despite a massive investigation that still keeps federal and local law officers busy, no one has been charged with the murders. Lewis, the only person facing any charges in connection with the Tylenol deaths, is not charged with the killings.

Assistant U.S. Attorney Cynthia Giacchetti told the jury that "extortion means to twist the victim. The hand of the extortionist is the hand of the author of this letter . . . , the defendant."

Lewis, 36, a gaunt man with thinning, dark-blond hair, sat impassively throughout the session. Jailed here under high bond since his arrest in New York last December, he also has been convicted of unrelated mail fraud charges in Kansas.

George Frazza, legal counsel for Johnson & Johnson, said the company had been ready to pay the \$1 million but did not do so on advice from the FBI. He said that the company had lost \$100 million because of the poisonings and its 35 percent share of the market dropped to about 9 percent after the poisonings.

He said there were about 250 reports of "copycat" incidents in the United States after the deaths. The poisonings prompted the drug industry to redesign medicine packaging to preclude tampering.

Document WP00000020201030dfak00a2a

The New York Times

National Desk; A

AROUND THE NATION; Arguments Open in Case Of Tylenol Extortion

AP

167 words

20 October 1983

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Oct. 19 -- The attorney for James Lewis acknowledged today that his client had written a letter demanding \$1 million to "stop the killing" of Chicago area residents by cyanide-laced Tylenol, but he denied that Mr. Lewis intended to carry out an extortion threat.

The lawyer, Michael Monico, told a Federal jury in his opening statement that Mr. Lewis had intended to expose a different crime. Mr. Monico said that this was the financial wrongdoing of the former employer of Mr. Lewis's wife.

He said the employer had written checks that were no good.

Mr. Lewis, 37 years old, is on trial for attempted extortion stemming from a letter received last fall by Johnson & Johnson, makers of Tylenol, demanding a \$1 million payment at the time of a wave of random killings with cyanide-laced Tylenol that left seven people dead.

No one has been charged in the Tylenol murders.

Document NYTF000020050512dfak008ob

The New York Times

National Desk; A

AROUND THE NATION; Trial Begins for Suspect In Tylenol Extortion

UPI

192 words

17 October 1983

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Oct. 16 -- James W. Lewis goes on trial Monday on charges of extortion linked to the deaths of seven people who died last fall after swallowing Extra-Strength Tylenol capsules tainted with cyanide. Investigators have said they have no motive and no suspects in the killings.

Mr. Lewis is said to have sent a letter to Johnson & Johnson, the parent company of the maker of the popular pain reliever, demanding \$1 million to "stop the killings."

After the letter to Johnson & Johnson and the subsequent publicity, Mr. Lewis wrote letters to The Chicago Tribune disclaiming any part in the poisonings. Prosecutors said Mr. Lewis was also suspected of mailing a death threat to President Reagan.

Mr. Lewis, held in the Metropolitan Correctional Center in \$5 million bond, was arrested in New York last December at a public library where he was copying the names and addresses of newspapers.

He pleaded not guilty to Federal extortion charges Dec. 29. He was sentenced in July to 10 years in prison for mail fraud.

photo of James Lewis

Document NYTF000020050512dfah007we

The New York Times

National Desk; A

AROUND THE NATION; Co-Tylenol Ruled Out As Cause of Man's Death

UPI

158 words

3 October 1983

The New York Times

NYTF

Late City Final Edition

English

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LEWISBURG, Pa., Oct. 2 -- A coroner's report ruled out a Co-Tylenol cold tablet as the cause of a 34-year-old man's death, and the police rescinded their request today that pharmacies statewide remove the product from their shelves.

"The coroner did rule out the Co-Tylenol," said Roger Rivera, an East Buffalo Township police officer.

"It was not the Co-Tylenol that killed him."

The police had feared that Randall Hummel, 34 years old, had died from a poisoned tablet. His death occurred one year after seven people died in the Chicago area from ingesting Tylenol capsules that were poisoned with cyanide.

Elsie Behmer, a spokesman for the McNeil Consumer Products Company of Fort Washington, Pa., the subsidiary of the Johnson & Johnson Company that makes Tylenol products, said: "It's virtually impossible to tamper with tablets."

Document NYTF000020050512dfa3004xp

Boots pain-relieving drug given approval in US

By CARLA RAPOPORT

521 words

20 August 1983

Financial Times

FTFT

Page 1

English

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BOOTS, the pharmaceutical and retailing group, has received interim approval to market its best-selling pain-reliever ibuprofen directly to US consumers.

The US Food and Drug Administration's arthritis committee unanimously recommended that Boot's well-established prescription pain-reliever should be sold, without a doctor's prescription in low-dosage levels.

This causes Boots and market analysts to expect final approval by the end of this year.

Boots will be breaking into the Dollars 1.3bn (Pounds 876m) US pain-reliever market with a totally new product, one which is protected by a US patent until May 1985.

The FDA committee said that ibuprofen, if fully-approved by the FDA, would become the first pain-reliever in more than 25 years to be made available directly to the consumer, joining aspirin and acetaminophen, the bases of Johnson and Johnson's **Tylenol** pain-killer.

American Home Products, the largest over-the-counter medicines company in the US, will market the lower-dose ibuprofen for Boots under a licensing agreement. Both Upjohn and Boots sell ibuprofen to the US ethical drug market.

American Home said it intends to spend Dollars 50m in the first year to promote the product to consumers. Some Wall Street analysts predict that the product could well capture Dollars 250m in sales in a few years.

Boots says it would not be unhappy with 10 per cent of the US market in its first year. It claims ibuprofen is superior to aspirin and paracetamol.

Backed by its experience of selling the product world-wide for 14 years,

Boots says ibuprofen will not cause gastric upsets as aspirin does in some cases. It also has anti-inflammatory properties which paracetamol does not.

Further, ibuprofen's toxicity level is unusually low for a product of its kind.

Mr Terry Steel of Boots said yesterday: 'When you can say it's new, new, new and when it's backed by a lot of promotion, you can be sure that Americans will take to it.'

The British Government last month approved non-prescription sales of ibuprofen. Last week Boots launched Nurofen, consisting entirely of ibuprofen. The patent for ibuprofen in the UK however, has expired, and competitors have stepped in with rival products made from ibuprofen.

Boots intend to make the pills for the US market in Nottingham and to send them to the US for packaging. James Capel, London stockbrokers, estimate that royalties from US sales could add Pounds 10m to Boots's pre-tax profits in 1984-85 if the product is launched early next year.

Other analysts are less confident. Ian White, pharmaceuticals analyst at W. Greenwell, London stockbrokers, says the product's new status represents 'one of the most significant launches for Boots in years but not necessarily in profit terms.'

He and others cite the fiercely-competitive pain-killer market in both the UK and the US as a major hurdle for Boots. Over-the-counter medicines often produce lower profit margins than prescription medicines. Boot's share price closed at 173p yesterday, up 9p.

Document FTFT000020070505df8k028hu

The New York Times

Financial Desk; D

ADVERTISING; Bristol-Myers Plans Big Coupon Campaign

By Philip H. Dougherty

198 words

11 August 1983

The New York Times

NYTF

Late City Final Edition

English

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Bristol-Myers is going to dump 43 million cents-off coupons into the homes of America on behalf of Extra Strength Datril which, if cashed, would cost it \$64.5 million.

The drop will be accomplished via a full-page ad in John Blair Marketing's Sunday newspaper insert on Aug. 21.

The coupon will be for \$1.50 and, since the retail price on some of Datril's 24 or 30 tablet or capsule bottles are about that price, coupon users will be getting freebies.

According to A. C. Nielsen, which keeps track of such things, the redemption rate of coupons carried in Sunday inserts is 4.6 percent. That would bring down Datril's cost to about \$3 million. But the high face value is certain to pull up the redemption rate.

The great giveaway is part of Bristol-Myers's attempt to get a decent size piece of the non-aspirin pain reliever pie, most of which belongs to Johnson & Johnson's **Tylenol**.

The ad was created by Kenyon & Eckhardt and placed by Bristol- Myers's in-house operation.

Document NYTF000020050511df8b01dmq

JOHNSON & JOHNSON UNIT HAVING TROUBLE WITH 24-TABLET BOTTLES

175 words

9 June 1983

The Wall Street Journal

J

English

(Copyright (c) 1983, Dow Jones & Co., Inc.)

MCNEIL CO., THE JOHNSON & JOHNSON SUBSIDIARY THAT MAKES **TYLENOL**, VOLUNTARILY SUSPENDED THE SHIPMENT AND MANUFACTURE OF 24-TABLET BOTTLES OF THE PAIN RELIEVER BECAUSE THEY MIGHTN'T BE SUFFICIENTLY CHILD-PROOF.

THE ACTION WAS TAKEN AFTER THE CONSUMER PRODUCT SAFETY COMMISSION SAID RECENT TESTS SHOW THAT TAMPER-RESISTANT PACKAGING INTRODUCED IN THE WAKE OF LAST YEAR'S **TYLENOL** POISONINGS MAY MAKE IT EASIER FOR CHILDREN TO OPEN SOME OVER-THE-COUNTER DRUGS.

MCNEIL ALSO SUSPENDED THE SHIPMENT AND MANUFACTURE OF 24-TABLET BOTTLES OF SINEAID, A SINUS MEDICATION.

MCNEIL OFFICIALS TOLD THE COMMISSION THEY WILL MODIFY THE CAP ON BOTH BOTTLES TO MAKE THEM CHILD-RESISTANT.

IN NEW BRUNSWICK, N.J., A SPOKESMAN FOR JOHNSON & JOHNSON SAID THE COMPANY WILL CORRECT WHAT "APPEARS TO BE A RELATIVELY MINOR PROBLEM" WITH THE PACKAGING OF THE 24-TABLET-SIZE BOTTLES. THE SPOKESMAN SAID THE SIZE ACCOUNTS FOR ABOUT 4% OF ALL **TYLENOL** SALES. THE COMPANY HASN'T ANY PLANS TO RECALL THOSE BOTTLES CURRENTLY AVAILABLE

Document j000000020020326df6901f47

The New York Times

Financial Desk; 1

ANNUAL REPORTS: MORE CANDOR

1,091 words

30 April 1983

The New York Times

NYTF

Late City Final Edition

English

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When it comes to delivering bad news, annual reports are usually a tribute to the art of understatement. For years, muted colors, small type and oblique references to hard times have been relied on to play down corporate misfortune.

But Johnson & Johnson's 1982 annual report breaks the rule. In the upper right-hand corner of the report's beige cover, a square cutout reveals a color photograph of the company's new **Tylenol** bottle, complete with a tamper-resistant seal. Its caption reads: "An Eventful Year."

Observers of such things, such as Mark Appleman, publisher of The Corporate Shareholder newsletter, give Johnson & Johnson high marks for dealing with the **Tylenol** poisonings so candidly. "A number of companies have followed suit this year," he said, "finally realizing that, if they are upfront about their troubles, they will at least get credit for forthrightness."

Mr. Appleman theorizes that, because 1982 was a poor year for so many companies, particularly in their sales results, many are willing to be open about their performance and look ahead to brighter days. But more than a few neglected to mention some of the year's unpleasant happenings. Emphasis on Candor

For Johnson & Johnson, however, the cover of its annual report was simply a continuation of the company's emphasis on candor throughout the **Tylenol** crisis. "We knew that when people opened up the envelope, they would be thinking about **Tylenol**," said F. Robert Kniffin, the company's director of public relations and one of the designers of the report.

The idea, he said, was to lead readers to the next page, where the new **Tylenol** bottle was shown as part of a mosaic of photographs about the company's activities. "On that page, we told everyone that **Tylenol** was a profound tragedy but only one event in a year of significant accomplishments," Mr. Kniffin said.

Warner Communications also had an eventful year, but only some of the events are recounted in its glossy, 100-page annual report. In a letter to stockholders, Steven J. Ross, Warner's chairman and chief executive officer, described in some detail the problems with the company's Atari unit, problems that sent Warner's stock price plummeting in the fourth quarter. Mr. Ross even braced shareholders for the year ahead, warning that, because of increased competition in the video game industry and an oversupply of game cartridges for Atari machines made by the company, "earnings in 1983 will be below those of 1982."

Nonetheless, Warner did not mention the conviction last year of one of its top officers in a stock-fraud case arising from Warner's dealings with the now-defunct Westchester Premier Theater. Another officer pleaded guilty in 1981. Nor was there mention made of the possible role of Mr. Ross, who was not indicted but became the absent star of the trial when witnesses said he was involved. Federal prosecutors and the Securities and Exchange Commission are still investigating.

For shareholders to get the details of this and several stockholder suits, or to learn that the S.E.C. was investigating potential insider trading by Warner officers, they would have had to study the 10-K filing the company submitted to the agency. Asked why those details were not in the annual report, a Warner spokesman responded, "We did not think it was relevant to the operations of the company."

Similar reticence was exercised by the Procter & Gamble Company. It lost two suits last year brought in connection with the company's ill-fated Rely tampons, which were linked to toxic shock syndrome in 1981 and withdrawn from the market.

In one case, currently under appeal, a plaintiff was awarded \$300,000. In another, no damages were awarded but the plaintiff and the company reached an out-of-court settlement for an undisclosed sum before either side's appeals were heard.

This year's report devotes two sentences to those events, noting that the lawsuits came to trial but not mentioning the findings of negligence against the company. Shareholders are referred to a separate pamphlet mailed to them last June. "We don't want to dwell on the past, but look to the future," said Linda Ulrey, public relations manager for the company.

In contrast, readers of A.H. Robins's annual report learn a fair amount about the thousands of pending suits related to the Dalkon Shield, an intrauterine contraceptive device Robins pulled off the market in 1974.

The report states that expenses related to the company's defense came to more than \$7 million last year. In total, the company and its insurer have paid out \$130 million to settle 5,100 claims. "We feel an obligation to keep the stockholders abreast of the situation from year to year," said Roscoe E. Puckett Jr., manager of public information and one of the writers of the report.

The Manville Corporation, which filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Act last year, faced one of the greatest challenges in framing its annual report. Its report is printed in a very modest black and white, with no pictures or graphs.

Nonetheless, Manville wanted to make the point that it had entered bankruptcy proceedings as a legal technique to work out a plan for handling thousands of lawsuits from victims and relatives of those who contracted asbestosis, a disease linked to the asbestos products the company manufactures. The cover of the report notes that 1982 was a year "of significant challenges and accomplishments," one of which it says was the bankruptcy filing "to deal equitably with creditors and claimants."

"The following discussion of capital resources and liquidity," the company continues later in the report, "presents a somewhat unusual position of availability of funds compared to that normally associated with many bankruptcy filings."

Mr. Appleman sees that as artful wording. "Manville had to spend a lot of time, I bet, figuring out how to tell shareholders, 'We are not really bankrupt, but we have to appear to be,' " he said.

Nothing induces candor, however, like a good year. Consider the report of Marshall & Illsley, a bank holding company based in Milwaukee. The chairman, J.A. Puelicher, reduced his reflections to three sentences:

"Your company had a very good year in 1982. Some of it was due to luck; some of it was due to good planning and management. We hope you enjoy the numbers and the pictures."

Illustrations: photo of Manville 1982 Annual Report

Document NYTF000020050511df4u00qzn

STERLING DRUG CHALLENGES **TYLENOL** WITH PANADOL BRAND

328 words

29 April 1983

The Wall Street Journal

J

English

(Copyright (c) 1983, Dow Jones & Co., Inc.)

NEW YORK--IT'S BEEN A TOUGH EIGHT YEARS FOR STERLING DRUG INC. AND ITS BAYER ASPIRIN.

IN 1975, JOHNSON & JOHNSON OPENED THE ADVERTISING CAMPAIGN THAT EVENTUALLY CONVERTED MILLIONS OF ASPIRIN USERS TO **TYLENOL**. THE CAMPAIGN TOUTED **TYLENOL**'S SOLE INGREDIENT, ACETAMINOPHEN, AS THE SAFE ALTERNATIVE TO ASPIRIN.

BUT STERLING MARKETERS REPEATEDLY DECIDED AGAINST INTRODUCING THEIR TOP-SELLING OVERSEAS BRAND OF ACETAMINOPHEN TO COUNTER THE **TYLENOL** INCURSIONS. THEY STRUGGLED TO PROTECT BAYER BY BOLSTERING ASPIRIN'S IMAGE.

THIS WEEK THE STRATEGY SHIFTS. THE PANADOL DISCOVERY, STERLING'S U.S. INTRODUCTION OF THE ACETAMINOPHEN BRAND IT HAS SOLD OVERSEAS FOR 25 YEARS, IS PART OF AN UNUSUAL \$100 MILLION CAMPAIGN THAT SEEKS TO REVERSE YEARS OF OVERCAUTIOUS MARKETING.

TYLENOL HAS WON BACK MOST OF THE 35% SHARE IT HELD IN THE ANALGESICS MARKET BEFORE THE OCTOBER 1982 DEATHS OF SEVEN PERSONS WHO TOOK CYANIDE-LACED CAPSULES OF THE BRAND.

THE PANADOL PITCH AIMS AT THE HEART OF THE **TYLENOL** MARKET, WOMEN AGED 18 TO 40, FREQUENT USERS WHO SEEK BOTH STRENGTH AND GENTLENESS, DOCTORS WHO RECOMMEND **TYLENOL**, AND HISPANICS.

WITH WORLDWIDE SALES SURPASSING \$100 MILLION ANNUALLY, PANADOL ENTERS THE \$1.3 BILLION U.S. MARKET WITH A FLOURISH AND FANFARE THAT ARE UNCHARACTERISTIC OF THE STAID STERLING. THE PUSH STARTS THIS WEEK WITH \$15 MILLION FOR 20 WEEKS OF TV ADS THAT ARE EXPECTED TO REACH 98% OF THE VIEWERS SOME 49 TIMES.

ADS DON'T MENTION **TYLENOL** OR THE BUZZ-PHRASE, ASPIRIN-FREE, BECAUSE CONSUMER SURVEYS SHOW THAT SIMPLY STATING THAT IT WON'T UPSET THE STOMACH IS ENOUGH.

WHILE BRISTOL-MYERS CO.'S DATRIL AND AMERICAN HOME PRODUCTS CORP.'S ANACIN-3 STEPPED UP AGGRESSIVE ADVERTISING IN THE MONTHS FOLLOWING THE OCTOBER POISONINGS, STERLING STUCK TO ITS SCHEDULE FOR INTRODUCING PANADOL IN APRIL. THAT PUTS IT AT A DISADVANTAGE. ANACIN-3, FROM A MARKET SHARE OF 1% OR LESS BEFORE THE POISONING, NOW CONTROLS ABOUT 5% OF THE MARKET.

Document j000000020020326df4t01f6c

Johnson and Johnson hit by drug recall

By PAUL TAYLOR

175 words

29 April 1983

Financial Times

FTFT

Page 20

English

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JOHNSON and Johnson, the leading US pharmaceutical group, said yesterday that its decision to withdraw its Zomax prescription pain killer from the market reduced net earnings by Dollars 20m in the first quarter. The company added that loss of sales of the drug will continue to depress 1983 earnings.

The impact of the Zomax withdrawal, the second serious blow to the company in the last six months, had been forecast by the company which last year was forced to recall its big-selling **Tylenol** capsules from the US market when seven residents in the Chicago area died after taking capsules laced with cyanide.

Johnson and Johnson withdrew Zomax last month after reports that five people had died after taking the drug. The US Food and Drug Administration is currently completing an evaluation of the drug, which had worldwide sales last year of about Dollars 82m.

The withdrawal of Zomax from the market accounted for almost all the drop in the company's first-quarter earnings.

Document FTFT000020070505df4t01m2q

MORE FIRMS USE '800' NUMBERS TO KEEP CUSTOMERS SATISFIED

560 words

7 April 1983

The Wall Street Journal

J

English

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THE LIST OF MARKETERS WITH "800" PHONE LINES FOR THEIR CUSTOMERS IS GROWING. THE TOLL-FREE SERVICES HAVE SPREAD RAPIDLY IN THE PAST YEAR.

"MAJOR COMPANIES, INCLUDING GE, HAVE BECOME SOMEWHAT FACELESS," SAYS POWELL TAYLOR, MANAGER OF GENERAL ELECTRIC CO.'S ANSWER CENTER, WHICH EXPECTS 1.5 MILLION CALLS THIS YEAR. "WE'RE TRYING TO PUT A FACE ON THE COMPANY."

ANSWERING A COMPLAINT OR INQUIRY COSTS ROUGHLY \$3 FOR A THREE-MINUTE PHONE CONVERSATION. OFTEN THAT'S MORE THAN THE COST OF THE PRODUCT ITSELF AND SEVERAL TIMES THE PROFIT THE MANUFACTURERS MAKES FROM THE SALE. THE PAYOFF COMES IN HAPPIER CUSTOMERS.

"COMPANIES NO LONGER ARE LOOKING AT COMPLAINTS AS JUST A NUISANCE," SAYS JOHN GOODMAN, PRESIDENT OF TECHNICAL ASSISTANCE RESEARCH PROGRAMS INC., A CUSTOMER-SERVICE CONSULTANT. GOODMAN'S STUDIES SHOW THAT ONLY ABOUT 4% OF DISSATISFIED CUSTOMERS COMPLAIN TO A MANUFACTURER. INSTEAD THEY USUALLY STOP BUYING THE PRODUCT AND ALSO BAD-MOUTH IT TO NINE OR 10 OTHER PEOPLE.

IN CONTRAST, COMPLAINTS THAT ARE RESOLVED QUICKLY LEAD TO REPEAT PURCHASES IN 95% OF THE CASES INVOLVING INEXPENSIVE ITEMS AND 82% OF THOSE INVOLVING PRODUCTS THAT COST AT LEAST \$100. GENERAL ELECTRIC SAYS ITS TYPICAL SATISFIED CALLER PASSES THE WORK TO FIVE OTHER PEOPLE WITHIN 10 DAYS.

THE TOLL-FREE LINES ALSO HELP PRODUCERS STAY CLOSER TO CONSUMERS. PROCTOR & GAMBLE LEARNED OF FAULTY BOTTLE CAPS THROUGH TELEPHONE COMPLAINTS, AND POLAROID HAS PICKED UP SEVERAL IDEAS FOR IMPROVEMENTS TO ITS CAMERAS AND FILM. JOHNSON & JOHNSON FOUND ITS 800 NUMBER USEFUL WHEN NEWS OF TOXIC-SHOCK SYNDROME HIT. LAST YEAR J&J ANSWERED MORE THAN 425,000 CALLS ABOUT **TYLENOL** POISONINGS.

HOT LINES ALSO REDUCE WARRANTY COSTS AS ROUTINE PROBLEMS ARE HANDLED BY PHONE. BUT ANSWERING A TELEPHONE CALL ALSO COSTS ONE-HALF TO ONE-THIRD AS MUCH AS RESPONDING TO A LETTER. COMPANIES THAT HAVE STARTED HOT LINES SAY THEIR VOLUME OF MAIL DOESN'T DROP, THOUGH. THE NET RESULT IS A SHARP INCREASE IN THE NUMBER OF CONTACTS COMPANIES HAVE WITH CONSUMERS. IN 1977, BEFORE IT STARTED PRINTING 800 NUMBERS ON ALL ITS PACKAGES, P&G HEARD FROM ABOUT 160,000 PEOPLE A YEAR. LAST YEAR THE COMPANY RECEIVED 300,000 LETTERS AND THE SAME NUMBER OF CALLS.

CUSTOMER-SERVICE SPECIALISTS SAY CONSUMERS MAY COME TO EXPECT TOLL-FREE COMPLAINT LINES; MARKETERS THAT DON'T OFFER THEM MAY BE AT A COMPETITIVE DISADVANTAGE. ALREADY ONE ADULT IN 11 HAS USED A TOLL-FREE NUMBER TO REGISTER A COMPLAINT, SAYS R. H. BRUSKIN ASSOCIATES, A MARKET-SURVEY COMPANY.

NOT ALL 800 LINES HAVE BEEN SUCCESSFUL. AMERICAN MOTORS SCRAPPED ITS IN 1977 AFTER FIVE YEARS. KELLOGG STOPPED TESTING A TOLL-FREE NUMBER ON SUGAR FROSTED FLAKES AFTER RECEIVING HUNDREDS OF CALLS FROM CHILDREN ASKING FOR TONY THE TIGER.

HOT LINE ALSO CAN BACKFIRE IF POORLY PLANNED. CALLERS BECOME IRRITATED WITH BUSY SIGNALS, LONG WAITS ON HOLD OR OPERATORS WHO CAN'T ANSWER ROUTINE QUESTIONS. TO AVOID SUCH PROBLEMS, MANY COMPANIES ARE TESTING LINES CAREFULLY AND PHASING THEM IN

SLOWLY. TRAINING ALSO IS IMPORTANT. CLAIROL GIVES ITS TELEPHONE REPRESENTATIVES 50 HOURS OF CLASSROOM INSTRUCTION. GE USES TECHNIQUES BORROWED FROM DISNEY WORLD TO TEACH EMPLOYEES TO DEAL WITH THE PUBLIC; ANSWERS TO QUESTIONS ABOUT GE'S 8,500 PRODUCTS COME FROM COMPUTER TERMINALS STOCKED WITH 500,000 PIECES OF DATA.

Document j000000020020326df4701asr

The New York Times

Financial Desk; D

ADVERTISING; Datril Takes Aim Again At Nonaspirin Market

By Philip H. Dougherty

293 words

16 March 1983

The New York Times

NYTF

Late City Final Edition

English

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Commercials last night on network TV marked the beginning of Datril's second attempt to take away a big piece of the nonaspirin pain reliever market from Johnson & Johnson's **Tylenol**, which Datril said has about a 95 percent share.

And Bristol-Myers, maker of Datril, thinks it knows how to do it - by pricing.

It worked in test markets soon after Johnson & Johnson, which previously had only advertised **Tylenol** to physicians, began its promotion to the public in 1974. But when Datril tried to take its cheaper-product concept national, Johnson & Johnson dropped the price on **Tylenol** and Datril lost the advantage, according to D. John Loden, director of marketing for analgesics at Bristol-Myers. Mr. Loden does not believe Johnson & Johnson will pull that this time as Extra Strength Datril challenges Extra Strength **Tylenol**.

Datril must have been whipped pretty badly because it did not mount a major ad program for four years, until last December, when it came back fairly strongly when its competitor was having its tampering troubles. Now it is going to spend \$1.5 million on network TV in two weeks and then another \$1.5 million in the next four.

Friday it will break an almost separate "educational" campaign in six major markets. It will feature full-page newspaper ads with a coupon offer of a booklet to explain acetaminophen, the active ingredient in both products. Once people realize that the same amount of the drug is available in both and that Extra Strength Datril sells at from 25 percent to 45 percent less, then greater numbers of them should try Datril. Or so Bristol-Myers believes.

Document NYTF000020050511df3g00fvq

The New York Times

Financial Desk; D

STERLING TO TRY AGAIN WITH A NONASPIRIN DRUG

By PAMELA G. HOLLIE

888 words

14 March 1983

The New York Times

NYTF

Late City Final Edition

English

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For Sterling Drug Inc., the makers of Bayer aspirin, the recall of Johnson & Johnson's **Tylenol** last September presented an unexpected opportunity. Sterling had for years been trying unsuccessfully to break **Tylenol**'s grip on the pain reliever market, and this sudden moment of vulnerability must have seemed just the right time for Sterling to try again.

It was also an opportunity for the company to gain a foothold in the aspirin-free pain reliever market, something it has been refusing to attempt in recent years despite a decline in demand for aspirin products.

Accordingly, analysts say, Sterling decided to introduce its Panadol drug, a nonaspirin pain reliever sold only overseas for the past 25 years, into the United States next month. "This marks a significant change in company strategy," said David Crossen, an analyst at Smith Barney.

Typically, Sterling's chairman, W. Clark Wescoe, a physician, would not comment on the introduction of Panadol. And Walter C. Camas, president of Glenbrook Laboratories, the drug division of Sterling, would say only that the addition of Panadol to the company's line "will provide the right over-the-counter pain reliever for almost every need." Large Promotion Planned

But the company has allocated \$100 million for the promotion of Panadol, its largest such budget ever, and it clearly hopes to make more than a ripple. In particular, analysts say, Sterling's target is **Tylenol**.

There is a catch, however. **Tylenol**, in the six months since seven people died from ingesting capsules that were laced with cyanide after having left the plant, has already recovered most of its market. Thus, analysts say, the Panadol strategy may be an example of Sterling's coming up with too little, too late.

In 1978, Sterling tried to compete with **Tylenol** directly by introducing an aspirin-free Bayer. But the product failed to take hold against its more heavily promoted competitors, Bristol-Myers' Datril, American Home Products' Anacin 3, and, of course, **Tylenol**, the market leader, which had been introduced three years before. As it turned out, the nonaspirin Bayer, which had become known throughout the industry as the "nonproduct Bayer," had to be withdrawn six months later. Direct Challenge

Next, having failed with its nonaspirin product, Sterling redoubled its efforts to push its aspirin products. Once again, the target was **Tylenol**, and this time the campaign took the form of a direct challenge to **Tylenol**'s advertising claims.

When the ads seemed to suggest that doctors recommended **Tylenol**, Sterling responded with ads reading: "Makers of **Tylenol**, shame on you!" The ads contended that doctors do not recommend products by name but simply say, "Take an aspirin." **Tylenol** is not aspirin, the ads observed, and Bayer is.

The Bayer ads further attacked the aspirin-free ingredient in **Tylenol**, acetaminophen, as a potentially harmful chemical that "leading experts have expressed great concern about."

In the industry, many believed that the Sterling ads backfired and only served to reinforce **Tylenol**, which later grew to a \$400 million profit center for Johnson & Johnson. In addition, analysts say, the ads left the impression that Sterling was pro-aspirin and antiacetaminophen, despite the fact that Sterling also made acetaminophen drugs like Panadol, which is 100 percent acetaminophen.

Indeed, had Sterling not taken a stand against the nonaspirin drugs, analysts believe, it might have been able to move more quickly into the nonaspirin market in the United States. "They probably should have gotten into acetaminophen years ago," said Kent Blair, an analyst at Donaldson, Lufkin. "But, the reason was that Sterling is aspirin."

From the look of Sterling's Panadol ads, the company appears to be taking a conservative approach in bringing the drug to the United States. The Panadol ads are straight-forward, without references to competitors. The ads are also careful not to oversell Panadol. In the past, Sterling has been warned by the Federal Trade Commission against promising consumers too much. Share of Market

The nonaspirin pain relievers, originally available only by prescription to people allergic to aspirin, have been sold over the counter for 10 years. In recent years, their share of the overall market has been growing and is now more than a third the size of aspirin's.

Bayer aspirin is Sterling's best-known drug. It also provides the bulk of the company's \$230 million in annual domestic proprietary product sales. Total sales from Sterling's six divisions amount to \$1.8 billion.

"Sterling was possibly too loyal to Bayer," said Joseph Riccardo, an analyst at Bear Sterns. As the market shifted toward nonaspirin products, Sterling remained committed to Bayer, a product name the company acquired after the German concern Bayer A.G. lost the right to use it in the United States after World War I.

But recently, Sterling's loyalty to aspirin has apparently begun to cost it sales. Drug sales were up just 4 percent in 1981, and last year, even with a new, coated Bayer aspirin, they were up even less, although the company hasn't made public the 1982 figures for its proprietary drug division. As a whole, Sterling has announced that it had zero growth for all of 1982.

Illustrations: photo of Panadol graph of aspirin and nonaspirin market

Document NYTF000020050511df3e00fgt

The New York Times

Financial Desk; D
JOHNSON & JOHNSON: NEW WOE

By PAMELA G. HOLLIE
829 words
9 March 1983
The New York Times
NYTF
Late City Final Edition
English

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At about 1 P.M. last Friday, the chairman and president of Johnson & Johnson were meeting at the company's headquarters in New Brunswick, N.J., to watch a tape of a television interview shown the night before. In it a Syracuse doctor described his severe reaction to the company's prescription pain reliever Zomax.

As they met, the stock market was apparently having its reaction. At 1:17 P.M., when the share price had fallen by \$2.25, the New York Stock Exchange halted trading. Later that day the company issued a statement: Of 15 million users, 1,100 had experienced side-effects and five had died. It also announced a recall that will cost \$20 million in after-tax earnings this year.

For Johnson & Johnson, it was all too familiar. Last fall, news that poisoned **Tylenol** capsules had killed seven people in the Chicago area also battered the company's stock and forced a recall, at a cost of \$100 million. Those deaths were linked to the poisoning of the capsules on store shelves. The company had just started to recover with aggressive promotion and new packaging.

But the problem with Zomax -which like **Tylenol** is made by Johnson & Johnson's McNeil Pharmaceutical unit - may be more difficult to solve. Two of the five deaths are directly attributable to the use of Zomax. And even though these deaths may be the result of misuse, the incidence of adverse reactions is above normal, according to Christopher Smith, a spokesman at the Food and Drug Administration.

Because the deaths raise a question about the safety of Zomax, it is possible it may not be reintroduced, particularly if doctors lose confidence in it.

Zomax had a number of competitors, including UpJohn & Company's Motrin, which has the lion's share of the market; Merck & Company's Clindril, and the Syntex Corporation's Annaprox. Johnson & Johnson itself is awaiting F.D.A. approval of a drug called Suprofen, which is chemically related to Zomax. Until discussions with the F.D.A. over labeling are completed, a spokesman for Johnson & Johnson said, the company could not say when Zomax would return to the market.

In the meantime, the company is spending \$40 million to buy back supplies of Zomax from pharmacies, hospitals and patients. The company said that containers with less than six months left on the expiration date would be destroyed. Mailgrams and letters are also going out to doctors, dentists and retail outlets where the drug is available. And for consumers who have questions, McNeil opened a special telephone line last Friday. The Strength of Morphine

The problems with Zomax are a grave disappointment for Johnson & Johnson. It had promoted the drug as one of the best developed by McNeil in the last decade. Introduced in November 1980, Zomax offered the pain-relieving strength of morphine without being addictive.

True to predictions, last year Zomax - the chemical zemetpirac sodium, a nonsteroidal anti-inflammatory agent - had sales of \$83 million worldwide, \$60 million of that in the United States. In 1982, when Johnson & Johnson's basic business earned \$2.54 a share, **Tylenol** lost 12 cents and Zomax added 10 cents. But now, Joseph Riccardo of Bear, Stearns & Company, estimates that Zomax will cost Johnson & Johnson 10 cents a share in 1983.

Most analysts believe that the company's quick action on Zomax kept the stock from dropping further. It fell to \$45 a share last Friday. After the **Tylenol** scare, it had dropped to \$39. But as **Tylenol** recovered, the stock rose as high as \$51.

When trading was halted last Friday, company representatives began conferring with officials of the Food and Drug Administration almost immediately. And Johnson & Johnson wasted no time in getting out the first of two press releases, which explained that the company believed that the Syracuse interview had been the reason for the stock activity. After less than an hour and a half, trading in the stock had resumed. It closed yesterday at \$45.875, down 37.5 cents.

Some analysts suggest that the market overreacted to the news about Zomax and that Johnson & Johnson was forced to do more than was necessary to maintain its image and reassure its customers. "I think Johnson & Johnson took the most prudent approach to the problem by making the recall, but it was probably not necessary," Mr. Riccardo at Bear, Sterns said.

Though several analysts suggest that Johnson & Johnson will overcome the Zomax problem, others believe it will hurt the company. "There is something apparently wrong here," said David Saks, an analyst at A.G. Becker Inc. "It's one thing to have side-effects, but it's another thing to have a fatality."

Illustrations: graph of stock market reaction to Johnson & Johnson's troubles photo of Johnson & Johnson products

Document NYTF000020050511df3900een

Drug recall may cost Johnson Dollars 20m

By OUR NEW YORK CORRESPONDENT

391 words

8 March 1983

Financial Times

FTFT

Page 18

English

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JOHNSON & JOHNSON, the leading US pharmaceutical group, expects that product returns and expenses resulting from the decision temporarily to withdraw worldwide distribution of its prescription drug, Zomax, will reduce after-tax earnings by about Dollars 20m this year.

This is the second heavy blow to the group's earnings arising from a largescale product recall in the space of just over five months.

In October, Johnson & Johnson recalled its big-selling **Tylenol** capsules from the US market, after seven residents in the Chicago area died after taking capsules that had had been laced with cyanide. At the time, Johnson & Johnson said the probable cost of the recall would be around Dollars 100m.

Zomax is a less important product, although it has still been an important revenue earner with worldwide sales in 1982 of Dollars 82m. The group said yesterday that as well as the direct cost of the recall, the loss of sales revenue on the product would have an additional adverse impact on this year's earnings.

Johnson & Johnson earned wide-spread praise for its prompt reaction to the **Tylenol** tragedy. The capsules were tampered with outside the group's manufacturing facilities, and with the help of an aggressive marketing programme the group has already gone a long way towards re-establishing the product's leading market position.

The Zomax case is quite different, in that the product has been linked with serious and in some cases fatal side effects. The group's sales in 1982 amounted to Dollars 5.8bn, and its net income after tax came to Dollars 523.4m, before an extraordinary charge of Dollars 50m after tax stemming from the **Tylenol** withdrawal.

Johnson & Johnson's shares had been performing strongly in recent weeks, but this second blow to earnings has sent them sharply lower in the past few days. They were trading in the early afternoon yesterday at Dollars 45 5/8, compared with Dollars 50 1/4 last Thursday.

Carla Rapoport writes from London: Ortho-Cliag, a Johnson & Johnson subsidiary in the UK, said yesterday that it had agreed with the UK Department of Health and Social Services to withdraw Zomax from the British market. British sales are believed to be worth about Pounds 2m (Dollars 3m).

Document FTFT000020070505df3801s0n

The Washington Post

politics

Johnson & Johnson Removes Another Drug After Deaths

Cristine Russell

626 words

5 March 1983

The Washington Post

WP

English

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Following reports of five deaths from allergic reactions to the popular prescription painkiller Zomax, its manufacturer, Johnson & Johnson Products Inc., said yesterday that it was "temporarily withdrawing" the drug from the market.

Spokesmen for the company and the Food and Drug Administration said the action was taken voluntarily, and not at the government's urging, until stronger warning labels can be completed for physicians who prescribe the drug.

Johnson & Johnson had been struggling, with surprising success, to regain public confidence in its products since last fall, when it temporarily pulled its over-the-counter **Tylenol** capsules off the shelves because of product-tampering that killed seven people in the Chicago area. **Tylenol** capsules were recently reintroduced in tamper-proof packaging.

The effect of the Zomax publicity on the New Brunswick, N.J., company is uncertain, but one government source suggested that yesterday's quick decision to pull the drug off the market temporarily was taken because of "sensitivity over the lingering **Tylenol** problem."

In a pattern similar to that used with **Tylenol**, Johnson & Johnson said, "We request that any consumer having Zomax return the drug to the drugstore." A spokesman said the company will reimburse pharmacists for repurchasing the drug from consumers.

Johnson & Johnson has been meeting with FDA officials to toughen the labeling on Zomax, which has been marketed since October, 1980. Since its introduction, Zomax has been prescribed to more than 15 million patients to relieve moderate to severe pain, the company said. Surveillance of side effects revealed about 1,100 allergic reactions, it added.

"The severity of these reactions has ranged from mild rash to anaphylaxis. This includes five deaths, two in patients known to be sensitive to aspirin," said company spokesman Robert Andrews. Anaphylaxis is a swift, life-threatening physical reaction that occurs when the body's defense system has an allergic overreaction to a substance.

FDA spokesman Christopher Smith said two of the people who died were from Massachusetts, and the other three were from North Dakota, Kansas and New York. He said he did not know their names or ages, but said the first death occurred a "little over a year ago."

Smith emphasized that the adverse effects were "rare. We think the problem can be solved with more adequate labeling to alert physicians about the problem." A spokesman for the Johnson & Johnson subsidiary that makes Zomax said that doctors and pharmacies should receive official notice of the withdrawal by Monday.

Zomax's label was changed earlier to strengthen the allergy warning, and the FDA's Smith said that company officials met as recently as last week to work on an update.

He noted that many other drugs, including penicillin, may produce severe allergic responses, but added that the FDA was concerned about "how widely this drug has been prescribed," for everything from "menstrual cramps to severe headaches."

It is popular, he said, because it offers an alternative to drugs with codeine, such as prescription **Tylenol**, which have the potential for addiction.

Yesterday's decision to pull Zomax off the market for the time being followed a stock market scramble in which Johnson & Johnson's stock dropped in the early afternoon, when trading in the issue on the New York Stock Exchange was halted temporarily. The stock closed at \$48, down \$2.25 for the day. In markets elsewhere, it went as low as \$45.

The activity apparently came in response to rumors about problems with Zomax after a broadcast Thursday night by a Syracuse, N.Y., television station about the five deaths.

Zomax is produced by McNeil Pharmaceutical, a Johnson & Johnson subsidiary in Spring House, Pa.

Tylenol is produced by another subsidiary, McNeil Consumer Products, in Fort Washington, Pa.

Document WP00000020201028df3500pi6

The New York Times

National Desk; A

AROUND THE NATION; Jersey Man Sentenced In Tylenol Extortion Case

Reuter

158 words

1 March 1983

The New York Times

NYTF

Late City Final Edition

English

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NEWARK, Feb 28 -- Vernon Williams Jr., of East Orange, was sentenced today to a two-year prison term for mail fraud for attempting to extort \$100,000 from the manufacturer of Tylenol by threatening to put cyanide in the medicine.

Federal District Judge Dickenson Debevoise handed down the sentence.

"I was under a lot of pressure and needed money," Mr. Williams told the judge when he pleaded guilty on Jan. 19. Mr. Williams, who is 34 years old and unemployed, was convicted of writing an extortion letter to Johnson and Johnson last October.

Federal Bureau of Investigation agents were led to Mr. Williams by his two young sons, who thought they were picking up the extortion money.

Mr. Williams said he devised the scheme after seeing news reports about seven Chicago-area people who died after taking Extra-Strength Tylenol capsules that contained cyanide.

Document NYTF000020050511df3100cjy

The New York Times

Financial Desk; D

JOHNSON & JOHNSON HAS 10.5% NET DROP

By PHILLIP H. WIGGINS

666 words

17 February 1983

The New York Times

NYTF

Late City Final Edition

English

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Johnson & Johnson, reflecting the effects of the **Tylenol** recall and its attempt to return the product to the market, reported yesterday that its net income in the fourth fiscal quarter dropped 10.5 percent.

The New Brunswick, N.J., health-care company said that net income in the latest three months ended Jan. 2 fell to \$79.4 million, or 42 cents a share, from \$88.7 million, or 48 cents a share, in the fourth quarter of 1981. Sales were a scant seven-tenths of 1 percent lower, at \$1.38 billion, compared with \$1.39 billion in the 1981 three months.

Although Johnson & Johnson did not detail how **Tylenol** recovery costs sults, analysts said that for the period a decline of more than \$25 million in domestic earnings was due to **Tylenol**.

For all of the fiscal year 1982, Johnson & Johnson reported earnings of \$473.4 million, or \$2.52 a share, up 1.2 percent, from \$467.6 million, or \$2.51 a share, in the preceding 12 months. Sales rose 6.7 percent, to \$5.76 billion, from \$5.40 billion.

Johnson & Johnson said that it incurred an extraordinary after-tax charge of \$50 million, or 27 cents a share, stemming from the withdrawal of **Tylenol** capsule products last fall following seven deaths attributed to poisoned Extra-Strength **Tylenol** capsules. Hewlett-Packard

The Hewlett-Packard Company, the nation's largest producer of electronic test and measurement instruments and a major manufacturer of minicomputers, reported yesterday that net income in its first fiscal quarter of 1983 ended Jan. 31 rose 16.4 percent, to \$85 million, or 67 cents a share, from \$73 million, or 59 cents a share, in the corresponding quarter a year earlier. Sales rose 13.2 percent, to \$1.06 billion, from \$936 million.

"First-quarter results reflect no significant improvement in the overall business climate in the United States and in other countries where Hewlett-Packard does much of its business," said John A. Young, the Palo Alto, Calif., company's president and chief executive officer. "Our order growth over the first quarter of 1982 was quite modest."

He said, however that, despite the continued gloomy economy, all four of Hewlett's business segments showed increases in orders for the first quarter. The computer products segment - formerly called electronic data products - was up 5 percent, electronic test and measurement rose 8 percent, medical electronic equipment notched a 20 percent gain, and analytical instrumentation ended up 6 percent higher. Eaton Corp.

The Eaton Corporation, a major producer of truck and automobile parts, reported yesterday that it had a loss of \$227.4 million in the fourth quarter in contrast to earnings of \$20.3 million, or 74 cents a share, in the corresponding quarter a year earlier. Sales fell 16.7 percent, to \$569.8 million, from \$684 million.

For the full year, the Cleveland-based company said that it had a deficit of \$189.6 million, in contrast to earnings of \$82.4 million in 1981. Sales dropped 13.7 percent, to \$2.45 billion, from \$2.84 billion.

"Throughout 1982, virtually all of Eaton's markets weakened dramatically," said E.M. de Windt, the company's chairman and chief executive. "Vehicle components markets experienced new lows during the second half, and the capital goods markets continued to stagnate. The single source of strength was a robust electronics business, which increased in volume by 50 percent.

Eaton's financial results were also significantly affected by the action the company took on Jan. 26, 1983, regarding restructuring of the corporation.

The loss for the year, Eaton's first since 1933, resulted from an aftertax provision of \$199.8 million, or \$7.07 a share, for the discontinuance of the company's Materials Handling Vehicles segment, and for costs associated with the closing of several plants in Eaton's continuing operations.

Document NYTF000020050511df2h009xm

The New York Times

Financial Desk; 4

JOHNSON & JOHNSON INC reports earnings for Qtr to Jan 2

128 words

17 February 1983

The New York Times

NYTF

Late City Final Edition

English

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*3*** COMPANY REPORTS **

*3*JOHNSON & JOHNSON INC

Qtr to Jan 2 1983 1982

Sales	\$1,381,800,000	\$1,390,800,000
Net income	79,400,000	88,700,000
Shr earns	.42	.48
Yr sales	5,760,900,000	5,399,000,000
Net income	B473,400,000	467,600,000
Shr earns	2.52	2.51

B-After an extraordinary charge of \$50 million from costs associated with the withdrawal of **Tylenol** capsules; the company adopted late in 1981 F.A.S.B. No 52 which replaced F.A.S.B. No 8 in accounting for foreign currency translation and that quarterly results for 1981 were restated to reflect this change

Document NYTF000020050511df2h009u8

JOHNSON & JOHNSON 4TH QUARTER NET 42C A SHARE VS. 48C

179 words

16 February 1983

Dow Jones News Service

DJ

English

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NET \$79.4 MILLION VS \$88.7 MILLION. SALES \$1 381 800 000 VS \$1 390 800 000.

THE EFFECTS OF THE **TYLENOL** CAPSULE-TAMPERING INCIDENT HURT **TYLENOL** SALES AND OVERALL COMPANY EARNINGS IN THE QUARTER, THE COMPANY SAID.

JOHNSON & JOHNSON PREVIOUSLY HAD TOOK AN EXTRAORDINARY, AFTER-TAX CHARGE OF ABOUT \$50 MILLION, OR 27 CENTS A SHARE, IN THE THIRD QUARTER TO REFLECT WITHDRAWAL OF **TYLENOL** CAPSULE PRODUCTS.

FOR THE FULL YEAR, EARNINGS BEFORE THE EXTRAORDINARY CHARGE ROSE 12% TO \$523.4 MILLION, OR \$2.79 A SHARE, ON \$5.76 BILLION IN SALES. AFTER THE EXTRAORDINARY CHARGE, NET INCOME WAS \$473.4 MILLION, OR \$2.52 A SHARE. A YEAR EARLIER, NET INCOME WAS \$467.6 MILLION, OR \$2.51 A SHARE, ON \$5.4 BILLION IN SALES.

"EARNINGS WOULD HAVE BEEN IN LINE WITH HISTORIC GROWTH RATES EXCEPT FOR THIS EXTRAORDINARY CHARGE COMBINED WITH THE ADDITIONAL ADVERSE EFFECTS ON SALES AND EARNINGS OF **TYLENOL** IN THE FOURTH QUARTER," THE COMPANY SAID.

10 59 AM

Document dj00000020011125df2g03660

PAIN 'RELIEVERS' NEW PACKAGES A BIG PAIN FOR MANY TO OPEN

315 words

10 February 1983

The Wall Street Journal

J

English

(Copyright (c) 1983, Dow Jones & Co., Inc.)

NEW YORK--AFTER THE DEATHS FROM EXTRA-STRENGTH **TYLENOL** CAPSULES LACED WITH CYANIDE, DRUG MAKERS RUSHED TO MARKET WITH "TAMPER-RESISTANT" PACKAGES.

FOR SOME ARTHRITIS SUFFERERS, PARTICULARLY THE ELDERLY, THE MANUFACTURERS MAY HAVE DONE THEIR WORK TOO WELL.

THE NEW TAMPER-RESISTANT PACKAGES FEATURE GLUED BOXES, PLASTIC SEALS, ALUMINUM FOIL WRAPS AND, IN THE CASE OF BRISTOL-MYERS CO.'S EXCEDRIN, AN ALUMINUM-TOPPED CAN INTO WHICH THE PILL BOTTLE IS PLACED.

SCHERING-PLOUGH INC.'S NEW ST. JOSEPH ASPIRIN-FREE TABLETS COME IN A PACKAGE THAT SEEMS TO BE RESISTANT TO ANYBODY EXCEPT A WEIGHTLIFTER WITH A HEADACHE. THE COMPANY SAYS IT PLANS TO PRODUCE AN EASIER-TO-OPEN PACKAGE LABELED "NOT FOR FAMILIES WITH CHILDREN."

DR. FREDERICK T. SHERMAN, A NEW YORK GERIATRICIAN, SAYS THAT HIS INFORMAL RESEARCH INDICATES THAT "THOSE WITH ARTHRITIS, WHO HAVE TROUBLE SEEING AND READING DIRECTIONS, AND WHO ARE WEAK OR HAVE SUFFERED STROKES" ARE BEING THWARTED BY THE NEW PACKAGES.

JOHNSON & JOHNSON, WHOSE MCNEIL CONSUMER PRODUCTS CO. MAKES **TYLENOL**, CAME OUT FIRST WITH THE TRIPLE-SEALED PACKAGES. A MCNEIL SPOKESWOMAN SAYS THE COMPANY TESTED THE PACKAGE ON PEOPLE OVER 55, AND "BY AND LARGE THEY HAD NO COMPLAINT." BUT DR. SHERMAN SAYS HE HAS SEEN ELDERLY PEOPLE GIVE UP AFTER GETTING THROUGH ONE LAYER.

AT DR. SHERMAN'S URGING, THE FOOD AND DRUG ADMINISTRATION LAST WEEK AGREED TO DESIGN A STUDY, DUE THIS SPRING, TO TEST HIS COMPLAINTS. HE'S AFRAID THAT MAY BE TOO LATE, THOUGH, BECAUSE THE COMPANIES HAVE ALREADY RETOOLED TO PRODUCE THE NEW PACKAGES. HE THINKS THE FDA SHOULD HAVE WRITTEN RULES ABOUT ACCESS BY THE ELDERLY IN THE FIRST PLACE.

MEANWHILE, THE FDA SEEMS TO BE GETTING EXASPERATED BY DR. SHERMAN'S COMPLAINTS. "AS FAR AS WE CAN TELL HE'S THE ONLY ONE COMPLAINING," SAYS CHRISTOPHER SMITH, AN FDA SPOKESMAN.

Document j000000020020326df2a01e0s

campaign

In an attempt to recover lost profits due to the poisoned **Tylenol** scare, Johnson and Johnson has made liability claims totalling \$67.4m against eight different insurers, and an additional \$50m in a lost profits claim.

77 words

4 February 1983

Campaign

CMPN

11

English

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The lost profits claim is against Affiliated FM Insurance, a part of Allendale Mutual Insurance. The liability claims are in respect of the losses made in destroying large quantities of **Tylenol**. Total losses caused by the scare are still being calculated.

Document cmpn000020011206df240008r

campaign

Campaign has pointed out that the "comeback assignment" for **Tylenol** in the USA is being handled by Compton, part of Saatchi and Saatchi, and not Young and Rubicam as stated last week. **Tylenol** is made by Johnson and Johnson.

52 words

21 January 1983

Campaign

CMPN

4

English

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Young and Rubicam is in fact handling the research prior to the campaign.

Document cmpn000020011206df1I000hm

International Companies: Product recall worries US insurers

By OUR NEW YORK CORRESPONDENT

742 words

21 January 1983

Financial Times

FTFT

Page 15

English

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US INSURERS were sent into a flutter last week by news of a lawsuit which could have important implications for their product liability business. McNeilab, a subsidiary of Johnson and Johnson, has sued a group of insurance companies for about Dollars 117m to cover the cost of the company's recall of its **Tylenol** products.

In a three-day period last autumn, seven people died in the Chicago area after allegedly taking **Tylenol** pain relieving capsules which had been laced with cyanide.

The tragedy attracted nationwide attention. It soon became clear that the products had not been tampered with before they left the company, but it was decided to stop producing the capsules and to recall and destroy all those on the market. The company has put the cost of this at about Dollars 100m.

In the papers filed in connection with the lawsuit, the company says that once it had become aware of the poisonings, any failure to recall the products could have been claimed as negligent omission, constituting a proximate cause of any further poisoning. Thus it was 'obligated by reason of such potential liability to effect a prompt withdrawal of said **Tylenol** capsules.'

In essence, Johnson and Johnson is saying that if it had done nothing, the company - and its insurers - could have been hit for millions of dollars in potential bodily injury lawsuits. It is asking its insurers to share the burden of its action.

Although its property and liability policies do not include specific coverage for product recall, the company says its policies do not bar it from making such claims.

Product recall is apparently excluded from its liability policies, but Johnson and Johnson claims that this exclusion is not applicable since it is based on the idea that the product concerned is faulty. That, it says, was not the case with the **Tylenol** capsules which left its doors.

There are two parts to the lawsuit. In the first, the company is seeking to recover about Dollars 67m of its costs under a number of excess and product liability policies. If it is successful, insurers say, the scope of product liability insurance will have been significantly widened.

In a second claim, the company is seeking to recover money under an all risk policy which, among other things, provides cover against business interruption losses and extra expenses connected with such interruptions.

The court papers make clear that the claim is not just an attempt to cover the loss of business caused by the halt in **Tylenol** production. It includes 'withdrawal expenses incurred under the first claim for relief in the event that such withdrawal expenses are adjudicated not to be recovered from the product liability insurers.'

The company notified its insurers in November of its intended claims, and has not yet had any response from them. Hence the publication last week of the details of its suit. A lot of fine print is certain to be examined before this one is over.

* A guide to the funding issues related to the asbestos crisis has been published in New York by the National Council on Compensation Insurance. It warns that the liabilities arising from asbestos-associated disease are threatening the basis of the workers' compensation system as well as the US tort system.

'The asbestos problem will have to be resolved in a way which differs from its current handling, and it will have to be resolved in relatively short order,' the report concludes.

Meanwhile, Lloyd's of London has joined 11 major asbestos insurers - including Royal and the Commercial Union - to set up the Asbestos Claims Council. The objective is to co-ordinate the growing number of asbestos-related claims and speed their disposition.

* Mr John McGillicuddy, chairman of Manufacturers Hanover Corporation, had some mildly comforting thoughts last week for those who fear that deregulation in the US financial services industry will hurt the established insurance industry.

He told the annual conference of the Insurance Information Institute and the Insurance Services Office that his bank would like to have the opportunity to underwrite property and casualty insurance. But, he said: 'That is quite different from saying that I would hang out our shingle (nameplate) tomorrow and the same would apply to insurance brokerage.

'I guess what I'm saying is that much of the current talk about the potential of financial supermarkets may be greatly exaggerated.'

Document FTFT000020070505df1101g28

McNeil Laboratories, a subsidiary of Johnson and Johnson, has filed suit against a number of insurance companies to recover the cost of the recall of Tylenol.

176 words

17 January 1983

Financial Times

FTFT

6

English

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The suit is based on the premise that had Johnson and Johnson not recalled Tylenol last year, when a number of cases of poisoning occurred, the company and its insurers could have been faced with bodily injury lawsuits costing many millions of dollars.

Liability policies do not cover product recall, but the company claims that this exclusion does not apply in this case, only where the product is faulty.

The suit is being presented in two parts. The first seeks to recover \$67m costs under excess and product liability policies. A successful suit could, it is thought, widen the scope of product liability insurance. The second seeks to recover costs under an all risk policy. This claim covers both loss of business and "withdrawal expenses incurred under the first claim for relief in the event that such withdrawal expenses are adjudicated not to be recovered from the product liability insurers".

Document ffft000020011206df1h003tf

campaign

Information Resources, a part of Hewlett Packard, reports a come back in sales of Johnson and Johnson's product **Tylenol**, thanks to a campaign by Young and Rubican.

107 words

14 January 1983

Campaign

CMPN

11

English

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Despite the seven deaths connected with the drug last year, sales have fought back to 95% of their pre-scare level, after an 87% fall initially (when half of the products regular users said they would not buy it again).

Y and R organised a massive promotion campaign which has clearly been successful. Y and R has worked for Johnson and Johnson for over 50 years, but for the last six years Compton (Saatchi and Saatchi) has handled **Tylenol**.

Document cmpn000020011206df1e000bg

JOHNSON & JOHNSON UNIT SUES INSURERS OVER **TYLENOL** RECALL

450 words

12 January 1983

The Wall Street Journal

J

English

(Copyright (c) 1983, Dow Jones & Co., Inc.)

N.Y. -DJ- MCNEILAB INC., A UNIT OF JOHNSON & JOHNSON, SUED ITS INSURERS FOR ABOUT \$117 MILLION TO COVER THE COSTS OF THE COMPANY'S NATIONWIDE RECALL LAST FALL OF ITS **TYLENOL** PRODUCTS.

IN A SUIT FILED IN FEDERAL DISTRICT COURT IN NEWARK, N.J., MCNEILAB NAMED NINE INSURANCE COMPANIES AS DEFENDANTS. THE COMPANY SAYS THE INSURERS SHOULD PAY BOTH THE ACTUAL COST OF THE RECALL AS WELL AS EXPENSES OF "BUSINESS INTERRUPTION," SUCH AS PROFIT LOST WHILE THE PRODUCT WAS ABSENT FROM STORE SHELVES.

IN THE SUIT, MCNEILAB ESTIMATES THAT AT LEAST \$60 MILLION OF ITS RECALL COSTS ARE RECOVERABLE THROUGH ITS PRODUCT-LIABILITY COVERAGE. THE COMPANY BASES THIS CLAIM ON THE BELIEF THAT IF IT HADN'T REMOVED MORE THAN 30 MILLION BOTTLES OF EXTRA-STRENGTH **TYLENOL** FROM THE MARKET, IT AND ITS INSURERS MIGHT HAVE BEEN HIT WITH "UNTOLD MILLIONS" OF DOLLARS IN POTENTIAL BODILY INJURY LAWSUITS FROM **TYLENOL** USERS, SAID GREGORY L. DISKANT, A LAWYER FOR JOHNSON & JOHNSON.

IT WOULD BE FOOLISH TO ARGUE THAT JOHNSON & JOHNSON "SHOULD HAVE DONE NOTHING (AND) LET PEOPLE DIE" IN ORDER TO MAKE SURE THAT ITS COSTS WOULD BE COVERED BY THE COMPANY'S PRODUCT-LIABILITY INSURERS, SAID DISKANT, A PARTNER IN THE NEW YORK LAW FIRM OF PATTERSON, BELKNAP, WEBB & TYLER.

INSURANCE-INDUSTRY SOURCES SAID THE CLAIM WAS UNUSUAL AND HINGED ON QUESTIONABLE LEGAL LOGIC. "MCNEIL SEEMS TO BE SAYING THAT IF IT HADN'T PULLED THE PRODUCT IT WOULD HAVE HAD TO PAY DAMAGES IN LIABILITY SUITS," SAID AN OFFICIAL AT ONE LARGE INSURANCE BROKERAGE CONCERN. "THAT MEANS THE COMPANY IS SAYING IT MIGHT BE LIABLE AND IT'S BEEN MAINTAINING ALL ALONG THAT IT WASN'T."

MCNEILAB IS A HOLDING COMPANY FOR MCNEIL PHARMACEUTICAL AND MCNEIL CONSUMER PRODUCTS CO. THE LATTER COMPANY MAKES AND MARKETS **TYLENOL**'S VARIOUS OVER-THE-COUNTER PRODUCTS.

IN LATE OCTOBER, JOHNSON & JOHNSON SAID THE COST OF RECALLING THE **TYLENOL** WOULD BE ABOUT \$100 MILLION. THE RECALL COSTS RESULTED IN A \$50 MILLION AFTER-TAX CHARGE AGAINST THIRD-QUARTER EARNINGS.

DISKANT SAID MCNEILAB'S INSURERS SO FAR HAVE FAILED TO RESPOND TO THE COMPANY'S INSURANCE CLAIMS, FILED BEFORE THE SUITS, ALTHOUGH THEY HAVEN'T REJECTED THEM.

MCNEILAB FILED THE SUIT IN LATE NOVEMBER, BUT IT WASN'T SERVED TO THE INSURANCE FIRMS UNTIL LATE LAST WEEK. NONE OF THE NINE INSURANCE COMPANIES WERE WILLING TO COMMENT ON THE SUIT.

THE RECALL, CONSIDERED ONE OF THE LARGEST IN MARKETING HISTORY, RESULTED FROM THE DEATHS IN LATE SEPTEMBER OF SEVEN CHICAGO-AREA RESIDENTS WHO WERE POISONED BY TAKING CYANIDE-LACED EXTRA-STRENGTH **TYLENOL** CAPSULES.

BROADTAPE 8 32 AM JANUARY 12

Document j000000020020326df1c018pc

JOHNSON & JOHNSON UNIT SUES INSURERS OVER **TYLENOL** -2-

367 words

12 January 1983

The Wall Street Journal

J

English

(Copyright (c) 1983, Dow Jones & Co., Inc.)

N.Y. -DJ- IN ITS SUIT AGAINST NINE INSURERS, JOHNSON & JOHNSON'S MCNEILAB UNIT IS SEEKING TWO SEPARATE CLAIMS. THE FIRST IS AIMED AT RECOVERING THE COST OF THE RECALL FROM EIGHT INSURERS WHO PROVIDED EXCESS LIABILITY COVERAGE FOR MCNEILAB. THOUGH THE COMPANY SAYS THE COST OF WITHDRAWING THE PRODUCT WILL BE ABOUT \$100 MILLION, IT EXPECTS THAT ONLY ABOUT \$67 MILLION WOULD BE RECOVERABLE THROUGH INSURANCE.

IN ITS SECOND CLAIM, MCNEILAB IS SEEKING \$50 MILLION FOR BUSINESS INTERRUPTION AND OTHER EXPENSES UNDER AN "ALL-RISK" PROPERTY POLICY UNDERWRITTEN BY AFFILIATED FM INSURANCE CO., A UNIT OF ALLENDALE MUTUAL INSURANCE CO.

MCNEILAB SAID THAT BUSINESS-INTERRUPTION COSTS, WHICH INCLUDE LOWER PROFIT AND FIXED CHARGES INCURRED DURING THE TIME **TYLENOL** WAS OFF THE MARKET, WILL EXCEED THE \$50 MILLION LIMIT ON THE AFFILIATED FM POLICY. THE ALL-RISK POLICY PROVIDES COVERAGE NOT INCLUDED UNDER THE COMPANY'S REGULAR PROPERTY-DAMAGE POLICIES.

MIDDLESEX ASSURANCE CO., A BERMUDA-BASED "CAPTIVE" INSURANCE COMPANY OWNED BY JOHNSON & JOHNSON, UNDERWRITES THE FIRST \$5 MILLION OF JOHNSON & JOHNSON'S PRODUCT-LIABILITY COVERAGE. COVERAGE ABOVE THAT LIMIT IS PROVIDED BY A SERIES OF EXCESS AND UMBRELLA-PRODUCT-LIABILITY POLICIES UNDERWRITTEN BY MIDDLESEX AND EIGHT OTHER INSURERS.

WHILE MANY UMBRELLA LIABILITY POLICIES SPECIFICALLY EXCLUDE PRODUCT-RECALL EXPENSES, JOHNSON & JOHNSON LAWYER DISKANT SAID MCNEILAB'S POLICIES DON'T BAR CLAIMS BY JOHNSON & JOHNSON FOR COSTS OF THE **TYLENOL** RECALL.

MCNEILAB'S LARGEST CLAIM, \$19.9 MILLION, IS AGAINST NORTH RIVER INSURANCE CO. THE INSURANCE FIRM IS A UNIT OF CRUM & FORSTER, JUST ACQUIRED BY XEROX CORP.

MCNEILAB IS ALSO SUING SEVEN OTHER COMPANIES FOR THE FOLLOWING AMOUNTS: AETNA CASUALTY & SURETY CO., A UNIT OF AETNA LIFE & CASUALTY CO., \$12.5 MILLION; GRANITE STATE INSURANCE CO., A UNIT OF AMERICAN INTERNATIONAL GROUP, \$10.9 MILLION; NORTHBROOK EXCESS & SURPLUS INSURANCE CO., A SEARS, ROEBUCK & CO. UNIT, \$9 MILLION; FIRST STATE INSURANCE CO., \$5 MILLION; AMERICAN CENTENNIAL INSURANCE CO., A UNIT OF BENEFICIAL CORP., \$5 MILLION; EMPLOYERS INSURANCE OF WAUSAU, \$4.6 MILLION, AND TRANSIT CASUALTY CO., A UNIT OF BENEFICIAL STANDARD CORP., \$500,000.

BROADTAPE 9 08 AM JANUARY 12

Document j000000020020326df1c018or

STERLING DRUG TO INTRODUCE PANADOL PAIN RELIEVER IN U.S.

478 words

7 January 1983

The Wall Street Journal

J

English

(Copyright (c) 1983, Dow Jones & Co., Inc.)

N.Y. -DJ- STERLING DRUG INC., TAKING AIM AT JOHNSON & JOHNSON'S **TYLENOL**, SAID IT WILL INTRODUCE DOMESTICALLY ITS TOP-SELLING OVERSEAS ASPIRIN-FREE PAIN RELIEVER, PANADOL, "IN THE NEXT FEW MONTHS."

FOR MORE THAN 25 YEARS, STERLING, WHICH ALSO MAKES BAYER ASPIRIN, HAS MARKETING PANADOL IN BRITAIN, WHERE IT IS THE NO. 1 SELLING PAIN RELIEVER, AND ABOUT 70 OTHER COUNTRIES.

PANADOL IS WELL-POSITIONED TO COMPETE AGAINST **TYLENOL** BECAUSE IT CONTAINS THE SAME ASPIRIN-FREE INGREDIENT, ACETAMINOPHEN, AND IT IS BACKED BY A LARGE COMPANY WITH ABUNDANT MARKETING RESOURCES. ALSO, BOTH PRODUCTS CONTAIN 500 MILLIGRAMS OF THE INGREDIENT.

TWO-THIRDS OF **TYLENOL** USERS PREFER ACETAMINOPHEN OVER ASPIRIN BECAUSE OF ITS GENTLENESS TO THE STOMACH. IN ADDITION, **TYLENOL**'S SAFETY REPUTATION HAS BEEN THREATENED BY THE DEATHS LAST OCTOBER OF SEVEN CHICAGO-AREA RESIDENTS FROM CYANIDE-LACED CAPSULES OF **TYLENOL**.

BUT STERLING MISSED THE OPPORTUNITY TO INTRODUCE PANADOL HERE IN 1975, WHEN **TYLENOL** BEGAN ACETAMINOPHEN'S FIRST-EVER ADVERTISING CAMPAIGN TO CONSUMERS. FOR THE PAST YEAR, EXECUTIVES AT STERLING HAVE BEEN CONSIDERING BRINGING PANADOL HERE.

STERLING SAID YESTERDAY IT WILL INTRODUCE A NEW FORM OF ITS BAYER ASPIRIN, THE OLDEST PAIN RELIEVER ON THE MARKET. IT WILL BE MAXIMUM-STRENGTH BAYER ASPIRIN, TABLETS OF WHICH WILL CONTAIN 500 MILLIGRAMS OF ASPIRIN, INSTEAD OF 325 MILLIGRAMS. IN ADDITION, STERLING SAID IT WOULD "RELAUNCH," OR PUT MORE ADVERTISING MONEY BEHIND, ITS ARTHRITIS BAYER TIME-RELEASED ASPIRIN TABLETS.

THE MOVES BY STERLING PLUNGES IT EVEN DEEPER INTO THE FIERCELY COMPETITIVE PAIN-RELIEVER MARKET IN THE U.S., WHICH HAS BEEN IN A STATE OF FLUX SINCE THE POISONINGS TOPPLED **TYLENOL** FROM ITS NO. 1 PERCH.

IN ADDITION TO THE STERLING INTRODUCTIONS, SCHERING-PLOUGH CORP. PLANS THIS MONTH TO INTRODUCE A BRAND OF ACETAMINOPHEN, ST. JOSEPH'S ASPIRIN-FREE TABLETS FOR ADULTS. WHOLESALE CUSTOMERS WERE INFORMED OF THE STERLING PLANS IN LATE NOVEMBER. "IT'S GOING TO HAVE A VERY EXCITING IMPACT ON THE ANALGESIC MARKET. THEY'RE SUPPORTING IT WITH A VERY, VERY AGGRESSIVE CAMPAIGN," SAID SUSAN MONTONNA, DIRECTOR OF MERCHANDISING AT THE DRUG-DISTRIBUTION UNIT OF FOREMOST-MCKESSON INC., THE NATION'S LARGEST WHOLESALE DRUG SUPPLIER. STERLING DECLINED TO SAY HOW MUCH IT WAS SPENDING ON THE CAMPAIGN.

BUT STERLING'S PANADOL ENTRY WILL BE EXPENSIVE IF IT IS TO SUCCEED. TYPICALLY, COMPANIES MUST SPEND HALF TO TWO-THIRDS OF A NEW BRAND'S FIRST-YEAR SALES ON ADVERTISING AND PROMOTION TO MAKE A DENT IN THE \$1.2 BILLION PAIN-RELIEVER MARKET.

AND SOME MARKETERS QUESTION THE TIMING OF STERLING'S MOVE. ALREADY **TYLENOL** HAS REGAINED MORE THAN HALF ITS TOTAL SALES IN THE POISONINGS' AFTERMATH. AND THE BRAND'S POPULAR CAPSULE FORM IS BEING REINTRODUCED WITH STRONG AD SUPPORT THIS MONTH. CAPSULES HAD ACCOUNTED FOR 40% OF **TYLENOL**'S SALES.

BROADTAPE 8 39 AM JANUARY 7

Document j000000020020326df17017xg

The New York Times

Week in Review Desk; 4

HEADLINERS: Tylenol Extortion Charge

154 words

2 January 1983

The New York Times

NYTF

Late City Final Edition

English

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James W. Lewis has not been charged with planting the cyanide that killed seven people who took Tylenol in the Chicago area last fall, but he is accused of trying to make a bundle from their deaths. In a Federal court in Chicago last week, he pleaded not guilty to a charge that he tried to extort \$1 million from the painkiller's manufacturer, Johnson & Johnson, with an offer to "stop the killing" in return for the cash.

Earlier, investigators said that Mr. Lewis, who had been the object of a nationwide search in the aftermath of the deaths, was not suspected of actually filling the Tylenol capsules with poison. Meanwhile, his wife, Leann, was released from jail after her bond was reduced from \$5 million to \$100,000. The charges against her are unrelated to the Tylenol murders.

Illustrations: photo of James Lewis

Document NYTF000020050511df12000dv

The New York Times

Financial Desk; D

Market Place; Tamper-Proof Packaging

By Sandra Salmans

720 words

30 December 1982

The New York Times

NYTF

Late City Final Edition

English

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WHEN the **Tylenol** poison scare erupted in September, the attention of investors focused initially on the manufacturer, Johnson & Johnson, and on other companies whose over-the-counter analgesics might claim **Tylenol's** market share. But as the scare spread to other products, talk of tamper-proofing spurred investment interest in the companies that sell packaging.

Analysts who follow the packaging industry say they were deluged with inquiries from investors. Indeed, the flurry of interest increased the price of at least three stocks: the West Company, a Phoenixville, Pa., producer of rubber, metal and plastic packaging products for the pharmaceutical industry; Dougherty Brothers, a small manufacturer of plastic containers for pharmaceuticals and cosmetics, based in Buena, N.J., and Paco Pharmaceutical Services of Lakewood, N.J., also a supplier of packaging to the pharmaceutical and health-care industries.

In recent weeks, however, the flurry has subsided as the financial community has taken a hard look at the potential for a boom in packaging that makes it evident if tampering has occurred. And despite periodic new alarms - the latest only last week, with the discovery in California of cyanide-laced Anacin capsules - it appears increasingly unlikely that most suppliers of packaging will find a silver lining in the packaged goods companies' storm cloud.

That situation could change dramatically if manufacturers of health and beauty items, and the huge food and beverage industry, decide to leap onto the tamper-evident packaging bandwagon. But so far, tamperproofing has been confined mainly to over-the-counter pharmaceuticals.

"Most of these drugs are already packaged, so we're not talking about a new market, only an improved one," said Richard Palm of Merrill Lynch. "Proportionately, gains in packaging revenues will be fairly modest." Edward H. Schollmeyer, a container industry analyst for Paine Webber, who also serves on the board of the Peerless Tube Company - a supplier of the aluminum tube with aluminum membrane used by Johnson & Johnson's K-Y jelly - noted with surprise that Peerless received only a few inquiries following the **Tylenol** deaths.

Nor has the American Can Company been overwhelmed with inquiries about tamper-proofing its glamate tube, used extensively for toothpaste. On the contrary, Mr. Schollmeyer said, toothpaste manufacturers, rather than adopting a protective membrane, are planning to glue shut their paperboard cartons.

"The question is, how much can we protect the consumer, how much does the consumer want to be protected and how much will it cost?" Mr. Schollmeyer said. For the present, analysts noted, many packaged goods companies, mindful of consumer resistance toward higher prices, have selected the least expensive route.

Most of the suppliers of packaging are large companies that would benefit only marginally from increased demand by the drug companies for film wrappers, plastic "blister" or "bubble" packs, or aluminum or paper membranes. While glass packaging suppliers such as Anchor Hocking and Brockway may get some sales growth, such incremental revenue will not rescue an industry burdened with excess capacity and fierce price competition, analysts said.

Smaller, more specialized companies offer better investment opportunities. Most noteworthy is Paco, which responded quickly to the tampering scare, bringing out last October five new tamperresistant packages for pharmaceutical and health and beauty aids packagers. Of the 11 types of tamper-evident packaging recommended by the trade association of over-the-counter drug manufacturers, only one - the aerosol can - is not sold by Paco.

Paco's largest customer is Johnson & Johnson, which accounted for about 30 percent of its business in the fiscal year 1981. Paco's stock, which is traded over-the-counter, jumped into the \$40-plus range last month, and has sustained its gain. Following a 3-for-2 split, it closed yesterday at \$27.75 bid. The current price may already anticipate a windfall from tamper-effective packaging demand, said Randolph Ross of Kidder, Peabody.

Dougherty, which is traded on the American Stock Exchange, reached \$14.375 a share in the **Tylenol** aftermath and closed yesterday at \$10.125. West, which is traded on the New York Stock Exchange, rose to \$22.785 a share, but closed yesterday at \$19.625. While West might exploit the tamper-effective packaging market, Mr. Ross suggested, it might do better to develop its higher-margin hospitalproducts business.

Document NYTF000020050515decu002r5

The New York Times

National Desk; A

AROUND THE NATION; Tylenol Suspect Denies Charges of Extortion

UPI

120 words

29 December 1982

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Dec. 28 -- James W. Lewis, a key figure in the investigation of seven Tylenol-cyanide deaths, pleaded not guilty today to Federal extortion charges.

Mr. Lewis, who was arraigned before Federal District Judge John Nordberg, is accused of attempting to extort \$1 million from Johnson & Johnson, the parent company of the manufacturer of Tylenol, to "stop the killing." Seven residents of the Chicago area died last fall after swallowing capsules of Extra-Strength Tylenol that had been filled with cyanide.

Mr. Lewis was composed in his 10-minute court appearance and waived the reading of the indictment. A status hearing was scheduled for Feb. 14.

Document NYTF000020050515dect002om

LEWIS PLEADS INNOCENT IN **TYLENOL** EXTORTION CASE

73 words

29 December 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

CHICAGO -- JAMES W. LEWIS PLEADED INNOCENT TO A FEDERAL INDICTMENT THAT HE TRIED TO EXTORT \$1 MILLION FROM JOHNSON & JOHNSON AFTER SEVEN PEOPLE HERE DIED FROM CYANIDE-LACED **TYLENOL** THREE MONTHS AGO.

LEWIS WAS ARRESTED DEC. 13 IN A NEW YORK LIBRARY, FOLLOWING A TWO-MONTH, NATIONWIDE SEARCH BY AUTHORITIES. A TRIAL DATE HASN'T BEEN SET. LEWIS REMAINED IN CUSTODY ON \$5 MILLION BOND.

Document j000000020020326dect018b0

The New York Times

Financial Desk; D
Tylenol Ads to Begin

AP
90 words
28 December 1982
The New York Times
NYTF
Late City Final Edition
English
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NEW BRUNSWICK, N.J., Dec. 27 -- Johnson & Johnson said today that next week it will begin the first nationwide television advertising for Extra-Strength **Tylenol** since seven people died in the Chicago area after taking cyanide-laced **Tylenol** capsules.

A television commercial, to be broadcast on Sunday, features a housewife describing **Tylenol** as a trusted family product. It then details the new triple-sealed containers. The advertisement is part of an aggressive campaign to re-establish **Tylenol** as a major brand.

Document NYTF000020050515decs002ha

The New York Times

Financial Desk; 1

Tylenol Posts an Apparent Recovery

By TAMAR LEWIN

560 words

25 December 1982

The New York Times

NYTF

Late City Final Edition

English

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Johnson & Johnson said yesterday that its **Tylenol** analgesic brand had regained much of the market that it lost this fall when seven Chicago-area residents died from taking cyanide-contaminated Extra-Strength **Tylenol** capsules.

A company spokesman said that both the company's own research and outside surveys showed that **Tylenol** now has 24 percent of the market for pain relievers, compared with a 35 percent share before the Chicago tragedy. Most of the recent sales have been in tablet form, however.

Shortly after the Chicago tragedy, said Lawrence G. Foster, the company's vice president for public relations, "We lost 87 percent of our market. But by mid-December, our surveys show that we had gotten back 67 percent of our original market. The product is coming back faster and stronger than we ever anticipated." Coupon Campaign

Johnson & Johnson disregarded conventional marketing wisdom in responding to the **Tylenol** deaths. Instead of keeping a low profile - and perhaps even withdrawing the brand - the company set out to win back customers with a huge coupon campaign offering free **Tylenol** capsules or pills.

It was not known how much of the rising **Tylenol** sales could be attributed to the coupon offer, but millions of coupons were distributed in newspaper advertising as part of the marketing campaign that began in November.

Benjamin Lipstein, a marketing professor at the New York University Graduate School of Business, who suggested in October that Johnson & Johnson "withhold advertising and reduce public awareness" of **Tylenol**, said yesterday that he now believes the company's more aggressive approach was "a smart and courageous decision." A Working Strategy

"The fact that the numbers are coming back in the way they are is remarkable," he said. "Some marketers would have chosen to give the brand up. But this strategy seems to be working."

Leo Shapiro, a Chicago-based market researcher who has conducted independent studies on consumer reaction to the **Tylenol** deaths, said that two things happened to **Tylenol**, which is now being marketed in new tamper-resistant packaging.

"It very quickly became apparent that the company wasn't at fault and the retailers weren't at fault," he said. "And secondly, the company acted in a very forthright manner. They immediately said, 'Don't use **Tylenol**,' and they took the product back from the store."

"They played it squeaky straight," he added, "and followed the first rule of these things - never put consumers in a position where they have to make a choice about the risk." Attitudes Seen Shifting

In a survey Mr. Shapiro conducted immediately after the **Tylenol** deaths, 45 percent of the respondents said they would definitely use **Tylenol** again, 13 percent said they might, and 43 percent said they definitely would not.

Four days later, asked the same question, 52 percent said they would, 33 percent said they might, and 17 percent said they definitely would not use **Tylenol** again, Mr. Shapiro reported. And by two weeks after the incident, 78 percent said they would use **Tylenol** again, 13 said they might, and only 9 percent said they would not.

"Essentially, after about four days, the people who said definitely not switched to maybe, then after another week, they said yes," Mr. Shapiro said. "It was a sharp scare, but it passed quickly."

The New York Times

Financial Desk; 1

BUSINESS DIGEST; SATURDAY, DECEMBER 25, 1982; The Economy

374 words

25 December 1982

The New York Times

NYTF

Late City Final Edition

English

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Auto makers are closing out the year with the lowest output since 1958 - 5,055,551 cars. But analysts see the low dealer inventories that resulted setting the stage for stronger orders in 1983. (Page 29.)

Among the few industries aided by Congress's special session were trucking, cable television broadcasting and securities. But most business-related bills died in the session, victims of filibusters and legislators' rush to adjourn. (33.) Companies

Warner Communications dropped its plan to buy Madison Fund, citing a decline in the price of Warner securities - a reaction to disappointing sales by its Atari subsidiary. (29.)

Tylenol has recaptured 24 percent of the analgesic market, bringing it toward the 35 percent share it had before poisoned capsules killed seven people last fall, according to Johnson & Johnson, which makes the drug. (30.)

Chase Manhattan dropped Peat Marwick, its accountant since 1969, appointing Price Waterhouse to replace it. (32.) International

Mexico's Alfa Industrial has proposed divesting itself of nearly all its more than 50 subsidiaries as a way the troubled conglomerate can resume payments on its \$2.3 billion foreign debt. (31.)

The Vatican and Italy established a joint commission to study the relationship between the Vatican bank and the failed Banco Ambrosiano. Each side appointed three officials to the panel. (29.)

Kuwait has begun paying off investors who lost billions on its unofficial stock market, which collapsed under the weight of uncovered checks used to purchase securities there. (29.) Markets

Business loans by the big New York banks dropped \$291 million in the week ended Dec. 15, the Federal Reserve Bank of New York reported. But the banks have been increasing their investment in Treasury and tax-exempt securities to compensate. (32.)

The dollar fell in light preholiday trading against most currencies. Gold edged higher in Europe. (32.) Today's Columns

Car leasing could be affected by a proposed I.R.S. rule that would disallow the investment tax credit and depreciation allowance available on so-called open-end leases. Your Money. (30.)

A word processing system recognizing Chinese and Japanese characters was patented for I.B.M. for applications in both electronic transmission and printing. Patents. (30.)

Document NYTF000020050515dec001xa

TYLENOL REGAINS MOST OF NO. 1 SHARE, ASTOUNDING DOOMSAYERS

581 words

24 December 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

JOHNSON & JOHNSON APPEARS TO HAVE PULLED OFF A MARKETING MIRACLE. IN THE DAYS FOLLOWING **TYLENOL**'S LINK TO SEVERAL CHICAGO-AREA DEATHS, MARKETING EXPERTS WERE QUICK TO COMPOSE ELEGIES. BUT LESS THAN THREE MONTHS LATER, **TYLENOL** IS CLOSE TO RECOUPING ITS LOST BUSINESS.

PRELIMINARY INDUSTRY DATA SHOW THAT AFTER DROPPING SHARPLY IN THE FIRST FEW WEEKS FOLLOWING THE POISONINGS, **TYLENOL**'S SHARE OF THE \$1.2 BILLION A-YEAR PAIN-RELIEF BUSINESS HAS COME ROARING BACK. INFORMATION RESOURCES INC., WHICH SURVEYS SALES IN GROCERY OUTLETS IN FOUR U.S. TOWNS, CLAIMS **TYLENOL** HAS RECAPTURED AN ASTOUNDING 95% OF ITS PRIOR MARKET SHARE. IN THE FIRST WEEK OF DECEMBER ALONE, **TYLENOL**'S SHARE CLIMBED BY 47%, ALTHOUGH MUCH OF THE CURRENT VOLUME REPRESENTS FREE PACKAGES PROVIDED TO WIN BACK CONSUMERS.

DAVID E. COLLINS, CHAIRMAN OF MCNEIL CONSUMER PRODUCTS, THE J&J UNIT RESPONSIBLE FOR **TYLENOL**, SAYS THAT WHILE THOSE NUMBERS "ARE ENCOURAGING, THEY AREN'T PROJECTABLE NATIONALLY YET." DATA FROM OTHER SURVEYS INDICATE THAT **TYLENOL** HAD REGAINED 55% OF ITS MARKET SHARE BY THE END OF NOVEMBER, UP FROM 20% A MONTH BEFORE. THESE FIGURES REFLECT ONLY SALES OF THE COMPANY'S TABLETS, SINCE CAPSULES, WHICH ACCOUNT FOR 40% OF **TYLENOL** SALES, WERE PULLED OFF THE MARKET AND ARE ONLY JUST BEGINNING TO REAPPEAR.

BUT, SAYS COLLINS, THE INFORMATION RESOURCES NUMBERS ARE IMPORTANT. "THEY INDICATE A TREND WE NOW BELIEVE IS TRUE." VOLUME HAS COME BACK "VERY, VERY STRONG, MUCH STRONGER THAN ANYONE HERE WOULD HAVE PREDICTED," HE ADDS.

MUCH OF THE RECENT SURGE MUST BE ATTRIBUTED TO THE MARKETING BLITZ IN WHICH MCNEIL HAS GIVEN AWAY MILLIONS OF COUPONS WORTH \$2.50, THE PRICE OF A SMALL BOTTLE OF **TYLENOL**. EVEN SO, OBSERVERS ARE STARTLED BY THE QUICKNESS WITH WHICH **TYLENOL** HAS BEEN RESURRECTED. THE RECOVERY, THEY SAY, OWES SOMETHING TO MCNEIL'S MARKETING SMARTS BUT ALSO TO A COMBINATION OF SEVERAL CHANCE EVENTS AND THE APPARENTLY STRONG BOND **TYLENOL** HAS FORGED WITH ITS CUSTOMERS.

IN LARGE MEASURE, **TYLENOL**'S COMEBACK RESULTED FROM AN EARLY MANAGEMENT DECISION NOT TO LET THE BRAND DIE. JOHNSON & JOHNSON INITIALLY MADE THE DECISION BECAUSE OF THE PRODUCT'S IMPORTANCE. SELLING AT AN ANNUAL RATE OF MORE THAN \$450 MILLION, THE BRAND WAS WORTH NEARLY \$80 MILLION IN PROFITS, OR ABOUT 17% OF JOHNSON & JOHNSON'S EARNINGS.

BY THE MIDDLE OF OCTOBER, EXECUTIVES AT JOHNSON & JOHNSON REALIZED THAT ALTHOUGH SALES CERTAINLY WERE DOWN, DAMAGE TO THE PRODUCT WASN'T NEARLY AS BAD AS IT FIRST SEEMED. ACCORDING TO LEO SHAPIRO, WHOSE CHICAGO COMPANY INTERVIEWED CONSUMERS DURING THE FIRST WEEKS OF THE CRISIS, BY OCT. 17, ONLY 9% OF **TYLENOL** USERS SAID THEY DEFINITELY WOULDN'T USE THE PRODUCT AGAIN, DOWN FROM 43% TWO WEEKS EARLIER. APPARENTLY, JOHNSON & JOHNSON'S OWN SURVEYS WERE UNCOVERING SIMILAR DATA.

STUDENTS OF MARKETING NOW SAY THERE ARE TWO IMPORTANT REASONS FOR THE QUICK TURNAROUND IN CONSUMER SENTIMENT. THE PUBLIC, THEY REASON, QUICKLY UNDERSTOOD THAT UNLIKE PREVIOUS PRODUCT-RELATED TRAGEDIES, **TYLENOL** WASN'T AT FAULT. MOREOVER, A RASH

OF "COPYCAT" POISONINGS "DIFFUSED THE PUBLIC'S FEAR OF **TYLENOL**," SAYS STEPHEN E. PERMUT, A PROFESSOR OF MARKETING AT YALE UNIVERSITY.

EVEN SO, JOHNSON & JOHNSON'S PRINCIPAL MANAGERS GET HIGH MARKS FOR "CLEARLY MANAGING THE CRISIS," PERMUT SAYS. "SOME THINGS WENT THEIR WAY, BUT WHETHER IT WAS THAT THEY MADE LUCKY DECISIONS OR THEY KNEW WHAT THEY WERE DOING, THEY NOW SEEM TO HAVE TAKEN EVERY STEP CORRECTLY."

Document j000000020020326deco017u9

The Washington Post

business

Tylenol: Signs of a Recovery; Johnson & Johnson Even Turns Experts Around

David A. Vise

1,467 words

19 December 1982

The Washington Post

WP

English

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It looks like the experts were wrong about **Tylenol**.

Immediately after seven deaths in Chicago were linked to cyanide-laced **Tylenol** capsules, marketing specialists and Wall Street analysts confidently predicted the rapid demise of the nation's largest-selling over-the-counter pain reliever.

The only marketing strategy for **Tylenol**, they said, was to cancel all advertising to reduce brand awareness, and hope that time would help diminish the grim connection that was planted in the consumer's mind on Sept. 30.

Now many analysts agree that **Tylenol** will regain its dominant position, although they differ on how long it will take the company to reach its old sales volume.

Last week, officials at Johnson & Johnson, the parent company of McNeil Consumer Products Co., which makes **Tylenol**, said its factories were working around the clock to meet the demand for **Tylenol** capsules in new tamper-resistant packaging.

"Initial orders have exceeded anything we anticipated," said Wayne K. Nelson, a Johnson & Johnson group chairman and former president of McNeil. "We're selling everything we can make, and by March or April, I think we'll be the No. 1 brand again."

While the merchandisers placing the orders may be issuing their decision on **Tylenol**, the consumer verdict is still out. **Tylenol** capsules -- which were removed from the market on Oct. 5 -- began returning to store shelves with tamper-resistant packaging on Dec. 7, and sales data are not yet available. But a recent survey indicates the public has not lost its confidence in the product name.

Based on a sample of food stores in four cities, Information Resources of Chicago found that purchases of **Tylenol** tablets, which fell below 7 percent of those for non-prescription analgesics after the capsules were withdrawn, climbed to 21.3 percent during the week of Nov. 15, and rose to about 30 percent after the company started a massive coupon-distribution program. (See chart.)

Before the poisonings, the survey showed **Tylenol** tablets with a 22 percent share of analgesic sales in food stores, and the capsules with another 24.7 percent, for a total of 46.7 percent. (Food stores account for about 50 percent of analgesic sales, drug stores for 39 percent, and mass merchandisers and others about 11 percent, according to an Information Resources official.)

Other studies had shown **Tylenol** products with a 37 percent market share in all types of stores before the Chicago poisonings, exceeding the combined sales of Anacin, Bufferin, Bayer and Excedrin.

"The conventional wisdom failed to recognize that this wasn't a product-specific issue," says Richard Stover, an analyst with Bache Halsey Stuart Shields. "The recent disclosure of a cyanide tampering case with Anacin-3 in California reinforces my belief that safety in packaging is really the key element in the consumer's mind."

"As consumers have received more and more information, their concern has shifted from **Tylenol** to the integrity of the packaging of most things. I think **Tylenol** will be No. 1 again by the end of January, and I think that by the end of 1983, the product may have an even higher market share than it did before."

If **Tylenol** does regain its dominant position in the market, J&J officials will deserve much of the credit for their response to the tragedy.

Group chairman Nelson, who recalls that the initial reaction to the crisis at J&J was shock, remarks that "this organization has responded beautifully to the crisis."

McNeil built **Tylenol** into a major brand in the 1960s by promoting the non-aspirin product exclusively to doctors. By 1972, the product had become the largest-selling pain reliever in the nation, without the aid of consumer advertising. In 1975, McNeil began advertising **Tylenol**, and last year the product contributed 7 percent of Johnson & Johnson's worldwide sales and almost 20 percent of its profits.

J&J first learned that **Tylenol** was somehow involved in several deaths in the Chicago area on Sept. 30, when the company received a phone call from a journalist. After confirming the situation, the company voluntarily withdrew all its capsules from Chicago.

On Oct. 5, after **Tylenol** capsules in California were found to contain poison, the company stopped distribution of **Tylenol** capsules and recalled 31 million bottles already shipped. The company put the cost of the recall at \$100 million.

Meanwhile, a crisis management team was set up, and met twice daily until recently. (It still meets periodically.)

A 24-hour toll-free hotline was set up to answer questions from the public and arrange the exchange of **Tylenol** tablets for capsules. By last week the hotline had handled 290,000 calls.

The company sent mailgrams to retailers and medical professionals throughout the nation explaining the situation, and offered a \$100,000 reward for information leading to the arrest of the individual or persons responsible for the poisonings.

Nelson, a member of the crisis management team, said one critical decision by the company was to cooperate fully with the press so that consumers and retailers would be alerted to the circumstances of the case as rapidly as possible. According to research done for the company in the weeks following the poisonings, an astounding 94 percent of the public knew of the **Tylenol** tragedy, Nelson said.

J&J also cooperated with the Food and Drug Administration by undertaking an analysis of the 31 million recalled **Tylenol** bottles. According to Nelson, "two or three bottles" returned from the Chicago area contained cyanide-laced capsules.

During the crisis, company officials say, they debated the questions of whether to stop making **Tylenol** in capsule form (and decided not to abandon it) and whether to add a new brand under another name (which has not yet been ruled out).

One of the key elements in the company's future marketing plans is based on an Oct. 15 letter from the FDA which concluded the contamination of the product took place either while the **Tylenol** was in transit or, most likely, after it was placed on the retailers' shelves. This reinforced what J&J officials already believed: that there was no tampering with the product while it was in their factories.

Even before the major producers of consumer drugs agreed to do so on Oct. 5, J&J launched a crash program to develop tamper-resistant packaging. Nelson concedes that "there never was a single word around here about tamper-resistant packaging before this tragedy."

In addition to launching a print campaign encouraging **Tylenol** capsule users to switch to tablets until the capsules were available in the new packaging, the company spent \$2.8 million on a prime-time TV ad campaign in late October. In the commercials the company's medical director delivered a sober report and concluded with the message, "We want you to continue to trust **Tylenol**."

In November, the company launched a massive program to restore the confidence of medical professionals in **Tylenol**. More than 2,000 J&J representatives are taking part in this personal selling effort.

In an effort to get the product back on medicine cabinet shelves in homes, J&J distributed 40 million coupons worth \$2.50 toward the purchase of a **Tylenol** product. Distribution of another batch of coupons starts today through 180 newspapers nationwide.

J&J will launch a new series of print ads in February and TV advertising will resume next month. While the final decision on the approach of the TV ads has not been made, commercials being tested revolve around the theme, "**Tylenol** -- you can trust our good name." The print ads will be used to explain the tamper-resistant packaging, a topic which J&J officials believe is too difficult to explain in a brief TV commercial.

A. G. Becker analyst David F. Saks says McNeil's costs from the Tylenol tragedy would have bankrupted the company if it weren't part of a larger corporation with the resources to try to rescue the product.

Saks had expected Tylenol sales this year to grow to \$500 million, from \$400 million in 1981. Since the poisonings, he has lowered his 1982 estimate to \$400 million, and predicts sales next year of \$300 million.

"By committing more than \$100 million to protect the Tylenol franchise on top of their lost sales of another \$100 million in three months, the company has earned a lot of respect, especially since consumers aren't being asked to pay for any of it," Saks says.

"One reason the consensus at the time of the poisoning was that J&J should keep quiet, act slowly, and possibly come out with a new brand, was that advertising people didn't anticipate the humanistic and socially responsive response J&J would make."

Document WP00000020201025decj00pt1

TYLENOL EXTORTION SUSPECT LEWIS ARRESTED IN NEW YORK

176 words

14 December 1982

Dow Jones News Service

DJ

English

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NY -AP- JAMES LEWIS CHARGED WITH TRYING TO EXTORT \$1 MILLION AFTER SEVEN **TYLENOL** POISONING DEATHS IN CHICAGO WAS ARRESTED WITHOUT INCIDENT YESTERDAY. AN EMPLOYEE IN THE MIDTOWN ANNEX OF THE NEW YORK PUBLIC LIBRARY CALLED POLICE AND SAID 'THERE'S A LOOK-ALIKE OF MR. LEWIS HERE' ACCORDING TO KENNETH WALTON DEPUTY ASSISTANT DIRECTOR OF THE FBI.

LEWIS WAS READING A LISTING OF NEWSPAPERS FROM AROUND THE U.S. WHEN HE WAS CAUGHT WALTON SAID. AUTHORITIES SAID THEY HAD BEEN ON THE LOOKOUT FOR LEWIS AT LIBRARIES AND NEWSTANDS BECAUSE OF HIS PENCHANT FOR WRITING TO OUT-OF-TOWN NEWSPAPERS.

ILLINOIS ATTORNEY GENERAL TYRONE FAHNER SAID LAST NIGHT THAT LEWIS IS ONE OF SEVERAL SUSPECTS IN THE **TYLENOL** KILLINGS BUT WALTON SAID THERE IS NO EVIDENCE TO LINK LEWIS TO THE CRIMES.

8 47 AM

LEWIS'S WIFE, LEANN LEWIS, SURRENDERED TO FBI AGENTS THE DAY AFTER HER HUSBAND'S ARREST. SHE IS CHARGED WITH UNLAWFUL USE OF A SOCIAL SECURITY CARD IN AN UNRELATED FEDERAL CASE.

Document dj00000020011126dece015nr

The New York Times

National Desk; A
ANACIN MIGHT FACE PROBLEMS LIKE **Tylenol'S**

By THOMAS J. LUECK

603 words

10 December 1982

The New York Times

NYTF

Late City Final Edition

English

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News reports that a woman in San Jose, Calif., may have been poisoned by swallowing Anacin III capsules laced with cyanide raises a possibility that the American Home Products Company, which makes Anacin, might suffer problems similar to those of the Johnson & Johnson Company, the manufacturer of Extra Strength **Tylenol**.

American Home, based in New York, said it had started an investigation into the incident, but added that it did not expect to recall any Anacin III bottles from the market. Anacin III, which the company began selling in 1981, is a non-aspirin pain reliever almost identical in chemical composition to Extra Strength **Tylenol**. It is available as both a tablet and a capsule, as is **Tylenol**, and it ranked second, behind **Tylenol**, in sales of analgesics before late September, when cyanide contamination of **Tylenol** capsules caused seven deaths in the Chicago area.

Tylenol sales fell sharply as a result of the scare, and the capsules were withdrawn from the market. Johnson & Johnson is now engaged in an expensive advertising campaign to re-establish the **Tylenol** brand. No Sign of Tampering Found

Jack Wood, a spokesman for American Home, said of the Anacin report from California: "There is nothing that indicates this is anything other than an isolated incident limited to one drugstore."

Mr. Wood said American Home had not yet examined capsules in the bottle from the home of the San Jose woman, who became ill on Nov. 26 and is in the hospital in stable condition.

On Wall Street, trading in the stock of the Bristol-Myers Company, which produces Bufferin, Exedrin and other nonprescription drugs that compete with Anacin, was halted at 2:35 P.M. in response to the news from California and reopened at 3:05 P.M.

The New York Stock Exchange said in a statement that it had ordered the halt because of a "surge of orders caused by a news development." It did not explain why trading was halted in Bristol-Myers, which has nothing to do with Anacin.

Trading in American Home shares was not interrupted. The stock closed at \$42.625, down \$2.875 for the day, in heavy trading. Johnson & Johnson's stock seemed immune to the hubbub, closing at \$48.125, down 12 1/2 cents.

David F. Saks, an analyst for the brokerage house of A.G. Becker Inc., said there was a "clear analogy" between the problems American Home now faces and those of Johnson & Johnson. "Anacin III has been the big winner in the void created since the **Tylenol** scare," he said.

Anacin III is made in Elkhart, Ind., and Hammonton, N.J. They are operated by Whitehall Laboratories, a subsidiary of American Home. Mr. Wood said the Anacin III bottle involved in the San Jose incident was shipped there in October. The capsules it contained had been made and packaged at Elkhart.

American Home, a diversified company, makes a wide range of food items, drugs and household goods. Products With Heavy Sales

Its packaged medicines division, which contributed 14 percent of the company's total sales of \$4.13 billion last year, makes Dristan decongestants, Preparation H hemorrhoid remedy and other nonprescription drugs in addition to Anacin.

Mr. Wood said the Anacin III being distributed in San Jose was not yet packaged in tamper-resistant bottles. In November, in response to the nationwide alarm over the Chicago cyanide deaths, the Food and Drug Administration issued rules requiring tamperproof packaging for most nonprescription products, including Anacin III.

Document NYTF000020050514deca01ft7

TONE OF **TYLENOL** RIVAL'S ADS SHARPENS IN WAKE OF TRAGEDY

407 words

9 December 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

NEW YORK - THE MOST POINTED ADVERTISEMENT TO COME OUT IN THE WAKE OF THE CYANIDE-TAINTED **TYLENOL** POISONINGS 10 WEEKS AGO BEGAN AIRING THIS WEEK.

THE AD, PROMOTING STERLING DRUG INC.'S BAYER ASPIRIN, FOCUSES ON TAMPER-RESISTANT PACKAGING AND THE FACT THAT BAYER HAS USED IT FOR 25 YEARS. BY CONTRAST, JOHNSON & JOHNSON, **TYLENOL**'S PARENT, ANNOUNCED THE PRODUCT'S FIRST TAMPER-RESISTANT PACKAGE ONLY LAST MONTH.

DESIGNED BY THE AD AGENCY SSC&B INC. FOLLOWING SEVEN DEATHS IN THE CHICAGO AREA FROM **TYLENOL** CAPSULES LACED WITH CYANIDE, THE BAYER AD USES AN APPROACH THAT IS STRIKINGLY SIMILAR TO **TYLENOL**'S FIRST PUBLIC SERVICE-STYLED MESSAGE AFTER THE TRAGEDY.

THE **TYLENOL** AD, CONSIDERED BY MARKETERS TO BE A MODEL EXAMPLE OF HOW TO RESPOND TO NEGATIVE NEWS EVENTS, FEATURES THE MEDICAL DIRECTOR OF JOHNSON & JOHNSON'S MCNEIL CONSUMER PRODUCTS CO. UNIT, WHERE **TYLENOL** IS PRODUCED, IN A LIBRARY-LIKE SETTING.

BAYER ASPIRIN'S TAMPER-RESISTANT PACKAGING FEATURES A GLUE SEAL ON BOXES IN WHICH BOTTLES OF TABLETS ARE SOLD. A BAYER SPOKESMAN SAID NO ADDITIONAL TAMPER-RESISTANT MEASURES ARE PLANNED.

TYLENOL'S NEW TAMPER-RESISTANT PACKAGING, SCHEDULED TO REACH STORE SHELVES THIS MONTH, USES THREE METHODS. THE BOX WILL BE GLUED, THE BOTTLE WILL FEATURE A RED PLASTIC WRAPPING THAT COVER THE CAP AND MOUTH, AND AN ADDITIONAL FOIL SEAL WILL COVER THE BOTTLE'S OPENING.

THE NEW BAYER AD ALSO TARGETS CONSUMERS WHO VIEW CAPSULES AS EASIER TO SWALLOW THAN TABLETS AND EMPHASIZES BAYER TABLETS' NEW SLICK COATING. JOHNSON & JOHNSON HAS WITHDRAWN ALL **TYLENOL** CAPSULES FROM THE MARKET SINCE THE POISONINGS.

DATA COMPILED BY INFORMATION RESOURCES INC., CHICAGO, SHOW THAT IN FOUR TEST MARKETS BELIEVED TO REPRESENT A CROSS SECTION OF THE OVERALL AMERICAN MARKET, BAYER HAS PICKED UP 14% OF THE BUSINESS **TYLENOL** HAS LOST SINCE THE POISONINGS, LESS THAN GAINS MADE BY ANACIN, EXCEDRIN AND BUFFERIN. BAYER'S SHARE IN THE LOST MARKETS INCREASED TO SLIGHTLY MORE THAN 15% FROM 8.6% BEFORE THE POISONINGS.

ANACIN IS MADE BY AMERICAN HOME PRODUCTS CORP., WHILE EXCEDRIN IS MADE BY BRISTOL-MYERS INC.

AT STERLING, A SPOKESMAN SAID THE NEW AD ISN'T A CHEAP SHOT. "THERE ARE FOUR OTHER BRANDS OUT THERE WITH TAMPER-RESISTANT PACKAGING IN THEIR ADS. WE HAD TO REASSURE THE PUBLIC," HE SAID.

A JOHNSON & JOHNSON SPOKESMAN DECLINED COMMENT "ON WHAT A COMPETITOR DOES."

Document j000000020020326dec90151t

The New York Times

Financial Desk; D

New Tylenol Packages Shipped to Stores in Northeast

AP

147 words

8 December 1982

The New York Times

NYTF

Late City Final Edition

English

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NEW BRUNSWICK, N.J., Dec. 7 -- The first tamper-resistant packages of **Tylenol** capsules have been shipped to 120 supermarkets in the Northeast, according to a spokesman for the Supermarkets General chain.

After the deaths of seven people in the Chicago area were linked to cyanide-laced capsules of Extra-Strength **Tylenol** in late September, Extra-Strength and Regular-Strength capsules were recalled by Johnson & Johnson.

The new packages of Extra-Strength **Tylenol** were sent Monday to 120 Pathmark stores of Supermarkets General in New Jersey, New York, Pennsylvania, Connecticut and Delaware, the chain's spokesman, Robert Wunderly, said today.

Officials at the McNeil Consumer Products Company, which makes the pain reliever, and at Johnson & Johnson, the parent concern, which is based here, said they would know by Friday how consumers were responding.

Document NYTF000020050514dec801ffl

RIVALS GO FOR **TYLENOL** MARKET BUT GAINS MAY BE TEMPORARY

511 words

2 December 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

THE CYANIDE-POISONING DEATHS THAT TOPPLED JOHNSON & JOHNSON'S **TYLENOL** FROM ITS NO. 1 POSITION TWO MONTHS AGO HAVE BREATHED NEW LIFE INTO STRUGGLING COMPETITORS.

TYLENOL'S MISFORTUNES ALSO HAVE HELPED PUSH AT LEAST ONE NEW ENTRY INTO THE BILLION-DOLLAR BUSINESS OF PAIN RELIEF, AND THEY HAVE SPURRED SOME CHANGES IN HOW THE BRANDS ARE MARKETED.

ANALGESIC PRODUCTS THAT NEVER BEFORE EMPHASIZED THEIR INGREDIENTS--SUCH AS EXCEDRIN P.M., PAMPRIN AND ARTHRITIS PAIN FORMULA--NOW HEAVILY STRESS THAT THEY ARE "100% ASPIRIN-FREE." THAT PITCH IS AIMED AT **TYLENOL** USERS, TWO-THIRDS OF WHOM WERE ADVISED BY THEIR DOCTORS TO SWITCH TO ACETAMINOPHEN BRANDS SUCH AS PERCOGESIC, WHO HAD SHUNNED MASS-MARKETING EFFORTS, ARE STARTING NATIONAL RADIO AND COUPON CAMPAIGNS.

"OBVIOUSLY THE CATEGORY IS IN A STATE OF FLUX," SAYS GEORGE MOMANEY, VICE PRESIDENT WITH THE DISTRIBUTION UNIT OF THE NATION'S LARGEST DRUG WHOLESALER, FOREMOST-MCKESSON INC. "**TYLENOL**'S SHARE WAS SO HUGE THAT CONSUMERS ARE GOING TO BE BUYING SOME TYPE OF HEADACHE REMEDY."

THE BIGGEST UNCERTAINTY IS WHETHER OTHER BRANDS CAN PERMANENTLY CONVERT WARY **TYLENOL** USERS. A GROWING NUMBER OF MARKETERS, IMPRESSED BY THE SWIFT REACTION OF JOHNSON & JOHNSON, ARE DOUBTFUL. SOME 210,000 CONSUMERS HAVE USED **TYLENOL**'S TOLL-FREE PHONE LINE TO ORDER FREE REPLACEMENTS; AN UNPRECEDENTED 40 MILLION \$2.50 DISCOUNT COUPONS HAVE BEEN PUBLISHED; AND A SALES FORCE BOOSTED TO 2,200 FROM 250 WILL VISIT 900,000 MEDICAL PROFESSIONALS BY THE END OF THE YEAR.

BUT THE **TYLENOL** TRAGEDY HAS INFUSED A NEW SENSE OF RISK AND COMPETITION INTO THE PAIN-RELIEVER BUSINESS. FOR SEVERAL YEARS, HIGHER-PRICED **TYLENOL** HAD OUTSOLD THE COMBINED SALES OF ANACIN, EXCEDRIN, BAYER AND BUFFERIN; NOW SALES OF THOSE FOUR ASPIRIN BRANDS ARE UP 25% TO 50% EACH, ACCORDING TO FOREMOST-MCKESSON INC.

THERE'S A STRONG POSSIBILITY THOSE SALES GAINS ARE ONLY TEMPORARY. **TYLENOL**'S CUSTOMERS MAY HAVE CHOSEN A WELL-KNOWN ASPIRIN BRAND ONLY UNTIL THE FULL **TYLENOL** LINE IS BACK. INFORMATION RESOURCES INC., A CHICAGO COMPANY TRACKING SALES IN FOUR IMPORTANT TEST MARKETS, SAYS ASPIRIN BRANDS RATHER THAN ACETAMINOPHEN COMPETITORS HAVE ABSORBED 80% OF **TYLENOL**'S LOST SALES.

NOW **TYLENOL**'S BIGGEST CHALLENGE COMES FROM ANACIN-3 AND DATRIL, THE ONLY OTHER FAIRLY FAMILIAR BRANDS OF ACETAMINOPHEN. SALES OF BOTH ARE RUNNING FOUR TO FIVE TIMES HIGHER THAN USUAL, SAYS FOREMOST-MCKESSON. AMERICAN HOME PRODUCTS CORP., WHICH MAKES ANACIN-3, AND BRISTOL-MYERS HAVE THE RESOURCES FOR A NEW MARKETING PUSH.

AFTER THE DEATHS OF SEVEN CHICAGO-AREA RESIDENTS WHO SWALLOWED CYANIDE-LACED CAPSULES OF EXTRA STRENGTH **TYLENOL**, COMPETITORS WERE CAREFUL TO AVOID EXPLOITING THE BRAND'S FIRST WEAKNESS. THAT AGREEMENT SEEMS TO HAVE LAPSED. DATRIL'S PRINT ADS TACITLY ALLUDE TO RECENT EVENTS. BAYER ASPIRIN OUTLINES LIVER-DAMAGE DANGERS FROM OVERDOSES OF **TYLENOL**'S SOLE INGREDIENT.

SUCH AGGRESSIVENESS, COUPLED WITH THE ANACIN NAME, HAS PAID OFF. ANACIN-3 HAS CLAIMED 15% OF **TYLENOL**'S LOST BUSINESS, WHILE DATRIL AND OTHER ACETAMINOPEN BRANDS COMBINED HAVE TAKEN ONLY 5%, ACCORDING TO INFORMATION RESOURCES.

Document j000000020020326dec2018zx

RIVALS GO FOR **TYLENOL** MARKET -2-

307 words

2 December 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

THE QUESTION IS HOW LONG THAT LEAD WILL LAST. THE MAKERS OF **TYLENOL** WERE FIRST TO ANNOUNCE--IN A NATIONALLY REPORTED PRESS CONFERENCE RATHER THAN A TV AD--NEW TRIPLE-LAYER TAMPER-RESISTANT PACKAGING. THAT MAKES IT MORE DIFFICULT FOR DATRIL AND ANACIN-3 TO TRADE ON SAFETY. MOREOVER, BOTH ANACIN-3 AND DATRIL LACK THE YEARS OF PHYSICIAN RECOMMENDATIONS THAT WERE INSTRUMENTAL TO **TYLENOL**'S SUCCESS. ONE ACETAMINOPHEN COMPETITOR, PERCOGESIC, A PRODUCT OF RICHARDSON VICKS INC., DOES HAVE A HERITAGE OF SO-CALLED ETHICAL MARKETING TO DOCTORS AND PHARMACISTS SIMILAR TO THAT OF **TYLENOL**. BUT THE CYANIDE POISONINGS ACTUALLY MAY HAVE WORKED TO PERCOGESIC'S DISADVANTAGE BY PROMPTING STRONGER COMPETITORS TO INTENSIFY MARKETING EFFORTS BEFORE A NEW PERCOGESIC CAMPAIGN COULD TAKE OFF. A SPOKESMAN SAYS JANUARY 1983 ADS ARE LIMITED TO RADIO AND NEWSPAPERS FOR NOW.

TYLENOL ALSO FACES COMPETITION FROM A NEW BRAND OR TWO. BAYER ASPIRIN'S STERLING DRUG INC., WHICH FAILED IN 1976 TO MARKET BAYER NON-ASPIRIN, IS CONSIDERING INTRODUCING PANADOL, ITS TOP-SELLING EXTRA-STRENGTH ACETAMINOPHEN BRAND SOLD IN THE UNITED KINGDOM.

BY MID-JANUARY, PRIME-TIME TELEVISION ADS WILL BEGIN INTRODUCING ST. JOSEPH'S ASPIRIN-FREE TABLETS FOR ADULTS; A SIMILAR CHILDREN'S PRODUCT HIT STORE SHELVES IN SEPTEMBER. A SPOKESWOMAN FOR THE MAKER, SCHERING-PLOUGH CORP., DECLINED TO SAY WHETHER THE GO-AHEAD DECISION WAS MADE AFTER THE POISONINGS. THE BRAND CARRIES TWO DRAWBACKS: IT WILL COME IN ONLY ONE SIZE--PACKAGES OF 40 TABLETS--AND IT WON'T INITIALLY BE OFFERED IN CAPSULE FORM.

GENERIC AND STORE-BRAND LABELS OF ACETAMINOPHEN POSE EVEN LESS OF A THREAT TO **TYLENOL**'S COMEBACK DRIVE, DESPITE THOSE PRODUCTS' STRONG SALES GAINS IN THE TWO WEEKS FOLLOWING THE POISONINGS. CONSUMERS HAVE LITTLE FAITH IN THE EFFECTIVENESS OF GENERIC ACETAMINOPHEN--EVEN THOUGH IT IS IDENTICAL TO **TYLENOL**.

Document j000000020020326dec2018zt

Companies and Markets: Tightening up packaging - **TYLENOL** TRAGEDY HOLDS WARNING FOR EUROPE

By TERRY BYLAND

598 words

30 November 1982

Financial Times

FTFT

Page 17

English

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JOHNSON & JOHNSON, the US drugs manufacture, hopes that when it puts its **Tylenol** pain killing drug back on sale, the event will mark the end of an horrific episode. It began when seven Chicago purchasers of **Tylenol** died after an unknown hand introduced cyanide into the capsules, which were sold widely throughout the US

The tragedy has already had far-reaching implications for business in the US and, according to at least one analyst of the packaging industry, it ought to be attracting more attention in Europe.

Next month, Johnson & Johnson will resume sales of **Tylenol** - it was quick to take the drug off the shelves when the poisonings became known last September. The capsules will now be sold in a 'triple-sealed, tamper-resistant package.'

The purpose of the new packaging is, first, to repel attempts to tamper with the container while it lies on the retailer's shelf, and, second, to make any such attempt obvious to customers.

The safety features incorporated in the new **Tylenol** packaging are not, in fact, new at all. They comprise glued down flaps on the cardboard box holding the bottle, a plastic seal around the bottle's neck, and an inner foil seal over the bottle's mouth.

The neck seal is widely used, paradoxically enough, in the liquor trade, while the foil seal is similar to those used in packaging fresh coffee.

But the rapid application of such products is not confined to Johnson & Johnson: it has occurred throughout the US pharmaceuticals industry and reflects the concern shown by consumer and manufacturer alike in the wake of last September's poisonings.

The pharmaceuticals industry, headed by Johnson & Johnson, was quick to respond to the situation. The Pharmaceuticals Association, which represents the major manufacturers, has already agreed with the Food and Drugs Administration on guidelines for safety standards.

The potential market for safe, tamper-proof containers for pharmaceuticals has been largely ignored in the past by the leading can and packaging companies, which have preferred to concentrate on the mass beer and soft drink markets. Consequently, demand for the products can be met only by a host of relatively small and little known US companies - Dougherty Brothers, West Company, and Paco Pharmaceutical Services.

But demand for safety containers there certainly is: sales of some non-prescription drugs fell by as much as 40 per cent in the days immediately following the **Tylenol** panic. Such falls have subsequently been largely made up, but fourth quarter earnings from the industry are likely to show the effects.

Johnson & Johnson wrote off Dollars 100m pre-tax against third quarter earnings in respect of the affair and will, over the next two months, issue 40m free coupons worth Dollars 2.50 towards the purchase of any **Tylenol** product, in a move to recompense customers for the uncountable number of **Tylenol** capsules which they threw away at the height of the drama.

Against figures like this, the cost of the new safety containers is a tiny 2.4 cents a package - a charge which the company will take on board.

Mr Edward Schollmeyer, packaging industry analyst with Paine, Webber, Mitchell Hutchins, commented that at the recent packaging industry exhibition in Chicago, 'nearly everyone was offering some kind of safety packaging.'

But in a tour of the European industry last week, he found a surprising lack of awareness of this latest development.

The opportunities for the smaller manufacturer to supply safety packaging are considerable, he pointed out.

Document FTFT000020070505debu00s7d

MAN SOUGHT FOR QUESTIONING IN **TYLENOL CASE ARRESTED**

120 words

30 November 1982

Dow Jones News Service

DJ

English

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LOS ANG -AP- A 35-YEAR-OLD MECHANIC WANTED FOR QUESTIONING IN THE **TYLENOL** POISONING DEATHS IN THE CHICAGO AREA WAS ARRESTED IN LOS ANGELES AND HELD WITHOUT BAIL ON A FUGITIVE WARRANT.

KEVIN JOHN MASTERSON HAD BEEN SOUGHT BY THE CHICAGO **TYLENOL** TASK FORCE WHICH SAID QUESTIONING HIM WAS 'ESSENTIAL' TO ITS INVESTIGATION.

MASTERSON WAS PICKED UP IN THE WEST LOS ANGELES AREA BY POLICE OFFICERS AND BOOKED ON AN OUTSTANDING WARRANT FOR POSSESSION OF MARIJUANA.

ALTHOUGH INVESTIGATORS HAVE SUGGESTED THAT MASTERSON HAD A GRUDGE AGAINST ONE OF THE RETAIL OUTLETS THAT SOLD THE POISONED **TYLENOL** HE HAS NEVER BEEN CHARGED NOR ACCUSED OF WRONGDOING IN THE CASE.

2 22 PM

Document dj00000020011126debu010et

The New York Times

National Desk; B
Chicago Tylenol Ban Lifted

AP

106 words

25 November 1982

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Nov. 24 -- Mayor Jane M. Byrne today lifted the ban on the sale of all **Tylenol** products that she imposed citywide after seven persons in the Chicago area died two months ago from cyanidefilled capsules of the pain remedy. At a news conference, the Mayor said that new triple-sealed bottles of **Tylenol** would be on store shelves in about two weeks. The pills, manufactured by the McNeil Consumer Products Company, are protected by a glue flap on the box, a red plastic wrap around the bottle's neck and foil across the top of the bottle.

Document NYTF000020050514debp01cqi

MAYOR BYRNE LIFTS BAN ON SALE OF **TYLENOL PRODUCTS IN CHICAGO**

167 words

24 November 1982

Dow Jones News Service

DJ

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

CHICAGO -AP- MAYOR JANE BYRNE TODAY LIFTED THE BAN ON THE SALE OF ALL **TYLENOL** PRODUCTS THAT SHE IMPOSED CITYWIDE AFTER SEVEN PEOPLE DIED FROM CYANIDE-LACED CAPSULES OF THE PAIN REMEDY.

THE PEOPLE WHO DIES TWO MONTHS AGO HAD TAKEN EXTRA-STRENGTH **TYLENOL** CAPSULES. MAYOR BYRNE'S BAN HOWEVER COVERED REGULAR **TYLENOL** TABLETS AND LIQUID DERIVATIVES OF THE DRUG.

AT A NEWS CONFERENCE SHE SAID THE NEW TRIPLE-SEALED BOTTLES OF **TYLENOL** WILL BE ON STORE SHELVES IN ABOUT TWO WEEKS. THE PILLS MANUFACTURED BY THE MCNEIL CONSUMER PRODUCTS CO. A UNIT OF JOHNSON & JOHNSON ARE PROTECTED BY A GLUE FLAP ON THE BOX A RED PLASTIC WRAP AROUND THE BOTTLE'S NECK AND FOIL ACROSS THE TOP OF THE BOTTLE.

DAVID E. COLLINS CHAIRMAN OF MCNEIL WAS AT THE NEWS CONFERENCE AND SAID HIS FIRM HAD LOST AN ESTIMATED \$100 MILLION BECAUSE OF THE POISONINGS.

NO ARRESTS HAVE BEEN MADE. 2 17 PM

Document dj00000020011126debo015wx

The New York Times

Financial Desk; D
Tylenol Reappearing

AP

80 words

22 November 1982

The New York Times

NYTF

Late City Final Edition

English

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NEW BRUNSWICK, N.J., Nov. 21 -- Extra-Strength **Tylenol** capsules will be back on some store shelves by the end of the week in tamperresistant packaging, and Johnson & Johnson is hoping to lure back customers with 80 million coupons worth \$2.50 each. All **Tylenol** capsules were withdrawn from the market in late September after seven persons in the Chicago area died after taking capsules poisoned with cyanide. No arrests have been made.

Document NYTF000020050514debm01c8t

The New York Times

National Desk; 1

Sister of Poison Victim Sues

UPI

47 words

21 November 1982

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Nov. 20 -- The sister of one of seven people killed by cyanide in Extra-Strength **Tylenol** capsules filed suit Friday for \$5.1 million in damages from Johnson & Johnson, McNeil Consumer Products and the Walgreen Company.

Document NYTF000020050514debl01bzx

The Washington Post

business

Resurrection of Tylenol Begun

Stuart Auerbach

731 words

20 November 1982

The Washington Post

WP

English

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Johnson & Johnson has embarked on a million-dollar gamble to resurrect Tylenol as one of America's top money-making drugs, an action company Chairman James E. Burke called "a moral imperative as well as good business."

The company will run the first of a series of advertisements in Sunday newspapers containing a coupon worth \$2.50 toward the purchase of any kind of Tylenol, one of Johnson & Johnson's most profitable products until seven people in Chicago died from cyanide-tainted Extra-Strength Tylenol capsules.

The company has been absolved of any blame in the poisonings and won national acclaim for its forthright handling of the episode. In the process, however, Tylenol plummeted from its commanding position holding a full 37 percent of the nation's billion-dollar painkiller market to its present place, estimated by some Wall Street analysts at a lowly 7 percent.

Although Johnson & Johnson is being extremely close-mouthed about its total strategy to rejuvenate Tylenol, the coupons in the newspaper ads appear to be a major element, aimed largely at luring old customers back into the fold. The advertisement will be run the following Sunday in different parts of the country and both ads will be repeated in December.

The results of a companion campaign asking former users to telephone Johnson & Johnson for the \$2.50 coupon has generated some optimism in the company's New Brunswick, N.J., headquarters. The 24-hour, 800-number phone line drew 110,000 calls during its first week of operation.

Furthermore, a company survey shows that a growing number of former users -- 88 percent at the last count, up 11 percentage points in less than two weeks -- expressed a willingness to repurchase Tylenol if the capsules were contained in tamper-resistant packages.

Johnson & Johnson will be the first drug company to have its products on the shelves in the new type of packaging now mandated by the federal government. Some Tylenol packages already are in the distribution chain and are expected to reach the large chain stores first, then spread across the country by early January, when the company will start a massive television advertising campaign.

It already is distributing samples of Tylenol tablets to doctors to give to their patients -- a mainstay of the original marketing plan -- and once the capsules are in stores, Johnson & Johnson will begin distributing samples of them. The sampling is likely to involve more than 50 million capsules and is aimed at getting health professionals to lure patients back to Tylenol.

One especially knowledgeable Wall Street analyst, Larry N. Feinberg of Dean Witter Reynolds, believes Tylenol will not regain any major share of the market until its credibility is re-established with doctors and pharmacists, who referred close to 80 percent of users to the product in the first place. He said sales of Tylenol, the fourth most-prescribed drug in the country last year, dropped 30 percent in October, indicating a falloff in professional confidence.

He estimated it will take until 1985 for Tylenol to reach the \$435 million in sales expected this year if the Chicago deaths hadn't severely cut last-quarter sales, which Feinberg said would fall to \$30 million from the \$115 million he originally had projected.

No one will say how much the campaign will cost. Johnson & Johnson already has spent \$100 million withdrawing and destroying capsules and expects to pay between \$40 million and \$80 million on the coupon and telephone campaigns. That's just the beginning, but Johnson & Johnson declined yesterday to estimate the anticipated costs of future promotions and advertising.

Boosted by a textbook-perfect marketing campaign seven years ago, **Tylenol** had been a major money-maker for Johnson & Johnson. Feinberg estimated it alone was responsible for nearly 19 percent of corporate profits during the first three-fourths of the year, before the poisonings. Furthermore, Feinberg said, **Tylenol** accounted for 13 percent of Johnson & Johnson's year-to-year sales growth and "a whopping" 33 percent of the company's year-to-year profit growth.

"If **Tylenol** were a separate company, its profits before this incident would place it in the top half of the Fortune 500 list of companies," Burke said.

American Home Product's Anacin 3 and Bristol Myers' Datril, essentially the same chemical formulation as **Tylenol**, are expected to intensify their advertising campaigns.

Document WP00000020201029debk00oov

The New York Times

Financial Desk; D

Advertising; Pointing Way For Tylenol

By Eric Pace

742 words

17 November 1982

The New York Times

NYTF

Late City Final Edition

English

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CONSUMER advertising may have only limited effectiveness in Johnson & Johnson's campaign to revive Tylenol sales, Larry N. Feinberg of the Wall Street house of Dean Witter Reynolds suggested the other day.

As a stock market analyst, Mr. Feinberg brings special expertise to his musings on the ways Madison Avenue may, or may not, get Tylenol moving off the nation's drugstore shelves again.

Mr. Feinberg, who has studied biochemistry, wrote a nine-page report on Johnson & Johnson ("The Tylenol Affair: One Month Later") a few days ago.

But Mr. Feinberg's also has first-hand experience with the industry. His family owns a chain of pharmacies in Vermont, and he spent seven years in the business, including three as the manager of a drugstore in Middlebury.

With that perspective, there was one statistic that he found striking among all the market data about Tylenol: Almost 80 percent of the product's users had originally been referred to it by a doctor or pharmacist.

After poisoned Extra-Strength Tylenol capsules killed seven people this fall, Tylenol's share of the over-the-counter pain-reliever market shrank to roughly 7 percent from 37 percent earlier in the year, and it is only "slowly creeping back," Mr. Feinberg suggested,

Tylenol capsules were pulled off the retail market but are to reappear within weeks. The company said last Thursday that it was sticking with the Tylenol brand name, has introduced new tamperresistant packaging for Tylenol capsules and has begun a push to raise sales through couponing and other activities.

New consumer advertising, from the Compton agency, is being tested. F. Robert Kniffin, Johnson & Johnson's director of public relations, said yesterday from the company's headquarters in New Brunswick, N.J., that alternative advertising materials were still being considered, and that no decision had been made yet as to when the new campaign would begin.

And James E. Burke, Johnson & Johnson's chairman, said in Chicago yesterday that the company was not going to strive for new customers, but would "try to get our regular customers back."

For his part, Mr. Feinberg said in an interview that, given all the anxiety generated by the deaths, consumers are still "trying to work out their fears into a purchase decision, and they're looking for help, and I think the health care professionals will have as big a role in the consumers' decisions in the future as they did in the past - or a bigger one."

But Stanley M. Zdep, a psychologist on the staff of Audits and Surveys Inc., a market research organization that recently carried out an independent survey of consumer attitudes toward Tylenol, disagreed. He reported that 52 percent of the consumers in his survey said they had used Tylenol at one time or another, and he said: "I wouldn't think they would need a reintroduction to the product by their physicians" or pharmacists.

Mr. Feinberg had praise for the large-scale consumer coupon campaign that Johnson & Johnson announced last week. "The coupon campaign is a sound marketing move," he said, "It will stimulate initial sales. Obviously they're trying to get the product into the hands of the consumer as quickly as possible."

The new advertising, he went on, "will have to emphasize the new safety features of the product, and I'm sure it will. But not only do they have to re-educate the consumer, they have to re-establish the product with health care professionals - and that's where the real stumbling block could be."

Mr. Feinberg said essentially what the company should do was to incur "heavy promotion expenditures toward the professions" including mailings and grass-roots visits by company representatives, along with generous giving-out of free samples. Johnson & Johnson has already gone the mailing route and has deployed thousands of salesmen to buttonhole health care professionals.

Yet even those exertions will have only limited utility, Mr. Feinberg suggested, in helping **Tylenol** compete against rival products that are made out of the same popular, non-aspirin ingredient, acetaminophen.

As he wrote in his report, "Many less expensive brands of acetaminophen are becoming more heavily promoted now that the seemingly impenetrable wall surrounding the **Tylenol** image has been shattered, and competitive pricing is expected to become a major factor in these markets in the future."

Illustrations: photo of Larry Feinberg

Document NYTF000020050514debh01ayi

JOHNSON & JOHNSON **TYLENOL** STRATEGY ANOTHER BOLD GAMBLE

498 words

15 November 1982

The Wall Street Journal

J

English

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NEW YORK--JOHNSON & JOHNSON'S CAMPAIGN TO GET **TYLENOL** BOTTLES BACK IN AMERICAN MEDICINE CHESTS IS ANOTHER BOLD GAMBLE FOR A COMPANY THAT SEEMS TO THRIVE ON THEM.

FACED WITH THE NEAR-COLLAPSE OF THE BRAND AFTER **TYLENOL** CAPSULES LACED WITH CYANIDE KILLED SEVEN PEOPLE IN THE CHICAGO AREA SIX WEEKS AGO, JOHNSON & JOHNSON HAS DECIDED TO FIGHT BACK BY OFFERING TO REPLACE **TYLENOL** THAT FRIGHTENED CONSUMERS MIGHT HAVE THROWN OUT, AND TO, IN EFFECT, GIVE AWAY AS MANY OF 80 MILLION BOTTLES THROUGH COUPON OFFERS.

"IT'S BECOME CLEAR TO US THAT OUR MOST IMPORTANT JOB IS TO RESTORE CONFIDENCE" IN THE BRAND, SAYS DAVID E. COLLINS, CHAIRMAN OF MCNEIL CONSUMER PRODUCTS CO., THE JOHNSON & JOHNSON UNIT THAT MARKETS **TYLENOL**. "IN ORDER TO DO THAT WE HAD TO GET IT BACK IN OUR CUSTOMERS' HOMES."

THIS REPLACEMENT PROGRAM, WHICH SOME MARKETING SOURCES SAY MAY COST JOHNSON & JOHNSON \$30 MILLION OR MORE, IS THE HEART OF A CONCERTED CAMPAIGN THAT ALSO FEATURES NEW TAMPER-RESISTANT PACKAGING FOR **TYLENOL** CAPSULES AND A SALES BLITZ OF THE MEDICAL COMMUNITY AND PHARMACISTS.

SOME SAY THE FREE OFFER, WHICH WILL BE PROMOTED THROUGH THE PLACEMENT OF 40 MILLION \$2.50 COUPONS IN NEWSPAPER ADS NEXT SUNDAY AND THE MONDAY AFTER, AND AN ADDITIONAL 40 MILLION COUPONS ON DEC. 19, MAY RECEIVE A POOR RESPONSE.

IN FACT, JOHNSON & JOHNSON OFFICIALS CONCEDE THAT AN OFFER TO REPLACE CAPSULE PRODUCTS WITH TABLETS EARLY IN THE CRISIS WASN'T WELL SUBSCRIBED TO, THOUGH THEY SAY THAT OFFER WASN'T ADVERTISED WIDELY. NONETHELESS, CRITICS ARGUE THAT IF THE CURRENT OFFER ISN'T A RESOUNDING SUCCESS, THE COMPANY WILL BE HARD-PRESSED TO COME UP WITH A FOLLOW-UP CAMPAIGN.

OTHERS SAY THAT BY RETURNING CAPSULES TO STORE SHELVES SO SOON, THE COMPANY RUNS THE RISK OF OFFENDING CONSUMERS, OR OF EVEN BEING VULNERABLE TO ANOTHER ATTACK.

HOWEVER, AS IT HAS SAID FOR THE PAST SIX WEEKS, JOHNSON & JOHNSON MAINTAINS ITS OWN CONSUMER POLLS INDICATE THEY ARE ON THE RIGHT TRACK. "OUR INFORMATION IS THAT 35% OF **TYLENOL** USERS THREW AWAY THE PRODUCT," SAYS COLLINS. "THESE ARE PEOPLE WHO USED **TYLENOL**, PURCHASED IT, ALREADY LIKED IT."

COLLINS SAYS THE COMPANY DECIDED TO USE THE COUPON TACTIC TO REGAIN OLD CUSTOMERS ABOUT THREE WEEKS AGO AFTER DISCOVERING HOW PEOPLE HAD THROWN THE PRODUCT OUT.

COLLINS SAYS THE COMPANY BELIEVES IT WILL GET A STRONG RESPONSE FROM THE COUPON BECAUSE OF ITS UNUSUALLY LARGE VALUE, AND BECAUSE IT CAN BE REDEEMED OVER THE COURSE OF A YEAR.

HE ALSO SAYS THE COMPANY BELIEVES THAT A FUTURE CONTAMINATION IS A CONCERN "WE CAN'T BE RULED BY. I THINK AMERICANS HAVE COME TO ACCEPT PRODUCT TAMPERING AS A NEW DANGER."

COLLINS ADDS THE CAPSULE IS AN IMPORTANT DOSAGE FORM IN THE RELIEF OF PAIN FOR MANY PEOPLE. THE COMPANY ACKNOWLEDGES, TOO, THAT CAPSULES ACCOUNTED FOR ABOUT 40% OF THE BRAND'S ESTIMATED \$400 MILLION IN ANNUALS SALES.

Document j000000020020326debf015zj

TYLENOL PROBE SCALED BACK AS LEADS DIMINISH

86 words

15 November 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

CHICAGO -- THE INVESTIGATION INTO THE **TYLENOL**-RELATED DEATHS HERE WAS SCALED BACK BECAUSE OF DWINDLING LEADS.

SEVEN PEOPLE DIED IN THE CHICAGO AREA A MONTH AND A HALF AGO AFTER TAKING CAPSULES OF EXTRA-STRENGTH **TYLENOL** THAT WERE LACED WITH CYANIDE, AND A HUGE INVESTIGATIVE FORCE WAS ASSEMBLED. BUT INVESTIGATORS FINISHED TESTING MORE THAN 1.5 MILLION CAPSULES FOR CYANIDE AND INTERVIEWED THE MORE THAN 1, 500 PEOPLE WHO SAID THEY KNEW SOMETHING ABOUT THE POISONINGS; TELEPHONE TIPS DIMINISHED.

Document j000000020020326debf015v1

The New York Times

Financial Desk; 3

TYLENOL TAKES THE OFFENSIVE

112 words

14 November 1982

The New York Times

NYTF

Late City Final Edition

English

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Johnson & Johnson's chairman, James E. Burke (left), said the company would resume selling Extra-Strength **Tylenol** capsules within a few weeks - but in triple-sealed, tamper-resistant packages. Mr. Burke said the company considered it "a moral imperative, as well as good business" to restore **Tylenol**'s strong market share, lost after the death of seven people from **Tylenol** capsules that had been laced with cyanide. Mr. Burke said the company will absorb costs of about 2.4 cents per package to provide the new protection. Some 40 million coupons will be published to promote the product.

Illustrations: photo of James E. Burke

Document NYTF000020050514debe01aat

The Washington Post

politics

Tylenol Is Reintroduced In Triple-Sealed Package

Philip J. Hilts

613 words

12 November 1982

The Washington Post

WP

English

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Johnson & Johnson Co., the maker of **Tylenol**, announced yesterday that **Tylenol** capsules will be immediately reintroduced into the market in a new triple-sealed package, and the company will replace any bottle thrown out by customers after the seven cyanide deaths in Chicago.

In a move to try to regain its leading position among over-the-counter pain relievers, Johnson & Johnson became the first company to reenter the market with the package protection required by the new Food and Drug Administration rule approved last week.

James E. Burke, chairman of Johnson & Johnson, said salesmen are already selling the newly packaged product, which he said has three separate seals against tampering: glued down box tops, a plastic neck around the cap of the bottle, and a tough foil seal under the cap.

The recall and destruction of some 31 million bottles of **Tylenol** that has occurred so far, plus the replacement of bottles, will cost over \$100 million, Burke said. None of this cost, or the cost of putting the new package on **Tylenol**, will be passed on to the customer, Burke said.

"I think it is a cost we should absorb, but as a matter of fact I don't think the consumer would pay for it," he said.

Except for a brief television campaign in late October asking the public to "trust" **Tylenol**, all ads for the product were withdrawn after the deaths, which are still under investigation. Burke said that apart from the ads offering coupons to replace thrown-away **Tylenol**, no other advertising is now scheduled.

"We consider it a moral imperative as well as good business to restore **Tylenol** to its preeminent position in the marketplace," Burke told a news conference yesterday.

He urged the American public to "demonstrate a united determination not to allow our lives to be ruled by acts of terrorism, not to allow America to be poisoned the way these seven people were poisoned."

In answer to a question about making a "moral decision" to absorb the cost of the tragedy and the repackaging, Burke said, "Everything we have done, we did because it was good business."

Burke said it would be difficult to regain the full 37 percent share of the market **Tylenol** had before the tragedy. In four cities where **Tylenol** had a 46 percent share of the over-the-counter analgesic market, he said, the share dropped to 6.5 percent in only a few weeks. But now, it has recovered to 18 percent and is still rising.

He also said that after the first week of the tragedy, 40 percent of regular **Tylenol** users said they would continue to buy the product. Five weeks later, that willingness had risen to 59 percent. And if tamper-resistant packaging were added, some 77 percent of the regular **Tylenol** customers said they might return to buying the product.

He said that polls commissioned by the company showed that 90 percent of the people questioned do not hold the manufacturer responsible for the deaths in Chicago.

After the Chicago poisonings, a Johnson & Johnson subsidiary, McNeil Consumer Products, recalled nationally two batches of Extra-Strength **Tylenol** capsules, and finally stopped production of the capsules.

Some 8 million capsules were tested for cyanide. Eight tainted bottles, with 75 contaminated capsules, were found, all in Chicago. Hundreds of millions of returned capsules were incinerated by McNeil beginning this week.

Tylenol capsules will reappear on shelves in the new tamper-resistant package within the next few weeks in many areas, and be distributed to 70 percent of the nationwide market by the first of the year, Burke said.

Document WP00000020201029debc00okk

Johnson and Johnson is to resume marketing of Tylenol pain relieving drugs.

95 words

12 November 1982

Textline Multiple Source Collection (1980-1994)

TMSC

English

(c) 1982

The company is to produce Tylenol capsules in triple seal packages to prevent a recurrence of the tampering incidents which led to the deaths of several people in the US recently.

The company has conducted a survey of consumers which indicates that 77 per cent of Tylenol users would continue to use the drug if made available in tamper proof packaging. Ninety per cent of those surveyed considered the company not to blame.

IHT 12/11/82 P3 FT 12/11/82 P4

Document tmsc000020020315debc011xa

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IHT 12/11/82 P3 FT 12/11/82 P4

Document tmsc000020011207debc014ue

The New York Times

Financial Desk; D

TYLENOL WILL REAPPEAR IN TRIPLE-SEAL PACKAGE

By ERIC PACE

1,058 words

12 November 1982

The New York Times

NYTF

Late City Final Edition

English

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Johnson & Johnson announced yesterday that it would resume retail sales of **Tylenol** capsules within a few weeks, this time in triplesealed, tamper-resistant packaging. The product is to reappear in most stores by Jan. 1.

The company also announced an offer to replace, free and without asking for proof, the **Tylenol** capsules that anxious consumers threw away as a result of the poison scare. And it said it would publish, in newspaper advertisements in November and December, coupons worth \$2.50 toward the purchase of any **Tylenol** product. A bottle of 24 or 30 **Tylenol** capsules or tablets, either Extra-Strength or regular, generally sells for \$2.50 or less.

David R. Chase, a Johnson & Johnson vice president, said 40 million coupons would be published as part of the campaign to rebuild the market for **Tylenol**.

Johnson & Johnson's chairman, James E. Burke, said the addition of the new packaging features would increase manufacturing costs by 2.4 cents a package - which the company plans to absorb, he said.

Speaking from New York in an unusual, satellite-linked video news conference that permitted exchanges with reporters in 30 American cities, Mr. Burke said the impact on Johnson & Johnson's profits of absorbing the additional packaging costs would depend on sales.

"The key to that will be what our volume will be - something we don't know," he said. He asserted that the lacing of Extra-Strength **Tylenol** capsules with cyanide in the Chicago area was a "terrorist act," and he said Johnson & Johnson considered it "a moral imperative, as well as good business, to restore **Tylenol** to its preeminent position in the market place."

Asked about possible reaction in the investment community to the company's plan to absorb the new packaging costs, he answered: "I really believe most of our shareholders are with us for the long term."

Johnson & Johnson stock rose \$1.50 yesterday, to \$47.25, in trading on the New York Stock Exchange. In a prepared statement, Mr. Burke noted that Johnson & Johnson had already incurred costs of about \$100 million in issuing an initial warning after the capsule poisonings became known in late September and in recalling, testing and destroying 22 million bottles of **Tylenol** capsules - both Extra-Strength and regular - that had been distributed in the former packaging, which was not tamperresistant.

Earlier, Johnson & Johnson announced that the \$100 million beforetax cost had been written off as a \$50 million after-tax charge against third-quarter earnings. The company did not offer an estimate yesterday of the costs of the coupon and replacement programs. Rebuilding the Name

But Mr. Burke declared, speaking solemnly and deliberately from a rostrum in a hotel meeting room: "We have made the unequivocal commitment to rebuild this business under the **Tylenol** name. It will take time. It will take money. And it will be very difficult. But we are confident that it can and should be done."

Analysts and marketing specialists have been less sanguine about **Tylenol**'s prospects. H. Edward Schollmeyer, packaging analyst at Paine, Webber, Mitchell Hutchins Inc., said yesterday in a report to investors that the new **Tylenol** packaging would be a major step in generating consumer confidence in the product." Some advertising industry executives have said that repairing **Tylenol**'s image will be a difficult task.

In response to a question, Mr. Burke said Johnson & Johnson did not know the present market share of the tablet and liquid form **Tylenol** still on the market, "but we suspect it's very low." He said **Tylenol**, in all its forms, had

about 35 percent of the over-the-counter pain-reliever market before the cyanide poisoning resulted in seven deaths in the Chicago area. The Federal Government has held that Johnson & Johnson was not to blame.

Larry N. Feinberg, a health-care analyst at Dean Witter Reynolds, speculating on the basis of preliminary data, said last week that **Tylenol**'s market share might have shrunk to 7 percent of the painreliever market, which totaled about \$1 billion last year.

To make it easier for consumers to detect tampering in the future, Mr. Burke said, **Tylenol** capsule packages will have three new safety features.

The outer box will have flaps that are glued shut and must be torn open before the bottle is touched. The bottle's cap and neck will be covered with a tight plastic seal that must be torn, too, before the cap can be removed. And the bottle's mouth will have over it a foil inner seal that must be broken before the capsules can be touched.

As an additional precaution, the bottle is to be labeled: "Do not use if safety seals are broken." Before the **Tylenol** poisonings, **Tylenol** capsules were packaged in bottles that were essentially similar - but they had caps that could be opened easily and then closed, leaving no indication that they had been tampered with. And they had no additional sealing feature, except some cotton inside the bottle. Similarly, in the former packaging, the outer box could be opened and then closed again without leaving any sign that it had been interfered with.

After the Illinois tampering became known, Mr. Burke said, "over one-third of our **Tylenol** users threw away the **Tylenol** capsules they had out of fear generated during the early days of the tragedy."

To obtain replacements of the capsules they discarded, he said, consumers anywhere in the country can telephone a special toll-free telephone number, 1-800-232-2222, which began operating yesterday. Efforts to call the number late yesterday afternoon were unsuccessful. It was busy.

Johnson & Johnson took all **Tylenol** capsules off the market after the Illinois deaths, which resulted from the poisoning of Extra-Strength **Tylenol** capsules. But the company continued to market **Tylenol** tablets and other **Tylenol** products.

Yesterday, salesmen of the McNeil Consumer Products Company, the Johnson & Johnson unit that makes **Tylenol**, began taking wholesale and retail orders for capsules in the new packaging, the company reported.

Mr. Burke said market research showed that 77 percent of **Tylenol** customers would buy **Tylenol** in a tamper-resistant package.

Illustrations: photo of James E. Burke (page D4) photo of new tamper resistant package (page D4)

Document NYTF000020050514debc019vl

JOHNSON & JOHNSON PRESENTS **TYLENOL MARKETING PLAN**

215 words

11 November 1982

Dow Jones News Service

DJ

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

NY -DJ- JAMES E. BURKE CHAIRMAN OF JOHNSON & JOHNSON SAID THE COMPANY IS 'UNEQUIVOCALLY COMMITTED TO REBUILD' THE **TYLENOL** PRODUCT.

AT A PRESS CONFERENCE HERE THAT WAS BROADCAST VIA SATELLITE TO REPORTERS IN 30 SITES AROUND THE COUNTRY BURKE PRESENTED THE COMPANY'S NEW PROTECTIVE PACKAGE FOR ITS **TYLENOL** PRODUCT AS WELL AS ITS MARKETING PLANS FOR THE NEXT TWO MONTHS.

BURKE PRESENTED A NEW TAMPER-RESISTANT PACKAGE THAT HAD THREE SEPARATE SAFETY SEALS. THE PRODUCTS WILL BE GLUED SHUT THERE WILL BE A PLASTIC SEAL ON THE BOTTLE'S CAP AS WELL AS AN INNER FOIL SEAL THAT MUST BE PUNCTURED FOR REMOVAL.

MOREOVER WARNINGS TO CONSUMERS NOT TO USE THE PRODUCT IF THE SAFETY SEALS ARE BROKEN WILL BE PLACED ON THE **TYLENOL** BOXES AS WELL AS ON THE BOTTLE.

IN ADDITION BURKE SAID THE COMPANY WILL OFFER ALL CONSUMERS AN OPPORTUNITY TO PURCHASE FREE **TYLENOL** CAPSULES THROUGH A SERIES OF NEWSPAPER ADS TO BE PLACED BEGINNING NOV. 21. THE ADS WILL PROVIDE CONSUMERS A \$2.50 COUPON FOR PART OF THE PURCHASE OF **TYLENOL** PRODUCTS.

BURKE SAID THE COMPANY WILL ABSORB ALL COSTS FOR REPACKAGING THE PRODUCT AND THAT THE PRICE OF THE PRODUCT SHOULDN'T BE INCREASED ANY TIME SOON.

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JOHNSON & JOHNSON TO UNVEIL MARKETING PLANS FOR **TYLENOL**

120 words

10 November 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

NEW YORK - JOHNSON & JOHNSON SAID IT WILL UNVEIL SOME OF ITS MARKETING PLANS FOR **TYLENOL**, INCLUDING A NEW TAMPER-RESISTANT PACKAGING, AT A SPECIAL NEWS BRIEFING TO BE BROADCAST TO REPORTERS IN 30 CITIES NATIONWIDE.

THE CLOSED-CIRCUIT VIDEO CONFERENCE IS PART OF JOHNSON & JOHNSON'S EFFORT TO REBUILD **TYLENOL**'S IMAGE FOLLOWING THE DEATHS SIX WEEKS AGO OF SEVEN PEOPLE IN THE CHICAGO AREA FROM CYANIDE-TAINTED EXTRA STRENGTH **TYLENOL** CAPSULES.

JOHNSON & JOHNSON SAID IT DECIDED TO BROADCAST THE NEWS BRIEFING, WHICH WILL ORIGINATE FROM THE SHERATON CENTRE HOTEL IN NEW YORK, BECAUSE SO MANY REPORTERS HAVE INQUIRED ABOUT THE COMPANY'S PLANS FOR THE PAIN RELIEVER.

Document j000000020020326deba0153q

CONSUMERS EXAMINE PACKAGES CLOSELY SINCE **TYLENOL** TRAGEDY

550 words

5 November 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

THE CYANIDE-SPIKED **TYLENOL** CAPSULES THAT KILLED SEVEN PEOPLE IN THE CHICAGO AREA ARE CONTINUING TO SPREAD POISONOUS EFFECTS THROUGH THE AMERICAN MARKETPLACE.

THE FOOD INDUSTRY IS APPREHENSIVE NOW. "WE BELIEVE THE BACKLASH IN PHARMACEUTICALS WILL EVENTUALLY BE FELT IN THE FOOD INDUSTRY," SAYS JAMES MCCORD, A PACKAGING-FILM OFFICIAL AT HERCULES INC.

HERCULES HAS BEEN URGING DRUG COMPANIES TO WRAP THEIR PRODUCTS IN ITS POLYPROPYLENE FILM. HOWEVER, DRUG MAKERS SUCH AS STERLING DRUG INC., PFIZER INC. AND BRISTOL-MYERS CO. SAY THEY ARE STUDYING TAMPER-RESISTANT PACKAGING. THE FOOD AND DRUG ADMINISTRATION ANNOUNCED ITS NEW DRUG-PACKAGING REQUIREMENTS THURSDAY.

W. ROBERT LAYNE, A BUYER FOR THE WELLBY SUPER DRUG STORES UNIT OF HANNAFORD BROS. CO., NOTES THAT CONSUMERS ARE "QUESTIONING THINGS LIKE THE EDGE OF A CAPSULE BEING CRUSHED. ...IF IT'S EVEN SLIGHTLY DEFECTIVE, THEY'RE BRINGING IT BACK."

RETAILERS ARE BECOMING CAUTIOUS, TOO. WHEN A PACKAGE IS RETURNED BECAUSE IT LOOKS AS IF IT "POSSIBLY HAS BEEN OPENED," A SPOKESWOMAN FOR STOP & SHOP COS. SAYS, THE STORE REMOVES ALL OF THAT BRAND FROM ITS SHELVES AND EXAMINES THE CONTAINERS. THE CHAIN HAS STEPPED UP SURVEILLANCE OF STORES BY PLAINCLOTHES OBSERVERS.

SOME STORES HAVE BEEN HARASSED BY PRANK REPORTS OF PRODUCT TAMPERING. FOR EXAMPLE, SOME CUSTOMERS WHO COMPLAINED OF FINDING RAZOR BLADES IN BALL PARK HOT DOGS PRODUCED BY HYGRADE FOOD PRODUCTS CORP. LATER ADMITTED THAT THEY HAD PLANTED THE BLADES.

MOST OF THE FOOD INDUSTRY HAS HAD FEW PROBLEMS WITH TAMPERING. IN SOUTHFIELD, MICH., JOEL DORFMAN, EXECUTIVE VICE PRESIDENT OF FREDERICK & HERRUD INC., SAYS THE MEATPACKER HASN'T NOTICED ANY CHANGES IN CONSUMER BUYING PATTERNS. HE NOTED THAT THE COMPANY USED METAL DETECTORS TO CHECK PRODUCTS SUCH AS SAUSAGES AND SHIPS OUT PRODUCTS IN VACUUM-SEALED PLASTIC PACKAGES THAT ARE "VIRTUALLY TAMPER-PROOF."

BUT HALLOWEEN CANDY SALES WERE POOR THIS YEAR. WALGREEN CO. SAYS THAT IN THE PEAK HALLOWEEN BUYING PERIOD, ITS SALES OF CANDY IN BAGS FELL 20% FROM A YEAR EARLIER. A SIMILAR DECLINE IS REPORTED BY PATHMARK SUPERMARKETS, OWNED BY SUPERMARKETS GENERAL CORP. AN OFFICIAL AT KROGER CO. SUGGESTS THAT ITS POOR SALES OF CANDY WERE ATTRIBUTABLE BOTH TO FEARS OF TAMPERING AND TO EXPECTATIONS OF LESS-THAN-NORMAL TRICK-OR-TREAT TRAFFIC THIS YEAR.

THE BIGGEST SWITCH IN SALES, HOWEVER, IS IN THE **TYLENOL** CAPSULES THEMSELVES. THE ONCE-POPULAR JOHNSON & JOHNSON PRODUCT HAS BEEN WITHDRAWN FROM SALE. THE JEWEL FOOD STORES UNIT OF JEWEL COS. SAYS SALES OF ALL BRANDS OF ANALGESIC CAPSULES ARE "WAY DOWN" AT ITS STORES, AND GEORGE MOMANEY, A VICE PRESIDENT AT FOREMOST-MCKESSON INC.'S DRUG UNIT, SAYS SALES OF ALL PAIN-RELIEF CAPSULES ARE DOWN "AT LEAST BY HALF."

SALES OF **TYLENOL** TABLETS ARE GENERALLY DOWN, TOO. PERRY DRUG STORES INC. PUTS THE DROP AT 10%. SOUTHLAND CORP., WHICH OPERATES AND FRANCHISES 7-ELEVEN STORES, ALSO NOTES A "SIGNIFICANT INCREASE" IN SALES OF OTHER PAINKILLER TABLETS.

MICKEY CLERC, DIRECTOR OF ADVERTISING FOR WINN-DIXIE STORES INC. IN JACKSONVILLE, FLA., SAYS, "I THINK THERE'S BEEN SO MUCH IN THE PRESS THAT EVERYONE IS CONCERNED ABOUT EVERYTHING. STATE AND LOCAL HEALTH DEPARTMENTS ARE SWAMPED." THIS SORT OF "OVERREACTION," SAYS A SPOKESMAN FOR LUCKY STORES INC. IN DUBLIN, CALIF., IS PARTLY THE FAULT OF THE NEWS MEDIA.

Document j000000020020326deb5014hl

HEARD ON STREET:CAUTION URGED ON DRUG SUPPLIERS, PACKAGERS

521 words

3 November 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

THE FOOD AND DRUG ADMINISTRATION IS EXPECTED THIS WEEK OR NEXT TO DROP THE OTHER SHOE IN THE **TYLENOL** TRAGEDY BY ANNOUNCING NEW PACKAGING REGULATIONS. THE POTENTIAL SURGE IN BUSINESS FOR A HANDFUL OF PUBLICLY HELD PACKAGING AND PHARMACEUTICAL SUPPLY COMPANIES HAS LIFTED THE STOCK PRICES OF A HANDFUL OF CONCERNS THOUGHT TO BE POISED FOR A BIG PICKUP IN BUSINESS.

BUT ANALYSTS AND INDUSTRY EXECUTIVES CAUTION THAT MUCH OF THE SPECULATION IN THESE STOCKS MAY BE PREMATURE AND EVEN MISPLACED.

'TO BUY ANY OF THESE STOCKS ON THE BASIS OF SPECULATION IS WRONG' SAYS AN INDUSTRY ANALYST WHO REQUESTS ANONYMITY. 'PEOPLE ARE BETTING WITHOUT ENOUGH INFORMATION.'

'THERE MAY BE TOO MUCH NEAR-TERM ENTHUSIASM' AGREES JOHN C. MUELLER SENIOR FINANCIAL OFFICER AT WEST CO. ONE OF THE COMPANIES WHOSE STOCK HAS RISEN SHARPLY ON SPECULATION THAT IT WILL BE A BIG WINNER. 'WE'VE HAD A LOT OF PHONE CALLS FROM BROKERS AND GOD ONLY KNOWS WHAT THEY'RE TELLING CLIENTS. OUR POSITION IS THAT WE WILL GET SOME BUSINESS BUT HOW MUCH IS HARD TO TELL.'

WEST CO'S STOCK IS UP NEARLY 40 PC SINCE THE **TYLENOL** AFFAIR BROKE CLOSING YESTERDAY AT 21 DOWN 3-4. INTEREST IN REPACKAGING CENTERS ON PROPRIETARY OR OVER-THE-COUNTER NONPRESCRIPTION MEDICATIONS. BUT WEST CO'S BUSINESS LARGELY IS IN THE PACKAGING OF PRESCRIPTION DRUGS AND IS CONCENTRATED ON INJECTABLE DRUGS.

MOST ANALYSTS HOWEVER THINK THE MAJOR PHARMACEUTICAL MAKERS WILL SWITCH TO PLASTIC FILM TO COVER EXISTING BOTTLES AND BOXES PLASTIC CAP SEALS AND SINGLE-DOSE PLASTIC BUBBLES SUCH AS THOSE USED ON SOME COLD REMEDIES. - -

WEST CO. CURRENTLY IS UNABLE TO DO ANY OF THESE.

THE FDA REGULATIONS ARE EXPECTED TO BE VERY BROAD AND MIRROR THE SUGGESTIONS SUBMITTED TO IT BY THE PHARMACEUTICAL INDUSTRY SAYS IRA S. LOSS AN ANALYST WHO COVERS THE AGENCY FOR WASHINGTON ANALYSIS CORP. A SUBSIDIARY OF PRUDENTIAL-BACHE SECURITIES INC. 'I THINK THE SHRINK SEAL AROUND THE BOTTLE TOP WILL BE VERY POPULAR' SAYS LOSS. 'IT'S THE CHEAPEST QUICKEST AND EASIEST WAY.' HE ADDS THAT SOME COMPANIES MAY OPT FOR A PAPER SEAL OVER BOTTLE MOUTHS THAT CURRENTLY IS USED TO PACKAGE INSTANT COFFEE.

INDUSTRY OFFICIALS AGREE SUGGESTING THAT R.P. SCHERER CORP ANOTHER COMPANY WHOSE STOCK SPECULATORS HAVE BID UP WILL SEE LITTLE BENEFIT FROM REPACKAGING MOVES.

SCHERER SEEMS TO AGREE. THE COMPANY IS A LEADING MAKER OF SOFT GELATIN CAPSULES USED IN SOME VITAMIN PRODUCTS.

'I SUSPECT JOHNSON & JOHNSON -MAKER OF **TYLENOL**- WILL BE LOOKING TO INTRODUCE THE TWO-PIECE HARD-SHELL CAPSULE THEY WERE USING BEFORE' SAYS A SCHERER SPOKESMAN. 'CONSUMERS SEE THOSE CAPSULES AS EASIER TO SWALLOW AND THERE IS A PERCEPTION THAT THEY ARE MORE THERAPEUTICALLY EFFECTIVE.'

THE SPOKESMAN ADDS THAT **TYLENOL** WOULD HAVE TO BE REFORMULATED INTO LIQUID FORM FOR THE GELATIN CAPSULE TO BE APPLICABLE. THIS IS AN EXPENSIVE PROPOSITION THAT WOULD

REQUIRE A NEW MARKETING APPROACH. 'LIKE THE DC-10' HE SAYS 'AFTER THE CLOUD GOES AWAY WE'LL PROBABLY SEE THE HARD-SHELL CAPSULE FORM COME BACK VERY STRONG.'

BROADTAPE 9 10 AM NOVEMBER 3

Document j000000020020326deb3013pb

HEARD ON STREET:CAUTION URGED ON DRUG SUPPLIERS -2-

359 words

3 November 1982

The Wall Street Journal

J

English

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SCHERER'S STOCK IS UP ABOUT THREE POINTS SINCE EARLY OCTOBER. IT CLOSED YESTERDAY AT 17 5-8 BID DOWN 1-4.

AT LEAST ONE ANALYST HAS BEEN TRYING TO MAKE A CASE FOR A SWITCH TO GLASS BOTTLES FROM PLASTIC, BUT MOST OBSERVERS THINK THE LIKELIHOOD OF SUCH A CHANGE IS SLIM PRIMARILY BECAUSE GLASS IS HEAVIER AND COSTS MORE TO SHIP. SUCH A MOVE WOULD BENEFIT GLASS CONTAINER MAKERS SUCH AS BROCKWAY INC. AND ANCHOR HOCKING.

WHAT MAY BE THE MOST REVEALING LOOK AT THE PLANS OF MAJOR PHARMACEUTICAL MANUFACTURERS IS PROVIDED BY PACO PHARMACEUTICALS A LAKEWOOD N.J. PACKAGING COMPANY THAT DERIVES 30% OF ITS REVENUE FROM SALES TO JOHNSON & JOHNSON. PACO WHICH WENT PUBLIC LAST YEAR HAS ATTRACTED STRONG INVESTOR INTEREST SINCE THE **TYLENOL** TRAGEDY BECAUSE THE COMPANY IS ABLE TO PRODUCE NINE OF THE 10 PACKAGING METHODS PROPOSED TO THE FDA. THE STOCK HAS RISEN ABOUT 67% SINCE OCT. 1 QUOTED YESTERDAY AT 40 BID DOWN 3-4.

RUSSELL R. HAINES PRESIDENT HAS BEEN MEETING WITH INDUSTRY OFFICIALS AND SAYS 'THE TREND RIGHT NOW IS TOWARD GLUED BOXES A PLASTIC BAND OVER THE NECK OF THE BOTTLE OR PUTTING INNER SEALS OVER THE BOTTLE MOUTH. WE HAVEN'T TALKED TO ANYONE WHO IS CHANGING THE BOTTLE DESIGN.'

RUSSELL SAYS THE COMPANY ALREADY IS HIRING EXTRA HELP IN ANTICIPATION OF A SURGE IN BUSINESS ADDING- 'WE HAVE THE EQUIPMENT IN PLACE AND THE CAPACITY TO TAKE ON MORE BUSINESS. '

BUT HE RECOGNIZES THAT ALL THE FUSS MAY BE SHORT-LIVED. 'SOMEWHERE DOWN THE LINE THESE COMPANIES WILL HAVE THEIR OWN EQUIPMENT AND DO THEIR OWN PACKAGING. WE EXPECT WE'LL STILL BE DOING MORE BUSINESS BUT IT ISN'T PRACTICAL TO SHIP PRODUCTS AROUND THE COUNTRY TO GET THEM PACKAGED.'

IF AS HAINES SUGGESTS MOST MANUFACTURERS INITIALLY OPT FOR SOME KIND OF PLASTIC COVERING THAT COMPLETELY SEALS THE PRODUCT COMPANIES WHO MAKE PLASTIC FILM WOULD SEE THE MOST IMMEDIATE RESULTS. SOME OF THE LARGER FILM MAKERS ARE MINNESOTA MINING & MANUFACTURING DUPONT ALLIED CORP. BEMIS AND W.R. GRACE.

BROADTAPE 9 18 AM NOVEMBER 3

Document j000000020020326deb3013p5

THE IRISH TIMES

The withdrawal of **Tylenol** extra strength capsules has obliged Johnson and Johnson (Ireland) to abandon a £50,000 advertising campaign.

244 words

2 November 1982

Irish Times

IRTI

12

English

(c) 1982

The Irish company had only just introduced **Tylenol** extra strength into the Republic when cases of poisoning of the drug in the US prompted the company to remove it from the market.

A spokesman for Johnson and Johnson (Ireland) stated that **Tylenol** extra strength had been withdrawn out of concern at the possibility of someone tampering with retail packs. But the company's advertising campaign had come under some criticism.

The campaign included television commercials devised by CDP Associates. It was cancelled three weeks before television advertising was due to begin.

The campaign failed to win the approval of the Federation of Irish Chemical Industries, which administers a code of advertising standards for proprietary medicines. The FICI objected to claims that **Tylenol** was "absolutely safe" and could have "no harmful side effects".

Tylenol, a paracetamol based product, was expected to do well in the £6m pharmaceuticals retail market in the Republic. The General Medical Services report for 1981 estimated that paracetamol was the third most prescribed drug. Since the "delisting" of 875 items by the GMS, the analgesic market has opened up. Sterling Winthrop, which markets Panadol and Hedex, has an opportunity to increase its sales substantially, perhaps repromoting Panadol over the counter. The wider implication is that the over the counter market could grow at the expense of the prescription market.

Document irti000020011206deb2002xp

The New York Times

National Desk; 1

SUSPECT IN **TYLENOL** EXTORTION IS ARRESTED IN NEWARK

By ROBERT D. McFADDEN

639 words

31 October 1982

The New York Times

NYTF

Late City Final Edition

English

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A 35-year-old unemployed Newark man was arrested by Federal agents yesterday after two youths picked up a package purportedly containing \$100,000 that had been demanded in an extortion letter sent to Johnson & Johnson, the parent company of the maker of Extra-Strength **Tylenol**, the Federal Bureau of Investigation announced last night.

The man, identified as Vernon A. Williams Jr., was not regarded as a suspect in the deaths of seven persons who took cyanide-laced **Tylenol** capsules in the Chicago area a month ago, the F.B.I. said.

Other law-enforcement officials said that the two youths who picked up the package were the suspect's sons, aged 10 and 11. Money in Brown Paper Bag

James Cagnassola Jr., special agent in charge of the Newark Division, said the extortion letter, mailed from Newark on Oct. 26, threatened the contamination and distribution of **Tylenol** unless the money was delivered in a brown paper bag to a designated site in central Newark.

Such a paper bag was thrown from a public bus window toward a vacant lot, and the youths were seen picking it up, Mr. Cagnassola reported. Agents then followed the boys to a cemetery, where they recovered the bag, he added.

Mr. Cagnassola said Mr. Williams was arrested later in the day in East Orange. Law-enforcement authorities said that the investigation was arranged after the threatening letter had been received at the New Brunswick, N.J., headquarters of Johnson & Johnson, whose McNeil Consumer Products division makes Extra-Strength **Tylenol**.

Mr. Cagnassola said that Mr. Williams was being held at the Somerset County jail in Somerville pending arraignment Monday before a United States Magistrate in Newark on a charge of mailing a threatening communication, a Federal offense punishable by 20 years in prison and a \$5,000 fine.

Mr. Williams is the second suspect arrested on charges of attempted extortion in the **Tylenol** case. While a number of extortion threats have been under investigation in the case, law-enforcement officials have made public details on only three of them. Other Extortion Cases

In one case, a fugitive Missouri couple, James W. and Leann Lewis, have been charged with attempting to extort \$1 million from Johnson & Johnson. A letter bearing Mr. Lewis's fingerprints threatened further poisonings unless the money was placed in a Chicago bank account.

Mr. Lewis, who has used the names Robert Richardson and Theodore Elmer Wilson, and his wife were staying at the Hotel Rutledge in New York City when the poisonings occurred in the Chicago area from Sept. 29 to Oct. 1. The Lewises were not listed as prime suspects in the killings.

In another case, Jerome Howard, 20, of Chicago, was arrested on Oct. 9 and accused of trying to extort \$8,000 from Gottlieb Hospital in the Chicago suburb of Melrose Park by threatening to poison patients with **Tylenol** capsules containing cyanide. The officials said there was "no credible evidence" to indicate that he was involved in any of the deaths.

Earlier yesterday, The Chicago Tribune reported that it had received a letter, signed by "Robert Richardson," disclaiming any responsibility for the seven cyanide poisonings. The newspaper said the letter came in a packet

of materials sent through the mail, bearing a Wednesday postmark from New York City. The F.B.I. was examining the letter, Illinois Attorney General Tyrone Fahner said.

Preliminary handwriting analysis indicated that Mr. Lewis was the author, Mr. Fahner said. "As you have probably guessed, my wife and I have not committed the Chicago area **Tylenol** murders," the letter, written in neat script, begins. "We do not go around killing people. We never have and we never shall." The words not and never are underscored.

Document NYTF000020050514deav01772

The Washington Post

business

U.S. Tax Credit Helps Chrysler Earn Profit For Third Quarter; Texaco Income Off

720 words

29 October 1982

The Washington Post

WP

English

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Chrysler Corp., which this week averted a strike over a wage dispute with hourly workers, yesterday reported a third-quarter profit of \$9.4 million (3 cents a share) compared with a \$140.1 million loss in the comparable period last year.

However, the profit by the No. 3 automaker was due not to successful car sales but to a federal tax credit of \$20.7 million. Chrysler sustained an operating loss of \$11.3 million for the quarter.

Meanwhile, Johnson & Johnson Inc. reported that the national withdrawal of its **Tylenol** pain-reliever capsules reduced third-quarter earnings by \$50 million (27 cents a share).

The pharmaceutical giant, which was on the way to one of its best years in history before poisoned **Tylenol** capsules killed seven people in Chicago, said that its net profits for the quarter were down 26 percent from the year before.

And Texaco Inc., the nation's third-largest oil company, said yesterday that earnings tumbled 48.7 percent in the third quarter because the worldwide recession has slowed demand for petroleum products.

Chrysler Chairman Lee Iacocca noted in a statement that this is the first time since 1977 that the automaker has recorded three straight profitable quarters.

It also was the first time in five years that Chrysler has reported a profit in a third quarter, traditionally the industry's worst because of new-model changeover costs. The last third-quarter profit was in 1977, when the company made \$33.7 million.

This year's nine-month earnings were \$266.2 million (\$3.23). Chrysler lost \$408.7 million (\$6.21) during the same period last year.

Chrysler reported worldwide sales in the third quarter of \$2.5 billion, up from \$2.3 billion last year. Worldwide vehicle factory sales in the quarter were 284,601, off 2.3 percent from 291,403 last year.

Nine-month sales totaled \$7.8 billion versus \$7.4 billion last year. Worldwide vehicle factory sales were 926,152, compared with 981,938.

Johnson & Johnson Inc. said that earnings for the quarter before the \$50 million charge were \$146.5 million (78 cents a share) compared with \$129.9 million (69 cents) last year. The \$50 million charge shaved the figure to \$96.5 million (51 cents). Sales were \$1.48 billion against \$1.34 billion.

The recall costs aside, nine-month net profits would have been \$444 million (\$2.37), up 17.2 percent from \$378.9 million (\$2.03) a year earlier, the company said. Because of the extraordinary expense, however, the figure slid to a 4 percent increase from the first nine months of 1981 to \$394 million (\$2.10). Nine-month sales were \$4.38 billion, up 9.3 percent from \$4.01 billion.

Johnson & Johnson spokesman Robert V. Andrews said the withdrawal of **Tylenol** capsules will negatively affect **Tylenol** sales and overall company earnings in the fourth quarter and "into 1983."

Andrews said he could not project what the overall impact would be for the company. He added that the company is designing a tamper-resistant package and plans to invest heavily to reestablish the pain reliever on the market.

Tylenol was the best-selling nonprescription pain reliever in the country prior to the Chicago poisonings.

Texaco Inc.'s third-quarter earnings plummeted to \$303 million (\$1.16 a share) from \$589 million (\$2.25) in the third quarter of 1981. Revenues were off 18 percent to \$11.8 million from \$14.4 million.

Nine-month earnings were \$975 million (\$3.74) compared with a record \$1.8 billion (\$6.79) in the same 1981 period. Revenue fell to \$36.3 billion from \$44.7 billion.

Texaco's U.S. energy earnings fell 38 1/2 percent to \$156 million, primarily on lower oil and gas production, reduced crude-oil prices and higher dry-hole expenses. Foreign energy earnings were down 53.2 percent, reflecting continued high costs of acquiring crude oil.

High interest costs and losses on foreign currency translations produced a net loss of \$28.9 million for Pan American World Airways in the third quarter in contrast to a profit of \$281.5 million (\$3.95 a share) a year ago, the airline reported yesterday.

Document WP00000020201030deat0080u

Johnson and Johnson has reported earnings of \$146.5m, or 78 cents a share, in the third quarter of 1982.

104 words

29 October 1982

Textline Multiple Source Collection (1980-1994)

TMSC

English

(c) 1982

This compares with earnings of \$129.9m, or 69 cents a share, in the corresponding period of 1981.

Following a \$50m charge against earnings, representing the allowance for costs incurred on the recall of 22m bottles of extra strength **Tylenol** capsules, third quarter earnings were reduced to \$96.5m, or 51 cents a share.

After nine months earnings total \$444m (before the extraordinary charge), against \$378.9m last year.

FT 29/10/82 P33 T 29/10/82 P17 IHT 30/10/82 P15

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FT 29/10/82 P33 T 29/10/82 P17 IHT 30/10/82 P15

Document tmsc000020011207deat0137b

JOHNSON & JOHNSON MOVING TO REBUILD **TYLENOL**'S IMAGE

538 words

29 October 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

NEW BRUNSWICK, N.J.--JOHNSON & JOHNSON IS STARTING TO FIGHT BACK. FOUR WEEKS AFTER SEVEN CHICAGO-AREA CONSUMERS DIED FROM SWALLOWING EXTRA STRENGTH **TYLENOL** CAPSULES LACED WITH CYANIDE, J&J IS TAKING THE FIRST CAUTIOUS STEPS TO REBUILD **TYLENOL**'S IMAGE.

MCNEIL CONSUMER PRODUCTS CO., THE J&J SUBSIDIARY THAT MAKES **TYLENOL**, IS STARTING A DRIVE TO CORRECT MANY MISPERCEPTIONS IDENTIFIED IN PUBLIC OPINION POLLS THAT IT COMMISSIONED.

THE POLLS FOUND THAT MANY PEOPLE DIDN'T REALIZE THAT ONLY **TYLENOL** CAPSULES--AND NOT TABLETS--HAD BEEN INVOLVED IN THE POISONINGS. THE SURVEYS ALSO FOUND MANY PEOPLE DIDN'T REALIZE THAT AUTHORITIES HAD EXONERATED THE COMPANY IN THE POISONINGS AND THAT THE DEATHS WERE CONFINED TO THE CHICAGO AREA.

THE POLLS ALSO SHOWED THAT HALF OF **TYLENOL**'S PREVIOUS USERS CONSIDER THEMSELVES UNLIKELY TO USE THE PRODUCT AGAIN.

THIS WEEK MCNEIL AIRED **TYLENOL** TELEVISION COMMERCIALS FOR THE FIRST TIME SINCE SEPT. 30, RIGHT AFTER NEWS OF THE FIRST POISONINGS BROKE. DR. THOMAS N. GATES, MCNEIL'S MEDICAL DIRECTOR, STRESSES THAT THE POISONINGS OCCURRED ONLY IN THE CHICAGO AREA AND INVOLVED ONLY **TYLENOL** CAPSULES.

MCNEIL ALSO HAS SENT ABOUT 2 MILLION PIECES OF LITERATURE TO DOCTORS, DENTISTS, NURSES AND PHARMACISTS SPREADING THE WORD THAT THE COMPANY'S FACTORIES WEREN'T THE SOURCE OF THE POISONINGS. THE MESSAGES ASK RECIPIENTS TO HELP REASSURE PATIENTS AND CUSTOMERS THAT **TYLENOL** IN TABLET, LIQUID OR CHEWABLE FORMS ISN'T AT RISK. THE COMPANY ALSO ENLISTED ITS SALES FORCE AND THAT OF OTHER J&J PRODUCTS TO PROMOTE THIS MESSAGE.

MCNEIL IS PUSHING HARD WITHIN THE MEDICAL COMMUNITY LARGELY BECAUSE CONSUMER SURVEYS SHOWED THAT 80% OF ALL **TYLENOL** USERS FIRST BEGAN USING THE PRODUCT AT THE SUGGESTION OF THEIR DOCTOR, DENTIST OR DRUGGIST.

SO FAR, THE COMPANY SAYS, AN OUTSIDE RESEARCH CONCERN, WHICH J&J DECLINES TO NAME, HAS INTERVIEWED "HUNDREDS" OF CONSUMERS AND WILL CONTINUE ITS SURVEY WORK INDEFINITELY. A SIX-MEMBER "STRATEGY GROUP," WHICH MEETS SEVERAL HOURS A DAY, HAS WATCHED INTERVIEWS ON FILM, STUDYING REACTIONS TO **TYLENOL**, OTHER OVER-THE-COUNTER MEDICINES AND J&J ITSELF.

J&J ALSO HOPES TO BRING BACK CUSTOMERS BY PRODUCING QUICKLY A TAMPER-RESISTANT PACKAGE FOR ITS CAPSULE PRODUCTS. THE FDA IS EXPECTED TO ISSUE RULES NEXT WEEK REQUIRING TAMPER-RESISTANT PACKAGES FOR ALL NON-PRESCRIPTION DRUGS, BUT J&J AND OTHERS ARE MOVING BEFORE THE RULES COME OUT.

J&J IS CONSIDERING "SEVERAL" ADDITIONAL TELEVISION ADVERTISING OPTIONS. AMONG OTHER POSSIBILITIES, IT IS EXPECTED TO PROMOTE NEW TAMPER-RESISTANT PACKAGING. IT ALSO MIGHT PUSH **TYLENOL** TABLETS, RATHER THAN THE CAPSULES.

IN THE WEEKS SINCE THE POISONING NEWS, **TYLENOL** SALES HAVE DECLINED NEARLY 80%, J&J SAYS. COMPETITORS ARE MOVING HARD TO GET A SHARE OF **TYLENOL**'S BUSINESS.

BUT J&J APPEARS TO BE BENEFITTING FROM CONSIDERABLE PUBLIC LOYALTY IN THE CRISIS. MANY STORES ARE STILL HOLDING OPEN THE SHELF SPACE ONCE USED FOR **TYLENOL** EXTRA-STRENGTH CAPSULES. THE COMPANY EVEN RECEIVED A \$10 CHECK (WHICH IT RETURNED) FROM A DONOR WHO WANTED TO CONTRIBUTE TO THE \$100,000 REWARD J&J IS OFFERING FOR INFORMATION LEADING TO CAPTURE OF THOSE RESPONSIBLE FOR THE POISONINGS.

Document j000000020020326deat01906

ONE TAINTED **TYLENOL BOTTLE SEEN 'SUBSTANTIALLY DIFFERENT'**

236 words

29 October 1982

Dow Jones News Service - Ticker

DJ

English

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CHGO -DJ- CYANIDE-LACED CAPSULES IN THE EIGHTH TAINTED BOTTLE OF EXTRA-STRENGTH **TYLENOL** ARE 'SUBSTANTIALLY DIFFERENT' FROM PREVIOUS BOTTLES RAISING THE POSSIBILITY THAT MORE THAN ONE PERSON MAY BE RESPONSIBLE FOR THE POISONING AN OFFICIAL SAYS.

'THE -LATEST- BOTTLE IS CLEARLY DIFFERENT THAN THE OTHER SEVEN' ILLINOIS ATTORNEY GENERAL TYRONE FAHNER SAID LAST NIGHT.

THE DIFFERENCE ALSO SUGGESTS MORE THAN ONE TYPE OF CYANIDE MIGHT HAVE BEEN USED FAHNER SAID.

AFTER SEVEN DEATHS IN THE CHICAGO AREA BETWEEN SEPT. 29 AND OCT. 1 FROM CYANIDE-TAINTED **TYLENOL** CAPSULES AUTHORITIES RECOVERED EIGHT BOTTLES OF THE POISONED PAIN RELIEVER - FIVE RELATED TO THE DEATHS TWO TURNED IN BY CONSUMERS AND ONE ON A STORE SHELF THAT HAD NOT BEEN SOLD.

THE DIFFERENCE IN THE LATEST BOTTLE SUGGESTS IT 'MAY BE UNRELATED TO THE OTHER BOTTLES SO FAR RECOVERED' SAID FAHNER WHO HEADS A TASK FORCE INVESTIGATING THE SEVEN DEATHS.

'THE REASON I SAY THAT IS BECAUSE THE MIXTURE OF CYANIDE AND **TYLENOL** IS SUBSTANTIALLY DIFFERENT' FAHNER SAID.

THE POISONED MEDICINE HAD AN ORANGISH COLOR AND A LACK OF THE DETERIORATION NOTED IN PREVIOUS CAPSULES AND 'SOME -CAPSULES- WERE PUT TOGETHER UNARTFULLY' HE SAID.

BUT FAHNER ADDED- 'I WILL DRAW NO INFERENCES NOW REGARDING THE ANOMALIES WITH THE EIGHTH BOTTLE. IT MAY INDICATE THE POSSIBILITY OF MORE THAN ONE PERSON BEING INVOLVED. BUT I AM NOT SUGGESTING THAT.'

8 49 AM

Document dj00000020011126deat00anx

The New York Times

Financial Desk; 4

JOHNSON & JOHNSON INC reports earnings for Qtr to Oct 3

92 words

29 October 1982

The New York Times

NYTF

Late City Final Edition

English

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*3*** COMPANY REPORTS **

*3*JOHNSON & JOHNSON INC

Qtr to Oct 3 1982 1981

Sales	\$1,476,800,000	\$1,338,000,000
Net income	B96,500,000	129,900,000
Shr earns	.51	.69
9 mos sales	4,379,100,000	4,008,200,000
Net income	B394,000,000	378,900,000
Shr earns	2.10	2.03

B-After an extraordinary charge of \$50 million relating to the costs associated with the withdrawal of **Tylenol** capsules

Document NYTF000020050514deat016nj

The New York Times

Financial Desk; D

TYLENOL RECALL EXPENSE IS PUT AT \$100 MILLION

By PHILLIP H. WIGGINS

615 words

29 October 1982

The New York Times

NYTF

Late City Final Edition

English

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Johnson & Johnson said yesterday that it would spend \$100 million to withdraw **Tylenol** capsules from the market and cover the other expenses arising from the contamination of some capsules.

The estimate was part of the big pharmaceutical company's thirdquarter earnings report. The company said the costs connected with the **Tylenol** capsule poisoning had reduced net income for the quarter by 25.7 percent, to \$96.5 million, or 61 cents a share.

Although the total cost was put at \$100 million, the final cost after allowing for tax savings was entered on the books at \$50 million.

Expenses connected with the contamination will continue through the fourth quarter and into 1983, the company said. But the entire amount was charged against the third quarter, which ended Sept. 30.

In the final days of last month, authorities warned the public that some **Tylenol** capsules, mainly in the Chicago area, had been laced with cyanide. The poisoning, which investigators said occurred in tampering after the **Tylenol** bottles left the manufacturer, resulted in seven deaths in the area.

The third-quarter net income of \$96.5 million compared with earnings of \$129.9 million, or 69 cents a share, in the corresponding quarter a year earlier. Sales increased to \$1.48 billion, from \$1.34 billion. Costs Involved in Recall

Early this month, Johnson & Johnson began the recall of all regular and Extra-Strength **Tylenol** capsules because of concern that other capsules might have been tampered with.

Johnson & Johnson, which is based in New Brunswick, N.J., said the \$100 million in expenses included the costs of the nationwide capsule withdrawal, disposal of the capsules and the costs involved in such other matters as communications with physicians, consumers and drugstores.

The \$50 million charge was equal to 27 cents a share, the company said. F. Robert Kniffin, director of public relations for Johnson & Johnson, said that any store that had already paid for **Tylenol** capsules that had to be returned to the manufacturer would be reimbursed for that inventory, with the company picking up the shipping costs involved in the recall.

Consumers who have returned capsules directly or through the mail to Johnson & Johnson are to receive coupons to exchange for **Tylenol** in tablet form, the company said.

Johnson & Johnson, which also manufactures such products as toiletries, baby care items, first-aid products and other drug items, said the capsule-tampering in the Chicago area would negatively affect **Tylenol** sales and overall company earnings in the fourth quarter and next year.

"Johnson & Johnson's operating earnings exceeded my expectations and I was impressed that the third-quarter net, excluding the onetime recall expense, was up about 13 percent on a per-share basis," said David Saks, an analyst at A.G. Becker Inc. Eventual Impact Unknown

"The company has successfully introduced Zomax, a prescription pain killer and Nizoral, an antifungal in tablet form," Mr. Saks said. "These new products should go a long way to offsetting the negative impact of the **Tylenol** capsule withdrawal." He noted that Johnson & Johnson's drug subsidiaries - McNeil Pharmaceutical, which

manufactures **Tylenol**, the Ortho Pharmaceutical Corporation and Janssen Pharmaceutical - rank among the fastest-growing prescription drug operations in the world.

Johnson & Johnson said that **Tylenol** had been a major incomeproducing drug and that it planned "to invest heavily to reestablish the brand's market position." The company said, however, that the extent of the potential adverse impact of the poison scare is unknown. Sales of all **Tylenol** products had been projected at more than \$400 million in 1982.

Document NYTF000020050514deat016ji

Tylenol maker hit by Dollars 50m cost of recalling capsules

By PAUL BETTS

406 words

29 October 1982

Financial Times

FTFT

Page 1

English

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JOHNSON and Johnson, the US pharmaceutical and health care group, has set aside Dollars 50m in its third-quarter accounts to cover the cost of recalling and destroying 22m bottles of **Tylenol** capsules.

Seven people died last month in the Chicago area after taking extra strength **Tylenol** - a popular painkilling drug - which had been contaminated with cyanide after it had left the factory.

The Dollars 50m charge was in line with Wall Street expectations and lowered Johnson and Johnson third quarter earnings from Dollars 129.9m last year to Dollars 96.5m.

The charge also curtailed nine-month earnings to Dollars 394m, nonetheless slightly up on the Dollars 378.9m for the first nine months of last year.

Third-quarter sales increased to Dollars 1.5bn from Dollars 1.3bn, while nine-month sales rose to Dollars 4.4bn from Dollars 4bn.

The company warned that the affair of the contaminated capsules would hit the company's sales and earnings in the final quarter and also next year.

It reaffirmed its commitment to **Tylenol** and said yesterday it plans to invest heavily to re-establish the market position of the brand.

Tylenol has been a major contributor to Johnson and Johnson earnings and revenues. Sales of the drug last year totalled about Dollars 400m accounting for about 7 per cent of the company's revenues. The product is understood to have earned about Dollars 70m last year or the equivalent of about 15 per cent of total earnings.

Although the recall has affected only **Tylenol** capsules, which have accounted for about 35 per cent of all **Tylenol** sales, the Chicago tragedy has also an impact on sales of the drug in tablet form.

The company this week started an advertising campaign on prime-time television to revive sales of the product although Wall Street and the drug industry in general regard this as an uphill struggle.

For its part, the Federal Drug Administration is expected to announce new rules for the packaging of over-the-counter drugs either today or early next week, in order to make bottles tamper-proof. A sense of urgency prevails throughout the industry and the regulatory bodies because of the increasing number of 'copy cat' tampering incidents throughout the US involving other popular and readily available drugs, extending also to consumer products generally and in some cases sweets.

Document FTFT000020070505deat00wra

JOHNSON & JOHNSON 3RD QTR OPER NET 78C A SHR VS NET 69C

240 words

28 October 1982

Dow Jones News Service

DJ

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

3RD QTR OCT 3 OPERATING NET \$146.5 MILLION VS NET \$129.9 MILLION.

IN THE LATEST QUARTER AN EXTRAORDINARY CHARGE OF \$50 MILLION RELATING TO THE COSTS ASSOCIATED WITH THE WITHDRAWAL OF 22 MILLION BOTTLES OF **TYLENOL** CAPSULES REDUCED FINAL NET TO \$96.5 MILLION OR 51C.

WORLDWIDE SALES \$1 476 800 000 VS \$1 338 000 000.

9 MOS OPERATING NET \$444 MILLION OR \$2.37 A SHARE VS NET \$378.9 MILLION OR \$2.03.

IN THE LATEST 9 MOS A \$50 MILLION CHARGE RELATING TO THE COSTS ASSOCIATED WITH THE WITHDRAWAL OF **TYLENOL** CAPSULES REDUCED FINAL NET TO \$394 MILLION OR \$2.10.

WORLDWIDE SALES \$4 379 100 000 VS \$4 008 200 000.

THE COMPANY SAID IT IS ANTICIPATED THAT THE CAPSULE TAMPERING TRAGEDY ALSO WILL NEGATIVELY AFFECT **TYLENOL** SALES AND OVERALL COMPANY EARNINGS IN THE FOURTH QUARTER OF 1982 AND IN 1983. THE EXTENT OF THIS POTENTIAL ADVERSE IMPACT IS NOT KNOWN AT THIS TIME HOWEVER **TYLENOL** HAS BEEN A MAJOR INCOME-PRODUCING BRAND AND THE COMPANY INTENDS TO INVEST HEAVILY TO REESTABLISH THE BRAND'S MARKET POSITION THE COMPANY NOTED.

THE COMPANY ALSO NOTED THAT LATE IN 1981 IT ADOPTED FINANCIAL ACCOUNTING STANDARD -FAS- NO. 52 WHICH REPLACED FAS NO. 8 IN ACCOUNTING FOR FOREIGN CURRENCY TRANSLATION. RESULTS FOR 1981 HAVE BEEN RESTATED TO REFLECT THIS CHANGE.

11 35 AM

Document dj00000020011126deas00zj5

MEDICINE MAKERS TO PROVIDE TEMPORARY PROTECTIVE PACKAGING

389 words

27 October 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

MAKERS OF OVER-THE-COUNTER MEDICINES SAY THAT THE RASH OF PRODUCT TAMPERINGS FOLLOWING THE **TYLENOL** POISONINGS HAS SPURRED THEM TO PROVIDE TEMPORARY PROTECTIVE PACKAGING, SOME OF WHICH MAY ARRIVE ON STORE SHELVES AS EARLY AS NEXT WEEK.

SEVERAL INDUSTRY OFFICIALS SAY THAT THESE MOVES AND FUTURE, MORE PERMANENT, PROTECTIVE PACKAGING MAY COST DRUG MANUFACTURERS HUNDREDS OF MILLIONS OF DOLLARS.

CHARLES PERGOLA, PRESIDENT OF NORCLIFF THAYER INC., A UNIT OF REVLOX INC., SAYS THAT THE BIGGEST COST MAY NOT BE THE DEVELOPMENT OF NEW PACKAGING, BUT THE COST OF REPLACING PRODUCTS CURRENTLY IN THE MARKETPLACE THAT AREN'T TAMPER RESISTANT.

IN THE PAST TWO WEEKS, REPORTS HAVE SURFACED OF OTHER NON-PRESCRIPTION DRUGS THAT HAVE BEEN ADULTERATED. OFFICIALS SAY THAT THE INCIDENTS APPEAR TO BE "COPYCATS" OF THE CYANIDE-LACED **TYLENOL** CAPSULES, AND THAT THEY WEREN'T UNEXPECTED.

YESTERDAY IT WAS REPORTED THAT A MAN IN DENVER BECAME SERIOUSLY ILL AFTER TAKING EXCEDRIN BRAND ASPIRIN CAPSULES LACED WITH TOXIC MERCURIC CHLORIDE. MONDAY, RAT POISON WAS FOUND IN A BOTTLE OF ANACIN CAPSULES IN THE DENVER AREA. IN THE PAST FEW WEEKS, OCCURRENCES OF TAINTED MOUTHWASHES, EYEDROPS, NOSEDROPS, AND EVEN CHOCOLATE PIES HAVE BEEN REPORTED. EXCEDRIN IS MANUFACTURED BY BRISTOL-MYERS CO. AND ANACIN IS MADE BY AMERICAN HOME PRODUCTS CORP.

TWO WEEKS AGO, THE PROPRIETARY ASSOCIATION, A TRADE GROUP OF OVER-THE-COUNTER DRUG MAKERS, ASKED THE FEDERAL GOVERNMENT TO CREATE REGULATIONS REQUIRING ALL MAKERS TO USE ONE OF 11 METHODS TO PROTECT CONTAINERS FROM TAMPERING.

THE FOOD AND DRUG ADMINISTRATION IS EXPECTED TO ISSUE THE RULES AS EARLY AS NEXT WEEK. BUT INDUSTRY OFFICIALS SAY THAT SEVERAL COMPANIES AREN'T WAITING FOR THE NEW RULES.

AT NORCLIFF THAYER, WHICH MAKES TUMS ANTACIDS AND OTHER PRODUCTS, MR. PERGOLA SAID THAT THE COMPANY EXPECTS NEXT WEEK TO BEGIN SHIPPING PRODUCTS WITH GLUED CARTONS AND FOILED DISKS ON ITS BOTTLES.

PERGOLA SAID THAT NORCLIFF THAYER'S ACTION IS ONLY AN INTERIM STEP. HE SAID THAT GLUING CARTONS WAS SOMETHING THAT ONLY MAKERS WITH SMALLER-SIZED PRODUCTS COULD DO IMMEDIATELY. MORE PERMANENT PROTECTIVE PACKAGES, ALONG WITH WARNING LABELS, WILL BECOME AVAILABLE "AS SOON AS HUMANLY POSSIBLE," SAID JOHN WALDEN, SENIOR VICE PRESIDENT OF THE PROPRIETARY ASSOCIATION. HE SAID MANY COMPANIES HAVE ACQUIRED THE NECESSARY EQUIPMENT, BUT INDICATIONS EXIST THAT THERE IS A SHORTAGE OF MACHINERY.

Document j000000020020326dear018il

HEARD ON STREET: DROP IN J&J STOCK TIED TO **TYLENOL** INCIDENT

480 words

26 October 1982

The Wall Street Journal

J

English

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TO INVESTORS JOHNSON & JOHNSON'S ATTRACTIVENESS IN RECENT YEARS HAD BEEN ITS PREDICTABILITY. BASED ON THE STRENGTH OF ITS PHARMACEUTICAL MEDICAL TECHNOLOGY AND CONSUMER-HEALTH PRODUCTS THE COMPANY AND ITS STOCK-PRICE GREW ROBUSTLY. BUT THE **TYLENOL** INCIDENT HAS SHAKEN INVESTOR CONFIDENCE AS BADLY AS IT HAS CONSUMER CONFIDENCE.

IN THE FIRST WEEKS FOLLOWING THE NEWS THAT EXTRA-STRENGTH **TYLENOL** CAPSULES ADULTERATED WITH DYANIDE KILLED SEVEN PEOPLE IN THE CHICAGO AREA JOHNSON & JOHNSON'S STOCK FELL AS LOW AS 39 A 17% PLUNGE. IT SINCE HAS BOUNCED BACK A BIT CLOSING YESTERDAY IN NEW YORK STOCK EXCHANGE TRADING AT 41 1-4 OFF 2 3-8.

BUT WHILE SOME VETERAN WALL STREET WATCHERS BELIEVE ITS CURRENT PRICE IS A FAIR REFLECTION OF WHAT THE **TYLENOL** MESS WILL COST JOHNSON & JOHNSON IN LOST PROFIT A STRONG MINORITY SAYS THE COMPANY IS BEING UNFAIRLY PENALIZED BECAUSE OF A STILL-FRIGHTENED PUBLIC. 'THE STOCK'S SHARP DECLINE WAS PART OF THE PUBLIC PANIC DURING THE FIRST NEWS REPORTS' ASSERTS JAMES L. TULLIS A MORGAN STANLEY HEALTH-CARE INDUSTRY ANALYST. MR. TULLIS LAST WEEK REAFFIRMED HIS SUPPORT FOR THE COMPANY CALLING THE STOCK 'A GOOD BUY' AT THE PRESENT PRICE. --

WHAT IS STRONGLY EXPECTED IS THAT JOHNSON & JOHNSON'S THIRD-QUARTER EARNINGS SCHEDULED TO BE ANNOUNCED THIS WEEK SHOULD TAKE QUOTE A WALLOP. ANALYSTS SAY THE COMPANY WILL TAKE A ONE-TIME CHARGE AGAINST EARNINGS OF 25 CENTS TO 35 CENTS A SHARE THE COST OF RECALLING AND DESTROYING 22 MILLION BOTTLES OF **TYLENOL** CAPSULES. THE TOTAL COST IS EXPECTED TO BE \$50 MILLION TO \$60 MILLION AFTER TAXES.

BASED ON THIS-PLUS THE EXPECTED LOSS OF SALES DUE TO THE NEGATIVE PUBLICITY ON THE BRAND AND THE COST OF PRODUCING NEW TAMPER- RESISTANT PACKAGING AND NEW ADVERTISING- ANALYSTS SAY JOHNSON & JOHNSON WILL POST YEAR-END EARNINGS THAT WILL BE FLAT OR SLIGHTLY BELOW THE \$2.51 A SHARE REPORTED LAST YEAR. PRIOR TO THE **TYLENOL** INCIDENT ANALYSTS HAD PREDICTED A 16% RISE IN PROFIT TO ABOUT \$2.90 OR 2.95 A SHARE.

BUT DOUBT OVER HOW MUCH **TYLENOL** SALES WILL BE LOST IN COMING MONTHS AND CONCERN OVER WHETHER JOHNSON & JOHNSON CAN EVEN RESUSCITATE THE BRAND HAVE CLOUDED THE CURRENT OUTLOOK. LAST YEAR **TYLENOL** SALES NUDGED THE \$400 MILLION LEVEL ACCOUNTING FOR ABOUT 7% OF CORPORATE REVENUE. BUT ANALYSTS SAY THE PRODUCT EARNED ABOUT \$70 MILLION ROUGHLY 15% OF TOTAL NET.

THOUGH ONLY EXTRA-STRENGTH CAPSULES WERE IMPLICATED IN THE DEATHS AND ONLY THAT FORM OF THE BRAND-ABOUT 35% OF ALL **TYLENOL** SALES-WAS REMOVED FROM STORES MARKET SOURCES SAY FRIGHTENED CONSUMERS ARE SHYING AWAY FROM **TYLENOL** TABLETS TOO. JOHNSON & JOHNSON SAYS IT WILL RESUME ALL CAPSULE SALES WHEN ITS NEW PROTECTIVE PACKAGING IS READIED.

BROADTAPE 9 37 AM OCTOBER 26

Document j000000020020326deaq0182g

HEARD ON STREET: DROP IN J&J STOCK TIED TO **TYLENOL** -2-

394 words

26 October 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

JOHNSON & JOHNSON SAYS IT IS CONFIDENT IT WILL SUCCESSFULLY REVIVE THE BRAND THOUGH IT CONCEDES IT HAS A 'DIFFICULT TASK AHEAD' AND THAT AT LEAST FOR 1983 **TYLENOL** REVENUE WON'T DO AS WELL AS PREVIOUSLY EXPECTED.

DAVID TALBOT OF DREXEL BURNHAM LAMBERT EXPECTS THAT EVEN IF THE COMPANY BEGINS AGGRESSIVELY MARKETING THE PRODUCT **TYLENOL** SALES IN THE FOURTH QUARTER COULD BE DOWN BY NEARLY 80% TO ABOUT \$25 MILLION. 'INSTEAD OF CONTRIBUTING 10 CENTS A SHARE THE PRODUCT WILL COST THE COMPANY ABOUT SIX CENTS' A SHARE FOR THE QUARTER HE PROJECTS.

HE ADDS 'I'M RECOMMENDING A HOLD ON THE STOCK UNTIL SOME FACTORS HAVE GREATER VISIBILITY. WHAT'S BEEN ONE OF THE GREAT-MANAGED PREDICTABLE COMPANIES HAS BEEN THROWN OUT OF KILTER AND WE'D RATHER STAND ASIDE FOR A WHILE.'

JOSEPH RICCARDO AN ANALYST WITH BEAR STEARNS BELIEVES THAT JOHNSON & JOHNSON'S 1983 EARNINGS WILL REBOUND BUT THAT THE RATE OF INCREASE WILL BE NARROWED TO BETWEEN 13% AND 14% DOWN FROM 16.7% IN 1981. HE EXPECTS SHARPLY REDUCED **TYLENOL** SALES OF \$200 MILLION NEXT YEAR. CONSEQUENTLY **TYLENOL** WILL CONTRIBUTE NOTHING TO CORPORATE EARNINGS AND THE REST OF THE COMPANY 'MUST TAKE UP THE SLACK' HE ADDS. - -

RICCARDO EXPECTS THE COMPANY'S MEDICAL EQUIPMENT BUSINESSES TO GROW SHARPLY DUE IN PART TO THE TURNAROUND IN ITS TECHNICARE MEDICAL IMAGING BUSINESS WHICH HAS REGISTERED LOSSES OVER THE PAST FEW YEARS. BUT HE SAYS GROWTH IN THE COMPANY'S CONSUMER AND ETHICAL DRUG BUSINESSES WILL SLOW. FIGURING A 13.8 EARNINGS MULTIPLE HE SAYS 'JOHNSON & JOHNSON'S SHARES APPEAR FIARLY VALUED.'

OTHERS ARE MORE SANGUINE. MORGAN STANLEY'S MR. TULLIS SUGGESTS THAT THE COMPANY'S OVERALL STRENGTH WON'T BE HURT DRASTICALLY AND THAT THE TOTAL IMPACT OF THE **TYLENOL** SITUATION WILL BE ELIMINATED IN '12 TO 18 MONTHS.'

DAVID LOTHSON A KIDDER PEABODY ANALYST SAYS DECLINE IN **TYLENOL** SALES TO ABOUT \$300 MILLION TO \$350 MILLION IN 1983 WOULD STILL PROVIDE ABOUT 20 CENTS TO 40 CENTS TO OVERALL EARNINGS. LOTHSON WHO PREVIOUSLY DIDN'T HAVE JOHNSON & JOHNSON ON HIS BUY LIST NOW IS RECOMMENDING THE STOCK. 'WE ALWAYS FELT THE STOCK WAS FULLY VALUED' HE SAYS. 'WHAT'S HAPPENED HAS CREATED A VERY STRONG BUYING OPPORTUNITY.'

BROADTAPE 9 52 AM OCTOBER 26

Document j000000020020326deaq0182c

The New York Times

National Desk; A
CYANIDE IS FOUND IN 8TH PILL BOTTLE

Special to the New York Times

541 words

26 October 1982

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Oct. 25 -- An eighth bottle of Extra-Strength **Tylenol** has been found to contain cyanide, Illinois Attorney General Tyrone Fahner announced tonight.

The 50-capsule bottle, believed to have been purchased at Frank's Finer Foods in Wheaton, a western suburb of Chicago, was returned by a consumer to the Wheaton Police Department.

A litmus test conducted by laboratory technicians of the McNeil Consumer Products Company indicated the probable presence of cyanide. The bottle, now at a McNeil facility at Fort Washington, Pa., will be taken to the laboratory of the Federal Bureau of Investigation in Washington on Tuesday for laser analysis and detection of fingerprints. The bottle will then be sent to a Food and Drug Administration facility in Cincinnati for trace analysis of cyanide.

One other bottle of contaminated **Tylenol** was found among the bottles returned by consumers; one was found among the bottles pulled from the store shelves, and five were connected with the seven **Tylenol** deaths.

Earlier today The Chicago Sun-Times reported that an unidentified relative of one of the seven victims is being investigated in the deaths.

However, Cmdr. Kenneth Curin, head of the Chicago Police Department's investigation, said that there was still "no prime suspect" in the case. A spokesman for the state task force investigating the poison deaths had no comment, and an investigator for the State Department of Law Enforcement refused to give much credence to the report.

That development, one of a long series of initially credible leads to be reported in the Chicago press, is only one of many being investigated. 'Violent Argument' Reported

The relative, possibly one of eight or nine leads from a shifting list, is said to have had a "violent argument with his kin" late in September. The poisonings occurred from Sept. 29 to Oct. 1. The suspect is also said to be a "long-time friend" of Roger Arnold, a 48-year-old Chicagoan arrested on firearms charges and questioned Oct. 11 about the **Tylenol** poisonings, according to The Sun-Times.

Mr. Arnold appeared for a while to be a promising lead in the investigation because of his interest in poisons, his collection of literature on killing people, and his employment at Jewel Food Stores, where Howard Fearon Sr., the father of one victim, Mary Reiner, also works. ---- Man Who Took Excedrin Is Ill By The Associated Press

William Sinkovic, 33 years old, of Aurora, Colo., was in critical condition last night in Denver after taking three extra-strength Excedrin capsules that initial tests indicated might be contaminated with toxic mercuric chloride, a chemical used in mercury batteries.

The announcement was made last last night by Dr. Barry Rumack of the Rocky Mountain Poison Control center. The Federal Food and Drug Administration ordered all Colorado stores to remove Excedrin from their shelves.

Harry Levine, a spokesman for the Bristol Myers Company in New York, manufacturer of Excedrin, said early today that he was still getting information from Colorado and would have no immediate comment.

Earlier yesterday, Mr. Rumack's agency said an odd-looking aspirin capsule turned in by a suspicious consumer contained the rat poison warfarin.

JOHNSON & JOHNSON BEGINS BID TO REVIVE SALES OF **TYLENOL**

318 words

25 October 1982

The Wall Street Journal

J

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

NEW YORK - JOHNSON & JOHNSON HAS BEGUN A CAMPAIGN TO REVIVE SALES OF ITS **TYLENOL** PRODUCTS, SOME THREE WEEKS AFTER SEVEN PEOPLE DIED FROM SWALLOWING CYANIDE-TAINTED CAPSULES.

OVER THE WEEKEND JOHNSON & JOHNSON BOUGHT AD TIME ON THE THREE MAJOR NETWORKS. VIEWERS WERE URGED "TO CONTINUE TO TRUST **TYLENOL**" BY THOMAS N. GATES, MEDICAL DIRECTOR OF THE COMPANY'S MCNEIL CONSUMER PRODUCTS UNIT, WHICH MARKETS THE PAIN RELIEVER. A SPOKESMAN SAID THE ANNOUNCEMENTS WOULD BE AIRED AT NIGHT "ON A HEAVY SCHEDULE" AND CONTINUE UNTIL WEDNESDAY; THE OFFICIAL WOULDN'T ESTIMATE THE COST.

THE TV TIME REPRESENTS THE FIRST COMMERCIAL MESSAGE ABOUT **TYLENOL** SINCE THE COMPANY PULLED ALL COMMERCIALS OFF THE AIR ON OCT. 1, A DAY AFTER THE CYANIDE DEATHS WERE FIRST REPORTED. SINCE THEN THE COMPANY HASN'T ADVERTISED THE **TYLENOL** BRAND.

THE MESSAGE IS THE SECOND PUBLIC STATEMENT MADE BY MCNEIL'S DR. GATES WITHIN THE WEEK. IN A LETTER DATED LAST TUESDAY AND SENT TO ABOUT 61,000 DOCTORS NATIONWIDE, DR. GATES OUTLINED STEPS THE COMPANY HAS TAKEN IN RESPONSE TO THE TAMPERING WITH ITS PRODUCTS; THOSE STEPS INCLUDE VOLUNTARY WITHDRAWAL OF **TYLENOL** CAPSULES.

IN BOTH THE TELEVISION MESSAGE AND THE LETTER TO DOCTORS, DR. GATES REQUESTED THAT PATIENTS USE THE NON-CAPSULE PRODUCTS. IN ADDITION, HE ANNOUNCED THAT MCNEIL WILL RESUME SELLING CAPSULES IN TAMPER-RESISTANCE CONTAINERS "AS SOON AS POSSIBLE."

THERE HAS BEEN MUCH SPECULATION AMONG MARKET WATCHERS AS TO HOW AND WHEN MCNEIL WOULD BEGIN WHAT MANY CONSIDER AN UPHILL BATTLE TO RESTORE **TYLENOL** SALES. IN RECENT WEEKS MARKET SOURCES SAY THAT SALES OF ALL **TYLENOL** PRODUCTS HAVE SLIPPED MORE THAN 25%. BEFORE THE CYANIDE-RELATED DEATHS, **TYLENOL** WAS EXPECTED TO GENERATE ABOUT \$430 MILLION IN SALES.

COMPANY OFFICIALS HAVE SAID THAT MARKET SURVEYS INDICATE A DEEP "RESERVOIR" OF GOOD WILL AND TRUST FOR **TYLENOL** AMONG THE U.S. PUBLIC.

Document j000000020020326deap017wz

The New York Times

Financial Desk; 1
Producer Of Tylenol Is Cleared

UPI
315 words
23 October 1982
The New York Times
NYTF
Late City Final Edition
English
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CHICAGO, Oct. 22 -- The Food and Drug Administration today officially cleared the subsidiary of the Johnson & Johnson Company that makes Tylenol of any responsibility for the contamination of pain-relief capsules that killed seven residents of the Chicago area.

A spokesman for Johnson & Johnson, parent of the McNeil Consumer Products Company, said the company had received a letter from the F.D.A. confirming that the cyanide contamination had not occurred at the company's plants in Fort Washington, Pa., or Round Rock, Tex.

Joseph P. Hile, associate commissioner for regulatory affairs at the F.D.A., said in the letter, "We conclude that the contamination did not occur at either plant and was the result of tampering after the capsules had been shipped to distribution points, and most likely after they reached the retail shelves."

A criminal investigation into the killings, which occurred three weeks ago, has been based on the theory that the capsules were poisoned after they reached retail stores.

News of the poisonings had depressed Johnson & Johnson stock. Today it fell 62 1/2 cents, to \$43.625, \$2.50 above its level in early October.

In New Brunswick, N.J., the headquarters of Johnson & Johnson, a spokesman said the company would begin 60-second television messages Sunday evening with their medical director discussing the Tylenol contamination. Dr. Thomas N. Gates, medical director for McNeil, will appear in spots on the three major networks telling the public, "We want you to continue to trust Tylenol."

Dr. Gates says in the message that the company urges consumers to use Tylenol in tablet form until it "reintroduces capsules in tamper-resistant containers." Manufacture of the capsules was halted earlier this month. Lawrence G. Foster, vice president of public relations, said no final decision had been made on the new packaging.

Document NYTF000020050514dean014x0

The Washington Post

politics

Chicago Check of Tylenol Bottles Yields One More With Cyanid

Philip J. Hilts

818 words

22 October 1982

The Washington Post

WP

English

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Another cyanide-loaded bottle of Extra-Strength Tylenol was found here today by investigators checking bottles ordered pulled from the shelves or returned by consumers earlier this month, officials said.

A laboratory set up in suburban Chicago by McNeil Consumer Products Co., which manufactures the over-the-counter painkiller, was routinely examining thousands of returned Tylenol bottles when it found the cyanide-tainted one.

The bottle came from Dominick's Finer Foods, which is located a half block west of the Walgreen's drugstore in Chicago where the seventh reported Tylenol-poisoning victim, flight attendant Paula Prince, bought her capsules Sept. 29.

Officials believe that the 50-capsule bottle was returned by a customer, and they are working with Dominick's employees to locate whoever purchased it.

Illinois Attorney General Tyrone Fahner said tonight that investigators "believe the only person to have touched the inside of the bottle was the person who put the poisoned capsules there. . . ." He added that lab technicians would use a new laser technology in an attempt to lift fingerprints from the capsules.

Fahner said he believed the bottle had been returned by a customer because it was logged at the laboratory as being without the box in which the product is normally packaged.

The contaminated bottle was found, Fahner said, when technicians rubbed a piece of litmus paper on the inside of the bottle cap and it tested positive. Then they removed the cotton from the bottle, saw that four or five capsules were discolored, put back the cotton and immediately sent the bottle to the police.

Police Superintendent Richard Brzeczek said the bottle "had a substantially larger number of contaminated capsules" -- more than 14 -- than any of the six other adulterated bottles officials have found.

Fahner said that investigators had tested "well in excess of a couple hundred thousand" bottles of Tylenol in the metropolitan Chicago area, where all of the deaths occurred.

Brzeczek said it was "significant" that the lot number on the latest contaminated bottle was the same -- MC2880 -- as that taken by four of the seven victims, all of whom died between Sept. 29 and Oct. 1.

Meanwhile, police and FBI agents in New York City said they were working on the assumption that James W. Lewis, wanted for questioning in the Tylenol killings, and his wife, Leann, were still in the city.

On Saturday the Lewises checked out of the Rutledge Hotel, where they reportedly had been living in a \$95-per-week room since Sept. 6.

"If he's in New York, we expect to get him, no question," said Capt. Eugene Burke.

About 50 calls have been logged at two New York hotline numbers publicized Wednesday, some with leads that had to be followed up, but no "hot" clues, he said.

A photo of the bearded Lewis, who is wanted on a federal warrant for trying to extort \$1 million from McNeil Consumer Products, led a hotel resident to call police this week.

After interviewing residents at the old hotel on Lexington Avenue and checking fingerprints, the FBI determined the couple had stayed at the hotel, under the alias Richardson.

FBI officials have emphasized that Lewis is not a suspect in the deaths and that they have "no evidence" to link him to them. They do say, however, that they want to talk to him about the killings.

At a news conference here Wednesday, Chief of Detectives James Sullivan said: "We don't think there was traveling back and forth between New York and Chicago . The woman was working regularly during that time and her husband was seen with her."

As the search for the couple continued, two people in the Boston area were detained and questioned because they resembled the Lewises.

Boston police who arrested a woman Wednesday night on a bad-check charge said they questioned her because she looked like Mrs. Lewis and had Illinois identification. No connection was established.

Police in Hingham, Mass., a seashore town south of Boston, questioned a professor from Ohio State University, who later asked that his name not be released. The man and his wife were in Massachusetts for a conference.

"He was a dead ringer," Officer John Lynch said of the professor. Lynch said the only difference between the two men was eye color. Lewis' are brown, the professor's blue.

Meanwhile, Fahner, the Illinois attorney general, said that an enhancement of a photograph taken in the Walgreen's store at the time Prince was buying her poisoned capsules is not going to help much in the case.

Earlier this week Fahner had said that a bearded man in the background of the photo resembled Lewis, but a former employer said the man in the photo was not Lewis. Fahner said the photographic enhancement will indicate the man's height and weight.

Document WP00000020201030deam0071b

FDA CONFIRMS PURITY OF **TYLENOL PLANT**

113 words

22 October 1982

Dow Jones News Service

DJ

English

(Copyright (c) 1982, Dow Jones & Co., Inc.)

NEW BRUNSWICK NJ -DJ- JOHNSON & JOHNSON SAID ITS MCNEIL CONSUMER PRODUCTS CO SUBSIDIARY MANUFACTURER OF **TYLENOL** PRODUCTS RECEIVED A LETTER FROM THE FDA CONFIRMING THAT CYANIDE CONTAMINATION OF **TYLENOL** CAPSULES DIDN'T OCCUR IN THE COMPANY'S PLANTS.

THE MCNEIL COMPANY MANUFACTURES **TYLENOL** AT TWO LOCATIONS FORT WASHINGTON PA. AND ROUND ROCK TEXAS.

'WE CONCLUDE THAT THE CONTAMINATION DID NOT OCCUR AT EITHER PLANT AND WAS THE RESULT OF TAMPERING AFTER THE CAPSULES HAD BEEN SHIPPED TO DISTRIBUTION POINTS AND MOST LIKELY AFTER THEY REACHED THE RETAIL SHELVES' SAID THE LETTER FROM JOSEPH P HILE ASSOCIATE COMMISSIONER FOR REGULATORY AFFAIRS AT THE FDA.

11 55 AM

Document dj00000020011126deam0126v

The Washington Post

lifestyle

The Fear Of Buying; The Challenge of Rebuilding Public Confidence

James Lardner

2,304 words

21 October 1982

The Washington Post

WP

English

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The People versus Extra-Strength **Tylenol** is a case without precedent. No mass murderer, until now, has seized on a popular product as his murder weapon. No product has ever disappeared so suddenly and dramatically from so many millions of homes and stores.

But as public relations and marketing experts size up the **Tylenol** killings and Johnson & Johnson's reaction, they need not form their judgments in a vacuum. They can and do draw on the painful lessons of dozens of other companies and products that, over the last two decades, have had to defend themselves in trying or tragic circumstances.

Beginning with the great cranberry scare of 1959, American businesses have endured a series of crises over the Chevrolet Corvair, tuna fish, Bon Vivant vichyssoise, the Firestone 500, the Ford Pinto, the DC10, the Rely tampon and others.

The future of **Tylenol** is a question the experts come down on both sides of. Some think it is doomed to go the way of the Corvair and the Bon Vivant line of canned soups, whose producers tried and failed to persuade the public that there was no longer anything to fear. Headlines about instant death, said Stephen Greyser, who teaches marketing theory at Harvard Business School, have a far more profound effect on most people than any number of studies showing more probable but gradual health consequences, such as the incidence of lung cancer among smokers.

With Extra-Strength **Tylenol**, said Greyser, "it's very easy for the consumer to say, 'Holy moly, this could happen to me tomorrow!'"

But others see **Tylenol**'s predicament as closer to that of the DC10 after the 1979 Chicago air crash in which an engine mount broke and 278 people died. Although wide-body airplanes have been slow sellers generally over the last few years, the public seems to have accepted the Federal Aviation Administration's finding that the Chicago crash was basically the result of maintenance procedures rather than any defect in the plane itself.

The DC10/**Tylenol** analogy also includes the role of an intermediate player between the manufacturer and the public -- the airlines in one case, and the medical profession in the other. After the Chicago crash, airline officials were "staunch defenders of the airplane and staunch critics of the press," according to John Cooke of McDonnell Douglas, whose Douglas Aircraft subsidiary makes the DC10.

Tylenol built its extraordinary \$400-million-a-year sales volume and 37 percent share of the pain-reliever market through an aggressive marketing campaign aimed at doctors. So the typical **Tylenol** user is "very dependent on the opinion of the professional," to quote one marketing expert with long experience in the pharmaceutical field. If doctors renew their endorsement, he speculates, their patients could well fall in line.

The fervent loyalty of some **Tylenol** users is documented by the experience of a high executive at the Bristol-Myers Co., who tried and failed to persuade his mother to abandon **Tylenol** in favor of Bristol-Myers' Datril, a competing version of the same aspirin substitute, acetaminophen. Just as the patient-doctor bond proved stronger than the mother-son bond in this case, it has been credited with keeping Datril sales down around 3 percent of the pain-reliever market to date.

Endorsements have always been an option for the company out to win back public confidence in a tainted product. After the Food and Drug Administration put the nation on alert about the presence of a carcinogenic weed-killer in some of the 1957, 1958 and 1959 cranberry crops, it became de rigueur for potential presidential

candidates not only to belittle the danger but to consume cranberries at every opportunity. A few weeks before Thanksgiving 1959, Richard M. Nixon had four helpings of cranberry sauce at a testimonial dinner for Rep. Melvin Laird, held in the cranberry-growing community of Wisconsin Rapids, Wis. On the very same night John F. Kennedy ate cranberries at a political function 31 miles away in Marshfield, Wis.

"I see no reason for hysteria over cranberries on any consumer's part," Nixon declared. "I am certain the Department of Health, Education and Welfare is working rapidly to separate those comparatively few contaminated cranberries, and I, like other Americans, expect to eat traditional cranberries with my family on Thanksgiving Day." Kennedy echoed similar sentiments, minus the plug for the Eisenhower administration. (Only Hubert Humphrey sounded an incongruous note, attacking certain nameless politicians for practicing "cranberry politics" and vowing not to "turn phony for political advantage.")

After the DC10 disaster, the manufacturer considered hiring Bo Derek and Jane Fonda as spokeswomen, before deciding on former astronaut Pete Conrad, who was already a company executive. Conrad became the star of an intensive six-month series of advertisements in which he invited concerned passengers to send in for a free booklet about the DC10 and its safety record. Some 470,000 of the booklets were mailed out, and "we reduced to some considerable degree the existing passenger resistance to the DC10," said Cooke. "It got down to a level comparable to that of other airplanes. Now would it have gone down anyway? I don't know."

The DC10 debate was a case in which the maker fought back hard against what it saw as unwarranted charges and disproportionate press coverage. "I think the publicity that followed that accident was the world's most extensive brainwashing in history," Douglas Aircraft President John C. Brizendene said at the time.

The tuna fish industry took an even more aggressive stance after the FDA ordered a national withdrawal and emergency analysis of all canned tuna in December 1970, because mercury levels in some tuna lots exceeded the then-standard maximum of 0.5 parts per million (later lowered to 0.1 ppm). Industry officials bitterly complained that the FDA standard was "an arbitrary guideline . . . based on nothing other than a guess," in the words of Hal Kierce, who handles public relations for the Tuna Research Foundation.

The tuna industry was also bitter about how the press handled the issue. "I got my feet wet in the tuna industry just about this time," Kierce said, "and when the announcement was made on December 15, it got massive coverage. But the February 15 announcement that everything on the shelf was hunky-dorey was somewhere on page 32 and it was a two-paragraph story in the New York Daily News." CBS-TV, Kierce adds, ran a news story illustrating the controversy with graphic footage of Japanese victims of massive mercury poisoning. But later, in response to industry criticism, CBS aired a correction in which it acknowledged that the mercury levels had been many times higher in the Japanese case.

The demand for tuna fish dropped about 50 percent in the wake of the mercury uproar, according to Kierce, and took a year to return to normal. He attributes the revival partly to an "intensified marketing effort" and partly to tuna fish's long-term popularity. "My wife and my mother always had tuna on the shelf. Of course in my mother's day Friday was fish day for the R.C.'s Roman Catholics and we always had tuna, and then the pope changed the drill. But habits live on."

Tuna fish also had the advantage of being an inexpensive, long-lasting food. "If there is no alternative, time will heal all wounds," said one marketing expert. "Where there is a ready alternative -- perhaps in the case of the Corvair -- people can switch without any penalty."

A year was also how long it took cranberry sales to be revived, according to Christine Masclee, director of communications for Ocean Spray, a cooperative owned by 700 cranberry growers and 100 citrus growers. But the industry suffered a huge loss in 1959 because the alarm had been sounded just before Thanksgiving. Much of the loss, however, was covered by a \$10-million federal-government indemnification program, reflecting the cranberry growers' argument that they had been the victims of "overreaction on the part of HEW."

The cranberry scare had an unexpected spinoff effect. Two polls of the cranberry's "public image" helped persuade the industry that it was too dependent on the Thanksgiving and Christmas trade. The result was the rise of cranberry juice and drinks for year-round consumption. "It prompted us to take a much closer pulse of consumers," said Masclee, "and see where the market was and where we should grow."

In all these cases, producers have shied away from using advertisements to respond squarely to the charges. "The decision was not to hit the issue directly but just to present tuna as a very nutritious, protein-rich, low-calorie and low-cholesterol food," said Kierce. "We reinforced all the positives."

But in one bizarre case, the manufacturer felt it had no choice but to put the issue before its customers as conspicuously as possible. The manufacturer was the Life Saver Co., and the problem was an unfounded rumor that spiders' eggs had been found in Bubble Yum, a Life Saver product. The rumor hit just when Bubble Yum was going through "almost a breakthrough in sales achievements," recalled Robert Denny, Life Saver's vice president of product management. Within 10 days, company surveys showed that "well over half" of the children in the New York area had heard the rumor, according to Denny, "and despite recommendations by some public relations people to ignore the rumor and talk about the positive benefits of the product, we chose to run an ad in all the newspapers. "Somebody is telling very bad lies about a very good product," the headline proclaimed.

As a result, the rumor faded, and years later Bubble Yum remains the best-selling brand of bubble gum in the nation.

Retired public relations man Bob Cherneff worked on the problems of saccharin, another example of industry's going on the offensive. "We mounted a campaign," he recalled, "to bring to the attention of the decision-makers -- in this case, the congressmen -- the whole question of how reliable the data were, and the importance of this substance to such large groups of people in our body politic -- the diabetics and the people who were constitutionally, physiologically overweight, the diabetic teen-agers and the overweight teen-agers who wanted to be able to do the teen-age things.

"One of the first things we did -- and of course this was a gimmick -- was to translate into human terms what the rat dosage would mean. We came up with a photograph of a person in a room literally inundated with packages of saccharin. Another thing we did was to make sure to the best of our ability that those scientists who doubted the efficacy of the tests on which the FDA was basing its action -- and they weren't Humpty Dumpty's either -- that their voices were heard."

What all this history means for **Tylenol** and Johnson & Johnson is debatable. But whatever course the company follows, and whatever the ultimate result, J&J has already won high marks for corporate valor under fire and for applying these principles:

* Be Straightforward. "When you've got a disaster," said Jon Jessar of the Washington public relations firm Bob Gray and Co., "you've got to be out front and be honest. The people at Johnson & Johnson have done a good job up to this point. Their spokesmen have been very human. They have not attempted to get out and protect the product." By contrast, the proprietors of Bon Vivant Soups and of the Three Mile Island nuclear plant are widely faulted for coming across as defensive in their moments of crisis.

* Act Fast. "Within an hour after [Johnson & Johnson] heard about the first alert from the health examiner," said communications consultant Ed Gottlieb of Chester Burger and Co., "they undertook to notify the entire Chicago press. That is the kind of action that these situations call for."

* Put the Problem in the Best Focus. "It's clearly in Johnson & Johnson's interest to have consumers feel that it's more of an industrywide problem, even though at the moment it's just Johnson & Johnson's problem," said Harvard's Stephen Greyser. "**Tylenol** happens to be a brand that for one reason or another was selected by an apparently aberrational individual. It didn't have to be **Tylenol**, necessarily, unless it turns out to be a disgruntled employee. So it's really a secure-packaging issue that goes beyond any one brand. And from a strategy point of view, I think one of the things the company should be doing is to press for an industrywide program of more secure, tamper-proof packaging."

No one is predicting that **Tylenol** will return to national favor anytime soon, or without a hard struggle. "Whether they can continue to market a product called **Tylenol** or whether they have to dump it and start with another product is questionable," said Cherneff. But two factors could be in Johnson & Johnson's favor. One is sheer size. "If this were a single-line company," said Greyser, "there wouldn't be enough time to have the recovery happen." With \$5.4 billion in over-all sales last year, however, Johnson & Johnson can afford to take the long view -- unlike, for example, Bon Vivant Soups Inc., which went bankrupt only a month after its vichyssoise was implicated in the death of a New York man and the FDA ordered the recall of more than a million cans of soup.

The other favorable factor is the sheer number of product-disasters American consumers have experienced. "People are a little more sophisticated about products," said Kierce. "There isn't this sheeplike aversion. They've been through a lot of scares."

Document WP00000020201030deal007m6

FBI SEEKS FUGITIVE COUPLE FOR QUESTIONING IN **TYLENOL** DEATHS

137 words

21 October 1982

The Wall Street Journal

J

English

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NEW YORK - THE FEDERAL BUREAU OF INVESTIGATION SAID 100 OF ITS AGENTS AND AT LEAST 100 LOCAL DETECTIVE ARE SEARCHING HERE FOR A FUGITIVE MISSOURI COUPLE WANTED FOR QUESTIONING IN THE **TYLENOL**-RELATED MURDERS OF SEVEN CHICAGO PEOPLE.

AUTHORITIES PREVIOUSLY SEARCHED IN SEVERAL CITIES, BUT THE FBI NOW IS FOCUSING ON NEW YORK.

JAMES W. LEWIS ALREADY IS CHARGED IN A \$1 MILLION EXTORTION ATTEMPT AGAINST JOHNSON & JOHNSON'S MCNEIL CONSUMER PRODUCTS CO. DIVISION. HE WILL, LEANN MILLER LEWIS, ALSO IS A SUSPECT IN THE CASE, ALTHOUGH SHE ISN'T CHARGED.

OFFICIALS OF A JOINT FEDERAL AND CHICAGO TASK FORCE STRESSED THAT THERE ISN'T ANY DIRECT EVIDENCE AGAINST THE LEWISES IN THE MURDERS, BUT SAID THAT THEY ARE THE BEST LEADS SO FAR IN THE CASE.

Document j000000020020326deal017h1

The New York Times

National Desk; A

COUPLE SOUGHT IN EXTORTION NOW TIED TO **TYLENOL** DEATHS

By ANDREW H. MALCOLM, Special to the New York Times

911 words

19 October 1982

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Oct. 18 -- A fugitive Missouri couple already wanted for extortion were identified today as the "primary leads" in the investigation into the deaths of seven persons from cyanide-laced **Tylenol** capsules.

It was the first time the couple, James W. Lewis and his wife, Leann, had been linked to the poison deaths by the joint Federal, state and local police task force that is investigating the bizarre case that began Sept. 29.

Illinois Attorney General Tyrone Fahner, the director of the task force, said the Lewises, who have used many aliases in recent years, were being sought in connection with an attempt to extort \$1 million from the Johnson & Johnson Company, the parent company of the maker of **Tylenol**, under threat of further poisoning incidents.

But today Mr. Fahner linked the Lewises and the poison deaths. "Let me define them as our primary leads in the case," he told reporters.

Officials Study Photograph

Tonight, WBBM, a local television station, released a photo it said was obtained from a television monitor at a Walgreen's drug store where one of the victims bought the contaminated capsules. The photo appeared to show Paula Prince, who later died after swallowing a poisoned **Tylenol** capsule, paying the cashier while a man in a light jacket watched nearby. However, the photograph was grainy and the man's features indistinct.

Reacting to the photo, Mr. Fahner said only that the man "could be" Mr. Lewis, who was born Theodore Elmer Wilson, took the name Lewis after he was put up for adoption and also used the alias Robert Richardson in Chicago. "There are a lot of photos of people who look like Richardson," Mr. Fahner said, indicating a stack of photographs about six inches thick.

The Attorney General said if the image turned out to be that of Mr. Lewis, "it could be tangible evidence, could complete the circle as much as a fingerprint." He said technicians were using enhancement techniques to try to improve the image, but he warned against premature conclusions. "We have an awful lot of photographs," he said, "We didn't think it prudent to release them. A lot of people could unnecessarily be harmed or embarrassed." "Pattern of Fraud and Extortion

Warrants have been issued for the arrest of the Lewises, who are suspected by the authorities of having been involved in several extortion and fraud schemes. "A pattern of fraud and extortion is not new for Mr. Lewis," Mr. Fahner said. "They could be responsible for the **Tylenol** murders."

The two were last reported seen in Chicago in September, but Mr. Fahner said they were in the United States over the weekend. He would not say where. But he did say that Mr. Lewis's fingerprints were found on the extortion letter and that technicians were trying to match those prints with partial prints found on the contaminated bottles and capsules of **Tylenol**.

Mr. Fahner said that "We have no direct evidence" linking the Lewises to the poisonings. A moment later, he added, "We could answer that very quickly with the Lewises in custody." He did not elaborate.

"We don't know the answer to whether or not they committed the **Tylenol** murders," he said. "We do know they are capable of it." He said earlier schemes in which the Lewises were suspected were "motivated by money." Charged in 1978 Slaying

In 1978 Mr. Lewis was charged with murder in the slaying of Raymond West, a 72-year-old Kansas City man who had hired Mr. Lewis as an accountant. Mr. West's dismembered and decomposed body was found hanging from a pulley in his attic the same day Mr. Lewis tried to cash a forged check on his account. The case was dismissed when the judge found that the police did not inform Mr. Lewis of his rights at the time of his arrest.

Kansas City police reopened their investigation into the 1978 slaying after a detective saw a photograph of Mr. Lewis in the **Tylenol** investigation.

Until now, the authorities had been working under the theory that the poisonings, in which **Tylenol** was believed replaced with potassium cyanide granules and the bottles returned to store shelves, were the work of a "madman" committing random murder. The officials have a shifting list of "potential suspects," all in Illinois, they said.

"We have not excluded any other people we are looking at," Mr. Fahner said today. However, later in the news conference he ruled out Roger Arnold, a Chicago shipping dock worker whose interest in poisons, employment at a **Tylenol** warehouse and acquaintance with the father of one victim raised suspicions last week.

Mr. Fahner said an "extraordinary number" of tips on new suspects and the whereabouts of the Lewises continued to come in on the task force's information telephone number (312-827-9770). "We think we have a good chance of finding him," Mr. Fahner said.

Mr. Fahner, citing the recent incidents of "copycat" poisonings across the nation, also said he was contacting all local Parent-Teacher Associations to suggest that all children's Halloween parties this year be held in schools and churches, rather than allowing the children to beg for candy door-to-door.

Illustrations: photo of man believed to be James W. Lewis in Chicago-area pharmacy photo of James W. Lewis

Document NYTF000020050514deaj013wc

TYLENOL COUPONS TO BE MAILED NATIONALLY BEGINNING TODAY

165 words

18 October 1982

The Wall Street Journal

J

English

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COUPONS FOR **TYLENOL** PRODUCTS WILL BE MAILED TO ABOUT 29.5 MILLION HOUSEHOLDS NATIONALLY BEGINNING TODAY, DESPITE EFFORTS TO HALT ALL PROMOTIONS SINCE THE CYANIDE POISONING DEATHS THREE WEEKS AGO.

JOHNSON & JOHNSON, NEW BRUNSWICK, N.J., SAID THE 15-CENT-OFF COUPONS BEING MAILED WITH OTHER COUPONS WERE PLANNED MONTHS AGO AND COULDN'T BE WITHDRAWN.

DONNELLEY MARKETING, THE DUN & BRADSTREET UNIT HANDLING THE MAILING, SAID DELAYING IT TO REMOVE THE **TYLENOL** MATERIAL WOULD HAVE BEEN "PROHIBITIVELY EXPENSIVE."

A SPOKESMAN FOR JOHNSON & JOHNSON, WHICH HAS OWNED THE **TYLENOL** BRAND SINCE 1959, SAID CONSUMERS STILL WILL BE ABLE TO USE THE COUPONS FOR **TYLENOL** TABLETS. THE CAPSULE FORM HAS BEEN WITHDRAWN FROM THE MARKET, PENDING NEW TAMPER-RESISTANT PACKAGING.

DONNELLEY SAID IT ISSUED A PRESS RELEASE ABOUT THE MAILING "IN ADVANCE OF POSSIBLE PUBLIC REACTION" AND ADDED, "CONSUMERS SHOULD FOLLOW CURRENT DIRECTIVES FROM FEDERAL, STATE AND LOCAL AUTHORITIES REGARDING PURCHASE AND USE OF THE PRODUCT."

Document j000000020020326deai016v9

The Washington Post

business

Drug Makers Ask U.S. Rules On Packaging

Stuart Auerbach

286 words

15 October 1982

The Washington Post

WP

English

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The nation's over-the-counter drug makers asked the federal government yesterday to require tamper-resistant packages for their products in the wake of last month's poisoning of **Tylenol** capsules in Chicago, but they said the method of doing it should be left to individual manufacturers.

At the same time, two major drug outlets in the Washington area -- Giant Food Inc. and People's Drug Stores -- said new shipments of their own house brands of over-the-counter capsules will be in sealed packages so that customers can easily see if they have been tampered with. Dr. David Richman of Giant said the new packages should be on the chain's shelves within two weeks.

Johnson & Johnson, whose McNeil Consumer Products subsidiary manufactures **Tylenol**, said it is evaluating several ways of making its packages tamper-resistant but declined to reveal what method it is likely to pick. **Tylenol**, the nation's best-selling over-the-counter pain killing drug with an estimated 37 percent of the billion-dollar-a-year market, was pulled off the market after seven deaths were blamed on capsules tainted with cyanide. Even though McNeil has been absolved of blame in the deaths, the New Jersey firm said it would not sell any more **Tylenol** in capsules until all of the capsules can be packaged in tamper-resistant containers.

The move by the Proprietary Association, a trade group of over-the-counter drug makers, appeared aimed at restoring public confidence in the entire \$6 billion-a-year industry. Sales of all nonprescription drugs reportedly have slumped nationwide as consumers reacted with apprehension to reports of the **Tylenol**-connected deaths.

Document WP00000020201030deaf009ba

The New York Times

National Desk; A

Suspect in Tylenol Case Once Held in '78 Death

Special to the New York Times

207 words

15 October 1982

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Oct. 14 -- A man accused of trying to extort \$1 million from the company that makes Extra-Strength **Tylenol** capsules was charged, but not tried, with the death of a Kansas City man in 1978, the authorities said today.

Three Kansas City police officers flew to Chicago today with documents and evidence pertaining to a man known as Robert Richardson, who is charged with sending an extortion letter to Johnson & Johnson after seven Chicago-area residents died after swallowing cyanide-spiked **Tylenol** capsules.

Illinois Attorney General Tyrone Fahner, who is directing the investigation into the **Tylenol**-related deaths, said that Mr. Richardson and his wife, Nancy, who also use the names James and Leann Lewis, were charged with murder and extortion there in 1978 after the dismembered and "semi-mummified" body of Raymond West was found in Mr. West's attic. The charges were dropped when the cause of Mr. West's death could not be determined.

"Obviously this has great significance," Mr. Fahner said. But he added that there was no known link between the Richardsons and any of the cyanide victims or Johnson & Johnson.

Document NYTF000020050514deaf012ya

The New York Times

National Desk; A

LEGAL BATTLE OVER WHO IS LIABLE FOR THE **TYLENOL DEATHS; News Analysis**

By DAVID MARGOLICK

1,281 words

14 October 1982

The New York Times

NYTF

Late City Final Edition

English

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Barely a week after three members of the Janus family died in a Chicago suburb after taking Extra-Strength **Tylenol** capsules that contained cyanide, their survivors were in Cook County Circuit Court, suing the drug's manufacturer and a distributor. The families of the four other **Tylenol** victims seem likely to follow.

Much remains to be determined before the nature of the three separate Janus family lawsuits will fully emerge. The suits seek \$15 million for the wrongful death, pain and suffering, and funeral expenses of one victim and \$10 million each for the other two. However, at least two points about the suits already seem clear.

First, even if the cyanide was put into the capsules by a deranged person, the manufacturer, the McNeill Consumer Products Company, a division of Johnson & Johnson, and the various retailers, Jewel Food Stores in the case of the Januses, could still be held legally liable for the deaths, either separately or together.

Second, for reasons rooted in American product liability law and loyalty by jurors toward some corporations and the jurors' sense of fairness, such an outcome is extremely unlikely unless new and incriminating evidence emerges.

As a general proposition, a manufacturers's liability for defective products has increased dramatically since the 19th century, when even negligent producers were legally blameless unless consumers had dealt with them directly. Middlemen Brought a Change

It was only as wholesalers and distributors, the so-called middlemen, entered the stream of commerce that this requirement eroded and was finally buried in the landmark case of *MacPherson v. Buick Motor Company* in 1916. Writing for the New York Court of Appeals, Judge Benjamin N. Cardozo held that if a dangerous product was made without a reasonable regard for safety, the consumer could sue the manufacturer directly.

Nearly half a century later, the California Supreme Court, led by Chief Justice Roger Traynor, dropped the reasonableness requirement for a "strict liability" standard, whereby injured parties need only prove a product was defective to collect damages. That standard was adopted in Illinois and most other states because it seemed fairer to victims and was thought to encourage manufacturers to produce safer products.

To some degree, the strict liability standard suggests that McNeil could be held responsible for the **Tylenol** deaths, regardless of how the cyanide got into the capsules. But strict liability does not mean a manufacturer is liable in all instances. The **Tylenol** plaintiffs must establish either that the individual product they had purchased deviated from normal manufacturing standards or was defective in its design.

"It's clear that those who drafted the strict liability rules did not have sabotage in mind," said Gary T. Schwartz, a law professor at the University of California at Los Angeles. Inquiry on Production Expected

The Januses' case is strongest if they can prove that the medicine was contaminated when it left the factory, because manufacturing defects usually fall clearly under strict liability rules. Leonard M. Ring, the Chicago attorney representing all of those who have so far filed suit, can thus be expected to conduct a vigorous investigation of the production and quality control procedures of the McNeil plant in Fort Washington, Pa.

If the police prove that someone outside the plant was responsible, Mr. Ring could concentrate on Jewel, which the authorities believe unknowingly sold the capsules after they had been contaminated. As for McNeil, instead of

attempting to prove that only a few Tylenol capsules, those with the cyanide, were defective, Mr. Ring may seek to show that all Tylenol capsules were defective because of improper design and packaging.

In his court papers Mr. Ring maintained that Tylenol bottles lacked tamper-proof caps and lids and were not adequately sealed; that they contained no plastic or foil coverings over the bottle tops or warnings to users to inspect the contents for tampering, and, most important, that Tylenol capsules could be easily taken apart and reassembled. He plans to argue that these are defects that made the danger of poisoning both foreseeable and avoidable.

But this argument also has problems, most notably in what Terrence Kiely, a law professor at DePaul University in Chicago, calls "the old 'everybody was doing it' defense." In Illinois as most other states, manufacturers can largely rebut assertions about design defects by showing they were following "state of the art" procedures. This has often been construed by the courts to mean common usage rather than the most advanced technology available. Defense Not Foolproof

The defense is not foolproof, however, if those suing the company can prove both that the drug industry was aware of the dangers from possible tampering and that cheap and feasible alternative methods of packaging that would minimize the risk were readily available.

There seems little doubt that the lawyer could satisfy the second requirement because sealed capsules that are essentially tamper-proof have been around for years. But the fact that some drug manufacturers use such capsules does not indicate there was an industry-wide recognition of the threat of tampering before the Tylenol deaths.

"What we are now calling 'security packaging' has been around for a long time," said Dr. Mark Novitch, deputy commissioner of the Food and Drug Administration. "But it's been used mainly to preserve sterility, freshness or appearance. Although there have been some other episodes of tampering before, none of them has been on this scale and certainly there have been no deaths as a result."

For this reason, and the strong possibility that an individual not connected with the manufacturing or distributing process is responsible for the poisoning, scholars and lawyers predict rough going in the courts for the Janus family and others who may seek damages in the Tylenol case. Case Could Be Dismissed

"With the intentional intervention of a third party and the lack of foreseeability, it would be hard to get past a motion to dismiss the case," said Robert Rabin, a professor at Stanford Law School.

Legal experts assert, moreover, that even if the case got beyond the judge, a jury's customary antipathy to large corporations and sympathy for those suing them may not be a factor this time. Instead, they say, the jury's sense of fair play and corporate loyalty, particularly to Johnson & Johnson, a manufacturer of baby powder, could present difficult obstacles to the plaintiffs.

"To hold the manufacturer liable for the work of a lunatic would seem to go against their reasoning, even though the theory might be legally tenable," said Melvin Block, a prominent products liability lawyer in Brooklyn.

Still, the experts concede that things could quickly change if any proof is discovered that the company knew or should have known its product was dangerous. This is what happened a few years ago when the Ford Motor Company was found liable in the case of several people who were killed or injured in fiery automobile accidents involving the Pinto.

"It's an uphill case until you discover more things," said Paul D. Rheingold, a New York trial lawyer who specializes in cases involving pharmaceutical drugs. "So many times you get into a case and find a smoking gun. One sheet of paper shifts the whole balance of the litigation."

In fact, all that seems clear now is that whatever their outcome, the Tylenol cases are certain to have substantial consequences in the areas of law and packaging. Manufacturers have been put on notice that the risk of tampering is real, so real that they could well be held liable for it the next time it happens.

Document NYTF000020050514deae012lu

The New York Times

National Desk; A

F.B.I. SEEKS MAN OF **TYLENOL** EXTORTION CHARGE

By ANDREW H. MALCOLM, Special to the New York Times

699 words

14 October 1982

The New York Times

NYTF

Late City Final Edition

English

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CHICAGO, Oct. 13 -- The Federal Bureau of Investigation obtained a warrant here today for the arrest of Robert Richardson, a Chicago man accused of trying to extort \$1 million from the makers of Extra-Strength **Tylenol** by threatening to put poison in more of the popular pain reliever's capsules.

The Chicago police and authorities on the task force investigating seven deaths in this area from cyanide-laced Extra-Strength **Tylenol** capsules cautioned that Mr. Richardson, who is about 35 years old, had not been totally ruled out as a suspect in the original poison deaths. But they said he was wanted now only for trying to extort money from **Tylenol**'s corporate parent, Johnson & Johnson. He was believed to be somewhere in Oklahoma or Texas, the authorities said.

At an afternoon news conference at the task force's suburban headquarters in Des Plaines, Tyrone Fahner, Illinois Attorney General, characterized the letter as a "hoax." He released a copy of it and discussed the overall **Tylenol** case.

Mr. Fahner, who heads the task force, said agents from Federal, state and local law-enforcement departments were making "substantial progress" in their search for the person or persons they believe replaced **Tylenol** with deadly cyanide, but he provided few details of the progress. He said that no arrests were imminent.

Mr. Fahner also continued to maintain that all of the incidents of allegedly tainted medicines reported elsewhere, including one of Visine eyedrops contaminated in Colorado, were unrelated to the Chicago **Tylenol** case.

"All the evidence we have at this point in time suggests that the two matters - the Visine episode in Grand Junction, Colo., and the cyanide killings here in the Chicago area - are totally unrelated" he said. "It does not suggest a threat to anyone here in Illinois and we are informed by Colorado authorities it doesn't even suggest a threat to the people in Grand Junction."

The Attorney General also appeared to rule out the relevance to the **Tylenol** case of the arrest here Tuesday night of Roger Arnold, identified as a 48-year-old worker on the loading docks of a warehouse where **Tylenol** may have been handled on the way to area stores.

Acting on a telephone tip that Mr. Arnold was "known to have cyanide in his house" on Chicago's South side, city police also found unregistered firearms, an unidentified white powder and literature on poisons. But they said they did not believe he was a "hard lead" in the poison case. He was charged with possessing the unregistered firearms and with aggravated assault arising from an incident some months ago.

"The Arnold case is not more promising than anything we've seen so far," said Mr. Fahner, "In fact, it is symptomatic of the amount of energy that goes into following cases which appear to have a great deal of promise. We have several of equal worth."

Mr. Fahner said agents ruled out no possibility completely, but added that they still believe the capsules were contaminated in Illinois near the retail store shortly before their sale. He declined to elaborate.

"I think," he went on, "you will see a lot of other false leads between now and the solution of this particular crime." The handprinted extortion letter released today warns of new poisoned capsules unless \$1 million is sent to an account at the Continental Illinois Bank in Chicago.

The authorities traced the closed bank account to the former operator of a local travel service. Mr. Fahner said that the man, whose identity was withheld to avoid embarrassment, "has never been a suspect in this case, but rather is another victim." The agency operator, he said, was the victim of a hoax.

Mr. Richardson's wife, Nancy, who is being sought for questioning, was a former employee of the travel agency with knowledge of the owner's bank accounts. "She left under unpleasant circumstances," Mr. Fahner said of the job. After comparing samples of Mr. Richardson's writing and the extortion note, the F.B.I. sought the arrest warrant.

Document NYTF000020050514deae012lr

Search Summary

Text	"tylenol"
Date	01/01/1980 to 01/01/1984
Source	All Sources
Author	All Authors
Company	Johnson & Johnson
Subject	All Subjects
Industry	All Industries
Region	All Regions
Language	English
Results Found	166
Timestamp	18 November 2020 12:18