FABRIQUES DE TABAC REUNIES SA.
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Presented to Mr Buzzi on 8th July, 1983 in the presence of Mr Serrano.
- Accepted. -

Copy to Mr F E Resnik

S T R I C T L Y C O N F I D E N T I A L

EXTRAMURAL & DEFENSIVE ACTIVITIES

Original: 22nd April 1983, Up-date: 3rd June, 1983

Objectives and Strategies

OBJECTIVE-1: The maintenance of a favourable commercial environment in the face of hostile anti-industry movements in order to protect PM long-term development plans.

STRATEGIES: Anti-smoking activities are largely channelled through the World Health Organisation (WHO) and a few other activist national / international organisations. A continuing effort to be made for contacting individual scientists or officials in order to learn about their intentions, to modify their opinions, to precede their interventions with national government agencies, and to activate other defensive industry responses through National Manufacturers' Associations (NMA's), Infotab, etc.

CORPORATE AFFAIRS?

OBJECTIVE-2: The further extension and deepening of scientific contacts within NMA's (e.g. VdC, ASFC, TAC), and industry organisations such as CORESTA in order to enhance PM leadership and to make prevail PM policies, PM strategies and PM approaches to common problems.

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STRATEGIES: Active participation in industry activities through qualified PM staff in order to ascertain action according to PM strategies, to overcome industry inertia, to avoid unwise or detrimental industry responses or moves, and in order to take on board crucial experimental work (e.g. ambient smoke composition, sidestream biotesting) for execution at PM laboratories or PM-controlled institutions so as to be certain that PM obtains any critical information first.

OBJECTIVE-3: Further deepening of contacts by PM experts with standardising organisations and with institutions that carry out control measurements on cigarettes, ingredients or other relevant commodities in order to assure that PM products are measured correctly throughout the world, and that they find universal acceptance.

STRATEGIES: Initiative by PM representatives in directing the activities of the International Standards Organisation (ISO) and the various national standardising committees in the PM sense as well as actively collaborating in joint experimentations with national testing organisations (e.g. LGC, Canton Chemists, BGA) so as to assure that PM methodology, PM instrumentation, PM laboratory practices find the widest possible acceptance, and that PM products are tested in a fair way.

OBJECTIVE-4: The protection of PM know-how and PM technological capabilities in terms of freedom of utilisation and, in certain cases, in terms of exclusivity of usage of an invention for the purpose of creating a direct competitive advantage, or for facilitating license agreements (royalties), or to propagate PM-style equipment or instrumention for general use throughout the industry.

STRATEGIES: Continuing with an alert patent administration policy taking into account both developments achieved at PM and the development of the state-of-the-art in the whole field of tobacco and cigarette science and technology. This, of course, through liaison with the appropriate PM departments in New York and Richmond as well as with the legal staff at HQ and the affiliates in order to guarantee that PM investment into technological advance is not prevented from yielding the expected ROI.

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OBJECTIVE-5: The conceptualisation and evaluation of scenarios in which product modifications would become imperative in order to remain successfully on the market, and to envisage the appropriate and timely counter actions.

STRATEGIES: Scenarios as described above could be the result of government action (legislation), or could be caused by scientific / technological / political developments initiated by competitors. Examples for the first kind would be legislation on sidestream emmission, examples for the second kind would be cheap, low-yield, low-emission cigarettes of high manufacturing quality by, say, JTS, based on the combination of biotechnology with other advanced operation methods. By intelligence work and in developing the necessary contacts, plans can be conceived as to which kind of product characteristics would be required to respond to such scenarios, the conceptualisation of ways in which such modified products could be made, small-scale production by R&D upon request of such products, and the appropriate intra and extramural testing thereof.

The result of this integrated preparation for a PM response is to be seen as an insurance against serious mishaps in the market place.

OBJECTIVE-6: The initiation of intramural and extramural testing capabilities in order to meet all foreseeable defensive requirements.

STRATEGIES: By actively evaluating scientific and technological developments inside the company as well as in the outside world, needs will continue to be defined and the adequate laboratory work programmes will be requested for implementation at the appropriate place (intramural, extramural) in order to be able to meet all challenges appropriately and ahead of time. Also, to obtain endorsement of PM methodology by appropriate authorities in order to be able to obtain clearance for use by auhorities whenever necessary for any commodities tested according to PM methodology.

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P R O G R A M M E

1. PREAMBLE: "DEFENSIVE ACTIVITIES" is a collective heading for the tasks outlined under "OBJECTIVES AND STRATEGIES". The immediate field of action covers the regions EEC and EEMA of PME but, as many issues concern the whole of Philip Morris, all activities will be will closely coordinated with the rest of the Corporation.

A monthly activity report will be regularly established by Dr Gaisch and addressed to Mr Serrano, with copies for Mr Resnik, Dr Seligman and Dr Osdene.

In view of the sensitive nature of most tasks, the circulation of documents or reports will be limited to a strict minimum. The complete documentation will be available on file with Dr Gaisch.

2. MODE OF WORK: Dr Gaisch will act within a framework of project management, in which he receives upon demand the services of individuals or groups of R&D according to requirement. Such requests will typically be formulated as the requirements arise. However, certain long-standing commitments should be agreed in advance. They concern representation of PME with NMA's, coverage of individual countries with regard to personal contacts, and a few long-term projects:

- In terms of PME representation with NMA's the permanent delegates to the scientific commissions or committees have been accredited with the approval and through the services of the appropriate directors of marketing.

- In terms of PME representation to industry associations, standardising agencies and other organisations the following work-sharing has been established: Messrs Boder, Lopes and Senehi to standardising organisations (such as ISO, Swiss, DIN), Mr Marcovitch to health organisations (such as WHO, International Union Against Cancer, Medical Associations), Dr Fink to the Smoke Study Group of CORESTA, Mr Boder to the Technology Group of CORESTA, and Mr Friedrich (with Messrs Möller and Völkl) to the Tabak - Colloquium.

- Progress control of extra-mural projects, including INBIFO, as well as the maintenance of contacts with individual scientists (such as Professors Leuchtenberger, Wahren, Bättig, Grandjean, Roe, Brendel, Mälkki, Rylander) are handled by Dr Gaisch together with Mr Marcovitch.

- The representations to countries are allocated in accordance with the individual nationalities or, at least, language capabilities.

- Long-standing research commitments:

-- Bio-screening at INBIFO of cigarette prototypes representing process innovation, containing new ingredients or featuring new product concepts, as well as the necessary development of methodology.

-- Ambient smoke studies by the group of Dr Fink aimed at establishing a quantitative relationship between cigarettes smoked and smoke components found in ambient air, including dynamic studies on the evolution of concentrations over time, and precursor / pollutant relationships.

-- Filler modelling by Research Division under Dr Bourlas to create the prototypes for clearance by means of biological and chemical experimentation of any new product features of interest.

-- The Patent Administration which is headed by Mr Mandiratta who, under the guidance of Dr Gaisch, manages all activities related to patents. It is understood that patent policies are the responsibility of "Legal", New York. Dr Gaisch represents PME (= FTR) at the patent committee meetings in New York respectively Richmond and, in the case of conflicting priorities, might delegate attendance to Mr Mandiratta.

-- The scientific / technological / legal documentation as well as the library are indispensable tools for Dr Gaisch who uses the IBM Stairs system for filing and retrieval of documents and IBM Visiotexte for the compilation of documents.

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3. ACTIVITIES:

- Intelligence work with government agencies, international organisations and scientific forums is to be conducted by having regular contacts with personalities through visits, by attending relevant meetings, seminars or congresses. Essentially done personally by Dr Gaisch with delegation of a certain volume to Mr Marcovitch.

- Pursuit of PM oriented policies in scientific committees of NMA's by showing initiative and by contributing actively in practical terms. In particular:

-- avoidance of contracting-out by industry of biologic work to unreliable third party institutions,

-- putting emphasis on quantitative chemical work rather than other investigations when cooperating between government agencies and industry.

-- strict adherence to an "at arm's length" approach when dealing with biologic research carried out by others.

All activities are controlled and coordinated by Dr Gaisch but carried out by designated R&D staff.

- Anticipating changes of tobacco and other relevant laws through maintenance of contacts either directly with government agencies, through the services of Corporate Affairs or through the national representatives of PM. Locating the persons within government agencies or ministries charged with handling the matter and establishing a dialogue in which the PM point of view is expressed in view of obtaining reasonable edicts by the authorities. Providing experimental data when necessary, inviting technicians for training purposes, or making available technical assistance locally. Controlled and coordinated by Dr Gaisch with services provided out of R&D.

- The scientific investigations in the context of the objectives outlined earlier deal largely with the following areas or issues: specific smoke constituents and their precursors in filler, ambient smoke respectively sidestream smoke, the metabolism of nicotine.

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-- Amongst the smoke components singled out because of the general attention that is focussed upon them are classes of particular interest. Looking at nitrogen derivatives we find non-desirables (such as NO / NO2, other low-molecular gas phase constituents, R-NNO's, tryptophan pyrolysates, the heterocyclic tar fraction) and desirables (such as certain pyrazines and other essential compounds).

In addition there are other materials on which some further quantitative experimental data in relationship to certain filler features are needed, e.g. carbon monoxide, metals (including some radioactive materials), smoke aerosol constituents (i.e. fractions of particulate matter). This is because of their intrinsic interrelationship with generally applied biologic response criteria such as specific and non-specific responses in the body, and responses in specific test systems (mutagenicity, carcinogenicity, and cytotoxicity).
The importance to industry, particularly in Europe, stems from the fact that questions of that kind are beeing discussed at length in the German Forschungsrat, the Independent Scientific Committee for Smoking and Health, and various other study groups, and that, without experimental back-ground data available, we as a company cannot decide in which direction to act.

Dr Gaisch, in liaison with Drs Seligman and Osdene, recommends the nature and scope of experimental work carried out (sharing of resources between Richmond and Neuchâtel and repartition of tasks).

-- The experimental investigations on nicotine metabolism are not only relevant to questions of compensation (being discussed e.g. in the UK, Germany) or smoke consumption levels (e.g. Barclay controversy) but feature also in basic considerations (also relevant to legislation) on whether nicotine is an essential smoke constituent (maximum permissible limits) or whether metabolic data (venous, arterial) are relevant at all. Dr Gaisch coordinates the efforts in the extra-mural field.

H W Gaisch

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