

I. B. M. TRUST SUIT ENDED BY DECREE; MACHINES FREED

Company Agrees to Sell Its Electronic Computers and License All Patents

Special to The New York Times.

WASHINGTON, Jan. 25—International Business Machines Corporation agreed today to a sweeping antitrust decree that will force changes in some of its long-established business practices.

Under the decree I. B. M. will have to offer for outright sale tabulating machines and electronic computers that have been available on only a rental basis for the last twenty-five years.

The company must also license all its patents, and patents acquired or applied for in the next five years, for "tabulating and electronic data processing machines, tabulating cards and card manufacturing machinery."

Some of these patents will have to be licensed royalty-free, the others for "reasonable" rates.

It was the second major anti-trust action announced in two days. The American Telephone and Telegraph Company agreed yesterday to a settlement requiring it to license all past, present and future patents and to make some changes in its business structure.

Brownell Sees Wide Effects

Attorney General Herbert Brownell Jr. announced that the I. B. M. consent decree, drafted in negotiation with the company's lawyers, had been signed in Federal Court in the Southern District of New York.

Mr. Brownell said that in view of "the recent developments of the revolutionary electronic machines * * * it is expected that the action taken today will have far-reaching effects upon major segments of the business world."

Stanley N. Barnes, chief of the Justice Department's Anti-trust Division, said the A. T. & T. and I. B. M. decrees "supplement each other." He said he regarded those two cases and a pending Government antitrust suit against the Radio Corporation of America "as part of one program to open up the electronics field."

In New York Thomas J. Watson Jr., president of I. B. M., said the company's consent to the judgment was "not an admission of any violation of the antitrust laws." He conceded that some terms of the decree were "severe" but said others would require no major change in "long-standing company policies."

The consent decree ends a civil antitrust suit brought by the Government against I. B. M. in 1952. The complaint at that time charged that I. B. M. "unlawfully restrained and monopolized the tabulating industry." It said that the company owned and refused to sell about 90 per cent of all tabulating machines in the United States and manufactured 90 per cent of the tabulating cards used.

At the time the Government estimated I. B. M.'s annual return for rental of the machines at \$100,000,000. Government lawyers said today that the

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by the decree range from a manual punch card that rents for \$250 a year to advanced electronic machines that I. B. M. now rents for more than \$500,000 a year.

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figure now was about \$250,000,000 a year.

Under the terms of today's decree I. B. M. must:

¶ Offer for sale "in perpetuity" all types of tabulating and electronic computing machines that it manufactures, at a price bearing a "reasonable" relationship to rental charges.

¶ Give present lessees of the machines an option to buy them.

¶ Service machines sold to others, and provide parts for them.

¶ Sell used I. B. M. machines to second-hand dealers.

¶ License its tabulating patents and provide "technical know-how" to the licensees.

¶ Offer for sale certain machines and paper stock needed to manufacture tabulating cards, including an unusual I. B. M. rotary press.

¶ Furnish repair and replacement parts to repair shops, and supply some technical training and manuals.

¶ Not require purchasers of machines to contract for I. B. M. maintenance service.

¶ Avoid any tie-in sales or international sales allocation agreements.

An Explanation Offered

In addition, the company will have to sell enough of its card-manufacturing facilities in 1963 to bring its share of the business down to 50 per cent, unless I. B. M. then can convince the courts that competitive conditions make this step unnecessary.

Judge Barnes said these terms represent most of what the Government had hoped for in bringing its antitrust action.

As to the question of why the company should agree to such a settlement, some lawyers suggested the answer was connected with a pending \$90,000,000 antitrust suit against I. B. M. by the Sperry-Rand Corporation. The suit, filed last month, charged that I. B. M. had injured Sperry-Rand by monopolistic practices in the tabulator industry.

If I. B. M. had let the Government suit go to trial and had lost the case, that judgment could have been used as evidence against it in the private Sperry-Rand suit. But under law consent decrees may not be used as evidence in another suit.

The I. B. M. machines covered

Statement by Watson

Mr. Watson issued the following statement here yesterday:

"I. B. M. has today consented to the entry of a judgment settling all issues raised by the Department of Justice in the antitrust suit which has been pending for four years against the company.

"Our consent to the entry of the judgment is, as the judgment states, not an admission of any violation of the antitrust laws, which we continue emphatically to deny having violated. We shall, of course, conform in good faith to the undertaking which we have accepted.

"It is our opinion that I. B. M. will continue to be successful under the terms of the judgment. However, we would not be realistic if we did not recognize that some of the terms of the judgment are severe. In other respects, terms of the judgment conform to long-standing company policies and impose no major change.

"Though the judgment is complex, and conformity to it by our company will require a great deal of administrative and procedural effort, the terms do not enjoin us from continuing to furnish good products and good service to our customers. These are the foundations upon which our business has been built and upon which it will continue to grow in an atmosphere of ever-increasing demand and ever-increasing competition."