

To the 136,355 stockholders of Standard Oil: Is This How You Want Your Corporation Run? Do You Believe Management Has Been Looking After Your Interests?

Standard Oil Rubber Process Helped Hitler

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WASHINGTON, Mar. 26.—The Senate Truman Committee today opened an investigation into patent agreements by the Standard Oil Co., of New Jersey, under which, the Justice Dept. charges, Hitler got the latest U. S. discoveries in synthetic rubber but kept his own developments secret from us.

The Department's charges against the company culminated yesterday, on the eve of the Senate investigation, in a court decree dissolving as illegal the patent agreements between Standard and the Hitler-dominated I. G. Farbenindustrie, giant German chemical trust.

Under the court settlement of the anti-trust case, Standard agreed to make all its patents and know-how on synthetic rubber and many other ersatz materials available royalty free during the war. The company and its officials accepted fines aggregating \$50,000 on the criminal and civil charges, and were enjoined from making any similar agreements in the future without notifying the Justice Dept.

Arnold Tells Story

It was estimated that the loss of royalties would cost Standard Oil \$6,000,000 a year.

On the basis of a year's investigation, the Department charged the company with conspiring with the German trust to restrain trade and commerce in the oil and chemical industries, including synthetic rubber and synthetic gasoline, throughout the world.

Thurman Arnold, Assistant Attorney General in charge of antitrust prosecution, took the stand before the Truman Committee to outline the complicated but sensational story of Standard's relations with the Germans.

Under the charges, which he went before the Committee to explain, Standard's patent relations with the German trust began on Nov. 9, 1929, with a series of four agreements exchanging patents and dividing the world markets in the rapidly developing chemical field.

A complicated series of agreements between these companies and other companies followed, leading to formation of a jointly owned subsidiary, Jasco, Inc., on Oct. 23, 1930, in which Standard and the German trust agreed to pool a number of their processes and patents.

In the Jasco deal the two companies agreed orally, the Department charges, to exploit jointly the manufacture and production of synthetic rubber. The Department's story from there on:

Discouraged Research

By 1934, the Germans had fully developed two synthetic-rubber processes which, so far as is known, have supplied substantially all of the rubber requirements of the growing German war machine, but refused to transfer the patents and processes to Jasco.

Since 1932, many U. S. rubber companies and chemical companies have approached Standard and I. G. to obtain licenses for

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these processes. Standard and the German trust encouraged them to believe that such licenses would soon be granted, thus discouraging them from engaging in independent research.

In 1938, Standard developed a new process for making synthetic rubber called Butyl, which was cheaper and more desirable for certain purposes than the German rubbers, particularly for inner tubes. But I. G. still refused to transfer its processes to Jasco or make information on them available to Standard because, it said, the Hitler Government, for reasons of military expediency, forbade it.

Although I. G. was then violating its agreement, Standard decided it would do nothing about the German processes. But it turned over to the Germans its own new rubber developments.

The Germans then told Standard they would try to get Hitler's permission to turn over their processes, but they never did. Nevertheless, Standard continued to give I. G. all its information on its own rubber process until December, 1940.

After the outbreak of the war, Standard and I. G. made an agreement, to avoid having the Jasco patents seized by countries with which Germany was at war. The agreement provided for turning over to another Standard subsidiary all I. G.'s interests in the patents held by Jasco. But the companies would continue to divide marketing territory.

German Profits Continued

Under this agreement, to last throughout the war, the Germans turned over to Standard some 2000 patents, but I. G. was to continue to get profits from royalties on the patents.

In November, 1939, Standard notified U. S. rubber companies that it had acquired complete control of the German patents, and offered to license them for royalties of 7½ cents a pound, if they transferred to Standard licenses for their own patents.

This offer was purposely made unattractive enough to keep the rubber companies from manufacturing synthetic rubber for tires. Up to January, 1941, only two companies had accepted such licenses.

Although Standard had given the Germans complete technical information on its own Butyl processes, it did not make any samples of this product available to U. S. companies until June, 1940, and then only to the two companies it had licensed under the German processes.

After Pearl Harbor, on Dec. 19, 1941, Standard entered a pool at the Government's request into which Standard and the rubber companies entered all patents of the German type. But Standard still did not include in the pool patents its own Butyl process.

The Government complaint culminated with the charge that under the patent agreements the Germans up to March, 1940, had obtained "technical information and proc-

\$50,000 in Fines

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WASHINGTON, Mar. 26.—Under the anti-trust case settled by court agreement yesterday, Standard Oil Co. of New Jersey, six affiliated companies and three officials were each fined \$5000.

The officials are:

Walter C. Teagle, chairman of the board.

W. S. Farish, president.

Frank A. Howard, vice-president and president of one of the subsidiaries.

esses concerning aviation gasoline, lubricating oils and other petroleum products, developed by many American oil refiners, while I. G. has been restricted by the German Government from making available to Standard information which the German Government has considered of military importance."

The Department charged that officials of I. G., with which Standard was co-operating, had since 1936 served as "officials of the German Government, being charged with the responsibility of making Germany self-sufficient under the Four Year Plan in chemicals and oil products."

At the present time, it said, "I. G. is supplying all synthetic rubber and most synthetic gasoline, textiles, fats and soaps which are essential for Germany's war economy."

Oil Co. Defends Old Nazi Deal

PM's Bureau

WASHINGTON, Mar. 26.—The Standard Oil Co. of New Jersey, in a statement explaining its failure to fight the anti-trust charges brought against it by the Justice Dept., took issue with the charges but said its war work was "more important than court vindication."

The company contended that as a result of its patent agreement with the German chemical trust it had brought to America many German discoveries, including the process for making toluol, a basic constituent of TNT, the process for making 100-octane aviation fuel and many other scientific developments of military importance.

"It goes without saying," the company said, "that in making this trade Standard was motivated solely by normal commercial considerations. Looking back, however, we can see that if Standard had deliberately set about in the peaceful days of 1929 to protect the future national interests of the United States it could hardly have proceeded more effectively."

Defending its action on synthetic rubber the company said:

"Like gasoline from coal, synthetic rubber is expensive to make and as long as natural rubber was available, America felt little urge to go into the manufacture of the synthetic product."

It added, in a phrase that may go down in history for understatement:

"Today, however, with the supply of natural rubber cut off, we wish we had synthetic plants to meet our needs."

The company said it had no agreement with Japan on synthetic rubber and had constantly sought the guidance of the State Dept. in its negotiations on this subject.

It contended that the competitive disadvantage of synthetic rubber against natural rubber was "the reason—and the only reason—why the United States did not have any capacity for the commercial manufacture of synthetic tire rubber before Pearl Harbor."