

Antitrust Suit Filed by U.S. Against IBM

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The Johnson Administration yesterday dropped its second antitrust bombshell in a week, this time charging International Business Machines Corp. with monopolizing the multibillion-dollar computer industry.

Attorney General Ramsey Clark, who had labored under criticism that the consensus-minded Administration was soft on big business, asked a Federal court in New York to outlaw key IBM marketing policies and, if necessary, break up the electronic giant.

Only a week ago, the lame-duck Administration took on General Motors and the entire automotive industry with a charge of conspiracy to slow down the development of air pollution control devices.

Like the automobile suit, yesterday's complaint against IBM will be inherited by President-elect Nixon's Attorney General, John N. Mitchell, and the man Mitchell designates next week as his chief trust-buster.

IBM, which had negotiated with Justice Department lawyers for three years in the investigation of the computer industry, was ready with a prompt denial of Government charges.

The IBM statement said the "unwarranted" suit was filed despite ample evidence of "the open and strongly competitive nature of the computer business," with its 60 systems manufacturers and 4000 companies engaged in computer-related enterprises.

Two competitors, Control Data Corp. of Bloomington, Minn., and Data Processing Financial & General Corp., recently filed private antitrust suits against IBM, seeking court action similar to the Government's requests but also seeking heavy damages.

The Government charged IBM with violating the Sher-

man Antitrust Act through policies and practices that edged out competition unfairly in an exploding market.

Revenues in 1967 from the sale or lease of general purpose digital computers exceeded \$3 billion, the Government said. IBM's share of this market was about \$2.3 billion or 74 per cent, while the nearest competitor earned \$156 million or 5 per cent of the total, the suit said.

The civil suit complained that IBM had shut out competitors in various segments of the industry by its policy of offering lump-price packages, including a computer system "software"—such as programming know-how — and related support.

Also attacked was IBM's alleged practice of introducing selected computer models of general purpose digital computers — "with unusually low profit expectations"—into portions of the market where competition was most promising.

Echoing a complaint by Con-

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Control Data, the Government said IBM shut out smaller manufacturers in potentially competitive markets by announcing future production of new models when IBM "knew that it was unlikely to be able to complete production within the customers' own anticipated time," thus causing harm to IBM.

The Government also claimed that IBM dominated the important educational market for digital computers by granting "exceptional discriminatory allowances" favoring universities and schools.

Among the court-ordered corrective measures sought by the Government were any "divorcement, divestiture and

reorganization" deemed necessary to restore competition.

An IBM spokesman pointed out that the company had announced last month it expected major changes in its pricing structure. The spokesman said the changes were being made under the stimulus of changing industry conditions and not to fend off Federal legal action against IBM.

The suit, triggered initially by the interest of Congressional antitrust committees, came at a time when a former Attorney General and outgoing Under Secretary of State, Nicholas deB. Katzenbach, was joining IBM as vice president and general counsel. Another former Justice Department official, former civil rights chief Burke Marshall, also is a high-ranking IBM official.