

# A. T. & T. SETTLES ANTITRUST CASE; SHARES PATENTS

## U. S. Hails Consent Decree as Major Victory — Company Calls Terms 'Stringent'

By ANTHONY LEWIS

Special to The New York Times.

WASHINGTON, Jan. 24—An antitrust suit against the American Telephone and Telegraph Company was settled today on terms described by Government lawyers as a major victory.

Herbert Brownell Jr., Attorney General, announced the signing of a consent decree in the Federal Court in Newark, N. J. Under the terms of the settlement A. T. & T. must:

¶License 8,600 existing patents to all applicants without royalties.

¶License all its other patents, present and future, to any American concern at "reasonable and nondiscriminatory" rates.

¶Get out of all business not directly connected with the communications field.

¶Maintain uniform cost accounting methods for its manufacturing subsidiary, Western Electric.

### One of 'Most Important'

Stanley N. Barnes, Assistant Attorney General in charge of the Justice Department's Antitrust Division, said the decree was "one of the most important" in antitrust history. Another department lawyer called it "miraculous."

In New York, Cleo F. Craig, president of A. T. & T., acknowledged that the terms of the consent decree were "stringent." However, he said, the settlement will leave intact "the unique combination and teamwork of the operating companies, the Bell Telephone Laboratories and the Western Electric Company that over the years has produced for the people of this country the finest, most widely used and most progressive telephone service in the world."

The A. T. & T. case was one of three major antitrust suits brought by the Government in the electronics field since World War II. The others, involving the Radio Corporation of America and International Business Machines, also are in negotiation for possible consent settlement. The I. B. M. negotiations are believed to be almost finished.

Through subsidiary Bell operating companies, A. T. & T. controls a majority of the country's telephone lines. Western Electric, its wholly owned subsidiary, makes the equipment for all Bell companies.

### U. S. Pressed Civil Suit

On Dec. 31, 1954, the assets of A.T.&T. and the Bell system were estimated at \$13,000,000,000.

The Government complaint, filed in 1949, charged that A. T. & T. and Western Electric had "unlawfully restrained and monopolized trade and commerce in the manufacture, distribution, sale and installation of telephone equipment."

It was a civil suit. The Government was not calling for a fine but wanted the courts to order changes in A. T. & T.'s structure. Specifically, the Government asked that the parent corporation give up its interest in Western Electric, that Western Electric be dissolved and its assets divided among three other companies.

The judgment entered today allows Western Electric to continue as manufacturer to the Bell System. However, several

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important restrictions are put on the inter-company relationship.

First, Western Electric is enjoined from paying any patent royalties to A. T. & T.—a transfer of funds within the system that might be used to justify higher cost figures for rate-making purposes.

Western Electric is prohibited from manufacturing any equipment "not useful in furnishing common carrier communications services." For example, the concern will have to sell Westrex Corporation, a subsidiary that makes movie sound equipment. This requirement becomes effective in three years.

Finally, Western Electric is directed to "maintain cost accounting methods which afford a valid basis for determining the cost to Western Electric of equipment sold to the Bell System."

This order is an answer to complaints made by Federal agencies as early as 1939 that varied Western Electric prices made it impossible for different state regulatory agencies to make fair comparisons of costs.

In addition, A. T. & T. itself is forbidden to engage in any business other than communications services subject to Government regulation—except for some research, Government work and business incidental to communications.

The effect of all these restrictions on Western Electric and A. T. & T., a Justice Department lawyer said, will be to confine them to activities that can be regulated by state and Federal utility commissions and to make such regulation easier.

The Department indicated that the patent provisions of the consent decree were even more important. The provisions were described as "unprecedented in

their breadth and duration." Mr. Barnes said the number of patents opened up by the judgment is "certainly the largest" ever made available at one time.

The 8,600 patents, which will now be licensed without royalties, have been held jointly with the General Electric Company, Westinghouse Electric Corporation and R. C. A. Royalties on any previously licensed have been shared with these three firms.

Among the patents said to be in this now free group are some for transistors, the tiny electronic devices which take the place of vacuum tubes.

One Government lawyer said reduced royalty rates and increased competition in the industry might reduce the cost of some weapons substantially for the Defense Department.

The consent judgment was drafted in negotiation between the companies and the Government. When it was signed today by Judge Thomas F. Meaney, it took on the force of a judicial decision. Any violations could be punished by the courts.