

RESULTS AWAITED IN PATENT FREEING

Consent Decrees by A. T. & T. and I. B. M. End Litigation Started Back in 1949

SMALL BUSINESS VICTORY

One Effect Is Expected to Be Entry of Many Newcomers Into Transistor Field

By GENE SMITH

Business, big and small, seems to have adopted a "wait and see" attitude toward last week's settlement of two major anti-trust actions.

The signing of consent decrees by the American Telephone and Telegraph Company on Tuesday and by International Business Machines Corporation on Wednesday ended actions brought by the Government as far back as 1949.

Perhaps the greatest effect of these agreements, which Government lawyers termed "major victories," will be on the morale of small business men. Once again they can see that the American tradition against monopolies has been upheld.

The decree signed by A. T. & T., for example, released a pool of 8,600-odd patents for use on a royalty-free basis. This means that anyone may use them for the asking.

One result of the decree is that many outsiders are expected to try their hand at transistor manufacturing to get-rich-quick. Companies that make transistors report they have been deluged with calls from outsiders who want to hire skilled engineers to help get them into this new field.

Producer Isn't Worried

S. Irving Weiss, president and founder of Radio Development and Research Corporation, one of the first to offer transistors in commercial quantities some four years ago, said he looked for "several hundred competitors to jump in headlong."

Freeing of A. T. & T.'s patents is expected to have very little effect either on the company itself or on those desiring to make use of the patents. Heretofore licensees had to pay out in royalties only about \$12,000 from every million dollars of sales.

In the case of I. B. M., only about forty punched-card patents were completely freed by the decree, while 1,000 more must now be offered on a "reasonable" royalty basis. All told, the company owns some 1,500 patents.

Thomas J. Watson Jr., president, noted that, under terms of the decree, companies licensed by I. B. M. must make their patents available on a cross-licensing basis to I. B. M. too.

As with A. T. & T., Mr. Watson said he could not foresee any real change to the company's financial operations as a direct result of the decree. He referred particularly to the agreement by which present lessees will have an option to buy all equipment for the first time.

Doubts Many Will Buy

"It will cause a substantial increase in the administrative burden and some costs, but we feel that few will prefer to buy the large equipment," he said.

A spokesman for the State Farm Mutual Insurance Company of Bloomington, Ill., which reportedly is the largest user of I. B. M.'s "650" electronic data processing machines said it would "study what future course we will take."

"Any big user of their equipment appreciates the fact that under the present leasing there is no obsolescence," he said. "What the future would hold if the equipment were purchased outright, we don't know at present."

The Consolidated Edison Company, which uses I. B. M. equipment in its consumer and general accounting departments, has adopted a wait-and-see attitude.

The Computer Usage Company, an independent operation set up to help persons use electronic data processing equipment, can see little effect on its field in the future.

ElectroData Corporation, one of I. B. M.'s chief competitors, feels that the decree itself will not affect the industry competitively. Spokesmen feel that many of their own customers will not buy I. B. M. punched-card equipment, which should help ElectroData's own sales. The company makes no punched-card equipment, but sells allied products.

The Sperry-Rand Corporation, which filed its own antitrust suit against I. B. M. on Dec. 27, refused comment on the decision.