

RIVAL SUES I.B.M. IN A TRUST ACTION

**Giant Maker of Computers
Denies the Control Data
Charge of Monopoly**

By **WILLIAM D. SMITH**

The Control Data Corporation filed a Federal Court suit yesterday in St. Paul, Minn., charging the International Business Machines Corporation, the world's largest private enterprise in terms of market worth, with violations of antitrust laws and monopolistic practices. I.B.M. denied the charge.

I.B.M. had been under scrutiny by the Justice Department but the suit by a competing computer manufacturer came as a surprise to both the data processing industry and Wall Street.

The suit asked for treble damages allegedly incurred by Control Data because of I.B.M. actions. It also requested a jury trial.

The court was asked by Control Data, which is based in Bloomington, Minn., to issue an injunction directing I.B.M. to halt its alleged monopolistic practices. The 30-page complaint contended that I.B.M. had controlled through the years between 77 and 90 per

Continued on Page 77, Column 1

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Continued From Page 1, Col. 5

cent of the \$18-billion computer market.

The court was asked to consider the dissolution of the business or divestiture of properties of I. B. M. or that a ruling be made to "insure the competitive conditions in the computer markets and submarkets." Dissolution of I. B. M. was considered highly unlikely by most informed industry sources.

From its headquarters in Armonk, N. Y., I. B. M. issued a statement denying any violations of the antitrust laws. It also said it had done nothing adverse to the legitimate business interests of Control Data. I. B. M. stressed that it "intends to defend the suit vigorously in the courts."

The suit charged I. B. M. with monopolizing, attempting to monopolize and having the potential to monopolize the national and international computer markets in violation of Section 2 of the Sherman Act.

The suit listed 37 charges against the giant company. They included misrepresentations to prospective customers regarding computer products of competitors, premature announcements of new and improved I. B. M. equipment in order to discourage customers from buying machines of competitors, discriminatory and exclusionary pricing practices and selling at a loss to throttle competition.

The suit also accuses I.B.M. of coercing its own employees and executives of customers and of employing illegal and unjust tie-in and reciprocal marketing practices in order to drive competitors out of the computer business.

The computer business is the world's fastest growing major industry although it is less than 20 years of age. The first electronic computers were used during the later years of World War II and the first commercial models were delivered in 1951.

In 1956, there were about 600 computers in the United States with a cumulative value of about \$340-million. At present, there are more than 70,000 computers around the world valued at more than \$18-billion.

I.B.M.'s chief competitors beside Control Data include the Univac Division of the Sperry Rand Corporation, the General Electric Company, the Radio Corporation of America, Honeywell, Inc., National Cash Register, the Burroughs Corporation and Scientific Data Systems. Univac, which is considered

to be the runner-up to I.B.M. and has about 6 per cent of the market, had no comment on the suit. Honeywell and R.C.A. also declined to make any statement.

I.B.M.'s growth has been spectacular and it is generally considered the most glamorous of the glamour stocks. The value of its shares on the New York Stock Exchange is approximately \$42-billion. I.B.M. earned \$651.49-million last year on revenues of \$5.34-billion, compared with profits of \$72.69-million on sales of \$696.29-million in 1955.

The Justice Department earlier this year said it was looking into I.B.M.'s activities, particularly in the field of time-sharing or the simultaneous use of a computer by a number of people at remote locations.

In 1956, the company signed a consent decree with the department whereby it separated its service bureau operation from the company by creating an independent subsidiary, the Service Bureau Corporation.

The announcement of Control Data's suit created a furor at the fall Joint Computer Conference in San Francisco. Although the move surprised most of the computer community, many executives had considered the Minnesota company the most likely of I.B.M.'s competitors to challenge the giant in the courts. Control Data's chairman, William C. Norris, has never been secretive about his lack of affection for the industry's largest company.

In 1966, Mr. Norris commented that "I.B.M. has been out to get us—and you can print that." He was angered then by what he considered I.B.M.'s unfair marketing practices against his company in connection with the introduc-

tion of Control Data's 6600 computer. The lack of success of the 6600 forced Control Data into a loss whereas before the 1966 fiscal year the company had been the only computer manufacturer other than I.B.M. showing a profit. The company has again become profitable, earning \$18.4-million in the year ended June 30.

One of the chief charges in the suit is based on the I.B.M.-Control Data confrontation over the introduction of the 6600. Control Data, which specializes in large-scale machines, had pinned much of its hopes on the 6600. I.B.M., however, announced that it planned to bring out its own line of big machines, called the System 360/model 91. I.B.M. did bring out the machine but at a much later date than originally announced. It also stopped producing the model after turning out only a limited number of the models.

Control Data's chairman introduced the 7600, considered thought I.B.M. had made the announcement simply to prevent its competition from making sales.

Last week, Control Data introduced the 7600, considered to be the world's most powerful computer, according to a number of informed observers, who believe that yesterday's suit was a move by Control Data to prevent I.B.M. from "doing the same again," a reference to the allegations concerning the 6600.

Dick Brandon of Brandon Applied Systems, a data processing consulting concern, commented: "The suit may be a bit of preventive medicine. It also may be an attempt to make I.B.M. a little bit more circumspect in its marketing practices."