

## AT A GLANCE...

### CDC SETTLES FOR OVER \$100 Million

The recently concluded settlement between Control Data Corporation and IBM is clearly a landmark in the legal problems of the computer industry. An initial reading of the announcement indicates that CDC will receive immediately and in the future a net payment of \$60 million from IBM. In addition, they receive ownership of the Service Bureau Corporation, which at a fair market value of 30 times earnings should be worth \$45 million, and \$25 million worth of future service contracts. In return for this, Control Data has dropped their suit against IBM with prejudice, and must give IBM the output of a part of their development effort for five years.

If we assume that CDC is depending upon the Government's suit to make the necessary changes in the computer industry so that it will be a reasonably competitive market place, then this settlement must be reviewed as a fairly good return on the investment that CDC has made over the past four years in prosecuting the suit. Naturally, if we assume the Government will be unsuccessful in constraining IBM in the future, it would not be as happy an outcome for CDC.

Since the Government has been depending on the Control Data Corporation's discovery process for assistance in developing the facts pertaining to their suit, this development will throw an additional burden on the Department of Justice. It will require the Government to accelerate their discovery efforts to replace the work that had been done jointly with the Government by CDC, but on the other hand it opens the possibility of a trial date being set for the government suit without a conflict with CDC. The settlement also tends to set the criteria and environment for any settlement which might be arrived at in the other private antitrust actions against IBM. It is not clear, however, that it will throw any additional burden on the other private litigants such as Telex and Greyhound.

This settlement will have considerable impact on the rest of the industry. Not only does CDC receive a substantial infusion of cash, but also instantaneously becomes by far the largest factor in the service bureau business. Perhaps the greatest impact, however, is that one must assume that IBM was not confident of their ability to defend themselves against the CDC charges, since they were willing to give \$60 million and the Service Bureau Corporation to have the suit against them dropped.

### Telex Trial Set for April 16

Telex, a member company of the Computer Industry Association, said its antitrust action against IBM has been set for jury trial in Tulsa, beginning April 16, 1973.

(For details see story on page 3.)

## WORTH NOTING...

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### CIA Members Finalize Early Relief Position

W. C. NORRIS

The chief executives of the member companies of the Computer Industry Association met in Washington last week to agree on the final details of the Association's position on the needs of the industry with respect to early relief. Dan McGurk, President of the Association, said that the request itself would not be released immediately to the public. "We want to have an opportunity to submit it first to the Department of Justice," he said. "We have received excellent cooperation from them so far, and we don't want to notify them of our position relative to relief through the press. That would be applying pressure when pressure appears not to be needed."

McGurk did state that the Association's posture relative to early relief is based both on last week's meeting of the Board of Directors of the CIA and upon the suggestions made by industry leaders in attendance at a round of meetings held in early December.

"Our recommendations reflect the thinking of the entire industry -- not just that of one company or one product or service sector," McGurk said. "As a result the recommendations cannot be challenged as self-serving; rather, they reflect the needs of both the non-IBM portion of the industry and the thousands of users of data processing equipment and services."

The Computer Industry Association's discussions with industry leaders led it to focus on two basic areas. They call for restricting anti-competitive marketing policies and practices. They also request that IBM be required to make public the information needed by the users and the industry alike -- to ensure that intelligent production and purchasing decisions can be made.

McGurk commented, "The Association believes that its proposals are realistic and attainable. In every instance they would contribute to fair and open competition in the computer marketplace pending resolution of the U.S. vs. IBM Antitrust Suit."

### Government Action Can Unlock Capital Markets for Computer Industry

Wall Street appears to have discounted the ability of the U.S. legal system to check IBM's market power now and in the foreseeable future.

Meetings held recently by the CIA with financial analysts and large fund managers support that viewpoint. The audiences show extreme skepticism that the various suits against IBM will significantly change IBM's control over the industry during the next decade.

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