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UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,  
Plaintiff,

v.

AMERICAN TELEPHONE AND  
TELEGRAPH COMPANY; WESTERN  
ELECTRIC COMPANY, INC; AND  
BELL TELEPHONE LABORATORIES,  
INC.,

Defendants.

Civil Action No. 74-1698  
Filed: November 20, 1974  
Antitrust Equitable  
Relief Sought

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the defendants named herein, and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 4 of the Act of Congress of July 2, 1890, as amended (15 U.S.C. §4), commonly known as the Sherman Act, in order to prevent and restrain the continuing violations by the defendants, as hereinafter alleged, of Section 2 of the Sherman Act (15 U.S.C. §2).

2. Defendants American Telephone and Telegraph Company and Western Electric Company, Inc. transact business and are found within the District of Columbia.

## II

### THE DEFENDANTS

3. American Telephone and Telegraph Company (hereinafter referred to as "AT&T") is made a defendant herein. AT&T is a corporation organized and existing under the laws of the State of New York, with its principal place of business in New York, New York. AT&T, directly and through subsidiaries, is engaged in providing telecommunications service and in the manufacture of telecommunications equipment.

4. Western Electric Company, Inc. (hereinafter referred to as "Western Electric") is made a defendant herein. Western Electric is a corporation organized and existing under the laws of the State of New York, with its principal place of business in New York, New York. Western Electric is engaged, directly and through subsidiaries, in the manufacture and supply of telecommunications equipment. Western Electric is a wholly-owned subsidiary of AT&T.

5. Bell Telephone Laboratories, Inc. (hereinafter referred to as "Bell Labs") is made a defendant herein. Bell Labs is a corporation organized and existing under the laws of the State of New York, with its principal place of business in Murray Hill, New Jersey. Bell Labs is engaged in telecommunications research, development and design work. Bell Labs is owned jointly by AT&T and Western Electric.

## III

### CO-CONSPIRATORS

6. Various other persons, firms and corporations not made defendants herein have participated as co-conspirators with the defendants in the violations hereinafter alleged and have performed acts and made statements in furtherance

thereof. Said co-conspirators include, but are not limited to, the following telephone companies:

<u>Name of Corporation</u>	<u>Percentage of Voting Shares Owned by AT&amp;T</u>	<u>Area Served</u>
New England Telephone & Telegraph Company	85.4	Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
The Southern New England Telephone Company	17.1	Connecticut
New York Telephone Company	100.0	New York, Connecticut
New Jersey Bell Telephone Company	100.0	New Jersey
The Bell Telephone Company of Pennsylvania	100.0	Pennsylvania
The Diamond State Telephone Company	100.0	Delaware
The Chesapeake and Potomac Telephone Company	100.0	Washington, D. C.
The Chesapeake and Potomac Telephone Company of Maryland	100.0	Maryland
The Chesapeake and Potomac Telephone Company of Virginia	100.0	Virginia
The Chesapeake and Potomac Telephone Company of West Virginia	100.0	West Virginia
Southern Bell Telephone and Telegraph Company	100.0	Florida, Georgia, North Carolina, South Carolina
South Central Bell Telephone Company	100.0	Alabama, Kentucky, Louisiana, Mississippi, Tennessee
The Ohio Bell Telephone Company	100.0	Ohio

<u>Name of Corporation</u>	<u>Percentage of Voting Shares Owned by AT&amp;T</u>	<u>Area Served</u>
Cincinnati Bell Inc.	25.7	Ohio, Kentucky, Indiana
Michigan Bell Telephone Company	100.0	Michigan
Indiana Bell Telephone Company, Incorporated	100.0	Indiana
Wisconsin Telephone Company	100.0	Wisconsin
Illinois Bell Telephone Company	100.0	Illinois, Indiana
Northwestern Bell Telephone Company	100.0	Iowa, Minnesota, Nebraska, North Dakota, South Dakota
Southwestern Bell Telephone Company	100.0	Arkansas, Kansas, Missouri, Oklahoma, Texas, Illinois
The Mountain States Telephone and Telegraph Company	87.8	Arizona, Colorado, Idaho, Montana, New Mexico, Utah, Wyoming, Texas
Pacific Northwest Bell Telephone Company	89.2	Oregon, Washington, Idaho
The Pacific Telephone & Telegraph Company	89.7	California, Nevada

#### IV

#### DEFINITIONS

7. As used herein:

(a) "Bell Operating Companies" shall mean the companies listed in paragraph 6 above, and their subsidiaries.

(b) "Bell System" shall mean AT&T and the Bell Operating Companies.

(c) "Independent telephone companies" shall mean all telephone operating companies in the United States except the Bell Operating Companies.

TRADE AND COMMERCE

8. Telecommunications consists of the electronic and electromagnetic transmission of voice, data and other communications by wire, cable, microwave radio and communications satellite.

9. Telephone communication is the most common form of telecommunications service. Telephone service permits voice telephone communication between subscribers, and includes, among other services, local exchange service for telephone calls between subscribers located within the same local telephone exchange area and long distance or "message toll service" for telephone calls between subscribers located in different exchange areas.

10. Local exchange service is provided by connecting all subscribers in the same local exchange area through one or more central offices. Typically, wire pairs connect each subscriber to telephone company central office switching facilities in that exchange area.

11. Message toll service is provided by connecting central offices in different local exchange areas. The connection of these local exchange areas, through trunk lines and toll switching offices, permits long distance telephone service throughout the United States. Message toll service typically involves the transmission of telecommunications via microwave radio or coaxial cable between local telephone exchanges, with central office switching equipment in each local exchange area providing each subscriber access to the long distance toll network. The long distance toll network is a nationwide web of trunk lines and toll offices linking all of the telephone operating companies in the United States.

12. Telephone service in the United States is provided by the Bell System and by approximately 1,705 independent telephone companies. Telephone operating companies typically contract with subscribers for local exchange service, connecting the subscriber with the telephone company central office. Subscribers typically are charged installation fees and a monthly charge for service. The telephone companies retain title to the equipment installed, and retain control over the equipment after service is terminated.

13. The Bell Operating Companies provide local telephone service in the 48 contiguous states. As of December 31, 1973, the Bell Operating Companies served approximately 113.2 million telephones, or approximately 82 percent of the nation's telephones. Approximately 1,705 independent telephone companies account for the remaining 18 percent of the nation's telephones. The AT&T's Long Lines Department provides interstate telephone service. For the year ending December 31, 1973, more than 90 percent of all interstate telephone calls in the United States were routed in whole or in part over Bell System facilities. In 1973 the Bell System's total revenue from telephone service was approximately \$22 billion. The Bell System is by far the largest supplier of telephone service in the United States.

14. In addition to telephone service, telecommunications includes the transmission of data, facsimile, audio and video programming and other specialized forms of telecommunications. Transmission of these specialized telecommunications may be accomplished over the same nationwide switched network which accommodates telephone service, or over private lines.

15. Private line service involves the leasing of telecommunications circuits to subscribers with a high volume of communications requirements between specific locations. Private lines may be used for the transmission of voice, data, audio and video programming and other specialized forms of telecommunications. Private line service may simply connect two points or may be switched between and among multiple points. A private line may be connected with the switched telephone network.

16. The Bell System provides intercity private line service for the transmission of voice, data, facsimile, audio and video programming and other telecommunications. Private line services are also provided by Specialized Common Carriers, Miscellaneous Common Carriers and Domestic Satellite Carriers. Specialized Common Carriers, Miscellaneous Common Carriers and Domestic Satellite Carriers compete with the Bell System in providing private line service. Total revenue from private line service in 1973 was approximately \$1.1 billion. In 1973 Bell System revenue from private line service was approximately \$1 billion, or approximately 90 percent of total private line revenue. The Bell System is by far the largest supplier of private line service in the United States.

17. Although many organizations with substantial needs for long distance voice and data telecommunications purchase such services on a private line basis, some organizations construct and maintain private systems for the long distance transmission of voice, data and other telecommunications.

18. Land mobile telecommunications consist of paging, dispatch and mobile telephone service provided by radio communication. These services may be interconnected with the nationwide switched telephone system, permitting communication with telephone subscribers on both a local exchange and a message toll basis. Land mobile telecommunications are provided by Radio Common Carriers, independent telephone companies and the Bell Operating Companies.

19. Telecommunications equipment is used to provide telephone service and other telecommunications, and includes terminal equipment, switching equipment and transmission equipment. Terminal equipment is equipment used principally in telecommunications and installed at the premises of the subscriber. Switching equipment is equipment in local exchange central offices and toll offices used to route and switch telecommunications between subscribers. Transmission equipment is used to transmit telecommunications.

20. Until about 1968, telephone operating companies typically prohibited the interconnection of customer provided terminal equipment with telephone company facilities and, with limited exceptions, provided all the terminal equipment located on subscribers' premises. Telephone operating companies were thus the only significant purchasers of telecommunications terminal equipment.

21. Telephone subscribers and other telecommunications customers may provide their own terminal equipment, and need not rely solely on the offerings of telephone operating companies. Customers may obtain terminal equipment from numerous manufacturers and suppliers, known collectively as

the "interconnect industry."

22. Western Electric manufactures and supplies telecommunications equipment for the Bell System and is the largest manufacturer of telecommunications equipment in the United States. Western Electric's subsidiary, Teletype Corporation, manufactures teletypewriters and data transmission equipment. A substantial majority of the telecommunications transmission, switching and terminal equipment used by the Bell System is supplied by Western Electric. Although Western Electric also sells telecommunications equipment to government agencies, it typically does not sell equipment to independent telephone companies or other users of telecommunications equipment. In 1973, Western Electric's sales to the Bell System were \$6.2 billion. Western Electric's total sales in 1973 were \$7.0 billion. Western Electric is by far the largest supplier, and the Bell System is by far the largest purchaser, of telecommunications equipment in the United States.

23. AT&T provides services to each Bell Operating Company pursuant to agreements known as "License Contracts." Under these agreements AT&T undertakes to maintain arrangements whereby telephones and related equipment may be manufactured under patents owned or controlled by AT&T and may be purchased by each Operating Company for use within a specified territory; to prosecute research in telephony continuously and to make available to the Operating Company benefits derived therefrom; and to furnish advice and assistance with respect to virtually all phases of the

Operating Company's business. The License Contracts, or supplementary agreements in the case of four Operating Companies, provide that AT&T will maintain connections between each licensee's telephone system and the systems of the other Bell Operating Companies, and provide for joint use of certain rights-of-way and facilities. Supplementary agreements cover the sharing of revenues derived by AT&T and the Bell Operating Companies from interstate and foreign services.

24. Western Electric manufactures and supplies equipment to AT&T and each Bell Operating Company pursuant to agreements known as "Standard Supply Contracts." Under these agreements, as supplemented, Western Electric agrees, upon the order of each Operating Company and to the extent reasonably required for the latter's business, to manufacture materials or to purchase and inspect materials manufactured by others and to sell these materials to the Operating Company. Western Electric also agrees to maintain stocks at distribution points, to prepare equipment specifications, to perform installations of materials and to repair, sell or otherwise dispose of used materials. Under each agreement Western Electric's prices and terms are to be as low as to its most favored customers for like materials and services under comparable conditions.

25. Bell Labs conducts telecommunications research and development for Western Electric and the Bell System. Owned jointly by AT&T and Western Electric, Bell Labs' 1974 budget for telecommunications research and development exceeded \$500 million. Bell Labs maintains its principal

laboratories in Murray Hill, Holmdel and Whippany, New Jersey, and Naperville, Illinois, and additional facilities in seven other states. Bell Labs is by far the largest telecommunications research and development facility in the United States.

26. AT&T, directly and through subsidiaries, regularly transmits voice, data and other telecommunications across state lines to customers located throughout the United States. Western Electric, directly and through subsidiaries, manufactures telecommunications equipment at locations in many states and regularly sells and ships such equipment across state lines to customers located throughout the United States. Bell Labs conducts telecommunications research and development at locations in many states and regularly disseminates the results of such research and development to consumers thereof throughout the United States. AT&T, Western Electric and Bell Labs have been and are engaged in interstate commerce.

## VI

### VIOLATIONS ALLEGED

27. For many years past and continuing up to and including the date of the filing of this complaint, the defendants and co-conspirators have been engaged in an unlawful combination and conspiracy to monopolize, and the defendants have attempted to monopolize and have monopolized, the aforesaid interstate trade and commerce in telecommunications service, and submarkets thereof, and telecommunications equipment, and submarkets thereof, in violation of Section 2 of the Sherman Act. Defendants are continuing and will continue these violations unless the relief hereinafter prayed for is granted.

28. The aforesaid combination and conspiracy to monopolize has consisted of a continuing agreement and concert of action among the defendants and co-conspirators, the substantial terms of which have been and are:

(a) That AT&T shall achieve and maintain control over the operations and policies of Western Electric, Bell Labs and the Bell Operating Companies;

(b) That the defendants and co-conspirators shall attempt to prevent, restrict and eliminate competition from other telecommunications common carriers;

(c) That the defendants and co-conspirators shall attempt to prevent, restrict and eliminate competition from private telecommunications systems;

(d) That Western Electric shall supply the telecommunications equipment requirements of the Bell System;

(e) That defendants and co-conspirators shall attempt to prevent, restrict and eliminate competition from other manufacturers and suppliers of telecommunications equipment.

29. Pursuant to and in effectuation of the aforesaid combination and conspiracy to monopolize, attempt to monopolize and monopolization, the defendants, among other things, have done the following:

(a) attempted to obstruct and obstructed the interconnection of Specialized Common Carriers with the Bell System;

(b) attempted to obstruct and obstructed the interconnection of Miscellaneous Common Carriers with the Bell System;

(c) attempted to obstruct and obstructed the interconnection of Radio Common Carriers with the Bell System;

(d) attempted to obstruct and obstructed the interconnection of Domestic Satellite Carriers with the Bell System;

(e) attempted to obstruct and obstructed the interconnection of customer provided terminal equipment with the Bell System;

(f) refused to sell terminal equipment to subscribers of Bell System telecommunications service;

(g) caused Western Electric to manufacture substantially all of the telecommunications equipment requirements of the Bell System; and

(h) caused the Bell System to purchase substantially all of its telecommunications equipment requirements from Western Electric.

## VII

### EFFECTS

30. The aforesaid violations have had the following effects, among others:

(a) Defendants have achieved and maintained a monopoly of telecommunications service, and submarkets thereof, and telecommunications equipment, and submarkets thereof, in the United States;

(b) Actual and potential competition in telecommunications service, and submarkets thereof, and telecommunications equipment, and submarkets thereof, has been restrained and eliminated;

(c) Purchasers of telecommunications service and telecommunications equipment have been denied the benefits of a free and competitive market.

PRAYER

WHEREFORE, PLAINTIFF PRAYS:

1. That the Court adjudge and decree that defendants have combined and conspired to monopolize, have attempted to monopolize and have monopolized interstate trade and commerce in telecommunications service, and submarkets thereof, and telecommunications equipment, and submarkets thereof, in violation of Section 2 of the Sherman Act.

2. That each of the defendants, their officers, directors, agents, employees and all persons, firms or corporations acting on behalf of defendants or any one of them be perpetually enjoined from continuing to carry out, directly or indirectly, the aforesaid combination and conspiracy to monopolize, attempt to monopolize and monopolization of the aforesaid interstate trade and commerce in telecommunications service and equipment, and that they be perpetually enjoined from engaging in or participating in practices, contracts, agreements or understandings, or claiming any rights thereunder, having the purpose or effect of continuing, reviving or renewing any of the aforesaid violations or any violations similar thereto.

3. That defendant AT&T be required to divest all of its capital stock interest in Western Electric.

4. That defendant Western Electric be required to divest manufacturing and other assets sufficient to insure competition in the manufacture and sale of telecommunications equipment.

5. That defendant AT&T be required, through divestiture of capital stock interests or other assets, to separate some or all of the Long Lines Department of AT&T from some or all of the Bell Operating Companies, as may be

necessary to insure competition in telecommunications service and telecommunications equipment.

6. That pursuant to Section 5 of the Sherman Act the Court order summons to be issued to Bell Telephone Laboratories, Inc. commanding it to appear and answer the allegations contained in this Complaint, and to abide and perform such orders and decrees as the Court may make in the premises.

7. That the plaintiff have such other and further relief as the nature of the case may require and as the Court may deem just and proper.

8. That the plaintiff recover the costs of this action.

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