

Patents

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Dear Mr. Dubbs:

In answer to your request for information and advice regarding the Gift or presentation of Universal Oil Products Company by its alleged owners, to the American Chemical Society, I submit the following for your consideration and guidance.

I can well understand your astonishment at reading in the leading press and trade journals, particularly in the Wall Street Journal, Platts Oilgram, Long Beach Independent, New York Times, National Petroleum News, Oil and Gas Journal, and elsewhere, that the owners of Universal are making, or have made, a gift of this corporation, in its entirety, to the American Chemical Society. This presentation being inspired according to the Wall Street Journal, by the activity of the Department of Justice, who has been investigating Universal's operations and the reports appear authentic by reason of the very lengthy and definite announcement of Dr. Thomas Midgley, Jr. -- the President of American Chemical Society -- made at the annual dinner of the Society on September 13th, 1944 and reported at length in the New York Times on the following day. Dr. Midgley states that the Gift had been offered and accepted. Other publicity confirms this. I can only assume that merely the details of transfer remain to be worked out.

For some considerable time it has been well known and widely circulated that the owners and associates of Universal were very unhappy over such ownership and associations. Reports have come to me from many people in position to know, that there was much internal dissension and trouble in Universal and among themselves over Universal and its habits and affairs; that something had to be done to correct or dispose of this very troublesome and offensive situation and it now appears from the statements and announcements in the Press and Trade Journals that they have decided to give Universal away, it having outlived its usefulness to them and they are trying to unload it in a manner that will put them in the light of Public Benefactors.

This deal has apparently been made and done in secret and one of the reasons, pointed out in the Wall Street Journal, is the activity of the Department of Justice in investigating Universal. It is well known that the Department has long contemplated an anti-trust suit, has been actively investigating Universal and ready to take action which would involve Universal's owners and associates in the Cracking Patent Racket. Then, too, there is to be considered the recent

adverse patent decisions against Universal; also Universal's losses of law suits alleging infringement of its patents; the court corruption revealed in the Root case involving ex-Judge J. Warren Davis and Morgan S. Kaufman, Counsel of Universal; the resignation of Judge Davis, the disbarment of Kaufman and the stigma attached to all concerned, by reason of their acts and the publicity given to the trials of Davis and Kaufman in the Criminal Courts for "Conspiracy to obstruct justice and defraud the United States". Then, too, there is the important litigation of Major Daily and your own suit against Universal, et al., involving not only a great many millions of dollars but the stock ownership of Universal. A knowledge of these and other troubles makes easily understandable the desire of Universal's owners to be rid of this albatross which they hung around their own necks.

Universal is a licensing company, owning many thousands of patents and patent applications, having to do with the cracking, refining, and processing of petroleum oil, and licensing its patents and processes to oil refiners under its trade name of Dubb's Process. Commencing in 1922, and continuing to the present, it has occupied an important and dominating position in this field -- Nationally and Internationally -- and has, during this period, collected hundreds of millions of dollars in royalties from its licensees.

I believe, from statements made and testimony given by officers of Universal and by officers and executives of its Major Oil Company owners and associates, that the common stock of Universal is owned as follows: 33 1/3% by Standard Oil Company of California, 50% by Shell Union Oil Company and 16 2/3% by Atlantic Refining Company. That there are \$15,000,000 of Income Tax Notes or Class A, B, and C shares of Universal outstanding, which get traded around among those in control of Universal and which were originally owned in the amount of \$3,000,000 each, by Standard of California, Shell, Standard of Indiana, Texas, and Standard of New Jersey. The report in the Wall Street Journal, of which I enclose a copy, states that Universal's ownership is vested in Standard of Indiana, Standard of California, Standard of New Jersey, Texas, Shell and an affiliate, Atlantic Refining, and Phillips Petroleum. J. G. Alther, acting president of Universal, only the other day announced the owners as being Standard of Indiana, Standard of New Jersey, Standard of California, Shell, Texas, Gulf, Phillips and Atlantic. All of this ownership is, of course, subject to your rightful ownership of 3% or 30 shares of capital stock of Universal, now being determined in the Superior Court of Cook County, State of Illinois, In Chancery 44 S 7783, and then there is also the case of Dean C. Daily vs Universal, et al., Defendants, brought in the District Court of the United States, Northern District of Illinois, Eastern Division, Civil Action 43 C 1162, involving the ownership of 30%, or 300 shares, of Universal stock and asking for an accounting and restitution of many millions of dollars.

There are seven persons on Universal's Board of Directors, as shown by Poor's Manual for 1944, as follows:

Hiram J. Halle - President - now deceased  
Richard E. Dwight - 100 Broadway, New York, N.Y.  
Paul J. Newlon - 100 Broadway, New York, N.Y.  
R. G. Follis - 225 Bush Street, San Francisco, Cal.  
(The above three represent Standard of California)  
A. E. Lacomble - 100 Bush Street, San Francisco, Cal.  
D. Pyzel - 50 West 50th Street, New York, N.Y.  
R.G.A. Van Der Woude - 50 West 50th Street, New York, N.Y.  
(These latter three being Shell's representatives)

You have read my story of Monopoly and Cartel Practices of Universal Oil Products, prepared at the request of Mr. Thurman Arnold, when he was Assistant Attorney General of the United States and which article was submitted on November 8, 1943, by Dr. Robert M. Hunter of the Department of Justice, to the Subcommittee on War Mobilization, Committee on Military Affairs, United States Senate, better known as the Kilgore Committee, for consideration in its bill on Scientific and Technical Mobilization and printed for the use of the Committee on Military Affairs. This printed booklet also contains, as a corollary, the report of Mr. Thomas Raeburn White, Special Master in the United States Circuit Court of Appeals, for the Third Circuit, in Root Refining Company vs Universal Oil Products Company, this latter having to do with the two criminal trials of Universal's Counsel, Morgan S. Kaufman and ex-Judge J. Warren Davis of the Third Circuit, for Conspiracy to obstruct justice and defraud the United States. Universal's contribution to this unsavory mess having been made to insure a finding of validity for one of its patents in suit, in order to continue the existence of the Cracking Patent Racket. The net result being that Kaufman has been disbarred and ex-Judge Davis was cited for Impeachment, by the Attorney General of the United States, to the House Judiciary Committee. Davis has since resigned and the Court has upheld the findings of Special Master White that there was such fraud in connection with the case as tainted and invalidated the judgment rendered in favor of Universal and has ordered a rehearing.

My opinion, shared by others, who have made a study of the situation, is that this was merely the first time that these rascals have been caught up with -- and I am not referring here only to Davis and Kaufman -- and is one of the chief reasons for Universal's owners now wanting to publicly fumigate and delouse themselves.

This suit against Root was brought by Universal immediately after its ownership became vested in Standard of California, Shell Union, Atlantic Refining, Standard of Indiana, Standard of New Jersey and Texas -- later joined by other Major Oil Companies. This case was of vital importance to these owners and to Universal's successful domination of the Cracking and Refining Industry and in order to continue its most important patent, which patent was the only one in suit and nothing was left undone to secure a favorable decision.

Kaufman, an obscure lawyer of little practice and with no knowledge of patents and utterly unable to assist in the conduct of this important and extensive patent law suit, except to influence Judge Davis, was retained by Universal. Kaufman was not even a lawyer of the State in which this case was tried. He was merely a referee in bankruptcy in Judge Davis' District but he was a close friend of the Judge. He was not a Counsel of Record and his employment was unknown to Universal's Counsel of Record and he rendered no services whatever aside from influencing Judge Davis. His retainer was that he was to be paid \$50,000.00 if, as and when a decision favorable to the Plaintiff, Universal, was handed down and this fee depended entirely on a favorable decision being rendered. Kaufman has so testified. A favorable decision was handed down on October 21, 1935. On the following day Universal's President, Mr. Halle, handed Kaufman its check for \$25,000.00, said check having been made out on October 18, 1935 and held up personally by Halle, awaiting proof of the successful outcome. The \$25,000.00 balance was later paid to Kaufman. Immediately after the receipt by Kaufman of this \$25,000 payment of October 22nd, 1935, he shared it with Davis to the amount of \$10,000, as has been brought out in detail in the two criminal trials of Kaufman and Davis and as set forth in the Master's Report.

Universal paid \$178,937.16 in fees to Counsel of Record in this case, up to and including October 1935 and to this must be added the \$50,000 paid to Kaufman for distribution with Judge Davis. It has been freely admitted by Universal in its answers in the recent Root hearings that Kaufman's payment was submitted by Universal to its two general counsel and received their approval before payment was made; a further answer was filed a short time later by Universal and disclosed that these two general counsel were Richard E. Dwight and William D. Whitney. Mr. Dwight is the Senior member of Dwight, Harris, Koegel and Caskey of New York City, well known Standard Oil Attorneys. Mr. Dwight is now, and for a long time has been, a director of Universal. Paul J. Newlon of this law firm is a director of Universal and Mr. Harris is very active in present Universal litigation. Mr. William D. Whitney is, or was, a member of the eminent New York firm of Crevat, De Gersdorf, Swain and Wood, Attorneys for Shell who are 50% owners of Universal, besides being counsel for Universal. This latter answer of Universal was filed by five of Universal's Counsel, including Mr. Dwight, and recites "That prior to the approval of the payment they (Dwight and Whitney) were fully informed of Mr. Kaufman's employment--" and "that he (Kaufman) had performed no substantial services between the date when he was employed and the time his fee was paid". Universal and its owners have grown so fat on their own arrogance and self-importance, that, as shown here, they even advance to the Court the argument and contention that this corruption was sanctified by reason of Dwight and Whitney having knowledge of it and approving payment.

It is unthinkable, even without their admission of such knowledge as here recited, that Universal, its owners and its eminent counsel, would

not be thoroughly conversant with the details of and the reason for the hiring of Kaufman and the payment to him of such a large fee. The evidence of Universal's president, Halle, before the Grand Jury and at the Root investigation was anything but frank, or consistent with the truth, and Universal and its counsel, even those who retained, inspired and contaminated Kaufman and Davis were, once these hired servants had been caught, most eager to disavow and hold no brief for them -- their fault lay in being caught. In my opinion the part that Dwight and Whitney played in this bribery and corruption calls for a report to be made to the bar association of their district. Those who inspire, approve of and furnish a bribe are no better than the takers.

Rarely indeed does criticism or publicity, adverse to Universal or its Major Oil Company owners, find its way into the Press. One must not profane the temples of high finance or big business or do anything to interfere with the tinkle of the cash register. The weight of advertising is sufficient to cause the editors to believe that it is not to the public interest to report any untoward happenings or outrages, but the Chicago Sun was so impressed with the enormity of the offenses of these people as submitted by Dr. Hunter of the Department of Justice to the Kilgore Committee, that it gave in its edition of November 7, 1943 a lengthy and three column resume of this sordid matter under the heading,

**"THREE OIL FIRMS ACCUSED OF REFINING-PATENT FRAUD"**

with the sub-heading,

**"Consumers Lose Millions, Judge Bribed, Justice Department Tells Senate Group,"**

and went on to point out "Allegations that big oil companies had maintained a monopoly on gasoline refining through a fraudulent patent set-up at a cost of millions of dollars to consumers were under investigation today by the Anti-Trust Division of the Department of Justice" and further points out that Universal is owned by Standard of California, Shell, and Atlantic Refining.

The Chicago Sun, on November 10, 1943, after giving reflection to this nefarious business made the following editorial comment,

**"TAINTED WITH FRAUD**

"Out of Philadelphia and Washington comes an almost incredible story involving the possibility of illegal patent control protected by judicial corruption. It is backed by a Special Master's report to the U. S. Circuit Court of Appeals, and it ought to make the people mad clear through.

"The sordid story begins with a lawsuit against the Universal Oil Products Co., which controls immensely valuable gasoline 'cracking' patents and is owned, in turn, by huge oil interests -- Standard of

California, Royal Dutch Shell and the Atlantic Refining Co. The suit eventually reached the Philadelphia Circuit Court, which in 1939 upheld Universal's patents in a decision written by Judge J. Warren Davis.

"Judge Davis is the former federal jurist who resigned under bribery charges in another case - though two attempts to convict him ended with hung juries. Now the master investigating the Universal case reports that Universal gave a certain Scranton (Pa.) lawyer, who did not appear as attorney of record, a \$50,000 fee, and that this lawyer, while the case was pending, made a \$10,000 loan to Judge Davis. The master says that, according to the evidence, Davis knew or expected he would receive 'some financial benefit' from the fee, and he concludes that the case involved 'such fraud as tainted and invalidated' the judgment.

"The independent oil companies which attacked Universal's patents as illegal now hope to obtain a new review. That should come as a matter of course, but Congress and the people have an even broader interest. If the patents are illegal, then consumers have been mulcted of millions paid in royalties on Universal's cracking processes.

"The Department of Justice has begun an antitrust law inquiry and Senator Kilgore's war mobilization subcommittee is receiving frequent reports. The whole story should be laid on the Senate record not only because of the charge of fraud, but also for data it may offer for modernization of the patent laws."

There is no question about the earning capacity of Universal or the value of its assets. Money, in astronomical amounts, has been spent to create and keep in repair its patent structure. Its litigation costs and legal expenses have been enormous. It was founded on, and has lived in litigation. As an instance, Universal in 1937 purchased licensing rights, from Texas, to the Behimer patent, with which to replace the C. P. Dubbs patent involved in the Root case and due to expire in 1938. The price paid for this one patent has never been publicly stated but it has been claimed by Universal's officers to licensees that the price was \$3,600,000. It is inconceivable, unless one has knowledge of the affairs and conditions, that its owners could so wantonly and wastefully give Universal away as a gift. I am informed by a chief officer of the great engineering firm of Ford, Bacon and Davis that his company made a valuation for Standard of the patents, business, and Dubbs Process of Universal and reported such as being two billion dollars, which is understandable when one considers that it has produced hundreds of millions of dollars in revenue and that the patent situation, which Universal and its owners have been foremost in exploiting, is what actually controls the oil industry and the value of Universal and its assets has never been greater than of today.

We have the most voluminous sworn testimony of chief officers of Standard of California, that about 1924 they became tremendously impressed with the importance and superiority of the Dubbs Process over their company's own and all other cracking processes, and shouting,

"Eureka" when viewing it for the first time, took out a license from Universal and from then on used this Dubbs Process exclusively and enjoyed its great advantages and gladly paid to Universal millions of dollars in royalties. These officers, on behalf of Universal and their own interested companies, have impressed on the Courts in numerous lawsuits the idea of the great commerciability, financial worth, world wide importance and other advantages of Universal's Dubbs Process.

The officers of Shell, which took out a license with Universal very soon after Standard of California became a Universal Licensee, have eulogized Universal and its Dubbs Process and have claimed fully as much and in like places and manner as have the officers of Standard of California. In fact, the great commerciability of the Dubbs Process and the recognition thereof by these two major oil companies, as testified to in the Root case by Hanna of Standard of California and by Pyzel of Shell, was, by his own admission, the testimony that impressed Judge Nields of the Lower Court to the extent of giving judgment in favor of Universal.

Between 1924 and 1930 Standard of California and Shell paid millions and millions of dollars in royalties to Universal and then both took out paid-up licenses with Universal, paying for same approximately \$10,000,000. The cost to Shell being about \$6,500,000, the cost to Standard about \$3,500,000.

The enormous value of Universal and its patents and Dubbs Process became so apparent to Standard and Shell, after taking out paid-up licenses, that they purchased from the shareholders of Universal that company's entire capital stock, paying for same \$25,000,000, or \$25,000 for each \$100 share.

Standard of California and Shell contributed \$10,000,000 to this purchase and received the common or voting stock of Universal and they together with Standard of New Jersey, Standard of Indiana, and Texas, contributed \$3,000,000 each and divided up the Class A, B, and C shares, or Income Notes, in the amount of \$15,000,000.

This purchase of Universal was a most advantageous one for Standard of California and its Major Oil Company co-owners and associates. It has given them the use and benefit of this valuable Dubbs Process, without royalty, thereby creating an advantage over those refiners who pay license fees, or royalty, and enabling these owners to fix and maintain prices. It has also enabled them, through cross licensing agreements and arrangements to create a monopoly and dominate the cracking industry, which, in all probability, was the chief idea they had in making the purchase, and there has been paid since January 6, 1931, the date of purchase, by licensees of Universal, royalties to the amount of hundreds of millions of dollars, in which Standard of California, in whom you are interested as a stockholder, has shared to the extent of its 33 1/3% ownership of Universal.

The thermal cracking patent situation on which Universal as well as others in the same racket has grown fat on its \$60,000 a day income has run into a lot of grief and trouble in recent years with Universal's default to the Hancock Oil Refining Company; its Root fiasco; the Department of Justice investigation and unwelcome attentions; lawsuits; etc., and it became very apparent that thermal cracking could not continue longer to dominate the cracking field. It is not any part of the policy of Universal's owners to give up this royalty racket or their share of the juicy emoluments that flow therefrom. This patent situation will be maintained as long as possible because control of the oil business was brought about and is continued by reason of the monopoly created by these patent umbrellas, hoisted over the industry. Never lose sight of the fact that Universal is but a monitor in the oil racket for the higher ups - its Major Company owners -- and will so continue even when apparently given away.

In order to continue in control something had to be done and done quickly. This being found in the very improperly named Catalytic Cracking Process, monopolized by the Catalytic Refiners Association. The so-called catalytic plants are merely thermal plants to which catalytic treatment has been added and the patent situation of these is quite as vulnerable as is the thermal cracking patent situation, but despite this there has been built, in the most ingenious manner the following set-up to continue the dominating position.

The Major oil group, all interested with and in Universal, has real strength in the administration and so was able to load up the Office of Petroleum Coordinator and other War Offices with executives from their own companies --

Ralph K. Davies, a vice-president of Standard of California -- one of the owners of Universal -- becomes Deputy Coordinator -- Mr. Ickes first assistant.

Edward Pawley -- a stepchild of Standard of California through Signal and Petrol, becomes treasurer of the National Democratic Committee and acting very closely with Mr. Davies becomes a sort of delegate at large in the bestowing of plants and licenses and in general masterminding even to the extension of Universal into Mexican Oil affairs.

Wright Gary, a vice-president of the M. W. Kellogg Company -- a Standard of New Jersey controlled and licensing company in close association with Universal -- becomes Director of Refining in OPC.

D. W. Wilson of Kellogg and Bruce K. Brown of Standard of Indiana and John Leonard of Universal are appointed assistants to Gary in OPC.

R. J. Dearborn, President of Texaco development, goes into Rubber Reserve -- being loaned by Texas to guide Jesse Jones who was formerly a director of Texas or at least attended meetings of the Directors of Texas.

Frank A. Howard of Standard of New Jersey remained outside the Government and worked very actively and hand in hand with Dearborn.

J. Howard Marshall, Standard of California Attorney, becomes attorney for O.P.C. to give it the benefit of disinterested guidance.

Assistants and associates of Dearborn and Howard completely man the offices of both Rubber Reserve and O.P.C. and public relations counsel, originating from such places as the Cravath De Gersdorf law offices (Shell) spring up like mushrooms and can be found in the army and navy departments.

On January 15th, 1942, we find at the office of the Petroleum Coordinator-- by invitation only as this was no place for independents, outsiders or those not elected to club life -- to confer with Kellogg's Gary and Wilson and other like O.P.C. officials, in what is termed a rubber meeting, representatives from Standard, Shell, Phillips, Gulf, Sinclair, Kellogg, and Universal. The Kellogg chairman advises that Rubber Reserve and O.P.M. had asked O.P.C. to bring together representatives of the oil industry to advise the best method of obtaining raw materials for synthetic for the oil industry; that it was recognized that any program in rubber should be made to fit in with the 100 octane aviation gasoline program of the oil industry and that it would probably be advantageous to combine the two jobs of providing butadiene and 100 octane gasoline, or at least be careful to see that the two programs did not conflict.

To follow out these suggestions was just as easy and simple for this hand picked group as had they been given an outright license to steal direct, and with Dearborn of Texas, Lacombe of Shell and Universal, Egloff and Halle of Universal, Bruce K. Brown of Standard of Indiana, Frank Howard and Murphree of Standard and a host of others joining in the self-serving double talk and writing and making spurious arguments and agreements, one to the other, and particularly to Leonard of Universal, now an active and guiding hand in the office of Petroleum Coordinator for National Defense, beating their breasts, protesting their patriotism and proclaiming selfless interest, the New Catalytic Refining Association was set up and foisted on the industry and the public.

The result of all this shenanigan and strawman technique is that on March 5, 1942, O.P.C. determines and announces that the increased production of Hi-Octane aviation gasoline and of toluene is essential to the war program of the United States; that Shell Development Company, Standard Catalytic Company, Standard Oil Development Company, Texaco Development Company, Standard of Indiana, Universal Oil Products Company and M. W. Kellogg Company and their respective affiliated companies have a cross-licensing arrangement in progress; that they are in cooperation and have technical data and information for a new and efficient catalytic refining process all ready for commercial use in the refining industry; that they have patent rights and are in a position to license and assist the industry in the use of these processes; that these processes will increase the quantity and improve the quality of Hi-Octane aviation gasoline, etc. and that they will reduce the

royalty rates heretofore established, insofar as such relate to the war effort; and following along these self-serving declarations, O.P.C. determines that these companies shall complete their negotiations and carry forward their research and development work and shall standardize the design, construction, and operations of plants, and shall, in short, make available to any refiner licensed under the patent rights of these companies, the "know how" as to construction and operation, on a royalty of 5¢ per barrel for fresh stock charge, plus plenty of extras. Note: where the reduction in royalty comes in I have been unable to learn.

Lest one have any idea that this stall fed group were leaders in catalytic refining, or had any definite proven or completed process, I point out that at the January 15th, 1942 rubber meeting -- Egloff of Universal thought that the catalytic process would work. Henderson of Gulf admitted that his company had not even done experimental work in preparation for the meeting. Lacomble for Shell and also a Universal director was reasonably confident that their process could be operated successfully and stated that Shell was working with Kellogg and that both of them figured that butadiene should go along hand in hand with 100 octane by catalytic cracking. Representatives of the other companies present were just as vague in statement as their processes were undeveloped. Only Mr. Gary expressed confidence and this confidence was that financial arrangements satisfactory to both Government and Oil Companies could be made. Of this latter there was no doubt.

Then the pressure in which the War Department and the Navy take a hand, is put on Thurman Arnold of the Anti-Trust Division of the Department of Justice to keep him from bringing any well deserved prosecution against this combination, for the duration at least, and so the same old patent racket is started out with a new dress.

Phillips felt aggrieved at being omitted from this feast and asserted its patents and brought a suit against Shell and thereby is allowed first eating rights at the royalty banquet. The license rates being amended in an upward direction, such not being a particularly difficult thing to have O.P.C. approve of.

Universal is appointed chief licensing agent for this C.R.A. patent pool and 50% of the royalty goes to the licensing agent who secures the licensee and the balance of 50% is for distribution to the Major Oil partners in C.R.A. I am informed and believe that the royalty actually works out to about  $21\frac{1}{2}$ ¢ per barrel. You can easily see that the take runs into scores of millions of dollars per year. It is difficult to determine exactly what the revenue is to C.R.A. but just now the output of aviation gasoline is reported as being 210,000 barrels daily. The royalty from this and from the crude oil, though put at 5¢ per barrel, will probably amount to \$100,000 per day.

There are various so-called processes and set-ups in this C.R.A. deal and in each and every one we find Universal.

To carry out this public swindle, Defense Plant Corporation allocates

over \$1,000,000,000 for Rubber Reserve and Catalytic Refiners Association to erect plants with and employ its processes exclusively, not a single one of which had ever been reduced to practice by its owners but which they could well afford to proceed with when the Government was paying the bill. At best these prospective processes were scarcely more than untried laboratory experiments and from what I can learn they are just about that today.

This C.R.A. crowd controlled both Rubber Reserve and O.P.C., through half of them being outside and half being inside as Government employees in positions of trust; their right hands negotiating with their left hands and all of their hands in Uncle Sam's money pockets. Certainly a choice illustration of Public Power to Private Ends.

These plants were built with Government money on the property of the favored and hand picked refiners, many of whom were already under license to Universal and who fell in line and paid royalty or rather saw to it that the Government paid the royalty on the catalytic plants and particularly the real use and purpose of the Rubber plants is for the making of gasoline in the immediate future. It is not the idea that these shall provide competition with natural rubber once the war is ended.

No independent refiner could get more than a run around unless sponsored by Universal or Kellogg or one of the C.R.A. associates or guides. Then he got whatever he asked for. All others were discouraged. It was then arranged to operate these plants by Defense Supplies Corporation paying the royalties and paying an operating fee to the favored refiners on whose property the plant or plants have been built.

This set-up has enable C.R.A. to get a firm footing with Government money and Government approval. The hope, idea and representation being that these plants will eventually be given to the present operating refiners at their own price. This undoubtedly will happen. Who else could possibly take over at any price, or for any purpose except for salvage, an isolated plant in another refiner's backyard. They hogged it all.

This tie-up was arranged when the patent licensing business in cracking was in a tough and desperate condition. These people are smart -- that is if using loaded dice and marked cards is smart. They saw that thermal cracking could not continue to dominate and so with this stage setting and patriotic howling set up their own men in the high places of Government and thereby received Government approval and secured the handcuffing of the Department of Justice and got a billion dollars worth of cracking plants -- all built with public funds and operating with Government money -- to continue a dominating patent position for their own exclusive benefit. Whether the refiners could have been induced to accept plants as untried as these and pay royalty out of their own treasuries is very much open to question but none of them appear to have had the slightest objection to the Government

furnishing the plant and paying for everything. This has insured the continued payment of royalty and it is easily understandable that these new plants, once the bugs are ironed out, will in great measure control and centralize the cracking of gasoline in the hands of those who recognize the racket and the owners thereof.

But now the chickens are coming home to roost. These very unctuous owners have recently become very smelly indeed through their evil acts catching up with them and the oil they have poured on their own heads in self anointing has become very rancid. They have lost much, if indeed not all, of their force, prestige, and self ascribed dignity, but do not be deceived by this Gift and publicity. It is all for the benefit of the donors who fondly hope that it may help to smudge over the black marks against them.

In trying for a housecleaning of Universal, or more properly a whitewash for themselves, it is reliably reported that the owners have been unable to find any man of reputation in oil circles, or indeed an administrator from outside the industry, who would accept the presidency created by the death of Mr. Halle. The foul odor was a little too heavy. It also seems to have occurred to these sanctimonious hypocrites that they must lay off in their warfare against the little fellow, lest the public begin to believe what they have so successfully denied up to date. Listen to Joe Althers lament in the National Petroleum News of September 13th, that "U.O.P. was primarily a champion of small refiners". It is to laugh. A champion like Al Capone was to the speakeasy owners when he pushed his needled beer on them. True those remaining at the helm of Universal have no more scruples or ethics than Halle had, but they lack his cunning and ability and it would be very dangerous for them to attempt to follow in his footsteps. The fear of prosecution has made them quite unwell and so -

"The Devil sick, the Devil a Monk would be.  
The Devil well, the devil a Monk is he."

However, the recovery will be quick and the reversal to form complete, once they purge themselves of Universal.

I concede that this gift will enable Universal's owners, all of whom are members of C.R.A., to continue to receive and enjoy their 50% of the vast royalties accruing from the operation of this patent racket and their giving away of Universal may possibly be a cheap price to pay for immunity from prosecution, if such can be secured by so doing. It will also enable them to disclaim association with Universal -- apparently an important and pleasing item - and it may even be their fond and foolish hope that American Chemical Society will give to Universal an air of respectability, now sadly lacking under the present ownership, and that C.R.A. may not be attacked so severely. Why do these Major Oil owners stop at giving Universal away? If they want to do equity let them also give away the remaining 50% of their ill gotten gains and thereby completely get rid of their Problem Child.

This Gift will make wonderful material for the Public Relations Bureaus to work with and enable them to tell the world about the Public Spirit and benevolence of these so-called benefactors and of the benefits to science made possible by these altruistic and fatherlike people. If you listen to them and the propaganda, you will be far from acquainted with the facts but you will hear that no fair minded person could question their patriotic motives or ethics, or suspicion that they were imbued with anything other than a deep desire to win the war and benefit the Nation and all of this without a single thought of gain or personal reward, and that it is unthinkable that these gentlemen, who were dragged from their executive offices in the great oil companies to assist in providing plants for the benefit of the Nation, were other than adamant in their attitude and dealings with their fellows. Within the past few days J. Howard Marshall, O.P.C. attorney, has completed his work, retired from Government service and gone back to San Francisco to join Pillsbury, Madison and Sutro, Standard's attorneys. Howard, of Standard, now goes into private practice. I do not argue against it being unthinkable, I also see it as a scandalous violation of trust resulting in a billion dollar swindle of the Nation.

There is something strictly non-kosher about this gift. I am of the opinion that American Chemical Society is lacking in the responsibility or ability necessary to manage and administer the vast business of Universal. These Universal owners did not attain their present station through the practice of benevolence. Any group crafty and strong enough to take over the administration of oil, arrange for over a billion dollars of Government financing of plants to exclusively embody their patents and develop their processes, bolster up their tottering empire, and protect their enormous investment in Universal, as herein related, and continue it with public funds in stronger form and under a new name is not going to make a gift to American Chemical Society or to any other outfit without cause, or without strings attached. Believe me they are not handing over this sacred cow at milking time to any heathen. It is more like the act of a debtor who, seeing judgments and executions staring him in the face, hurriedly transfers his assets out of his possession. I suppose that any thief, about to be closed on, would be happy to have the stolen goods in the possession of a fence.

In any event, American Chemical Society cannot claim to be an innocent receiver, nor can the gift divorce Universal or its owners from their present liabilities and responsibilities.

It looks like an act of madness on the part of its owners to give away such a valuable property as Universal. The shareholders of these owning companies and particularly those of Standard of California, of whom you are one, should promptly take the necessary action or actions to prevent this from happening.

The shareholders should not be called on to pay this terrific price in order to cover up the offenses of those whose acts of misfeasance and malfeasance in office and illegal unethical outside arrangements have created an embarrassing and deplorable situation. Let those responsible stand up and take their medicine.

Universal should be cleaned up, of that there is no doubt, and the way to do it is first to free it of those responsible for the mess they have created -- regardless of who these are or whether they are in or out of office in Universal -- and then cancel out any and all illegal agreements, pools, monopolies or cartels in which Universal and its owners participate, and from then on conduct its business on a fair and ethical basis.

I suggest you notify Standard of California and its Officers and Directors and make demand on them that you resent their wasting the assets of your company by such an improvident act; that if they do not promptly assure you that this gift has not been made and will not be made and that they are going to retain Universal and employ it for the benefit of the shareholders, you will promptly commence such action as you may be advised to take. Further, that if the gift has been made, or is in process of being made, they at once take steps to cancel such act and have the transfer set aside; failing which you will take the necessary action to compel them so to do and to make the shareholders acquainted with the situation and conditions. I can locate a very recent shareholders list for this purpose.

It is very likely that other shareholders will join you in your protest and action once they are made acquainted with what is happening to them and it is more than probable that similar actions will be taken by shareholders of the companies owning Universal.

Under separate cover I send you a list of the officers and directors of Standard of California, giving their addresses, for use in making Notice and Demand or for any purpose deemed necessary.

I may appear in this letter to have at times gone far afield but the matter is very extensive and the ramifications call for a wide search in order to let one get a working view of the picture. At that it contains but the briefest outline of the matter under discussion. You may make such use of this letter and the information it contains as you desire. If you desire further details please feel free to call on me.

With my highest regards, I am,

Very sincerely yours,

C. J. COLVILLE  
10756 Ashton Ave.,  
Los Angeles 24, Calif.

CJC/kp