



U.S. Department of Justice

Antitrust Division

City Center Building
1401 H Street, NW
Washington, DC 20530

May 5, 2003

Raymond A. Jacobsen, Jr., Esquire
McDermott, Will & Emery
600 Thirteenth St., NW
Washington, DC 20005-3096

Re: Comment on Proposed Final Judgment in *United States v. Northrop Grumman Corporation and TRW Inc.*, No. 1:02CV02432, filed December 11, 2002

Dear Mr. Jacobsen:

This letter responds to your March 17 letter, commenting on the proposed Final Judgment submitted for entry in the captioned case. The government's Complaint in the case charged that the proposed acquisition of TRW Inc. ("TRW") by Northrop Grumman Corp. ("Northrop") would combine one of the only two suppliers of radar and EO/IR payloads for reconnaissance satellite systems sold to the U.S. Government (Northrop) with one of the few companies able to act as prime contractor on U.S. reconnaissance satellite programs that use these payloads (TRW). The Complaint alleges that as a result of this combination, Northrop would have the incentive and ability to lessen competition by favoring its own payload and/or prime contractor capabilities to the detriment or foreclosure of competitors, and would harm the U.S. Government by posing an immediate danger to competition in two current or future programs, the Space-Based Radar and Space Based InfraRed System-Low programs (the latter program is now called the Space Tracking and Surveillance System).

In your letter, you note that Lockheed "fully supports" the non-discrimination principles set forth in the Final Judgment, and specifically endorses many of the provisions in that Final Judgment, including both the non-discrimination requirements themselves and the provisions that enforce the requirements and incentivize Northrop to comply with those requirements voluntarily. However, you also assert that these provisions will not be fully effective unless the Final Judgment is modified in several specific ways.

Section IV.B.(1)(b) of the Final Judgment requires that Northrop negotiate in good faith to enter into teaming agreements with prime contractors who wish to use Northrop electro-optical, infrared, or radar payloads to compete for satellite programs. Lockheed proposes that this provision be modified to include a specific requirement that Northrop negotiate such teaming agreements "on a timely basis," and that the Judgment state explicitly that that "generally means not later than thirty (30) days after the competing prime expresses desire for such Agreement." The United States does not believe that such a provision is either necessary or effective to achieve the objective sought by