

Set Aside Order

125 F.T.C.

IN THE MATTER OF

## RECKITT &amp; COLMAN PLC

SET ASIDE ORDER IN REGARD TO ALLEGED VIOLATION OF  
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT*Docket C-3571. Consent Order, April 4, 1995--Set Aside Order, March 24, 1998*

This order reopens and sets aside a 1995 consent order with Reckitt & Colman, (119 FTC 380), thus removing the Commission's prior approval requirement for acquiring the assets of or the rights related to any carpet deodorizer businesses in the United States.

## ORDER SETTING ASIDE ORDER

On December 5, 1997, Reckitt & Colman plc ("R&C"), the respondent named in the above-referenced consent order ("order") issued by the Commission on April 4, 1995, filed its Petition to Reopen and Modify Consent Order ("Petition") in this matter. R&C asks that the Commission reopen and modify the order pursuant to Section 5(b) of the Federal Trade Commission Act, 15 U.S.C. 45(b), and Section 2.51 of the Commission's Rules of Practice and Procedure, 16 CFR 2.51, and consistent with the Statement of Federal Trade Commission Concerning Prior Approval and Prior Notice Provisions, issued on June 21, 1995 ("Prior Approval Policy Statement").<sup>1</sup> The Petition requests that the Commission reopen and modify the order to eliminate the prior approval provision set forth in paragraph VI of the order, or, in the alternative, substitute a prior notification requirement for the prior approval requirement. The thirty-day public comment period on the Petition ended on January 13, 1998. No comments were received. For the reasons discussed below, the Commission has determined to grant R&C's Petition.

The complaint in this matter alleges that R&C's agreement with Eastman Kodak Company ("Kodak"), L&F Products, Inc. ("L&F"), a wholly-owned subsidiary of Kodak, and Sterling Winthrop Inc., a wholly-owned subsidiary of L&F, to acquire the household products, professional products and personal products businesses of L&F violated Section 5 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 45, and Section 7 of the Clayton Act, as amended,

<sup>1</sup> 60 Fed. Reg. 39,745-47 (Aug. 3, 1995); 4 Trade Reg. Rep. (CCH) ¶ 13,241.

15 U.S.C. 18, by lessening competition and tending to create a monopoly in the carpet deodorizer products business in the United States.<sup>2</sup>

The order required R&C to divest the "Carpet Deodorizer Assets" and "Rug Cleaning Assets," as defined in paragraphs I.H and I.J, respectively, of the order.<sup>3</sup> On February 23, 1995, the Commission approved R&C's application to divest the "Rug Cleaning Assets" to Playtex Products, Inc. On August 21, 1995, the Commission approved R&C's application to divest the "Carpet Deodorizer Assets" to Block Drug Co., Inc. Under the order, R&C is prohibited for a ten-year period from acquiring without the prior approval of the Commission any stock or related assets of any concern engaged in the "Carpet Deodorizer Products" business in the United States.<sup>4</sup>

The Commission, in its Prior Approval Policy Statement, "concluded that a general policy of requiring prior approval is no longer needed," citing the availability of the premerger notification and waiting period requirements of Section 7A of the Clayton Act, commonly referred to as the Hart-Scott-Rodino ("HSR") Act, 15 U.S.C. 18a, to protect the public interest in effective merger law enforcement.<sup>5</sup> The Commission announced that it will "henceforth rely on the HSR process as its principal means of learning about and reviewing mergers by companies as to which the Commission had previously found a reason to believe that the companies had engaged or attempted to engage in an illegal merger." As a general matter, "Commission orders in such cases will not include prior approval or prior notification requirements."<sup>6</sup>

The Commission stated that it will continue to fashion remedies as needed in the public interest, including ordering narrow prior approval or prior notification requirements in certain limited circumstances. The Commission said in its Prior Approval Policy Statement that "a narrow prior approval provision may be used where there is a credible risk that a company that engaged or attempted to engage in an anticompetitive merger would, but for the provision, attempt the same or approximately the same merger." The Commission also said that "a narrow prior notification provision may be used where there is a credible risk that a company that engaged or

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<sup>2</sup> Complaint ¶¶ V, VI, and VII.

<sup>3</sup> Order ¶¶ I.H and I.J, II and III.

<sup>4</sup> Order ¶ VI.

<sup>5</sup> Prior Approval Policy Statement at 2.

<sup>6</sup> *Id.*

attempted to engage in an anticompetitive merger would, but for an order, engage in an otherwise unreportable anticompetitive merger."<sup>7</sup> As explained in the Prior Approval Policy Statement, the need for a prior notification requirement will depend on circumstances such as the structural characteristics of the relevant markets, the size and other characteristics of the relevant markets, the size and other characteristics of the market participants, and other relevant factors.

The Commission also announced, in its Prior Approval Policy Statement, its intention "to initiate a process for reviewing the retention or modification of these existing requirements" and invited respondents subject to such requirements "to submit a request to reopen the order."<sup>8</sup> The Commission determined that, "when a petition is filed to reopen and modify an order pursuant to . . . [the Prior Approval Policy Statement], the Commission will apply a rebuttable presumption that the public interest requires reopening of the order and modification of the prior approval requirement consistent with the policy announced" in the Statement.<sup>9</sup>

The presumption is that setting aside the general prior approval requirement of paragraph VI is in the public interest. There is no evidence in the record that suggests that this matter presents any of the circumstances identified by the Prior Approval Policy Statement as appropriate for retaining a narrow prior approval provision, nor is there any indication of the circumstances that would warrant the substitution of a prior notice provision for the prior approval provision. There is nothing to suggest that the respondent would attempt the same or essentially the same merger that gave rise to the original complaint. In addition, it appears likely that future mergers within the relevant market would be HSR reportable. R&C completed the divestitures required by the order. Accordingly, nothing to overcome the presumption having been presented, and because the only remaining obligation under the order is the prior approval requirement in paragraph VI and the attendant reporting requirements, the Commission has determined to reopen the proceeding in Docket No. C-3571 and set aside the order.

Accordingly, *It is hereby ordered*, That this matter be, and it hereby is, reopened, and that the Commission's order issued on April 4, 1995, be, and it hereby is, set aside as of the effective date of this order.

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<sup>7</sup> *Id.* at 3.

<sup>8</sup> *Id.* at 4.

<sup>9</sup> *Id.*

## IN THE MATTER OF

## HAROLD A. HONICKMAN, ET AL.

SET ASIDE ORDER IN REGARD TO ALLEGED VIOLATION OF  
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket 9233. Consent Order, July 25, 1991--Set Aside Order, March 31, 1998*

This order reopens and sets aside a 1991 consent order (modified in July 1992 and March 1993) with Harold A. Honickman, (115 FTC 623), thus removing the Commission's prior approval requirement for acquiring the assets of or the rights related to any bottling operation in the New York metropolitan area.

## ORDER SETTING ASIDE ORDER

On November 5, 1997, Harold A. Honickman ("Honickman") filed a Petition To Modify Consent Order ("Petition") in Docket No. 9233 ("order") pursuant to Section 5(b) of the Federal Trade Commission Act, 15 U.S.C. 45(b), and Section 2.51 of the Commission's Rules of Practice and Procedure, 16 CFR 2.51, and consistent with the Statement of Federal Trade Commission Policy Concerning Prior Approval and Prior Notice Provisions ("Prior Approval Policy Statement").<sup>1</sup> The Petition requests that the Commission reopen and modify the order to terminate the prior approval provision set forth in paragraph II of the order. The Petition was placed on the public record for thirty days and no comments were received. The Commission has determined to terminate the prior approval provision of the order by setting aside the order.

The Commission, in its Prior Approval Policy Statement, "concluded that a general policy of requiring prior approval is no longer needed," citing the availability of the premerger notification and waiting period requirements of Section 7A of the Clayton Act, commonly referred to as the Hart-Scott-Rodino ("HSR") Act, 15 U.S.C. 18a, to protect the public interest in effective merger law enforcement.<sup>2</sup> The Commission announced that it will "henceforth rely on the HSR process as its principal means of learning about and reviewing mergers by companies as to which the Commission had previously found a reason to believe that the companies had engaged or attempted to engage in an illegal merger." As a general matter,

<sup>1</sup> 60 Fed. Reg. 39,745-47 (Aug. 3, 1995); 4 Trade Reg. Rep. (CCH) ¶ 13,241.

<sup>2</sup> Prior Approval Policy Statement at 2.

"Commission orders in such cases will not include prior approval or prior notification requirements."<sup>3</sup>

The Commission stated that it will continue to fashion remedies as needed in the public interest, including ordering narrow prior approval or prior notification requirements in certain limited circumstances. The Commission said in its Prior Approval Policy Statement that "a narrow prior approval provision may be used where there is a credible risk that a company that engaged or attempted to engage in an anticompetitive merger would, but for the provision, attempt the same or approximately the same merger." The Commission also said that "a narrow prior notification provision may be used where there is a credible risk that a company that engaged or attempted to engage in an anticompetitive merger would, but for an order, engage in an otherwise unreportable anticompetitive merger."<sup>4</sup> As explained in the Prior Approval Policy Statement, the need for a prior notification requirement will depend on circumstances such as the structural characteristics of the relevant markets, the size and other characteristics of the market participants, and other relevant factors.

The Commission also announced, in its Prior Approval Policy Statement, its intention "to initiate a process for reviewing the retention or modification of these existing requirements" and invited respondents subject to such requirements "to submit a request to reopen the order."<sup>5</sup> The Commission determined that, "when a petition is filed to reopen and modify an order pursuant to . . . [the Prior Approval Policy Statement], the Commission will apply a rebuttable presumption that the public interest requires reopening of the order and modification of the prior approval requirement consistent with the policy announced" in the Statement.<sup>6</sup>

There is no evidence in the record that suggests that this matter presents any of the circumstances identified by the Prior Approval Policy Statement as appropriate for retaining a narrow prior approval provision, nor is there any indication of the circumstances that would warrant the substitution of a prior notice provision for the prior approval provision. There is nothing to suggest that Honickman would attempt the same or essentially the same acquisition that gave

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<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 3.

<sup>5</sup> *Id.* at 4.

<sup>6</sup> *Id.*

rise to the original complaint. In addition, it appears likely that future acquisitions that may have adverse competitive consequences within the relevant market would be HSR reportable. Nothing to overcome the presumption having been presented, the Commission has determined to reopen the proceeding and set aside the order because deleting the prior approval requirement, in effect, would eliminate all of Honickman's future obligations under the order.<sup>7</sup>

Accordingly, *It is ordered*, That this matter be, and it hereby is, reopened, and that the order be, and it hereby is, set aside as of the effective date of this order.

Commissioner Azcuenaga recused.

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<sup>7</sup> See, e.g., S.C. Johnson & Son, Inc., Docket No. C-3418, Order Setting Aside Order (January 4, 1996).

Complaint

125 F.T.C.

IN THE MATTER OF

TRW INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3790. Complaint, April 6, 1998--Decision, April 6, 1998*

This consent order requires, among other things, the Ohio-based corporation to divest, to an acquirer approved by the Commission and the Dept. of Defense, BDM's SETA service contract with the BMDO and all of BDM's assets associated with the performance of that contract within 120 days from the date TRW consummates its proposed acquisition of BDM. The consent order also requires TRW to provide technical assistance to the acquirer for a period of one year.

*Appearances*

For the Commission: *Nicholas Koberstein, Yolanda Gruendel, Ann Malester and William Baer.*

For the respondent: *Tom D. Smith, Jones, Day, Reavis & Pogue, Washington, D.C.*

COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that respondent, TRW Inc. ("TRW"), a corporation subject to the jurisdiction of the Commission, has agreed to acquire all of the voting securities of BDM International Inc. ("BDM"), a corporation subject to the jurisdiction of the Commission, in violation of Section 5 of the Federal Trade Commission Act ("FTC Act"), as amended, 15 U.S.C. 45, and that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. 45; and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. RESPONDENT

1. Respondent TRW is a corporation organized and existing under and by virtue of the laws of the State of Ohio, with its principal executive offices located at 1900 Richmond Road, Cleveland, Ohio.

## II. ACQUIRED COMPANY

2. BDM is a corporation organized and existing under and by virtue of the laws of the State of Delaware, with its principal executive offices located at 1501 BDM Way, McLean, Virginia.

## III. JURISDICTION

3. TRW and BDM are, and at all times relevant herein have been, engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. 12, and are corporations whose business is in or affects commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. 44.

## IV. THE ACQUISITION

4. On November 20, 1997, TRW and BDM entered into an Agreement and Plan of Merger whereby TRW will acquire all of the issued and outstanding common shares of BDM for approximately \$942 million (the "Acquisition").

## V. THE RELEVANT MARKETS

5. The relevant lines of commerce in which to analyze the effects of the acquisition are: (a) the research, development, manufacture and sale of a ballistic missile defense system for the United States Department of Defense ("BMD System"); and (b) the provision of systems engineering and technical assistance services to the United States Ballistic Missile Defense Organization ("SETA Services").

6. The United States is the relevant geographic area in which to analyze the effects of the acquisition in both relevant lines of commerce.

## VI. STRUCTURE OF THE MARKETS

7. The market for the research, development, manufacture and sale of a BMD System is highly concentrated whether measured by the Herfindahl-Hirschmann Index ("HHI") or the two-firm and four-firm concentration ratios ("concentration ratios"). Respondent is a member of one of only two teams competing to supply a BMD System to the United States Department of Defense.

8. The market for SETA Services is highly concentrated whether measured by the HHI or by concentration ratios. BDM has been the only provider of SETA Services since 1994.

9. Respondent, through the Acquisition, would be engaged in both the research, development, manufacture and sale of a BMD System and the provision of SETA Services.

#### VII. BARRIERS TO ENTRY

10. New entry into the market for the research, development, manufacture and sale of a BMD System would be difficult and unlikely. The time required to develop the necessary expertise to manufacture a BMD System would far exceed two years. The cost to develop the necessary technology to manufacture a BMD System would be prohibitively high.

11. New entry into the market for the provision of SETA Services would be untimely. The Department of Defense intends to award a BMD System procurement contract within the next six months. It would not be possible for a firm to develop the necessary expertise to provide SETA Services in that time.

#### VIII. EFFECTS OF THE ACQUISITION

12. The effects of the Acquisition, if consummated, may be substantially to lessen competition or to tend to create a monopoly in the market for a BMD System in the United States in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45, in the following ways, among others:

a. Respondent may gain access to competitively sensitive non-public information concerning the other BMD System manufacturers, so that actual competition between respondent and the other BMD System manufacturers will be reduced; and

b. Respondent may be in a position to disadvantage the other BMD System manufacturers, so that actual competition between respondent and the other BMD System manufacturers will be reduced.

#### IX. VIOLATIONS CHARGED

13. The Acquisition described in paragraph four, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

14. The Agreement and Plan of Merger described in paragraph four constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of the proposed acquisition by respondent of all of the outstanding voting common stock of BDM International Inc. ("BDM"), and the respondent having been furnished thereafter with a copy of a draft of complaint that the Bureau of Competition presented to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violations of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

Respondent, its attorneys, and counsel for the Commission having thereafter executed an Agreement to Hold Separate and an Agreement Containing Consent Order, an admission by respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said Agreements is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Acts, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed Agreement Containing Consent Order and Agreement to Hold Separate and placed such Agreements on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure described in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent TRW Inc. ("TRW") is a corporation organized, existing and doing business under and by virtue of the laws of the

State of Ohio, with its office and principal place of business located at 1900 Richmond Road, Cleveland, Ohio.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

## ORDER

### I.

*It is ordered*, That, as used in this order, the following definitions shall apply:

A. "*Respondent*" or "*TRW*" means TRW Inc., its directors, officers, employees, agents and representatives, predecessors, successors, and assigns; its subsidiaries, divisions, groups and affiliates controlled by TRW Inc., and the respective directors, officers, employees, agents, and representatives, successors, and assigns of each.

B. "*BDM*" means BDM International Inc., a Delaware corporation with its principal place of business at 1501 BDM Way, McLean, VA, its directors, officers, employees, agents and representatives, predecessors, successors, and assigns; its subsidiaries, divisions, groups and affiliates controlled by BDM International Inc., and the respective directors, officers, employees, agents, and representatives, successors, and assigns of each.

C. "*Commission*" means the Federal Trade Commission.

D. "*Ballistic Missile Defense Organization*" means the agency of the Department of Defense that is chartered by the Secretary of Defense under Department of Defense Directive 5134.9 and mandated by Congress to develop ballistic missile defense systems.

E. "*SETA Services Operations*" means all assets, properties, business and goodwill, tangible and intangible, held by BDM and used in the provision of SETA Services to the Ballistic Missile Defense Organization under contract HQ0006-95-C-0006, including, without limitation, the following:

1. All rights, obligations and interests in contract HQ0006-95-C-0006 between the Ballistic Missile Defense Organization and BDM, or any subcontract of a contract between any entity and the Ballistic Missile Defense Organization where such subcontract is between BDM and such entity;

2. All machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property;

3. All customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, research materials, financial information, technical information, management information and systems, software, software licenses, inventions, trade secrets, intellectual property, patents, technology, know-how, specifications, designs, drawings, processes and quality control data;

4. All rights, title and interests in and to owned or leased real property, together with appurtenances, licenses and permits;

5. All rights, title and interests in and to the contracts entered into in the ordinary course of business with customers (together with associated bid and performance bonds), suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees;

6. All rights under warranties and guarantees, express or implied;

7. All books, records, and files;

8. All data developed, prepared, received, stored or maintained under contract HQ0006-95-C-0006, or any predecessor contract or subcontract to support the operations of the Ballistic Missile Defense Organization;

9. All items of prepaid expense; and

10. All employment contracts.

F. "*SETA Services*" means systems engineering and technical assistance services provided by BDM to the Ballistic Missile Defense Organization pursuant to HQ0006-95-C-0006 or any predecessor contract.

G. "*Proposed acquisition*" means TRW's proposed acquisition of all the voting securities of BDM pursuant to an Agreement and Plan of Merger dated November 20, 1997.

H. "*Non-public BMDO information*" means any information not in the public domain furnished by any company or the Ballistic Missile Defense Organization to BDM in its capacity as provider of SETA Services under contract HQ0006-95-C-0006 or any predecessor contract or subcontract.

## II.

*It is further ordered, That:*

A. Respondent shall divest, absolutely and in good faith, within one hundred and twenty (120) days from the date the proposed acquisition is consummated, the SETA Services Operations, and shall also divest such additional ancillary assets as are necessary to assure the continued ability of the acquirer to provide SETA Services.

B. Respondent shall divest the SETA Services Operations only to an acquirer that receives the prior approval of the Commission and the Department of Defense and only in a manner that receives the prior approval of the Commission. The purpose of the divestiture is to ensure the continued provision of SETA Services in the same manner as provided by BDM at the time of the proposed divestiture, at no increased cost to the Ballistic Missile Defense Organization, and to remedy the lessening of competition resulting from the proposed acquisition as alleged in the Commission's complaint.

C. Pending divestiture of the SETA Services Operations, respondent shall take such actions as are necessary to ensure the continued provision of SETA Services, to maintain the viability and marketability of the assets used to provide SETA Services, and to prevent the destruction, removal, wasting, deterioration, or impairment of any of the assets used to provide SETA Services, except for ordinary wear and tear.

D. Upon reasonable notice from the acquirer or from the Ballistic Missile Defense Organization to respondent, respondent shall provide such technical assistance to the acquirer as is reasonably necessary to enable the acquirer to provide SETA Services in substantially the same manner and quality as provided by BDM prior to divestiture. Such assistance shall include reasonable consultation with knowledgeable employees and training at the acquirer's facility for a period of time sufficient to satisfy the acquirer's management that its personnel are appropriately trained in the skills necessary to perform the SETA Services. Respondent shall convey all know-how necessary to perform SETA Services in substantially the same manner and quality employed or achieved by BDM prior to divestiture. However, respondent shall not be required to continue providing such assistance for more than one year from the date of the divestiture. Respondent shall charge the acquirer at a rate no more than its own costs for providing such technical assistance.

E. At the time of the execution of a purchase agreement between respondent and a proposed acquirer of the SETA Services Operations, respondent shall provide the acquirer with a complete list of all current full-time, non-clerical, salaried employees of BDM engaged in the provision of SETA Services on the date of the purchase agreement. Such list shall state each such individual's name, position, address, telephone number, and a description of the duties of and work performed by the individual in connection with the SETA Services Operations.

F. Respondent shall provide the proposed acquirer with an opportunity to inspect the personnel files and other documentation relating to the individuals identified in paragraph II.E of this order to the extent permissible under applicable laws. For a period of six (6) months following the divestiture, respondent shall further provide the acquirer with an opportunity to interview such individuals and negotiate employment contracts with them.

G. Respondent shall provide all current employees identified in paragraph II.E of this order with financial incentives to continue in their employment positions pending divestiture of the SETA Services Operations, and to accept employment with the acquirer at the time of the divestiture. Such incentives shall include continuation of all employee benefits offered by BDM until the date of the divestiture, and vesting of all pension benefits.

H. For a period of two (2) years commencing on the date of the individual's employment by the acquirer, respondent shall not re-hire any of the individuals identified in paragraph II.E of this order who accept employment with the acquirer.

I. Prior to divestiture, respondent shall not transfer any of the individuals identified in paragraph II.E of this order whose employment responsibilities involve access to non-public BMDO information to any other positions.

J. Respondents shall comply with all terms of the Agreement to Hold Separate, attached to this order and made part hereof as Appendix I.

### III.

*It is further ordered, That:*

A. If respondent has not divested, absolutely and in good faith and with the Commission's prior approval, the SETA Services Operations within one hundred and twenty (120) days from the date the proposed

acquisition is consummated, the Commission may appoint a trustee to divest the SETA Services Operations. In the event that the Commission or the Attorney General brings an action pursuant to Section 5(1) of the Federal Trade Commission Act, 15 U.S.C. 45(1), or any other statute enforced by the Commission, respondent shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this paragraph shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee, pursuant to Section 5(1) of the Federal Trade Commission Act, or any other statute enforced by the Commission, for any failure by the respondent to comply with this order.

B. If a trustee is appointed by the Commission or a court pursuant to paragraph III.A of this order, respondent shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee, subject to the consent of respondent, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in acquisitions and divestitures. If respondent has not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after notice by the staff of the Commission to respondent of the identity of any proposed trustee, respondent shall be deemed to have consented to the selection of the proposed trustee.

2. Subject to the prior approval of the Commission and the Department of Defense, the trustee shall have the exclusive power and authority to divest the SETA Services Operations.

3. Within ten (10) days after appointment of the trustee, respondent shall execute a trust agreement that, subject to the prior approval of the Commission and, in the case of a court-appointed trustee, of the court, transfers to the trustee all rights and powers necessary to permit the trustee to effect the divestiture required by this order.

4. The trustee shall have nine (9) months from the date the Commission approves the trust agreement described in paragraph III.B.3 to accomplish the divestiture, which shall be subject to the prior approval of the Commission. If, however, at the end of the nine-month period, the trustee has submitted a plan of divestiture or believes that divestiture can be achieved within a reasonable time, the

divestiture period may be extended by the Commission, or, in the case of a court-appointed trustee, by the court; provided, however, the Commission may extend this period only two (2) times.

5. The trustee shall have full and complete access to the personnel, books, records and facilities related to the SETA Services Operations or to any other relevant information, as the trustee may request. Respondent shall develop such financial or other information as such trustee may request and shall cooperate with the trustee. Respondent shall take no action to interfere with or impede the trustee's accomplishment of the divestiture. Any delays in divestiture caused by respondent shall extend the time for divestiture under this paragraph in an amount equal to the delay, as determined by the Commission or, for a court-appointed trustee, by the court.

6. The trustee shall use his or her best efforts to negotiate the most favorable price and terms available in each contract that is submitted to the Commission, subject to respondent's absolute and unconditional obligation to divest expeditiously at no minimum price. The divestiture shall be made in the manner and to the acquirer as set out in paragraph II of this order; provided, however, if the trustee receives bona fide offers from more than one acquiring entity, and if the Commission determines to approve more than one such acquiring entity, the trustee shall divest to the acquiring entity or entities selected by respondent from among those approved by the Commission and the Department of Defense.

7. The trustee shall serve, without bond or other security, at the cost and expense of respondent, on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have the authority to employ, at the cost and expense of respondent, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Commission and, in the case of a court-appointed trustee, by the court, of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of the respondent, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's divesting the SETA Services Operations.

8. Respondent shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in paragraph III.A of this order.

10. The Commission or, in the case of a court-appointed trustee, the court, may on its own initiative or at the request of the trustee issue such additional orders or directions as may be necessary or appropriate to accomplish the divestiture required by this order.

11. The trustee shall have no obligation or authority to operate or maintain the SETA Services Operations.

12. The trustee shall report in writing to respondent and the Commission every thirty (30) days concerning the trustee's efforts to accomplish the divestiture.

#### IV.

*It is further ordered, That:*

A. Respondent shall not, absent the prior written consent of the proprietor of non-public BMDO information, provide, disclose, or otherwise make available to any entity any non-public BMDO information.

B. Respondent shall use any non-public BMDO information only in its capacity as provider of technical assistance to the acquirer, pursuant to paragraph II.D of this order, unless respondent obtains the prior written consent of the proprietor of the non-public BMDO information.

#### V.

*It is further ordered, That* within thirty (30) days after the date this order becomes final and every thirty (30) days thereafter until respondent has fully complied with the provisions of paragraphs II or III of this order, respondent shall submit to the Commission a verified written report setting forth in detail the manner and form in which it

intends to comply, is complying, and has complied with paragraphs II and III of this order. Respondent shall include in its compliance reports, among other things that are required from time to time, a full description of the efforts being made to comply with paragraphs II and III of the order, including a description of all substantive contacts or negotiations for the divestiture and the identity of all parties contacted. Respondent shall include in its compliance reports copies of all written communications to and from such parties, all internal memoranda, and all reports and recommendations concerning divestiture.

## VI.

*It is further ordered*, That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment, a sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation that may affect compliance obligations arising out of the order.

## VII.

*It is further ordered*, That, for the purpose of determining or securing compliance with this order, upon written request, respondent shall permit any duly authorized representative of the Commission:

A. Access, during office hours and in the presence of counsel, to inspect any facility and to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of respondent relating to any matters contained in this order; and

B. Upon five days' notice to respondent and without restraint or interference from it, to interview officers, directors, or employees of respondent, who may have counsel present, regarding any such matters.

## VIII.

*It is further ordered*, That, notwithstanding any other provision of this order, this order shall terminate on April 6, 2008.

## APPENDIX I

## AGREEMENT TO HOLD SEPARATE

This Agreement to Hold Separate is by and between TRW Inc. ("TRW"), a corporation organized and existing under the laws of the State of Ohio, and the Federal Trade Commission (the "Commission"), an independent agency of the United States Government, established under the Federal Trade Commission Act of 1914, 15 U.S.C. 41, *et seq.*

## PREMISES

*Whereas*, TRW has proposed to acquire one hundred percent of the voting securities of BDM International Inc. ("BDM"); and

*Whereas*, the Commission is now investigating the proposed acquisition to determine if it would violate any of the statutes the Commission enforces; and

*Whereas*, TRW has entered into an Agreement Containing Consent Order ("Consent Agreement"), which requires, among other things, TRW to divest the SETA Services Operations, as defined; and

*Whereas*, if the Commission accepts the Consent Agreement, the Commission will place it on the public record for a period of at least sixty (60) days and subsequently may either withdraw such acceptance or issue and serve its complaint and decision in disposition of the proceeding pursuant to the provisions of Section 2.34 of the Commission's Rules; and

*Whereas*, the Commission is concerned that if an understanding is not reached, preserving the status of the SETA Services Operations during the period prior to the final issuance of the Consent Agreement by the Commission (after the 60-day public notice period), there may be interim competitive harm and divestiture or other relief resulting from a proceeding challenging the legality of the proposed acquisition might not be possible, or might be less than an effective remedy; and

*Whereas*, TRW entering into this Agreement to Hold Separate shall in no way be construed as an admission by TRW that the proposed acquisition constitutes a violation of any statute; and

*Whereas*, TRW understands that no act or transaction contemplated by this Agreement to Hold Separate shall be deemed immune or exempt from the provisions of the antitrust laws or the Federal Trade Commission Act by reason of anything contained in this Agreement to Hold Separate.

*Now, therefore*, upon the understanding that the Commission has not yet determined whether it will challenge the proposed acquisition, and in consideration of the Commission's agreement that, at the time it accepts the Consent Agreement for public comment, it will grant early termination of the Hart-Scott-Rodino waiting period, TRW agrees as follows:

1. TRW agrees to execute and be bound by the terms of the order contained in the Consent Agreement, as if it were final, from the date TRW signs the Consent Agreement.

2. TRW agrees that from the date the proposed acquisition is consummated until the earlier of the dates listed in subparagraphs 2.a - 2.b, it will comply with the provisions of paragraph 3 of this Agreement to Hold Separate:

a. Three (3) business days after the Commission withdraws its acceptance of the Consent Order pursuant to the provisions of Section 2.34 of the Commission's rules;

b. The day after the divestiture required by the Consent Order has been completed.

3. To ensure the complete independence and viability of the SETA Services Operations and to assure that no competitive information is exchanged between the SETA Services Operations and TRW, TRW shall hold the SETA Services Operations separate and apart on the following terms and conditions:

a. TRW will appoint, within three (3) days of the date the proposed acquisition is consummated, an individual to manage and maintain the SETA Services Operations who will make no changes to the SETA Services Operations other than changes made in the ordinary course of business. This individual ("the Manager") shall manage the SETA Services Operations independently of the management of TRW's other businesses. The Manager shall not be involved in any way in the operations or management of any other TRW business.

b. The Manager shall have exclusive control over the SETA Services Operations, with responsibility for the management of the SETA Services Operations and for maintaining the independence of that business.

c. TRW shall not exercise direction or control over, or influence directly or indirectly the Manager relating to the operation of the SETA Services Operations; provided, however, that TRW may exercise only such direction and control over the Manager and the SETA Services Operations as is necessary to assure compliance with this Agreement to Hold Separate and with all applicable laws.

d. TRW shall maintain the marketability, viability, and competitiveness of the SETA Services Operations and shall not sell, transfer, encumber them (other than in the normal course of business or to assure compliance with the Consent Agreement), or otherwise impair their marketability, viability or competitiveness.

e. Except for the Manager and support service employees involved in the SETA Services Operations, such as Human Resources, Legal, Tax, Accounting, Insurance, and Internal Audit employees, TRW shall not permit any other TRW employee, officer, or director to be involved in the management of the SETA Services Operations. Employees of the SETA Services Operations shall not be involved in any other TRW business.

f. Except as required by law, and except to the extent that necessary information is exchanged in the course of evaluating the Acquisition, defending investigations or litigation, or negotiating agreements to divest assets, TRW, other than employees involved in the SETA Services Operations, or support service employees involved in the SETA Services Operations, shall not receive or have access to, or the use of, non-public BMDO information, or any material confidential information about the SETA Services Operations or the activities of the Manager or support service employees involved in the SETA Services Operations, not in the public domain.

g. TRW shall circulate to all its employees involved with the SETA Services Operations or any Ballistic Missile Defense Organization program, and appropriately display, a copy of this Agreement to Hold Separate and the Consent Agreement.

h. If the Manager ceases to act or fails to act diligently, a substitute Manager shall be appointed.

i. The Manager shall have access to and be informed about all companies who inquire about, seek or propose to buy the SETA Services Operations. TRW may require the Manager to sign a confidentiality agreement prohibiting the disclosure of any material

confidential information gained as a result of his or her role as a Manager to anyone other than the Commission.

j. The Manager shall report in writing to the Commission every thirty (30) days concerning his or her efforts to accomplish the purposes of this Agreement to Hold Separate.

4. TRW shall deliver, within three (3) days of the date the Consent Agreement is accepted for public comment by the Commission, a copy of the Consent Agreement and a copy of this Agreement to Hold Separate to the Ballistic Missile Defense Organization.

5. TRW waives all rights to contest the validity of this Agreement to Hold Separate.

6. For the purpose of determining or securing compliance with this Agreement to Hold Separate, subject to any legally recognized privilege and applicable United States Government national security requirements, and upon written request, and on reasonable notice, to TRW made to its principal office, TRW shall permit any duly authorized representative or representatives of the Commission:

a. Access during the office hours of TRW and in the presence of counsel to inspect any facilities and to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of TRW relating to compliance with this Agreement to Hold Separate; and

b. Upon five (5) days' notice to TRW and without restraint or interference from it, to interview officers, directors, or employees of TRW, who may have counsel present, regarding any such matters.

7. This Agreement to Hold Separate shall not be binding until accepted by the Commission.

## CONCURRING STATEMENT OF COMMISSIONER MARY L. AZCUENAGA

I agree with my colleagues that the final decision and order properly addresses the anticompetitive implications of the proposed transaction, and I concur in the Commission's decision except to the extent that the order makes the Department of Defense a participant with the Commission in giving antitrust approval to any divestiture under the order.

As I said in my concurring statement in *Litton Industries, Inc./PRC*, Docket No. C-3656 (May 7, 1996), with due deference to the Department of Defense and in full recognition that it has the power to decide the firms with which it will deal for goods and services vital to the national security, no persuasive argument has been presented to suggest that the Department has or should have a role in deciding the competitive implications of a particular divestiture under Section 7 of the Clayton Act. No showing has been made that this case is unique, that national security issues or concerns relating to the integrity of the Ballistic Missile Defense Organization's Lead Systems Integrator Program, to the extent they may be affected by this order, could not have been addressed, as they apparently have been in other defense-related transactions,<sup>1</sup> without inclusion of the Department of Defense as a necessary participant in a decision committed by statute to the Commission.

The need to obtain technical assistance in reviewing commercial transactions in sophisticated markets is not uncommon. The importance of obtaining advice and assistance is especially acute in cases involving issues of national security, a subject that is in the province of the Department of Defense and other security agencies. The Commission might well find it necessary to consult with the Department of Defense both to assess the viability of a proposed buyer of the BDM assets to be divested and to ensure that a proposed transaction is not inconsistent with national security. I would have preferred, however, to accommodate that need in this case by means other than making the Department of Defense a partner with the Commission in interpreting and applying a final order of the Commission.

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<sup>1</sup> See *Lockheed Corporation*, C-3576 (May 9, 1995); see also *ARKLA, Inc.*, 112 FTC 509 (1989).

## IN THE MATTER OF

## UROLOGICAL STONE SURGEONS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

*Docket C-3791. Complaint, April 6, 1998--Decision, April 6, 1998*

This consent order prohibits, among other things, the three Illinois-based firms and two doctors from agreeing or attempting to agree to fix prices, discounts, or other terms of sale or contract for lithotripsy professional services (treatment for kidney stones); requires the respondents to terminate third-party payer contracts that include the challenged fees at contract renewal time; and also requires them to notify the Commission at least 45 days before forming or participating in an integrated joint venture to provide lithotripsy professional services.

*Appearances*

For the Commission: *Nicholas Franczyk, Karen Dodge, John Hallerud, David Narrow, C. Steven Baker, David Pender, Robert Leibenluft, Mark Whitener and William Baer.*

For the respondents: *Richard Raskin, Sidley & Austin, Chicago, IL.*

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. 41 *et seq.*, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Urological Stone Surgeons, Inc. ("USS"), Stone Centers of America, L.L.C. ("SCA"), Urological Services, Ltd. ("USL"), and Donald M. Norris, M.D., and Marc A. Rubenstein, M.D., individually, and as officers, directors, and shareholders of USS, as owners and officers of USL, and as shareholders of SCA, hereinafter sometimes referred to as respondents, have violated and are violating Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

## DEFINITIONS

PARAGRAPH 1. For purposes of this complaint, the following definitions shall apply:

A. "*Extracorporeal shock wave lithotripsy*" or "*lithotripsy*" means the treatment of kidney stones without surgery by projecting, against the patient's body, high-energy shock waves that pulverize the kidney stones into particles which are then eliminated through the urinary tract. "*Lithotripter*" means a machine used to generate such shock waves.

B. "*Urologist*" means a physician licensed to practice medicine who entirely or substantially limits his or her practice to the specialized practice of urology, which includes the diagnosis and treatment of diseases or medical conditions of or affecting the urogenital system.

C. "*Urologist professional services*" means any services provided by a urologist relating to the diagnosis and treatment of diseases or medical conditions of or affecting the urogenital system.

D. "*Lithotripsy professional services*" means any urologist professional services associated with the provision of extracorporeal shock wave lithotripsy.

E. "*Lithotripsy machine services*" means the provision of extracorporeal shock wave lithotripsy, including, but not limited to, the supplying of the lithotripter, operation of the lithotripter, and providing accompanying services to the patients, but excluding lithotripsy professional services and anesthesia services associated with extracorporeal shock wave lithotripsy.

F. "*USS*" means Urological Stone Surgeons, Inc., its predecessors, subsidiaries, divisions, groups and affiliates controlled by USS, their successors and assigns, and their directors, officers, employees, agents, and representatives.

G. "*USL*" means Urological Services, Ltd., its predecessors, subsidiaries, divisions, groups and affiliates controlled by USL, their successors and assigns, and their directors, officers, employees, agents, and representatives.

H. "*SCA*" means Stone Centers of America, L.L.C., its predecessors, subsidiaries, divisions, groups and affiliates controlled by SCA, their successors and assigns, and their directors, officers, employees, agents, and representatives.

I. "*Respondent urologists*" means Donald M. Norris, M.D., and Marc A. Rubenstein, M.D.

J. "*Person*" means any natural person, corporate entity, partnership, association, joint venture, government entity, trust, or other entity.

K. "*Third-party payer*" means any person that purchases, reimburses for, or otherwise pays for all or part of any health care services for itself or for any other person. Third-party payer includes,

but is not limited to, any health insurance company; preferred provider organization; prepaid hospital, medical, or other health service plan; health maintenance organization; government health benefits program; and employer or other person providing or administering any self-insured health benefits program.

L. "*Contracted services*" means provision of lithotripsy to patients pursuant to a written contractual agreement with a purchaser or third-party payer of lithotripsy services, in which the amount and terms of reimbursement for such services are specified in the contractual agreement.

M. "*Global fee or bill for lithotripsy*" means a method of billing or charging for lithotripsy whereby the charges for its component services, including lithotripsy machine services, lithotripsy professional services, and anesthesia services, are billed and/or paid as a single, combined charge, whether or not the component services are separately itemized in the bill.

#### RESPONDENTS

PAR. 2.A. Respondent USS is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 1875 West Dempster Street, Park Ridge, Illinois. There are approximately 35 shareholders of USS, including respondent urologists, all of whom are urologists licensed to practice medicine in the State of Illinois and engaged in the business of providing urologist professional services, including lithotripsy professional services, to patients. USS's shareholders comprise approximately 15 percent of the urologists in the Chicago metropolitan area.

B. Respondent SCA is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 1875 West Dempster Street, Park Ridge, Illinois. SCA is jointly owned by USS, the respondent urologists, and approximately 66 additional urologists, all of whom are licensed to practice medicine in the State of Illinois and are engaged in the business of providing urologist professional services, including lithotripsy professional services, to patients. SCA's shareholders comprise approximately 45 percent of the urologists in the Chicago metropolitan area.

C. Respondent USL is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 1875 West Dempster Street, Park Ridge, Illinois. USL is owned by respondents Donald M. Norris, M.D., and Marc A. Rubenstein, M.D.

D. Respondents Donald M. Norris, M.D., and Marc A. Rubenstein, M.D., are urologists, licensed to practice medicine in the State of Illinois, and engaged in the business of providing urologist professional services, including lithotripsy professional services, to patients. Their business address is 1875 West Dempster Street, Suite 365, Park Ridge, Illinois. The respondent urologists are officers, directors, and shareholders of USS; owners and officers of USL; and shareholders in SCA.

#### JURISDICTION

PAR. 3. The acts and practices of the respondents, including those alleged herein, are in or affect commerce within the meaning of Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. 44.

#### RESPONDENTS' BUSINESS ACTIVITIES

PAR. 4. USS, SCA, USL, the respondent urologists, and other unnamed urologists, are engaged in the provision of lithotripsy under the name Parkside Kidney Stone Center ("Parkside"). Parkside operates two lithotripsy facilities. Since February 1986, Parkside has operated a lithotripsy facility in Park Ridge, Illinois; USS provides lithotripsy machine services at Parkside's Park Ridge facility. Since February 1995, Parkside has operated a second lithotripsy facility in LaGrange, Illinois; SCA provides lithotripsy machine services at Parkside's LaGrange facility. The respondent urologists, and other unnamed urologists, have jointly invested in the purchase and operation of the two lithotripsy machines that Parkside operates. USL provides billing and collection services for all lithotripsy provided at Parkside's two facilities, including lithotripsy professional services. The respondent urologists and approximately 140 other unnamed urologists, including the other urologists who are shareholders in USS or SCA, each provide lithotripsy professional services to their own patients at Parkside's facilities.

PAR. 5. Except to the extent that competition has been restrained as alleged herein, the urologists who provide lithotripsy professional services at Parkside, including the respondent urologists and the other shareholders of USS and SCA, have been in competition with other urologists who provide lithotripsy professional services at Parkside.

PAR. 6. Of all lithotripsy procedures performed at the six to eight providers of lithotripsy machine services operating in the Chicago metropolitan area during the past several years, approximately two-thirds of the procedures are, and for several years have been, performed at Parkside. Currently, this amounts to more than 2500

lithotripsy procedures per year performed at the Parkside facilities. Approximately 65 percent of the urologists in the Chicago metropolitan area use Parkside to provide lithotripsy to some or all of their patients needing lithotripsy. Of those urologists using Parkside to provide lithotripsy, approximately 80 percent use Parkside exclusively.

#### RESPONDENTS' ACTS AND PRACTICES

PAR. 7. The respondent urologists and other unnamed urologists who are their competitors and who provide lithotripsy professional services at Parkside, including the shareholders of USS and SCA, agreed to fix the prices they would charge for such services.

PAR. 8. In furtherance of the agreement described in paragraph seven:

A. On or about March 18, 1985, USS informed its prospective investors, all of whom were urologists, that lithotripsy patients will pay or would be charged a set price, estimated at \$2,000, for lithotripsy professional services, and that USS or its agents would bill and collect for such services performed at Parkside.

B. On or about April 15, 1985, USS entered into an agreement with a third party to perform the day-to-day management and operation of Parkside. The agreement provided, in part, that USS will "use its best efforts to set forth suggested fee structure for [lithotripsy professional services at Parkside, that the] fee will be suggested to be \$2,000," and that such prices would be subject to annual increases to reflect the changes in the costs of medical services in the metropolitan Chicago area.

C. The respondent urologists and other unnamed urologists, including the shareholders of USS and SCA, agreed to use respondent USL as their common billing agent. Each urologist providing lithotripsy professional services at Parkside was required to sign an agreement with USL which: (1) states that it is "being signed between [USL] and all physicians providing . . . services [at Parkside];" (2) prohibits the physician from independently billing patients for any services billed by USL; and (3) requires the urologist to "accept as payment in full for such services the sum paid . . . by USL."

D. On or about the day Parkside opened its first Chicago area lithotripsy facility for business in Park Ridge, Illinois, respondent USL produced and disseminated to the urologists fee schedules that included, among other things, a \$2,000 charge for lithotripsy professional services.

