



Department of Justice

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Northrop Grumman Corp. Settles False Claims Act Case for Defective Satellite Parts

WASHINGTON – Northrop Grumman Corp., its subsidiary Northrop Grumman Space and Mission Systems Corp., and its predecessor TRW Inc. (collectively, Northrop) have agreed to settle for \$325 million, False Claims Act allegations that Northrop provided and billed the National Reconnaissance Office (NRO) for defective microelectronic parts, known as Heterojunction Bipolar Transistors (HBTs), the Justice Department announced today.

The government's investigation in the HBT Action concluded that Northrop and TRW failed to properly test and qualify certain HBTs manufactured by TRW from 1992 to 2002. As a result, Northrop and TRW integrated into NRO satellite equipment certain defective HBTs. The investigation further concluded that Northrop and TRW made misrepresentations about, and concealed certain material facts regarding the reliability of the HBTs.

The settlement was announced today by Acting Assistant Attorney General for the Civil Division Michael F. Hertz and the U.S. Attorney for the Central District of California Thomas O'Brien.

"The settlement of the HBT case demonstrates that the Department of Justice will investigate even the most complex and challenging allegations," said Michael F. Hertz, Acting Assistant Attorney General for the Justice Department's Civil Division. "Today's settlement demonstrates that defense contractors will be held accountable and that the government will aggressively pursue all allegations of misconduct in the procurement process."

Today's settlement resolves a qui tam or whistleblower lawsuit filed by Robert Ferro, Ph.D., an employee of The Aerospace Corporation. The government investigated Dr. Ferro's allegations and intervened in the lawsuit against Northrop in November 2008. Ferro's suit was filed in US. District Court in the Central District of California in 2002. Under the agreement reached today, Dr. Ferro will receive \$48.75 million as his share of the recovery in the HBT action under the qui tam provisions of the False Claims Act.

At the same time, the Department, assisted by the Air Force General Counsel's office, and Northrop also settled a Contract Disputes Act action brought by Northrop concerning its contract with the Air Force to develop and produce the Tri-Service Standoff Attack Missile (TSSAM), a low-cost, low-observable, tactical cruise missile. That suit, filed by Northrop in 1996 in the U.S. Court of Federal Claims in Washington, concerned the government's decision to terminate Northrop's TSSAM contract due to cost and schedule overruns. The TSSAM Action settled for \$325 million and the settlement resolves Northrop's claims in excess \$1 billion, bringing to a close this 12-year litigation.

The TSSAM matter was handled by the Commercial Litigation Branch of the Department's Civil Division, together with counsel for the Air Force. The HBT investigation was conducted by the Office of Inspector General for the NRO, with the assistance of the Defense Criminal Investigative Service, the Air Force Research Laboratory, Sensors Directorate at Wright Patterson Air Force Base, together with Civil Division's Commercial Litigation Branch and the U.S. Attorney's office for the Central District of California.

The Department acknowledges the efforts of the late David W. Long, Senior Trial Counsel, Civil Division for his work while battling cancer in initiating, and the early development of, the HBT investigation for which work he received the Attorney General's Mary C. Lawton award.

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