

In Landmark Whistleblower Case Raytheon to Pay \$950 Million Over Charges of Bribery and Defective Pricing

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In related settlements, Raytheon is set to pay the U.S. government \$950 million to settle charges of Foreign Corrupt Practices Act and False Claims Act violations.

Key Takeaways

- The DOJ charged Raytheon with using defective pricing in negotiations with the Department of Defense
- The DOJ and SEC charged Raytheon with engaging in a bribery scheme in Qatar
- The False Claims Act settlement, the second largest government procurement fraud recovery ever, stemmed from a *qui tam* whistleblower suit

On October 16, the [U.S. Department of Justice](#) (DOJ) and [U.S. Securities and Exchange Commission](#) (SEC) announced connected settlements with the major defense contractor Raytheon. The settlements resolve charges that Raytheon violated the [Foreign Corrupt Practices Act](#) (FCPA) through a [bribery scheme](#) in Qatar and the [False Claims Act](#) (FCA) through the use of [defective pricing in negotiations with the U.S. Department of Defense](#) (DOD).

According to the DOJ, Raytheon will pay \$950 million, including a \$428 million FCA settlement, the second largest government procurement fraud recovery under the FCA.

Significantly, portions of the FCA case were brought to light by a [qui tam](#) whistleblower lawsuit filed by a former Raytheon employee. Her courageous action will be rewarded with a share of the settlement proceeds, amounting to \$4.2 million. The DOJ and SEC did not disclose whether a whistleblower was involved in the FCPA settlement. If one was, they may be eligible for an award under the SEC Whistleblower Program.

The case shows the scope of potential fraud in defense contracting, both domestically and overseas, and the critical role whistleblowers can play in exposing these frauds.

Defective Pricing False Claims Act Settlement

The DOJ charged Raytheon with FCA violations, alleging that the company “provided untruthful

certified cost or pricing data when negotiating prices with the DOD for numerous government contracts and double billed on a weapons maintenance contract.”

Under the settlement, Raytheon admits to failing to disclose data regarding its labor and material costs to supply weapon systems to DOD in violation of the Truth in Negotiations Act (TINA).

“Raytheon also admitted that by misrepresenting its costs during contract negotiations it overcharged the United States on these contracts and received profits in excess of the negotiated profit rates,” the DOJ details. “Further, Raytheon admitted that it failed to disclose truthful cost or pricing data on a contract to staff a radar station. Raytheon also admitted that it billed the same costs twice on a DOD contract.”

The FCA settlement resolves a *qui tam* whistleblower suit filed by Karen Atesoglu alleging that Raytheon submitted false claims regarding several contracts with the DOD. Under the FCA's *qui tam* provisions, whistleblowers may file lawsuits against fraudsters on behalf of the U.S. government. In successful cases, *qui tam* whistleblowers can receive between 15 and 30% of the government's recoveries.

According to the settlement agreement, approximately \$23,790,420 of the total settlement amount was proceeds from the *qui tam* action. Atesoglu will receive \$4,282,275 (18% of the proceeds).

“Government contractors have an obligation to be fully transparent about their cost and pricing data when they seek an award of a sole source contract,” said Principal Deputy Assistant Attorney General Brian M. Boynton, head of the Justice Department’s Civil Division. “The department is committed to holding accountable those contractors that knowingly misrepresent their cost and pricing data or otherwise violate their legal obligations when negotiating or performing contracts with the United States.”

Foreign Bribery FCPA Settlement

The DOJ and SEC charged Raytheon with violating the FCPA by engaging in a scheme to bribe high-ranking Qatari officials to obtain contracts with the Qatari military.

The SEC alleges that “Raytheon used sham subcontracts with a supplier to pay bribes of nearly \$2 million to Qatari military and other officials from 2011 to 2017.” The SEC further details that Raytheon paid more than \$30 million to a relative of the Qatari Emir to serve as their representative in Qatar, despite him having no prior background in military defense contracting.

The DOJ also alleges that Raytheon “entered into a teaming agreement with a Qatari entity in order to corruptly obtain the QEAF official’s assistance in directly awarding a potential contract to Raytheon to build a joint operations center that would interface with Qatar’s several military branches.”

Raytheon will pay \$266 million to resolve the DOJ’s charges and \$124 million to resolve the SEC’s.

In keeping with the SEC Whistleblower Program’s confidentiality protections, neither the DOJ nor the SEC disclosed whether a whistleblower was involved in the case. Under the Dodd-Frank Act, whistleblowers from around the world may anonymously disclose violations of the FCPA to the SEC. Qualified whistleblowers are eligible to receive between 10 and 30% of the money collected in an SEC enforcement action as well as related actions taken by other agencies.

“The penalty in this case reflects the significant misconduct by Raytheon and the need for global companies to implement meaningful internal accounting controls that ensure that payments to intermediaries are not used to circumvent the restrictions of the FCPA,” said Charles E. Cain, Chief of the SEC Enforcement Division’s FCPA Unit.

“International corruption in military and defense sales is a violation of our national security laws as well as an anti-bribery offense,” said Assistant Attorney General Matthew G. Olsen of the Justice Department’s National Security Division. “Raytheon willfully failed to disclose bribes made in connection with contracts that required export licenses. Today’s resolution should serve as a stark warning to companies that violate the law when selling sensitive military technology overseas.”

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National Law Review, Volume XIV, Number 307

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