

Criminal Conspiracy to Illegally Restrain Wages?

Written by Nick Sanders

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On December 9, 2021, the Department of Justice [reported](#) that a criminal complaint against an individual executive of Raytheon Technologies' subsidiary, Pratt & Whitney, had been unsealed. As most readers know, Pratt & Whitney is a huge manufacturer of various airplane engines (2017 revenues in excess of \$16 billion), with a long history as a U.S. defense contractor.

According to the criminal complaint, a (now former) Pratt & Whitney Director of Global Engineering Sourcing, participated in “a long-running conspiracy with managers and executives of several outsource engineering suppliers (Suppliers) to restrict the hiring and recruiting of engineers and other skilled laborers among their respective companies.” The complaint alleged that Mahesh Patel “enforced this agreement while serving as an intermediary between conspiring Suppliers.”

The DOJ announcement provided some details of the allegations, as follows—

Patel upheld a conspiracy among aerospace companies [the Suppliers] not to hire or recruit one another's employees. At times, Patel confronted and berated Suppliers who cheated on the agreement, often at the direct behest of another Supplier, and threatened to punish nonconforming Suppliers by taking away valuable access to projects. In addition, as the complaint alleges, Patel and co-conspirators recognized the mutual financial benefit of this agreement — namely, reducing the rise in labor costs that would occur when aerospace workers were free to find new employment in a competitive environment.

Reading between the lines a bit, it seems that Patel felt pressure to hold down the labor costs of providers of outsourced engineering services. Was that cost-control pressure (if it existed) exerted on him from above, or was it created in his mind in order to justify his value-add to the company? We (obviously) don't know, but we assume it will come out in the trial.

Speaking of the trial, the DOJ announcement stated that Patel was charged with “conspiracy in restraint of trade.” Our (non-legal) understanding of the allegation is that Patel has been charged with a violation of the Sherman (Anti-Trust) Act.

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Patel was arrested. Yes, that's what happens when somebody is charged with a criminal complaint. Patel was arrested and he appeared before a Judge. After his appearance, Patel "was released on conditions including travel restrictions and a \$100,000 appearance bond." The DOJ press release stated—

The maximum penalty for conspiracy to restrain trade under the Sherman Antitrust Act is 10 years of imprisonment and a fine of \$1 million for individuals. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime if either amount is greater than the statutory maximum fine.

So, yes, individuals can and will be charged when the Federal government believes that circumstances warrant doing so. It's not always the companies that are on the hook, and issues are not always solvable by monetary settlement alone.

And speaking of companies ... the DOJ announcement added the following sentences:

"The charges are the result of an ongoing federal antitrust investigation into market allocation in the aerospace engineering services industry ... The charge against Patel is the first in this ongoing federal antitrust investigation."

So, yeah, other aerospace companies doing business in the Northeast might want to perform a bit of diligence in this area, to make sure that they themselves are not exposed to allegations of Sherman Act violations. We're just sayin'

Reminder: A criminal complaint is merely an allegation, and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.