

ALERT

# Court Upholds Multimillion-Dollar Tortious Interference Verdict for Incumbent Contractor

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**SUMMARY:** A Federal District Court in Michigan upheld a multimillion-dollar tortious interference jury verdict in favor of an incumbent contractor against a competitor, finding that the incumbent had a “reasonable likelihood” of receiving contract re-award but for the competitor’s actions.

**FACTS:** Swapna Reddygari worked as a program manager for LinTech Global, Inc. (LinTech), the incumbent contractor on the Federal Aviation Administration (FAA) DMS Project. Ms. Reddygari also owns CAN Softtech, Inc. (Softtech)—a separate information technology firm. In May 2019, on the same day that Ms. Reddygari resigned from LinTech, the FAA ended its relationship with LinTech and awarded Softtech the DMS Project. LinTech then sued Ms. Reddygari and Softtech (collectively, Defendants), claiming, among other things, that they tortiously interfered with LinTech’s business relationship or expectancy with the FAA related to the DMS project. A jury agreed with LinTech, awarding it \$206,569.00 on its tortious interference claim against Ms. Reddygari and \$6,546,542.00 on its tortious interference claim against Softtech (along with \$86,070 on a separate duty-of-loyalty claim against Ms. Reddygari).

After the judgment was entered, Defendants filed a “Renewed Motion for Judgment as a Matter of Law, or in the Alternative, for Remittitur or for New Trial.” Defendants sought to overturn the jury verdict on several grounds, including that LinTech had no reasonable expectation of a continued business expectancy or relationship with the FAA on the DMS Project—as required for a tortious interference claim.

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## Practice Areas

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**HOLDING:** Tortious interference arises when a third party harms another by improperly interfering with a valid contract or business expectancy. Here, LinTech argued that Defendants tortiously interfered with their relationship with the FAA by securing the DMS contract (and \$47 million in revenue) for themselves. The jury agreed, and the Court rejected Defendants' arguments to challenge the jury's findings on the basis that LinTech was merely a "disappointed bidder" who lacked a protected business expectancy as a matter of law. The Court noted that here, there had been no bidding process and found that LinTech's strong history of serving as the FAA contractor on the DMS project satisfied the requirement of a reasonable expectation of a continued business expectancy. According to the court: "LinTech was not just some entity seeking to secure the FAA's award on the DMS Project. LinTech had been doing business with the FAA for years, serving as the FAA's contractor on the DMS Project. The FAA had repeatedly renewed the award to LinTech." The court also highlighted that the evidence showed that Ms. Reddygari had told LinTech that the FAA intended to renew its contract in 2019.

In those circumstances, the court found that the jury could reasonably conclude that LinTech's expectancy "had passed the point of 'wishful thinking,' and matured to a 'reasonable likelihood or probability.'"

**TAKEAWAYS:** Generally, incumbent contractors for public procurements seek relief related to lost awards through the bid protest process. In the protest world, incumbent contractors are not considered to have a legitimate interest in the contracts they have previously worked on, even if they have been working on those contracts for years, the agency has renewed their award multiple times, and they have received indications that their award might be renewed.

This case represents a deviation from the principles that apply in the protest scenario. In the bid protest context, whether LinTech had a reasonable expectancy of continued business with FAA on the DMS Project would not have been considered, let alone served as the basis for relief. In contrast, here, LinTech was awarded compensation from both its former employee and competitor based on their alleged improper interference with business expectancies related to a government project.

In a world where government contractors and the people who staff government contracts cycle from contract to contract, the same companies and individuals often reappear in different roles across the same agency ecosphere—today as a teammate, tomorrow as a rival. Government contractors should assume that partners, subcontractors, consultants, and departing employees may later align with competitors (or become competitors themselves) and plan accordingly. That means proactively protecting business interests through clear teaming and subcontract terms, careful information-sharing practices, and diligent protection of proprietary data and customer relationships. And when those relationships break down in a way that impacts prior awards, particularly where improper conduct and/or self-dealing may be involved, government contractors should consider potential avenues for relief outside of the bid protest process.