

In re Cognizant Technology Solutions Corporation Securities Litigation

COURT: United States District Court for the District of New Jersey
CASE NUMBER: 2:16-cv-06509-ES-CLW
CLASS PERIOD: 02/27/2015 - 09/29/2016
CASE LEADERS: John Rizio-Hamilton, Jesse L. Jensen
CASE TEAM: Robert Kravetz

This is a securities fraud class action case brought by a group of institutional investors on behalf of purchasers of Cognizant Technology Solutions Corporation (“Cognizant” or the “Company”) common stock between February 27, 2015 and September 29, 2016. The case alleges that Cognizant and certain of its executives (collectively, “Defendants”) violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making false statements concealing the fact that the company had made illegal payments to Indian governmental officials to secure favorable land permits – called “SEZ permits” – for its facilities in India. Cognizant has already acknowledged that it improperly paid at least \$6 million to Indian officials to obtain favorable land permits, and has admitted that members of the Company’s “senior management” participated in making, or ignored, the corrupt payments. On September 30, 2016, when Cognizant publicly disclosed that it was investigating whether “payments relating to facilities in India were made improperly and in possible violation of the U.S. Foreign Corrupt Practices Act and other applicable laws,” the Company’s stock fell significantly. Notably, the same day Cognizant disclosed its bribery investigation, it also announced the surprise resignation of the Company’s President.

On February 13, 2017, Judge William H. Walls, U.S. District Court for the District of New Jersey, appointed Union Asset Management Holding AG, Amalgamated Bank, and Fire and Police Pension Association of Colorado as Lead Plaintiffs. Bernstein Litowitz Berger & Grossmann LLP is Lead Counsel for the Class.

On April 7, 2017, we filed our amended class action complaint. On August 8, 2018, the Court fully denied Defendants’ motion to strike certain allegations and denied in part and granted in part Defendants’ motions to dismiss (“MTD”). The Court sustained Section 10(b) claims against the Company, and a Section 20(a) claim against the Company’s former president, Defendant Coburn.

Cognizant sought to appeal the MTD order under 28 U.S.C. § 1292(b). On February 15, 2019, with that motion still pending, the U.S. Department of Justice indicted (and the SEC also filed a civil enforcement action against) Defendant Coburn and the Company’s former General Counsel, Steven Schwartz, arising from the bribery scheme – supporting the allegations in our complaint. On March 6, 2019, the Third Circuit granted our request to let us seek to amend the Complaint, obviating an appeal.

On April 26, 2019, we filed a second amended complaint incorporating the government actions and adding Schwartz as a Defendant (along with Cognizant and Coburn). Briefing on the renewed MTD finished on August 26, 2019.

In late July 2019, Judge William H. Walls, the judge to whom the case was originally assigned, passed away. The case was reassigned to Judge Esther Salas.

On June 5, 2020, after an extended video-conference hearing, Judge Salas, denied Defendants' motions to dismiss in their entirety and sustained the Section 10(b) claims against the Company and Schwartz and the Section 20(a) claims against Coburn and Schwartz. As is common when the U.S. government is prosecuting a related criminal matter, the Justice Department sought to intervene, and stay discovery, in our case following the issuance of Judge Salas' order. We negotiated a limited stay of discovery with federal prosecutors. This deal allowed us to obtain all documents Cognizant had produced in the criminal case immediately (more than 120,000 documents); the stay of all remaining discovery will expire at the conclusion of the criminal trial, which was until recently scheduled for October 2021, but on July 8, 2021 was rescheduled by the criminal court to begin March 21, 2022. In the meantime, we are continuing to review the documents Cognizant has produced to us, engage with experts and interview potential witnesses.

Tragically, on July 19, 2020 a gunman attacked Judge Salas' family at her home in New Jersey, killing her son and seriously injuring her husband. One week later, Defendants in our case filed yet another motion under 28 U.S.C. § 1292(b), seeking immediate appellate review of Judge Salas' order. We believe their motion was without merit, and filed a brief in opposition. Briefing on that motion was completed on September 14, 2020. On March 17, 2021, Judge Salas issued an Opinion and Order ruling in our favor and denying completely Defendants' motion for interlocutory appellate review.

On August 10, 2021, following extensive settlement negotiations and a mediator's recommendation, the Parties agreed to settle the action for \$95 million in cash. On September 2, 2021, the Parties executed a Stipulation and Agreement of Settlement, and on September 7, 2021, Lead Plaintiffs filed a motion for preliminary approval of the proposed Settlement. On September 9, 2021, the Court entered an order granting the motion for preliminary approval of the Settlement, requiring the final approval motion to be filed on November 8, 2021, and scheduling the hearing on final approval of the Settlement for December 20, 2021.

On December 20, 2021, following the hearing, the Court approved the Settlement. The claims administration has now concluded. On December 9, 2022, we filed a motion to conduct the initial distribution of the settlement funds to eligible claimants. That motion was approved on August 7, 2023. The initial distribution was conducted in October 2023. The second distribution occurred on July 17, 2024. Subsequent distributions will occur on a rolling basis, provided that net settlement funds are available.

Case Documents

- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses ("Notice")
- August 7, 2023 - Order Approving Distribution Motion
- March 2, 2023 - Motion to Accept Additional Late Claims and Late Adjusted-Claims
- December 9, 2022 - Unopposed Motion for Approval of Distribution Plan
- December 20, 2021 - Judgment Approving Class Action Settlement
- December 20, 2021 - Order Approving Plan of Allocation of Net Settlement Fund
- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses ("Notice")

- December 6, 2021 - Reply Memo in Further Support of (I) Motion for Final Approval of Settlement and (II) Motion for Attorneys' Fees & Expenses
- November 8, 2021 - Notice of Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation
- November 8, 2021 - Memorandum of Law in Support of Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation
- November 8, 2021 - Notice of Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- November 8, 2021- Memorandum of Law in Support of Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- November 8, 2021 - Declaration of John Rizio-Hamilton in Support of (I) Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation; and (II) Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- September 9, 2021 - Order Preliminarily Approving Settlement and Providing for Notice
- September 2, 2021 - Stipulation of Settlement
- June 5, 2020 - Opinion on Defendants' Motions to Dismiss
- April 26, 2019 - Second Amended Class Action Complaint for Violations of the Federal Securities Laws
- August 8, 2018 - Opinion on Original Defendants' Motions to Dismiss
- April 7, 2017 - Amended Class Action Complaint