

US law firms mull class action suit to recover Infosys investors' possible losses

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Representative photo

BENGALURU: Four US law firms said they would be investigating claims on behalf of Infosys investors whether some of the officers and directors of the company engaged in securities fraud. This follows the sudden resignation of CEO Vishal Sikka+ and the steep drop in share prices+ . Rosen Law Firm, Goldberg Law, Pomerantz, and Bronstein, Gewirtz & Grossman are investigating claims on behalf of the investors. Rosen Law firm said it was

investigating potential securities claims after allegations that Infosys might have issued misleading business information to the investing public. It said it was preparing a class action lawsuit to recover possible losses suffered by Infosys' investors. A class action suit refers to a large number of investors coming together to file a suit on behalf of the group. However, it's not yet clear if enough shareholders will come forward to file a class action suit.

Sikka and the company's board have blamed co-founder N R Narayana Murthy's interference and allegations+ as the primary reason for his exit.

Some of the law firms have raised concerns about the sharp fall in share price that led to erosion of investor wealth. Goldberg Law, which specialises in securities class action lawsuits and shareholder rights litigation, said the probe would focus on whether Infosys and some of its officers and or directors violated federal securities laws. Pomerantz said they would look into whether Infosys and some of its officers and or directors engaged in securities fraud or other unlawful business practices.

Bronstein, Gewirtz & Grossman noted that post Sikka's resignation and his letter+ that pointed to continuous distractions and negativity that inhibited value creation, Infosys' American Depository Receipts had dropped by \$1.43 per share, or nearly 9%, during intra-day trading on August 18.

Rival Cognizant too was hit recently by class action lawsuits on behalf of the shareholders for lack of effective internal controls, improper payments and financial reporting for some of its

facilities in India.

WHAT IS A CLASS ACTION LAWSUIT?

Like a public interest litigation in India, a class action lawsuit in the US is where one of the parties is a group of people who are represented collectively by a member of that group. Typically, a plaintiff sues a defendant or a number of defendants on behalf of a group of absent parties. The absent parties are the "class" of people affected by defendant.

Indian companies have also been targets of class action lawsuits in the US including TCS (for breaching employment contracts), Cognizant (for misleading statements about its operations), Sun Pharma (for closure of its US arm and for raising prices) and Welspun India (for violating Missouri's consumer fraud statutes)

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