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Cognizant vs Infosys: Trade secrets, CEO ethics, corporate warfare exposed

A legal showdown over trade secrets and antitrust claims unveils deeper questions about executive ethics and corporate power struggles

By **RUKMINI RAO**, Jan 15, 2025

6 min read



For listed companies, allegations of ethical impropriety against a senior executive can raise serious governance concerns among shareholders.

Image: Getty Images



"Kumar had championed Infosys Helix from his senior position at Infosys, lauding it as a next-generation 'challenger to the traditional platforms.' But Kumar's optimism and excitement for the Infosys Helix product suddenly changed in the spring of 2022. He began to withdraw support for Infosys Helix, declining requests for necessary resources, which delayed its completion by at least 18 months. In October 2022,

Kumar resigned from Infosys and, shortly thereafter, was announced as CTS's new Chief Executive Officer."

This paragraph from Infosys's counterclaim in a lawsuit against Cognizant in the U.S., directly pointing fingers at a CEO for unethical professional conduct by a former employee, is something rarely heard of. While, on paper, the lawsuits filed in a U.S. court between IT rivals Infosys and Cognizant may be about the misappropriation of trade secrets, contractual breaches, unfair competition, and antitrust practices, they have also brought to the fore matters of professional conduct and ethics in an IT services industry undergoing significant technological shifts.

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What Are Cognizant and Infosys Litigating, and Where Is It Headed?

The first salvo was fired by Cognizant's healthcare business, TriZetto, when it filed a case in August last year against Infosys in the U.S. District Court for the Northern District of Dallas, Texas. It sought a jury trial, damages, and injunctive relief for misappropriation of trade secrets, breach of contract, and unfair competition. In essence, Cognizant alleged that Infosys had breached several Non-Disclosure and Access Agreements (NDAAs) signed since 2018 and misappropriated information and access to the platform's proprietary software, including Facets® and QNXT™, to develop its own solution, 'Infosys Helix,' to compete with the company.

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In response, last week, Infosys filed a counterclaim lawsuit demanding a jury trial not just against Cognizant TriZetto but also its parent company, Cognizant Technology Solutions Corp. In the antitrust counterclaim, Infosys alleged that Cognizant's anti-competitive behaviour, including restrictive contractual obligations, had ensured that healthcare payers covering 65% of the U.S. insured population continued using Cognizant's outdated software and paying more for that software and related IT services, according to the suit. Infosys is seeking a permanent injunction prohibiting Cognizant from engaging in exclusionary acts, a declaration that Cognizant's NDAs with Infosys are invalid and unenforceable, and an award of three times the damages suffered, along with legal costs.

With a jury trial demand, this litigation is expected to be long-drawn. As Viral Mehta, Lead, M&A and Private Equity Practice at Nishith Desai Associates, points out, "Unfair competition cases between corporates typically result in protracted litigation, with both parties filing claims and counterclaims. Claimants often choose to file these cases in U.S. courts, as they are known for awarding substantial damages, including attorney fees."

A Look at Previous Legal Battles

This is not TriZetto's first legal battle over trade secrets. In 2015, the company was sued by a unit of Syntel (acquired by Atos in 2018), alleging that Cognizant's acquisition of TriZetto in 2014 was a breach of contract. Cognizant countersued Syntel for breach of contract, trade secret misappropriation, and copyright infringement. After nearly six years of litigation, a jury verdict in 2020 resulted in Cognizant and TriZetto being awarded over \$850 million in damages for theft of trade secrets. However, the district court later reduced the award to \$570 million. In May 2023, an appeals court upheld the trade secret misappropriation ruling but remanded the case to the District Court for further consideration of damages. The matter remains under litigation.

However, the current Cognizant vs. Infosys case is still in its early stages, far from determining allegations or awarding compensation. Mehta further adds, "Indian corporates view such long-drawn legal battles in foreign jurisdictions as costly and time-consuming. Additionally, they perceive them as posing a reputational risk that can impact their business relationships in those markets." For both parties in this case, it

will be crucial to establish monetary losses caused by the alleged actions of the other to secure any compensation.

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CXO Transitions and Ethics

Interestingly, in its countersuit, Infosys has named not just Cognizant CEO Ravi Kumar, the former head of delivery at Infosys, but also two other former senior executives— Shveta Arora, former SVP and Global Head of Consulting, and Ravi Kiran Kuchibhotla, former SVP and Head of Strategy— for allegedly causing delays and losses to the company.

“Kumar continued to ignore requests for additional engineering support for Infosys Helix in the spring of 2022, with the assistance of Arora and Kuchibhotla, cancelling meetings to discuss the issue, even though the lack of staffing had resulted in ‘a situation where the client is shaming us on the delays’ and concerns within Infosys that the client might cancel the contract due to these delays,” reads Paragraph 95 of the countersuit. Ravi Kumar left Infosys in October 2022 and replaced Brian Humphries as Cognizant CEO in January 2023.

While senior hires from competitors are common, this case could set a precedent for defining cooling-off periods for CXOs joining rival firms and the ethical considerations involved. Kamal Karanth, Co-Founder of Xpheno Executive Search, notes that in the current IT industry landscape, marked by global headwinds, policy uncertainties, ongoing geopolitical conflicts, and rising competition for contracts, growth can only be achieved by taking market share from competitors. He adds, “Senior talent moving between IT services firms brings new relationships and niche expertise along with them.”

In 2008, a similar case saw IBM sue its former top executive, Mark D. Papermaster, to prevent him from joining Apple, citing a non-compete clause. Although IBM secured an order preventing Papermaster from working at Apple, the dispute was later settled, allowing him to join Apple in April 2009 after a six-month legal hiatus.

More recently, Cognizant’s CFO, Jatin Dalal, was sued by his former employer Wipro for contractual violations days after leaving the company. Wipro sought ₹25 crore in damages, but an arbitrator-led settlement resulted in Dalal paying over ₹4 crore to Wipro, with Cognizant covering the related legal expenses.

Will Companies Adopt More Protectionist Measures?

Could such instances push companies to tighten employment restrictions? Ronesh Puri, MD of Executive Access, believes that non-compete clauses, while difficult to enforce legally, serve more as moral pressure than legal protection. However, he notes, “Cooling-off periods, notice periods, and golden handcuffs may become stricter.”

HR and legal teams at IT firms may now look at stronger safeguards to prevent the loss of top talent to competitors. Kamal Karanth explains, “Preventing talent from joining competitors is legally impossible, but companies can make hiring difficult through longer notice periods, financial penalties, cooling-off clauses, and anti-poaching agreements.”

For listed companies, allegations of ethical impropriety against a senior executive can raise serious governance concerns among shareholders. Shriram Subramanian, Founder and MD of InGovern, suggests that a company’s Board may commission an independent review to assess the allegations and determine necessary mitigation measures.

“The Board may institute an independent study to determine whether there is merit to the accusation and whether any mitigation measures need to be taken. The Board may try to determine whether it is a deliberate action on the part of the employees or was happenstance,” he says.

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