

The Hidden HR Compliance and Security Time Bomb

Litigation, Lawsuits, and the Rising Risks in ATS and CRM Systems

Executive Summary

- AI-driven hiring tools are exposing blue-chip employers to unprecedented litigation risk from bias and discrimination claims.
- Fake résumés and identity fraud are becoming a major cybersecurity threat, infiltrating HR systems, and national security networks.
- High-profile lawsuits such as *Mobley v. Workday* (see below) show regulators and plaintiffs targeting both employers and technology vendors.
- Reputation, regulatory exposure, and data security now intersect in HR creating a perfect storm for compliance teams.
- Action is urgent: conduct independent audits, strengthen vendor oversight, and embed ethical AI governance before regulators intervene.

The Emerging Crisis: Bias and Cybersecurity Risk

HR and talent acquisition leaders face a dual challenge ensuring fairness in hiring while defending against digital threats. AI-powered recruitment systems promise efficiency, but often embed unintended bias, leading to discriminatory outcomes that breach equality laws. Meanwhile, fake résumés are surging, carrying malware, or phishing links that infiltrate ATS and CRM platforms.

Together, these risks undermine trust, expose sensitive data, and threaten operational integrity creating a new category of HR cybersecurity vulnerability.

Evidence in Action: The Workday Lawsuit

The *Mobley v. Workday* class action (2024–2025) has become a landmark in AI bias litigation. Plaintiff Derek Mobley and others allege that Workday’s screening algorithms discriminated based on race, age, and disability disproportionately rejecting older and minority applicants.

- **Data Bias:** Skewed training datasets reinforcing historical inequality.
- **Proxy Bias:** Education or postcode used as stand-ins for protected traits.
- **Algorithmic Bias:** Opaque scoring models and flawed logic.
- **Evaluation Bias:** Weighting ‘culture fit’ or subjective factors reflecting dominant norms. Although intentional discrimination was dismissed, the lawsuit exposes systemic issues. With 87% of large employers now using AI in hiring, compliance exposure is widespread.

The Rising Threat of Fraudulent Résumés

According to Gartner, c. 20% of CVs are fake. They predict it will reach 25% globally by 2028. These fraudulent résumés often contain embedded malware or AI-generated deception designed to infiltrate corporate systems.

A CNN investigation found that over 300 US companies unknowingly hired North Korean operatives using AI headshots and stolen identities. Such infiltrations have funded hostile regimes while breaching sensitive corporate networks.

Implications for Blue-Chip Employers

- Brand and Reputation: AI bias erodes trust and damages employer branding.
- Legal and Financial Exposure: Discrimination suits and data breaches drive multimillion-dollar settlements.
- Vendor Risk: Shared liability when third-party algorithms generate bias or security vulnerabilities.

2025 Litigation Landscape

- Harper v. Sirius XM Radio: Racial bias via proxy data in AI hiring.
- Aon Consulting: FTC complaint for deceptive 'bias-free' marketing claims.
- Intuit / HireVue: Accessibility discrimination during AI video screening.
- Mobley v. Workday: Certified age bias class action against AI screening algorithms.
- Epic Games: Union dispute over AI replacing human performers.

The Compliance Imperative

- Conduct independent AI bias audits and data validation checks.
- Deploy malware detection and fake résumé filtering for all HR systems.
- Demand algorithm transparency and fairness certification from vendors.
- Adopt ethical governance aligned with global AI and equality standards.
- Prepare legal and crisis response plans before litigation occurs.

A Call to Action

If your organisation uses AI-driven recruitment or ATS/CRM platforms, and would like to know how SmartSifty's AI Risk & Compliance engine can help you become compliant with the EU AI ACT please feel free to contact me. **Gary Hudson Founder, gary@aicvsifter.com or book a slot here <https://calendly.com/gary-aicvsifter/30min?month=2025-10>**

Protect your reputation. Strengthen your compliance. Turn risk into readiness.