

PAY TV PIRACY

Free to air: dirty tricks for all to see

From page 13

Deubel to be arrested in Thailand. He was thrown into prison for attempting to monitor the local UBC pay TV broadcaster, which used Mindport's Irdeto.

Just five weeks after engineering an arrest for piracy in Thailand, Avigail Gutman was planning to use Australian hackers to promote piracy in neighbouring Malaysia.

In a 2008 court case in California brought by EchoStar against NDS, Reuven Hasak cited the MadMax operation as an example of how NDS Operational Security would help its competitors.

But in December 1999, Ray Adams had painted a different view: the only assistance Operational Security had given Mindport was the Bangkok operation.

"That was done primarily as Avigail feared that MM was about to become a threat to NDS products in Australia. We are withdrawing from assisting them."

Gutman herself wrote: "Rest assured we are NOT doing any joint action with Irdeto in OZ. This would clash with our business interests (we are currently negotiating a simulcrypt solution for the satellite and the digital-cable there, and other broadcasters might show interest, too. Mindport are not aware of this yet, as far as I know.)"

Double dealings

Thus while Irdeto believed they were collaborating with NDS Operational Security to stop piracy in Australia, Gutman was now working to replace Irdeto with an NDS card used by StarTV in Hong Kong.

The conflict came to a head in London with a meeting on October 13, 1999 between Ray Adams and Irdeto's vice president Special Project, Andrew Curle, and a former Dutch policeman, Steven Kuster. ("The man is very keen but a bit of an amateur," Adams wrote later of Kuster.)

Curle and Kuster had identified Bond 007 (Cottle) in Sydney as the biggest hacking threat to Irdeto cards used by Foxtel, Austar and Optus. Adams deflected them and persuaded Curle to leave the matter in Gutman's hands.

Gutman wrote to Adams that Reuven Hasak had told her to postpone any joint action ("I am concerned that it is premature to take Cottle out of the picture and we don't stand to benefit from such an operation at this stage.")

Later she would tell Curle was that "it is premature, in our opinion" to move against Cottle, as there was more to gain from keeping an eye on him.

It should be noted that under Australian law at the time, none of the hacking or piracy of smartcards that took place was illegal.

Making things even more difficult for Operational Security, while Bond 007 was working on Irdeto piracy, he was also working on a hack for the Star TV digital system. That card, which NDS hoped to use with Foxtel, had already been widely pirated in Latin America. Any report that StarTV was pirated could torpedo the deal NDS was working on with Foxtel.

"StarTV is not in the loop on the issue at this stage," Gutman wrote on October 20. But she was working on a plan.

"The objective of any current



Lee Gibling ran thoi.com, but it was funded and supervised by Operational Security.

Photo: PANORAMA

action would be to eliminate Cottle as a threat to any NDS systems but without disturbing his other hacking activities (as much as possible) ... We do not want Cottle in jail until he has a successor for the Irdeto hack."

While Operational Security was assuring Curle at Irdeto that it was in his best interest not to move against Cottle, Gutman was focused on the need for Cottle to produce a new hack of Irdeto.

Two days later the plan had taken shape. "Remember you sent me the Malaysian Astro (Seca) system? ... I would like to use it in Oz (to divert their attention away from our system)," Gutman wrote to Adams.

He had sent Gutman a pirate device for the Malaysian Astro pay TV service operated by MEASAT. It used another conditional access system called Seca, produced by Canal Plus.

Gutman was now proposing to send the Astro pirate box to Bond 007 to distract him from working on pirating StarTV.

"BUT—before I do—I want to make sure with you that there is nothing about the box or card that can trace it back to us . . . is there?"

Adams was agreeable. Gutman wrote again on October 23: "Why don't we give it a shot. I can supply it to cottle and his merry men . . . Double benefit - 1) diversion from the NDS systems 2) verification of the secas hack in Asia."

These two emails by Gutman were exhibits in the 2008 EchoStar case in California. Cottle told the *Financial Review* he had no knowledge of the emails: "I never had any dealings with anyone and certainly never been contacted by anyone and it's news to me I am mentioned in any documents, court or otherwise."

When shown further emails that he had posted on Thoi.com, Cottle declined to make further comment.

On Monday the *Financial Review* made contact again with Cottle, on the outskirts of Sydney, where he denied having any role in the hacking of pay TV smart cards.

"Good luck to them proving it because I was never involved [in hacking]," he said. "I was not involved with that [hacking cards]."

Cottle confirmed a friend had provided him with a Star TV box, which he had used to watch news channels, but he had not hacked it.

He denied receiving an Astro box. In his 2008 court testimony, Reuven Hasak described Gutman as his "right hand" in Operational Security, but said the Astro plan was never executed.

"I wanted to tell you that maybe — I just wanted to say that maybe it

NEWS CORP

Arthur Siskind ▶
News legal counsel,
part of Office of
Chairman, NDS
director



Genie Gavenchak ▶
Senior News lawyer
reporting to Siskind



David DeVoe ▶
News CFO, NDS
director



Chase Carey ▶
Currently Chief
Operating Officer,
NDS director, was
News executive
overseeing NDS in
late 1990s



James Murdoch ▶
Deputy chief
operating officer,
NDS director
1999-2003,
2008-present



Lachlan Murdoch ▶
NDS director,
2002-05



was initiative of Ms Gutman," Hasak testified. "It was never approved." Such a move would have needed his approval and he had never given it.

Business opportunity

Yet the emails show Gutman continued to act as if her scheme to get the Astro Seca box to Bond 007 was going ahead. "Fact is—the StarTV platform has all the holes of the Sky Latin America platform," she wrote on November 2. She was pressing for the loopholes to be closed "and once this happens, and their Ozies get their hands on a Seca box, it may delay their NDS projects."

On October 29, Cottle had received an email from "George Miller" (not his real name) in

Melbourne, who said he had been given Cottle's email address on Thoi.com by a business associate, "Scissors". "I have been led to believe there is a business opportunity for us to explore," George said.

"This is my guy," Gutman wrote when Adams obtained the email from Thoi.com. George and Scissors were both informants working for Gutman.

By November 19, George and Cottle had met and were exchanging smartcards. On November 22, George wrote to Cottle, "Scissors wants feedback on the system he has given you . . ."

Cottle wrote back: "Okay the receiver is of no use to us in Australia :(We need receivers capable of IRDETO."

George replied that Scissors had told him, "The system given to you works using MEASAT satellite to receive digital broadcasts from Malaysia . . . It is not Irdeto but SECA, which is also used in France, Spain and will be used in New Caledonia."

It should be a challenge to Cottle. For Scissors and Miller it was a fresh new business "with a large potential for income".

George ended with an urgent PS: "Please Bond don't let me down, I have given my associates a good impression of you. After all at the end of the day we are all in for the same reasons. \$\$\$\$\$\$\$\$\$\$\$"

Cottle wrote back: "Okay Measat, I will have a play on the weekend . . . We can do this and no problem in exploiting SECA and NDS Videoguard . . . You can market, sell and distribute as we discussed when you were here."

The content of the emails show Hasak's testimony about the plan to provide the Seca box to Cottle was not correct. It's puzzling that he could not recall it, because he was due to be in Australia and New Zealand with Gutman a week after these exchanges.

Throughout the 2008 EchoStar case Hasak testified on many points that he had memory problems. "One of my weak points is I don't remember. Sorry."

No further open reference to the Seca box can be found in the Operational Security emails as many were encrypted.

As this correspondence was going back and forth, Hasak had decided not to tell StarTV their system was under attack. Gutman wrote of a meeting with a StarTV exec: "I told Sue that she can/should forcefully deny any allegations of a Sky hack, should these come up."

Gutman was contemptuous of the skills of Australian hackers: "They

cannot produce a hack on their own - AT ALL!!! They are parasites of sorts, living off of recycled European know-how. But they are great at spreading hacks."

As for Cottle: "it is amazing that Bond thinks he's the only one in the world who can do it. As Andy (Coulthart) will tell you — this guy is unoriginal and incapable of achieving this on his own."

"But he is a master-organizer, a project manager of sorts, who has managed quite an infrastructure in OZ." By March 2000 Gutman reported that Bond's group was working on hacking European pirate cards for Irdeto, which could be reprogrammed to pirate Foxtel and Austar.

Delaying tactics

Gutman made arrangements with Adams to obtain 20 to 30 of the European cards for Cottle: "Blank would be great. But an assortment of both blank and loaded (no particular preference in country) would be nice, too."

Adams assured her he would obtain the cards from an Operational Security consultant.

"Much appreciated," Gutman wrote back. "The idea being, of course, to delay their attempts to tamper with our StarTV system."

By mid-2000 Gutman's relations with Irdeto were breaking down, as Foxtel Satellite moved to broadcast streams using NDS as well as Irdeto (known as simulcrypt).

But for Operational Security, the answer was to drop Irdeto completely.

"I met with NELL aka Mary-ellen Payne from Foxtel," Gutman wrote. "I explained the facts of life as far as piracy in concerned."

The problem was "the up-link satellite people want to keep Irdeto running. They say that Irdeto can fix the problem. We convinced Nell that they cannot fix it—and explained why."

"We do not want simulcrypt in our lives," Adams told Payne. ". . . Get rid of Irdeto and you get rid of piracy and the future threat."

Gutman complained to Adams on February 25, 2001 that Foxtel had not paid a penny for security in the years it had been an NDS customer, and said "but with the growing piracy down there, we will need them to start paying . . ."

She said Foxtel believed Irdeto was working on security for them, "which is ridiculous . . . occasional buys and 'boo' raids which are useless".

Two days later Telstra signed a contract worth \$937,500 for NDS to provide security for the Foxtel smartcards, when the number of subscribers was between 500,000 and 1 million.

This was on top of standard fees charged by NDS, which are believed to be up to \$15 per card per year.

Piracy peaked in 2002 with about 100,000 pirate cards in circulation, costing Austar and Foxtel an estimated \$50 million per year.

In 2003 Austar after writing off \$600 million in losses, switched to the Irdeto 2 card, which promised to end piracy. Fifteen months later, Foxtel was pleading with the federal government for tougher laws to stop pay TV piracy.

But by then piracy seemed to have become entrenched in Australia.

with Angus Grigg

■ Neil Chenoweth is writing a book, *Murdoch's Spies*