

Operational Security wished to disguise the source of the millions it paid its worldwide network of informants and undercover agents.

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The 500,000 to one chance

Dinner and a 'digital fingerprint'

The question is who knew how much about News Corp's secretive security operations, writes **Neil Chenoweth.**

Master hacker Oliver Koemmerling had been working for News Corporation's controversial technology arm NDS Ltd for three years, teaching the new "Black Hat" team of engineers how to deconstruct their competitors' technology, when NDS chief executive Abe Peled asked to meet him.

The dinner on December 1, 1999, in London was supposed to be about a new security device that Koemmerling wanted to develop with NDS – but Koemmerling had disturbing news for Peled.

What Koemmerling told Peled, and what followed, raises questions over what Peled and senior management at News Corp to whom Peled reported knew about claims that the Operational Security arm of NDS was promoting piracy.

Koemmerling, whose NDS codename was Alex, had led the NDS Black Hat team in a mammoth effort in 1998 when they reverse engineered the security smartcards used by all of NDS's major competitors, including the Seca smartcard made by Canal Plus.

In March 1999, part of the operating code for the Seca card was posted on a Canadian hackers' website called DR7.com.

To Koemmerling's horror, as he told Peled at the December 1999 dinner, he had recognised that the Seca code on DR7 had the same time and date stamp as the file he had produced in the NDS Haifa lab.

It was a digital fingerprint, as Koemmerling called it, linking NDS to the file.

Peled made no response. Earlier the head of Operational Security, Reuven Hasak, had told him that time stamps on files could be forged.

But as a former vice-president at IBM Peled would have known the odds against two files in a 12-month period being saved in the same minute were 500,000:1.

Worse news was to follow. Days later Ray Adams, the former Metropolitan Police commander who was now European chief for Operational Security, told Peled that Canal Plus had just begun a major investigation into NDS links to the file on the DR7 site. That investigation led two and a half years later to a \$1 billion lawsuit against NDS.

Emails retrieved from Adams' computer hard drive show that Hasak, who was away on a tour of Asia and Australia at the time, berated Adams when he returned "I want you to know, and as far as I recall, I acknowledged you in the past, that I keep Abe updated according to my best understanding and judgement..." Hasak wrote.

"I did not find it correctly [sic] to involve him in something which might embarrass him in the future. So, now as Abe is aware of the complication we have with Hannibal/Canal/Seca, I am going to have to talk about it in our coming meeting." (Hannibal was the code-name for another hacker, Jan Saggiori, who was helping Canal

The road to the office of chairman

Who's who in News Corporation

**NDS
board
directors**

News Corp executive overseeing NDS pre-Nov 1999
Chase Carey

(Various times)
James Murdoch
Deputy Chief Operating Officer

Lachlan Murdoch
Former Deputy Chief Operating Officer

Chase Carey
News Corp Chief Operating Officer

Arthur Siskind
News Corp General Counsel

David DeVoe
News Corp CFO



"These are property rights. These are basic property rights. There is no difference from going into a store and stealing a packet of pringles or a handbag, and stealing something online. Right? ... I think it's crazy frankly, people say, 'Oh, it's different, these kids, you know, these crazy kids'. No, punish them."



JAMES MURDOCH
On piracy in 2010

**Legal
ties**

- 1 International investigation of Michael Clinger fraud of NDS
- 2 Defence of 1997 EchoStar lawsuit
- 3 Order to reverse engineer EchoStar card for 'litigation purposes'
- 4 Lawsuit in 2000 targeting whistleblower Jan Saggiori
- 5 Defence of DirecTV lawsuits in 2001, 2002
- 6 Defence of Canal Plus lawsuit in 2002
- 7 Defence of EchoStar lawsuit in 2008

Arthur Siskind
Genie Gavenchak

Arthur Siskind

Unknown lawyer at News/NDS

Genie Gavenchak

Arthur Siskind
Genie Gavenchak

Arthur Siskind
Genie Gavenchak

Arthur Siskind

**Direct reports to
Rupert Murdoch**



Arthur Siskind
Genie Gavenchak

General Counsel, News Corporation, 1991 to 2004



Rupert Murdoch

Senior Vice President, Deputy General Counsel and Chief Ethics and Compliance

**Money
trails**

Payments to undercover hacker Chris Tarnovsky
1997-99 **Kesmai**
1999-02 **HarperCollins**

Payments to Italian hacker Linixone
2002-03 **News International**




Plus.) Peled was kept out of the loop on many Operational Security matters – he testified in 2008 that he did not know until five years later that the Black Hat team had prepared a manual, called the Headend Report, in October 1998 on how to make cards to pirate US satellite broadcaster EchoStar, for research purposes.

But thanks to Adams and Koemmerling, from December 1999 he knew of the Canal Plus investigation – and he knew that NDS appeared to be exposed.

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When Canal Plus lodged its \$1 billion lawsuit in 2002, seeking triple damages under the racketeering laws, NDS stock went into freefall.

According to testimony in the 2008 trial in which EchoStar sued NDS unsuccessfully for pirating its cards, Koemmerling spoke to Peled three times more in 2001 – at a dinner in London during the (northern) summer, in a brief telephone call in August, and at another London dinner in November.

Koemmerling told Peled that an American hacker employed by NDS,

Chris Tarnovsky, had admitted to Koemmerling that he had posted the Seca file on DR7 in 1999.

But while Peled knew of the serious allegations involving Hasak's Operational Security team, it's not clear whether he passed it on to anyone else in the senior ranks of News Corp.

Since 1992, the NDS board has included News Corp chief finance officer David DeVoe and (until his

So, now as Abe is aware of the complication we have with Hannibal/Canal/Seca

retirement in 2004) News Corp legal counsel Arthur Siskind.

From 1999, Chase Carey was the executive at the Office of the Chairman in New York who had oversight of NDS.

Peled reported to him directly when NDS was wholly owned by News. After the partial float of NDS in 1999, Peled reported to Carey as chairman of the board.

James Murdoch joined the NDS board after the float and remained on the board until 2003. He rejoined

NDS as a director in 2008.

Lachlan Murdoch was an NDS director from 2002 to 2005.

It was Rupert Murdoch who had approved the formation of what was then called News Datacom Research in Israel in 1988.

In 1992 it was Rupert Murdoch who convinced General Motors to use NDS smartcards to protect the DirecTV satellite operation it was about to launch. Meanwhile News Corp general counsel Arthur Siskind was heading efforts to buy out the 20 per cent stake in NDS owned by Michael Clinger, who had been NDS chief executive from 1990 to late 1991. Clinger had held that position despite there being an outstanding arrest warrant for him issued by US authorities in November 1990 for stock fraud.

In 1995 Siskind was called in to oversee the response when it became apparent that Clinger had been defrauding NDS. Siskind hired Hasak, a former Shin Bet deputy chief, to investigate.

News Corp deputy general counsel Genie Gavenchak was regularly called in to oversee NDS legal actions against pirates and in its difficult negotiations with DirecTV, a major client of NDS payTV security services.

In the 2008 EchoStar case, NDS stated that it had reverse engineered the EchoStar's Nagra smartcard "for

litigation purposes" but did not identify who had ordered the card to be hacked. At the time, EchoStar was suing News Corp for pulling out of a proposed merger of its satellite operation. EchoStar chief Charlie Ergen had fallen out with Murdoch over Ergen's refusal to use NDS smartcards for security.

NDS finances were closely tied to the Office of the Chairman as well.

Operational Security wished to disguise the source of the millions of dollars that it paid to its worldwide network of informants and undercover agents.

It did this by setting up payments through other arms of News Corp.

Chris Tarnovsky, the former US Army hacker who was secretly relocated to southern California when he became a full-time NDS employee in July 1997, was initially employed by Kesmai Corporation, an online games company that News had acquired, producing games such as Kesmai and Need For Speed.

After News sold Kesmai in 1999, Tarnovsky became an employee of HarperCollins, the News book publisher.

And in an Italian criminal case now under way in Sicily, a hacker who is accused of pirating another Canal Plus card used by News Corp's Sky Italia was on a monthly retainer, which was paid via bank transfers from News International.