# NDS completely rejects the allegations made by The Australian Financial Review.

Michael Stutchbury
Editor-in-Chief
The Australian Financial Review

March 29, 2012

Dear Mr. Stutchbury:

Despite claiming to have been investigating the issues for four years, it is already apparent that your several recent articles accusing NDS of promoting and facilitating piracy are based on gross mischaracterisations of the evidence.

Purportedly relying primarily on emails stolen from NDS, you consistently misrepresent NDS' fight against piracy and its efforts to protect the investments of its clients and the content they carry. You repeatedly mischaracterise communications about third party pirate devices to suggest that NDS was responsible for those devices. You further mischaracterise NDS emails to suggest that NDS encouraged piracy of competitor systems while ignoring evidence that NDS was responsible for bringing to justice the sources of that piracy. And you accuse NDS of bringing baseless enforcement actions, despite overwhelming, publicly-available evidence that those enforcement actions targeted admitted pirates and hackers and resulted in important court orders that serve to prevent future piracy. These myriad failures serve to create an impression in your readers that is false, misleading and deeply damaging to my company and our sister company News Corporation. We demand that you retract these allegations immediately.

For example, in the article "Pay TV Piracy Hits News," the context, meaning, and even actual text of emails about piracy in Australia is critically misrepresented. The article falsely claims that in one email Avigail Gutman, NDS' head of security issues in Asia (including Australia), proposed to "sell [an] Operational Security pirate card before the real pirate card could be distributed." In fact, the email describes how an NDS informant provided NDS with software from a pirate outfit known as the Millennium Group that could create pirate Irdeto cards. Contrary to the article's suggestion that NDS planned to sell its own version of the pirated cards, Gutman merely discusses the possible effect of pirates releasing the cards before NDS could provide evidence of the existence of the hack to third parties, presumably including Irdeto. There is absolutely no indication in the email that NDS or any of its employees intended to introduce their own hacked Irdeto cards to the public, nor is there any evidence that such a hack was ever introduced.

NDS was then responsible for ending this piracy threat to Irdeto's system. NDS was instrumental in the capture and criminal prosecution of Rolf Deubel, the hacker whose Millennium Group created the Irdeto hack that had been provided to Gutman's informant. Your article mentions this essential fact, but it fails to acknowledge how this event utterly disproves the earlier allegation that NDS sought to pirate a competitor system.

In a shocking manipulation of the evidence, you again misrepresent discussions about third-party piracy as suggesting NDS' creation of that piracy. In the same article, you assert that Andy Coulthurst emailed Ms. Gutman claiming "Hacking Irdeto is SO EASY" and use this as evidence that NDS participated in hacking Irdeto. That is not, however, what the email says. It says "The hack on Irdeto is SO EASY." Mr. Coulthurst is discussing a hack by third-party pirates that NDS has discovered and analysed as part of its legitimate anti-piracy activity. Mr. Coulthurst is not discussing a hack created by or authorised by NDS, as the article with its misleading, false quotation implies.

You further unfairly mischaracterise email evidence to accuse NDS of participating in Australian piracy in the "Hacker who got stung" and the discussion of David Cottle. You assert that David Cottle had a "complicated relationship with NDS" and "was encouraged by those working for NDS to hack into smartcards from a rival provider." Nothing about these statements is true or is supported by any of the various emails identified in your article. Mr. Cottle was active in Australia-related hacking and piracy. NDS thus closely monitored his activity, and the many emails referenced in your article document NDS' close observation of Cottle and the threat he posed. But NDS never had any relationship with Mr. Cottle, and no evidence suggests otherwise.

The same mischaracterisations appear in your other several stories about pirates and hackers outside Australia. For example, you similarly misuse information to make false claims about confessed hacker and pirate Jan Saggiori. Based on comments of security professionals, not lawyers, in "Whistleblower made to change his tune" you accuse NDS of bringing a baseless lawsuit against Mr. Saggiori in the United States. But the lawsuit "mounted" against Jan Saggiori and others had a substantial basis: it sought to end a multi-national criminal conspiracy attacking DirecTV and NDS. Jan Saggiori eventually admitted his role in that plot, and DirecTV and NDS obtained a permanent injunction in that lawsuit.

In another unacceptable mischaracterisation of the evidence, you accuse NDS of improperly attempting to manipulate a competitor into falsely believing that Mr. Saggiori was "a bullshitter and a person on a personal vendetta." But the full text of the email makes clear that NDS only sought to expose the truth, to allow the competitor to see Mr. Saggiori "for what he is." Mr. Saggiori is an admitted pirate who under cross-examination openly confessed hacking several NDS pay-TV card systems.

There is no excuse for your repeated failures to tell your readers the truth. The truth is that NDS is a leader in the fight against piracy. And the truth is that NDS has assisted law enforcement agencies around the globe in bringing to justice many of the pirates your articles falsely portray as victims.

We demand that you immediately retract your allegations to the contrary. We further demand immediate publication by AFR of this letter with the same prominence given the original allegations.

Sincerely,

Abe Peled

Executive Chairman
NDS Group Ltd.