



**ÆGIS** journal

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**AEGIS journal**, in conjunction with  
The Center for the Study of Law, Science, and Technology,  
Sandra Day O'Connor College of Law at Arizona State University  
and  
The OPSEC Professionals Society  
will be hosting its two-day **Critical Information and IP Conference:**  
Identification, Valuation, and Protection of Critical Information and Intellectual Property  
For Directors, Finance Officers, and Counsel  
At Arizona State University in Tempe, Arizona, **2-3 October 2007**  
For information, contact us at [conference@aegisjournal.com](mailto:conference@aegisjournal.com)

## 1. Asset Location and Due Diligence — Death by ant

In an interesting case in China, a man was sentenced to death for a scam involving ant farms. Ants are used in traditional Chinese medicine and, as is often the case with many medicines, can be pricey. Reflective of this, the ant breeding kits sold for \$1,300 USD. Since the kits cost the scammer \$25 USD, and he sold them to over 10,000, er, investors, there was a lot of money involved.

Why would someone pay \$1,300 for the kits? Because the buyers were projected to earn returns of 60%. Unfortunately, the investors ended up with a lot of ants and \$1,300 less than they started with.

As often happens in such cases, the money – some \$385 million according to the Associated Press report, though we question how 10,000 investors could invest this much at \$1,300 a pop, – has largely disappeared. Only \$1,280,000 has been recovered.

Besides the ringleader being sentenced to death, fifteen other managers were fined and sent to jail. With fifteen managers, this was obviously a large and relatively sophisticated scheme, with a lot of information floating about, so

you might be surprised so little was found, even if the reported loss was off by an order of magnitude. We aren't: Law enforcement is interested in successful prosecution. They do not do asset recovery. Courts do levy fines, but only rarely are they ever collected. It is up to the collective investors to hire fraud recovery experts to get the funds.

In all likelihood the funds will stay where they were put, and will either default to bank or stay with the lucky relatives.

## **2. OPSEC, Economic Espionage, and Competitive Intelligence — The two sides of IPCI loss**

In preparing for our October *Intellectual Property and Critical Information conference*, it has become clear that there are two sides to IPCI loss, of which only one seems to be widely understood and dealt-with, independent of regulatory demands.

The side that your company pays some attention to is violation of copyright, trademark, and patent. This makes sense, since, according to S 1984 IS, "The World Customs Organization estimates that up to seven percent of global trade is in counterfeit goods." While we couldn't find this figure on the WCO Web site, we have no reason to disbelieve it.

Seven percent is a lot of goods, and is a response to people's desire to get recognized goods – and the quality they represent – below market price. While in some cases there may be no substantial difference in quality – and sometimes no difference at all if the counterfeit is made after-hours in the same factory as the original, using the same parts – between the genuine article and the counterfeit, in other cases, such as counterfeit medicines, the counterfeit can leave you dead. (We are aware of one company using white lead to color fake medicine tablets.) In all cases it is theft, and money that should go into the pocket of the IP's owner goes into someone else's pocket.

While dealing with this difficult problem is not easy, it is straightforward in that you are talking about *stuff*, concrete objects. In this case, we can see and touch the property part of the intellectual property.

This not the case when it come to the second side, which is the intellectual part of intellectual property. If you sometimes need a technical expert to distinguish between the genuine article and the counterfeit, you can imagine how difficult it is to really say that someone else has made use of your idea in the manufacturing process. It is important to remember that intellectual property and critical information – IPCI – spans a wide possibility set, largely defined by the common factor that knowledge of the IPCI will give

competitors and adversaries an advantage. This, of course, covers a wide spectrum indeed.

Some of the information is obviously of value. Thus, imagine you develop a new, more cost effective, way of doing something, and one of your competitors acquires that process. How is this of value? Well, the first way is that it saves them development costs, as well as all of the costs of going down the wrong developmental paths. So now they can price their product more competitively than they would otherwise be able to do.

How does this work? In the simplest case, imagine that you spent \$50 million developing a process, and that your competitor acquires it. It doesn't matter if they get the process legitimately because you deliberately (albeit negligently) disclose the process and their competitive intelligence group puts together the several pieces of information you made public to get what is needed. Their CI group's consumed resources might have cost them \$80,000 to get the information. Or if people were blackmailed or suborned to get the information, and that payoffs cost \$80,000. However they acquire it, your competitor has \$50 million to devote to marketing that you don't have, because you spent it on R&D.

Alternatively, imagine that the revelation of critical information – the travel plans of the CEO of a company that does animal testing – makes it into the society page. And that because of this he is killed by an animal rights group. What is that likely to cost the company?

Simply because intangible assets are, by definition, not tangible, do not think that they are not worth actively protecting. As we have frequently mentioned, it is estimated that losses to U.S. companies from competitive intelligence, economic espionage, theft, and deliberate disclosure is in the \$300 billion range. So do keep in mind the intangible can still be real.

And for a better understanding of the identification, valuation, and protection of IPCI, we would strongly urge you to attend our conference.

### **3. Executive Protection — Password Safe**

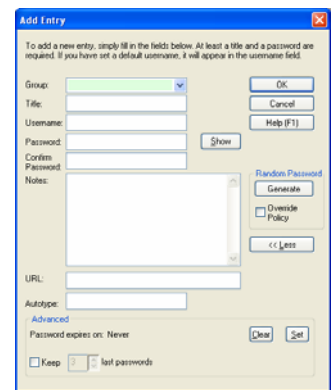
An issue that has become an increasing concern is the loss of data when laptops or hard drives are stolen. This is particularly of concern if the drive in question is a government computer that has lots of names, addresses, phone numbers, social security numbers, and other such.

We ourselves avoid this problem by a combination of tools. The first is using encryption with our e-mail program, The Bat! (see the January 2005

issue of **ÆGIS**) on our desktop and The Bat! Voyager (see the July 2006 issue of **ÆGIS**). Then we store all data on an encrypted virtual drive using Private Disk (see the November 2006 issue of **ÆGIS**). The third piece is storing passwords, for which we use Bruce Schneier's Password Safe.

Passwords are a tricky issue. On the one hand, you should have a different password for each program or access, and it should really be random, so that it can't be guessed or cracked using standard procedures. This is, at best, a pain in the neck (or lower), and so onerous that most people choose to either use one password (generally "god," "password," or someone's name) or simply write the passwords on a Post-It which is stuck on the monitor or under the keyboard. This is a less than ideal approach.

Password Safe eliminates the need for this. This free program, downloadable at <http://passwordsafe.sourceforge.net/>, gives you the ability to store entries, or groups of entries, including a group name (like travel, or credit cards), a title, a user name, a password, a URL, and notes. It will automatically generate passwords for you, based on several criteria. This means you can automatically generate passwords like "mcNL9y(H2}xa]0fGWrmg<Z}t" that we don't think can be discovered. If you have a standard user ID, it can automatically set that. This means that all you need to remember is one single strong, easy to remember but hard to guess phrase for Password Safe. Even if you recite a lot in public, most people wouldn't guess, for example, "The sun burns sere and the rain dishevels one gaunt bleak blossom of scentless breath."



Once you open Password Safe, you are saved a lot of effort. To enter a password on the Internet, for example, you go to the entry in Password Safe, click on the Browse to URL button, and place the cursor in the userid field. Then click on the Perform Autotype button, which will fill in the userid and password, and add a return so you are signed in. The autotype function can be customized for more complex situations.

Password Safe can be set to become inactive after a specified time, requiring re-entry of the password. This means you can't wander off, leaving your passwords exposed to anyone who walks by.

Password Safe is available for a number of platforms, and can be installed on portable drives with no calls to drivers that would require administrative privileges. This makes it ideal for travelers, and allows backup copies to be stored on-line for download as needed.

As always, be sure to back up the encrypted database. We consider Password Safe to be a must-have program.

#### **4. Technical Issues — Shooting under stress**

On Tuesday, 17 April 2007, we were attending the SureFire anti-terrorism symposium in New York City. During lunch, when attendees had their mobile phones briefly turned on, we got a call from ABC Channel 7, who wanted to know if they could send a team over to interview us, as experts on dealing with violence, about the tragic school shooting at Virginia Tech University. We declined, as it seemed to us that they were primarily interested in fanning the gun control versus armed-person-to-kill-the-crazy-person debate, rather than discussing what was, by any standard, a tragedy brought about by a mentally ill student.

While inappropriate there, it is not unreasonable to discuss the issue here.

In essence, those in favor of stricter gun control say that the United States has a high homicide rate compared to most of the rest of the world, and that if guns were available only to the government, our homicide rate would then be in line with that of more civilized countries in which guns were not readily available to normal citizens. On the surface this seems reasonable.

To test this, one merely has to eliminate gun homicides from the stats to see how this works in real life. While it is hard to come up with international homicide rates, we found one list of homicide rates for thirty-six countries. These included Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, England/Wales, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Ireland, Israel, Italy, Japan, Kuwait, Mauritius, Mexico, N. Ireland, Netherlands, New Zealand, Norway, Portugal, Scotland, Singapore, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, United States. In this list the United States had the sixth highest homicide rate. The only countries in the list that had higher homicide rates were Estonia, Brazil, Mexico, Taiwan, and Northern Ireland.

Let us assume that there were no gun homicides in the U.S. Where would the U.S. be in the list of thirty-six countries? When we eliminate all U.S. gun homicides, and based our homicide rate only on non-firearm homicides, the U.S. would fall to sixteenth, behind Estonia, Brazil, Mexico, Taiwan, and Northern Ireland, Argentina, Hungary, Finland, Portugal, Mauritius, Israel, Italy, Scotland, Canada, and Slovenia. However, even with NO gun homicides, the U.S. would still have a higher homicide rate than Australia, Singapore, South Korea, New Zealand, Belgium, England/Wales,

Switzerland, Sweden, Hong Kong, Denmark, Austria, Germany, Greece, France, Netherlands, Kuwait, Norway, Spain, Japan, and Ireland.

This, of course, assumes that all gun homicides are caused by the mere presence of the gun itself, and that none of the missing gun homicides would have become non-gun homicides. We would argue that this is an unreasonable presumption, and that some of the gun homicides would become non-gun homicides. The true non-gun homicide rate would put the U.S. better than sixth place, but worse than sixteenth. It also does not include homicides that don't take place because of the presence of a gun. Since it has been estimated that a gun is used in the U.S. once every thirteen seconds to stop a crime, it is not unreasonable to assume that at least some of these uses prevents a homicide, which would now occur. Thus, while removing all gun homicides from the statistics obviously improves the homicide rate, the bottom line appears to be that, with or without guns, the United States is more violent than at least two thirds of the rest of the world.

Now let us look at the other side, which claims that, had there been other people with guns at the scene, one of these would have shot the madman, greatly reducing the tragic loss of life. On the surface this seems reasonable.

In fact, however, people do in times of crisis what they have trained to do. Sad experience teaches us that the gun is not a magic talisman, and that if someone who has a gun has not given great thought to what he or she would do if shooting started, the great likelihood is that they will do nothing. In addition, shooting is a perishable fine motor skill, and fine motor skills disappear almost instantly under stress. Unless a shooter has been trained in some sort of point shooting, which requires only gross motor skills (see, for example <http://www.lubrinco.com/lgptsht.html>), and has given great thought (backed preferably by recent training) to how to react when shooting unexpectedly starts, there is a diminished likelihood that they will react appropriately and effectively.

By the bye, this holds true of non-gun reactions. In most tragedies of this sort there appear, in hindsight, to have been a number of opportunities for individuals, backed by other individuals, to have overwhelmed the attacker. As an example, if every student at Virginia tech had flung books, chairs, and desks at the madman it is likely that the incident would have ended with many fewer casualties. Unfortunately, this, too, pre-supposes that the victims have given prior thought to reacting appropriately in this kind of situation. However, without this forethought it is unlikely that anyone will react appropriately, or that others will appropriately support those who are

reacting appropriately. The untrained and mentally unprepared victims cannot and should not be blamed for this.

How about the theory that by having more armed people around you increase the potential madman's sense of uncertainty about the likelihood of there being another armed person on the scene, thus reducing the likelihood of their acting out? While this logic might well make sense when dealing with criminals, who act with their own best interests in mind, logic doesn't work with the insane. While there might be some internal logic to their actions, it is not our logic, nor is our logic theirs.

All in all, we consider that neither side really has much validity to their claims, and that some other solution needs to be sought. In fact some years ago we were concerned about this exact problem, and were convinced that we could help identify that tiny fraction of students who might present a real and present danger. We applied for several grants, but there was no interest unless our aim was to (depending on the foundation) either encourage more gun control or encourage less gun control. Since our goal had been to address the problem of violence, not to push the baseless philosophical agenda of one camp or the other, we chose to let the matter drop.

If you have an interest in dealing with violence, we suggest you look at our book, *The Seven Steps to Personal Safety*. *The Seven Steps* is widely considered to be the leading book for civilians on dealing with violence. The most current version (last updated 11 December 2006, with significantly more information than in the most recent published version) is available for free downloaded as an Acrobat file at <http://www.lubrinco.com/7steps.pdf>.

## **5. Real Stories from the Field — The romance of travel....**

Last month we were standing in the Airport Security Theater line for a purposeless inspection, and the person behind us plaintively asked, "What ever happened to the romance of travel...." The answer is that the romance of travel is alive and well. On AMTRAK.

This was brought home to us last week, when we unexpectedly had to go from New York to Los Angeles. Since we had been on four continents in the last month, we simply couldn't bear the thought of yet another exhausting air trip, and decided to go by train, instead. We took the Lakeshore Limited from New York to Chicago, then took the Southwest Chief to Los Angeles.

If you get a sleeper car, this is an extremely comfortable



and luxurious way to travel. Indeed, the only thing at we can think of that would be better would be to go by private rail car. (There were *two* private cars attached to the train coming back from L.A.!)

If you get a roomette, this trip would cost roughly \$1,300 for two people, which includes meals in the dining car. The roomettes are comfortable, but it is our belief that most travelers will actually spend most of their time between Chicago and Los Angeles (or wherever you are going on the trans-continental trains) in the observation car. (We hear that the northern route, to Oakland, is even more scenic). That said, if you have work to do, you will likely do it in the roomette, as the scenery is too distracting to do work in the observation deck. At least it was for us!

The staff is excellent. If you are on the Southwest Chief, you may be lucky enough to get Kimberly Brown's crew in the dining car. Kimberly Brown is a real professional who loves her job, and deals well with passengers. We like to think of ourselves as professionally forgettable, yet from the first time we gave a dinner reservation she remembered our name. And still remembered it when we ran into her in Union Station in Chicago hours after the train had arrived. This kind of thing always makes even the most jaded of us feel special. The conductors are excellent, and dealt very diplomatically and effectively with the rare troublesome passenger.

What if your kid wants to take the train and you aren't willing to spend the money for a sleeper car? Still do-able. A coach ticket from New York to Los Angeles costs about \$150. One can sleep in the reclining seats. (Bring a blanket: Amtrak provides little pillows). Some sleep on a bench in the observation car, or the café car. You have to pay for your meals in the dining car or the café car. There is no shower available as there would be if you had a sleeper, so think sponge bath (or unscented wipes) in one of the on-board dressing rooms /restrooms. Also, while there are there are four electrical outlets in the observation car, there may well be none in the coach cars, so be prepared to contend for a re-charge of your cell phone or laptop.

Is there a downside to train travel? Well, some people are ill-equipped to spend three days on a train going coast to coast, no matter how stunning the scenery. We ourselves don't have this problem, and are happy to leave the office at 3:30 on a Thursday afternoon to catch a 4pm train, and then step off the train at 7am on Sunday morning in L.A, refreshed and ready to go, because there is no train-lag with which to contend. Coming back we left on Sunday evening, arriving back Wednesday evening, with no post-travel recovery needed.

If you have a trip coming up that can be done by both train and plane, we would strongly urge you to try AMTRAK at least one way, and then make your own judgment.

## **6. Book and Product Reviews**

*First Choice Millennium Flex MF 8 Body Armor*

(We paid a show price of \$656.25 at TREXPO, but cannot find a retail price)

<http://www.firstchoicearmor.com/> 1-508-559-0777

We ourselves have traditionally worn level II A armor, which was sufficient to protect us from the majority of handguns carried by the 36,000 + people carrying guns here in Gotham, as well as most other places where we traveled. This was good, as level II A body armor is relatively comfortable, and, more important, sufficiently thin as to not be overly obvious.

Unfortunately, the level of threats requiring body armor has been on the rise. Without going through the logic of why there has been an escalation in threat level – we would have to go back to the Gun Control Act of 1968, and don't think readers really care – the fact is that police departments have been shifting from .38 caliber revolvers to higher velocity semi-automatics. This means that we who wear body armor have to now deal with the threat of these higher-velocity weapons. Which means that we have needed to move up to level II vests (save in some countries where the police use lower velocity ammunition).

We chose to replace our old level IIA vest with a Millennium Flex MF 8 Level II vest from First Choice Armor.

The good news is that the vest is comfortable to wear: We recently had occasion to wear it for three days straight, so this is fact, not theory.

The bad news is that by their very nature level II vests are more bulky than level IIA vests, since level II vests offer more protection than level IIA (threat level II is higher than IIA). This is a real problem for those of us who are, er, not large, though less of an issue for those who are larger than us. In practical terms, this means that while our level IIA vest in a T-shirt carrier went generally un-noticed, the new level II vest in standard carrier has been noticed with frightening frequency. This constitutes a risk for slim wearers, because it would allow an alert adversary to pre-plan a head shot, rather than the torso. This is, of course, more an issue for those of us providing protective services where we are dealing with conscious opponents, as opposed to those involved with the less-studied shootings associated with

crime. At some point we'll try the vest with a T-shirt carrier to see if this helps deal with the concealability issue.

In addition, when you move up to a level II vest you may need to get new clothing to cover it. At the moment we are having new custom shirts made to cover the vest, as the shirts we had made for the replaced IIA no longer fit. We are hoping that we won't need to get new with-vest suits and jackets to replace our existing with-vest clothing.

In the best of all possible worlds level II vests would be thinner, but this is not the best of all possible worlds. This issue aside, we think we made as good a choice as the state of the art allows.

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