
IN BYTES WE TRUST?

Why Digital Security and Privacy Matter

By Michael McKibben & Allen Stern with Forward by Professor of History Hy Berman

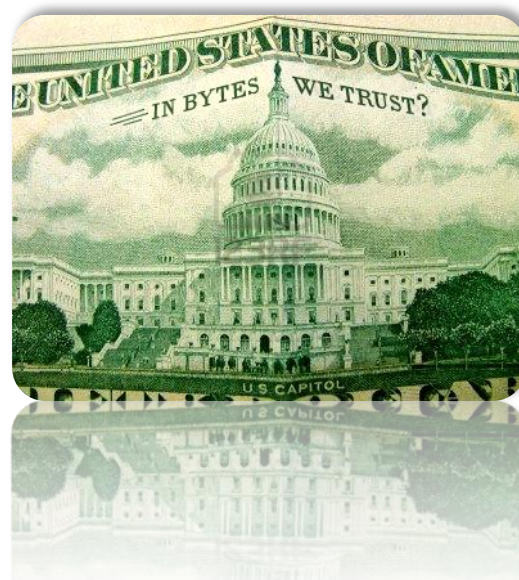
August 7, 2012

Facebook's founder Mark Zuckerberg believes privacy is no longer a "social norm."¹ An off record chat tweet by Facebook employee Nick Bilton confirmed this when he was asked "How does Zuck feel about privacy? Response: [laughter] He doesn't believe in it."²

A few months later, after attempting to soften the public uproar over privacy, Mr. Zuckerberg continued his drum beat for fewer privacy settings, saying that more "engagement" occurred when fewer privacy settings existed.³

Facebook's Orwellian Doublepeak on Privacy

George Orwell's novel *1984* introduced the maddening world of doublespeak where the bad were made to sound good.⁴ Facebook's definition of privacy is Orwellian, since protecting privacy is an impediment to "engagement," which is a euphemism for sharing private information. Sharing private information is Facebook's mechanism to generate advertising revenue.



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“READ THIS PAPER CAREFULLY, FOR IT IS A CAUTIONARY TALE.”

Late last summer Mike McKibben and Allen Stern had me read the paper they wrote laying out the case against Facebook for theft of Mike's intellectual property and the web of deceit and legal obfuscation that stood in the way of justice and redress of grievances. They spell out as well the foreign, particularly the Russian oligarchs', connection with Facebook financing and control. My first reaction was that their case is good, in light of the fact that a jury found that Facebook infringed on Leader's technology to create a social networking platform to make money. I also believed that their discussion of the threat to our privacy was somewhat exaggerated.

I looked into their claims by closely examining the content of Facebook and found that everything in Facebook's control is open to all and can be easily manipulated for political or commercial gain. The real and potential threats to our liberties are great. Manipulation for gain is already an achieved objective by the Facebook crowd, and the danger of personal information being used for nefarious purposes by unknown foreign partners with shadowy reputations is real. I no longer believe that Mike and Allen exaggerate.

As an American historian, I am particularly concerned by the implications of allowing powerful forces to violate intellectual property rights. Our economic and industrial development was made possible by inventors, innovators, scientist and engineers who developed the technology undergirding our national development. Through our patent and copyright protection system, these innovators were able to be rewarded for their efforts. If intellectual property theft by the powerful and well-connected is not stopped, future innovation is jeopardized. Read this paper carefully, for it is a cautionary tale.

I no longer believe that Mike and Allen exaggerate the threat. If anything, they understate it.

—Hy Berman, Professor Emeritus of History, University of Minnesota
Former Political Adviser to Vice President Hubert Humphrey

In Facebook's world, *more engagement* means *more revenue*. Is there a place in such a world for the dictionary definition of privacy—freedom from unauthorized intrusion?⁵ Privacy settings limit intrusion, and in Facebook's world, such settings limit access to advertising data that generates revenue. Why then, would Facebook give their 900 million users the unilateral ability to control Facebook's revenue? The truth is, they don't and never will. Instead, they will make users believe that they are secure, while all the while selling their users' data out the backdoor.

Facebook built its house on a foundation of theft of Leader's invention. It makes sense then that their security and privacy model is nothing more than a confidence trick to justify more theft.

So, your "friends" may not be able see your data, but the advertisers who gather in your virtual backyard can . . . and do. Why else do you see ads for *Dove* soap pop up while you and a fellow bird-lover discuss your mutual interest in *doves*? Do you think somebody bought access to Facebook user data on dove lovers? You bet. Was your privacy intruded upon during your chat about doves? For sure. The point here is that your words are being silently exploited .

In Facebook-speak, privacy is defined by our new Orwellian, Mr. Zuckerberg and the Facebook cabal.⁶

Privacy is the Freedom from Unauthorized Intrusion

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Technologists learned long ago that users are relatively clueless when it comes to managing privacy in the digital world. Trojan horses, bots, viruses, phishing, spear phishing, hidden keys, back doors, unauthorized access, and spoofing are just a few of the tools for violating the privacy of others.

The fact is, since computer software is nothing more than unseen bits flying through electronic chips, all this mischief is hidden, at least, that is, until it creates substantial damage, like stolen identities, unauthorized credit cards, system crashes, emotional distress, bullying, threats, confidence tricks, unfounded rumors, compromised power grids, stolen intellectual property, hijacked bank accounts, lost brand value and siphoned financial transaction streams.

Technology is neutral, but providers & users are moral beings with ethical choices

Digital privacy is currently largely a myth. We must choose to do better. The future value of our economies and human endeavors hangs in the balance. Providers must stop taking advantage of users just because those users don't know that their data is being compromised. Users must stop being so naive and gullible and start demanding provider accountability. By analogy, just

because your neighbor leaves his keys in the ignition, it does not give you the right to steal his car. A society devoid of citizens who freely make ethical choices is a society destined for history's trash heap.

Zuckerberg: "Privacy Anxiety"

Facebook, on the other hand, believes that privacy is simply an "anxiety" akin to a bad cold from which one eventually recovers. Such a notion has the tacit approval of at least 900 million Facebook users who, according to Facebook's founder Mark Zuckerberg, have changed their minds about privacy over time.⁷

Perhaps privacy is expendable when the subject matter is sophomoric titillation and kibitzing, but can this philosophy extend to valuable intellectual property, like an invention, or healthcare information, or a business plan? The answer is a resounding no, if one asks the International Chamber of Commerce about innovation.

Digital theft in the "free" social media space creates a ripple effect of negative consequences on society and economy. Using the International Chamber of Commerce "Rule of Thumb," every \$1 generated by stolen social media goods robs an additional \$14.3 in economic value from the social media economy.⁸

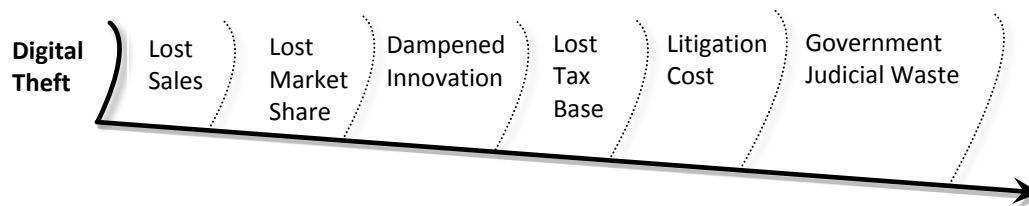


Figure 1: The ripple of negative effects of digital theft in the "free" social media industry.
\$1 stolen = \$14.3 lost economic value.

Contrary to Facebook's utilitarian worldview, the right to privacy is a basic human right that must be jealously guarded, not brutalized. The lessons of history are clear: whenever people come to view their neighbors as less than human—as mere consuming objects—then exploitation and oppression are just around the corner.

Facebook's Privacy Vision:

"We'll roll it out, and pretty often there'll be this backlash [about security and privacy], and people will say, ok, we don't like this new thing *** It's I think a real anxiety. People were really afraid of more people being able to be involved in the social network. People thought that, you know, it was just too much, right, they wanted to share stuff on the site but they didn't want it to be so much in people's face *** You know now it's just part of the site that I think most people in a way would be like 'What's going on? How can there be Facebook without this?'"

Abuse of Privacy—Tools of the Oppressive State

Europeans are much more sensitive to privacy issues. During World War II, they suffered unprecedented losses of life and property as the Nazi Party terrified “undesirable” groups including Jews, Gypsies, Poles, and homosexuals whom they documented with customary German precision, using then state-of-the-art IBM tabulating machines (early computers) to chronicle their work.

The Nazis were so pleased with the performance of their IBM equipment that in 1937 they awarded IBM’s founder, Thomas Watson, Sr., the Merit Cross of the German Eagle, “honoring

foreign nationals who have made themselves deserving of the German Reich.” Watson returned the award in 1940 because Adolf Hitler was working contrary to the causes of world peace and world trade. In this case “working contrary to the causes of world peace and world trade” were Orwellian euphemisms for exploitation of the privacy and human rights of the victims of Nazi brutality.⁹



Orwellianism in the former Soviet Union

Citizens of the former Soviet Union were especially fond of the Orwellian irony surrounding the Soviet concept of “equality:”

“We’re all equal. Some are just more equal than others.” (1984)

Communist pragmatism re-defined “equality” to legitimize their cabal of power elites whose existence contradicted theoretical socialism.



Orwellianism at Facebook

“Engagement” means “exploitation”

“Engagement” means revenue

“Privacy” means engagement inefficiency

Facebook’s pragmatism dictates that it re-define “privacy” to accommodate more revenue, and that it introduce the term “engagement” as the guiding principle of privacy policy.

Exploitation Means “Engagement” (Like, I mean, get over it, dude)

Facebook’s short history is one of exploitation. They began exploiting Leader’s platform invention in 2004—the platform running Facebook today.¹⁰ They exploited the ideas for a college online face-book directory from a gentleman from New Zealand by the name of David London, who invited Mark Zuckerberg and his roommates Dustin Moskowitz and Chris Hughes to help flesh out his idea.¹¹ Then, after surreptitiously acquiring Leader’s source code in October 2003,¹² they exploited the privacy of Harvard students¹³ by stealing their photos and other personal information.¹⁴ They violated the Harvard network security and privacy policies.¹⁵ They exploited the email of Harvard students and staff.¹⁶ They had no sooner gone public with their website, than Facebook began exploiting the U.S.

copyright laws in its efforts to protect its ill-gotten gain in a Machiavellian morality play using the very instruments of U.S. law meant to stop such behavior (“A few weeks after The Facebook launched * * * Mark [Zuckerberg] sent me a message informing me that I was infringing on his copyright. I was flabbergast [sic]).¹⁷

With such a legacy in mind, we return to the question: “Why does Facebook offer Privacy Settings?” The answer probably lies in the old saying “Fool me once, shame on you; fool me

twice, shame on me.” Facebook’s founder believed security was not a big deal and said so, while simultaneously leading users to believe their information was secured by various security and privacy account settings.¹⁸ These are Orwellian values at their finest. Indeed, Mr. Zuckerberg’s attitude is even more cavalier, stating at the e-G8 in Paris that Facebook users eventually accept whatever he does.

Facebook has issued numerous “security improvements,” yet continues to have well-publicized breaches of security and privacy where users’ data is shared and sold without their conscious permission or knowledge.

*Citizens of the former Soviet Union came to distrust everything their government wrote and said. The state newspaper PRAVDA is the Russian word for TRUTH, but was well-known to print anything but the truth—so much so that the Soviets joked that they were experts at “reading between the lines.”
The Soviet Union disintegrated in 1991.*

When Facebook is confronted by users about breaches of privacy, Facebook points to the user license agreement which specifically says **Facebook owns their data**.¹⁹ And what do the users do? They keep using Facebook. At this stage they get what they deserve and should stop whining about their privacy. The price of admission to using Facebook is giving up one’s data to anyone Facebook chooses—without the user’s knowledge or further consent. Citizens of the old Soviet Union paid a similar price for their citizenship. After 1917 and until about 1995 all land was owned by the Soviet state.



“I can manage my privacy”

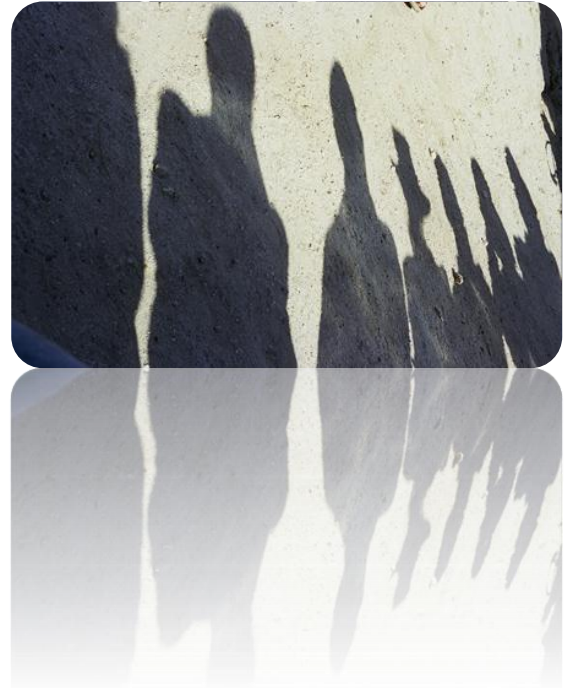
A common misconception among users of Facebook is that one can “manage” one’s privacy. Such a notion is dangerously naïve. Detectives learned (centuries before the internet) that one could learn a lot about a person by rooting around in their garbage. Literally. Things we think are harmless can hurt us. Law enforcement and intelligence call it “dumpster diving.”²⁰ Such information is so sensitive that in some countries dumpster diving is illegal. Our trash can reveal our buying habits, vices, problems, preferences, personal identity, friends, colleagues, health issues, family problems, medications, fears, weaknesses, vulnerabilities, strengths, drug use, etc. Likewise, our interactions on social media provide the same information as dumpster diving; it’s just that social media makes the gathering of this data much easier and enables simultaneous exploitation since, hypothetically, every internet user can access your data—which exacerbates their effects on our society.

For example, dating status. Drug pushers may try to exploit your mental state over a recent break up, especially if you are “friended” with some of their druggy-clients. Thieves will know by an innocuous-enough comment like “I’m at work now” that now might be a good time to rob your home. Better yet, thieves love vacation plans—this gives them plenty of time to rob you. Compromising party pictures, vulgar messages and political comments are golden opportunities for your enemies to use to try and ruin your job prospects or put doubt in prospective business partners about your professionalism. Innuendo regarding your data (even if untrue) can become uncontrollable quickly. The speed at which a half-truth can “go viral” makes even an innocuous

picture-post in one setting potentially destructive to one's profession in another. One teacher was fired by her principal when an anonymous tipster pointed him to a photo of her on vacation with two beers in her hands in a Facebook photo.²¹ All these examples show why privacy is difficult to “manage” when posted in a one-size-fits-all social media environment like Facebook.

The Shadow You

The new Facebook face-recognition feature and Facebook new “shadow profiles” makes anonymity virtually impossible. You may have a Facebook profile and not even know it. Facebook denies this, but few pundits believe their denials. It is virtually certain that if Facebook is not doing this within the borders of the United States, they're building the database somewhere, like in India or Russia. Here's how easy a shadow profile is to build. Let's say a friend of yours posts an innocuous photo of herself with your family at your son's commencement. Being the gregarious person she is, she “tags” the photo identifying each person, including you who have never signed up for Facebook. *Voila!* That one tag of you in a photo triggers a photo inspection program behind the scenes that checks if you are a user. If not, *Voila again!* A shadow profile is created associated with your photo. Facebook then roams the planet looking for other photos of you. *Voila yet again!* Now you have shadow friends associated with the shadow you. It goes on. Now, using all these associations, Facebook begins to assemble a demographic profile about you. Just like centuries-old dumpster diving, the profile on you becomes very accurate, very quickly.



Even our political process has already been compromised. A current Minnesota politician claims that he is mining Facebook data to alter elections. He says that he can prove quantitatively that his work led to the defeat of multiple candidates. His work can be viewed as effective local pilot tests, and will likely be expanded to state and national levels. The implications for the electoral process, a foundational element of our society, are significant.

Freedom from unauthorized intrusion—Leader technology

Facebook's theft and infringement of Leader's technology (just as it was coming off the drawing board) created this industry dilemma via massive, well-funded counterfeiting. Leader invented a whole technology, but Facebook grabbed only the unsecured portions needed to create advertising dollars. As a result, an incomplete social networking platform was offered.

Leader designed a social environment that would give you as the user the best of both worlds—both openness and control of your own privacy. In any given day, a person's information sharing privacy needs vary. A complete collaboration tool should be able to adapt to those

varying needs. Facebook, on the other hand, offers a one-size-fits-all approach—and offers a utilitarian “engagement” philosophy to justify its all or nothing advertising revenue model.

For example, consider this use case of a typical day in the life of a small business owner:

Activity	Information sharing privacy requirement	Facebook apps	Leader apps
Child’s school schedule	Private		X
Doctor’s appointment	Private		X
Baseball game schedule	Open	X	X
Community events	Open	X	X
Work product development project A	Private, Select Group		X
Work product development project B	Private, Select Group		X
Marketing trade show booth	Open	X	X
Family events	Private, Small Group		X
Banking	Private		X
Online poker game	Open	X	X
Audio conferencing	Private, Select Group		X
Vendor management	Private, Select Group		X
Dinner ordering	Open	X	X
Home remodeling project	Private, Select Group		X

Table 1: Leade digital collaboration tool must accommodate various privacy needs seamlessly

In addition to the flexibility of appropriately controlling privacy to the subject, Leader apps will offer: (1) risk sharing, and (2) enhanced “courier” and “armored car” security levels.

When a social networking site depends upon retail advertisers paying for access to the user’s data for targeted advertising, the desire to maintain access to user data makes sense. But Mr. Zuckerberg’s attempts at social commentary on “openness” and “engagement” ring hollow when considering that he is a self-confessed hacker²² and thief who, when confronted with his theft of student photos at Harvard, waved it off as overblown,²³ and almost ten years later says we’ll get over his bad behavior and come to accept it.²⁴

Personal Privacy is a Hallmark of Democracy

History teaches us that respect for personal privacy is a hallmark of democracy. Facebook’s quest for advertising dollars—powered by unfettered access to user data—makes the age-old moral compromise that eventually leads to oppression. When one person ceases to respect the personal privacy of another, this accommodation is the slippery slope to exploitation. Once a target’s privacy has been breached, then the rest of their property is fair game as well. History’s victims of oppression shout out to us that such disrespect of the human person eventually leads to Auschwitz, Dachau, the killing fields of Cambodia, the mass starvation of the Ukraine, the Cherokee Trail of Tears, Bosnian ethnic cleansing, the Gulag Archipelago, Saddam’s mass graves, and genocide in Rwanda.

Openness and transparency by choice is one thing. For this, Leader Technologies is pleased that its U.S. Patent No. 7, 139,761 invention has contributed to more openness around the globe.

However, the dividing line between what Leader invented and how Facebook is infringing its invention is *personal choice*. Facebook counters that its users *choose* to click “approve” to their lengthy user license agreements, so everything after that is fair game. While this may be true legally, is it appropriate morally? When have societies been able to thrive by looking to lawyers for moral advice? We should not exploit a user’s inability to understand the inner-workings of software and computers. Such exploitation creates distrust. Trust must be the coin of the digital realm in no less a solemn manner than was promulgated at the founding of America.

“Property must be sacred or liberty cannot exist.”

—John Adams

Private property rights are core beliefs that form the foundation of the United States. John Adams wrote:

*"[t]he moment that idea is admitted into society that property is not as sacred as the Laws of God, and that there is not a force of law and public justice to protect it, anarchy and tyranny commence. Property must be sacred or liberty cannot exist."*²⁵

The U.S. Constitution, in Article 1, Section 8 explicitly protects authors and inventors:

“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

More to “engagement” than titillation

No question, we’re in love with our stuff. Smart phones. iPods. GPS. Social media. Computers. Wii. World of Warcraft. You name it. We love it. Truth be told, perhaps some of us are addicted to it. A study of high school students by Case Western Reserve University presented to the American Public Health Association found a direct link between excessive time spent on social networking sites and texting to risky behaviors including smoking, sex, depression, eating disorders, drug and alcohol abuse, absenteeism, fighting, cyberbullying, missing school and sleeping in class.²⁶

On the flip side, technology has enabled us to accomplish many wonderful breakthroughs in healthcare, science and geopolitical communications.

Comparatively speaking, hacking, digital abuse and digital theft are much easier to get away with than classical thievery. It is all electronic and unseen and its inner-workings are little understood by most users. Digital thieves are modern day highwaymen for internet travelers. It’s time for the digital world to become civilized and start respecting the public trust.

Raising the Bar: Ethics, Balance, and Incentives

Digital privacy is a more ethical, more rational choice. Our user communities will never be able to see what programmers are doing with the code. It is up to the technology world to choose a higher standard, rather than simply do opportunistically what they can get away with.

Even though we could go out and steal our neighbor's vehicle, we don't. Why? Because we make the moral choice not to. Similarly, the technology world must grow up ethically. Just because one can hack into a person's server and steal their passwords and financial information does not mean they should.

The Nobel Prize winning work on game theory by University of Minnesota economist Leonid Hurwicz gives us useful guidance. The problem is that the incentives of the current social networking game are incorrectly placed. Users use an unsecure technology to enhance the number of their relationships, but are deceived by Facebook about the costs of enhancing potentially negative relationships. The simplistic incentives are to broaden the numbers of "friends" at the expense of privacy. In other words, this exploitation by Facebook of "connections" and "engagement" is at odds, from a privacy perspective, with many of the user's self-interests.

The solution includes placing incentives correctly based upon the user's understanding of the true costs associated with sharing; including knowledge of the potential harmful effects. This model assumes that users will make decisions to reduce their costs and that users do truly value privacy protection when they understand the unseen costs associated with loss of personal information and data.

Economic incentives are certainly necessary, but the most timeless incentive is the moral imperative to follow the admonition of The Ten Commandments, Exodus 20:15:²⁷

You shall not steal.

Secure Social sets higher standards

Leader's Secure Social API network plan will raise the bar on security and privacy assurance. It will reduce the odds of digital breaches and it will share the risk of digital transactions against data loss. Such risk sharing and risk management will not prevent all security breaches,²⁸ but it will give customers assurance of diligent policies, practices and procedures based on timeless moral principles.

* * *

Epilogue 1...on the heels of infringement (initial draft Jul. 20, 2011)

In a private transaction in May 2009, Russian investor Juri Milner, CEO of Digital Sky Technologies (DST), purchased 2% of the stock in Facebook from Facebook employees for \$200 million without asking for a board seat or any other special privileges.²⁹ Mr. Milner's associations with Facebook go back to the early 1990's when he assisted then-World Bank Chief Economist Lawrence Summers and current Facebook COO Cheryl Sandberg in orchestrating what has become the modern Russian oligarch system, where the assets of the former Soviet state were transferred to private individuals. Sixteen months after his initial Facebook investment, Milner increased his stake in Facebook to roughly 10% with an \$800 million investment, making him second only to James W. Breyer and Accel Partners LLP in holdings.³⁰

At the time of the first DST investment, Facebook's Mark Zuckerberg made this statement about Juri (also spelled Yury and Yuri) Milner:

"I was like, this guy is clearly smarter and more insightful and has more experience in what we are doing."³¹

According to *Fortune*, "Milner has become an unofficial [Russian] ambassador to the U.S. tech scene" and has arranged private tours for Accel Partners' Jim Breyer³² to visit the State Hermitage Museum in St. Petersburg. Goldman Sachs was one of DST's first investors, along with oligarch Alisher Asmanov. DST's Moscow and London employee base "reads like a Goldman Sachs (GS) alumni roster. Seventy percent of his staff came from the bank."³³

Fortune also stated:

"[H]e [Zuckerberg] turned to the Russian [Milner] for much of his thinking on Facebook's newly launched Facebook Credits,³⁴ a virtual currency system that could in time account for 20% to 30% of the company's revenues."³⁵

Milner's largest outside investor in DST is Russian oligarch Alisher Asmanov.³⁶ *Fortune* stated "[t]he origin of his wealth is not clear." *Forbes* lists him at #100 on their list of billionaires.³⁷ The former British Ambassador to Uzbekistan, Craig Murray, blogged that Mr. Asmanov maintains close ties to Russian Mafia as well as Russian State Security.³⁸ Perhaps such ties are an inevitable reality in "The New Russia," but they do beg the question of whether we're exporting hard-fought American values of respect for intellectual property (U.S. Constitution, Article 1, Section 8),³⁹ privacy and free enterprise, or importing digital street rule. (No Russian we speak with, even among the elites, is proud of the corruption endemic in their "new realities.") The Silicon Valley publication, *Gawker*, has published a "Field Guide to Alisher Asmanov" that raises disturbing questions about the agenda of Facebook's Credits' Moscow consultants.⁴⁰



Figure 2: Juri Milner, CEO, Digital Sky Technologies. Source: *Fortune*



Figure 3: DST's largest investor Alisher Asmanov. Source: *The Daily Telegraph*

The dramatic appearance of these larger-than-life Russian financiers; their flurry of defamation suits against bloggers internationally; their intimate association with Goldman Sachs and Facebook insiders; their 20+% stake in Facebook; Facebook's intransigence in not settling the *Leader v. Facebook* patent infringement lawsuit;⁴¹ Goldman Sachs' raising up to \$3 billion from private investors in a "Pre-IPO Supplement" during the pendency of the *Leader v. Facebook* lawsuit;⁴² and Juri Milner's 20-year World Bank associations with former Harvard President and Obama bailout director Lawrence Summers, and current Facebook COO Sheryl Sandberg, all point to many of the techniques used in "lawfare." This doesn't even begin to address the questions associated with Goldman Sachs' intimate connections to all things Russian-oligarchical, at the same time they were being bailed out by the American taxpayer.

"Lawfare, as used by the Soviet Union and Russian Federation, is the manipulation or exploitation of the international legal system to supplement military and political objectives. The Soviet Union and Russian Federation used these legal restrictions to supplement military strategy in an attempt, not to limit themselves, but to control other states legally, politically, and equally as important, publicly, through the use of propaganda."⁴³

When Goldman Sachs' representatives were asked in January 2011 by various U.S. investors why Goldman's Facebook prospectus did not disclose the *Leader v. Facebook* risks to investors, their questions went unanswered. However, only days later Goldman Sachs announced that it would no longer offer the Facebook opportunity to US investors, citing the 499 investor limit, but making no mention of well-known SEC risk disclosure requirements regarding *Leader v. Facebook*.⁴⁴

Juri Milner recently purchased the most expensive single family house ever sold in the United States—for \$100 million in Silicon Valley's Los Altos Hills.⁴⁵



Figure 4: Juri Milner's \$100 million mansion purchased in Silicon Valley's Los Altos Hills, CA on Mar. 31, 2011. Source: *Forbes*.

Epilogue 2... One Year Later (written Aug. 8, 2012)

Much has transpired in the twelve months since we first drafted this paper, and Historian Hy Berman's review. To summarize:

- On Nov. 29, 2011 Facebook was slapped with a 20-year sanction by the Federal Trade Commission for Privacy Violations.⁴⁶
- On March 14, 2012, former Goldman Sachs executive Greg Smith went public with the knowledge that Goldman regularly played on both sides of deals and called its clients "muppets."⁴⁷
- Goldman Sachs made up to a \$3 billion "Pre-IPO Supplement" unregulated sale of Facebook insider stock to Russian tycoon Juri Milner via his companies variously named Digital Sky Technologies and DST.⁴⁸

- Goldman Sachs was an early investor in Digital Sky Technologies based in Moscow, Russia.⁴⁹
- Former Bloomberg TV Reporter Donna Kline began an investigation of *Leader Technologies, Inc., v. Facebook, Inc.*, 08-cv-862-JJF-LPS (D.Del. 2008) and *Leader Tech v. Facebook*, Case No. 2011-1366 (Fed. Cir.).⁵⁰
- On Feb. 1, 2012 Facebook filed its S-1 and its intention to take the company public.⁵¹
- On Mar. 5, 2012 Leader and Facebook squared off in a hearing at the Federal Circuit Court of Appeals in Washington D.C. on *Leader v. Facebook*.⁵²
- Facebook's COO Sheryl Sandberg, Russian tycoon Juri Milner, and Former Clinton Treasury Secretary and Obama bailout director Larry Summers are found to have a twenty-year association that reaches back to the former Soviet Union when all three worked for the World Bank. At that time Summers and Milner were instrumental in advocating a "voucher" system that led to the formation of the current financial oligarchies in Russia, one of which owns perhaps up to 30% of Facebook.⁵³
- Former Treasury Secretary Summers emerged in Silicon Valley as "special adviser" to Facebook Director Marc Andreessen before the highly questionable \$1 billion Instagram purchase by Facebook, where at least Andreessen benefited on both sides of the deal.⁵⁴
- On May 8, 2012, the Federal Circuit handed down a decision that did nothing to address the issues of law in Leader's appeal; effectively handing Facebook a dubious victory that was custom-timed within hours of the launch of Facebook's IPO road show.⁵⁵
- Erskine Bowles sits on Facebook's and Morgan Stanley's Boards of Directors. Morgan Stanley was the lead Facebook IPO underwriter. Bowles was President Clinton's White House Chief of Staff 1996-1998. He was appointed by President Obama to be co-chair of the National Commission on Fiscal Responsibility and Reform. Also on this Commission is Alice Rivlin, who was formerly with The Brookings Institution where Lawrence Summers was a fellow in 2001.⁵⁶ Lawrence Summers became a special "adviser" to Facebook Director Marc Andreessen prior to Facebook's \$1 billion purchase of Instagram, in which Andreessen benefitted on both sides of the transaction.⁵⁷
- On May 18, 2012 Facebook went public and its stock price began dropping almost immediately.⁵⁸
- Also on May 18, 2012 a class action digital-privacy rights lawsuit seeking \$15 billion in damages or \$10,000 per member was filed against Facebook in California just as Facebook was going public.⁵⁹
- On the beginning of day three of the IPO, the insiders in Facebook, many of whom are discussed in this paper, sold off \$13.2 billion of their insider stock at \$37.58 per share.⁶⁰
- As of Aug. 2, 2012, dozens of shareholder class action lawsuits have been filed against Facebook, its underwriters and directors.⁶¹

The Orwellian nature of the Facebook crowd has been reinforced to the point where eminent American Historian Professor Hy Berman, an early reader of this paper, moved from skepticism to alarm at the cracks these circumstances are revealing in the very financial, cultural and moral foundations of America. We believe these are not partisan concerns.

Rather, **these are *American* concerns.**

—*Michael McKibben & Allen Stern*

A special thank you to History Professor Hy Berman for his assistance, editing and long view of the histories underlying these important societal matters.

NOTICE: This paper is the sole opinion of the authors. The information presented herein should not be relied upon as fact without independent verification and validation for which the authors accept no responsibility and make no representations or warranties. If you have any questions about the information and perspectives presented herein, please feel free to contact the authors.

About the Authors

Michael T. McKibben is chairman of Leader Technologies® which he founded in 1997 to develop and market software to provide better leadership communications to large and small enterprises, then as the innovations emerged, recognized the broader social applications of the inventions. This effort has led to the award of patents; U.S. Patent Nos. 7,139,761, 7,925,246 and 8,195,714 and additional patents pending to date. Part of the first round of intellectual properties emerging from this 145,000 man-hour and \$10 million research and development effort were stolen by Mark Zuckerberg and a group of well-funded Silicon Valley interests. Leader's inventions and code became the foundation for Facebook which launched several months later on Feb. 4, 2004—all without Leader's knowledge or permission. Interest in Leader's inventions quickly expanded among colleges and universities, and now totals over 1 billion users globally. Facebook's counterfeiting encouraged many other counterfeiters and created both interest in Leader's technology and confusion in the marketplace over the intellectual property rights. Therefore, Leader retrenched to await award of its patents and in the interim commercialized its audio conferencing and alerting innovations Leader Phone® and Leader Alert® which are currently supplied to customers in commerce, education, and government. In 2005 Leader's platform was the only working communications platform for the State of Louisiana following Hurricanes Katrina and Rita for life-saving and disaster recovery (ironically, at the same moment that Facebook was perfecting its theft of Leader's inventions). In a July 2010 federal patent infringement trial Facebook was found guilty on 11 of 11 counts of infringing Leader's patent. Facebook has lost two challenges to Leader's patent in reexamination at the U.S. Patent Office. Leader was recently awarded the patent on social apps. Prior to founding Leader, Mr. McKibben spent over ten years as a strategic management and productivity consultant with clients such as IBM, NCR, AT&T, Gillette, PaineWebber, The Bank Administration Institute, The Ohio State University, Chemical Abstracts, National Aerospace Plane Project, and Lennox Industries. He is a graduate in civil engineering from The Ohio State University and has authored numerous books and publications on leadership and management.

Allen Stern is the founder of AMAX Consulting. He was previously the founder of multiple successful management and technology consulting firms, including the region's largest privately held firm. His experience ranges from building start-ups to strategy for Global 50 and Fortune 500 corporations. He is the founder of Amax Consulting, Ambient Consulting, Abacus Group, Costello and Associates (Twin Cities). He served as C.O.O. of a successful small turn-around company, Engagement Manager and Systems Engineer for insurance clients at IBM, Assistant and Co-Director of the University of Minnesota Center for Economic Education, Director of the National Repository for Games and Simulations in Economics, President of the Minnesota Council for Social Studies, and Director of Breck School. He also taught a summer program in economics at Oxford University. He has hands-on experience with strategic and tactical planning, and has led many multimillion dollar projects. He has published articles in the fields of computer science, economics, history, education and diabetes. Mr. Stern earned B.S. and M.A. degrees from the University of Minnesota in education and economics. He was a Ph.D. candidate in economics and education at the University of Minnesota, and earned an IBM Masters in Insurance certificate at Georgia State University. Mr. Stern has served in leadership roles in numerous community activities including: Joseph's Coat, State of Minnesota Departments of Employment & Economic Development and Education, CaringBridge, Make-a-Wish Foundation, Indiana University-Sigma Alpha Mu fraternity, Little League Baseball, and Hopkins-Minnetonka Girls' Softball.

Professor Hy Berman has been Professor of History at the University of Minnesota since 1961, teaching primarily Labor History, Minnesota History and Twentieth Century US history. He received his Ph.D. at Columbia University and also studied at CCNY and NYU. He has taught at Brooklyn College and Michigan State University before coming to Minnesota. He served as visiting Professor at the University of California at Berkeley and in universities in Europe and Asia, including Nankai University in China, Osmania University in India, University of Amsterdam, University of Munich, and the Marie Curie University in Poland. He has written numerous scholarly books and articles in his field, but he is proudest of his work in attempting to make the latest historical scholarship available to the general public. This is accomplished by working with Public and Commercial TV outlets and the press. He is a regular commentator on the award winning public affairs KTCA program, Almanac, and has helped create ten historical documentaries. The most acclaimed of these documentaries has been the two programs done for KTCA—St. Paul’s Past and Minneapolis Past, as well as the documentary focusing on the Mille Lacs Band entitled Woodlands. He has written monthly columns for the St. Paul Pioneer Press on public affairs and history, but other duties have compelled him to discontinue this task. He has regularly contributed to the columns of the *Star-Tribune* as well as *The New York Times*, *Wall Street Journal*, *USA Today*, and the *Washington Post*. In 2001 he received the University of Minnesota’s Outstanding Community Service Award for his role as public Historian. He is Professor Emeritus since 2004 and recently published the new Minnesota history as a contribution to the people of the State for the State’s sesquicentennial in 2008. He has been awarded a Fulbright professorship and has served as expert witness in significant litigation. He served as adviser to U.S. Vice President Hubert Humphrey and is a close friend of former U.S. Vice President Walter Mondale.

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⁶ The members of the Facebook cabal are classified as those who received free stock and cushy business deals in return for favors and silences about Facebook’s origins from 2003 to the present time. It includes Michael Arrington, Wayne Chang, Joe Green, Aaron Greenspan, Dustin

Moskowitz, Chris Hughes, Cameron and Taylor Winklevoss, Mark Zuckerberg, Lisa Simpson, Ben Mezrich, Matt Cohler, David Kirkpatrick, Sean Eldridge, Sean Parker, Lawrence Summers, Marc Andreessen, Sheryl Sandberg, Stephen Dawson Haggarty, Reid Hoffman, James W. Breyer, Accel Partners, Peter Thiel, Jim Swartz, Ping Li, Samuel O'Rourke, Theodore Ulyot, Michael Rhodes, Heidi Keefe, Nicholas Carlson, David Ebersman, Christopher P. King (aka Christopher-Charles King), Juri Milner, Michael Arrington, Arielle Donna Zuckerberg, Mark Pincus, Fenwick & West LLP, Orrick LLP, White & Case LLP, Cooley Godward LLP and companies like Digital Sky Technologies, DST, Zynga and Groupon.

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⁸ Facebook is widely known to have garnered the lion's share of the "free" social networking advertising dollar. Therefore, it is reasonable to use Facebook's revenues to represent the 7%-of-total-industry-value counterfeit trade in the—free social networking. Put another way, using the 7% Rule of Thumb, the rational value of the social networking industry infringed by Facebook is 14.326 times larger than Facebook's revenues. See Report to Congressional Committees: Intellectual Property, Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods. *United States Government Accountability Office (GAO)*, Apr. 2010. GAO-10-423, p. 26. Last accessed May 31, 2011. <<http://www.gao.gov/new.items/d10423.pdf>>.

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¹² *Id.*, Item. 62,

¹³ "[Zuckerberg] I don't think privacy is that big of a deal * * * we just want to make something that will get as many people as possible involved." Aaron Greenspan, *Authoritas*, page 290, para. 2 through page 291, para. 9. 2008: Think Press. <<http://www.aarongreenspan.com/authoritas.html>>.

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¹⁹ “[Y]ou grant us a non-exclusive, transferable, sub-licensable, royalty-free, worldwide license to use any IP content that you post on or in connection with Facebook.” Statement of Rights and Responsibilities, Para. 2.1. Facebook. Last accessed Jun. 2, 2011. <<http://www.facebook.com/terms.php>>. Facebook’s license and privacy policy statements are convoluted with various caveats and exceptions. Bottom line is that Facebook can essentially do whatever they wish with your data. For example, even if you take down your Facebook page, if any of your information was shared anywhere, that information is exempt.

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American independence and signer of the Declaration of Independence in 1776, he was the second President of the United States (1797–1801). He was one of America’s most influential Founding Fathers. He wrote most of the Massachusetts Constitution that was used as a model for the American Constitution ten years later.

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³⁶ Mike McKibben notes a unique indirect connection with Alisher Asmanov. One of Mike’s daughters is a 2008 NCAA Fencing National Team Champion in the foil weapon for The Ohio State University who was and is coached by Ohio State coach and former Soviet National Team Coach Vladimir Nazlymov.¹¹ Coach Vladimir is a three-time Soviet Olympic Gold medal saber

fencer. He told Mike recently that Alisher Asmanov is a saber fencer who supports the Russian fencing program. Coincidentally, during the 1970's Mike worked closely with Russian composer Aleksandra Pakhmutova^[iii] who composed the music for the 1980 Moscow Summer Olympics where then Soviet saber fencer Vladimir Nazlymov won his last Gold medal. The music lyricized, arranged and recorded by Mike's wife and the group "Living Sound" who Mike directed in Europe was included by Pakhmutova on the official 1980 Moscow Summer Olympics film that featured Gold medalist Vladimir Nazlymov among them.^[iii] These events resulted in the televising of two Living Sound concert performances on Soviet television; perhaps the first and only American Gospel music group ever to appear on Soviet television during the Communist era.

Mike collaborated recently with Vladislav Eloyan, President of the Russian Traditional Karate Federation,^[iv] to tell Vladislav's grandfather Rotefan's story after they discovered that Rotefan and Mike's father-in-law Jerry Hoovler served briefly together in the 69th Infantry Division at the end of World War II. Rotefan was a just-released POW and Jerry was a rifleman in the famous "Meeting at the Elbe" between the American 69th Infantry Division and the Soviet 58th Guards; still celebrated on April 25th each year in Torgau, Germany. After the war, Rotefan returned home only to be imprisoned for five-and-a half years without trial by Stalin's secret police in the "Gulag Archipelago" labor and prison camp system, along with notables like Nobel Prize recipient Alexander Solzhenitsyn.^[v] Rotefan was eventually exonerated by Nikita Khrushchev, as was Solzhenitsyn. These courageous Russians show that not every Russian embraces the culture of theft and dishonesty.

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Recommended Citation:

Michael T. McKibben and Allen Stern. “In Bytes We Trust? Why Digital Security and Privacy Matter.” Leader Technologies, Inc. Aug. 7, 2012. Available from Leader.com <<http://www.leader.com/docs/in-bytes-we-trust-mckibben-stern-08012012.pdf>>.