

Hewlett-Packard spying scandal sheds new light on US corporate “ethics”

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The chairman and a half dozen other top officials have resigned or been fired at Hewlett-Packard, the biggest US personal computer and printer manufacturer, amid a scandal over illegal corporate spying that has unfolded over the past month.

The spying campaign, launched by H-P board Chairwoman Patricia Dunn in response to leaks to the press of internal corporate discussions, included surreptitiously obtaining the phone records of H-P board members and employees, surveillance of board members and journalists, and the emailing of spyware to journalists in an effort to learn the identity of their sources within the company.

Private telephone records on hundreds of cell and home telephones were obtained by a method called “pretexting,” in which investigators made repeated calls to telephone companies, pretending to be the individuals targeted, until they were able to convince a phone company employee to release the information.

California state authorities have begun an investigation into the spying program to determine whether criminal charges may be warranted. On Thursday, more than a dozen current and former H-P officials and employees appeared before a congressional subcommittee. Ten of them invoked their Fifth Amendment right against self-incrimination. H-P General Counsel Ann Baskins resigned her position only hours before the session and refused to testify.

Dunn, who resigned September 22, was the principal witness at the hearing and defended her conduct in the anti-leak campaign. She claimed to be unaware of the methods used by private investigators who obtained records on hundreds of phone numbers belonging to company directors, employees, their families and journalists.

Striking a posture of clueless naiveté that would seem to belie her position as a top executive at Barclay Global Services, a leading financial services firm, Dunn claimed that she thought anyone could obtain private telephone records on anyone else by simply calling the telephone service provider and asking for them.

The private investigators were hired through a series of

“cutouts” intended to allow the top corporate officials to plead ignorance of what was being done at their instigation. Dunn routed her instructions through Kevin Hunsaker, a senior attorney at H-P, who headed the secret spying campaign in his capacity as the company’s chief ethics officer.

Hunsaker relayed Dunn’s orders to Anthony Gentilucci, head of H-P’s global investigations unit, located in Boston, who assigned the job to Ronald DeLia of Security Outsourcing Solutions, a Boston firm specializing in such investigations for big companies.

DeLia further outsourced the dirty work to Action Research Group of Melbourne, Florida, which specializes in data brokering, which in turn hired subcontractors in Florida, Georgia, Colorado and Nebraska, who conducted the actual surveillance and obtained telephone records from Verizon and other telecommunications firms.

The spying campaign was touched off by a series of leaks from within the Hewlett-Packard board of directors, providing details of internal disputes over corporate strategy. H-P, the biggest company in Silicon Valley, has been in considerable difficulty since its controversial acquisition of a leading manufacturer of personal computers, Compaq. CEO Carly Fiorina was forced out in 2005. She was succeeded as CEO by Mark Hurd, former CEO of NCR, and as chairwoman of the board by Dunn.

The first stage of the internal leak investigation ended inconclusively in 2005, but the probe was revived in January 2006 after articles appeared on the Internet publication CNET and in the *New York Times* and *Wall Street Journal* providing details of corporate strategy and possible acquisitions that Dunn was convinced could only have come from board sources.

Dunn’s anti-leak investigation came to light only because her targets on the board of directors were themselves high-level corporate figures: George A. Keyworth II, longtime director of research at Los Alamos and chief science adviser to President Ronald Reagan, and Thomas J. Perkins, a billionaire Silicon Valley venture capitalist who resigned

from the H-P board last May in protest over the spying and in August made public the reasons for his departure.

The investigation included physical surveillance of Keyworth, his wife and two other directors and the acquisition of their telephone records, which were checked for phone calls to the journalists who were writing about the company. While press accounts differ as to the exact number, private information was obtained on as many as 300 separate telephone accounts, including cell phones, home phones and office phones for H-P directors, nine journalists, and several H-P employees, as well as their spouses and even children.

One internal company report described surveillance of Keyworth while he was giving a lecture at the University of Colorado, and at his home in Piedmont, California as well as at a second home in New Mexico. There was an attempt to get his laptop after it was stolen from him during a trip to Italy.

Other H-P internal reports discussed a proposal to plant spies in the guise of clerical or cleaning workers in the San Francisco offices of CNET and the *Wall Street Journal*.

Perhaps the most elaborate plan was a sting operation involving the creation of a dummy employee, codenamed “Jacob,” who was to become a source for CNET reporter Dawn Kawamoto, the journalist under the most intense surveillance. “Jacob” was to become an email tipster to CNET, and actually supplied Kawamoto with some valid inside information to establish his credibility.

Then the phony informant was to be used for a blatantly illegal purpose: he was to send Kawamoto an email with attached spyware that would install itself on the journalist’s computer and track every subsequent keystroke, thus giving H-P investigators a full view of everything she did.

The sting operation was approved not only by Dunn, but also by H-P CEO Mark Hurd, who has otherwise managed to escape being directly linked to the project. Hurd testified before the September 28 congressional hearing and admitted his role in approving the sting, which he said was legal.

Hurd could hardly have denied responsibility, since the House subcommittee was supplied with internal H-P documents including a PowerPoint presentation about the sting, delivered by Hunsaker to Dunn, and an email from Dunn to Hunsaker and Baskins, in which she said, referring to the information to be leaked to Kawamoto, “I spoke with Mark and he is on board with the plan.” Another email from Hunsaker to Dunn said, referring to the sting, “FYI, I spoke to Mark a few minutes ago and he is fine with both the concept and the content.”

The atmosphere inside the upper echelons of H-P is summed up in an email exchange between Hunsaker and Gentilucci, in which Hunsaker asked how the company’s

subcontractors were going about obtaining private phone records. Gentilucci wrote that pretexting “is on the edge, but above board. We use pretext interviews on a number of investigations to extract information and/or make covert purchases of stolen property, in a sense, all undercover operations.” Hunsaker’s response consisted of four words: “I shouldn’t have asked.”

Hewlett-Packard used both its technological and financial resources in the spy campaign. The company installed a special monitoring system to capture messages sent by company employees using AOL Instant Messaging, spying even on its own public relations employees—those hired specifically for the job of maintaining contact with the press.

The company spent well over a quarter-million dollars for the leak investigation between January and April of this year, for expenses ranging from physical surveillance (including an entry for “trash re-con of all areas”), background investigations of board members, their relatives, the targeted reporters, and numerous H-P employees.

None of the top executives who oversaw this massive invasion of privacy is likely to suffer much more than public embarrassment. General Counsel Baskins leaves the company with stock options valued at \$4.6 million as well as full retirement benefits. Chairman Dunn goes back to her lucrative post at Barclay’s. And CEO Hurd is still a Wall Street darling, since H-P’s stock has rocketed from the low \$20s to nearly \$37 a share in his two-year tenure.

If Dunn had confined her investigation to the journalists and H-P employees, and not stepped on the toes of a billionaire (Perkins), and a man with extensive industry and political connections (Keyworth), it is unlikely that the spying would ever have become public. Corporate spying on employees is generally legal in the United States, where workers give up virtually all their democratic rights as a condition of employment.

According to a recent survey by the American Management Association, reported by the *Los Angeles Times*, more than three quarters of all companies, 76 percent, monitor employee use of the web, and more than half store and review email messages and computer workstation files. More than half of surveyed companies also track phone numbers called and the duration of those calls, and half conduct video surveillance of their workforce. Another study found that 92 percent of all corporations conduct some form of secret spying on their employees.



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