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TECH

New Uber CEO Knew of Hack for Months

Dara Khosrowshahi learned of 2016 breach two weeks after taking post in September, but customers weren't told until this week



The data breach at Uber Technologies Inc. affected some 57 million accounts. Here, a pick-up point for the Uber car service at LaGuardia Airport in New York. PHOTO: SETH WENIG/ASSOCIATED PRESS

By Greg Bensinger and Robert McMillan

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While the massive data breach at Uber Technologies Inc. didn't happen under the watch of its new chief executive, more than two months elapsed before he notified affected customers and drivers of the incident, people familiar with the matter said.

CEO Dara Khosrowshahi learned of the breach, which Uber said happened in October 2016 and affected some 57 million accounts, about two weeks after he officially took the helm on Sept. 5, one of the people said. Mr. Khosrowshahi said he immediately ordered an investigation, which he wanted to complete before making the matter public.

About three weeks ago, though, Uber disclosed the investigation and the broad outlines of the breach to SoftBank Group Corp., which is considering a multibillion-dollar investment in the ride-hailing company, according to other people familiar with the matter. Uber officials, including its chief security officer, knew at the time of the breach that personal information had been accessed. Uber only informed customers and drivers on Tuesday.



Uber CEO Dara Khosrowshahi, shown at a meeting in Brazil last month, learned of the data breach about two weeks after he officially took the helm on Sept. 5, a person familiar with the matter said. PHOTO: ADRIANO MACHADO/REUTERS

Under way at the time of the disclosure to SoftBank was an investigation led by FireEye Inc.'s Mandiant forensics arm. Uber had to conduct multiple interviews with employees and others, as well as review accounts, to determine how many customers and drivers were impacted, one of the people said. The company disclosed the breach to the public only after it could put a firm number on how many accounts were affected and cut ties with two executives who it said mishandled the breach, this person said.

Uber disclosed on Tuesday that it paid hackers \$100,000 to destroy the stolen data and decided not to inform consumers or authorities. Those actions occurred under its former chief executive, Travis Kalanick, who resigned as CEO in June. He learned of the attack in November 2016 and authorized the payment, according to people familiar with the matter.

Several states, along with the Federal Trade Commission and at least three European government agencies, opened inquiries this week into why it took Uber more than a year to disclose the breach. Uber says it is cooperating with various government offices to discuss the matter. It isn't clear what penalties, if any, Uber may face.

Mr. Khosrowshahi was brought in to put a new face on the company after a year of scandals and legal setbacks. Uber has in the past faced criticism for putting its business interests ahead of its customers, including by using a since-discontinued software program that allowed employees to track customers' movements.

Other companies have been criticized for making disclosures of data breaches after shorter periods than the more than two months people familiar with the matter say Mr. Khosrowshahi allowed to elapse.

Equifax Inc., for example, was faulted by lawmakers last month for taking just under six weeks after learning of its own massive data breach to disclose it publicly. The hack compromised the personal information of more than 145 million consumers. Yahoo Inc. faced similar criticism for revealing it didn't promptly investigate a 2014 incident involving 500 million accounts. Both companies have said they reported the incidents as quickly as possible.

"In the U.S. today, most laws allow six to eight weeks for companies to notify regulators and consumers," said Bo Holland, the chief executive of AllClear ID Inc., a company that helps corporations respond to data breaches. Even companies that meet this standard can suffer tarnished reputations because consumers and investors expect a speedier response, he said in an email message.

"Equifax met the letter of the law, no one was happy with their response, and the executives and shareholders suffered the consequences," he said.

Because there are no federal laws on breach notification, incidents such as the Uber hack are covered by a patchwork of 48 state laws, the strongest of which require companies to notify consumers directly as soon as possible after personally identifiable information is compromised.

Uber is subject to these laws in states where it does business. Non-compliance with the laws exposes Uber to a range of state penalties and to consumer lawsuits.

"The provisions that allow for delay are not about getting your new management in order," said Deirdre Mulligan, a University of California, Berkeley, professor who served as an adviser to lawmakers during the creation of California's breach-notification law, which requires companies to notify consumers as soon as possible after a breach but doesn't specify a time period. The California Department of Justice declined to comment, citing its policy of not commenting on possible investigations.

Uber, which is based in San Francisco, said names, email addresses and phone numbers for millions of riders were accessed, as well as the driver's license numbers for about 600,000 drivers. The unauthorized access of those names and numbers would have triggered the requirement for such a disclosure in California, Ms. Mulligan said.

Uber said the investigation, for which it hired outside forensics experts, found no evidence that consumers' financial information was taken or that the personal information obtained was used to commit fraud, such as identity theft.

After being contacted by the hackers, Uber pushed them to join the company's "bug bounty" program, which pays people for information about flaws in the company's software, according to people familiar with the matter. The hackers agreed to join the program and Uber paid them the \$100,000. The company said it was assured by the hackers the stolen data was destroyed.

"You may be asking why we are just talking about this now, a year later," said Mr. Khosrowshahi in a blog post. "I had the same question, so I immediately asked for a thorough investigation of what happened and how we handled it."

The company didn't disclose publicly until this week that it had earlier notified SoftBank of the investigation.

"We informed SoftBank that we were investigating a data breach, consistent with our duty to disclose to a potential investor, even though our information at the time was preliminary and incomplete," Uber said in a statement Wednesday. "We also made clear that our forensic investigation was ongoing. However, once our internal inquiry concluded and we had a more complete understanding of the facts, we disclosed to regulators and our customers in a very public way."

Uber has been scrambling to shore up its investment deal with SoftBank, worth as much as \$10 billion, including at least \$1 billion that would go directly to Uber's coffers. But the process has been slowed by talks over the price at which SoftBank would offer to buy billions in shares from existing stakeholders, in a process known as a tender offer, according to people familiar with the matter.

Uber needed to disclose the breach to its customers and drivers before the tender offer because a breach of this size and scope could be considered material to investors, people familiar with the matter said, and could affect the price at which SoftBank offers to buy shares. SoftBank is expected to settle on a fixed price for the offer as soon as next week, people familiar with the matter say.

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