

Haley Dawn

From: Cameron Jon
Sent: Monday, January 12, 2004 9:27 AM
To: Ferguson Tom; Haley Dawn; Borchard Julie
Subject: FW: Adobe & the BEP

FYI - Article about the digital watermark

-----Original Message-----

From: Daniel.A.Littman@clev.frb.org [mailto:Daniel.A.Littman@clev.frb.org]
Sent: Sunday, January 11, 2004 6:09 AM
To: Stone Robert; Cameron Jon; Clarke Lenore; Dinunzio Lisa; Linda.Sawma@clev.frb.org;
Lisa.M.Vidacs@clev.frb.org; Mark.Mullinix@sf.frb.org; Michael.Lambert@frb.gov; Peggy.Korte@clev.frb.org;
Richard.P.Joesting@clev.frb.org; [REDACTED]
Subject: Adobe & the BEP

Adobe Helped Gov't Fight Counterfeiting
1/10 NewsDay Adobe Systems Inc. acknowledged Friday it quietly added technology to the world's best-known graphics software at the request of government regulators and international bankers to prevent consumers from making copies of the world's major currencies.

The unusual concession has angered scores of customers.

Adobe, the world's leading vendor for graphics software, said the secretive technology "would have minimal impact on honest customers." It generates a warning message when someone tries to make digital copies of some currencies.

The U.S. Federal Reserve and other organizations that worked on the technology said they could not disclose how it works and would not name which other software companies include it in their products. They cited concerns that counterfeiters would try to defeat it.

"We sort of knew this would come out eventually," Adobe spokesman Russell Brady said. "We can't really talk about the technology itself."

A Microsoft Corp. spokesman, Jim Desler, said the technology was not built into versions of its dominant Windows operating system.

Rival graphics software by Taiwan-based Ulead Systems Inc. also blocks customers from making copies of currency.

Experts said the decision by Adobe represents one of the rare occasions when the U.S. technology industry has agreed to include third-party software code into commercial products at the request of government and finance officials.

Adobe revealed it added the technology after a customer complained in an online support forum about mysterious behavior by the new \$649 "Photoshop CS" software when opening an image of a U.S. \$20 bill.

Kevin Connor, Adobe's product management director, said the company did not disclose the technology at the request of international bankers. He said Adobe may add the detection mechanism to its other products.

"The average consumer is never going to encounter this in their daily use," Connor said. "It just didn't seem like something meaningful to communicate."

Angry customers have flooded Adobe's Internet message boards with complaints about censorship and concerns over future restrictions on other types of images, such as copyrighted or adult material.

"I don't believe this. This shocks me," said Stephen M. Burns, president of the Photoshop users group in San Diego. "Artists don't like to be limited in what they can do with their tools. Let the U.S. government or whoever is involved deal with this, but don't take the powers of the government and place them into a commercial software package."

iv1030460 1 a g v 2 0 1 2

Connor said the company's decision to use the technology was "not a step down the road towards Adobe becoming Big Brother."

Adobe said the technology slows its software's performance "just a fraction of a second" and urged customers to report unexpected glitches. It said there may be room for improvement.

The technology was designed recently by the Central Bank Counterfeit Deterrence Group, a consortium of 27 central banks in the United States, England, Japan, Canada and across the European Union, where there already is a formal proposal to require all software companies to include similar anti-counterfeit technology.

"The industry has been very open to understanding the nature of the problem," said Richard Wall, the Bank of Canada's representative to the counterfeit deterrence group. "We're very happy with the response."

Some policy experts were divided on the technology. Bruce Schneier, an expert on security and privacy, praised the anti-counterfeit technology.

Another security expert, Gene Spafford of Purdue University, said Adobe should have notified its customers prominently. He wondered how closely Adobe was permitted to study the technology's inner-workings to ensure it was stable and performed as advertised.

"If I were the paranoid-conspiracy type, I would speculate that since it's not Adobe's software, what else is it doing?" Spafford said.