

Disney's earnings leak sprung from Goofy mistake

November 24 2010, By RYAN NAKASHIMA and JORDAN ROBERTSON , AP Business Writers

(AP) -- The Walt Disney Co.'s early release of its earnings report this month came down to a Dumbo move: The company made the information accessible through an easy-to-guess Web address.

Disney didn't plan on posting the link on its website until after the market closed. But a reporter at Bloomberg News found it with simple Internet sleuthing and reported results about a half-hour before the scheduled release, according to a person familiar with Bloomberg's practices. The person was not authorized to speak publicly and spoke on condition of anonymity.

"The error is using security by obscurity, as they say, which means hiding the data instead of really securing it," said Michael Cote, a [software industry](#) analyst with technology research firm RedMonk. "It's like putting your valuables under the bed instead of in a safe."

That type of mistake wasn't limited to Disney.

Six days after Disney's Nov. 11 gaffe, the same set of Bloomberg headline writers in New York pulled a similar trick on [data storage](#) company [NetApp](#) Inc. and reported the financial results more than an hour before the market closed, when earnings are typically released.

Nasdaq officials halted trading in NetApp temporarily after the stock fell 9 percent within a half-hour after the first report went out. Disney's

stock fell nearly 5 percent in about four minutes. In both cases, shares have recovered since then.

The team searched for the reports by taking the Web addresses from previous quarters and changing the last few characters to correspond to the quarter about to be reported, the person said.

In Disney's case, the Web address to each quarterly report contains the current year followed by the quarter, as in "q3." The reporters simply guessed that the new release would be posted under "q4" for the fiscal fourth quarter. The address worked, even though a link to it hadn't been published on Disney's website. The technique required no password or any computer break-in.

[Security experts](#) characterized the companies' failure to protect such valuable information as careless lapses.

"It's just a tragically dumb move," Cote said.

He said large companies should have enough software in place to avoid these kinds of errors, and when they happen, it is likely because of a human mistake.

Disney and NetApp both scrambled to send out their releases well before the scheduled time to contain the damage.

Bloomberg spokesman Ty Trippet said the company's reporters "found the earnings releases publicly available on the companies' official websites" and contacted the companies in an attempt to verify the information before sending out its reports.

Securities and Exchange Commission spokesman John Nester would not say whether the agency had started an investigation.

It's unlikely the companies breached fair disclosure or insider trading rules because they did not actively distribute the information, and by virtue of a media outlet picking it up, the information then became public. Although trading firms might also have deduced the names of the hidden links, a minute-by-minute look at trading activity suggests that in both cases, big stock moves didn't take place before the Bloomberg reports went out.

Earnings leaks are serious business. This year, Disney cooperated with federal officials to arrest an assistant to a top executive who tried to sell early access to earnings results to investment companies. The woman, who was caught before she succeeded, pleaded guilty in September to conspiracy to commit securities fraud and wire fraud charges.

Disney spokesman Jonathan Friedland said the company has "yet to complete our investigation" of the most recent leak.

NetApp said "someone improperly accessed information that NetApp had not made public."

"We are changing our processes to ensure that this does not happen again," NetApp said in a statement.

When mistakes like this happen, it's likely that company employees were unaware that reporters might check for these kinds of things, said Sam Hartman, principal consultant with Painless Security, who has helped companies design Web publishing tools and strategies for access control.

He recommended that companies at least vary file names so that replacing a number at the end of a [Web address](#) wouldn't be enough to find hidden files. Simply changing a number and hoping no one finds it, he said, "is unlikely to be viewed as an effective means of access control."

Ethically, Bloomberg's sharp-elbowed actions in a competitive field didn't sound off alarm bells, said Rick Edmonds, media business analyst at The Poynter Institute, a journalism school in Florida.

He compared it to a reporter sitting in someone's office and reading through papers left on his desk when the interview subject leaves the room. "It's not the most praiseworthy practice, but I think a lot of people have done it."

©2010 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Disney's earnings leak sprung from Goofy mistake (2010, November 24) retrieved 5 August 2024 from <https://phys.org/news/2010-11-disney-leak-sprung-goofy.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.