

Adobe Settles Data-Breach Enforcement Actions by 15 States

- Adobe Systems Inc. settles with 15 states over 2013 data breach
- Adobe to pay \$1M and implement new data security policies and practices

By Martha Kessler

Nov. 10 — Adobe Systems Inc. will pay \$1 million to end enforcement actions in 15 states that charged the company didn't have proper measures in place to protect its systems from cyberattack, under a no fault settlement agreement made public Nov. 10. The settlement is a reminder to companies facing data breaches that their data security measures may not only come under scrutiny by federal regulators, such as the Federal Trade Commission, but by state attorneys general. In many states, breach notification statutes include requirements to notify the attorney general of the breach.

The Nov. 7 assurance of voluntary compliance (AVC) with 15 state attorneys general resolves consumer protection and privacy claims against the company and requires Adobe to implement new policies and practices to prevent breaches similar to the one in 2013.

An Adobe official told Bloomberg BNA Nov. 10 that it had in 2013 notified 3.1 million customers whose credit or debit card information was involved in the incident. The company said it also notified nearly “33 million active users whose current, encrypted passwords” were taken from the databases.

Adobe, a San Jose, Calif.-based software company, said in October 2013 after its investigation that hackers gained access to customer information as well as source code for numerous Adobe products, such as Photoshop and Acrobat. Adobe is the eighth largest application software company in the world with a \$53.63 billion market capitalization, Bloomberg data show.

Connecticut Led Effort

Connecticut Attorney General George Jepsen (D) led the states in the investigation of the unauthorized server access. The incident was discovered by Adobe in September 2013 when the company received an alert that the hard drive for one of its application servers was nearing capacity.

Arkansas, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Missouri, Minnesota, Mississippi, North Carolina, Ohio, Oregon, Pennsylvania and Vermont also entered into the agreement. The AVC resolves the multi-state investigation into the unauthorized access to certain Adobe servers, including servers containing personal information relating to approximately 534,000 residents of the states agreeing to the AVC.

Allegations, Denial

The attorneys general alleged that Adobe didn't employ reasonable security measures to protect its systems from the attack, which originated from a public-facing server. "In the attorneys general's view, the risk of unauthorized access through the public-facing server was reasonably foreseeable," the AVC said. The 15 states alleged that Adobe didn't employ reasonable measures to promptly detect and respond to unauthorized activity within its system, and that the company's conduct was "in contravention of Adobe's representations to consumers that it would take reasonable steps to protect personal information."

Adobe said in the AVC that it denied those assertions by the attorneys general. "Consumers should have a reasonable expectation that their personal and financial information is properly safeguarded from unauthorized access," Jepsen said in a statement Nov. 10. "Adobe worked in good faith with my office and the states affected by this incident to better protect consumer information going forward, and for that it deserves some credit."

The \$1 million payment by Adobe will be divided among the participating states.