

Outlook Perspective

Fake news threatens our businesses, not just our politics

How trolls and profiteers use disinformation to affect the market.

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We've now begun the second presidential campaign of the "fake news" era. Fake news — intentionally misleading misinformation dressed up like legitimate news — has probably become a permanent feature of our politics. Director of National Intelligence Daniel Coats recently [warned](#) that America's adversaries will "almost certainly" use online influence operations to try to weaken our democratic institutions.

But the problem of digitally disseminated disinformation is not limited to the political sphere. It poses a threat to corporations, too. Fake news threatens the boardroom as well as the voting booth.

What today is called "fake news" is a timeworn tactic of using information as a weapon to achieve a larger objective. For example, we now know that the Soviets actively worked to undermine political leaders in the United States throughout the Cold War, even crafting phony FBI reports in the 1970s suggesting that prominent anti-communist Sen. Henry "Scoop" Jackson was [secretly gay](#).

Today, the threat of fake news comes from at least three categories of actors capable of spreading disinformation far more efficiently than most people anticipated in the 20th century. The first group, trolls, is motivated not by profit but by spite or dogma to harm specific corporations. In August 2017, for instance, someone on the anonymous online message board 4 Chan said he wanted to inflict pain on a "liberal place" and cooked up [a campaign against Starbucks](#), posting bogus tweets that advertised "Dreamer Day," when the coffee chain would supposedly give out free drinks to undocumented immigrants. The Seattle-based company had to move quickly to counter seemingly legitimate social media advertisements that carried the hashtag "#borderfreecoffee" and were adorned with the company's logo, signature font and graphics.

Other recent lies held that Coca-Cola was [recalling](#) Dasani bottled water because it had been infested by "clear parasites," that an Xbox console [killed](#) a teenager, that Costco was [ending](#) its membership program and that British pub chain JD Wetherspoon had [banned](#) staff from wearing Remembrance Day poppies because of the "multiculturalism" of its clientele and employees. Some prank websites with names like Channel23News [allow](#) users to create their own genuine-looking fake-news articles and post them directly to social media, lowering the cost of entry for propagandists and subjecting even small businesses to such dangers. After one such site produced an article falsely accusing a London Indian restaurant of serving human meat, the business said its

revenue **dropped** by half. It was one of at least six Indian and Asian restaurants in Britain **targeted** by similar **counterfeits**.

The second group, profiteers, seeks financial advantage from a well-calibrated con. While corporate America has long experience with traditional “pump and dump” schemes — in which traders unscrupulously promote a stock and then sell it quickly to benefit from the price change — profiteers can use fake tweets and news releases to boost stock prices with relative ease. In November 2015, the Securities and Exchange Commission said it had “**filed** securities fraud charges against a Scottish trader whose false tweets caused sharp drops in the stock prices of two companies,” a semiconductor manufacturer and a medical research firm. In another case, a Canadian couple **used** their website and social media accounts to inflate the stock of companies with small capitalizations and then pocketed \$2.4 million by selling shares of those companies. And in 2014, the SEC **charged** two men with issuing false, rapid-fire news releases hyping a small biotech firm and causing its stock price to balloon **eight-fold** in a month. Fake news releases and social media posts threaten to be all the more influential on markets now that many investment firms rely on algorithms to scour press releases to inform trading decisions.

Profiteers can benefit whether a stock rises or falls because of false information. In one example, in 2015 a website designed to resemble Bloomberg.com, with a similar-looking web address (“bloomberg.market”), **published** a phony story that Twitter had received a \$31 billion takeover bid, sending shares surging — presumably for the benefit of whoever prepared the trick. And in October 2018, a few months after Broadcom announced its intention to acquire CA Technologies for \$19 billion, a memo circulated online, supposedly from the Defense Department, saying that the Committee on Foreign Investment in the United States, which reviews foreign investments for national security risks, would scrutinize the acquisition. The shares of both companies dropped before the markets realized the letter was a fake. It is not known who authored the memo, but short sellers could have reaped a windfall from this legerdemain, which one writer **called** “a new phase of short-seller espionage.”

The third group, foreign flags, is strictly theoretical at this point. But rival powers and state-backed groups could target private companies with fake news, and it may be merely a matter of time until they do. Imagine a foreign cyberoperation attacking the reputation of a U.S. company with a disinformation campaign to damage its brand and induce business to a foreign company instead. What might Russian cyberspies do, say, to help Gazprom win a close bidding war against Western energy companies for oil exploration rights in a developing nation? What might Chinese propagandists do to spread rumors about alleged weaknesses in American microprocessors?

To preempt and eventually overcome these threats, a corporation needs communications and litigation strategies — it needs to be ready to respond to incidents online, through the press and even in the courtroom. Companies should plan for these events, assign roles and responsibilities to senior managers, and conduct simulations like the ones they run for cybersecurity breaches. Companies also need to stay abreast of what is


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being said about them online and communicate regularly with customers and business partners to build confidence, so those partners will know whom to trust in the face of false information.

Finally, while free speech rights protect opinion, corporations have legal recourse, particularly when third parties benefit from spreading lies. State and federal laws bar many kinds of online hoaxes. Statutes prohibiting defamation, interference with future business and trademark theft, among others, can all be used to vindicate the rights of fake-news victims.

It is no small irony that corporate America is sometimes imperiled by the free flow of information that it cultivates and benefits from. Like the nation's political institutions, businesses must learn to combat, mitigate and ignore such threats in some combination for the foreseeable future. The honest truth is that while fake news may seem like a purely political problem unique to our current circumstances, successful malevolence breeds imitation.

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