

How pharmaceutical companies can protect critically important IP

Intellectual property (IP) is the lifeblood of pharmaceutical companies. An analysis of the top 10 drug firms indicates that average R&D spend is over 20% of revenue and intangible assets. Developed and in-process technology, patents, manufacturing processes, clinical trials management systems, and customer relationships constitute more than 15% of their market value.

Beyond the accounting, IP is the engine of growth, the future of the company. Unfortunately, IP theft is a growing problem for the pharmaceutical industry and other IP-intensive industries.

Cyber attacks are a key and growing vector for IP theft. Understanding the nature and scope of these cyber threats – and how to combat them – is critical to protecting IP.

The economic damage of IP theft to U.S. companies is estimated at over \$300 billion per year, according to an [IP Commission Report](#) issued by the Commission on the Theft of American Intellectual Property.

Stolen IP represents a significant subsidy because thieves don't have to bear the costs of developing or licensing that technology or manufacturing process. If a competitor steals a company's drug-related trade secrets, it can beat that company to market with a new and innovative product, undercutting the victim company's market share.



HIGHLIGHTS

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- By automating threat detection and enabling faster incident response, Cognito condenses weeks or months of work into minutes, enabling security teams to take action to prevent theft or damage to vital assets.
- The IP Commission estimates that China is responsible for 50-80% of international IP theft, and is the No. 1 perpetrator of cyber attacks designed to steal IP.
- Cognito provides deep, continuous analysis of internal and internet network traffic and detects the fundamental actions and behaviors that attackers must perform
- By automating the manual, time-consuming Tier 1 analysis of security events, Cognito dramatically reduces the time spent on threat investigations by 75-90%, enabling security teams to focus on data loss prevention and mitigation.



The IP Commission concluded that IP theft hinders the development of new inventions and industries, putting the U.S. economy and security at risk. Negative impacts to business include:

- Lost sales
- Lost brand value
- Reduced scope of operations
- Lost jobs and reduced ability to provide employee benefits
- Reduced incentive to innovate
- Reduced ability to conduct R&D
- Increased IP protection expenses for prevention, remediation, and enforcement

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The Cognito™ automated threat detection and response platform from Vectra® helps pharmaceutical companies protect their IP by providing continuous, automated threat surveillance and detection across the entire enterprise. By automating threat detection and enabling faster incident response, Cognito condenses weeks or months of work into minutes, enabling security teams to take action to prevent theft or damage to vital assets.

The what and why of IP theft

Pharmaceutical companies have a significant amount of IP to protect – nothing is more valuable than the formula for a new drug. Developing a new prescription medicine that gains regulatory approval can take up to a decade and is estimated to cost \$2.5 billion, according to the [Tufts Center for the Study of Drug Development](#).

Pharmaceutical companies face significant risk at every step of the development process. Both the research phase and regulatory approval process are costly and time intensive. Drugs that looked promising in early development can fail in clinical trials.

However, the first company to market with a new drug has a significant competitive advantage, which is why there is a strong motive for IP theft in the pharmaceutical industry.

And it's not just the new molecule that has value. It's also the processes for manufacturing at scale, which enable counterfeiters and generics alike.

Molecules and manufacturing processes enable both competitive companies and nation-states to skip directly to the production and sale of a drug. Consequently, drug makers have been the target of numerous attacks, which fall into two broad categories:

Insider trading and market manipulation

This includes stealing information such as trial results, non-public earnings information, and acquisition targets to profit in equity markets. This manipulation impacts all legitimate shareholders, including executives, employees and public shareholders.

Theft of trade secrets for competitive advantage

This enables perpetrators to accelerate time-to-market and reduce costs, especially R&D expenses. Corporate espionage may come from any competitor, but is especially likely to come from emerging economies with substantial funding and support from governments.

In its report, the IP Commission notes that the scale of economic impacts from IP theft is unprecedented due to national security ramifications, international dimensions, significant foreign-state involvement, and inadequate legal and policy remedies and deterrents. It cites China, Russia and India as countries most often implicated in the theft of IP from U.S. companies.

These countries all share a poor legal environment for IP, protectionist industrial policies, and a sense that IP theft is justified by helping level a playing field that benefits developed countries. Unfortunately, the risk of getting caught and prosecuted for IP theft is almost zero because there are few mechanisms to hold anyone accountable.



China leads in IP theft

The IP Commission estimates that China is responsible for 50-80% of international IP theft, and is the No. 1 perpetrator of cyber attacks designed to steal IP. One reason is that China's industrial policy goals encourage IP theft, and an extraordinary number of Chinese business and government entities are engaged in this practice.

The Chinese government's sponsorship of cyber attacks on IP has been well documented. Such attacks have largely targeted strategic emerging industries that China has identified in five-year plans.

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For example, researchers noted an increase in targeted cyber attacks and cyber espionage against pharmaceutical firms after the industry was listed as one of the strategic growth industries in China's [12th Five Year Plan covering 2011-2015](#).

In late 2015, within days of the U.S. and China signing an agreement regarding intellectual property, Chinese state-sponsored actors carried out multiple cyber attacks against U.S. pharmaceutical and technology companies that were designed to steal IP and trade secrets, [according to an article published by CNBC](#).

Currently the Chinese government, in coordination with stateowned enterprises, is funding a new program dubbed "Made in China 2025,"

whose goals include capturing substantial global market-share over time. Pharmaceuticals are among the 10 targeted sectors in this plan.

Given China's past behavior, it's likely that the country will use corporate espionage, both through cyber attacks and insider theft, to obtain the necessary technology to grow the targeted industries.

For example, in 2006, China approved an "indigenous innovation policy." Subsequently, the People's Liberation Army (PLA) began targeted cyber attacks against industries considered strategic by the Chinese government, with the goal of committing espionage and stealing data.

According to the IP Commission report, the PLA accessed victim networks over months and years, and stole broad categories of IP, including technology blueprints, proprietary manufacturing processes, test results, business plans, pricing documents, partnership agreements, and emails and contact lists from the victim organizations' leadership.

The American renewable energy industry was one such target. In 2011, SolarWorld Americas filed a trade case against China as a flood of cheap Chinese solar panels was pushing several U.S. manufacturers into bankruptcy.

After the U.S. Commerce Department imposed tariffs on imports of Chinese solar panels in May 2012, hackers tied to the Chinese military broke into SolarWorld Americas' computers and stole business documents, including cash-flow records and details of proprietary technology, as well as records pertaining to its trade dispute.

In a similar incident, American Superconductor Corp. had its windenergy software code stolen by a major customer in China. The company not only lost that customer, but also 90% of its stock value, according to the IP Commission report.

In the crosshairs

Cyber attacks against pharmaceutical companies have been in the news for years, as the following examples illustrate. With China setting its sights on the pharmaceutical industry, companies have a lot to lose.

Early in 2017, reports of malicious code targeting biomedical research facilities came to light. The Mac-based espionage malware specializes in screen captures and webcam access, and features rudimentary remote control functionality.

In addition, an [Infosecurity magazine article](#) states that the malware can download a script that creates a map of all the devices on the local network and provides information about each device, including its IPv6 and IPv4 addresses, name on the network, and the port in use. The malware also attempts to connect to those devices, according to Infosecurity.

In January 2016, [five scientists were indicted](#) in the U.S. in an alleged scheme to steal trade secrets from GlaxoSmithKline, including research data, procedures, and manufacturing processes for biopharmaceutical products.

[A story in Digital Guardian](#) states that a senior level manager at the company allegedly downloaded sensitive data and planned with a coworker and three outsiders to establish a corporation that would sell the stolen IP to Chinese companies backed by their government.

In one of the first cases of hacking for the purposes of market manipulation, [a CNN story](#) reported that cyber attackers in 2014 reportedly broke into more than 100 publicly traded companies and allegedly stole corporate information valuable for trading company shares on the stock market, including merger discussions, secret product pipelines, and potential legal troubles. Two-thirds of the companies targeted were in the pharmaceutical and healthcare industries, the article states.

Analysts at Gartner agree: Prevention is not enough. In fact, Gartner analysts have been saying for several years that advanced targeted attacks make prevention-centric strategies obsolete.

In 2013, the U.S. Food and Drug Administration was the victim of a cyber attack in which hackers broke into a computer system used by companies to submit information to the agency.

And [a story published by Reuters](#) states that the drug makers feared the cyber thieves accessed corporate secrets on file with the agency, such as data about drug manufacturing, clinical trials, marketing plans and other proprietary information.

New approaches for protecting IP

Pharmaceutical companies face a very competitive environment, increasing the incentive for IP theft as well as damage to victims. While traditional industrial espionage techniques have been used extensively, cyber methods for stealing IP have become more widespread and harmful due to low costs, difficult attribution, and the ability to perpetrate crimes remotely to remain immune from extradition.

And whereas it typically takes months to discover a breach of credit cards or consumer identities – usually when the thief tries to use the stolen data to perpetrate fraud – IP theft may never be definitively discovered; victims are just left with an insidious disbelief at a competitor seeming to be just one step ahead.

It's imperative that pharmaceutical firms take precautions to defend themselves from all types of IP theft, including opportunistic and targeted cyber attacks. Experts offer several key recommendations to help enterprises fend off advanced cyber threats.

For example, the IP Commission recommends companies continue to deploy what it terms "prudent vulnerability-mitigation measures," which try to "strengthen one's existing network security by pursuing the newest and best software, network appliances, regular updates, updated firewalls, most recent patches to software weaknesses, and so forth."

However, the report authors note that such measures place a high burden on network administrators. In addition, vulnerabilitymitigation measures "have proved largely ineffective in defending against targeted hackers, who are hired specifically to pursue American corporations' IP."

To protect trade secrets and other IP, the IP Commission notes that enterprises need security systems that are capable of rapidly analyzing the behavior of unknown files and links, and that provide advanced, real-time network analysis.

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Gartner notes that "comprehensive protection requires an adaptive protection process integrating predictive, preventive, detective and response capabilities," and that information security architects should shift their mindset from incident response to continuous response, wherein systems are assumed to be compromised and require continuous monitoring and remediation.¹

Vectra believes that prevention-centric products such as firewalls, intrusion prevention systems (IPS), web security proxies, payload analysis tools, and antivirus software have a place in the enterprise security tool box, providing a first line of defense. But once attackers gain a foothold inside the network, they are free to begin their exploitation, to which perimeter defenses are blind.

To combat advanced threats, security professionals need automated real-time detection and reporting capabilities that provide multiple opportunities to stop an attack. The Cognito platform provides such capabilities.



¹ "Designing an Adaptive Security Architecture for Protection from Advanced Attacks," by Neil MacDonald and Peter Firstbrook, 12 February 2014, ID G00259490, <https://www.gartner.com/doc/2665515/designing-adaptive-security-architecture-protection>

Cognito detects attacks in progress, streamlines security operations

Would you know if an attacker were inside your network today?

Automated threat hunting and detection is central to the Cognito platform. Cognito enables pharmaceutical companies to detect and respond rapidly to threats, finding attackers before critical IP is stolen.

Picking up where perimeter security leaves off, Cognito provides deep, continuous analysis of internal and internet network traffic and detects the fundamental actions and behaviors that attackers must perform when they spy and spread across an organization's networks and steal valuable assets.

Cognito also monitors and detects suspicious access to critical assets by authorized employees, as well as policy violations related to use of cloud storage, USB storage, and other means of moving data out of the network.

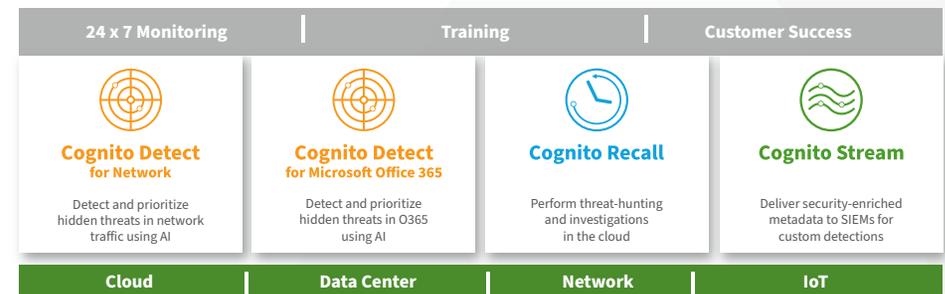
Leveraging a unique combination of data science, machine learning and behavioral analysis, Cognito detects all phases of a cyber attack, including command-and-control (C&C) and other hidden communications, internal reconnaissance, lateral movement, abuse of account credentials, data exfiltration, ransomware activity, and botnet monetization.

In addition, by automating the manual, time-consuming Tier 1 analysis of security events, Cognito dramatically reduces the time spent on threat investigations by 75-90%, enabling security teams to focus on data loss prevention and mitigation.

Cognito highlights

Key capabilities of the Cognito platform include:

- Continuous monitoring and analysis of all network traffic, including internal (east-west) network traffic, internet-bound (north-south) traffic and internal traffic between physical and virtual hosts with an IP address – for example, laptops, servers, printers, BYOD/personal smart-devices, and IoT devices – regardless of the operating system or application, including traffic between virtual workloads in the data center and in the public cloud.
- Real-time visibility into network traffic by extracting metadata from packets rather than performing deep packet inspection, enabling protection without prying.
- Analysis of metadata from captured packets with behavioral detection algorithms that spot hidden and unknown attackers, whether traffic is encrypted or not.



- Deterministic identification of attack behaviors, including the use of remote access Trojans, encrypted tunnels, reconnaissance tools, and use of stolen credentials. Cognito persistently tracks threats over time and across all phases of an attack, ranging from C&C, internal reconnaissance, lateral movement, and data exfiltration behaviors.
- Tracks the internal Kerberos infrastructure to understand normal usage behaviors and detect when trusted user credentials are compromised by an attacker, including the misuse of administrative credentials and abuse of administrative protocols (e.g., IPMI). It also detects lateral movement using common tools such as PsExec and MSRPC.
- Automatic correlation of threats with host devices under attack and threat detection details that include host context, packet captures, the seriousness of the threat, and certainty scores.
- Delivers real-time notifications to security teams, with one-page explanations of each attack detection, including underlying events and historical context that led to the detection, possible triggers, root causes, business impacts, and steps to verify.
- Drives dynamic response rules or automatically triggers a response from supported security enforcement solutions, including:
 - Cognito integrates with the Cisco Identity Services Engine (ISE) to immediately isolate or quarantine a host.
 - Cognito works with Carbon Black to rapidly isolate or quarantine a host device when a threat is detected and to kill a malicious process.
 - Cognito integrates with next-generation firewalls from Palo Alto Networks, Cisco and Juniper Networks to block a compromised host device.
 - Cognito integrates with SIEMs such as HPE ArcSight and IBM QRadar to automate security operations workflows.
- Supports adaptive cybersecurity through an ongoing process of improvement that leverages the work of the Vectra Threat Labs™, a group of highly-skilled security researchers, as well as behavioral detection algorithms that constantly learn from the local environment and from global trends.

Staying a step ahead

Theft of IP will continue to be a major threat to the pharmaceutical industry. Vectra arms security teams with an automated solution that works in real time to rapidly detect known and unknown cyber attacks across the constantly evolving threat landscape.

With the unique ability to detect and mitigate cyber attacks while they are happening, Cognito enables security teams to respond with unprecedented speed, accuracy and efficiency – well before the bad guys compromise IP or cause irreparable damage.

Likewise, Cognito gives security teams unparalleled network visibility into malicious attack behaviors and automates the hunt for cyber threats, which lets organizations focus on keeping target assets safe.

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