

Obama plan may boost Maryland cyber security

Maryland tech companies in search of cash, contracts

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President **Barack Obama's** May 12 outline of proposed national cyber security policies could drum up investment for startups and send more private-sector business their way, helping the market decide what is the most reliable protection against hackers.

Obama unveiled a legislative proposal that would lay out guidelines for how to handle breaches of private data and how financial services firms and electricity providers should keep their infrastructure safe. Companies in the local cyber security industry and those who advise them say that would likely boost spending both from the government and from private companies on protection against attacks.

They see it as good news for the cyber security industry, which is particularly strong in Maryland because of the large defense and intelligence presences here. Depending on how the policies shake out, they could drive a build-up in investment and spending in the industry similar to those seen in other forms of technology in recent decades. The companies hope and argue, however, that spending won't plateau if cyber threats continue to evolve and persist.

"I think the commercial sector is still asleep on cyber security," said **Art Jacoby**, one of three partners in Maryland Cyber Investment Partners, a \$25 million fund focused on investing in cyber security firms. "By and large, the cyber war has barely begun in the commercial sector."

It has some examples to date, however. [Sony's](#) PlayStation Network, which lets video game players find online opponents around the world, has made headlines since revealing in late April a data breach compromised names, addresses and possibly credit card information for 77 million users. The network is still yet to be fully rebooted as a result.

Obama's proposed policies would govern what must be reported and how the problem would have to be resolved in future cyber attacks. Obama's plan offers companies like Sony advice from federal homeland security officials, and it also requires operators of what is known as "critical infrastructure" to establish cyber security plans that would get federal oversight. Critical infrastructure includes the electricity grid, financial system and transportation networks.

That could mean new business for companies that specialize in developing cyber security plans for other companies. Companies like KEYW Corp. are already capitalizing on those needs. Hanover-based KEYW went public in October, raising \$91 million.

Obama's proposal is important for the cyber security industry because there has been no uniform or comprehensive policy governing how data should be protected, said **Ed Jaehne**, KEYW's chief strategy officer.

"Both government and industry are going to have to spend more money or focus the money they're spending more precisely," he said. While that prediction clearly benefits companies like KEYW, the assertion has been backed up by examples like Sony's breach. One market research firm, [Frost & Sullivan](#), estimated that the industry grew from \$34 billion in 2009 to \$40 billion in 2010, and could hit \$120 billion by 2015.

But the industry is still relatively young and changing. For example, when companies take out insurance policies against cyber attacks, it is still difficult for actuaries to calculate the risk at hand, said **Armando Seay**, CEO of C-Volve, a cyber security firm in Columbia. But his company has seen increased spamming and other attacks, he said.

Seay pointed to a [Washington Post](#) series that ran last year, "Top Secret America," that revealed many details about the billions of dollars the government has spent on security since Sept. 11, 2001. The series singled out his firm and many others that do business with national intelligence agencies, and that puts a target on their back for hackers looking to tap into U.S. defense secrets.

The concern of attacks has drawn the attention of investors like Jacoby and his partners, **Larry Letow** and **Joe Tedesco**. Other sources could include private venture capital firms and the InvestMaryland program, a \$70 million state fund that wants to invest in tech startups.

Jacoby argues there is still unmet demand to invest in cyber security startups at early stages, to encourage innovation in the industry's technology. He said he hopes Obama's attention to the risk of attack helps bring that demand to light.

The specific impact of the policies could be hard to predict, though, because what Obama has proposed is less about what companies should do to protect data than it is about how that protection should be overseen, said **Bill Anderson**, CEO of Baltimore's Oculis Labs. Oculis focuses on what Anderson calls "the last two feet" of cyber security — its technology helps prevent sensitive data from being seen on



computer screens by over-the-shoulder wandering eyes.

“If the past is any indication, it might not have an immediate effect,” he said. “It might take a long time before all the administrative, bureaucratic and management pieces are firmed up enough for this to actually start affecting information security.”

But **Doug Schmidt**, CEO of investment adviser [Chessiecap Securities](#) in Bethesda, argued that there is plenty of room for growth and evolution of cyber security technology.

“The problem is very complex, and as long as it’s a complex problem that requires complex solutions, the industry is going to have life,” Schmidt said.

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