

Stewart:	00:08	<p>Welcome to Episode 219 of The Cyberlaw Podcast, brought to you by Steptoe and Johnson. Thank you for joining us. We're lawyers talking technology, security, privacy, and government. And today, as promised in our earlier News Roundup, I am going to be interviewing Nick Bilton, author of <i>American Kingpin: The Epic Hunt for the Criminal Mastermind behind the Silk Road</i>. Nick has written a couple of good books in technology. This is one of them. <i>Hatching Twitter</i> is another. He has brought real narrative drive to all of the things that he's written, so I'm really pleased that he's on the show. He is a special correspondent for Vanity Fair where he writes about technology, politics, business, and culture, and a contributor to CNBC, former columnist for the New York Times. Nick, welcome.</p>
Nick:	01:03	<p>Thanks for having me, so much. I really appreciate it.</p>
Stewart:	01:09	<p>No, it was a great book. Why don't you tell us what it's about?</p>
Nick:	01:10	<p>So the book is about this guy named Ross Ulbricht. He was your typical straight A student in school, a 1600 on his SAT, incredibly bright. Grew up in Austin, Texas, but also grew up in a household where he was raised with the philosophy of libertarian politics, if you will. And the idea was that the government shouldn't tell people what they can and cannot do with their lives and their bodies and their homes and so on. That was the philosophy he grew up with.</p>
Stewart:	01:54	<p>Let me just stop. This means we are now on our second generation of libertarians. You know, when the communists had kids and raised them as communists, we called them red-diaper babies. What do you call a second-generation libertarian?</p>
Nick:	02:08	<p>Well, I think the difference between the first generation and the second generation is the second generation has computers. That gives them a whole lot of power. If you look in Silicon Valley, they're all libertarians. Peter Thiel is a libertarian and has the same philosophy. Uber was started with the same philosophy by Travis Kalanick. It's a theme in the Valley of this idea that no one should be able to tell you what you can and cannot do with yourself and your property. And it was the theme that led me to write this book. Ross Ulbricht, who's the guy that is the central character in the book, decided that drugs should be legal, and he believed that the government should not be able to tell you that you cannot put something in your body and it's your personal God-given right. So he started this website called the Silk Road -- taken from the name of the Chinese Silk Road -- using Tor, which is the web browser that allows you to be completely anonymous, which is the side of</p>

the Internet that is called the Dark Web, to be able to buy and sell things. Using Bitcoin -- which was what we believed at the time was anonymous -- to be able to actually do the transaction. He built this website, and you could buy and sell drugs. He didn't think that when he first started it -- he was in Austin, Texas -- that it was going to be that big of a deal. He thought maybe a few people would use it, and it'd be a good experiment. Something happened about six months in where it got picked up in the media, and from that moment on it just exploded. He went from making a few dollars a week to hundreds of dollars a week to hundreds of thousands of dollars a week. The law enforcement, of course, had never seen anything like this before, and they had to figure out how they could catch this stuff.

Stewart: 04:03 So this is interesting. Your focus on his libertarianism as the motivating force is interesting because he started out thinking, well drugs you put in your body, it's your business. Then he faced a series of questions about what are we gonna let people sell on this site. And if I remember right, some of the questions he got were, well, what about cyanide? That's a drug you can put in your body to kill yourself -- or your friends -- and he finally says, yeah, it's a drug. Sure. How about kidneys? Can we sell kidneys? And I think he said yes. If I remember right, he ended up trying to procure hits, you know, murders of people online. If you're looking at this about what's the evolution of libertarianism, there's a dark story to be told.

Nick: 05:03 Well, that's exactly what happened. The libertarian philosophy that he ascribed to, it was one that was, there was all or nothing, which is often the case. It wasn't just, oh, well, people should be allowed to smoke weed or eat magic mushrooms or maybe take a psychedelic drugs or whatever it is and the government shouldn't be able to tell you what to do. His philosophy was the government should not be able to tell you what to do, period. He believed that if you want to take heroin, that you should be able to take heroin, that if you wanted to own a gun at four years old, you should be able to. There were no rules around the world that he created. Eventually what happens is not only are there thousands of different types of drugs that are being sold on here -- things that are being made in Chinese laboratories and being sold, including fentanyl, which led of course to the opioid epidemic -- there are guns, there are other weapons, there are drug-making kits and laboratories. The he starts to get into the things that you mentioned. There's a moment where someone comes to the site and says, hey, I want to sell cyanide. Ross's belief is if you want to end your life, you should be able to end your life. So he says, okay, well we'll

allow it. Then someone comes to the site and said, can we sell body parts? Right now you have to go through the hospitals to get them. There's these rules, and we could sell on the black market. And the craziest part about the body part conversation is that he comes to realize that selling bone marrow, you could make 800 percent more than you can selling the most expensive drugs in the world. So he says that he will allow that to [inaudible].

- Stewart: 06:50 As I remember, he says, well, as long as you reassure me that it's consensual.
- Nick: 06:50 Yes.
- Stewart: 06:54 As if you could tell it on the kidney whether it was consensual or not. Yeah. That was sad.
- Nick: 07:01 Yeah, that was a great line. Yeah, I forgot about that. Where he says is, if it's consensual, then it's okay. And it's like, well, how do you even know where it came from? Somebody could have been murdered and they could've taken those body parts and that's how they're selling them. But it's amazing because it went from this little idea to this massive thing that was making hundreds of millions of dollars, and he was the decider and as far as he's concerned, everything went.
- Stewart: 07:34 So he's doing this, and the cops are closing in. I want to come back and talk about the cops because I actually found them much more compelling characters than Ulbricht, who's a bit of a stiff. Tell us how this ended, because this was a pretty cinematic description of his arrest. Not surprisingly because you had a bunch of video tapes of it. What is the constraint as the police are closing in on him? What are they trying to do, and how do they do it?
- Nick: 08:09 Well, there's two problems. One is in the beginning of the case. The first is that they've never -- the cops have never done a case like this before. They've never had an incident where they're trying to arrest someone for buying and selling drugs and guns and all these things on the Internet through the Dark Web. So you have the DEA who comes after the case, and it turns out they don't have jurisdiction to the cyber cases. Then you have the FBI that's trying to come after the case, and it turns out they don't have jurisdiction to drug cases. And then you have the Department of Homeland Security, and it turns out, well they have to partner with the DEA or the FBI or the IRS. You've got all these different groups coming after, and none of them have the power to be able to do the thing that they need to do. And so

they have to figure out ways to work together. Of course none of them did that well, but when they finally figure out who Ross is -- and the drama around that, it's a fascinating part of the story -- they have to arrest him. They have to do it with his fingers on the keyboard because there's no other proof to say that -- essentially like in flushing the drugs down the toilet -- there's no proof that it was him. They have to go through this very elaborate thing where they have to somehow get him on the Dark Web, on the Silk Road, logged in as the Dread Pirate Roberts, which was Ross's alter ego online. They have to have to catch him like that. They have this guy, Jared Der-Yeghiayan, who's an HSI agent who ends up going undercover and working on the website. They have these other guys, this DEA agent and a Secret Service agent, who literally go rogue and start legitimately working for him and stealing money, but they're dealing with all these things. Eventually they set up a sting operation where they managed to get him in a library, and it's, as you said, incredibly cinematic and terrifying. And all they need to do is get him with his fingers on the keyboard.

Stewart: 10:01

So they spot him. They put a woman across the table from him who looks completely innocuous, and then they start a fight just behind him. So he turns around, and she just leans over while he's got his fingers -- while he's taking his fingers for a second off the keyboard and pulls the laptop over to her. He grabs for it, and they grab him and he's done. Let me go back to the story of how they've gotten to that point because these characters that you have talked about, the cops are so typical of their agencies in some respects. There's the Homeland Security Investigator, Jared Der-Yeghiayan. Is that how you pronounce his name? Whose dad is a federal judge and who used to run the CBP apparently at one point. He comes into work, and he finds one pill and decides that he's going to figure out and finally figures out that it's being sold on the Silk Road. And he decides he wants to break this case. He's a brand new agent. Everybody says, are you kidding? One pill? We do not care. Bring us a thousand. We might prosecute. And he said, no, this is a big deal. What does he do to contribute to this overall law enforcement effort?

Nick: 11:38

Well, as you said, this case all started with one single tail, and the thing that I find so fascinating when I was doing the reporting for the book and I went to all these agencies, I saw the way that the whole system works. In the mail systems, when all the mail comes in from all over the world that goes on these conveyor belts and into these, it goes through the mail inspectors and there's no dogs and fancy computer equipment that's checking to see if there's drugs inside. It's just these guys,

you know, following their gut, and one guy sees this envelope and thinks that looks a little weird. It's handwritten -- or it's typed, actually. It's a small envelope, which is kind of a giveaway, and he cuts it open and there's a tiny little pink pill. And he calls the HSI office, and the officer on duty that day in the airport in Chicago airport was Jared. And it was just all a matter of chance. Of course Jared sees it and thinks it has to be a reason. Someone selling, sending someone one single pill, and everyone else thinks he's insane. He's convinced, and he was right, and he started doing his typical knock-and-talks and all the stuff you do as an agent and eventually discovers this thing called the Silk Road exists. Then he has to try to figure out how he could go after it. So he starts doing undercover buys where he's buying stuff and seeing what they can catch and if they can start to put together profiles. So he takes a very traditional kind of investigative route. At the same time, you have another guy in Chicago, this DEA agent called Carl Force who had been in trouble before the DEA for DUIs and getting a little too into his cases and doing drugs and things like that, who decides he's going to come after this case because he hears about it. And immediately the dynamic between the two sets up where it's the DEA versus the HSI, and that's the way the case goes for a good year before they finally the site is getting so much attention. It's growing so quickly that the FBI has to get involved.

Stewart:	13:43	So Carl Force is a fascinating character to my mind and ...
Nick:	13:43	Completely fascinating, yeah.
Stewart:	13:59	... plays to the stereotypes of DEA agents. He's a little louche, deeply disenchanted with his role, loves going undercover, won't share with anybody else -- these are my cases, and by God I'm going to get the credit. Just like Ulbricht ends up kind of succumbing to the charm of being able to do things completely anonymously and starts going to the dark side.
Nick:	14:32	Yeah. Carl is not the only cop who goes to the dark side. There's another guy, Shaun Bridges from the Secret Service, whom I'll get to in a second. The Secret Service guy, I think legitimately was just a bad guy. I think from Carl's perspective, he was a family guy who lived in Baltimore. He bought a house that he was having trouble making repairs on. He was at the end of his career. He had always thought, I'll be some big bad guy that will be a big bad agent that will catch all the bad guys and I'll be lauded for it, and that hadn't happened. He would clock in at 10:00 AM and leave at 2:00 PM and take lunch in between. And I think he saw this opportunity to be someone that was going to

catch someone that was changing the way drugs were sold in the world. Then he got sucked in harder than he could ever imagine. He ended up going undercover online and realizes, oh well there's this thing called Bitcoin that I could actually get some of it while I'm doing this undercover work. So he starts creating all these fake personas, and he starts selling information to the Dread Pirate Roberts about the case. He starts creating other personas where he's threatening to out him. He's just trying anything he can and in the process ends up pulling in \$700,000-\$800,000 in Bitcoin that he's then selling -- and he's still working the case at the same time. He got so involved in it that he started to lose track of who was whom from all these different personalities he has. And there's one amazing moment where he's undercover -- he's pretending he's a drug dealer who moves \$25,000,000 of drugs through South America through Europe to America -- and he's trying to do a big drug deal with the Dread Pirate Roberts so he can catch him. And he accidentally signs his message to the Dread Pirate Roberts as Carl -- and his name is Carl. So then he has to follow up and he quickly sends another one. I meant Carlita. My name is Carlita. He just had no idea what he was doing and got in way over his head.

Stewart:	16:37	It's like deleting the tweet and then announcing that your Twitter account has been hacked.
Nick:	16:37	Exactly. Yes, exactly. Yes.
Stewart:	16:46	Never persuasive. So he went bad in a way that you expect a DEA agent to go bad, right?
Nick:	16:46	Yes.
Stewart:	16:52	He goes undercover and loses track of whether he's a cop or not. The Secret Service guy sort of went bad in a way I kind of expect a Secret Service guy to go bad. Much more high tech. Tell me how he ended up taking advantage of the Silk Road to move to the dark side.
Nick:	17:18	Well, there's this one moment in the case that you really have to read to really appreciate the nuance of it. But there's a guy who works for the Dread Pirate Roberts, and he agrees to do a drug deal. He agrees to be the middleman for a kilo of cocaine, and the kilo of cocaine gets dropped off his house. It turns out that the guy buying the kilo of cocaine is actually that DEA agent Carl Force, and he's partnered up with the Secret Service agent Shaun Bridges and a bunch of other people -- a guy from the postal service and so on. The guy that's the middleman was also

a bizarre character -- has two chihuahuas and a pink cane and wears a fanny pack filled with cash and lives in Utah. So they do this control drop of the kilo of coke, and they arrest him. And it turns out that this guy's an administrator for the site, for the Silk Road website. In the middle of the interrogation, Shaun Bridges gets access to it, makes him give him access to his computer, and Shaun Bridges realizes pretty quickly that as the administrator on the Silk Road, you can actually go into other people's accounts, users on the site, and you can take their Bitcoin. So he does this, and he ends up pulling out about \$350,000 in the middle of the investigation while the cops are searching his house while this guy's being interrogated. The Dread Pirate Roberts finds out about this -- Ross Ulbricht -- and thinks that one of his employees has turned to the cops and has stolen \$350,000 in the process. So he wants to put a hit out to have this guy killed and he thinks -- this is where it starts to get confusing -- that he's going to hire the South American drug dealer to do the hit, but it turns out he's hiring Carl Force the DEA agent.

- Stewart: 19:13 Well which is handy because Carl Force actually knows where he can find this guy because he just arrested him.
- Nick: 19:19 Exactly. It's so funny the way that that the actions of Shaun and Carl are making the Dread Pirate Roberts make this decision to hire someone (Carl) to do the thing that they're about to do. So there's a moment where they go to this Marriott Hotel, and they take this guy whom they had just arrested and they fake torture him, but they actually really tortured him. They get a little too carried away with him, and they're drowning him in a bathtub and they're taking video, which they're sending of his dead body and photos to the Dread Pirate Roberts so they can get paid for it. And at the same time, Shaun Bridges is in the other room on the computer stealing all this money.
- Stewart: 19:54 That's hilarious. It's a spectacular moment. I assume you have sold the rights to this to Hollywood and we're going to see a movie of this.
- Nick: 20:08 Yeah. The rights were sold to Fox, and the Cohen Brothers wrote a draft of the script. Steve Zaillian, who is just an incredible screenwriter, has done a rewrite of that, and they're currently trying to figure out what the next step is with it. But it's just such an incredible story. It's hard to believe.
- Stewart: 20:24 So I don't want to quit without talking about the agent that I thought was actually the most interesting of all of these, which is Gary Alford.

Nick:	20:24	Oh, yeah.
Stewart:	20:41	He's an IRS guy, but in many ways the key to the case.
Nick:	20:46	<p>So I think the key to the case was everyone working together. I think I've covered stories, cases, startup companies, you name it and there's always someone that kind of pulls all the pieces together at the end, but I think they stand on the shoulders of all the people that contributed to it. It's something I've always seen. Gary Alford I think was -- everyone loves Gary. He's an amazing character in the story. He is an IRS agent who ends up in the Criminal Division of the IRS, and he's really good at figuring out things and pulling things together that you wouldn't normally see. Gary was born in New York in 1977, and it was the year of the Son of Sam and it was also the year of the blackout. The reason this is relevant is because when he was born, the Son of Sam was terrorizing New York. He always heard about it when he was older about what's going on that year, and he always remembered that the way they caught the Son of Sam was through a parking ticket. What had happened was the Son of Sam had murdered all these people and raped women and so on and so forth. The task force that they had put together -- not too dissimilar to the task force to try to figure out who the Dread Pirate Roberts was -- had not been able to find anything until one cop says, wait a second, some of these houses this guy is attacking are nowhere near a subway. So therefore he must be driving. And there's a chance that he is parking somewhere at a meter. And I wouldn't imagine you're in the middle of a murder and you go pay the meter and come back. So there's a chance that he gets a parking ticket. So let's look and see if there's any cars that got parking tickets in the vicinity of these murders when they've happened. And it turns out there was a car that had gotten them, and they went to the guy's house. He opens the door. It's the Son of Sam. He says, what took you so long? And that's it. So Gary, when he approaches this case knowing that people before him had no luck, he figures there has to be a parking ticket somewhere on the Internet. And he's determined to find it. Gary's a really interesting character because he has these quirks that make him really stand out. For example, he reads everything three times -- every email, every magazine article, every book. He reads everything three times because he believes that if you read it three times, you're going to retain more information about it. So he starts going through all this information, all these reports, all these blog posts, everything he can. And eventually he comes across the first thing ever written on the Internet about the Silk Road. He figures out that there was a guy who had written this first thing. It was a forum post, and his name was Ross Ulbricht, and</p>

eventually with that, with the FBI, with Der-Yeghiayan undercover and all these people, it all came together into that moment when Ross shows up to the public library.

- Stewart: 23:51 Yeah, I have to say when I read it in preparation for talking to you, with the second time I thought, God really Google is the, is the key to this...
- Nick: 23:51 I know. Yeah, yeah, yeah.
- Stewart: 24:04 ... because it was a Google search where he basically used the time framing of Google searches to look for references to the Silk Road and before the Gawker article and there weren't many and that's how he found it. Then when they were trying to decide if this was just some guy or not, they got his address, and they put it into Google Maps and said, wait a minute. That's right around the corner from the coffee shop that a lot of the Dread Pirate Roberts's communications have come from. That's when they said, okay, we got the guy. So this is an investigation that at least couldn't have succeeded this way without a lot of Google tools.
- Nick: 24:47 Yeah, it's really fascinating the way that the traditional things that we use every day became the things that brought them down. It was email and text messages and photos and Google and Facebook and all those things. To come back to the end of this, what's fascinating is that Ross's defense in court -- he didn't take the libertarian defense that you would imagine that he would say, oh, well, I believe this. And so what happened? He tried to point out that the Dread Pirate Roberts -- the way he got his name was from the Princess Bride movie -- and he pointed out that there were multiple Dread Pirate Roberts and that he had, yes, he had started the site, but he had sold it to someone else and it wasn't him. And of course that didn't work out.
- Stewart: 25:41 That has to be the most overrated movie of this generation.
- Nick: 25:46 I love that movie. Oh, it's great.
- Stewart: 25:47 Yes, I know. I saw it long after it had become a classic, and I have to say I was really disappointed. But I'm going to get hate mail over that one. So these guys are all in jail. Ulbricht is in jail for life. The two rogue agents are in jail until sometime in the 2020s.

Nick:	26:13	<p>Yeah. So Ulbricht was given a plea -- you know, when he got caught, he was caught with his hand on the computer and tens of millions of dollars of Bitcoin on his laptop. He was logged in as the only person that could log into the site, which is the Dread Pirate Roberts, the creator of it. And he had thumb drives on his computer desk at home on his [inaudible] with backups of the Silk Road. He had pieces of paper in his garbage can of notes about architecture for the website. Everything lined up completely perfectly. And he was given an opportunity. They said, look, we know it's you, we got you, there's nothing you can do to get out of it. Ulbricht had gotten away with this for a couple of years, and it was hubris that I think really led him to where he ended up today because they said, look, we'll offer you a plea deal: 10 to life. And he just turned it down. He said, no, I'm going to fight this. And they said, if you fight this, we're going to hit you with the kingpin charge. The king pin charge is the same thing they got Gotti with. It's that you led a criminal enterprise with five or more employees, and it's 20 to life for that, and a 20 minimum. So they just threw everything at him. And the defense he had, I think was, it was pretty bad in my opinion. He said that while he was on the computer in the library that hackers had gotten into his computer and put all the information on there, which is just complete nonsense, and he was framed and that the real Dread Pirate Roberts was out there. The jury spent three hours deliberating and came back with all guilty charges, and he ended up with two life sentences, plus I think 20 or 40 years or something. He's now in a maximum-security prison in ADX in Pennsylvania. And then the other guys, the cops, eventually got caught, and they almost got away with it, but they are in jail for I think seven to eight years each. I think Carl Force, who pled guilty and was pretty remorseful about it, is in a low-security prison. And then Shaun Bridges tried to run apparently, and they caught him and he got a few extra years for that, I think. Then there were 343 people associated with the site who were arrested.</p>
Stewart:	28:57	<p>Wow. So the Ulbricht story, in the end, the lesson I draw from that is that Bitcoin spent on a good white-collar lawyer is Bitcoin well spent, but then I would draw that conclusion.</p>
Nick:	29:09	<p>The lesson I think I got from the whole book is it's a story of ambition. Every single person in the story is ambitious, and some of them go too far. Ross wanted to be remembered as someone who overturned the drug rules and showed that legalizing drugs would make the world a safer, better place. Carl Force wanted to be a hero who brought down the Dread Pirate Roberts. The list goes on. And I think that we live in an era where we are eulogized online for the things that we do in our</p>

careers, and they wanted to be remembered as the ones who did what they did. And some of them went too far.

- Stewart: 29:51 Alright, well Nick Bilton. American Kingpin: The Epic Hunt for the Criminal Mastermind behind the Silk Road out in paperback today. So as people listen to this if they want to get the paperback -- which I recommend that the, it's great -- it's available today. And I appreciate your rounding out the themes there because I agree with you, and thanks for joining us. Do you have any events coming up that we should know about?
- Nick: 30:22 No, just bouncing around here and there. Sometimes things come up, but yeah, I think if you have any interest in crime, murder mysteries, any of that stuff, I think you'll enjoy it. You'll enjoy this story. It's truly fascinating. I've been doing this for almost two decades, and it's the craziest story I've ever worked on.
- Stewart: 30:41 Alright, well thank you very much, Nick. This has been Episode 219 of The Cyberlaw Podcast, brought to you by Steptoe and Johnson. Be sure to send us suggestions for guest interviewees, and if they're half as good as Nick Bilton we'll send you a highly coveted Cyberlaw Podcast mug. Send those suggestions to CyberlawPodcast@steptoe.com. We've got Kirstjen Nielsen, Secretary of Homeland Security, coming up in our interviews, so we'll hope you'll tune in for that and other episodes as we once again provide insights into the latest events in technology, security, privacy, and government. Thanks.