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Embattled ID-theft company taps Google executive

By John Letzing, MarketWatch Last update: 8:43 p.m. EDT May 29, 2008

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SAN FRANCISCO (MarketWatch) – LifeLock Inc., the identity-theft services company that's become a magnet for controversy, is turning to a Google Inc. executive to help burnish its image and even prepare for a possible initial public offering.

Outgoing Google Chief Financial Officer George Reyes is taking a seat on the board of directors of Tempe, Ariz.-based LifeLock, the closely-held company announced earlier this month.

"Adding George to our board is proof that we are succeeding," LifeLock said in a statement.

Success in projecting a positive public image, however, has been difficult to come by recently. LifeLock has suffered a litany of bad press and a mushrooming number of lawsuits during its relatively brief existence, though Chief Executive Todd Davis maintains that it now has its sights set on a future IPO – with Reyes heading up an audit committee.

In addition, LifeLock launched an online advertising campaign to counteract a flurry of recent suits and negative press focused on everything from the quality of the company's identity-theft protection services to the troubled personal history of one of its co-founders. The LifeLock ads challenge "misleading stories" that have appeared in the media of late.

Reyes has served as Google's (GOOG: 583.00, +14.76, +2.6%) CFO since 2002, and helped orchestrate Google's own blockbuster IPO in 2004. "It's certainly encouraging to have that kind of experience available to us," Davis said.

In particular, Davis cited Reyes's "experience in preparing for compliance." As head of the company's audit committee, Reyes would be expected to oversee a key aspect of any IPO process: ensuring quality accounting practices necessary for getting accurate information to the public markets.

Google and LifeLock spokesmen said Reyes wasn't immediately available to comment.

LifeLock offers a monthly subscription service it says can help protect consumers from identity theft. The company places fraud alerts on customers' credit reports, so when creditors check the report in response to a customer's purchase attempt or financing request, they're prompted to double-check the customer's identity. In addition, LifeLock offers to help subscribers rebuild their credit if their identity is stolen.

The company was founded in 2005, and is backed by a handful of prestigious investors including Goldman Sachs & Co. (GS: 176.24, +1.41, +0.8%) and Kleiner Perkins Caufield & Byers, a venture capital firm that helped launch Google in the late 1990s.

Other start-ups angling for a piece of the personal credit protection market include closely-held TrustedID Inc. and Debix Inc. But LifeLock has distinguished itself as a target.

Lawsuits filed

Marks & Klein LLP, a New Jersey-based law firm, has filed lawsuits on behalf of plaintiffs in five states alleging that LifeLock "provided false and misleading information about the limited level of identity protection the company provides."

Attorneys at the firm said it has not yet sought class action certification for any of the suits, adding that it expects to file at least one more suit in the next week or so.

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Retirees in Mexico get the credit for their identity theft, crossing identity theft protection, and that's where they fall short," said David Paris, a Marks & Klein attorney.

In a suit filed in Los Angeles County Superior Court on Tuesday, plaintiffs represented by Marks & Klein allege that while Davis has openly displayed his Social Security number in LifeLock advertising to tout the soundness of the company's services, that Social Security number has been used on 20 different occasions to fraudulently obtain driver's licenses.

A LifeLock spokesman said the allegation is untrue. The company acknowledged that there have been more than 100 attempts to use Davis's identity, though it said none have "resulted in any loss."

Experian Information Solutions Inc. sued LifeLock in a California court in February, alleging that it's charging consumers for fraud alerts they can already get from credit bureaus, including Experian, for free. In addition, the suit claims that LifeLock's system creates additional costs for the credit bureaus by requesting unnecessary fraud alerts and reports, according to court filings.

LifeLock is "engaged in a pattern of false and misleading advertising and fraud," Experian said in its complaint.

LifeLock's Davis said the spate of lawsuits don't accurately reflect the generally positive experiences of the company's subscribers. He said that LifeLock has now garnered over 1 million subscribers, and added that Experian may only feel threatened by the "disruptive" service that it provides.

"Success is going to breed some enemies, it goes with the territory," Davis said.

In addition to lawsuits, LifeLock has weathered a spate of unwelcome media coverage related to co-founder Robert Maynard Jr.

Maynard resigned nearly a year ago, after a report appeared in Phoenix New Times about a Federal Trade Commission investigation and injunction in the 1990s barring him from selling or distributing credit-improvement services.

The FTC alleged that Maynard deceptively offered such services via infomercials, while debiting customers' checking accounts without authorization, according to public filings.

Davis called the issues with Maynard "old news" and said the co-founder no longer has anything to do with the company, which he said is transitioning toward a brighter future.

Reyes' high-profile appointment could be seen as part of that transition. But it could also be seen as a curious move from a company such as Google, which has managed to largely maintain an unsullied public image.

Other prominent employees at Google have moved on to Facebook Inc., a closely-held social networking site often pegged as Silicon Valley's next big tech success story.

Google employees that have left for Facebook include former vice president of global online sales Sheryl Sandberg and former head of public relations Elliot Schrage. Facebook has been rapidly building an audience, and is widely expected to attempt its own IPO.

Google has yet to name a replacement for Reyes, though it has said it's interviewing possible candidates. Reyes also sits on the board of directors at security software maker Symantec Corp. (SYMC: 21.52, +0.14, +0.7%) ■

John Letzing is a MarketWatch reporter based in San Francisco.

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