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Apple Pay Violates Patents Held by Security Technology Inventor, Lawsuit Alleges

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SAN FRANCISCO — A small Boston company, founded by the inventor of a popular corporate encryption technology called RSA SecurID, sued Apple and Visa on Sunday, arguing that the Apple Pay digital payment technology violates its patents.

The lawsuit, filed by Universal Secure Registry in Federal District Court in Delaware, says that its chief executive, Kenneth P. Weiss, received 13 patents for authentication systems that use a smartphone, biometric identification such as a fingerprint and the generation of secure one-time tokens to conduct financial transactions.

In the suit and in an interview, Mr. Weiss said he had extensive meetings in 2010 with Visa officials, including its chief executive at the time, to discuss working together on the technology. In the interview, he said that Visa had signed a 10-year nondisclosure agreement to gain access to the technology, assigned engineers to fully understand the details, but then dropped further communication without securing a license.

Mr. Weiss said he also wrote to Apple at the same time seeking to license his technology, but the iPhone maker never responded to his inquiries.

Three years later, Visa began work on the Apple Pay technology with Apple, MasterCard and American Express. Apple released Apple Pay to iPhone users in 2014.

Although Apple has heavily promoted Apple Pay as an alternative to paying with a credit card at retail stores, in apps and on websites, it has not gained much traction with consumers or merchants. Users enroll a credit card on their phone, then touch a finger to the iPhone's Touch ID sensor to pay a merchant that has installed a wireless terminal that can receive a signal from the phone.

Universal Secure Registry did not seek a license agreement or royalties from Apple or Visa after the release of Apple Pay. Mr. Weiss said the law firm representing his company, the patent specialists Quinn Emanuel Urquhart & Sullivan, advised him to file the suit first.



Kenneth P. Weiss, chief executive of Universal Secure Registry. The company is suing Apple and Visa for patent infringement. Universal Secure Registry

Apple declined to comment on the suit. Visa did not respond to a request for comment.

Apple has taken an aggressive stance recently against companies seeking royalties for key patents covering its iPhones, Macs and other products. It is embroiled in bitter litigation against Nokia and Qualcomm, accusing them of demanding unfairly high royalties for technology that it uses.

Quinn Emanuel, which filed the Apple Pay suit on behalf of Universal Secure Registry, represented Samsung Electronics in some of its long-running patent litigation with Apple over software in its Android-based smartphones.

Mr. Weiss said that his company has tried to license its technology to larger firms without success and is now building its own device for secure wireless authentication.

He founded Security Dynamics in 1984 and was its chairman until 1996. Security Dynamics acquired RSA Data Security in 1996, and the two companies' technologies were eventually combined in the RSA SecurID token system that is now used by tens of millions of people to authenticate and secure communications with corporate and government computer systems. RSA is now part of Dell EMC.

After leaving Security Dynamics, Mr. Weiss turned his attention to payment technologies and planned to license them to larger companies. He said he is still hoping to reach some kind of agreement with Apple and Visa.

"My intention is still to get into a conference room with them and resolve this," he said.

Correction: May 21, 2017

This article has been revised to reflect the following correction: The headline on an earlier version of this article incorrectly described the nature of Kenneth P. Weiss's patents. They are for a variety of technologies related to security and authentication, but not for encryption.

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