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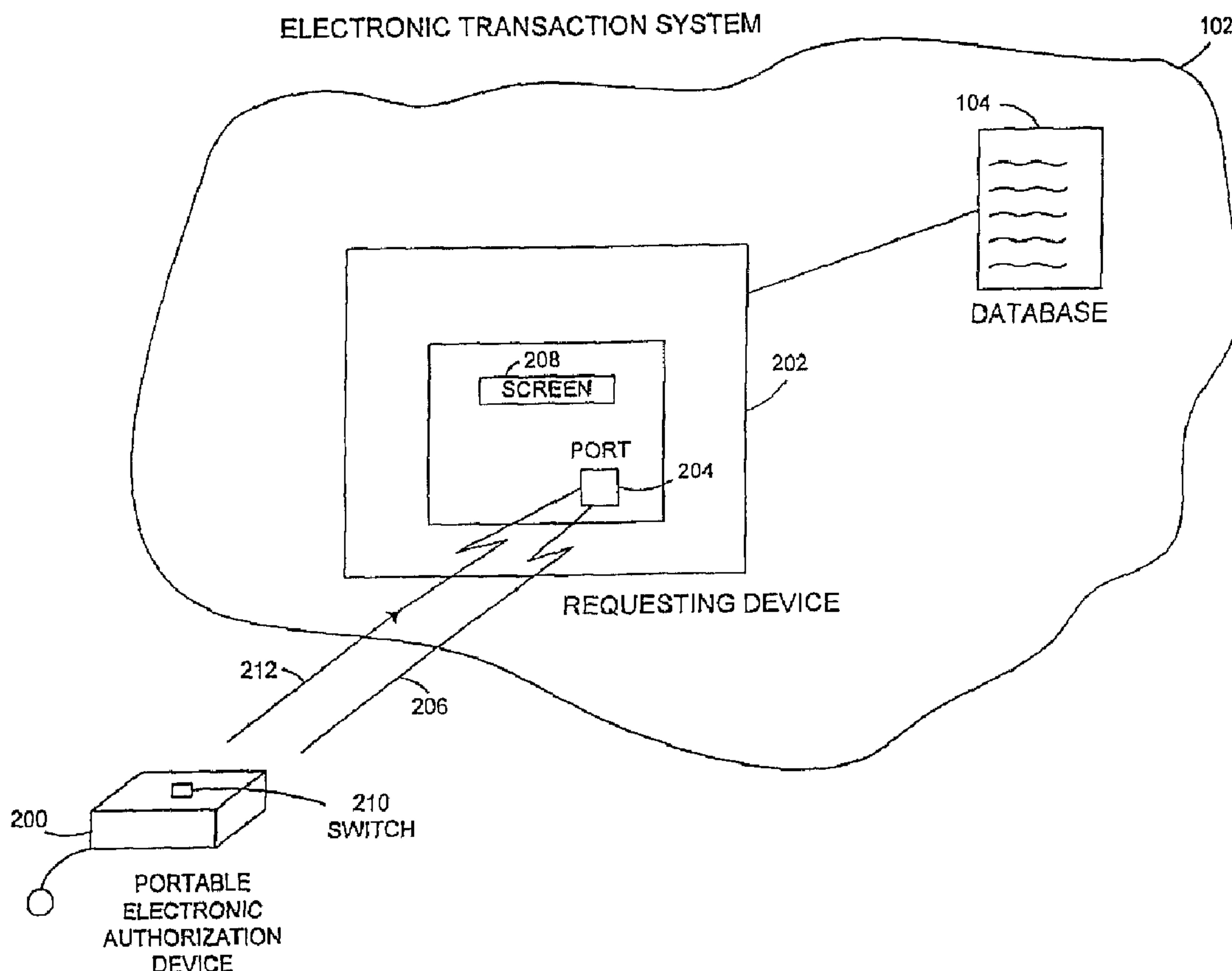
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(72) Inventeur/Inventor:
WANG, YANJIUN, US
(73) Propriétaire/Owner:
OTOMAKU PROPERTIES LTD., L.L.C., DE
(74) Agent: BORDEN LADNER GERVAIS LLP

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(54) Title: PORTABLE ELECTRONIC CHARGE AND AUTHORIZATION DEVICES AND METHODS THEREFOR



(57) Abrégé/Abstract:

A portable transaction arrangement for permitting a user (200) to conduct a transaction vis-à-vis a charge card terminal of an electronic transaction system (102). The charge card terminal is configured to communicate with a charge card for the purpose of



(57) Abrégé(suite)/Abstract(continued):

conducting the charge card transaction. The charge card is one of a magnetic stripe card and an electronic smart card. The portable transaction arrangement includes an emulation card having an emulation card interface. The emulation card interface emulates an interface of the charge card. The interface (202) of the charge card facilitates communication between the charge card and the charge card terminal. There is a portable emulation card to store first charge card data pertaining to a first charge card of the user, and an authentication mechanism. The portable emulation card write the first charge card data to the emulation card if the user is authenticated, thereby allowing the emulation card to appear through the emulation card interface after writing, and enabling the charge card terminal to read the first charge card data from the emulation card.

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(71) Applicant: ESIGN, INC. [US/US]; 10127 Linda Ann Place, Cupertino, CA 95014 (US).

(72) Inventor: WANG, Ynjiun; 10127 Linda Ann Place, Cupertino, CA 95014 (US).

(74) Agents: ASHBY, David, C. et al.; Flehr, Hohbach, Test, Albritton & Herbert LLP, Suite 3400, 4 Embarcadero Center, San Francisco, CA 94111-4187 (US).

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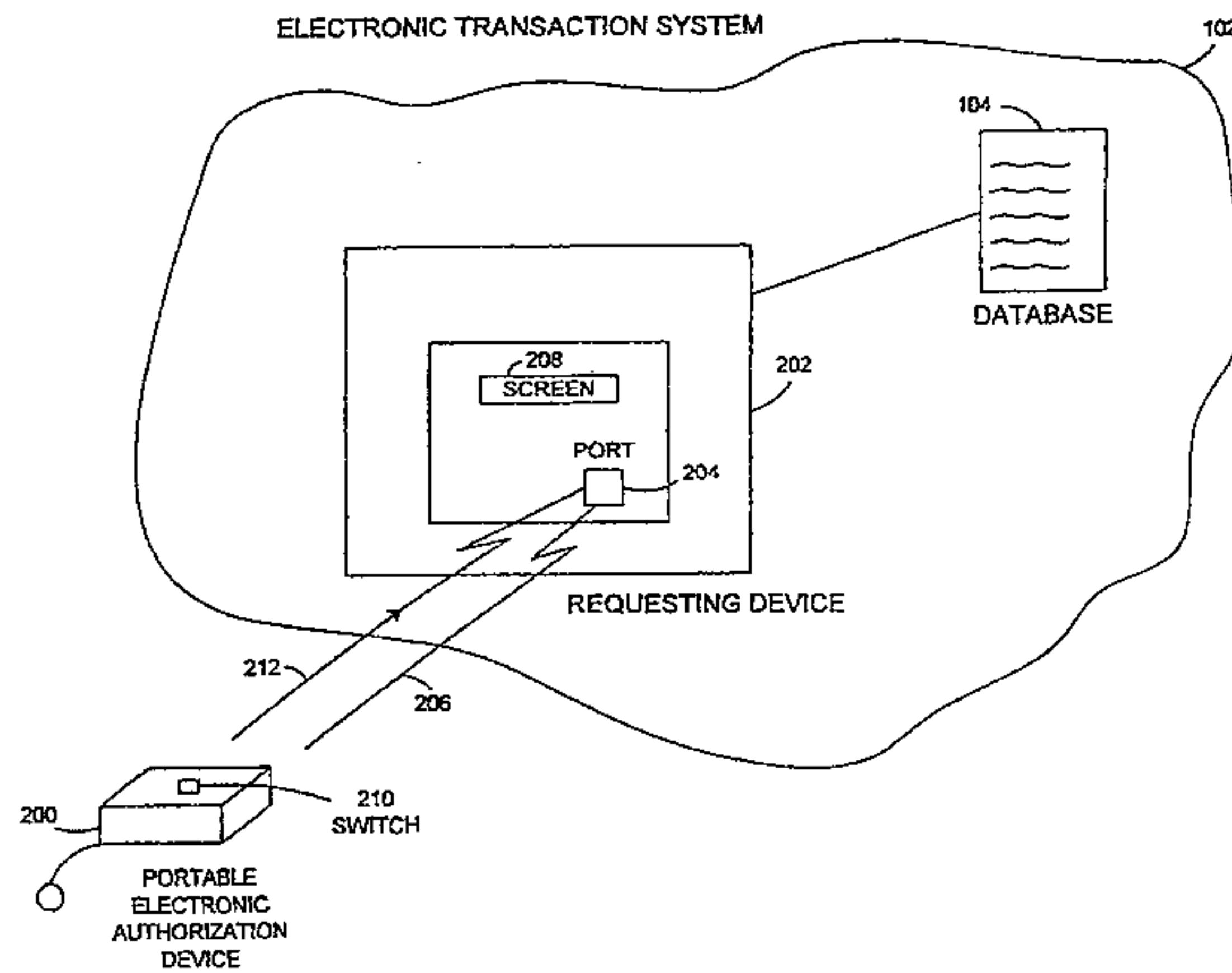
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(57) Abstract: A portable transaction arrangement for permitting a user (200) to conduct a transaction vis-à-vis a charge card terminal of an electronic transaction system (102). The charge card terminal is configured to communicate with a charge card for the purpose of conducting the charge card transaction. The charge card is one of a magnetic stripe card and an electronic smart card. The portable transaction arrangement includes an emulation card having an emulation card interface. The emulation card interface emulates an interface of the charge card. The interface (202) of the charge card facilitates communication between the charge card and the charge card terminal. There is a portable emulation card to store first charge card data pertaining to a first charge card of the user, and an authentication mechanism. The portable emulation card writes the first charge card data to the emulation card if the user is authenticated, thereby allowing the emulation card to appear through the emulation card interface after writing, and enabling the charge card terminal to read the first charge card data from the emulation card.

5 **PORTABLE ELECTRONIC CHARGE AND**
AUTHORIZATION DEVICES AND METHODS THEREFOR

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Background of the Invention

The present invention relates to methods and apparatus for conducting electronic transactions. More particularly, the present invention relates to 20 portable electronic authorization devices (PEADs) which advantageously and substantially eliminate the security risks associated with prior art techniques of approving transactions between a user and an electronic transaction system.

Electronic transaction systems are known. An electronic transaction system typically permits a user to conduct designated transactions 25 electronically, which substantially improves efficiency and convenience to the user. Examples of electronic transactions include transactions conducted via computer networks, automated teller machines (ATM's), automated point-of-sale systems, automated library systems, and the like. Transactions conducted via computer networks may encompass a wide range of transactions, including 30 exchanging information and data via a computer network popularly known as the Internet, e.g., to make a purchase from a vendor on the network. ATM's typically permit users to conduct financial transactions (such as withdrawals, transfers, deposits, and the like) vis-à-vis a financial institution in an electronic manner. Automated point-of-sale systems may be employed by merchants to

5 permit users to purchase products or services using the users' electronic account, and automated library systems may be employed to permit library users to check out and return library materials. Other examples of electronic transaction systems are readily available in popular literature and are not enumerated herein for brevity sake.

10 To enhance security to the user's account, electronic transaction systems typically request the user to provide identification data to authenticate himself as the user authorized to approve the proposed transaction or transactions. If the user fails to provide the requested identification data, the proposed transaction or transactions are not authorized and will not be processed. The identification data may be required with each transaction. By way of example, an automated point-of-sale system may require the user to approve a purchase transaction and will accept an approval message only if it is satisfied that the person approving the transaction has furnished adequate identifying data authenticating himself as the person authorized to perform the approval. Alternatively, the identification data may be entered by the user at the start of a session to authenticate himself and enable that user to subsequently perform any number of transactions without further authentication.

25 In the prior art, users are typically required to manually enter the identification data into the electronic transaction system for authentication. Typically, the entry of identification data involves typing in a password on a numeric keypad or on a keyboard. The identification data is then compared with data previously stored within the electronic transaction system, and authentication is satisfied when there is a match. As mentioned previously, 30 the transaction or transactions proposed will not be allowed to proceed if there is no match.

Although prior art electronic transaction systems provide some protection from unauthorized access and use of the user's account, there are disadvantages. To illustrate certain disadvantages associated with prior art

5 electronic transaction systems, reference may be made to Fig. 1 herein. Fig. 1 shows an automated teller machine (ATM) 100, representing the requesting device of an electronic transaction system 102. Electronic transaction system 102 may include, for example, a central database 104 which contains previously-stored identification data and account data of user 106.

10 To initiate a typical transaction with ATM 100, user 106 first inserts a data card 107, such as a bank card or a credit card, into a card reader 109. Data card 107 typically includes a magnetic stripe that contains the account number and other information related to the user, which may then be read by card reader 109. The data stored in data card 107 enables electronic transaction system 102 to ascertain which account in database 104 user 106 wishes to transact business.

15 Via a keypad 108 on ATM 100, user 106 may then be able to enter his identification data, e.g., his personal identification number (PIN), to authenticate himself. If the entered identification data matches the 20 identification data stored with the account in database 104 that is identified by data card 107, the user is authenticated and granted access to his account. If there is no match, authentication fails. After authentication, user 106 may be able to, for example, employ a combination of keypad 108 and a screen 110 to withdraw cash from his account, which results in cash being dispensed from 25 ATM 100 and the balance in his account within database 104 correspondingly reduced.

30 Theoretically, the identification data entered into ATM 100 should be secure. In reality, there are many potential security risks to the identification data in prior art authentication techniques. Since the identification data is not encrypted before being entered into ATM 100, the non-encrypted identification data is vulnerable to unauthorized access and procurement. Encryption of the identification data is not practical in the prior art since it would have been too complicated and/or inconvenient for the user to perform encryption or memorize the encrypted identification data. Unauthorized

5 procurement of the identification data in the prior art may occur, for example, upon entry if it is inadvertently seen by another party, e.g., by another person behind user 106, either on screen 110 or more likely at keypad 108.

Even if encryption is employed on the identification data in the prior art, e.g., prior to transmission from ATM 100 to database 104, the encryption 10 typically occurs within ATM 100 and still requires the entry of non-encrypted identification data from user 106 and the existence of the identification data for some duration of time in ATM 100. Unauthorized access to the identification data may then occur if an unauthorized party is able to gain entry into ATM 100 and intercepts, e.g., via software or hardware implemented in 15 ATM 100, the non-encrypted identification data therein.

Furthermore, if public key cryptography is employed within ATM 100, the storage of the user's private key within ATM 100 renders this private key vulnerable to theft, further exposing the user's account to risk. The stolen password and/or private key may then be employed to allow unauthorized 20 persons to access the user's account to the user's detriment.

In view of the foregoing, there are desired apparatus and methods for conducting transactions with the electronic transaction system while substantially eliminate the risk of unauthorized access to the user's account and unauthorized procurement of the user identification data. Preferably, such 25 an apparatus should be easily portable to permit the user to conveniently and comfortably perform transaction authentication anywhere.

Summary of the Invention

The invention relates, in one embodiment, to a portable transaction arrangement for permitting a user to conduct a charge card transaction vis-à-vis a charge card terminal of an electronic transaction system. The charge card terminal is configured to communicate with a charge card for the purpose of conducting the charge card transaction. The charge card is one of a magnetic stripe card and an electronic smart card. The portable transaction arrangement includes an emulation card having an emulation card interface. The emulation card interface emulates an interface of the charge card. The interface of the charge card facilitates communication between the charge card and the charge card terminal. There is also included a portable emulation card configuring device arranged to be used in conjunction with the emulation card, which in turn includes a memory configured to store first charge card data pertaining to a first charge card of the user, and an authentication mechanism. The portable emulation card configuring device is configured to write from the memory the first charge card data to the emulation card if the user is authenticated through the authentication mechanism, thereby allowing the emulation card to appear through the emulation card interface, after writing and for the purpose of conducting the transaction, like the first charge card to the charge card terminal and enabling the charge card terminal to read the first charge card data from the emulation card to conduct the charge card transaction.

In another embodiment, the invention relates to a method for permitting a user to conduct a charge card transaction vis-à-vis a charge card terminal of an electronic transaction system. The charge card terminal is configured to interface with a charge card for the purpose of conducting the charge card transaction. The charge card is one of a magnetic stripe card and an electronic smart card. The method includes providing an emulation card having an emulation card interface. The emulation card interface emulates an

5 interface of the charge card. The interface of the charge card facilitates communication between the charge card and the charge card terminal. There is included providing a portable emulation card configuring device configured to be used in conjunction with the emulation card, which includes a memory configured to store first charge card data pertaining to a first charge card of the 10 user, and an authentication mechanism. The portable emulation card configuring device is configured to write from the memory the first charge card data to the emulation card if the user is authenticated through the authentication mechanism, thereby allowing the emulation card to appear through the emulation card interface, after writing and for the purpose of 15 conducting the transaction, like the first charge card to the charge card terminal and enabling the charge card terminal to read the first charge card data from the emulation card to conduct the charge card transaction.

In yet another embodiment, the invention relates to a method for permitting a user to approve an internet transaction request vis-à-vis a user 20 computer terminal coupled to the internet. The internet transaction request is generated by a first computer coupled to the internet. The method includes sending first digital data from the first computer to the user computer terminal, the first digital data representing the internet transaction request. The method further includes receiving at a second computer coupled to the internet second 25 digital data. The second digital data is manually entered by the user via the user computer terminal. The second digital data represents user-readable encrypted transaction approval data signifying the user's approval of the internet transaction request that is encrypted using a private key of the user by one of a portable electronic authorization device (PEAD) and a portable 30 electronic charge and authorization device (PECAD) from information input by the user into the one of the portable electronic authorization device (PEAD) and the portable electronic charge and authorization device (PECAD). The method additionally includes decrypting, after receiving, the second digital data using a public key of the user.

5 In yet another embodiment, the invention relates to a computer-implemented method for registering a user of a specific electronic encryption device configured to encrypt data in accordance with a public key encryption scheme. The method includes providing a list of public keys and identification information pertaining to a plurality of electronic encryption devices in a
10 computer database, individual ones of the list of public keys being associated with individual ones of a plurality of electronic encryption devices. The method additionally includes receiving device identification data from the user. The device identification data identifies the specific electronic encryption device. There is also included receiving encrypted user
15 identification data to ascertain an identity of the user. Additionally, there is included associating the device identification data with the specific electronic encryption device in the database, thereby ascertaining a specific public key associated with the specific electronic encryption device from the database. Further, there is included decrypting the encrypted user identification data
20 using the specific public key, and associating the user with the specific electronic encryption device in the database if the decrypting is successful.

These and other advantages of the present invention will become apparent upon reading the following detailed descriptions and studying the various figures of the drawings.

5

Brief Description of the Drawings

To facilitate discussion, Fig. 1 shows a prior art electronic transaction system, including an automated teller machine (ATM).

Fig. 2 illustrates, in accordance with one embodiment of the present invention, a portable electronic authorization device (PEAD), representing the apparatus for securely approving transactions conducted vis-à-vis an electronic transaction system.

Fig. 3A shows, in one embodiment of the present invention, a simplified schematic of the PEAD of Fig. 2.

15 Fig. 3B shows, in one embodiment, the format of representative transaction approval data.

Fig. 4 illustrates, in accordance with one embodiment of the present invention, a logic block schematic of the PEAD.

20 Fig. 5A represents, in accordance with one embodiment of the present invention, a high level hardware implementation of the PEAD.

Fig. 5B illustrates one implementation of a PEAD wherein the PEAD circuitries are implemented on an IC.

Fig. 5C represents an external view of the PEAD of Fig. 5B after being embedded in a card-like package.

25 Fig. 6A illustrates an external view of the PEAD in accordance with a preferred embodiment of the present invention.

Fig. 6B illustrates, in a simplified manner and in accordance with one aspect of the present invention, the hardware for implementing the PEAD of Fig. 6A

5 Fig. 7 is a flowchart illustrating, in accordance with one aspect of the present invention, the approval technique employing the inventive PEAD.

Fig. 8 is a flowchart illustrating, in accordance with one aspect of the present invention, steps involved in encrypting transaction approval data using a public key cryptography technique.

10 Fig. 9 illustrates, in accordance with one aspect of the present invention, a simplified block diagram of a portable electronic charge and authorization device (PECAD).

Fig. 10 is a simplified view of a PECAD, including an emulation card disposed therein, in accordance with one embodiment of the present invention.

15 Fig. 11 is a simplified flowchart, illustrating in accordance with one embodiment, how a transaction number may be employed in conjunction with a PECAD system to improve transaction security.

5

Detailed Description of the Preferred Embodiments

Fig. 2 illustrates, in accordance with one embodiment of the present invention, a portable electronic authorization device (PEAD) 200, representing the apparatus for securely approving transactions conducted vis-à-vis an electronic transaction system. With reference to Fig. 2, requesting device 202 may initiate a transaction approval process with PEAD 200 by transmitting to PEAD 200, via communication port 204, a transaction request pertaining to a proposed transaction. Requesting device 202 may represent, for example, an ATM machine, a computer terminal in a network, an automated library check-out terminal, or similar devices for permitting the user to transact business with the electronic transaction system. The proposed transaction may be, for example, a sale transaction of a particular item for a certain amount of money. The transaction request itself may include, for example, the transaction ID, the merchant's name, the merchant's ID, the time of the proposed purchase, and the like. In one embodiment, the transaction request from requesting device 202 may be encrypted for enhanced security but this is not required. Data pertaining to the proposed transaction reaches PEAD 200 via path 206 in Fig. 2.

Port 204 may represent an infrared port to facilitate infrared communication with PEAD 200. Alternatively, port 204 may represent a wireless port for facilitating wireless communication. Port 204 may even represent a contact-type connection port, such as a magnetic read/write mechanism or a plug having electrical contacts for directly plugging PEAD 200 into port 204 to facilitate communication. Other techniques to facilitate communication between requesting device 202 and PEAD 200 are readily appreciable to those skilled.

The data pertaining to proposed transaction(s) may then be reviewed by the user, either on a screen 208 of requesting device 202 or optionally on a

5 display screen provided with PEAD 200 (not shown in Fig. 2). If the user approves the transaction, e.g., a purchase of an item for a given amount of money, the user may then signify his approval by activating a switch 210 on PEAD 200, which causes an approval message to be created with the user's identification data, encrypted and transmitted back to requesting device 202 via path 212. If the transaction is not approved, the user may simply do nothing and let the transaction request times out after an elapsed time or may activate another switch on PEAD 200 (not shown in Fig. 1), which causes a reject message, either encrypted or non-encrypted, to be transmitted back to the requesting device 202 via path 212.

15 The present invention is different from the prior art technique of Fig. 1 in that the user is required in the prior art to enter his identification data into the electronic transaction system, e.g., into ATM 100, to authenticate himself. In contrast, the present invention keeps the identification data related to the user secure within PEAD 200 at all times. Transaction approval occurs within 20 PEAD 200, and the data representing such approval is encrypted, again within PEAD 200, prior to being transmitted to the electronic transaction system, e.g., to requesting device 202 in Fig. 2.

Accordingly, even if the approval data is intercepted, its encryption 25 would prevent unauthorized users from employing the identification data for illicit purposes. If public key cryptography is employed to encrypt the approval data, the user's private key is also always kept within PEAD 200. Since the user's private key is required for encryption and is unknown to others, even to the electronic transaction system in one embodiment, the encrypted approval data, if intercepted, would be useless to unauthorized third 30 parties even if the approval data can be deciphered using the user's public key. Again, this is different from prior art authentication techniques wherein encryption takes place within the electronic transaction system and requires the entry of the identification data and/or reading the user's private key from the ID card such as an ATM card, a credit card, and the like. As mentioned 35 earlier, the fact that the prior art electronic transaction system requires this

5 identification data and/or user's private key exposes these data to risks, e.g., if
the requesting device is not secure or open to data interception via software or
hardware.

As another difference, the present invention employs the circuitries
within the portable electronic authorization device (PEAD) to perform the
10 approval and encryption of the transaction approval data within the PEAD
itself. In contrast, prior art data cards are essentially passive devices. For
example, prior art ATM cards or credit cards only has a magnetic stripe for
storing account information and do not have any facility to perform approval
and/or encryption of the transaction approval data. While smart cards or IC
15 cards, which are currently being developed, may contain electronic circuitries,
current standards for their implementation still requires a reader associated
with the requesting device to read out the identification data and/or user's
private key in order for the requesting device to perform any approval and/or
encryption. As mentioned earlier, the transmission of these data to the
20 requesting device unnecessarily exposes these data to risks of theft and/or
unauthorized interception once transmitted.

It should be borne in mind at this point that although public key
cryptography is discussed throughout this disclosure to facilitate ease of
understanding and to highlight a particular aspect of the invention, the overall
25 invention is not limited to any particular cryptography algorithm and may be
implemented using any conventional cryptography technique, including public
key cryptography algorithms such as RSA, Diffie-Hellman, other discrete
logarithm systems, elliptic curve systems, or the like. For additional
information on some of the different public key cryptography techniques,
30 reference may be made to, for example, the IEEE P1363/D8 Standard
Specifications for Public Key Cryptography dated October 5, 1998, available
from IEEE Standards Dept. 345 East 7th Street, New York, New York 10017-
2349.

5 As mentioned, transaction approval in the prior art occurs within the
electronic transaction system. In contrast, the present invention allows
transaction approvals to occur within PEAD 200. The fact that transaction
approvals occur entirely within PEAD 200 provides many advantages. By
way of example, this feature eliminates the need to have, in one embodiment,
10 the identification data and/or the user's private key in the requesting device.

The fact that transaction approvals occur entirely within PEAD 200 (using the
user identification data and/or the user's private encryption key that are always
kept secure within PEAD 200) substantially enhances the confidentiality of the
user identification data and the user's private key, as well as the integrity of
15 the transaction approval process.

Since approval occurs entirely within PEAD 200, the user
identification data that is employed to authenticate transactions may be more
complicated and elaborate to ensure greater security. By way of example, the
user identification data may be more elaborate than a simple password and
20 may include any of the user's name, his birth date, his social security number,
or other unique biometrics or unique identifying data such as fingerprint, DNA
coding sequence, voice print, or the like. In contrast, prior art authentication
techniques limit the user identification data to simple patterns, e.g., simple
password of few characters, that are easily memorized by the user since more
25 elaborate identification data may be too difficult to remember or too
cumbersome to manually enter. Furthermore, even if the complicated ID data
may be stored in the prior art data card, it is still required to be read into the
requesting device of the electronic transaction system, again exposing this data
to interception or theft once read.

30 Additional safeguards, which will be described in detail herein, may
also be provided to prevent access, whether electronically or by physical
means, to the user identification data and/or the user's private key within
PEAD 200. Since the identification data and/or the user's private key are
never exposed, security risks to the these data are substantially minimized.

5 Fig. 3A shows, in one embodiment of the present invention, a
simplified schematic of PEAD 200 of Fig. 2, including switch 210. Data path
206 is provided for receiving transaction requests from the electronic
transaction system, and data path 212 is provided for transmitting transaction
approval data back to the electronic transaction system. It should be borne in
10 mind that although two data paths are discussed herein for ease of
understanding, these data paths and other data paths herein may, in one
embodiment, represent logical data paths and may be implemented via a single
physical data connection. Likewise, the different ports herein may represent,
in one embodiment, logical data ports for ease of understanding and may in
15 fact be implemented using a single physical port.

When a transaction request, e.g., a withdrawal transaction from an
ATM machine in the amount of \$200.00, is transmitted via data path 206 to
PEAD 200, this transaction is received by encryption logic 300. At this point,
the user may review the proposed transaction, e.g., via the display screen
20 provided with the electronic transaction system and/or PEAD 200, and has a
choice to either approve or disapprove the proposed transaction. If the user
approves the transaction, he may, in one embodiment, activate a switch 210,
which causes the transaction approval data to be created and then encrypted by
encryption logic 300 prior to being transmitted back to the electronic
25 transaction system via path 212.

Note that the user identification data block 302, which is employed in
the transaction approval process, is not directly coupled to paths 206 and 212.
In other words, the memory portion storing the user identification data is
intentionally decoupled from the input and output ports of PEAD 200 to
30 prevent direct access thereto.

If access to user identification data 302 is desired, e.g., to approve a
transaction, the access can only be made by encryption logic block 300.
Likewise, it is not possible to directly access the memory portion 304, which
stores the user's private key. If access to user's private key 304 is desired,

5 e.g., to encrypt the transaction approval data, the access can only be made by
10 encryption logic block 300. It should be borne in mind that although user
identification 302 and user's private key 304 are shown stored in different
memory portions, such illustration is made for ease of understanding and both
of these may in fact be stored, in one embodiment, at different addresses on
the same memory module.

In some cases, the transaction approval data requires the inclusion of
certain pieces of identification data 302. For example, a transaction embodied
in the transaction request from the electronic transaction system may be
15 appended with data representative of an "electronic signature" prior to being
encrypted and retransmitted back to the electronic transaction system. Fig. 3B
shows, in one embodiment, the format of representative transaction approval
data 350. With reference to Fig. 3B, transaction data 352, representing a
portion of or the entire transaction request received from the electronic
transaction system, is appended with certain user identification data 354 and
20 optionally a time stamp 356. The formation of transaction approval data 350
only occurs if the transaction request has already been approved by the user.
Once appended, transaction approval data 350 is then encrypted prior to being
retransmitted back to the electronic transaction system.

In some cases, it may be desirable to encrypt the transaction request
25 prior to transmission to the PEAD to further enhance security. For example,
certain transaction partners, e.g., vendors or other users on the computer
network, may wish to keep the information within a transaction request
confidential and may prefer to encrypt the transaction request before
furnishing it to the PEAD. Data encryption is also desirable when, for
30 example, the user identification data and the user's private key is written into a
blank PEAD for the first time to configure a PEAD that is unique to a given
user. The configuration data pertaining the user identification data and the
user's private key, while must be written only once into PEAD 200 by the
issuer of PEAD 200, is preferably encrypted to render them less vulnerable to

5 theft. Issuers of PEAD 200 may represent, for example, credit card issuers, the government, or any other institution with whom the user maintains an account.

10 Fig. 4 illustrates, in accordance with one embodiment of the present invention, a schematic of PEAD 200 of Fig. 2. The PEAD 200 of Fig. 4 further employs decryption logic for receiving the encrypted configuration data and optionally the encrypted transaction requests. In Fig. 4, encryption logic 300, user's private key 304, and data paths 206 and 212 are arranged and function substantially as discussed in connection with Fig. 3A.

15 Transaction requests are normally non-encrypted, i.e., they are received and processed in the manner discussed in connection with Fig. 3A. For highly sensitive transactions, however, the transaction requests may be encrypted and transmitted to PEAD 200 via data path 206 and input into decryption logic 402 to be decrypted. If a public key cryptography is employed, the encrypted transaction requests may be decrypted with a transaction partner public key 404.

20 Once decrypted, the transaction request is then displayed to the user for approval. The transaction approval data may be furnished to encryption logic 300 via path 406 to be encrypted if approved, e.g., responsive to the activation of switch 210. The encryption is preferably performed with the user's private key 304 if a public key cryptography technique is employed, and the encrypted transaction approval data is then transmitted back to the electronic transaction 25 system via data path 212.

30 As configuration data typically includes sensitive user identification data and user's private key, it is often encrypted prior to being transmitted to PEAD 200 via data path 408. The encrypted configuration data is received by decryption logic 402 and decrypted therein prior to being written into user identification data block 410 and user's private key block 304. If public key cryptography is employed, the encrypted configuration data may be encrypted by the issuer's private key in the electronic transaction system prior to

5 transmission and decrypted once received by PEAD 200 with an issuer public key 412.

Note that once the configuration data is decrypted and written into user identification data block 410 and user's private key block 304, the user identification data and user's private key can only be accessed subsequently by 10 encryption logic 300. Also note that there is no direct connection from any of the I/O data paths, e.g., data path 206, 212, or 408, to user identification data block 410 as well to user's private key block 304. Advantageously, the sensitive user identification data and user's private key therein are not susceptible to access from outside once written into respective blocks 410 and 15 304 (which may, in one implementation, simply represent memory blocks in PEAD 200's memory).

Additionally, the user identification data and the user's private key cannot be updated by those not having the issuer's private key. As represented in Fig. 4, data can only be written into user's private key block 304 and user 20 identification block 410 after it is decrypted via decryption logic 402 with issuer public key 412. Accordingly, unless the updated configuration data has been encrypted using the issuer's private key (which is presumably highly secure), the updated configuration data will not be decrypted and written into respective blocks 304 and 410. Of course if the configuration data within 25 blocks 304 and 410 cannot be updated physically, e.g., they are stored using memory that can be written only once such as PROM (programmable read-only memory), WORM (write once, read many), or the like, the security consideration associated with unauthorized alteration of configuration data is substantially eliminated.

30 If a greater level of security is desired, the user's private key may be optionally be scrambled or randomized prior to being written into user's private key block 304 by optional scrambler/descrambler logic 413. Scrambler/descrambler logic 413 may, in one embodiment, receive the user's private key, which is furnished by the institution that issues PEAD 200 to the

5 user, and scrambles and/or randomizes it to generate yet another user's private
key and a corresponding user's public key. This scrambled/randomized user's
private key is then stored in user's private key block 304, which is now
unknown even to the issuer of PEAD 200, and the corresponding user's public
key may be made known to the issuer and/or the transaction partners to
10 facilitate transactions. Advantageously, there is no other copy of the
scrambled/randomized user's private key anywhere else beside within user's
private key block 304.

In an alternative embodiment, there may be employed an optional key
15 generation logic 414 which, responsive to a request from the issuing
institution, generates the user's private key and the user's public key on its
own, i.e., without first requiring the receipt of a user's private key from the
issuing institution and randomizing it. The generated user's private key is then
stored in private key block 304 and the public key is made known to the
issuing institution and/or the transaction partners to facilitate transactions. In
20 this manner, no version of the user's private key, whether randomized or not,
exists outside the PEAD itself. As can be appreciated by those skilled in the
art, the use of key generation logic 414 further enhances the confidentiality of
the user's private key.

Fig. 5A represents, in accordance with one embodiment of the present
25 invention, a high level hardware implementation of PEAD 200. As shown in
Fig. 5A, PEAD 200 includes logic circuitry 502, which may represent a central
processing unit such as a microprocessor or a microcontroller, discrete logic,
programmable logic, an application-specific integrated circuit (ASIC), or the
like, for implementing encryption logic 300 of Fig. 2 and optionally
30 decryption logic 402 of Fig. 4.

Program/data memory 504 stores, among others, the codes which
operate PEAD 200 as well as the user identification data and the user's private
key. Program/data memory 504 is preferably implemented using some form
of non-volatile memory (NVM) such as flash memory, electrically

5 programmable read-only memory (EPROM), electrically erasable, programmable read-only memory (EEPROM), or the like. Temporary memory 506 serves as a scratch pad for calculation purposes and for temporary storage of data, and may be implemented using some form of random access memory (RAM) such as static RAM or dynamic RAM, which are known in the art. Alternatively, either optical memory, magnetic memory, or other types of memory may be employed to implement program/data memory 504 and/or temporary memory 506.

10 A bus 508 couples program/data memory 504 and temporary memory 506 with logic circuitry 502. Communication port 510 represents the communication gateway between PEAD 200 and the electronic transaction system and may be implemented using infrared technology, wireless RF technology, a magnetic read/write head, a contact-type plug for facilitating serial or parallel data transmission, or the like. Communication port may also represent, in one embodiment, a PC card port (popularly known to those skilled as a PCMCIA card). Data path 206 inputs transaction requests into logic circuitry 502 while data path 212 outputs transaction approval data from logic circuitry 502 to the electronic transaction system. Optional data path 408, which has been described in Fig. 4, inputs configuration data into PEAD 200 to write the user identification data and the user's private key into program/data memory 504 to uniquely configure PEAD 200 to a particular user.

15 Again, note that access to program/data memory 504 and the data therein (e.g., the user identification data and the user's private key) can only be made by logic circuitry 502. For example, the user identification data and the user's private key can only be written into program/data memory 504 if this data has been properly encrypted with the issuer's private key. Access to these memory blocks for writing thereto may also be restricted by logic circuitry 502 under appropriate software and/or firmware control.

5 Similarly, reading the user identification data and accessing the user's
private key can only be accomplished via the encryption logic of logic
circuitry 502. The advantages to security of this aspect has been discussed in
connection with Figs. 3A and 4, the most important point being there is
10 preferably no direct access to the sensitive user identification data and user's
private key from the outside. Consequently, the confidentiality and security of
these data items are greatly enhanced with the inventive design.

Some type of power source, such as a battery, may be provided as well.
If PEAD 200 is implemented as a single-chip design, i.e., substantially all
components shown in Fig. 5A are fabricated on a single die, then power is
15 external to the die itself. If contact-type communication is employed, e.g., if
PEAD 200 must be plugged into the electronic transaction system to conduct
transactions, power external to the entire PEAD may be employed for
transaction approvals when plugged in, thereby eliminating the size, weight,
and cost penalties associated with having a battery onboard the portable
20 transaction apparatus.

In one embodiment, PEAD 200 may be implemented using a general
purpose portable computing device, such as any of the miniaturized portable
computers or personal digital assistants (PDA's) that are currently popular. A
PDA such as the Apple Newton®, for example, may be employed to
25 implement PEAD 200.

Fig. 5B illustrates one implementation of a PEAD wherein the
circuitries are implemented on an IC. In Fig. 5B, components having like
reference numbers to components in Fig. 5A have similar functions. Data
paths 408, 206, and 212, which have been described in connection with Fig.
30 5A, is coupled to a serial I/O circuit 520, which facilitates data transmission
and receipt in a serial manner on data path 522 between PEAD 200 and the
electronic transaction system. Vcc pin 524 and ground pin 526, which provide
power to PEAD 200 of Fig. 5B, are also shown.

5 Fig. 5C represents an external view of the PEAD of Fig. 5B after being
 embedded in a card-like package for ease of carrying and insertion into a serial
 I/O port of the electronic transaction system. Card 550, which embeds the
 integrated circuit implementing the inventive PEAD, includes, in one
 embodiment, four external contacts. External serial contacts 552 and 554
10 carry data and ground respectively to facilitate serial communication with a
 serial device of an electronic transaction system. External Vcc contact 524
 and external ground contact 526, which supply power to the PEAD as
 discussed in connection with Fig. 5A, are also shown. When card 550 is
 inserted into an electronic transaction system, it is powered through external
15 contacts 524 and 526, thereby enabling the PEAD circuitries therein to receive
 transaction requests via external serial contacts 552 and 554, approve the
 requests within the PEAD if appropriate, encrypt transaction approval data
 within the PEAD circuitries, and serially communicate the encrypted
 transaction approval data to the electronic transaction system via external
20 serial contacts 552 and 554.

Fig. 6A represents an external view of a PEAD in accordance with a preferred embodiment of the present invention. PEAD 200 of Fig. 6A is preferably implemented as a small, self-containing package that is sufficiently ruggedized for daily use in the field. Preferably, PEAD 200 of Fig. 6A is small enough to be comfortably carried with the user at all times, e.g., as a key chain attachment or a small package that can easily fit inside a purse or a wallet. The physical enclosure of PEAD 200 is preferably arranged such that the content will be tamper-proof (i.e., if it is opened in an unauthorized manner then the user's private key and/or the user identification data will be destroyed or the PEAD will no longer be able to approve transactions). By way of example, the enclosure may be arranged such that if it is opened, there is a change in the flow of current in a current path, e.g., either the existing current flow is interrupted or a current path that has been idle starts to flow. The change in the flow of current may then force RE

5 There is shown an infrared communication port 602 for receiving and
transmitting data vis-à-vis the electronic transaction system. A small on/off
switch 604 permits the user to turn off the PEAD to conserve power when not
in use. Approve button 606 permits the user to signify approval of a proposed
transaction. Optional skip button 608 permits the user to indicate rejection of
10 a particular transaction. Skip button 608 may be omitted since a transaction
request may be understood, in some embodiment, as not being approved if
approve button 606 is not activated within a given period of time after
receiving the request.

15 Optional display 610 may be implemented using any type of display
technology such as liquid crystal technology. Displays 610 displays, among
others, the transaction being proposed for approval. Display 610 may be
omitted if desired, in which case the transaction may be viewed, for example,
at a display associated with the electronic transaction system itself. Optional
20 user authentication mechanism 612 prevents PEAD 200 from being used for
approving transactions unless the user is able to identify himself to PEAD 200
as the rightful and authorized user. Optional user authentication mechanism
612 may require the user to enter a password, to furnish a fingerprint or a
25 voice print, or other biometrics and/or identifying characteristics specific to
the authorized user before PEAD 200 can be activated and employed for
approving transactions.

Fig. 6B illustrates, in a simplified manner and in accordance with one
aspect of the present invention, the hardware for implementing PEAD 200 of
Fig. 6A. Battery 652 provides power to the circuitry of PEAD 200. A
microcontroller 654 executes codes stored in flash memory 656 and employs
30 random access memory 658 for the execution. In one embodiment,
microcontroller 654, flash memory 656, and even random access memory 658
may be implemented on a single chip, e.g., a NC68HC05SCXX family chip
from Motorola Inc. of Schaumburg, Illinois such as the NC68HC05SC28.
Approve button 606 and optional skip button 608 are coupled to
35 microcontroller 654 to permit the user to indicate approval or rejection of a

5 particular transaction displayed using display circuitry 660. Communication to and from the electronic transaction system is accomplished under control of microcontroller 654 via an infrared transceiver 662. Power switch 664 permits the user to power off PEAD 200 when not in use to conserve power and to prevent accidental approval.

10 Fig. 7 is a flowchart illustrating, in accordance with one aspect of the present invention, the approval technique employing the inventive PEAD. In step 702, a transaction request is received at the PEAD from the requesting device associated with the electronic transaction system. In step 704, the user has the option whether to approve or disapprove the transaction proposed. If 15 not approved, e.g., either by activating the skip button of the PEAD or simply allowing the request to time out, nothing will be done.

20 On the other hand, if the user approves the proposed transaction, the user may activate the approve button to create transaction approval data. The transaction approval data is then encrypted in step 708 within the PEAD. In step 710, the encrypted transaction approval data is transmitted to the requesting device of the electronic transaction system after being encrypted.

25 Fig. 8 is a flowchart illustrating, in accordance with one aspect of the present invention, the steps involved in encrypting transaction approval data using public key cryptography. In step 802, the transaction approval data package is created. As discussed earlier in connection with Fig. 3B, the transaction approval data may be created by appending any necessary user identification data to a portion of or the entire transaction request. Optionally, a time stamp may also be appended thereto. In step 804, the transaction 30 approval data is encrypted using the user's private key, which is preferably kept secured at all times within the PEAD. Thereafter, the encrypted transaction approval data is transmitted back to the electronic transaction system.

In accordance with one aspect of the present invention, it is recognized that even if the encrypted transaction approval data is intercepted and

5 decrypted for analysis by a third party, it is not possible to bypass the security features of the invention as long as the user's private key or the user identification data is secure. As mentioned earlier, since the user identification data is not accessible externally, it is always secure within the PEAD. This is unlike the prior art wherein the user is required to enter the identification data, 10 e.g., password, at the electronic transaction system and risks exposure of this sensitive data.

Even if the user identification data is compromised, transaction approval still cannot take place unless there is possession of the user's private key. It would be useless to intercept the encrypted transaction approval data 15 even if one can decrypt it using the user's public key since the transaction partner, e.g., the merchant requesting approval of the transaction, will not accept any transaction approval data not encrypted using the user's private key. Again, since the private key is not accessible externally, it is always secure within the PEAD. This aspect of the invention has great advantages in 20 performing on-line transactions since the user's private key no longer has to be stored in a vulnerable computer file in a workstation, which may be accessible by other parties and may be difficult to conveniently tote along for other authentication tasks.

The fact that the PEAD is implemented in a small, portable package 25 makes it convenient and comfortable for the user to maintain the PEAD within his possession at all times. Even if the PEAD is physically stolen, however, the optional user authentication mechanism, e.g., user authentication mechanism 612 of Fig. 6A, provides an additional level of protection and renders the PEAD useless to all but the properly authenticated user. Of course 30 the user can always notify the issuer of the PEAD if the PEAD is stolen or lost, and the issuer can inform transaction partners to refuse any transaction approval data encrypted with the user's private key of the stolen PEAD.

The fact that the transaction approval data includes the time stamp, the merchant's name, the amount approved, and other relevant data also enhances

5 the integrity of the transaction approval process. If the merchant inadvertently or intentionally submits multiple transaction approvals to the issuer, the issuer may be able to recognize from these data items that the submissions are duplicates and ignore any duplicate transaction approval data. For example, the issuer may recognize that it is unlikely for a user to purchase multiple
10 identical dinners at the same restaurant at a given time and date.

It is recognized by the inventor herein that although the PEAD and the PEAD-enabled point of sale terminals offer a highly secure system for approving transactions, there exists a well-established and widely available charge card infrastructure, which includes the millions of existing charge card
15 point-of-sale terminals (e.g., charge card readers or ATM terminals) in use worldwide. It is further recognized that even in the absence of the PEAD-enabled point of sale terminals, certain PEAD functionality may offer improved transaction security vis-à-vis the existing charge card infrastructure.

In accordance with another aspect of the present invention, there is
20 provided a portable electronic charge/approval device (PECAD), which not only offers the aforementioned PEAD functionality to permit a user to approve a transaction vis-à-vis a PEAD-enabled point of sale terminal, but also to permit the user to conduct transactions vis-à-vis the existing charge card infrastructures. In particular, the complete PECAD system includes a PECAD
25 and an associated emulation card which conforms to current charge card standards as far as its interface with existing charge card readers is concerned. The emulation card can flexibly be configured by the PECAD to appear as an ordinary charge card to the existing charge card reader. Together, the PECAD and the emulation card form a secure system for conducting transactions vis-à-vis the existing charge card infrastructure.

Note that as the term is employed in the context of this embodiment, charge cards encompass both magnetic-stripe cards and electronic smart cards. The charge cards themselves may represent credit cards (such as Visa or Master Cards), ATM cards, royalty cards, discount cards, as well as any other

5 type of cards with which a user may employ vis-à-vis a point-of-sale terminal to obtain cash, goods, and/or services.

Prior to conducting a transaction, the PECAD has in its memory charge card data pertaining to one or more charge cards of the user. To perform the PEAD functionality, the memory may also include other data items discussed 10 earlier in connection with the PEAD. The charge card data may be input in advance into the PECAD through an appropriate input port, or may be read in advance from the actual charge cards themselves using an appropriate R/W mechanism of the PECAD.

Since the PECAD contains the PEAD functionality, it may of course 15 be employed to approve transactions vis-à-vis a PEAD-enabled point of sale terminal in the manner earlier discussed in connection with the PEAD. In the absence of a PEAD-enabled point of sale terminal, however, the emulation card is employed instead to conduct the transaction vis-a-vis the existing charge card infrastructure.

20 To conduct a transaction using the emulation card, the user first requests that the PECAD writes charge card data pertaining to a selected charge card to the emulation card. The selected charge card may be selected by the user prior to writing. Since a single emulation card can emulate any number of charge cards, this single emulation card can advantageously replace 25 the multiple charge cards that a user must carry nowadays. Preferably, the user is first properly authenticated, using an appropriate authentication mechanism associated with the PECAD, prior to being allowed to use the PECAD to write charge card data to the emulation card.

After the emulation card is written with the charge card data associated 30 with a user-selected charge card, the user may employ the emulation card as if it were a charge card for the purpose of completing the transaction. That is, since the emulation card conforms to the I/O requirements of existing charge cards and charge card readers, it may be read by an existing charge card reader as if it were a charge card.

5 Once the transaction is completed, the user may optionally employ the
PECAD to erase the charge card data from the emulation card, thereby
rendering the emulation card useless for the purpose of conducting further
transactions until the properly authenticated user again authorizes the PECAD
to write charge card data into the emulation card. If the emulation card
10 emulates an electronic smart card, the emulation card may be rendered
incapable of use for other transactions by, for example, configuring the
registers or flags within the emulation card appropriately. Thus, even if the
emulation card is stolen, it is useless to an unauthorized user. Furthermore,
even if the emulation card and the PECAD are stolen together, the emulation
15 card itself cannot be written with charge card data unless the user is properly
authenticated. This is in sharp contrast to the existing situation wherein, for
example, a stolen credit card still contains in its magnetic stripe all the
necessary information to conduct a transaction. For further security, the
emulation card itself may be physically signed by the properly authorized user
20 and may contain a picture of the authorized user to allow merchants to visually
ascertain whether the person conducting the transaction is in fact the rightful
owner of the emulation card.

25 In a preferred embodiment, each emulation card is matched, in a
substantially unique manner, with a specific PECAD to further enhance
security. In this situation, a given PECAD can only write charge card data into
the emulation card uniquely associated with it. By way of example, an
emulation card may be endowed with appropriate optically encrypted marks
(such as holograms), magnetically encrypted marks (such as magnetically
30 stored bits) or mechanically encrypted marks (such as randomly spaced holes)
so that it can be written only by a specific PECAD.

35 Preferably, each emulation card is matched with a single unique
PECAD. It should be noted, however, this unique matching aspect is not
required to be a mathematical absolute (although such may be preferred). One
skilled in the art will readily appreciate that given a sufficiently large number
of issued emulation cards and PECAD, some overlap may occur that renders it

5 possible (albeit remotely in real life) that a given emulation card may be
recognized by more than one PECAD. In fact, the issuer or manufacturer may
possess a master PECAD that is capable of recognizing a number of issued
emulation cards. Thus, the association between an emulation card and a
10 PECAD is substantially unique in the sense that a door key is substantially
unique to each door lock, not ruling out the potentiality that a manufacturer
may choose to make an emulation card absolutely unique relative to a given
PECAD or the remote possibility that in the millions of door locks
manufactured, a given key may open more than one door lock. Preferably, the
15 encrypted marks and geographic distribution pattern of the emulation
cards/PECADs (e.g., within the same city or state) be arranged such that such
remote possibility is minimized.

Because each emulation is substantially uniquely matched with a
specific PECAD, even if a PECAD is stolen and the authentication mechanism
is successfully bypassed by a person intending to commit fraud, the stolen
20 PECAD still cannot be used to write charge card data into any arbitrary blank
emulation card for the purpose of conducting fraudulent transactions. As a
further advantage, the requirement that a given PECAD can only write (after
proper authentication) to the emulation card substantially uniquely associated
25 with it substantially eliminates the accidental overwriting of an existing charge
card by the PECAD.

Fig. 9 illustrates, in accordance with one aspect of the present
invention, a simplified block diagram of a PECAD 902. In Fig. 9, a memory
904 is preferably nonvolatile, tamper-proof memory and serves the same
function as the memory circuit in the PEAD, except that memory 904 may
30 also be employed to store the encrypted charge card data pertaining to one or
more charge cards of the user. Encryption logic 906 performs the same
encryption/decryption/security function as the encryption logic discussed in
connection with the PEAD. That is, access to data stored in memory 904,
including the user's private key, the user's personal data, and the charge card
35 data, is preferably facilitated only through encryption logic 906.

5 Authentication mechanism 908 performs the same user authentication function discussed in connection with the PEAD. I/O circuitry 910 represents the circuitry that permits the PECAD to communicate with a PEAD-enabled point of sale terminal if it is available for the purpose of approving transactions. The transaction approval aspect has been discussed earlier in
10 connection with the PEAD and will not be belabored here. I/O circuitry 910 may be omitted on certain PECAD models if it is expected that such PECAD models do not communicate with a PEAD point of sale terminal and are employed only to configure emulation cards for the purpose of conducting transactions vis-à-vis the existing charge card infrastructure.

15 Card R/W mechanism 912 represents the mechanism employed to write to selected charge card data to the emulation card and to erase the emulation card after the transaction is completed. If the charge card data is acquired by reading in existing charge cards, card R/W mechanism 912 also includes the ability to read in existing charge cards for the purpose of storing
20 the charge card data to memory 904 (through encryption logic 906). Note that data read through card R/W mechanism 912 is encrypted by encryption logic 906 prior to being stored within memory 904. Likewise, stored data (such as charge card data) in memory 904 is first decrypted by encryption logic 906 prior to being written to an emulation card via card R/W mechanism 912.

25 Fig. 10 is a simplified sketch of a PECAD 1002, including an emulation card 1004 disposed therein. Emulation card 1004 is removable from slot 1006 for the purpose of completing transactions vis-a-vis an existing charge card reader. In the example of Fig. 10, emulation card 1004 includes a magnetic stripe 1008 to emulate a magnetic stripe charge card. As mentioned
30 earlier, however, emulation card 1004 may be configured to emulate any type of charge card interface, including IC contacts. A card R/W mechanism 1010 is shown in an outline format to indicate that it is part of PECAD 1002. Through card R/W mechanism 1010, data may be read from an existing charge card or written to an emulation card. Key pads 1015 can be used as
35 authentication mechanism as described as in 612 as well as 908. User can key

5 in the password or PIN to activate the PECAD to write the charge card data to the emulation card 1004.

Approve button 1012 is substantially similar to approve button 606 of Fig. 6A and may be employed to approve a transaction via a PEAD-enabled point of sale terminal. Card button 1014 on the other hand indicates the user's 10 desire to complete the transaction via the emulation card. Card selector buttons 1016(a)-(d) are exemplary selections which may be chosen by the user to select the specific charge card that may be employed to conduct the transaction. A display 1018 may be employed to display the charge card data, such as charge card number, expiration date, name of holder, etc. of the 15 selected charge card to allow a merchant to copy such information, if desired, to complete the transaction.

In accordance with another aspect of the present invention, transaction security is further enhanced by using the PECAD to write an encrypted transaction number or other encrypted data that has been encrypted using the user's private key (which is 20 stored in secure nonvolatile memory of the PECAD) to the emulation card. Fig. 11 illustrates, in accordance with one embodiment, this aspect of the present invention. In step 1102, a unique transaction number is generated and encrypted with the user's private key for each transaction. In step 1104, the encrypted transaction number is written from the PECAD to the emulation card. If the emulation card emulates a 25 magnetic stripe card, for example, the encrypted transaction number may be written to one of the existing but unused tracks or one of the reserve tracks, e.g., track 3 on the magnetic stripe. In step 1106, software in the charge card reader may instruct the charge card reader to receive the encrypted transaction number, which is then authenticated using a user's public key that has been obtained from a credentialed third party (step 1108); or in step 1106, the charge card reader reads in the encrypted 30 transaction number, which is then sent to the credit clearance center such as Master Card or Visa Card and the credit clearance center would authenticate the user by using a user's public key that has been obtained from a credentialed third party (step 1108). Typically, some form of user identification may be sent to the credentialed third party 35 to facilitate obtaining the public key. By way of example, the user ID or the public

5 key ID may be read by the charge card reader and transmitted to the credentialed third party to obtain the public key. The public key ID may represent, for example, the unique pattern of bits in the public key (e.g., the lowest 32 bits or 64 bits) that may be transmitted to the receiving site for public key searching and decryption. If
10 authenticated, the transaction is then approved, enabling the merchant to release the goods/service to the user (step 1110).

As can be appreciated from the foregoing, the invention requires substantially no hardware change to the existing charge card readers and the existing charge card infrastructure. The change merely relates to software change, which instructs the existing charge card reader to read in the encrypted transaction number and which
15 authenticates the encrypted transaction number using a user's public key obtained from a credentialed third party.

Further, there may be no change at all in the charge card reader. Instead, the credit clearance center software may be modified to authenticate the encrypted transaction number using a user's public key obtained from a credentialed third party.
20 The charge card reader just read in all the data from the charge card or emulation card and verbatimly send all the information to the credit clearance center for approval. In this manner, this embodiment minimizes the changes that need to be made to the existing charge card infrastructure (i.e., changes only have to be made at a single location in the credit clearance center, and not in the millions of charge card readers in
25 existence).

If additional security is desired, the user may key in at the PECAD the transaction amount and/or the time of transaction. These pieces of data may also be encrypted using the user's private key and written to the emulation card to be received by the charge card reader and decrypted at the credit clearance center using the user's
30 public key, which is again preferably obtained from a credentialed third party. In this case, approval of the transaction is given only if the transaction is for the amount indicated in the encrypted and received transaction amount and/or if the transaction occurs within a predefined time period of the encrypted and received transaction time (which was written from the PECAD to the emulation card previously). Thus, even if

5 the emulation card is stolen, it is useless for other subsequent transactions, even if
erasure or reconfiguration of the emulation card did not occur.

In the internet transaction, a user can approve the transaction using PEAD or
PECAD by encrypting the amount he approved using his own private key stored in
the PEAD and PECAD. Thereafter, he can copy the encrypted information displayed
10 on the PEAD display 610 or PECAD display 1002 to the Internet by keying in the
information through the keyboard. The encrypted information displayed on the PEAD
display 610 or PECAD display 1002 is preferably in a human readable format such as
in alpha numeric string to render it simple for the user to read and manually enter (by
for example keying in or by speech command) to the computer connected through the
15 Internet to conduct the Internet transaction. If necessary, one can also encrypt the
credit card number together with the transaction information using PEAD or PECAD
to conduct secure Internet transactions. Of course the manual entering/keying
technique, while desirable for backward compatibility, may be equally substituted by
other forms of data entry, e.g., wireless or infrared communication via an appropriate
20 port in the computer and PECAD (or PEAD) to allow data to be transmitted over the
Internet.

As mentioned earlier, it is preferable that authentication of the user's identity
be ascertained using the user's public key that is kept by a credentialed third party.
The credentialed third party may represent, for example, any entity in which the
25 public has a fairly high level of trust, such as an organization known to have or has a
self-interest to have a trustworthy reputation. Examples include government
organizations, banks, large corporations, or the like.

The credentialed party maintains a PECAD public key directory service that
associates the list of manufacturer-provided public keys with users. When the user
30 first acquires (via purchase or issuance by an issuer, for example) a PECAD, the user
can register his ownership of the PECAD with the credentialed third party.

Depending on the integrity of the registration process, the user is assigned a validation
level, which indicates the degree of confidence that the person completing the
registration is in fact who he says he is.

5 By way of example, the user may register simply by furnishing via email, phone, or regular mail personal information such as social security number, home address and home phone number, along with the PECAD serial number and public key signature (which is a unique sequence of numbers assigned by the manufacturer to a particular PECAD and which can be read from the PECAD by pressing a designated sequence of keys). The PECAD public key directory center may then use the PECAD serial number provided by the user as the unique searching ID to search for the Public Key in the database, once it finds the Public Key and it will use the Public Key signature provided by the user to verify against the Public Key in the database. If the verification is successful, then the user may be registered. Otherwise the user will be rejected. The public key is preferably unique.

The more secure way to register a user's ownership may be as follows (the process usually occurs at the place of purchase of the PECAD/PEAD or at the issuer, e.g., a bank). The issuer first activates the PEAD/PECAD using the manufacturer-provided password. Thereafter, the PEAD/PECAD user may overwrite the manufacturer-provided password with the user's password or other authentication mechanism(s). The user may then instruct the PEAD/PECAD to internally generate a new pair of private/public key (called user private key and user public key) inside the PEAD/PECAD. The user may also instruct the PEAD/PECAD to encrypt the personal information (such as social security information, home address, etc.) and the new user public key using the manufacturer-provided private key, which is pre-stored in the PEAD/PECAD to generate the user registration message. This manufacturer-provided private/public key pair may be generated by the PEAD/PECAD when the PEAD/PECAD is manufactured.

The issuer may then encrypt the PEAD/PECAD serial number and user registration message using the public key directory service center's public key to generate the registration message and transmit the registration message to the public key directory service center. Upon receiving the registration message, the public key directory service center may then decrypt the registration message using its own private key. Thereafter, the public key directory service center may use the PEAD/PECAD serial number to search for the manufacturer-provided public key

5 found in the database. If the decryption is successful, then update the manufacturer-
provided public key with the new user public key in the directory service database and
update the personal information in the directory service database and generate the
public key ID either using, for example, the person name + phone number or the
lowest 32-bit (or 64 bit) of the public key for future referencing purposes. On the
10 other hand, if decryption is unsuccessful, the user may then be rejected.

This registration process is generally accorded a low validation level since it is
possible that someone other than the user may have fraudulently obtained the user's
personal information for the purpose of registering ownership (and making the user
responsible for the fraudulent charges that follow once registration is completed and
15 the PECAD is activated).

An intermediate validation level may be obtained by furnishing, in addition to
the information provided to acquire a low validation level, information which offers a
higher degree of confidence that the person furnishing the information is indeed who
he says he is. By way of example, the addition information may take the form of a
20 photograph, signature, notary public's seal, or a combination of the above. A high
validation level may be obtained by furnishing information which offers an even higher
degree of confidence that the person furnishing the information is indeed who he says
he is. By way of example, the registrant may appear in person at the PECAD public
key directory center to present a photograph, a signature, a biometrics sample (such as
25 fingerprint, retina scan, DNA print, or the like) or a combination of the above.

Once registration is completed, the PECAD public key directory by the
credentialed third party may be consulted by credit clearance centers or merchants for
the purpose of authenticating the user and approving transactions.

The PECAD public key directory may also be enhanced by establishing an
30 insurance policy that protects merchants or credit clearance centers from financial loss
due to, for example, fraud stemming from a defective registration process. The
coverage provided by the insurance policy may be scaled according to the validation
level, with the higher validation levels being eligible for a higher amount of coverage.

5 While this invention has been described in terms of several preferred
embodiments, there are alterations, permutations, and equivalents which fall
within the scope of this invention. It should also be noted that there are many
alternative ways of implementing the methods and apparatuses of the present
invention. By way of example, while the discussion herein has focused on
10 transaction approvals, it should be apparent to those skilled that the PEAD may be
employed to conduct any kind of transaction vis-à-vis an electronic transaction
system any time secured data transmission from the user to the electronic
transaction system is preferred. For example, the PEAD may be employed for
logging into highly sensitive computer systems or facilities. When so
15 implemented, the computer terminal with which the PEAD communicates may be
equipped with an infrared port, a magnetic reader port, or a contact-type plug for
communication with the PEAD. The user may then employ the PEAD to perform
any type of authentication tasks online.

As a further example, the PEAD may be employed to "sign" any computer
20 file for authentication purposes (e.g., to authenticate the date or the user). The
transaction approval data may then be saved along with the file to be
authenticated for future reference. Note that the transaction authentication data is
again tamper-proof since any transaction authentication data not encrypted using
the user's private key will not be accepted as authentic. Also, it should be
25 apparent that if the PEAD is employed to approve only predefined transactions,
the transaction data may be stored in advance within the PEAD and do not need to
be received from externally by the PEAD. It is therefore intended that the
following appended claims be interpreted as including all such alterations,
permutations, and equivalents as fall within the true spirit and scope of the present
30 invention.

CLAIMS:

1. A portable transaction arrangement for permitting a user to conduct a transaction vis-a-vis an electronic transaction system, comprising:

 a charge card terminal interfacing subsystem, including an emulation card having an emulation card interface, said emulation card interface emulating an interface of a charge card, said charge card being one of a magnetic stripe card and an electronic smart card, said interface of said charge card facilitating communication between said charge card and a charge card terminal of said electronic transaction system; and

 a portable emulation card configuring device arranged to be used in conjunction with said emulation card, including a memory having two portions, a first portion configured to store charge card data pertaining to a charge card of said user and second portion configured to store a user private key, and an authentication mechanism, said portable emulation card configuring device being configured to write from said memory said charge card data pertaining to said charge card of said user to said emulation card if said user is authenticated through said authentication mechanism, thereby allowing said emulation card to appear through said emulation card interface, after writing and for the purpose of conducting said transaction, like said charge card of said user to said charge card terminal and enabling said charge card terminal to read said charge card data from said emulation card to conduct said transaction; and

 an electronic authorization interfacing subsystem, including first logic circuit configured to receive first digital data representative of a transaction request pertaining to said transaction from said electronic transaction system, second logic circuit configured to form second digital data responsive to said transaction request received by said first logic circuit if said transaction request is approved by said user, said second digital data representing encrypted data signifying an approval by said user of said transaction request; and

 second digital data including encrypted transaction information being encrypted by said private key and includes at least one of a transaction time and a transaction amount pertaining to said charge card transaction, said encrypted transaction information being

readable by said charge card terminal and renders said emulation card valid only for said charge card transaction; and

transmission circuitry coupled to said second logic circuit, said transmission circuitry being configured to transmit said second digital data from said portable transaction arrangement to said electronic transaction system if said user approves said transaction request.

2. The portable transaction arrangement of claim 1 wherein said portable emulation card configuring device further comprises encryption logic disposed between said emulation card interface and said first memory portion, said encryption logic providing secured access between said emulation card interface and said first memory portion.
3. The portable transaction arrangement of claim 1 wherein said emulation card includes a unique identification mark for the purpose of substantially uniquely associating said emulation card with said portable emulation card configuring device.
4. The portable transaction arrangement of claim 1 wherein said portable emulation card configuring device further comprising encryption logic coupled to said first memory portion, said encryption logic being disposed to provide secured access to said first memory portion.
5. The portable transaction arrangement of claim 4 wherein said encryption logic is also disposed to provide secured access to said second memory portion.
6. The portable transaction arrangement of claim 5 wherein said emulation card configuring device includes a charge card selection mechanism, said charge card selection mechanism enabling said user to chose said charge card of said user among a plurality of charge cards whose charge card data is also stored in said first memory portion.

7. The portable transaction arrangement of claim 5 wherein said authentication mechanism includes an input mechanism for accepting a password comprising an alphanumeric string from said user for the purpose of authentication.
8. The portable transaction arrangement of claim 5 wherein said authentication mechanism employs biometrics for authentication.
9. The portable transaction arrangement of claim 5 wherein said portable emulation card configuring device is further configured to write an encrypted transaction number to said emulation card, said encrypted transaction number being encrypted by said private key.
10. The portable transaction arrangement of claim 1 wherein said encrypted transaction information includes said transaction time, and wherein said emulation card is invalid for the purpose of completing a given charge card transaction if said given charge card transaction is not completed within a predefined time period of said transaction time.
11. The portable transaction arrangement of claim 1 wherein said charge card is a magnetic stripe automated teller machine (ATM) card, said charge card term being an automated teller machine (ATM) terminal.
12. The portable transaction arrangement of claim 1 wherein said charge card is a magnetic stripe card, said charge card terminal being a point of sale terminal.
13. The portable transaction arrangement of claim 1 wherein said charge card is an electronic smart card.
14. The portable transaction arrangement of claim 1 wherein said portable emulation card configuring device is configured to erase said first charge card data from said emulation card upon completion of said charge card transaction.

15. A method for permitting a user to conduct a transaction vis-a-vis an electronic transaction system, comprising:

emulating, with an emulation card having an emulation card interface, an interface of a charge card, said charge card being one of a magnetic stripe card and an electronic smart card, said interface of said charge card facilitating communication between said charge card and a charge card terminal of said electronic transaction system;

storing in a first portion of a memory of a portable emulation card configuring device arranged to be used in conjunction with said emulation card charge card data pertaining to a charge card of said user;

storing in second first portion of a memory of said portable emulation card configuring device arranged to be used in conjunction with said emulation card a user private key, said portable emulation card configuring device having an authentication mechanism;

if said user is authenticated through said authentication mechanism, said portable emulation card configuring device writing from said memory said charge card data pertaining to said charge card of said user to said emulation card, thereby allowing said emulation card to appear through said emulation card interface, after writing and for the purpose of conducting said transaction, like said charge card of said user to said charge card terminal and enabling said charge card terminal to read said charge card data from said emulation card to conduct said transaction;

receiving, with a first logic circuit of an electronic authorization interfacing subsystem, first digital data representative of a transaction request pertaining to said transaction from said electronic transaction system;

forming, with a second logic circuit of the electronic authorization interfacing subsystem, second digital data responsive to said transaction request received by said first logic circuit if said transaction request is approved by said user, said second digital data representing encrypted data signifying an approval by said user of said transaction request, said second digital data including encrypted transaction information being encrypted by said private key and including at least one of a transaction time and a transaction amount pertaining to said charge card transaction, said encrypted transaction information being

readable by said charge card terminal and rendering said emulation card valid only for said charge card transaction; and

transmitting, with transmission circuitry coupled to said second logic circuit, said second digital data from said portable transaction arrangement to said electronic transaction system if said user approves said transaction request.

16. The method of claim 15, further comprising providing, with encryption logic disposed between said emulation card interface and said first memory portion of said portable emulation card configuring device, secured access between said emulation card interface and said first memory portion.

17. The method of claim 15, further comprising substantially uniquely associating, with a unique identification mark of said emulation card, said emulation card with said portable emulation card configuring device.

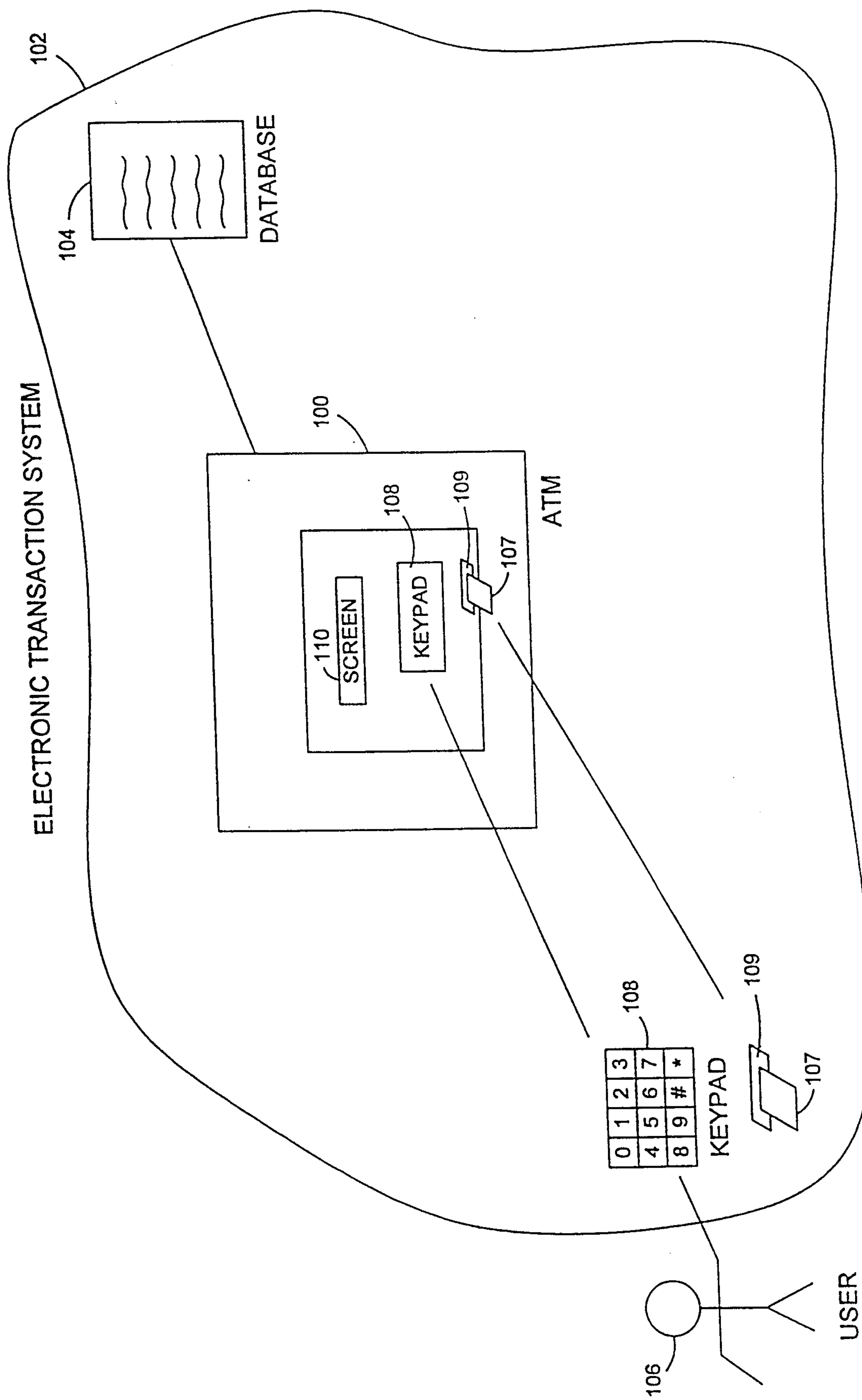
18. The method of claim 15, further comprising providing, with encryption logic of said portable emulation card configuring device coupled to said first memory portion, secured access to said first memory portion.

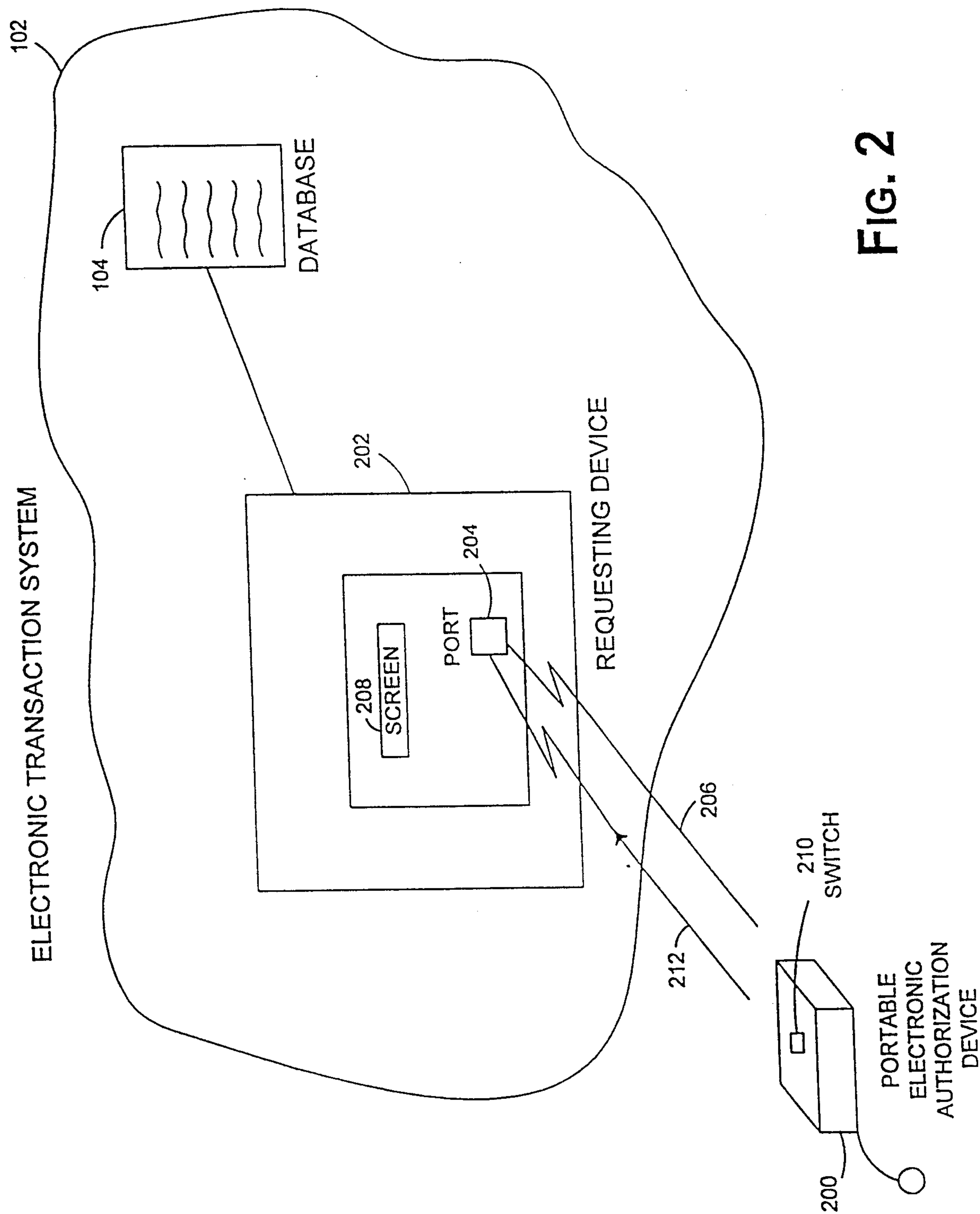
19. The method of claim 18, further comprising providing, with said encryption logic, secured access to said second memory portion.

20. The method of claim 19, further comprising enabling, with a charge card selection mechanism of said emulation card configuring device, said user to chose said charge card of said user among a plurality of charge cards whose charge card data is also stored in said first memory portion.

21. The method of claim 19, further comprising accepting, with an input mechanism of said authentication mechanism, a password comprising an alphanumeric string from said user for the purpose of authentication.

22. The method of claim 19 wherein said authentication mechanism employs biometrics for authentication.
23. The method of claim 19, further comprising writing, with said portable emulation card configuring device, an encrypted transaction number to said emulation card, said encrypted transaction number being encrypted by said private key.
24. The method of claim 15 wherein said encrypted transaction information includes said transaction time, and wherein said emulation card is invalid for the purpose of completing a given charge card transaction if said given charge card transaction is not completed within a predefined time period of said transaction time.
25. The method of claim 15 wherein said charge card is a magnetic stripe automated teller machine (ATM) card, said charge card term being an automated teller machine (ATM) terminal.
26. The method of claim 15 wherein said charge card is a magnetic stripe card, said charge card terminal being a point of sale terminal.
27. The method of claim 15 wherein said charge card is an electronic smart card.
28. The method of claim 15, further comprising erasing, with said portable emulation card configuring device, said first charge card data from said emulation card upon completion of said charge card transaction.

**FIG. 1 (PRIOR ART)**

**FIG. 2**

PORTABLE ELECTRONIC AUTHORIZATION DEVICE

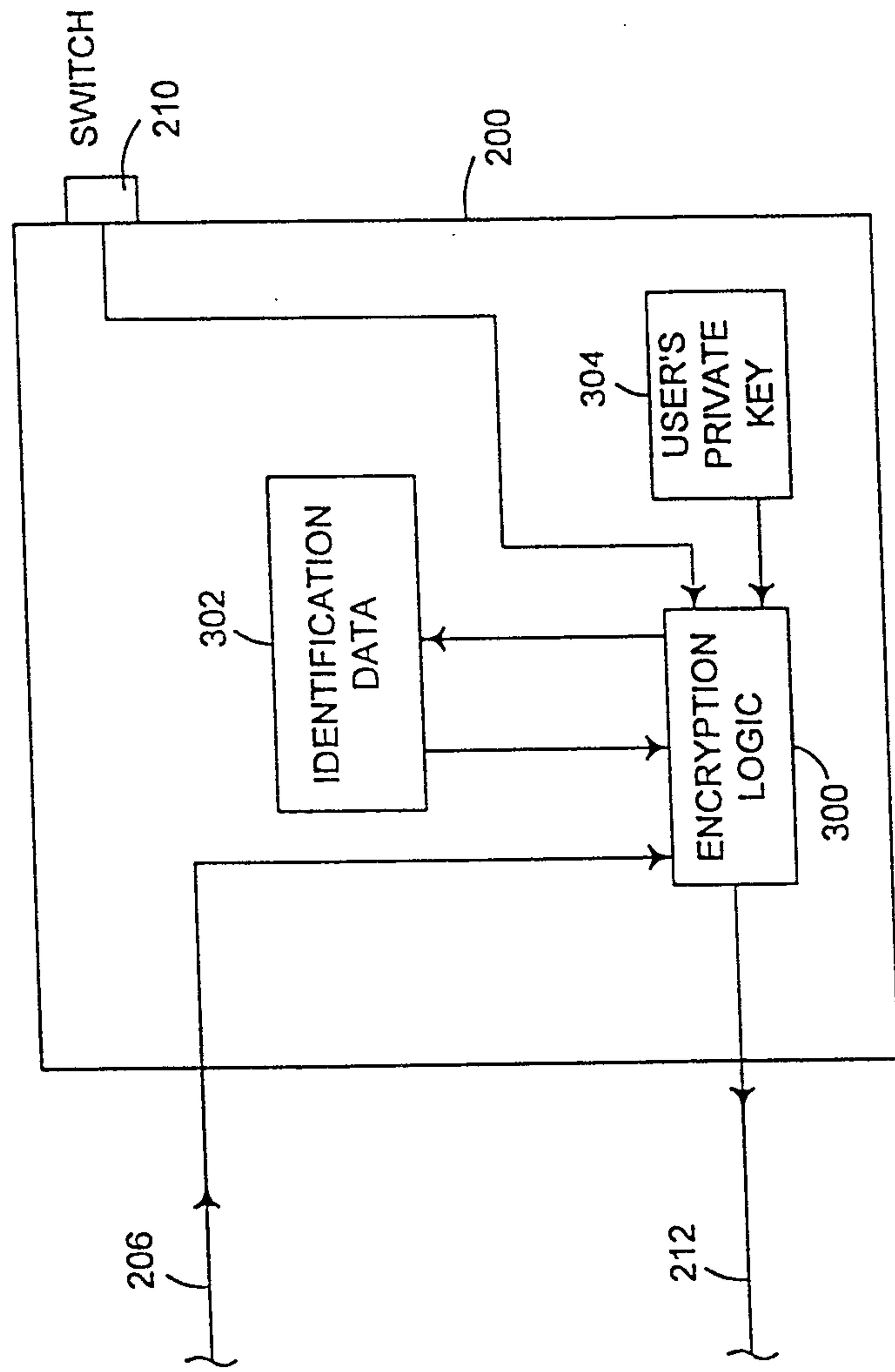


FIG. 3A

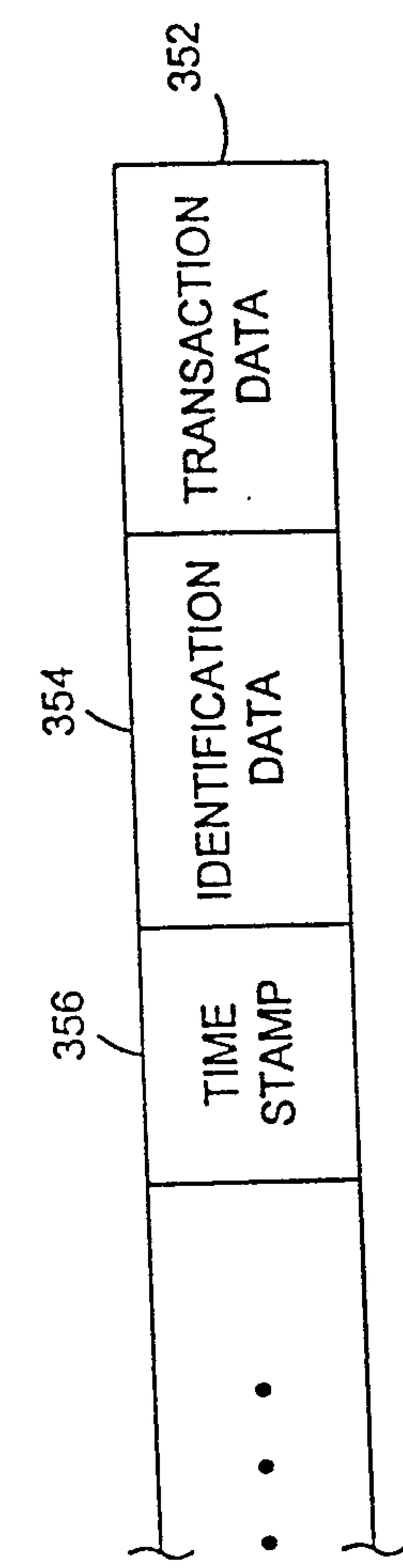


FIG. 3B

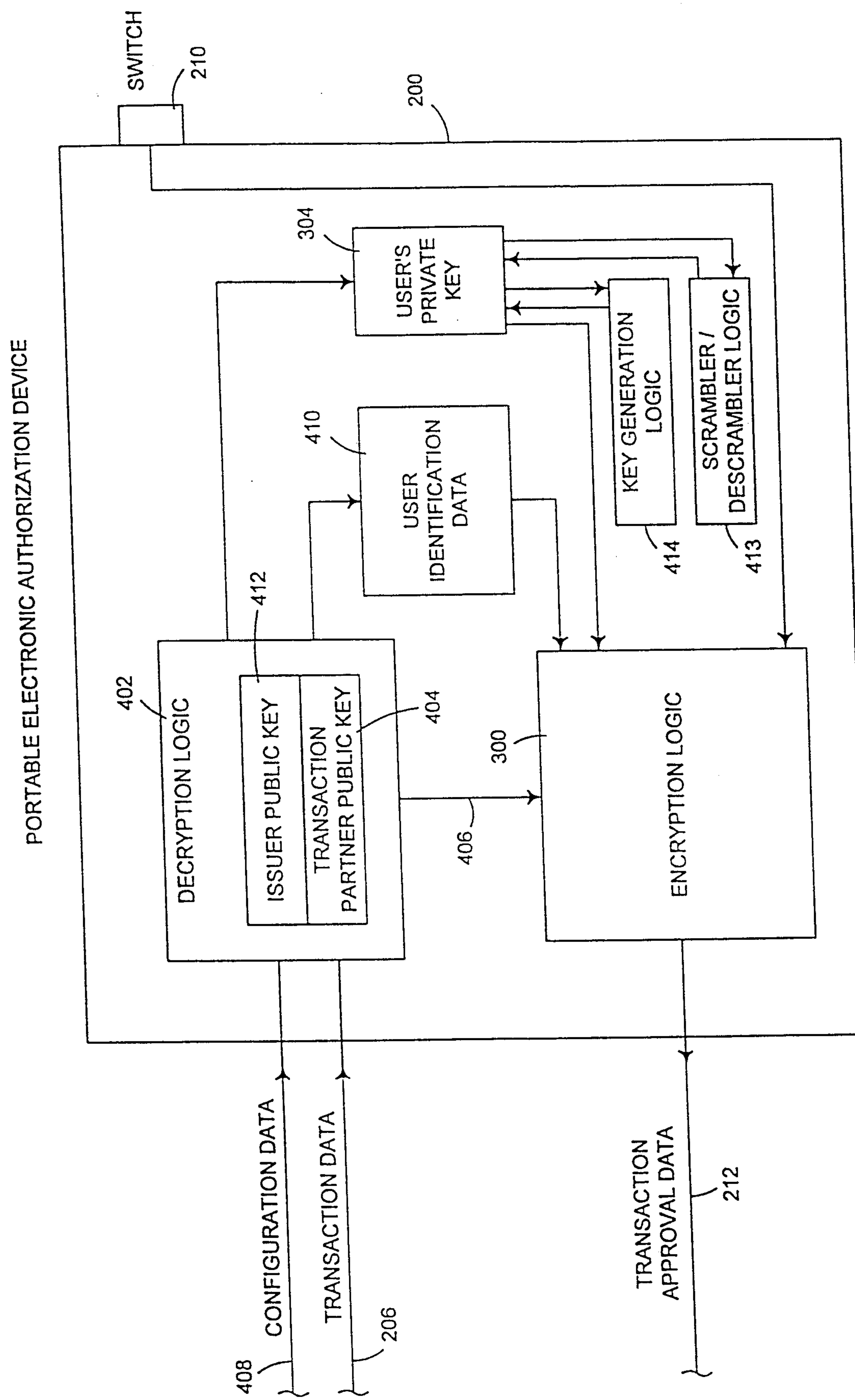


FIG. 4

PORTABLE ELECTRONIC AUTHORIZATION DEVICE

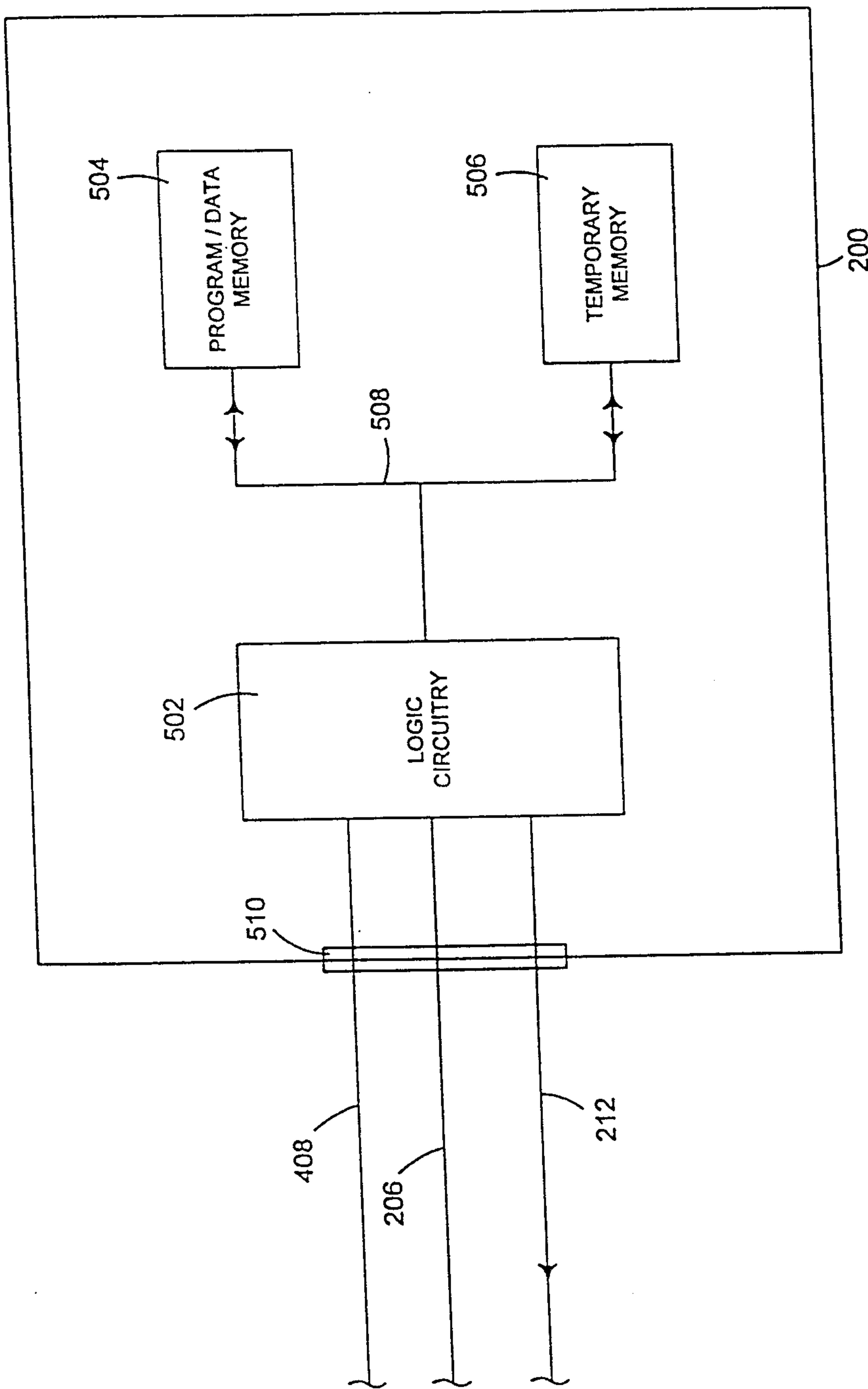


FIG. 5A

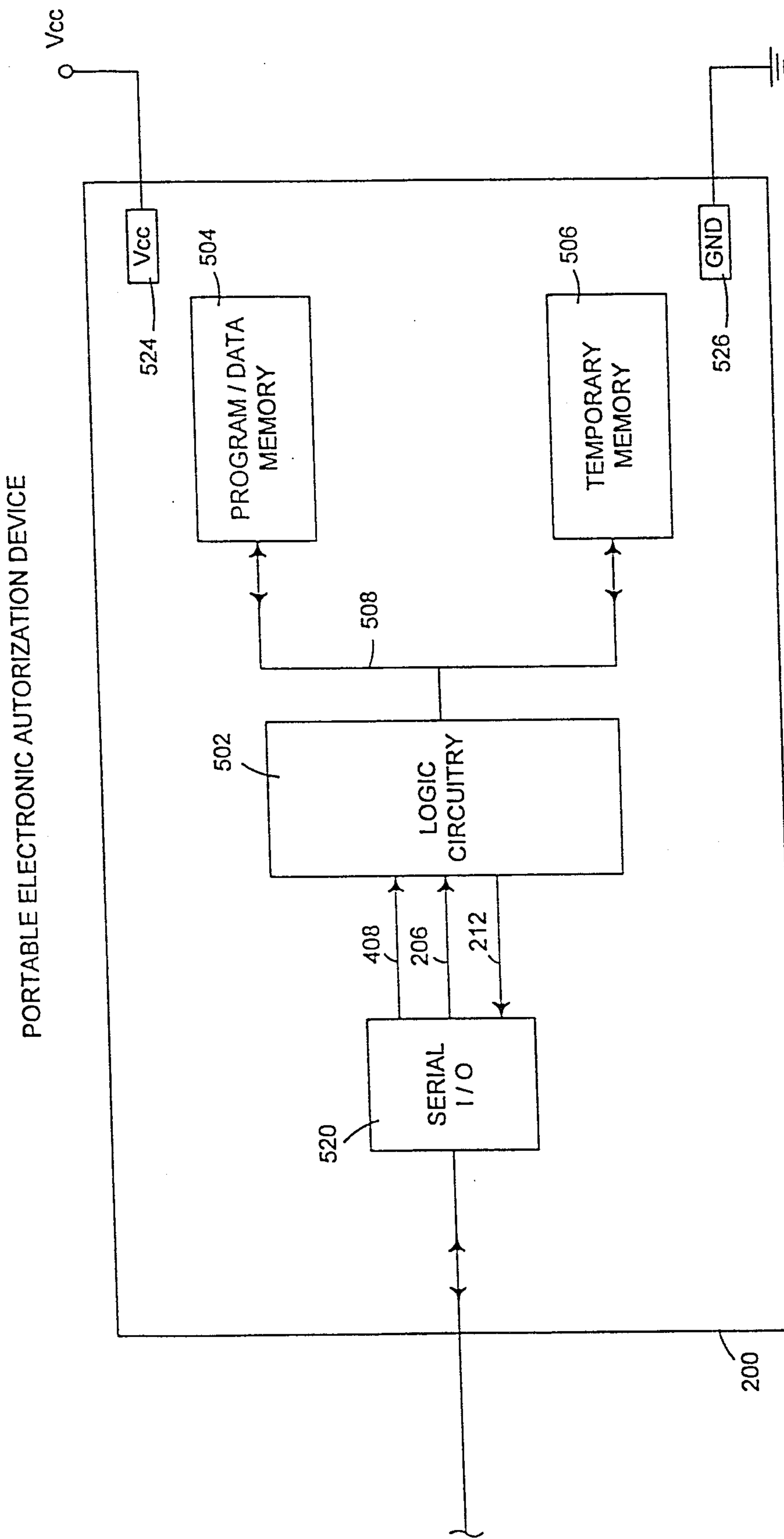
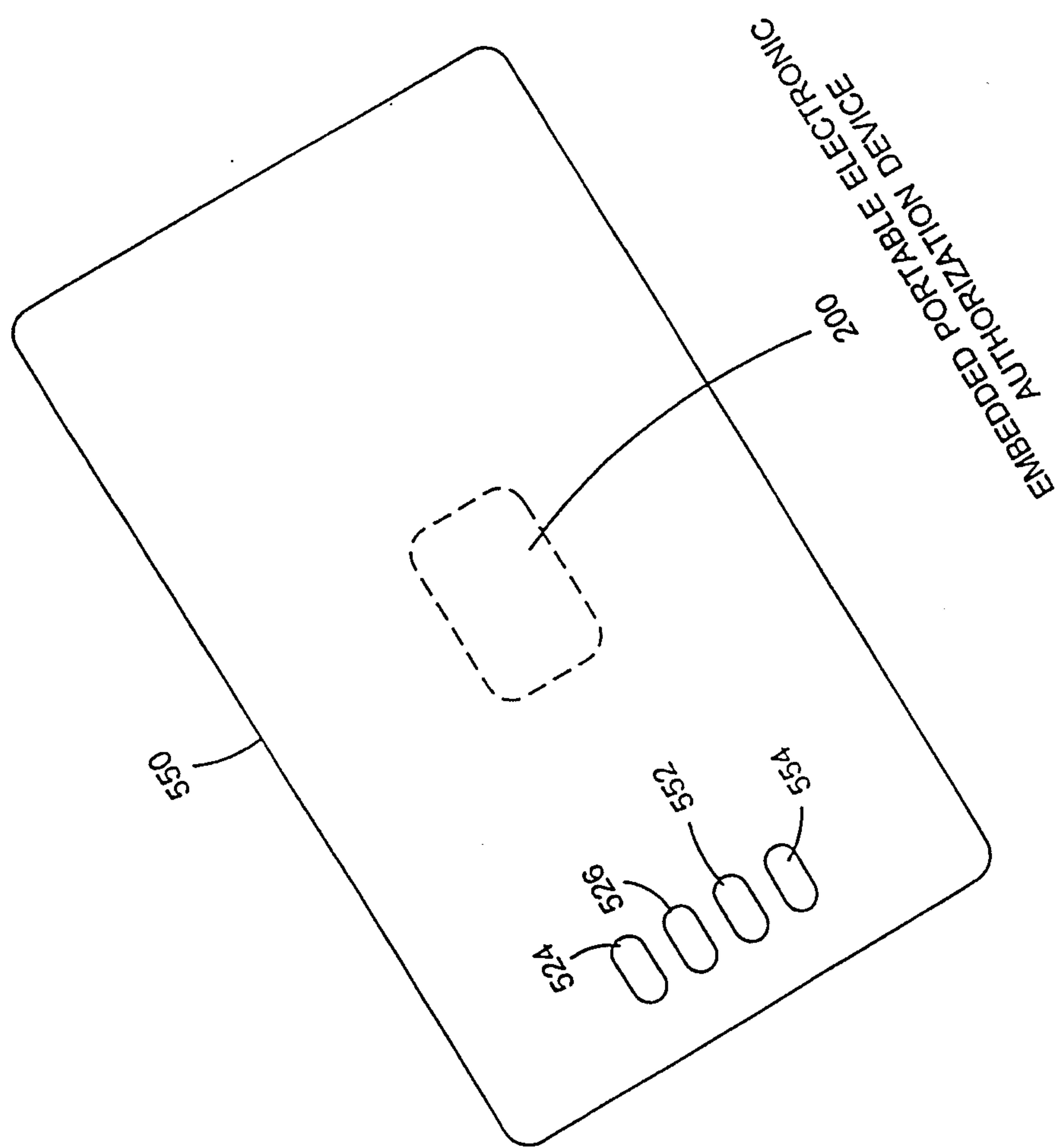
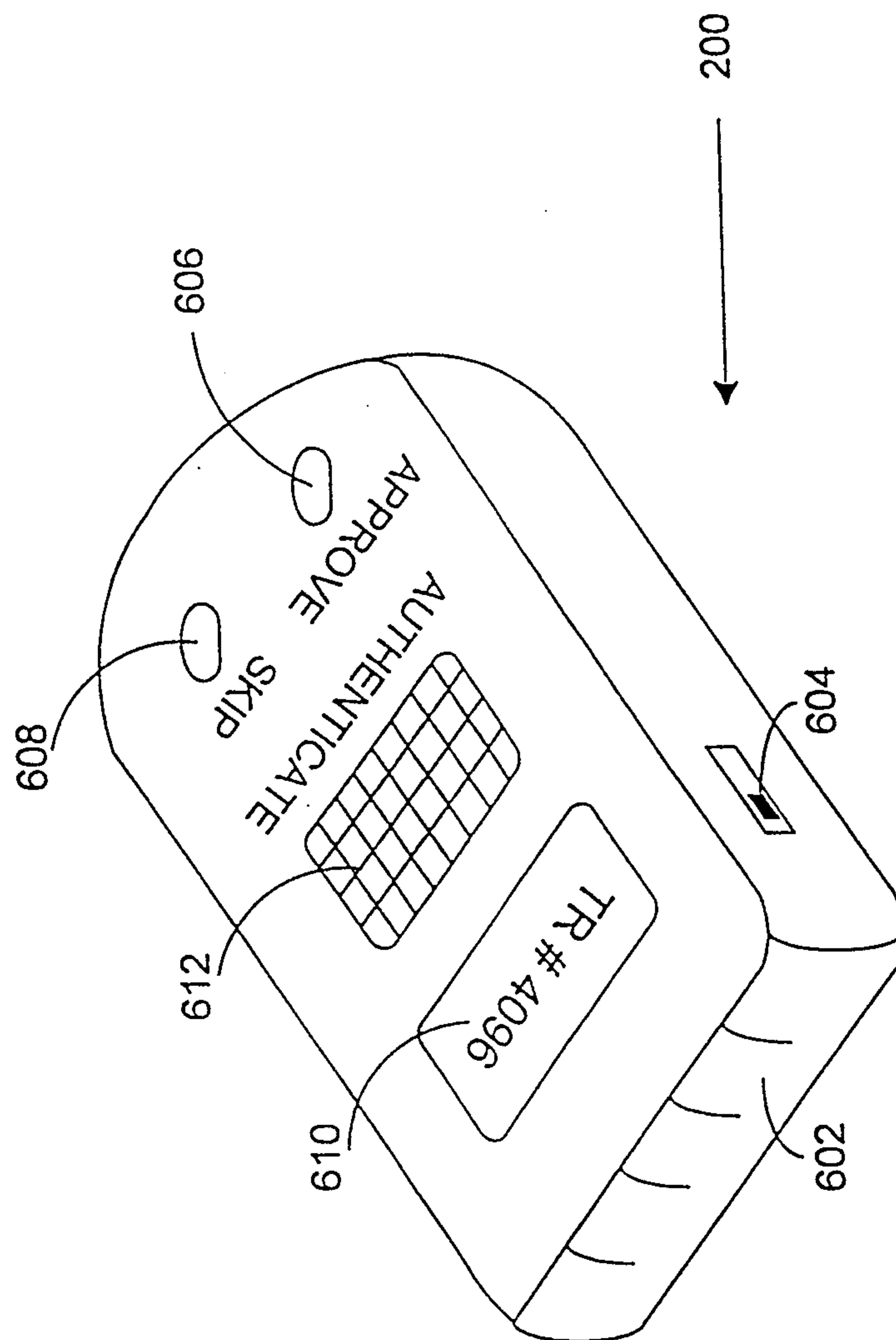
**FIG. 5B**

FIG. 5C



**FIG. 6A**

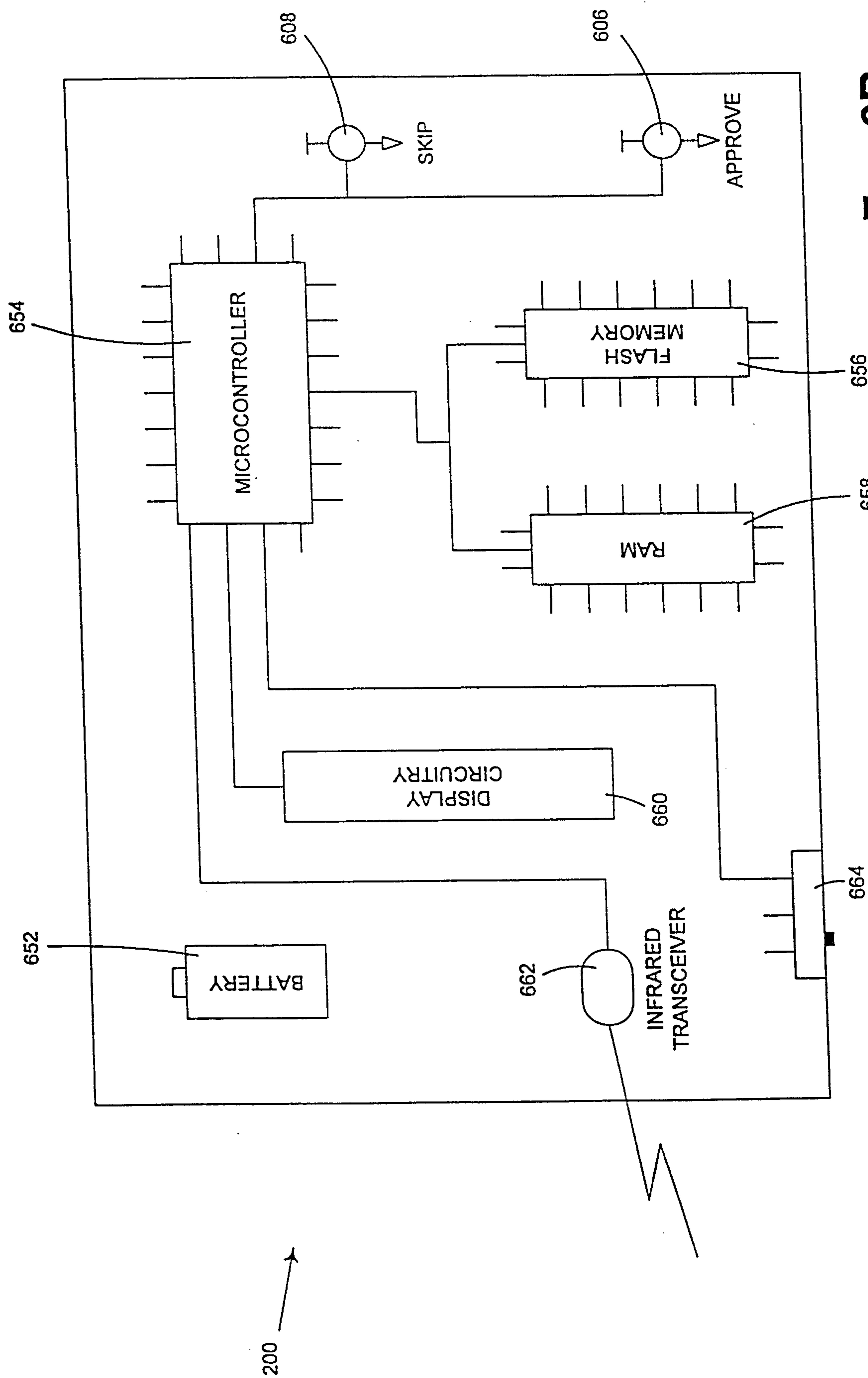


FIG. 6B

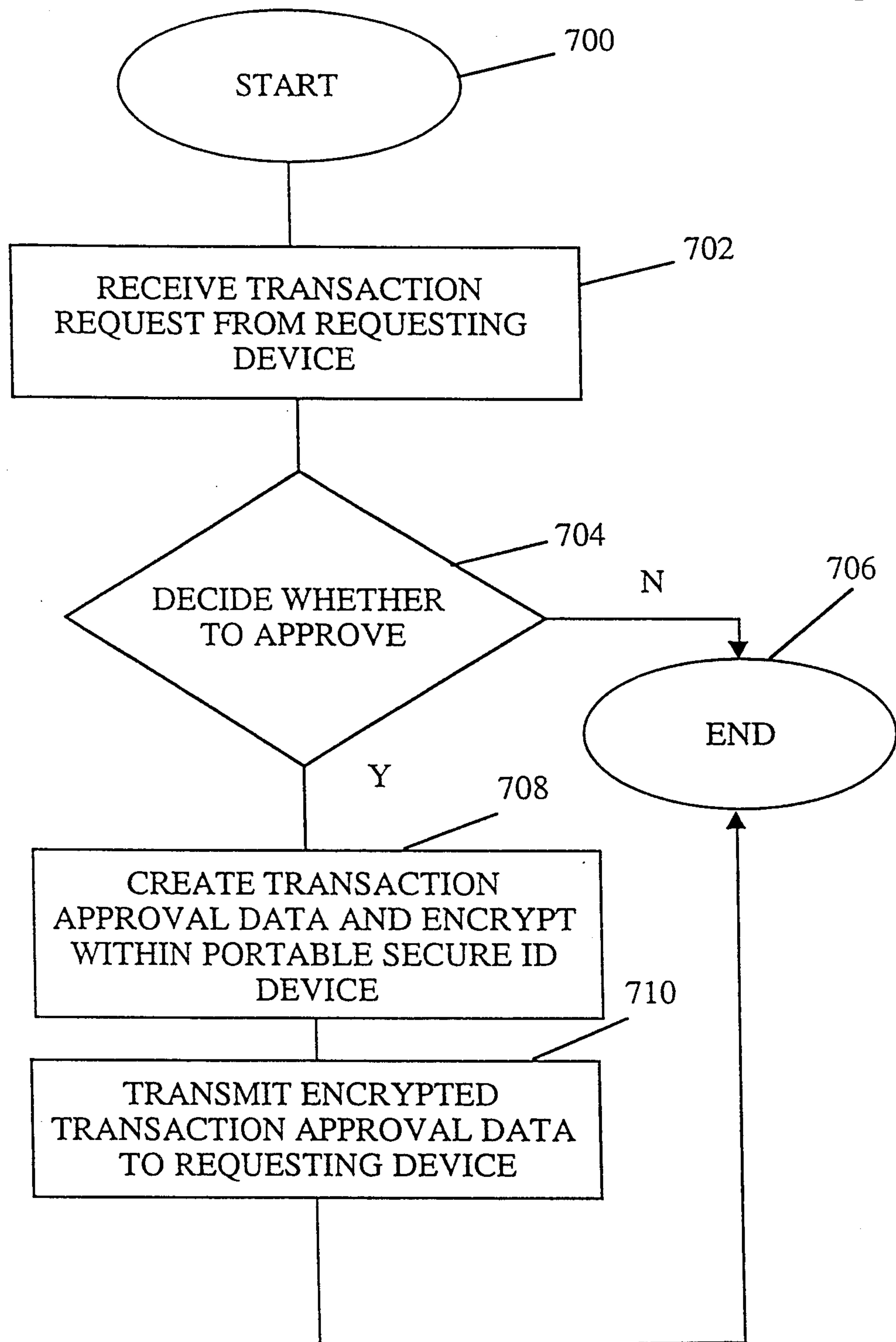


FIG. 7

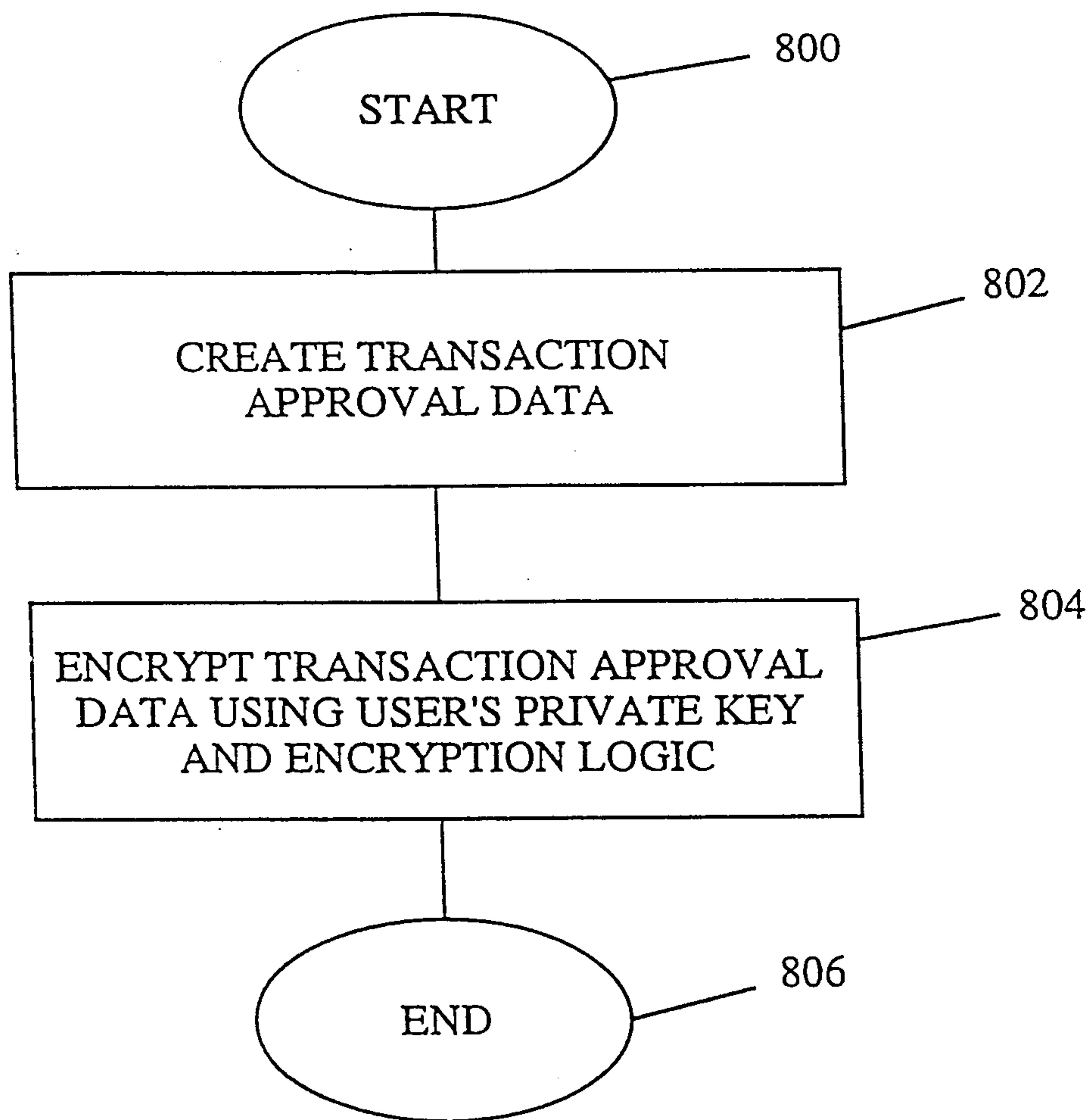


FIG. 8

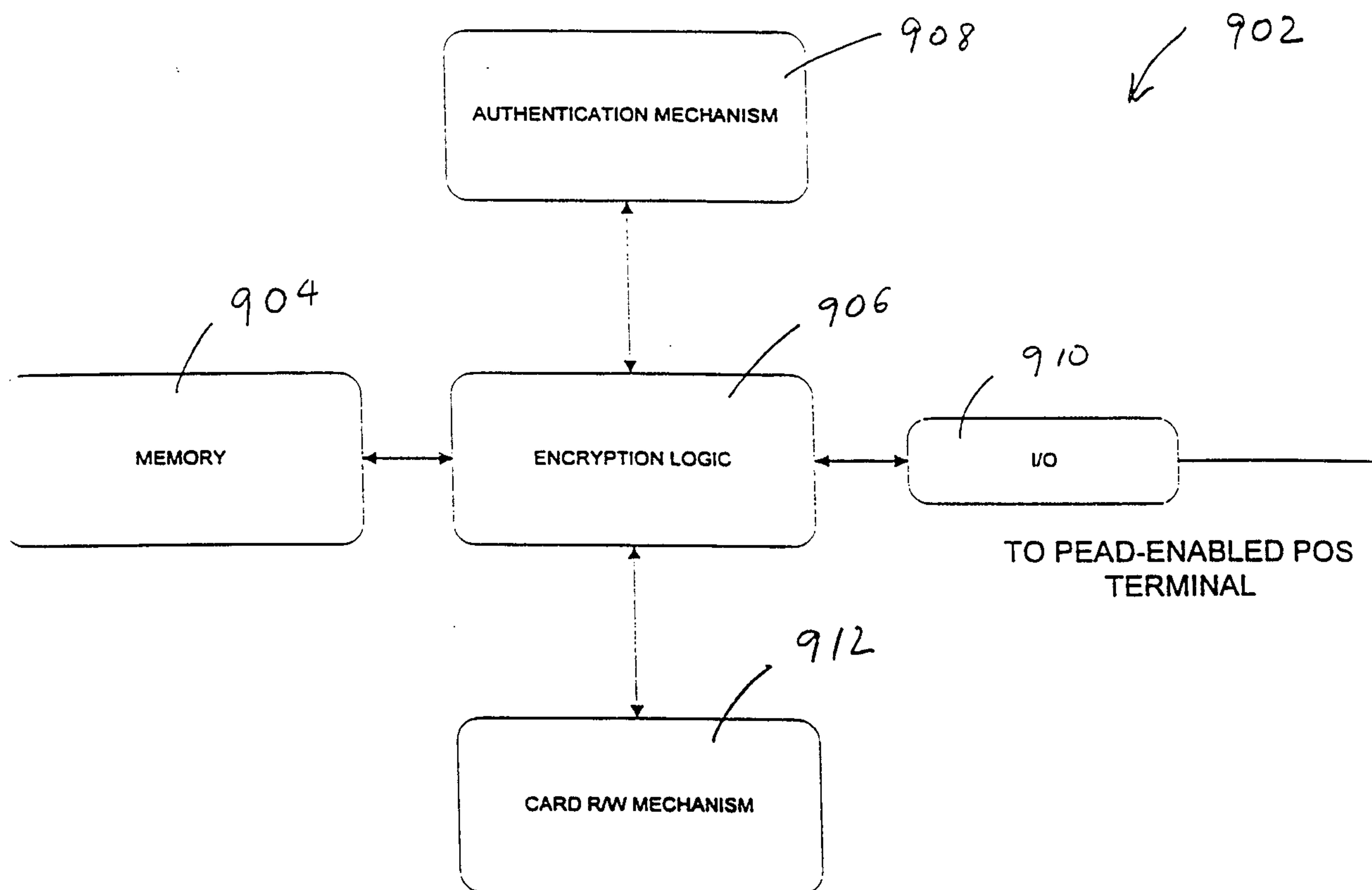


FIG. 9

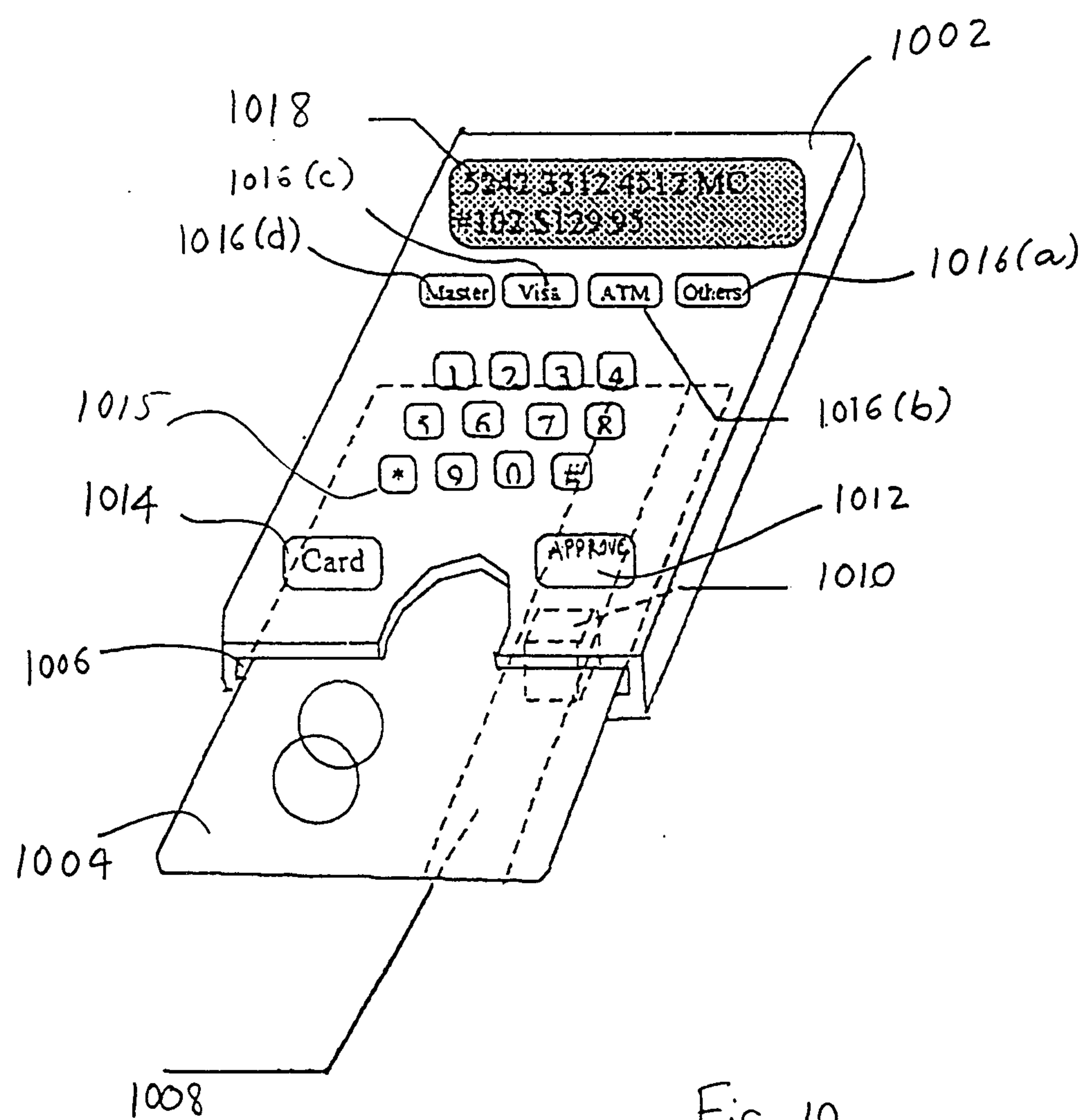
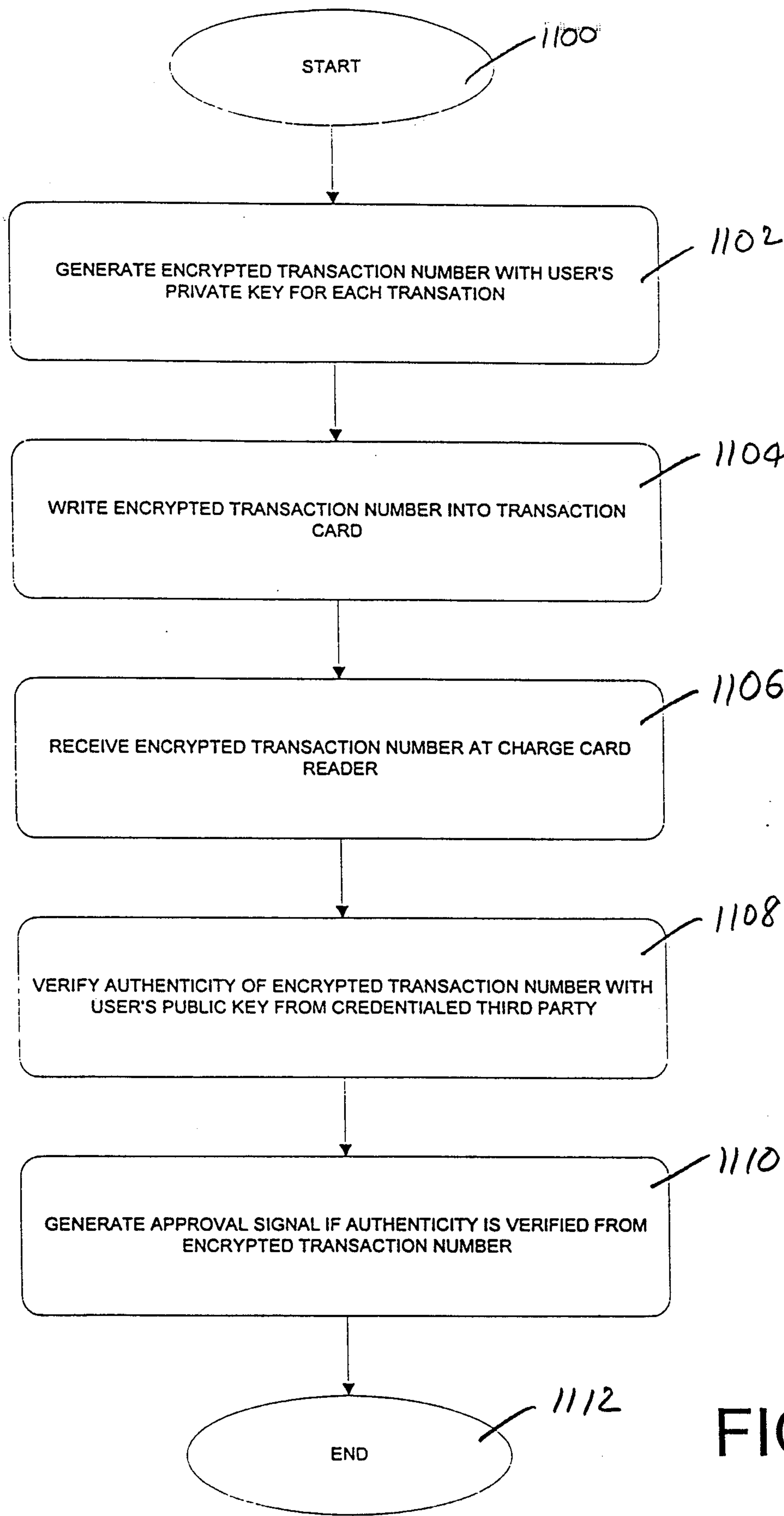


Fig. 10



ELECTRONIC TRANSACTION SYSTEM

