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Nortel spins off Net security

Canadian phone equipment colossus Northern Telecom forms a new company, Entrust Technologies, to focus on enterprise security.

BY CNET NEWS STAFF / JANUARY 2, 1997 12:45 PM PST



Canadian phone equipment giant [Northern Telecom](#) has formed a new company, [Entrust Technologies](#), to focus on enterprise-wide security.

[Nortel owns a majority interest](#), but the firm also has raised [\\$26 million](#) from outside investors. The new subsidiary will pick up the business of [Nortel's Secure Networks](#), which provides the [public-key infrastructure](#) software for encryption and digital signatures of data sent over the Internet and intranets.

"This means we're having a new market space being carved out for public-key infrastructure products," said Erica Rugullies, analyst with the [Hurwitz Group](#). "The creation of a new company will spur competitors."

"The Entrust software plays a tremendous role in the industry. It's the only product on the market that is as far along, scalable, and [so] robust," she added.

Entrust is a product that allows an enterprise to set up a [certification authority \(CA\)](#) to issue digital certificates that vouch for the identity of a person or company on the Net, corporate intranet, or other computer network. [VeriSign](#) and [GTE's CyberTrust](#) are services that issue electronic IDs for companies; Entrust lets a company do the work itself.

Analysts estimate last year's computer security market at \$571 million to \$1.1 billion. [Dataquest](#) expects the market to hit \$6 billion by the year 2000; Computer Security Institutes expect figures to soar even higher--to \$16 billion.

Private-label versions of the Entrust software are due later this year from Tandem Computers and IBM, which will market both the IBM Registry 1.0 product and set up its World Registry service based on the Entrust technology. Hewlett-Packard is comarketing Entrust to its customers.

Entrust customers include the Canadian government, EDI software vendor Harbinger, and forms vendors such as Symantec.



Olympus Partners is Entrust's lead investor, and J.P. Morgan Investment Management, Société Générale, T. Rowe Price Threshold Funds, and Donaldson, Lufkin & Jenrette have invested in the company as well.

"The security market and, in particular the market for public-key cryptography, is growing rapidly as a result of corporate use of the Internet and intranets," John Ryan, Entrust's interim CEO, said in a statement. Other senior Entrust executives include Brian O'Higgins, executive vice president and chief technology officer; Brad Ross, executive vice president, marketing and product line management; and Dr. Paul Van Oorschot, chief security architect.

U.S. headquarters will be announced later this month, but research and development work will remain in Ottawa, Ontario.

In addition to the full Entrust product, the company will market Entrust Lite for workgroups of up to 100 users; Entrust Web CA, a Web based product, due to ship this quarter, that will compete with certificate servers from Netscape and Microsoft; and a software toolkit with application programming interfaces so vendors can make their applications work with Entrust certificates.