

## **Bruno Charlaix, Marc Lassus: The Flea and the Crab Louse**

The underside of the CIA raid on the first French Unicorn

Bruno Charlaix, Marc Lassus : **La Puce et le Morpion**

Les dessous du raid de la CIA sur la première Licorne française. (Librinova 2019, ISBN 979-10-262-4023-5)

*Note: The title is a word play. La puce in French is both a "flea" and an electronic chip. Morpion is actually "crab" for pubic crabs. But "crab" is also colloquially a child, or someone who is small and agile in the face of a large and not very agile opponent.*

Comments on the memoirs of Marc Lassus, in 1988 the head of the five founders of Gemplus, the French smart card manufacturing specialist. The company and Axalto, its main competitor at the time, merged in 2006 to form Gemalto, which became part of the Thales group in April 2019.

The authors of this article have been passionate about IT for decades. In their areas of responsibility at leading smart card manufacturers, they have acquired a deep understanding of their strategic, industrial and commercial issues. Both have contributed to the strategy and growth of their corporations during their strongest expansion phase: Lutz Martiny at Giesecke & Devrient (G&D), Munich, and ORGA Kartensysteme GmbH, Paderborn; Jürgen Kempe at ORGA and Gemplus. The international smart card market has been shaped by the teams of several companies including Bull CP 8, De La Rue, Gemplus, G&D, Oberthur, ORGA and Schlumberger.

We will not comment on the intrigues - some of which we have heard about from hearsay - in the fight for the supremacy of the leading French chip card manufacturer, which Marc Lassus, as a major shareholder and Chairman of the Board of Directors, has decisively influenced. It was, above all, Lutz who remained in relatively close contact with the owners or managing directors of many national and international competitor companies, including Gemplus, which are mentioned in the book. As President of Eurosmart, it was also his responsibility to maintain these contacts in the interests of our industry. Because of this experience, we agree with Marc's view of some of the directors who were appointed at the highest level by the Texas Pacific Group from 2000 onwards.

We are not questioning the accuracy of Marc Lassus' recollections, nor judging the actions of the companies and individuals involved, regardless of their nationality or motives.

However, we are critical of the unilateral presentation of the development of smart card technology. Due to his many years of responsibility for the technical development of the smart card, the corresponding production machines and software, both at G&D and ORGA Kartensysteme, Lutz still has the necessary knowledge.

Marc's recollections suggest that the smart card is a purely French invention. Consequently, the competition, if it existed at all, came only from French companies such as Bull CP8, whose technical manager was Michel Ugon (and not Hugon, see p. 37 et al.). The Bull Group, then a manufacturer of computers of international importance, owed him numerous patents, including "Portable object with embedded microprocessor and programmable memory and Self Programmable One Chip Microcomputer", August 1977. Incidentally, Michel Ugon was Lutz's predecessor as President of Eurosmart.

Alongside Gemplus and Bull CP8 the companies Schlumberger (with a Franco-American label) and Oberthur there were four French players who stimulated international competition. Schlumberger acquired Bull's smart card business in 2001, divested its own card and terminal activities shortly afterwards and floated it on the stock exchange under the name Axalto in 2004. Today, Oberthur is

part of the IDEMIA Group, as is the historical ORGA Kartensysteme GmbH, which has changed hands and name several times since then.

Marc recounts in detail about Roland Moreno, the self-proclaimed "father" of the smart card (1974 patent), whose journalistic talent and sociability have made him often cited and honored as an example of French ingenuity. After Moreno's embarrassing appearance at the presentation of the Diesel Medal of the Eduard Rhein Foundation 1997 in Munich, in a private conversation, where Lutz was present, Marc did not want to recognize Moreno as a Frenchman (born in Egypt). By his participation in Munich, Marc probably wanted to meet and honor Jürgen Dethloff, the inventor of the basic patent of the smart card (patent filed in 1968), who also received the prize that day. These two men already had a business relationship (patented: Cartemonnaie, the idea picked up by Lassus in 2003 on Smart Cards China event under the term Moneo, p. 347) as well as friendship.

German competitors do not exist in Marc Lassus' memories. In 2000, Gemplus acquired ODS (Munich), a smaller competitor than G&D and ORGA, in particular to rapidly and sustainably expand its share of the German banking market. However, Philippe Maes, co-founder and head of R&D at Gemplus, board member like Marc, wrote on 1 July 2004 on Lutz's LinkedIn page: "Lutz has been a major competitor for me in the smart card industry for many years. He has always been dangerous, fair ... and friendly. He has also been instrumental in setting up the industry's representative bodies. Philippe Maes, Co-Founder, Gemplus".

The idea of a so-called white card discussed between Marc Lassus and Thian Yee Chua on the occasion of Smart Card China in September 2003 (page 347 f), was relatively old at the time. Already at the Cartes 1996 trade fair in Paris, Lutz had presented it as a vision for "The smart card in 10 Years," which was also highlighted in the trade fair newspaper published daily at the Cartes trade fair the next day. One tends to say, "the visions, dear Marc, were not an exclusively French phenomenon in our technology either."

We are not in a position to assess in detail the impact of the behavior of French companies, the French government and investors, as well as German and American investors, in the fight for control of one of the leading companies in the smart card industry, nor on the prosperity of Gemplus, nor on the personal situation of Marc Lassus and his family. If the descriptions are true, there is a considerable need for political action regarding ethical behavior in our western economy and the rules by which it operates.

Marc's autobiographical book recounts his personal vision of the start-up that turns into a unicorn. It is a memory, described with great emotion and as if it were the life cycle of man: from his conception, birth, childhood, adolescence to the first steps of a young adult in a sometimes ferocious world, "his" baby.

The bitterness aroused by the various maneuvers, events, human disappointments and the later course of the company's history is all too understandable. The objective of Marc and his co-author was not to present an objective and well-founded history of smart card technology. We therefore point out to every reader: He or she is reading a book that is partly exciting but presented in a subjective way, another and different approach to this part of the industrial history is possible.

The work of the couple Lassus / Charlaix could be the prelude to a reasoned documentation of the considerable contributions to development and technical evolution by companies and individuals, both in France and abroad. It is regrettable that their book is so far only available in French: There are certainly many people involved in the development of the said technology who could provide more detailed information on this subject if they were able to read French at least.

Dr.-Ing. Lutz Martiny: From 1989 to 1993, he was the managing director of GAO, the research and development company of the banknote and security printing company Giesecke & Devrient (G&D), Munich, which at that time was still mainly specialized in the printing of banknotes and securities, then from 1993 to 1997, he was the chairman of the board of ORGA Kartensysteme GmbH, Paderborn; from 1999 to 2003, he served as chairman of Eurosmart, the European association of the smart card industry, Brussels. He is currently a freelance consultant for achelos GmbH, which was founded in 2008 by Kathrin Asmuth, a former executive of Orga Kartensysteme.

Jürgen Kempe (Diploma in Business Administration; B.A. in Franco-German Studies): 1996-1998 Vice President, Sales and Marketing Director of ORGA Kartensysteme GmbH, Paderborn; 1998-2001 Managing Director of Gemplus' two German LLCs as well as the Central/Eastern Europe/Russia region. He also worked as a consultant for achelos GmbH.