

From the Editor



BY PHIL BECKER

2004 was the biggest year yet for digital identity. As 2005 dawns, federated identity is breaking out all over, we see improving understanding of the nature and functions of identity infrastructure, maturing identity standards, and growing pressures to learn better ways to use identity for regulatory compliance. But as good as 2004 was, it looks like 2005 will be significantly better.

As we enter the second half of the first decade of the new millennium and I begin the third year of writing articles about the importance of digital identity, it seems a good time for a bit of reflection (don't worry, I won't go all goofy on you.) It's been five years now since the dot com bust, and both technology and IT departments finally show signs of recovering from the shell shock of it all.

Established technology companies are getting themselves much better sorted out, and an ecosystem of smaller companies is developing and starting to bear fruit. It turns out that the technology cycle didn't end, and the next wave really has begun. And that wave is being marked by a growing understanding of the importance of identity to most of the things technology wants to do next, several of which are highlighted in this issue.

More Acquisitions Than Expected

One indicator that identity is being seen as more important than it was just a year ago is the M&A activity that occurred in 2004. The year began with Sun digesting its acquisition of Waveset and Unisys integrating its acquisition of ePresence. People were wondering if this was a sign that "final consolidation" was at hand, and identity management was now "mature" (and thus not so interesting any more.) I said "likely not" at the time, and 2004 went on to bear that out.

As 2004 began Netegrity acquired Business Layers for \$43 million. The year ended with CA paying \$430 million for Netegrity – a nice ten fold increase in the size of identity acquisitions over the course of the year (I'd

caution against projecting that valuation growth curve in a straight line into 2005, however.) In between, HP acquired TruLogica, Saflink acquired SSP-Litronic, Cisco acquired Riverhead, Oracle acquired Phaos, Digital Evolution acquired Flamenco Networks, and Liquid Machines acquired Omniva. There were several more, but you get the idea. It didn't stop, and it didn't slow down.

Realization that Identity is Center

More importantly, as the year progressed, the reasons deals were being done broadened out far beyond the provisioning roll-up that began this wave of acquisitions, indicating that some broader aspects of digital identity became seen during the course of the year. You can expect to see these areas of identity based computing emerge with new significance (and market dollar sizes) as 2005 unfolds. You'll also see technologies that are currently under the radar become visible this year. Innovation in identity has not stopped, in fact it is accelerating. 2005 should make this quite clear.

In addition to M&A activity, 2004 saw significant activity in identity focused strategic partnership deals, and several smaller companies and startups obtained significant VC financing as the year progressed. All of this points out a growing understanding that identity is important, coupled with a growing awareness that a lot of development and innovation based on new or revised understandings of identity remains. 2005 should be no different in this regard, as identity based technologies that are now "under the radar" appear to suddenly surface and gain importance.

In 2005, some breakout identity technologies will again surprise observers. Among these will be the rise of identity enabled web services.

Federation Shattered Paradigms

2004 was also the year that federation broke thinking loose from the highly centralized, directory-centric paradigms that had kept its evolution painfully slow for so long. Federation at last posed a problem set that clearly needed solving, and that would generate revenue for those who solved it. It was the first such problem set to come along in identity that no one could imagine being solved by the old paradigms.

Once it was seen that new paradigms were required, the progress towards thinking about identity infrastructure as a set of loosely coupled, heterogeneous technologies managed by common policies was quite rapid. As 2004 draws to a close, nearly all of the visionaries in the field know this is what we need, even as they struggle to figure out how, exactly, we can attain it. But enough progress has been made in products and methods that at the October Digital ID World conference the words “boil the ocean” were finally entombed in Lucite, henceforth to be brought out in historical discussions only.

The Adolescence of RFID

2004 was also the year RFID started growing up. The year began with great enthusiasm that mandates were surely going to force a thriving industry into being rapidly. The first EPC standards were ratified, and test projects galore broke out.

The year ended with the EPC Gen-2 global standards, bogged down by patent claims, finally being ratified with hopes high that things will work out. And the RFID sector was exhibiting a more mature outlook as experience demonstrated once again that overinvestment, rushed technology development, and intellectual property battles couldn't create a utopia wherein RFID reached the promised land without having to pay its dues.

The Emergence of Compliance as a Driver

2004 will certainly go down as the year that compliance went from a curiosity to a major force driving the development of identity technology. The year began with Aberdeen Group issuing a study showing that most IT managers thought they could leverage the tools they already had in place to “fill in any gaps” and meet compliance requirements. The survey showed that most thought compliance would not be a big item in their IT budgets.

But as 2004 ends, those enterprises have had the experience of documenting their procedures and going through the first manual auditing rounds. They now see that the compliance process must become more automated to make the costs remotely reasonable, and the picture has changed. Analysts now variously project 2005 compliance related IT spending in a range from \$1.5 billion to \$5 billion. No one really knows, but it will be a big number, and one that a year ago no one foresaw.

More Paradigms Fall

With identity based compliance becoming one of the largest drivers of sales of identity technology, the effects it is having on that technology are starting to be apparent. Because once you examine what it takes to automate compliance, that changes how you look at identity technology.

Compliance automation ultimately requires loosely coupling a heterogeneous set of identity technologies across legacy, web server based, and web services applications, and putting them under the control of a common set of policies. This alters the paradigms that had been used in identity management. And like federation, by posing a real problem that current technologies only partially solve, compliance is driving rapid innovation in both technology and understanding of the identity paradigm.

Privacy and IPR

There were many other sub-plots to the 2004 identity saga, including some that didn't pan out. Among these was the Sender-ID effort to standardize email authentication that despite widespread agreement ended up crashing on the rocks of intellectual property issues that couldn't get resolved.

Privacy also entered the identity conversation in a much more focused way in 2004, and the words “privacy management” surfaced for the first time. In this issue, Archie Reed looks at what privacy management entails, and what it will

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mean for identity technology in Privacy?
– What Privacy?

Identity Standards Mature

The standards battles that were raging as 2004 began look much more settled as the year ends, but new ones are stirring. This is to be expected, since innovation must precede standards. Why? Because we have to learn what we need to do before we can think about creating open standards based methods to do it. So long as identity remains in this phase of rapid innovation, we can expect new standards battles to trail along behind the innovation. Dave Nesbitt looks at how the trends in federated identity are shaping up in his article The Evolution of Federation.

Maturity came to the biometrics industry in 2004 as well, as they moved from a technology focused industry to seeing how their technology fit in the larger marketplace. In this issue Maxine Most reviews this evolution and what it means in Biometrics Comes of Age – From Core Technology to Identification Solutions. And we examine how biometrics solve real world business problems – as real world as productivity in fast food hamburger chains – in White Castle Hands Employees Self Service. If using biometrics where they serve sliders and nails doesn't indicate they provide real world value, I'm not sure what does.

All forms of strong authentication got a re-examination in 2004. As the year progressed, a general consensus was reached that some way must be found to replace passwords with strong authentication. The OATH initiative for open authentication was launched in February of 2004, and released its first specifications to the

IETF for standardization at the October Digital ID World conference. This organization isn't well known, however, and has sparked rumors about its intentions. In this issue we pull back the covers and examine OATH in Mark Willoughby's article OATH Swears Authentication is the Next Big Thing.

The Digital ID World Conference

In October, the third Digital ID World conference occurred, and it amazed nearly all who attended. It demonstrated both that identity is a rapidly growing industry, and that Digital ID World

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is the only place that presents it all, straight from those who invent and deploy it. We provide you a review in words and pictures in this issue, in our Special Report on The Digital ID World Conference 2004.

This conference was so much bigger and better than the previous year, that we've decided things can't wait an entire year for another one. The next Digital ID World conference will be May 9-12, 2005 at the Hyatt Embarcadero in San Francisco. You don't want to miss it, so mark you calendars now. And register soon – it's only four months away and those early bird discounts won't last much longer!

Yes, in 2004 the growth of identity caught many people by surprise – even some of those who are vendors in the industry. So now they are looking and 2005 shouldn't hold an new surprises, right? Wrong! 2005 will bring new innovation and wider deployment. It will also reveal which vendors understand what is happening, and which don't – as products start to differentiate. And some breakout identity technologies will again surprise observers. Among these will be the rise of identity enabled web services.

Our feature focus this issue is organized to provide you with the background you need to see this one coming, and know how to avoid mistakes if you are readying deployments. As usual, we bring you perspective that is not available anywhere else. And we close it all with a real-world deployment case story that illustrates how web services can thrive when they are identity enabled, but also how web services themselves can transform identity management. As you read this story, remember that part – you'll almost certainly see this pattern transforming identity management technology before 2005 is over.

It's going to be a good year, and Digital ID World is your best resource for perspective and understanding as it unfolds. Strap in, and get ready for the ride. ■



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