

*With cryptography, what  
you see isn't what you get.*

*Subtle flaws can render  
any security system  
vulnerable to attack.*

*Counterpane Systems  
has the expertise you need  
to make sure your system  
is as secure as it looks.*



COUNTERPANE SYSTEMS

---

## **WHY CRYPTOGRAPHY IS HARDER THAN IT LOOKS**

*by Bruce Schneier*

**F**rom e-mail to cellular communications, from secure Web access to digital cash, cryptography is an essential part of today's information systems. Cryptography helps provide accountability, fairness, accuracy, and confidentiality. It can prevent fraud in electronic commerce and assure the validity of financial transactions. It can prove your identity or protect your anonymity. It can keep vandals from altering your Web page and prevent industrial competitors from reading your confidential documents. And in the future, as commerce and communications continue to move to computer networks, cryptography will become more and more vital.

But the cryptography now on the market doesn't provide the level of security it advertises. Most systems are not designed and implemented in concert with cryptographers, but by engineers who thought of cryptography as just another component. It's not. You can't make systems secure by tacking on cryptography as an afterthought. You have to know what you are doing every step of the way, from conception through installation.

Billions of dollars are spent on computer security, and most of it is wasted on insecure products. After all, weak cryptography looks the same on the shelf as strong cryptography. Two e-mail encryption products may have almost the same user interface, yet one is secure while the other permits eavesdropping. A comparison chart may suggest that two programs have similar features, although one has gaping security holes that the other doesn't. An experienced cryptographer can tell the difference. So can a thief.

Present-day computer security is a house of cards; it may stand for now, but it can't last. Many insecure products have not yet been broken because they are still in their infancy. But when these products are widely used, they will become tempting targets for criminals. The press will publicize the attacks, undermining public confidence in these systems. Ultimately, products will win or lose in the marketplace depending on the strength of their security.

---

## THREATS TO COMPUTER SYSTEMS

Every form of commerce ever invented has been subject to fraud, from rigged scales in a farmers' market to counterfeit currency to phony invoices. Electronic commerce schemes will also face fraud, through forgery, misrepresentation, denial of service, and cheating. In fact, computerization makes the risks even greater, by allowing attacks that are impossible against non-automated systems. A thief can make a living skimming a penny from every Visa cardholder. You can't walk the streets wearing a mask of someone else's face, but in the digital world it is easy to impersonate others. Only strong cryptography can protect against these attacks.

Privacy violations are another threat. Some attacks on privacy are targeted: a member of the press tries to read a public figure's e-mail, or a company tries to intercept a competitor's communications. Others are broad data-harvesting attacks, searching a sea of data for interesting information: a list of rich widows, AZT users, or people who view a particular Web page.

Criminal attacks are often opportunistic, and often all a system has to be is more secure than the next system. But there are other threats. Some attackers are motivated by publicity. They usually have access to significant computing resources at their corporations or research institutions, and lots of time, but not much money. Lawyers sometimes need a system attacked, in order to prove their client's innocence. Lawyers can collect details on the system through the discovery process, and then use considerable financial resources to hire experts and buy equipment. And they don't have to defeat the security of a system completely, just enough to convince a jury that the security is flawed.

Electronic vandalism is an increasingly serious problem. Computer vandals have already graffitied the CIA's web page, mail-bombed Internet providers, and canceled thousands of newsgroup messages. And of course, vandals and thieves routinely break into networked computer systems. When security safeguards aren't adequate, trespassers run little risk of getting caught.

Attackers don't follow rules; they cheat. They can attack a system using techniques the designers never thought of. Art thieves have burgled homes by cutting through the walls with a chain saw. Home security systems, no matter how expensive and sophisticated, won't stand a chance against this attack. Computer thieves come through the walls too. They steal technical data, bribe insiders, modify software, and collude. They take advantage of technologies newer than the system, and even invent new mathematics to attack the system with.

The odds favor the attacker. Bad guys have more to gain by examining a system than good guys. Defenders have to protect against every possible vulnerability, but an attacker only has to find one security flaw to compromise the whole system.

---

## WHAT CRYPTOGRAPHY CAN AND CAN'T DO

No one can guarantee 100% security. But we can work toward 100% risk acceptance. Fraud exists in current commerce systems: cash can be counterfeited, checks altered, credit card numbers stolen. Yet these systems are still successful, because the benefits and conveniences outweigh the losses. Privacy systems—wall safes, door locks, curtains—are not perfect, but they're often good enough. A good cryptographic system strikes a balance between what is possible and what is acceptable.

Strong cryptography can withstand targeted attacks up to a point—the point at which it becomes easier to get the information some other way. A computer encryption program, no matter how good, will not prevent an attacker from going through someone’s garbage. But it can prevent data-harvesting attacks absolutely; no attacker can go through enough trash to find every AZT user in the country. And it can protect communications against non-invasive attacks: it’s one thing to tap a phone line from the safety of the telephone central office, but quite another to break into someone’s house to install a bug.

The good news about cryptography is that we already have the algorithms and protocols we need to secure our systems. The bad news is that that was the easy part; implementing the protocols successfully requires considerable expertise. The areas of security that interact with people—key management, human/computer interface security, access control—often defy analysis. And the disciplines of public-key infrastructure, software security, computer security, network security, and tamper-resistant hardware design are very poorly understood.

Companies often get the easy part wrong, and implement insecure algorithms and protocols. But even so, practical cryptography is rarely broken through the mathematics; other parts of systems are much easier to break. The best protocol ever invented can fall to an easy attack if no one pays attention to the more complex and subtle implementation issues. Netscape’s security fell to a bug in the random-number generator. Flaws can be anywhere: the threat model, the design, the software or hardware implementation, the system management. Security is a chain, and a single weak link can break the entire system. Fatal bugs may be far removed from the security portion of the software; a design decision that has nothing to do with security can nonetheless create a security flaw.

Once you find a security flaw, you can fix it. But finding the flaws in a product can be incredibly difficult. Security is different from any other design requirement, because functionality does not equal quality. If a word processor prints successfully, you know that the print function works. Security is different; just because a safe recognizes the correct combination does not mean that its contents are secure from a safecracker. No amount of general beta testing will reveal a security flaw, and there’s no test possible that can prove the absence of flaws.

---

## THREAT MODELS

A good design starts with a threat model: what the system is designed to protect, from whom, and for how long. The threat model must take the entire system into account—not just the data to be protected, but the people who will use the system and how they will use it. What motivates the attackers? Must attacks be prevented, or can they just be detected? If the worst happens and one of the fundamental security assumptions of a system is broken, what kind of disaster recovery is possible? The answers to these questions can’t be standardized; they’re different for every system. Too often, designers don’t take the time to build accurate threat models or analyze the real risks.

Threat models allow both product designers and consumers to determine what security measures they need. Does it make sense to encrypt your hard drive if you don’t put your files in a safe? How can someone inside the company

defraud the commerce system? Are the audit logs good enough to convince a court of law? You can't design a secure system unless you understand what it has to be secure against.

---

## SYSTEM DESIGN

**D**esign work is the mainstay of the science of cryptography, and it is very specialized. Cryptography blends several areas of mathematics: number theory, complexity theory, information theory, probability theory, abstract algebra, and formal analysis, among others. Few can do the science properly, and a little knowledge is a dangerous thing: inexperienced cryptographers almost always design flawed systems. Good cryptographers know that nothing substitutes for extensive peer review and years of analysis. Quality systems use published and well-understood algorithms and protocols; using unpublished or unproven elements in a design is risky at best.

Cryptographic system design is also an art. A designer must strike a balance between security and accessibility, anonymity and accountability, privacy and availability. Science alone cannot prove security; only experience, and the intuition born of experience, can help the cryptographer design secure systems and find flaws in existing designs.

---

## IMPLEMENTATION

**T**here is an enormous difference between a mathematical algorithm and its concrete implementation in hardware or software. Cryptographic system designs are fragile. Just because a protocol is logically secure doesn't mean it will stay secure when a designer starts defining message structures and passing bits around. Close isn't close enough; these systems must be implemented exactly, perfectly, or they will fail. A poorly-designed user interface can make a hard-drive encryption program completely insecure. A false reliance on tamper-resistant hardware can render an electronic commerce system all but useless. Since these mistakes aren't apparent in testing, they end up in finished products. Many flaws in implementation cannot be studied in the scientific literature because they are not technically interesting. That's why they crop up in product after product. Under pressure from budgets and deadlines, implementers use bad random-number generators, don't check properly for error conditions, and leave secret information in swap files. The only way to learn how to prevent these flaws is to make and break systems, again and again.

---

## CRYPTOGRAPHY FOR PEOPLE

**I**n the end, many security systems are broken by the people who use them. Most fraud against commerce systems is perpetrated by insiders. Honest users cause problems because they usually don't care about security. They want simplicity, convenience, and compatibility with existing (insecure) systems. They choose bad passwords, write them down, give friends and relatives their private keys, leave computers logged in, and so on. It's hard to sell door locks to people who don't want to be bothered with keys. A well-designed system must take people into account.

Often the hardest part of cryptography is getting people to use it. It's hard to convince consumers that their financial privacy is important when they are willing to leave a detailed purchase record in exchange for one thousandth of a free trip to Hawaii. It's hard to build a system that provides strong authentication on top of systems that can be penetrated by knowing someone's mother's maiden name. Security is routinely bypassed by store clerks, senior

executives, and anyone else who just needs to get the job done. Only when cryptography is designed with careful consideration of users' needs and then smoothly integrated, can it protect their systems, resources, and data.

**R**ight now, users have no good way of comparing secure systems. Computer magazines compare security products by listing their features, not by evaluating their security. Marketing literature makes claims that are just not true; a competing product that is more secure and more expensive will only fare worse in the market. People rely on the government to look out for their safety and security in areas where they lack the knowledge to make evaluations—food packaging, aviation, medicine. But for cryptography, the U.S. government is doing just the opposite.

When an airplane crashes, there are inquiries, analyses, and reports. Information is widely disseminated, and everyone learns from the failure. You can read a complete record of airline accidents from the beginning of commercial aviation. When a bank's electronic commerce system is breached and defrauded, it's usually covered up. If it does make the newspapers, details are omitted. No one analyzes the attack; no one learns from the mistake. The bank tries to patch things in secret, hoping that the public won't lose confidence in a system that deserves no confidence. In the long run, secrecy paves the way for more serious breaches.

Laws are no substitute for engineering. The U.S. cellular phone industry has lobbied for protective laws, instead of spending the money to fix what should have been designed correctly the first time. It's no longer good enough to install security patches in response to attacks. Computer systems move too quickly; a security flaw can be described on the Internet and exploited by thousands. Today's systems must anticipate future attacks. Any comprehensive system—whether for authenticated communications, secure data storage, or electronic commerce—is likely to remain in use for five years or more. It must be able to withstand the future: smarter attackers, more computational power, and greater incentives to subvert a widespread system. There won't be time to upgrade it in the field.

History has taught us: never underestimate the amount of money, time, and effort someone will expend to thwart a security system. It's always better to assume the worst. Assume your adversaries are better than they are. Assume science and technology will soon be able to do things they cannot yet. Give yourself a margin for error. Give yourself more security than you need today. When the unexpected happens, you'll be glad you did.



---

## COUNTERPANE SYSTEMS

Counterpane Systems is a Minneapolis-based consulting firm specializing in cryptography and computer security. It is a virtual company, with two full-time employees and six part-time contractors. Counterpane provides expert consulting in the following areas:

---

### DESIGN AND ANALYSIS

Most of Counterpane's work is in cryptographic design and analysis: making and breaking real systems. These systems range from stand-alone hard-drive encryption programs to complex network-security and electronic-commerce systems. We can analyze all aspects of a security system, from the threat model to the algorithms and protocols to the implementation and procedures. Detailed reports provide clients with information on security problems as well as suggested fixes.

---

### IMPLEMENTATION AND TESTING

Counterpane Systems also turns designs into working programs. We have implemented and tested several systems, from our own designs and from industry standards. Counterpane performs testing and verification of cryptographic implementations and products.

---

### THREAT MODELING

Using Attack Tree analysis, Counterpane Systems provides a comprehensive threat analysis of systems and products. This kind of analysis can determine the vulnerability of a system against attack and the avenues of attack most likely to succeed. We can calculate the time, money, and resources necessary to attack a system, determine the security effects of different business decisions, and list the security assumptions a system is based on. Attack Trees can compare attacks and countermeasures, and isolate areas where security can most profitably be improved—or most profitably be attacked.

---

### PRODUCT RESEARCH AND FORECASTING

Counterpane Systems assesses potential product ideas, and gives opinions on their viability in the marketplace. We also maintain a large database of competitive information, and can provide data on existing offerings in security-related product areas. We publish occasional reports on different areas of commercial cryptography—electronic commerce, Internet security, public-key infrastructure, secure tokens—and make these reports available to clients.

---

### CLASSES AND TRAINING

Counterpane Systems provides a wide variety of training services, from hour-long tutorials on the basics of computer security to week-long classes on the mathematics of cryptography. Other classes include advanced protocol design and analysis, Internet security protocols, public-key infrastructure, and electronic commerce security. Classes can be tailored to suit individual needs.

---

### INTELLECTUAL PROPERTY

Counterpane Systems has considerable experience writing patent disclosures for cryptographic inventions. We provide opinions on patentability and prior art, and can help clients find new ways to implement systems which avoid infringing on existing patents. We maintain a database of more than 1200 cryptography-related patents.

---

**EXPORT CONSULTING**

Counterpane Systems can help clients go through the process of receiving Commodity Jurisdictions from the U.S. Department of State and get their products approved for export.

---

**CRYPTOGRAPHIC RESEARCH**

Counterpane Systems continually pursues cryptographic research. By publishing papers at international academic conferences, we maintain our state-of-the-art knowledge and experience in cryptography.

---

**CLIENTS**

**W**e have consulted for clients on five continents, including Canon, Compaq, Disney, Hughes Data Systems, Intel, Intuit, MCI, Merrill Lynch, Microsoft, Mitsubishi Electric, National Semiconductor, Netscape, NSA, Oracle, Silicon Graphics, Security Dynamics, Stac Electronics, and Xerox PARC. Contracts range from short-term expert opinions and design evaluations to multi-year design and development efforts.

---

**COUNTERPANE SYSTEMS PERSONNEL**

**B**RUCE SCHNEIER is president of Counterpane Systems. He is the author of *Applied Cryptography* (John Wiley & Sons, 1994 & 1996), the seminal work in its field. Now in its second edition, *Applied Cryptography* has sold over 65,000 copies worldwide and has been translated into four languages. Schneier invented the Blowfish algorithm, still unbroken after two years of cryptanalysis. He serves on the board of directors of the International Association for Cryptologic Research, is a member of the Advisory Board for the Electronic Privacy Information Center, and is on the Board of Directors of the Voters Telecommunications Watch. He is a contributing editor to Dr. Dobb's Journal where he edited the "Algorithms Alley" column, and a contributing editor to *Computer and Communications Security Reviews*.

**J**OHN KELSEY is an experienced cryptographer, cryptanalyst, and programmer who has designed several algorithms and protocols, and has broken many more. His research has been presented at several international conferences.

**D**AVID WAGNER is a graduate student in cryptography at the University of California Berkeley. He achieved notoriety in the security field for finding a random-number generation flaw in Netscape's security software, and has broken many other proposed commercial designs.

**C**HRIS HALL is an undergraduate student in Computer Science and Mathematics at the University of Colorado in Boulder. He helped build various PGP products, including some cryptographic protocols and software in PGPfone. He discovered major weaknesses in two different X Windows authentication schemes; the attacks and fixes weren't announced for six months, so that major vendors could fix their software.

## PUBLICATIONS

### BOOKS

- B. Schneier and D. Banisar, *Electronic Privacy Sourcebook*, John Wiley & Sons, in publication, 1997.
- B. Schneier, *Applied Cryptography*, Second Edition, John Wiley & Sons, 1996.
- B. Schneier, *E-Mail Security*, John Wiley & Sons, 1995.
- B. Schneier, *Protect Your Macintosh*, Peachpit Press, 1994.
- B. Schneier, *Applied Cryptography*, John Wiley & Sons, 1993.

### PAPERS

- R. Anderson, S.M. Bellovin, J. Benaloh, M. Blaze, W. Diffie, J. Gilmore, P. G. Neumann, R.L. Rivest, J.I. Schiller, and B. Schneier, "The Risks of Key Recovery, Key Escrow, and Trusted Third-Party Encryption," May 1997.
- D. Wagner, B. Schneier, and J. Kelsey, "Cryptanalysis of the Cellular Message Encryption Algorithm," *Advances in Cryptology—CRYPTO '97 Proceedings*, Springer-Verlag, August 1997, to appear.
- J. Kelsey and B. Schneier, "Conditional Purchase Orders," *4th ACM Conference on Computer and Communications Security*, ACM Press, April 1997, pp. 117–124.
- B. Schneier and J. Kelsey, "Remote Auditing of Software Outputs Using a Trusted Coprocessor," *Journal of Future Generation Computer Systems*, 1997, to appear.
- B. Schneier, "Why Cryptography is Harder than it Looks," *Information Security Bulletin*, v. 2, n. 2, March 1997, pp. 31–36.
- B. Schneier and D. Whiting, "Fast Software Encryption: Designing Encryption Algorithms for Optimal Software Speed on the Intel Pentium Processor," *Fast Software Encryption, Fourth International Workshop Proceedings* (January 1997), Springer-Verlag, 1997, to appear.
- B. Schneier, "Cryptography, Security, and the Future," *Communications of the ACM*, v. 40, n. 1, January 1997, p. 138.
- J. Kelsey, B. Schneier, and C. Hall, "An Authenticated Camera," *12th Annual Computer Security Applications Conference*, ACM Press, December 1996, pp. 24–30.
- B. Schneier and J. Kelsey, "A Peer-to-Peer Software Metering System," *The Second USENIX Workshop on Electronic Commerce Proceedings*, USENIX Press, November 1996, pp. 279–286.
- D. Wagner and B. Schneier, "Analysis of the SSL 3.0 Protocol," *The Second USENIX Workshop on Electronic Commerce Proceedings*, USENIX Press, November 1996, pp. 29–40.
- B. Schneier, J. Kelsey, and J. Walker, "Distributed Proctoring," *ESORICS 96 Proceedings*, Springer-Verlag, September 1996, pp. 172,182.
- J. Kelsey and B. Schneier, "Authenticating Outputs of Computer Software Using a Cryptographic Coprocessor," *Proceedings 1996 CARDIS*, September 1996, pp. 11–24.
- J. Kelsey, B. Schneier, and D. Wagner, "Key-Schedule Cryptanalysis of 3-WAY, IDEA, G-DES, RC4, SAFER, and Triple-DES," *Advances in Cryptology—CRYPTO '96 Proceedings*, Springer-Verlag, August 1996, pp. 237–251.
- B. Schneier and J. Kelsey, "Automatic Event Stream Notarization Using Digital Signatures," *Security Protocols, International Workshop April 1996 Proceedings*, Springer-Verlag, 1997, pp. 155–169.
- B. Schneier and J. Kelsey, "Unbalanced Feistel Networks and Block Cipher Design," *Fast Software Encryption, Third International Workshop Proceedings (February 1996)*, Springer-Verlag, 1996, pp. 121–144.
- M. Blaze, W. Diffie, R. Rivest, B. Schneier, T. Shimomura, E. Thompson, and M. Weiner, "Minimal Key Lengths for Symmetric Ciphers to Provide Adequate Commercial Security," January 1996.
- M. Jones and B. Schneier, "Securing the World Wide Web: Smart Tokens and their Implementation," *Proceedings of the Fourth International World Wide Web Conference*, December 1995, pp. 397–409.
- B. Schneier, "Blowfish—One Year Later," *Dr. Dobbs Journal*, September 1995.
- M. Blaze and B. Schneier, "The MacGuffin Block Cipher Algorithm," *Fast Software Encryption, Second International Workshop Proceedings (December 1994)*, Springer-Verlag, 1995, pp. 97–110.
- B. Schneier, "The GOST Encryption Algorithm," *Dr. Dobbs Journal*, v. 20, n. 1, January 95, pp. 123–124.
- B. Schneier, "A Primer on Authentication and Digital Signatures," *Computer Security Journal*, v. 10, n. 2, 1994, pp. 38–40.
- B. Schneier, "Designing Encryption Algorithms for Real People," *Proceedings of the 1994 ACM SIGSAC New Security Paradigms Workshop*, IEEE Computer Society Press, August 1994, pp. 63–71.
- B. Schneier, "The Blowfish Encryption Algorithm," *Dr. Dobbs Journal*, v. 19, n. 4, April 1994, pp. 38–40.
- B. Schneier, "Description of a New Variable-Length Key, 64-Bit Block Cipher (Blowfish)," *Fast Software Encryption, Cambridge Security Workshop Proceedings* (December 1993), Springer-Verlag, 1994, pp. 191–204.
- B. Schneier, "One-Way Hash Functions," *Dr. Dobbs Journal*, v. 16, n. 9, September 1991, pp. 148–151.