

With pay-by-phone startup, Aaron Greenspan rebounds from Facebook suit

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The last time the tech world heard from Aaron Greenspan, he was settling a trademark lawsuit in which he charged that he, not his Harvard classmate Mark Zuckerberg, had come up with the idea for an online social networking portal called "the Face Book."

Now the 27-year-old Greenspan, who like Facebook founder Zuckerberg moved to Palo Alto after college, is launching a new high-tech venture. And while he recognizes the odds of matching his former classmate's success are slim, he believes his service could be world-altering in its own way.

The service, called FaceCash, turns smart phones into digital debit cards that can be swiped at cash registers to make purchases. Greenspan hopes to persuade retailers to ditch their [debit card](#) readers and point-of-sale systems for a laptop and a barcode scanner.

Unlike a swarm of other [mobile payment](#) systems, FaceCash doesn't rely on the existing [credit card](#) companies. It seeks to replace them.

Greenspan's pitch to business owners is that he charges much lower transaction fees than, say, Visa or MasterCard. For customers, the [iPhone](#) or Blackberry can replace a wallet full of credit cards and retail club cards, while offering features such as paperless receipts and real-time tracking of account balances.

The "face" in FaceCash refers to the [security](#) feature. The phone's screen

displays a photo of its owner above the barcode, eliminating the need for a signed receipt.

Greenspan has started small: by installing his software at a handful of Palo Alto eateries ahead of an April launch date. FaceCash applications will be available for iPhone, Blackberry and Android.

Greenspan may be starting local, but he's thinking big. If it takes off, he thinks the FaceCash concept has the potential to render physical credit and debit cards obsolete.

It's an ambitious goal for a man who has already known disappointment and frustration in his brief entrepreneurial career. If the similarities between Greenspan and Zuckerberg are obvious, the contrasts are nearly as conspicuous.

While the buoyant Zuckerberg has zoomed to billionaire-dom, Greenspan carries the weary pragmatism of someone labeled "bitter" in the national media before his 25th birthday.

When Zuckerberg takes the stage at big tech events, his uniform of jeans, sandals and a fleece jacket comes across as a sort of boyish anti-fashion statement. Greenspan, with wonkish glasses and hair that's thinning in back, wears a similar outfit like a man who knows no one is looking at him and wouldn't care if they did.

Back at Harvard, when the two discussed their visions for the service that would become Facebook, Zuckerberg reportedly called Greenspan's version "too useful."

The distaste is mutual. Sitting at a Red Mango frozen yogurt shop after installing his system there, Greenspan shook his head at the direction Zuckerberg has taken the concept, calling it "extremely popular and

extremely useless."

In keeping with his utilitarian focus, Greenspan's own first startup focused on accounting software. The mind-dulling hours he spent typing in receipts for his few clients gave Greenspan the idea for FaceCash, which digitizes that process.

Susan Kuo, who bought the Red Mango franchise from "Survivor" reality show winner Yul Kwon earlier this year, said she's excited about the possibilities. She'll run FaceCash on a standard Dell computer, cheaper and less finicky than the \$1,500 Micros touchscreen workstations she uses for credit card transactions. And then there are the lower transaction fees.

But the installation at Red Mango also revealed some kinks that still need to be worked out.

FaceCash requires a business's employees to sign up for its service on the Web in order to log in and use it behind the counter. Kuo said some of her workers don't have e-mail, and those that do won't be eager to deposit the minimum \$20 required to open a FaceCash account.

Over the weekend following the installation, Greenspan responded by creating an alternate sign-up process for employees.

"We are still learning with each new installation," he said last week.

His plan, he said, is to build a following among tech-savvy Palo Altans and Stanford students before expanding. Helping him sell the concept is account manager Michael Anderson, a fresh-faced 19-year-old Palo Alto High School graduate who has taken time off from Yale to work on Greenspan's project.

Greenspan isn't seeking venture capital funding because, he said, he doesn't need it. He noted dryly that he couldn't get venture capitalists to listen to him in the past, but several have come calling since the blog VentureBeat posted a favorable article about FaceCash on April 19.

Of course, it will take more than hype to present a real challenge to the big credit card companies.

The FaceCash concept sounds intriguing, but difficult to pull off, said Sean Foote, a partner with Labrador Ventures and a venture capital professor at University of California-Berkeley's Haas School of Business. The key, he added, will be getting a critical mass of retailers on board.

"For the consumer the challenge is, until he has signed up a significant percentage of my retail spending, then he's got to change my behavior from pulling out a credit card -- which is fairly easy to do -- to pulling out a cell phone," Foote said.

The terms of Greenspan's 2009 settlement with Facebook were not disclosed, but he said last week it has left him more at peace with what happened.

He also said he's happy to have been left out of an upcoming movie about the company's beginnings, which instead focuses on three other Harvard students who claimed Zuckerberg had stolen their idea.

In fact, Greenspan said he is beginning to feel for the first time that the whole affair could help his career instead of haunting it. He acknowledged that his connections to Facebook are likely to drive some public and media interest in FaceCash.

"It's possible it'll end up helping," he said. "I certainly wouldn't want to

relive it. It was not something I'd recommend to anyone."

Still, Greenspan hasn't escaped Facebook's shadow entirely. He happens to live in Palo Alto's College Terrace neighborhood -- the same one Facebook chose for its world headquarters last year. He said he has run into Zuckerberg several times while jogging.

The two entrepreneurs have greeted each other just once, Greenspan said.

"I said 'hey,' and he said 'hey,' and we went our separate ways," he recalled. "He can go on doing his thing, and I'll do mine, and that's fine."

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