Donald Duhaney brought a wallet full of cash to a Whole Foods in Manhattan's trendy Lower East Side one recent evening. But he wasn't in search of kale, quinoa or cage-free eggs.

Duhaney, 37, was in the market for bitcoins, the hot digital currency that has caught the eye of entrepreneurs and regulators. So he ventured to a pair of couches on the supermarket's second floor, next to the Jamba Juice, where enthusiasts meet weekly to buy, sell and talk bitcoins.

He quickly found a seller: a quiet young man in a trench coat lounging in a green armchair. Along with a friend who trades so-called crypto currencies, the two used their iPhones to check Bitcoin's going price - then about $830 on a leading online exchange.

Then they sealed the deal. Duhaney pulled out $1,005 - 10 crisp $100 bills, and five ones - in exchange for 1.2 bitcoins, which was transferred via an iPhone application.

"It looks like something nice to invest in," said Duhaney, a computer programmer who lives in suburban White Plains, N.Y. "Right now, it's taking off."

It's a bet speculators like Duhaney are increasingly making, helping briefly to push up Bitcoin's price to more than $1,200 in late November as promoters saw the virtual currency gaining wider acceptance by merchants and consumers.

Though still far from the mainstream and too complex for the average consumer, Bitcoin already has grown well past its roots as the plaything of anarchists and hackers who viewed it as a political statement against big government and an alternative to credit cards.

Today, consumers are using them at coffee shops, hotels, online stores and even, in some cases, to run their businesses. And every day, dozens more companies are offering to let consumers spend or receive bitcoins for goods and services.

In downtown Palo Alto, Calif., people can use their bitcoins at Coupa Cafe, a hot spot for students and entrepreneurs. When they approach the counter to pay and order, they can get their price in dollars or bitcoins.

Next to the register is a laminated card with the cafe's QR code, the square-shaped successor to bar codes. Customers tap a Bitcoin app on their smartphone, and then hold the phone up to the card. A smartphone behind the register alerts the cafe that a Bitcoin transfer has been completed. The process is similar to paying with Square or other payment apps.

"As the price of Bitcoin goes up, it's changed the minds of people who have looked at it before and didn't think it would catch on," said Adam Levine, 28, of Napa, Calif., who produces the "Let's Talk Bitcoin" podcast and website. "Now it's survived long enough that people are getting more comfortable with it. It's complicated, but it's powerful."

Created in 2009 by a programmer using the pseudonym Satoshi Nakamoto, Bitcoin is an Internet technology standard that runs across a wide number of servers around the world for regulating the creation and trading of bitcoins. It is not controlled by any nation, governing body or business.

The original computer code established the number of bitcoins in circulation and tracks ownership of the currency. The absence of government or corporate interference made Bitcoin popular among technophiles with strong libertarian streaks.

But in the past four years, the currency has been elbowing its way from the digital ether into popular use - simply because people, companies and
organizations have decided to believe that it has value as a currency. Indeed, Bitcoin is only the most notable of many virtual currencies that have begun to proliferate worldwide.

A university in Cyprus recently announced it would begin accepting tuition payments in bitcoins. A Newport Beach, Calif., auto dealership said on its blog last week it accepted bitcoins as payment for the first time, in the sale of a Tesla Model S Performance electric car.

Last summer, twins Cameron and Tyler Winklevoss - who settled claims that social network Facebook Inc. was their idea - filed paperwork to launch the first Bitcoin-related investment offering on Wall Street. Bank of America Merrill Lynch analysts recently issued their first note on the digital currency. Supporters have formed a political action committee to back Bitcoin in Washington.

The ranks of retailers using Bitcoin is growing. Ren Sylvain, an independent programmer in Vancouver, Canada, put together Bitcoinmap.org to list places that accepted the currency. Six months ago, he counted 200 businesses. Now the website has 950, including 550 added in the last month.

Levine encourages his advertisers to pay him in bitcoins by adding a 30 percent surcharge to any transactions involving dollars. Using bitcoins enables him to avoid credit card processing fees. Also with Bitcoin, the money is transferred instantly between customer and business, which Levine and others argue makes it safer and more secure.

In turn, Levine uses bitcoins to pay his handful of employees and correspondents, as well as buying them recording equipment to do their jobs.

Gyft, a startup company that enables users to buy and manage gift cards with one phone app, began accepting the currency this year and gave a 4 percent rebate on all purchases made with bitcoins on Black Friday.

Vinny Lingham, Gyft's chief executive, appreciates how Bitcoin also passes more consumer information directly to merchants than credit cards do, but he declined to say what that information included.

Businesses that accept Bitcoin had been enjoying another perk - extra money. Until the recent slump, the currency's dramatic price increase gave them more than the sales price of goods. In some ways, Bitcoin is similar to getting paid in foreign currency or stock, the values of which change daily in trading.

At Bubba's Firehouse BBQ in Salt Lake City, manager and co-owner Tom Westland said he thinks more merchants are starting to accept bitcoins on the belief their recent dramatic rise will net them extra cash down the road.

Customers using bitcoins are only a sliver of Westland's business. But as business slowed in the past few months, he was able to sell about $1,000 worth of bitcoins to cover his expenses.

"Most people don't even know what the hell they are," he said. "But it really saved me this month."

Bitcoin has a long way to go before rivaling conventional means of payment.

There are $1.2 trillion in U.S. currency circulating, according to Francois Velde, a senior economist of the Federal Reserve Bank of Chicago. That compares with only $10.6 billion worth of bitcoins as of Friday. There are 30 Bitcoin transactions a minute, compared with 200,000 Visa transactions a minute, Velde said.

Bitcoin has often been in the news this year for less than savory reasons, such as the recent federal takedown of Silk Road, the online bazaar for illegal drugs.

Worries over potential money laundering have drawn heavy scrutiny from a slew of state and federal government agencies. Benjamin Lawsky, New York state's top financial regulator, said in August his office would examine how to regulate such currencies, calling them "a virtual Wild West for narco-traffickers and other criminals."

Still, a congressional hearing last month showed that fear surrounding Bitcoin may be ebbing as
several regulators spoke favorably about its potential.

Velde offered his tacit endorsement of Bitcoin at the hearing, calling it a "remarkable conceptual and technical achievement, which may well be used by existing financial institutions."

But he also noted that it remains too technically and conceptually complex to ever have a bigger effect on the economy or to replace conventional currencies.

Skeptics contend Bitcoin's soaring value is the result of a frothy speculation that could burst if regulators squeeze it or if it fails to gain broad acceptance. Alan Greenspan, a former Federal Reserve chairman, declared Bitcoin's recent price jump a bubble.

"You have to really stretch your imagination to infer what the intrinsic value of Bitcoin is," Greenspan told Bloomberg News in an interview. "I haven't been able to do it. Maybe somebody else can."

Bitcoin, meanwhile, is drawing hobbyists who invest large sums in computers to "mine" the virtual currency.

Mining is the process through which a new bitcoin is created. The Bitcoin mining protocol includes a number of increasingly complex puzzles. Bitcoin miners use specially designed computers to solve these problems. When they succeed, they are rewarded with bitcoins.

Will Limratana, a 38-year-old software developer who splits his time between New York and Nashville, Tenn., bought a sophisticated Bitcoin miner for about $6,000 and chipped in for another with some friends.

He's optimistic Bitcoin will one day catch on as an alternative payment system.

"There's not a lot you can do with Bitcoin right now," he said. "All it takes is one big company in the U.S. to start using it, and then it'll catch on. So we'll see. I think that could happen."