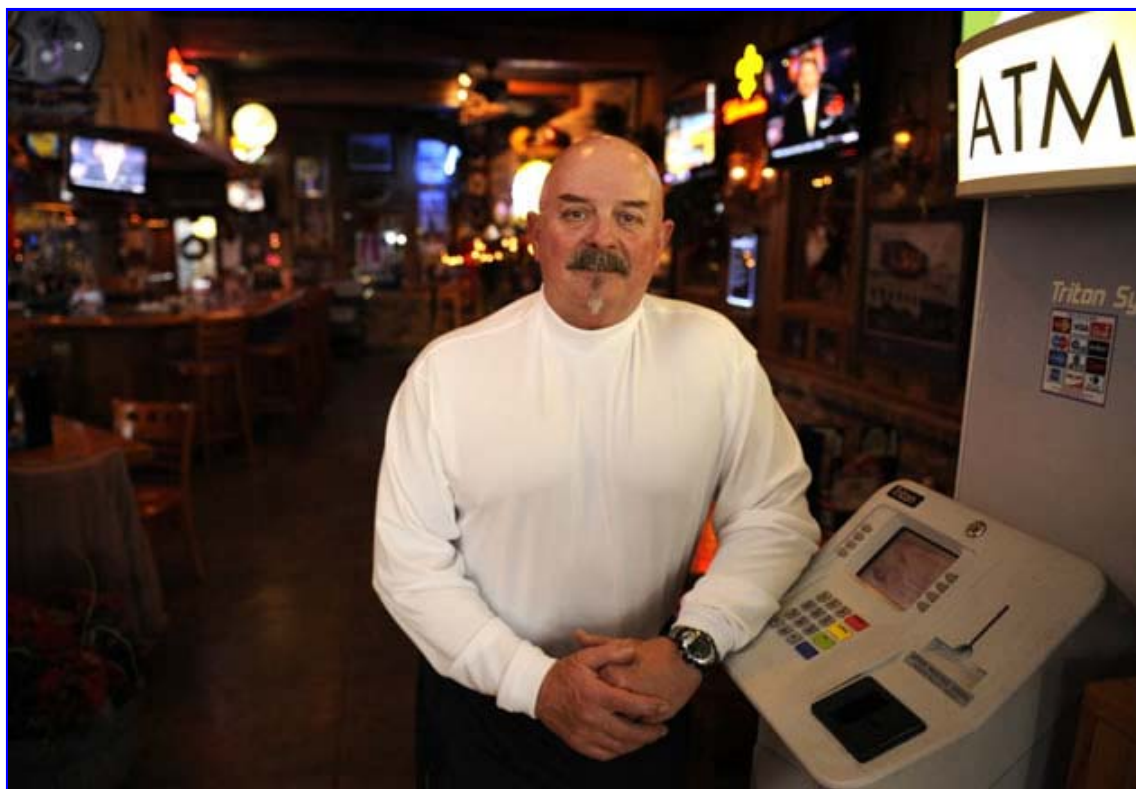


## La. restaurants suffering credit card 'nightmare'



[Show Caption](#) Arthur D. Lauck/The Advocate  
Suit aims to recoup cost of unsafe billing system

- By JASON BROWN
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Faced with paying out tens of thousands of dollars in fines and penalties, George Sheen Jr. made a tough — but calculated — decision last year to stop accepting debit cards and credit cards at Jones Creek Café and Oyster Bar.

The decision came after cyber criminals out of Eastern Europe hacked into his restaurant's point-of-sale computer system in early 2008 to steal customers' credit card information.

Sheen said he was held liable for fines, fees and charge backs, money recouped from the illegal purchases, on grounds that his system was not compliant with the credit card industry's security standards.

Sheen called it “the worst nightmare in the world.”

An investigation by the U.S. Secret Service found that hackers attacked at least 15 restaurants in Louisiana and two in Mississippi. Customers' credit card numbers were used to make illegal purchases around the world, federal officials said.

What followed became the subject of a lawsuit filed earlier this year in the 15th Judicial District Court in Lafayette against the manufacturer of the software, Georgia-based Radiant Systems, and its sole South Central Louisiana reseller, Computer World in Scott.

The Lafayette lawsuit was filed on behalf of Crawfish Town USA, Don's Seafood & Steakhouse, Mansy Enterprises, Mel's Diner Part II, Sammy's, Sammy's of Zachary and BS&J Enterprises. The restaurants, which have since taken steps to correct the problems, are seeking damages for the costs and loss of business they incurred.

A similar suit was filed in state district court in Baton Rouge by On the Half Shell, which was among the restaurants attacked by hackers. It also names Radiant Systems and Computer World as defendants.

Luiz Velez, resident agent in charge of the Secret Service's Baton Rouge office, said each hack involved restaurants using Internet-based computer systems.

Velez said more than 100,000 cards were exposed and conservatively placed the fraud loss for area banks at about \$1.2 million.

### **Outdated systems?**

Radiant Systems manufactures the “Aloha POS.” Each system was purchased through and installed by Computer World.

At their core, the Lafayette and Baton Rouge lawsuits allege that hackers installed a key-logger software on the restaurant's “Aloha POS” software, a computerized cash register of sorts.

The program recorded data, such as passwords, and allowed the hackers to steal credit card numbers, which were then sent to an e-mail account in Eastern Europe.

The Lafayette lawsuit alleges that Computer World sold the restaurants older systems with outdated software that was purported to be newer and compliant with the credit card companies' Payment Card Industry Data Security Standard, called PCI-DSS, which outlines the requirements companies must meet to achieve compliance.

The suit also noted that in 2007 VISA identified Radiant's Aloha POS as being one of six vendors that stored sensitive cardholder data in violation of PCI-DSS.

The suit further alleges that Computer World installed a faulty remote access system — allowing the company access from afar — on more than 200 systems across the state. In

each location, Computer World allegedly used the same password “computer.”

Computer World also allegedly failed to remove prior customer credit card information from the systems before installing them, according to the suit.

Both Radiant Systems and Computer World denied the allegations in separate court filings.

Calls to both Computer World and its attorneys were not returned.

Radiant Systems issued a statement following news of the suit.

“Almost two years ago, these customers were victims of criminal acts and we feel horrible about that,” the statement read. “However, Radiant’s software was never compromised. It is Radiant’s policy not to comment on the details of pending litigation. What we can say is that Radiant takes data security very seriously, and that our products are among the most secure in the industry. We believe the allegations against Radiant are without merit, and we intend to vigorously defend ourselves.”

Keith Bond, owner of Mel’s Diner in Lafayette and Broussard, purchased Radiant’s POS Software in October 2007 for the company’s Broussard location, Mel’s Diner Part II.

The easy-to-use, touch-based system costs about \$20,000 and was intended to replace the business’ reliance on handwritten guest checks.

The system had been in place for only a few months when Bond received a letter from VISA informing him that his system had been compromised.

The letter stated that Bond needed to hire a forensic auditor to examine the extent of the breach.

If he refused, Bond could have been subjected to tens of thousands of dollars in fines and a possible revocation of his ability to use credit cards at the store.

He consented and paid about \$19,000 for a VISA-approved audit, which allegedly confirmed the compromise.

The audit also found that the system had an insufficient firewall for added security, no anti-virus software on the point of sale terminals and that the seller, Computer World, had allegedly sold him an older unit packaged as new.

Bond said he was forced to hire technicians to secure and continuously monitor his system. As an added precaution, Bond said he reverted back to using a dial-up modem, which has built-in security. The system was never installed in his Johnston Street location in Lafayette.

After the audit, Bond received additional fines from VISA and notification that he was liable for up to \$30,000 in charge-backs for the charges made on the stolen credit cards.

In some cases, Bond said portions of his daily credit card transactions, or settlements, were withheld to pay back the fees.

Bond estimated the ordeal cost him about \$50,000. Fortunately, he said he had enough in reserves to handle most of the costs.

“If you had hundreds of cards stolen, it could force you out of business,” Bond said.

### **Nationwide problem**

Charles Y. Hoff, general counsel for the Georgia Restaurant Association and one of the attorneys assisting in the Lafayette lawsuit, said he has received a multitude of calls from restaurant owners all over the country regarding similar claims.

“It is not isolated and it is something that is a real concern on a national level,” Hoff said.

Velez confirmed that it could be part of a national trend and said that it is reasonable to think that Louisiana is not being singled out.

He said the case remains under investigation.

In Zachary, Sammy Nagem, owner of Sammy’s Grill, said close to 10,000 cards were compromised at his business.

Nagem said he paid about \$120,000 in fines, fees and measures to correct the problem.

The compromise also hurt customer sales, as credit card sales dropped about 50 percent for about a month and a half after news reports came out in 2008.

“The customers didn’t blame us, but they didn’t come to dine with us because they couldn’t use credit cards,” he said.

Bond said information about security standards that come with credit card agreements is like “fine print,” few read it or know much about it.

“It’s something you stick in your file and don’t read about,” he said.

Bond said he was not aware that his system was not in compliance. He bought it expecting for security standards to be in place. He said no one informed him that any additional measures were needed.

What Bond later found out was the fine print outlined just what was at stake.

“There is no way for you to win,” he said. “You have no recourse.”

Velez said every business with a POS system tied to the Internet should be vigilant to ensure its systems are compliant with the latest security standards.

Sheen took another direction. He said his business took a hit and was forced to spend extra money advertising and re-branding the store as a credit-card-free establishment.

Unlike others involved in the suit, Sheen refused to conduct a forensic audit, fearing that it would only make him more liable.

“It’s a frustrating, aggravating situation that happened to all of us, not just me,” he said. “I just bowed up to them and said I’m not going to do it.”

Sheen ceased accepting credit cards and instead placed an ATM in his restaurant. He said he pays any fees customers incur when using it.

“I’m never going back to credit cards,” Sheen said. “If I thought I was wrong in any way, shape or form, I would have done what I had to do. But I was not wrong. It was not my fault.”

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