



New banking group launches with focus on improving patent quality

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The Clearing House, a banking industry group representing more than 20 US and international financial institutions, has formed the Patent Quality Initiative, a project aimed at eliminating bad patents through better prior art searching, research and filing IPRs. The move reflects the rise in patent infringement cases involving financial institutions and their increased sophistication as significant patent holders. It is also notable given the increased convergence in the banking sector as tech companies such as Apple and Google develop mobile payment systems.



Richard Lloyd

The initiative is being led by Sean Reilly who spoke exclusively to *IAM* before the news was announced late Tuesday night. He pointed out that the launch of the PQI was in part driven by banks' increased willingness to fight patent suits rather than simply settle. Plus, they have clearly come to realise the value tied up in their own portfolios and have developed their own internal IP teams to more effectively manage their patent strategies. "It's not that long ago that banks didn't even have their own IP officers," Reilly observed.

The PQI's initial focus will be in synthesizing the universe of prior art related to banking and making that information more accessible. It also plans on filing IPRs against what it views as poor quality patents and representing its members' interests through filing amicus briefs in relevant cases.

Over the last few years it has been clear that banks are a growing presence in the patent community. An article by IP data company ktMINE in [the most recent issue of IAM](#) (68, November/December 2014) looked at the most active companies in IP in 2013 and placed a number of banks, including Bank of America, Wells Fargo, Citigroup and JPMorgan Chase, in the top 50.

Patent litigation cases involving the banks remains relatively rare, particularly compared with the tech sector, but the convergence of technology and banking has certainly helped fuel greater interest in the sector from NPEs. Intellectual Ventures, for instance, has been involved in a number of disputes with major financial institutions such as [Capital One](#), [Citibank](#) and [HSBC](#). But Reilly insisted that the launch of the PQI was not a simple anti-NPE play and added that the initiative was focused on behaviours not actors. "The problem is not patent monetisation - that can actually help drive investment," he said. "The problem is low quality patents regardless of the owner."

Although the launch of the initiative also coincides with the ongoing debate around patent reform in the US, which could resurface in the next Congress, Reilly maintained that the PQI was not designed as a way for the banking sector to shape any new legislation. "We don't envision this being a legislative advocacy vehicle," he said. "The focus is on the private sector taking action, using the tools that are available."

Perhaps the most interesting part of PQI is what it says about the banking sector overall. The launch of mobile payment systems such as Google Wallet, Apple Pay and Amazon Mobile Payment means that it is the focus of a range of new technologies. Not surprisingly, Reilly maintained that the general trend is one of greater collaboration between the tech arrivistes and the main retail banks. That maybe true for now, but as we've seen with smartphones, convergence can mean messy and very expensive patent litigation.

The convergence in the sector was highlighted by some [recent research by Patexia](#), a crowd sourcing patent analytics firm. It looked at the largest owners of patents and patent applications under the international patent classification code related to banking and found that just two banks – Bank of America and JP Morgan Chase - made the top 15. Citigroup did not make the list but with 298 patents and applications it is clearly a major player.

Here's the list in full:

Rank	Organisation	Patents/applications related to banking
1	IBM	2223
2	eBay	1217
3	Microsoft	1120
4	Bank of America	1096
5	Google	980
6	SAP	839
7	Visa	805
8	Yahoo	731
9	Trading Technologies International	609
10	Amazon	564
11	JPMorgan Chase	453
12	Hewlett Packard	415
13	Oracle International Corporation	414
14	Accenture Global Services	399
15	Intellectual Ventures (III holding 1 LLC)	377

Source: Patexia

This doesn't mean that the retail banks are all doomed and the future of banking lies with the giants of tech. But it does point to a far more complex finance sector leading presumably to some major licensing negotiations and possibly more patent litigation. The PQI looks like an early step by the banks as they continue to grapple with some very new and different business dynamics.

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