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Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomediamedia.com

JPMorgan, Citi Zinged Over Check-Reading Patent

By **Ryan Davis**

Law360, New York (November 20, 2008) -- A company that processes online payments has sued JPMorgan Chase & Co., Citigroup Inc. and numerous other major banks, accusing them of infringing a patent for electronic check-reading systems.

LML Patent Corp. filed the suit Wednesday in the U.S. District Court for the Eastern District of Texas.

The patent-at-issue is U.S. Patent Number RE 40220, titled "Checkwriting point of sale system." According to documents filed with the U.S. Securities and Exchange Commission, the patent addresses electronic check methods and systems. It is a reissue of a former patent held by the company that was issued earlier this year.

"A point of sale system designed to read information from a consumer's check, credit card or manual input with a subsequent debiting of a consumer's account," the patent states. "The invention eliminates the need for paper checks with all bank reconciliation being accomplished electronically."

The defendants infringe the patent by "importing, manufacturing, using, marketing, distributing, selling and/or supporting payment services," according to the suit.

The suit seeks an injunction barring further infringement, unspecified damages and a compulsory future royalty.

In addition to JPMorgan and Citigroup, the other defendants are Wells Fargo & Company, Wachovia Corp., Bank of New York Mellon Corp., HSBC Holdings PLC, Capital One Financial Corp., Marshall & Ilsley Corp., ABN AMRO Holding NV, Northern Trust Corp., Regions Financial Corp., National City Corp., Fifth Third Bank, Citizens Financial Group Inc., First National of Nebraska Inc., UnionBanCal Corp., Deutsche Bank Trust Company Americas,

M&T Bank Corp. and PayPal Inc.

LML describes itself as the intellectual property subsidiary of a company called LML Payment Corp., a provider of electronic payment and risk management and authentication services.

LML Payment Corp. provides services that allow businesses to send and receive payments over the Internet. It processes payments from major credit cards and electronic fund transfers and also offers risk management services to online and brick-and-mortar business, according to its Web site,

According to U.S. Securities and Exchange Commission filings, LML has total revenue for 2007 of \$11.3 million, compared to \$6.5 million for the prior year, an increase in revenue of 73 percent.

In 2006, LML settled a patent lawsuit with TeleCheck Services Inc., Electronic Clearing House Inc., XpressChex Inc. and Nova Information Systems Inc. over three different patents.

The patents-at-issue in that suit are U.S. Patent Numbers 5,484,988; 6,164,528; and 6,283,366, and deal with systems that convert paper checks into electronic transactions.

The patent-at-issue in the current suit is U.S. Patent Number RE 40220.

Gillam & Smith LLP and McKool Smith PC are representing LML in this matter; Ward & Olivo is of counsel.

The case is LML Patent Corp. v. JPMorgan Chase & Co. et al., case number 08-cv-00448, in the U.S. District Court for the Eastern District of Texas.

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