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PATENT INFRINGEMENT LAWSUIT FILED AGAINST OWNERS AND PARTICIPANTS IN THE ZELLE PAYMENT NETWORK*

The Zelle payment network is a digital banking peer-to-peer payment platform that allows customers to electronically transfer money to other customers (the “Zelle System”). Owned by Early Warning Services, LLC (Early Warning), the Zelle System is backed by a group of banks including Bank of America Corporation, Truist Financial Corporation, Capital One Financial Corporation, JPMorgan Chase & Co., the PNC Financial Services Group, Inc., U.S. Bancorp, and Wells Fargo & Company (referred to collectively as the “Bank Defendants”).

On July 9, 2024, Factor2 Multimedia Systems, LLC (Plaintiff) filed a complaint against Early Warning and the Bank Defendants for patent infringement related to the use and distribution of the Zelle System. According to the complaint, the Plaintiff owns various patents related to authentication systems designed to enhance computer network security, which can be used to authenticate payment transactions (the “Patents”). The Plaintiff alleges that the Zelle System infringes upon the Patents. Notably, the complaint alleges that the Bank Defendants’ mobile applications, internet websites utilizing the Zelle System, and the backend systems which provide access and functionality for Zelle System users infringe upon the Patents owned by the Plaintiff.

The complaint also alleges that each Bank Defendant operates an electronic payment system that infringes the Patents owned by the Plaintiff. The nature of the claims against each specific Bank Defendant included in the complaint are essentially the same. For instance, the Plaintiff alleges that the “Bank of America System,” which is comprised of at least the Bank of America mobile banking app and its online website, infringes upon one or more of the Patents. Moreover, the Plaintiff contends that Bank of America is liable for making, using, selling, and offering to sell the Bank of America System within the United States in violation of these Patents.

Since the lawsuit was recently filed, the court has not yet issued any substantial rulings on the case. Therefore, the validity of these claims and whether this may be the start of a broader litigation trend remains to be seen.

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