

PROACTIVE PATENTS
presents

PATENT WARS

FINANCIAL SERVICES SECTOR

Part 3 of 3

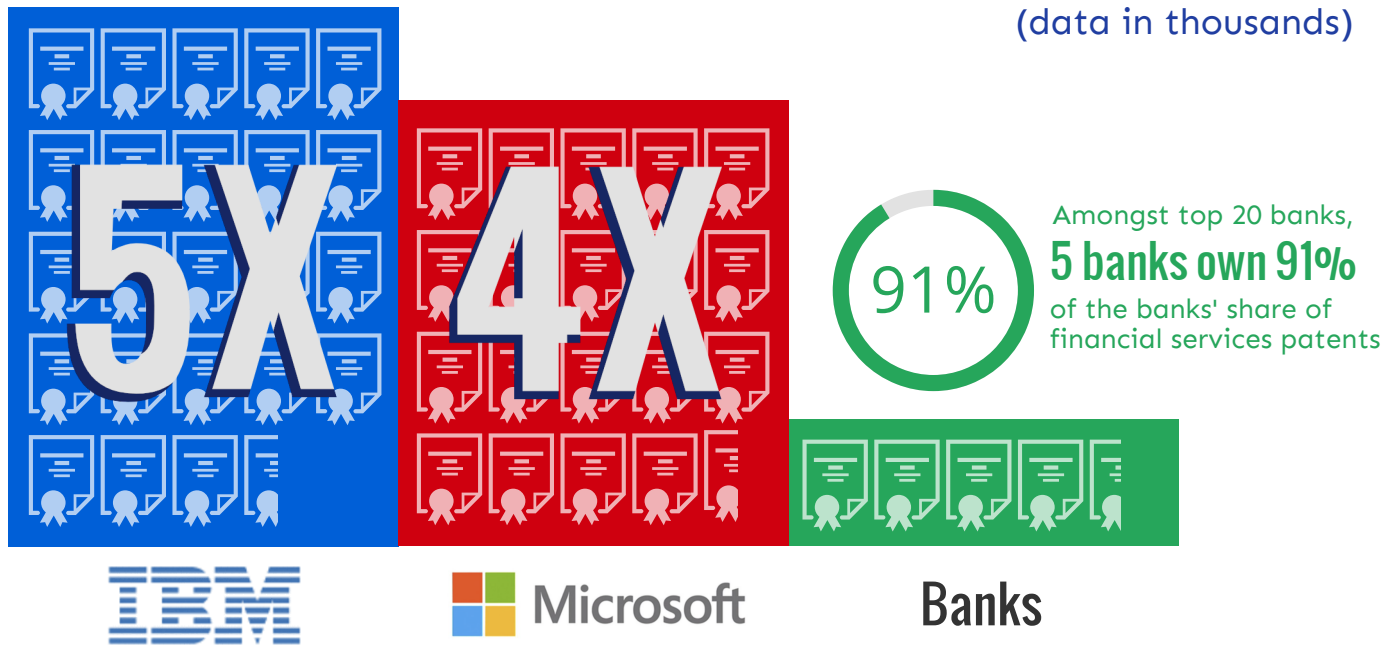
:: HISTORICAL TRENDS ::

Banking and Patents

The Banking industry has traditionally been slow to adopt technology and even slower to recognize the need to protect their intellectual property. This is evident by the fact that banks own few financial services related patents compared to the top technology companies, and the majority of fintechs have almost no patents at all.

Financial Services Related Patents Owned By Tech Companies Versus Banks

(data in thousands)



IBM owns 5X more patents than all of the banks combined. Microsoft owns 4X more patents than all of the banks combined. (Source: Cipher IP Strategy Report)

Banking technologies dominated by tech companies



IT
Infrastructure



Online and
Mobile Banking



Transaction
Data Processing



Payment
Cards



Security and
Authentication

Source: Cipher IP Strategy Report



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:: RECENT TRENDS ::

The Rise of the Fintech

**\$6.6
Trillion**

Digital payments
increase to \$6.6
Trillion in 2021

40%

Increase in 2 years

The old banking guard is being challenged by an ever-increasing army of fintechs aimed at transforming and disrupting the industry.

This disruption is being fueled by a record flood of investment capital hoping to cash-in on the next batch of fintech unicorns.

Banks and existing financial services players, unable to move fast enough internally, are countering with increased M&A activity.

Source: [CPApracticeadvisor.com](https://cpapracticeadvisor.com)

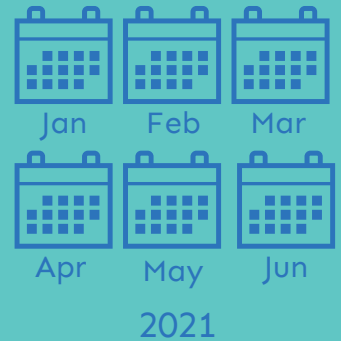
Fintechs globally raised \$54.1B from VC's between January and June, a number surpassing the total from the previous 2 years combined.

London's fintech funding ranks second globally behind San Francisco and slightly ahead of New York.

Source: [Reuters.com](https://reuters.com)

\$54.1B

Fintechs raised
\$54.1B from VC's
in 6 months



1 in 5

One in every five
dollars invested
by VC's this year
has gone to
fintech

Fintech has attracted \$34B in venture capital in the second quarter of the year alone, with one in every five dollars invested by venture capital going to fintech.

PitchBook estimates that venture capital firms have sold \$70B in stakes in fintech startups so far this year, nearly twice as much as in all of 2020.

Source: [Economist.com](https://economist.com)



:: RECENT TRENDS ::

Betting on the Unicorn Race



Banks and other Financial Service companies are trying to level the playing field with disruptive fintechs through M&A deals

Company	Acquisition
Amex	Kabbage
JPMorgan	Nutmeg
Intuit	Credit Karma
Bancorp	Chime
Berkshire Hathaway	Nubank
Visa	Tink
Mastercard	Ekata
JPMorgan	OpenInvest
Visa	Currencycloud
BBVA	Openpay

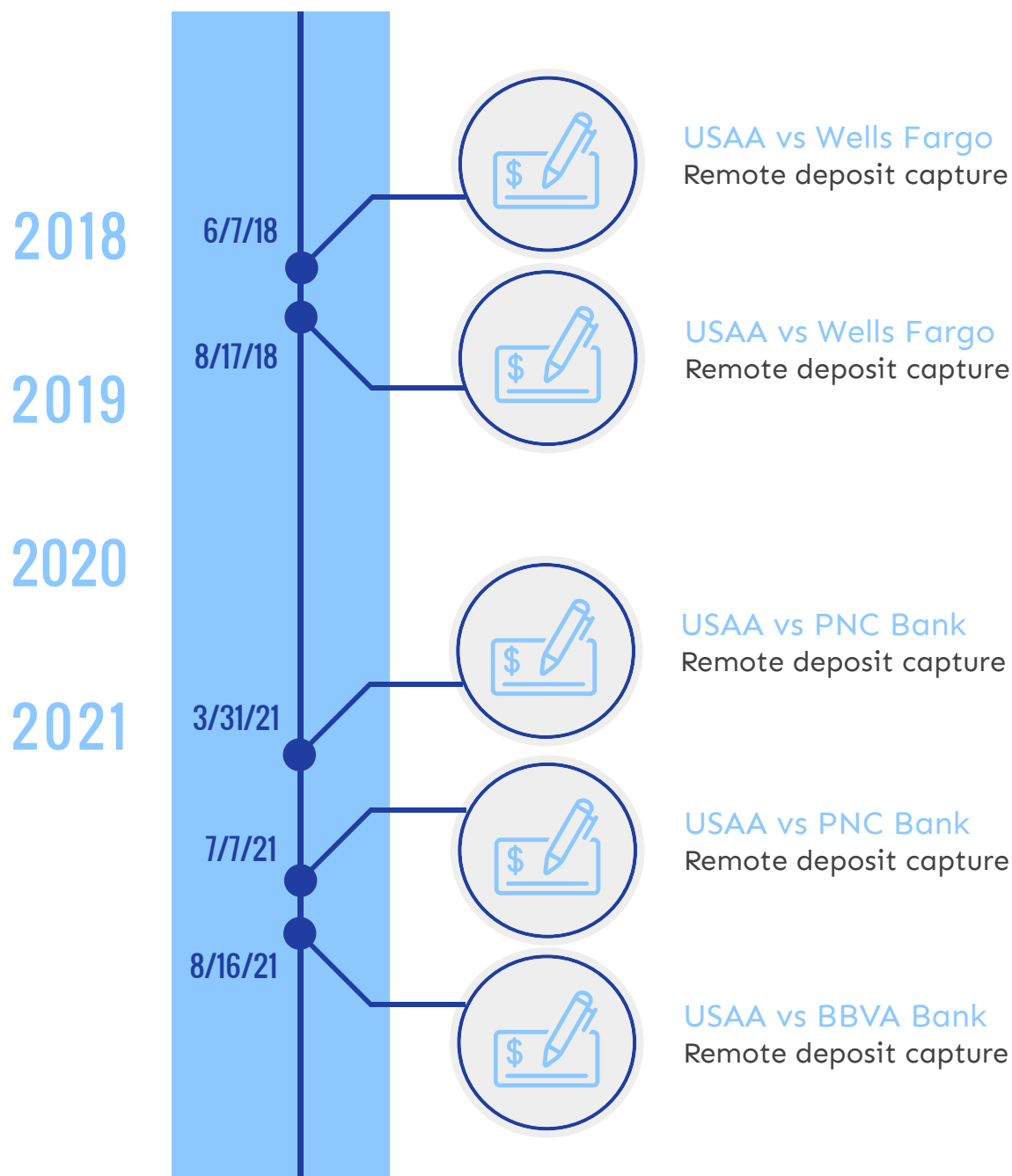
With billions of investment capital at stake in an ever-crowding field of fintechs, many speculate that patent wars could be on the horizon.

:: ASSESSING THE FUTURE ::

A Financial Services Patent War?

Despite the increase in patent troll litigation in financial services, historically there had been no litigation between banks.

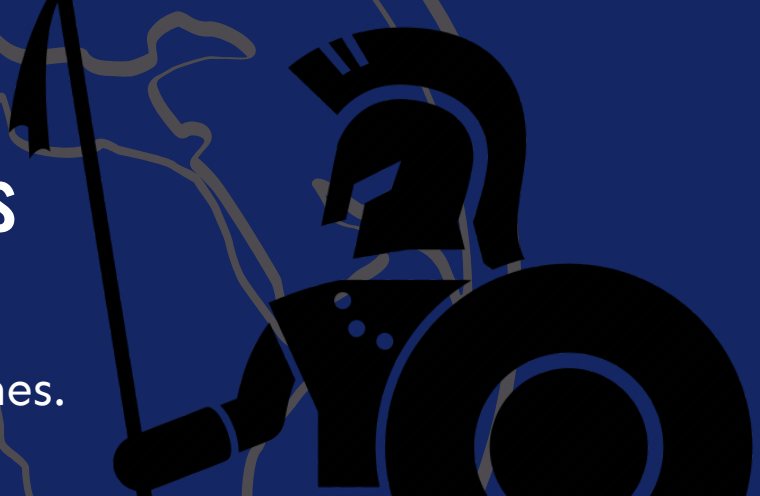
However, that changed in 2018 when USAA sued Wells Fargo for infringement of remote deposit capture technology. And not long after in 2021, USAA sued PNC Bank and BBVA Bank over the same technology.



Source: RPX Insight



Disruptive technologies
have spurred **patent wars**
in other industries, including
semiconductors, telecom,
LED lighting, and smart phones.



5 Financial Services related technologies that could initiate patent wars



CRYPTO

PAYMENTS TECHNOLOGY



MOBILE BANKING

BLOCKCHAIN



ARTIFICIAL INTELLIGENCE (AI)

The more patents related to a particular technology, the more likely the chances for war erupting. As we discussed in part two of our series, key CPC's like G06Q20 (payments related) have large numbers of patents increasing the chances for a patent conflict. Also, technology companies own the majority of patents in these areas, and unlike banks, they are accustomed to bringing patent suits against competitors.

Is a patent war in Financial Services inevitable?

With so many fintechs introducing disruptive technologies into the sector at breakneck speeds, the competitive playing field is getting crowded, and this could spark increased challenges from those holding the lion's share of patents in the sector.

In fact, some would argue these challenges have already begun with **USAA** filing patent lawsuits against **Wells Fargo, PNC Bank, and BBVA Bank** for infringement of remote deposit capture technology (taking a photo of a check with a mobile phone and depositing the funds in your bank account).

Additionally, with technology companies owning a large percentage of fintech-related patents, patent licensing activities could increase, as is common amongst tech companies.

Time will tell if disruptive technologies in the Financial Services sector will lead to patent wars, but companies would be remiss not to include patents in their **strategic planning discussions**.



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