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By Lydia Beyoud and Ian Lopez

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Square Inc. is launching a patent consortium to encourage cryptocurrency patent holders to share their assets and contribute in the technology's development.

The payments company plans to invite others to join the Cryptocurrency Open Patent Alliance beginning Thursday, Square said the same day.

The nonprofit group won't be affiliated or owned by Square, a company spokeswoman said. The group will operate as a separate entity with an independent board of directors, she said.

"We believe that cryptocurrency's success depends on the community coming together to build and develop upon existing technologies to innovate, which is not possible when parties tie up foundational technology in patents and litigation," Square said in its announcement.

Infringement litigation in cryptocurrency has been "minimal" due to the relatively low quantity of issued patents, Ravi Mohan, an IP partner at Rutan & Tucker LLP, said.

But financial, retail, and technology behemoths like Bank of America Corp., Microsoft Inc., and Walmart Inc. have filed cryptocurrency patents in recent years. And technology developers, particularly smaller companies, could face more patent infringement claims.

Bitcoin drew a huge degree of interest from inventors and investors, leading to a surge in development and venture capital funding. "What I saw was companies trying to patent as many things as they could," Mohan said.

Square's move may be a smart defensive measure by an industry looking to the experience of the internet's early development as a lesson, said Nelson Rosario, partner at Smolinski Rosario Law, P.C. in Chicago. The internet flourished because it wasn't overly encumbered by patents, he said.

Square has filed several crypto-related patents in the past year, and founder Jack Dorsey has made a big bet on mass adoption of cryptocurrency as the future of payments technology.

Square has dedicated staff and resources to a Bitcoin-focused crypto development subsidiary and has allowed Cash App users to purchase Bitcoin since 2018. The company was also an early crypto adopter when it sought in 2014 to allow merchants to accept Bitcoin payments. That function is currently not supported.

Members of the nonprofit group will have to pledge to make their patents freely available and not sue others for infringement. They can use them only to defend against lawsuits.

Members also must contribute their crypto tech patents to a shared patent library to defend against patent-assertion entities that file infringement suits.

"This helps democratize patents for everyone, empowering even small companies with tools and leverage to defend themselves," Square said.

(Updated with additional reporting.)

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