

LML PAYMENT SYSTEMS INC  
Form 8-K  
March 11, 2011

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 11, 2011

LML PAYMENT SYSTEMS INC.

(Exact name of registrant as specified in its charter)

Yukon Territory  
(State or other jurisdiction of incorporation)

000-13959  
(Commission File Number)

98-0209289  
(IRS Employer Identification No.)

1680-1140 West Pender Street, Vancouver, BC V6E 4G1  
(Address of principal executive offices and Zip Code)

(604) 689-4440  
Registrant's telephone number, including area code

Not Applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item Entry into a Material Definitive Agreement

1.01

LML Patent Corp., an indirect wholly-owned subsidiary of LML Payment Systems Inc. (collectively, the “Registrant”), announced today that it has agreed to the terms of a Settlement and License Agreement (the “Agreement”) with PayPal, Inc. with respect to litigation filed by LML in the U.S. District Court for the Eastern District of Texas alleging that PayPal infringed U.S. Patent No. RE40,220 (the “Patent Litigation”). PayPal agreed to pay \$7,500,000 in connection with the Agreement.

The Registrant expects to file the PayPal Agreement as an exhibit to its Annual Report on Form 10-K for the fiscal year ended March 31, 2011. The foregoing description is qualified in its entirety by reference to the complete text of the Agreement when filed.

On March 11, 2011, the Registrant issued a press release announcing the settlement, which release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item Financial Statements and Exhibits

9.01

(d) Exhibits

99.1 News Release issued by the Registrant on March 11, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LML PAYMENT SYSTEMS  
INC.

/s/ Carolyn L. Gaines  
Carolyn L. Gaines  
Corporate Secretary

March 11, 2011

