

Inside Counsel

“Do the Due”: Due diligence practices geared toward defensive protection

Knowing as many of the issues upfront allows a company to properly respond to an accusation in a timely and authoritative manner

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The third in a three-part series, also check out [how to perform proper diligence when assessing IP assets for acquisition](#) and these [due diligence practices geared toward potential offensive use](#).

Whether a company receives a demand for compensation veiled in a seemingly pleasant cease and desist letter or an outright accusation of willful patent infringement to an extreme, the company is on notice. A patent owner often reaches out to companies to secure a licensing opportunity during the term of a patent. The owner may have any number of reasons to seek out the specific company, but the goal often enough is to be compensated for alleged infringement of the patent’s claims. An industry practicing patent owner may want to prevent other competitors from practicing the patent’s claims, while a non-practicing entity that owns a patent just wants to be compensated.

Initially, a company that is accused of patent infringement or asked to seek licensing rights in a patent should try to understand these two goals: the goal of the accusing entity and the goal of the company being accused. The initial correspondence from the accusing entity likely specifies some details of his or her end goal but likely doesn’t tell the whole story. A diligence analysis on the patent regarding its litigation history and licensing history often tells a larger story. Appreciating the results of a litigation, post-grant proceeding against the patent, and information concerning licensing entities may inform the company being accused not only of the strength of the patent being asserted, but also of the accuser. Financially strapped accusers and accusers that have seen a weakening of rights affiliated with their patent often tell an accused company about ulterior motives of an accuser or the underlying reasons for the accusation.

On the other side of the alleged infringement coin, appreciating the goals of the accused company is even more important. Although the end goal always is centered on mitigating any financial amount or goodwill damage, the analysis of a proper due diligence will streamline fulfillment of these goals and further provide the accused company valuable information in deciding how to take the next steps, whether fighting against the accuser, negotiating a license or even potential acquisition. A due

diligence analysis on the patent in some instances can even allow an accused company to step back to the negotiation table with enough of an initial strengthened response to make the accuser go away.

Often the ideal position for an accused company is to detail how it does not infringe the accuser's patent. And in cases of many accused products/services, a diligence result providing a non-infringement position ensures a best case scenario for an accused company. Yet, in today's marketplace, products and services change rapidly. New versions are released, new software or firmware packages are installed, or new operating procedures and/or manufacturing processes are employed on a regular basis. Yet a proper due diligence analysis in accessing a product for infringement will be limited to the specific product reviewed and perhaps even the specific date or time it was reviewed. Accordingly, additional positions always should be considered.



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