KRIEG DEVAULT

Insights

I'm Infringing? YOU'RE Infringing!

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By: Justin L. Sage

Any business, large or small, will be discomforted to open a letter or email and read that someone, somewhere, thinks that a product, service, or process that the business uses, makes, or sells infringes the sender's patent claims. Included are demands that you stop the infringement, pay a fee to make up for the past infringement, and/or pay further fees for a license to continue doing business. Naturally, a defensive stance, even an angry one, likely follows. You might think, "How could someone accuse us of patent infringement?! Don't they know who we are? We would never do such a thing! And anyway, what is patent infringement?"

Answering that last question, patent infringement occurs when someone (or a business) makes, uses, sells, or offers for sale a product or process that is covered by a claim in a patent. Each claim of a patent is an 'invention' for which the U.S. Patent and Trademark Office ("USPTO") has granted certain protections to the owner of the patent to prevent third parties from using or practicing that invention without the authorization of the patent owner. It matters not whether the infringement is intentional, nor whether the infringer even knows about the patent or is aware of the infringement.

More importantly, what should a recipient of such a cease-and-desist letter do? Once the initial wave of reactions subsides, you need to get to the bottom of whether the accusation has any merit. Six recommended actions should be considered with the assistance of your friendly neighborhood patent attorney.

First, confirm that the asserted claims of the patent actually do cover your product, service, or process. For an infringement to be proven, each and every element of a patent claim must be present in the accused product, service, or process. If any element of the claim is missing, then no infringement exists. For example, if the patent claims cover a widget that has Feature A, Feature B and Feature C along with a particular relation or interaction among any of these features, then only someone who makes, uses, sells, or offers for sale a widget having all of those features that exhibit the recited relation or interaction can be liable for infringement of the claim. A maker, user, or seller of a widget that is missing any of the elements of the claim, or that has features exhibiting a different relation or interaction compared to the patent claim, is not liable for infringing the claim. So, first check whether the accusation is valid on its face.

Second, confirm that the patent is enforceable. All patents have an expiration date, so check to see whether this patent may have expired already, and if so, when. Similarly, all patents require periodic maintenance fees to remain active, so check to see whether the patent may have been abandoned by its owner failing to pay those fees. The patent is only enforceable against infringing behavior occurring during its term, and past infringing behavior that occurs before expiration or abandonment may be actionable for up to six years if the patent owner acts in time. Regardless, no accused behavior can be infringing if it occurs after the patent

expires or after it is effectively abandoned.

Similarly, some patents may be deemed administratively or judicially unenforceable for various reasons, such as the conduct of the patent owner or the inventor at the time the patent was applied for. Checking the administrative and judicial history of the patent might reveal such a determination has already been made in an earlier proceeding. Also, during any infringement litigation that ensues from the accusation, facts may come to light that give rise to a defense of unenforceability.

Third, compare the jurisdiction of the asserted patent (i.e., what country issued it) to the location where the allegedly infringing behavior occurs. If the accused behavior takes place outside that jurisdiction, then in most cases there can be no infringement. (There are, of course, exceptions too complicated to address here.) For example, if the patent is issued by the USPTO, then the manufacture and sale of a product in another country cannot infringe the U.S. patent. Be wary of other behaviors that might happen in the U.S. – such as manufacturing the product in the U.S. that is then shipped and sold in another country, which could still be actionable. But if the patent right is being asserted only against the sale of the product, that is a fact worth noting as soon as possible.

Thus, it is recommended to investigate all geographic locations of manufacturing, sales, distribution, and importation or exportation of whole products as well as any product components. If the products are not made, sold, or used in the country that issued the patent, then typically there is no infringement.

Fourth, if the infringement assessment from the first recommended action suggests that infringement is indeed possible, then determine whether a 'design around' is feasible that will avoid infringement. As noted, no infringement exists if any recited element of a claim is missing from your product, service, or process. So, by changing the design of the product or the steps performed in the service or process such that at least one element is unambiguously missing, you can definitively avoid infringement. Sometimes, a small tweak is all it takes to remove the prospect of infringement. Cost efficiency and feasibility are factors to consider, of course, which means designing around a patent claim could be easier said than done.

Fifth, regardless of whether a design around is necessary and feasible, find out from the accuser whether the patent itself is available to purchase or license for a cost-effective price or fee. Especially if an identified design around is just too costly to implement, buying the patent or paying for a license might be the next best thing and would not require changing your product, service, or process at all.

Similarly, if your business has its own patent portfolio, audit whether you may have one or more patents to offer the accuser in exchange for a license. Such cross-licensing arrangements, either straight-up (with no payments either direction) or with reduced payment requirements can be very cost effective. Your patent portfolio may also add the specter of a counterclaim for patent infringement if a deal cannot be struck. This of course relies on the accuser being a 'practicing entity' competitor that may have need for your patents in conducting its own business. This tactic has no effect on non-practicing entities (NPE's, also known as patent assertion entities (PAE's) or more commonly as patent trolls) that are in the business of patent enforcement, and thus have no need of a license to anyone else's patents.

Sixth, when an infringement assessment does not clearly reach a conclusion of non-infringement, an invalidity assessment can be just as effective at staving off your accuser or defeating the accuser at trial or other proceeding. All patents are presumed to be valid once issued. However, sometimes a patent is issued by mistake, such as when a USPTO examiner did not realize that someone else previously developed the invention covered by the asserted patent claim, either identically or in a trivially obvious variation. This does sometimes happen, unfortunately, despite best efforts of USPTO examiners. Nevertheless, recourse for this is the opportunity to show the patent is invalid by providing evidence either of the prior invention or that it is obvious. In other words, provide evidence that the USPTO should not have issued the patent in the first place.

An invalidity assessment is a useful tool for avoiding liability for infringement. Not only can one not infringe an invalid patent, finding evidence of invalidity and presenting it, e.g. during negotiations, threatens the patent itself. Patent owners, not wanting to risk the patent during an infringement litigation or an inter partes invalidity proceeding at the USPTO might be more likely to lower the price of a license such that it is less expensive than the cost of an invalidity trial or USPTO administrative proceeding, or even to withdraw the accusation altogether.

The world need not end merely because you receive a cease-and-desist letter. With a comprehensive analysis, and the help and guidance of a good patent attorney, liability can be minimized, mitigated, or eliminated altogether. So keep calm, and business on! And for more help with such matters, or any other IP concern, please contact Justin Sage, Dan Tychonievich, or a member of our Business, Acquisitions and Securities Practice.

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