POLSINELLI

Publications

September 3, 2026 • Updates

When an NPE's License Becomes a Marking Problem

Related People

- Michael D. Pegues
- Kevin R. Davis

Related Capabilities

- Intellectual Property
- Intellectual Property Litigation

Key Takeaways

- The Federal Circuit affirmed dismissal of VDPP's infringement claims after finding the non-practicing entity did not plausibly plead entitlement to pre-suit damages under 35 U.S.C. § 287.
- Settlement licenses may limit damages in later enforcement actions when they permit sales of allegedly covered products but the patent owner does not make reasonable efforts to ensure marking compliance.

Non-practicing entities often assume that patent marking is someone else's problem. If the patent owner does not manufacture or sell a product, there is nothing for it to mark. While that proposition remains generally true, the Federal Circuit's August 19, 2026, decision in *VDPP, LLC v. Volkswagen Group of America, Inc.* shows why the analysis cannot stop there.

For an NPE, licensing activity, including during settlement, can change the marking calculus.

In *VDPP, LLC v. Volkswagen Group of America, Inc.*, the Federal Circuit affirmed dismissal of VDPP's patent infringement case against Volkswagen after concluding that VDPP could not plausibly plead entitlement to pre-suit damages under 35 U.S.C. § 287. The critical fact was not that VDPP sold patented products. It did not. The problem was that VDPP previously entered into eleven settlement agreements licensing the asserted patent to other companies but failed to make reasonable efforts to ensure these companies marked in accordance with 35 U.S.C. § 287.

The decision has significant implications for NPEs whose enforcement strategies depend on resolving cases through license agreements. A settlement license that appears to successfully conclude one infringement dispute may affect the damages available in the next one.

The Traditional NPE Advantage on Marking

35 U.S.C. § 287(a) limits a patent owner's ability to recover damages when patented

articles are sold without appropriate patent marking. When the marking statute applies and its requirements are not satisfied, damages generally begin only after the accused infringer receives actual notice of infringement.

For an NPE that never makes or sells a patented article, marking historically presents less difficulty. As the Federal Circuit acknowledged in *VDPP*, "a patentee who never makes or sells a patented article may recover pre-suit damages even absent notice to an alleged infringer."

That principle can make pre-suit damages particularly valuable to an NPE.

But there is an important qualification: the marking obligation is not limited to products sold directly by the patent owner. Licensees may matter as well.

The Federal Circuit relied on the influential *Arctic Cat Inc. v. Bombardier Recreational Products Inc.* decision for the proposition that a patentee's licensees must comply with 35 U.S.C. § 287 and that a patent owner must make reasonable efforts to ensure licensee compliance.

That is where VDPP encountered trouble.

A Settlement Can Create a Future Damages Issue

VDPP had entered into eleven agreements settling prior patent disputes. Those agreements licensed the same patent asserted against Volkswagen.

VDPP argued that these settlements should not create a marking problem because they resulted from litigation and the licensees had not admitted infringement.

The Federal Circuit was not persuaded.

Relying on *TransCore, LP v. Electronic Transaction Consultants Corp.*, the court explained that a patent license is, in substance, a promise not to sue the licensee. The fact that the license arose through settlement rather than an ordinary licensing negotiation did not remove it from the marking analysis.

That point is especially important for NPEs.

Many NPE licensing programs are litigation-driven. A patent holder files suit, reaches a negotiated resolution, grants rights under the patent, and moves to another enforcement target. If the resulting agreement permits the licensee to make or sell products covered by the patent, the NPE must consider whether those products implicate 35 U.S.C. § 287.

The agreement cannot safely be viewed only as the endpoint of the earlier lawsuit.

It may, and in many circumstances does, become evidence in the next one.

The No-Admission Clause Does Not Solve the Problem

Patent settlements routinely provide that the accused infringer does not admit infringement. That language serves important purposes, but *VDPP* suggests it does not necessarily eliminate marking concerns.

VDPP contended that its licensees had never admitted their products infringed. The Federal Circuit responded that the subjective understanding of the accused infringer is not determinative under 35 U.S.C. § 287. Specifically, the Federal Circuit explained that the marking analysis focuses on the conduct of the patentee, not the accused infringer's knowledge or subjective understanding of infringement.

More damaging to VDPP was its own position. The court noted that VDPP continued to maintain that the licensed products covered by its earlier settlement agreements infringed the patent.

The practical tension is apparent.

An NPE may argue during settlement negotiations that an accused product falls within the patent, grant a license permitting continued sales, and later contend that marking was unnecessary because the settling defendant never admitted infringement. *VDPP* makes that position difficult to sustain.

For NPEs, the substance of the license and the patent owner’s position concerning the licensed products may matter more than a carefully drafted disclaimer of liability.

License Drafting Now Deserves More Attention

One fact in *VDPP* stands out. One of the eleven agreements expressly provided that the licensee had no obligation to mark.

The Federal Circuit viewed that provision unfavorably when evaluating whether VDPP could plausibly allege reasonable efforts to ensure compliance with 35 U.S.C. § 287.

The court stopped short of announcing a categorical rule that every patent license must contain a marking obligation. Indeed, it expressly stated that it was not foreclosing the possibility that a licensor could demonstrate reasonable efforts to ensure 35 U.S.C. § 287 compliance even without an express marking requirement.

But the opinion makes the risk clear.

NPE settlement agreements should now be reviewed not merely for payment terms and release scope, but also for their effect on future damages. If a license permits the manufacture or sale of products that the patent owner considers covered by the patent, counsel should evaluate whether the agreement needs a marking provision or another mechanism addressing 35 U.S.C. § 287.

After any license or settlement agreement is entered between an NPE and an accused infringer, the NPE must still make reasonable efforts to ensure the accused infringer complies with 35 U.S.C. § 287. This holds true regardless of whether the license or settlement agreement includes a marking provision—the analysis focuses on whether reasonable efforts were taken to ensure compliance with 35 U.S.C. § 287.

That analysis should occur before the settlement is signed.

Policies Underlying 35 U.S.C. § 287

The Federal Circuit also grounded its analysis in the policies underlying 35 U.S.C. § 287.

The marking statute serves three purposes: helping avoid innocent infringement, encouraging patentees to provide public notice that an article is patented, and helping the public determine whether an article is patented. The court reasoned that allowing products VDPP considered infringing to remain in the marketplace unmarked would undermine each of those objectives by creating the impression that the products were not patented and potentially encouraging others to make similar products without appreciating the resulting infringement risk.

That reasoning has practical consequences for NPE licensing and settlement strategies.

Once an NPE grants a license covering products it contends practice the patent, it cannot simply disregard marking while expecting to preserve pre-suit damages against other alleged infringers.

The Pleading Consequences Are Equally Important

VDPP attempted to amend its complaint by alleging that it was a non-practicing entity with no products to mark and that it satisfied the statutory conditions for obtaining pre-suit damages.

The Federal Circuit held that these allegations were insufficient.

The problem was factual. VDPP did not allege that its licensees complied with 35 U.S.C. § 287 or that VDPP made reasonable efforts to ensure compliance. The court characterized VDPP's general assertions of statutory compliance as legal conclusions that did not satisfy federal pleading requirements.

That ruling may alter the pre-filing diligence required in NPE cases.

Before seeking pre-suit damages, an NPE should identify its prior licenses under the asserted patent and determine whether any licensee sold potentially patented products. Counsel should then understand what, if anything, the NPE did concerning marking.

A plaintiff cannot assume that the phrase "non-practicing entity" ends the inquiry.

An Enforcement Portfolio Is Connected

Perhaps the most important lesson from *VDPP* is that an NPE cannot necessarily treat each enforcement action as an isolated transaction.

A license signed in an earlier case can affect the damages theory in a later case. A provision designed to make one settlement easier to complete may make another infringement claim harder to pursue.

This creates a need for greater coordination between settlement strategy and future enforcement strategy.

For NPEs with active licensing campaigns, the issue may warrant a portfolio-wide review. Existing settlement agreements involving patents still being asserted should be examined to determine what rights were granted and whether products were permitted to remain in the market without marking.

The question is no longer simply whether the NPE itself practices the patent.

The more important question may be whether someone practicing the patent does so with the NPE's permission.

The Takeaway

VDPP v. Volkswagen does not eliminate the traditional marking advantage available to a true non-practicing patent owner. It does, however, place an important limit on it.

An NPE that has never commercialized its invention may still create marking obligations through its licensing activity. Settlement licenses can therefore affect the period for which damages are recoverable long after the settlement payment has been made.

For NPEs, that changes the conversation around patent settlements.

A license is not simply a resolution of yesterday's dispute. It may help determine the value of tomorrow's case.

For questions about the issues discussed in this alert, contact your Polsinelli attorney.