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Marking Territory: Patent Settlement Licenses and Section 287 After 'VDPP v. Volkswagen'

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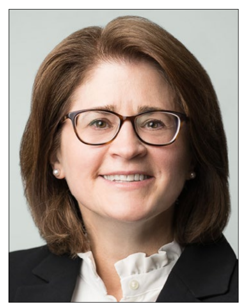
On Aug. 19, the United States Court of Appeals for the Federal Circuit affirmed a district court's dismissal of a complaint asserting infringement of an expired patent because the plaintiff failed to plead compliance with the marking requirements of 35 U.S.C. §287(a) by the plaintiff's licensees as required to obtain pre-suit damages.

The Federal Circuit found the plaintiff's failure was not excused by the fact that the licenses resulted from settlement or that the licensees denied infringement. VDPP, *LLC v. Volkswagen Group of America, Inc.*, No. 2024-2226, 2026 U.S. App. LEXIS 24976 (Fed. Cir. Aug. 19, 2026).



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Background

In 2023, VDPP, LLC, a non-practicing entity, sued Volkswagen Group of America, Inc. in the United States District Court for the Southern District of Texas for infringement of U.S. Patent No. 9,426,452, which had already expired. VDPP, *LLC v. Volkswagen Group of America, Inc.*, No. 4:23-cv-2961, 2024 U.S. Dist. LEXIS 54703 (S.D. Tex. Mar. 27, 2024). Volkswagen moved to dismiss under Federal Rules of Civil Procedure 12(b)(6) and 12(b)(3) for failure to state a claim and for improper venue.

In support of dismissal under Rule 12(b)(6), Volkswagen argued VDPP had not complied with statutory patent marking requirements or otherwise provided notice of infringement before filing suit, meaning it was not entitled to pre-suit damages and could not otherwise obtain relief because the '452 patent had expired. VDPP requested leave to amend and submitted a proposed amended complaint.

The district court denied leave to amend, finding the proposed amended complaint was futile because VDPP had not alleged facts showing it complied with the patent marking statute before the ’452 patent’s expiration, and dismissed the case with prejudice. VDPP appealed. VDPP, 2026 U.S. App. LEXIS 24976, at *2.

The Marking Requirement of Section 287

Generally, a plaintiff who files a patent infringement suit may recover past damages for any infringement that occurred within the six years preceding the suit. 35 U.SC. §286(a). Section 287, however, imposes limits on recovery.

Under Section 287, if the patentee (or its licensees) make, offer for sale, or sell in the United States, or import into the United States, an article practiced by the asserted patent, the article must be appropriately marked to provide notice to the public that the article is practiced by the patent. 35 U.S.C. §287(a).

“In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.” 35 U.S.C. §287(a).

Although the “[f]iling of an action for infringement shall constitute such notice,” a patentee that has not marked and has not otherwise given actual notice forfeits its pre-suit damages.

Section 287(a) details the marking requirement. It provides that a patentee “may give notice to the public” that an article is patented by marking the article with the word “patent” or “pat.”, along with the patent number or an Internet address associating the article with the patent number, or where such cannot be done due to the article’s character, by affixing a label “containing a like notice.” 35 U.S.C. §287(a).

The statute additionally imposes this requirement on the patentee’s licensees. See also *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350, 1366 (Fed. Cir. 2017) (Arctic Cat I). Because licensee compliance may be difficult to ensure, courts apply a “rule of reason” inquiry to consider whether the patentee “made reasonable efforts” to have its licensees mark. *Arctic Cat I,* 876 F.3d at 1366.

The Federal Circuit has previously explained that Section 287 serves three purposes: “(1) helping to avoid innocent infringement; (2) encouraging patentees to give public notice that the article is patented; and (3) aiding the public to identify whether an article is patented.” *Arctic Cat I*, 876 F.3d at 1366. The burden of pleading and proving compliance with the requirements of Section 287 rests with the patentee. *Arctic Cat I*, 876 F.3d at 1367-68.

Settlement Licenses and the Duty to Mark

In VDPP, the Federal Circuit upheld the district court’s determination that VDPP’s proposed amended complaint was futile because it failed to adequately allege compliance with Section 287, which was necessary in this case to obtain pre-suit damages.

That failure was dispositive because VDPP could only obtain damages for a period before the patent expired, which occurred before VDPP filed suit. As to marking, the amended complaint alleged only that:

Plaintiff is a non-practicing entity, with no products to mark. Plaintiff has pled all statutory requirements to obtain pre-suit damages. Further, all conditions precedent to recovery are met. *VDPP*, 2026 U.S. App. LEXIS 24976, at *5.

Though VDPP had entered into eleven settlement agreements licensing the asserted patent, the proposed amended complaint alleged no facts showing that any licensee had complied with Section 287. The Federal Circuit found this “particularly conspicuous given VDPP was on notice of Volkswagen’s argument that VDPP could not show compliance in view of its prior settlement agreements.”

VDPP offered two arguments as to why these eleven licenses should not have triggered the Section 287 marking requirement: “(1) VDPP’s licenses were entered into to settle litigation, and (2) none of VDPP’s licensees admitted infringement.”

As to the first argument, the Federal Circuit responded that “there is no difference between a license entered into under a settlement agreement and any other patent license agreement” because “a patent license agreement is in essence nothing more than a promise by the licensor not to sue the licensee.” Quoting *TransCore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1275 (Fed. Cir. 2009)). Whether an agreement is styled a covenant not to sue or a license is a difference “only... of form, not substance.” Quoting *TransCore*, 563 F.3d at 1276).

As to the second argument, the Federal Circuit held that “the subjective view of the accused infringer” does not matter, because “[t]he correct approach to determining notice under Section 287 must focus on the action of the patentee, not the knowledge or understanding of the infringer.” Quoting *Lubby Holdings LLC v. Chung*, 11 F.4th 1355, 1360 (Fed. Cir. 2021)). It was therefore “irrelevant under §287 whether the defendant knew... of his own infringement.”

Instead, the Federal Circuit found relevant that all eleven settlement agreements were “fashioned as standard licensing agreements to make, use, and sell licensed products,” and one went so far as to specify that the licensee had no obligation to mark.

Additionally, VDPP continued to maintain that all of the licensed products infringed. The Federal Circuit therefore saw “no way for VDPP to amend its complaint to plausibly allege it made reasonable efforts to ensure its licensees complied with 35 U.S.C. §287.”

The Federal Circuit disagreed with VDPP that policy considerations weighed in its favor. As the opinion notes, Section 287 “exists to ‘(1) help[]... avoid innocent infringement; (2) encourag[e] patentees to give public notice that the article is patented; and (3) aid[] the public [in] identify[ing] whether an article is patented.’”

If a patentee could license products it believed to infringe without ensuring that its licensees marked them, “[u]nmarked products that VDPP believes to infringe would enter the marketplace, giving a false impression that such articles are not patented. This, in turn, could encourage others to innocently produce similar products while exposing them to hidden litigation risk.”

Notably, the Federal Circuit did not go so far as to hold that compliance with Section 287 requires license agreements to obligate licensees to mark explaining that "we do not foreclose the possibility that a licensor can ever establish it made reasonable efforts to ensure licensee compliance with 35 U.S.C. §287 in the absence of a marking obligation." What may constitute "reasonable efforts" in such circumstances remains for future cases to decide.

Downstream Effects and Practical Takeaways

If the opinion is left undisturbed, VDPP will have a consequential effect on the treatment of settlement licenses for patent owners, and specifically non-practicing entities.

Namely, because the Federal Circuit sees "no difference" between a settlement license and any other license, a patentee that resolves litigation by granting a license to make, use, or sell the patented invention should assume that the transaction triggers Section 287. The practice of treating settlement licenses as agreements divorced from marking obligations is, at least on VDPP's facts, no longer safe.

This reframing has immediate drafting consequences.

Settlement license agreements should expressly obligate the licensee to mark licensed products, and patentees may wish to add mechanisms that generate evidence of the reasonable efforts to ensure compliance, including, for example, generating a paper trail demonstrating the "extensive and continuous efforts" to ensure the licensee's marking practices. See *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1112 (Fed. Cir. 1996).

In the same vein, patentees should avoid clauses expressly disclaiming marking obligations. Such clauses directly cut against a "reasonable efforts" showing.

The VDPP decision could also have a cooling effect on the likelihood of settlements in patent cases. Generally, a party accused of patent infringement wishes to avoid admitting that its products infringe the asserted patents, even in a settlement agreement.

But requiring settlement licenses to contain marking provisions effectively does just that. By marking its products with the licensed patents, a party arguably concedes those products infringe the asserted patents.

If admission of infringement is a non-starter, but marking is required in settlement license agreements, we may see fewer parties settle, or at the very least, fewer patentees able to recover pre-suit damages after settling with other accused infringers.

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