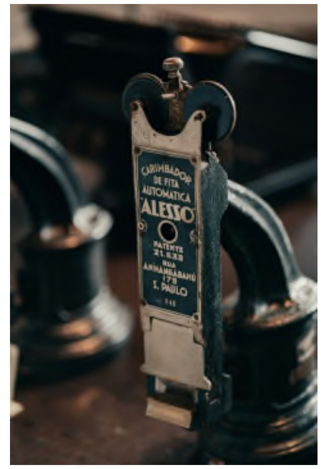
Marked for Dismissal: Settlement Licenses Sink NPE's Pre-Suit Damages

VDPP, LLC v. Volkswagen Group of America, Inc., No. 2024-2226 (Fed. Cir. Aug. 19, 2026)

Authors: Michael Weil & Nathan Sportel | Editor: Robyn Bowland | September 4, 2026



In *VDPP, LLC v. Volkswagen Group of America, Inc.*, VDPP, a non-practicing entity (NPE) sued Volkswagen for allegedly infringing U.S. Patent No. 9,426,452 (the asserted patent), covering electrically controlled spectacles. Because the asserted patent had expired before VDPP filed suit, VDPP's case depended on recovering damages for infringement that occurred before the lawsuit. Those damages turned on 35 U.S.C. § 287(a), which generally precludes recovery for infringement occurring before an accused infringer receives notice when patented articles are not properly marked. The central question was therefore whether VDPP made reasonable efforts to ensure that its licensees complied with the marking requirement.

Although a patentee with no products ordinarily has nothing to mark, any licensees of the patent must also comply with Section 287. The patentee, even if it is an NPE, must make reasonable efforts to ensure its licensees' compliance with marking requirements. In this case, VDPP had entered into eleven settlement agreements, granting the right to make, use, and sell products under the asserted patent. The Federal Circuit rejected VDPP's argument that the agreements did not trigger § 287 because they resolved litigation and the licensees had not admitted infringement. The court explained that a settlement license is not substantively different from any other patent license merely because it is framed as a settlement or covenant not to sue. VDPP therefore had to make reasonable efforts to ensure that its licensees complied with the marking requirement.

The Court found VDPP had not done so. The contents of the settlement agreements made such a showing by VDPP especially difficult. For example, one agreement expressly stated that VDPP's licensee had no obligation to mark its products. The court cautioned that allowing patentees to license products they considered infringing without addressing marking would place unmarked articles in the market and expose others to hidden infringement risk.

The key takeaway is that a patent owner cannot avoid the marking requirement simply because it does not make or sell products itself. If its licensees sell products covered by the patent, even under licenses granted through settlement, the patent owner must make reasonable efforts to ensure those products are properly marked or risk losing pre-suit damages. Accordingly, patent owners seeking pre-suit damages should identify every license and settlement agreement, determine whether covered products were sold, and document marking compliance. Defendants should investigate a patent owner's licensing agreements early as a seemingly unrelated licensing history may eliminate pre-suit damages, support dismissal, and strengthen a request for attorney fees.