

Patent Marking Case Will Shape License Talks And Damages

By **Ryan Davis**

Law360 (August 28, 2026, 10:48 PM EDT) -- A Federal Circuit ruling that patent owners must ensure that all licensees mark their products with patent information in order to recover presuit damages will complicate licensing talks and give defendants a route to limit or escape damages in some cases, attorneys say.

In the **Aug. 19 decision**, the appeals court upheld the dismissal of an infringement suit against Volkswagen and rejected nonpracticing entity VDPP LLC's argument that its earlier license agreements didn't trigger the statutory provision that patent marking is a requirement to secure damages.

VDPP said that was because the companies that licensed its 3D glasses patent did so to settle litigation and denied that they infringed. However, the Federal Circuit said, "there is no difference between a license entered into under a settlement agreement and any other patent license agreement. Nor does the subjective view of the accused infringer matter."

Attorneys said the court's finding that patent owners have an obligation to ensure each licensee includes patent information on their products could make settlements more challenging to reach in some instances, and will spur new arguments in later cases that the patent owner failed to meet the requirement.

Ed Lanquist of Baker Donelson Bearman Caldwell & Berkowitz PC said, "I think this is a game changer on a lot of levels."

"Prior to this case, a lot of people, either rightly or wrongly, felt like a settlement agreement is not really a license agreement, so therefore the marking requirements don't apply," he said. "Obviously, this decision really clarified it."

The effects of the ruling will play out most in licensing talks, and, "I would expect marking provisions to become a lot more heavily negotiated going forward," said Steven Hartsell of Stris & Maher LLP.

Many companies settling to avoid the cost of litigation view putting the patent numbers on their products as a burden or a tacit admission of infringement, but by tying marking to presuit damages, the decision "gives patent owners a reason to push back on that resistance," he said.

The patent owner's marking obligation "has always been in the background, and this case is probably just going to make it top of mind for defendants in a patent case, as another opportunity to minimize damages," said Barbara Fiacco of Foley Hoag LLP.

She added that patent owners now have an incentive to ensure that licensed products are marked, and "one thing that this case does show is that they need the ability to plead some detail around the reasonable efforts that they took to ensure compliance with the marking requirement."

'Reasonable Efforts'

The Patent Act states that patent owners can give notice to the public that products are patented by printing the patent number on the item or directing people to a website with patent information.

Complying with that marking requirement permits the owner to recover damages for infringement that took place up to six years prior to a suit being filed. However, failure to mark means the owner can only recover damages for the period after the defendant is notified of the infringement, either by a lawsuit or a licensing demand letter.

In this month's case, VDPP argued that it didn't need to comply with the requirement because it is a nonpracticing entity with no products to mark. The Federal Circuit said that would have been correct had VDPP not licensed its patents, but the company had ignored precedent that licensees must also comply with the marking statute.

The outcome turned on the 11 licenses that VDPP had entered into, and the court rejected the company's argument that settlement licenses don't count. It said VDPP had done nothing to show that it had made the required "reasonable efforts to ensure" its licensees marked their products, noting that one agreement expressly said the licensee had no obligation to mark.

"While we do not foreclose the possibility that a licensor can ever establish it made reasonable efforts to ensure licensee compliance ... in the absence of a marking obligation, that is certainly not the case here," the court concluded.

Since the patent had expired and VDPP was only seeking past damages, the suit was dismissed.

Takeaways for Patent Owners

The best practice for patent owners is to include a provision in every settlement agreement spelling out that the licensee has an obligation to mark their products with patent information, but that may be easier said than done, attorneys said.

"Almost every defendant in the lawsuit believes that they don't infringe the asserted patent," said Brian Landry of Saul Ewing LLP. "So in that sort of situation, it can be considerably more challenging to get the accused infringer that's settling a case to agree that they're going to mark their products with the asserted patents."

Yet under the ruling, getting the licensee to accept that provision could be crucial to getting damages in future cases.

"This decision helps solidify the fact that this marking compliance is not just some formality that you can just take lightly," said Stephanie Scruggs of Bradley Arant Boult Cummings LLP.

In addition to taking care to include express marking requirements in future licenses, patent owners, including nonpracticing entities, should review existing licenses and, if necessary, try to renegotiate them to add a marking obligation, she said.

Going forward, patent owners must also draft complaints so they show the steps that have been taken to ensure licensees comply with marking obligations, "because we know from this case that that's needed to get through the pleading stage," Scruggs said.

What constitutes "reasonable efforts" to ensure compliance could require future litigation to sort out, since the Federal Circuit held in this case only that there was "no way" VDPP could make that showing.

"I think people are going to start thinking about this, and trying to come up with creative provisions that would allow the patent owner to show that they're trying to comply," said Hartsell of Stris & Maher. "Whether it will work, I think it remains to be seen."

Takeaways for Accused Infringers

For companies facing infringement suits where it's unclear if the patent owner has complied with the marking requirement, the ruling provides ample motivation to dig into the issue.

"In certain instances, presuit damages could be quite significant, so defendants could get out from under a pretty big damages award," said Fiacco of Foley Hoag. "This will be something that people

think about in discovery a lot. There's not really a downside to a defendant pressing on" whether the requirement has been met.

Landry of Saul Ewing said that under Federal Circuit precedent, "it's a fairly easy burden for the accused infringer to raise failure to mark."

All it takes is identifying products, and then the burden is on the patent owner to show either that those products don't practice the patent, or that they made reasonable efforts to ensure licensees complied with the marking requirement, he said.

Future cases will likely present all manner of scenarios in which litigants can argue over whether a patent owner did enough to police compliance, such as where some licensees marked their products, but others did not.

"It's definitely worth it for an accused infringer or a defendant to look into that and consider whether there's potential to make an argument that they're not complying," Scruggs said.

Given the limited case law on the issue, it's difficult to say at this point what efforts will be deemed sufficient, so "the devil's in the details on that," she said.

The case is VDPP LLC v. Volkswagen Group of America, Inc., case number 24-2226, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Kelly Duncan and Michael Watanabe.