

## NPEs Have No Obligation to Patent Mark

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### **I. The Statute and the Question**

Counsel for non-practicing entities (“NPEs”) field the same question on intake calls: do I have to mark? After *Arctic Cat*, the question carries weight. Patent marking under 35 U.S.C. § 287(a) is a limitation on damages, and a patent that cannot recover damages is a patent worth very little.

The answer is straightforward, even if some district courts have lost sight of it. Section 287(a) is a statute. Statutes are read like any other statute — by their text, by their structure, by the Supreme Court precedent construing them, and by the ordinary contract law that decides whether the persons named in the statute are even present in the case. Read that way, the answer for a true NPE is no.

An NPE that does not itself make or sell a patented article, and that has not licensed a third party to produce a patented article for or under it, owes no marking duty under § 287(a). Because there is no marking duty, there is no § 287(a) damages limitation. The patent is enforceable for the full six-year period 35 U.S.C. § 286 allows.

That conclusion does not require any extension of existing law. It requires only that we read the statute Congress wrote and apply the Supreme Court precedent that has governed it since 1936.

### **II. Section 287(a) Is a Statute**

Section 287(a) addresses a defined class of persons:

*Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented . . . . 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 . . . .*

35 U.S.C. § 287(a). Three textual features control.

First, the phrase “for or under them” does work. Under the rule against surplusage, that phrase narrows the duty to producers who stand in a legal relationship to the patentee — agents, licensees, assignees of practicing rights. If Congress had wanted to reach every patentee or every maker of any product, the limiting phrase would not be there. It is there, and it must mean something.

Second, the damages limitation triggers on “failure so to mark.” That phrase presupposes an article on which marking was possible. A statute that punishes failure must presuppose opportunity. There is no opportunity to mark something that does not exist.

Third, the statute uses “may give notice,” not “shall give notice.” Congress framed marking as a route the patentee may elect in order to preserve damages — not a universal pleading requirement that gates the courthouse door for every patent owner.

That reading is internally coherent. It is also the reading the Supreme Court adopted ninety years ago.

### **III. Two Supreme Court Holdings Control**

#### ***A. Wine Railway***

In *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.*, 297 U.S. 387 (1936), the Supreme Court squarely addressed the question now in front of district courts every day: does a non-producing patentee owe a marking duty? The patent owner in *Wine Railway* had “never manufactured or vended an article under the infringed patent,” and no one had done so with its consent. *Id.* at 393. The defendant argued that the failure to provide notice limited damages to the post-notice period. The Court rejected that argument and held that the patent owner could recover damages from the date of patent issuance forward — without marking and without prior actual notice. *Id.* at 393–95, 398.

Three propositions from the opinion are the rule.

First, “penalty for failure implies opportunity to perform.” *Wine Ry.*, 297 U.S. at 394–95. The Court read that principle into the marking statute as a matter of common sense and ordinary statutory construction. A duty cannot be breached by someone who has no means of performing it.

Second, the 1870 revision (the language carried forward into § 287(a)) “was not [intended] to impose a new and different burden upon non-producing patentees.” *Id.* at 397–98. The Court traced the marking statute from the 1842 Act through the 1861 Act and into the 1870 codification and concluded that Congress had not silently expanded the class of persons subject to marking when it amended the statute.

Third, patent issuance and recordation “constitute notice to the world” of the patent’s existence. *Id.* at 393. The Court reaffirmed the principle that publication in the Patent Office is itself constructive notice, citing *Boyden v. Burke*, 55 U.S. (14 How.) 575 (1853), and *Sessions v. Romadka*, 145 U.S. 29 (1892).

Those three propositions remain the rule. The Supreme Court has not overruled them.

### ***B. Dunlap***

The Court reached the same result four decades earlier in *Dunlap v. Schofield*, 152 U.S. 244 (1894). There, the Court held that “the patentee or his assignee, *if he makes or sells the article patented*, cannot recover damages” against infringers absent notice. *Id.* at 247–48 (emphasis added). The conditional “if” is doing work. The marking obligation applies when the patentee makes or sells; it does not apply when he does not.

*Dunlap* and *Wine Railway* form a coherent framework. Marking is a duty conditioned on production — the patentee’s own production, or a licensee’s production for or under the patentee. The Federal Circuit applies that framework when the question is squarely presented.

## **IV. The Federal Circuit Cases Are About Practicing Licensees**

The leading Federal Circuit marking cases are correctly decided on their facts. Each involved a practicing licensee with licensed products in commerce. Their reasoning depends on that predicate, and they say so.

*Maxwell v. J. Baker, Inc.*, 86 F.3d 1098 (Fed. Cir. 1996), involved an express practicing license. Licensed shoe inserts were being sold. The court announced a “reasonable efforts” standard for patent owners whose licensees are required to mark, and it grounded that standard in the statutory

text: § 287, the court explained, extends to persons making or selling “any patented article for or under [the patentee].” *Id.* at 1111. The standard presupposes the existence of such persons.

*Rembrandt Wireless Technologies, LP v. Samsung Electronics Co.*, 853 F.3d 1370 (Fed. Cir. 2017), similarly involved a licensee actually making the patented article in commerce. The court refused to allow the patentee to abandon claims mid-litigation in order to escape the consequences of unmarked licensed products. *Id.* at 1382–83.

*Arctic Cat Inc. v. Bombardier Recreational Products Inc.*, 876 F.3d 1350 (Fed. Cir. 2017) (“*Arctic Cat I*”), established a burden-shifting framework that begins with the accused infringer identifying “specific unmarked products” that practice the patent. *Id.* at 1368. The framework is conditional on that predicate. Where the patentee does not practice and has no licensee practicing, no specific unmarked product can be identified, and the framework never engages. The Federal Circuit reaffirmed that allocation in *Arctic Cat Inc. v. Bombardier Recreational Products Inc.*, 950 F.3d 860, 864–65 (Fed. Cir. 2020) (“*Arctic Cat II*”).

*Lans v. Digital Equipment Corp.*, 252 F.3d 1320 (Fed. Cir. 2001), involved IBM as a practicing licensee actually producing a color graphics display system under the asserted patent. *Id.* at 1324.

The Federal Circuit’s holding in *Texas Digital Systems, Inc. v. Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002), is the corollary: damages are not limited by the absence of marking where there are no products to mark. *Id.* at 1220.

The common thread is unmistakable. Each Federal Circuit decision imposing a § 287 duty on a non-manufacturing patentee assumes — on the record before the court — an actual licensee actually producing an actual patented article. None of those cases purported to govern the situation of an NPE without practicing licensees. *Wine Railway* governs that situation.

## **V. Whether a “License” Exists Is a State-Law Contract Question — and Settlement Agreements Are Not Practicing Licenses**

This is where the analysis gets done in real cases. Defendants in NPE litigation routinely argue that a prior settlement, a dismissal with prejudice, or a covenant not to sue created a “licensee” whose unmarked products supposedly trigger § 287(a). Six points expose the error.

First, federal patent law defines the category; state contract law fills it. Section 287(a) names a category — “persons making, offering for sale, or selling . . . any patented article for or under” the patentee. Whether a given written instrument places someone in that category is a question of ordinary contract interpretation. There is no federal common law of patent license formation that

displaces state contract rules. Whether a release, settlement, or covenant authorizes the covenantee to “make . . . for or under” the patentee is a contract question, decided under state law.

Second, a release of past liability is not a forward-looking authorization. In every U.S. jurisdiction, a release extinguishes accrued causes of action; it does not, by itself, grant prospective rights to make, use, or sell. A covenant not to sue limits the patentee’s remedy; it does not affirmatively authorize the covenantee to practice. A dismissal with prejudice operates as *res judicata* as to past acts. None of those constructs converts the former defendant into a § 287(a) “licensee” producing “for or under” the patentee. I have argued elsewhere that the settlement licensee — particularly the licensee whose “license” is nothing more than a litigation-ending instrument — is outside the marking statute’s text. *See* William P. Ramey, III, *NPEs Have No Obligation to Mark Under the Statute—and that Should Extend to an NPE’s Settlement Licensees*, IPWatchdog (Oct. 17, 2024).

Third, treating settlement instruments as licenses collapses a distinction state contract law preserves. When a district court holds that a settlement or a dismissal with prejudice “functions as the equivalent of a license” for § 287 purposes, the court is doing federal patent work the contract did not authorize. It is rewriting the parties’ instrument to manufacture an “implied practicing licensee” — a category ordinary contract construction would never recognize. That is not statutory construction; it is statutory creation. And it imposes precisely the kind of “new and different burden upon non-producing patentees” that *Wine Railway* rejected. 297 U.S. at 397–98.

Fourth, even where a settlement does grant a forward-looking license, the article-actually-produced predicate must still be satisfied. Section 287(a) speaks to production, not to paper. A license that is never practiced — because the licensee designed around, exited the market, or settled on terms that contemplate no future use — does not trigger marking. When a settling party denies infringement that is a clear denial of the production of a patented article. The statute requires a “patented article” actually made, offered, sold, or imported. Without an article, there is no opportunity to mark, and *Wine Railway* applies. *See Tex. Dig. Sys.*, 308 F.3d at 1220. Settlement licenses are routinely excluded from royalty analyses precisely because they “do not provide an accurate reflection of what a willing licensor would do in an arm’s length transaction.” *Fenner Invs., Ltd. v. Hewlett-Packard Co.*, No. 6:08–CV–273, 2010 WL 1727916, at \*1 (E.D. Tex. Apr. 28, 2010); *see also Eidos Display, LLC v. Chi Mei Innolux Corp.*, No. 6:11–CV–00201–JRG, 2017 WL 1322550, at \*4 (E.D. Tex. Apr. 6, 2017). They are not “licenses to produce a patented article” in the ordinary sense, and they are not what § 287(a) contemplates.

Fifth, the defendant bears the burden of proving the license — and the marking-triggering production. The Federal Circuit confirmed that allocation in *mCom IP, LLC v. City National Bank*

*of Florida*, No. 2024-2089 (Fed. Cir. May 15, 2026). There, the court reversed a § 285 fee award that rested on an alleged licensure defense, holding that “license and release are affirmative defenses” under Federal Rule of Civil Procedure 8(c)(1), and that “the existence of a license covering the accused activities is a necessary predicate” to any legal consequence flowing from the alleged license. *mCom*, slip op. at 16. The defendant in *mCom* conceded that the district court “never made a finding that there *was* a license (or release) covering the accused activities.” *Id.* The Federal Circuit refused to infer one from settlements, prior litigation, or vague references in the record. *Id.* The same allocation applies — *a fortiori* — to a defendant urging that some prior settlement triggered the patentee’s § 287(a) marking duty. If license-as-defense will not be inferred without record findings, license-as-marking-trigger should not be either.

Sixth, two layers are necessary. To impose a § 287(a) marking duty on an NPE through a third-party license, the defendant must establish, on the record, (a) that an actual license exists, construed under state contract law as authorizing prospective practice of the asserted patent, and (b) that the licensee is in fact making, offering for sale, selling, or importing a patented article. Both layers are necessary. Defendants who skip either layer are urging an outcome neither the statute nor the Supreme Court permits.

## **VI. Section 286 Supplies the Policy Answer**

The standard objection to *Wine Railway* is policy-driven: if NPEs need not mark, will they not sit on patents and surprise infringers with stale damages claims? Congress already answered that question. Section 286 limits damages to the six years preceding the complaint, regardless of when the infringement began. 35 U.S.C. § 286. Combined with patent issuance as constructive notice to the world, *Wine Ry.*, 297 U.S. at 393, § 286 strikes the policy balance Congress chose. The defendant exposed to an NPE’s suit is exposed only to a six-year window, against a patent that has been publicly recorded and searchable for years before the complaint was filed. There is no policy gap. There is no need to expand § 287 beyond its text.

## **VII. § 285, Octane Fitness, and the Cost of Being Right**

The cost of asserting *Wine Railway* in the wrong courtroom has, in recent years, included the threat of fee-shifting under 35 U.S.C. § 285. The Federal Circuit has now made clear that fee-shifting requires more than a defendant’s disagreement with the patentee’s legal position.

In *mCom*, the panel reversed a § 285 award where the district court relied on an alleged licensure defense never reduced to factual findings, and where the alleged “nuisance-value” settlement pattern lacked record support. *mCom*, slip op. at 13–17. The panel emphasized what *Octane*

*Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014), already required: a case is “exceptional” only when it stands out, measured against the governing law and the facts. *Id.* at 554; *see also SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1348 (Fed. Cir. 2015) (it is the “substantive *strength* of the party’s litigating position” that controls, “not the *correctness*”).

The Supreme Court’s pending consideration of *Ortiz & Associates Consulting, LLC v. Vizio, Inc.* raises the same set of issues — whether a textually grounded position based on *Wine Railway* and *Dunlap* can support an exceptional-case finding under § 285. The governing law, for purposes of that analysis, includes *Wine Railway*. A position grounded in the Supreme Court’s binding interpretation of § 287(a) and in the statute’s actual text is not “substantively weak” within the meaning of § 285. Counsel for NPEs should not be deterred from making the argument.

### VIII. Practitioner Takeaway

For NPEs and their counsel:

- Plead infringement under *Twombly* and *Iqbal*, *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007); *Ashcroft v. Iqbal*, 556 U.S. 662 (2009), and let § 287(a) be raised, if at all, as the limitation on damages it is. *Arctic Cat I*, 876 F.3d at 1366 (“Section 287 is . . . a limitation on damages, and not an affirmative defense.”).
- If § 287(a) is raised by the defendant, demand record proof of (i) an actual license under state contract law authorizing prospective production of a patented article, and (ii) actual production of a patented article by that licensee. Cite *mCom* for the proposition that the defendant bears that burden. *mCom*, slip op. at 16.
- If a court invokes a settlement or a dismissal as an “implied license,” respond that under state contract law a release of past claims is not a forward-looking authorization. Cite *Wine Railway* for the principle that “penalty for failure implies opportunity to perform.” *Wine Ry.*, 297 U.S. at 394–95.
- Preserve the issue. The Supreme Court may or may not take up *Ortiz* this term. Either way, the question whether NPEs owe a § 287(a) duty is alive, and worth pressing on the record.

Section 287(a) is a statute, read like any other statute. Read by its text, it does not reach NPEs without practicing licensees. Read alongside *Wine Railway* and *Dunlap*, the answer is the same. Read against the state contract law that decides whether the persons it names are even present in the case, the answer holds. NPEs have no obligation to patent mark.