



May 20, 2019

U.S. Supreme Court Rules Trademark License Survives Bankruptcy

On May 20, 2019, the U.S. Supreme Court issued its decision in *Mission Product Holdings Inc. v. Tempnology, LLC*, No. 17-1657 (U.S. May 20, 2019), which resolved a decades-long split among the circuit courts regarding whether trademark rights survive bankruptcy rejection.

As the Court states, “this case arises from a licensing agreement gone wrong.” In 2012, Tempnology entered into a contract with Mission giving Mission a non-exclusive license to use the “Coolcore” trademark, both in the United States and around the world. The agreement was set to expire in July 2016, but Tempnology filed a petition for Chapter 11 bankruptcy in September 2015 and subsequently rejected the licensing agreement. The issue before the Court was whether the debtor-licensor’s rejection of the contract deprives the licensee of its rights to use the trademark.

In its 8-1 decision authored by Justice Kagan, the Court held that rejection of a trademark license breaches a contract but does not rescind it. Citing sections 365(a) and (g) of the Bankruptcy Code and relying on the logic of *Sunbeam Products, Inc. v. Chicago American MFG.*, 686 F.3d 372, 376 (2012), the Court found that if the rights would survive a contract breach by the licensor then they also survive rejection under the bankruptcy code. The decision to preserve the rights reflects a general bankruptcy rule that the “estate cannot possess any more than the debtor itself did outside bankruptcy.”

In a concurring opinion, Justice Sotomayor noted that the Court did not decide that *every* trademark licensee has the right to continue using licensed marks post-rejection. Justice Sotomayor states that the license terms must be examined on a case-by-case basis and that the ruling applies only when the licensee’s rights would survive a breach under applicable contract law.

Justice Gorsuch, the lone dissenter, argued that the case was rendered moot as the license expired during litigation.

From a practical standpoint, the Mission Product ruling settles a tumultuous area of law. Prior to the ruling, the rights of trademark licensees depended heavily on where the case was initially filed. Now, any and all rights which would ordinarily survive a contract breach, including trademark rights, also survive bankruptcy rejection.

Additional Information

Daniel Bruce is a partner in Kutak Rock’s Omaha office with a practice centered on trademarks and copyright protection. Chris Bikus is Of Counsel in Kutak Rock’s Omaha office with a practice focused on the clearance and registration of trademarks throughout the world. Marcellus Chase is a partner in Kutak Rock’s Kansas City office with a practice focused on intellectual property procurement and strategic planning. Ed Marquette is a partner in Kutak Rock’s Kansas City office with a practice focused on branding and on transactional, technology, and trade regulation matters in healthcare. Bryan Stanley, a partner, serves as the Kansas City office Corporate Department Chair with a practice focused on all aspects of intellectual property law. Patrick Stephenson is a partner in Kutak Rock’s Omaha office, with more than 25 years of experience advising clients on all aspects of trademark protection and use. James Jeffries, a transition partner in the Springfield office, focuses on intellectual property, assisting clients with protecting and enforcing their rights via methods other

than litigation. Tom Reichert is an associate in Kutak Rock's Kansas City office with a practice focused on intellectual property.

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