

Supreme Court Rules that Trademark Licensees May Continue to Use Licensed Marks Following Rejection in Bankruptcy

May 21, 2019 – The TMCA

by Daniel Goldberger, Alessandra Glorioso, Tiffany Shimada, and Annette Jarvis



On May 20, 2019, the U.S. Supreme Court settled the question of whether licensees under trademark agreements rejected by bankruptcy debtors may continue to use licensed marks. In a highly anticipated decision in *Mission Product Holdings, Inc. v. Tempnology, LLC*, the Supreme Court ruled that yes indeed, they can – subject to non-bankruptcy law.

“Rejection” of contracts is a power the Bankruptcy Code provides debtors to manage their estates. It is essentially a

sanctioned breach of contract that frees the estate from performing burdensome obligations. Over the past nine years, federal courts have been divided with respect to whether trademark licensees have continuing rights to use licensed trademarks following a debtor’s rejection of related license agreements. Some courts, including the First Circuit Court of Appeals, deemed rejection an effective rescission of a trademark license agreement. Others, including the Seventh Circuit Court of Appeals, deemed rejection to have no impact on a trademark licensee’s rights, leaving it free to either carry on under the license agreement or assert a claim for damages.

Yesterday, the high court held in *Mission* that the effect of rejection of *any* contract in bankruptcy is a breach, and not a rescission. Specifically, as to trademark licensees, the Court held that the breach effected by rejection “does not revoke the license or stop the licensee from doing what it allows.” The decision is a victory for trademark licensees. However, it is sure to spur changes in how trademark licenses are drafted and how licensors prepare for bankruptcy proceedings. To read more about the decision, its implications, and the history of the issues, please read the e-update posted [here](#).

Related People

- Daniel Goldberger
- Alessandra Glorioso
- Tiffany Shimada

Related Capabilities

- Trademark, Copyright + Advertising
- Intellectual Property Litigation

To read more about the *Mission* case, including the oral arguments before the Supreme Court, please read [this prior post](#) and the posts linked there.