INTA Urges Supreme Court to Clarify Impact of Bankruptcy on Trademark Licenses

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The International Trademark Association (INTA) has filed an amicus brief with the U.S. Supreme Court, urging the Court to grant *certiorari* in *In re Tempnology*, LLC, 879 F.3d 389 (1st Cir. 2018), and to adopt a rule that rejection of a trademark license by a debtor-licensor in bankruptcy does not terminate the licensee's right to use the licensed trademark. This issue has split the circuit courts and represents the most significant unresolved legal issue in trademark licensing.

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The split traces back to *Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc.*, which held that rejection of an executory license agreement by a debtor-licensor terminates the license. 756 F.2d 1043 (4th Cir. 1985). Although Congress abrogated *Lubrizol's* result by amending the Bankruptcy Code in 1987 as to licenses of patents, copyrights, and trade secrets, it expressly left open the impact of rejection on trademark license agreements for further study and consideration.

A number of courts have disagreed with *Lubrizol*, notably, the Seventh Circuit in *Sunbeam Prods, Inc. v. Chicago Am. Mfg., LLC.*, 686 F.3d 372 (7th Cir. 2012). In that case, the Seventh Circuit held that, although rejection eliminates the debtor-licensor's obligation to perform under the agreement, it does not terminate the licensee's right to continue to use the trademark for the duration of the agreement.

Notwithstanding the Seventh Circuit's cogent rationale for preserving a licensee's rights to use a licensed mark even after rejection, the First Circuit in *Tempnology* followed the *Lubrizol* approach of treating rejection as termination, thus widening the split among the circuits on this issue. The petition for *certiorari* in *Tempnology* presents the Supreme Court with an opportunity to resolve the conflict.

Given the importance of trademarks to businesses and the economy, trademark rights often are among a debtor's key assets. INTA's brief argues that the circuit split has diminished the stability and value of trademark licenses, to the detriment of licensors, licensees, and consumers.

In urging the Court to take up the *Tempnology* case and to adopt the *Sunbeam* approach, INTA argued that clear, consistent, and equitable rules not only will facilitate restructuring for debtors in bankruptcy, but also will enhance the value of trademark licenses in the pre-bankruptcy context. These benefits, in turn, will help trademarks better perform their core function of helping guide consumers to the products and services they want, with reliable assurances of source and quality.

The INTA amicus brief was authored by Debevoise & Plimpton LLP partners David H. Bernstein, Jeffrey P. Cunard, Jeremy Feigelson, Jasmine Ball and Henry Lebowitz, with associates Jared I. Kagan and Elie J. Worenklein, drawing on the expertise of Debevoise's experience in intellectual property litigation, trademark licensing and restructuring. The brief was co-authored by Cowan, DeBaets, Abrahams & Sheppard.

Please do not hesitate to contact us with any questions or for a copy of the INTA *amicus* brief.

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