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May 2019



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The May 2019 issue of Sterne Kessler's MarkIt to Market® newsletter addresses implications for bankrupt trademark owners following the Supreme Court's decision in *Mission Product Holdings Inc. v. Tempnology, LLC*.

Sterne Kessler's [Trademark & Brand Protection practice](#) is designed to help meet the intellectual property needs of companies interested in developing and maintaining strong brands around the world. For more information, please contact [Monica Riva Talley](#) or [Tracy-Gene G. Durkin](#).

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IN THIS ISSUE

[The Business of Brands: What Mission Product Holdings Inc. v. Tempnology Tells Us About Trademark Value](#)

[Recent News](#)

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THE BUSINESS OF BRANDS: WHAT MISSION PRODUCT HOLDINGS INC. V. TEMPNOLOGY TELLS US ABOUT TRADEMARK VALUE

By [Monica Riva Talley](#)

Much has been made of the Supreme Court's recent decision in *Mission Product Holdings Inc. v. Tempnology, LLC*, Case No. 17-1657 (May 20, 2019), which resolved a long-standing split in the circuits as to whether a bankrupt trademark owner could use its bankruptcy to revoke a trademark license. Finding that a bankrupt licensor's decision to break a trademark license

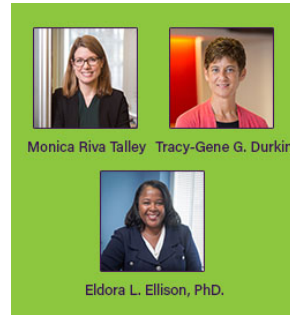


is a breach of a contract, the Court confirmed that parties cannot use bankruptcy to circumvent a business obligation.

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RECENT NEWS

The firm is proud to announce that three of our directors, Monica Riva Talley, Tracy-Gene G. Durkin, and Eldora L. Ellison, have been named to the *Managing Intellectual Property (MIP)* "Top 250 Women in IP" rankings. This list distinguishes the most accomplished female intellectual property practitioners around the world.



To read more, please click [here](#).

Additionally, the firm and eleven directors have been ranked among the best intellectual property firms and practitioners worldwide in *Managing Intellectual Property (MIP)*'s 2019 edition of the "IP Stars" guide.

To read more, please click [here](#).

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Tempnology was a sportswear manufacturing company that had entered into a distribution and trademark license agreement with Mission Products. Prior to expiration of the license, Tempnology filed a petition for Chapter 11 bankruptcy and asked the Bankruptcy Court to allow it to reject the license, akin to the rejection of an executory contract.

The Supreme Court held that outside bankruptcy, a licensor's breach cannot revoke continuing rights given to the licensee, and that bankruptcy does not enlarge the debtor's rights in its assets. The Bankruptcy Code gives a debtor the ability to rid itself of obligations, but provides an exception for the non-debtor licensees of "intellectual property." The Bankruptcy Code defines intellectual property as including trade secrets, patents, and copyrights, creating a question as to whether trademarks should be treated differently.

The Court found no negative inference from the failure of Congress to include trademarks in the definition of "intellectual property" in the code. The language of the code allows a debtor to cease performing pursuant to the bankruptcy, but it does not allow the debtor to rescind the rights previously conveyed under the contract. Nor does it "relieve the debtor of the need . . . to make economic decisions about preserving the estate's value – such as whether to invest the resources needed to maintain a trademark."

In other words, the licensee can continue using the mark as provided in the license. But, the Court recognized that the debtor was not required to perform its obligations under the rejected contract, which could create damages in favor of the rejected licensee. Also, this decision may be harmful for debtor licensors who do not have the means to avoid a "naked license."

The decision is important not just for resolving a split in the circuits, but also for its implicit recognition of the importance of trademark rights to a business and the value that licensed brands bring to a company. As the Court explained, finding otherwise would be unfair to a licensee that built its business around those rights.

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