SUPREME COURT OF THE UNITED STATES

Mission Product Holdings, Inc. v. Tempnology, LLC

139 S. Ct. 1652 (2019) · No. 17-1657 · Decided May 20, 2019

SUMMARY

The Supreme Court held that a debtor's rejection of an executory contract under § 365 of the Bankruptcy Code constitutes a breach rather than a rescission. Accordingly, rejection does not terminate contractual rights that would survive a breach outside bankruptcy, including a licensee's right to use trademarks. The Court reversed and remanded the First Circuit's decision.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	Justice Kagan; Chief Justice Roberts; Justice Thomas; Justice Ginsburg; Justice Breyer; Justice Alito; Justice Sotomayor; Justice Kavanaugh
JURISDICTION	Federal
DECIDED	May 20, 2019
DOCKET	17-1657
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Mission sought review of the First Circuit's judgment holding that Tempnology's rejection of an executory trademark licensing agreement under 11 U.S.C. § 365 terminated Mission's trademark rights. The Supreme Court granted certiorari to resolve a conflict between the First and Seventh Circuits and addressed mootness before reaching the merits.
STANDARD OF REVIEW	De novo review of the legal interpretation of 11 U.S.C. § 365; mootness reviewed under the requirement that dismissal is warranted only if it is impossible for a court to grant any effectual relief.
PRECEDENTIAL VALUE	binding
PARTIES	Mission Product Holdings, Inc. v. Tempnology, LLC, NKA Old Cold LLC

TOPICS

chapter 11 | bankruptcy | trademark law | contracts | statutory interpretation

PRACTICE AREAS

bankruptcy | contracts | intellectual property | trademark law | statutory interpretation

QUESTIONS PRESENTED

1. Whether Mission's claim for damages based on its inability to use Tempnology's trademarks preserved a live controversy.
2. Whether a debtor's rejection of an executory contract under 11 U.S.C. § 365 terminates contractual rights previously granted to the counterparty.
3. Whether rejection of a trademark licensing agreement terminates the licensee's rights to use the trademarks because trademark licenses are not covered by the specific protections in § 365(n).

HOLDINGS

1. The case was not moot because Mission presented a plausible claim for money damages arising from its inability to use the trademarks during the remaining license term.
2. A debtor's rejection of an executory contract under § 365 has the same effect as a breach of that contract outside bankruptcy; rejection does not rescind the contract or terminate contractual rights previously granted.
3. Tempnology's rejection of the executory licensing agreement could not revoke Mission's previously granted license to use the Coolcore trademarks.

KEY QUOTATIONS

> *"A rejection breaches a contract but does not rescind it."* (1)

> *"Rejection of a contract—any contract—in bankruptcy operates not as a rescission but as a breach."* (8)

> *"A rejection does not terminate the contract. When it occurs, the debtor and counterparty do not go back to their pre-contract positions."* (10)

> *"Such an act cannot rescind rights that the contract previously granted."* (17)

FACTUAL BACKGROUND

Tempnology manufactured and marketed clothing and accessories under the Coolcore brand. In 2012, it granted Mission an exclusive distribution license and a nonexclusive license to use its Coolcore trademarks. Tempnology filed for Chapter 11 bankruptcy in 2015 and obtained approval to reject the executory licensing agreement, after which it argued that rejection terminated Mission's trademark rights.

PROCEDURAL HISTORY

Tempnology filed Chapter 11 bankruptcy and obtained Bankruptcy Court approval to reject its licensing agreement with Mission. The Bankruptcy Court held that rejection revoked Mission's trademark license; the

Bankruptcy Appellate Panel reversed, but the First Circuit reversed the Panel and reinstated the Bankruptcy Court's decision. The Supreme Court held the controversy was not moot, reversed the First Circuit, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for further proceedings consistent with the holding that rejection of the executory licensing agreement did not revoke Mission's trademark license.

CASES CITED

- United States v. Detroit Timber & Lumber Co., 200 U.S. 321, 337 (1906)
- Chafin v. Chafin, 568 U.S. 165 (2013)
- Memphis Light, Gas & Water Division v. Craft, 436 U.S. 1, 8-9 (1978)
- NLRB v. Bildisco & Bildisco, 465 U.S. 513, 522 n.6, 523, 531-532 (1984)
- Field v. Mans, 516 U.S. 59, 69 (1995)
- Board of Trade of Chicago v. Johnson, 264 U.S. 1, 15 (1924)
- Sunbeam Products, Inc. v. Chicago American Manufacturing, LLC, 686 F.3d 372, 376-377 (7th Cir. 2012)
- In re Tempnology, LLC, 879 F.3d 389 (1st Cir. 2018)
- In re Tempnology, LLC, 559 B.R. 809 (B.A.P. 1st Cir. 2016)
- In re Tempnology, LLC, 541 B.R. 1 (Bankr. D.N.H. 2015)
- Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043, 1045-1048 (4th Cir. 1985)
- Florida Department of Revenue v. Piccadilly Cafeterias, Inc., 554 U.S. 33, 51 (2008)
- In re Sombrero Reef Club, Inc., 18 B.R. 612, 618-619 (Bankr. S.D. Fla. 1982)