No. 12-431

In the
Supreme Court of the United States

SUNBEAM PRODUCTS, INC., d/b/a
JARDEN CONSUMER SOLUTIONS,

Petitioner,

v.

CHICAGO AMERICAN MANUFACTURING, LLC,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

MOTION FOR LEAVE TO FILE A BRIEF AS *AMICUS CURIAE* AND BRIEF OF THE INTERNATIONAL TRADEMARK ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

Of Counsel
ANTHONY J. DREYER
SKADDEN, ARPS, SLATE,
MEAGHER & FLOM, LLP
4 Times Square
New York, NY 10036
(212) 735-3000

ETHAN HORWITZ
Counsel of Record
DANIEL S. EPPS
KING & SPALDING LLP
1185 Ave. of the Americas
New York, NY 10036
(212) 556-2100
ehorwitz@kslaw.com

Counsel for Amicus Curiae
The International Trademark Association

MOTION FOR LEAVE TO FILE BRIEF AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

Pursuant to this Court's Rule 37.2(b), the International Trademark Association (INTA) respectfully submits this motion to submit a brief as *amicus curiae* in support of the petition for a writ of certiorari filed by Sunbeam Products, doing business as Jarden Consumer Solutions. Petitioner has consented to INTA's filing of a brief. In accordance with Rule 37.2(a), INTA has provided notice to counsel for Respondent Chicago American Manufacturing, LLC of INTA's intent to file a brief more than 10 days before the brief's due date. Respondent has not consented.

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual-property concepts as essential elements of trade and commerce. INTA has more than 5,900 members in more than 190 countries. Its members include trademark owners as well as law firms and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks play in fostering effective commerce, fair competition, and informed decision-making by consumers.

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with almost all major trademark legislation. INTA members are frequent participants in trademark-related litigation as both plaintiffs and defendants. INTA has participated as *amicus curiae* in numerous cases involving significant trademark issues in this Court and others.*

INTA and its members have a particular interest in this case. If not reviewed by this Court, the decision

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* Cases in which INTA has filed *amicus* briefs include: *Already, LLC v. Nike, Inc.*, No. 11-982 (U.S.) (brief filed Oct. 1, 2012); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, _ F.3d _, 2012 WL 3832285 (2d Cir. Sept. 5, 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011); *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010); *Starbucks Corp. v. Wolfe's Borough Coffee*, Inc., 588 F.3d 97 (2d Cir. 2009); *ITC. Ltd v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007); *Louis Vuitton Malletier, S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs. v. Singh*, 428 F.3d 559 (5th Cir. 2005).

below likely will create lasting uncertainty over the rights of trademark owners and trademark licensees enmeshed in bankruptcy proceedings. Bankruptcy proceedings are an unfortunate reality of our current economy, and in many sectors are ever-increasing. Trademark rights are often among the few valuable assets a bankrupt entity has left. Accordingly, issues involving trademark rights and the survivability of trademark licenses often are among the most significant issues to arise in a bankruptcy matter. INTA members are interested in the establishment of clear, consistent, and equitable principles governing the trademark rights of trademark owners and trademark licensees.

In particular, the question of whether a trademark license may continue in effect after rejection by a bankruptcy trustee—and the uncertainty the decision below has created around that issue—directly impacts countless trademark owners and trademark licensees, as well as the companies with whom they do business. INTA does not take a position on the merits of the case at this time, but respectfully submits that this Court's review is critically important because the decision below has engendered ongoing uncertainty about the status of trademark rights in bankruptcy proceedings, and is detrimental to trademark owners and trademark licensees.

For the foregoing reasons, INTA respectfully submits that it is well-qualified to assist the Court in evaluating the arguments raised by the parties in this case. This Court should grant the motion for leave to file a brief as *amicus curiae*.

Respectfully submitted,

ETHAN HORWITZ
Counsel of Record
KING & SPALDING LLP
1185 Ave. of the Americas
New York, NY 10036
(212) 556-2100
ehorwitz@kslaw.com

DANIEL S. EPPS
KING & SPALDING LLP
1700 Pennsylvania Ave., NW
Washington, DC 20006
(202) 737-0500

Of Counsel
ANTHONY J. DREYER
SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP
4 Times Square
New York, NY10036
(212) 735-3000

Counsel for Amicus Curiae
The International Trademark Association

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INTEREST OF THE *AMICUS CURIAE*

Founded in 1878, *amicus curiae* The International Trademark Association (INTA) is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual-property concepts as essential elements of trade and commerce.[1] INTA has more than 5,900 members in more than 190 countries. Its members include trademark owners as well as law firms and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks play in fostering effective commerce, fair competition, and informed decision-making by consumers.

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with almost all major

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[1] Petitioner is a member of INTA. Attorneys associated with petitioner have not participated in the preparation or submission of this *amicus curiae* brief. This brief was authored solely by INTA and its counsel. No party or counsel for party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, and its counsel made such a monetary contribution to its preparation or submission. See S. Ct. R. 37.6.

trademark legislation. INTA members are frequent participants in trademark-related litigation as both plaintiffs and defendants. INTA has participated as *amicus curiae* in numerous cases involving significant trademark issues in this Court and others.[2]

INTA and its members have a particular interest in this case. It is inevitable that businesses will continue to go into bankruptcy. In many instances, trademark rights are among the only valuable assets a bankrupt company has left. Accordingly, trademark issues frequently arise in the bankruptcy context.

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[2] Cases in which INTA has filed *amicus* briefs include: *Already, LLC v. Nike, Inc.*, No. 11-982 (U.S.) (brief filed Oct. 1, 2012); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, _ F.3d _, 2012 WL 3832285 (2d Cir. Sept. 5, 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011); *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010); *Starbucks Corp. v. Wolfe's Borough Coffee*, Inc., 588 F.3d 97 (2d Cir. 2009); *ITC. Ltd v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007); *Louis Vuitton Malletier, S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs. v. Singh*, 428 F.3d 559 (5th Cir. 2005).

INTA members are interested in the development of clear, consistent, and equitable principles of how bankruptcy proceedings can affect trademark rights. INTA does not take a position on the merits of the case at this time, but respectfully submits that this Court's review is critically important because, as INTA explains below, ongoing uncertainty about the status of trademark rights in bankruptcy is harmful for trademark owners, trademark licensees, and bankruptcy creditors alike: owners in financial distress will get less value in licensing arrangements; current licenses will be hesitant to make investments; and bankruptcy estates' resources will be consumed litigating the issue, thereby harming creditors.

STATEMENT

A. Legal Background

The legal issue in this case arises where a trademark owner licenses its trademark to another entity and then subsequently goes into bankruptcy. Understanding that issue requires a brief review of the structure of the Bankruptcy Code.

When debtors go into bankruptcy under Chapter 11, bankruptcy courts often appoint trustees to manage the debtor's affairs. See 11 U.S.C. § 1104(a). The Code gives the trustee certain powers so that it can attempt to restore the debtor to profitability. At issue here is the power of the trustee (or in some circumstances, the debtor) to reject contracts of the debtor. The Code states that "the trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). Where no trustee has been appointed but the debtor is acting as a debtor-in-possession, the debtor can itself assume or reject contracts. See 11 U.S.C. § 1107(a).

The Code does not define "executory contract," but this Court has interpreted the phrase "to mean a contract 'on which performance is due to some extent on both sides.'" *N.L.R.B. v. Bildisco & Bildisco*, 465 U.S. 513, 522 n.6 (1984) (quoting H.R. Rep. No. 95-595, p. 347 (1977)). Courts consider many intellectual-property licensing contracts to be executory, because such contracts typically impose ongoing obligations both on the licensor (*e.g.*, an implied agreement not to sue for infringement) and on the licensee (*e.g.*, an agreement to pay royalties). See Ron E. Meisler et al., *Rejection of Intellectual Property License Agreements Under Section 365(n) of the Bankruptcy Code: Still Hazy After All These Years*, 19 Norton J. Bankr. L. & Prac. 163, 164 & n.5 (2010) (citing cases).

The Code also does not clearly explain the consequences of rejection of an executory contract. It says only that "the rejection of an executory contract . . . constitutes a breach of such contract" except in certain circumstances not relevant here. 11 U.S.C. § 365(g). The legal issue in this case turns on the meaning of that provision: What are the legal consequences of rejection?

The Fourth Circuit addressed that issue in *Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043 (4th Cir. 1985). The court held that the effect of a bankruptcy trustee's rejection of an intellectual-property licensing contract was to deprive the licensee of any rights to continue using the intellectual property. Because "the legislative history of § 365(g) makes clear that the purpose of the provision is to provide only a damages remedy for the non-bankrupt party," the court reasoned, the licensee could not "rely on provisions within its agreement . . . for continued use of the technology." *Id.* at 1048. Instead, the licensee was limited to a damages remedy. *Id.*

Several years later, Congress partially abrogated *Lubrizol*'s holding in the Intellectual Property Bankruptcy Act, Pub. L. No. 100-506, 102 Stat. 2538 (1988). The Act provides that "if the trustee rejects an executory contract under which the debtor is a licensor of a right to intellectual property, the licensee under such contract may elect . . . to treat such contract as terminated by such rejection . . . or . . . to retain its rights (including a right to enforce any exclusivity provision of such contract, but excluding any other right under applicable nonbankruptcy law to specific performance of such contract)." 11 U.S.C. § 365(n).

But, although the definition of "intellectual property" explicitly includes patents, trade secrets, and copyrights, it does not include trademarks. 11 U.S.C. § 101(35A). As a result, *Lubrizol* remains good law in the Fourth Circuit insofar as it governs the effect of rejection on trademarks and other rights not specifically enumerated by Congress.

B. Factual and Procedural History

Respondent Chicago American Manufacturing, LLC (CAM) entered into a contract with Lakewood Engineering & Manufacturing Co. under which respondent was to make box fans using Lakewood's patents and bearing Lakewood's trademarks that Lakewood would then sell to retailers. Pet. App. 2. To satisfy the contract, respondent CAM had to invest in manufacturing facilities. Thus, because of that investment and because of Lakewood's shaky financial condition, the contract allowed respondent to sell the fans on its own account if Lakewood did not or could not purchase them. *Id.*

Several months into the contract, Lakewood went into bankruptcy. *Id*. The bankruptcy court appointed a trustee, who sold Lakewood's assets—including Lakewood's trademarks—to petitioner Sunbeam Products, doing business as Jarden Consumer Solutions. *Id*. The trustee also rejected the license under 11 U.S.C. § 365. *Id.*

Petitioner Jarden declined to purchase respondent CAM's Lakewood-branded fans. Pet. App. 2. Respondent continued to make and sell fans bearing Lakewood's trademarks. *Id.* Petitioner then filed an adversary proceeding against respondent in the bankruptcy court, seeking to enjoin respondent from making and selling Lakewood-branded products. Pet. App. 50.

The bankruptcy court granted summary judgment for respondent. Pet. App. 109. The district court certified the issue for direct appeal to the court of appeals under 28 U.S.C. § 158(d)(2)(A). Pet. App. 13.

The Seventh Circuit affirmed the bankruptcy court. It concluded that *Lubrizol*'s approach was "mistaken," Pet. App. 6, agreeing with scholarly criticism that *Lubrizol* "confuse[d] rejection with the use of an avoiding power," Pet. App. 9. Instead, under the court of appeals' view, "by classifying rejection as breach" § 365(g) "establish[es] that in bankruptcy, as outside of it, the other party's rights remain in place." Pet. App. 8. Although rejection means that "a debtor is not subject to an order of specific performance," it does not follow that "any rights of the other contracting party have been vaporized." *Id.*

Respondent CAM was thus entitled to continue using the Lakewood marks.

SUMMARY

This Court should grant the petition for certiorari.

The Seventh Circuit itself acknowledged that its decision created a split with the Fourth Circuit over the question of what legal consequences flow from rejection of an executory contract under 11 U.S.C. § 365. And as explained below, see *infra* Part I.B, other circuits have indicated confusion over that question.

INTA submits that that it is critically important for this Court to review and resolve the split. Ongoing uncertainty harms trademark owners, licensees, and bankruptcy creditors alike. Nor is the importance of this issue limited to the trademark context; this Court's review would clarify the effect of rejection under § 365 as a general matter, a point over which the lower courts have been confused for decades.

Moreover, this case is an exceptional vehicle for review. The Seventh Circuit's opinion is cogent and well-reasoned, and it explicitly breaks from the Fourth Circuit's approach. The question presented is the sole legal question at issue in the court of appeals' decision; the outcome of the case turns entirely on which side of the split is correct.

Finally, another good vehicle for resolution of this split is unlikely to come before the Court soon. Because of unique features of bankruptcy law, important issues can evade this Court's review for long periods, notwithstanding that they arise frequently in the lower courts with immediate consequences for the parties. And this issue in particular is one for which good vehicles may be especially unlikely to arise, because courts that side with the Fourth Circuit's position may strain to construe contracts as non-executory in order to avoid confronting the potentially harsh consequences of rejection. If this Court declines, this issue may thus plague bankruptcy courts for years to come.

For all these reasons, INTA urges the Court to grant the petition and hear this case.

ARGUMENT

I. This Court's Guidance Is Necessary to Correct a Circuit Split Regarding the Status of Trademark Licenses in Bankruptcy Proceedings.

A. The Seventh and the Fourth Circuits are Divided Over Whether Trademark Licenses Survive Bankruptcy Rejection.

In the decision below, the Seventh Circuit recognized that its decision "creates a conflict among the circuits." Pet. App. 10. The Seventh Circuit explicitly disagreed with the Fourth Circuit's ruling in

Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043 (4th Cir. 1985), that rejection of an intellectual-property licensing contract under 11 U.S.C. § 365 means that the licensee loses the right to use the debtor's intellectual property.

Although Congress abrogated *Lubrizol*'s result with respect to some types of intellectual property, such as patents, copyrights, and trade secrets, see 11 U.S.C. § 365(n), *Lubrizol* remains good law insofar as it applies to trademarks, which Congress did not address in amending the rejection provisions. See Pet. App. 4 (discussing legislative history). Courts continue to rely on *Lubrizol* in holding that a licensee's rights to use a trademark can be terminated upon rejection. See, *e.g., In re HQ Global Holdings, Inc.*, 290 B.R. 507, 512–13 (Bankr. D. Del. 2003); *In re Blackstone Potato Chip Co.*, 109 B.R. 557, 560–61 (Bankr. D.R.I. 1990); *In re Centura Software Corp.*, 281 B.R. 660, 673 (Bankr. N.D. Cal. 2002). The Seventh Circuit pointed out that "[s]ome bankruptcy judges have inferred from the omission [of trademarks in § 365(n)] that Congress codified *Lubrizol* with respect to trademarks," but it disagreed and reasoned that "an omission is just an omission" and thus held that "§ 365(n) does not affect trademarks one way or the other." Pet. App. 4.

There is thus a square split in the circuits on whether rejection of a license terminates a licensee's ability to continue using the licensed intellectual property.

B. There Is Confusion in Other Circuits Over the Consequences of Rejection.

To describe the current state of the law as merely a 1-1 split understates the level of confusion in the lower courts over the effect of rejection under § 365.

The Ninth Circuit appears to share the Seventh Circuit's view, indicating that rejection does not impair a licensee's ability to use licensed intellectual property pursuant to the contract. In *In re Select-A-Seat Corp.*, 625 F.2d 290 (9th Cir. 1980) (per curiam), the debtor had granted another company an exclusive license in its intellectual property. After the debtor became bankrupt, the trustee rejected the warranty and exclusivity requirements in the contract. *Id.* at 292. The licensee disputed the trustee's ability to reject the contract; the Ninth Circuit sided with the trustee. In doing so, however, the Ninth Circuit noted that it would be impermissible for a trustee to use the rejection power to terminate a licensee's contractual right to use the licensed intellectual property:

> The trustee did not seek to recover the tangible property transferred . . . . Nor did the trustee attempt to revoke [the] license . . . . The trustee merely sought to reject the executory portions of the contract, the continuing warranty and exclusive dealing obligations. These obligations are analogous to executory covenants in leases to provide heat or electricity; *the lease (here, the license) cannot be summarily terminated,* but rejection can cancel covenants requiring future performance by the debtor.

Id. at 292–93 (emphasis added); *cf.* Pet. App. 8 ("[A] lessor that enters bankruptcy could not, by rejecting the lease, end the tenant's right to possession."); see also *Thompkins v. Lil' Joe Records, Inc.*, 476 F.3d 1294, 1307–08 (11th Cir. 2007) (noting that rejection cannot rescind a previously conveyed right to intellectual property).[3]

On the other hand, the Third Circuit arguably follows the Fourth Circuit's view that rejection can destroy the benefits of a contract for the non-bankrupt party. In *In re Exide Technologies*, 607 F.3d 957 (3d Cir. 2010), the debtor had previously conveyed to another company a perpetual license to use the debtor's trademark. The debtor sought to reject the agreement and thereby "regain" the licensed trademark, which the bankruptcy court permitted it to do.

The Third Circuit reversed. The panel concluded that the contract was not executory, even though it indisputably imposed obligations on the licensee going forward. *Id.* at 963–64. Although Judge Ambro concurred to express his view that "a trademark licensor's rejection of a trademark agreement under 11 U.S.C. § 365 does not necessarily deprive the

[3] Congress subsequently abrogated *Select-A-Seat*'s holding that rejection of a contract can void an exclusivity agreement. *See* 11 U.S.C. § 365(n)(1)(B) (stating that upon rejection, a licensee can retain its rights "including a right to enforce any exclusivity provision"). But there is no reason to think that the Ninth Circuit has changed the view it expressed in *Select-A-Seat* as to the effect of rejection on the licensee's ability to use licensed intellectual property after rejection.

trademark licensee of its rights in the licensed mark," i*d.* at 965 (Ambro, J., concurring), the panel as a whole apparently did not share that view—if it had, the court's efforts to construe the contract as non-executory would have been wholly unnecessary. *Cf.* Michael T. Andrew, *Executory Contracts in Bankruptcy: Understanding "Rejection"*, 59 U. Colo. L. Rev. 845, 890 (1988) (arguing that rejection does not have the effect of rescinding a contract and noting that "when a court struggles over an 'executory' contracts definition in a rejection case, almost invariably the reason for the struggle is a misunderstanding of rejection").

In any case, however the circuit split scorecard is tallied, it is clear that the lower courts are in significant confusion about the consequences of rejection of trademark licenses under § 365. Only this Court can clear up that confusion.

II. The Issue Is Important.

A. Continuing Uncertainty Harms Trademark Owners, Trademark Licensees, and Bankruptcy Creditors Alike.

Amicus INTA submits that it is essential for this Court to resolve the question presented one way or the other. The status quo—in which no one can be sure what will happen to trademark rights in bankruptcy—is untenable.

Ongoing uncertainty leads to economic inefficiency. See generally John E. Calfee & Richard Craswell, *Some Effects of Uncertainty on Compliance with Legal Standards*, 70 Va. L. Rev. 965 (1984). That principle holds true here. The uncertainty over trademark rights unquestionably harms trademark owners. Some trademark owners will undoubtedly experience financial distress, and ultimately bankruptcy. In such a situation, as in this case, the trademark owner will have a strong interest in getting full value for its assets as its works to stave off bankruptcy. Yet the circuit split means that it will be more difficult for a trademark owner, especially one in financial distress, to obtain full value for licenses of its trademark; a potential licensee will be unwilling to pay full value for trademark licenses, given that the licensee will not know whether it can continue to use the mark if the licensor becomes further distressed and declares bankruptcy.

Licensees are similarly harmed by the current uncertainty in the law. A licensee that does not know whether its license can be terminated in bankruptcy will be less willing to invest capital in machinery or advertising and promotion that would enable it to maximize sales and fully profit from its license. This failure to maximize sales will have the additional effect of reducing royalties to the trademark owner making it more difficult for it to stave off bankruptcy.

Making matters worse, the lack of clarity harms blameless creditors in bankruptcy proceedings. A purchaser of the trademark in bankruptcy who does not know if a prior licensee will be able to continue use of the trademark will be unwilling to pay the bankruptcy estate full value for the trademark.

In addition, because licensees and licensors cannot know for certain what effect rejection will have, they will have incentives to litigate the issue.

See, *e.g.,* George L. Priest & Benjamin Klein, *The Selection of Disputes for Litigation*, 13 J. Legal Stud. 1, 45 (1984) (noting that uncertainty leads to increased litigation). That litigation will consume more of a bankruptcy estate's limited resources, leaving behind less for creditors to recover. See, *e.g., Pioneer Inv. Servs. Co. v. Brunswick Assocs. Ltd. P'ship*, 507 U.S. 380, 409 (1993) (O'Connor, J., dissenting) ("An entity in bankruptcy can ill afford to waste resources on litigation; every dollar spent on lawyers is a dollar creditors will never see.").

This state of affairs helps no one. By granting the petition, the Court can resolve this ongoing uncertainty and avoid these needless costs.

B. This Case Provides an Opportunity for the Court to Clarify the Effect of Rejection as a General Matter.

The importance of the issue in this case is not limited to the trademark context. Because the issue in this case turns on the meaning of § 365(g)—a provision that speaks about contracts in general terms rather than being limited to trademark licenses in particular—deciding this case would necessarily clarify the consequences of rejection of executory contracts generally.

Although the Court has analyzed § 365(g)'s application to collective bargaining agreements, see *Bildisco*, 465 U.S. at 532–34, it has never had occasion to address the consequences of rejection as a general matter. This issue has perplexed courts for decades, as the scholarly consensus attests. See Douglas G. Baird, *Elements of Bankruptcy* 130 (4th ed. 2006) (noting "the difficulty in reconciling the case law on the rejection of executory contracts"); Andrew, *supra*, at 931 (pointing to "[p]rofound and pervasive confusion" over the effect of rejection); Jay Lawrence Westbrook, *A Functional Analysis of Executory Contracts*, 74 Minn. L. Rev. 227, 232 (1989) (calling the consequences of rejection under § 365 "one of the most confused and difficult areas of modern bankruptcy law").

The resolution of this case would impact not merely trademark rights, but also other rights that were not explicitly carved out for special protection in § 365. One example is a contract that imposes a covenant not to compete on the debtor. Some courts have held that rejection of such a contract means that such an agreement is no longer enforceable. See, *e.g., In re Register*, 95 B.R. 73 (Bankr. M.D. Tenn. 1989); *In re Ward*, 194 B.R. 703 (Bankr. D. Mass. 1996); *Cloyd v. GRP Records*, 238 B.R. 328 (Bankr. E.D. Mich. 1999). Other courts disagree, holding that covenants not to compete are not eliminated in rejection. See, *e.g., In re Noco, Inc.*, 76 B.R. 839 (Bankr. N.D. Fla. 1987); *In re Printronics, Inc.*, 189 B.R. 995 (Bankr. N.D. Fla. 1995).

Similarly, courts disagree over whether rights of first refusal for purchase of property held by the debtor survives rejection. Compare *In re Bergt*, 241 B.R. 17 (Bankr. D. Alaska 1999) (holding that a right of first refusal survived rejection) with *In re Kellstrom Industries, Inc.*, 286 B.R. 833 (Bankr. D. Del. 2002) (disagreeing with *Bergt*).

Yet another area of uncertainty is what happens when a debtor leases personal property to another party, and then seeks to reject the contract. Compare *In re O.P.M. Leasing Services, Inc.*, 23 B.R. 104, 118 n.11 (Bankr. S.D.N.Y. 1982) (calling "specious" the argument that the non-bankrupt party "may remain in possession of the leased equipment although the Trustee has rejected this lease") with Baird, *supra*, at 134 (suggesting that Congress did not intend to allow debtors to repudiate leases of personal property through rejection).

Quite simply, "[t]he effect of rejection is one of the great mysteries of bankruptcy law." *Cromwell Field Assocs., LLP v. May Dep't Stores Co.*, 5 F. App'x 186, 188 (4th Cir. 2001) (quoting *In re Henderson*, 245 B.R. 449, 453 (Bankr. S.D.N.Y. 2000)). The confusion has persisted for decades. This Court should use this case as an opportunity to bring clarity to this important area of bankruptcy law.

III. This Case Is an Ideal Vehicle.

The decision below is an excellent vehicle for review of the question presented. In its opinion, the Seventh Circuit specifically recognized that it created a split with the Fourth Circuit and cogently explained its reasons for doing so.

There are no obstacles to the Court's review; the effect of rejection under § 365 was the sole legal question addressed by the court of appeals. The underlying judgment of the bankruptcy court—refusing to enjoin respondent's use of the Lakewood trademark—will stand or fall depending on which side of the split this Court ultimately chooses; if the Fourth Circuit's opinion in *Lubrizol* is correct, respondent has no right to continue using the marks. There are no unique facts about this case that distort or affect the analysis of the § 365 question. Simply put, this case is as clean a vehicle as they come.

IV. Despite the Issue's Importance, Chances to Address the Split Are Unlikely to Recur.

This Court has, in the past, declined to address shallow splits to let the issues further percolate in the lower courts. That would not be an appropriate course here. Unique features of bankruptcy law mean that an important legal issue can evade this Court's review for long periods even though it arises frequently in the bankruptcy courts.

This is true for several reasons. In most instances, bankruptcy appeals must travel through an extra layer of appellate review to reach this Court. A bankruptcy order must ordinarily be appealed to the district court, 28 U.S.C. § 158(a), and only then to the court of appeals, *id.* § 158(d). Given the need to preserve the assets of the bankruptcy estate, a trustee will often be unwilling to continue litigating a case through four different courts, and thus may decline to appeal or seek certiorari (if the trustee has lost a ruling on the rejection issue) or may choose to settle rather than go through multiple rounds of appellate review (if the trustee has prevailed).

And even where the litigants are willing to take a bankruptcy case all the way to this Court, the bankruptcy-specific doctrine of "equitable mootness" may nonetheless preclude appellate review. Under that doctrine, an appellate court should decline to review the merits of a bankruptcy appeal "when, even though effective relief could conceivably be fashioned, implementation of that relief would be inequitable" because the debtor's plan of reorganization has been confirmed and "substantially consummated." *E.g., In re Charter Commc'ns, Inc.*, 691 F.3d 476, 481–82 (2d Cir. 2012) (citation omitted). Indeed, one member of this Court has previously expressed concern over the equitable mootness doctrine, noting that it "can easily be used as a weapon to prevent any appellate review of bankruptcy court orders confirming reorganization plans." *Nordhoff Invs., Inc. v. Zenith Elecs. Corp.*, 258 F.3d 180, 192 (3d Cir. 2001) (Alito, J., concurring).

Moreover, this issue in particular is one that may be especially likely to evade review. Under the Fourth Circuit's approach, the consequence of rejection is undeniably harsh. See *Lubrizol*, 756 F.2d at 1048 (acknowledging that "allowing rejection of [licensing] contracts as executory imposes serious burdens upon contracting parties" and "could have a general chilling effect upon the willingness of such parties to contract at all with businesses in possible financial difficulty"). For that reason, courts that agree with the Fourth Circuit may nonetheless strain to conclude that a particular contract is not executory in order to avoid the potentially unpalatable consequences of that approach. See, *e.g., Exide*, 607 F.3d at 963–64.

This Court now has before it an ideal vehicle through which it can resolve a circuit split and clear up confusion over an important issue in the law—something that, for the reasons described above, is unlikely to happen again soon. The Court should take advantage of this rare opportunity.

CONCLUSION

The Court should grant the petition for a writ of certiorari.

Respectfully submitted,

ETHAN HORWITZ
Counsel of Record
KING & SPALDING LLP
1185 Ave. of the Americas
New York, NY 10036
(212) 556-2100
ehorwitz@kslaw.com

DANIEL S. EPPS
KING & SPALDING LLP
1700 Pennsylvania Ave., NW
Washington, DC 20006
(202) 737-0500

Of Counsel
ANTHONY J. DREYER
SKADDEN, ARPS, SLATE,
MEAGHER & FLOM, LLP
4 Times Square
New York, NY 10036
(212) 735-3000

Counsel for Amicus Curiae
The International Trademark Association

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