Supreme Court: Rejection of Executory Contract Constitutes Breach, Does Not Terminate Non-Debtor Counterparty's Rights

The U.S. Supreme Court has held in *Mission Product Holdings, Inc.* v. *Tempnology, LLC* that a trademark licensee may retain certain rights under a trademark licensing agreement even if the licensor enters bankruptcy and rejects the licensing agreement at issue, **reports** Paul Weiss.

"Relying on the language of section 365(g) of the Bankruptcy Code, the Supreme Court emphasized that a debtor's rejection of an executory contract has the 'same effect as a breach of that contract outside bankruptcy' and that rejection 'cannot rescind rights that the contract previously granted,'" according to the firm.

"The Supreme Court's decision has far-ranging implications, as the opinion's reasoning can be expanded to apply to the vast majority of contracts that may be rejected in bankruptcy," the article concludes.

Read the article.