NORTON JOURNAL OF BANKRUPTCY LAW AND PRACTICE

Vol. 20, No. 6 (2011)

Norton Journal of Bankruptcy Law & Practice (USPS 012-091), (ISSN 1059-048X) is published bimonthly, six times per year, by West, 610 Opperman Drive, Eagan, MN 55123-1396. Subscription Price: $546.96 annually. Periodicals postage paid at St. Paul, MN, and additional mailing offices. Postmaster: send address changes to Journal of Bankruptcy Law & Practice, PO Box 64526, St. Paul, MN 55164-0526.

Managing Editor, Norton Journal of Bankruptcy Law and Practice, Thomson Reuters, 50 Broad Street East, Rochester, NY 14694, (800) 327-2665, ext. 2586, fax (585) 258-3774, clay.mattson@thomsonreuters.com.

Mat # 41027007

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Taking the Intellectual Out of Intellectual Property Licenses Under Section 365 of the Bankruptcy Code

BRADLEY SCOTT FRIEDMAN

The purpose of this article is to provide for a bankruptcy or restructuring professional a practical overview of the law related to the licensing of intellectual property in a Chapter 11 bankruptcy case, absent the confusing and often daunting intellectual property terms, and academic analyses of section 365 of the Bankruptcy Code.

I. Introduction

In the hypothetical world of an average Chapter 11 case, issues related to intellectual property licenses are often (and properly) categorized as a unique subset within the broader scope of section 365 of the Bankruptcy Code. Whereas nearly every Chapter 11 case involves some fight related to a lenders' cash collateral, Debtor in Possession financing, a nonresidential lease agreement, or the confirmability of a plan of reorganization, a full-blown battle regarding the license of intellectual property occurs less frequently. However, over the past few years, as large companies have developed diverse asset portfolios across the entire spectrum of tangibility (read: Google, Amazon, Apple), the acquisition and disposal of intellectual property has become a more central facet of profit growth.

While some companies embark on a strategy of feasting on tens of thousands of patents for prospective prophylactic purposes,[1] other companies have entire business models based on agreements to use technology for which another owns the intellectual property. [2] Such a

Bradley Scott Friedman is an associate specializing in financial restructuring and distressed assets in the New York office of Milbank Tweed Hadley & M°Cloy LLP. He is the author of several articles on intellectual property and bankruptcy. He can be reached at bfriedman@milbank.com. The views expressed herein are the author's and not the views of Milbank Tweed Hadley & M°Cloy LLP.

relationship is almost always memorialized in a license agreement. In other words, two companies can be "married" with respect to a single technology. Such licensing relationships are as follows: The intellectual property owner (the "licensor") agrees to marry (i.e., not to sue) the company using the intellectual property (the "licensee") and to stay in shape throughout the marriage (i.e., improve the technology underlying the intellectual property) in return for chocolate, flowers, jewelry, hugs and kisses (i.e., money). Like any other business, those involved in such intimate relationships might file for bankruptcy. And when companies seek the protection of the Bankruptcy Code, the symbiotic engagement occasionally ends in a messy divorce—usually when one party wants to stay married while the other does not. It is such a divorce that leads to the issues that are the subject of this article.

The term intellectual property is often an unparticular parlance that includes patents, trademarks, and copyrights of ideas, products, technology, and art.[3] The Bankruptcy Code, on the other hand, includes a more limited meaning to the term: trade secrets; inventions, process designs or plants protected under Title 35 of the U.S. Code (i.e., patents); patent applications; plant varieties; works of authorship protected under Title 17 of the U.S. Code (i.e., copyrights); and mask work under Chapter 9 of the Copyright Laws.[4] Trademarks and other intellectual property covered by the Latham Act[5] are conspicuously missing from the Bankruptcy Code definition.[6] For the purposes of this article, the use of the term "intellectual property" will refer to the general meaning, unless explained otherwise.[7]

The license agreement (a "license") for the use of intellectual property can come in one of several forms, and like any other contract, can have manifest customizations pertaining to the parties or property being licensed. On a primary level, the predominate general category of licenses are exclusive licenses (i.e., the intellectual property owner agrees not to marry any one else) and nonexclusive licenses (i.e., the intellectual property owner can marry others, with limitation), among many others. Secondary to the exclusive/nonexclusive categorization is what the underlying intellectual property is: a patent, a copyright, a trademark, etc. On the lowest level, a license, like any contract, is defined by the particular rights or limitations it includes.

Several extremely remarkable articles, cited herein, have been written on this subject, including detailed academic overviews of issues involving intellectual property and bankruptcy. This article is meant to provide a practitioner with a strong knowledge of the Bankruptcy Code the ability to efficiently plan for the "big ticket" issues that might be present in a particular license related circumstance.[8] This article will

first broadly describe types of licenses common for businesses, focusing on the rights created, as opposed to the underlying technology. Second, this article will address the basics of section 365 of the Bankruptcy Code, as applicable to licenses, including overviews of section 365(c) and 365(n). Third, this article will lay out a handful of issues and considerations (i) generally with respect to licenses; (ii) with respect to the Debtor as licensee; and (iii) with respect to the Debtor as a licensor. This article will not address, beyond cursory reference or notation, issues related to the sale of intellectual property under section 363 of the Bankruptcy Code; the detailed academic discussion of the tension between bankruptcy law and patent or trademark law; or the history of intellectual property in bankruptcy.

II. A Brief Overview of Licenses

A license is a permission to use an intellectual property right under defined conditions.[9] A license is "merely a waiver of a right to sue or prosecute the licensee for conduct that, absent the license, would be actionable."[10] With respect to a patent, for example, a license is a waiver by the owner of the patent of its right to "exclude the licensee from making, using, selling, offering for sale, or importing" the particular technology.[11] The licensee agrees to pay for this right in a particular manner specified in the license agreement.[12]

A license is distinguishable from the more absolute transfer of rights in intellectual property known as an assignment.[13] An assignment is an agreement to convey the entire interest in intellectual property to another party.[14] With a license, the party that owns the intellectual property still retains all of its rights that it has not specifically waived by agreement.[15] For the purposes of this section, the intellectual property will be a patent, unless otherwise stated.

A. Exclusive License

An exclusive license has been described as something more than a license, but something less than an assignment.[16] An exclusive patent license generally includes (i) a promise from the patent holder not to exploit the patent on its own behalf; and (ii) a promise from the patent holder not to permit the use of the patent other than by the licensee.[17] Thus, "[a]n exclusive license is one in which the [intellectual property] owner agrees to license to the licensee only… [and] usually presumes that the [licensor] will not compete with the exclusive licensee" with respect to the technology or product."[18]

With respect to the abstention from permitting others[19] to use the patent, depending on the nature of the patent, it is possible for several

licensees to have exclusive licenses pertaining to only a portion of the patent rights.[20] For example, a license might provide the exclusive use of the patent in a certain geography, for a certain field of use (i.e., a defined service market or product market), or for a certain amount of time.[21] With respect to a patent license providing a field of use restriction, there can be "multiple" exclusive licenses for a particular field—this is commonly called a "limited exclusive license," as distinguished from the more absolute "unlimited exclusive license."[22] With respect to copyrights, "there is a clear line of differentiation between the legal significance of exclusive and nonexclusive licenses."[23] Particularly, an exclusive licensee is regarded as "the owner of the particular right of copyright that is exclusively licensed," and, as with the assignment of other intellectual property, "the licensee has the right to sue for infringement of the licensed right."[24] As discussed below, the copyright distinction is important when evaluating the ongoing obligations of the parties to the license for the purposes of section 365 of the Bankruptcy Code.

One of the more significant transfers of rights to a licensee involves the authority to enforce or defend the underlying intellectual property. As discussed above, when intellectual property is assigned (i.e., all substantial rights have been transferred), the assignee has standing to sue in its own name.[25] It is possible for an exclusive licensee to have standing to sue to enforce or defend intellectual property without the licensor joining in such an enforcement suit.[26]

B. Nonexclusive License

A nonexclusive license is "the simplest type of license" in that it is merely an assurance by the licensor to the licensee that it will be immune from suits with respect to acts that are within the scope of the license.[27] Put differently, "[a] nonexclusive license embodies the notion of freedom to operate," and is thus "an encumbrance on the patent, and bids to future assignees of the patent as well."[28] Generally, the licensor will make no other promises as to how it will use the intellectual property or "exercise its monopoly" over the technology.[29] Unlike an exclusive license, the licensor is free to license the intellectual property to other companies without violating the rights of the licensee. Unlike exclusive licensees, the nonexclusive licensee will not have standing to enforce the patent or intellectual property against other companies.[30] Thus, a nonexclusive license "simply protects the licensee from being sued for infringement."[31]

C. Common Clauses, Terms and Sections

As a result of the license being a contract, there are innumerable ways to customize a license to a particular pair of parties. What follows is a

brief list of types of clauses, rights, and protections that are commonly found in an intellectual property license agreement, and a simple explanation of what each is or means. As most practitioners will recognize, some of these clauses are generally found in most commercial contracts. However, with respect to intellectual property, what might be common in one type of license (i.e., a patent license) might be different from another (i.e., a copyright or trademark license). Indeed, as one court has recently found, something as simple as a letter agreement between two parties that mentions licensing rights might be a license agreement.[32]

Clause, Right, Protection	Explanation
The Grant	This is where (i) the intellectual property and technology are described; (ii) the exclusivity is described; (iii) the duration of the license; and (iv) how the licensee may use the property (i.e., field of use).
Royalties	Perhaps the most important clause beyond the grant, the royalties sections will provide a detailed explanation of the price paid for the license. Examples of royalties and other consideration payments are described in Part IV.C.1.
Improvements	This deals with the issue of "what happens to subsequent improvements to the licensed intellectual property."* An improvement includes a subsequent modification or enhancement to the licensed intellectual property by either the licensee or the licensor after the license is executed. In each case, "the question is whether the improvement must be shared with the other party."†
Warranties and Indemnification	The most important warrant is that the licensor has the right to license the intellectual property. The licensor might "avoid making express or implied warranties as to merchantability or fitness for a particular purpose."‡ Additionally, parties will clearly define whose burden it is to defend certain claims with respect to the intellectual property.
Quality Control (Trademarks)	For trademarks, in order for a mark to be validly licensed, the licensor must exercise control over the nature and quality of the goods or services sold by the licensee under the licensed mark.§ This is commonly called "quality control." The term

	"naked licensing" refers to the licensing of a mark without quality control, which raises the risk that the public can be deceived by a mark on a lackluster product.[**] Without a quality control provision (where the licensor asserts quality control over the mark) "courts will deem the license invalid."[††]
Field of Use Restriction	This is a provision in an intellectual property license that restricts the licensee to use of the licensed property only in a defined product or service market.[‡‡] This might be found in the grant, but can also be its own section of a license.
Use Requirement (Trademark)	Trademark law requires that the owner of a mark continue to use the mark; use by a licensee inures to a licensor. If a trademark was not used prior to the execution of the license, the licensor may have abandoned the mark.[§§]
Confidentiality	Licenses, particularly software/copyright licenses, will often have mutual obligations to keep confidential the source code developed by the other.

[*] Port et al., Licensing Intellectual Property 283 (Carolina Academic Press 1999).
[†] Port, Licensing Intellectual Property 283.
[‡] Port, Licensing Intellectual Property at 284.
[§] McCarthy, McCarthy's Desk Encyclopedia of Intellectual Property at 341.
[**] McCarthy, McCarthy's Desk Encyclopedia of Intellectual Property at 341.
[††] Port, Licensing Intellectual Property at 285.
[‡‡] McCarthy, McCarthy's Desk Encyclopedia of Intellectual Property at 238.
[§§] Port, Licensing Intellectual Property at 285.

III. Applicable Overview of Section 365

A. Whether an IP License Is Executory

Section 365 of the Bankruptcy Code provides, among other things, the Debtor with authority to assume (continue to perform and optionally assign to another party) or reject (cease to perform and breach) an "executory contract" subject to approval by the bankruptcy court.[33] As most bankruptcy practitioners learned in their professional infancy, the Bankruptcy Code does not define the term executory contract. The most prevalent definition utilized by courts provides that an executory contract is "a contract under which the obligation of both the bankrupt and the other party to the contract are so far unperformed that the failure of either to complete per-

formance would constitute a material breach excusing performance of the other."[34] In other words, a prepetition contract is executory when both sides are still obligated to render substantial performance.[35]

Intellectual property licenses are generally found to be executory contracts so long as "there are ongoing, material obligations on both sides."[36] In deciding whether a license is executory, courts have found a combination of the following, among others, to be "obligations to render substantial performance": payment of royalties,[37] reporting requirements, servicing and maintenance requirements, abstaining from licensing to other companies, and obligations related to the upgrading or improvement of the technology.[38] Indeed, at least one court has found that mutual ongoing duties to maintain the confidentiality of the source code of software under a software/copyright license agreement is enough to make a contract executory.[39]

With respect to exclusive licenses, the exclusive right provided by the licensor has been found to be an unperformed obligation by the licensor.[40] At least one commentator has published a detailed academic analysis regarding the issue of the "exeuctoriness" of exclusive licenses. [41] With respect to the idea that exclusive licenses could be assignments in certain circumstances, the commentator has argued that "the fact that an IP agreement grants exclusive rights to the licensee cuts in favor of the transaction being characterized as a transfer because it represents a more complete conveyance of rights than a non-exclusive license and may have fewer strings… attached."[42] However, the courts that have assessed the exclusivity-assignment issue have often done so when analyzing the right of the licensee to transfer its rights, as opposed to the executoriness of the license.[43] With respect to nonexclusive licenses, the relinquishment of enforcement of its monopoly with respect to an individual licensor is generally found to be an ongoing material obligation.[44]

As a general premise for practitioners, intellectual property licenses, regardless of whether they are exclusive or nonexclusive, will be analyzed no differently than any other executory contract in a bankruptcy case: so long as there are ongoing[45] mutual material obligations, a license should be found to be an executory contract. Thus, the issue of executoriness with respect to intellectual property is generally *not* unique beyond their terms and subject matter.

B. Section 365(c)(1)—The or/and Assignment Issue

One of the more pervasive issues—and the one more frequently dissected in law review articles—regards the interpretation of section 365(c)(1) with respect to licenses.[46] Section 365(c)(1) provides, in relevant part, as follows:

> The [debtor] *may not assume or assign* any executory contract… of the debtor, whether or not such contract… prohibits or restricts assignment of rights or delegation of duties, if… (1) applicable law excuses a party, other than the debtor, to such contract… from accepting performance from or rendering performance to an entity other than the debtor…, and (2) such party does not consent to such assumption or assignment[.][47]

Section 365(c) seems to provide that if a debtor assumes a contract, it can then assign the contract, notwithstanding an anti-assignment clause in the agreement, so long as the applicable law and the other party to the contract are not offended. Indeed, it seems "clear that a contract may not be assigned under section 365 if 'applicable law' would bar its assignment to a third party outside of bankruptcy."[48]

However, there is a disagreement among some circuit courts of appeal as to whether section 365(c) applies to the assumption of a contract even if the debtor has not yet decided to, or never will, assign the contract. Thus, reading "*may not assume or assign*" in the disjunctive (i.e., assumption is separate from assignment), section 365(c) can be read to bar the assumption of a license agreement because the applicable law bars the assignment of that type of agreement. The interpretational possibilities are really only an issue relevant to the debtor-licensee because if a debtor-licensor was not able to assume and/or assign a license, the Debtor licensor could reject the license, which would trigger 365(n) rights for the licensee, and the Debtor could relicense the intellectual property (assuming it is not exclusive), or sell it under section 363 of the Bankruptcy Code.

The dual interpretations of section 365(c) have resulted in the formation of two different approaches: the hypothetical test and the actual test. The following subsections will briefly and succinctly demystify these two approaches. While these approaches have their geneses and broader applications in nonintellectual property-related decisions, this article will refer primarily to the applicable intellectual property licenses cases, to the extent possible.[49]

1. Hypothetical Test

Applying the hypothetical test, or the disjunctive test, the court will ask, "hypothetically without looking to the individual facts of the case, any executory contracts could be assumed under applicable federal law."[50] Put differently, the courts that apply the hypothetical test have found that the plain language reading of section 365(c)(1)(A) is not "assume *and* assign" but is "may not assume and may not assign," if

the applicable nonbankruptcy law excuses the nondebtor party from performance (i.e., the other party does not consent) if the contract was hypothetically assigned. The draconian reality of the hypothetical test is that even when the debtor indicates no interest in assigning the license, assumption is prohibited if assignment is prohibited.[51]

To date, the Third, Fourth, Ninth, and Eleventh Circuit Courts of Appeal have adopted the hypothetical test with respect to license agreements or other executory contracts.[52] Thus, bankruptcy courts in these jurisdiction should first determine the applicable law, and second, if the applicable law is that the particular license agreement cannot be assigned, regardless of the debtors' intention to assign, then the license will not be able to be assumed, and the debtor will be stripped of all rights.

2. Actual Test

Under the actual test, or conjunctive test, if a debtor seeking to assume the license has no actual intent to assign a contract that it seeks to assume, then applicable nonbankruptcy law barring assignment will not prevent such assumption.[53] Courts applying the actual test will make "a case-by-case inquiry into whether the non-debtor party… *actually* was being 'forced to accept performance under its executory contract from someone other than the debtor party with whom it originally contracted.'"[54] Thus, if under the particular transaction the debtor would assume and continue to perform under the executory contract, then the court will not "simply presume as a matter of law that the debtor in possession is a legal entity *materially* distinct from the prepetition debtor with whom the nondebtor party… contracted."[55]

The First Circuit Court of Appeal is the only circuit court that has formally adopted the test. However, it is arguable that the actual test is the "majority" approach used by bankruptcy courts outside of the hypothetical test circuits.[56] Additionally, another variation of the actual test has developed over the past few years, which focuses on the use of the term "trustee" in section 365(c).[57] These cases have reasoned that because the Bankruptcy Code does not state that the words "'trustee' are to be construed to mean 'debtor' or 'debtor in possession,'" it makes sense to prevent the trustee from assuming or assigning a contract, but not the party that originally entered into the contract with the nondebtor.[58] Thus, "where the debtor in possession seeks to assume, [section] 365(c)(1) does not prohibit assumption of the contract by the debtor in possession and cannot operate to allow the non-debtor party to the executory contract to compel the Debtor to reject the contract."[59] While the rationale is different, the *Footstar* line of cases seems to play out the same as the actual test so long as no trustee has been appointed.

C. Section 365(n)

Section 365(n)[60] of the Bankruptcy Code applies to the rights of a nondebtor licensee when a debtor licensor rejects a license.[61] Section 365(n) of the Bankruptcy Code was promulgated particularly to prevent a licensor from entering bankruptcy and using the power to reject to strip a nondebtor licensee of all of its rights.[62] To prevent this outcome, under section 365(n), if a debtor-licensor rejects the license, the licensee can either treat the license as having been terminated, or retain its rights under the contract as they existed moments before the bankruptcy filing, for the duration of the license, including extensions to that duration "of right under applicable nonbankruptcy law."[63]

Section 365(n) includes particular requirements as to the rights of both the licensee and the debtor. If the licensee elects to retain its rights, then section 365(n) provides the following: (i) the debtor must allow the licensee to exercise its rights under the licensing agreement; (ii) the licensee must continue to make royalty payments; (iii) the licensee will have waived any bankruptcy or nonbankruptcy right to setoff debts with the licensor; (iv) the licensee will have waived its right to administrative expense claims under the license; and (v) the trustee must continue to provide the licensed intellectual property.[64] Additionally, during the "gap period" between the filing of the debtors' petition and the decision to reject the license, the debtor-licensor must continue to perform under the license as provided in the license.[65]

Importantly, section 365(n) refers to the Bankruptcy Code definition of intellectual property. As explained above, this definition excludes the term "trademark" and any reference to trademark laws. A peculiar Third Circuit Court of Appeals concurring opinion related to a sales agreement that included a trademark license has recently lead commentators to note that it might be possible to either draft a trademark license that is nonrejectable because it is not an executory contract, or convince a bankruptcy judge that 365(n) is meant to apply to trademarks licenses combined with other agreements.[66] However, as explained below, there is little precedent that has specifically acknowledged these possibilities.

IV. Approaching the Issues Related to Section 365 and Licenses

The purpose of this section is to identify a few issues and considerations that a practitioner might consider with respect to representing either a licensor or licensee that has filed for bankruptcy. As referenced throughout this article, there have been published within the past year many articles providing detailed discussions of these issues. This section will merely highlight the more prominent issues and considerations.

A. Licensee and Licensor—Know What the License Says

One important overall consideration that relates to representing either a licensee or licensor in bankruptcy is to understand what the license agreement provides and requires. While this seems like an elementary consideration, if the agreement is not deemed to be an executory contract, then the powers provided by section 365 of the Bankruptcy Code simply will not apply. The Third Circuit decision in *Exide* is exemplary of why this determination is the threshold for all license issues.

In *Exide*, the debtor-battery maker (Exide) sold a large portion of its industrial battery business a decade before filing for bankruptcy.[67] The sale was memorialized and controlled by three agreements that involved physical manufacturing plants, equipment, inventory, and certain items of intellectual property.[68] The bankruptcy court, in a separate and unchallenged decision, held these three related agreements to be one agreement.[69] The trademark license aspect of the agreement granted the buyer a perpetual, exclusive, royalty-free license to use the "Exide" trademark in the industrial battery business.[70] A decade after the asset sale, which included the license, Exide decided that it wanted to reenter the industrial battery industry. The attempt to reenter its old business with a new name was unsuccessful; and Exide filed for bankruptcy.

While in bankruptcy, Exide sought to reject the agreement, which included the license, ostensibly in order to regain the right to the mark and reenter the industrial battery business. However, the Third Circuit rejected Exide's arguments that the agreement was executory on account of certain of the mark-related obligations in the agreement, including quality control, indemnity and use restrictions.[71] Particularly, the court, upon reviewing in-detail the "substantial performance" cases under the controlling laws, found that over the ten years after entering into the agreement, the buyer-licensee had performed nearly all of its duties under agreement—including simply operating under the agreement and paying the $135 million sale price.[72] The court held that failure to perform the remaining ongoing obligations related to the license aspect "would not affect the substantial performance of the Agreement."[73] Thus, Exide was not able to utilize section 365(n) because the agreement was not executory.

One lesson that can be derived from *Exide* is that just because an agreement has a licensing aspect, or is called a license, does not mean that it will automatically be deemed to be an executory contract. *Exide* shows the particularity with which a court might evaluate an entire agreement, including the persnickety or even boilerplate clauses in a common licensing agreement. Another lesson is that it is possible for a court, as the bankruptcy court in *Exide* did, to find multiple contemporaneous agreements, including a license, to be a single agreement. The

result might be that despite there being ongoing IP related obligations, other aspects of the agreement might have been substantially performed so as to diminish the relevance of the ongoing IP obligations.[74]

B. Debtor as Licensee—365(c)(1) Considerations

As mentioned above, section 365(c)(1) issues are really only relevant to the debtor-licensee because if a debtor-licensor was not able to assume and/or assign a license, the debtor-licensor could reject the license, which would trigger section 365(n) rights for the licensee, and the Debtor could relicense the intellectual property (assuming that it is not exclusive), or sell it under section 363 of the Bankruptcy Code. What follows are three considerations with respect to debtor-licensee representations.

1. Hypo or Actual—Identify the Jurisdiction Where Filing Might be Possible

To the extent a company has significant licenses it is important to decide geographically where it might be possible to file a petition. As discussed above, while many bankruptcy courts have adopted the actual test, four circuits (the Third, Fourth, Ninth, and Eleventh) have adopted (or seem to have adopted) the hypothetical test. The potential onerous effect of the hypothetical test could result in a situation where the debtor-licensee seeks to reorganize and continue to utilize the licensed intellectual property, but the licensor objects to the assumption of the agreement. In such a case, if the intellectual property is not assignable under the applicable law, the debtor could be forced to reject the license—and possibly abolish its chance to reorganize.

2. Know the "Applicable Law" for the "Applicable Intellectual Property"

As discussed above, section 365(c)(1) refers to the "applicable law" that might excuse the nondebtor party to such contract from accepting performance from or rendering performance to an entity other than the debtor. One way to phrase this issue is "does the law require consent of a party to a contract if the other party wants to assign it." The applicable law is generally the federal common law (i.e., federal court made law) or the statute creating the intellectual property rights.[75] Thus, secondary only to the jurisdiction in which a debtor might file, is what the applicable law provides with respect to the assignability of the particular intellectual property license.

With respect to a patent license, courts have held that under federal common law, a nonexclusive patent license is personal and nonassign-

able without consent.[76] Courts have held the same with respect to exclusive patent licenses.[77] Applying federal copyright law, court's have found that nonexclusive copyright licenses are not assignable without consent,[78] but court's might generally find that exclusive copyright licenses are essentially transfers that do not require the consent of the licensor in order to assign.[79] Whether a trademark license is assignable without the consent of the licensor is without a definite answer. The prevalent case on the issue was affirmed by the Ninth Circuit without an opinion, and the Supreme Court denied a writ for certiorari.[80] In that case, the Court found that under federal common law, trademarks are personal to the assignee and nonassignable without the consent of the licensor.[81] Very recently, the Seventh Circuit, in dicta, stated that "as far as we've been able to determine, the universal rule is that trademark licenses are not assignable in the absence of a clause expressly authorizing assignment."[82]

3. The End Game Matters

Fights involving a debtor-licensee are really fights about consent. At the outset of a bankruptcy, it might not be knowable if a reorganized debtor should seek to exploit a license, or the debtor should try to sell the right to exploit it (i.e., assign). Moreover, it might not be possible to discern whether the licensor will try to fight an assumption (perhaps the market has shifted and the terms of the license are no longer favorable) or refuse to consent to an assignment. The logical hedge for a large company with significant licensee-side assets that is considering filing for bankruptcy is probably to identify a venue that (i) follows the actual test, and (ii) has considered (either in bankruptcy or under federal common law)[83] issues related to the assignment without consent of the licensor, with respect to the relevant intellectual property.

C. Debtor as Licensor—Section 365(n)

Section 365(n) of the Bankruptcy Code is discussed in great detail by nearly every commentator on the subject of intellectual property licenses. Below is a brief discussion of three practical issues and considerations related to the rejection of a license by a debtor-licensor.

1. Payment of Royalties

As mentioned above, if the licensee elects to continue to use the intellectual property under the rejected license, section 365(n) particularly requires the licensee to "make all royalty payments due under the contract."[84] One issue that might arise is whether a payment under a license agreement is a royalty or something else—"royalty" is not defined in the Bankruptcy Code. In practice, a license agreement may include sev-

eral different payment structures, only some of which are actually called "royalties."[85] Consideration paid for the grant of a license takes many forms including a specified lump sum to be paid after the execution of the license, installments over a period of time, a specified amount of money coupled with a "reverse license" extended under the licensee, or numerous other forms.[86] Royalties, however, are generally consideration premised on "incremental payments proportioned in some way to the extent of use of the licensed inventions."[87]

Courts have tended to broadly define "royalties" in the context of section 365(n).[88] For example, in one case a license agreement that was the subject of rejection included "a $1,250,000 license fee—$300,000 to be paid within ten days of execution of the agreement with the balance due in $50,000 monthly payments."[89] Following the rejection, the licensee, which elected to maintain its rights under section 365(n), appealed the bankruptcy court's order which contained a revised structure for the license fee.[90] The district court affirmed the order and payment structure finding that "[d]espite the nomenclature used in the agreement, the license fees to be paid by [the licensee] are royalties in the sense of section 365(n)."[91] Thus, despite the payment being called a "license fee" and increments being fixed regardless of use or revenue generated from the underlying technology, a court might use royalty to mean the payment of consideration in general.[92]

2. Improvements and the State of the Intellectual Property

The section 365(n) election allows the licensee to retain its rights as they existed "immediately before the case commenced."[93] While, in some instances, the rights of the parties under the license agreement at the petition might be clear,[94] in other instances, it might be impossible to return to the state of the technology or property at the time of rejection or election. This issue arises with respect to "improvements" to the intellectual property.

As discussed above in the table in Section II, an improvement is a subsequent modification or enhancement to the licensed intellectual property by either the licensee or the licensor after the license is executed. Often the parties will agree whether improvements are covered by the license. Such clauses are particularly important when the technology is in early stages of development and the licensee is reluctant to license the technology without continued access to technological advancements.[95] As is the case with software, which is often continuously being improved by both parties, it might be impossible or even

inequitable to force the licensee to retroactively return the technology to the prepetition form.[96]

At least one court has acknowledged this issue,[97] and allowed for the rejection date to be used for determining the state of the intellectual property. Other courts, however, might take a more literal approach and not allow the licensee to retain any rights to intellectual property that did not exist as of the commencement date.[98] Commentators have argued that allowing the licensee to use postpetition improvements is supported by the legislative history.[99] However, it seems clear that the duties of the licensor should be severed as of the petition date.[100]

3. Applicability to Combined IP Licenses

Section 365(n) applies only to intellectual property under the Bankruptcy Code definition. As such, trademarks are particularly excluded. However, one bankruptcy court decision stirred controversy when it held that the rejection of a sublicense agreement that covered a secret formula for the distillation of rum and a trademark should be "equitably" decided with respect what rights could be retained under section 365(n) by the licensee.[101] Thus, the court seems to have suggested that if a trademark is combined with licenses of bankruptcy-defined intellectual property, then rights to continue to operate under the entire agreement might be possible.[102]

Despite this holding, the only other opinion on a related issue seems to have disagreed with the combined-license holding, and split a combined license into two separate licenses.[103] However, at least one commentator has argued that court's still "may extend the protections of section 365(n) to a nondebtor licensee's use of a trademark in certain mixed license agreement."[104] From the perspective of the debtor-licensor, this commentator recommends executing separate licenses based on the Bankruptcy Code definition of intellectual property to avoid "bifurcation" of a combined license by a court, and "reduce[d] the risk that a bankruptcy court would find a trademark protected by section 365(n)."[105] This is sound advice in that it applying section 365(n) to the mark could decrease the value of the mark (potentially to zero if it is an exclusive mark).[106] Nevertheless, it seems to ignore the fact that no court has applied 365(n) to trademarks.[107]

Notes

1. See Pletz, Google's Bid for Motorola Triggered by Nortel Patent Sale, Crains (Sept. 13, 2011) (http://www.chicagobusiness.com/article/20110913/NEWS08/110919956).

2. A slight distinction should be made between intellectual property and technology. Technology is a tangible or intangible chattel. Intellectual property is a legal right with respect to that chattel. For example, a mobile phone display that reacts to the touch of a finger is

technology. The patent creating the right to use that display is the intellectual property. See Levy & Yang, Advanced Licensing Agreements: Volume One, Practicing Law Institute No. G-995 (2010) ("[T]echnology is a thing, while IP is a legal right. Failure to make a distinction between the two leads to ambiguity in the meaning of [] contractual provisions.").

3. See Black's Law Dictionary (9th ed. 2009) (defining intellectual property as "1. A category of intangible rights protecting commercially valuable products of the human intellect. The category comprises primarily trademark, copyright, and patent rights, but also includes trade-secret rights, publicity rights, moral rights, and rights against unfair competition. 2. A commercially valuable product of the human intellect, in a concrete or abstract form, such as a copyrightable work, a protectable trademark, a patentable invention, or a trade secret.").

4. 11 U.S.C.A. § 101(35A).

5. 15 U.S.C.A. §§ 1051 to 1141n.

6. See S. Rep. No. 100-505. at 7; see also 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, 166 (2010) (providing a detailed description of the congressional intent for not including trademarks in the definition of intellectual property.).

7. As explained herein, the definition of intellectual property under the Bankruptcy Code with respect to § 365 is really only relevant with respect to the rights of a licensee under section 365(n).

8. For example, this article will not discuss the basics of the assumption or rejection of executory contract, and claims related to such assumption or rejection. This article presupposes the readers' basic knowledge of the Bankruptcy Code. Additionally, this article presumes that the reader is generally familiar with the everyday terms patent, trademark, and copyright.

9. McCarthy et al., McCarthy's Desk Encyclopedia of Intellectual Property, 338 (The Bureau of National Affairs, Washington DC 3d ed. 2004).

10. Brunsvold & O'Reilley, Drafting Patent License Agreements § 1.02 (5th ed. 2004) (hereinafter "DPLA"); TransCore, LP v. Electronic Transaction Consultants Corp., 563 F.3d 1271, 90 U.S.P.Q.2d 1372 (Fed. Cir. 2009).

11. DPLA § 1.02.

12. Royalties are discussed in more detail, in Section IV.B of this article.

13. Mueller, An Introduction to Patent Law, 329 (Aspen Publishers 2006) (a license "is not a transfer of ownership of the patent[.]").

14. See Waterman v. Mackenzie, 138 U.S. 252, 255, 11 S. Ct. 334, 34 L. Ed. 923 (1891) (providing the oft-cited explanation distinguishing between a patent license and assignment).

15. Although the assignment/license issue seems relatively straightforward in the abstract, issues arise when an agreement that is called a license transfers all exclusive rights including providing the licensee standing to sue to enforce a patent. See, e.g., International Gamco, Inc. v. Multimedia Games, Inc., 504 F.3d 1273, 1276, 84 U.S.P.Q.2d 2017 (Fed. Cir. 2007) ("In such a case, the 'exclusive licensee' is effectively an assignee.") (internal citation omitted).

16. DPLA § 1.02. The U.S. Patent Code § 261 specifically authorizes the exclusive license of patents.

17. Ying, The Plain Meaning of Section 365(c): The Tension Between Bankruptcy and Patent Law in Patent Licensing, 158 U. Pa. L. Rev. 1225, 1239 (2010).

18. Mueller, An Introduction to Patent Law at 329.

19. International Gamco, 504 F.3d at 1273 (offering several examples of exclusive field of use licenses).

20. International Gamco, 504 F.3d at 1273.

21. DLPA § 2.03.

22. See McCarthy, McCarthy's Desk Encyclopedia of Intellectual Property at 339.

23. McCarthy, McCarthy's Desk Encyclopedia of Intellectual Property at 343.

24. McCarthy,McCarthy's Desk Encyclopedia of Intellectual Property at 343.

25. International Gamco, 504 F.3d at 1276.

26. See Waterman, 138 U.S. at 255.

27. DLPA § 2.01.

28. Levy and Yang , Advanced Licensing Agreements: Volume One, Practicing Law Institute No. G-995 at 14.

29. Ying, 158 U. Pa. L. Rev at 1240.

30. Ying, 158 U. Pa. L. Rev at 1240; see also DLPA § 2.01.

31. Mueller, An Introduction to Patent Law at 330.

32. See In re Spansion Inc., 2011 WL 3268084 at *7 (D. Del. 2011) (holding that a letter agreement's "clear language demonstrates that the parties entered into a valid contract by exchanging promises" that created a binding patent license agreement).

33. 11 U.S.C.A. § 365(a)

34. Countryman, Executory Contracts in Bankruptcy: Part I, 57 Minn. L. Rev. 439, 460 (1973).

35. In re Riodizio, Inc., 204 B.R. 417, 421, 30 Bankr. Ct. Dec. (CRR) 308, 37 Collier Bankr. Cas. 2d (MB) 868 (Bankr. S.D. N.Y. 1997). Some courts use the "functional approach" and "some performance due" tests. The test under the functional approach to determine whether a contract is executory is by balancing the benefits of assumption or rejection that would be realized by the debtor. Riodizio, 204 B.R. at 424. The definition under the some-performance-due approach is "a contract is executory if each side must render performance, on account of an existing legal duty or to fulfill a condition, to obtain the benefit of the other party's performance." Riodizio, 204 B.R. at 424.

36. Meisler, 19 Norton J. Bankr. L. & Prac. 164; Menell, Bankruptcy Treatment of Intellectual Property: An Economic Analysis, 22 Berkeley Tech. L.J. 733, 20-21 (2007); see In re Catapult Entertainment, Inc., 165 F.3d 747, 33 Bankr. Ct. Dec. (CRR) 1058, 41 Collier Bankr. Cas. 2d (MB) 858, Bankr. L. Rep. (CCH) P 77886 (9th Cir. 1999); Institut Pasteur v. Cambridge Biotech Corp., 104 F.3d 489, 30 Bankr. Ct. Dec. (CRR) 221, 37 Collier Bankr. Cas. 2d (MB) 588, 41 U.S.P.Q.2d 1503, Bankr. L. Rep. (CCH) P 77242 (1st Cir. 1997); In re DAK Industries, Inc., 66 F.3d 1091, 27 Bankr. Ct. Dec. (CRR) 1185, 34 Collier Bankr. Cas. 2d (MB) 531, Bankr. L. Rep. (CCH) P 76648 (9th Cir. 1995) (an instance of when a nonexclusive license is not viewed as "executory"); In re Interstate Bakeries Corp., 447 B.R. 879, 884 (W.D. Mo. 2011) ("While trademark license agreements are usually held to be executory contracts, they are not universally considered executory.").

37. The payment of royalties alone with no obligations by either party to the contract should not be enough to make a contract or license executory. Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043, 1046, 12 Bankr. Ct. Dec. (CRR) 1281, 12 Collier Bankr. Cas. 2d (MB) 310, 226 U.S.P.Q. 961, Bankr. L. Rep. (CCH) P 70311 (4th Cir. 1985).

38. Menell, 22 Berkeley Tech. L.J. 733 at 20.

39. In re Sunterra Corp., 361 F.3d 257, 42 Bankr. Ct. Dec. (CRR) 222, 51 Collier Bankr. Cas. 2d (MB) 1276, Bankr. L. Rep. (CCH) P 80068 (4th Cir. 2004).

40. Meisler, 19 Norton J. Bankr. L. & Prac. 164; In re Select-A-Seat Corp., 625 F.2d 290, 292, 6 Bankr. Ct. Dec. (CRR) 1384, 23 C.B.C. 192 (9th Cir. 1980); In re HQ Global Holdings, Inc., 290 B.R. 507, 40 Bankr. Ct. Dec. (CRR) 262 (Bankr. D. Del. 2003).

41. Meisler, 19 Norton J. Bankr. L. & Prac. 1644; In re Select-A-Seat Corp., 625 F.2d 290, 292, 6 Bankr. Ct. Dec. (CRR) 1384, 23 C.B.C. 192 (9th Cir. 1980); In re HQ Global Holdings, Inc., 290 B.R. 507, 40 Bankr. Ct. Dec. (CRR) 262 (Bankr. D. Del. 2003).

42. Menell, 22 Berkeley Tech. L.J. 733 at 23.

43. For example, cases discussed herein fall into this category.

44. Meisler, 19 Norton J. Bankr. L. & Prac. 164.

45. If a licensor has performed its obligations under a particular license, a court might find that there are not material, mutual obligations. In re Qintex Entertainment, Inc., 950 F.2d 1492, 1495-96, 26 Collier Bankr. Cas. 2d (MB) 143, 21 U.S.P.Q.2d 1775, Bankr. L. Rep.

(CCH) P 74396 (9th Cir. 1991) (copyright right exclusive distribution license not executory once work was complete); In re Gencor Industries, Inc., 298 B.R. 902, 913 (Bankr. M.D. Fla. 2003) (irrevocable license with no material obligations for parties not executory); In re Exide Technologies, 340 B.R. 222, 46 Bankr. Ct. Dec. (CRR) 95 (Bankr. D. Del. 2006), appeal denied, judgment aff'd, 2008 WL 522516 (D. Del. 2008), vacated and remanded, 607 F.3d 957, 53 Bankr. Ct. Dec. (CRR) 57, 95 U.S.P.Q.2d 1405, Bankr. L. Rep. (CCH) P 81779 (3d Cir. 2010), as amended, (June 24, 2010) and cert. denied, 131 S. Ct. 1470, 179 L. Ed. 2d 299 (2011) (a license that was nonterminatable despite a material breach is not executory). It worth noting that at least one court has found that despite a license agreement's monetary consideration being fully paid, there can still be "continuing material duties and obligations of both parties" to the agreement. See In re Aerobox Composite Structures, LLC, 373 B.R. 135, 139, 48 Bankr. Ct. Dec. (CRR) 180, 58 Collier Bankr. Cas. 2d (MB) 511 (Bankr. D. N.M. 2007).

46. There are two scholarly articles that provide excellent overviews of these issues, including historical and theoretical perspectives, as related to trademarks and patents, respectively. Steele, Actual or Hypothetical: Determining the Proper Test for Trademark Licensee Rights in Bankruptcy, 14 Marq. Intell. Prop. L. Rev. 411 (2010); Ying, cited in passim.

47. 11 U.S.C.A. § 365(c) (emphasis added)

48. Indyke et al., Ending the "Hypothetical" vs. "Actual" Test Debate: A New Way to Read Section 365(c)(1), 16 J. Bankr. L. & Prac. 179 (2007).

49. For example, the hypothetical test has its origin in a case regarding the supply of missile launchers and accessories to the United States government. See Matter of West Electronics Inc., 852 F.2d 79, 18 Bankr. Ct. Dec. (CRR) 287, Bankr. L. Rep. (CCH) P 72351, 34 Cont. Cas. Fed. (CCH) P 75526 (3d Cir. 1988).

50. In re N.C.P. Marketing Group, Inc., 337 B.R. 230, 234, 78 U.S.P.Q.2d 1853, Bankr. L. Rep. (CCH) P 80431 (D. Nev. 2005), aff'd, 279 Fed. Appx. 561 (9th Cir. 2008), cert. denied, 129 S. Ct. 1577, 173 L. Ed. 2d 1028 (2009).

51. Davis, Finding Common Ground: Resolving Assumption And Assignment Of Intellectual Property Licenses In Chapter 11 Bankruptcy Through Adoption Of The Actual Test, 8 J. Intell. Prop. L. 243, 246 (2010)

52. West Electronics, 852 F.2d 79 (government contracts); Sunterra Corp., 361 F.3d 257 (software licenses); Catapult Entertainment, Inc., 165 F.3d 747 (patent license); In re James Cable Partners, L.P., 27 F.3d 534, 537, 25 Bankr. Ct. Dec. (CRR) 1499, 31 Collier Bankr. Cas. 2d (MB) 1104 (11th Cir. 1994) (franchise agreements).

53. Levy and Yang, An Introduction to Patent Law at 1252; see Summit Inv. and Development Corp. v. Leroux, 69 F.3d 608, 28 Bankr. Ct. Dec. (CRR) 200, 34 Collier Bankr. Cas. 2d (MB) 1351, Bankr. L. Rep. (CCH) P 76695 (1st Cir. 1995); Institut Pasteur, 104 F.3d 489.

54. Institut Pasteur, 104 F.3d at 493 (internal citations omitted).

55. Institut Pasteur, 104 F.3d at 493.

56. See In re Jacobsen, 2011 WL 482828 at *5 (Bankr. N.D. Miss. 2011) ("the overwhelming majority of cases that have addressed this issue convinces this court that the 'hypothetical test'… is erroneous."); Ying at 1252; Steele, 14 Marq. Intell. Prop. L. Rev. at 438; Indyke, 16 J. Bankr. L. & Prac. at 183.

57. See In re Footstar, Inc., 323 B.R. 566, 570, 53 Collier Bankr. Cas. 2d (MB) 1476 (Bankr. S.D. N.Y. 2005) ("I agree with the outcome reached by the majority of the courts, which have adopted the 'actual test,' but I suggest a somewhat different focus for analysis of Section 365."); In re Aerobox Composite Structures, LLC, 373 B.R. 135 (Bankr. D.N.M. 2007).

58. Footstar, 323 B.R. at 571; see also Aerobox, 373 B.R. at 142 (using the same rationale).

59. Aerobox, 373 B.R. at 142.

60. This article does not address the history leading up to section 365(n) and the *Lubrizol* case. Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043, 12 Bankr. Ct. Dec. (CRR) 1281, 12 Collier Bankr. Cas. 2d (MB) 310, 226 U.S.P.Q. 961, Bankr. L. Rep. (CCH) P 70311 (4th Cir. 1985). This Journal previously published the preeminent discussion on the subject 365(n), which remains up to date. Meisler, 19 Norton J. Bankr. L. & Prac. 163.

61. 11 U.S.C.A. § 365(n).

62. Jeanfreau, Intellectual Property Issues In Bankruptcy, 1 Bloomberg Corp. L. J. 371, 373 (2006).

63. 11 U.S.C.A. § 365(n)(1).

64. 11 U.S.C.A. § 365(n)(2) and (3).

65. 11 U.S.C.A. § 365(n)(2 to 4).

66. In re Exide Technologies, 607 F.3d 957, 53 Bankr. Ct. Dec. (CRR) 57, 95 U.S.P.Q.2d 1405, Bankr. L. Rep. (CCH) P 81779 (3d Cir. 2010), as amended, (June 24, 2010) and cert. denied, 131 S. Ct. 1470, 179 L. Ed. 2d 299 (2011) (J Ambro, concurring and analyzing the legislative history of section 365(n)); see, e.g., Eisenbach, Third Circuit Decision Suggests Another Way For Trademark Licensees To Protect Against License Rejection In Bankruptcy, In The (Red) Bus. Bankr. Blog, (June 30, 2011), http://bankruptcy.cooley.com/2010/06/articles/business-bankruptcy-issues/third-circuit-decision-suggests-another-way-for-trademark-licensees-to-protect-against-license-rejection-in-bankruptcy/.

67. Exide, 607 F.3d at 960.

68. Exide, 607 F.3d at 960.

69. Exide, 607 F.3d at 960.

70. Exide, 607 F.3d at 961.

71. Exide, 607 F.3d at 963.

72. Exide, 607 F.3d at 963.

73. Exide, 607 F.3d at 964.

74. In *Exide*, the court pointed to, among other things, the payment of the $135 million sale price. Exide, 607 F.3d at 963 (finding substantial performance to be "paying the full $135 million purchase price and operating under the Agreement for over ten years.")

75. See, e.g., In re CFLC, Inc., 89 F.3d 673, 679, 29 Bankr. Ct. Dec. (CRR) 520, 36 Collier Bankr. Cas. 2d (MB) 297, 39 U.S.P.Q.2d 1518 (9th Cir. 1996) (providing a detailed description as to why federal common law applies to patents); Catapult., 165 F.3d at 754-55.

76. CFLC, 89 F.3d at 679 (providing a detailed description as to why federal common law applies to patents); Catapult, 165 F.3d at 754-55.

77. See, e.g., Aerobox, 373 B.R. at 141; In re Hernandez, 285 B.R. 435 (Bankr. D. Ariz. 2002).

78. In re Patient Educ. Media, Inc., 210 B.R. 237, 240, 31 Bankr. Ct. Dec. (CRR) 49 (Bankr. S.D. N.Y. 1997).

79. See 17 U.S.C.A. § 201(d)(2) (providing that the holder of the exclusive license is entitled to all the rights and protections of the copyright owner to the extent of the license); compare Patient Educ. Media, , 210 B.R. at 243, and In re Golden Books Family Entertainment, Inc., 269 B.R. 300 (Bankr. D. Del. 2001) with the nonbankruptcy case Gardner v. Nike, Inc., 110 F. Supp. 2d 1282 (C.D. Cal. 2000), aff'd, 279 F.3d 774, 61 U.S.P.Q.2d 1529 (9th Cir. 2002), for additional opinion, see, 30 Fed. Appx. 726 (9th Cir. 2002)(holding that copyright licensee lacked authority to transfer its rights under exclusive license without original licensor's consent).

80. N.C.P. Marketing, 337 B.R. 230.

81. N.C.P. Marketing, 337 B.R. 235.

82. In re XMH Corp., 647 F.3d 690, 695, 55 Bankr. Ct. Dec. (CRR) 56, 99 U.S.P.Q.2d 1393 (7th Cir. 2011).

83. See, e.g., XMH, 647 F.3d at 695 ("The term 'applicable law' means any law applicable to a contract, other than bankruptcy law; Sunterra, 361 F.3d at 261 n.5; In re Pioneer Ford Sales, Inc., 729 F.2d 27, 28, 11 Bankr. Ct. Dec. (CRR) 1303, 10 Collier Bankr. Cas. 2d (MB) 524, Bankr. L. Rep. (CCH) P 69740 (1st Cir. 1984); In re Wellington Vision, Inc., 364 B.R. 129, 135 (S.D. Fla. 2007).

84. 11 U.S.C.A. § 365(n)(2)(B).

85. Menell, 22 Berkeley Tech. L.J. 733 at 44.

86. Brunsvold, Drafting Patent License Agreements § 10.00.

87. Brunsvold, Drafting Patent License Agreements § 10.00.

88. In re Prize Frize, Inc., 32 F.3d 426, 25 Bankr. Ct. Dec. (CRR) 1615, 31 Collier Bankr. Cas. 2d (MB) 1422, 31 U.S.P.Q.2d 1861, Bankr. L. Rep. (CCH) P 76039 (9th Cir. 1994); In re CellNet Data Systems, Inc., 327 F.3d 242, 41 Bankr. Ct. Dec. (CRR) 72, 50 Collier Bankr. Cas. 2d (MB) 27, 66 U.S.P.Q.2d 1667, Bankr. L. Rep. (CCH) P 78842 (3d Cir. 2003) ("renewed" royalties after a sale related rejection are still royalties under 365(n)).

89. Prize Frize, 32 F.3d at 427.

90. Prize Frize, 32 F.3d at 427.

91. Prize Frize, 32 F.3d at 429.

92. Some commentators have, nevertheless, advised licensees to "[n]egotiate narrowly defined royalty payments and clearly differentiate royalty fees from fees for ongoing licensor affirmative obligations such as maintenance, service and upgrades," or to particularly define the rights the licensee might have under section 365(n). Ward & Mendenhall, Prospectively Planning for Bankruptcy in Licensee Transactions, 8 ABI Tech. & Telecomm. Committee Newsl., no. 1, (Jan. 2011), http://www.abiworld.org/committees/newsletters/techtelcomm/vol8num1/transactions.html#_ftnref. It is unclear whether either of these drafting techniques would overcome an objection to their application in bankruptcy.

93. 11 U.S.C.A. § 365(n)(1)(B).

94. Spansion, 2011 WL 3268084, at *9 ("Apple was bound to refrain from disbarring Spansion as an Apple supplier, and Spansion was barred from pursuing any claims against Apple related to the patents that Samsung allegedly infringed.").

95. Menell, 22 Berkeley Tech. L.J. 733 at 41.

96. See Meisler, 19 Norton J. Bankr. L. & Prac. 170.

97. In re Centura Software Corp., 281 B.R. 660, 669, 39 Bankr. Ct. Dec. (CRR) 249 (Bankr. N.D. Cal. 2002).

98. In re Szombathy, 1996 WL 417121 at *9 (Bankr. N.D. Ill. 1996), rev'd in part on other grounds, 1997 WL 189314 (N.D. Ill. 1997).

99. See Meisler, 19 Norton J. Bankr. L. & Prac. 170; Menell, 22 Berkeley Tech. L.J. 733 at 43.

100. Meisler, 19 Norton J. Bankr. L. & Prac. 170; Menell, 22 Berkeley Tech. L.J. 733 at 43.

101. In re Matusalem, 158 B.R. 514, 516, 29 U.S.P.Q.2d 1519, Bankr. L. Rep. (CCH) P 75480 (Bankr. S.D. Fla. 1993).

102. Matusalem, 158 B.R. at 521-23; Menell, 22 Berkeley Tech. L.J. 733 at 37-38.

103. See Centura, 281 B.R. at 671.

104. Meisler, 19 Norton J. Bankr. L. & Prac. 167.

105. Meisler, 19 Norton J. Bankr. L. & Prac. 167.

106. An interesting scenario would in a case like *Exide* where the parties have agreed to combine many agreements for the purpose of a bankruptcy decision, and the agreements included noncovered intellectual property.

107. As mentioned, one commentator has suggested that *Exide* provides a rationale for this. See Eisenbach, In The (Red) Bus. Bankr. Blog, (June 30, 2011). However, this case did not get to the question of whether trademarks are intellectual property because the agreements at issue were found not to be executory.