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Seventh Circuit Court of Appeals in Sunbeam Products, Inc. v. Chicago American Mfg., LLC Sets a New Course for Trademark License Rejection in Bankruptcy

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On July 9, 2012, the Seventh Circuit Court of Appeals concluded that Chicago American Manufacturing, LLC possessed a continuing right to use trademarks owned by Lakewood Engineering and Manufacturing Co., a Chapter 7 debtor. The ruling created a circuit split with the Fourth Circuit, which ruled in Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc. that when an intellectual property licensing agreement is rejected in bankruptcy, the licensee loses the ability to use any licensed trademarks. This Comment argues that the Seventh Circuit's approach better accomplishes the goals of bankruptcy law by preventing parties from abusing the contract rejection power of §365 of the Bankruptcy Code as a de facto avoidance power. The Seventh Circuit approach thus preserves the state-law contract rights of debtors and creditors, as intended by Congress and recommended by bankruptcy scholars.

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