

IN THE UNITED STATES BANKRUPTCY
COURT FOR THE EASTERN DISTRICT OF
TEXAS SHERMAN DIVISION

In re:	§	
	§	
FOREST PARK MEDICAL CENTER	§	Case No. 15-41684-BTR
AT FRISCO, LLC,	§	
	§	Chapter 11
Debtor.	§	

**LIMITED OBJECTION OF FOREST PARK MEDICAL CENTER, LLC
TO DEBTOR'S PROPOSED SALE OF ASSETS**

Forest Park Medical Center, LLC (“FPMC”), by and through its undersigned attorneys, hereby submits its limited objection to Forest Park Medical Center at Frisco, LLC’s (the “Debtor”) proposed sale of assets pursuant that certain Emergency Motion of Debtor for Orders (1) Approving Bidding Procedures in Advance, (2) Authorizing the Assumption, Assignment and Sale of Certain Executory Contracts and Unexpired Leases, (3) Approving Sale of Assets Free and Clear of All Liens, Claims, Encumbrances and Other Interests, (4) Setting Related Deadlines and Hearings and (5) Granting Related Relief (the “Sale”) [Docket No. 260] to the extent that the Sale provides for the Debtor’s assumption and assignment of the Debtor’s rights under a certain License Agreement, dated June 1, 2013, by and between the Debtor and FPMC (the “License Agreement”):

1. Pursuant to the Asset Purchase Agreement filed by the Debtor [Docket No. 441-1], the Debtor proposes to assume and assign to Columbia Medical Center of Plano Subsidiary, L.P. (“Columbia” or “Buyer”) the Debtor’s rights as a licensee under the License Agreement of certain registered trademarks and common law marks listed on Exhibit A (collectively, the “Trademarks”). See Asset Purchase Agreement, § 2.1(g).

2. The Trademarks are owned by FPMC, and licensed to the Debtor pursuant to the License Agreement. See Exhibit A.

3. Pursuant to the License Agreement, FPMC granted to the Debtor, a *non-exclusive, non-assignable* license in the Trademarks, personal to the Debtor. Section 3 of the License Agreement expressly states that “*The license herein granted shall not be assignable or transferable in any manner whatsoever, nor shall Licensee have the right to grant any sublicenses, except by prior written consent of Licensor, which consent shall be at the absolute discretion of Licensor.*”

4. Because a trademark is used, by definition, to identify goods or a business with a person or entity, the trademark is personal in nature and cannot be assigned. *See*, 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 25:33 (4th ed. 2011). Under the Bankruptcy Code, a contract or license agreement may *not* be assumed or assigned if the assignment is prohibited by applicable non-bankruptcy law. 11 U.S.C. §365(c)(1).

5. Most courts have held that trademark licenses are to be treated similarly to patent and copyright licenses. *See, e.g. In re XMH Corp.*, 647 F.3d 690, 695 (7th Cir. 2011); *see also In re N.C.P.Mktg. Grp. Inc.*, 337 B.R. 230, 235-236 (D. Nev. 2005). Non-exclusive copyright licenses have virtually unanimously been found *non-assignable* without the licensor’s consent. *See In re Patient Educ. Media, Inc.*, 210 B.R. 237, 240, 242-43 (Bankr. S.D.N.Y. 1997); *In re Golden Books Family Entm’t, Inc.* 269 B.R. 311, 314, 316-17 (Bankr. D. Del. 2001). Similarly, non-exclusive patent licenses have been found to be presumptively non-assignable by the licensee. *See PPG Indus., Inc. v. Guardian Indus. Corp.*, 597 F.2d 1090. 1093-94 (6th Cir. 1979).

6. It is critically important to FPMC, as the trademark owner, to maintain the goodwill, quality and value of its product and, therefore, its trademark, and ensure that its licensee has the ability to meet these standards. *See In re XMH Corp.*, 647 F.3d at 695; *see also In re Luce Indus., Inc.*, 14 B.R. 529 (S.D.N.Y. 1981). The contractual prohibitions on a trademark licensee's assignment of its license are upheld, even when the licensee is in bankruptcy. *See In re Trump Entm't Resorts, Inc.*, 526 B.R. 116 (Bankr. D. Del. 2015); *Miller v. Glenn Miller Prods., Inc.*, 454 F.3d 975 (9th Cir. 2006).

7. FPMC does not consent to the assignment of the License Agreement and hereby objects to any such assumption or assignment.

8. In addition, Callidus Capital Corporation, a secured lender to FPMC, asserts a first priority lien on the Trademark and joins in FPMC's objection to the Debtor's proposed assumption and assignment of the License Agreement, and has independently objected to the sale. [Docket No. 446].

9. FPMC respectfully requests that the Court deny any sale that contemplates the assumption and assignment of the License Agreement to Columbia because the proposed assignment (i) is contrary to the language of the License Agreement, (ii) is prohibited by applicable law, and (iii) will devalue the Trademarks, thereby damaging FPMC.

10. Additionally, no effort was made to obtain FPMC's consent and no consideration is being paid to FPMC for the proposed sale of its property to Columbia.

11. Accordingly, FPMC respectfully requests that the Court deny the Debtor's request to assume and assign its rights under the License Agreement or the Trademarks to Columbia.

Respectfully submitted,

Dated: February 16, 2016

/s/Tracey R. Wallace

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CERTIFICATE OF SERVICE

I certify that on February 16th, 2016, the foregoing document was electronically filed with the clerk of the court for the U.S. District Bankruptcy Court, Eastern District of Texas, Sherman Division, using the electronic case filing system of the court. The electronic case filing system sent a "Notice of Electronic Filing" to the attorneys of record, who have consented in writing to accept this Notice as service of this document by electronic means.

This 16th day of February, 2016.

/s/Tracey R. Wallace

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