ELEVENTH CIRCUIT AFFIRMS LANDLORD LIABILITY FOR INFRINGING ACTS OF ITS TENANTS

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The U.S. Court of Appeals for the Eleventh Circuit, in Luxottica Group, S.p.A. v. Airport Mini Mall, LLC, Case No. 18-10157, 2019 WL 3676340 (11th Cir. Aug. 7, 2019), recently affirmed a ruling in favor of luxury eyewear manufacturer, Luxottica Group, S.p.A., and its subsidiary, Oakley, Inc. (collectively "Luxottica"), in a trademark infringement dispute involving a discount mall selling knockoffs of its Ray-Ban and Oakley brands. The Eleventh Circuit held that the willful blindness by the mall's landlords to their subtenants' specific acts of infringement amounted to constructive knowledge sufficient to hold the landlords liable for contributory trademark infringement under the Lanham Act. The Lanham Act, 15 U.S.C., §§ 1051 et seq., is a federal statute which governs trademarks, service marks, and unfair competition for holders of intellectual property rights.

Whether contributory liability for trademark infringement extends to the landlord-tenant context was a question of first impression for the Eleventh Circuit. So, too, was the question of whether the knowledge element of contributory infringement requires a plaintiff to prove that the defendant had actual or constructive knowledge of the specific infringing acts.

Luxottica manufactures and sells luxury eyewear under its registered trademarks RAY-BAN and OAKLEY. Defendant Yes Assets, LLC owns a mall in College Park, Georgia, which it leases to Defendant Airport Mini Mall, LLC (AMM). Defendants Jerome and Jenny Yeh own Yes Assets, LLC. Their daughter, Alice Jamison manages the mall. The mall, called the International Discount Mall, contains an indoor space with up to 130 booths for individual vendors as subtenants.

During AMM's tenure as the mall's landlord, law enforcement conducted three raids of the mall, executing search warrants, arresting subtenants, and seizing alleged counterfeits of Luxottica's eyewear. Luxottica also twice sent letters notifying defendants that their subtenants were not authorized to sell Luxottica's eyewear and "that any mark resembling Ray-Ban or Oakley marks would indicate that the glasses were counterfeit." Despite the raids, letters, and meetings with law enforcement, defendants took no steps to evict the infringing subtenants.

Relying on the Supreme Court's holding in Inwood laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844 (1982), the Eleventh Circuit, assumed, without deciding, that contributory liability for trademark infringement extends to the landlord-tenant context because defendants did not object to the contributory trademark infringement cause of action. Specifically, the Eleventh Circuit found that "a landlord may be contributorily liable for its (sub)tenants' direct trademark infringement if the landlord intentionally induces the infringement or knows or has reason to know of the infringement while supplying a service (such as space, utilities, or maintenance) that facilitates it." Here, defendants supplied services and support – such as space, utilities, maintenance, and parking – that facilitated the direct infringers' (i.e., subtenants') sale of the counterfeits goods.

The Eleventh Circuit also declined to decide whether a defendant must have knowledge of specific acts of direct infringement because Luxottica presented sufficient evidence to meet this strict standard. Specifically,

the Eleventh Circuit recognized that defendants at least had constructive knowledge of, or were willfully blind to, specific instances of infringement as a result of Luxottica's demand letters, which would have prompted a reasonable landlord to conduct a cursory investigation that would have revealed the infringing conduct; and serious and widespread infringement on the premises, as evidenced by the three law enforcement raids of which defendants were aware.

In sum, the Eleventh Circuit affirmed the lower court's conclusion that defendants, as landlords, were liable for the direct infringement of their subtenants, ruling that evidence of the defendants' knowledge of specific infringing acts by their subtenants, who relied on services the defendants provided, amply supported the $1.9 million jury verdict in favor of Luxottica. Indeed, the Eleventh Circuit's decision in Luxottica generally comports with the United States District Court for the Southern District of Florida's analysis in an earlier decision, Coach, Inc. v. Swap Shop, Inc., 916 F. Supp. 2d 1271 (S.D. Fla. 2012), wherein the Southern District emphasized that the mere ownership of the property where an infringing act occurs is not enough – it is the operators of that property who are on the hook for the infringing conduct of the vendors/(sub)tenants.

As a result of the Eleventh Circuit's ruling in Luxottica, operators of malls, flea markets, and the like need to be cognizant of and police the activities of their (sub)tenants and act quickly if they suspect counterfeiting or infringement – even more so if a demand letter is sent to the operator or the operator becomes aware of such a letter. Holders of intellectual property rights, on the other hand, are now affirmatively on solid ground to go after operators with actual or constructive notice of infringement, which operators very well may have deeper pockets than the usual fly-by-night vendor or tenant.

For more information on copyright and intellectual property matters, please contact the author, Geoff Lottenberg and Caitlin Trowbridge, on our Dispute Resolution Team.

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