

You Can Always Spot a Fake: The Eleventh Circuit Holds Mall Landlords Contributorily Liable for Having Constructive Knowledge of Their Tenants Selling Counterfeit Products

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I. OVERVIEW

A jury returned a special verdict holding commercial landlords and their business, liable for contributory trademark infringement that required them to pay \$1.9 million in damages.¹ Jerome and Jenny Yeh the defendants and owners of Yes Assets, LLC, purchased the Old National Village Shopping Center (the “Shopping Center”) in College Park, Georgia, in 2004.² The Shopping Center was approximately 79,000 square feet with thirty storefronts and an indoor space that contained between 120 and 130 booths leased to individual vendors.³ The Yeh’s daughter, defendant Alice Jamison, managed the Shopping Center but later leased the property to Airport Mini Mall, LLC (AMM), a company created by Jerome and Jenny that was later given to their son, defendant Donald Yeh.⁴ Under the lease agreement, the Shopping Center was renamed International Discount Mall (the “Mall”), and Yes Assets provided AMM and its subtenants with a variety of services including lighting, water, sewage, maintenance and repairs, painting and cleaning, and a parking area for customers.⁵

The plaintiffs, Luxottica Group, S.p.A. and its subsidiary Oakley, Inc. (collectively known as “Luxottica”), manufacture and sell luxury eyewear products and are the registered trademark owners of Ray-Ban® and Oakley®.⁶ As the Mall landlord, AMM witnessed three law enforcement raids where officers executed search warrants, arrested subtenants, and seized alleged counterfeit products of Luxottica eyewear

1. Luxottica Grp., S.p.A. v. Airport Mini Mall, LLC, 932 F.3d 1303, 1310 (11th Cir. 2019).

2. *Id.* at 1309.

3. *Id.*

4. *Id.*

5. *Id.*

6. *Id.*

and other brands.⁷ After the first raid, law enforcement left a copy of the search warrant and a list of items seized that included eyewear with Luxottica's marks.⁸ The second raid lasted for more than fourteen hours and was conducted by thirty federal and local agents who shut down the Mall to execute search warrants.⁹ Several subtenants were arrested for selling counterfeit goods and thousands of counterfeit items with Luxottica's marks were seized.¹⁰ The seized items were loaded onto a tractor-trailer in front of the Mall.¹¹ Greg Dickerson, AMM's property manager, witnessed the second raid and notified the defendants and their attorney.¹² Dickerson later walked through the Mall and asked subtenants whether they sold counterfeit merchandise.¹³ He then compiled a list of booths where items were seized and informed the defendants.¹⁴ All subtenants denied that they were selling counterfeit items, but Jamison admitted she expected that the subtenants would lie.¹⁵ The defendants took their attorney's advice and did not take action against the subtenants unless they were convicted of a crime.¹⁶

Luxottica sent two letters to the defendants to notify them that their subtenants were not authorized to sell Luxottica eyewear and that any mark resembling Ray-Ban or Oakley eyewear indicated that the glasses were counterfeit.¹⁷ In the second letter, the plaintiffs identified specific booths they suspected of selling counterfeit eyewear.¹⁸ Both Jamison and Donald were aware of these letters, but Dickerson made no attempt to determine whether the vendors' eyewear products were counterfeit or to take further action to terminate their leases.¹⁹ After Luxottica filed this lawsuit, Jamison and the defendants' attorney went to the College Park Police Department to discuss the unlawful sale of counterfeit products at the Mall.²⁰ Despite the police raids, Luxottica's letters, and meeting with local law enforcement, the defendants did not evict the infringing

7. *Id.*

8. *Id.*

9. *Id.*

10. *Id.*

11. *Id.*

12. *Id.*

13. *Id.*

14. *Id.*

15. *Id.*

16. *Id.*

17. *Id.* at 1309-10.

18. *Id.* at 1310.

19. *Id.*

20. *Id.*

subtenants and even renewed leases of subtenants that were arrested during the fourteen-hour raid.²¹ Furthermore, the plaintiff's private investigator visited the Mall shortly before the filing of this suit and purchased and photographed counterfeit Ray-Ban glasses at several booths.²²

Luxottica sued the defendants for contributory trademark infringement under section 32 of the Lanham Act codified in 15 U.S.C. § 1114.²³ Following an eleven-day trial, a jury held all of the defendants, except Jenny Yeh, liable for contributory trademark infringement.²⁴ The damages assessed were \$100,000 for each infringed trademark and totaled \$1.9 million.²⁵ The defendants appealed the jury verdict, the district court's instruction regarding the application of Georgia landlord-tenant law, and the denial of their motions.²⁶

The United States Court of Appeals for the Eleventh Circuit *held* that the defendants were liable for contributory trademark infringement based on sufficient evidence showing that they had constructive knowledge that their subtenants were committing trademark infringement. *Luxottica Group, S.p.A. v. Airport Mini Mall, LLC*, 932 F.3d 1303, 1321 (11th Cir. 2019).

II. BACKGROUND

The Lanham Act, also known as the Trademark Act of 1946, is the federal statute that governs trademarks, service marks, and unfair competition.²⁷ The purpose of the Lanham Act is to ensure the integrity of registered trademarks.²⁸ Although the plain language of the Lanham Act only prohibits direct infringement, the Supreme Court determined that under the Lanham Act, a registered trademark owner may hold a person contributorily liable for trademark infringement if that person knowingly facilitates the infringement.²⁹ “The contributory trademark infringement

21. *Id.*

22. *Id.* (“In the month leading up to the filing of this lawsuit, Isabel Rozo, an employee of Luxottica's private investigator Geanie Johansen, purchased and photographed \$15 and \$20 counterfeit Ray-Ban glasses at several booths. Ray-Ban glasses normally retail for \$140 to \$220 a pair.”).

23. *Id.*

24. *Id.*

25. *Id.*

26. *Id.*

27. See 15 U.S.C. §§ 1051-1141 (2019).

28. *Mini Maid Servs. Co. v. Maid Brigade Sys.*, 967 F.2d 1516, 1520 (11th Cir. 1992).

29. *E.g., Coach, Inc. v. Goodfellow*, 717 F.3d 498, 503, 505 (6th Cir. 2013).

cause of action stems from the application of ‘basic tort liability concepts to determine the scope of liability under the Lanham Act.’”³⁰

The United States Supreme Court first recognized contributory trademark infringement nearly four decades ago.³¹ In *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, the Court stated that liability for trademark infringement can extend to individuals beyond those who committed the infringing acts.³² In that case, the plaintiff, a drug manufacturer, marketed their patented drug under a registered trademark.³³ After the patent expired, the defendant, a generic drug manufacturer, intentionally copied the appearance of the plaintiff’s trademarked capsules, which caused pharmacists to mislabel the drugs.³⁴ The Court held the generic drug manufacturer could be held liable for trademark infringement if it intentionally induced the pharmacists to mislabel the generic drugs or continued to supply the drug to pharmacists that the defendants knew were mislabeling the generic drugs.³⁵

According to the Court in *Inwood*, a claim for contributory trademark infringement has two elements: First, “a person or entity commits direct trademark infringement under the Lanham Act.”³⁶ Second, the defendant must intentionally induce the direct infringer to commit infringement, supply a product to the direct infringer whom it knows is directly infringing (actual knowledge), or supply a product to the direct infringer whom it has reason to know is directly infringing (constructive knowledge).³⁷

If the “intentionally induced” requirement of the second element of contributory trademark infringement cannot be met, courts have held defendants liable if they have constructive knowledge of the infringing acts.³⁸ Many circuit courts find the constructive knowledge prong is met if the defendant showed “willful blindness” of the infringer’s act.³⁹ The

30. *Luxottica*, 932 F.3d at 1312 (quoting *Duty Free Ams., Inc. v. Estee Lauder Cos.*, 797 F.3d 1258, 1276 (11th Cir. 2015)).

31. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

32. *Id.* at 853-54.

33. *Id.* at 846.

34. *Id.* at 847, 849-50.

35. *Id.* at 853-55.

36. *Id.* at 854.

37. *Id.*

38. *See, e.g., Coach, Inc. v. Goodfellow*, 717 F.3d 498, 503-05 (6th Cir. 2013); *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 109-10 (2d Cir. 2010).

39. *See Coach*, 717 F.3d at 503, 505; *Tiffany*, 600 F.3d at 109-10; *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996); *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149, 1151 n.5 (7th Cir. 1992).

Seventh Circuit has stated that willful blindness occurs when “a person suspects wrongdoing and deliberately fails to investigate.”⁴⁰ The Seventh Circuit has also emphasized that willful blindness can be a sufficient basis for a violation of the Lanham Act.⁴¹ For example, in *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, the court applied the elements of contributory trademark infringement to the defendant, Concession Services Incorporated (CSI), an owner and operator of three flea markets in the Chicago area.⁴² In that case, vendors at the defendant’s flea markets had more than one hundred counterfeit Hard Rock Cafe® t-shirts for sale.⁴³ However, the Seventh Circuit found that CSI “may bear contributory liability” but found no sufficient evidence that CSI was “willfully blind” and suspected wrongdoing of their flea market vendors’ infringing activity.⁴⁴

In *Coach, Inc. v. Goodfellow*, the Sixth Circuit held that the defendant, a flea market owner and operator, was subject to contributory liability for his vendors’ trademark infringement.⁴⁵ In that case, the plaintiff Coach, Inc. (Coach), a designer and seller of luxury handbags alleged that defendant, Frederick Goodfellow, owner and operator of a flea market, was contributorily liable for allowing his vendors to sell counterfeit Coach products.⁴⁶ Goodfellow received letters from both Coach and law enforcement that notified him of the counterfeit sales and later demanded him to stop the sale of the counterfeit items.⁴⁷ However, more than 4600 items were seized in a raid after Goodfellow received the demand letters and still allowed the sale of counterfeit Coach items.⁴⁸ Although the defendant took remedial measures to correct the infringing activity, he admitted to knowing that the vendors continued to sell the counterfeit products.⁴⁹ The court found Goodfellow engaged in contributory trademark infringement because he knew of the infringing activities and yet continued to facilitate their activities by providing space and storage units to vendors without investigating or taking other appropriate measures.⁵⁰ Additionally, the court found that the defendant’s actions were

40. *Hard Rock Cafe*, 955 F.2d 1143 at 1149.

41. *Id.* at 1148.

42. *Id.* at 1145, 1148-49.

43. *Id.* at 1147.

44. *Id.* at 1149-50.

45. *See, e.g., Coach, Inc. v. Goodfellow*, 717 F.3d 498, 505 (6th Cir. 2013).

46. *Id.* at 501.

47. *Id.* at 500.

48. *Id.*

49. *Id.* at 501, 504.

50. *Id.* at 505-06.

“willful” because he acted “deliberately indifferent” and “in conscious disregard for Coach’s rights.”⁵¹ The court affirmed a damages verdict of \$5,040,000 and nearly \$187,000 in attorney’s fees.⁵²

However, the Second Circuit in *Tiffany (NJ) Inc. v. eBay, Inc.* did not find the defendant to be contributorily liable for trademark infringement based on willful blindness.⁵³ In the case, the plaintiff Tiffany, a world-famous jewelry brand, alleged that defendant eBay, “an Internet-based marketplace . . . that connects buyers and sellers and enables transactions, which are carried out directly between eBay members” committed contributory trademark infringement by selling counterfeit merchandise on their website.⁵⁴ After Tiffany sent eBay demand letters to alert the company of their sellers’ trademark infringement, eBay implemented several anti-fraud measures.⁵⁵ The court held that eBay was not liable for infringement because although eBay knew that certain sellers sold counterfeit products (based on Notice of Claimed Infringement (NOCI) forms and Tiffany’s complaints), the sellers’ listings were removed and repeat offenders were suspended from the website.⁵⁶ The court further explained that eBay must have “more than a general knowledge or reason to know that its service is being used to sell counterfeit goods.”⁵⁷ The court found Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.⁵⁸ Further, the court addressed Tiffany’s argument regarding eBay’s willful blindness to the counterfeit sales and held that eBay was not willfully blind because the company did not ignore the information given by Tiffany regarding the counterfeit sales on its website.⁵⁹

III. COURT’S DECISION

In the noted case, the Court of Appeals for the Eleventh Circuit affirmed each issue brought on appeal by the defendants.⁶⁰ The court reviewed the issue of contributory trademark infringement *de novo* and relied on the two-element test of contributory trademark infringement set

51. *Id.* at 505.

52. *Id.* at 499-500.

53. *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 110-14 (2d Cir. 2010).

54. *Id.* at 96-97, 109-10.

55. *Id.* at 98-100, 106.

56. *Id.* at 106.

57. *Id.* at 107.

58. *Id.* at 109.

59. *Id.* at 110.

60. *Luxottica Grp., S.p.A. v. Airport Mini Mall, LLC*, 932 F.3d 1303, 1311 (11th Cir. 2019).

forth in *Inwood*.⁶¹ The defendants did not “challenge the first element,” so the court was only tasked with analyzing the “actual and constructive knowledge prongs of the second element.”⁶² Specifically, the court considered whether willful blindness was a form of constructive knowledge as other circuit courts have held.⁶³ The Eleventh Circuit evaluated Luxottica’s evidence that the defendants had constructive knowledge of infringement because they were willfully blind to their subtenants’ conduct.⁶⁴ After holding that contributory trademark infringement liability does extend to the landlord in a landlord-tenant context, the court evaluated whether the plaintiff’s evidence was sufficient to prove that the Mall landlords had constructive knowledge of the infringement.⁶⁵

The Eleventh Circuit first determined whether contributory trademark infringement can extend to the landlord-tenant context.⁶⁶ Because this was a question of first impression for the court, the Eleventh Circuit relied on *Inwood* to address this issue.⁶⁷ Unlike the defendants in *Inwood* who directly supplied the infringing product, the defendants in this case supplied only services and support such as space, utilities, maintenance, and parking.⁶⁸ However, the court ultimately concluded that contributory trademark infringement exists if the landlord intentionally induces the infringement or knows or has reason to know of the infringement while supplying a service.⁶⁹

The court then evaluated the strength of the plaintiff’s evidence to determine if the defendants had willful blindness and constructive knowledge of their subtenants’ trademark infringement.⁷⁰ Luxottica had to prove that the defendants “knew or had reason to know that their subtenants were selling counterfeit items yet continued to supply services that enabled the subtenants to sell their goods.”⁷¹ To address this question, also one of first impression, the court had to determine whether the knowledge theory of contributory liability requires the plaintiff to prove

61. *Id.* at 1310-11. (“We review *de novo* questions of law, such as the legal standard for liability for contributory trademark infringement.”).

62. *Id.* at 1312.

63. *Id.* at 1312-13.

64. *Id.* at 1312.

65. *Id.* at 1313-14.

66. *Id.* at 1313.

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.* at 1313-15.

71. *Id.* at 1313.

that the defendant had actual or constructive knowledge of the specific infringing acts.⁷² However, the court did not address this question “because even if liability for contributory trademark infringement requires the defendant to have knowledge of specific acts of infringement, the evidence in this case was sufficient for a reasonable jury to find that the defendants had at least constructive knowledge of (or were willfully blind to) specific acts of direct infringement by their subtenants.”⁷³

Lastly, the circuit court considered the defendant’s argument that a stricter standard should apply, like in *Tiffany*, where the Second Circuit determined that the trademark holder had the burden to notify the defendants of trademark infringement.⁷⁴ Unlike the defendant in *Tiffany*, who needed the help of the trademark holder to identify the infringers, the defendants in the noted case did not need the plaintiff’s help to identify the infringing subtenants.⁷⁵ The court further reasoned that Luxottica’s notice letters to the defendants would have prompted a reasonable landlord to do “at least a cursory visual inspection” of the Mall’s 130 booths to determine which sold the plaintiff’s products at an extremely low price to alert the reasonable person that the products were counterfeit.⁷⁶ The court emphasized that the evidence of “serious and widespread infringement makes it more likely that a defendant knows about the infringement.”⁷⁷ The fact that three law enforcement raids were conducted on the defendant’s property, including one raid that lasted more than fourteen hours and required a tractor-trailer to haul away the seized merchandise, was evidence of serious and widespread violations that gave the defendants at least constructive knowledge that their subtenants were selling counterfeit goods.⁷⁸ The culmination of the raids, arrests and seizures, the meeting with the College Park Police Department to discuss the sale of the counterfeit goods at the Mall, and the defendants’ ability to visually inspect the 130 booths, was sufficient evidence for the court to determine “that the defendants had at least constructive knowledge of, or

72. *Id.*

73. *Id.* at 1314.

74. *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 98 (2d Cir. 2010).

75. *Luxottica*, 932 F.3d at 1314 (“*Tiffany* did not categorically shift the burden onto trademark holders to provide notice to defendants; it simply clarified that certain facts of the case—a marketplace of 100 million listings and eBay’s inability to inspect goods in person and lack of expertise to distinguish Tiffany from non-Tiffany jewelry—made it unlikely that eBay could identify the infringing vendors on its own, without help from Tiffany.”).

76. *Id.* at 1314-15.

77. *Id.* at 1315 (citation omitted).

78. *Id.*

were willfully blind to learning, which subtenants were directly infringing Luxottica's products."⁷⁹

The court concluded that "the evidence was sufficient to support the jury's verdict holding the defendants liable for contributory trademark infringement under the Lanham Act."⁸⁰ The court found that none of the issues raised on appeal by the defendants amounted to reversible error and affirmed the \$1.9 million damages award.⁸¹

IV. ANALYSIS

The issue of whether a landlord can be contributorily liable for trademark infringement was one of first impression for the Eleventh Circuit.⁸² The outcome in the noted case sets precedent throughout the circuit of the consequences a commercial landlord can face if they have constructive knowledge or willful blindness of a tenant's trademark infringement. This is a significant advancement in the circuit as the court can now hold commercial landlords even more accountable for a tenant's infringing activities. Furthermore, the decision in the noted case has broadened the meaning of "constructive knowledge" to now include willful blindness.⁸³ The Eleventh Circuit joins four other circuit courts in accepting willful blindness as a form of constructive knowledge; however, these circuits are still in the minority among their sister circuits.⁸⁴

Although the facts and evidence presented in the noted case produced a reasoned outcome, the decision has now placed an even bigger burden on commercial landlords. Landlords must go to greater lengths to ensure their tenants are not committing trademark infringement and, if they are, to take the correct and appropriate measures to stop the infringement. The decision will encourage landlords to continually monitor their tenants and be more proactive if tenants are engaging in unlawful conduct. However, the Eleventh Circuit's decision leaves unanswered questions with potential negative effects for both landlords and tenants. For example, to what extent must a landlord show that he had no constructive knowledge or was not willfully blind to a tenant's infringing activity? What are the cost

79. *Id.*

80. *Id.* at 1321.

81. *Id.* at 1308-10.

82. *Id.* at 1313.

83. *Id.*

84. *See* Coach Inc. v. Goodfellow, 717 F.3d 498, 503, 505 (6th Cir. 2013); Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 109-10 (2d Cir. 2010); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 265 (9th Cir. 1996); Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149, 1151 n.5 (7th Cir. 1992).

implications for commercial landlords to prevent a tenant from engaging in infringing activity or stop a tenant's already occurring infringing activity? Does this decision give commercial landlords greater freedom to discriminate against potential tenants?

In the noted case, the landlord's constructive knowledge and willful blindness of their tenants' activity was clearly shown. The Mall was raided three times, merchandise was seized, the trademark holder contacted the landlords regarding the alleged infringing activity, and the landlords met with local law enforcement regarding their tenants' trademark infringement.⁸⁵ Here, the landlord clearly had constructive knowledge of the infringing activities at their Mall and continued to allow it. However, if a case appears with none of these examples of constructive knowledge or willful blindness, how should a court decide whether a landlord is liable? This presents a negative implication for commercial landlords who may not actually have these types of constructive knowledge that their tenants are committing trademark infringement, which could leave the landlord responsible for a tenant's unlawful actions.

Furthermore, the Eleventh Circuit suggested ways a landlord can avoid being held contributorily liable for their tenants' actions, but the burden placed on landlords seems too great. The court held that the visual inspection of the defendant's 130 vendor booths to look for the counterfeit products was not so burdensome to relieve them of responsibility.⁸⁶ However, what is a landlord's burden when they own more than 130 booths or more than one property? Surely, the court cannot expect landlords in those situations to visually inspect each booth to search for counterfeit merchandise. The burden to visually inspect 130 booths in the noted case already seems too great for the defendants; however, when additional evidence exists showing the landlords had knowledge of the infringement, the defendants were held liable. To suggest that landlords should continually monitor and be proactive of their tenants does not seem feasible, and if so, costly.⁸⁷

Others have provided practical considerations to help landlords avoid infringement liability that include: reviewing indemnification provisions, updating lease terms to address "alleged illegal and/or improper activity,"

85. *Luxottica*, 932 F.3d at 1315.

86. *Id.*

87. See Brett D. Carroll & Timothy D. Andrea, *Cases Highlight Commercial Landlord Potential Liability for Trademark Infringement by Tenants*, HOLLAND & KNIGHT LLP (Mar. 13, 2019), <http://www.hklaw.com/en/insights/publications/2019/03/cases-highlight-commercial-landlord-potential-liab>.

conducting appropriate investigations, and considering “less established” retail tenants more carefully.⁸⁸ While these added protections may seem beneficial in the long run for landlords, they do not guarantee that a landlord will be protected from litigation on account of their tenant’s activities. After all, the landlord likely has deeper pockets compared to a tenant and will be pursued by the trademark holder. Of note, it is concerning that commercial landlords are being advised to be more careful when leasing to less established retail tenants based on the presumption that less established tenants are more likely to engage in illegal conduct.⁸⁹ Not only could this advice impede on a small retail business owner’s ability to establish themselves, but it can be used by landlords in a discriminatory manner. A less established tenant can be considered less established for a multitude of reasons. While there is merit to landlords being more selective in who they choose as their tenants, to assume that a less established tenant is more likely to engage in trademark infringement is not the best way to evaluate potential tenants. Commercial landlords should exercise caution when allowing new vendors to sell on their premises, but other factors should be considered when deciding whether to lease to a tenant.

Notwithstanding the unanswered questions and possible negative implications of contributory trademark infringement in the landlord-tenant context, the decision in the noted case has taken a step in the right direction to hold those accountable if they had reason to know or should have known about trademark infringement. Commercial landlords will be held liable for a tenant’s infringing activity when there is clear evidence that they had constructive knowledge or showed willful blindness and took no steps to remedy the tenant’s behavior. Simply turning a blind eye to a tenant’s behavior will no longer suffice and will now leave a landlord to suffer serious consequences and be found just as liable as the direct infringer.

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88. *Id.*

89. *Id.* (noting that less established retail tenants “are more transient, more likely to engage in targeted unlawful conduct, and are less likely to have any assets against which the trademark holder can collect”).

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