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Landlord Liability for IP Infringement in Thailand

Despite vigorous attempts by Customs and other government officials to clamp down on intellectual property right violations, counterfeit goods continue to be traded openly at well-known shopping malls in downtown Bangkok. While the sale of counterfeit products in Thailand constitutes an infringement of intellectual property rights, there is no explicit ground under Thai IP statutes for holding a person whose action “facilitates” such infringing activities—such as a landlord allowing a tenant to sell counterfeit goods—liable for secondary or contributory infringement.

The landlord liability issue has been discussed and used as a basis for addressing counterfeit issues in Thailand for quite some time. However, to the best of our knowledge, this issue has never yet been brought to court in Thailand, in contrast to other jurisdictions. Therefore, in the absence of specific legislation or court judgments addressing this issue, landlords have provided premises for rogue sellers to trade counterfeit goods, even as these goods openly infringe the IP rights of the brand owners.

IP owners, though, do have options available to them that could allow them to enforce their rights not only against the shop owners, but also against these landlords. By building on the theory of contributory liability, IP owners can pursue actions against landlords under Thailand’s Penal Code. In addition, proposed amendments to the Trademark and Copyright Acts may offer important new enforcement mechanisms.

Contributory Liability

In general, the concept of secondary infringement may be divided into two categories: vicarious liability and contributory liability. Both of these claims are well recognized in other jurisdictions, especially in developed legal systems. Vicarious liability applies when a person who has the right and ability to supervise and, hence, prevent the infringement by another party fails to do so, and he or she directly profits from such infringement. Contributory liability is imposed when a person who has knowledge of the infringing activity induces or materially contributes to the infringing conduct. In sum, vicarious liability focuses on control, while contributory liability requires knowledge.

In the case of landlord liability, either (or both) of these claims may be used, depending on the availability of evidence relating to such control and/or knowledge.

A landlord usually has both the right and the ability to control a tenant’s illegal conduct and is often aware of sales of infringing products on the premises.

Although Thai IP law does not provide an explicit basis for either vicarious or contributory liability, arguments may be constructed under these concepts to hold a landlord liable for tenants who sell infringing goods, or partake in other infringing activities.

This type of argument can be formulated under Section 86 of the Penal Code against a landlord who assists, benefits from, and fails to take reasonable measures to stop infringing activities by its tenants.

Section 86: Whoever, by any means whatsoever, does any act to assist or facilitate the commissioning of an offense by any other person either before, or at the time of, committing the offense, even though the offender does not know of such assistance or facilitation, is said to be a supporter to such offense, and shall be liable to two-thirds of the punishment for such offense.

Under Section 86 of the Penal Code, the landlord may be deemed to be a supporter of infringements by its tenants, even though there is no evidence to suggest the landlord has been actively involved with such illegal conduct.

The provision clearly states that, “whoever, *by any means whatsoever*, does any act to *assist or facilitate* the commissioning of an offense...is said to be a *supporter* to such offense” (emphasis added). This suggests that a broad range of action, and also inaction, may be used as grounds for liability.

Section 86 further clarifies that a person may be deemed to be a supporter, “even though the offender does

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not know of such assistance or facilitation.” It is clear from this provision that the assistance or facilitation may be either direct or

indirect. Thus, it would be illogical to interpret the provision otherwise, and especially if it were deemed that such actions required active participation on the part of the supporter.

The supporter’s involvement could not be deemed to have been “active,” if the primary offender was unaware of such assistance or facilitation. In light of this, the landlord may be found to be a “supporter” of the infringing activities under Section 86, if there is sufficient evidence to establish that its inaction (i.e., the failure to exercise its power to stop the infringing conduct of its tenants, despite having knowledge of such infringements) has assisted or facilitated such illegal activities, and that such person had the intention to support or facilitate the offense.

IP practitioners in Thailand are aware of the possibility of relying on Section 86 of the Penal Code in taking such actions. However, they are also aware of the difficulties involved in attempting to successfully use such a provision.

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Available Actions

At present, there is no precedent criminal case for any legal action taken against a landlord under Section 86 of the Penal Code.

As a substantial amount of evidence is required for a successful criminal action, and it is a relatively new issue among the Thai public and landlords, IP owners should therefore start by considering locations that are notorious for selling counterfeit or pirated goods, or locations that IP owners have found to be particularly problematic.

Among the currently available courses of action, an IP owner may wish to first raise the landlord's awareness of the problem and the damages that have been incurred. This can be accomplished by sending cooperation letters to well-known department stores or outlets, providing information on the shops or vendors who may have been warned or raided and prosecuted previously, and requesting that the landlord take serious measures to prohibit the availability of illegal goods on their premises, while also asking landlords to stop providing premises to such IP infringers.

If a landlord does not respond to the initial cooperation letter, the IP owner may need to produce more evidence showing that the landlord has been knowingly assisting or facilitating its tenants in selling counterfeit products at its premises. This can be accomplished by further checking whether the counterfeit products, as identified in the initial cooperation letter, are still available for sale. If so, the IP

Lessons from China

In China, as in Thailand, there is no specific law covering landlord liability. A few years ago, several luxury and fashion brands filed, for the first time, an action against the stallholders and the landlord of the Silk Market in Beijing, which is a well-known location for selling counterfeit products. This action was filed only after the brand owners had initially attempted to cooperate with the landlord of the market without any success.

The brand owners won the case, as both the Intermediate and Higher People's Courts ruled that the landlord was jointly and severally liable for not stopping the infringement actions conducted by the vendors on its premises.

In response, a Memorandum of Understanding was signed between three landlords, including the landlord of the Silk Market, which imposed a two-strike rule against tenants who sold counterfeit goods. Other IP owners followed suit in taking actions against the landlord of the Silk Market, which resulted in a cooperation agreement between numerous brand owners and the landlord.

Following this agreement, the landlord temporarily shut down several shops, after they were found selling counterfeit products for the third time. Some cases are still pending against the landlord for contributory infringement. In 2010, China launched a crackdown campaign, which resulted in the arrest of 3,000 persons for selling counterfeit goods at this market.

To put this success in context, it must be noted that the Silk Market remains on the U.S. Trade Representative Watch List in 2011, and counterfeit products of some brands can still be found being sold in the market. Nevertheless, there has been an increase in the number of cases against the landlord for not actively stopping such infringement activities on its premises. And these types of actions are spreading, as a number of courts in other cities, such as in Shanghai, have followed the decision. As a result, landlord liability for contributory infringement has become an increasingly successful method for holding the landlord liable for IP infringements committed by vendors in such markets.

owner can then send a follow-up letter to the landlord. The objective of resending the letter is to confirm that the landlord has failed to act, prior to taking any legal actions against them. The likelihood of success in taking action against the landlord at trial depends on the amount of evidence showing that the landlord has been assisting or facilitating its tenants in selling the counterfeit products at its premises.

Another way to increase the success of such actions is to build coalitions among multiple IP owners and government authorities to formulate a strategy to combat the problem. Details on how this resulted in a successful outcome in China are provided in the inset box.

Legislative Amendments

In addition to the options available under Section 86, the Thai government is weighing the possibility of amending existing legislation to enable IP owners to take action against rogue landlords who knowingly rent their premises to traders to peddle counterfeit goods. Amendments have been proposed for both the Trademark Act and the Copyright Act that would formally introduce landlord liability.

The initiative behind revising the IP law to incorporate a specific provision for landlord liability emerged in response to concerns raised by trademark owners, the music industry, and other private sector groups and corporations, who have suffered damages emanating from the counterfeiting and piracy problems that are widespread in Thailand.

The terms stipulated in the draft amendment of the Trademark Act state that landlords who collaborate with sellers to trade counterfeit goods will be fined between THB 50,000 and THB 200,000. In regard to the Copyright Act, the sanctions included in the draft amendments also extend to Internet Service Providers (ISPs) that permit traders to use their services to sell counterfeit products online.

Currently, the draft laws are pending with the Department of Intellectual Property (DIP), as it restudies the proposed provisions to ensure that they will not be misused.

The drafts were previously submitted to the Cabinet, but they were rejected. On completion of the DIP's study of the drafts, they will be resubmitted to the Cabinet and, if approved, will go to the Council of State for additional review. If the Council of State agrees with the drafts, the bills will be introduced to the National Assembly to proceed with passing them into law.

Clearly, these draft laws remain subject to significant changes as they proceed through the legislative process. Indeed, the enactment of these changes will also be dependent on whether the new government, formed in August 2011, continues to push for these amendments to the law.

While the pros and cons of having specific legislation to address the contentious issue of landlord liability in Thailand continue to be studied, IP owners may instead contemplate using Section 86 of the Penal Code to pursue legal action. By raising the awareness of landlords and

having landlords be more responsible on this issue, in parallel with the aggressive actions against the sellers, IP owners can stimulate changes in the current practice and open up new options for enforcing their rights. 🐼