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# Owners of Beverly Hills Polo Club Brand Miss the Target in Trade Mark Infringement Proceedings against Amazon

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## Overview

In *Lifestyle Equities & Anor v Amazon UK Services Limited & Ors* [2021] EWHC 118 (“*Lifestyle Equities*”) the High Court dismissed allegations of trade mark infringement and passing off in relation to the listings and sales of Beverley Hills Polo Club branded products via amazon.com.

At the heart of this case was the concept of targeting, specifically whether “Amazon’s US website, amazon.com, and/or the listings of BHPC products thereon, targeted not only at US consumers but also at UK/EU consumers?”. The decision brings the global nature of e-commerce and the protection of territorial trade mark rights into sharp focus. As the trial judge, Mr Justice Michael Green, observed, the case concerns “the impact of e-commerce and the global nature of the Internet, the “world-wide web”, on the protection of non-global trade mark rights”.

## Facts and Background

The case concerned a trade mark and passing off dispute between Lifestyle Equities C.V. and Lifestyle Licensing B.V (together the “Claimants”) and various entities within the Amazon Group of companies (together “Amazon”). Lifestyle Equities CV is the owner and Lifestyle Licensing B.V. is the licensee of various UK and EU trade marks protecting the “BEVERLEY HILLS POLO CLUB” (“BHPC”) brand.

Importantly, the US rights in the BHPC brand are separately owned by a US entity, BHPC Associates LLC, and the US BHPC business is operated independently of the EU/UK BHPC business.

BHPC branded products were lawfully listed, advertised and sold in the US through amazon.com with the consent of BHPC Associates. However, the Claimants alleged that the *listings* of BHPC products on amazon.com visible to EU/UK consumers infringed their trade marks protecting the BHPC brand. Likewise, the Claimants argued that the *sales* of BHPC products to UK/EU consumers also infringed their UK and EU trade marks. The BHPC products were listed on and sold to UK/EU customers via amazon.com through four different sales channels:

1. **Amazon Exports-Retail**—customers purchased goods from Amazon through amazon.com to be shipped to the EU/UK;
2. **Amazon Global Store**—a service on local Amazon stores (in this case amazon.co.uk and amazon.de) which allows local consumers to access product listings and purchase products from amazon.com;
3. **FBA Export**—third parties sell goods via amazon.com; storage, logistics and shipping are handled by Amazon.
4. **MFN Export**—third parties sell goods via amazon.com and Amazon is not involved in the logistics of the transaction

Amazon accepted that the dispute emanated from the split ownership of BHPC’s trade marks in the US and UK/EU, but argued that the Claimants’ allegations were exaggerated and a range of technical measures (*i.e.*, geo-blocking) had been implemented successfully to prevent the sale of BHPC branded products to EU/UK consumers from amazon.com sales channels. Amazon also argued that the product listings and sales from amazon.com were not targeted

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at UK/EU customers, therefore could not amount to infringement of the Claimants' UK/EU marks.

BHPC disputed the utility of the technical measures implemented by Amazon, principally because the measures were directed at sales of the BHPC products and did not prevent the visibility of such products to UK/EU consumers. However, the judge accepted that from 2019 the measures were completely effective in stopping sales of BHPC products to UK/EU consumers through the Amazon Global Store and amazon.com. Amazon accepted that the local amazon.co.uk and amazon.de websites were targeted at the UK and Germany respectively, therefore conceded that the BHPC product listings on amazon.com accessible to consumers through the local websites via Amazon Global Store were infringing advertisements.

As such, the infringement claim relating to the sale of BHPC products was confined to historic sales of via amazon.com pre-2019 and the only basis for ongoing infringement was the listing of BHPC products on amazon.com visible to UK and EU consumers.

It is notable that *Lifestyle Equities* is not a stereotypical case of trade mark infringement. Two aspects of the decision are relatively unusual: first, split ownership of the marks protecting the BHPC brands in the UK/EU and the US; and second, the fact that the dispute essentially turned on the issue of targeting. Moreover, as the judge highlighted at various stages of his judgment, it was evident that the real driver behind the Claimants' allegations was to prevent all visibility in the UK/EU of BHPC products on amazon.com. This was because the Claimants considered information relating to US sales of BHPC products (in particular pricing information) harmful to their licensing business in the UK/EU.

The issue of targeting was relevant to all of the amazon.com sales channels, that is, Amazon Exports-Retail; FBA Export; MFN Export. The targeting issues did not arise in relation to the Amazon Global Store as it was accepted that the UK store (operated through amazon.co.uk) targets the UK market. The allegations of infringement raised other legal issues arising from the nature of Amazon's sales channels, but as the decision essentially turned on the issue of targeting, that is where the focus of this article lies.

## Targeting: The Core Principles

The concept of targeting reflects the intrinsic territorial nature of trade marks and is, in essence, a jurisdictional requirement in cases of online trade mark infringement. The difficulty in an online context

is that the Internet and e-commerce have no respect for territorial boundaries, so how does trade mark law strike the appropriate balance between respecting those territorial boundaries whilst still offering adequate trade mark protection in an online environment?

Targeting is the legal tool that English and EU courts have developed to strike that balance; a court can only accept jurisdiction in cases of online trade mark infringement if the allegedly infringing online use is targeted at the relevant territory where the mark in question is registered. So, for UK trade marks, infringement can only arise if the allegedly infringing use is targeted at UK consumers; without targeting, acts done outside of the UK are not subject to UK trade mark law. Thus, the concept of targeting is designed to ensure that the scope of protection does not extend beyond the territorial limits of trade mark rights.

The judgment of Mr Justice Green contains a useful summary of the legal principles on targeting and a helpful overview of the leading European and domestic authorities, including *L'Oreal SA v eBay International AG* (C-324/09) *Merck KGAA v. Merck Sharp & Dohme Corp and ors* [2017] EWCA Civ 1834 and *Argos Ltd v Argos Systems Inc* [2017] EWHC 231. The judge's exposition of the law also provides particularly helpful guidance on the nature of the legal test, relevance of a website operators' subjective intention and relevance of factors that are not necessarily within the knowledge of the average consumer, such as actual website metrics and visitor data.

## Targeting: Listings of BHPC Products on amazon.com

The Claimants alleged that the specific BHPC listings, and amazon.com website as a whole, targeted UK/EU consumers on the basis that amazon.com effectively targeted the world. In contrast, Amazon simply argued that amazon.com was targeted at the US and the EU and UK have locally targeted Amazon websites (*e.g.*, amazon.co.uk and amazon.de).

The judge's analysis provides useful guidance as to what constitutes targeting for a large e-commerce organization. The judge considered a range of factors and after evaluating the arguments and evidence submitted by both parties, resoundingly concluded that neither amazon.com, nor the specific BHPC listings, targeted the UK/EU. Mr Justice Green held that "a consumer knows full well that they are viewing or shopping on the Amazon website that is primarily directed at US consumers".

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The Claimants' contention that amazon.com targeted the whole world was fundamentally flawed and bound to fail. As the judge noted, the reasoning is at odds with the principle that mere accessibility is insufficient to establish targeting. Further, accepting the Claimants' global targeting argument would have completely undermined the territoriality of trade marks by effectively giving national courts unfettered jurisdiction over amazon.com. According to Justice Green the Claimants' argument would "drive a coach and horses through the concept of targeting" and was soundly rejected.

In his analysis the judge pointed out that the issue of targeting did not actually require assessment of whether amazon.com itself targeted the EU/UK. For targeting, the focus of the assessment is whether the use of the allegedly infringing sign is targeted at the particular territory in question, therefore the relevant enquiry was whether the listings of the BHPC products were targeted at the UK/EU, not whether amazon.com was targeted at the UK. That approach is understandable in the context of large online marketplaces, but in more common cases involving a foreign retail website it would be artificial to consider advertisements or offers for sale in isolation from the website as a whole.

As part of his assessment the judge noted that the concept of targeting denotes taking deliberate aim at consumers in a particular territory to attract business from that territory. The judge held that it was clear the BHPC listings were not deliberately targeted at EU/UK consumers. Though, as the judge noted, it was not sales of BHPC products that the Claimants were concerned with; rather the Claimants' aim was to prevent potential licensees from accessing information about the US market. Justice Green recognized that if accepted, the result of the Claimants' case would be tantamount to censorship. The judge went on to conclude that it would not be justifiable to limit the accessibility of information on the Internet or deprive customers in a particular territory of information they would otherwise be entitled to, except in cases of targeting.

In the absence of targeting, the judge rejected the Claimants' allegation of infringement based on the listings of BHPC products on amazon.com.

## Targeting: Sale of BHPC Products on amazon.com

The Claimants' primary argument was that the listings of BHPC products targeted the UK/EU and both the listings and sales of the BHPC products

amounted to trade mark infringement. However, the Claimants' also argued that the sale of BHPC products to UK/EU consumers through amazon.com constituted infringement irrespective of whether the sales legally took place in the UK/EU or there was deliberate targeting of UK/EU consumers. In support of that contention the Claimants relied on the Court of Justice of the European Union ("CJEU") decision in Case C-98/13 *Blomqvist v Rolex SA* [2014] ETMR 25 ("*Blomqvist*").

*Blomqvist* concerned the implications of the sale of a counterfeit Rolex watch from a Chinese online shop to a consumer in Denmark. The watch was seized by Danish customs and Rolex issued an application for destruction of the watch. The Danish court issued a reference to the CJEU seeking guidance on the interpretation of the then Customs Regulation 1383/2003, specifically whether trade mark infringement was a pre-condition for the seizure and destruction of counterfeit goods and whether the sale of the counterfeit Rolex amounted to "use in the course of trade" where the sale was not preceded by an advertisement or offer for sale targeted at EU consumers. In *Blomqvist* the CJEU confirmed that trade mark infringement was a pre-condition for seizure and destruction of counterfeit goods under the Customs Regulation and confirmed that the Customs Regulation must be interpreted to mean that the owner of intellectual property rights enjoys protection under the Customs Regulation merely by virtue of infringing goods being sold to an EU consumer.

The parties disagreed on the principle established in *Blomqvist*. The Claimants argued *Blomqvist* was authority for the proposition that a sale of goods to an EU consumer amounts to use in the course of trade in the EU, irrespective of whether the sale legally takes place outside of the EU or was targeted at EU consumers. Amazon disagreed, arguing that the CJEU did not have sufficient information about the circumstances of the sale and did not engage with the fact that the sale was to a private seller for personal use.

Justice Green rejected the Claimants' interpretation of *Blomqvist* for a number of reasons. The judge agreed with Amazon that there was no analysis of the seller's alleged use of the sign in the course of trade within the EU or any interpretation of the meaning of "use in the course of trade" within the EU. The CJEU was only really interpreting the Customs Regulation (1383/2003) in order to allow the Danish authorities to destroy counterfeit goods that had been sold to a consumer in the EU.

More importantly from a targeting perspective, Justice Green rejected the Claimants' interpretation of *Blomqvist* because such a broad interpretation would



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have effectively conferred long-arm jurisdiction over acts taking place outside of the EU. According to Mr Justice Green the reasoning in *Blomqvist* did not support such a radical expansion of the inherent territorial limits of EU trade mark protection. Likewise, the judge was not convinced that *Blomqvist* had that effect since the decision had been rarely cited in subsequent judgments and received limited coverage in legal commentary. In light of those considerations, amongst others, the judge concluded that the actual basis for the decision in *Blomqvist* must have been either that the sale took place in Denmark (*i.e.*, within the EU) or the seller had the intention to put goods on the market in the EU and the sale was proof of such intention (*i.e.*, the requirement for importation).

By rejecting the Claimants' argument the judge confirmed that sales of goods to UK/EU customers from outside the EU/UK do not constitute "use in the course of trade" within the UK/EU, unless preceded by targeted advertisements or offers for sale to UK/EU consumers, and therefore cannot infringe EU/UK trade marks. Based on the terms and conditions of sale the judge found all of the sales through amazon.com took place outside of the UK/EU and were not targeted at UK/EU consumers. In light of the judge's findings on *Blomqvist* the Claimants' infringement claims in respect of the sales of BHPC products failed.

## Comments

### Practical Learnings

The decision in *Lifestyle Equities* provides an interesting illustration of the practical and legal implications of split ownership of trade marks, particularly in the context of e-commerce. As Justice Green noted, the dispute arose not from the activities of Amazon, but from the complications of the split ownership of the BHPC trade marks and opposing commercial strategies for the US and EU markets.

Following *Lifestyle Equities* it is clear that without evidence of prior targeting, UK and EU trade marks cannot be relied on to restrict access to information online or prevent passive online sales in UK/EU markets. Evidently that limitation of trade mark protection can give rise to obvious issues in cases of split ownership, particularly within the EU, given the competition rules which prevent contractual limitations on passive selling to EU territories. The decision in *Lifestyle Equities* should serve as a useful reminder, particularly for businesses with a strong focus on e-commerce, of the practical challenges of

split ownership and the territorial limitations of trade mark protection in an online context.

Thinking about risk management, the decision confirms that targeting is a fundamental ingredient of trade mark infringement and effectively clarifies that unsolicited passive sales do not, in principle, amount to trade mark infringement. Further the mere accessibility and visibility of information does not provide actionable grounds for trade mark infringement. The decision therefore offers useful guidance on the factors that will be considered when assessing if a website targets the EU/UK and the steps businesses can take to ensure websites and online stores are geared towards target markets. The decision also illustrates that in appropriate cases infringement risks can be managed through technical measures (*i.e.*, geo-blocking) preventing sales to consumers in selected markets.

### The Underlying Principles of Targeting and *Blomqvist*

Turning to the underlying legal principles of targeting, the conclusions on the listings of BHPC products respects the territorial limits of trade mark protection and are consistent with the previous authorities and established principle that mere accessibility is insufficient to establish targeting.

Perhaps the more interesting aspect of the decision in *Lifestyle Equities* is the finding that sales from outside the UK/EU to consumers in the UK/EU, without prior targeting of UK/EU consumers, do not amount to use in the course of trade in the UK/EU. This finding will likely be welcomed by online platforms, marketplaces and retailers as a shield against potential liability for online trade mark infringement, but may come as a disappointment to businesses looking to enforce their marks and protect their business against online actors.

Accepting that sales from outside the UK/EU to UK/EU consumers do not amount to use in the course of trade unless there is prior targeting effectively distinguishes between active and passive selling, with the latter not amounting to "use in the course of trade" in the UK/EU. On the face of it that reasoning seems logical in light of the territorial nature of trade mark protection. Further, one can understand why the judge was not convinced that *Blomqvist* provided authority for the Claimants' submission that a mere sale to an EU consumer alone constitutes actionable infringement of an EU trade mark. However, it is questionable whether the judge's finding on this point adequately reflects the realities of e-commerce and offers sufficient protection in an online context.

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In the course of his judgment Justice Green drew support for his conclusion from practical analogies of a UK consumer purchasing goods from the US bearing a sign identical to a mark registered to a different owner in the UK/EU. The analogy with a conventional physical transaction or even a telephone transaction is problematic in the sense that it fails to recognize the infinitely greater opportunity for passive selling in an online context. The ability of traders to attract business from foreign markets without having marketed or advertised to those markets is one of many factors that makes e-commerce so attractive.

Applying the principle established in *Lifestyle Equities*, it is possible that an online business based outside the UK that has sold goods or provided services in the UK under a potentially infringing sign could avoid liability simply because the sales or services were not actively targeted at the UK. Passive selling is a natural consequence of the borderless nature of online trade, but the outcome in *Lifestyle Equities* seems to neglect that facet of online trade because of the territorial nature of trade mark rights.

One factor that may have contributed to the judge's finding is fact that the applicable UK and EU legislation does not specifically include a sale of goods as "use of a sign" for the purpose of infringement. Early on his judgment Justice Green noted this point and did not wholly accept the Claimants' submissions that a sale of goods is a paradigm example of use of a sign. The judge observed that the relevant legislative provisions are focused on the "preliminary stages of a commercial dealing that may or may not end up in a sale". The strict letter of the statutory provisions may be why the judge felt able to effectively distinguish between passive and active sales; in theory the latter comes with the preparatory use of a sign prohibited by the legislation, whereas the former does not. As the judge noted, "[i]nfringement takes place in the steps leading up to a sale and perhaps this was thought to be enough to protect the trade mark owner's rights".

In an online context, specifically in the case of passive sales, it is questionable whether a trade mark owner's rights will be adequately protected after *Lifestyle Equities*. Hypothetically speaking, a business could conceivably set up a generic website offering online services under a particular sign without necessarily promoting or advertising its services to a particular territory, for example the UK. That business could be hugely successful in a certain market, for example Germany, and by virtue of that success attract unsolicited business from other markets, such as the UK. Should that business be able to avoid potential trade mark infringement in the UK simply because its business in there is unsolicited and has

not resulted from the "the preliminary stages of a commercial dealing" targeted at the UK? Arguably that is an overly narrow interpretation and application of the requirement for use of a sign in the course of trade in the UK/EU, which unduly limits the scope of trade mark protection in an online context.

Another factor that could have played into the judge's thinking on this issue is the insignificant volume of sales to UK/EU consumers from amazon.com. Even if that were the case, what would that mean for cases involving more significant sales; would the same principle apply in cases of extensive online passive sales? A literal application of the principle in *Lifestyle Equities* points away from infringement even in cases of extensive passive sales. But arguably in those cases there would be a greater connection to the relevant territory and clear potential for harm to rightsholders. In such circumstances, it would seem somewhat artificial to deny protection based on the territorial limitations of trade marks.

A more balanced way of reconciling the territorial limits of trade marks with the borderless nature of the Internet might be to introduce a *de minimis* threshold for passive sales, so that in appropriate cases, a certain volume of passive sales could demonstrate a sufficient nexus to the relevant territory to qualify as use in the course of trade in that territory, even without prior targeting of the territory. A *de minimis* threshold would have allowed the judge to reach the same conclusion in *Lifestyle Equities* without the consequence of effectively excluding passive sales as acts of infringement as a matter of principle.

Alternatively, to avoid the exclusion of passive sales it could be possible to argue that extensive passive sales are evidence of an intention to put goods on the market within the relevant territory. According to Justice Green that was one of the two possible bases for the decision in *Blomqvist*. This could be a factor the court takes into consideration when assessing targeting or the allegedly infringing use could be characterized as unlawful importation based on an intention to put goods on the market. The slight oddity is that in *Lifestyle Equities*, despite Amazon having more sales than the defendant in *Blomqvist*, Justice Green held that Amazon did not have the requisite intention to put goods on the market in the UK/EU. That conclusion casts doubt on the merits of an intention-based argument, but each case will turn on its own facts and this argument could be a way to avoid the possible implications of the finding in *Lifestyle Equities*.

Notwithstanding the evident difficulties posed by the "troublesome decision" of *Blomqvist*, it is interesting that the judge declined to make a reference to the

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CJEU, despite being invited to do so by the parties. That said, his decision not to make a reference was evidently influenced by practical and policy considerations with Brexit on the horizon. Post-Brexit, a CJEU reference from an English court is off the table, but it will be interesting to see if in future the CJEU is given the opportunity to consider this issue and the effect of the decision in *Blomqvist*.

It remains to be seen how the *Lifestyle Equities* decision will be received and if the decision will

actually limit the enforceability of trade marks in an online context. Nevertheless, *Lifestyle Equities* is an interesting decision highlighting the challenges of enforcing territorial trade marks on the Internet. The decision may not be a paradigm example of a trade mark infringement case, but it does address fundamental issues that many businesses will face in an e-commerce setting.

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