Bird & Bird

Report of Trade Mark Cases

For the CIPA Journal

September 2024

Trade mark decisions

Targeting UK consumers on Amazon's US website

Lifestyle Equities CV & Anor v Amazon UK Services Ltd & Ors (Lords Hodge, Briggs, Hamblen, Burrows and Kitchin; [2024] UKSC 8; 15 May 2024)

The Supreme Court dismissed Amazon's appeal, confirming that use of the trade mark on Amazon's US website did target UK consumers and therefore constituted trade mark infringement. Nick Aries reports, with thanks to Beth Grant.

Background

This appeal concerned the application of UK trade mark law to the cross-border marketing and sale of goods on the internet. The question for the Supreme Court was: where goods marketed and sold on a foreign website are identical to goods for which trade marks are registered in the UK, in what circumstances would the marketing and sale of such goods infringe the trade marks?

In May 2022, the Court of Appeal overturned the High Court's ruling that several BEVERLY HILLS POLO CLUB UK and EU registered word and logo marks were not infringed by sales through the amazon.com platform ("US Website"). The US Website listed goods bearing such marks which had been lawfully manufactured, marketed and sold in the US with the consent of a US rights-holder ("US branded goods") and enabled consumers to buy those goods. The Court of Appeal considered the manner in which those offers were presented on the US Website constituted use in the UK and so infringed the claimant's UK trade marks. The same was true of sales of the US branded goods to UK consumers.

The Supreme Court noted that the relevant EU jurisprudence deals with the question of when the marketing and sale of branded goods from a foreign website infringes trade marks in a particular territory by reference to two separate concepts:

1. The first is by treating the advertisement and offering for sale of branded goods in a way which is targeted at a protected territory as a use of the mark in the targeted territory.

2. The second is by treating a sale of branded goods as a use of the mark within the territory if the sale is made to a consumer in that territory pursuant to a contract of sale made outside it.

Issue 1: Targeting

Earlier case law

Regarding the concept of targeting, the Supreme Court reviewed the case law and concluded that the summaries given by the Court of Appeal in the Merck ([2017] EWCA Civ 1834) and Argos ([2018] EWCA Civ 2211) cases were correct. It went on to elaborate that evaluating 'targeting' was a multifactorial assessment of all the circumstances, viewed objectively from the perspective of the average consumer. Subjective intention to target could be taken into account to the extent relevant to that objective assessment, and it was enough that a significant proportion of average consumers would consider the website to be directed at them.

Decisions of the courts' below

The Supreme Court analysed the decisions below and considered that both the trial Judge and the Court of Appeal had made errors (even if the Court of Appeal had reached the correct conclusion). The Court of Appeal had been entitled to reject the Judge's conclusion and consider the matter afresh, but because it too had made errors, the Supreme Court was free to do so again.

Supreme Court's evaluation

The Supreme Court held that the factors favouring a conclusion that the marketing and offer for sale of the US branded goods on the US Website targeted UK consumers greatly outweighed those pointing in the opposite direction. This was because UK consumers were being told they would be shown goods (including the US branded goods) available for delivery to them in the UK, and that those goods would be delivered there.

Specifically:

- For visitors with a UK IP address, the landing page displayed a message 'Deliver to the United Kingdom' in the top-left, which was repeated on almost all subsequent pages.
- Clicking or hovering on that message revealed a pop-up box saying 'We ship internationally. We're showing you items that ship to United Kingdom'.
- Product pages labelled which of the goods displayed were so available.
- The 'Review your order' page generated UK specific delivery times and prices, and the ability to pay in sterling coupled with an exchange rate.

Factors pointing the other way, but which held less weight were:

- A message giving the consumer an option to switch to the amazon.co.uk UK website. This was a weak factor because it contemplated the consumer might not do so and did not make clear if the same goods would be available there.
- The default display of prices in US dollars. This was very weak because of the prominent option to change currency to sterling.
- The fact that delivery times and charges for UK customers were likely lower on the UK website. There were a number of reasons why this was weak, but the critical one was that the US branded goods were not in fact available as an alternative on the UK website.
- The statistical fact that Amazon's UK sales of the US branded goods were a very small fraction of its US sales of those goods was also of very little weight: the question was whether the average consumer would think that Amazon was attempting to sell the US branded goods to consumers in the UK, not how successful that attempt had been.
- Lifestyle's motive in bringing the proceedings, which the trial Judge had taken into account, was irrelevant.

Consequently, the Supreme Court concluded that Amazon had targeted the UK as a destination for the US branded goods by its display of them on its US Website.

Issue 2: Non-targeting Sales

Under the conditions of sale, the relevant sales by Amazon took place, and title and risk passed to the purchaser, in the US. Further, the carrier imported the goods into the UK as agent of the buyer, who acted in a purely personal capacity (not in the course of trade). Nonetheless, Amazon conceded that if and in so far as any sales were preceded by an offer or ad targeted at consumers in the UK, then the sales did amount to an infringement. The Supreme Court's decision that such offers/ads were so targeted left it unnecessary to consider whether the Court of Appeal had been correct in considering that sales of the US branded goods to UK consumers also infringed even in a situation where the offers/ads were not targeted at the UK.

Arnold LJ in the Court of Appeal had been in no doubt that such sales did infringe, following the CJEU's decision in *Blomqvist* (C-98/13), which found that a sale from Hong Kong of a counterfeit watch to a private individual in Denmark amounted to actionable use in the EU. He had stated: "*in the case of a sale to a person in the EU it is not necessary to consider whether there has been prior targeting of EU consumers. This makes perfectly good sense: the sale itself is targeted at the EU consumer.*"

The Supreme Court considered the situation more nuanced and was concerned about uncertainties in the underlying facts of *Blomqvist* making it difficult to be sure about the extent of the ambit of the doctrine. Specifically, it did not emerge from that case when or where title or risk passed in relation to the goods, or who (as between seller, carrier and buyer) was to be regarded as importer. The Supreme Court therefore declined to decide this point.

No infringement of descriptive marks

Engineer.ai Global Ltd v Appy Pie Ltd & Anor (Judge Melissa Clarke sitting as a Judge of the High Court; [2024] EWHC 1430 (IPEC); 19 June 2024)

Judge Melissa Clarke held that there had been no trade mark infringement because the registered BUILDER marks were descriptive and non-distinctive. She therefore upheld the defendant's counterclaim for the partial invalidity of the claimant's registrations. Manuel Kröller reports.

Background

Engineer.ai, a UK-based software developer, owned UK trade mark registrations for various marks, all of which included the term "Builder", and which were registered for software-related goods and services in classes 9 and 42. The second defendant was an Indian company supplying its services through the Appy Pie website. The first defendant, a UK company, provided payment processing services to the second defendant.

Engineer.ai claimed that Appy Pie infringed its BUILDER marks by reason of its use of the word "Builder" on the Appy Pie website within the terms "App BUILDER", "Chatbot BUILDER" and "Website BUILDER", among others, in connection with software for app creation and development. By the time of trial, the claims had narrowed to claims of infringement of the BUILDER word mark and stylised house mark under sections 10(2)(b) and 10(3).

Engineer.ai maintained that its umbrella brand BUILDER was recognised and known in the industry and to its customer base in the UK. It submitted that Appy Pie's use of BUILDER in conjunction with one or more descriptive words in the field of computer technology would have been perceived by the relevant public as one of the family of marks owned by Engineer.ai and they would thus have associated Appy Pie's use with Engineer.ai, giving rise to a likelihood of confusion and taking unfair advantage of its marks.

Appy Pie submitted that it only used the term BUILDER in a generic or descriptive way. Further, it argued that the public would not have recognised BUILDER as a trade mark because it was generic and descriptive, and counterclaimed for the invalidity of Engineer.ai's registrations on this basis.

Decision

Marks invalid and therefore no infringement

The Judge held that BUILDER, whether or not accompanied by a further descriptive term such as “.ai” or “CLOUD”, was a descriptive term widely and interchangeably used in the software industry as a tool for creating or developing software. Therefore, the average consumer would have immediately perceived the BUILDER mark as descriptive and, as such, inherently incapable of identifying the goods and services for which the BUILDER trade marks were registered.

The Judge therefore concluded that none of the BUILDER marks had inherent distinctive character. Further, they had not acquired distinctive character through use. They were therefore invalid under section 3(1)© to the extent pursued by Appy Pie. The BUILDER word mark and house mark were also invalid under section 3(1)(d) as they were no more than words which were customary in the technology sector.

Due to these findings, the trade mark infringement claims failed.

No targeting the UK

However, the Judge briefly considered the issue of whether the Appy Pie website targeted the UK. The question was whether, under the Supreme Court’s decision in Lifestyle Equities (see case report above), the average consumer would consider the website to be directed at him or her, as a consumer in the UK. She was not so satisfied because:

- a video posted on LinkedIn by the second defendant titled “7 of the best no code app builders in 2022” was not hosted on the Appy Pie website or another website from which it was possible actually to buy goods and have them delivered;
- there was no clear expression of an intention to solicit custom in the UK;

- the fact that the LinkedIn post was in English, without more, was insufficient evidence that it was targeting the average consumer in the UK, given that English is a main language of business in India and also the most widely spoken language in the world;
- the average consumer would not consider the fact that one of the seven prices in the LinkedIn post was in pounds sterling to be directed at him in the UK, as the other six of the seven prices were in US dollars; and
- given that such a small percentage of the second defendant's LinkedIn followers were from the UK, the average consumer would consider the LinkedIn post to be a very poor way to target consumers such as him in the UK.

Interpretation of a trade mark licence

Virgin Aviation TM Ltd & Anor v Alaska Airlines Inc (formerly Virgin America Inc) (Vos, Phillips and Andrews LJJ; [2024] EWCA Civ 622; 11 June 2024)

The Court of Appeal upheld the High Court's decision that on a proper interpretation of a licence between Virgin and Alaska, Alaska was under an obligation to pay a specified minimum royalty to Virgin each financial year, irrespective of whether Alaska used Virgin's trade marks. Aaron Hetherington reports.

Background

Virgin (part of the well-known Virgin Group) entered into a trade mark licence agreement with Virgin America (a separate group) on 19 November 2014 which granted Virgin America the right to use certain Virgin trade marks (the "Virgin Brand") in connection with its airline and associated activities in the US and some other territories. In that regard, clause 3.6 of the contact read as follows: "Subject to clause 3.7, [Virgin America / Alaska] undertakes that, for as long as it provides the Licensed Activities, it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names." The 'Licensed Activities' were those mentioned above (i.e., the operation of an airline in certain territories and associated activities).

Clause 3.7 stated: "Notwithstanding any other provision of this Licence nothing in this Licence shall prohibit [Virgin America / Alaska] at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing arrangements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as [Virgin America / Alaska] does not use the Names or Marks while undertaking such activities. […]". It further stated "Provided, however, that in the event [Virgin America / Alaska] ceases to use the Names or Marks in a material manner, which shall include but not be limited to where [Virgin America / Alaska] derives more than twenty percent of its operating revenues within the territories without using the Names or Marks then [Virgin] will have the right to terminate the Licence after 45 days prior written notice and failure to cure by [Virgin America / Alaska]…".

The licence also stated that Virgin America would pay Virgin either an annual royalty based on gross sales or a minimum royalty, depending on which was greater. In the final version of the agreement, the minimum royalty was defined as 0.7% of 80% of Virgin America's 2013 revenues for 25 years (up to 2039), and that the amount payable by Virgin America would be adjusted for inflation. The figure started at US$7,978,200 and then increased in line with a price index during the 25-year term.

In December 2016, Virgin America was acquired by Alaska Air Group Inc, which inherited the licence. By May 2019, Alaska had phased out use of the Virgin Brand and moved to its own branding, at which point it stopped paying royalties to Virgin. The last payment to Virgin was made in July 2019.

Virgin claimed that the express wording of the licence agreement stated that Alaska would have to pay at least the minimum royalty rate to Virgin until 2039, regardless of whether it was using the Virgin Brand. Alaska argued that it was only required to pay royalties if it had used the Virgin Brand: since it had stopped using it entirely, it argued that it was not required to pay any royalties to Virgin.

The High Court's judgment

On a proper construction of the agreement, Christopher Hancock KC, sitting as a deputy High Court judge, held that the minimum royalty had a set term, so the sum was payable as a flat fee by Alaska to Virgin until 2039 in return for the right to use the Virgin Brand, whether it used it or not.

The Judge made an order declaring that Alaska must pay Virgin at least the minimum royalty each financial year, even where Alaska did not use or made no gross sales from the use of the Virgin Brand. Alaska appealed to the Court of Appeal.

Court of Appeal's judgment

The Court of Appeal upheld the High Court's judgment. Phillips LJ, giving the leading judgment, held that the language of the licence, the factual matrix and commercial considerations all pointed firmly to Virgin being entitled to at least the minimum royalty in exchange for the rights Alaska held for the remainder of the licence term.

Phillips LJ gave particular weight to the language of the licence since it had been professionally drawn up as a contract between commercial parties, who knew the wording would have been reviewed and had to satisfy a regulator, and that a third party could well have acquired or merged with Virgin America. Phillips LJ held that all the provisions of the licence had to be read together.

With that in mind, he held that clause 3.7 entitled Alaska to conduct some, or most, of its operations *without* using the Virgin Brand and without paying royalties on those operations; Virgin correspondingly had an option under clause 3.7 to terminate the licence if Alaska's usage of the Virgin Brand and royalties materially dropped. However, clause 3.7 did not allow Alaska to cease *all* usage of the Virgin Brand (thereby removing any meaning from clause 3.6) and to avoid paying the minimum royalty in respect of the rights it would continue to hold, even if it did not exercise those rights – when read with the rest of the licence, Alaska was obliged to continue at least some use of the Virgin Brand, or at least pay the minimum royalty if it did not.

The factual matrix supported this reading. The minimum royalty provision was introduced in a revision of the original licence at a time when Virgin would have been seeking to protect itself when giving up corporate control over Virgin America, exposing itself to a complete de-brand.

Further, Phillips LJ held that the commercial considerations also supported the above reading, stating that Alaska was effectively arguing that it could hold (and "sterilise") the Virgin Brand for up to 25 years without paying anything. Since Alaska gained value from keeping the well-known Virgin Brand away from competitor's use, some payment was expected. That Virgin had the option to terminate the licence when actual royalties fell, enabling it to exploit its rights elsewhere if it wished, did not change the finding. If anything, it supported Phillips LJ's interpretation of the contract; if Alaska was not required to pay anything for holding Virgin's rights, Virgin would have had no commercial choice but to terminate the licence. This would have inverted the termination option in Alaska's favour, which could not have been the parties' intentions since Alaska had no express right of termination.

Likelihood of confusion and the crowded market

*Lifestyle Equities Cv & Ors v Royal County of Berkshire Polo Club Ltd & Anor (*Baker, Arnold and Nugee LJJ; [2024] EWCA Civ 814; 22 July 2024)

The Court of Appeal dismissed the appeal from Mellor J's decision in which he dismissed claims by Lifestyle Equities for trade mark infringement and passing off on the basis there was no risk of confusion. The Judge had been right to consider that the existence of a "crowded market" could diminish the distinctiveness of a trade mark. Katharine Stephens reports.

Background

Lifestyle Equities, owner of the BEVERLY HILLS POLO CLUB, brought actions for infringement in various territories against Berkshire Polo Club for its use of the sign ROYAL COUNTY OF BERKSHIRE POLO CLUB (see the mark and sign below). In this action, the parties sought resolution of the alleged infringements occurring in the UK, EU, Chile, Panama, Peru, Mexico and the UAE and therefore agreed to apply UK and EU law to all these territories and that the decision of the Court would bind the parties in all jurisdictions in dispute.

At first instance, Mellor J dismissed the claim for passing off and trade mark infringement under sections 10(2) and 10(3). A key issue Mellor J had to grapple with was the relevance of a crowded market when determining likelihood of confusion on the part of the average consumer, and the relevance of other brands making use of similar signs, for example, Ralph Lauren.

Lifestyle Equities appealed the decision on the basis that the Judge wrongly relied on extrinsic matters namely the existence of other polo-themed trade marks and the terms of coexistence agreements entered into with third parties.

Court of Appeal's Decision

Arnold LJ, giving the leading judgment, upheld Mellor J's decision.

Arnold LJ held that the Judge was correct to consider that the other polo-themed trade marks were relevant as a matter of law in assessing the distinctiveness of Lifestyle Equities' trade marks. As Arnold LJ noted, the principle that "the more distinctive the earlier mark, the greater will be the likelihood of confusion" was first stated in *SABEL BV v Puma AG* (Case C-251/95) and had been repeated many times since then. He also noted that it was common ground that the converse proposition was equally true: trade marks with a less distinctive character enjoy narrower protection than marks with a highly distinctive character.

He therefore rejected Lifestyle Equities' submission that, just as use by a defendant of a sign could not be relied upon to diminish distinctive character of a mark, by parity of reasoning, neither could use by third parties of other signs. Rather, third-party use of similar signs tended to diminish the distinctiveness of a trade mark, and therefore in a crowded market it was harder for one mark to stand out.

Arnold LJ noted that Lifestyle Equities also raised the difficult issue of whether the other polo-themed trade marks should be considered as part of the relevant context in which the allegations of infringement were assessed. However, he did not need to determine the issue because it did not matter in this case: the crowded market was relevant to the distinctive character of the trade marks regardless of how narrowly or broadly the context of the allegedly infringing use was drawn.

The second ground of appeal stemmed from the fact that the defendants relied upon various coexistence agreements relating to polo-themed brands in Latin America, mainly in Mexico but also in Chile, Panama and Peru. Lifestyle Equities contended that Mellor J was wrong to reject their argument that coexistence agreements were irrelevant, but Arnold LJ disagreed. He considered that such agreements could form part of the factual background against which the court had to assess the likelihood of confusion.

Although Mellor J had considered that the two coexistence agreements between Ralph Lauren and each side provided a very useful and practical insight into the market for polo brands, they indicated (but were not determinative of the fact) that Ralph Lauren considered the combination of differences in the appearance of the horse and rider motif and the accompanying words sufficient to avoid consumer confusion. Following this statement, Mellor J noted that he had to carry out the process of comparison and global assessment required by the caselaw and in doing so did not make any reference to any of the coexistence agreements. It followed that the Judge made no error of law or principle in his treatment of the coexistence agreements.

All decisions are to be found on https://www.bailii.org

Katharine Stephens

Partner

+442074156104
katharine.stephens@twobirds.com

Aaron Hetherington

Trademark Attorney

+442074156183
aaron.hetherington@twobirds.com

Reporters

Nick Aries; Beth Grant; Manuel Kröller; Aaron Hetherington; Katharine Stephens

This report was first published in the CIPA Journal, September 2024

twobirds.com

Abu Dhabi • Amsterdam • Beijing • Bratislava • Brussels • Budapest • Casablanca • Copenhagen • Dubai • Dublin • Dusseldorf • Frankfurt • The Hague • Hamburg • Helsinki • Hong Kong • London • Lyon • Madrid • Milan • Munich • Paris • Prague • Rome • San Francisco • Shanghai • Shenzhen • Singapore • Stockholm • Sydney • Tokyo • Warsaw