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EU to Overhaul Online-Retail Rules

By [PEPPI KIVINIEMI](#)

BRUSSELS—Heavy lobbying from luxury-goods companies has led the European Commission to water down proposals aimed at expanding online sales of goods in Europe, industry observers said Monday.

New rules governing how brand owners like [LVMH Moët Hennessy Louis Vuitton SA](#) and [Nike Inc.](#) control who sells their goods online are intended to loosen their stranglehold over Internet sales. But by trying to satisfy brand owners' arguments about the cost of maintaining their luxury image, the commission has allowed several caveats to creep into the rules that could restrict online-sales growth.

The new rules, to be published Tuesday, will protect luxury-goods manufacturers against damage to their image by allowing them to insist in many cases that online sales be restricted to retailers who have "bricks and mortar" stores, according to a draft report. This would prevent online-only retailers like [Amazon.com Inc.](#) and [Ebay Inc.](#) from selling the goods directly.

Preventing consumers from buying clothes or cosmetics brands over the Internet from a company that has an "online-only" business model will limit consumer choice and lead to higher prices and less innovative goods, said Monique Goyens, Director General of the European Consumers Organisation BEUC. But famous names like LVMH and Estée Lauder Cos. have argued that an uncontrolled push online could damage their image, and that online entrepreneurs shouldn't benefit from the brand recognition they have worked hard to build up.

Consumer bodies also are concerned that rules designed to protect a few luxury-goods firms could be hijacked by the manufacturers of everyday products such as prams and electronic goods.

With the Internet now the fastest-growing retail channel in Europe, the overhaul of the competition rules has been long expected by the industry. Previously, luxury-goods makers had full control over who could sell their goods and they were able to prevent most online sales.

Overall, the new EU-wide rules will open up online sales by ensuring that manufacturers cannot discriminate against online shops when setting up their distribution networks, the document shows.

Any qualitative conditions that manufacturers set on who is allowed to sell their products must apply equally to high-street and online sales. This means that shopkeepers who are allowed to sell branded goods on the high street can also set up a store inside eBay or elsewhere on the Web

to sell the same products online, provided that their online presence meets the brand requirements for look, feel and pre- and after-sales services. The rules should "make sure e-commerce will be on equal footing with other types of retailing," said eBay's EU public-affairs manager Richard Nash.

Many feel, however, that due to inconsistencies between the need to facilitate online sales and the desire to protect brand names, the rules are likely to create "legal uncertainty" and lead to an increased number of court cases, where brand owners fight to keep their goods offline, said one consumer representative who declined to be named.

The commission's guidelines for handling relationships between manufacturers and distributors include many practical examples of admissible and illegal behavior, so courts should have a slightly easier time deciding what can be allowed, said a lawyer following the case. "It almost feels like they have created a handbook for future court cases," the lawyer said.

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