

LEGAL/PRIVACY

LVMH, Hermès leave behind “friendly” feud with new legal developments

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By TRICIA CARR

French newspaper Le Monde’s article based on an AMF report that LVMH Moët Hennessy Louis Vuitton’s stake acquisition in Hermès is far from “friendly” could fuel the fire between two of the most powerful luxury goods companies.

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LVMH immediately fired back “to vigorously contest the conclusions contained in this report,” according to numerous reports such as those in [Financial Times](#), [Reuters](#) and [Women’s Wear Daily](#). Meanwhile, Hermès seems to be confident that it will maintain family ownership for at least the next 20 years despite LVMH chairman/CEO Bernard Arnault’s claim to the “friendly” share acquisition that has now reached 22.6 percent.

“Hermès is such a well-established, successful brand that this won’t damage the brand,” said Charles Klein, chair of [Davidoff Hutcher & Citron LLP](#)’s fashion industry law group. “The same is the case for LVMH, since it owns many brands.

“At this juncture, one has to wait and see as litigation proceeds,” he said.

Mr. Klein is not affiliated with either party, but agreed to comment as an industry expert.

[LVMH](#) declined comment. [Hermès](#) did not respond by press deadline.

Media frenzy

The story [printed May 18 on the front page of Le Monde](#) unveiled the findings of a 115-page report by French stock market authority AMF that was leaked before the sanctions committee meeting scheduled for May 31.

Translated, the article stated that for the past 10 years, LVMH has been “painstakingly, patiently and secretly” raising its stake in Hermès.

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"Nous n'avions pas prévu d'être actionnaires d'Hermès. Nous avons fait un placement financier et il s'est dénoué d'une façon que nous n'avions pas prévue."
A écouter Bernard Arnault, ce 18 avril, lors de l'Assemblée générale de son

Digital version of Le Monde story

This ongoing feud began when LVMH announced it had acquired a 17.1 percent stake in Hermès in October 2010.

Hermès then “ring-fenced 51 percent of the 72 percent of their stake in a holding company that cannot be sold to outsiders,” according to a previous report in [The Telegraph](#), a British daily newspaper.

Next, the dispute escalated as the conglomerate began upping its stake in Hermès.

Hermès filed a complaint July 10 against LVMH for reasons including “insider trading, collusion and manipulating stock prices.”

LVMH then filed a complaint against Hermès for “blackmail, false accusations and unfair competition” ([see story](#)).

The AMF report outlined in [Le Monde](#) counters what Mr. Arnault said at LVMH’s annual meeting last month.

Mr. Arnault told attendees, “You know, we found ourselves owning shares in this company

... unexpectedly. We had not planned to be shareholders in this firm,” according to an article in [WWD](#).

Instead, the leaked AMF report claims that LVMH started building a stake in Hermès as far back as 2001 with “subsidiaries in various tax havens, employing the code name ‘Mercure’ for its investment operation,” per WWD.

Family feud

In April, Robert Chavez, CEO of Hermès of Paris Inc., said at the American Express Publishing Luxury Summit 2013 in Dana Point, CA, that the brand’s feud with LVMH has only empowered its seven-generation family to keep hold of their shares.

There are currently close to 200 family members behind Hermès spanning seven generations. The family is unified and has locked up more than 50 percent of its shares so that ownership is guaranteed for the next two decades ([see story](#)).



Hermès ad

While Hermès could complement LVMH’s brand portfolio and vice versa, the French label does not seem to be open to adapting its operations.

Experts agree that Hermès is free from the pressure of stock analysts and shareholders that come with corporate groups such as LVMH ([see story](#)).

Instead, Hermès' stakeholders seem to be in an emotional battle to maintain the current business standards and independent stature.

But both parties should be aware of the media attention brought with these types of reports.

"It doesn't help the brand image to have a public feud," Mr. Klein said.

"We are in a press- and Internet-driven era and people like to be in touch with what is going on," he said. "Press does affect public opinion relating to these cases."

Final Take

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