

LEGAL/PRIVACY

LVMH's new lawsuit for Hermès means reputations at stake

June 10, 2013



By ERIN SHEA

Luxury conglomerate LVMH Moët Hennessy Louis Vuitton filed another lawsuit June 4 against a manager at family-owned Hermès, which deepens the legal battle between the two and signifies that a reputation is at stake.

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LVMH is likely targeting Hermès International CEO Patrick Thomas who recently said that the conglomerate fraudulently acquired shares in Hermès. This new lawsuit will move the attention away from LVMH's previous actions.

“The LVMH lawsuit is not unexpected in legal terms, though Patrick Thomas at Hermès presumably chose his phrasing deliberately,” said Susan Scafidi founder of the Fashion Law Institute at [Fordham Law](#), New York.

“However, the new claim does focus attention away from LVMH's actions and toward Hermes' words,” she said.

“It's an acknowledgement by LVMH that not only money but reputation is at stake in this dispute.”

Protecting a legacy

Although not many details are known about the unnamed manager at Hermès, many have speculated that LVMH is targeting Mr. Thomas who said during a company meeting June 4 that LVMH increased its 22.6 percent stake in Hermès in a fraudulent way, [WWD](#) reported.

Also during the company meeting June 4, Axel Dumas, a descendant of Hermès' founding family, said that he is seeking to protect the company's independence alongside Mr. Thomas, according to [Reuters](#).

Mr. Thomas is set to retire in 2014.



Mr. Thomas (via [Zimbio](#))

Although this may seem minor, Mr. Thomas may be in legal trouble for libel.

“French laws regarding defamation are much stronger than in the United States, where opinions regarding a competitor's conduct are more broadly protected by the First Amendment,” Ms. Scafidi said.

“In other words, a child's rhyming defense – “Sticks and stones may break my bones, but words will never hurt me” – can be augmented by an actual legal claim in France,” she

said.

The battlefield

The 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](#)).

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](#)).

On May 31, LVMH moved French market authority Autorité des marchés financiers, or AMF, to expunge its investigation into how the group acquired a 22.6 percent stake in Hermès, which was followed by an AMF recommendation to give the conglomerate the maximum fine for failing to follow disclosure rules ([see story](#)).

As the rivalry heats up, both LVMH and Hermès could lose money and possible sales.

“Will it affect the sale of handbags?” Ms. Scafidi said. “Well, I’m not expecting a fire sale at either company any time soon.”

Final take

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