

Tourneau, Cartier Take Aim At Chanel In Antitrust Watch War

By **Stewart Bishop**

Law360, New York (August 07, 2014, 8:19 PM ET) -- Luxury watch retailer Tourneau LLC and Cartier North America on Thursday blasted an antitrust and contract suit by French fashion house Chanel Inc. that claims a Chanel boutique was unlawfully forced out of Tourneau's flagship Manhattan store, arguing that the agreement between Chanel and Tourneau was properly terminated.

At a hearing in a Manhattan courtroom before New York Supreme Court Judge Marcy S. Friedman, an attorney for Tourneau said the retailer was justified in canceling the deal allowing a Chanel boutique in its Midtown store, with or without cause, as long as it gave the required two months notice.

A Tourneau attorney, James E. Brandt of Latham & Watkins LLP, further told Judge Friedman that Chanel's claim brought under the Donnelly Act, New York's primary competition law, was meritless, because there's no antitrust injury when you exclude one brand of watch from one floor of one store.

"There's a Chanel store across the street," Brandt said. "That's not an antitrust claim, you have to show injury to consumers."

Chanel brought the lawsuit in December, claiming Cartier unlawfully forced Tourneau to evict the Chanel boutique from its flagship store or face the loss of Cartier's business. Faced with the possibility of losing one of the most dominant brands in the luxury watch market, Tourneau capitulated, breaching its agreement with Chanel in the process, the lawsuit said.

A Cartier attorney, William L. Charron of Pryor Cashman, took aim at Chanel's claim that Cartier engaged in tortious interference with the boutique contract, saying because the deal was at will, that claim fails as a matter of law.

Moreover, Charron said because Chanel and Cartier are competitors, Chanel cannot prove any malicious interference unless Cartier did something criminal, fraudulent or independently unlawful.

"They don't allege anything like that," he said.

A Chanel attorney, Robert P. Reznick of Orrick Herrington & Sutcliffe LLP, countered that if a third party uses undue economic pressure to induce a breach of a relationship, that is actionable.

Reznick further argued that Chanel has established all the relevant elements necessary to support its antitrust claim, as Tourneau's own website refers to a luxury watch market and which is sufficient to establish the contours of a product market.

As for the geographic market, Reznick told Judge Friedman that with respect to the injury at

hand, it is to watch retailers who will believe they take on Chanel's products, they will risk similar retaliatory action by Cartier.

Chanel has also established Cartier's exercise of market power as the jeweler had the power to make one of the most important watch retailers in the world take an action it didn't want to take, an action it called an embarrassment.

"It demonstrates that Tourneau ceded control of its sales floor to one of its vendors," Reznick said. "The market power is the ability to get Tourneau to turn us out."

Chanel is represented by Stephen G. Foresta, Shaila R. Diwan, Carrie H. Lebigre and Robert P. Reznick of Orrick Herrington & Sutcliffe LLP.

Tourneau is represented by James E. Brandt and Sarah M. Lightdale of Latham & Watkins LLP.

Cartier is represented by Michael Goldberg, William L. Charron and Rebecca Siegel of Pryor Cashman LLP.

The case is Chanel Inc. v. Tourneau LLC et al., case number 654307/2013 in the Supreme Court of the State of New York, County of New York.

--EditingbyChrisYates.

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