

IP MANAGEMENT IN THE LUXURY SECTOR:

Insights from LVMH's Approach

Intellectual Property (IP) management in the luxury sector stands as a cornerstone of brand value and market positioning. Unlike many other industries, luxury brands derive a significant portion of their worth from intangible assets - their reputation, exclusivity, and the emotional connections they forge with consumers. In this rarefied atmosphere, where a logo or design can command premium prices, effective IP management becomes a strategic imperative.

The luxury sector faces unique challenges in protecting its intellectual property. The high visibility and desirability of luxury goods make them prime targets for counterfeiters and imitators. Moreover, the sector's increasing engagement with digital platforms and emerging technologies like NFTs and the metaverse creates new frontiers for brand expression - and new vulnerabilities to exploit.

Effective IP management in luxury goes beyond traditional trademark and copyright protection. It encompasses a holistic approach that includes design rights, trade dress (in jurisdictions where applicable), and even the protection of craft techniques and artisanal knowledge. The goal is not just to prevent direct copying, but to maintain the aura of exclusivity and innovation that justifies the premium pricing of luxury goods.

As the luxury market continues to evolve, driven by changing consumer demographics, digital transformation, and global economic shifts, so too must the strategies for IP management. This dynamic setting requires luxury brands to be both vigilant in protecting their existing IP and forward-thinking in how they secure and leverage new forms of intellectual property.

In the rarefied world of luxury goods, LVMH Moët Hennessy Louis Vuitton (better known as LVMH), stands as a colossus, boasting a portfolio of over 75 prestigious Maisons including Louis Vuitton, Dior, Celine, and Moët & Chandon. As the industry leader in sales, LVMH also sets the gold standard for brand protection, a critical component in maintaining its coveted market position.

For luxury brands, IP is not merely a legal construct. Rather, for them it is the very essence of their value proposition. Trademarks, designs, and copyrights form the bulwark that safeguards the unique identity of each brand, preserving the aura of exclusivity that commands premium pricing. In an era where brand equity can make or break a company, LVMH's approach to IP management offers interesting insights for IP professionals across industries.

The Decentralized Paradox: Autonomy within a Conglomerate

At the heart of LVMH's IP strategy lies a seemingly paradoxical approach: decentralized management within a centralized structure. Each Maison within the LVMH family operates with a remarkable degree

of independence, allowing for the cultivation of distinct brand identities and IP strategies tailored to specific market needs and creative visions.

This autonomy is not merely a philosophical stance but a practical necessity in the fast-paced luxury market. As Leo Longauer, the Director of Global Brand Protection at LVMH noted, *"One of the basic principles of the group is that the Maisons, as we call them, the brands, they are independent. So they decide a lot of things themselves."*

However, this independence is balanced by centralized support functions, creating a dynamic ecosystem where individual creativity flourishes while benefiting from the collective resources and expertise of the larger group. This unique structure allows LVMH to maintain the nimbleness of smaller luxury houses while leveraging the power of a global conglomerate.

The Corporate IP Function: A Delicate Balancing Act

Within this decentralized framework, LVMH's corporate IP function plays a nuanced role. Rather than imposing a top-down strategy, the central team provides services that Maisons can opt into based on their needs. As Leo Longauer explained, *"I need to sell services to the Maisons. So I get a budget and propose my actions and what I can do, and we agree on a budget, and do that every year."*

This approach ensures that the corporate IP function remains responsive to the needs of individual brands while maintaining a group-wide perspective on emerging threats and opportunities. The central team focuses primarily on brand protection and anti-counterfeiting operations, coordinating actions worldwide and managing relationships with law enforcement and customs authorities.

Interestingly, the lack of a formalized IP strategy across the group is seen not as a weakness but as a strength. The Director of Global Brand Protection reflected, *"I used to think, yes, it would be good to have sort of more guidelines. Now, I'm not so sure anymore because strategies and stuff is a lot of paper. But if they're not lived, if people don't follow them, then it's just a piece of paper that someone wrote, and it doesn't really have a use."*

This fluid approach allows for rapid adaptation to new challenges, fostering an entrepreneurial spirit that might be stifled by rigid guidelines. However, it also presents challenges, particularly for newcomers to the organization who may take years to fully understand the intricate web of relationships and decision-making processes within the group.

Digitalization: New Frontiers in IP Protection

The digital transformation sweeping through the luxury sector has profound implications for IP management at LVMH. The emergence of digital assets like NFTs and the growing importance of e-commerce have created new opportunities for brand engagement but also introduced novel challenges in brand protection.

LVMH has responded to these challenges by establishing dedicated teams focused on online brand protection. These teams work closely with major digital platforms to combat online counterfeiting, a

growing threat in an era where e-commerce is becoming an increasingly important sales channel for luxury goods.

The group has also been proactive in addressing emerging digital trends. As Leo Longauer noted, "*We monitor fake NFTs. We have a special provider for specifically NFT monitoring on OpenSea and all these specialized platforms. This is on our radar. You need to be ready before it starts.*"

This forward-looking approach extends to trademark filings, with most Maisons making defensive filings in classes related to digital goods and services. However, Leo Longauer emphasized that existing IP rights have generally been sufficient to take action against infringement in the digital realm.

The Global Counterfeiting Landscape: Adapting to Shifting Threats

While digital challenges loom large, physical counterfeiting remains a significant threat to luxury brands. China continues to be the epicenter of counterfeit production, accounting for approximately 80% of fake goods. However, LVMH has found success in combating this issue through collaboration with Chinese authorities.

"We are very successful with our actions in China," the Director of Global Brand Protection stated. *"The whole system works extremely well, and there are good authorities, very knowledgeable. So the actions are going, and we have tons of almost half of our seizures happen in China."*

This success story underscores the importance of building strong relationships with local authorities and adapting strategies to local legal and regulatory frameworks. However, the fight against counterfeiting is far from over, with new production hubs emerging in countries like Turkey, presenting fresh challenges for brand protection efforts.

The rise of "super fakes" – high-quality counterfeits that can deceive even discerning consumers – has added another layer of complexity to the anti-counterfeiting efforts. These sophisticated imitations often exploit gaps in IP portfolios, highlighting the need for comprehensive protection strategies that cover not just core brands but also design elements and secondary features.

(More on "super fakes" - <https://ipbusinessacademy.org/superfakes-the-new-level-of-deception>)

Training and Technology: The Twin Pillars of Effective IP Protection

In the face of these evolving threats, LVMH relies heavily on two key elements: training and technology. The group conducts hundreds, if not thousands, of training sessions annually for customs officials, law enforcement agencies, and internal teams. These sessions focus on the latest trends in counterfeiting and the importance of IP rights, ensuring a well-informed network of stakeholders capable of identifying and addressing infringement.

On the technology front, LVMH leverages advanced tools for monitoring digital platforms and identifying unauthorized use of its trademarks. The group's investment in technology extends to emerging areas like NFT monitoring, demonstrating a commitment to staying ahead of the curve in IP protection.

Future Challenges and Adaptation

As LVMH looks to the future, several challenges loom on the horizon. The rapid pace of technological advancement, particularly in areas like artificial intelligence and blockchain, will require constant adaptation of IP protection strategies. Geopolitical uncertainties and economic fluctuations add another layer of complexity, potentially impacting enforcement efforts in key markets.

Moreover, the tension between maintaining brand exclusivity and engaging with new consumer segments through collaborations and digital initiatives will require careful navigation from an IP perspective. As luxury brands increasingly embrace social media influencers and digital-first marketing strategies, new questions around IP ownership and brand dilution are likely to emerge.

Flexibility as a Strength

LVMH's approach to IP management offers several key takeaways for IP professionals.

First, the value of flexibility cannot be overstated. In a rapidly changing market landscape, the ability to adapt quickly to new threats and opportunities is often more valuable than rigid, formalized strategies.

Second, the importance of balancing centralized expertise with decentralized decision-making is clear. This approach allows for both consistency in core brand protection efforts and the agility needed to address market-specific challenges.

Finally, LVMH's success underscores the critical role of relationship-building – whether with customs officials, law enforcement agencies, or digital platforms – in effective IP protection. In an increasingly complex global marketplace, these relationships can often make the difference between successful enforcement and ongoing infringement.

As the luxury sector continues to evolve, driven by technological innovation and changing consumer behaviors, LVMH's flexible yet focused approach to IP management is likely to serve it well. For IP professionals across industries, the group's experiences offer valuable lessons in navigating the delicate balance between protection and innovation in a rapidly changing world.