ANTITRUST ON THE RUNWAY: CRITICAL ANALYSIS OF FTC'S BLOCKING OF TAPESTRY-CAPRI MERGER

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Introduction

In August 2023, **Tapestry Inc**., the parent of Coach, Kate Spade, and Stuart Weitzman, announced its bid for Michael Kors, Versace, and Jimmy Choo owner **Capri Holdings Ltd.** for $8.5 billion.[1] The move was designed to create a U.S.-based luxury conglomerate capable of competing with Europe's LVMH and Kering giants.[2] But the proposed merger between these two entities was opposed by the Federal Trade Commission **("FTC")** on the ground that the merger would hinder fair competition within the "accessible luxury handbag" market in future. In April 2024, the FTC brought a suit to block the merger, and in October 2024 the Southern District of New York granted a preliminary injunction to the regulator.[3]

With slim prospects of success on appeal, Tapestry and Capri terminated the agreement in November 2024.[4] This case is one of the most significant antitrust actions involving the fashion industry in years and provides a useful insight into looking at how traditional antitrust concepts have been applied in a brand-sensitive industry.

Source: The Business of Fashion

[1] Jordyn Holman & Elizabeth Paton, *Coach Owner to Buy Parent of Versace and Michael Kors in Luxury Merger*, N.Y. Times (Aug 10, 2023).
[2] *Id.*
[3] FTC v. Tapestry Inc. & Capri Holdings Ltd., Case No. 1:24-cv-03109 (JLR).
[4] Siddharth Cavale, US court blocks Tapestry's $8.5 billion acquisition of rival Capri, Reuters (Oct 25, 2024).

This research article analyses the legal, economic, and comparative aspects of the FTC's intervention. It critiques the legal rationale followed by the court, examines the precedents drawn upon, and analyses the implications of this decision for the luxury fashion market. It also includes a comparative overview of the way in which such a similar merger could have been dealt with under Indian competition law. In so doing, the paper takes on the voice of an antitrust enforcement legal researcher who aims to critically analyse a significant case study in antitrust enforcement.

Rationale of the Study

The vast ramifications of the Capri and Tapestry merger, which go beyond its novelty, provide the cause for this study. The fashion business does not appear to be divided as it once was, with companies that are more dissimilar from one another than market sway driving competition. As a result, it has received little attention from antitrust investigations. However, the FTC's challenge is significant because antitrust enforcement is stepping into new and creative territory that hasn't been examined before.

This is particularly relevant to those in the fashion business, as the merger aimed to combine the three largest rivals in the accessible luxury handbag market. As the discussion of this case demonstrates, established antitrust rules do change to accommodate new sectors. As new conceptions of injury become widely accepted, antitrust laws change.

Not to mention, the comparison element is relevant in this case. It adds value to one more element. Consolidation prospects are anticipated due to the rapid growth of India's fashion and luxury industries. Examining how Indian competition law will react offers helpful clues to international fashion players.

Research Hypothesis and Questions

Hypothesis:

The FTC's objection to the Tapestry-Capri merger is a logical application of competition law in a highly concentrated market niche, and it will have a significant impact on future merger strategies and the structure of the luxury fashion sector.

Research Questions:

1. What motivated the FTC to block the merger, and how was the defining market established in accordance with the ruling's typical antitrust authority and legal requirements?

2. How might pricing, innovation, and competition affect the luxury fashion sector going forward?

3. How would a merger in the high-end fashion sector be handled under Indian competition law?

Methodology

Doctrinal Research

This paper uses comparative analysis and a doctrinal approach to legal analysis. Section 7 of the Clayton Act[5], Sections 5[6] and 13(b) [7] of the FTC Act, and numerous US case law precedents, including Brown Shoe[8], Philadelphia National Bank[9], H.J. Heinz Co. [10], Staples[11], and Whole Foods[12], are among the key materials cited. FTC news releases, fashion trade reports, newspaper excerpts, and restricted research studies are examples of secondary sources.

Comparative Analysis

The equivalent provisions of the Competition Act of 2002 are compared along with case studies such as Sun Pharma/Ranbaxy[13], PVR/DT Cinemas, and ABFRL/TCNS Clothing. The method makes it easier to critically analyse the American scenario and see how the same thing might play out in India.

[5] Clayton Antitrust Act § 7, 15 U.S.C. § 18 (2018).
[6] Federal Trade Commission Act § 5, 15 U.S.C. § 45 (2018).
[7] Federal Trade Commission Act § 13(b), 15 U.S.C. § 53(b) (2018).
[8] Brown Shoe Co. v. United States, 370 U.S. 294 (1962).
[9] United States v. Philadelphia National Bank, 374 U.S. 321 (1963).
[10] FTC v. H.J. Heinz Co., 246 F.3d 708 (D.C. Cir. 2001).
[11] FTC v. Staples, Inc., 970 F. Supp. 1066 (D.D.C. 1997).
[12] FTC v. Whole Foods Market, Inc., 548 F.3d 1028 (D.C. Cir. 2008).
[13] In Re Sun Pharmaceutical Indus. Ltd. & Ranbaxy Lab'ys Ltd., Combination Regn. No. C-2014/05/170, CCI (Mar. 4, 2015).

Literature Review

S. No.	Literature	Description	Research Gap
1	**Jordyn Holman and Elizabeth Paton, *2 Big Names In Fashion Are Merging*, New York Times (11 Aug 2023).[14]**	As per this article, the merger of Tapestry-Capri is a strategic step toward building an American luxury giant that will be a match for European players like LVMH. According to the author, the bringing of big players like Michael Kors, Versace, and Coach under one umbrella, comes from the perspective of expansion strategy. The author considers this from a business and luxury angle as well.	Being journalistic in tone and avoiding economic or legal sophistication of the deal, the article is perceptive in noting early reactions to the union. It lacks on detailed scrutiny of competition law and appropriate regulatory measures. Additionally it lacks on considering potential implications of the deal for market processes and consumer welfare over the longer term.
2	**Anaita Vas, *The Corporate Law Implications of Mergers and Acquisitions in the Luxury Fashion Sector: Analysing Brand Integrity and Shareholder Interests*, SSRN 18 Mar, 2025.[15]**	This article looks at mergers and acquisitions in the luxury fashion industry from the standpoint of corporate law. Because it focuses on all the implications that arise from such acquisitions to corporate governance, shareholder interests, and brand uniformity, it is a helpful	However, the article is limited when discussing antitrust and competition law issues, especially the possible regulatory concerns surrounding luxury acquisitions. It places more emphasis on shareholder rights and business structure than on market competitiveness, consumer protection, or

[14] Jordyn Holman & Elizabeth Paton, *2 Big Names in Fashion Are Merging*, N.Y. TIMES (Aug 11, 2023).
[15] Anaita Vas, *The Corporate Law Implications of Mergers and Acquisitions in the Luxury Fashion Sector: Analysing Brand Integrity and Shareholder Interests* (March 18, 2025). Available at SSRN: https://ssrn.com/abstract=5259587 or http://dx.doi.org/10.2139/ssrn.5259587

		article to read about the internal legal dynamics of fashion groups	enforcement by the appropriate authorities like the FTC or the CCI.
3	**Jordyn Holman and Elizabeth Paton, *Coach Owner to Buy Parent of Versace and Michael Kors in Luxury Merger*, New York Times, 10 Aug. 2023.[16]**	This article provides current coverage of their Assortment-Capri merger announcement because it is in competition with international fashion. Describing investor attitude as well as industry opinion of the time, it relates how the merger was to safeguard the U.S. luxury market from powerful European conglomerates.	Although useful in context, the article lacks any background analysis or legal context. The paper lacks useful discussion of any of those regulatory obstacles or relevant case law. It also needs antitrust review guidelines that would answer the question of the merger. It is therefore of more utility as background than as academic analysis.
4	**Allegra Paolini, and Valentina Triccoli, *M&A Deals in the Luxury Sector: Revealing Hidden Links between Acquisition Drivers and Value Creation.*[17]**	This paper analyzes all the motivations behind mergers and acquisitions and determines the degree to which all these deals further long-term value creation in the luxury industry. Since it is case study-based, it shows how drivers of acquisition like creating synergy, global growth, and extension of the brand drive performance outcomes, which makes	Although broad in its planned and financial examination, the study omits transactions restricted by antitrust activity along with regulatory obstacles. Its analysis is limited mainly to managerial as well as value-based insights due to its exclusion of the key point regarding competition law's interaction with luxury M&A activity.

[16] Jordyn Holman & Elizabeth Paton, *Coach Owner to Buy Parent of Versace and Michael Kors in Luxury Merger*, N.Y. TIMES (Aug 10, 2023).
[17] Allegra Paolini & Valentina Triccoli, *M&A Deals in the Luxury Sector: Revealing Hidden Links between Acquisition Drivers and Value Creation*, Politecnico di Milano (2024).

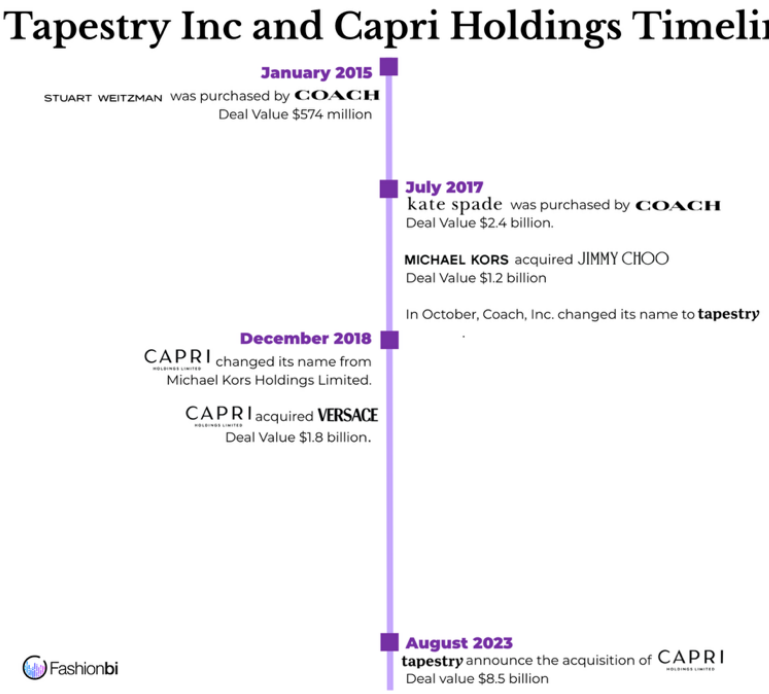
		consolidation having expected justification. consolidation has expected justification.	
5	**Maryam Ghanbari, *Mergers and Acquisitions in the Luxury Sector: Challenges, Innovations, and Comparative Insights into LVMH and Richemont.*[18]**	Comparative analyses of Richemont and LVMH are conducted in this paper, along with emphasis being placed upon the pitfalls and surprises of luxury mergers. Cultural assimilation and brand management and exclusivity are among the areas of emphasis. Moreover, a comparative method is provided in order to conduct industry leader acquisitions.	The article limits itself geographically as well as thematically. It primarily examines European markets so as not to include the U.S. or Indian competition law regime. It does not really address regulatory intervention or consumer welfare. Its application, thus, only relates to the figured and social aspects of convergence in luxury.

Critical Case Analysis

- **Background**

With the acquisition of Capri, Tapestry aimed to bring six luxury brands under one roof and establish a homegrown American conglomerate that could compete globally.[19] But antitrust issues arose because Coach, Kate Spade, and Michael Kors compete directly in the same segment-affordable luxury handbags, generally ranging from $100 to $1,000.[20]

[18] Maryam Ghanbari, *Mergers and Acquisitions in the Luxury Sector: Challenges, Innovations, and Comparative Insights into LVMH and Richemont*, 45(2) EUR. BUS. L. REV. 233 (2023).
[19] Jordyn Holman & Elizabeth Paton, *Coach Owner to Buy Parent of Versace and Michael Kors in Luxury Merger*, N.Y. Times (Aug 10, 2023).
[20] Jordyn Holman & Elizabeth Paton, *2 Big Names in Fashion Are Merging*, N.Y. TIMES (Aug 11, 2023).



Source: Fashionbi

- **FTC's Challenge**

The FTC's legal challenge cantered on demarcating the relevant product market as **"affordable luxury handbags"**.[21] Under the **Brown Shoe** *"practical indicia,"* the court concurred that it was a discrete market on the basis of price, material, consumer perception, and industry acknowledgement.[22] The court also held that the collective market share of almost 59% would lead to undue concentration, triggering **Philadelphia National Bank's** presumption of illegality.[23] The FTC also expressed concerns regarding labour markets because the merger would merge 33,000 employees, lowering competition for design and retail talent and possibly holding down wages.[24]

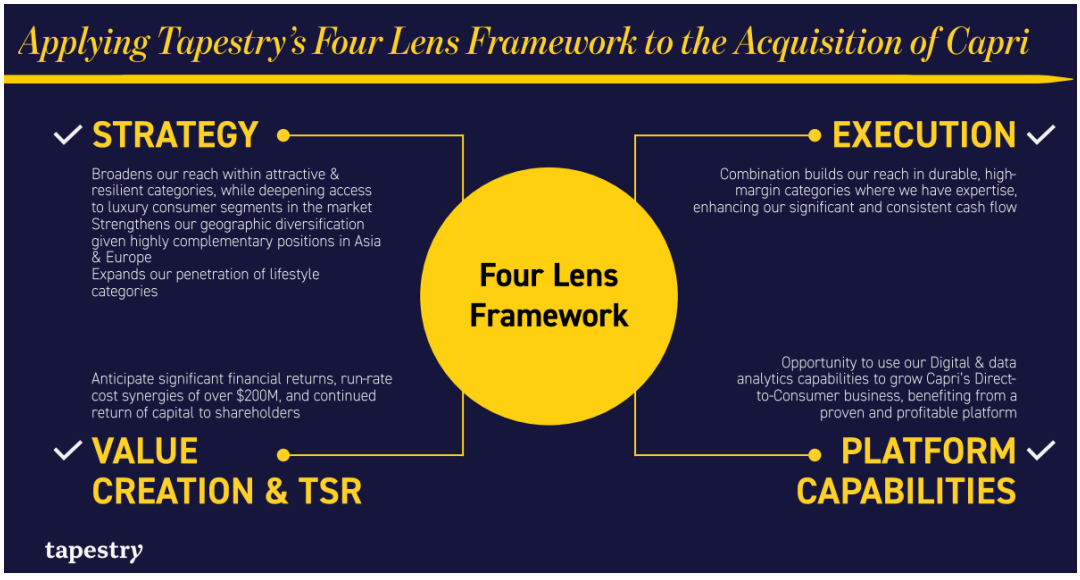
[21] FTC v. Tapestry Inc. & Capri Holdings Ltd., Case No. 1:24-cv-03109 (JLR).
[22] Brown Shoe Co. v. United States, 370 U.S. 294 (1962).
[23] United States v. Philadelphia National Bank, 374 U.S. 321 (1963).
[24] Maryam Ghanbari, *Mergers and Acquisitions in the Luxury Sector: Challenges, Innovations, and Comparative Insights into LVMH and Richemont*, 45(2) EUR. BUS. L. REV. 233 (2023).

			Market Share			
		Market Size	Tapestry	Capri	Combined	Additional HHI
Bags and Luggage	World	152.2	4%	2%	5%	13.4
	North America	40.7	9%	4%	13%	70.0
	China	33.9	2%	1%	3%	5.0
	Europe	23.4	1%	3%	4%	7.3
Bags	World	134.5	4%	2%	6%	17.2
	North America	35.7	10%	5%	15%	91.2
	China	29.9	2%	1%	4%	6.4
	Europe	19.8	1%	4%	5%	10.2
Luxury Bags	World	72.0	8%	4%	12%	60.1
	North America	23.4	15%	7%	22%	211.6
	China	15.1	4%	3%	7%	25.2
	Europe	12.7	2%	6%	8%	24.9
Affordable Luxury Bags	World	32.7	17%	9%	26%	291.7
	North America	11.5	31%	14%	45%	875.0
	China	8.3	8%	5%	13%	82.8
	Europe	4.8	5%	16%	22%	175.5

Source: XiaoCapital

- **Respondent's Stance**

The defence tried to contend that "accessible luxury" was a marketing euphemism, not an economically differentiated market, and that competition ran along the entire range of handbags, including mass-market to high luxury.[25] They also offered projected efficiencies of $200 million.[26]



Source: Seeking Alpha

[25] FTC v. Tapestry Inc. & Capri Holdings Ltd., Case No. 1:24-cv-03109 (JLR).
[26] Maryam Ghanbari, *Mergers and Acquisitions in the Luxury Sector: Challenges, Innovations, and Comparative Insights into LVMH and Richemont*, 45(2) EUR. BUS. L. REV. 233 (2023).

- **Analysing the Judgment**

Initially, the Southern District of New York Court's market-definition inquiry adopted the Supreme Court's analysis in **Brown Shoe Co. v. United States**, which held that submarkets can be defined based on *"practical indicia"* including differing prices, customer bases, and industry distinction.[27] Guided by these considerations, the court identified **"accessible luxury handbags"** as a distinct relevant product market from both mass-market and ultra-luxury ones. This strategy reflects earlier merger disputes in retail industries where concentrated markets were judicially embraced, including **FTC v. Staples**[28] (office-supply superstores), **FTC v. Whole Foods**[29] (upscale organic grocery stores), and **United States v. H&R Block**[30] (computer tax preparation software). In all of these matters, the courts insisted that competitive realities and consumer tastes and not broad product classes, determined market definition.

After the narrow market was accepted, the court applied the structural presumption doctrine given under **United States v. Philadelphia National Bank**, that a merger resulting in a firm with an excessive market share and a marked rise in concentration is presumptively illegal.[31] In this case, the merged firm's market share of close to 59% in a highly concentrated market well exceeding Philadelphia National Bank's thresholds.

However, after the **United States v. Baker Hughes**, the burden was placed on the defendants to disprove that presumption.[32] Their argument of dynamic competition and low entry barriers was insufficient, as the court held that it is expensive and time-consuming to create new handbag brands that can compete with Coach and Michael Kors.[33] In contrast to **United States v. General Dynamics**, in which static market share figures distorted competitive realities, evidence here demonstrated sustained head-to-head competition between the merging companies.[34]

Furthermore, the Court showed skepticism regarding efficiencies, in accordance with **FTC v.**

[27] Brown Shoe Co. v. United States, 370 U.S. 294 (1962).
[28] FTC v. Staples, Inc., 970 F. Supp. 1066 (D.D.C. 1997).
[29] FTC v. Whole Foods Markets, Inc., 548 F.3d 1028 (D.C. Cir. 2008).
[30] United States v. H&R Block, Inc., 833 F. Supp. 2d 36 (D.D.C. 2011).
[31] United States v. Philadelphia National Bank, 374 U.S. 321 (1963).
[32] United States v. Baker Hughes Inc., 908 F.2d 981 (D.C. Cir. 1990).
[33] Anaita Vas, *The Corporate Law Implications of Mergers and Acquisitions in the Luxury Fashion Sector: Analysing Brand Integrity and Shareholder Interests*, SSRN (Mar 18, 2025).
[34] United States v. Gen. Dynamics Corp., 415 U.S. 486 (1974).

H.J. Heinz Co.[35] and **United States v. Anthem**.[36] In Heinz, the D.C. Circuit concluded that efficiencies need to be merger-specific, quantifiable, and adequate to rebut the presumption of illegality.[37] In the same vein, in Anthem, the court dismissed cost-saving arguments with benefits that were indefinite and unlikely to pass through to consumers.[38] In Tapestry-Capri, defendants' assertions of $200 million in synergies had no credible evidence of consumer pass-through or consumer decision making process.

Additionally, the court accorded determinative significance to internal "hot documents".[39] In **United States v. Bazaarvoice**, emails within the company highlighting the anticompetitive purpose of the acquisition were pivotal in establishing liability.[40] Similarly, in **Staples**[41] and **Whole Foods**[42], comments by executives disclosed identification of their closest competitors, contra courtroom testimony. In this case, Tapestry's own presentations on strategy portraying the purchase as a mechanism for mitigating discounting at Michael Kors were considered persuasive evidence of probable anticompetitive consequences, preeminent over opposing assertions by company witnesses.

In the present case, while the injunction was most basely founded on horizontal competition issues, the court did recognize wider aspects of injury. In **FTC v. Penn State Hershey**, the Court determined that lessened rivalry would decrease incentives for innovation.[43] Although labour-market impacts did not control the decision here, the FTC's focus on diminished competition for retail and design workers indicates an emerging trend toward incorporating worker well-being in competition analysis. This development signifies that future merger enforcement might account for more general harms than consumer prices.

Finally, the limits of enforcement were underscored by comparison with cases in which the government failed. In **FTC v. Arch Coal**[44] and **FTC v. Steris**[45], the courts held against the FTC based on insufficient market definition and inadequate proof of competitive injury. The

[35] FTC v. H.J. Heinz Co., 246 F.3d 708 (D.C. Cir. 2001).
[36] United States v. Anthem, Inc., 855 F.3d 345 (D.C. Cir. 2017).
[37] FTC v. H.J. Heinz Co., 246 F.3d 708 (D.C. Cir. 2001).
[38] United States v. Anthem, Inc., 855 F.3d 345 (D.C. Cir. 2017).
[39] FTC v. Tapestry Inc. & Capri Holdings Ltd., Case No. 1:24-cv-03109 (JLR).
[40] United States v. Bazaarvoice, Inc., No. 13-CV-00133, 2014 WL 203966 (N.D. Cal. Jan. 8, 2014).
[41] FTC v. Staples, Inc., 970 F. Supp. 1066 (D.D.C. 1997).
[42] FTC v. Whole Foods Mkt., Inc., 548 F.3d 1028 (D.C. Cir. 2008).
[43] FTC v. Penn State Hershey Med. Ctr., 838 F.3d 327 (3d Cir. 2016).
[44] FTC v. Arch Coal, Inc., 329 F. Supp. 2d 109 (D.D.C. 2004).
[45] FTC v. Steris Corp., 133 F. Supp. 3d 962 (N.D. Ohio 2015).

Tapestry-Capri recording, on the other hand, had strong evidence of a limited market, identifiable head-to-head rivalry, and clear internal confessions. This put the case squarely on the enforcement-friendly half of ***Section 7***.[46]

Comparative Analysis with the Indian Framework

According to the Competition Act, 2002, mergers that cross certain thresholds have to be reported to the Competition Commission of India **("CCI")**. **Section 20(4)**[47] mandates the CCI to determine whether a combination is likely to cause an Appreciable Adverse Effect on Competition **("AAEC")**. Some of the factors include market share, barriers to entry, countervailing power, and elimination of an aggressive competitor.

In practice, the CCI has frequently cleared limited overlap mergers like **ABFRL/TCNS Clothing, 2023**[48] but has required remedies when overlaps were problematic **Sun Pharma/Ranbaxy, 2015**[49] and **PVR/DT Cinemas, 2016**[50]. Transposing this to Tapestry-Capri, the CCI might have blocked the merger or cleared it subject to conditions by demanding divestitures.

It is worth observing that the Indian system is different in three aspects. *First*, labour market issues would not be taken into account since the Competition Act is exclusively consumer welfare-oriented.[51] *Second*, merger clearance is ex ante and suspensory, and hence the transaction could not be completed until the green light was given.[52] *Third*, India's luxury handbag industry is relatively smaller and less concentrated, which could result in a less prohibitive decision.[53] However, if two major Indian fashion houses merged, the CCI would most probably follow the cautious line of the FTC.

[46] Clayton Antitrust Act § 7, 15 U.S.C. § 18 (2018).
[47] The Competition Act, 2002, No. 12, § 20(4), Acts of Parliament, 2003 (India).
[48] In re Aditya Birla Fashion & Retail Ltd. & TCNS Clothing Co. Ltd., Combination Regn. No. C-2023/05/103, CCI (July 14, 2023).
[49] In re Sun Pharmaceutical Indus. Ltd. & Ranbaxy Lab'ys Ltd., Combination Regn. No. C-2014/05/170, CCI (Mar. 4, 2015).
[50] In re PVR Ltd. & D.T. Cinemas Ltd., Combination Regn. No. C-2015/08/288, CCI (May 4, 2016).
[51] Anaita Vas, *The Corporate Law Implications of Mergers and Acquisitions in the Luxury Fashion Sector: Analysing Brand Integrity and Shareholder Interests*, SSRN (Mar 18, 2025).
[52] *Id.*
[53] Anaita Vas, *The Corporate Law Implications of Mergers and Acquisitions in the Luxury Fashion Sector: Analysing Brand Integrity and Shareholder Interests*, SSRN (Mar 18, 2025).

Recommendations

Fashion companies must integrate ***antitrust risk analysis*** as part of their expansion plans. Prior to acquiring mergers, businesses must carefully analyze overlaps, anticipate regulatory scrutiny, and avoid producing internal reports that lead to anticompetitive objectives. ***Minority stakes, joint ventures, or vertical acquisitions*** are some other alternatives available that can provide expansion without exposing the company to antitrust risk.

For regulators, the case underlines the importance of developing ***niched industry experience*** and of communicating clearly merger concerns to the public. In the wake of the international character of high-fashion, greater ***international coordination of regulators*** is also suggested. Policymakers may also make the analysis of efficiencies more targeted, with clearer guidance on the occasions on which the benefits for the consumer might justify consolidations.

Finally, for the fashion industry, the lesson is that *innovation and brand differentiation* are safer routes to growth than wide horizontal consolidation. Investment in design, sustainability, and consumer engagement can secure competitive advantage without triggering regulatory intervention.

Conclusion

The FTC's win in the blocking of the Tapestry-Capri merger is a milestone in the enforcement of antitrust law against the luxury fashion sector. In establishing accessible luxury handbags as a defined market and applying structural presumptions of illegality, the court reinforced traditional merger principles while considering contemporary issues like labor markets. The ruling illustrates that branding-led industries and consumer perception-driven industries are not exempt from scrutiny under competition law.

Comparatively, Indian competition law would also be likely to approach a comparable merger with the same circumspection, although with alternative processes and remedies. With the growth in India's luxury market, the lessons from this case are important for regulators and businesses to heed. In the end, the case reaffirms that competition law is still necessary to protect consumer welfare, innovation, and market dynamism-despite the runways of luxury fashion.