

Advisory Committee on Enforcement

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THE FIGHT AGAINST COUNTERFEITING AND IMITATIONS AT TRADE FAIRS:
THE PANEL OF BASELWORLD

*prepared by Mr. Christoph Lanz, Head of Legal Department and Secretary of the Panel,
MCH Group Ltd, Basel and Secretary of the Panel of the World Watch and Jewellery Show,
BASELWORLD**

I. Summary

1. Trade fairs are a mirror of an economy, a place of novelties, a platform for creativity and a good location for product and service counterfeiters to engage in illegal practices. Trade shows and exhibitions provide excellent opportunities for obtaining information on competitors and discovering new products. But exhibitions also contribute to the fight against counterfeiting practices, since they represent an easy way for manufacturers and service providers to identify counterfeited products and services as well as potential threats.

2. BASELWORLD is the annual globally-leading Watch and Jewellery Show which is held in Basel (Switzerland) and attracts more than 1800 exhibitors, more than 104,000 visitors from all over the globe and 3,300 journalists (all the figures are for BASELWORLD 2012). It is estimated that a substantial part of the annual worldwide watch and jewellery *multi-billion dollar business* is conducted during the eight days of the Show.

3. The Panel is the *in-house arbitration court* for the BASELWORLD trade show. It deals with complaints about violations of intellectual property rights during the show. The complaint procedure is provisional in the sense that it is limited to the place (*i.e.*, the halls in Basel) and the duration of the Show but the impact of the decisions goes far beyond this. It grants the successful applicant temporary legal protection within 24 hours and ensures that IP rights are

* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

respected and that peace is maintained at the show. In the 28 years of its existence, the Panel has taken decisions in about 824 cases between 1985 and 2012.

4. The activities of this type of *Alternative Dispute Resolution* (ADR) have proved to be a success. Although the problem of counterfeiting has grown worldwide, and especially in the field of luxury items, the number of Panel cases at BASELWORLD fell from about 40 cases per year in the 1990's to 30 cases per year during the years 2001 to 2009, and to fewer than 20 cases per year over the last three years.

5. The Panel's decisions are legally effective for the duration of the show and within the halls at BASELWORLD. But the long-term effects of the Panel's decisions go further than this: the decisions are often used as expert opinions by the ordinary courts in Switzerland and abroad and they thus constitute the first step in the adjudication of design or trademark cases in different countries.

II. The problem of counterfeiting and imitations for the Swiss watch industry

6. Counterfeiting is a big problem for the luxury goods industry, and especially for the watch industry. In 2011, the Swiss watch industry exported watches worth 19.278 billion Swiss francs. More than 50,000 people in Switzerland work in the Swiss watch industry. It is estimated that 40 million counterfeited watches are offered for sale each year. This means damage of approximately 800 million Swiss francs per year. In 2011, the Swiss Customs authorities confiscated counterfeited products at the border in 3180 cases. All these figures show that the watch industry is greatly affected by this scourge and thus has a major interest in the fight against counterfeiting at the most important trade show for this sector.

III. Origins of the Panel

7. In the early 1980s, the owners of IP rights found themselves increasingly confronted at the Watch and Jewellery Show with copies of their designs, infringements of their brands and unfair competition. They were forced to respond in the only way open to them – via the civil courts of the Canton of Basel-City. These civil courts issued provisional measures that were applicable for the duration of the exhibition. By 1984, the number of legal cases had risen to more than 30 over these eight days, and the courts were almost fully occupied dealing with these for the time that the exhibition was running. Substantial negative press coverage was another side effect, and an atmosphere of uncertainty and unease prevailed in the exhibition halls. The exhibition management had to find a way of dealing with this situation and thus created an internal arbitration committee in the form of the Panel. The Panel is now responsible for implementing provisional measures for the duration of BASELWORLD, which are restricted to the exhibition grounds. The legal basis for the Panel's activities is contained in the *Supplementary Regulations* of the exhibitors' contract with the show management, whereby each exhibitor recognizes the Panel as the arbitration committee and agrees to abide by any rulings handed down by the Panel. The Swiss Code of Civil Procedure applies on a subsidiary basis for the procedure.

IV. The procedure of the Panel

8. It was essential that the procedure be as streamlined as possible due to the limited duration of BASELWORLD and also because some of the infringements are only uncovered during the exhibition itself and because the Panel's decisions have to be reached without delay within 24 hours. Any exhibitor or non-exhibitor claiming to have discovered a copy of a

protected design or the infringement of a brand can initiate the complaint procedure. The Panel does not take action by itself; all activities are in the hands of the party bringing the complaint.

9. The complaint must be lodged with the Panel before 16:00. The prerequisite, however, is that the complainant has to provide substantiated proof of the intellectual property right (design, brand or invention) in question that is valid in Switzerland. In addition, the complainant must furnish the Panel with an example of the original item pursuant to the IP rights in order to facilitate comparison; finally, there is a fee to be paid (now CHF 2200.-). The Panel then dispatches a delegation of two members to the respondent's stand without delay. Here the complainant has to identify the objects in question that are alleged to have caused the infringement. The Panel then offers the respondent the opportunity to defend himself, possibly even insisting that this be done immediately. The argument most generally put forward is that the original item differs from the article in question in terms of design or brand; another common argument is that the product in question had been on the market before the intellectual property right on the complainant's article had been registered.

10. The Panel meets behind closed doors at 17:00 each day to debate all pending complaints lodged that day and to make decisions. At the same time, written rulings are compiled. The following day, from 09:00 onwards in 15-minute sessions, the rulings of the Panel are issued to the parties involved. If the complaint is rejected, the respondent is allowed to continue to exhibit the product in question. If a complaint is upheld, the respondent is required to sign an *Undertaking* in which the decision of the Panel is recognized, thereby agreeing to refrain from further infringements. This includes the withdrawal of the goods, the withdrawal of the products carrying the contested trademark or the withdrawal of advertising material and possibly even changing the signage on the exhibition booth and paying a fee to the Show Management (currently CHF 4'000.-).

11. The Panel's rulings take effect immediately and must be implemented without delay. The exhibition management may pursue further measures as required, including the closure of an exhibitor's booth. This guarantees that the Panel's decision is executed within a period of 24 hours of a complaint being lodged. In serious cases, the exhibitor will not be allowed to participate in the next exhibition.

V. Judgment by experts

12. The work of the Panel, and especially the enforceability of its decisions, is dependant on the quality of its assessments. The Members of the Panel are elected by the Management of the Show on an annual basis; the members of the Panel include two experienced specialists from the watch industry as well as a jewellery specialist. These three representatives are usually not Swiss nationals; currently they are from France, Italy and Japan. The Panel is then further composed of two to three legal practitioners with Swiss nationality and a background in intellectual property rights. The reason is that Swiss Law is applicable. One of these legal practitioners acts as the chairperson of the Panel. Over a period of 28 years, the Panel has gained a vast amount of experience through handling hundreds of complaints.

VI. Protection of the various IP rights

13. The following section presents the work of the Panel in greater detail in terms of individual categories of IP rights referred below. These rights also circumscribe the areas of responsibility of the Panel. Not included in this scope are matters of a purely contractual nature (complaints over quality, late delivery, disagreements about prices, etc.), i.e. everything outside the actual question of ownership of IP rights. The Panel deals only with IP rights.

VII. Design

14. The category that elicits the most complaints received by the Panel is that of *design* formerly known as *industrial pattern and model*. This is not surprising in the world of watches and jewellery, since external appearance is a primary factor of such items.

15. The assessment of any infringement is generally based on the specifications of the Swiss Federal Design Law of October 5, 2001. The Panel compares the sample in question with the appearance as detailed in the registration documentation. These documents provide a description of the appearance of the protected design. Normally the Panel also requests the complainant to provide an original sample of the watch or of jewellery in question, but this is only required in order to permit a better study of the object detailed in the registration. The law focuses on the distinctive features of the item as well as on the overall impression – the degree to which the overall appearance of the item may be confusing. A comparison is no longer made primarily by holding the two items next to each other; it is rather the recollection of the item that counts. The aim is to simulate a situation in which a consumer has a recollection of the appearance of the registered original and then finds the copied product.

16. The law on design protection is intended to protect creativity and to encourage the development of one's own creations and to promote expensive marketing. Whoever is entitled to an intellectual property right should also be able to protect this right from infringing products.

VIII. Trademarks

17. The trademark should identify a manufacturer's product and be able to distinguish it from other manufacturers' merchandise. The legal foundation for the concept of brand is provided in the Swiss Federal Law for the Protection of Trademarks (August 28, 1992). While the protection afforded to a design is valid for a limited period (25 years), trademarks are not subject to this limit on protection. The justification for this is based on the fact that a manufacturer of watches or jewellery should be able to produce and market its merchandise under the same brand name on an ongoing basis. While the design protection expires after 25 years, more and more companies try to register their "design" or parts of it as a three-dimensional trademark, the protection of which may be continuous, subject to renewal.

18. The impact of accepting a complaint of brand infringement can often be quite dramatic. Whereas exhibitors often display a large number of different designs, they usually only do so under one brand name, or only under a small number of brands. A ruling against an exhibitor on the basis of brand will not only result in the removal of watches and jewellery from display, it will also include the removal of advertising material and may even result in the signage on a booth being changed or the booth being closed down.

IX. Geographical indications

19. The fraudulent use of incorrect geographical indications constitutes a special form of benefiting from the reputation of another producer. The classification of a product according to a specific place of origin remains a very important feature despite the fact that watches today are assembled using components from a range of sources and even though the ownership structures of companies can change rapidly (even internationally). A loss of quality combined with an incorrect geographical indication can greatly affect the reputation of a production centre. Concrete examples of such centres are the declarations *Swiss made* or *Genève* or *Paris*. Complainants in such cases tend not to be individual exhibitors but rather regional or national associations or even countries.

X. Patents for inventions

20. The protection of an invention by way of patents plays an important role in the entire system of industrial production, including the watch and jewellery sectors. The intellectual property rights at stake here can be a technical innovation, for example in areas such as the watch mechanism (e.g. Tourbillon), the display, or the way in which the strap is attached to the watch.

21. Complaints regarding patents can sometimes be very complicated, especially when the complaint necessitates a detailed technical description. One of the Swiss legal specialists and Panel members is also a patent lawyer. However, in certain cases, the Panel has also had to draw on the assistance of external specialists, especially from the Federation of the Swiss Watch Industry. In assessing complicated patents, the Panel has sometimes found itself at the limits of what it is capable of accomplishing in its work, especially in terms of the 24-hour deadline for rulings.

XI. Copyright

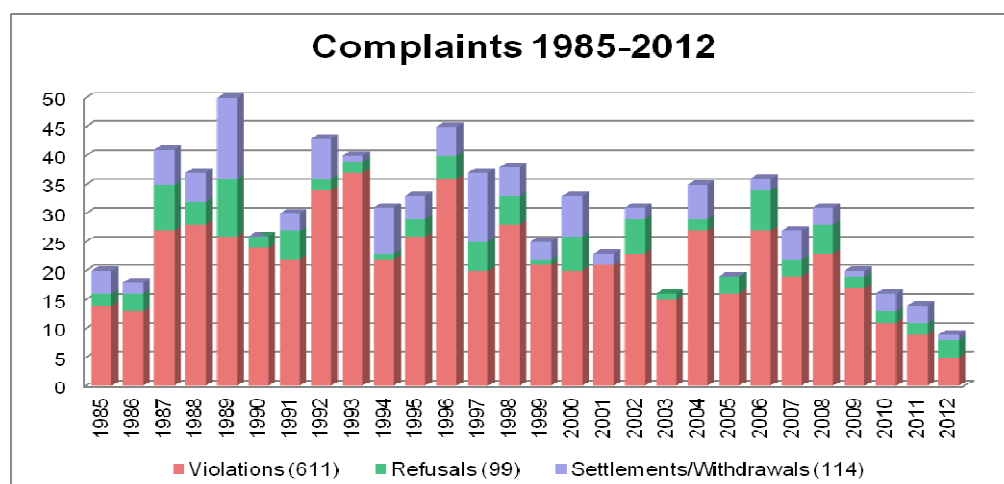
22. Copyright is less applicable to watches due to the mechanical and industrial production involved, and applies far more to the design of items of jewellery. The prerequisite in this regard, however, is that the product in question be characterized by significant originality and creativity, as well as craftsmanship (usually handmade production).

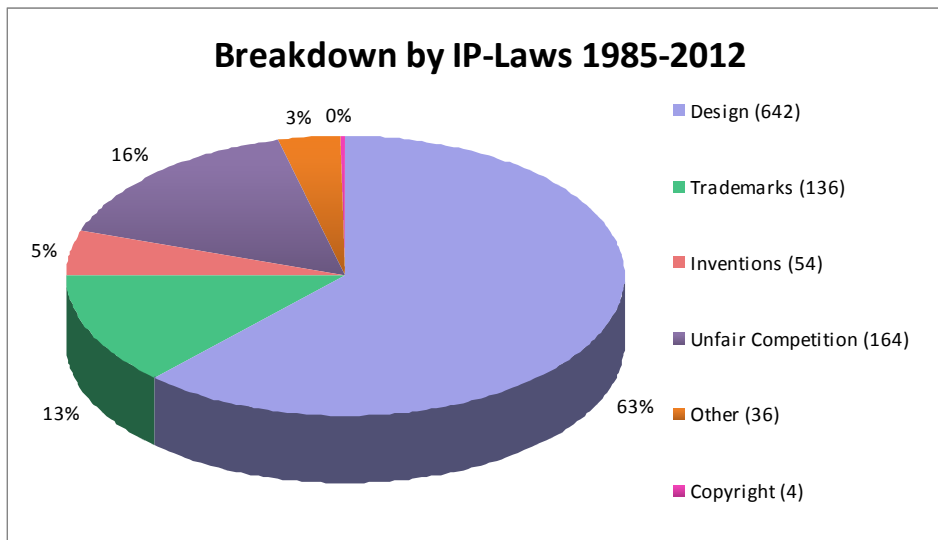
XII. Unfair competition

23. Unfair competition can be summarized as the practice of one exhibitor profiting from the image and products of another. The Swiss Federal Law on Unfair Competition (dated December 19, 1986) serves as the foundation in the fight against unfair competition.

24. The Panel has regularly been confronted with cases involving unfair competition. The first step is to assess whether another protected right may be involved; following this exclusion, a decision can then be made on the basis of unfair competition. The primary issue is the question of a product's degree of recognition amongst consumers and its level of association with a specific company.

25. Statistics





XIII. Measures taken by the Show Management between the shows

26. The aim of the Show Management is to react quickly if there are violations of IP rights and, even better, to prevent such cases in advance. The Show Management has therefore also established good cooperation with all the market participants between the individual shows in respect of counterfeited products. The management of BASELWORLD has established a network around the globe with national watch and jewellery or trade associations and also discusses the Panel cases with the representatives on a regular basis. The Panel Secretary holds lectures at home and abroad and advises exhibitors on the protection of IP rights at a show.

27. MCH Group Ltd. (the holding company) of BASELWORLD is a member of the Swiss Anti-Counterfeiting and Piracy platform *Stop Piracy* and supports these activities.

XIV. Summary of the Panel's decisions

28. The success of the Panel's activities against counterfeiting is based on preventive and compulsory measures. In a globally growing market of counterfeited products, it has proved possible to substantially reduce the number of cases at the most important trade show for luxury products. Doubtful objects are not taken to BASELWORLD any longer and, if this is the case, the Panel reacts immediately.

XV. The activities of the trade fair community: the UFI Recommendations

29. In 2008, the UFI, the Global Association of the Exhibition Industry, drew up *Recommendations for the Protection of IP Rights at Exhibitions*. These recommendations are very widespread and their application can differ from country to country.

30. These recommendations can be summarized as follows:

- Before the event, exhibitors should protect and register trademarks, patents or designs to obtain a valid right and to be able to make use of all the forms of legal protection.

- Trade show organizers should provide exhibitors with information on IPR protection.
- In order to assist exhibitors in addressing IPR complaints or infringements during trade shows, organizers should offer a list of local IP attorneys willing to represent exhibitors who wish to pursue legal action.
- Trade show organizers should be able to provide neutral arbitration, or a judge to help determine if there is any violation and to resolve IPR disputes during the Trade Show.

XVI. Final remarks

31. The BASELWORLD Panel has long been unique in the field of the fight against counterfeited products at trade shows. There are now other trade shows which also offer various services to their exhibitors before and during the show in respect of problems with infringing products. But, in most cases, their activities are limited to *softer* measures: recommendations, legal advice etc. The strength and the success of the BASELWORLD Panel are based on its compulsory effect, which can even lead to exclusion from the Show. IP rights are being challenged by the growing market of infringing products. The battle has to be fought on different levels; the BASELWORLD Panel shows that successful measures are possible – at least for the limited time of a Trade Show.

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