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Litigator of the Week: Franz Schwarz of Wilmer Cutler Pickering Hale and Dorr

By Jan Wolfe
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Wilmer Cutler Pickering Hale and Dorr partner Franz Schwarz helped deliver a nice Christmas gift to client Swatch Group this week, persuading an arbitration panel that the watchmaker is entitled to more than a half-billion dollars from former business partner Tiffany & Co.

In a decision issued December 21, a panel associated with the Netherlands Arbitration Institute ordered Tiffany to pay $449.5 million for undermining a joint venture with Swatch. The panel also awarded Swatch interest and about $9.6 million in attorneys fees and costs. Just as importantly, the panel dismissed Tiffany's counterclaim for more than $500 million in breach of contract damages.

The ruling follows an unusually multicultural hearing held in October 2012. The proceedings took place in Amsterdam, since Dutch law controlled the agreements at issue. (Tiffany and Swatch presumably wanted any disputes resolved on neutral turf.) Schwarz, an Austrian-born international arbitration specialist based in London, served as lead counsel for Swatch, which is based in Biel, Switzerland. The Wilmer team also included London-based partner Duncan Speller. The Dutch firm NautaDutilh served as Wilmer's co-counsel and advised on Dutch law.

Tiffany was represented by Brian King of Freshfields Bruckhaus Deringer's New York office.

Tiffany, best known for its jewelry, has long been eager to capture the market for high-end timepieces. In 2008 Tiffany and Swatch entered into a 20-year agreement to sell and distribute Tiffany-branded watches, but by 2011 the companies had terminated the partnership. Swatch's CEO told the F*inancial Times* that Tiffany "pushed for the partnership's creation in 2008 but then neglected it and blocked its development." Tiffany argued that Swatch failed to provide sufficient distribution for the watches.

We don't know the exact reasoning behind the decision, since the ruling is confidential and Schwarz declined to comment, but Tiffany conceded to investors that Swatch's theory of liability carried the day. While Schwarz didn't get everything he was seeking—Swatch wanted more than $4 billion in damages from lost profits—the ruling is still a major win. In a press release, Tiffany said that it was "shocked and extremely disappointed" by the ruling but that it would nonetheless move forward with a new plan to sell Tiffany watches.