

Perfect Fake

A new breed of fraudsters target watch collectors

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 The Swiss watch industry has lived with fakes for centuries, but now a new phenomenon threatens confidence in the brands – the perfect forgery. Since breaking last October, what has become known as the 'Jaquet affair' has left the watch industry in shock. It revealed the unthinkable: the Swiss watch industry itself is forging Swiss watches.





(Top) A seizure of counterfeit watches following the raid of a shop in Taiwan.

(Above) A shop selling counterfeits in South America.

The affair centres on Jean-Pierre Jaquet who has been in custody since 7th October 2003, on charges including robbery, incitement to robbery, receiving stolen goods and forgery.

Jaquet was the manager and majority shareholder of Jaquet SA in La Chaux-de-Fonds – one of the secretive factories that convert kits into high-value watch movements and complications for expensive brands. Its clients include Franck Muller, Girard-Perregaux, the Richemont Group, FP Journe, Eberhart, The British Masters and Quintling. The company is now under new ownership.

Jaquet and 11 other watch industry figures were arrested on the orders of a local magistrate, Sylvie Favre who, since early last year has been investigating the unauthorised production and theft of watch parts, used to make cloned watches. One of those arrested, a former production manager at Franck Muller Watchland was alleged to have had a large number of unauthorised watch parts in his possession. Jaquet is accused of involvement in the theft of \$300,000 worth of genuine gold Rolex watchcases from the Miranda polishing factory in La Chaux-de-Fonds. Earlier this year, a further 10 people were reported to have been held for questioning, and extradition warrants are out for suspects in France and Italy.

Jaquet, known locally as 'The Pharaoh', declares he is innocent, but Judge Favre believes he is at the centre of a widespread watch-counterfeiting network. These are not, however, the sort of back-street fakes you pick up with your suntan. They are collector's pieces, officially retailing at six-figure sums, complete with the correct certificates, numbers, hallmarks and movements. Made on the same machines that produce the genuine watches for the brands, they are indistinguishable from the real thing.

Hard to spot

For forgers, 'reverse engineering' these high-value watches can be a worthwhile enterprise. Laurent Paichot, expert on watch fraud at the Federation of the Swiss Watch Industry FH (*Fédération Horlogère*), describes this as buying one watch and turning it into three that are identical to the original. "Only a few watchmakers in the few countries with long watchmaking traditions have the skills to do this," he reassures. He estimates these forged collector's watches comprise about one percent of fakes, or around 400,000 watches a year – at the top end of the market. All the certificates and guarantees of course accompany such upmarket forgeries. Indeed, last December, a court in Genoa jailed an Italian for making the plates to print false certificates.

The genuine gold Rolex cases that disappeared from Miranda are likely to be on the market



Jaquet is accused of involvement in the theft of \$300,000 worth of gold Rolex watchcases from the Miranda polishing factory

already, holding together thousands of cloned Rolexes. To the counterfeiter, the gold case is the most valuable part of a Rolex – it raises the cost of a Rolex movement fivefold over what it would be in a steel case. Buying legitimate steel Rolexes and 'converting' them to gold is therefore a favourite trick of fraudsters. "Counterfeit Rolex cases made in South America are as good as the originals," observes Osvaldo Patrizzi, head of leading watch auctioneers Antiquorum. "They have Swiss hallmarks, the right numbers, the lot." Watch retailers have been warned against 'customers' who ask to examine an expensive watch, then memorise the serial numbers.

Reputations at stake

Commentators agree that Judge Favre's investigations present a serious threat to the image

of Switzerland's emblematic watch sector – the country's third largest export industry, worth SFr.10 billion a year.

Forty percent of those exports are generated by high-grade mechanical watches, the manufacture of which is a Swiss monopoly. Their value, like that of paper money, depends on confidence. The brand's signature on the dial, with its guarantee that this is the authentic article, is what elevates the manufacturing cost of a few hundred dollars into a retail price of tens of thousands.

However, Daniel Pasche, President of the FH, says damage to the image of the industry is so far limited. "Although the Swiss press made a lot of noise about it, few people outside the trade in other parts of the world have heard about it."

Makers' certificates of authenticity are becoming increasingly required for investment-grade watches.



On 14th October 2003, more than 400,000 counterfeit watches were destroyed in Dubai, ending an operation started by the FH over a year ago. The counterfeiters themselves had to witness the destruction of the contraband goods, having assembled the watches and handing them to experts of the municipality, who crushed them with a bulldozer.

(Left) A seizure of forged watches from Argentina. (Right) Destruction of counterfeits seized by the FH in Bangkok, Thailand, August 2002.

Sorry, Your Watch is a Fake

Few companies have more to lose from being tricked by counterfeiters than Antiquorum, the horological auctioneers founded by Osvaldo Patrizzi. Antiquorum is where some of the world's most expensive watches are consigned for sale. It shines as a beacon of trust in the watch trade; the focus of big-ticket watch-moths from around the globe. To let slip a fake would spell disaster.

Antiquorum is now rejecting one watch in five because of fakes. "The number of fakes has grown considerably with the rise in prices over the last two or three years," explains Patrizzi.

Most of the money is in the complicated wristwatches made between the 1920s and '70s by big brands such as Patek Philippe, Rolex and Breguet. Bids exceeding SFr.1 million are no longer uncommon for such pieces.

Many original movements from complicated wristwatches managed to survive the slump of the 1930s and '40s, when

they failed to find buyers and their gold cases were scrapped. The possibility that cases and dials for such movements have been manufactured and artificially aged is subject to Antiquorum's special vigilance. "It's relatively easy to tell whether the movement is genuine," says Patrizzi. "The determining factors are cases and dials." High-resolution photography and laser technology can now recreate a near-perfect hand-finish. "We've had to double our inspection cycle," he says.

An expert examines each watch, writing a detailed description. A second expert checks whether the description matches the watch. They analyse machining traces, thickness of the metals and the ink on the dials using techniques that detect manufacturing anachronisms. They weigh the cases and check their weight against the original manufacturing specifications.

"Each period of watchmaking has its own style, materials and tools, and it is very difficult to replicate them today," says Patrizzi. "The machines that make the extra-thin, gold cases of the '40s, for

example, no longer exist. The alloys have changed. Watches from the '40s age differently to watches of other eras."

Antiquorum provides a label of authenticity for the brands themselves. An exclusive Antiquorum catalogue is seen as a brand's certificate of trust and admission to the top league. ●



Frédérique Constant is the first watch manufacturer to implement a new technique against counterfeiting. Genuine Frédérique Constant watches have invisible marks that only show up under ultra-fluorescent light. Silver dials – as pictured here – will show the limited edition number at 10 o'clock.

Despite leaks to the press, the investigation is being conducted in secrecy. Judge Favre declines to disclose how many people are still detained in connection with her investigations, who they are or what they are charged with, invoking Swiss secrecy laws.

Jaquet's lawyer, Freddy Rumo says he is appealing to the Swiss supreme court against his client's continued detention. He estimates that seven or eight people are still in jail on Judge Favre's orders, but that they have nothing to do with the charges against Jaquet. He believes that Jaquet's identity was deliberately leaked to the press to discredit him. He does not expect a trial for another two to three years. "I think the investigation might be running out of steam," he declared.

Resistance

The watch establishment has been especially loud this year in its condemnation of foreign-made fakes. Jean-Jacques Duchêne, President of the BASELWORLD exhibitors' committee devoted

a third of his keynote speech at the opening of this year's fair to the scourge of brand piracy, estimating the world production of counterfeit watches at 40 million units a year, valued at more than €7 billion. Duchêne is also a director of Rolex Promotion SA, the marketing and distribution arm of the most successful – and most faked – watch brand.

The Richemont Group, which includes brands with strong and easily faked identities (Cartier, Panerai, Montblanc), has also clamped down on forgeries. From 2000, it mounted an elaborate sting operation to expose a counterfeiting network in New York and Hong Kong.

Unlike the global fake, the forged watch is a potentially lethal virus. Since it can only be produced in Switzerland, it could theoretically be stamped out. But at what cost? If justice is seen to be done, the consequent revelations of the inner workings of the watch industry could do incalculable damage to consumer confidence in the brands. ●

Further information: All images, excluding Rolex and Frédérique Constant photos are courtesy of the Federation of the Swiss Watch Industry FH (Fédération Horlogère): www.fhs.ch