



ICLG

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Rachel Williams
Caroline Collingwood

CEO

Dror Levy

Group Consulting Editor

Alan Falach

Publisher

Rory Smith

Published by

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59 Tanner Street
London SE1 3PL, UK
Tel: +44 20 7367 0720
Fax: +44 20 7407 5255
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General Chapters:

| | | |
|---|---|----|
| 1 | The Use of Personal Data in the Commercial Aviation Industry – Alan D. Meneghetti & Yasmin Roland, Katten Muchin Rosenman UK LLP | 1 |
| 2 | Investing in Mid-Life Aviation Assets – Philip Perrotta, K&L Gates LLP | 6 |
| 3 | EU Law: Passenger Rights & Protections – Anna Anatolitou, Ince & Co LLP | 11 |
| 4 | Compensation for Non-Pecuniary Losses in Wrongful Death Cases: Addressing the Global Inconsistency – Marc S. Moller & Justin T. Green, Kreindler & Kreindler LLP | 16 |
| 5 | Regulations on Drone Flights in Japan – Hiromi Hayashi & Koji Toshima, Mori Hamada & Matsumoto | 21 |
| 6 | WALA: 10 Years of Growth in the Airport Sector – Alan D. Meneghetti & Michael Siebold, Worldwide Airports Lawyers Association (WALA) | 25 |
| 7 | Liability for Damage in International Civil Aviation from a GNSS Perspective – Pablo Mendes de Leon, Leiden University | 28 |

Country Question and Answer Chapters:

| | | | |
|----|-------------------------------|---|-----|
| 8 | Argentina | Freidenberg, Freidenberg & Lifsic: Elizabeth Mireya Freidenberg | 33 |
| 9 | Austria | Kubes Passeyrer Attorneys at Law: Dr. David Kubes & Mag. Tina Vollmann | 42 |
| 10 | Belgium | Monard Law: Birgitta Van Itterbeek & Tine Bogaerts | 49 |
| 11 | Brazil | ASBZ Advogados: Guilherme Amaral & Beatriz Giacomini | 58 |
| 12 | British Virgin Islands | The Maples Group: Michael Gagie & Rebecca Lee | 64 |
| 13 | Canada | Dentons Canada LLP: Robert Quon & Stacy Shields | 71 |
| 14 | Cayman Islands | The Maples Group: Sherice Arman & Shari McField | 79 |
| 15 | Colombia | Gongora Reina & Associates: Jorge Góngora | 86 |
| 16 | Denmark | IUNO: Aage Krogh | 93 |
| 17 | France | Clyde & Co: Maylis Casati-Ollier & Benjamin Potier | 99 |
| 18 | Germany | Urwantschky Dangel Borst PartmbB: Rainer Amann & Claudia Hess | 108 |
| 19 | India | Lakshmikumaran & Sridharan: Neeraj Dubey & Rohit Subramanian | 117 |
| 20 | Ireland | The Maples Group: Donna Ager & Mary Dunne | 126 |
| 21 | Israel | Gross Orad Schlimoff & Co. (GOS): Omer Shalev | 137 |
| 22 | Italy | Studio Pierallini: Laura Pierallini & Francesco Grasseti | 146 |
| 23 | Japan | Mori Hamada & Matsumoto: Hiromi Hayashi | 155 |
| 24 | Malaysia | Azmi & Associates: Norhisham Abd Bahrin & Nazran Arvind Bin Nahdan Rengganathan | 164 |
| 25 | Malta | Dingli & Dingli Law Firm: Dr. Tonio Grech | 173 |
| 26 | Mexico | Cervantes Sainz, S.C.: Luis A. Cervantes Muñoz & Alejandro Zendejas Vázquez | 180 |
| 27 | Nigeria | Banwo & Ighodalo: Kashimana Tumba & Tenilola Olowu | 187 |
| 28 | Pakistan | Kabraji & Talibuddin: Syed Ali Bin Maaz & Mubeena Sohail Ellahi | 194 |
| 29 | Panama | Arias, Fabrega & Fabrega: Roy C. Durling & Sofia J. Cohen | 203 |
| 30 | Romania | Furtună și Asociații: Mihai Furtună & Ioana Anghel | 209 |
| 31 | Russia | AEROHELP Law Office: Oleg Aksamentov & Ilona Tsimbal | 218 |

Continued Overleaf →

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Country Question and Answer Chapters:

| | | | |
|----|-----------------------|---|-----|
| 32 | South Africa | Christodoulou & Mavrikis Inc.: Chris Christodoulou & Antonia Harrison | 227 |
| 33 | Sweden | IUNO: Aage Krogh | 235 |
| 34 | Switzerland | VISCHER AG: Urs Haegi & Dr. Thomas Weibel | 241 |
| 35 | Thailand | Weerawong, Chinnavat & Partners Ltd.: Nattaporn Pengkul | 250 |
| 36 | United Kingdom | Katten Muchin Rosenman UK LLP / K&L Gates LLP: Alan D. Meneghetti & Philip Perrotta | 256 |
| 37 | USA | LeClairRyan PLLC: Diane Westwood Wilson & Rebecca Tingey | 270 |

Switzerland

Urs Haegi



Dr. Thomas Weibel



VISCHER AG

1 General

1.1 Please list and briefly describe the principal legislation and regulatory bodies which apply to and/or regulate aviation in your jurisdiction.

The Swiss Federal Office of Civil Aviation (FOCA) is the supervision authority responsible for safety (aircraft, flight operations, and infrastructure) and for aviation policy and strategy issues.

Civil Aviation is regulated by two sources: domestic law; and international treaties.

Domestic law

The main enactments are:

- **The Federal Civil Aviation Act (FCAA)**
The FCAA is the “basic law” concerning civil aviation in Switzerland. Based on the FCAA, many Ordinances have been enacted by the government, i.e., the Swiss Federal Council, and the Department of the Environment, Transport, Energy and Communication (DETEC).
- **The Federal Act on the Aircraft Records Register**
See question 2.2 below.

International law

There are about 180 bilateral and multilateral treaties. The main sources are:

- The Convention on International Civil Aviation (Chicago Convention).
- The Agreement between the European Community and the Swiss Confederation on Air Transport (“EU-CH Agreement”), which entered into force on 1 June 2002.

Based on the EU-CH Agreement, Switzerland has adopted the relevant civil aviation regulation in the European Union.

Federal legislative texts are freely available in German, French, and Italian on www.admin.ch (Federal law/Classified compilation).

1.2 What are the steps which air carriers need to take in order to obtain an operating licence?

For an operating licence for a commercial operator to transport passengers and/or cargo with an aircraft, air carriers are required to:

1. Hold an AOC from the competent national Civil Aviation Authority (Regulation (EC) No 1008/2008).
2. File with FOCA the Application Form for an Operating Licence (Form 49.05; at least 30 days prior to the intended

launch date of commercial operation and before the expiry date of the existing operation licence, respectively), including appendices:

- a) certificate on the Swiss or the European character of the company (Form 54.045 including appendices);
 - b) leasing or management agreements for the respective aircraft;
 - c) aircraft list (registration marks, type of aircraft, seating capacity);
 - d) evidence of own flight crews;
 - e) tenancy agreement for the office of the operation department (Post Holder Flight Operations);
 - f) business plan for two operational years;
 - g) certified balance sheet, income statement, auditor’s report; and
 - h) opening balance sheet and financial plan (budget).
3. File with FOCA certain corporate documents (articles of association, extract from the commercial register, certified copy of the shareholders’ register, organisational chart with information on Board and management).
 4. File with FOCA an extract from the debt collection and bankruptcy register (*Betriebsregisterauszug*) regarding the CEO, the CFO, and the accountable manager.

Carriers with an EU/EFTA operating licence do not need a separate Swiss operating licence in addition (see Form 49.10). Apart from the AOC and the EU/EFTA operating licence, they have to file the following documentation:

1. liability insurance for passengers, baggage, and cargo;
2. security programme;
3. list of aircraft used on routes from and to Switzerland (Form 49.06; if required by FOCA);
4. schedule (Form 49.01);
5. contact information (e.g., handling agent in Switzerland);
6. contact person within the airline concerning Regulation (EC) No 261/2004 issues, i.e., compensation and assistance to passengers (Form 49.03; for FOCA use only);
7. tariffs for the scheduled flights (Form 49.02);
8. declaration of reciprocity for services in the fifth or seventh freedom to destinations outside the EU/EFTA issued by the competent national Civil Aviation Authority; and
9. request for a Route Licence (Form 49.04).

Non-EU/EFTA carriers (see Form 49.07) are subject to further disclosure duties as set out in Form 49.12 (Operating Permit Questionnaire).

1.3 What are the principal pieces of legislation in your jurisdiction which govern air safety, and who administers air safety?

Switzerland has adopted Regulation (EC) No 216/2008 of the European Parliament and of the Council of 20 February 2008 on common rules in the field of civil aviation and establishing a European Aviation Safety Agency. It is the main source of Swiss aviation safety legislation. EASA Rules on Air Operations (OPS) and Implementing Rules (IR) will be applicable in Switzerland. Furthermore, Switzerland has implemented safety management systems as provided for in ICAO Annexes 6, 11 and 14.

The FOCA administers air safety in Switzerland.

1.4 Is air safety regulated separately for commercial, cargo and private carriers?

No, it is not.

1.5 Are air charters regulated separately for commercial, cargo and private carriers?

No. The Swiss Federal Administrative Court has, however, accepted that the operational regulation of Zurich Airport stipulates a departure prohibition after 10 p.m. solely applicable to air charters (DFAC 2011/19).

1.6 As regards international air carriers operating in your jurisdiction, are there any particular limitations to be aware of, in particular when compared with 'domestic' or local operators? By way of example only, restrictions and taxes which apply to international but not domestic carriers.

No. Airport concession holders are obliged to grant access to all national and international airlines entitled to fly to Switzerland (Art. 36a of the Federal Civil Aviation Act). Any restrictions must be detailed in the operational regulation of the airport and must not be discriminatory. The operational regulation is subject to FOCA approval.

1.7 Are airports state or privately owned?

Both models exist. Zurich Airport is owned by a publicly traded company (at least 1/3 of the shares of which the canton of Zurich is legally bound to hold), whereas EuroAirport Basel-Mulhouse-Freiburg and Geneva Airport are owned by public corporations.

1.8 Do the airports impose requirements on carriers flying to and from the airports in your jurisdiction?

Yes. The most notable requirement is the payment of airport charges (Art. 39 of the Federal Civil Aviation Act). In addition, every airport has its own operational regulation which can contain certain requirements regarding safety, environmental issues, noise protection, slots, etc.

1.9 What legislative and/or regulatory regime applies to air accidents? For example, are there any particular rules, regulations, systems and procedures in place which need to be adhered to?

The Swiss Transportation Safety Investigation Board (STSB) is the state authority of the Swiss Confederation having a mandate to investigate accidents and dangerous incidents involving, *inter alia*, aircraft.

The principal legislation relating to the investigation of air accidents includes:

- Art. 26 and Annex 13 of the Chicago Convention;
- Regulation (EU) No 996/2010 of the European Parliament and of the Council of 20 October 2010 on the investigation and prevention of accidents and incidents in civil aviation;
- Regulation (EU) No 376/2014 of the European Parliament and of the Council of 3 April 2014 on the reporting, analysis and follow-up of occurrences in civil aviation;
- Art. 22 *et seq.* of the Federal Civil Aviation Act; and
- Ordinance on Aviation Accidents and Severe Incidents.

Any accident or severe incident must be reported to the STSB immediately.

1.10 Have there been any recent cases of note or other notable developments in your jurisdiction involving air operators and/or airports?

Recently, Switzerland has seen several cases of air carriers once again being temporarily or permanently relieved of their operating licence, due to their inability to show sufficient economic viability.

In late August 2018, SkyWork Airlines Ltd (SkyWork) announced its bankruptcy and ceased its operations. Insolvency proceedings were initiated on 6 September 2018. The FOCA had already declared in October 2017 that the operating licence of 'SkyWork' would only remain valid until the end of October 2017, as SkyWork had not been able to guarantee the financing for its winter flight plan for 2017/2018.

The second case concerned the air carrier Darwin Airline Ltd (Darwin) that – after takeover by Slovenian carrier Adria Airways following Etihad's exit in summer 2017 – operated under the name Adria Airways Switzerland. After Darwin had filed for a moratorium (*Nachlassstundung*) on 27 November 2017, the FOCA annulled Darwin's operating licence on 28 November 2017. As the annulment only concerns the operating licence, Darwin is still permitted to operate flights on behalf of other air carriers (wet-lease).

Further, at end of October 2017, Belair Airlines Ltd (Belair) followed its bankrupt parent company, Air Berlin, after the main shareholder, Etihad, had withdrawn financial support. Apparently, insolvency-related legal issues effectively prevented Belair from being sold to an investor. As it ceased operations and was finally put into liquidation, Belair had to return its operating licence to the FOCA.

On 3 September 2018, Zurich Airport published a media release stating that its safety zone plan, which stems from the year 1978, does no longer comply with the ICAO requirements and was thus revised. The plan is currently subject to public consultation.

On 16 August 2017, the Swiss Federal Council approved the signing of an agreement aimed at linking the Swiss and European aviation emission trading scheme (ETS) systems. Once the agreement is signed, and as emissions generated by aviation will be included under the joint ETS system, the linkage will offer Swiss aviation companies who operate flights from Switzerland to the EEA and/or within Switzerland the possibility to trade with the corresponding emissions throughout the European ETS system.

2 Aircraft Trading, Finance and Leasing

2.1 Does registration of ownership in the aircraft register constitute proof of ownership?

No. The Swiss Aircraft Register (*Luftfahrzeugregister*) relates to the administrative registration of the aircraft (permit to fly, airworthiness certificate, noise type certificate, nationality of ownership, call sign, etc.). Although the owner is registered in the Aircraft Register, the certificate of registration does not constitute proof of ownership. In addition, aircraft can be registered in the Swiss Aircraft Record (*Luftfahrzeugbuch*), which registration constitutes proof of ownership.

2.2 Is there a register of aircraft mortgages and charges? Broadly speaking, what are the rules around the operation of this register?

Yes; ownership and mortgages can be registered in the Aircraft Record (*Luftfahrzeugbuch*). In respect of ownership, the registration is voluntary.

Registration of any right will only be made upon application by the owner and is only permissible for aircraft already registered in the Aircraft Register. Mortgages can only be set up, and will only become effective, upon registration in the Aircraft Record. Any entry will first be published in the Swiss Official Gazette of Commerce (SOGC) and is subject to an objection period of 30 days. This 30-day period has to be borne in mind in any aircraft financing project. The Swiss FOCA, which runs the Aircraft Record, is rather swift in handling the applications. Requests are usually handled within a few days.

Once a right is registered in the Aircraft Record, it can only be altered or deleted by amending the respective registration. In other words, once registered in the Aircraft Record, any transfer of ownership by necessity requires an amendment of the registration.

2.3 Are there any particular regulatory requirements which a lessor or a financier needs to be aware of as regards aircraft operation?

Mortgages

Certain claims are granted priority over a registered mortgage, although Swiss legislation is more restrictive than foreign law when it comes to accepting preferred security rights (see Art. 47 of the Federal Act on the Aircraft Records Register). There are no maintenance or mechanic's priority rights.

Leases

The lessee of an aircraft can be registered in the Aircraft Register, assuming that all the other requirements for a registration in the Aircraft Register (apart from legal ownership) are fulfilled. In the case of long-term lease agreements under which a Swiss lessee operates the aircraft, a non-Swiss owner may also be registered in

the Aircraft Register. Furthermore, lease agreements with a period of validity of more than six months can be registered in the Aircraft Record (*Luftfahrzeugbuch*). Such registration gives the lessor and the lessee priority over all rights and agreements recorded subsequently (except for statutory liens). However, the lessor may unilaterally allow the registration of a mortgage, unless this is explicitly excluded in the lease agreement.

2.4 As a matter of local law, is there any concept of title annexation, whereby ownership or security interests in a single engine are at risk of automatic transfer or other prejudice when installed 'on-wing' on an aircraft owned by another party? If so, what are the conditions to such title annexation and can owners and financiers of engines take pre-emptive steps to mitigate the risks?

Pursuant to Art. 22 para. 1 of the Federal Act on the Aircraft Records Register, engines that are specifically designated as such and registered jointly with an aircraft in the Aircraft Record are deemed to be part of such aircraft, regardless of whether they are installed 'on-wing' or not. Furthermore, there is the possibility of specifically excluding an engine from a registration, which will render its fate independent from that of the aircraft. By consequence, if an engine is registered along with an aircraft in the Aircraft Record, a mortgage on the aircraft will also affect the engine. If this is not desired, the engine must be specifically excluded when registering the aircraft in the Aircraft Record.

2.5 What (if any) are the tax implications in your jurisdiction for aircraft trading as regards a) value-added tax (VAT) and/or goods and services tax (GST), and b) documentary taxes such as stamp duty; and (to the extent applicable) do exemptions exist as regards non-domestic purchasers and sellers of aircraft and/or particular aircraft types or operations?

The key question with respect to VAT handling of aircraft transactions in Switzerland (sale/purchase/lease) is whether the aircraft in question is imported into Switzerland and, if so, whether an exemption based on Art. 23 para. 2 no. 8 and Art. 53 para. 1(e) of the Federal Law on Value Added Tax (VATL) applies. If a Swiss registered aircraft is imported into Switzerland by a Swiss-domiciled international air-carrier who professionally operates transportation or chartered air traffic, and whose turnover from international flights exceeds that of domestic air traffic, the sale, purchase, or lease as well as a list of other services provided to such air-carrier may be exempt from VAT pursuant to Art. 53 para. 1(e) in connection with Art. 23 para. 2 no. 8 VATL. The Federal Tax Administration maintains a list of carriers domiciled in Switzerland who qualify for such exemptions. Foreign air-carriers who are able to demonstrate that they comply with the requirements of Art. 23 para. 2 no. 8 VATL may also, under certain circumstances, apply for VAT exemptions on certain services. If an aircraft is imported by any other person/company who is not exempted, VAT is applied to any sale, purchase, or lease transaction involving the aircraft. The same applies for any aircraft imported into Switzerland and sold, purchased, or leased to a party (other than a commercial carrier exempted from VAT pursuant to Art. 23 para. 2 no. 8 VATL), regardless of whether the parties involved in the transaction are foreign parties and the aircraft is situated outside of Switzerland. Aircraft that are not imported into Switzerland (e.g., when staying under custom supervision in connection with maintenance and repair) are generally not subject to Swiss VAT on imports. Similar rules apply, due to various multilateral agreements (e.g., GATT or the Free Trade Agreement with EU and EFTA) to

customs duty; accordingly, the import of aircraft or of spare parts is exempted from customs duty if such an agreement is applicable.

2.6 Is your jurisdiction a signatory to the main international Conventions (Montreal, Geneva and Cape Town)?

Chicago Convention 1944

Switzerland ratified the Convention on 6 February 1947, prior to its effective date of 4 April 1947.

Geneva Convention 1948

Switzerland ratified the Convention on 3 October 1960, prior to its effective date of 1 January 1961.

Montreal Convention 1999

Switzerland ratified the Convention on 7 July 2005, prior to its effective date of 5 September 2005.

Cape Town Convention 2001

The Convention has so far not been ratified by Switzerland.

2.7 How are the Conventions applied in your jurisdiction?

As Switzerland follows the so-called monistic system, international treaties are incorporated into the Swiss legal order without further legislation. A treaty can be directly applicable (“self-executing”) provided that its provisions are litigable, i.e., its content must be sufficiently precise and clear to constitute the basis for a decision in a specific case.

2.8 Does your jurisdiction make use of any taxation benefits which enhance aircraft trading and leasing (either in-bound or out-bound leasing), for example access to an extensive network of Double Tax Treaties or similar, or favourable tax treatment on the disposal of aircraft?

There is no specific benefit available to profits achieved by way of aircraft trading or leasing. Under the current tax legislation, however, a company that trades with aircrafts abroad, i.e., whose turnover is basically achieved abroad, may qualify for the mixed company privilege; as a result, the profits from aircraft trading will be taxed at less than 10%, depending on the canton of domicile. This tax status will be abolished in the course of the termination of the existing ring fencing schemes, as part of the so-called Tax Proposal 17, which is currently under discussion in the Swiss Parliament. The new law is likely to enter into force in 2020 or 2021. A company that currently benefits from a special tax status will be eligible for doing a tax neutral step up on its assets in the difference between book value and fair market value. Any such hidden reserves will benefit from a preferred tax rate if realised within five years after the new law will have entered into force. Whether or not an aircraft trading or leasing company will be eligible for such step up, i.e., whether or not it has such hidden reserves, will have to be determined in any specific case, based on a state of the art valuation report.

3 Litigation and Dispute Resolution

3.1 What rights of detention are available in relation to aircraft and unpaid debts?

Pursuant to Art. 80 *et seq.* of the Federal Civil Aviation Act, a creditor, a mortgagee, or the owner (e.g., the lessor) of an aircraft can apply for seizure of the aircraft even if the claimant cannot

produce an enforceable title. However, the following aircraft shall not be subject to seizure:

1. governmental aircraft (which are designated or actually used by public authorities on an exclusive basis);
2. aircraft actually in service on scheduled flights of a public carrier (and its reserve aircraft); and
3. any other passenger or cargo aircraft ready to depart in such transportation, unless the debt for which the seizure is requested was incurred for, or has become due in the course of, that specific leg.

3.2 Is there a regime of self-help available to a lessor or a financier of an aircraft if it needs to reacquire possession of the aircraft or enforce any of its rights under the lease/finance agreement?

No, this is not admissible under Swiss law (other than under the Cape Town Convention).

3.3 Which courts are appropriate for aviation disputes? Does this depend on the value of the dispute? For example, is there a distinction in your jurisdiction regarding the courts in which civil and criminal cases are brought?

There are no special courts (of any type) for aviation disputes.

Civil proceedings

Civil claims in relation to aviation disputes must be brought before the ordinary civil courts. Four cantons (Aargau, Bern, St. Gallen, and Zurich) have specialised commercial courts competent if (i) the dispute is to be considered a commercial dispute, and (ii) the value threshold of CHF 30,000 is exceeded, which will, in aviation disputes, almost invariably be the case.

Debt enforcement

Enforcement of mortgages is carried out by the competent Debt Enforcement and Bankruptcy Office (*Betreibungsamt*). The same applies to the enforcement of financial claims if the creditor is in possession of an enforceable title. If he does not hold such title, he may still initiate the enforcement procedure; however, in such cases the debtor may raise objection against the enforcement, and the creditor will then have to obtain a court order before being able to proceed with the enforcement procedure.

Criminal proceedings

Criminal charges are handled by the competent public prosecutors and criminal courts, respectively.

Administrative proceedings

Rulings (*Verfügungen*) by a federal authority (e.g., FOCA) can be challenged in administrative proceedings before the Swiss Federal Administrative Court.

3.4 What service requirements apply for the service of court proceedings, and do these differ for domestic airlines/parties and non-domestic airlines/parties?

Service on domestic (Swiss) defendants is made via post (registered mail) or in person by court bailiffs. Defendants in jurisdictions with which Switzerland has concluded a Treaty dealing with the service of documents (in particular, the Hague Conventions) are served according to the standards provided for in the respective Treaty. Defendants in all other jurisdictions will be served with documents via consular or diplomatic channels.

However, only the document instituting the proceedings (or its equivalent) must be served upon foreign defendants via these channels (and, thus, usually in a translated version). Foreign defendants are invited, according to Art. 140 of the Civil Procedure Rules, to appoint a Swiss domiciled recipient – usually a law firm – for all future communications. Defendants who fail to do so are served via publication in newspapers or the Swiss Official Gazette of Commerce (SOGC), which often results in default judgments. Communications from courts must therefore invariably be taken seriously.

3.5 What types of remedy are available from the courts or arbitral tribunals in your jurisdiction, both on i) an interim basis, and ii) a final basis?

Interim basis

Seizure of aircraft pursuant to Art. 80 *et seq.* of the Civil Aviation Act (see question 3.1): even if the court is *ex officio* held to take all the necessary precautions to make sure that the seizure will have effect, it may still be advisable to explicitly request the court to deliver a notice of seizure to the Aircraft Register (FOCA), to Skyguide, to the airport where the aircraft is currently positioned, and to the owner of the aircraft (if the seizure was not directed against him, but, e.g., against a lessee). On the rare occasion that the rules on the seizure of aircraft are not applicable, a freezing injunction (*Arrest*), as provided for in the Debt Enforcement and Bankruptcy Act, may be obtainable.

Arbitral tribunals: if a dispute is subject to arbitration, the creditor may choose to apply for seizure at the state court or at the arbitral tribunal. The arbitral tribunal is only competent to grant injunctions such as a seizure once it has been constituted; the Swiss Rules on International Arbitration therefore provide for the appointment of an Emergency Arbitrator.

Final basis

A court judgment or arbitral award can order specific performance of contractual or other duties, award compensation for damages, or can be a declaratory judgment.

3.6 Are there any rights of appeal to the courts from the decision of a court or arbitral tribunal, and, if so, in what circumstances do these rights arise?

Yes, decisions from a court of first instance can be appealed.

A brief overview (exceptions are not mentioned):

Civil proceedings

Decisions of state courts in civil proceedings can be challenged. The appeal has to be filed with the upper cantonal court, whose decision can then be appealed before the Swiss Federal Supreme Court. However, decisions of commercial courts (see above, question 3.3) are not subject to appeal before an upper cantonal court; they can only be appealed before the Swiss Federal Supreme Court.

Criminal proceedings

Decisions of state courts in criminal proceedings can be challenged. The appeal has to be filed with the upper cantonal court, whose decision can then be appealed before the Swiss Federal Supreme Court.

Administrative proceedings

Decisions rendered by the Federal Administrative Court can be appealed before the Swiss Federal Supreme Court.

Arbitral proceedings

Arbitral awards can only be appealed on the basis of very limited grounds, e.g., if certain procedural rights such as the right to equal treatment, the right to be heard, or the Swiss *ordre public* have been violated.

Switzerland is a Member State of the New York Convention on the enforcement of arbitral awards.

4 Commercial and Regulatory

4.1 How does your jurisdiction approach and regulate joint ventures between airline competitors?

All agreements between undertakings, decisions by associations of undertakings, and concerted practices, including joint-ventures, which may affect trade between Switzerland and the EC and which are aimed at, or result in, the prevention, restriction or distortion of competition within the territory covered by the Agreement between the European Community and the Swiss Confederation on Air Transport (EU-CH Agreement), are prohibited. Contravening decisions or agreements are null and void. Exemptions are possible under the conditions foreseen by the EU-CH Agreement.

This wording, as provided for in Art. 8 of the EU-CH Agreement, corresponds to the applicable EU competition law (Art. 101 and 102 of the Treaty on the Functioning of the European Union (TFEU)). Switzerland has therefore, in fact, adopted the EU competition law.

On 1 December 2014, the Agreement between the European Union and the Swiss Confederation concerning cooperation on the application of their competition laws came into force. It facilitates and strengthens the cooperation between European and Swiss authorities.

4.2 How do the competition authorities in your jurisdiction determine the ‘relevant market’ for the purposes of mergers and acquisitions?

According to the EU-CH Agreement, the European Union institutions and not the Swiss competition authorities are competent to control concentration between undertakings (the “one-stop-shop principle”). The Swiss authorities only remain competent if the thresholds, as defined in the EC Merger Regulation, are not reached (i.e., generally, a combined aggregate worldwide turnover of EUR 5 billion and an aggregate EU-wide turnover of each of at least two of the undertakings concerned of more than EUR 250 million).

Therefore, in most cases, the relevant market is not to be determined by Swiss authorities but by the EU institutions.

In the rare cases that remain within the Swiss competence, the relevant market is determined based upon the “O&D” approach (“point of origin/point of destination”) as applied by the EU Commission. This approach is applied both to charter and scheduled airlines (see LPC 2008/4, p. 677).

4.3 Does your jurisdiction have a notification system whereby parties to an agreement can obtain regulatory clearance/anti-trust immunity from regulatory agencies?

Again, in most cases the EC Merger Regulation will apply (see above, question 4.2). However, if Swiss law applies, the answer is yes, the Swiss Cartel Act provides for a notification system.

4.4 How does your jurisdiction approach mergers, acquisition mergers and full-function joint ventures?

See above, question 4.1.

4.5 Please provide details of the procedure, including time frames for clearance and any costs of notifications.

Notification of a planned concentration of undertakings must be made to the Swiss Competition Commission (COMCO). The commission then has to decide within one month whether an examination is to be initiated. During that month, the concentration must not be implemented. After expiration of the one-month period, the applicant will receive either a clearance or the information that an investigation will be initiated. If no such notice is given within that time period, the concentration may be implemented without reservation.

In the event of an investigation being initiated, the Competition Commission must decide within a four-month period whether the concentration will be cleared.

The legal effect of a concentration that has to be notified is suspended.

For the preliminary investigation of one month, the Secretariat of the COMCO charges a flat fee of CHF 5,000. For the in-depth investigation, filing fees are charged on a time-spent basis. The hourly rates are between CHF 100 and CHF 400, depending on the urgency of the case and the level of seniority of the case-handlers.

4.6 Are there any sector-specific rules which govern the aviation sector in relation to financial support for air operators and airports, including (without limitation) state aid?

Yes. The EU-CH Agreement stipulates an aviation-specific aid scheme (Art. 13). This scheme corresponds almost literally to the regulation in the EU (Art. 107 TFEU).

As a general rule, the EU-CH Agreement prohibits state aid which distorts or threatens to distort competition. Exceptions are provided for in the EU-CH Agreement.

The decision as to whether state aid is permissible under the aforementioned regulations lies with the Swiss authorities, who are obliged to inform the EU authorities on such aid. Although not expressly provided for in the Agreement, the Swiss authorities are likely to follow the recent practice of the European Union (see the 2014 Aviation Guidelines of the EU Commission, OJ C 99, 4 April 2014, pp. 3 to 34).

4.7 Are state subsidies available in respect of particular routes? What criteria apply to obtaining these subsidies?

The criteria are set out in Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community, which is also applicable in Switzerland.

Subsidies for particular routes may be granted to an undertaking carrier operating a particular route under a public service obligation, as provided for in Art. 16 *et seq.* of the Regulation. Before deciding on such a public service obligation, the other Member States, the EU Commission, the airports concerned, and other air carriers operating on that particular route must be consulted.

4.8 What are the main regulatory instruments governing the acquisition, retention and use of passenger data, and what rights do passengers have in respect of their data which is held by airlines and airports?

General rules

The main regulatory instrument in Switzerland governing the acquisition, retention and use of (passenger and other) data is the Federal Act on Data Protection (FADP). The FADP embodies fundamental rules concerning the processing of personal data by both the public and the private sector. The FADP is currently under revision and shall, to a large extent, be adapted to the level of protection provided by the Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR), which entered into effect on 25 May 2018. The GDPR is not only directly applicable in the EU, but has extraterritorial application to any entity outside the EU that is either established within the EU or that targets data subjects in the EU.

Under both regulations, the data subject generally has the right to access and to correct false, incomplete, or erroneous data. Under certain circumstances, the data subject can also request deletion of his or her personal data. The collection of the data and the purpose for which it is processed must be readily identifiable by the person concerned and the data subject must be actively informed if particularly sensitive personal data is involved. Violations of the FADP and the GDPR can lead to criminal proceedings and high fines. Furthermore, the data subject enjoys all remedies generally available under civil procedure rules (i.e., injunctions, right to restitution, or right to claim damages).

Aviation-specific rules

Aviation-specific rules are, for one, incorporated in the Federal Act on Foreign Nationals (FNA). According to the Schengen and Dublin Association Agreements, the Council Directive 2004/82/EC of 29 April 2004 on the obligation of carriers to communicate passenger data is applicable in Switzerland. The Directive was implemented in the FNA, which was significantly revised in 2014. The State Secretariat for Migration (SEM) determines the flights for which air carriers are required to transmit the personal data of the passengers (see Art. 104 FNA). The affected carriers must transmit the Advance Passenger Information (API) of all passengers to the Swiss authorities. Details on how and where the data is to be delivered can be found under www.bfm.admin.ch/dam/data/bfm/eu/schengen-dublin/apischnittstellenspezie.pdf.

Further, the Federal Customs Administration can oblige the carriers and airport operator to transmit personal data of the passengers for up to six months after the transport was carried out (see Art. 151 of the Customs Ordinance). The affected carriers or airport operators are obliged to transmit the name, first name, address, date of birth, passport number, places of origin, transit and final destination of the passengers as well as the name of the travel agency who booked the flights (if applicable).

Art. 21f FCAA stipulates that passenger data must be made available by carriers to the competent prosecution authorities upon their request for up to six months after the transport has been carried out. The personal data concerned encompasses the name, last name, address, date, time and number of the flight, places of origin, transit and final destination of the passengers, data on any accompanying persons, information on the payment method used as well as the name of the travel agency who booked the flight (if applicable).

4.9 In the event of a data loss by a carrier, what obligations are there on the airline which has lost the data and are there any applicable sanctions?

The FADP (see question 4.8 above) imposes the obligation on any entity which collects data to put in place adequate security measures against data loss. If the loss of data is caused by insufficient security measures, the carrier may become liable for damages.

Unauthorised access to sensitive data can be prosecuted.

4.10 What are the mechanisms available for the protection of intellectual property (e.g. trademarks) and other assets and data of a proprietary nature?

Intellectual property rights are enforced by court action. Each of the 26 cantons of Switzerland has a single cantonal instance with overall jurisdiction for intellectual property and related disputes. In the cantons of Aargau, Bern, St. Gallen, and Zurich, competence lies with the commercial court.

A separate, exclusive jurisdiction has been granted to the newly created (2012) Federal Patent Court, as the first instance for patent disputes, including action for infringement and claims concerning the existence or validity of a patent. For other civil actions related to patents, the cantonal courts have concurrent jurisdiction.

An important and effective tool to efficiently prevent acts of infringement under intellectual property law is injunctive relief. If certain conditions can be demonstrated, a court injunction can be obtained relatively quickly. The claimant must demonstrate a valid cause of action, an infringement, a resulting disadvantage that cannot be readily remedied, and urgency. Injunctive relief must be confirmed in the framework of subsequent ordinary court proceedings unless the parties settle.

Furthermore, intellectual property infringements may constitute a criminal offence.

4.11 Is there any legislation governing the denial of boarding rights and/or cancelled flights?

Switzerland has adopted Regulation (EC) No 261/2004 regarding passenger rights in the event of denied boarding and of cancellation or long delay of flights.

In the event of overbooking, the carrier may first determine whether passengers are willing to offer their seat against an indemnification to be agreed upon. If no such volunteers can be found, the carrier must compensate those passengers denied boarding with a payment of up to EUR 600, depending on the distance of the flight. The Regulation requires airlines to offer the relevant passenger meals, refreshments, and hotel accommodation as appropriate whilst waiting for a rearranged flight. They must also cover any costs of transport between the hotel and the airport.

The passenger rights under Regulation (EC) No 261/2004 must be enforced before the ordinary civil courts.

In 2012, a civil court of first instance ruled that Regulation (EC) No 261/2004 does not apply to a flight from Zurich to a non-EU country.

4.12 What powers do the relevant authorities have in relation to the late arrival and departure of flights?

It is possible to file a passenger report with the FOCA, which can initiate administrative fine proceedings and impose fines of up to CHF 20,000 (Art. 91 para. 4 of the Federal Civil Aviation Act).

The passenger report form is available under www.bazl.admin.ch (Air Passenger Rights).

4.13 Are the airport authorities governed by particular legislation? If so, what obligations, broadly speaking, are imposed on the airport authorities?

Airports can only be run based on a concession by the federal government. Such concessions are based on the Federal Civil Aviation Act and the Ordinance on the Aviation Infrastructure. The airport operators are licensed either for 50 years in the case of national airports, or 30 years in the case of regional airports.

The concession entails the right to run an airport commercially and to raise fees. On the other hand, the airport operator is obliged to open the airport to all aircraft, as provided for in the operational regulation of the airport (see question 1.6 above), and to maintain an infrastructure guaranteeing safe operations.

The operation of the airport must be in line with the Sectoral Aviation Infrastructure Plan (SAIP), and the applicant must have the management skills, technical knowledge, and funds necessary for the operation of the airport, as provided for in the operational regulation.

All details regarding the operation of the airport are then to be specified in the operational regulation, which is subject to FOCA approval. Typical contents of the operational regulation are the organisation of the airport, operational hours, departure/arrival procedures, ground handling, slots coordination, further commercial and non-commercial use of the airport, environmental issues, an aerodrome design and operational manual according to ICAO standards, and a Safety Management System.

4.14 To what extent does general consumer protection legislation apply to the relationship between the airport operator and the passenger?

There is no consumer protection legislation specifically governing the relationship between airport operators and passengers.

As regards the general consumer protection legislation (e.g., the Unfair Competition Act), it must be noted that there is typically no contractual relationship between passengers and airport operators.

4.15 What global distribution suppliers (GDSs) operate in your jurisdiction?

All the major GDSs operate in Switzerland, e.g., Travelport, Amadeus, Sabre, etc. (not taking into account the many suppliers of Front-End Tools).

4.16 Are there any ownership requirements pertaining to GDSs operating in your jurisdiction?

No. However, Switzerland has adopted Regulation (EC) No 80/2009 of the European Parliament and of the Council of 14 January 2009 on a Code of Conduct for computerised reservation systems. According to this Regulation, a system vendor shall publicly disclose, unless this is otherwise made public, the existence and extent of a direct or indirect capital holding of an air carrier or rail-transport operator in a system vendor, or of a system vendor in an air carrier or rail-transport operator.

4.17 Is vertical integration permitted between air operators and airports (and, if so, under what conditions)?

This is not specifically regulated in Switzerland. As long as the competition rules are respected and all the conditions for the approval of the airport operational regulation are fulfilled (especially, in this constellation, non-discrimination), an integration between air operators and airports should be permissible.

4.18 Are there any nationality requirements for entities applying for an Air Operator's Certificate in your jurisdiction or operators of aircraft generally into and out of your jurisdiction?

In order for it to qualify as a commercial operator under Swiss law and to obtain a licence for commercial flights in Switzerland, a carrier must be registered in the Swiss commercial register with the purpose of operating commercial air traffic. Further, it must be controlled and majority-owned by Swiss citizens. Exceptions can be granted to foreigners or foreign companies that are treated as Swiss citizens or Swiss companies based on intergovernmental agreements (see Art. 27 FCAA and Art. 103 FCAO).

5 In Future

5.1 In your opinion, which pending legislative or regulatory changes (if any), or potential developments affecting the aviation industry more generally in your jurisdiction, are likely to feature or be worthy of attention in the next two years or so?

As regards all fields of economy in trade in Europe and worldwide, the implications of an upcoming Brexit, if and when it shall occur, remain to be seen, also with respect to civil aviation in Switzerland.

Moreover, Switzerland is, and remains, at the forefront of the development of Unmanned Aerial Vehicles (UAVs), also known as (civil) drones, and as with many other fields, regulations in this field follow the highly-paced and dynamic technological developments of this topic. Regulations in this domain are likely to follow the developments in the European Union, where the European Aviation Safety Agency is in the course of creating a drone regulation framework for all EASA Member States. A final draft of such regulation framework is expected to be submitted to the European Commission at the end of 2017.

In August 2017, the Sectoral Aviation Infrastructure Plan (SAIP), which constitutes the government's planning and coordination instrument for civil aviation, setting out the purpose, required perimeter, main aspects of use, equipment, and general operating conditions for every aerodrome, was amended. The amendments address, amongst other things, the optimisation of landing and take-off routes at Zurich Airport and regulations on new take-off routes in case of windy or foggy weather conditions (so-called "south approach route").

**Urs Haegi**

VISCHER AG
Schuetzengasse 1
P.O. Box 5090
8021 Zurich
Switzerland

Tel: +41 58 211 3445
Fax: +41 58 211 3410
Email: uhaegi@vischer.com
URL: www.vischer.com

Urs Haegi has been advising business owners and their companies on corporate and contract law, in transactions, business structuring and succession planning, since the beginning of his legal career in 1990. He has extensive experience in establishing businesses in Switzerland and is also an acknowledged expert in the field of work and residency permits. He is a member of various Boards of Directors and Trustee Boards. Urs is president of the board of AirTrust AG, a subsidiary of Deutsche Lufthansa AG, Germany, holding all shares of the Swiss carriers Swiss International Air Lines Ltd. and Edelweiss Air. Urs is team leader of VISCHER's aviation team. He is a member of the IBA Aviation Law Committee. Urs was Managing Partner of VISCHER from 2006 to 2011 and President of the Zurich Bar Association in 2009 and 2010.

2017 has seen him named as President of the Swiss Bar Association.

**Dr. Thomas Weibel**

VISCHER AG
Aeschenvorstadt 4
P.O. Box 526
4010 Basel
Switzerland

Tel: +41 58 211 3356
Fax: +41 58 211 3310
Email: tweibel@vischer.com
URL: www.vischer.com

Dr. Thomas Weibel LL.M. advises and represents clients before state courts and arbitral tribunals. His practice focuses on complex national and transnational commercial disputes, recognition and enforcement of foreign judgments, injunctive relief, and white-collar crime. He has extensive experience in aviation-related dispute resolution. Thomas heads VISCHER's dispute resolution team and is the deputy head of VISCHER's aviation team. He publishes and lectures on a regular basis on national and international civil procedure law as well as Swiss inheritance law. He is Editor-in-Chief for civil procedure law for a periodical on Swiss case law.

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glg global legal group

59 Tanner Street, London SE1 3PL, United Kingdom
Tel: +44 20 7367 0720 / Fax: +44 20 7407 5255
Email: info@glgroup.co.uk

www.iclg.com