Chapter 3.9
Investment Law and Intellectual Property Rights

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A. INTRODUCTION

Intellectual Property Rights (IPRs) are private rights protected by governments in order to achieve a desirable social goal by stimulating innovation and creativity.[1] Intellectual property (IP) includes patents, copyright, trade secrets, and trademarks. Intellectual property is a legal system that allows people to get recognition and financial reward for their innovation or creation. Although intellectual property rights are exclusive, they are not absolute. Because intellectual property rights are territorial in nature, their scope is usually constrained by domestic laws and regulations.

International investment treaties (IITs) routinely regulate IP as a protected class of investment. However, it has only recently emerged as a subject of investment claims in a few niche cases, leaving the relationship between intellectual property and international investment law still largely unexplored.[2] This appears surprising given that many International Investment Agreements (IIAs) concluded to date, whether in the form of bilateral investment treaties (BITs) or free trade agreements (FTAs) with investment chapters, include specific references to IPRs in the list of "investments" protected under these agreements.[3] The inclusion of IP-related provisions in IIAs reflects the importance of patents, trade secrets, trademarks, copyrights, and other intellectual property rights in international commercial relations.[4] IPRs are also a crucial area where intense negotiations take place in the context of investment law.

Over the years, there have been many multilateral treaties on IP,[5] but the most well-known and far-reaching is the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement),[6] which was reached during the Uruguay Round of

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1 Upreti, *Intellectual Property Issues in ISDS*, Jusmundi, 29 October 2021, https://jusmundi.com/en/document/wiki/en-ip-issues-in-isds.

2 Voon, Mitchell and Munro, *Intellectual Property Rights in International Investment Agreements: Striving for Coherence in National and International Law*, 2012, available on SSRN https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2318955#.

3 *Id*. See also Frankel, *Interpreting the Overlap of International Investment and Intellectual Property Law*, J. Int. Econ. Law 2016, Vol. 19, p. 121, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2923884.

4 UNCTAD, *Intellectual Property Rights in International Investment Arrangements*, 2007, UN Doc. UNCTAD/WEB/ITE/IIA/2007/1.

5 The Paris Convention on the Protection of Industrial Property (adopted 28 September 1979, entered into force 3 June 1984) 828 UNTS 306 (Paris Convention); The Berne Convention on the Protection of Literary and Artistic Works (adopted 28 September 1979, entered into force 19 November 1984) 1161 UNTS 30 (Berne Convention); and The Agreement on Trade Related Aspects of Intellectual Property Rights, (adopted 15 April 1994, entered into force 1 January 1995) 1869 UNTS 299 (TRIPS).

6 TRIPS, 1869 UNTS 299. The TRIPS Agreement can be found in Frank Emmert (ed.), *World Trade and*

trade negotiations. The TRIPS Agreement defines minimal criteria to which WTO members must conform, subject to a variety of exceptions.[7] It also seeks to establish a uniform standard of IP protection across member states to increase the stability and predictability of international economic relations. However, reaching consensus on additional harmonization of IP protection since TRIPS has been difficult, and IP-demanding states have repeatedly resorted to bilateral and/or regional agreements to create more harmonized IP protection requirements.[8] While the nature, purpose, and focus of these agreements may vary, they are frequently trade and/or economic integration agreements in the broadest sense and will be referred to collectively as International Investment Agreements (IIAs).

This chapter is divided into three parts. The first part (B) examines how IPRs qualify as an "investment" in IIAs, it analyses the relevance of some of the significant clauses that frequently appear in IIAs. After establishing that IPRs are covered investments in IIAs, Part C examines the scope of protection provided to IP owners by IIAs. Focusing on the most important protections found in IIAs, such as Most Favored Nation (MFN), National Treatment (NT), Fair and Equitable Treatment (FET), and Expropriation. Part D analyzes how IP protection in IIAs could form the basis of a dispute between an investor and host state.

B. INTELLECTUAL PROPERTY AS AN INVESTMENT

Most IIAs, in their definition, recognize intellectual property as covered investments, which usually includes a particular reference to that effect. However, the precise boundaries of this recognition may differ by the specific wording of the IIA in question and the arbitration rules authorized by the IIA. The precise language referring to intellectual property rights in the definition of investment agreements has evolved over time.[9]

Some IIAs may not include clear references to IPRs, instead referring to various types of "property" or "assets." Furthermore, the agreements may just make a general reference to IPRs or "intangible property" without going into specifics. In other cases, reference to IPRs may be more specific, including an enumeration of the intangible assets covered. Sometimes, such a list is expressly characterized as non-exhaustive; sometimes it includes intellectual assets that are not generally protected as IPRs (e.g. unregistered designs). Similarly, the notion of IPRs may or may not be clearly tied to domestic (or international) legislation. References to IPRs may be useful in defining the term "investment" or in determining whether an item qualifies as a "covered" or "protected" form of investment under the IIA.[10]

Investment Law – Documents, CILP 2018, pp. 715-738, and at https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm.

7 UNCTAD, *supra* note 4, at p. 2.

8 Grosse Ruse-Khan and Henning, *Protecting Intellectual Property Through Trade and Investment Agreements: Concepts, Norm-setting, and Dispute Settlement*, in Geiger (ed.), *Research Handbook on Intellectual Property and Investment Law*, Edward Elgar 2019, available at https://ssrn.com/abstract=3393645.

9 UNCTAD, *supra* note 4, at p. 3.

10 Correa and Viñuales, *Intellectual Property Rights as Protected Investments: How Open are the Gates?*, J.

Mentioning IPRs in IIAs dates back to the first BIT involving Pakistan and Germany.[11] Article 8 of the BIT reads as follows:

> *(1) (a) The term "investment" shall comprise capital brought into the territory of the other Party for investment in various forms in the shape of assets such as foreign exchange, goods, property rights, patents and technical knowledge. The term "investment" shall also include the returns derived from and ploughed back into such "investment" […].*[12]

The treaty's phrasing allows for a broad interpretation of the assets covered without removing the express inclusion of "patents" and "technical knowledge" as examples of assets considered to be investments. It can also be deduced that the addition of "... returns derived from and ploughed back..." in the definition refers to rights deriving from commercial transactions, which may include royalties and fees accruing from IPRs, as well as other monetary benefits accruing to the owners of such IPRs.

Recent BITs follow a broad asset-based definition of investment (rather than an enterprise-based definition), encompassing investments controlled directly or indirectly by either Party's investors.[13] IPRs are specifically covered by enumerating them under the treaty's categories of properties. Even agreements that do not expressly mention IP may be interpreted to include IPRs, because the list of protected subject-matter is generally extensive and usually allows for "every kind of asset" to be covered. One example is the Japan–Korea BIT (2003),[14] which provides in its definition of investment that:

> *(2) The term "investment" means every kind of asset owned or controlled, directly or indirectly, by an investor, including:*
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> *[…]*
>
> *(f) intellectual property rights, including trademarks, industrial designs, layout-designs of integrated circuits, copyrights, patents, trade names, indications of source or appellations of origin, and undisclosed information; [...]*

Int. Econ. Law 2016, Vol. 19, No. 1, p. 91.

11 Treaty for the Promotion and Protection of Investments, Germany and Pakistan, signed 25 November 1959, entered into force 28 November 1962, 457 U.N.T.S. 24 (Germany–Pakistan BIT). The treaty can be found in Frank Emmert, *World Trade and Investment Law – Documents*, CILP 2018, pp. 86-90, as well as https://investmentpolicy.unctad.org/international-investment-agreements/treaties/bit/1732/germany---pakistan-bit-1959-.

12 Germany–Pakistan BIT, Art. 8 (1)(a).

13 OECD, *Novel Features in Recent OECD Bilateral Investment Treaties*, in International Investment Perspectives 2006, OECD Publishing 2006.

14 Agreement between the Government of The Republic of Korea and The Government of Japan for the Liberalisation, Promotion and Protection of Investment, signed 22 March 2002, entered into force 1 January 2003 (Japan–Korea BIT 2002); see https://investmentpolicy.unctad.org/international-investment-agreements/treaties/bit/2150/japan---korea-republic-of-bit-2002-.

> *(h) any other tangible and intangible, movable and immovable property, […]*
>
> *Investments include the amounts yielded by an investment, in particular, profit, interest, capital gains, dividends, royalties and fees. A change in the form in which assets are invested does not affect their character as investments.*[15]

This definition is based on a broad asset-based meaning of investment. It presents a basic definition of investment as well as a relatively illustrative and non-exhaustive list of protected IPRs. The scope is further broadened to encompass the economic advantages derived from investments such as dividends, royalties, and fees. The use of the phrases "any..." and "intangible," "movable and immovable property" as a *catch-all* provisions in the agreement arises from the fact that some investment agreements are meant to protect current and future IPR investments. In this instance, IPRs are obviously included within the scope of an investment, and hence qualify for the rights and protections provided by the IIA.

Another approach is for the BIT to state that only rights recognized by both contracting parties' national laws will be safeguarded by the BIT. This might considerably limit the scope of protection of IP under a BIT.[16] An example is the BIT between the Republic of Ghana and the Republic of Benin,[17] which defines investment as follows:

> *For the purpose of this Agreement: (a) "investments" means every kind of asset and in particular, though not exclusively, includes:*
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> *[…]*
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> *(iv) intellectual property rights, goodwill, technical processes and know-how and all similar rights recognized by the national laws of both Contracting Parties…;*[18]

According to this definition, recognition by domestic law is a necessary condition for the existence of an investment. Investments that do not qualify as such under domestic law will not qualify as such under the treaty.[19] For example, if a country's domestic law does not recognize unregistered trademarks, such trademarks will not represent an investment under Article 1(a)(iv) of the Benin–Ghana BIT, even if they are recognized as IPRs elsewhere.[20]

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15 Japan–Korea BIT 2002, Art. 1 (2).

16 UNCTAD, *supra* note 4, p. 3.

17 Agreement Between the Government of the Republic of Ghana and the Government the Republic of Benin for the Promotion and Protection of Investments, signed 18 May 2001 (Benin–Ghana BIT), https://investmentpolicy.unctad.org/international-investment-agreements/treaties/bit/567/benin---ghana-bit-2001-.

18 Benin–Ghana BIT, Art. 1(a)(iv).

19 Correa and Viñuales, *supra* note 10, p. 96.

20 *Id*.

It has been suggested that an IP generally can only be protected in an IIA by a host State to the extent the hoste State in its domestic laws and policies recognizes the form of IP concerned.[21] Thus, sufficient care must be taken by parties to IIAs in negotiating these guarantees, due to their significance in the framework of national and international IP protection.

It is evident that the inclusion of IPRs as covered investments in IIAs occurs in a fragmented manner. In the majority of agreements, IPRs are explicitly included as covered investments; in certain agreements, one or more provisions make it relatively certain that IPRs are included as a covered investment; only in a minority of agreements, there is no mention of IPRs being included or excluded. The implication of including IP in the definition of investment is that it may potentially expose IP to the broad guarantees granted to investors under the agreements. These include, among other things, expropriation protection, national treatment, and most-favored nation (MFN) treatment.[22] Furthermore, including IP in the definition of investment could provide a legal basis for foreign investors to sue the host government for failing to protect their IP.[23]

C. SCOPE OF PROTECTION PROVIDED TO IP OWNERS IN IIAS

I. National Treatment and Most-Favored-Nation Clauses

The principles of National Treatment (NT) and Most-Favoured-Nation (MFN) Treatment have long been the cornerstones of international IP law and are incorporated into the TRIPS Agreement.[24] NT obligations exist to protect foreign businesses from receiving less-favorable treatment in host States in a discriminatory manner, whereas MFN clauses seeks to ensure that all foreign investors' intellectual property rights receive the same highest level of protection from a host State.[25]

In the context of investment treaties, the MFN clause requires the host country to provide investors from the other contracting party with treatment no less favorable than it grants to investors from other countries. This means that if two or more members agree, for example in a free trade agreement with an IP chapter, to offer certain of their rights holders increased levels of IP protection, this greater protection immediately has to be made accessible to all rights holders from all other WTO Members. The MFN rule is significant because it prohibits discrimination based on the source of origin or nationality.[26]

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21 Voon, Mitchell and Munro, *Intellectual Property Rights in International Investment Agreements: Striving for Coherence in National and International Law*, in Lim & Mercurio (eds), *International Economic Law After the Crisis: A Tale of Fragmented Disciplines*, Cambridge Univ. Press 2015.

22 UNCTAD, *supra* note 4, p. 4.

23 *Id*.

24 Mercurio, *Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements*, J. Int. Econ. Law 2012, Vol. 15, p. 871.

25 Bjorklund, *National Treatment*, in Reinisch (ed.), *Standards of Investment Protection,* Oxford Univ. Press 2008, p. 29.

26 Ranjan, *Bilateralism, MFN and TRIPS: Exploring Possibilities of Alternative Interpretation, International Trade Law and Regulation*, Int. Trade Law & Reg. 2007, Vol. 13, No. 4, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1600692.

The concept of "treatment no less favorable" under NT has been defined by a WTO Panel in the *EC – Geographical Indications*[27] dispute to include both *de jure* (based on the law or other measure as such) as well as *de facto* (based on how the law or other measure applies to foreign right holders in practice) discrimination.[28] If there is no case of discrimination of a foreign right holder by virtue of a domestic IP law (which would be *de jure* discrimination), the relevant test for *de facto* discrimination is to ask whether the treatment in question modifies the effective equality of opportunities as regards the protection of intellectual property.[29]

The TRIPS Agreement plays a critical role in establishing the scope of protection provided to foreign investors under IIAs. The Agreement serves to stabilize international investment protection standards and guide domestic measures or national laws and policies on the proper approach to enforcing National Treatment and MFN Obligations. The footnote to Article 3 of TRIPS, defines "protection" to include "... matters affecting the availability, acquisition, scope, maintenance, and enforcement of intellectual property rights, as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."[30] The TRIPS Agreement also contains notable exceptions to the general enforcement of NT and MFN treatment clauses, which are found in Articles 3 (National Treatment), Article 4 (Most-Favored Nation Treatment), and Article 5 (Multilateral Agreements on Acquisition and Maintenance of Protection). These exceptions have been integrated into the provisions of some IIAs over the years; their application, however, depends on the extent to which they have been incorporated.

For example, the exclusion under Article 5 of the TRIPS Agreement was frequently reaffirmed in BITs concluded by the United States between 1994 and 2000,[31] but it is limited to procedural regulations relating to treaties negotiated under the World Intellectual Property Organization (WIPO).[32] Other examples include the Japan–Singapore Agreement for the New Age Economic

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27 See Complaint by the United States, EC – Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WTO Doc. WT/DS174/R (adopted 20 April 2005); and Complaint by Australia, EC – Protections of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WTO Doc. WT/DS290/R (adopted 20 April 2005).

28 Grosse Ruse-Khan and Puutio, *A Handbook on Negotiating Development Oriented Intellectual Property Provisions in Trade and Investment Agreements*, UN Publications 2017, available at https://www.unescap.org/sites/default/files/IPR%20Handbook.pdf.

29 *Id*.

30 TRIPS Agreement, fn. to Art 3.

31 Liberti, *Intellectual Property Rights in International Investment Agreements: An Overview*, OECD Working Papers on International Investment 2010/01, available at http://dx.doi.org/10.1787/5kmfq1njzl35-en; see the US BITs with Honduras (1995), Azerbaijan (1997), Bahrain (1999), Bolivia (1998), Costa Rica (1996), Georgia (1994), Trinidad and Tobago (1995).

32 Art. 14.4 of the 2004 US Model BIT covers all exceptions provided under Articles 3, 4, and 5 of the TRIPS Agreement, it reads as follows: "Articles 3 [National Treatment] and 4 [Most-Favored-Nation Treatment] do not apply to any measure covered by an exception to or derogation from, the obligations under Article 3 or 4 of the TRIPS Agreement, as specifically provided in those Articles and in Article 5 of the TRIPS Agreement."

Relationship (2007), which states in Article 86 that "the national treatment clause of the investment section applies solely to the extent specified in TRIPS."[33]

More recently, IIAs have provided NT and MFN protection in a manner preventing host States from conditioning the acquisition of IP rights by foreign investors in their territories on the reciprocal access to such rights being guaranteed to the nationals of the host State in the home State of the foreign investor.[34]

In IIAs, NT and MFN provisions can cover two stages of investment: pre- and post-establishment. The most widely used model in IIAs to date is the post-establishment phase, which suggests that once a foreign investor makes an investment in the host State, the NT and MFN obligations will be extended to the investor for the duration of the investment, with no changes made by the host State to the framework under which the investment was made, particularly through the issuance of novel measures that may be considered discriminatory.[35] Since the 1990s, the pre-establishment phase has been employed in IIAs (especially BITs of Canada and the United States). The pre-establishment phase differs from the post-establishment phase in that host States are prohibited from applying any existing discriminatory measures against foreign investors both before and after the investment is made, granting the investor NT and MFN obligations throughout the investment's life cycle.[36]

It has been suggested that IIAs can strengthen the protection of IPs through the "unqualified" enforcement of NT and MFN obligations.[37] Under such unqualified operation, investors can incorporate more beneficial IP protection applicable under the host State's international IP agreements with other countries into an IIA through NT and MFN provisions and enforce such favorable terms via Investor-State Dispute Settlement (ISDS). In other words, under an unqualified operation, a state party to an IIA must accord no less favorable treatment in IP matters to its contemporaries' investors and IPs than it does to any third country investor in similar circumstances under any other bilateral or multilateral agreement to which it is also a party. Such an operation will not only broaden the landscape but will also have a greater impact on the international stage in terms of intellectual property protection.

A potential issue with "unqualified operation" is that the IP chapter of post-TRIPS FTAs concluded with the US has substantial intellectual property provisions that exceed TRIPS minimum criteria (frequently referred to as "TRIPS-Plus" obligations). These provisions may or may not cover the full range of TRIPS Agreement flexibilities, such as compulsory licensing, patent revocation, and the

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33 Agreement between Japan and the Republic of Singapore for a New-Age Economic Partnership, signed 1 November 2007 (Japan–Singapore EPA), https://investmentpolicy.unctad.org/international-investment-agreements/treaties/tips/3206/japan-singapore-epa.

34 Mercurio, *supra* note 24. p. 885.

35 UNCTAD, *Most-Favoured Nation Treatment*, UN Publications 2010, p. 39; see https://unctad.org/system/files/official-document/diaeia20101_en.pdf.

36 *Id*., at p. 42.

37 Liberti, *supra* note 34, p. 8.

possibility to exclude plant and animal species from patentability. The EU, on the other hand, relies on the model of association agreements. The IPR obligations in EU-Bilateral Association Agreements are typically general in nature. Beyond these Association Agreements, the EU has also engaged in non-association bilateral agreements, such as the Comprehensive Economic and Trade Agreement (CETA) with Canada, signed on 30 October 2016,[38] and the Free Trade Agreement with the Republic of Singapore signed on 19 October 2018.[39] These agreements incorporate specific provisions on National Treatment and Most-Favored-Nation Treatment, ensuring that parties grant each other's nationals the same level of protection and benefits as they do to their citizens or those of other nations, thus promoting fairness and non-discrimination in the enforcement of IP rights.

It is crucial to emphasize that the MFN provision in the TRIPS Agreement helps to internationalize "the base" of intellectual property rights, whereas the MFN clause in investment law, as represented principally by BITs, helps to establish a common threshold of investment protection, thereby creating an overlap when investment takes the form of intellectual property.[40]

II. Expropriation

Foreign investor protection from unjustified expropriation has long been one of the most important guarantees provided in IIAs. IIAs usually contain express provisions recognizing both direct and indirect forms of expropriation and prohibiting unlawful expropriation.[41] In reality, the majority of expropriations are not direct taking of title but indirect taking of value as a result of executive and administrative measures such as resolutions, decrees, and the revocation, cancellation, or refusal of concessions, permits, licences, or authorizations required for economic activity. Legislative and, in some cases, judicial acts can also result in expropriation.[42]

The protection against expropriation in IP cases often focuses on issues related to compulsory licences, revocations and invalidations of IP rights, and other limits to the scope of an IP right. These measures can be considered to be indirect expropriations.[43] Perhaps the most controversial part of the link between the intersection of IIAs and IPRs is the issuance of a compulsory licences.

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38 Comprehensive Economic and Trade Agreement (CETA), signed on 30 October 2016, entered into force provisionally on 21 September 2017 (EU-Canada), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22017A0114(01).

39 EU-Singapore Free Trade Agreement (EUSFTA) signed on 19 October 2018, entered into force on 21 November 2019, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/singapore/eu-singapore-agreements_en.

40 Boie, *The Protection of Intellectual Property Rights Through Bilateral Investment Treaties: Is there a TRIPS-plus Dimension?*, NCCR TRADE Working Papers No 2010/19. https://www.wti.org/media/filer_public/c5/47/c5475d4a-f97c-4a8b-a12a-4ae491c6abb3/the_protection_of_iprs_through_bits.pdf.

41 OECD, *Indirect Expropriation and the "Right to Regulate" in International Investment Law*, Working Papers on International Investment, 2004/04, pp. 3-4; https://www.oecd.org/daf/inv/investment-policy/WP-2004_4.pdf.

42 UNCTAD, *Expropriation*, UNCTAD Series on Issues in International Investment Agreements II, 2012; https://unctad.org/system/files/official-document/unctaddiaeia2011d7_en.pdf.

43 Grosse Ruse-Khan and Puutio, *supra* note 27, p. 72.

The TRIPS Agreement, as well as subsequent declarations issued by WTO Members, recognize compulsory licensing as part of the flexibilities to deviate from general IPR protection rules expressed in the TRIPS Agreement, demonstrating that the concept of compulsory licensing is recognized in many countries under domestic law.[44] Importantly, the TRIPS Agreement does not establish any grounds limiting the issue of a compulsory licence, and the Doha Declaration on TRIPS and Public Health[45] confirms that countries are free to determine such grounds on their own.[46] The TRIPS Agreement does provide a specific set of procedural conditions that must be met in order for compulsory licensing to be permissible, including the requirement that efforts be made to obtain a voluntary licence from the patent holder on reasonable commercial terms, and, if those efforts fail, the requirement that right holders obtain adequate remuneration for the losses suffered.[47]

Due to the government's responsibility to pay and the investor's right to challenge the government directly under investment agreements, expropriation rules, if deemed applicable, may be more favorable to the patent owner than compulsory licensing rules in some cases. Although a compulsory licence does not transfer ownership of the relevant IPRs, this may be insufficient to avoid the classification as expropriation.[48] This is due to the broad definition of expropriation. Investment agreements cover not only direct and full takings of property, but also de-facto or indirect and partial expropriation.[49] Determining whether a compulsory licence is de-facto or indirect expropriation must be done on a case-by-case basis. The mere fact that it may have a negative economic impact on an investment does not prove de-facto or indirect expropriation.[50]

Provisions on expropriation in recent IIAs, have been tailored towards harmonizing the standard for expropriation with IP-specific treaties and obligations. This has been regarded as a positive development in terms of reducing the probability of conflicts between international investment law and IP obligations under WTO and other IP treaty obligations. A good example of this is seen in Article 10.11.5 of the Australia–Chile Free Trade Agreement[51] which provides:

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44 Boie, *supra* note 38, p. 35.

45 Declaration on the TRIPS Agreement and Public Health, adopted 14 November 2001, WT/MIN(01)/DEC/2 (DOHA WTO MINISTERIAL 2001).

46 Boie, supra note 38, p. 35.

47 *Id*. See also Trips Agreement, Art. 31.

48 Correa, *Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?,* GRAIN 2004, p. 41; http://web.archive.org/web/20220122010410/https://grain.org/article/entries/125-bilateral-investment-agreements-agents-of-new-global-standards-for-the-protection-of-intellectual-property-rights.

49 *Id.* See also Art 6.1 of the US Model BIT (2004), which provides that "neither Party may expropriate or nationalize a covered investment either directly or indirectly through measures equivalent to expropriation or nationalization."

50 *Id.*

51 Australia–Chile Free Trade Agreement, entered into force 6 March 2009 (ACI-FTA).

> *[T]his Article [on expropriation] does not apply to the issuance of compulsory licences granted in relation to intellectual property rights in accordance with the TRIPS Agreement, or to the revocation, limitation, or creation of intellectual property rights, to the extent that such revocation, limitation, or creation is consistent with Chapter 17 (Intellectual Property).*[52]

Thus, while every IIA contains an expropriation clause that may apply to IPRs as covered investments, several IIAs attempt to limit the expropriation clause's applicability to IPRs through broad exemption clauses.[53] The effect of the limitation clauses is unclear, but it provides fertile ground for legal argument and differing interpretations.[54] What is obvious is that IIAs continue to include provisions that may impair a host nation's right to grant a compulsory licence or otherwise limit, revoke, or create IPRs.[55] Thus, whether or not an IP owner/investor can succeed in an expropriation suit is ultimately determined by the wording of the applicable IIA and the facts of the individual case.

Expropriation rules may also be applied when a patent is cancelled, or the rights are otherwise forfeited before the ordinary expiration date of the patent. In general, a patent may be revoked if the administrative body or court determines that it was granted in contravention of patentability regulations or other aspects of applicable law. When an IPR, such as a patent, is revoked or forfeited, the protected subject matter is returned to the public domain. Although there is no "taking" in the strictest sense, the value of the IPR as an investment is diminished, and arguments for indirect or de facto expropriation can be made.[56] NAFTA and other FTAs make an exception to the expropriation provision if the revocation or forfeiture is done in line with the treaty's IPR rules.[57]

III. Fair and Equitable Treatment (FET)

Fair and equitable treatment (FET) is a standard term used frequently in international law. It is also a crucial treatment requirement under BITs and is included in the TRIPS Agreement. The fact that the term is extensively used in international law demonstrates its breadth and scope. The TRIPS Agreement requires fair and equitable treatment in IPR enforcement procedures.[58] It requires that

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52 *Id.* Several other FTAs restrict the application of the expropriation clause by excluding it if compulsory licences are issued in accordance with the TRIPS Agreement and revocation, limitation, or creation of IPRs is consistent with the relevant FTA's IP chapters.

53 Mercurio, *supra* note 24, p. 907.

54 *Id.*

55 *Id.*

56 Correa, *supra* note 46, p. 17.

57 *Id.*

58 TRIPS Agreement Art. 41 (2), Part III provides: "Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly or entail unreasonable time-limits or unwarranted delays.";

Article 42 on "Fair and Equitable Procedures" provides that:

"Members shall make available to right holders' civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice, which

enforcement should not be too complicated or expensive, and it should not impose arbitrary time limits or unjustifiable delays.[59] In contrast to MFN and National Treatment, the TRIPS Agreement does not contain fair and equal treatment as a treatment standard.[60] The situation is different with BITs, where fair and equal treatment is the most significant absolute treatment criterion. Given this difference, it appears that the criteria used in the TRIPS Agreement and BITs are distinct and, in general, unrelated.

On the one hand, the concept of FET can be regarded as an independent, autonomous, and distinct standard of treatment in international investment law; on the other hand, FET can be viewed as an expression of the dictates within other sources of international law, such as the minimum standard of treatment under customary international law.[61] The latter position is reflected in the growing approach in many regions in which FET clauses are linked to the minimum standard of treatment (referred to as MST-FET).[62] For instance, recent investment chapters in FTAs, notably the United States' 2004 Model BIT, provide for more specific fair and equitable treatment.[63] Canada's approach is also closely aligned with the international minimum standard. In its updated model Foreign Investment Promotion and Protection Agreement (FIPA), which serves as the foundation of Canada's future investment treaty negotiations, each party is required to provide a minimum standard of treatment to foreign investments that is consistent with customary international law.[64] These new treaties have been more specific in advocating the standard of fair

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is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements."

59 Boie, *supra* note 38, p. 34.

60 *Id.*

61 Grierson-Weiler and Laird, *Standards of Treatment*, in Muchlinski, Ortino and Schreuer (eds.), *The Oxford Handbook of International Investment Law,* Oxford Univ. Press 2008, p. 262.

62 Gaukrodger, *Addressing the Balance of Interests in Investment Treaties: The Limitation of Fair and Equitable Treatment Provisions to the Minimum Standard of Treatment under Customary International Law*, OECD Working Papers on International Investment No. 2017/03, p. 1, https://www.oecd-ilibrary.org/docserver/0a62034b-en.pdf?expires=1636196912&id=id&accname=guest&checksum=40B2DAFD02D409B6F87A7687582CDF40. Instances of MST-FET clauses can be found in agreements such as the Transpacific Partnership Agreement (TPP) signed on 4 February 2016; the China–Korea FTA, Art. 12.5 & Annex A; the Singapore–U.S. FTA, Art. 15(5); the Australia–Korea FTA, Art. 14.5; the Canada–China BIT, Art. 4; the Japan–Mongolia EPA, Art. 10.5; the Korea–U.S. FTA, Art. 11(5) & Annex 11-A; and the Japan–Philippines EPA, Art. 91.

63 South Centre Analytical Note, *Intellectual Property in Investment Agreements: The TRIPS-Plus Implications for Developing Countries*, 2005, https://www.southcentre.int/wp-content/uploads/2013/07/AN_IP5_Intellectual-Property-in-Investment-Agreements_EN.pdf.; see also Article 5 of the of the United States' 2004 Model BIT: "Each Party shall accord to covered investments treatment in accordance with customary international law, including fair and equitable treatment and full protection and security."

64 Government of Canada, 2021 FIPA model - Summary of Main Changes 2021,

and equitable treatment as an "international minimum standard" required by customary international law, rather than a standard applicable "dependent on the circumstances of each instance of treatment."[65] The requirement that a party's treatment of investors be no less than that required by international law is arguably an attempt to establish a universal minimum standard against which other standards of treatment are to be measured and below which none are permitted to fall.[66]

Host States are required by the FET concept to provide full protection and security for foreign investors' intellectual property. In addition, host countries must allow investors to sue infringers of their intellectual property rights in domestic courts, with assistance from domestic authorities in carrying out such legal action. In some cases, the local police and judicial authorities will be required to carry out enforcement measures to protect the investor's IP rights from being infringed any further than they have already been. These could include conducting investigations, seizing products infringing the investor's IP, acting with due diligence, and undertaking a review of mis-application of the law in cases where the provisions of domestic law tilt towards favoring an indigenous individual or company.[67] It is worth noting that the standard of fair and equitable treatment is one of the most utilized grounds for claims in investment disputes.[68]

D. DISPUTE SETTLEMENT

The definition of investment in IIAs serves as a springboard for the interaction between IP and investment arbitration. In general, IP is included in the category of "investment" in IIAs. This permits any IP-related dispute to come under the jurisdiction of ICSID and other ISDS tribunals and provides a pathway for bringing IP disputes before an arbitral tribunal. ICSID arbitration tribunals have established criteria for evaluating an investment, commonly known as the *Salini* criteria, that primarily focus on contribution, duration, risk, and economic development in the host state.[69] As a

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https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/fipa-apie/2021_model_fipa_summary-2021_modele_apie_resume.aspx?lang=eng.

65 South Centre Analytical Note, *supra*, note 63.

66 *Id.*

67 *Id.*

68 In *American Manufacturing & Trading (AMT), Inc. v. Republic of Zaire*, ICSID Case No. ARB/93/1, the ICSID tribunal made the following statement establishing a linkage between FET and the minimum standard of treatment required under customary international law: "*The obligation [to accord fair and equitable treatment and full protection and security] […] constitutes an obligation of guarantee for the protection and security of the investments made by nationals and companies of one or the other Party […] The obligation incumbent upon Zaire is an obligation of vigilance, in the sense that Zaire […] shall take all measures necessary to ensure the full enjoyment of protection and security of [the US] investment and should not be permitted to invoke its own legislation to detract from any such obligation. Zaire must show that it has taken all measures of precaution to protect the investments of AMT in its territory."* See https://www.italaw.com/cases/76.

69 Upreti, *Intellectual Property Rights in Investment Treaty Arbitration: A Critical Examination of the Philip Morris & Eli Lilly Awards,* Stanford-Vienna Transatlantic Tech Law Forum 2020, p. 67, https://www-cdn.law.stanford.edu/wp content/uploads/2020/11/upreti_wp67.pdf. The criteria stem from *Salini Costruttori S.p.A and Italstrade S.p.A. v Kingdom of Morocco*, ICSID Case No ARB/00/4, Decision on Jurisdiction, 23 July 2001) [hereinafter Salini v. Morocco/Salini Criteria], https://www.italaw.com/cases/documents/959.

result, to bring IP-related disputes to ISDS, the claimant must demonstrate that IP as an investment meets the *Salini* requirements. Because the requirements are closely connected, IP will usually satisfy the *Salini* criteria. Arbitral tribunals must assess the legality and scope of the IP investment in light of domestic law before evaluating whether it fits the *Salini* criteria.[70] This is especially important with regard to IPRs which are territorial in nature.[71] That is, national laws establish rights and obligations. To put it another way, only IPRs that are "protected" under national law would be deemed investments. As a result, the extent to which investors' IP-related claims may threaten a state's regulatory space is a recurring and pertinent issue that has emerged in the aftermath of recent cases.

It is commonly recognized that IP is a type of state intervention in the market with the objective of accomplishing a desirable socioeconomic outcome, namely stimulating innovation and creativity.[72] As a result, IP owners and users frequently resort to national courts and IP offices to settle disputes, interpret regulations, and provide legal clarity.[73] On a global scale, states use the World Trade Organization (WTO) dispute settlement system to seek clarification on TRIPS provisions and obligations.[74] Aside from national mechanisms and WTO dispute settlement, it was until recently unheard of for IP owners to use any other adjudicating forum to enforce their rights.

In the three most contested and publicly visible disputes, the measures challenged, impact directly or indirectly on important policy decisions of the host state to protect public interests such as reducing tobacco consumption (by limiting the way logos and brand names can appear on packaging), or promoting access to medicines (by applying strict patentability requirements that often affect pharmaceutical products).[75]

IP-related investor-state disputes involving Philip Morris began in February 2010 and have received significant attention.[76] The multinational corporate giant began challenging the plain-packaging

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70 Upreti, at p. 8.

71 *Id*.

72 William F Shughart and Diana W Thomas, *Intellectual Property Rights, Public Choice, Networks, and the New Age of Informal IP Regimes,* 23 Supreme Court Economic Review 2015, at p. 169, available at https://www.journals.uchicago.edu/doi/full/10.1086/686477.

73 *Id.*

74 Trips Agreement Art 64. See also Art. XXII and XXIII of General Agreement on Tariffs and Trade (GATT 1948).

75 Grosse Ruse-Khan, *Challenging Compliance with International Intellectual Property Norms in Investor–State Dispute Settlement*, J. Int. Econ. Law 2016, Vol. 19, p. 241, https://academic.oup.com/jiel/article-abstract/19/1/241/2357954?redirectedFrom=fulltext.

76 Yu, *The Investment-Related Aspects of Intellectual Property Rights*, Am. U. L. Rev 2017, Vol 66, No. 3, pp. 829-910, https://aulawreview.org/blog/the-investment-related-aspects-of-intellectual-property-rights/.

regulations for tobacco products in Uruguay[77] and Australia,[78] claiming that these state policies breached agreed BITs on the grounds of trademark expropriation. Meanwhile, both cases have been decided against the investor.

Also, on 12 September 2013, Eli Lilly filed a Notice of Arbitration against Canada under the North American Free Trade Agreement (NAFTA) arbitration provisions.[79] The dispute was instigated by court rulings invalidating two of Lilly's pharmaceutical patents based on judicial interpretations of the Canadian patent statute.[80] The company argued that "the promise doctrine," which the courts used to invalidate its patents, is inconsistent with Canada's obligations under NAFTA, the TRIPS Agreement, and the Patent Cooperation Treaty.[81]

It has been debated that these cases represent not only a new frontier in investment arbitration, but more importantly, uncharted territory in the increasingly complex and contested landscape of international IP obligations.[82]

Several approaches have been taken to challenge the host state measure's conformity with IP treaties, the most common being FET or expropriation standards.[83] It is worth emphasizing that in IP-related cases where the investor claims legitimate expectations based on international IP norms, the question arises whether these norms even offer a basis for such expectations. Investment treaties have been widely interpreted to require deference to, and compliance with, the legitimate expectations of the investor as part of the "fair and equitable treatment" clauses contained in most BITs and regional investment agreements.[84] However, allowing private individuals to challenge legitimate regulations such as those governing public health, labor, and the environment under ISDS could result in what commentators, intergovernmental bodies, and civil society organizations have dubbed as "regulatory chill." The risk that socially desirable legislation or regulation may result in ISDS claims and potentially large compensation awards can have a chilling effect on the host

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77 *Philip Morris Brands Sarl, Philip Morris Products S.A and Abal Hermanos S.A v. Oriental Republic of Uruguay,* ICSID Case No: ARB/10/7, Award of 8 July 2016 [hereinafter referred to as Philip Morris v. Uruguay], https://www.italaw.com/cases/460.

78 *Philip Morris Asia Ltd. v. Commonwealth of Australia*, UNCITRAL, PCA Case No. 2012-12, Award of 17 December 2015 [hereinafter referred to as Philip Morris v. Australia], https://www.italaw.com/cases/851.

79 *Eli Lilly and Company v. The Government of Canada,* UNCITRAL, ICSID Case No. UNCT/14/2, Award of 16 March 2017 [hereinafter Eli Lilly v. Canada], https://www.italaw.com/cases/1625.

80 *Id*.

81 See Art. 1110 (7) NAFTA, referring to the IP standards set out in Chapter 17 of NAFTA.

82 Okediji, *Is Intellectual Property 'Investment'? Eli Lilly v. Canada and the International Intellectual Property System,* U. Pa. J. Int'l L. 2014, Vol. 35, p. 1121, https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=1879&context=jil.

83 Grosse Ruse-Khan, *supra* note 75, p. 10.

84 Okediji, *supra* note 82, p. 1129.

country's policy making and undermine that country's sovereign ability to regulate harmful conduct, in particular the conduct of transnational corporations.[85]

Although the overall number of publicly available challenges is minimal, it is quite likely that future cases involving IP rights will include challenges based largely on violations of international IP standards.[86] This is exacerbated by the fact that, in comparison to the number of substantive protections in IIAs, there are a much greater number of specific international IP obligations resulting from the core multilateral treaties with nearly universal membership, as well as an ever increasing number of IP provisions in bilateral and regional free trade agreements (FTAs).[87] With this new trend, ISDS provides a platform for IP rights holders to litigate or arbitrate alleged breaches. The wide and ambiguous protections in IIAs such as FET, MFN, or umbrella clauses allows IP rights holders to restructure an alleged infringement of a specific IP standard as a breach of their IIA protection. This may be considered an ingenious way and an unparalleled opportunity for private rights owners to challenge national IP laws.

E. SUMMARY

To put it succinctly, the aims and purposes of international intellectual property (especially the TRIPS Agreement) and international investment treaties are not the same. They do, however, overlap because both fields can be found in some of the same agreements because investment agreements designate IP as an asset. These characteristics, however, do not imply that the aims and purposes of IP morph into something new in the context of investment. As previously discussed, the international IP framework offers flexibilities and exceptions that allow states to tailor domestic laws to their own circumstances. This framework is part of the TRIPS Agreement's object and purpose. Thus, the emergence of intellectual property law and international investment law, both within their own fields, has added substantial new layers to international law, not without challenges.[88] Efforts to adequately conceptualize and incorporate intellectual property rights protection within the realm of international investment law are still in their early stages, raising complex issues.[89] Regardless of the outcome of these cases, it is obvious that IPRs will play a more important role in the continuous development of international investment law and that international investment law will now play a role in the development of international IP law.[90]

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85 Yu, *supra* note 76, p. 859.

86 *Id.*

87 *Id.*

88 Frankel, *supra* note 3, p. 17.

89 Klopschinski, Gibson and Grosse Ruse-Khan, *The Protection of Intellectual Property under International Investment Agreements*, Oxford Univ. Press 2020.

90 *Id.*