1 Introduction
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From: The Protection of Intellectual Property Rights Under International Investment Law
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1 Introduction

This book examines emerging issues arising from the protection of intellectual property (IP) under international investment law. In today’s globally connected world, international investment law and IP rights are two vitally important legal fields that touch on a vast range of policy issues and public as well as private interests well beyond their core scope of application. Since their respective inception, the two fields have both been developing rapidly and mainly without significant interplay side by side, thus far with limited ‘interdisciplinary’ study and practical experience developed between them.

The field of international investment law has been fuelled by the growth in foreign direct investment (FDI), which has played an increasingly significant role in world economic activity and development. In economic terms, the accumulated stock of FDI and its generation of commercial activity by foreign affiliates have made FDI comparatively more important than international trade in goods and services. During the last decade of the twentieth century and the first twenty years of the twenty-first century, international investment law has correspondingly developed at a remarkable pace. The growth of a vast and fragmented network of international investment agreements (IIAs), along with a sharply increasing body of case-law arising from decisions in investor–state arbitrations, has produced a substantial and important new field of international law at the interfaces of private enterprise, cross-border capital, and investment flows, as well as host state public policy.

In early 2020, the total number of IIAs has grown to 3,285 agreements (of which 2,651 are in force) and that includes 2,896 bilateral investment treaties (BITs) and 389 other types of IIAs, while in particular free trade agreements (FTAs) with investment chapters continue to be negotiated between countries. Those FTAs—such as the Comprehensive and Progressive Transpacific Partnership Agreement (CPTPP)—occasionally cover regions of huge geographic scope, aiming to facilitate trade and investment flows between major economic actors around the world. With respect to cases, prior to 1990 one could look to the jurisprudence of the Iran–US Claims Tribunal, which in one sense was ‘ahead of its time, providing for claims adjudication in the absence of what has since become quite pervasive: the legal framework, guarantees and dispute settlement alternatives provided to investors through the bilateral investment treaty (BIT)’. However, since that time, nearly 1,000 known cases have been filed by investors against more than 90 states in investor–state arbitration, with 647 of these cases concluded, another 332 pending, and a record 76 new cases filed in 2018 alone (while a relative low number of 31 have been filed in 2019).

During this same period, another equally important field has experienced explosive growth: intellectual property has further expanded its influence as a dominant element underpinning national and international commerce, trade, and investment. Modern economies are becoming substantially ‘conceptual’ and data-based, reflecting the vital role of ideas and other information-based assets in common and high-end products, technology and the whole creative sector, B2B and B2C services, overall shifting the emphasis in asset valuation from physical to intangible property. For example, when considering the world’s four most valuable companies in 2019—Microsoft, Apple, Amazon.com, and Alphabet (which owns Google)—their predominant value is not based on ownership of physical assets or real property. Instead, value is powered by their ideas, innovations, creativity, and other informational goods which are to a large extent secured by various types of intellectual property rights (IPRs).
As this powerful trend continues, a similar change is occurring in FDI: increasingly, cross-border investments are comprised of various intangible assets, including contract rights, bonds, notes, equity shares, technology, know-how, brands, goodwill, creative works, and other intangible assets—and importantly, this includes the intellectual property rights securing many of these categories. In short, foreign investments are reflecting an increasing concentration of intellectual capital invested in knowledge goods, which in turn are often protected by intellectual property rights. Thus, it has been aptly observed that ‘[i]ntellectual property rights (IPRs) have never been more economically and politically important or controversial than they are today’. The tandem of economic and political importance, combined with persistent international contestations and discourse concerning the protectable subject matter, proper scope and limits, duration of protection, and enforcement of intellectual property, forms a potent cocktail in which disputes concerning intellectual property can arise between foreign investors and host States.

While intellectual property rights, particularly in the international context, can be viewed as both important and controversial, the same can be said about the investor–state disputes arising in the international investment field, where calls for reform of the investor–state dispute settlement (ISDS) system have been made for several years now. Thus, the development of intellectual property law and international investment law, each within their respective fields, has brought significant new dimensions—not without challenges—to international law. At the same time, however, efforts to properly conceptualize and integrate the protection of intellectual property rights within the field of international investment law are still in their early phases, raising complex issues. As explained below, the goals for developing legal frameworks, standards of protection, and balancing private versus public interests in these two fields are not the same.

Despite the growing importance of both IP and international investment law, the protection of IP rights has not played a prominent role in investment disputes until the turn of the last decade (i.e. in 2010), even though IP rights have been mentioned in IIAs from the very beginning. Notwithstanding this relative lack of arbitral practice, several commentators made positive forecasts concerning the future relevance of IIAs for the protection of IP, including all three co-authors of the present book. In 2010, Gibson predicted that a confluence of forces including growth in FDI and shift toward a conceptual economy, along with the proliferation in IIAs and related surge in investment disputes, are all working together to increase the likelihood that investor-state disputes centered on intellectual property may be on the rise. In 2011, Klopschinski observed that due to the obvious advantages that international investment law offers to IP holders, it would be very likely that in forthcoming years international tribunals would assess state interventions in intellectual property rights: IIAs allow the investor to bring proceedings against the host state before an international tribunal on the basis of a violation of the IIA, without having to depend on the support of the investor’s home state. There are only a few other legal remedies that grant such extensive legal protection. In the same year, reviewing the potential impact of both FTA IP Chapters as well as investment protection under IIAs on the flexibilities set out under the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement or TRIPS) and other international IP treaties, Grosse Ruse-Khan argued that IP-related clauses in IIAs and the IP-investment interface more generally may represent ‘a unique option’ for ‘private investors to challenge the consistency with TRIPS in investor–state arbitration’.
1.09 Today, these predictions and arguments have shown to materialize. At least four noteworthy foreign investment disputes centred on the investor’s intellectual property rights have been brought, dealing with investments related to trademarks, patents, and copyright works under IIAs:

- Philip Morris Brand Sàrl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay (Philip Morris v. Uruguay), ICSID Case No. ARB/10/7
- Philip Morris Asia Ltd (Hong Kong) v. The Commonwealth of Australia (Philip Morris v. Australia), PCA Case No. 2012-12
- Eli Lilly and Company v. The Government of Canada (Eli Lilly v. Canada), UNCITRAL, ICSID Case No. UNCT/14/2
- Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama (Bridgestone v. Panama), ICSID Case No. ARB/16/34
- Theodore David Einarsson et al. v. Canada, NAFTA, Notice of Intent to Submit a Claim to Arbitration under NAFTA Chapter Eleven (10 October 2018)

1.10 The two proceedings involving Philip Morris, both of which have been concluded, concern anti-smoking legislation in Uruguay and Australia that limited, in different ways, the use of Philip Morris’ trademarks (as well as those of other tobacco companies) on the packaging of tobacco products. The Uruguayan tobacco control measures had been subject to a challenge under the IIA between Uruguay and Switzerland before an ICSID tribunal with the argument that, inter alia, the measures and their application by Uruguayan agencies and courts violate the fair and equitable treatment (FET) and expropriation provisions of the IIA. The arbitral proceedings between Philip Morris and Australia were administered by the Permanent Court of Arbitration under the UNCITRAL arbitration rules. In that case, the tobacco manufacturer challenged the plain packaging legislation of Australia under the IIA between Australia and Hong Kong, again alleging various types of interference with its trademarks—while simultaneously in the WTO, the very same measures were subject to complaints brought by a range of WTO members in front of the WTO dispute settlement (p. 5) system. In both investment disputes, the investor alleged a range of violations of the TRIPS Agreement, as well as the Paris Convention for the Protection of Industrial Property.16 Third, in 2012, the US pharmaceutical company Eli Lilly initiated arbitral proceedings against Canada under the North American Free Trade Agreement (NAFTA), claiming that the invalidation of two of its patents by the Canadian courts violated relevant provisions of NAFTA Chapter 11 (providing investment protection). Again, Eli Lilly not only invoked investment protections, but also aimed to utilize ISDS as a tool to litigate the host state’s compliance with international IP treaties—in this case the Patent Cooperation Treaty and NAFTA’s IP Chapter. In Bridgestone v. Panama, the US investor complained about how Panama protected its Bridgestone and Firestone trademarks against other, similar signs—including how the Supreme Court applied Panama’s domestic rules that are meant to prevent unjustified threats based on trademark rights.17 Finally, in Theodore David Einarsson v. Canada, the US investor, a geophysical company, alleges that Canada expropriated the seismic data it had created (related to the exploration and development of oil and gas resources), which was subject to copyright protection.

1.11 These cases, as discussed in detail in this book, highlight a number of key issues, including the government’s ability to regulate in areas that directly or indirectly affect IPRs and the potential risks to investors who are investing in a national economy other than their own. In particular, the laws of the host state—including the procedures to be followed and criteria to be met for acquiring IPRs, the fundamental understanding of the scope of the IP rights, and the protection and enforcement accorded to such rights—may differ from the IP laws in the investor’s home state. In addition, host states may implement a variety of
measures for a variety of reasons, such as to pursue public health objectives, which may directly or indirectly impact existing IPRs. Furthermore, these cases raise specific IP-related investment law issues such as (1) whether the refusal to grant a patent or its subsequent invalidation, as well as various limits on the use of trademarks, may violate FET or expropriation standards of an IIA; (2) what degree of judicial development and change in IP doctrines is acceptable in light of the notion of protecting legitimate investor expectations and prohibitions of denial of justice; and (3) the extent to which protection given to investors under IIAs is inconsistent with (or effectively bypasses) exceptions and flexibilities established under the TRIPS Agreement and effectively add a layer of ‘TRIPS-plus’ protection specifically for foreign investors.

1.12 Further, and importantly, the IP-focused investment cases raise questions concerning the host state’s right to regulate in the public interest, even when such regulation impinges on intellectual property rights of the investor. This particular issue is one that is not only arising in the IP context—but reflects a central theme in the critique of the current ISDS system, where recent commentators indicated:

(p. 6)

One common thread arising from the experience gathered during the last two decades is the perception that when designing the mechanisms to settle disputes involving private investors and sovereign States, the founding fathers of the current ISDS system did not pay sufficient attention to the public international law dimension of these disputes, and the inherent tensions that would arise when a State’s sovereign right to regulate for public purposes would be challenged by private investors.18

1.13 The move to reform IIAs, including clarifying and safeguarding the host states’ right to regulate in the public interest while maintaining reasonable standards of protection for investors, is taking place against the background of an expanding IIA regime, with intensified efforts of investment policy-making at the regional level.19 While the majority of the new cases filed in the last several years invoked BITs that date back to the 1990s, since 2012 at least 110 countries have reviewed their national and/or international investment policies, resulting in new model treaties (and newly ratified treaties) that will be used for a new generation of investment agreements, where there is an express inclusion of public interest considerations and related exceptions permitting ‘regulatory space’ for government regulation.20 Some of these new models and treaties, while generally providing several novel terms and clauses for BITs or FTAs with investment chapters, introduce provisions that directly address intellectual property and potentially narrow the scope of claims that investors may bring in respect of IP-based investments. Moreover, on 5 May 2020, twenty-three EU member states signed an agreement for the termination of intra-EU bilateral investment treaties (‘Termination Agreement’).21 The Termination Agreement implements the March 2018 European Court of Justice judgment in the Achmea case, where the Court found that investor–state arbitration clauses in intra-EU BITs are incompatible with EU treaties.22 The Termination Agreement, in Articles 2 through 4, provides for the termination of all intra-EU BITs between the parties, as well as for the termination of these BITs’ sunset provisions. This Agreement is to take effect as soon as it enters into force for the relevant parties. It appears from the text that a majority of EU member states, with the exclusion of Austria, Ireland, Finland, and Sweden, accepted the signing of the Termination Agreement. Thus, even as this book addresses issues at the intersection of intellectual property and international investment law, the applicable standards established in IIAs, as well as the broader landscape for investment law, continue to evolve.
In international investment law, an investor is—subject to the exact wording of the respective FET (or equivalent) clause in the applicable IIA—commonly entitled to have its legitimate expectations with regard to the operation and return on its investment respected by the host state. In principle, this idea also applies when the core of the investment is integrally dependent on IPRs. However, the host state must be able to pursue legitimate regulatory goals without risk of what has been called ‘regulatory chill’, driven by concerns of potential liability to foreign investors arising under IIAs. The investment dispute context for intellectual property brings these countervailing interests to a head, as these issues coalesce around questions of how much leeway governments should have to take actions that may interfere with or negatively affect IP rights and IP-based investments. In assessing whether these actions (or omissions) contravene the standards of protection established for foreign investors under IIAs, should we rely solely or primarily on the policy space commonly discussed in relation to investment protection, for example expressed via the right to regulate under customary international law and frequently accepted in ISDS cases? Or should, with reference to national patent, trademark, copyright, and other IP laws, the measures complained about in an IP-related ISDS dispute be judged against (or at least guided by) non-investment law treaty provisions, such as the standards and flexibilities established under the TRIPS Agreement and other international IP treaties? And what role—if any—is there for general international law doctrines that aim for mutual coherence and systemic integration in between different rule systems in international law, for example by means of treaty interpretation informed by Article 31.3(c) of the Vienna Convention on the Law of Treaties?

Efforts to reform international investment law reflect the goals of promoting sustainable investment, while balancing the host state’s right to regulate in the public interest with the investor’s right to have its investments protected within a stable, predictable, and non-discriminatory legal environment. The scope of intellectual property rights, for many years, has reflected a similar balancing of objectives, between the private rights of the IP owner who obtains a limited monopoly under the law for the exclusive use of its IPRs, and the benefit to society from the contribution and diffusion of innovation, creativity, and distinctiveness embodied in the subject matter protected by that IPR. Intellectual property thus represents within its own field similar tensions and trade-offs that occur between private rights and public objectives in the field of international investment law. To the extent that a balancing of these private and public objectives already takes place at the national level in regards to the legislated scope and level of protection for IP rights, the question is raised whether adequate recognition of this balancing is likely to take place in an investor–state dispute arising under an IIA in which IP-based assets are at stake.

Finally, there are also very practical issues relating to the arbitral tribunal’s ability to understand intellectual property as a form of intangible property granted by the state, which can then be considered an asset forming part or perhaps even comprising all of the investment at issue, as well as the proper scope of the rights associated with that property. In this regard, the group of individuals knowledgeable in both intellectual property and international investment law has been growing; however, the tribunals appointed thus far in the IP-based investment cases, while leaders in the fields of international investment law and dispute settlement, do not reflect resumés of extensive experience in the area of intellectual property.

The diverse commentary and legal positions taken in respect of the IPRs at stake in the early investor–state cases also reflect that intellectual property—as a form of intangible property dissimilar from movables (e.g. ships, automobiles and trucks, equipment), real estate (e.g. land, buildings, and fixtures) or other physical assets—may generate unique risks associated with the lack of clarity concerning the nature and scope of the relevant property rights. As intangibles, assets protected under IP law do not have natural
boundaries. Further, despite almost 150 years of multilateral harmonization of national IP standards, remaining variances in national IP laws can complicate the matter by giving rise to differences in the scope of these rights by country. These issues, in turn, bear directly on the proper understanding of the investor’s assets, which may be secured by IPRs and considered investments subject to protection under the relevant IIA.

1.18 As this initial sampling of issues shows, the protection of intellectual property rights under international investment law has emerged as a novel and important topic calling for attention. Despite the long-standing practice of listing intellectual property in the definition of ‘investment’ in IIAs, only relatively recently has this subject received extensive attention, examining IPRs as a specialized form of investment in relation to the standards of protection that could be relied upon to form claims in an investor–state dispute. Among the first was, in 2004, the Argentinian IP scholar Carlos Correa who observed as follows:

> Intellectual property rights, registered or not, are protected investments under BITs and trade agreements that incorporate rules on investment. This adds another layer of treaty-based protection onto rights protected under the TRIPs Agreement and other international conventions. But this protection goes beyond TRIPs, because investment agreements apply to rights not covered by the TRIPs Agreements and incorporate the national treatment principle clause without the exceptions provided for under IPR treaties. It is unclear the extent to which rights granted by investment agreements may be used to substantiate claims in the area of IPRs.

1.19 Another renowned expert, this time from the field of international investment law, Muthucumaraswamy Sornarajah, presented the situation as follows in his book, *The International Law on Foreign Investment*:

> The protection of intellectual property under bilateral and multilateral investment treaties, the WTO regime and the earlier regimes will mean that there will be an absence of coordination as to how the law in the area will be developed. The remedies provided and the mechanisms employed are different. The investor may have a unilateral remedy under an investment treaty whereas only a state could invoke the dispute settlement mechanism of the WTO for violation of the TRIPS standards. The substantive law on protection may also be differently stated. No real claims have yet arisen in which the law has been considered.

1.20 In 2007, Roger Kampf, an IP expert from the WTO Secretariat, described the legal situation as follows:

> The inclusion of IPRs in bilateral investment treaties and FTA investment chapters has given rise to a number of rather complex questions, in particular as regards the potential impact on the protection currently available under the TRIPS Agreement and in WIPO administered treaties and conventions.

1.21 In that same year, public international lawyer Holger Hestermeyer, focusing on health issues, stated:

> BITs constitute a threat to the TRIPS Agreement flexibilities that has not yet been sufficiently recognized. Typically signed between a developing and a developed country, these treaties govern the treatment of foreign investment, amongst others protecting it against expropriation. ... Already the first BIT signed in 1959 between Germany and Pakistan explicitly regarded patents as within the scope of the term ‘investment’... Consequently, patents can be protected by the standards set up in
BITs, with effects such as that the grant of a compulsory license could be subject to the BIT as an expropriation.\textsuperscript{34}

1.22 Finally, a 2008 study written by IP scholar Duncan Matthews and commissioned by the European Parliament, which dealt with the protection of intellectual property through FTAs in the European Community (today—the European Union), stated with respect to the protection of intellectual property rights through BITs:

The effect of having intellectual property included in the definition of investment is that it could potentially subject intellectual property to general guarantees afforded to investors under the BIT. These include protection in the case of expropriation, national treatment and most-favoured nation (MFN) treatment among others. Furthermore, including intellectual property in the definition of investment could provide a legal basis to foreign investors for a cause of action against the host country for failing to protect their intellectual property.\textsuperscript{35}

1.23 These early references, and the numerous articles that have been written in the last several years, illustrate that the influence of IIAs under international law on the protection of intellectual property has raised new and complex issues, which, in turn, has spurred increased attention in the academic literature.\textsuperscript{36} In 2009, the editors of the Transnational Dispute Management’s (TDM) Special Issue on The Protection of Intellectual Property Rights through International Investment Agreements, James Hosking and Markus Perkams, identified in (p. 11) their opening editorial three main themes implicated by the protection of intellectual property through IIAs, which summarize well why this topic calls for attention. First, from a legal perspective, ‘it raises complex questions as to the interaction between IIAs, national IPR legislation and international conventions already dealing with IPRs’.\textsuperscript{37} Second, from the economic viewpoint, it raises the question of ‘whether IIAs can help to reduce the damage caused by illegal infringement of IPRs and thereby promote a climate that is favorable to innovation and economic growth’.\textsuperscript{38} Third, from the policy point of view, they note that the protection of IPRs through IIAs ‘adds to the ongoing debate about the right balance to be struck between, on the one hand, providing effective protection of foreign investments (including intellectual property) and, on the other hand, providing sovereign states with sufficient flexibility to address essential public interests such as health’.\textsuperscript{39}

1.24 This book comprehensively addresses these and other key issues arising from the protection of intellectual property under international investment law. The book analyses the underlying core of the IP-investment interface, namely various ways of including IP rights as a form of protected investment in an IIA, and explores the relative and absolute standards of investment protection under IIAs when applied in relation to foreign investments where IP rights are critical or otherwise form an important aspect of the investor’s engagement in the host state. The book will hence aim to explain the relevance of international investment law and IIAs for the protection and enforcement of IP rights. In doing so, we aim to be mindful of the essentially threefold interface of distinct legal regimes at issue here: (1) the linkage between international investment law and the domestic legal regime for protecting IP rights in the host state (as well as perhaps other domestic IP laws); the latter’s interface with international IP treaties to which the host (and perhaps the home) state are party; as well as (3) the relationship between investment treaties and international agreements for the protection of IP rights, in particular the TRIPS Agreement, the Berne and Paris Conventions, and prominent FTAs, such as NAFTA, recent EU FTAs, and the CPTPP.
1.25 Until recently, the primary international legal recourse mechanism for companies facing interferences to their IP rights or alleging insufficient IP protections abroad has been the WTO’s dispute settlement process. As discussed in Chapter 3, while a WTO complaint can be a useful mechanism in certain circumstances, the individual companies—as private parties with no legal standing in the WTO—have no control over the filing or prosecution of a WTO case; and are instead limited to ‘lobbying their home government to espouse the claim on their behalf’. Cases are filed by one government against another, and—rather than seeking compensation for the individual injured party—the focus would be seeking (p. 12) compliance with the TRIPS Agreement obligations, thereby challenging broad government policies and focusing on adjudication of ‘abstract legal rights’.

1.26 By contrast, claims submitted by an investor against a government under an IIA seek to remedy that investor’s individual rights, in particular by awarding compensation. This book reviews the implications of these core differences in the dispute settlement set-up in reference to the existing cases involving IPRs that have been brought by investors in investor–state arbitration. In addition, as many questions regarding the relevance of investment protection for IP rights have not yet been decided by investment tribunals, the lack of arbitral practice in the IP context will be addressed by a careful analysis of the principal body of ISDS case-law in regard to the main standards of protection scrutinized in this book, namely national- and most-favoured-nation (MFN) treatment as relative standards, FET and full protection and security as absolute standards, as well as protection against expropriation. In addition, the discussion of these standards draws on a range of practical examples from IP laws and policies around the globe, including cases decided by other adjudicating bodies in different legal contexts, such as the European Court of Human Rights or the Court of Justice of the European Union (formerly the European Court of Justice). As IPRs in the investment context are considered, a number of questions are immediately relevant:

- When should assets protected under intellectual property rights, or even an IP right as such, be considered as comprising part or all of an investment covered by an IIA?
- How do national laws of the host state concerning the existence, scope, and limits of IP rights impact and frame claims that may be brought in investment arbitration for IP rights granted under these laws?
- How do the absolute and relative investment protection standards in IIAs apply to IP rights as protected investments?
- What are the appropriate tools to resolve the tension between investor rights and governmental regulatory power and discretion in the specific IP context; and to which extent can those be derived from more than one of the interfacing legal regimes referred to in paragraph 1.24 above?
- More generally, what effect, if any, can the existing standards of protection (and any exceptions or flexibilities) in international IP treaties have on the application and construction of investment protections when applied to IP-based investment?
- And finally: what are the issues (if not potential complications) arising from overlapping and possibly competing international legal frameworks—in particular international investment law and IP treaties, such as the multiple intersections with the TRIPS Agreement?
1.27 At the specific intersection between IIAs and the TRIPS Agreement, the following three additional questions may arise in respect of investments:

- In case both state parties to the IIA are members of the WTO, are there any constraints to finding a government measure bearing on intellectual property to be TRIPS-compliant, yet in violation of a standard of investment protection in the relevant IIA?

(p. 13)

- On the other hand, can a WTO member’s violation of the TRIPS Agreement provide a basis for an independent claim under the IIA in investor-state arbitration?

- Alternatively, can the norms of the TRIPS Agreement (or other IP treaties) provide ‘interpretable background’ or factual guidance on the standards treatment under investment international law (in particular where the relevant standards directly overlap—as in the case of national treatment or MFN); or can international IP norms affect the proper construction of the minimum standard of treatment under customary international law for the protection of aliens, including prohibitions of denial of justice?

1.28 In chronological order, the book provides, after this Introduction, in Chapter 2 the background on international investment law and intellectual property rights, reviewing pertinent legal, economic, and political developments in these fields, and how they relate to the broader public international law context. Intellectual property as a form of intangible property right is explained, along with the principal forms of IP (i.e. patent, trademark, copyright, and trade secret protection). A review of international IP treaties is also provided, including the WTO’s TRIPS Agreement, which is the single most important multilateral IP treaty. Background is also provided on the increasing importance of intellectual property rights in FDI, as well as the increasing use and exploitation of IPRs through registrations of patents and trademarks. Discussing yet another essential element of background, the chapter also considers the relations among the different legal regimes at issue in this book; and how these regimes, as well as general international law, offer tools and methods to address overlaps, potential conflicts, and other types of interfaces. In particular, it investigates the possibility of relying on international IP treaties in IP-related ISDS cases, for example to claim the breach of an international IP norm, to point to its flexibilities, or simply for interpretive guidance. Against the broader discussion of fragmentation, contestation, integration, and coherence it engages in abstract with the interfaces mentioned in paragraph 1.24 above, while the concrete applications of these interfaces are subject to in-depth analysis in Chapters 4–7.

1.29 Chapter 3 reviews the basic mechanism of ISDS, including consent, jurisdiction, and options for investors to bring their cases. The chapter also reviews non-IIA options for investors. Pre-arbitral steps and the relationship between IP-specific proceedings on a national level and the ‘fork in the road’ clauses in IIAs are explored, along with newly proposed appellate mechanisms for ISDS and the costs of ISDS proceedings. The chapter also provides a detailed review of the four IP-based investment cases that have emerged (and largely decided) at the time of writing—which will be referred to and discussed throughout the book. The chapter highlights the overlapping points of IP rights and IIAs in this new multidisciplinary arena of intellectual property.

1.30 Chapter 4 examines under what circumstances intellectual property rights constitute a covered investment entitled to protection under international investment law. The chapter addresses the pivotal role played by the domestic IP law of the host state, as well as any choice of law issues. Based on the overarching notion of territoriality and host state’s law in determining which economic assets—in particular intangibles—are afforded legal protection, the book’s thesis is that only intellectual property rights recognized in the host state’s domestic legal order may constitute an investment within the meaning of an IIA.
This in turn does not neglect the fact that, while the question of proprietary rights (including IP rights) underpinning an investment looks to national law, the question of whether or not a qualifying investment exists is one of international law under the IIA (and relevant principles of international law). Thus, in the context of the IP-based investment dispute, national (or regional) IP law will inform an arbitral tribunal about the existence, scope, and proprietorship of an IP right that may underpin an investor’s asset and, in turn, contribute to the assessment of whether a qualifying investment exists under the IIA. The chapter addresses evolving treaty practice concerning the definition of ‘investment’ as it relates to intellectual property. The reference to intellectual property in IIAs as a form of asset or property that may qualify as a protected investment is long-standing and consistent in investment law treaty practice. Further, the chapter addresses whether IIAs can oblige contracting states to introduce new IP rights into their domestic legal orders if those rights are referenced as investments in the IIA. It also considers the Salini criteria developed under Article 25 ICSID Convention with regard to intellectual property rights—an issue that had been considered in the Philip Morris v. Uruguay and the Bridgestone v. Panama disputes. The chapter concludes that although the bare ownership of IP rights, in general, does not fulfil the Salini criteria and similar requirements in IIAs, even a licence to use an IPR may constitute an investment if accompanied by an engagement of the investor in the host state that is sufficiently permanent and productive.

1.31 Chapter 5 deals with the relative standards of treatment that protect investors against discrimination, namely national treatment and MFN—the only standards which exist by and large as equivalent principles in international IP and investment law. After a comparative review of the non-discrimination principles in international trade, investment, and IP law, it engages with a more detailed treatment of the national treatment provisions in the Paris and Berne Conventions, as well as the TRIPS Agreement. The latter also includes a MFN clause, and a patent-specific non-discrimination rule. The core of the chapter then forms a discussion on how the core elements of a national treatment (and MFN) claim under an IIA apply to IP rights as protected investment, focusing on (1) scope, (2) comparability, (3) the standard of treatment owed, and (4) possible defences and justifications. An important part of this discussion forms the careful review of the potential role for the parallel standards in IP treaties mentioned above, and IIA clauses that import specific exceptions from the non-discrimination principles in, for example, TRIPS into the IIA.

1.32 Chapter 6 then moves on to the absolute standards of treatment, with a focus on the multifaceted FET standard and the related concept of ‘full protection and security’ (FPS). After an introduction that considers trends in state and arbitral practice with regard to FET and FPS, the core of the chapter is again devoted to an in-depth scrutiny of how these investment standards apply to IP rights as protected investments. Especially the FET standard has, driven by a large body of ISDS case-law, developed into a multitude of elements or factors (such as the protection of legitimate expectations, stability, proportionality, transparency, as well as prohibitions of denial of justice, arbitrariness, and unjustified discrimination) many of which have been considered in the IP-related ISDS awards issued so far. The FPS standard on the other hand bears a specifically close relation to IP enforcement standards, such as those set out in Part III (Articles 41–61) of the TRIPS Agreement. The chapter concludes with the crucial issue of balancing investor protection with the state’s right to regulate—another aspect that was at the forefront of some of the so far existing IP ISDS cases. This question of horizontal importance for any investment protection standard—in fact, any form of protection of private (economic) interests on the international plane—is particularly acute when the right to regulate is framed in various forms of a reasonableness or proportionality test, or utilized in order to inform the
appropriate standard of review with more (or less) deference (or margin of appreciation) to
the balancing of private and public interests conducted by the host state.

1.33 Chapter 7 analyses the standards for direct and indirect expropriation in relation to
IP rights. The chapter reviews the basic principles of expropriation under international
investment law, treaty practice concerning expropriation, and ISDS cases where claims of
expropriation were asserted for IP-based investments. The chapter also addresses
compulsory licences with respect to patents, although an investment case has not yet
arisen. Not least in the context of the COVID-19 pandemic, the question arises whether
compulsory licences under patents constitute an expropriation within the meaning of IIA
and what role does Article 31 of the TRIPS Agreement play in this context? In addition,
ISDS disputes had to address to what extent anti-smoking legislation constitutes an indirect
expropriate of tobacco companies’ trademarks? In this context the book analyses what
instruments international investment law offers to balance the interests of individual
investors against the public interest. The book also takes into account the different
approaches of WTO’s trade law and international investment law. Further, the book explores
the unique tension between investor rights and governmental regulatory discretion in this
area. Are there potential complications arising from overlapping and possibly competing
international legal frameworks, in particular, obligations arising from the IIAs and their
possible intersection with the multilateral commitments under the TRIPS Agreement?

1.34 Finally, the concluding Chapter 8 takes a step back and considers, in the form of an
outlook, the future of IP-related investment claims before ISDS tribunals, as well as the IP–
investment interface more broadly. It does so by first looking at developments in
international investment and IP law in general, and, secondly, at the specific issues that
arise with regard to the protection of IP-related investments.

Footnotes:

1 See the discussion in Christopher S. Gibson, ‘Latent Grounds in Investor-State
 Arbitration: Do International Investment Agreements Provide New Means to Enforce
Intellectual Property Rights?’ in Karl P. Sauvant (ed.), Yearbook on International Investment
Sauvant (ed.), Yearbook on International Investment Law and Policy (OUP 2009) xxi); Simon
Klopschinski, Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge
(The Protection of Intellectual Property under International Investment Agreements) (Carl
Heymanns Verlag 2011) 7.

2 United Nations Conference on Trade and Development (UNCTAD), International
Investment Agreements Navigator, online at <https://investmentpolicy.unctad.org/
international-investment-agreements> (accessed 14 January 2020). UNCTAD explains that
the category of treaties with investment provisions other than BITs brings together various
types of investment treaties where three main types of agreements can be distinguished: 1.
broad economic treaties that include obligations commonly found in BITs (e.g. a free trade
agreement with an investment chapter); 2. treaties with limited investment-related
provisions (e.g. only those concerning establishment of investments or free transfer of
investment-related funds); and 3. treaties that only contain “framework” clauses such as the
ones on cooperation in the area of investment and/or for a mandate for future negotiations
on investment issues.’ UNCTAD further notes that in addition to IIAs, there also exists an
open-ended category of investment-related instruments; explaining that ‘[i]t encompasses
various binding and not-binding instruments and includes, for example, model agreements
and draft instruments, multilateral conventions on dispute settlement and arbitration rules, documents adopted by international organisations, and others.


4 UNCTAD, Investment Dispute Settlement Navigator, online at <https://investmentpolicy.unctad.org/investment-dispute-settlement> (accessed 14 January 2020). UNCTAD explains that in 230 (i.e. 35.5 per cent) of the 647 concluded cases, the host state has won, while investors prevailed in 191 instances (29.5 per cent), with another 139 cases settled (21.5 per cent), 73 discontinued (11.3 per cent), and 14 (2.2 per cent) decided in favour of neither party—i.e. where liability was found, but no damage was awarded.


7 The terms intellectual property and ‘IP’ as well as intellectual property rights and ‘IPR’ are used interchangeably in this book.


11 See e.g. UNCTAD, Investment Policy Framework for sustainable Development (2015); TDM Special Issue on ‘Reform of Investor-State Dispute Settlement: In search of a Roadmap’ in Jean E. Kalicki and Anna Joubin-Bret (eds), 11(1) Transnational Dispute Management (2014). This TDM Special Issue contains more than seventy-five articles critiquing the current ISDN system and proposing diverse reforms, online at <https://www.transnational-dispute-management.com/article.asp?key=2023> (accessed 14 January 2020).

12 Simon Klopschinski, ‘The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs’ 19 Journal of International Economic Law 211 (2016). Perhaps the earliest known investment case involving alleged violation of IP rights was Shell Brands Int’l v. Nicaragua, ICSID Case No. ARB/06/14 (proceeding discontinued 12 March 2007). The claim in that case was filed by two subsidiaries of Shell Petroleum against the government of Nicaragua for the alleged expropriation of Shell trademarks in Nicaragua’s domestic markets, but the dispute was settled before any decision was issued. Julian D. Mortenson, ‘Intellectual Property as Transnational Investment: Some Preliminary Observations’ 6(2) Transnational Dispute Management 3 (2009). Other investment cases tangentially involved IP issues but did not concern a government’s alleged violation or impairment of intellectual property rights. For
example, in *Apotex v. United States*, ICSID Case No. ARB(AF)/12/1, a Canadian pharmaceutical manufacturer claimed that US officials interfered with its right to manufacture and distribute a generic version of another manufacturer’s patented drug. A discussion of the early IP-related ISDS cases can be found in Chapter 3, Section B.


14 Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge* (n 1) 489.


17 For a comprehensive discussion of these cases, see Chapter 3, Section B. At the time of final manuscript review, the *Bridgestone v. Panama* dispute has recently been concluded and the final Award is briefly discussed in Chapter 6.


19 Ibid. 4; see also Andrew Newcombe and Lluís Paradell, *Law and Practice of Investment Treaties—Standards of Treatment* (Wolters Kluwer 2009) 63–4, stating that ‘criticisms of IIAs by NGOs and academics are wide ranging’.

20 UNCTAD, ‘Taking Stock of IIA Reform’ (n 2) 5; Eva Nanopoulos and Rumiana Yotova, ‘‘Repackaging’ Plain Packaging in Europe: Strategic Litigation and Public Interest Considerations’ 19 Journal of International Economic Law 175, 197 (2016). ‘This new trend in delineating investment protection from public interest regulation when drafting BITs is observed by United Nations Conference on Trade and Development (UNCTAD) in its 2015 World Investment Report, highlighting that 14 of the 18 investment treaties concluded in 2014 contained a clause recognizing that the parties should not relax their public health standards in order to attract investment.’ Ibid. (citing UNCTAD World Investment Report (2015) 112).


25 See the discussion in Henning Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law* (OUP 2016) Chapter 7; Gibson, ‘Latent Grounds in Investor-State Arbitration: Do International Investment Agreements Provide New Means to Enforce Intellectual Property Rights?’ (n 1) 404; Klopschinski, ‘The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPS’ (n 12). As discussed below in Chapter 7, Section C, some IIAIs contain provisions that link investment standards to standards and flexibilities under TRIPS and other IP treaties—e.g. requiring that expropriation claims against a compulsory licence must be assessed in terms of consistency with the TRIPS Agreement rules, thus establishing an express linkage between the two legal regimes.

26 See e.g. the discussion in Chapter 2, Section C, and Chapter 5, Section A.3.


28 James Hosking and Markus Perkams, ‘Introduction’ in TDM Special Issue, ‘The Protection of Intellectual Property Rights through International Investment Agreements’ 6(2) Transnational Dispute Management 1 (2009). For example, while the tribunals appointed in the first three major cases involving IPRs in investment arbitration include highly experienced and pre-eminent arbitrators, none of them is known for special expertise in intellectual property. On the other hand, arbitrators in previous investment cases have not shied away from dealing with myriad other specialist fields, such as tax law. Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge* (n 1) 488.

29 Perhaps surprisingly, the first BIT, signed in 1959 between Germany and Pakistan, recognized that intellectual property could be an important element in a foreign investment. See Treaty for the Promotion and Protection of Investments between Pakistan and the Federal Republic of Germany, 25 November 1959 (German–Pakistan BIT), online at <http://www.unctad.org/sections/dite/iaa/docs/bits/germany_pakistan.pdf> Art. 8.1(a) of the BIT defined investment as comprising ‘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*’. Ibid. (emphasis added).


33 Roger Kampf, ‘TRIPS and FTAs: A World of Preferential or Detrimental Relations?’ in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property & Free Trade Agreements* (Hart Publishing 2007) 87, 122. In an essay from 2006, Kampf portrayed the situation in more depth:

From: Investment Claims (http://oxia.ouplaw.com). (c) Oxford University Press, 2022. All Rights Reserved. date: 21 March 2022
Therefore, it can be assumed that the majority of investment agreements today cover the area of intellectual property and that the basic principles such as the guarantee of fair treatment and of nondiscrimination as well as the ban against expropriation and nationalization can be applied accordingly. This has caused a number of complex questions to arise, particularly in regards to the interplay with the TRIPS agreement and the possibly different or far-reaching duties in the context of investment agreements. For example, the expanded definition of intellectual property rights has been discussed as not only covering existing rights, but also as encompassing previously-placed applications as protected rights. Furthermore, investment agreements generally do not contain any exceptions to the principles of non-discrimination as they are embodied in Arts. 3 & 4 of TRIPS. Finally, it is being debated whether compulsory licenses should be viewed as a form of expropriation or a measure with similar effect, which are prohibited under the general rules of investment agreements. (translation)


James Hosking and Markus Perkams (eds), TDM Special Issue, ‘The Protection of Intellectual Property Rights through International Investment Agreements’ (2009) 6(2) Transnational Dispute Management, editorial. The editors state that the Special Issue is dedicated to Prof. Dr Thomas W. Wälde, whose idea it was to focus on intellectual property and IIAs. Ibid.


Ibid. 2 (citing European Communities—Protections of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WT/DS290/R; European Communities—Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs, WT/DS124/R; Japan—Measures Concerning Sound Recordings, WT/DS42/R).

Ibid. 2.

Ibid.