Intellectual Property Rights under International Investment Treaties: Overview, Protection and Dispute Settlement

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January 2017
Thessaloniki - Greece
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ADR</td>
<td>Alternative Dispute Resolution</td>
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<tr>
<td>BIP</td>
<td>Bilateral Intellectual Property Agreement</td>
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<td>BIT</td>
<td>Bilateral Investment Treaty</td>
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<td>CETA</td>
<td>EU-Canada Comprehensive Economic and Trade Agreement</td>
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<td>ECHR</td>
<td>European Convention on Human Rights</td>
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<td>ECtHR</td>
<td>European Court for Human Rights</td>
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<td>EU</td>
<td>European Union</td>
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<td>FET</td>
<td>Fair and Equitable Treatment</td>
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<td>FTA(s)</td>
<td>Free Trade Agreement(s)</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>IBA</td>
<td>International Bar Association</td>
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<td>ICS</td>
<td>Investment Court System</td>
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<td>ICSID</td>
<td>International Center for the Settlement of Investment Disputes</td>
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<td>ISDS</td>
<td>Investor-State Dispute Settlement</td>
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<td>IIA(s)</td>
<td>International Investment Agreement(s)</td>
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<td>IPR(s)</td>
<td>Intellectual Property Right(s)</td>
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<tr>
<td>MFN</td>
<td>Most-Favoured Nation</td>
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<td>NT</td>
<td>National Treatment</td>
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<td>NAFTA</td>
<td>North American Free Trade Area</td>
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<td>PC</td>
<td>Paris Convention</td>
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<td>PM</td>
<td>Philip Morris</td>
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<td>PMA</td>
<td>Philip Morris Asia</td>
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<td>SSDS</td>
<td>State-to-State Dispute Settlement</td>
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<td>TPP</td>
<td>Trans-Pacific Partnership</td>
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<td>TRIPs</td>
<td>Agreement on Trade Related Aspects of Intellectual Property Rights</td>
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<td>TTIP</td>
<td>Transatlantic Trade and Investment Partnership</td>
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<tr>
<td>UNCITRAL</td>
<td>United Nations Commission on International Trade Law</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>US(A)</td>
<td>United States of America</td>
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<td>VCLT</td>
<td>Vienna Convention on the Law of Treaties</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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Abstract

This dissertation was written as part of the LL.M. in Transnational and European Commercial Law, Arbitration, Mediation and Energy Law at the International Hellenic University.

The main purpose of this dissertation is to address Intellectual Property Rights (IPRs) in the world of international investment law and especially in the context of international investment treaties, whether in the form of regional or international agreements, bilateral, multilateral or of investment chapters in Free Trade Agreements (FTAs). It examines special aspects of this young – still undiscovered in a wide range – field which reflects the transformation of IP from a “boring” area of law to a central point in today’s global economy and society.

Although much has been written on several aspects of the topic, there have been only a few authors that went in depth and analysed the subject matter in detail. Moreover, new developments in the world of global trade and investment, such as the negotiations on the Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU and the recently approved by the Council EU-Canada Comprehensive Economic and Trade Agreement (CETA), are accompanied from different emerging legal problematics with no definite answer yet. Accordingly, this dissertation explores the multifaceted issues of IPRs in relation to this new era.

Concluding, it is the author’s belief that there is still much room for improvement in regards to our awareness and knowledge on IP matters. Due to the overlap with many other fields, the boarder lines of legal protection and legal principles between different areas of law have obfuscated. However, it is of great importance to continue the research and the academic dialogue which will eventually lead to considerations, progress and answers.

Keywords: IP, International Investment Agreements (IIAs), Investment Law, Investment Court System (ICS)

Stefania-Despoina Efstathiou
31/01/2017
Preface

This dissertation is the sealing of a wonderful journey of knowledge and both, professional and personal development. It has been an honour and a pleasure to cooperate and interact with many individuals throughout this work and if it wasn’t for them, my job would be much more difficult.

First and foremost, my most sincere appreciation goes to my supervisor, Prof. Friedrich Rosenfeld for his careful, insightful, up-to-date and always immediate help. Without his generous and indispensable contribution, none of my efforts would have been proven efficient or possible. The initial thought of combining two fields of law that I like was my idea. However, the actual way to combine them and the outline of the work are wholly due to him. His support continued also in regards to my application at the Max-Planck Institute for Innovation and Competition in Munich, when he assisted me in compiling the research proposal, providing me at the same time with a superb recommendation letter. I am grateful for all his effective contribution and guidance, despite the late hours and despite his very busy schedule.

I must also express my particular thanks to my supervisor at the Max-Planck Institute, Axel Walz for his overall comments, support and interesting discussions. Dr. Walz has been fully encouraging and supportive of my work from the very first moment. As he has advanced knowledge on the subject-matters, his guidance was extremely helpful, *inter alia*, in regards to finding the right literature and focusing on the correct aspects.

My heartfelt thank you goes also to the International Hellenic University and especially to my mentors, Prof. Dr. Em. Athanassios Kaisis and Dr. Komninos Komnios for their continuous support, encouragement, advice, guidance and timely reaction. Their genuine interest and inspiration was always the force for my improvement, hard work and development. Their trust made me realise my potentials and key-aspects of my character. I will be always more than grateful for their appreciation and help and they will be always special to me.

It goes without saying that I owe a lot to my family, to my parents and my brother for their moral, emotional and financial support. If it wasn’t for them, I wouldn’t have come that far and I wouldn’t be the person I am today.

Finally, and by no means last, a special debt of gratitude is devoted to my friends. However, especially one friend was from the beginning until the end an example of outstanding support and friendship. She has been my very own advisor, encouraging angel and hero; my very own person. I thank her for being authentic in regards her feelings, sincere in regards her criticism and understanding in regards my temper - once in a while. This finish line would not mean anything without her being by my side inspiring me. Thank you, Mina.

Stefania-Despoina Efstathiou

31/01/2017
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Introduction

Until 1994, Intellectual Property had been considered as a cultural concept. It was only at the Uruguay Round\(^1\) of GATT\(^2\) in the aforementioned year when the TRIPs Agreement\(^3\) gave a clear statement to the world that a structured and strong IP protection regime was the only logical consequence of the global economy’s progress. In today’s world order, IPRs are seen as assets, tradable objects and profitable investments. However, those “sophisticated” investments, as I like to call them, carry with them, on the one hand, an international regime of protection via international IP conventions and, on the other hand, they constitute investments, indeed, defined under International Investments Agreements - regardless of which form\(^4\) - and therefore benefit from the substantive and procedural protective guarantees of international investment law.

In light of this overlap, which was for a long time neglected, arise new interesting issues from a legal point of view. Related evidence for that, are major investment disputes of

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\(^1\) The Uruguay Round began in 1986 and lasted until 1994. It was the 8th round of multilateral trade negotiations conducted within the framework of the General Agreement on Tariffs and Trade (GATT). 123 countries took part in this round which was also the most ambitious one, since it was in its intentions to expand GATT’s competences to important new areas as, among others, in intellectual property, capital and services. The Round led to the creation of the World Trade Organization and GATT remained an integral part of the WTO agreements. The Round came into effect in 1995 with deadlines ending in 2000 - with exceptions in the case of developing country contracting parties where deadlines were in 2004.


\(^4\) Agreements between a Host State and an Investor can take various forms. A more effective way of protection may be sometimes Bilateral Investment Treaties that provide foreign investors with powerful new rights to protect their investments. Since the first BIT, between Germany and Pakistan in 1959, more than 3300 IIAs have been concluded, most of them in the form of BITs. This has made it the most common type of International agreements for protecting and influencing foreign investments. Of course, in the absence of a BIT, the investor has to rely on the Host Country’s law and on its good faith for no risk activation. Therefore, it is somehow self-explanatory and reasonable why BITs have evolved and became such a common figure during the years in terms of investment protection. See Treaty between the Federal Republic of Germany and Pakistan for the Promotion and Protection of Investments, signed 25 November 1959, entered into force 28 April 1962, available at [www.unctad.org](http://www.unctad.org) (last visited 24/01/2017). See also UNCTAD, World Investment Report 2016, available at [www.unctad.org](http://www.unctad.org) (last visited 24/11/2016).
the last decade, namely the cases Philip Morris v. Uruguay,\(^5\) Philip Morris v. Australia\(^6\) and Eli Lilly v. Canada,\(^7\) which will be examined later on in this text (see Part I and Part II) and certainly, highlight the emerging phenomenon of challenges in the intersection of international IP and investment law.

Accordingly, this dissertation will address this very unique intersection. Part I of the thesis deals with selected introductory but also complex issues of IP-related investments, starting with the interpretation of international investment treaties, if and under which conditions IPRs qualify as investments and continues with addressing the important issue of the applicable IP law on those investments, which relates to the territoriality principle that governs IPRs. Finally, two more contemporary problematics are observed and commented, namely the applicable regime when applying for IPRs in the Host State and the so-called “TRIPs- Plus Effect”, whether it exists, how it is defined and which relation exists with the IIAs.

To continue with, Part II proceeds with addressing most of the relevant standards of protection under the substantive guarantees of IIAs. This will include, among others, the absolute standards of protection against expropriation, as well as, under the FET principle. On this basis, Part III will follow with the assessment of the protection of IPRs under procedural guarantees of IIAs. In this regard, the most commonly used dispute resolution mechanism is undoubtedly the Investor-State Arbitration, however, there will be a special emphasis also on alternatives to that mechanism with a main focus on mediation. Finally, this dissertation concludes with comments on relevant future developments including the highly-debated investment treaties TPP,\(^8\) CETA\(^9\) and TTIP\(^10\) and a general conclusion (see Part IV).

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5 See Philip Morris Brand Sàrl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay, ICSID Case No. ARB/10/7, available at www.investmentpolicyhub.unctad.org (last visited 24/01/2017).


7 See Eli Lilly and Company v. Canada, ICSID Case No. UNCT/14/2, available at www.investmentpolicyhub.unctad.org (last visited 24/01/2017). This case is at the time of writing still pending.


I. Chapter 1: The Intersection of Intellectual Property Rights and Investment Law: Overview and Selected Problematics

IPRs are a very distinct type of rights. They can obtain a “property” character, they are governed by the territoriality principle, which will be analysed infra, and their protection on an international scale is accompanied by a plurality of different provisions which leads to an increasing fragmentation of international IP law.\footnote{The fragmentation of international IP law is one of the most controversial and complex issues in the field’s academic debate. It concerns the diverse approaches taken by a wide range of bilateral, plurilateral and regional IP treaties, including the IIAs and FTAs. Although the subject matter is, in some aspects, linked with the topic, it rather goes beyond the scope of this analysis and therefore will not be examined in detail.}

To begin with, the scope of protecting IPRs under IIAs has arisen mostly in two situations.\footnote{See Simon Klopschinski, Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsschutzverträge, Carl Heymanns Verlag (2011), at 152-3.} Firstly, when a foreign investor controls or has the ownership of a \textit{company} in the Host State and IPRs held by this \textit{local} company are negatively affected by any measure, treatment or behavior of the state, the issue of protection under international investment law, and more specifically under the standards of the applicable investment treaty or agreement come into question. This was the case in \textit{Philip Morris v. Australia}, where Philip Morris Asia (PMA) - Hong Kong based - owns, via the holding PM Australia, the Australian company PM Limited (PML) and initiated arbitration proceedings under the Hong Kong- Australia BIT,\footnote{See Agreement between the Government of Hong Kong and the Government of Australia for the Promotion and Protection of Investments, signed and entered into force in 1993, available at \url{www.italaw.com} (last visited 24/01/2017).} claiming infringement of its investment because of Australia’s plain packaging law.\footnote{See Parliament of the Commonwealth of Australia, House of Representative, Tobacco Plain Packaging Bill 2011, 6 July 2011, especially clause 19, 20, 21, 36. Available at \url{www.legislation.gov.au} (last visited 24/01/2017).} In a second scenario, IPRs \textit{directly}\footnote{Most of the times, IPRs such as patents are owned by the parent company itself or a specific holding which licenses the rights locally and are not directly held by the local subsidiary.} held by an investor may become subject of protection under investment treaties, but in a more complex way. This complexity arises out of the question whether these IPRs as such, or in combination with the relevant license agreements for the local companies, can qualify as covered investments under IIAs. Here relates the still pending case of \textit{Eli Lilly v. Canada}, where the US-based pharmaceutical company Eli Lilly initiated investment...
arbitration against Canada under the NAFTA\textsuperscript{16} after the invalidation of some of its patents by the Canadian Courts.\textsuperscript{17}

This Chapter will give an overview on the extent of coverage of IPRs under IIAs and address several interesting issues linked to IP-related investments. The analysis starts with an introduction to the interpretation of international investment treaties and whether IPRs qualify as investments under the former (see 1.1) and proceeds by assessing IPRs as covered investments (see 1.2). Moreover, the Chapter analyses the importance of the Host State’s law (see 1.3) and the implications that may arise when IPRs are only at the very early stage of application filing (see 1.4). Concluding, the Chapter analyses the TRIPS-Plus Concept and related Effect, potentially created by IIAs (see 1.5, 1.5.1, 1.5.2).

1.1 International Investment Treaties and their Interpretation

Investment Treaties are agreements on an international level, whether embodied in one single instrument, in two or more, between two or more contracting states, by which they agree to certain legal rules that will govern investments undertaken by nationals of one party (Home State) in the territory of another party (Host State).\textsuperscript{18} The treaty is binding for the parties and leads, in cases of breach, to legal consequences and damages. Despite the fact that the specific provisions of the investment treaties are not uniform, their content is of similar structure and it can be argued that they all address the same issues. However, it is clear that some provide for more protection than others and that they should be examined on an \textit{ad hoc} basis.

An investment treaty consists usually of one single document. However, it is also quite usual for the parties to exchange prior memoranda and letters of protocol so as to modify, change or add certain provisions. Their interpretation is not always easy due to factual and legal complexity. Issues arising out of breaching a treaty-provision can be interpreted


\textsuperscript{17} See Eli Lilly v. Canada, Notice of Intent to submit a Claim to Arbitration under NAFTA Chapter Eleven, available at \url{www.italaw.com} (last visited 24/01/2017).

in different ways by different persons and even the very same meaning of “breach” may be defined differently by governments and/or other parties.

A key-section of those treaties is their “scope of application”, from which the persons, the organisations and even third parties will benefit. It is reasonable, therefore, to say that if a corporation, a person or an organisation does not fall under the definitions of the scope and the benefited carriers or persons, those cannot take advantage of the treaty’s content. Consequently, in interpreting investment treaties, definitions play a very crucial role. What falls under the term “investment” (ratione materiae), who is defined as an “investor” (ratione personae) and can the latter also be a natural and a legal person? Is it explicitly stated in the definitions section of the treaty or can it be also implied or extracted from a broader interpretation? All those are questions that matter.

The most crucial one though, in the writer’s opinion, is the definition of ratione materiae and to what extent are IPRs covered investments. Evaluating whether there is an existing relationship regarding the protection under an investment treaty is a very important issue, since each contracting state wants to ensure protection for its own nationals. As said, the main important terms are “investor” and “investment”; not only so as to recognise the protected persons or items under the relevant provisions, but also so as to see whether an international arbitral tribunal has the jurisdiction to adjudicate a dispute brought under the applicable provisions. The main problem is to define which links need to exist so as the national companies and/or persons of a contracting state and in some cases,

19 This means also, that a contracting state is not obliged and legally bound under the treaty if those persons and investments don’t fall under the definitions and terms of the treaty.

20 See Jeswald W. Salacuse, The Law of Investment Treaties, Oxford University Press, Second Edition (2015), Chapter 5 (5.3), at 143. In defining however, the nature of covered investments, most investment treaties take four basic considerations into account. In particular, the criteria are a) the form of the investment; b) the area of the investment’s economic activity; c) the time when the investment is made (ratione temporis); and d) the connection that the investor has with the other contracting state.

21 As an example of when jurisdictional questions arise, it can be noted that a common defense-tactic is to argue that the investor or the investment is not eligible to act as a protected person or item under the investment treaty. This puts into question the jurisdiction of the arbitral tribunal and since such kind of cases are of an emerging number, the significance of interpreting and applying the treaty definitions of “investor” and “investment” has become substantial and expanding.

22 One very special example is the ICSID Arbitration. The investment in dispute must be covered under the definitional requirements of both, the applicable investment treaty and Article 25 of the ICSID Convention, which provides for the jurisdiction of a tribunal over “any legal dispute arising directly out of an investment”. See Art. 25(1) ICSID Convention: “The jurisdiction of the Centre shall extend to any legal dispute arising directly out of an investment, between a Contracting State (or any constituent subdivision or agency of a Contracting State designated to the Centre by that State) and a national of another Contracting State, which the parties to the dispute consent in writing to submit to the Centre. When the parties have given their consent, no party may withdraw its consent unilaterally.”
specifically which one of them, if not all, will enjoy protection.\textsuperscript{23} However, dispute settlement issues will be addressed in \textit{Part III}.

\textbf{1.2 Intellectual Property Rights as Covered Investments}

Most investment treaties define the term “investment” in a broad way, so as to include various investment forms, i.e. tangible and intangible assets and rights. This gives to the term “investment” a non-exclusive definition and a broader notion. As the world and especially the world of international finance is changing in high speed, the recognised investment forms are also constantly evolving, in response also to the investors’ creativity.

But, to which extend is IP covered under international investment treaties and when does it qualify as an investment? The term “investment” itself can have different meanings. From an economic point of view, an investment can be the transfer of funds, a long-term project or even a business risk.\textsuperscript{24} The definitions-section can easily express the treaty’s wish and, first and foremost, the \textit{parties’ wish} of including or excluding IPRs under the protection of the legal text as investments. However, sometimes, also due to the aforementioned broad character of this definition, it might be difficult to argue in the one or other direction. Secondly, in a system which is characterised by diversity, there is consequently no standardization in the way IPRs are covered in IIAs. Here are some examples:

- The German Model BIT of 2008 is listing all the covered items under the definition of investment: “(...) (d) intellectual property rights, in particular copyrights and 

\begin{footnotesize}
\textsuperscript{23} Landmark decision in \textit{Salini vs Morocco} verifies that the qualification of a particular asset as an investment under a treaty and under the definition of the ICSID Convention may differ. Therefore, so as to establish jurisdiction, an ICSID Tribunal must confirm that the investment on which the claim is based meets the definition criteria under the applicable investment treaty and, at the same time, the ICSID Convention. See Salini Costruttori SpA & Italstrade SpA v. The United Kingdom of Morocco, ICSID Case No. ARB/00/4, Decision on Jurisdiction (23 July 2001), the tribunal has stated at § 44: “However, insofar as the option of jurisdiction has been exercised in favour of ICSID, the rights in dispute must also constitute an investment pursuant to Article 25 of the Washington Convention. \textit{The Arbitral Tribunal, therefore, is of the opinion that its jurisdiction depends upon the existence of an investment within the meaning of the Bilateral Treaty as well as that of the Convention, in accordance with the case law.” However, unlike the most investment treaties, the Convention does not provide for a definition on the term “investment”. This has made it very difficult for practitioners, lawyers and arbitrators over the years to interpret and understand Article 25 of the ICSID Convention.

\textsuperscript{24} See Rudolph Dolzer and Christoph Schreuer, \textit{Principles of International Investment Law}, Oxford University Press (ed.), (2008) at 60. Furthermore, foreign direct investment distinguishes from \textit{portfolio investments}, where there is no element of personal management.
\end{footnotesize}
related rights, patents, utility-model, patents, industrial designs, trademarks, plant variety rights; (e) trade- names, trade and business secrets, technical processes, know-how, and good-will; (...).25

- The French 2006 Model BIT follows the same logic: “(...) 1. (...) every kind of assets, such as goods, rights and interests of whatever nature, and in particular though not exclusively: (...) (d) intellectual, commercial and industrial property rights such as copyrights, patents, licenses, trademarks, industrial models and mockups, technical processes, know-how, tradenames and goodwill; (...).” 26

- And the Chinese 1997 Model BIT with similar structure: “(...) (d) intellectual property rights, in particular copyrights, patents, trademarks, trade-names, technical process, know-how and good-will; (...)”.27

Whereas those BITs have a specific listing and maybe this can be also seen as a numerus clausus of protected IPRs under the definition of “investment”, some others may be less specific, less precise and broadly defining the term without any list of covered IPRs. Some, like the UK- Ecuador BIT, which include “every kind of asset” in the notion of investment or, like the Netherlands- Brazil BIT, protecting explicitly “every

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kind of investment” but without explaining exactly what this means and also without listing the items covered, need indeed *ad hoc* interpretation.

1.3 The Host State’s Law: An Important Factor

In light of the above, nowadays, most IIAs and BITs include under their protection also IPRs as covered investments. However, the mere fact that those rights are identified as investments arise questions on *how* and *when* they are protected. General guarantees provided to the investor by the Host State are always the case, however sometimes there are more requirements to be met so as the investment will enjoy the promised protection. Some BITs include references to the Host State’s domestic law, as in the case of the Chile-Egypt BIT\(^{31}\) where “investments have been admitted in accordance with the law and regulations of the contracting party in which territory the investment was carried out” or in the case of the Benin-Ghana BIT\(^{32}\) where IPRs “are recognised by the national laws of both Contracting Parties”.

Those are just some of the examples that can be found worldwide.\(^{33}\) In regards to the regime of national and international protection of IPRs, these examples are reflections of the *territoriality principle*, meaning that IPRs are granted by virtue of domestic law, which defines the exact conditions for their protection and scope. Consequently, it is clear that the agreements and the treaties provide *in principle* only for protection of the covered investments which however have to be recognised by domestic law (!).\(^{34}\) To go

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\(^{31}\) See Agreement between the Government of the Arab Republic of Egypt and the Government of their Republic of Chile on the Reciprocal Promotion and Protection of Investments, signed 5 August 1999, Art. 1 (2): “investment” means “any kind of assets or rights related to it provided that the investment has been admitted in accordance with the laws and regulations of the Contracting Party in which territory the investment was carried out and shall include in particular, though not exclusively; a) movable and immovable property and any other property rights such as servitudes, mortgages, enjoyment or pledges; (...) d) intellectual and industrial property rights, including copyright, patents, trademarks, trade names, technical processes, know-how and goodwill”, available at [www.unctad.org](http://www.unctad.org) (last visited 24/11/2016).


\(^{34}\) This traces back to the discussion on the fragmentation of international IP law. See *supra* in the introduction of *Chapter 1*. 
even further, in some cases this might mean that the IPRs have to be granted in accordance with the Host State’s legal regime and process, something that is of particular importance and relation to the principle.\textsuperscript{35}

This, has a significant impact on the protection of IPRs as covered investments since, if the right is not recognised under the domestic law of the Host State or is only in a limited way\textsuperscript{36} recognised, then international investment law cannot introduce or expand it as a protected investment - even in the cases where the relevant definition includes it.\textsuperscript{37}

Some do not follow the above arguments and reject such a decisive role of the Host State’s law. This however, only when the definitions-section does not refer explicitly to that domestic law. Since the intersection of IP with international law is a quite new field of study it is certainly very interesting to hear the different opinions and try to understand their arguments. As Sinclair\textsuperscript{38} convincingly said, pursuant to Article 31 (3)(c) VCLT, “every treaty provision must be read not only in its own context, but in the wider context of general international law, whether conventional or customary.” Therefore, in my opinion, the Host State's domestic IP regime might be of great importance when it comes to protection of IPRs investments, but on the other side a more flexible approach should be followed when IIAs do not explicitly state something in favour or against. In those cases, applicable IIAs should be interpreted under the light of other IP relevant

\textsuperscript{35} See e.g. Agreement between the Government of the Republic of India and the Government of the Republic of Ghana for the Reciprocal Promotion and Protection of Investments, signed 5 August 2002, Art. 1 (2)(iv): “investment shall mean every kind of asset established or acquired, including changes in the form of such investment, in accordance with the national laws of the Contracting Party in whose territory the investment is made and in particular, though not exclusively, includes: (...) intellectual property rights, in accordance with the relevant laws of the respective Contracting Party”, available at www.unctad.org (last visited 24/11/2016). See also Ghana-Benin BIT, op. cit. n. 32.

\textsuperscript{36} For example, only a few countries provide for protection on minor inventions like the “utility models”, such as Germany, or on “innovation patents” such as Australia. Some protect industrial designs under copyright while other under patent law and other under a specific design right. Furthermore, several countries like India did not grant patent protection to pharmaceuticals until 1995 or later. Cit. Henning Grosse Ruse-Khan, The Protection of Intellectual Property in International Law, Oxford University Press (2016), at 157-158.

\textsuperscript{37} Especially relevant for the IPRs that are as investments defined but not generally recognised in some jurisdictions, such as “goodwill”, “technological process”, “know-how” and “undisclosed information”, mostly used by China, Germany, The Netherlands and the US.

international legal texts, such as the Paris Convention\textsuperscript{39} or the TRIPs Agreement.\textsuperscript{40} This would add to the shaping and understanding of a more coherent regime of protection.

1.4 Insights on the Problematic of Applications for IPRs

Another problematic which arises when IP protection of foreign investors is under the spotlight, is whether applications for the registration or granting of IPRs are also protected investments. In this context, a case of the European Court for Human Rights\textsuperscript{41} is of great importance and assistance to the problematic. The case deals with whether a trademark application can be considered as property protected under the 1st Protocol to the European Convention on Human Rights (ECHR). Under the system of investment protection, this can be interpreted in future in an interesting way.

In the Court’s opinion, an application as such can be considered a protected investment. Since it will be considered under the Host State’s law, with due diligence and according to its procedures, it will create legal effects such as the right of priority over further applications, as also Article 4 of the Paris Convention confirms. This creates legitimate expectations that the application will be duly examined. Of course, this provides for a legal position of the applicant that gives “rise to interests of a proprietary nature”\textsuperscript{42}. As the Court also stated: “It is true that the registration of the mark—and the greater protection it afforded—would only become final if the mark did not infringe legitimate third-party rights, so that, in that sense, the rights attached to an application for registration were conditional.”\textsuperscript{43}

Consequently, this proves a protective character even of applications for IPRs in the Host State, deriving from the application itself, which is followed by legitimate expectations for due diligence in the process and a certain result.


\textsuperscript{41} See ECtHR (Grand Chamber), Case Anheuser-Busch Inc. v. Portugal, Judgment 11 January 2007, Application No. 73049/01.

\textsuperscript{42} See ECtHR (Grand Chamber), Case Anheuser-Busch Inc. v. Portugal, Judgment 11 January 2007, Application No. 73049/01, at § 78.

\textsuperscript{43} See n. 42.
1.5 The TRIPs-Plus Perspective

As earlier mentioned, WTO and its negotiations have been of utmost importance in terms of evolution in the world of trade, investment, intellectual and industrial property. On an IP level, as Vadi has mentioned “Industrialized countries have moved negotiations to bilateral settings in order to obtain higher standards of IP protection”. While this can be criticized by developing countries for the impact it has, there are some arguments in favor of it, since it is not illegal as such and it is also allowed by the TRIPs Agreement itself.

1.5.1 Definition of the TRIPs-Plus Concept

Prior to analyzing it in depth, it is indeed important to define the concept of TRIPs-Plus. The term, as also stressed out by Vadi, is indeed complex even in its definition: “TRIPs-Plus is a relative concept which refers to and develops the intellectual property provided by the TRIPs Agreement. There is no single exhaustive definition of TRIPs-Plus, as investment provisions are negotiated on an ad hoc basis. Generally, though, this concept has a cumulative nature, as negotiators tend to increase the standards building on past experience.”

In a sensus lato definition, the concept would ideally mean some more commitments that go beyond what is discussed and agreed already. These can be i.e. a new era of IPRs, a more extensive scope of the TRIPs Agreement’s protective standards or an elimination of an already existing option for the Members under the Agreement.

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45 Article 1(1) TRIPs Agreement reads: “(...) Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. (...)”.
47 See David Vivas-Eugui, Regional and Bilateral Agreements and a TRIPS-plus World: The Free Trade Area of the Americas (FTAA), TRIPS Issues Papers No. 1, Quaker United Nations Office, Geneva (2003), at 4. “In principle, TRIPS-plus refers to commitments that go beyond what is already included or consolidated in the TRIPs Agreement. TRIPS-plus agreements or commitments can imply: i) Inclusion of a new area of IPRs (e.g. protection of non-original databases); ii) Implementation of a more extensive standard (e.g. extend the period of protection from 10 to 15 years in the case of trademarks or in copyright the calculation of protection terms based on the life of the author plus 95 years); and iii) Elimination of an option for Members under
In a *sensus stricto* definition, TRIPs-Plus would strengthen even more the existing regulations of the TRIPs Agreement and then, in terms of international investment law, we could argue that BITs and IIAs are manifested types of agreements with a “TRIPs-Plus effect”.48

1.5.2 TRIPs-Plus Effect of IIAs

As Boie once said: “(...) to the extent that BITs make reference to TRIPs standards, BITs function as TRIPs proliferators”.49 A TRIPs-Plus effect can be achieved when anything further than the protection already provided by TRIPs is negotiated and agreed upon. IIAs, especially in the form of BITs, do so in some cases. However, this is also the result of the intertwinement between investment law and the international regime of IPRs protection. This intersection is more of a sporadic overlapping which, in my view, should be made more consistent and coherent.

Nevertheless, some BITs do even now provide for a TRIPs-Plus effect. Taking the example of the US-Nicaragua BIT,50 which makes the signing of a Bilateral Intellectual Property Agreement (BIP) *conditional* for the signing of the actual BIT, we can easily detect some protection beyond the normal standards. The US-Nicaragua BIP51 provides that: “Effective upon signature, each Party agrees to submit to its legislature any legislation and to issue any regulations necessary to carry out fully the obligations of this Agreement and to enact and implement such legislation and give effect to such regulations within 18 months.”52 Consequently, the subject-matter of this BIP compared

the TRIPS Agreement (e.g. an obligation to protect plant varieties “only” by the International Union for the Protection of New Varieties of Plants (UPOV) system 1978/91”). See also Mohammed El-Said, The Road from TRIPS-Minus, to TRIPS, to TRIPS-Plus- Implications of IPRS for the Arab World, Journal of World Intellectual Property No. 53 (2005), at 58-61.


52 See n. 51, Article 20 (1).
to the one of the TRIPs Agreement is the same. In the light of defining this *construction* under the *sensus stricto* definition of a TRIPs-Plus effect, I would argue that this effect is well-existent in the BIP and thus the latter constitutes a TRIPs-Plus Agreement.⁵³

Last but not least, even if IIAs compared to IP-specific Agreements do not have, in a strict sense, the same subject-matter in total or regulatory intent, their intention is moving in several cases, as seen, towards a similar way. Therefore, analysing this issue from a more innovative and alternative point of view, it is my firm belief that this is not just an overlapping; many of those agreements are creating a TRIPs-Plus effect; many of those agreements can contribute to a stronger protection of IPRs; and many of those agreements will eventually in future add value and experience towards a more coherent international regime of IPRs protection.

II. Chapter 2: Substantive Standards of Protection

Moving on, this Chapter will examine the substantive guarantees of protection. Since an investor invests in a foreign state, this bears by definition a risk. Political and non-political risks exist always. However, there should be in each case a *minimum standard of protection*. As mentioned, IPRs are taking up the “disguise” of property rights. Since a “property character” exists, IPRs are generally recognised as a possession to their proprietor. However, it may come to collusions with the sovereign power that a state has. A State’s sovereignty is a powerful tool with which it exercises several rights within its territory, even if agreed with an investor otherwise. This alleged “great” power can be in some cases lawful and in some other cases an unlawful act, which then, is a matter of proof.

⁵³ Article 1(2) of the BIP enhances this argument and provides for: “To provide adequate and effective protection and enforcement of intellectual property rights, each Party shall, at a minimum, give effect to this Agreement and the substantive provisions of: (a) the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms, 1971 (Geneva Convention); (b) the Berne Convention for the Protection of Literary and Artistic Works, (Berne Convention); (c) the Paris Convention for the Protection of Industrial Property, 1967 (Paris Convention); (d) the International Convention for the Protection of New Varieties of Plants, (UPOV Convention), or the International Convention for the Protection of New Varieties of Plants, 1991 (UPOV Convention); and (e) the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (1974). If a Party has not acceded to the specified text of any such Conventions on or before the date of entry into force of this Agreement, it shall promptly make every effort to accede without delay”. 
Beyond that, a substantive protection of IPRs investments which responds to the perils of our times becomes more and more urgent. The rampant IPRs piracy is, unfortunately, a worldwide phenomenon and a fact. When seen under the light of IP investments, it is certainly a delicate and complex issue. First of all, while international investment law covers and protects from unlawful state acts, the acts of piracy are usually committed by private actors and not states, thus they don’t fall under this protection. The only case where the latter would become a positive fact, is when it is or will be proven that the state has been involved in the act(s) of piracy or since it had the notice, it failed to take measures to restrict the infringement. A relevant standard of protection here is the full protection and security standard,\textsuperscript{54} which is often seen as one combined standard with FET. However, as interesting as this matter might be, analysing it in this dissertation would take us deeper to very specialised issues and beyond initial scope.

Accordingly, the analysis starts with the protection against unlawful expropriation, emphasizing on indirect expropriation, seen also under the two very special situations, namely the invalidation or revocation of IPRs and the parallel imports (see 2.1, 2.1.1, 2.1.2), and proceeds with the subject of National Treatment (see 2.2), MFN Clause (see 2.3) and concludes with the FET principle (see 2.4) and the umbrella clause standard (see 2.5).

\textsuperscript{54} The wording of the standard is mainly suggesting that the Host State is obliged to refrain from any act that would have as a result adverse effects on the investor and the investment. The state has also the obligation to take effective measures towards this direction. In addition to that, it is mentioned that this obligation lies to the state, its organs and third parties. However, the standard is not absolute. Nowadays, its application extends beyond physical protection and includes even legal protection. However, this is still far from being unanimously accepted in arbitral practice. See relevant arbitral cases Saluka Investments BV (The Netherlands) v. The Czech Republic, Partial Award (17 March 2006), at §§ 483-4 and Ronald S. Lauder v. The Czech Republic, Final Award (3 September 2001), at § 314, all available at \url{www.italaw.com} (last visited 24/01/2017). See also Rudolph Dolzer and Christoph Schreuer, op. cit. n. 24 (2008), at 149. Finally, it is worth mentioning that the published consolidated text of the Comprehensive Economic and Trade Agreement between Canada and the European Union is, Article 8.10 (5), explicitly limiting the scope of full protection and security to only physical protection. Available at \url{www.ec.europa.eu/trade} (last visited 24/01/2017).
2.1 Protection against Unlawful Expropriation

Expropriation is one of the most commonly understood forms of property deprivation. It distinguishes between direct\(^{55}\) and indirect,\(^{56}\) lawful and unlawful.\(^{57}\) Indirect expropriation includes also the regulatory interference of a State, i.e. the revocation of a license, and even erosions of the investor’s rights through a series of acts over time (creeping). However, every State has the sovereign right to expropriate assets on its territory when it meets several criteria,\(^{58}\) which would make an expropriation a lawful act.

\(^{55}\) A direct expropriation can take the form of a nationalisation and is generally realised when the state transfers a title of the investor’s property on its own name.

\(^{56}\) An indirect expropriation is a more “tricky” situation and happens when a state takes measures which have an effect of substantial deprivation of the investment’s value and have, generally speaking, eventually an effect equivalent to a direct expropriation.

\(^{57}\) The substantive and practical difference between lawful and unlawful expropriation is that in the former the compensation or payment required is calculated according to the fair market value of the investment at the date of the taking, whilst the latter consists a breach of treaty which obliges the Host State to full reparation which may also include the lost future profits. But is this always easy to determine? Certainly not; especially in cases of IP-related investments where the value can have dramatic fluctuations. Furthermore, in terms of a clear definition, indirect expropriation is more difficult to define or to prove. This makes it also possible to result in no compensation as it might not be proven that the state’s act was indeed an (unlawful) expropriation. There are certain tensions between what constitutes indirect expropriation and legitimate governmental regulation and certainly, as mentioned, not all governmental interference will amount to a compensable indirect expropriation. However, in such cases, some additional factors to consider are a) the duration and the degree of the interference, b) the purpose and effects of the measures taken and c) the expectations of the investor. Moreover, other factors to examine are also a) whether it was an act or omission and decide accordingly - although expropriation generally requires acts by the state - and b) if the state has benefited. However, these factors are only used when having secondary considerations.

\(^{58}\) Those criteria are the following: a) the act should be justified under a public purpose (ordre public reasons); b) the expropriation should not be discriminatory against the investor (non-discrimination standard); c) it should be in accordance with due process of law; d) the investor should be fully compensated, and this compensation should be prompt, adequate and effective, according to the Hull formula. The Hull Formula refers to a diplomatic note of 22 August 1938 of Cordell Hull, the US Secretary of State, where he has the view that compensation has to be “prompt, adequate and effective”. The so-called “Hull formula” has been adopted in many treaties concerning international investment, but is still controversial, especially in Latin American countries, which historically have subscribed to the Calvo Doctrine, which among other things, suggests that compensation is to be decided by the host country and that as long as there is equality between nationals and foreigners and no discrimination, there cannot be any claim in international law. The tension between the Hull formula and the Calvo Doctrine is still of importance today in the law of international investment. See also examples of the criteria found in various BITs: Example 1. Canada-Egypt BIT, Article 8 (1): “Investments or returns of investors of either Contracting Party shall not be nationalized, expropriated or subjected to measures have an effect equivalent to nationalization or expropriation (…) except for a public purpose, under due process of law, in a non-discriminatory manner and against prompt, adequate and effective compensation (…)”. See Agreement between the Government of Canada and the Government of the Arab Republic of Egypt for the Promotion and Protection of Investments, signed 13 November 1996, entered into force 3 November 1997. Example 2. UK-Morocco BIT, Article 6 (1): “Measures of nationalisation, expropriation or any other measures having an equivalent effect, that might be taken by one of the Contracting Parties against the investments of nationals of the other
Despite the fact that the Award\textsuperscript{59} in *Philip Morris v. Australia* rejects the claim due to procedural issues, the case adds value to the overall academic discussion, especially on the aforementioned problematic in relation to IPRs held directly by the investor or by a local subsidiary.\textsuperscript{60} Accordingly though, the recently published Award\textsuperscript{61} in *Philip Morris v. Uruguay* marks substantial progress on the existing challenges of the observed intersection. In relation to expropriation, the Tribunal held that “It is undisputed that trademarks and goodwill associated with the use of trademarks are protected investments under Article 1(2)(d) of the BIT”.\textsuperscript{62} Then, it proceeds to the examination of certain questions\textsuperscript{63} so as to come to a conclusion regarding the claim of expropriation. Interestingly enough, the Tribunal relates the dilemma of having the right to use or only to protect the trademark against use by others with the possibility that the Respondent has expropriated the investment.\textsuperscript{64} Nevertheless, being mostly influenced by the *bona fide* on the Respondent’s side, the Tribunal held that “the Challenged Measures were a
valid exercise by Uruguay of its police powers for the protection of public health. As such, they cannot constitute an expropriation of the Claimants’ investment. For this reason also, the Claimants’ claim regarding the expropriation of their investment must be rejected.  

As a result, we see the complexity that a state’s behavior can adopt and that even the control on the alleged expropriation has to be depended on several conditions. The issues that arise in terms of IPRs investments and expropriation are various and as states have already understood the importance of investments, the phenomenon of indirect expropriation is more common than the one of direct expropriation. Consequently, it is certainly more valuable to analyse further IPRs’ deprivation under the circumstances of indirect expropriation. With the firm belief that the decision in Philip Morris v. Uruguay marks the beginning of an extended dialogue and numerous scholarly articles, I share the view that the subsequent analysis will be of more value to the present dissertation and shed light in the variety of forms that an indirect expropriation of IP investments might take, without being considered exhaustive as there are more, such as i.e. the compulsory licensing situation.

2.1.1 IPRs Invalidation or Revocation as Indirect Expropriation

In order to proceed with the relevant analysis, we shall firstly consider the exact definition of direct and indirect expropriation. Accordingly, in an IPRs’ revocation or invalidation there is rather an indirect expropriation constituted; simply because while the investor is deprived of its investment, no transfer is operated, rather the IPR ceases to

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65 See Philip Morris v. Uruguay, op. cit. n. 61, Award (2016), at § 307.

66 Given the relevance and similarities on the substance and without having proceeded in a detailed case study between Philip Morris v. Australia and Philip Morris v. Uruguay, it can be argued that in a number of points the latter would contain enough “persuasive” reasonings so as the Tribunal of the former would also have used - if gone into the substance and not having rejected the claim because of procedural issues. Now, this means as well that countries with similar provisions or intention of similar insertion of national regulations might rely on this judgement. However, it shall be clear that this is not suggesting that the claim against Australia would have the same outcome as the one against Uruguay. Every case has to be examined on an ad hoc basis since each situation’s facts differ.

67 Unfortunately, given the word limit of this dissertation and the broad legal issues that arises in relation to compulsory licensing, it will not be possible to analyse this topic in the present text.

68 In a case of direct expropriation, property rights are transferred compulsory by the State, whereas in a case of indirect expropriation, a measure taken by the state, even if there is no actual transfer, taking or loss of property rights included, leads to an effect that has similar results with an actual property deprivation.
exist. Secondly, it is indeed extremely relevant if the BIT at stake contains specific provisions on the subject. If so, and the revocation or invalidation falls under the scope of such provisions, it will not be considered as a violation of the BIT, as the provisions are then a *lex specialis*, to which the parties have previously agreed upon. It is then considered to be a lawful regulatory act for which the state cannot be accused of a violation of the BIT or a discriminatory act. However, it is more rare than usual for BITs to provide for such clear provisions and therefore the issue of IPRs’ revocation or invalidation, which can constitute an indirect expropriation, remains important.69

The Host State’s sovereign power to regulate within its territory is undisputed; neither the fact that this sovereignty extends also to IPRs. However, every state-act has to be justified under the relevant grounds and exceptions and under the standards of protection provided under international investment law. From the moment on when the investor is granted rights for the IP investment, it enjoys automatically the protection of the applicable investment legal instrument. Therefore, the protection against indirect expropriation is then a matter of distinguishing whether it is the case of indirect expropriation or a legitimate regulatory activity. In this regard, there can be three different situations.

The first one refers to when the revocation or invalidation is enacted by the Host State in violation of its national laws. In such situation, it is clear that the act cannot be considered as a legitimate regulatory activity and can thus be considered as a form of indirect expropriation under the relevant standards of the respective BIT. The second situation refers to when the revocation or invalidation may be enacted in accordance with the Host State’s national law. If the justifying law for the revocation or invalidation had already entered into force at the time when the investment was made and the IPR granted is not arbitrary or discriminatory or applied in such manner, then such a measure constitutes most likely a valid form of regulatory activity, since, given that the IPR was granted under the condition that it is in accordance with the Host State’s law applicable at that time, it is reasonable to expect that the investor was aware of the respective applicable law. It is also reasonable to say that it was expected from the investor’s side to be fully aware of the IPR’s protection limits according to the applicable national law at the time of the investment and that therefore, the assessment of the regulatory measure, in light of the investor’s legitimate expectations, will most probably result in the fact that

69 See 2012 US Model BIT, Article 6 (5) stating that the disposition regarding indirect expropriation “(...) does not apply (...) to the revocation, limitation, or creation of intellectual property rights, to the extent that such issuance, revocation, limitation, or creation is consistent with the TRIPS Agreement.”
the state has performed a legitimate regulatory measure and the investor should have been aware of the pre-existing grounds for revocation or invalidation. However, it is indeed very important to note that this assessment shall be valid only if the state has applied the pre-existing national regulations and interpreted the relevant grounds in a \textit{fair} and \textit{non-discriminatory} manner.

Finally, the third situation is when the Host State enacts new laws \textit{substantially modifying} the IP law regime in force at the time of investment and granting of the IPR at stake, by introducing new grounds on which an IPR could be revoked or invalidated. This however, should be subject of very close scrutiny. Most importantly, the new national provisions should be examined in terms of conformity with international investment law standards, as well as with international IP Conventions. Moreover, it should be evaluated in terms of the legitimate expectations of the investor. Certainly, this means a case-by-case analysis. And it should be always borne in mind, that any change in legislation and the relevant legal regime might still constitute a legitimate form of regulatory activity.

2.1.2 Parallel Imports as Indirect Expropriation

Parallel imports are also known as “gray-market imports”. They can be defined as the “option of importing a patented product that has been placed on markets both abroad and domestically, but is sold more cheaply elsewhere”.\footnote{See Rosa Castro Bernieri, Intellectual Property Rights in bilateral Investment Treaties and Access to Medicines: The case of Latin America, The Journal of World Intellectual Property No. 548 (2006), at 557.} So mainly, it is about having a product imported from another country without the permission of the IPRs holder. The doctrine of parallel imports is based on the concept of “exhaustion of IPRs”. The \textit{exhaustion of rights} concept is mainly arguing that when a protected product is placed in a market, the control that the right holder has terminates from that moment on and parallel importation is authorized to all residents in the state in question.\footnote{The concept has however, a wide range of variations depending on which level playing field we are talking about, i.e. global, regional, national. Furthermore, some countries do allow it and some others don’t.}

The practice of parallel imports is often advocated in cases related to copyrights of software, music etc.. In regards to pharmaceuticals, there is a benefit for consumers since parallel importing reduces the price by introducing competition.\footnote{See the distinctive decision CJEU, Boehringer Ingelheim v. Swingward I, Judgement of the Court on 26 April 2007, Case C-348/04, ECR I-3391.} Especially the
TRIPs Agreement in Article 6\textsuperscript{73} states that this practice cannot be challenged under the WTO dispute settlement system and so, it is effectively leaving a door open to the states to decide on it as a matter of national discretion. This, however, should always make the investors suspicious on the level of domestic legal stability so as not to signal an exposure to uncertainty and diminishing of the investments' value.

Nevertheless, some FTAs\textsuperscript{74} have made use of the possibility to regulate parallel imports and therefore, provide for a more clear picture in this regards. Additionally, as already mentioned, the definition of an investment can be broad and considering the adverse effects often connected with parallel imports, investors should be concerned if parallel imports diminish the investor's market share or IP value.\textsuperscript{75} Nevertheless, fact is that parallel imports can harm, indeed, IPRs and their owners in different ways depending each time on the situation. For example, there can be a loss of marketing channel support, due to the loss of value/ attractiveness/ importance of the product and this could lead to lower sales, with a certain connected effect to the IPR's value which could reach the level of interference similar to an indirect expropriation.

In conclusion, “gray market imports” are definitely a situation to consider for investors since IPRs and their value are affected by them. IP investments can be subject of loss of value, either partial or total, and therefore, need to be protected. Thus, international standards of protection need to be applied, specifically in our case when talking about (indirect) expropriation. The intangible property of the investors is a complex issue and its protection cannot be examined in a generalized way but in a case-by-case assessment. However, commonly recognized standards of protection, among which the protection against (indirect) expropriation, play an important role. This on the other hand, leads to the question of “which is the right balance between legitimate regulatory activity of the Host State and the legitimate expectations of the investors?”. Unfortunately, this

\textsuperscript{73} See TRIPs Agreement, Article 6: “For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 [National Treatment] and 4 [Most-Favoured-Nation Treatment] nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.”


\textsuperscript{75} A market share or value loss might not necessarily be observed automatically. However, even in situations of such kind of loss for the protected asset, it is always necessary to evaluate to which extent the investors and their product will be - because of the parallel imports - excluded from the market at stake.
is a question beyond present scope, with no definite answer yet, proving, though, the vast space for research and the young age of international investment law.

2.2 National Treatment

Requiring from the Host State equal treatment between foreign and national investments and investors is what defines the principle of NT. It is an obligation that the Host State has to keep and by now, it has become a common provision of most, if not all, BITs. NT has been described as “perhaps the most important standard of treatment enshrined in IIAs. At the same time, it is perhaps the most difficult standard to achieve, as it touches upon economically (and politically) sensitive issues.”\(^76\) In fact, the principle asks and provides for *no less favourable treatment* of investors or investments of a foreign country when compared with the nationals of the Host State in similar and alike circumstances. It might seem reasonable and easy but it is debatable if even one single country in the world grants foreign investors national treatment without qualifications and requirements, which are absent in the case of its nationals.\(^77\)

Furthermore, interesting observations arise here as well. When analysing the treatment of domestic investors by a state, it can be the case that the country’s environment is not as favourable as in other countries or indeed, limited and hostile. This would mean that a foreign investor would also be treated badly and would not have any legitimate expectation, as far as the NT standard concerns, for a higher and better treatment or protection. This is also the main weakness of the standard, or in other words, its *Achilles’ heel*. Moreover, also the NT standard of protection is not absolute and it is often limited or dependent on general exceptions, i.e. in cases including measures related to the protection of national security or public health.\(^78\)

As far as international IP laws is concerned, the NT standard was firstly introduced in the Paris Convention.\(^79\) The establishment of the NT standard in IP Agreements was

\(^{76}\) See UNCTAD, National Treatment, UNCTAD Series on issues in international investment agreements, UNCTAD/ITE/IIT/11(Vol.IV), United Nations (1999), at 1.

\(^{77}\) For the needs of this analysis, “nationals” apart from the national individuals, are also considered to be meant the domestic investors, natural or legal personalities.

\(^{78}\) However, it is important to mention that most IIAs do not contain general exception clauses, but if so, then they usually apply to the entire text, unless otherwise agreed.

\(^{79}\) See Paris Convention for the Protection of Industrial Property, Article 2 (1) [National Treatment for Nationals of Countries of the Union]: “Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same
further confirmed by the Berne Convention,⁸⁰ the Rome Convention,⁸¹ the Washington Treaty⁸² and the TRIPs Agreement.⁸³ However, also here, the standard doesn’t come without exceptions⁸⁴ - small yet not meaningless - and therefore, it appears to me that protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.” and Article 3 [Same Treatment for Certain Categories of Persons as for Nationals of Countries of the Union]; “Nationals of countries outside the Union who are domiciled or who have real and effective industrial or commercial establishments in the territory of one of the countries of the Union shall be treated in the same manner as nationals of the countries of the Union.”, available at www.wipo.int (last visited 20/12/2016).

⁸⁰ See Berne Convention for the Protection of Literary and Artistic Works, signed 9 September 1886, as amended 28 September 1979, Article 5 (1): “Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention. (...) (3) Protection in the country of origin is governed by domestic law. However, when the author is not a national of the country of origin of the work for which he is protected under this Convention, he shall enjoy in that country the same rights as national authors.”, available at www.wipo.int (last visited 20/12/2016).

⁸¹ See (Rome) International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, signed d 26 October 1961, Article 2 (1): “For the purposes of this Convention, national treatment shall mean the treatment accorded by the domestic law of the Contracting State in which protection is claimed: (a) to performers who are its nationals, as regards performances taking place, broadcast, or first fixed, on its territory; (b) to producers of phonograms who are its nationals, as regards phonograms first fixed or first published on its territory; (c) to broadcasting organisations which have their headquarters on its territory, as regards broadcasts transmitted from transmitters situated on its territory. 2. National treatment shall be subject to the protection specifically guaranteed, and the limitations specifically provided for, in this Convention.” and Article 5 (1): “Each Contracting State shall grant national treatment to producers of phonograms if any of the following conditions is met: (a) the producer of the phonogram is a national of another Contracting State (criterion of nationality); (b) the first fixation of the sound was made in another Contracting State (criterion of fixation); (c) the phonogram was first published in another Contracting State (criterion of publication). “, available at www.wipo.int (last visited 20/12/2016).

⁸² See Washington Treaty on Intellectual Property in Respect of Integrated Circuits, adopted 26 May 1989, Article 5 (1): “Subject to compliance with its obligation referred to in Article 3(1)(a), each Contracting Party shall, in respect of the intellectual property protection of layout-designs (topographies), accord, within its territory, (i) to natural persons who are nationals of, or are domiciled in the territory of, any of the other Contracting Parties, and (ii) to legal entities which or natural persons who, in the territory of any of the other Contracting Parties, have a real and effective establishment for the creation of layout-designs (topographies) or the production of integrated circuits, the same treatment that it accords to its own nationals.”, available at www.wipo.int (last visited 20/12/2016).

⁸³ See TRIPs Agreement, Article 3(1): “Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.”, available at www.wto.org (last visited 20/12/2016).

⁸⁴ See TRIPs Agreement, op. cit., Article 3(1) and Paris Convention, op. cit., Article 2 (2): “However, no requirement as to domicile or establishment in the country where protection is
there is a window to discrimination. Nevertheless, a foreign investor can claim under the
basis of the NT principle a no less favourable protection of the Host State than the one
that domestic investors enjoy and this is mostly beginning even at the stage of the
acquisition process of IPRs.

2.3 Most-Favoured-Nation Clause

The principle of MFN treatment was first established under the GATT 1947 and is a
cornerstone of the multilateral trade rules’ system. Similar to the NT standard of
protection, the MFN standard is a supplementing piece forming in combination with the
former, a non- discrimination basis and obligation from the Host State’s side, however
this time between different foreign investors in the State. Traditionally, MFN clauses
“have formed part of international economic treaties for centuries”. It is not rare that
those two standards are mentioned in IIAs under the same Article and/or provision.
However, the MFN principle is taking as a measure of comparison the de jure and de
facto treatment of the Host State towards the foreign investors on the international level.

Relating the MFN standard with IPRs investments, one finds out that the “pre-TRIPs
era” in international IPRs conventions did not provide for an MFN standard of
protection. It is only after TRIPS that the standard is being introduced and more
specifically, in Article 4 of the TRIPs Agreement. With this being a fact, IPRs are

claimed may be imposed upon nationals of countries of the Union for the enjoyment of any
industrial property rights. (3) The provisions of the laws of each of the countries of the Union
relating to judicial and administrative procedure and to jurisdiction, and to the designation of an
address for service or the appointment of an agent, which may be required by the laws on
industrial property are expressly reserved.”

85 See Dolzer and Schreuer, op. cit. n. 24 (2008), at 186.
86 With the exception of some early European BITs on copyrights inter alia made by Germany,
Belgium, Spain and France.
87 See TRIPs Agreement, Article 4: “With regard to the protection of intellectual property, any
advantage, favour, privilege or immunity granted by a Member to the nationals of any other
country shall be accorded immediately and unconditionally to the nationals of all other Members.
Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a
Member: (a) deriving from international agreements on judicial assistance or law enforcement of
a general nature and not particularly confined to the protection of intellectual property; (b) granted
in accordance with the provisions of the Berne Convention (1971) or the Rome Convention
authorizing that the treatment accorded be a function not of national treatment but of the treatment
accorded in another country; (c) in respect of the rights of performers, producers of phonograms
and broadcasting organizations not provided under this Agreement; (d) deriving from international
agreements related to the protection of intellectual property which entered into force prior to the
entry into force of the WTO Agreement, provided that such agreements are notified to the Council
for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of
other Members.”
expected to be equally spread and granted. Consequently, IIAs and the TRIPs Agreement form the base-line for the protection under an MFN clause and intertwine when investments take the form of IPRs. However, even so, some interesting matters arise.

One basic question is connected with the rationae materiae limitations that the MFN clause carries with its character. An MFN clause “imports” treatment from a third party since it is governed by the ejusdem generis principle. This means that an MFN clause may only apply to issues that belong to the same subject matter or the same category of subjects to which the clause relates.\(^88\) In light of the above, it is quite disputable whether IIAs can borrow or “import” substantive rights of protection, under the MFN standard, from IPRs Conventions, since they have different subject matters and a different regulatory intent. Although the relevant judicial and arbitral practice adheres to the ejusdem generis principle, with the leading arbitral case of Maffezini v. Spain,\(^89\) there should be, in my opinion, a more nuanced approach since the practice has shown that the intersection of various fields of law and subject matters is a reality and will be more apparent in the near future. This wouldn’t mean that major basic principles have to be annulled or set aside but a more ad hoc based approach on the parties’ intentions would be of greater value.

### 2.4 Fair and Equitable Treatment

The FET standard is maybe the most ambiguous\(^90\) one, which many tried to clarify.\(^91\) As Yannaca-Small has argued: “The FET standard has its own meaning, and is not

\(88\) See France Houde and Fabrizio Pagani, Most-Favoured-Nation Treatment in International Investment Law in OECD, International Investment Law: A changing Landscape (2005), at 142.

\(89\) See Emilio Augustin Maffezini v. The Kingdom of Spain, ICSID Case No. ARB/97/7 (25 January 2000), available at www.italaw.com (last visited 21/12/2016), at § 41.

\(90\) However, three factors can be identified as, roughly, a guideline to the identification of the FET principle: a) a violation of domestic law by the host state as such is not sufficient for a FET breach; b) FET however, can be breached without necessarily having the host state showing bad faith; and c) the protection of the investor’s legitimate expectations, if any recognized at all, must be balanced against the legitimate right of the state to regulate according to the public interest. See Bryan Mercurio, Awaking the Sleeping Giant: Intellectual Property Rights in International Investment Agreements, Journal of International Economic Law No. 15 (3) (2012), at 894.

\(91\) Historically speaking, in the field of international trade law, it goes back in 1948 to the Havana Charter for an International Trade Organization, which, as we know, never entered into force. Despite this fact, most of the recent BITs introduce the FET principle and require that investments and investors covered under the treaty receive “fair and equitable treatment”. See Havana Charter for an International Trade Organization, 1948, Article 11 (2): “The Organization may, in such collaboration with other inter-governmental organizations as may be appropriate: (a) make
necessarily satisfied by treating the investor as well as the Host State treats its own nationals or other foreigners. Fair and equitable is a flexible, elastic standard, whose normative content is being constantly expanded to include new elements.”92 This uncertainty has become with the years the motive93 to set a basis in regards to how and when to apply the standard - mainly through arbitral case law.94

IPRs investments and the FET principle interact certainly under the TRIPs Agreement. However, even if referred in the Agreement, - in contrast with the NT and MFN standards - FET is not seen as a standard of treatment, as understood under international investment law, but is only mentioned with regard to procedures concerning the enforcement of IPRs.95 In IIAs, FET is a key issue, thus, when focusing on this particular

recommendations for and promote bilateral or multilateral agreements on measures designed. (i) to assure just and equitable treatment for the enterprise, skills, capital, arts and technology brought from one Member country to another; (...)”, available at www.britannica.com (last visited 25/01/2017).

92 See Katia Yannaca-Small, Fair and Equitable Treatment Standard: Recent Developments, in August Reinisch, Standards of Investment Protection, Oxford University Press (2008), at 112.

93 The main question here was “whether the fair and equitable treatment merely reflects the international law or offers an autonomous standard that is additional to general international law?”. See OECD, Fair and Equitable Treatment Standard in International Investment Law, OECD Working Papers on International Investment, 2004/03, (2004), OECD Publishing, available at http://dx.doi.org/10.1787/675702255435 (last visited 21/12/2016), at 8-25. Making this an academic debate, there were of course vibrant arguments between scholars arguing, on the one hand, for an independent and autonomous FET principle whereas on the other hand, FET was seen as equivalent to the international minimum standard of customary international law. See OECD Draft Convention on the Protection of Foreign Property, 1967, available at www.oecd.org (last visited 21/12/2016) and Christoph Schreuer, Fair and Equitable Treatment in Arbitral Practice, The Journal of World Investment & Trade (2005) at 361, where the second opinion and argumentation for the FET principle, seen as international minimum standard of customary international law, is based on the Dissenting Opinion of Arbitrator Samuel K. B. Asante in the AAPL decision (ICSID, Asian Agricultural Products Ltd. v. Republic of Sri Lanka, ICSID Case No. ARB/87/3, at 583-584 - available at www.italaw.com (last visited 21/12/2016) - and which was further supported by the Swiss Foreign Office in a comment of 1979 as also cited in Christoph Schreuer. Similar the European Parliament Resolution of 6 April 2011 on the Future European International Investment Policy, § 19: “FET should be defined on the basis of the level of treatment established by international customary law.”

94 Further in time, IIAs felt the need of clarification and went deeper by explicitly including reference to international law in their FET provision, such as i.e. NAFTA. Nowadays, the debate has not been settled yet but there is at least a certain base, which serves, apart from the scholarly debate that might raise deeper issues of understanding, the international community and arbitral case law to interpret and analyse the principle as not “frozen” in time but as a vivid, evolving principle depending on the general and consistent practice of states and opinio juris. See NAFTA, Chapter 11, Article 1105 (1): “Each Party shall accord to investments of investors of another Party treatment in accordance with international law, including fair and equitable treatment and full protection and security.”, available at www.nafta-sec-ahena.org (last visited 25/01/2017). See also Katia Yannaca-Small, op. cit. n. 92, at. 116.

95 See TRIPs Agreement, Article 41 (2): “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.” Furthermore Article 42 of the TRIPs Agreement addresses “fair and equitable procedures.”
standard in relation to IPRs investments, the question is which should be the basis for its application. So, one relevant aspect here is the investor’s legitimate expectations against host state interference. The mentioned disputes, in the Introduction, concerning tobacco packaging and patent invalidation describe this extensively.

Basically, the FET standard will always concern a balance of existing legitimate expectations on the investor’s side and the Host State’s legitimate regulatory interests. In the Philip Morris v. Uruguay case, PM argued that the measures taken by the state were in breach of the FET standard - especially vis-à-vis its legitimate expectations in a continuous marketing of its cigarettes under its brands, such as Marlboro. The Tribunal however, held that “Given the State’s regulatory powers, in order to rely on legitimate expectations the investor should inquire in advance regarding the prospects of a change in the regulatory framework in light of the then prevailing or reasonably to be expected changes in the economic and social conditions of the host State.”97 Thereof and also, inter alia, due to the beneficial character to public health that the “Challenged Measures” had, the Tribunal dismissed this claim of breach. However, here arise further complex questions, i.e. i) to what extent can the granting of an IPR as such become the basis for legitimate expectation and ii) whether an investor can have legitimate expectations relying on international IP provisions.

Given the limited space for analysis, a brief answer to the questions will follow. Regarding the first question, we shall primarily consider the role of IP exclusivity and its limits in the law of the Host State. In Eli Lilly v. Canada, the Claimant argues that invalidation of its patents by the domestic courts due to a later (than the time of the investment) developed principle (by the courts), which leads to stricter patentability standards, is violating its rights under the FET principle.98 However, alone because of the existing system of judicial review on the validity of patents by the courts around the globe and the connected legitimacy, it is quite hard to argue that investors can have legitimate expectations based on the grant of an individual IPR from a patent office or other respective authority that this IPR will remain untouched and its exclusivity will be

96 See Philip Morris v. Uruguay, ICSID Case No. ARB/10/7, Award, 8 July 2016, at § 361, available at www.italaw.com (last visited 25/01/2017).
97 See Philip Morris v. Uruguay, op. cit. n. 61, Award (2016), at § 427.
99 See TRIPs Agreement, Article 32: “An opportunity for judicial review of any decision to revoke or forfeit a patent shall be available.”
absolute. On the second question, the basis in international IP law for this protection is certainly first and foremost, the TRIPs Agreement, therefore the investor cannot expect something more than that (except when there is a certain lex specialis which goes beyond and even further than this protection, known as the TRIPs- Plus Effect, see Part I). In this regard, if the TRIPs- Plus effect does not apply, it is very unlikely that the investor can legitimately expect a higher protection than this provided by the TRIPs Agreement and other international IP Conventions. Consequently, the investor will rely upon protection on the basis of TRIPs if the Host State is a WTO Member. However, even in a different case, the investor can argue protection under the FET standard of the TRIPs Agreement since the latter provides for the international standards of IP protection even if it is not customary international law.

This on the other hand, opens up another question and particularly, if investors can have legitimate expectations of protecting their IPRs investments under the FET standard by relying on the basis of WTO law. When analysing the issue, it is indeed clear that when applying the TRIPs Agreement, WTO Law is applied. This leads to a “radical departure from the normal rules of WTO dispute resolution” since only states have traditionally the right to benefit from WTO “advantages” of protection. The issue gets more complicated if the FET provision relates to a connection with international customary law or treatment not below the international standard. This has a particular difficulty since the TRIPs Agreement, although being part of international law, is not considered customary law. Thus, when the IIA at stake provides for protection through the FET standard as international customary law, this leads to the exclusion of the application of international IP law. A similar scenario takes place for the second example, when the “international minimum standard of treatment” is understood as customary international law and then the aforementioned result will apply. On the contrary, when interpreted stricto sensu, as “nothing more than the international minimum standards”, it opens the way to include the application of TRIPs.

100 Even instead, the investor’s expectations should be seen a priori as very limited by the domestic regulations of the Host State as well as by the internationally widespread regulatory measures that can be strongly expected, as in the case of measures beneficial to public health. However, it shall be clear that an ad hoc interpretation is always needed.


102 See Charles Owen Verrill, Jr., Are WTO Violations also Contrary to the Fair and Equitable Treatment Obligations ins Investor Protection Agreements?, ILSA Journal of International and Comparative Law (2005), at 288-289.

Having said that, one must not forget that proportionality rules may always apply and this would mean a mere evolution of international standards of protection in IP-related investments. The FET standard is particularly important in content for the investment tribunals since the year 2000. It is only then that they have started to apply it in a wide range of circumstances.\textsuperscript{104} The evolution of this jurisprudence continues until today and raises still a lot of questions. However, one thing is certain: the intersection between international investment law and international IP law is a reality and, in particular, a reality in future legal debate.

2.5 Umbrella Clauses

A similar issue arises under the so-called “umbrella clauses” which primarily are used to import \textit{vis-à-vis} obligations between different legal sources, as investor-state contracts into IIAs. They enable the investor to claim violations of incorporated obligations in investor-state arbitration. In terms of IP, investors have attempted to rely upon such clauses so as to incorporate international IP obligations into their investment claims. PMA is once more an example, since it argued in the beginning that Australia had violated an umbrella clause since the plain packaging rules were inconsistent with the obligations provided under TRIPs and the Paris Convention. Australia’s response is of great importance to the issue.\textsuperscript{105}

Given the number of binding international commitments, states have entered into numerous substantial commitments on trade and IP that have an effect on foreign investments and such a broad understanding of umbrella clauses would practically mean that investors could invoke any provision of the WTO covered Agreements or other international IP and trade treaties. In essence, this might be the intention sometimes, however, it is certainly not always - rather in rare cases - that the states had the intention to allow all these obligations to be enforceable by private parties in ISDS.

Additionally, it is debatable if this supports the effective interpretation of the clauses and not certain yet to what extent a systemic risk exists. Some debate has taken place on the possibility of using umbrella clauses to litigate obligations under WTO law in ISDS.

\textsuperscript{104} See Dolzer and Schreuer, op. cit. n. 24 (2008), at 130.

However, there is no decision yet where an investment tribunal has interpreted an umbrella clause broadly enough so as to cover international IP obligations. Quite contrary, the *pacta sunt servanda* principle, implies that the contractual rights of the investor have to be made specific and precise in the wording of the exact legal text that it will be agreed upon with the Host State. Moreover, expanding in such a broad manner the notion and the use of the clauses has a certain interference in the state’s right to regulate specific matter under national discretion. Therefore, unless the specific wording of the applicable umbrella clause suggests otherwise, these clauses cannot import obligation under international IP treaties in ISDS, yet. Nevertheless, what can be done is to adopt safeguard clauses in IIAs which aim to ensure that the substantive investment protection standards do not override internationally accepted limits to IP protection.106

III. Chapter 3: Procedural Standards of Protection

So far, there have been only a few IP-related investment disputes publicly reported. However, this is more likely to change in future as IP laws around the world enjoy more attention and more and more sophisticated investments are made. Traditionally, international customary law provided for *diplomatic protection*107 when the Home State’s nationals claimed injury caused by the Host State (state-to-state dispute settlement, SSDS).108 Adjudication of those claims can be made primarily by way of negotiation and if the parties cannot resolve the dispute, the protecting State may resort to international adjudication, via the International Court of Justice. Arbitration may also be another way of the dispute’s settlement, as long as it is foreseen in the relevant BITs. However, settlement through the diplomatic channel has nowadays been abandoned since investors have been granted direct access to international dispute settlement

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107 See for a definition Draft Articles on Diplomatic Protection with commentaries, United Nation (2006), Draft Article 1: “Diplomatic protection consists of the invocation by a State, through diplomatic action or other means of peaceful settlement, of the responsibility of another State for an injury caused by an internationally wrongful act of that State to a natural or legal person that is a national of the former State with a view to the implementation of such responsibility,” available at www.legal.un.org (last visited 18/01/2017).

mechanisms and most modern BITs, if not all, provide for an investor-state dispute settlement clause (ISDS).

Within this context, there are certain contemporary concerns that arise in regards to the dispute settlement of IP-related investments and the seeking for compliance with international IP obligations in ISDS. Accordingly, this Chapter will give an overview, starting with the ISDS mechanism (see 3.1), continuing with transparency and secrecy issues (see 3.2) and concluding with a focus on an alternative settlement via the mechanism of mediation (see 3.3).

3.1 Investor-State Dispute Resolution

As already seen in the previous chapter, investment treaties provide for substantive protection under a variety of standards. From a procedural perspective, an investment treaty provides for a regime through which the investor can take action directly against the Host State. It is commonly accepted that investment arbitration is the most efficient way to resolve such a dispute. However, a lot of modern BITs require prior compulsory negotiations. If these fail, then investor-state arbitration proceedings may begin.

109 At this point, it is worth mentioning that some treaties contain “fork in the road” provisions. A “fork in the road” clause provides the investor with the possibility of choice, which will be however binding after all. When referring to the word “choice”, the various investments treaties, especially in the form of BITs, may regulate it in a different way. Nevertheless, in most cases the investor has to decide whether it will pursue its claim through litigation in the national courts or by way of investor-state arbitration under the treaty. The choice shall be made very carefully, since this may prevent subsequent reference to an arbitral court. Practices vary throughout time. Thus starting i.e. from the BLEU-China BIT (Agreement between the Belgium-Luxembourg Economic Union and the Government of the People’s Republic of China on the Reciprocal Promotion and Protection of Investments, signed 6 June 2005, entered into force 1 December 2009, available at www.unctad.org, last visited 23/12/2016), Article 8(2): “If any dispute cannot be settled through consultations within six months from the date it has been notified by the party to the dispute, each Contracting Party consents to the submission of the dispute, at the investor’s choice: a) to the competent court of the Contracting Party that is a party to the dispute; b) to the International Center for Settlement of Investment Disputes (ICSID) under the Convention on the Settlement of Disputes between States and Nationals of Other States, done at Washington on March 18, 1965. Once the investor has submitted the dispute to the competent court of the Contracting Party concerned or to the ICSID, the choice of one of the two procedures shall be final.” An observation can be made that the “fork-in-the-road” clause have been relaxed. A suitable example for this is contained in the Agreement on Encouragement and Reciprocal Protection of Investments between the Government of the People’s Republic of China and the Government of the Kingdom of the Netherlands, signed 26 November 2001, Article 10(2): “An investor may decide to submit a dispute to a competent domestic court. In case a legal dispute concerning an investment in the territory of the People’s Republic of China has been submitted to a competent domestic court, this dispute may be submitted to international dispute settlement, on the condition that the investor concerned has withdrawn its case from the domestic court. If a dispute concerns an investment in the territory of the Kingdom of the Netherlands an investor may choose to submit a dispute to
Since investor-state arbitration is a preferred dispute resolution mechanism, this subchapter will continue with addressing it in the framework of ICSID. Investment arbitration does not need to take place under the auspices of ICSID and its Convention. However, broadly speaking, ICSID is one of the most well know arbitral institutions and it comes with certain advantages as it offers specific and specialized rules of procedure, standard clauses, institutional support, expertise, experience, neutrality, high enforceability of its awards and fixed administration fees. Both the investor and the Host State benefit from ICSID Arbitration: firstly, the investor gains direct access to an effective international dispute settlement forum and secondly, the State is more likely to attract investors on a long-term basis since they will feel like entering in an investment-friendly environment/country and it protects itself against diplomatic protection, as well as other forms of foreign or international litigation.

In relation to IP investments, it is interesting to analyse such Arbitration under Article 25 of the ICSID Convention. Paragraph 1 of the article reads: “(1) The jurisdiction of the Centre shall extend to any legal dispute arising directly out of an investment, between a Contracting State (or any constituent subdivision or agency of a Contracting State designated to the Centre by that State) and a national of another Contracting State, which the parties to the dispute consent in writing to submit to the Centre. When the parties have given their consent, no party may withdraw its consent unilaterally.” In light of this part of the article, when IPRs are covered under the definition of “investments” of the applicable BIT, the interpretation of the rule should come without hardship: theoretically, the alleged infringement of the IPR is covered under the BIT, the investor has a legal basis for a cause of action against the Host State and compliance with the applicable IP norms can be sought. However, this links to the debate supra in relation to international dispute settlement at any time., available at www.unctad.org (last visited 23/12/2016).

110 See Convention on the Settlement of Investment Disputes between States and Nationals of Other States (1965), entered into force 14 October 1966, Article 27: (1) “No Contracting State shall give diplomatic protection, or bring an international claim, in respect of a dispute which one of its nationals and another Contracting State shall have consented to submit or shall have submitted to arbitration under this Convention, unless such other Contracting State shall have failed to abide by and comply with the award rendered in such dispute. (2) Diplomatic protection, for the purposes of paragraph (1), shall not include informal diplomatic exchanges for the sole purpose of facilitating a settlement of the dispute.”, available at www.icsid.worldbank.org (last visited 23/12/2016).

111 See ICSID Convention, op. cit. n. 110 (1965), Article 26: “Consent of the parties to arbitration under this Convention shall, unless otherwise stated, be deemed consent to such arbitration to the exclusion of any other remedy. A Contracting State may require the exhaustion of local administrative or judicial remedies as a condition of its consent to arbitration under this Convention.”
the allowed extent that international IP obligations can be used to substantiate claims in the context of ISDS (see Part II).

Recalling the findings of Part II, it is clear that IIAs do contain different obligations than the international IP conventions and that their regulatory intent differs. Investment disputes arise, typically, from the obligations that IIAs foresee. So, the collusion of IP and investment law in an ISDS with an IPRs investment abuse claim and the ability for private investors to challenge compliance with international IP treaties can contain a systemic risk, however, in my view, if allowed, it results also to an extra layer of protection in both fields of law and specifically in terms of the TRIPs Agreement, it would create in its own unique way a TRIPs- Plus effect. On the other, this will have in future, a significant effect on the political economy of cross-border IP litigation with further implications.

3.2 Transparency related to Intellectual Property Investments

Confidentiality is one of the core advantages of arbitration. However, when higher values are at stake transparency takes over and becomes priority. In today’s international investment regime good governance, such as transparency, has become an inevitable feature. Whether it can be given an essentially legal meaning is yet questionable. In so far, some elements have been recognised to be transparency, accountability, openness and other. Especially in the field of investment dispute settlement, due to the high exposure to public scrutiny, transparency plays with the time a more significant role.

Some first steps towards a more coherent regime of transparency in investment law have been made via the transparency chapters of certain FTAs\(^{112}\) and the UNCITRAL Rules on Transparency in Treaty-based Investor-State Arbitration.\(^{113}\) Concerning the latter, also the EU has taken a supportive approach by agreeing recently, in December 2016, with the UN that it will contribute to its operation of the UNCITRAL Transparency Registry for a further three years.\(^{114}\) Moreover, as transparency can include interests of


\(^{114}\) By making information about investment disputes publicly accessible, the UNCITRAL standards contribute to building confidence in the international investment framework.
third parties, the UNCITRAL Rules provide for possibilities of interaction between disputing parties and either third persons or non-disputing parties to the treaty.\textsuperscript{115}

Analysing this under the light of IP-related investments of high public interest, legitimacy issues can be overcome easily. Transparency as an important feature of international investment law, and as a substantial element of proceedings concerning IPRs of high public benefit, i.e. pharmaceutical patents or generally, patents in medicines, constitutes mainly a very basic prerequisite that should exist in ISDS cases - when explicitly referring to a dispute that contains such valuable IPRs. Further discussion can lead also to a human rights or even environmental approach, which however would be beyond present scope. As a concluding remark, I would note that transparency \textit{per se}, as a procedural guarantee in ISDS, in combination with IPRs investments is likely to enjoy a growing applicability and popularity, with however, discussions being raised on legitimacy issues regarding the participation or the influence to or of third parties.

\textbf{3.3 Alternatives to Investment Arbitration}

Having addressed the most common way to resolve an investment dispute in the former paragraphs, the following section will mostly give an insight and comment on a contemporary approach to propose other forms of ADR for investment disputes and especially the mechanism of mediation. Promoting mediation and other forms of non-binding dispute resolution has become a part of lobbying some years now, which also includes lobby practices from multinational companies, mediation groups, as inter alia the European Institute for Business Mediation (EIBM) and the International Mediation Institute (IMI), and the European Commission. Latest example is the European Mediation Directive\textsuperscript{116} which has given broader attention to the matter and the mechanism itself.

Despite the above, achieving to integrate mediation successfully in investment disputes and have actual results is still a challenge. While there is not yet much practical experience with mediating investment disputes,\textsuperscript{117} there have been efforts to seriously

\textsuperscript{115} See UNCITRAL Transparency Rules, op. cit. n. 113 (2014), Articles 4 and 5.


\textsuperscript{117} See ICSID, Annual Report 2016, “While the majority of cases before the Centre are arbitrations administered under the ICSID Convention, there has also been an increase in the use of ICSID
promote this aim. First and foremost, the compilation of the 2012 IBA Rules for Investor-State Mediation\textsuperscript{118} is a substantial aid towards the achievement of the goal; UNCTAD follows with its two surveys on the issue\textsuperscript{119} and certainly the reference in Model BITs to non-binding dispute resolution mechanisms.\textsuperscript{120} While these efforts seem to be a very ambitious project, mediation cannot be considered as an \textit{equal} alternative to arbitration, since the former does not have a binding character. Nonetheless, is it a useful complement and possible supplement in IP investment related issues?

It is without doubt that ADR methods have numerous advantages. In particular, a third-party moderation and coordination can facilitate communication and organise the dialogue and the settling of the dispute in a more efficient way. An experienced and specifically trained mediator on investment issues, can help to balance the interests and prevent further damages in the parties’ relationship. Costs are also much more reasonable - therefore, small and medium-sized investors will benefit from it- and in terms of IPRs investments specifically, as they are very fragile and special investments, the Host State can further enhance its knowledge on the matter, since mediation is a very interactive technique between the parties and requires a genuine interest to understand each other’s positions, reconsider its relevant policies and domestic IP protection, as well as profit from a portrait as an even more “investor-friendly” country.

Having said that, in practice there are still some steps to make. Mediators should be well-trained on investment disputes, which of course might include also special issues as when an IP-related investment claim arises. Experience in advising investors and States is still missing, however this is acquired through constant effort, research and evolution of know-how. The language of the agreements plays a significant role, too. It


\textsuperscript{120} See i.e. 2008 German Model BIT (Treaty between the Federal Republic of Germany and __________ concerning the Encouragement and Reciprocal Protection of Investments), Article 9(1): “Disputes between the Contracting States concerning the interpretation or application of this Treaty should as far as possible be settled by the Governments of the two Contracting States.”, and 2012 US Model BIT (Treaty between The Government of the United States of America and the Government of __________ concerning the Encouragement and Reciprocal Protection of Investment), Article 23: “In the event of an investment dispute, the claimant and the respondent should initially seek to resolve the dispute through consultation and negotiation, which may include the use of non-binding, third-party procedures.”, all available at \url{www.italaw.com} (last visited 28/12/2016).
is much more likely to choose mediation if it is clearly stated as an option. Going even further, maybe it should not be just an option but indeed, introduced as a precondition for the admissibility of an investment arbitration. And those two procedures should interact substantially, meaning that mediators of the pre-arbitration stage should inform and communicate the arguments of the parties, their red-lines and their points to the tribunal. However, this shouldn’t affect the tribunal’s decision, as they are different procedures. Mediation should also be confidential, a point that adds value to IPRs investment disputes, but at the same time consider and count in that transparency would play again here a greater role because of the state’s public nature, as it will be represented by one of its competent bodies,121 and when disputing IPRs of high public interest (see 3.2). Consequently, the debate on the idea and, of course, the idea itself of considering how to use ADR further to its fullest extent in ISDS adds value to the respective field and I am extremely confident that this will be of utmost importance in future.

IV. Chapter 4: Outlook

“Freedom is not worth having it if it does not include the freedom to make mistakes”

- Mahatma Gandhi

On a more poetic side of recent international investment related developments, this phrase could well reflect part of the logic of arguments - most of the time very well covered in attractive overwraps - that supporters of hotly-debated IIAs use. However, with this being a rather political comment, a more legal analysis will follow, despite the fact that this issue can hardly be separated from the economic and political discussion.

It is well known that trends in trade policy include multilateral international treaties which provide for an investment chapter. This part of the dissertation will try to highlight, as consistent as possible, the contributions that TPP, CETA and TTIP provide to the legal framework and debate and conclude with a general final assessment.

Beginning with TPP, the agreement establishes a comprehensive regional treaty which promotes economic integration of the parties, liberalizes trade and investment and strives to economic and social growth. A first observation would be that it contains a

121 Mainly, assuming, by the Ministry of Finance, Foreign Affairs or Justice.
separate chapter for Intellectual Property, namely Chapter 18. In this chapter, certain definitions are made and it is explicitly stated that in regards to public purposes and interest there can be several limitations. Transparency is also mentioned under Article 18.9 however, it relates only to the publishing of information regarding laws, procedures and changes to the overall already existing regime. Furthermore, TPP allows parties to freely determine the way of implementing a series of mentioned provisions and also to determine international exhaustion of IPRs, which i.e. allows in countries that already have a system of parallel importing to maintain it intact. However, TPP has also a chapter dealing with Investment, namely Chapter 9. Under the definition of “investment”, IPRs are indeed included. Articles 9.4 to 9.8 provide for the substantial guarantees, which include the Minimum Standard of Treatment analysed in two point: i) the FET principle in which the denial of justice is incorporated and ii) full protection and security. Finally, in terms of dispute resolution, TPP proposes first the seeking of an amicable resolution via negotiations, explicitly mentioning that those “may include the use of non-binding, third-party procedures, such as good offices, conciliation or mediation.” It then provides for Investor-State Arbitration under the ICSID Convention and explicitly refers to transparency and public hearings as a default rule in the proceedings.

Focusing now on CETA, things get a bit more fascinating. As the European Governments - with Belgium being the last one - in the Council have already approved CETA, it is now the turn of the EU Parliament to vote on it, in February 2017. Therefore, it is worth noting that the commented provision is not binding at the time of writing. On that basis, Chapter 10 concerns IPRs, in which one of the main points are the rights for pharmaceuticals. Furthermore, negotiations resulted to a focus on IPRs piracy and

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122 See TPP, op. cit. n. 8 (2016), Articles 18.4 and 18.6.
123 See TPP, op. cit. n. 8 (2016), Article 18.11.
124 See TPP, op. cit. n. 8 (2016), Article 9.18.
126 As stated on the Note of Summary of the final negotiating results: “The EU has delivered on the three requests put forward by Member States and EU stakeholders, addressing a current asymmetry in the level of protection in the EU and in Canada: (i) innovators holding a pharmaceutical patent will obtain the right to appeal marketing authorisation decisions in Canada with no discrimination between producers of generic drugs; (ii) Canada has confirmed and guaranteed to the EU its current regime of data protection (6+2 years); (iii) Canada will put in place a patent term restoration system (‘sui generis protection’) along the lines of the EU Supplementary Protection Certificate (SPC) system (although with – as part of the compromise – a shorter period of supplementary protection (2 years) than is foreseen in the EU (5 years) and the possibility for each Party to provide exceptions for the purpose of export to third countries). Overall, this creates for research-based pharmaceutical products a level of protection of their intellectual property closer to that existing in Europe.” See CETA – Note of Summary of the final negotiating results, available at www.trade.ec.europa.eu (last visited 26/01/2017).
stronger controls in this respect. Moving on, Chapter 8 sets out measures in regards to investment between the parties, proposing, amongst other, a fair treatment of investors and establishing a new dispute settlement mechanism, namely the Investment Court System (ICS). However, before moving to the ICS, some novelties are worth our attention. In Article 8.10, the elements of a FET breach are precisely described and Annex 8.A is shedding some light on which factors are to consider for an indirect expropriation situation. Nevertheless, the most significant novelty is the ICS. Canada and the EU agree on detailed provisions with prioritising though the amicable solution of a dispute and providing especially for recourse at any time to mediation. Disputes will be heard by this permanent tribunal, with members being appointed not ad hoc anymore but in advance by the parties and the hearings may be in divisions, public by default with exceptions so as to preserve confidentiality wherever needed. Reference is made to the procedural rules of ICSID, UNCITRAL but as well as any other rules on agreement of the disputing parties. CETA also creates an Appellate Tribunal comparable to what is found in domestic legal systems, meaning that decisions of the tribunal will be reviewed and reversed in case of a legal error. All in all, CETA is launching a new era in investment protection and settlement, the implications of which are making a wide opening in front of us.

Finally, TTIP has been radically criticised; as it appears to me, much more than the other agreements. Since an analysis of the pro and contra arguments is not the purpose, fact is that TTIP is only at the stage of negotiations. The text given for analysis might therefore be subject of change. Nevertheless, it is mentioned that the final text will have twenty-four chapters, one specifically for IPRs - where mentioned are patents, trademarks, designs, copyright and geographical indications - and one for Investment. In the Investment Chapter, Article 3 is not far away from CETA’s version of FET, since a similar analysis of the elements that constitute a FET breach are analysed. The chapter’s highlight is however the new Investment Court System which aims to promote neutral, fair and transparent justice in US-EU investment disputes. Also here, without departing much from CETA’s perspective, the ICS will create as well an Appellate Body, will have

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127 See CETA, op. cit. n. 9 (2016), Articles 8.19 and 8.20.
128 See CETA, op. cit. n. 9 (2016), Articles 8.21-8.23.
129 See CETA, op. cit. n. 9 (2016), Article 8.28.
130 In the EU’s textual proposals in the IPRs Chapter, is, as in the text of CETA, a focus on border control measures given, in avoidance of IPRs piracy, inter alia. See EU textual proposals, IPR Border Measures, available at http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc_153672.pdf (last visited 26/01/2017).
publicly appointed judges of high qualifications, tight deadlines - disputes would be decided within two years, including appeals (!) - and specific provisions to make it easier for smaller companies (SMEs) to access the system. Last but not least, the governments’ right to regulate in favor of public interest is here as well preserved and provided as a limitation to the legitimate expectations of the investors, within however, the reasonable and proportionate purviews.

In conclusion, evaluating the overall trending investment policy, one can distinguish innovation, alternative solutions and progress; progress which is relative, accompanied by views in favor or against depending on each person’s beliefs and/or interests. It is without doubt that numerous legal issues arise for which there is no definite answer yet and which contribute to the academic discussions. Considering the findings and comments on the issues analysed in this dissertation, the drafters and policy makers of future IIAs should be very cautious. Maybe some matters should be seen as facts, which have to be proven, rather than matters of law.131 On a more pragmatic perspective though, the overlap of intellectual property and investment law is of very young age and this can be sometimes also dangerous in regards to the hazards that unfamiliarity carries with it. The quote of Mahatma Gandhi and the accompanied statement shall not be taken as a personal opinion of the writer, however, it is certainly a consideration to make whether the issues discussed - even if having a legal character - are not also part of a multifaceted era of laws that have a huge impact on the individuals’ lives. How much freedom is there then?

131 For example, there is an idea to treat the compliance with international IP obligations basis of a claim in ISDS as a matter of fact which needs proof and not as a matter of law.
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