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Nomos and Narrative: The Protection of Intellectual Property Rights in International Investment Law

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Abstract

Several recent high-profile cases involving IP disputes have been resolved through investor-state arbitration. For example, tobacco company Philip Morris turned to investment arbitration to challenge branding restrictions and compulsory health warnings on cigarette packaging (referred to as 'plain packaging' legislation) in two separate cases against Australia and Uruguay. On 16 March 2017, an investment tribunal rendered, an award in the case *Eli Lilly v Canada,* which concerned for the first time in such disputes the invalidation of a US pharmaceutical company's patents in Canada.

While the investors did not succeed in the above cases, commentators have suggested that the precedent these cases established have nevertheless opened the doors for more IP-related investment claims. Indeed, there is already another major case being brought by a US company against Panama arising out of a trademark dispute under an international investment agreement. Other potential cases could involve the issuance of compulsory licenses, the rejection of pharmaceutical patent applications, or state infringement of copyrights.

Due to the complexity of these cases, a high degree of uncertainty exists in IP-related investment disputes. One commentator has described investor-state arbitration claims as a 'strategy by IP companies to destabilize the balances struck in IP regimes such as the WTO with a view to creating counter-norms or re-writing domestic and international laws and regulations that the industry considers to be inconsistent with their IP rights.'

Against this background, I will argue that tribunals and commentators have not paid sufficient attention to the nature and telos of intellectual property rights (IPRs) or the protection offered to investors by international investment law. I will shed light on how the balancing of private rights against the public interest plays out in international investment law and IP law. I ultimately hope to demonstrate that a better understanding of the underlying rationales and regulatory principles of both IP law and investor protection policies will clarify the important legal issues raised in the practice of IP-related investment disputes.

Contents

1. Introduction

Several recent high-profile cases involving IP-related issues have been resolved through investor-state arbitration. Tobacco company Philip Morris, for example, turned to investment arbitration to challenge branding restrictions and compulsory health warnings on cigarette packaging (referred to as 'plain packaging' legislation) in two separate cases against Australia and Uruguay.[1] These cases were even featured during an episode of a popular US comedy show[2]). On 16 March 2017, an investment tribunal rendered an award in the case *Eli Lilly v*

[1] Philip Morris Asia Ltd v The Commonwealth of Australia, PCA Case No 2012–12, UNCITRAL, Award on Jurisdiction and Admissibility (17 December 2015); Philip Morris Brands Sàrl, Philip Morris Products SA and Abal Hermanos SA v Oriental Republic of Uruguay, ICSID Case No ARB/10/7, Award (8 July 2016).
[2] Last Week Tonight with John Oliver (Season 2, Episode 2), 'Tobacco' (15 February 2015, HBO). See also Ryan Parker, 'John Oliver targets cigarettes on 'Last Week Tonight'; Philip Morris reacts' (16 February 2015, Los Angeles Times) (including a reaction of the company Philip Morris International) http://www.latimes.com/entertainment/tv/showtracker/la-et-st-philip-morris-john-oliver-20150216-story.html.

Canada, which concerned the invalidation of a US pharmaceutical company's patents in Canada.[3]

While the investors lost the above cases, commentators suggest that they have nevertheless set an important precedent for the future bringing of IP-related investment claims.[4] Indeed, there is already another major case being brought by an US company against Panama over a dispute over trademarks under an international investment agreement.[5] In another dispute involving the alleged infringement of patents by domestic courts in Ecuador, the US company Pfizer has reportedly invoked investment protection under the US-Ecuador Bilateral Investment Treaty (BIT).[6] Future cases could involve the issuance of compulsory licenses,[7] the rejection of pharmaceutical patent applications (e.g., the Indian Supreme Court's confirmation of Novartis AG's GLIIVEC anti-cancer drug)[8], or the infringement of copyrights by states (e.g., copyright infringement of unlicensed software by state-owned enterprises in China)[9], and others.

A lot of uneasiness exists in IP-related investment disputes. For example, one commentator identifies in such claims a 'strategy by IP companies to destabilize the balances struck in IP regimes such as the WTO with a view to creating counter-norms or re-writing domestic and

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[3] *Eli Lilly and Company v Government of Canada*, Final Award, UNCITRAL, ICSID Case No. UNCT/14/2 (16 March 2017). See Gabriel M Lentner, 'Litigating patents in investment arbitration: Eli Lilly v Canada' (2017) 12(10) Journal of Intellectual Property Law & Practice 815.

[4] See eg, James Gathii and Cynthia Ho, 'Regime Shift of IP Lawmaking and Enforcement from WTO to the International Investment Regime' (2017) 18(2) Minnesota Journal of Law, Science & Technology 427-515, 463; Rob Howse, 'A Pyrric Victory against Big Pharma' (International Economic Law and Policy Blog, 26 March 2017) http://worldtradelaw.typepad.com/ielpblog/2017/03/eli-lilly-v-canada-a-pyrrhic-victory-against-big-pharma-.html.

[5] *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc v Republic of Panama*, ICSID Case No. ARB/16/34 (pending). See also Gabriel M. Lentner, 'U.S. Company Pursues International Investment Arbitration against Panama over Trademarks' (TTLF Newsletter 4-5/2017) https://ttlfnews.files.wordpress.com/2009/09/2017-4_5.pdf.

[6] Zoe Williams, 'Another big pharma company (Pfizer) invokes investment treaty protections, complaining that local courts are wrongly infringing on patents' (IAReporter, 12 October 2017) http://www.iareporter.com/articles/another-big-pharma-company-invokes-investment-treaty-protections-complaining-that-local-courts-are-wrongly-infringing-on-patents/ accessed 28 November 2017.

[7] Peter Chrocziel and others, *International arbitration of intellectual property disputes: A practitioner's guide* (C.H. Beck; Hart; Nomos 2017) 168–169.

[8] ibid 170.

[9] ibid 171.

international laws and regulations that the industry considers to be inconsistent with their IP rights.'[10]

Against this background, I will argue that tribunals and commentators have not paid sufficient attention to the nature and telos of intellectual property rights (IPRs) or the protection offered to investors by international investment law. I will shed light on how the balancing of private rights and the public interest plays out in international investment law and IP law. Through this analysis, I hope to demonstrate that a better understanding of the underlying rationales and regulatory principles of both IP law and investor protection policies will clarify important legal issues raised in the practice of IP-related investment disputes.

This article is structured as follows. The first section will introduce the concepts of 'nomos' and 'narrative' and will explain why these concepts are useful for understanding the issues raised by IP-related investment disputes. Then I will discuss the respective theories and justifications of international investment law and IP law. In this discussion, I will describe why IP protection should not be equated to the protection of real property and highlight the particularities of the international legal framework for the protection of IP. The next section will discuss the conclusions that result from the framework I laid out in the first section in regard to the most relevant issues in IP-related investment disputes; namely, I will address jurisdiction, judicial review through investor-state dispute settlement (ISDS), IPRs as exclusive rights and dispute resolution and public policy. The final section will be a conclusion.

[10] James Gathii and Cynthia Ho (n 4) 447.

2. The Nomos and Narrative in International Law

> 'We inhabit a *nomos* - a normative universe. …No set of legal institutions or prescriptions exists apart from the narratives that locate it andgive it meaning. For every constitution, there is an epic, for each Decalogue a scripture. Once understood in the context of the narratives that give it meaning, law becomes not merely a system of rules to be observed, but a world in which we live. In this normative world, law and narrative are inseparably related.'[11]

In international law, we are confronted with different sub-systems of the same normative universe.[12] These sub-systems provide distinct narratives for their respective legal regimes. As a result, these legal regimes inhabit different normative suborders. The contemporary international legal order has thus been aptly characterized as a 'global disorder of normative orders'.[13] What we are confronted with is 'an increasing specialization and autonomization of parts of society on the international plane which results in the emergence of specialized and relatively autonomous fields of social action'.[14] This is particularly apparent in the context of the protection of IPRs in international investment agreements. Both fields of law – international investment law and IP

[11] Robert M Cover, 'The Supreme Court, 1982 Term -- Foreword: Nomos and Narrative' (1832) 97 Harvard Law Review 4-68, 4–5. For an example of why narratives matter, see Anthea Roberts, 'Clash of Paradigms: Actors and Analogies shaping the Investment Treaty System' (2013) 107 American Journal of International Law 45-94 (discussing different 'paradigms' of fields of law used to analogize international investment law.)

[12] On a widely discussed problem relating to the clash of the legal order of the United Nations on the one hand, and the European Union on the other, see Gabriel M Lentner, 'Kadi II before the ECJ – UN Targeted Sanctions and the European Legal Order' [2013] European Law Reporter 202.

[13] Neil Walker, 'Beyond boundary disputes and basic grids: Mapping the global disorder of normative orders' (2008) 6 International Journal of Constitutional Law 373-396. On the topic of nomos without narrative see Jeffrey L Dunoff, 'A New Approach to Regime Interaction' in Margaret A Young (ed), *Regime Interaction in International Law* (Cambridge University Press 2011) 144ff.

[14] Henning Grosse Ruse-Khan, *Protection of Intellectual Property in International Law* (Oxford University Press 2016) 5–7. See also generally Andreas Fischer-Lescano and Teubner Gunther, 'Regime-Collisions: The Vain Search for Legal Unity in the Fragmentation of Global Law' (2004) 25(4) Michigan Journal of International Law 999.

law (with international IP law generally considered part of trade law) – can be described as distinct normative orders within international law.

A consequence of this fragmentation in international law is that different fields of law may provide different answers to the same normative problems.[15] For example, the authors of the classic textbook on international investment law refer to the case *Bayindir v Pakistan*[16] to demonstrate the 'divergence in the objectives and the normative structures of trade law and investment law'.[17] Because of these differences in the legal sub-systems (each with their own structural biases)[18], 'answers to legal questions depend on whom you ask, what rule-system is your focus on'.[19] For example, Koskenniemi describes how using in his words 'vocabulary' of trade, human rights, or environmental law relating to a specific issue such as the transport of hazardous chemicals results in giving priority to some solutions, actors or interests over others.[20]

These different answers appear to be largely the product of legal experts (such as academics, legal advisors, judges, arbitrators, lawyers).[21] David Kennedy aptly addresses the role of experts in producing and reproducing narratives. He makes clear that narratives do not appear in a vacuum– experts create them. Narratives are what Kennedy calls 'world-making stories.'

[15] See further on this Fischer-Lescano and Teubner Gunther (n 14).
[16] Bayäindir v Pakistan, Award 27 August 2009, para 389.
[17] Rudolf Dolzer and Christoph Schreuer, *Principles of International Investment Law* (2nd edn, Oxford University Press 2012) 206.
[18] M. Koskenniemi, 'The Politics of International Law - 20 Years Later' (2009) 20(1) European Journal of International Law 7, 9 ('the world of legal practice is being sliced up in institutional projects that cater for special audiences with special interests and special ethos.')
[19] International Law Commission, Fragmentation of International Law: Difficulties Arising from the Diversification and Expansion of International Law—Report of the Study Group of the International Law Commission UN Doc. A/CN.4/L.682 (Apr. 13, 2006), as corrected UN Doc. A/CN.4/L.682/Corr.1 (Aug. 11, 2006) (finalized by Martti Koskenniemi) 245. See also Fischer-Lescano and Teubner Gunther (n 14) 1017; Grosse Ruse-Khan (n 14) 5–7.
[20] Koskenniemi (n 18) 11.
[21] See also ibid 9.

Becoming an expert is also about learning to view the world as others in the profession see it.[22] The field of law is an important part of the broader social construction of reality, but legal perspectives offer a highly particular interpretation of the world.[23] It is now a widely-held idea that the application of international law involves 'highly rationalized struggles'[24] between legal experts concerning the 'official representation of the social world'.[25] For example, public international lawyers see nation-states where anthropologists see cultures and economists see markets.[26]

The more specialized a field of law, the more distinct the expertise and, therefore, the more distinct the narratives. Shared understandings emerge and become background knowledge or norms 'that shape how actors perceive themselves and the world, how they form interests and set priorities, and how they make or evaluate arguments.'[27] Consider, for present purposes, the field of international investment law. It is a highly specialized field with its own experts publishing in specialized law journals and law blogs.[28] The same is true for IP law. As will be discussed further below, while international investment lawyers tend to adopt a microeconomic view of legal issues, international trade and IP lawyers tend to adopt a macroeconomic view.

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[22] David Kennedy, *A World of Struggle: How Power, Law, and Expertise Shape Global Political Economy* (Princeton University Press 2016) 23.
[23] Jan C Suntrup, 'Michel Foucault and the Competing Alethurgies of Law' (2017) 37(2) Oxford J Legal Studies 301-325, 301.
[24] Pierre Bourdieu, 'The Force of Law: toward a Sociology of the Juridical Field' (1987) 38 Hastings Law Journal 805, 849.
[25] ibid 848. See also Jean d'Aspremont, *Epistemic Forces in International Law: Foundational Doctrines and Techniques of International Legal Argumentation* (Elgar international law, Edward Elgar Publishing 2016) 4..
[26] Kennedy (n 22) 23.
[27] Jutta Brunnée and Stephen J Toope, 'Interactional international law: an introduction' (2011) 3(02) International Theory 307, 310.
[28] See for example the respective research guides on intellectual property law: http://guides.lib.uchicago.edu/iplaw and for international investment law: http://guides.ll.georgetown.edu/c.php?g=371540&p=4259134.

Prevailing narratives in a particular field of law are usually contested (and should be[29]). According to Kennedy, 'the processes by which some large conceptions and the outcomes of some prior struggles are naturalized as part of the factual donnée is difficult to uncover. I think of it as a process of hegemonic consolidation.'[30] Such an understanding is the result of earlier struggles that have faded into matters of fact.[31] Examining these narratives helps us to understand 'the bundle of presuppositions, received wisdoms, and shared understanding against a background of which legal and political discourse takes place.'[32] In uncovering these (prior) struggles in investment and IP law, we will be able to shed light on some of the false assumptions prevalent today regarding investment tribunals and the protection of IPRs.

Expertise and the narratives it crafts are important for law and legal interpretation. Law is an argumentative practice.[33] The success or acceptability of an argument largely (if not entirely, as some would have it) depends on the same experts within the field, i.e., the interpretive community. According to this view, '[t]he meaning of international law norms hinges on background principles shared by interpreters who form part of one or several interpretive communities.'[34] Argumentative practice is then only constrained by interpretive communities.[35]

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[29] The reason for this is because narratives become mindsets that are 'like eyeglasses we have worn a long time. They are nearly invisible; we use them to scan and interpret the world and only rarely examine them for themselves. … makes current social arrangements seem fair and natural. Those in power sleep well at night – their conduct does not seem to them like oppression.' Richard Delgado, 'Storytelling for Oppositionists and Others: A Plea for Narrative' (1989) 87 Michigan Law Review 2411, 2413-2414.
[30] Kennedy (n 22) 37.
[31] ibid 36.
[32] Delgado (n 29) 2413. For a critique of the narrative method, see Daniel A Farber and Suzanna Sherry, 'Telling Stories out of School: An Essay on Legal Narratives' (1992) 45 Stanford Law Review 807-855.
[33] d'Aspremont (n 25) 1–2; M Koskeniemmi, 'Methodology of International Law' Max Planck Encyclopedia of Public International Law online, para 1.
[34] Michael Waibel, 'Interpretive Communities in International Law' in Andrea Bianchi, Daniel Peat and Matthew Windsor (eds), *Interpretation in International Law* (Oxford University Press 2015).
[35] See ibid.; Jean d'Aspremont, 'Wording in International Law' (2012) 25 Leiden Journal of International Law 575. See also, Venzke, How Interpretation Makes International Law: On Semantic Change and Normative Twists (Oxford University Press, 2012). The deconstructivist Stanley Fish seems to have paved the way for this notion. He concludes that in interpretation there is no privileged position outside texts, from which principles of interpretation

This notion, with its inheritance of rule-skepticism, pervades international legal scholarship.[36] This skepticism is the general philosophical foundation for claims such as the following:

> 'arguing becomes ever more important as the concept of truth continues to erode. If we do not agree on what is true, we argue about it – in law as in everyday life. But how can the practice of arguing aim to convince interlocutors of the truth of claims if that point of reference (truth) is unavailable or, in other words, if it forms the exact subject of the argument? Conversely, if truth is an unavailable reference point, how can arguments be assessed? There might then be no arguments at all, but competing opinions alone.[37] The question would then not be what is true or worthy of acceptance, but what is, in fact, successful and accepted.'[38]

Methodology in international law is consequently reduced to an example of rhetoric,[39] establishing 'criteria that legal arguments ought typically fulfil in different contexts—including

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can be derived: "'whatever' readers do, 'it will only be interpretation in another guise because, like it or not, interpretation is the only game in town'." It follows, that there cannot be any outside criteria for the evaluation of legal arguments, because these are themselves interpretations, Stanley Fish, Is There a Text in This Class? The Authority of Interpretive Communities, 1980, 276–77, 355. It is interesting to point to reasons given for legal decision-making, which, according to Frederick Schauer, is also a commitment of generalization and a commitment to categorization. See Frederick Schauer, 'Giving Reasons' (1995) 47 Stanford Law Review 633-659 ("[G]iving reasons come at a price. Not only does giving reasons take time and sometimes open up conversations best kept closed, it also commits the decisionmaker in ways that are rarely recognized. Specifically, giving reasons requires decisionmakers to decide cases they can scarcely imagine arising under conditions about which they can only guess, in a future they can only imperfectly predict.") ibid 658.

[36] David Kennedy, 'Theses about International Law Discourse' (1980) 23 German Yearbook of International Law 353–391; Koskenniemi.

[37] *Wohlrapp*, Der Begriff des Arguments (2008) 7–8.

[38] Venzke, What Makes for a Valid Legal Argument? (2014) 27 Leiden Journal of International Law 811.

[39] This has been most authoritatively articulated by Jerry Frug, see Jerry Frug, 'Argument As Character' (1988) 40 Stanford Law Review 869-927, 871-872 ("I reject the notion that the only alternative to finding a way to ground legal argument is nihilism. In my view, we should abandon the traditional search for the basis of legal argument because no such basis can be found, and we should replace such a search with a focus on legal argument's effects, in particular, on its attempt to persuade. I suggest, in other words, that we look at legal argument as an example of rhetoric. A rhetorical analysis of legal argument involves examining its elements, such as facts, precedents and principles, not in terms of how they support the argument's conclusion but in terms of how they form attitudes or induce actions in others.")

the academic context—in order to seem plausible.'[40] It is therefore imperative to uncover the prior struggles and narratives of the interpretative communities within these two fields of law if we want to get an understanding of the key issues where they collide.

3. International Investment Law

International investment law has its own normative order, narratives and prior struggles. While a Report of the International Law Commission called international investment law 'exotic' in 2006,[41] the leading textbook on the subject states that 'there is no doubt that the international law of foreign investment has become a specialized area of the legal profession.'[42] Its origins can be found in treaties providing for the protection of property abroad dating back to the 18th century.[43] The prevailing view is best captured by Elihu Root, writing in 1910

> 'There is a standard of justice, very simple, very fundamental, and of such general acceptance by all civilized countries as to form a part of the international law of the world. The condition upon which any country is entitled to measure the justice due from

[40] Koskenniemi (2014), para. 1. Challenging this view Gabriel M Lentner, 'Logic and the Analysis of Legal Arguments in Public International Law' in Dieter Krimphove and Gabriel M Lentner (eds), *Law and Logic: Contemporary Issues* (Duncker & Humblot 2017); Gabriel M Lentner, 'Juristische Argumente und deren rationale Kritik: Die logokratische Methode' [2017] Juridikum: Zeitschrift für Kritik - Recht - Gesellschaft 196 (rejecting such constructivist approach arguing that it is still the rules of logic and rational discourse that are applicable when evaluating arguments).

[41] International Law Commission, Fragmentation of International Law: Difficulties Arising from the Diversification and Expansion of International Law, Report of the Study Group of the International Law Commission UN Doc. A/CN.4/L.682 (Apr. 13, 2006) as corrected UN Doc. A/CN.4/L.682/Coor.1 (Aug. 11, 2006) (finalized by Martti Koskenniemi).

[42] Dolzer and Schreuer (n 17) 19. See also Alex Mills, 'The Balancing (and Unbalancing?) of Interests in International Investment Law and Arbitration' in Zachary Douglas, Joost Pauwelyn and Jorge E Viñuales (eds), *The Foundations of International Investment Law* (Oxford University Press 2014) 454 (pointing out that international investment law 'has emerged in recent years as not merely a particular application of general rules of public international law or procedures for commercial dispute settlement, but as a new discipline requiring specialist (and expensive) knowledge and expertise […]', the establishment of which was the result of a technical sociological process,)

[43] For a detailed account of these earlier treaties see eg Kenneth J Vandevelde, 'A Brief History of International Investment Agreements' (2005) 12(1) UC Davis Journal of International Law & Policy 157-194, 158. For the different narratives of the history of international investment law see Andreas Kulick, 'Narrating narratives of international investment law: History and epistemic forces' in Stephan Schill, Christian Tams and Rainer Hofmann (eds), *International Investment Law and History* (Edward Elgar Publishing 2018).

> it to as alien by the justice which it accords to its own citizens is that its system of law and administration shall conform to this general standard. If any country's system of law and administration does not conform to that standard, although the people of the country may be content or compelled to live under it, no other country can be compelled to accept it as furnishing a satisfactory measure of treatment to its citizens.'[44]

Modern international investment law is built around a network of more than 3000 (mostly bilateral) investment agreements (IIAs), as well as investment chapters in free trade agreements.[45] These provide foreign investors substantive protection, and almost all of them include the very effective investor-state dispute settlement (ISDS) through which claims against states are regularly enforced.[46] These treaties, with their ISDS mechanisms, are generally viewed as a tool for depoliticizing diplomatic protection through the formalism of legal expertise and arbitration.[47]

Most of these IIAs have been drafted between developed and developing countries, with developed countries usually exporting capital to the developing countries. The first modern BIT, established between Germany and Pakistan in 1959, is representative of this trend.[48] The idea

[44] Elihu Root, 'The Basis of Protection to Citizens Residing Abroad' (1910) 4 AJIL 517, 528.
[45] For the exact number see the regularly updated UNCTAD International Investment Agreements Navigator, http://investmentpolicyhub.unctad.org/IIA .
[46] Malcolm Langford, Daniel Behn and Runar H Lie, 'The Revolving Door in International Investment Arbitration' (2017) 20(2) Journal of International Economic Law 301, 306.
[47] Ibrahim FI Shihata, 'The Settlement of Disputes Regarding Foreign Investment: The Role of the World Bank, with Particular Reference to ICSID and MIGA' (1986) 1(1) American University International Law Review 97-116, 103. See also Lorenzo Cotula, 'Democracy and International Investment Law' (2017) 30(2) Leiden Journal of International Law 351. Challenging these narratives from a critical perspective see David Schneiderman, *Resisting economic globalization: Critical theory and international investment law* (Palgrave Macmillan 2013) 2.
[48] Germany-Pakistan BIT (1959).

was to secure justice for foreign investors while creating incentives for foreign investors to invest in developing countries.[49]

The primary justification of international investment protection lies in the fact that foreign investors, as non-nationals, do not possess political representation in the host state and are therefore vulnerable to legal and political influences outside of their control.[50,51] Furthermore, the traditional economic theory underlying foreign investment holds that granting special rights to investors ensures that their investments – and the capital and technology they import – are maximally beneficial to the economy of the host state.[52] Whether this is actually the case has not yet been sufficiently proven.[53]

The regulatory framework for international investment law may therefore best be described as 'microeconomic'.[54] The central objective of international investment treaties is to reduce the risk of expropriation for foreign investors. This, in turn, reduces the cost of capital importation.[55] To achieve this objective, an individual investor can bring a case against the host state for various

[49] Mattias Kumm, An Empire of Capital? Transatlantic Investment Protection as the Institutionalization of Unjustified Privilege (2015) 4(3) ESIL Insights 1, 2.
[50] See *Técnicas Medio ambientales Tecmed SA v. The United Mexican States* (Award, 2003) ICSID Case No. ARB(AF)/00/2, at 122;
Joseph Charles Lemire v. Ukraine (Award, 2011) ICSID Case No. ARB/06/18, at 57. See also *James v. United Kingdom*, Judgment of 21 February 1986, [1986] ECHR 2 (Ser. A, No. 98), para. 63. See further for a discussion of three narratives about investment treaties, Charles H. Brower II, 'Corporations as Plaintiffs Under International Law: Three Narratives about Investment Treaties' (2011) 9 Santa Clara Journal of International Law 179-214.
[51] T Wälde, 'Renegotiating Acquired Rights in the Oil and Gas industries: Industry and Political Cycles Meet the Rule of Law', (2008) 1(1) *Journal of World Energy Law & Business* 55, 63-5; Cotula (n 47) 358–359.
[52] M. Sornarajah, *The International Law on Foreign Investment* (3rd ed. Cambridge University Press 2010) 48–49.
[53] ibid.
[54] Making this classification see Simon Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs' (2016) 19(1) Journal of International Economic Law 211, 223. On the commodity conception of foreign investor rights see Nicolás Perrone, '25 Years of Narratives Justifying and Balancing Foreign Investor Rights' [forthcoming] Journal of World Investment & Trade (forthcoming).
[55] Alan O Sykes, 'Public vs. Private Enforcement of International Economic Law: Of Standing and Remedy' (2005) 34(2) Journal of Legal Studies 631.

violations, such as for a violation of the standard of fair and equitable treatment (FET).[56] This right of action for money damages makes the commitment of FET credible to investors.[57] In practice, awards by investment tribunals often privilege the expectations of foreign investors based on the assumption that the realization of these expectations promotes development.[58] In contrast, IP protection under the WTO agreements is of a 'macroeconomic' character,[59] which I will address further below.

The nature of foreign investments means that the 'structure, and purpose of foreign investment law stands out as structurally distinct in the broader realm of international law, especially in comparison to trade.'[60] Two of the most authoritative voices in the field , Rudolf Dolzer and Christoph Schreuer, therefore call for a cautious approach regarding the assumption of commonalities between investment law and other fields of law, such as trade law.[61] They argue that '[w]henever an analogy is proposed, or a solution is transferred from one area to the other, it must be examined in detail whether their different nature is amendable to an assumption of commonality. Often, a concept which appears to be in common turns out to have different shades and characteristics upon more detailed analysis, taking into account the peculiar business nature of long-term foreign investment projects.'[62] Especially in the context of turning to WTO jurisprudence for the interpretation of IIAs, 'the tide seems to have turned'.[63] Dolzer and Schreuer see this as a significant development since 'the jurisprudence of the WTO requires the

[56] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs' (n 54) 223.
[57] Sykes (n 55) See also Stephan W Schill, 'Private Enforcement of International Investment Law: Why We Need Investor Standing in BIT Dispute Settlement' in Michael Waibel and others (eds), *The Backlash against Investment Arbitration: Persepctions and Reality* (Wolters Kluwer 2010) 32.
[58] Perrone (n 54) 29.
[59] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs' (n 54) 224.
[60] Dolzer and Schreuer (n 17) 19.
[61] ibid.
[62] ibid.
[63] ibid 204–205.

government making a differentiation to bear the burden of proof for the legitimacy of the policy.'[64] However, as we will see with regard to IP-related disputes, deference to the WTO system with respect to the protection of IPRs might be more justified in light of the nature of IPRs.

Recent scholarship suggests that the interpretive community in international investment law is quite small and uniform. For example, a recent network analysis found that the investment arbitration community as a whole is dominated by a limited number of individual 'power brokers' who exert considerable influence.[65] Their influence is not restricted to the practice of arbitration; another study found that the investment arbitration community is closely linked to academia. This study found that the editorial choices and the content of important investment arbitration journals in the field are dominated by people in the financially lucrative business of arbitration. At times, all editorial board members have been people who earn or have earned income as arbitrators, experts, counsel, or as members of institutions that administer arbitrations.[66]

The international investment law regime therefore presents itself as a remarkably autonomous and uniform legal regime. It is important to note that other fields of law are not subject to such a small and influential interpretive community. The autonomy of international investment law also makes it susceptible to the misapplication of rules from other regimes, such as WTO law. With their different narratives and justifications, it is far from settled how these two fields of law will inter-relate with each other in the years to come.

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[64] ibid. and follwing for the relevant case-law of tribunals in this respect.
[65] Langford, Behn and Lie (n 46) 319. See also Jonathan Bonnitcha, Lauge S Poulsen and Michael Waibel, *The Political Economy of the Investment Treaty Regime* (Oxford University Press 2017) 64 and the studies cited therein.
[66] Pia Eberhardt and Cecilia Olivet, *Profiting from injustice: How law firms, arbitrators and financiers are fuelling an investment arbitration boom* (Corporate Europe Observatory and the Transnational Institute 2012) 65–66.

As recent international investment cases involving IP have shown, investment tribunals appear to be adopting a property law analogy in dealing with IP.[67] I will demonstrate, however, that the analogy to property law is misdirected, and I will discuss why this matters. This is not, however, to claim that analogy is not a generally useful tool when it comes to legal analysis. As Anthea Roberts points out, '[d]ifferent analogies often point to diverse solutions as a result of distinctions in the structures, assumptions, and normative commitments of their underlying paradigms.'[68]

4. Justifications for Intellectual Property Law

International investment law is, of course, not the only subfield of international law with a distinct normative order, narratives and prior struggles. International IP law is even more complex, as it not only has to operate under the authority of domestic legal systems but also has to contend with a further layer of rules at the international level.[69]

> 'Before looking at these different fields of IP law, it is crucial to understand why we protect intellectual property and to differentiate IP from real property.[70] Someone's claim to real property stands as against the rest of the world: The owner of property has the right to exclude others from certain uses of it in order to prevent disputes and to preclude

[67] See discussion of expropriation etc in Eli Lilly and PM v Uruguay.
[68] As Anthea Roberts demonstrates in her article on analogies for international investment law, Roberts (n 11) 58.
[69] For the background of this development see Rochelle Dreyfuss and Susy Frankel, 'From Incentive to Commodity to Asset: How International Law is Reconceptualizing Intellectual Property' (2015) 36 Michigan Journal of International Law 557-602, 562-563.
[70] Robert P Merges, Peter S Menell and Mark A Lemley, *Intellectual Property in the New Technological Age* (5th edn, Wolters Kluwer Law & Business 2010) 1.

the overuse of property (which would happen if everyone had open and unlimited access to property).'[71]

In contrast to real property, IP is mostly 'nonrivalrous': knowledge, for example, can be 'owned' by two people without diminishing it.[72] This important distinction means that IP requires another set of justifications different from the traditional economic justifications for real property.[73]

The primary justification for the protection of IPRs is to provide incentives for creativity and innovation.[74] For example, in the US the protection of IP is largely aimed at incentivizing creation and innovation.[75] This '[u]tilitarian theory, and the economic framework built upon it, has long provided the dominant paradigm for analyzing and justifying the various forms of intellectual property protection.'[76] However, this utilitarian theory also means that, in principle, IP protection is an exception to the norm of free competition, since IP protection is only granted

[71] ibid 2.
[72] ibid.
[73] ibid. See also generally, Peter S Menell, 'Intellectual Property: General Theories' in Boudewijn Bouckaert and Gerrit d Geest (eds), *Encyclopedia of Law and Economics* (Edward Elgar 2000). See also the inherent tension with respect to liberty and property in the context of IP protection, sicne IP, such as copyrights and patents also seem to restrict liberty, see Tom G Palmer, 'Are Patents and Copyrights Morally Justified? The Philosophy of Property Rights and Ideal Objects' (1990) 13(3) Harward Journal of Law & Public Policy 817-865, 817-818. For a libertarian approach that is decidedly hostile to IP protection see John Perry Barlow, The Economy of Ideas, 2.03 Wired 84 (March 1994).
[74] Peter K Yu, 'The Investment-Related Aspects of Intellectual Property Rights' (2017) 66 American University Law Review 829-910, 842; Mark A Lemley, 'Property, Intellectual Property, and Free Riding' (2005) 83 Texas Law Review 1031, 1031; Merges, Menell and Lemley (n 70) 2; Roger D Blair and Wenche Wang, 'Monopoly Power and Intellectual Property' in Roger D Blair and Daniel Sokol (eds), *The Cambridge handbook of Antitrust, Intellectual Property, and High Tech* (Cambridge University Press 2017) 204; Brett Frischmann, 'Crossing Boundaries: Spillovers Theory and its Conceptual Boundaries' (2009) 51 William & Mary Law Review 801, 803–804 ("Essentially, in the absence of intellectual property law, there would be a significant underinvestment in some types of intellectual resources because of the risk that competitors would appropriate the value of the resources"); Gaia Bernstein, 'In the Shadow of Innovation' (2010) 31 Cardozo Law Review 2257-2312, 2264-2265 ("regardless of whether innovation is treated as a goal or as means to other goals, it plays a pivotal role in the rationale for limiting intellectual property rights."). See also Dreyfuss and Frankel (n 69) 560-561.
[75] Lemley, 'Property, Intellectual Property, and Free Riding' (n 74) 1031.
[76] Merges, Menell and Lemley (n 70) 11. See generally Peter S. Menell & Suzanne Scotchmer, Intellectual Property, in Handbook of Law and Economics (A. Mitchell Polinsky & Steven Shavell eds, 2007); William M. Landes & Richard A. Posner, The Economic Structure of Intellectual Property Law (2003).

to the extent that it is necessary to incentivize innovation.[77] Therefore, legal scholarship in support of *strong* IPRs see them as necessary incentives for the promotion of innovation.[78] For instance, a scholar might argue that strong patent protection promotes advancement in pharmaceutical drug development, as it potentially increases the revenues gained from the resulting drug-sales.[79] The balance between free competition and the promotion of innovation is, therefore, a delicate one.[80] However, modern economic literature generally takes the adequacy of the balance struck by the current IP system largely as given.[81] The justification for the protection of IP rights in the civil law tradition is, for example, generally found in natural law and/or in personhood justifications. [82]

The economic justifications notwithstanding, there exists another distinct function of IP protection for specific types of IPRs.[83] Patents are generally justified on utilitarian grounds.[84] Economically speaking, 'patent law seeks to maximize long-run social welfare by inducing an optimal amount of innovation.'[85]

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[77] Lemley, 'Property, Intellectual Property, and Free Riding' (n 74) 1031.
[78] See Bernstein (n 74) 2264 with further references.
[79] See James Langenfeld & Wenqing Li, Intellectual Property and Agreements to Settle Patent Disputes: The Case of Settlement Agreements with Payments from Branded to Generic Drug Manufacturers, 70 Antitrust L.J. 777 (2003); Bernstein (n 74), 2264.
[80] Historically, IP protection might have had the opposite effect. Consider the invention of the printing press. Just imagine if Gutenberg had patented and monopolized (as he wished to) the printing press, something which the renowned historian Niall Ferguson calls "surely the single most important technological innovation of the period before the Industrial Revolution". "It was far too powerful a technology to be monopolized (as Gutenberg hoped it could be). Within just a few years of his initial breakthrough in Mainz, presses had been established by imitators – notably the Englishman William Caxton– in Cologne (1464), Basel (1466), Rome (1467), Venice (1469), etc… Already by 1500 there were over 200 printing shops in Germany alone." Niall Ferguson, *Civilization: The Six Killer Apps of Western Power* (Penguin 2011) 60–61. "The great innovators [of the British Industrial Revolution, spreading across Europe] were largely unable to protect what would now be called their intellectual property rights. With remarkable speed, the new technology was therefore copied and replicated on the continent and across the Atlantic." ibid 204.
[81] Steven Shavell, 'Rewards versus Intellectual Property Rights' (2001) 44 Journal of Law & Economics 525, 528.
[82] Merges, Menell and Lemley (n 70) 11; Palmer (n 73) 819.
[83] Merges, Menell and Lemley (n 70) 11.
[84] Alan Devlin and Neel Sukhatme, 'Self-Realizing Inventions and the Utalitarian Foundation of Patent Law' (2009) 51 William & Mary Law Review 897-955. with further references.
[85] ibid 914; Peter Drahos, *A Philosophy of Intellectual Property* (Ashgate 1996); Valentina S Vadi, 'Trade Mark Protection, Public Health and International Investment Law: Strains and Paradoxes' (2009) 20(3) European Journal

In contrast, trademark protection and related bodies of unfair competition law seek to ensure the integrity of the marketplace.[86] As Mark Lemley, the leading authority in IP law in the US, puts it: 'We give protection to trademarks for one basic reason: to enable the public to identify easily a particular product from a particular source.'[87] He points out that this rationale also has secondary benefits regarding the quality of goods,[88] for example, or that consumer surplus is not diminished by fraud, and competition between producers can be based on experience.[89] He correctly concludes that treating trademarks as property is not likely to further this goal.[90]

4.1. IP protection is not absolute

The utilitarian justifications for IPRs also point to the fact that they are not absolute – for good reason.[91] Problematically, however, courts and tribunals have recently begun to treat IP as a form of real property.[92] As Lemley puts it, this trend results in 'a legal regime for intellectual property that increasingly looks like the law of real property, or more properly an idealized construct of that law, one in which courts seek out and punish virtually any use of an intellectual property right by another.'[93] Courts and commentators appear to justify such a proprietary model to

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of International Law 773, 794–795. See also Tim Wu, 'Intellectual Property, Innovation, and Decentralized Decisions' (2006) 92 Virginia Law Review 123-147, 131 („The optimal assignment of intellectual property rights must balance the incentives created against the deadweight loss.") On the social costs of the patent regime see Devlin and Sukhatme (n 84) 916-917; Frederick Abbott, 'Intellectual Property, International Protection' in Rüdiger Wolfrum (ed), *Max Planck Encyclopedia of Public International Law (online)* (Oxford University Press) para 5-6.

[86] Merges, Menell and Lemley (n 70) 11.

[87] Mark A Lemley, 'The Modern Lanham Act and the Death of Common Sense' (1999) 108 Yale Law Journal 1687-1715, 1695. See also Anette Kur, 'Marks for goods or services' in Carlos M Correa (ed), *Research handbook on the protection of intellectual property under WTO rules* (vol. 1. Edward Elgar 2010) 408.

[88] See also Brown, Advertising and the Public Interest: Legal Protection of Trade Symbols, 57 Yale Law Journal, 1165, 1185-87. See also Lemley, 'The Modern Lanham Act and the Death of Common Sense' (n 87) 1688; Shapiro (1982); Blair and Wang (n 74) 210.

[89] Lemley, 'The Modern Lanham Act and the Death of Common Sense' (n 87) 1695.

[90] ibid 1695.

[91] See Wendy Gordon, 'A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property' (1993) 102 Yale Law Journal 1533 (challenging the extreme view of some commentators that IPRs should be absolute).

[92] Lemley, 'Property, Intellectual Property, and Free Riding' (n 74) 1031.

[93] ibid 1031–1032.

eliminate free riding in IP protection.[94] However, as Lemley convincingly argues, that cannot mean that we allow the inventor to fully capture the social benefit of her invention.[95]

The property analogy should therefore be rejected. [96] As noted earlier, tangible goods are scarce, which is the justification for property rights. However, IPRs are not naturally but legally scarce; in other words, IPRs cause 'artificial, self-created scarcity.'[97]

The propertization of IPRs is also visible on the international level.[98] The move towards a property-based regime affects patents and copyrights but also the international regulation of trademarks.[99] A property-based IPR regime treats trademarks, for example, as property themselves.[100] When this is done, as seen in some US courts, strong protection to trademark owners is given without considering the resulting social costs.[101] In addition, recent international agreements have altogether ignored the incentive-based rationale for IP protection, which could

[94] See, however, for the patent system in the US the recent decisions of the US Supreme Court that weaken patent rights: KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 407, 415 (2007) (rejecting the Federal Circuit's rigid application of the "teaching, suggestion, or motivation" test); MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 137 (2007); eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 390, 394 (2006); Octane Fitness, L.L.C. v. Icon Health & Fitness, Inc., 134 S. Ct. 1749, 1755–58 (2014). For an interesting discussion of these developments see, Mark A Lemley, 'The Surprising Resilience of the Patent System' (2016) 95(1) Texas Law Review 1, 10–13.
[95] Lemley, 'Property, Intellectual Property, and Free Riding' (n 74) 1032.
[96] See also Bernstein (n 74) 2264.
[97] Palmer (n 73) 864, who correctly points out that „But the attempt to generate profit opportunities by legislatively limiting access to certain ideal goods, and therefore to mimic the market processes governing the allocation of tangible goods, contains a fatal contradiction: It violates the rights to tangible goods, the very rights that provide the legal foundations with which markets begin." ibid 865.
[98] Vadi (n 85) 775. See also Dreyfuss and Frankel (n 69) (arguing that the international intellectual property landscape is moving from incentive to commodity to asset).
[99] Lemley, 'The Modern Lanham Act and the Death of Common Sense' (n 87) 1687 ("commentators and even courts increasingly talk about trademarks as property rights; as things valuable in and of themselves"). See also Dreyfuss and Frankel (n 69) 566-575 (instead of using the term propertization referring to this trend as assetization, "While TRIPS laid the platform for commodification, much of the current regime shifting is reconceptualizing IP as an asset and progressively detaching it from its grounding in incentive-based principles.")
12 See, e.g., P. Drahos and J. Braithwaite, *Information Feudalism: Who Own the Knowledge Economy?* (2002).
[100] Lunney, Jr., ' Trademark Monopolies ' , 48 Emory LJ (1999) 367, at 371 – 372; Landes and Posner, ' The Economics of Trademark Law ' , 78 Trademark Reporter (1988) 267. See also the broad interpretation of the European Court of Human Rights with respect to Article 1 of the First Protocol to the European Convention on Human Rights and Fundamental Freedoms which protects the right to property covering trademarks. See Anheuser-Busch Inc v Portugal, ECtHR 73049/01 (11 January 2007); See also Vadi (n 85), 798–799.
[101] Lemley, 'The Modern Lanham Act and the Death of Common Sense' (n 87) 1697. See also critically on the proprietization of IPRs Drahos (n 85) 210ff; Vadi (n 85) 775–776.

change the appropriate level of protection and excludability.[102] As noted earlier, this understanding of trademarks ignores a main function of the protection of trademarks, which is consumer protection.[103]

These are not the only reasons commentators conclude that IPRs are never absolute.[104] Undoubtedly, limitations on the exploitation of IPRs also emanate from anti-trust and competition law.[105]

From the above analysis, a clear picture emerges in which the protection of IPRs reflects the telos of a 'structured conception of property which reconciles individual freedom with societal goals' and thus provides for 'flexibilities and nuanced norms'.[106]

This conclusion has consequences for the resolution of IP-related disputes. In such disputes, public policy often plays a significantly more important role than in commercial or construction disputes, for example.[107] The public interest is directly affected by the outcome of an IP-related dispute.[108] Of course the specific public interest at issue differs depending on the type of IPR involved, since patents, for example, only come into existence through the state granting them.[109] Here public policy concerns typically relate to the existence or validity of a particular IPR.[110] In

[102] Dreyfuss and Frankel (n 69) 570.
[103] For a different view see David I Bainbridge, *Intellectual Property* (5th edn, Longman 2002) 361 (viewing consumer protection merely as a by-product of trademark law).
[104] Drahos (n 85); Vadi (n 85) 794–795; Henning G Ruse-Khan, 'From TRIPS to FTAs and Back Re-Conceptualising the Role of a Multilateral IP Framework in a TRIPS-Plus World' [2017] Max Planck Institute for Innovation and Competition Research Paper No 18-02 1, 20.
[105] See eg Harry First, 'Exploitative Abuses of Intellectual Property Rights' in Roger D Blair and Daniel Sokol (eds), *The Cambridge handbook of Antitrust, Intellectual Property, and High Tech* (Cambridge University Press 2017).
[106] Vadi (n 85) 795.
[107] Richard Kreindler and Anna G Tevini, 'The Impact of Public Policy Considerations' in Thomas D Halket (ed), *Arbitration of international intellectual property disputes* (JurisNet LLC 2012) 444–445.
[108] See Ina A Frost, *Schiedsgerichtsbarkeit im Bereich des geistigen Eigentums nach deutschem und US-amerikanischenm Schiedsrecht* (CH Beck 2001) 19.
[109] See William Grantham, 'The Arbitrability of International Intellectual Property Disputes' (1996) 14(1) Berkeley Journal of International Law 173-221, 180.
[110] Frost (n 108) 21.

such cases, 'private claims question a publicly granted right'.[111] On the other hand, IPRs not requiring registration generally invoke fewer public policy issues.[112] This is why '[t]raditionally, it was long recognized in most jurisdictions that state courts, not privately administered arbitral tribunals, were to properly balance the affected public interests and thus decide about the protection of IP rights.'[113]

In light of this analysis, the following section will first provide an outline of the international protection of intellectual property and its particularities. Then it will distinguish between the respective justifications for patent protection and trademark protection, as they are most relevant in the investment law context.

4.2. International Protection of Intellectual Property

IPRs are national, not international, rights.[114] This has been true for the regulation of IPRs throughout history, beginning with the Paris Convention for the Protection of Industrial Property of 1883 and the Berne Convention for the Protection of Literary and Artistic Works of 1886 (both maintained by the World Intellectual Property Organization, WIPO). Modern IP regulation, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), affirms that any IPRs granted are national in scope.[115]

The scope of protected IP naturally varies across legal systems depending on social and political preferences.[116]. For example, the extent of protection, as well as the question of whether IP

[111] Kreindler and Tevini (n 107) 444–445.
[112] Grantham (n 109) 195. See also Kreindler and Tevini (n 107) 444–445.
[113] Kreindler and Tevini (n 107) 444–445.
[114] Keith E Maskus, 'Trade Related Intellectual Property Rights (TRIPs)' in Amrita Narlikar, Martin Daunton and Robert M Stern (eds), *The Oxford Handbook on the World Trade Organization* (Oxford University Press 2014) 395.
[115] ibid 396. ("Where TRIPS goes beyond them is in mandating that WTO member nations establish and enforce a set of minimum legal standards in their IPRs systems.")
[116] Dário M Vicente, *La propriété intellectuelle en droit international privé* (Brill Nijhoff 2009) 17–18.

covers only artistic and literary works or also industrial property, depends on the domestic legal system at issue.[117] Furthermore, the territorial principle of IPRs means that they are valid only in the territory of the state in which they are granted.[118] It follows that the very same identifiable IPR is afforded different protection across different legal systems.[119]

In the general international trade law context, there are some important principles to be understood about IPRs and TRIPS. First, IPRs are generally exclusive rights (also called negative rights).[120] In EC – Geographical Indications, the WTO panel emphasized that

> 'The TRIPS Agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement'.[121]

Holders of IP can therefore exclude others from actions that would infringe upon their rights.[122] For example, a trademark holder can prevent others from using an identical or confusingly similar mark (for identical or similar goods or services) in commerce.[123] Second (as mentioned briefly above), there is no uniform standard of economic optimality in the case of IPRs. When a country expands its scope of patent or copyright protection, it favors current and potential rights-

[117] ibid.
[118] Gabriele Gagliani, 'International Economic Disputes, Investment Arbitration and Intellectual Property: Common Descent and Technical Problems' (2017) 51(2) Journal of World Trade 335, 338.
[119] A. Peukert, Territoriality and Extraterritoriality in Intellectual Property Law, in Beyond Territoriality: Transnational Legal Authority in an Age of Globalization, Queen Mary Studies in International Law 189 (G. Handl, J. Zekoll & P. Zumbansen eds, Leiden/Boston: Brill Academic Publishing 2012).
[120] Maskus (n 114) 394–395.
[121] *European Communities – Geographical Indications*, Panel Report (15 March 2005, WT/DS/174R) para 7.210.
[122] ibid.
[123] Abbott (n 85) para 7.

holders but also reduces the direct access of consumers and makes imitative competition more difficult. These short-run costs may be offset by long-term gains in dynamic competition, though that outcome depends on many factors. For example, this trade-off depends on a country's national income, level of technological development, output mix, social preferences, and demographic factors. Simply put, countries do not have universal preferences in relation to IPRs, and an agreement to raise standards everywhere may raise or reduce well-being for different trading partners.[124]

Under TRIPS, the obligation to grant negative rights[125] leaves room for governments to provide regulatory controls on the utilization and exploitation of IPRs. For example, Article 39(3) of the TRIPS agreement simply assumes that pharmaceutical and agricultural-chemical products are subject to marketing approval procedures.[126] Furthermore, measures have been imposed by WTO members such as price controls, labeling requirements, and sale restrictions, which affect the commercial use of IP-protected goods or services; yet none of these would constitute an interference of negative rights of IPRs.,[127]

Similar to most domestic legal systems, international trade law justifies the minimum standard of protection for IP through the TRIPS Agreement as an impetus for innovation. However, international trade law also seeks to incentivize innovation through market exclusivity afforded by patent, copyright, trademarks, etc. [128] Indeed, Articles 7 and 8 of the TRIPS Agreement

[124] Maskus (n 114) 395.
[125] See Articles 11, 14:1-3, 16:1, 23:1, 26:1, 28:1, 39:2 TRIPS which all oblige WTO Members to provide exclusive rights to 'prevent' third parties from using the protected subject matter in various ways.
[126] Ruse-Khan, 'From TRIPS to FTAs and Back Re-Conceptualising the Role of a Multilateral IP Framework in a TRIPS-Plus World' (n 104) 19 (who also considers the concept of negative rights alone not to ensure the realization of public interest but suggests '[i]n these situations, ways and means to limit the exclusive, private IP rights which TRIPS obliges to grant are needed to guarantee a proper balancing of interests.' ibid 20.
[127] ibid..
[128] Judith H. Bello & Alan F. Holmer, The Uruguay Round: Where Are We?, 25 Int'l L. 723 (1991); Bernstein (n 74), 2264.

expressly emphasize that IP protection serves a social function.[129] Article 7, titled 'Objectives,' provides that the 'protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and *in a manner conducive to social and economic welfare, and to a balance of rights and obligations*.'[130] Article 8(1) provides that 'Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development […]'. And paragraph 2 provides that 'Appropriate measures […] may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.'

Specifically, the TRIPS Agreement allows for the balancing of IPR protection and public health objectives.[131] According to paragraph 5 of the Doha Declaration, WTO Members agree that:

'In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles [Arts 7–8].'

The TRIPS Agreement also allows for so-called TRIPS 'flexibilities' to ensure that its IPR obligations do not unduly interfere with important public policy goals.[132] This means that WTO

[129] See also Art 15 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) (providing the right of everyone "to enjoy the benefits of scientific progress and its applications"). On the negotiation history of these provisions see Ruse-Khan, 'From TRIPS to FTAs and Back Re-Conceptualising the Role of a Multilateral IP Framework in a TRIPS-Plus World' (n 104) 13–17.

[130] Emphasis added.

[131] Elli Louka, *International Environmental Law: Fairness, Effectiveness, and World Order* (CUP 2006) 410.

[132] Smith Van, 'Enabling Environments or Enabling Discord: Intellectual Property Rights, Public-Private Partnerships, and the Quest for Green Technology Transfer' (2011) 42 Georgetown Journal of International Law 817, 832-833.

members retain policy space for the implementation of their obligations under TRIPS.[133] For example, Art 27(2) and (3) provides WTO members with policy space to define what patentable subject matter is.[134] In addition, several other key terms in the TRIPS Agreement are not defined, such as 'inventive step' or 'non-obvious.'.[135] Article 30 then provides that WTO members may create exceptions to the conferral of patent rights provided that this does not unduly prejudice the interests of the patentee.[136] Art 31 provides for the compulsory licensing of patents, subject to certain conditions, when such licensing is done in the 'public interest' or a 'national emergency'. Article 40 prevents anti-competitive practices that may impede technology transfer. Article 66 provides a grace period for least developed countries (LDC) during which they do not have to apply certain TRIPS obligations.[137]

This balancing is important for our purposes since an interpretation of an investment tribunal may differ from that of a WTO panel. An investment tribunal decides on the basis of the applicable bilateral investment treaty (BIT) and will generally not take into consideration objectives outside the BIT.[138] Investors' direct access to investor-state arbitration also means that investors can assert claims against other WTO Member States based on WTO obligations even

[133] See Ruse-Khan (n 104), 14–15 ("Conceptually, the public interest principle expressed here appears as a broad version of the 'right to regulate' to protect public interests in a non-discriminatory and proportional manner, recognised under customary international law and nowadays frequently applied in international investment law"). See also WTO, 'Philosophy: TRIPS Attempts to Strike a Balance' (2006) <http://www.wto.org/english/tratop_e/trips_e/factsheet_pharm01_e.htm> accessed 24 June 2014; Henning Ruse-Khan, 'The International Law Relation between TRIPS and subsequent TRIPS-plus Free Trade Agreements: Towards safeguarding TRIPS Flexibilities?' (2011) 18 Journal of Intellectual Property Law 325, 328.

[134] M Herdegen, 'TRIPS, art. 27' in Th Cottier and P Véron (eds) *Concise international and European IP law: TRIPS, Paris Convention, European enforcement and transfer of technology* (Kluwer Law International 2008) 86-88.

[135] Dreyfuss and Frankel (n 69) 565.

[136] Van Smith (n 132) 833.

[137] ibid.

[138] Henning G Ruse-Khan, 'Protecting Intellectual Property under BITs, FTAs, and TRIPS: Conflicting Regimes or Mutual Coherence?' [2011] Max Planck Institute for Intellectual Property and Competition Law Research Paper No 11-02 1, 27; Siegfried Fina and Gabriel M Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (2017) 18(2) The Journal of World Investment & Trade 271, 298. See on this also Klopschinski (n 7) 223‑225.

though such enforcement may not be in the political or economic interest of both states.[139] Another difference is found in the remedies. Trade agreements impose (prospective) trade sanctions rather than monetary compensation, as in BITs.[140]

Overall, the character of obligations in WTO law (including TRIPS) and international investment law are quite different. WTO law centers on the macro-economic aspects of market access and trade opportunities to increase overall welfare, whereas international investment law focuses on micro-economic aspects of attracting and protecting individual investor's investments.[141] Trade agreements (including TRIPS) contain commitments that are government-to-government, while investment agreements contain government-to-firm commitments.[142]

Another fundamental difference between international investment law and trade law is that the law of the WTO agreements encompasses a multitude of topics, such as fairness of trade relations, sustainable development, employment, the protection of the environment, etc.[143] Only the WTO Dispute Settlement Body has the institutional knowledge to deal with these range of issues.[144]

[139] Sykes (n 55) 645. See also Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs' (n 54) 224–225.
[140] Sykes (n 55) 654ff. See further Thomas Sebastian and Anthony Sinclair, 'Remedies in WTO Dispute Settlement and Investor-State Arbitration: Contrasts and Lessons' in Jorge A Huerta-Goldman, Antoine Romanetti and Franz X Stirnimann (eds), *WTO Litigation, Investment Arbitration, and Commercial Arbitration* (Global trade law series vol 43. Wolters Kluwer 2013).
[141] Nicholas DiMascio and Joost Pauwelyn, 'Non-Discrimination in Trade and Investment Treaties' (2008) 102 American Journal of International Law 48-89, 56. See also Simon Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge* (Heymanns, Carl 2011) 269ff.
[142] Sykes (n 55) 645.
[143] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs' (n 54) 224.
[144] Sebastian and Sinclair (n 140).

5. Results for Investment and IP

An analysis of the differences between the international investment law regime and the IP regime (including WTO law), yields interesting results that help clarify several legal issues.

5.1. Jurisdiction

As a preliminary jurisdictional issue, the threshold question in investor-state disputes is whether the IPR at issue falls within the definition of an 'investment' under the governing investment agreement.[145] Only once this jurisdictional hurdle is cleared will a tribunal examine whether state measures affecting the IPR have violated substantive protection standards.[146] I have elsewhere addressed the question of whether and under what circumstances IPRs can be considered covered investment elsewhere.[147] Suffice it to note here that a holistic approach is required in order to analyze whether IPRs can be considered a protected investment under the applicable IIA and (if applicable) the ICSID Convention.[148] Not all IPRs have the quality of an investment.[149] Merely owning IPRs in the host state does not, in and of itself, satisfy these requirements.[150]

[145] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138) 276–286.
[146] Chrocziel and others (n 7) 170–171.
[147] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138) 276-286.
[148] ibid 276–286.
[149] Dreyfuss and Frankel (n 69) 589.
[150] This is explicitly addressed in the decision on expedited objections in Bridgestone v Panama, in which the tribunal held that "a registered trademark will constitute a qualifying investment provided that it is exploited by its owner by activities that, together with the trademark itself, have the normal characteristics of an investment", *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama*, Decision on Expedited Objections, ICSID Case No. ARB/16/34 (13 December 2017) para 177. See further Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138) 276–286. In Philip Morris v Uruguay, the tribunal had no trouble finding that 'the Claimants' investments in Uruguay', including trademark rights, 'fall within the definition of the term [investments] under Article 1 of the BIT', which explicitly included 'trade or service marks, trade names, indications of source or appellation of origin'

An important lesson from the above is that IPRs do not exist independently from the domestic legal order. International law (including TRIPS or IIAs) does not create IPRs.[151] Just as '[b]y referring to "land" in the definition of an investment, the investment treaty does not create new land over which an investor can assert an interest, nor does it create new "intellectual property rights" or "claims to performance under contract having a financial value." Rights over these things can only exist by reference to their proper law—the national system of law that created them.'[152] This has several important consequences for international investment tribunals in dealing with measures affecting IPRs. Generally, it is clear from both domestic and international law that IP-related rights require a context-specific balancing of interests. This is because of the utilitarian justification of IPRs. This is also why the TRIPS Agreement provides for so-called TRIPS flexibilities and recognizes the inherent legality of public policy measures.[153]

The domestic nature of IP rights is important for the question regarding whether IPRs are covered 'investments' under a particular IIA. Only the respective domestic law can answer the question regarding whether a specific IPR exists.[154] If domestic law does not recognize a specific IPR, it cannot be considered an investment under an IIA. This means that the registration of an IP claim cannot be considered a covered investment unless domestic law grants specific rights attached to the registration.[155] It also means that the revocation, limitation, and granting of IPRs

[151] Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge* (n 141) 188.
[152] Zachary Douglas, 'Property, Investment, and the Scope of Investment Protection Obligations' in Zachary Douglas, Joost Pauwelyn and Jorge E Viñuales (eds), *The Foundations of International Investment Law* (Oxford University Press 2014) 402.
[153] See Ernst-Ulrich Petersmann, 'How to Reconcile Health Law and Economic Law with Human Rights? Administration of Justice in Tobacco Control Disputes' (2015) 10 Asian Journal of WTO & International Health Law & Policy 27-78, 57ff.
[154] Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge* (n 141) 188.
[155] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138). See also the tribunal in Bridgestone v Panama stating "It seems to the Tribunal that the mere registration of a trademark in a country manifestly does not amount to, or have the characteristics of, an investment in that country." *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama*, Decision on Expedited Objections, ICSID Case No. ARB/16/34 (13 December 2017) para 171.

are issues that fall within the jurisdiction of domestic courts, not international investment tribunals. It is the decisions of the domestic courts that form the basis for the existence of IPRs in the first place. A clear exception would be arbitration decisions without any basis in domestic law.[156]

5.2. Judicial Review through Investor-State Dispute Settlement

Second-guessing of IP-related court decisions by investment tribunals are problematic for another reason as well. Consider the revocation of patents by national courts, for example.[157] As Liddell and Waibel point out in a recent study on this issue, the reason for the revocation of patents by courts lies in the fact that patent offices simply do not have the resources, or face time limits, that prevent them from making decisions that would not never be successfully challenged before court.[158] Even a high level of scrutiny in the patent offices cannot – and, from a cost-benefit-analysis, should not – preclude the possibility of their decisions being overturned later in court.[159] Liddell and Waibel conclude that this is why the granting of patents is always conditional.[160]

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[156] Fina and Lentner (n 138), 303.

[157] See a recent case involving patents where an Ecuadorian court decision allegedly infringed on patents of a pharmaceutical company, Zoe Williams, 'Another big pharma company invokes investment treaty protections, complaining that local courts are wrongly infringing on patents' (IAReporter, 12 October 2017) https://www.iareporter.com/articles/another-big-pharma-company-invokes-investment-treaty-protections-complaining-that-local-courts-are-wrongly-infringing-on-patents/ accessed 13 October 2017.

[158] Kathleen Liddell and Michael Waibel, 'Fair and Equitable Treatment and Judicial Patent Decisions' (2016) 19(1) Journal of International Economic Law 145, 154 (with further references).

[159] See for this argument ibid 154–155; Mark A Lemley, 'Rational Ignorance at the Patent Office' (2001) 95(4) Northwestern University Law Review 1495-1532. For the argument that ex post litigation cannot fix all errors of Patent institutions, see Joseph Farrell and Robert P Merges, 'Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help' (2004) 19 Berkeley Technology Law Journal 943. Mann and Underweiser, reviewing 366 US patents, found 40.2 percent to be valid, Roland J Mann and Marian Underweiser, 'A New Look at Patent Quality: Relating Patent Prosecution to Validit' (2012) 9 Journal of Empirical Legal Studies 1-32, 7, similar rates of validity of US patents were found in earlier studies cited in John R Allison and Mark A Lemley, 'Empirical Evidence on the Validity of Litigated Patents' (1998) 26 American Intellectual Property Law Association Quarterly Journal 185. In Germany, a study from 2015 find an average probability of partial or full invalidation of around 82 percent, see Joachim Henkel and Hans Zischka, 'Why most Patents are Invalid – Extent, Reasons, and Potential Remedies of Patent Invalidity' (Working Paper, June 2015)

Recent treaty language adopted in the Canada-EU Comprehensive Economic and Trade Agreement (CETA) further emphasizes this point.[161] In a joint declaration to Article 8.12.6 of the CETA agreement included in Annex 8-D, the parties to the agreement state:

> 'Mindful that investor-State dispute settlement tribunals . . . are not an appeal mechanism for the decisions of domestic courts, the Parties recall that the domestic courts of each Party are responsible for the determination of the existence and validity of intellectual property rights. The Parties further recognise that each Party shall be free to determine the appropriate method of implementing the provisions of this Agreement regarding intellectual property within their own legal system and practice. The Parties agree to review the relation between intellectual property rights and investment disciplines within three years after entry into force of this Agreement or at the request of a Party. Further to this review and to the extent required, the Parties may issue binding interpretations to ensure the proper interpretation of the scope of investment protection under this Agreement in accordance with the provisions of Article 8.31.3 [under which the CETA Joint Committee may adopt binding interpretations].'

This description clarifies that an investment tribunal should not function as a review mechanism for the decisions of domestic courts regarding the existence and validity of patents.[162]

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http://www.tim.wi.tum.de/fileadmin/w00bcy/www/Research/Publications/Henkel/Henkel_Zischka_2015-12_Patent_Validity.pdf last accessed 16 November 2017.

[160] Liddell and Waibel (n 158) 155.

[161] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138). See also Gabriel M Lentner, 'Investitionsschutz im Freihandelsabkommen CETA' [2016] ecolex 1026-1029 (discussing the investor-protection provisions in CETA).

[162] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138) 299-300.

5.3. IPRs as Exclusive Rights

In relation to the substantive issues, we have seen that IPRs are not absolute and confer only exclusive (negative) rights. This is particularly relevant for trademarks. As established in WTO case law and EU jurisprudence, the Paris Convention and Article 16 of the TRIPS Agreement only prevent unauthorized third parties from using the (registered) trademark.[163] The investment tribunal in *Philip Morris v Uruguay* rightly recognized this, stating '[a trademark] is a right of use that exists *vis-à-vis* other persons, an exclusive right, but a relative one. It is not an absolute right to use that can be asserted against the State *qua* regulator.'[164] The court thus concluded that 'the trademark holder does not enjoy an absolute right of use, free of regulation, but only an exclusive right to exclude third parties from the market so that only the trademark holder has the possibility to use the trademark in commerce, subject to the State's regulatory power.'[165]

Recognizing IPRs as exclusive rights is also important for IP-related expropriation claims. A misconception exists that the 'standards governing expropriation law in general are applicable to the alleged expropriation of IP rights.'[166] This appears to follow the same logic as treating IPRs as ordinary property rights. Margreth Barret has aptly put it: 'Where investment goes, an inherent sense of property right tends to follow.'[167] In international investment arbitration such claims are,

[163] For WTO case-law cf Appellate Body Report, *US - Section 211 Omnibus Appropriations Act of 1998,* 186-88, WT/DSI76/AB/R (Feb. **1,** 2002); Panel Report, *European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs. Complaint by Australia,* 7.246, WT/DS290/R (Mar. 15, 2005). For the EU jurisprudence see Alberto Alemanno and Enrico Bonadio, 'Plain packaging of cigarettes under EU law' in Tania Voon and others (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar 2012) 230. See also Petersmann (n 153) 57-58.
[164] Philip Morris v Uruguay, Merits, para 267.
[165] Philip Morris v Uruguay, Merits, para 271. In German law as well as in Austrian law, for example, commentators generally accept that copyright, for instance, provides both, a negative right to exclude and a positive right to use.
[166] Chrocziel and others (n 7) 153.
[167] Margreth Barrett, 'A Cause of Action for "Passing Off/Associational Marketing"' (2010) 1(1) IP Theory 1-24, 2.

it appears, also incorrectly deduced from the reasoning in the case of *Wena v Egypt.*[168] In that case, the tribunal noted that 'it is also well established that an expropriation is not limited to tangible property rights.'[169] However, the tribunal referred in fact to contractual rights and did not consider the question of whether IPRs may be subject to expropriation.[170]

In *Philip Morris v Uruguay*, the tribunal concluded that the trademarks at issue were property rights capable of being expropriated.[171] The tribunal reasoned that the 'ownership of a trademark does, in certain circumstances, grant a right to use it'[172], but did not further explain these 'certain circumstances.'[173] The tribunal appeared to assume that an exclusive right includes a right to use and that this right must, in principle, be capable of expropriation. However, as noted above, this represents a misunderstanding of IPRs: any right to use a trademark is premised on the relevant regulation in that state. Indeed, this is the fundamental feature of IP protection internationally. The WTO panel in *EC – Trademarks* correctly points out that TRIPS 'inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain the public policy objectives lie outside the scope of intellectual property and do not require an exception under the TRIPS Agreement.'[174] All of this must be read against the background of Articles 7

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[168] *Wena Hotels Ltd. v Arab Republic of Egypt,* ICSID Case No ARB/98/4, Award (8 December 2000).
[169] *Wena Hotels Ltd. v Arab Republic of Egypt,* ICSID Case No ARB/98/4, Award (8 December 2000) para 98.
[170] The relevant paragraph 98 continues: "As the panel in SPP v Egypt explained, 'there is considerable authority for the proposition that Contract rights are entitled to the protection of international law and that the taking of such rights involves an obligation to make compensation therefore.'[referring to Southern Pacific Properties (Middle East) Limited v. Arab Republic of Egypt, ICSID Case No. ARB/84/3, 8 ICSID Review 328, 375 (1993)" [Footnotes omitted].
[171] Philip Morris v Uruguay, Merits, para 274.
[172] Philip Morris v Uruguay, Merits, para 267.
[173] For an elaborate rejection of this view under the Paris Convention and TRIPS Agreement see Mark Davidson, 'The Legitimacy of Plain Packaging under International Intellectual Property Law: Why there is No Right to Use a Trademark under either the Paris Convention or the TRIPS Agreement' in Tania Voon and others (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar 2012).
[174] *EC- Protection of Trademarks* Appellate Body Report, *WT/DSI76/AB/R* (1 February 2002) 7.246. See also Advocate General of the European Court of Justice in the dispute on the validity on the Tobacco Products Directive emphasizing that "the essential substance of a trademark right does not consist in an entitlement as against the authorities to use a trademark unimpeded by provisions of public law. On the contrary, a trademark right is essentially a right enforceable against other individuals if they infringe the use made by the holder" Case C-491/01, The Queen v Secretary of State for Health, ex parte British American Tobacco Ltd and Imperial Tobacco Ltd, 2002

and 8 of the TRIPS Agreement, as stated above.[175] Additionally, neither the Paris Convention nor the TRIPS Agreement infringe upon the sovereign rights of a state to limit the use of trademarks on noneconomic grounds, especially with respect to the protection of human life and health.[176]

Another practical example relates to the issuance of compulsory licenses. Consider, for example, the issue of whether the issuance of a compulsory license constitutes an (indirect) expropriation. Most recent IIAs tend to include specific wording addressing this issue. For example, the 2012 US Model BIT (along with the 2004 US Model BIT) clarifies in its Article 6(5) that '[t]his Article [on expropriation] does not apply to the issuance of compulsory licenses granted in relation to intellectual property rights in accordance with the TRIPS Agreement'.[177]

However, such clarification should not be necessary. It clearly follows from the nature of patent rights that a compulsory license does not eliminate the possibility of economic exploitation of the patent, particularly because the measure lacks a permanent character.[178] For these reasons, the European Parliament, when discussing future EU investment policy, insisted that 'where intellectual property rights are included in the scope of the investment agreement . . . the

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ECR I-11453, Opinion of Advocate General Geelhoed para 266. But see the counter argument eg Expert Report of Professor Christopher Gibson para 76 http://www.tobaccocontrollaws.org/files/uruguay/expert_reports_witness_exhibits/CWS-023%20Gibson.pdf . See the discussion in Philip Morris v Uruguay, Merits, paras 255-271.

[175] See also Petersmann (n 153) 57-58.

[176] See Appellate Body Report, *European Communities - Measures Affecting Asbestos and Asbestos-Containing Products*, 172, WT/DS135/AB/R (5 April 2001). See further Petersmann (n 153), 58. Discussing Australia's plain packaging regulations and investment law see Tania Voon and Andrew D Mitchell, 'Implications of International Investment Law for Plain Tobacco Packaging: Lessons from the Hong Kong–Australia BIT' in Tania Voon and others (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar 2012); Andrew D Mitchell and Tania Voon, 'Time to quit? Assessing International Investment Claims Against Plain Tobacco Packaging in Australia' (2011) 14 Journal of International Economic Law 515. On the relationship between TRIPS and BITs see Gabriel M Lentner and Sheila E Proaño, 'ADPIC y los Tratados Bilaterales de Inversión: la necesidad de encontrar una armonía en su aplicación' (2016) 17 Iuris Dicto 51 <https://www.usfq.edu.ec/publicaciones/iurisDictio/Documents/iurisdictio_017.pdf>.

[177] See further on this Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138) 296-300 with further references.

[178] Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge* (n 141) 441.

provisions should avoid negatively impacting the production of generic medicines and must respect the TRIPS exceptions for public health.'[179]

This result also makes sense in light of the justification for patent protection. A compulsory license is issued during health crises and emergencies and thus clearly serves concrete social welfare goals.[180] With the very foundation of patent protection being the promotion of social welfare, considering such measures an indirect expropriation exposes the contradiction between IP norms and international investment law.[181]

Most fundamentally, as aptly put by Dreyfuss and Frankel, conventional IP law uses certain yardsticks to be actionable. For example, in trademark law, the infringement must impair the power to identify source; in patent and copyright law, the infringement must impair the incentive to innovate. However, in international investment law, no such equivalent yardstick exists for the determination of what constitutes an expropriation. [182]

To be sure, if an expropriation is permissible on social policy or emergency grounds, the patent holder still deserves compensation. The level of compensation, under an incentive-based rationale, is calculated to the necessary amount to induce investment in innovation and to deter infringement, and not, as under the international investment law logic, to all profits that could have been earned otherwise.[183]

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[179] European Parliament, 'Resolution of 6 April 2011 on the Future European International Investment Policy' 2010/2203(INI) para 11 www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2011-0141&language=EN.

[180] For an example of the weighing of public interest considerations in the issuance of a compulsory license see the recent decision of the German High Court in Civil Matters (BGH), BGH, Urt. V. 11.7.2017 – X ZB 2/17 (BPatG).

[181] See also Dreyfuss and Frankel (n 69) 572 (also referring to Justice Brandeis' opinion concerning the invalidation of the trademark Shredded Wheat, who stated that the $ 17,000,000 put into creating the trademark is "without legal significance". See Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 119 (1938).

[182] Dreyfuss and Frankel (n 69), 572.

[183] ibid 592.

5.4. Dispute Resolution and Public Policy: WTO DSU vs ISDS

As we have seen, the differences between trade and investment law also affect how disputes are decided. Arbitral tribunals might disregard the macroeconomic character of the obligations under the TRIPS agreement.[184] For example, WTO dispute settlement is not concerned with individual traders but with broader governmental measures that might impair potential trade opportunities, as noted above.[185] Focusing solely on the protection of IP as an investment in a foreign country will not take into account the efficiency of the IP system and the welfare gains it produces; this would likely come at the expense of the public interest.[186] International investment law does not consider the macroeconomic conditions in the host state.[187] The possibility of divergent decisions on the same issue by an arbitral tribunal and a WTO panel, as well as the difference in remedies, are other relevant issues.[188]

The public-policy dimension of IPRs enhances the difficulty of arbitrating IP-related disputes. This is why, in most domestic legal systems, many IP-related disputes are non-arbitrable via commercial arbitration. Instead, IP-related disputes are subject to the exclusive jurisdiction of specific national courts.[189] While an analogy to investment arbitration is not directly applicable,

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[184] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs' (n 54) 224–225.
[185] DiMascio and Pauwelyn (n 141) 62. See also Dreyfuss and Frankel (n 69) 572 (addressing the practical differences in WTO state-to-state dispute settlement, which means the state decides whether to bring a dispute and can therefore decline to pursue a case due to political or policy reasons).
[186] Cf Yu (n 74) 842 (expressing a similar thought with respect to investor-state dispute settlement in the proposed Trans-Pacific Partnership).
[187] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs' (n 54) 224–225.
[188] ibid 225; Dreyfuss and Frankel (n 69) 572. See further on this Brooks E Allen and Tommaso Soave, 'Jurisdictional Overlap in WTO Dispute Settlement and Investment Arbitration' in Jorge A Huerta-Goldman, Antoine Romanetti and Franz X Stirnimann (eds), *WTO Litigation, Investment Arbitration, and Commercial Arbitration* (Global trade law series vol 43. Wolters Kluwer 2013). See also Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights' (n 138) 297–299.
[189] Gary B Born, *International Commercial Arbitration* (2nd edn, Kluwer Law International 2014) 945; Kreindler and Tevini (n 107) 448. For the EU see EC Regulation 44/2001, Art. 22(4); EC Regulation 1215/2012, Art. 24(4). See also T. Cook & A. Garcia, International Intellectual Property Arbitration 65 (2010); Derains, L'expérience de la

it highlights the issues raised by arbitrating IP-issues, since – as noted earlier – the granting and regulating of IPRs involves state authority.[190] Issues such as the validity of patents, copyrights, or trademarks are thus non-arbitrable in many jurisdictions.[191] This is because an arbitral tribunal 'obviously cannot effect registrations of intellectual property rights or invalidate a patent generally, thereby affecting the rights of the public or third parties.'[192] Thus, it is important for investment tribunals to take public policy considerations into account when deciding on IP-related investment claims.

6. Conclusion

The number of cases before international investment tribunals involving IP-related issues is likely to grow. This new frontier in investment arbitration raises many difficult legal issues that can only be understood through the respective regulatory practices and narratives of both IP law and international investment law. Since the recent developments concern investment arbitration, it is imperative for the decision makers in that field to familiarize themselves with the concepts and justifications of IPRs and to be sensitive to the legitimate policy goals provided for under TRIPS and other legal frameworks. In particular, there is a need for a balanced approach that takes into account public interest considerations; within the WTO system, IPRs are linked to the ultimate goals of technological development, intellectual progress, and sophisticated production, whereas the core issue in any investment agreement is the protection of foreign investors'

Cour d'arbitrage de la Chambre de Commerce Internationale en matière de propriété industrielle, 1977 Rev. arb. 40, 45; Simms, Arbitrability of Intellectual Property Disputes in Germany, 15 Arb. Int'l 193 (1999); Voit, in H.-J. Musielak (ed.), Kommentar zur Zivilprozessordnung §1030, ¶3 (9th ed. 2012).

[190] Born (n 189) 991–993; Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (6th edn, Oxford University Press 2015) 112–113.

[191] Born (n 189) 991–993.

[192] ibid. See also Blackaby and others (n 190) 112.

tangible and intangible assets. International investment tribunals have to recognize these differences to get the balance right.

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