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International investment law, intellectual property and development

by

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FDI is important for financing development projects, economic development, transferring technology, and global prosperity. Intellectual property (IP) rights—an important asset for investors typically accorded protection in investment treaties—are equally integrally linked with economic and technological development.

Due to recent high-profile investor-state (ISDS) disputes involving IP rights, concerns have arisen regarding the impact that the international investment law (IIL) regime can have on the policy space of host countries[1] and the development of international and domestic IP rights regimes.[2] Implicit assumptions have been made that ISDS tribunals are unable or unwilling to take international IP law and the unique nature of IP rights into account when resolving ISDS disputes.[3]

We contend that these concerns can effectively be addressed through targeted actions by the various players involved.

First, ISDS tribunals interpreting IIAs should bear in mind that both the IIL and international IP law regimes share the same objective, i.e., to facilitate development.[4] The preamble and Articles 7 and 8 of the TRIPS Agreement, for instance, state that the protection of IP rights should be considered as a means to foster national development. Similarly, the oft-cited preamble of the ICSID Convention suggests that the purpose of the Convention is facilitating economic development through the protection of foreign investment.

At the same time, investment tribunals should consider the unique nature of IP rights and the rules of international IP law when deciding ISDS disputes in this area. For instance, the *Eli Lilly v Canada* and the *Philip Morris v Uruguay* tribunals clarified that the mere granting of IP rights cannot give rise to legitimate expectations that the rights will not be limited, regulated or revoked. In *Philip Morris v. Uruguay*, one of the issues the tribunal had to address was whether trademarks confer a

positive right of use to the owners, or merely a negative right to prevent third parties from using trademarks. The tribunal correctly noted that nothing in the Paris Convention confers such a positive right. It further rightly noted that Article 16 of the TRIPS Agreement provides only for the right of trademark owners to prevent third parties from using trademarks.

Second, host countries concerned about the impact that the protection of IP rights under the IIL regime may have on their policy space should try to specifically exclude IP rights from the definition of investment in their new IIAs. Should this not be possible, another option would be to revise existing IIAs to carve out national measures that are consistent with the rules of international IP law (such as those in the Berne Convention, Paris Convention, the TRIPS Agreement) from the scope of the expropriation and fair and equitable treatment standards, as follows:

> "Article XX (expropriation) [and/or] Article YY (fair and equitable treatment) shall not apply to the creation, issuance, limitation, or revocation of intellectual property rights or to any other measures affecting intellectual property rights to the extent that these measures are consistent with [Chapter XYZ of the Treaty (intellectual property)], the TRIPS Agreement, and any other international agreement governing intellectual property rights that have been ratified by [either/both] Contracting Parties."

It is not unprecedented for countries to include clauses like these in their IIAs, especially regarding the expropriation standard. Article 8.12(6) of CETA goes even further by stating that an inconsistency with TRIPS or the IP Chapter of CETA does not establish an expropriation per se. A clause like the one we suggest could, for instance, be included in the proposed protocol on investment that is part of the Phase II AfCFTA negotiations.

Even in the absence of similar clauses, ISDS tribunals can preserve host countries' policy space by interpreting domestic IP rights in light of the flexibilities available under international IP law. For instance, pursuant to article 20 of the TRIPS Agreement, countries may implement measures that justifiably encumber the use of trademarks to protect public health. Similarly, Articles 30 and 31 of the TRIPS Agreement enable countries to implement measures (including compulsory licensing) that limit patent rights. Similar interpretations would not only promote the unique nature of IP rights but also foster national development.

In conclusion, ISDS tribunals and countries have the means to—and should—play a role in ensuring that the IIL and international IP law regimes contribute to host countries' economic and technological advancement. This can be achieved only if ISDS tribunals interpret IIAs in accordance with the above-mentioned principles and objectives, and host countries take adequate measures to preserve their own policy space.

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[1] See, Cynthia Ho, "A collision course between TRIPS flexibilities and investor-state proceedings," *UC Irvine Law Review*, vol. 6 (2016), p. 101.

[2] See, Padmashree Gehl Sampath, "Intellectual property and technology transfer: Why we need a new agenda," in Carlos Correa and Xavier Seuba, eds., *Intellectual Property and Development: Understanding the Interfaces* (Singapore: Springer, 2019), p. 37.
[3] See, Rochelle Cooper Dreyfuss, "Investor-state dispute settlement as a constraint on intellectual property lawmaking," in Ansel Kamperman Sanders and Anke Moerland, eds., *Intellectual Property as a Complex Adaptive System* (Cheltenham: Edward Elgar, 2021), p. 180.
[4] Emmanuel Kolawole Oke, *The Interface between Intellectual Property and Investment Law* (Cheltenham: Edward Elgar, 2021).

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