NAVIGATING THE NEXUS: INTELLECTUAL PROPERTY RIGHTS IN INTERNATIONAL INVESTMENT LAW

(Book Review: The Protection of Intellectual Property Rights under International Investment Law by Simon Klopschinski, Christopher S. Gibson and Henning Grosse Ruse-Khan)

Asees Kaur[*]

&

Karan Deep Singh[**]

Abstract

The dynamic intersection of International Investment Law (IIL) and IP rights forms the crux of this critical analysis, encapsulated in the book titled "The Protection of Intellectual Property Rights under International Investment Law" by Simon Klopschinski, Christopher S. Gibson and Henning Grosse Ruse-Khan. In an era where knowledge and innovation are valued as highly as physical assets, the protection of IP rights assumes paramount importance. Likewise, international investment law plays an ever-expanding role in regulating the global economy. This article embarks on an exploratory journey, delving into the comprehensive examination provided by the book, which meticulously dissects the complexities of safeguarding IP within the realm of international investment law. Seven chapters serve as signposts guiding us through the intricate landscape of this multifaceted relationship. From establishing the fundamental foundations of IP and international investment law, including mechanisms of Investor-State Dispute Settlement (ISDS), scrutinising all nuances of IP disputes, this article seeks to unravel the nuances of this intersection. The article further conducts a comprehensive analysis of Fair & Equitable Treatment (FET) standard, tracing its origins as well as interpretations within arbitral tribunals. In a critical evaluation, the

[*] Advocate and Legal Consultant, Directorate of Enforcement (Headquarters), Ministry of Revenue, Government of India.

[**] BA.LL.B. Student, Symbiosis Law School, Noida, Uttar Pradesh, Symbiosis International (Deemed) University, Pune.

article applauds the book's meticulous analysis of recent international IP awards and judgments, serving as a bridge between IP protection and investment jurisprudence. However, it also underscores the need for a more in-depth exploration of the potential impacts of ISDS reforms on future IP protection, while recognising that readers are presumed to have a foundational understanding of international IP and investment law.

Keywords: International Investment Law, Intellectual Property Rights, Investor-State Dispute Settlement (ISDS) reforms, Fair & Equitable Treatment standard, Global economy.

1. Introduction

The proliferation of international investment agreements (IIA) over less than half a century has provided the impetus to the rapid growth of international trade, international investment and economies of various nations. Such advancements have resulted in the growth in International Investment Law & International Intellectual Property (IP). Consequently, emerged an inevitable interaction between the two fields not only addressing public policy issues but also private rights granted under the domestic and international IP instruments.

The present book is a timely contribution in the field of the IP-investment interface as it successfully captures the emerging scholarship in this regard by addressing the relevant jurisprudence that has developed over the last decade through awards like *Philip Morris v. Australia*, *Eli Lily v. Canada*, are among the few of many discussed. The book takes a very unique approach and addresses the novel and emerging interface between IP and investment and the recent trend of moving away from WTO dispute settlement toward ISDS to purpose of resolve Intellectual Property disputes.

The authors comprehensively analyse the core of the international IP-investment law interface and answer various questions concerning the interplay of the domestic IP system and the international investment obligation of host state, obligations under international IPR treaties and also relationship of IIAs and the major IP agreements like

the TRIPS, Bern Convention and the Paris Convention.[1] It is impressive how the books have explained all the substantive rights under BITs and FTAs, sometimes found in free trade agreements (FTA), and viewing them from the lens of international IP treaties, such rights include National Treatment and Most-favoured Nation (MFN) clause, Fair and Equitable Treatment (FET) and Full Protection and Security (FPS).

2. Analysis

The first chapter provides a brief overview of the development of the relevant interface and the previous predictions that were made by the authors in this regard.[2] Chapters 2 and 3 are introductory, explaining the historical context of IP and international investment law. It has dealt with Investor-State Dispute Settlement (ISDS) mechanism while analysing IP- investment cases. The chapter starts by explaining the nature of the IP disputes between contractual and non-contractual parties and the law applicable on the basis of the nationality of the parties. If the parties are from the same country, the dispute is submitted before the national courts, but when international parties are involved then they prefer to pursue international arbitration. Further in the chapter, the authors have also addressed the issue of consent under ICSID (Article 25) and other arbitral tribunals. They have explained the concept of waiver clauses and fork-in-the-road (FITR) under investment agreement in regards to IP related issues. The same has been examined with an example of Novartis case, in light of FITR clause under Article 9 of Swiss-Indian BIT.[3] The authors have also explained FITR clauses in regard to Compulsory License (CL). Lastly, the chapter elaborates four early decisions of ISDS which involved issues of IP rights as investments are of great significance as the serve as 'soft' or 'persuasive' precedent[4] for later cases. These include *Philip Morris v. Australia*,[5] *Philip Morris v. Uruguay*,[6] *Eli Lilly v. Canada*[7] as well as *Bridgestone v. Panama*.[8]

---

1 Simon Klopschinski, Christopher S. Gibson, *et.al.*, *The Protection of Intellectual Property Rights under International Investment Law*, Oxford International Arbitration Series, (Oxford University Press 2021).
2 *Id.* at 3-4.
3 *Id.* at 3.55-3.58.
4 *Id.* at 3.86.
5 *Philip Morris Asia Ltd (Hong Kong)* v. *Australia*, PCA Case No. 2012- 12.
6 *Philip Morris Products SA and Abal Hermanos SA* v. *Oriental Republic of Uruguay*, Award, ICSID Case No. ARB/10/7 (8 July 2016).
7 *Eli Lilly and Co* v. *Government of Canada (Eli Lily)*, UNCITRAL, Award, ICSID Case No. UNCT/14/2 (16 March 2017).
8 *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc*. v. *Republic of Panama*, ICSID Case No. ARB/ 16/ 34.

For any claim to be brought before investment tribunals it is necessary that the subject matter of such claims align with the definition of investment as given under IIA. Chapter 4 deals with the definition clause and elaborates upon inclusion of intellectual property within the scope of investment. Authors have explored the meaning of investment in regards to IP under different treaties and newer treaties[9] making express reference to IP and its categories. The Chapter also discussed about IP as an investment within the framework of Article 25, ICSID and then moving to the influence of national law in shaping definition clauses. Finally, the chapter explains the early case laws addressing the question whether an investment exits in respect to the IP right.

Traces of national treatment (NT) and most favoured nations clauses (MFN) can be seen in International IP instruments like TRIPS, Paris Convention and the Berne Convention. In Chapter 5 the authors analyse these two concepts in respect of international IP jurisprudence. These are non-discrimination standard based on the concept of less favourable treatment, such treatment can either be in contract with national of the host state or other foreign investor. The authors have referred to these as relative standards because these are raised in comparison with the treatment afforded to others.

This chapter starts with making a comparison between non-discrimination standard under International IP, trade and investment law while taking into account the role of WTO in the said fields. The chapter then endeavors to discuss IP related NT and MFN claims under international investment law. While dealing with the former standard, the authors examine the elements of comparability, the standard of treatment and justification which are used in the assessment of discrimination claims.[10] For comparability, unlike investment law, IP treaties do not refer to 'like circumstances' but requires that the treatment should be the same or no less favorable. For example, Article 3.1 TRIPS sets out an obligation to *"…treatment no less favourable than that it accords to its own nationals"*. In respect of the treatment standards, *de jure* and *de facto* discrimination is discussed. The authors have explored *de facto* discrimination in IP cases and have taken examples of the IP measures which predominantly affect foreign right holders, such include[11], Sec. 3(d) of Indian Patent Act, 1970, which has the

[9] *Supra* note 1 at para 4.49.
[10] *Supra* note 1 at para 5.94.
[11] *Id*. at 5.146.

additional barrier to mere the requirement of patentability in form of 'enhanced efficacy' which is specifically targeting pharmaceutical drugs and utility doctrine in Ely Lilly.[12] Finally looking at the element of justification, the book focuses on the utilitarian function and the principles of IP protection and its objections, it also looks into the reciprocity requirement under the national laws and finally turning to *de facto* treatment by the host states and valid justification supporting them. MFN claims also form part of this chapter; these usually allow investors to claim advantages that are offered to another foreign investor in the same host state. The authors have scrutinised the major investment law jurisprudence in this respect and while discussing MFN under IP treaties, it is viewed as an opportunity given to the IP right holders to capture 'best standard of protection available' from TRIPS-plus standards.[13]

Under Chapter 6, the authors focus on FET and the FPS as the absolute standard of treatment. Dolzer and Schreur had identified US practice of Friendship Commerce and Navigation (FNC) treaty as one of the historical sources of FET Standard.[14] Arbitral tribunal have taken different approaches when analyzing the FET standard, on one hand, there are tribunals like *Mondev*[15] which held that interpretation FET will depend on the circumstances of the case and on the other, *Tecmed*[16] tribunal which took a broad approach which has been criticized too.[17] States has responded to such expanded protections by drafting specific FET provisions and limiting its scope.[18] The legitimate expectation is an important element of FET. It is a common practice for IP right owners to reply on this expectation while making claims of breach of FET like legitimate expectation based on the grant of IP right,[19] domestic IP law of the host state[20] and legitimate expectation bases upon the international obligation of the host state under international instruments like argued in the case of Eli Lily claiming breach of NAFTA

12 *Id*. at 5.154.
13 *Id.* at 5.205.
14 Rudolf Dolzer and Christopher Schreuer, *Principles of International Investment Law* 2nd ed., OUP 2012,130-1. (Grear Clarendon Street, Oxford, OX2 6DP, United Kingdom)
15 *Mondev International Ltd* v. *United States (Mondev)*, Award, ICSID Case No. ARB(AF)/ 99/ 2 (11 October 2002)
16 *Tecmed SA* v. *United Mexican States*, Award, ICSID(AF) Case No. ARB(AF)/ 00/ 2 (29 May 2003) 43 ILM 133 (2004)
17 *MTD Equity Sdn Bhd and MTD Chile SA* v. *Republic of Chile (MTD)*, Award, ICSID Case No. ARB/ 01/ 7 (25 May 2004), pp. 67-68.
18 Article 9(4) of CPTTP (investment chapter); see also Article 8.10 of CETA.
19 *Supra* note 7 at *Philip Morris* v. *Uruguay*.
20 *Supra* note 6 at 344. The investor argued that they had 'specific expectations' arising from the domestic Uruguay law including their 'right to use' the IP rights and undisturbed use of such rights.

IP chapter and Patent Corporation Treaty. Another important element of FET that is discussed by the authors is a denial of justice. This in turns includes procedural propriety, fairness and due process, which is discussed in respect to beIN *Corporation v. Saudi Arabia*[21] and *Bridgestone v. Panama*.[22] This chapter also focuses on other elements of FET before discussing the justification, defenses and balancing mechanisms.

Expropriation constitutes an interference with the investment of the investor, which could be direct or indirect and could be lawful or unlawful. Exportation is usually takings or transfer of legal title from the investor to the host state. The centre of attention in Chapter 7 is on expropriation, the authors have started by explaining the meaning and various elements of exportation and then moving to apply this standard under IP disputes. The chapter has discussed main cases including (i) *Philip Morris v. Uruguay*, the tribunal determined that the two challenged measures were imposed by Uruguay in light of public health and constituted legitimate exercise of police powers and did not amount to expropriation. (ii) In the matter of *Eli Lilly v. Canada*, the tribunal found that decision by the Canadian Supreme Court upholding the 'promise utility doctrine' under the patent regime of Canada did not amount to 'dramatic change'.[23] (iii) In *Bridgestone v. Panama*,[24] the claimants initially made claims of indirect expropriation,[25] this case originates from a trademark dispute before the Panama courts. The claims have also argued that the provision of the US-Panama Trade Promotion Agreement was violated, which had an obligation not to expropriate without prompt, adequate and effective compensation.[26] (iv) In *Einarsson v. Canada*, this case is also pending and the investor has claimed that the national government has shared confidential information with third parties which was subject to copyright and trade secret protection.[27] It was claimed that such conduct violated NAFTA Chapter 11 including Article 1110 which provides protection against uncompensated expropriation.[28] The most important discussion of this chapter is on the issue of compulsory license (CL) and expropriation. Article 31 of TRIPS obliges members of the WTO to grant CL over patents having an overriding public purpose and

[21] *beIN Corporation* v. *Kingdom of Saudi Arabia*, Notice of Arbitration (1 October, 2018).
[22] *Supra* note1 at 360.
[23] *Id.*at 7.144.
[24] *Supra* note n 9.
[25] *Id.*at 171.
[26] *Id.* at 62.
[27] *Supra* note 1 at para 7.216
[28] *Id.* at 7.144.

CL as an indirect form of expropriation. The Chapter explores CL as an indirect expropriation and has based the analysis upon test of expropriation found in 2012 US Model BIT because it may be said to reflect customary international law norms.[29]

3. Critical Evaluation

This book presents diverse range of topics covering the relevant inter-disciplinary theme of IP-investment interface in the contemporary era. The book dominantly addresses recent developments that have taken place in form of various awards and judgments in the international IP regime invoking various international investment law standards and cover a diverse range of issues like the definition of investment, NT and MFN, FET and FPS and finally expropriation. One of the strengths of the book is that even though it is based on IP protection under the investment framework yet it has to a significant extent discussed the investment jurisprudence while dealing with specific topics, example can be taken from Chapter 5, 6 and Chapter 7. Although the book has explained the major concepts with dealing with recent case laws[30] decided by the ICSID and WTO tribunals, the authors have done justice to these by covering all the various aspects that are relevant for the IP protection incorporating multiple issues that are relevant for the discussion.

The authors have also addressed some domestic cases like the Indian case of Norvatis (concerning the patentability of Gleevec drug) while explaining some investment principles like fork-in-the-road clauses that are present in BITs and requiring the investor to select one of the forums for pursuing their investment claims. The authors have made a very significant contribution in the field of this emerging interface by comprehensively assessing the protection afforded by international investment law to international IP. The book has analyzed the same in a three-fold manner, first by looking into the connection between international investment law and the domestic legal framework governing IP. Second, investigates interaction of these IP rights with international IP rights (treaties applicable to host as well as home state), and third, examining correlation between investment treaties and agreements safeguarding IP rights. Interestingly, the book has also considered the changes in procedural setup for investment

[29] *Id.* at 7.177.
[30] *Like Philip Morris (PMA)* v. *Australia*, *Philip Morris* v. *Uruguay*, *Eli Lilly* v. *Canada*, *Bridgestone* v. *Panama*, *beIN Corporation* v. *Saudi Arabia* and *Einarasson* v. *Canada*.

protection like discussion on reform of ISDS in Group III of UNCITRAL and EU advocating for a multilateral investment court.[31] The book as a whole is a laudable contribution and will serve very helpful tool and handbook for various scholars, arbitrators and judges in this field as it has systematically integrated different aspects relating to international IP and investment law. This book acts as a bridge that helps in understanding of the two regimes and their interplay.

However, the book is not free from some shortcomings. The book explores the general international law and its dynamics at a great length focusing on the substantive rights under investment law and has touched upon possible reforms of ISDS but there is not a significant discussion about how such reforms are likely to affect the protection and enforcement of the IP claims in the future. To note, there as three modalities of reform[32] namely, incremental (reforms addressing specific problems in ISDS), systemic (requires redesigning the current ISDS system like multilateral investment court) and paradigmatic (have radical proposals like discarding current ISDS). Though the books explain all the relevant doctrines and the standards it presumes that the readers have a basic understanding of the functioning of both the concerned interfaces at the international level. Although the book is not fit for beginners it will serve as a helpful guide for various scholars, arbitrators and judges while considering complex Intellectual Property related issues within context of BITs and FTAs.

[31] *Supra* note 1 at para 8.03-8.08.
[32] Anthea Roberts, "Incremental, Systemic, and Paradigmatic Reform of Investor-State Arbitration" 112 112(3) *American Journal of International Law* 410 (2018).