UNIVERSITY OF CAMBRIDGE

Protecting Intellectual Property through Trade and Investment Agreements

Concepts, Norm-setting, and Dispute Settlement

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Outline

1. Conceptual Differences: regulating private rights vs. protecting against state interference

2. Norm-setting:

a) Specificity and Comprehensiveness in **FTAs**

b) 'Return of the State' in **IIAs**

3. Dispute Settlement:

a) The Tragedy of **WTO/TRIPS** Dispute Settlement System

b) Pushing Boundaries through **ISDS**

4. **A Common Trend:** Towards further expansion, via different routes

Concepts

Preamble of the WTO / TRIPS Agreement

Members (…)

Recognizing that intellectual property rights are private rights;

Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives;

→ IP Treaties regulate horizontal, **private law relations** on the domestic level – but as **Trade Agreements**, they tend to **promote utilitarian objectives**

Article 18.2: Objectives

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.

Protecting IPRs as Investments, primarily against State Interference

The term "investment" shall comprise capital brought into the territory of the other Party for investment in various forms in the shape of assets such as foreign exchange, goods, property rights, patents and technical knowledge. (Art.8:1 a)

Nationals or companies of either Party shall not be subjected to expropriation of their investments in the territory of the other Party except for public benefit against compensation, which shall represent the equivalent of the investments affected. (Art.3:2)

Vertrag
zwischen der Bundesrepublik Deutschland
und Pakistan
zur Förderung und zum Schutz von Kapitalanlagen

Treaty
between the Federal Republic of Germany
and Pakistan
for the Promotion and Protection of Investments

DIE BUNDESREPUBLIK DEUTSCHLAND
und
PAKISTAN —

IN DEM WUNSCH, die wirtschaftliche Zusammenarbeit zwischen beiden Staaten zu vertiefen,

IN DEM BESTREBEN, günstige Bedingungen für Kapitalanlagen von Staatsangehörigen und Gesellschaften des einen Staates im Hoheitsgebiet des anderen Staates zu schaffen, und

IN DER ERKENNTNIS, daß eine zwischen beiden Staaten erzielte Verständigung geeignet ist, die Anlage von Kapital zu fördern, das private Unternehmertum in Industrie und Finanz zu ermutigen und den Wohlstand beider Staaten zu mehren —

HABEN FOLGENDES VEREINBART:

Artikel 1

THE FEDERAL REPUBLIC OF GERMANY
and
PAKISTAN,

DESIRING to intensify economic co-operation between the two States,

INTENDING to create favourable conditions for investments by nationals and companies of either State in the territory of the other State, and

RECOGNIZING that an understanding reached between the two States is likely to promote investment, encourage private industrial and financial enterprise and to increase the prosperity of both the States,

HAVE AGREED AS FOLLOWS:

Article 1

Norm-Setting in FTAs and in IIAs

Norm-setting via FTAs

IP rules in FTAs become increasingly **comprehensive and prescriptive**, often **transplanting** detailed rules from the IP-demanding country:

- **TRIPS** (as of January 2017), containing 15098 words – 13303 counting just its **73 Articles**, which are on average **181 words** long.

- **CPTPP IP Chapter**, containing **25412 words** – 24047 counting just its **83 Articles**, which are on average **290 words** long!

Given the difficulty to amend int treaties, rules are almost **cast in stone** – with little flexibility to adapt to (potentially changing) domestic needs.

However, in areas such as IP protection, the **ability to adapt rules to a changing (technological & social) environment is essential!**

The Need for Flexible International IP Rules

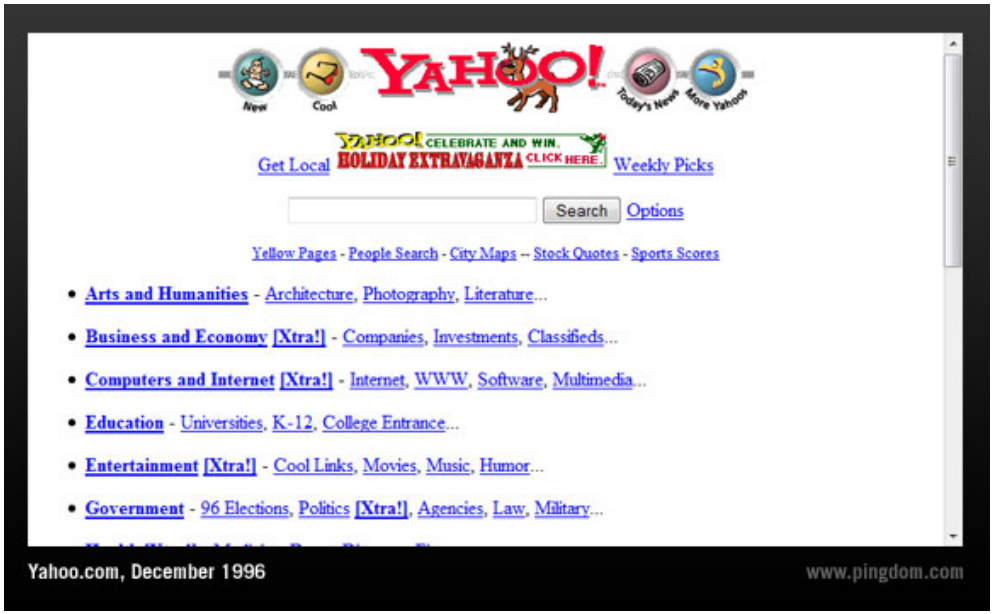
The Example of the Right of Communication to the Public, Art.8 WCT

•(…) authors of literary and artistic works shall enjoy the exclusive right of authorizing any *communication to the public* of their works, by wire or wireless means, including the *making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them*.

•**Agreed statement** concerning Article 8: 'It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention.'

The historic setting of the WCT: The Internet in 1996

'The Internet was widely used for mailing lists, emails, e-commerce and early popular online shopping (Amazon and eBay for example), online forums and bulletin boards, and personal websites and blogs' (Wikipedia)



→No smart phones, no social media, slow data rates, no youtube, or Itunes

Applying old rules to new tech & new uses: the CJEU Case Law on Hyperlinking

The Dutch Magazine ‘Geen Stijl’ (No Style) posted links to photographs taken from actress Britt Dekker for the Playboy Magazine, illegally hosted on an Australian website.
Instead of removing the links to © infringing content on request (and after the Australian site took down the photos), Geen Stijl posted new links to other websites hosting the infringing content.

Norm-Setting via IIAs

→Primarily **designed to protect against state interferences**, how do investment protections apply to IP rights?

- *National treatment* and *MFN*
- *'fair and equitable treatment'* (FET)
- *'full protection and security'* (FPS)
- *prohibition of (direct or indirect) 'expropriation'*
- *prohibition of performance requirements relating to technology transfer or 'other proprietary knowledge'*

→Right holders need to **re-package** protection of their (private) rights against (usually private) users/competitors as breaches of FET or FPS, or claim indirect (judicial) expropriations…

‘The Return of the State’ (Alvarez, 2011)

Art.8.9 CETA - Investment and regulatory measures

1. For the purpose of this Chapter, the Parties reaffirm their right to regulate within their territories to achieve legitimate policy objectives, such as the protection of public health, safety, the environment or public morals, social or consumer protection or the promotion and protection of cultural diversity.

2. For greater certainty, the mere fact that a Party regulates, including through a modification to its laws, in a manner which negatively affects an investment or interferes with an investor's expectations, including its expectations of profits, does not amount to a breach of an obligation under this Section.

Art.8.10 CETA - Treatment of Investors & covered Investments: *A Party breaches the obligation of fair and equitable treatment referenced in paragraph 1 if a measure or series of measures constitutes:*

(a) denial of justice in criminal, civil or administrative proceedings;

(b) fundamental breach of due process, including a fundamental breach of transparency, in judicial and administrative proceedings;

(c) manifest arbitrariness;

(d) targeted discrimination on manifestly wrongful grounds, such as gender, race or religious

belief;

(e) abusive treatment of investors, such as coercion, duress and harassment; (…)

→ Re-asserting **control over regulatory Sovereignty** (cf. Art.9.6(2), Annex 9B CPTPP)

Safeguarding TRIPS Flexibilities?

Art.8.12(6) CETA: *For greater certainty, the revocation, limitation or creation of intellectual property rights to the extent that these measures are consistent with TRIPS and Chapter 20 (Intellectual Property) of this Agreement, do not constitute expropriation. Moreover, a determination that these actions are inconsistent with the TRIPS Agreement or Chapter 20 (Intellectual Property) of this Agreement does not establish that there has been an expropriation. (…)*

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 recognize 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. (…)

DISPUTE SETTLEMENT

DS542: China — Certain Measures Concerning the Protection of Intellectual Property Rights

IP-related Dispute Settlement

This summary has been prepared by the Secretariat under its own responsibility. The summary is for general information only and is not intended to affect the rights and obligations of Members.

See also:

- News items
- The basics: D… settled in WT…
- Computer b… dispute sett…
- Text of the D… Understandi…

Current status back to top

In consultations on 23 March 2018

In the Arbitration under the Arbitration Rules of the United Nations Commission on International Trade Law and the North American Free Trade Agreement

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ELI LILLY AND COMPANY

Claimant

v.

GOVERNMENT OF CANADA

…8.1(a),

…consultations)

…Request for Consultations … 23 March 2018

Dispute Settlement: WTO/TRIPS and FTAs

IP Disputes in the WTO

•Since 1995, just **38 complaints** **relate to TRIPS** (contrasted with around 550 complaints filed overall), leading to (only) **9 Panel Reports, and 3 AB Reports**.

•Initially, lots of complaints were 'settled or terminated'; after a long period of non-use, now some **more recent complaints:** *Australia – Plain Packaging*, *Qatar blockade, US vs China*

➢**Rectification of 'poor' DS outcomes via 'improved' Norm-setting**: *China – IPRs* findings on *'commercial scale'* triggering ACTA criminal enforcement provisions: '*the ACTA wording defines the concept of TRIPS and redresses the doubts created by the recent WTO panel against China, which introduced high quantitative thresholds – 500 fakes – for penal measures to kick in.' (leaked EU DG Trade Doc)*

Dispute Settlement: WTO/TRIPS and FTAs

A **bleak Future** for IP-related (WTO) DS?

➢While the US (and others) effectively block new appoint-ments to the WTO AB (which may effectively lead to **WTO DS losing its 'crown jewel'**), could FTA DS step in?

➢Is (WTO) DS loosing further relevance as **ever more detailed FTA IP norms** leave little need to provide '*security and predictability to the multilateral trading system*' (Art.3:2 DSU)? …Rather, **IP demandeurs may choose to enforce compliance via unilateral mechanisms** (such as Sec.301)

Dispute Settlement: ISDS as tool for litigating Int IP Norms?

Eli Lilly claims **expropriation** and a **breach of FET** because the Canadian court decisions which invalidate its patents *'are contrary to Canada's international treaty obligations'* under **TRIPS, NAFTA Ch.17** & the Patent Cooperation Treaty (**PCT)**:

(1)the "promise doctrine" imposes an utility standard which violates **Art.1709:1 NAFTA (akin to Art.27:1 TRIPS)** to make available patents for inventions which are new, non-obvious and useful;

(2)the judicial decisions amount to a **de facto discrimination** of biopharma patents contrary to the obligation not to discriminate among different fields of technology; and

(3)infringe the Patent Cooperation Treaty (PCT) by imposing additional form and content requirements relating to international patent applications.

→ These **breaches of international IP treaties** are argued to **violate investment protection standards** because Eli Lilly claims to have a **reasonable expectation that Canada complies with these IP treaties…**

The Award in *Eli Lilly vs Canada:* leaving the door wide open for claiming Int IP breaches?

Has Canada frustrated Eli Lilly's legitimate expectations?

→ Since there had not been any dramatic change in patent (utility) doctrine, Lilly cannot claim that any expectations had been frustrated (para.382-385)

'Claimant has also alleged that its legitimate expectations were grounded in, or at least reinforced by, Respondent's obligations under NAFTA Chapter 17 and the form and contents requirement of the PCT. The Parties have exchanged extensive submissions on these international instruments, all of which the Tribunal has considered. However, nothing therein alters the Tribunal's analysis. For all of the reasons stated above, Claimant has failed to establish, ***as a matter of fact****, that Respondent breached any international obligations by invalidating the Strattera and Zyprexa Patents.'* (fn.515)

Dispute Settlement: ISDS and the 'Return of the State'

Warnings on cigarette packets in Uruguay.
Foto: Aldo Orellana.

1) Where IP owners attempted to **challenge State regulation to protect health** (Australia, Uruguay), they received key blows: abuse of process / inherent **right to regulate** read into indirect expropriation.

2) When attempting to **re-package claims as state interferences**, IP owners have only lost on the facts – in principle, national judgments are open to arguments of **judicial expropriation**, beyond denial of justice (*Lilly vs Canada*, para.223-226):

   - While subject to 'significant deference', ISDS tribunals can review Court decisions for 'manifest **arbitrariness** or blatant **unfairness**'
   - **To be continued**: *Bridgestone vs Panama…*

BRIDGESTONE

Any Conclusions? Different Routes to Regime Expansion…

- **IP Protection via Trade Agreements**: Expansion via Norm-Setting, rather than Dispute Settlement

  → Gaps and Ambiguities left by TRIPS are filled by ever more comprehensive IP norms in FTAs, often transplanted from national laws of IP demandeurs

- **IP Protection via IIAs**: Expansion (attempts) via ISDS, rather than Norm-Setting

  → As States reassert their regulatory sovereignty, IP owners are left to re-package their claims under remaining ambiguities, mainly under 'older' BITs, Investment Chapters in FTAs

Thank you for your attention!

Questions and Comments to

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Further reading

THE PROTECTION OF INTELLECTUAL PROPERTY IN INTERNATIONAL LAW

(OUP, 2016)