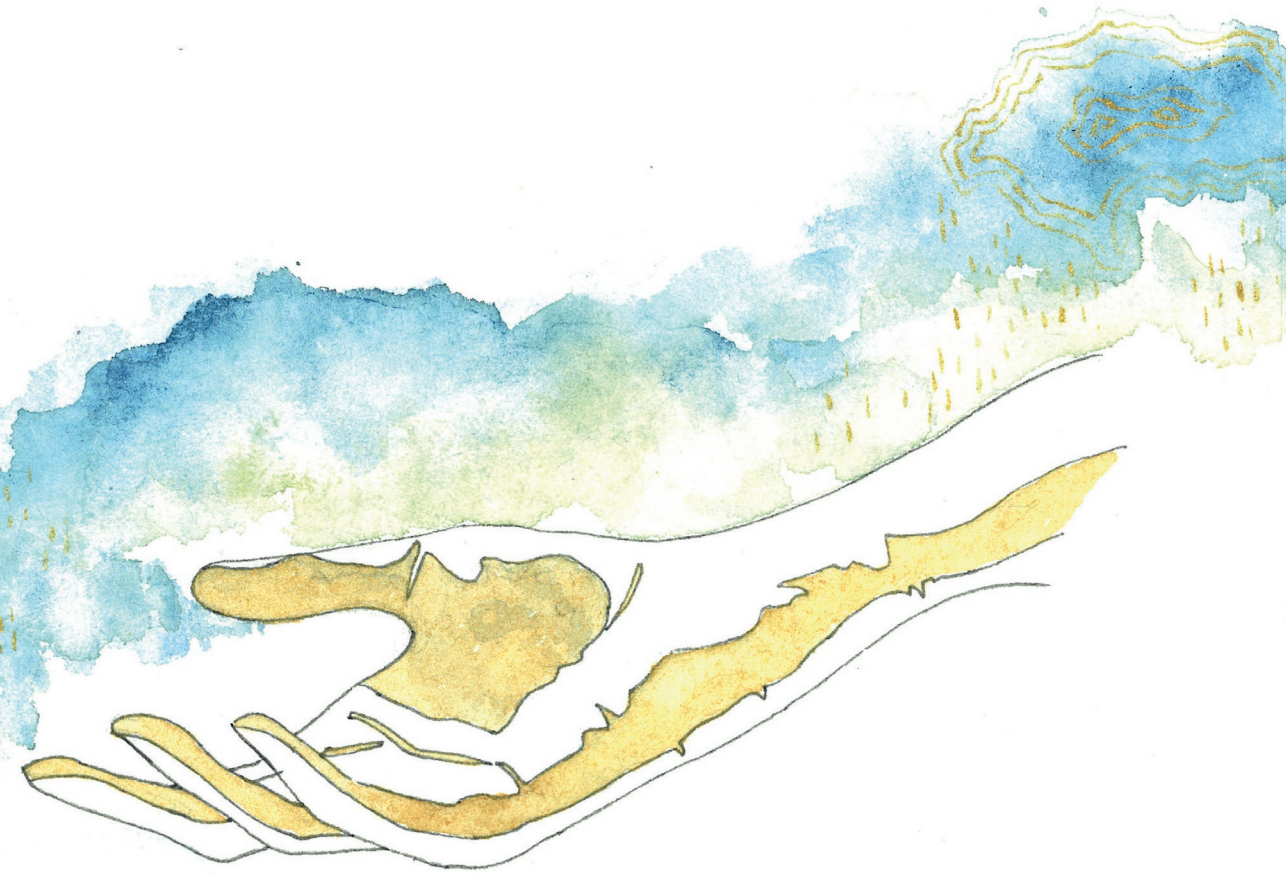
Change of paradigm

Change of Paradigm:

Intellectual Property in EU Investment Agreements



Clara Ducimetière

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The opinions expressed in this thesis are those of the author only and should not be considered as representative of the European Commission's official position.

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Summary

In this thesis, the author analyses the contentious protection of intellectual property in EU investment agreements. It attempts to shed light on some of the legal and practical challenges raised by the protection of intellectual property as an investment, and in particular by the access to investor-state dispute settlement.

The research uses three recent EU investment agreements as case studies (the CETA, the EU-Singapore and the EU-Vietnam agreements) to illustrate whether and how intellectual property can be protected as an investment and which standards of protection can apply, to finally develop some avenues for improvements for future investment agreements. The thesis also reviews the most iconic investor-state dispute settlement cases involving intellectual property, to understand the practical consequences of including intellectual property in investment agreements, notably on the right to regulate.

A mixed methodology was applied in order to assess whether a balanced investment protection system, including its dispute settlement system, can be conceptualised in EU investment agreements for the protection of intellectual property. The first part of the thesis uses legal theory, philosophy of law, doctrinal research and historical analysis to carry out a theoretical analysis of the protection of IP in EU investment agreements. The second part, in turn, focuses on adjudication, and relies on empirical analysis, doctrinal research, legal analysis of case-law and policy analysis.

This thesis is divided into two main parts, and four different chapters. The first part focuses on the general legal framework for intellectual property and investment protection in the EU.

Chapter 1 looks into the essential functions of intellectual property including the investment function. It clarifies the competency of the EU in the field of foreign direct investment, and reviews some of the compatibility issues between substantive investment protection standards and EU law.

Chapter 2 assesses whether and how investment protection standards can be used to protect intellectual property. It proposes certain avenues to ensure that EU investment agreements include the necessary safeguards to protect the essential functions of intellectual property rights, as well as the right of States to regulate in the public interest.

The second part looks into adjudication and the enforcement of intellectual property rights in investment arbitration.

The first chapter reviews the origin and characteristics of investor-state dispute settlement. It assesses the specific issues it raises in the EU legal order. The chapter then uses the four most iconic intellectual property investment disputes to illustrate the opportunities and challenges raised by the protection of intellectual property in investment agreements.

The second and last chapter of this thesis discusses the ethical concerns raised by investor-state dispute settlement and the possible avenues to improve this dispute settlement mechanism, in particular in EU investment agreements. It therefore looks into the proposals for an investment court system and the multilateral investment court as possible solutions to address the procedural challenges identified in the previous chapters.

List of abbreviations

ADR	Alternative Dispute Resolution
AG	Advocate General
ANDA	Abbreviated New Drug Application
BIRPI	Bureaux Internationaux Réunis pour la Protection de la Propriété Intellectuelle (*United International Bureau for the Protection of Intellectual Property*)
BIT	Bilateral Investment Treaty
CETA	Comprehensive Economic and Trade Agreement
CJEU	Court of Justice of the European Union
DG	Directorate General
DSB	Dispute Settlement Body
DSU	Dispute Settlement Understanding
EC	European Community
ECJ	European Court of Justice
ECHR	European Convention on Human Rights
ECT	European Charter Treaty
ECtHR	European Court of Human Rights
EU	European Union
FCN	Friendship, Commerce and Navigation
FCTC	WHO Framework Convention on Tobacco Control
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
ICC	International Chamber of Commerce
ICJ	International Court of Justice
ICS	Investment Court System
ICSID	International Centre for Settlement of Investment Disputes
IP	Intellectual Property
IPA	Investment Protection Agreement
IPR	Intellectual Property Right
LDCs	Least-Developed Countries
MAI	Multilateral Agreement on Investment
MERCOSUR	Mercado Común del Sur (*Southern Common Market)*

MFN	Most-Favoured-Nation
MoU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
NT	National Treatment
PCA	Permanent Court of Arbitration
PM	Philip Morris
SCC	Stockholm Chamber of Commerce
SCJ	Supreme Court of Justice
SPR	Single Presentation Requirement
TCA	Tribunal de lo Contencioso Administrativo (*administrative court*)
TFEU	Treaty on the Functioning of the European Union
TPA	Trade Promotion Agreement between the United States and Panama
TPP	Trans-Pacific Partnership Agreement
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
US	United States
USA	United States of America
VCLT	Vienna Convention on the Law of Treaties
WIPO	World Intellectual Property Office
WTO	World Treaty Organisation

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Introduction

When two stars collide, two very different phenomena may be observed.1 If the two stars merge slowly, they can create a new, much brighter star, called a blue straggler. On the contrary, if the collision between the two stars happens at very high speed, the chances are that there will be nothing but hydrogen gas left from the collision. This stellar phenomenon could be seen as a metaphor for any interaction between two objects that have developed apart and whose paths eventually cross. This often happens in the legal field, which is far from being static, and where different bodies of law interact in different manners and with different results.

Intellectual property ('IP') and foreign direct investment ('FDI') originally developed as two separate fields but have increasingly interacted in recent years. Intellectual property can be simply defined as creations of the mind, such as inventions, literary and artistic works, designs, symbols, names and images, which are protected in law by *inter alia* patents, copyright or trademarks.[2] Foreign direct investment, in turn, may be defined as "an investment involving a long-term relationship and reflecting a lasting interest and control by [a foreign investor] in an enterprise resident in an economy other than that of the foreign direct investor […]".[3] Both intellectual property and foreign direct investment are protected by specific bodies of rules, at the national, European and international level.

The construction of the intellectual property system has somewhat differed from one country to another, but the important role of the European Union ('EU') in shaping an "EU intellectual property system" must be acknowledged.[4] While IP rights were originally construed as national rights, granted pursuant to national laws, the continuous effort of the European Union to achieve some uniformity, and sometimes harmonization for some rights has led many scholars to acknowledge the existence of a European Union intellectual property system.[5]

However, this construction is not a synonym of a static system. Rather, the justification for the existence and grant of each intellectual property right ('IPR') has evolved over the years, and so have the functions of these rights. Different theories have been developed to justify the existence of intellectual property rights: from classical theories of justification, such as the natural law approach or the utilitarian approach, to a more holistic theory, namely the theory of the social function of IPRs.[6]

Each intellectual property right has a specific subject-matter, but also essential functions it ought to pursue. For years, the investment function of intellectual property rights was ignored,

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[1] Depending notably on the mass and speed of these stars.
[2] Definition of WIPO available at: https://www.wipo.int/about-ip/en/index.html, last accessed 9 March 2022.
[3] UNCTAD, *World Investment Report 2007 - Transnational Corporations, Extractive Industries and Development*), 245.
[4] For an overview of the work of the European Commission to harmonise and enhance laws relating to intellectual property rights in the EU, see: Intellectual property (europa.eu), last accessed 6 May 2022.
[5] Christophe Geiger, *Constructing European intellectual property: Achievements and new perspectives*, vol 1 (Edward Elgar Publishing 2013).
[6] Christophe Geiger, '"Constitutionalising" Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in the European Union' (2006) 37 International Review of Industrial Property and Copyright Law 371.

or often undermined, especially for certain categories of IPRs. Increasingly, the Court of Justice has acknowledged that "investment" is also a function of several IP rights,[7] hence creating a bridge between the two worlds.

From the perspective of the internal market, the role of intellectual property is manifold, but the importance of IP for growth, entrepreneurship and economic development in general has been acknowledged by the doctrine and policy-makers.[8] Historically, the EU lacked a specific legal basis for legislating in the field of intellectual property, and the regulation of intellectual property was thus carried out based on general provisions of the Treaty.[9] This observation might seem purely legalistic, but we will see that it plays an important role when understanding and assessing the angle from which the IP system is apprehended, namely the economic and investment angle.

Another dichotomy can be observed when it comes to the development of the intellectual property system. We have mentioned the internal construction of IP, namely that of Member States first, and later the European Union, including through the interpretations of the Court of Justice. However, an important role must also be attributed to the external construction of the intellectual property system, or in other words, the international construction of IP.

This dichotomy is also visible in the international scene itself. Intellectual property norms have been developed both at the bilateral and multilateral level. The most notable achievement was certainly reached under the auspices of the World Trade Organisation ('WTO'). The Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS Agreement'), which came into force on 1 January 1995, stands today as the most important reference of intellectual property norms at the international level. The fact that the TRIPS agreement was negotiated under the auspices of the WTO necessarily gave the agreement its trade and economic dimension.

With the TRIPS agreement, intellectual property became a key element of international trade. This does not mean, however, that intellectual property could no longer constitute a barrier to trade.[10] On the contrary, the TRIPS Agreement foresees exceptions and limitations and attempts to balance the interests of rights holders with other public interests, as exemplified by Articles 7 and 8 of the Agreement.[11] The inclusion of intellectual property into the sphere of

[7] See below the section "Functions of intellectual property: the specificities of the EU vision" for a review of the evolution of the case-law of the Court of Justice on the functions of intellectual property rights.
[8] Allen N Dixon, 'Intellectual Property: Powerhouse for Innovation and Economic Growth' (2011) IIPTC—Intellectual Property and technology consulting, International Chamber of Commerce, The World Business Organisation, London .
[9] Three articles, in particular, have served as a starting point to legislate in the field of IP: Article 115, Article 114, and Article 352 of the Treaty on the Functioning of the European Union (TFEU).
[10] Anselm Kamperman Sanders, 'TRIPS in the Context of International Law' (2022) 12 IEEM Series on International Intellectual Property Law , 2.
[11] Article 7 reads: "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,

international trade is part of a general change of paradigm. Intellectual property must be seen as a complex adaptive system[12], which forms part of general international law and hence interacts with other bodies of public and private international law. As Kamperman Sanders writes, "intellectual property does not exist in a legal vacuum".[13]

At the same time, and almost in parallel, a different construction has taken place. In what seems to be a totally different paradigm, the European Union has progressively developed its foreign direct investment policy, and this construction has also been hampered by several legal and political hurdles. First, the competency of the EU with regards to foreign direct investment has long been inexistent. The negotiation and conclusion of bilateral investment agreements, to protect the interests of national investors abroad, was long a matter of internal/national policy. In recent years however, the European Union has negotiated free trade agreements with third countries, on behalf of its Member States. A turning point was marked with the entry into force of the Lisbon Treaty in 2009, which gave the European Union the exclusive competence in the field of foreign direct investment. However, the scope of the competency of the EU to negotiate international investment agreements still remained a contentious debate, which eventually required the interpretation of the Court of Justice.[14]

Following the logic of the dichotomy already observed for intellectual property, the protection of FDI on the international scene has occurred both at bilateral and multilateral level. We have mentioned previously that, originally, Member States were negotiating treaties directly with third countries in order to protect the interest of their national investors abroad.[15] These treaties are often referred to as bilateral investment treaties ('BITs'). These BITs have not only been concluded with countries from other continents, but these were also often negotiated with European countries that had not yet joined the European Union.[16] After the accession of these European countries to the European Union, however, bilateral investment treaties remained in force for several years, creating tensions with regards to the integrity of the EU legal order.[17] Both intra- and extra-EU BITs posed problems of compatibility with EU law, and in particular their dispute settlement chapter.[18] The Court of Justice has played a key role in shaping the

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and to a balance of rights and obligations."; Article 8 reads, in relevant parts: "Members may […] 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 […]".

[12] Anselm Kamperman Sanders and Anke Moerland, *Intellectual Property as a Complex Adaptive System: The role of IP in the Innovation Society* (Edward Elgar Publishing 2021).

[13] Kamperman Sanders, 'TRIPS in the Context of International Law', 2.

[14] See, in particular, the landmark *Opinion 2/15 of the Court (Full Court) of 16 May 2017, EU-Singapore Free Trade Agreement* ECLI:EU:C:2017:376.

[15] Flavia Marisi and Julien Chaisse, 'The History of Investment Tribunals and the Protection of IPRs under Investment Treaties' in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and International Dispute Resolution* (Kluwer Law International BV 2019).

[16] Marc Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany' (2016) CIGI ISA Paper No 12 .

[17] Daniel Segoin, 'Les accords de protection des investissements conclus entre États membres saisis par le droit de l'Union Achmea, C-284/16' (2019) 1 Revue du droit de l'Union européenne 225.

[18] See below the section "The compatibility of intra- and extra-EU BITs with EU law".

future of EU investment policy in this regard, through its case-law, and notably decision C-284/16.[19]

While both intellectual property and FDI developed as two separate fields, following their own purpose and protection mechanisms, they have also in recent years increasingly interacted. To understand when and how this occurred, it is necessary to start from the definition of an investment under international investment agreements. The term "investments" is often defined as "every kind of asset which is directly or indirectly invested by investors of one Contracting State in the territory of the other Contracting State".[20] This general definition is usually accompanied by a list of covered investments. Among the covered investment, intellectual property almost always features. This inclusion of intellectual property under the definition of investment can be found already in the 1960's BITs, but it is only very recently that we have become aware of the practical implications of this inclusion.

From an investor's perspective, it may seem coherent to include intellectual property under the covered investments, as intellectual property can often be seen as a means to protect important investments, for instance with patents protecting inventions, and hence ensuring a certain return on the investment incurred during the research and development phase, or trademarks protecting an investor's brand under which its products or services are commercialized, which also entails important investments. From a State's perspective, it may seem appropriate to list intellectual property under the covered investments, for the same reasons outlined above. A State may consider that intellectual property forms part of an overall business environment, which needs to be afforded a certain level of protection against unlawful actions that may be taken by the capital-importing States.[21]

At first sight, one may therefore ask why this inclusion is contentious at all. To understand the conceptual and policy issues that may arise from this inclusion of IP under the definition of investment in IIAs, one must look at a different chapter of these international investment agreements, namely the dispute settlement chapter.

Most IIAs foresee that, in case a dispute arises between an investor and the capital-importing State for breach of the investment agreement, such dispute may be submitted to an investment tribunal, which is often constituted on an ad hoc basis, to solve the dispute. The tribunal is generally formed of three arbitrators. Each party designates one arbitrator, and the two designated arbitrators then appoint the president of the tribunal. Arbitrators are often chosen on the basis of their expertise in international investment law. As they are constituted on the basis of an investment agreement, their task is to solve the dispute in light of the specific provisions of the specific investment agreement under which the dispute has arisen.

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[19] CJEU, *PRESS RELEASE No 26/18 Judgment in Case C-284/16 Slowakische Republik v Achmea BV* (2018).
[20] German Model Treaty concerning the Encouragement and Reciprocal Protection of Investments, 2008.
[21] A capital-importing State is a State where an investment was made.

From this starting point, the idea that intellectual property disputes could also be adjudicated by investor-state tribunals slowly arose.[22] Whether and how such possibility could materialize has long been theoretical, but in recent years, several disputes were brought by investors against States which touched upon core questions related to the protection and enforcement of intellectual property rights.[23]

State of the art

A real paradigm shift occurred from the moment that the interaction between the intellectual property and the investment fields was not only foreseen by investment treaties but was adjudicated by investment tribunals. The interaction between the two fields of law raises questions of interpretation and conflicts of norms, to which investment tribunals were also confronted in the IP-investment cases which we will look into later. The question of conflict of norms is not specific to this field, however. On the contrary, a wide body of literature exists regarding conflicts of norms in the international legal framework.

A discussion on the interaction between international regimes already started in the early 2000'. The important work carried out by the International Law Commission of the United Nations between 2002 and 2006 is worth mentioning here. A Study Group was established in 2002 by the International Law Commission to reflect on the topic "Fragmentation of international law: difficulties arising from the diversification and expansion of international law".[24] Several sub-topics were identified, such as the function and scope of *lex specialis* and self-contained regimes, article 31(3)(c) of the Vienna Convention on the Law of Treaties, the application of successive treaties relating to the same subject matter or the hierarchy in international law. The conclusions were published in the 2006 Yearbook of the International Law Commission, in the form of 42 operational conclusions relating to the topics mentioned above.[25]

A wide number of scholars have also discussed ways forward to respond to the growing diversification and expansion of international law. The work of Koskenniemi[26] in this field can be mentioned[27], alongside the work of Pauwelyn, Trachtman and Steger[28] or Teubner and

[22] See below the section "Birth of investor-state dispute settlement and acceptance in the EU".
[23] See below the section "Adjudication of intellectual property cases in investor-state tribunals and lessons learned for the EU".
[24] Summaries of the work of the ILC : Fragmentation of international law: difficulties arising from the diversification and expansion of international law — Summaries of the Work of the International Law Commission — International Law Commission (un.org) ; analytical guide to the work of the ILC: Fragmentation of international law: difficulties arising from the diversification and expansion of international law — Analytical Guide to the Work of the International Law Commission — International Law Commission (un.org).
[25] International Law Commission, *Conclusions of the work of the Study Group on the Fragmentation of International Law: Difficulties arising from the Diversification and Expansion of International Law* (Yearbook of the International Law Commission, 2006).
[26] Martti Koskenniemi was as also the chairperson of the Study Group on fragmentation of international law
[27] See, *inter alia*, Martti Koskenniemi and Päivi Leino, 'Fragmentation of international law? Postmodern anxieties' (2002) 15 Leiden Journal of International Law 553.
[28] See, *inter alia*, Joost Pauwelyn, Joel P Trachtman and Debra P Steger, *The Jurisdiction of the WTO is Limited to Trade* (JSTOR 2004).

Fischer-Lescano[29], among others. These scholars, to cite only a few, have looked in-depth into the issues of interpretation and application of other bodies of law by certain dispute resolution bodies such as the ability of WTO panels to interpret and/or apply general international law, human rights or environmental law instruments.[30] They tried to explain the root causes of legal norm collision, in particular their link with conflicting policy making and the fragmentation of global society in general, using copyright and patent protection as use cases.[31] Some have warned against the risks of fragmentation of international law, in particular with regards to forum-shopping, overlapping jurisdiction and possible inconsistencies between decisions of different jurisdictional bodies, stressing the resulting "postmodern anxiety" faced by adjudicators and in particular the judges of the International Court of Justice ('ICJ').[32]

These discussions give a general framework for the assessment of more specific collisions between two areas of international law. The interplay between intellectual property and other bodies of law, such as trade law and in particular WTO law[33], or human rights law and notably the right to health[34] has been greatly analysed by IP scholars.[35] Similarly, the interplay between investment law and trade law[36], human rights law[37] and environmental law[38] has also been the

[29] See, *inter alia,* Gunther Teubner and Andreas Fischer-Lescano, 'Regime-collisions: the vain search for legal unity in the fragmentation of global law' (2004) 25 Michigan Journal of International Law 999.
[30] See, *inter alia*, Pauwelyn, Trachtman and Steger, *The Jurisdiction of the WTO is Limited to Trade*.
[31] See, *inter alia,* Teubner and Fischer-Lescano, 'Regime-collisions: the vain search for legal unity in the fragmentation of global law'.
[32] Martti Koskenniemi was as also the chairperson of the Study Group on fragmentation of international law.
[33] See, *inter alia*, Anke Moerland, *Why Jamaica wants to protect Champagne: intellectual property protection in EU bilateral trade agreements* (Wolf Legal Publisher 2013); Carlos M Correa (ed), *Research Handbook on the Interpretation and Enforcement of Intellectual Property under WTO Rules - Intellectual Property in the WTO Volume II* (Research Handbooks on the WTO series, Edward Elgar 2010).
[34] See, *inter alia*, Peter Drahos, 'Intellectual property and human rights' (1999) Intellectual Property Quarterly 349; F Willem Grosheide, *Intellectual property and human rights: a paradox* (Edward Elgar Publishing 2010); Germán Velásquez, Carlos Correa and Xavier Seuba Hernández, *Intellectual property rights, research and development, human rights and access to medicines: an annotated and selected bibliography* (South Centre Geneva 2012).
[35] See also on the interface between intellectual property and human rights, development and trade: Thomas Cottier-Holzer, 'Embedding Intellectual Property in International Law' in Pedro Roffe and Xavier Seuba (eds), *Current Alliances in International Intellectual Property Law-Making: The Emergence and Impact of Mega-Regionals* vol 4 (Global Perspectives and Challenges for the Intellectual Property System, ICTSD/CEIPI 2017).
[36] See, *inter alia*, Andreas R. Ziegler, 'Investment Law in Conflict with WTO Law?' in Marc Bungenberg and others (eds), *International Investment Law* (1 edn, Nomos Verlagsgesellschaft mbH & Co. KG 2015); Sarah Joseph, 'Trade law and investment law', *The Oxford Handbook of International Human Rights Law* (2013).
[37] See, *inter alia*, Pierre-Marie Dupuy, Francesco Francioni and Ernst-Ulrich Petersmann, *Human rights in international investment law and arbitration* (Oxford University Press 2009); José E Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement' in Franco Ferrari (ed), *The Impact of EU Law on International Commercial Arbitration* (Juris. Available at SSRN: https://ssrn.com/abstract=2875089 2017).
[38] See, *inter alia*, Saverio Di Benedetto, *International investment law and the environment* (Edward Elgar Publishing 2013); Kate Miles, *Research Handbook on Environment and Investment Law* (Edward Elgar Publishing 2019).

subject of in-depth studies, in addition to research on the broader interplay between investment law and public international law.[39]

The analysis of the specific interplay between intellectual property and investment law is more recent and should be placed in the context of the broader discussions on the fragmentation and diversification of the international legal order. While this interaction raises specific issues due to the unique nature of the rights and obligations protected under each body of rules, the discussions that we have briefly mentioned above on the coherence and interplay between different bodies of international law are relevant in this context to address some of the conceptual challenges arising from the collision between IP and investment law.

As early as in 2011, Klopschinski published the first comprehensive work on the protection of intellectual property in investment agreements.[40] In his thesis, Klopschinski first set the scene with an analysis of the fragmentation of international law, to then explain the functioning of investor-State arbitration, define the concepts of investor and investment, review relative and absolute standards of investment protection with a particular focus on expropriation, and explain how these could in theory apply to intellectual property as protected notably under the TRIPS Agreement. While this work is certainly a reference in this field, it was published in German language which can limit the audience and outreach. The research was also carried out at a time where no major investment dispute involving IP rights had been made public yet[41], hence keeping the discussions at a conceptual and theoretical level.

Four years later, Vanhonnaeker published a book entitled "Intellectual Property Rights as Foreign Direct Investments. From Collision to Collaboration".[42] In this work, the author assessed whether intellectual property rights can qualify as investments under IIAs and the ICSID Convention. He applied investment protection standards to intellectual property and in particular indirect expropriation, national treatment, most-favored-nation and the fair and equitable treatment standards. He looked specifically into performance requirements, technology transfer and IPR piracy and what protection can be offered by international investment law in this regard, to conclude on the potential TRIPS+ implications of investment agreements and the impact on the protection of public health. While the author could rely on certain preliminary documents of the iconic IP-investment cases, such as the requests for arbitration and some of the submissions of the parties, the final awards in these cases had not

[39] See, *inter alia*, Stephan W Schill, *International investment law and comparative public law* (Oxford University Press 2010); William Burke-White and Andreas von Staden, 'The Need for Public Law Standards of Review in Investor-State Arbitrations' in Stephan W. Schill (ed), *International Investment Law and Comparative Public Law* (Oxford University Press 2010).

[40] Simon Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge* (Carl Heymanns Verlag 2011).

[41] The final awards in the Philip Morris v. Australia, Philip Morris v. Uruguay, Eli Lilly v. Canada and Bridgestone v. Panama were delivered in December 2015, July 2016, March 2017 and August 2020 respectively.

[42] Lukas Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration* (Edward Elgar Publishing 2015).

yet been issued, which anchors the discussion on the application of investment protection standards to IP still to some extent in a theoretical framework.

Stepanov offered an in-depth analysis of the Eli Lilly v Canada case, looking into the arguments of the parties and the evolution of Canadian patent law.[43] His research focused on legitimate expectations claims, and used the NAFTA as case-study to analyse the language of investment treaties.

Looking at the issue from the adjudication perspective, Heath and Kamperman Sanders' edited book offers an analysis of ISDS as an adjudication system, its genesis and the challenges it creates, in particular when intellectual property is being adjudicated by investment tribunals.[44] The WTO dispute settlement system is reviewed, as well as the role of domestic courts in adjudicating investment disputes. This contribution looks in particular into the main drawbacks of ISDS, in light of the high profile IP-investment cases, and reviews ISDS reform proposals.

The research handbook on intellectual property and investment law[45] compiles the state of the art in this field. The authors of the various contributions notably recall when and how an intellectual property right can qualify as an investment and how some of the investment protection standards can apply. Some of the iconic IP-investment disputes are referenced, and ISDS is compared to other dispute settlement mechanisms such as the WTO dispute settlement mechanism. The authors also open some avenues of reflection on the implications of the interaction between intellectual property and investment law for human rights and for EU policies.

In addition to these books, a number of journal articles have looked at specific aspects of the interface between intellectual property and investment law. While it is not possible to mention them all here[46], it is nevertheless useful to cite, as part of the state of the art, some comprehensive articles which have served as the starting point for this thesis.

Already in 2004, Correa questioned whether and how bilateral and regional investment instruments increase the scope and availability of IPR protection as defined in existing IPR instruments. Correa focused in particular on TRIPS flexibilities and the impact of the interaction on those flexibilities, and the significance for developing countries.[47] He also studied

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[43] Ivan Stepanov, *Eli Lilly and Beyond - The Role of International Intellectual Property Treaties in Establishing Legitimate Expectations in Investor-State Dispute Settlement* (Nomos 2018).
[44] Christopher Heath and Anselm Kamperman Sanders, *Intellectual property and international dispute resolution* (Kluwer Law International BV 2019).
[45] Christophe Geiger, *Research handbook on intellectual property and investment law* (Edward Elgar Publishing 2020).
[46] For a detailed list of references we refer the reader to the bibliography.
[47] Carlos Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?' (2004) 1 Transnational Dispute Management.

specifically the impact of the interaction on the possibility for States to issue compulsory licenses.[48]

The impact of the protection of IP under investment agreements on public health was analysed by Vadi in 2009. She focused specifically on trademark protection and explains how investment protection can jeopardize the essential function of trademarks which usually are associated with a positive effect on consumer protection.[49] She showed already in 2009 when the first investor-State arbitration cases were flourishing that the availability of this dispute settlement system to litigate IP cases can have a detrimental impact on the protection of public health.[50]

Liberti reviewed international investment agreements and in particular regional trade agreements with investment chapters to determine whether and to which extent these agreements increase the protection of intellectual property beyond TRIPS minimum standards.[51]

Mercurio assessed whether intellectual property rights can be considered as protected investment and how some investment protection standards can apply to IP in light of IP-investment arbitration cases, in particular the claims against Uruguay and Australia. He specifically explored the challenges posed by this "sleeping giant" (the protection of IP under investment agreements) for regulatory sovereignty, i.e. the ability of states to regulate in the public interest without facing investment arbitration procedures.[52]

Starting from the necessary analysis of the protection of IP in investment agreements, Voon, Mitchell and Munro looked specifically into the role of municipal law in determining the scope of intellectual property rights protected by IIAs, and looked into the impact of umbrella clauses in importing intellectual property standards from other treaties into investment arbitration.[53]

Okediji compared intellectual property standards as protected under the TRIPS Agreement and under IIAs, notably the NAFTA, to highlight some of the main shortcomings and differences in scope. Rather than advocating for the removal of IP from investment treaty, she offers four avenues of reflection to improve (and narrow down) the use of ISDS for IP disputes.[54]

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[48] Carlos Correa, 'Investment Protection in Bilateral and Free Trade Agreements: Implications for the Granting of Compulsory Licenses' (2004) 26 Michigan Journal of International Law 331.
[49] Valentina Vadi, 'Trade Mark Protection, Public Health and International Investment Law: Strains and Paradoxes' (2009) 20 European Journal of International Law 773.
[50] Valentina Vadi, 'Mapping Uncharted Waters: Intellectual Property Disputes With Public Health Elements in Investor-State Arbitration' (2009) 6 Transnational Dispute Management .
[51] Lahra Liberti, 'Intellectual Property Rights in International Investment Agreements: An Overview' (2010) 01 OECD Working Papers on International Investment 39.
[52] Bryan Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements' (2012) 15 Journal of International Economic Law.
[53] Tania SL Voon, Andrew D Mitchell and James Munro, 'Intellectual property rights in international investment agreements: Striving for coherence in national and international law' (2012).
[54] Ruth L. Okediji, 'Is Intellectual Property "Investment"? Eli Lilly v. Canada and the International Intellectual Property System' (2014) 35 University of Pennsylvania Journal of International Law 1121.

Yu focuses on the adjudication angle and explores the strengths and weaknesses of ISDS, while looking specifically into the mechanism foreseen in the Trans-Pacific-Partnership Agreement. He proposes several institutional and conceptual measures to improve the ISDS system.[55]

Grosse Ruse-Khan looks into the possibilities offered by investment treaties protecting IP to challenge State measures' compliance with international IP treaties, and notably the TRIPS Agreement. The contribution of Grosse Ruse-Khan is different from other contributions in this field in that he argues that these challenges to IP-related measures in ISDS are unlikely to be successful. He formulates, however, some suggestions for improving the language of investment treaties to avoid the use of investment protection standard to challenge legitimate IP-related measures such as the issuance of compulsory licenses.[56]

Gervais explores ways to include public policy objectives and in particular the protection of human rights in the determination of IP-related investment cases. He uses the Eli Lilly v Canada to illustrate how certain mechanisms can and should be put in place to safeguard the public interest in investment arbitration. [57]

The existing literature has set the theoretical scene by identifying the ways intellectual property is protected under certain investment agreements, in particular old-generation agreements, and how "classical" investment protection standards can apply to intellectual property measures. Some authors have pointed at the flaws of the classical investor-state dispute settlement system to stress the risks for intellectual property, as protected under international IP agreements, notably the TRIPS Agreement. Some recent contributions also look into some parts of arbitration proceedings involving IP, often without, however, looking comprehensively into the history of the case, the specific language of the investment treaty at stake, and the arguments of the parties during the pre-award phases.

Contribution to the state of the art and scope of the research

Building on the existing research on the general interplay between intellectual property and international investment law, this research is innovative in several aspects. It looks specifically at the interplay between the two bodies of law from the EU perspective. The research therefore assesses the specific challenges arising from the interplay in and for the EU, starting from the assumption that the construction of intellectual property and investment policy in the EU is a unique construction.

The scope of the research compared to existing research is therefore more targeted. The thesis also differs from prior art in the type of investment agreement that is scrutinized. The state of

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[55] Peter Yu, 'The Investment-Related Aspects of Intellectual Property Rights' (2016) Research Paper No. 16–35 Texas A&M University School of Law.
[56] Henning Grosse Ruse-Khan, 'Challenging Compliance with International Intellectual Property Norms in Investor–state Dispute Settlement' (2016) 19 Journal of International Economic Law 241.
[57] Daniel Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada' (2018) 8 UC Irvine Law Review 459.

the art often refers to non-EU agreements such as the NAFTA, or "old-generation" agreements, to scrutinize investment protection standards and assess the implications for IP. This research, in turn, uses three "modern" agreements negotiated by the EU, namely the CETA, the EU-Vietnam and the EU-Singapore Agreements, which are used as a red thread throughout this research as case studies. Reviewing these agreements allowed us to look into the specific language of certain key investment protection standards and the specific treatment of IP, comparing these to standards contained in older generation agreements.

Focusing on selected EU agreements and looking into the issue through the lens of EU law adds a new perspective to the debate in light of the peculiar construction of intellectual property in the EU, and the competencies issues that the EU has faced for investment policies. This focus also allowed us to go in-depth into the EU proposal for an Investment Court System and the related discussions regarding a Multilateral Court System, which the research explores as possible improvements to the classical investor-state dispute settlement system.

In addition, this thesis was an opportunity to go in-depth into some of the iconic investor-state disputes with an important intellectual property component. These are the Philip Morris v Australia[58], Philip Morris v Uruguay[59], Eli Lilly v Canada[60] and Bridgestone v Panama[61] cases. Indeed, a comprehensive analysis of these cases and their implications for the intellectual property regime mandates not only a (partial) review of the final award, but it requires more broadly to look into the arguments of the parties throughout the submissions at the different stages (notice of arbitration, claimant's and respondent's memorials, submissions of third parties…). It also requires to look specifically at the language of the investment treaty at stake, in particular if general conclusions are being formulated. This is what this research does, contributing to the wider debate on the legitimacy, opportunities and challenges of ISDS for the protection of IP and wider public policy interests.

The research touches upon the question of the safeguard of the public interest, and in particular of public health. We will see that the intellectual property and investment systems have very different approaches when it comes to the protection of such public interest, in particular within the EU legal framework which is the focus of this research. Indeed, their interaction can be seen as an additional barrier that States face when regulating in the public interest. The right of States to regulate in the public interest, and how it may be undermined by the possibility given to investors to challenge IP-related measures with investment arbitration, is therefore assessed both from the perspective of treaty language and arbitration. However, this dissertation does not discuss the COVID-19 crisis and related measures to ensure access to health; this remains

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[58] *Philip Morris Asia Limited (Hong Kong) v. The Commonwealth of Australia,* PCA Case No 2012-12, Award on Jurisdiction and Admissibility (17 December 2015).
[59] *Philip Morris Brand Sàrl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay* ICSID Case No ARB/10/7, Award (8 July 2016).
[60] *Eli Lilly and Company v. Canada* ICSID Case No UNCT/14/2, Final Award (16 March 2017).
[61] *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama* ICSID Case No ARB/16/34, Award (14 August 2020).

outside of the scope of this research and was therefore not assessed as a use case for the discussion on the impact of investment protection for IP on the right to regulate in the public interest.

Methodology and sources

In order to carry-out this research, several methodologies were applied, using different types of sources.

Part A reflects the theoretical framework around IP and investment protection in the EU. In this regard, methodologies based on legal theory, philosophy of law, doctrinal research and historical analysis were applied. The research also relies on liberal economic theories and policy analysis, and applies comparative law, in particular when looking into EU agreements and assessing investment protection standards, compared with the protection foreseen in other non-EU investment agreements.

Part B, in turn, applies the theoretical framework and findings identified in Part A to the adjudication framework applying to IP under international investment agreements, and in particular the EU agreements at stake. In doing so, it relies on empirical analysis, including keyword searches in arbitral awards and treaties, but also more generally on doctrinal research and legal analysis of case-law. It also contains a policy analysis, in particular in the last chapter of the thesis.

For this research, both primary and secondary sources were used. Primary sources include statutes (e.g. investment agreements, EU instruments such as EU treaties, EU Regulation or EU Directives), government documents (e.g. Commission Staff Working Documents, Communications, Non-papers, UN documents), cases (e.g. decisions of the Court of Justice, arbitral awards), and databases (Jus Mundi and UNCTAD Investment Policy Hub). In terms of secondary sources, this research used books (monographs), journal and online articles as well as reports.

While the broader international legal order and the rules on treaty interpretation serve as the framework to study the relationship between intellectual property and investment law as protected under EU agreements, a thorough analysis of conflict of norms and treaty interpretation rules is outside of the scope of this research.

There is also limits to the empirical analysis carried out on investment arbitration cases with IP components due to an intrinsic feature of investment arbitration, namely confidentiality. Hence, the research was only carried out based on publicly available information and published awards. The author also decided to limit the more in-depth analysis of investment arbitration cases to four iconic cases to illustrate the analyse and arguments made throughout the research. A number of other important cases are therefore deliberately not analysed in great detail, and only listed for reference.

The scope of the research is also limited to three EU investment agreements, i.e. the CETA, the EU-Singapore and the EU-Vietnam agreements. The conclusions based on the legal assessment of these texts must therefore be read in light of the specific language of these texts, and cannot always necessarily be applied to other investment agreements using a different language. Where relevant, the specificities of the language used in those EU agreements is specifically highlighted. References are made for example to the Energy Charter Treaty to compare the language of new generation agreements with older generation agreements such as this one. The Energy Charter Treaty is not, however, part of the agreements used as case studies.

Finally, the research is limited in time, and only takes into account publicly available information up to April 2022. This is relevant in particular for the versions of the EU agreements published on official government websites at the time of writing.

Main research question

At its inception stages, this research focused on answering the vast question of whether and how investment law and its dispute settlement mechanism can be used to protect IP, and whether such protection indeed constitutes a threat to the safeguard of the public interest. This research question proved to be too broad, and to some extent already answered by the doctrine. It was hence necessary to formulate a more targeted research question, in light of the evolution of the state of the art and the specificities of the research which focuses on the approach adopted by the European Union. Hence, the overarching research question that has guided this research has been reformulated as follows: can a balanced investment protection system, including its dispute settlement system, be conceptualized in EU investment agreements for the protection of intellectual property assets?

In order to answer this general research question, several specific research questions were formulated in order to carry-out this comprehensive analysis, and specific questions have guided each chapter, as explained below.

Research outline and specific research questions

In order to answer these fundamental questions, two specific angles will be explored.

The first part focuses on the general legal framework for intellectual property and investment protection in the EU. We will look at the substantive protection of both intellectual property and foreign direct investment in the EU. Chapter 1 assesses how the existence of intellectual property is justified and what its specific functions are, and observe the slow shift that has occurred in this regard towards the acknowledgement of an investment function of IP. In parallel, the competency of the EU in the field of foreign direct investment, as well as the issues of compatibility of substantive FDI rules with EU law will be reviewed.

Chapter 1, we will therefore answer some fundamental questions such as what are the essential functions of intellectual property rights? How have these evolved in the EU and is the protection of investments an essential function of intellectual property rights? And can EU and non-EU

investors rely on investment treaties in the EU to arbitrate disputes involving intellectual property rights?

Once the scene is set, we will be able to observe the change in paradigm that has occurred with the inclusion of intellectual property in international investment agreements. Chapter 2 will attempt to answer the questions of whether investment protection standards such as national treatment, most-favoured-nation, fair and equitable treatment and others can be used to protect IP-related investments in the EU? And which safeguards can be put in place in EU investment agreements to ensure that the essence and social function of intellectual property rights can be safeguarded, as well as the right of States to regulate?

We will see that the mere mention of intellectual property under the definition of covered investment may not always be sufficient to award investment protection. To fully understand how the investment protection system works, and to overcome certain misconceptions that may be nourished by oversimplifications, we will carefully review and explain investment protection standards to finally shed light on the possible interlink between intellectual property and investment protection. Concretely, and throughout this thesis, we will use three recent EU trade agreements, namely the CETA, the EU-Singapore and the EU-Vietnam treaties, as case studies to understand how the EU has negotiated these key provisions with third countries, also in light of other existing investment agreements.

The second angle, which will be the focus of the second part of this work, is adjudication and the enforcement of IPRs in investment arbitration. In the first chapter, we will come back to the origins of investor-State dispute settlement, to understand the original rationale behind this dispute settlement mechanism. We will attempt to answer a number of questions such as what are the characteristics of investor-state dispute settlement and which specific issues does it raises in the EU legal order? What is the volume of investment arbitration cases in the EU and what is their impact on the balance of interest of the IP system? Can investors invoke investment treaty provisions in domestic courts and how do arbitral tribunals and courts (including the CJEU) interact in the EU?

In this chapter, we will therefore see that there has been a multiplication of adjudication fora for intellectual property disputes. With a focus on its specific judicial landscape, we will review the use of ISDS, including for IP disputes, in the European Union. We will see that investor-state tribunals interact both domestic courts and the Court of Justice, and we will attempt to shed light on the implications of these interactions.

The devil is in the detail. Following this idiom, and in order to overcome certain misconceptions, we will then carefully review and assess the four most iconic intellectual property investment disputes of the past decade, which have opposed multinational companies such as Philip Morris, Eli Lilly or Bridgestone to a variety of States, from Uruguay, to Australia, Canada and Panama. We will ask what the real impacts of these cases are on the IP system. How can the public interest and important fundamental rights such as the right to health be

safeguarded in IP-investment arbitration? And how can the right to regulate, as safeguarded in IP instruments, be safeguarded in EU investment agreements?

Finally, the last chapter closes the research on three main questions: what are the ethical concerns arising from investor-state dispute settlement and what is the relevance of it for IP? Is it possible to address these shortcomings and if so, how? And can the Investment court system and the multilateral investment court address the ethical issues raised by ISDS and what will be the impact for IP litigation? In this last chapter, we will therefore scrutinize the procedural aspects of investor-state dispute settlement to shed light on the ethical concerns that this dispute settlement system can raise in particular with regards to IP, to finally conclude on the different reform proposals that are currently on the table to address the identified issues.

Part A

Conceptualizing a balanced legislative framework for intellectual property "investments" in the EU

Chapter I

The EU's approach towards intellectual property and foreign direct investment in the innovation society: a fragmented construction

The protection of intellectual property by international investment law has created new challenges for the regulation of IP. While some stakeholders see the interaction between the two fields as problematic from a conceptual and regulatory point of view[62], others see new opportunities to protect IP-related products.[63] The EU has a particular approach to the protection of IP and foreign direct investment and this new interface questions the object and purpose of each body of law. Indeed, while they may overlap in some aspects, the objectives behind the protection of IP and foreign investment "are far from identical".[64] In this context, this chapter will attempt to give answers to some fundamental questions: what are the essential functions of intellectual property rights? How have these evolved in the EU and is the protection of investments an essential function of intellectual property rights? Can EU and non-EU investors rely on investment treaties in the EU to arbitrate disputes involving intellectual property rights?

Section 1 – The regulation of intellectual property in the European Union

The purpose of this section is not to come back to the history of the construction of the intellectual property system in the EU but rather to understand the reasons underpinning its existence. This is particularly relevant to understand the rationale behind the creation and enforcement of intellectual property rules in the EU context, and, in turn, the challenges posed by the growing interaction between IP and investment law.

Intellectual property rights are often described as a tool to foster innovation. They rely on a social contract between the inventor and society. Intellectual property rights must, therefore, fulfill a social function, reflected in the balance between the monopoly granted to a particular entity and the benefits the society will get from the grant of this monopoly.

At the same time, the existence of each intellectual property right is justified by a specific objective this right should pursue. Should an IP right not fulfill its function anymore, it should be revoked, or on a more conceptual level, the legal basis for granting such right should be amended. On the other hand, the functions of intellectual property rights have evolved over time, giving increasing importance to the investment function.

A. Justifying the existence of intellectual property rights: the increasing importance of the investment function

Intellectual property rights are facing a crisis of legitimacy including in the European Union.[65] Their existence is called into question and economists are increasingly questioning their usefulness with regards to innovation and creation. To understand this standpoint, it is important

[62] In particular among the doctrine.
[63] In particular investors and arbitrators.
[64] Susy Frankel, 'Interpreting the Overlap of International Investment and Intellectual Property Law' (2016) 19 Journal of International Economic Law 121, 121.
[65] This is exemplified in particular by the emergence of movements challenging the existence of intellectual property rights such as the open-source movement or the rise of pirate parties.

to recall the historical justification for intellectual property rights and the functions these rights ought to fulfill.

1. Theories of justification for intellectual property rights: the significance of the social function

Each intellectual property right is meant to fulfill a particular function, which is determined in light of the interests this right protects. This function is essential to justify the grant of a monopoly, in the form of an intellectual property right. However, IPRs are sometimes granted even where they fail to fulfill their essential function.[66] In addition, the number of intellectual property rights granted globally is on the rise[67], and the scope of these rights is likewise expanding as we will see. This is leading to a partial failure of the system where IPRs may no longer incentivize creative and innovative activities.

Policymakers are facing a difficult situation where some stakeholders, in particular economists, are pointing out that more IP in some sectors can harm innovation,[68] while other stakeholders, in particular in the industry, are fighting for more IP protection to continue to innovate.[69] However, the incentive to innovate is only one of the functions of the intellectual property system. The investment function is becoming increasingly important. We will briefly come back to the original justifications of IP rights to reflect on the recent evolution of their functions.

1.1. Classical theories of justification: the natural law and utilitarian approaches

The justifications for intellectual property rights find their root in the broader justification for the existence of property rights. Two general approaches have been adopted to justify intellectual property rights.[70]

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[66] Christophe Geiger, 'The Social Function of Intellectual Property Rights, Or how Ethics can Influence the Shape and Use of IP law' in Graeme B. Dinwoodie (ed), *Intellectual Property Law: Methods and Perspectives* (Edward Elgar 2013).
[67] WIPO, *World Intellectual Property Indicators 2021*, 2021).
[68] Already in the 1950s, Fritz Machlup was questioning the benefits of the patent system concluding that "If we did not have a patent system, it would be irresponsible, on the basis of our present knowledge of its economic consequences, to recommend instituting one" (Fritz Machlup, *An economic review of the patent system: study of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, United States, Senate; eighty-fifth congress, second session; pursuant to S. Res. 236* (US Government Printing Office 1958)); and also Robert Merges, concluding that, due to the absence of economic evidence, the existence of the IP system must be justified by morals (Robert P. Merges, *Justifying Intellectual Property* (Harvard University Press 2011)); and finally Mark Lemley, acknowledging the lack of evidence to justify the IP and in particular the patent system, but rejecting any moral justification (Mark A. Lemley, 'Faith-Based Intellectual Property' (2015) 62 UCLA Law Review 1328).
[69] Enrico Bonadio and Andrea Baldini, 'COVID-19, patents and the never-ending tension between proprietary rights and the protection of public health' (2020) 11 European Journal of Risk Regulation 390.
[70] B. Sherman L. Bently, D. Gangjee, P. Johnson, *Intellectual Property Law* (Fifth edn, Oxford University Press 2018), 5.

On the one hand, the natural law approach[71], based on ethical and moral arguments, considers that an author or an inventor has a natural or pre-existing right to the fruits of its work. This is based on the premise that one has a property in one's person and thus by extension to anything that is created or is coming from this person. In other words, it is the natural right of a creator to own his creation, as it is part of his person and the expression of its personality.[72]

On the other hand, based on the utilitarian approach[73], a right is granted as a reward for the work produced. Taken from the perspective of the creator or innovator, it is the prospect of the grant of the exclusive right that serves as a motor for innovation or creation. IP is thus seen as a reward for the investment (in time or money) incurred to produce a work or invention.

Both theories have virtues and shortcomings. The natural law justification for the existence of property rights only offers "insufficient justification for protecting works with purely technical character that do not reflect the personality of their creator".[74] On the other hand, the utilitarian approach can be seen as reductive as it only takes into account the economic process of creative or innovative activity. A more holistic approach should therefore also take into account other incentives for people to create or innovate, which are unrelated to the prospective reward or right. Instead of focusing only on the interests of the creator or inventor, the impact of the existence and grant of intellectual property rights on the general public should also be taken into account. This is the essence of the theory of a "social function" of intellectual property rights.

1.2.The social function of intellectual property rights

The social function of intellectual property rights finds its roots in the idea of a social function of private law, which was developed notably by Josef Kohler and Otto von Gierke.[75] They argued that there has to be a fair reconciliation between the interests of individuals and the interest of society as a whole.[76] This idea of a need to balance the interests of individuals with those of the society can also be found in the foundations of property rights. Legal scholars such as Rousseau and Josserand[77] developed this idea of a social function of property rights, which

[71] This theory has been notably developed by John Locke; see Wolfgang Von Leyden, 'John Locke and natural law' (1956) 31 Philosophy 23.
[72] This justification is particularly used for copyright.
[73] This theory has been developed by several scholars, among which: Fritz Machlup, *The production and distribution of knowledge in the United States*, vol 278 (Princeton university press 1962).
[74] Geiger, '"Constitutionalising" Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in the European Union', 380.
[75] Otto Gierke, *Die soziale Aufgabe des Privatrechts Vortrag gehalten am 5. April 1889 in der juristischen Gesellschaft zu Wien* (1889); Josef Kohler, *Das Autorrecht, eine zivilrechtliche Abhandlung* (Jena, Verlag von G. Fischer 1880).
[76] Geiger, 'The Social Function of Intellectual Property Rights, Or how Ethics can Influence the Shape and Use of IP law', 6.
[77] Louis Josserand, *De l'esprit des droits et de leur relativité. Théorie dite de l'abus des droits* (2nd edn, 2006).

were elevated to a constitutional level in 1789 with the Declaration of Human Rights recognizing that property is a "natural and inalienable human right".[78]

The concept of property evolved to become a "right with social limits"[79] as opposed to an absolute right.[80] This idea of the general interest limiting the right to property is reflected in Article 1 of the First Protocol of the European Convention Human Rights which reads: "the preceding provisions shall not, however, in any way impair the right of the state to enforce such laws as it deems necessary to control the use of property in accordance with the general interest".[81]

Intellectual property rights are, by definition, considered property rights, which has become apparent from "the WTO panel report in EC – Trademarks and Geographical Indications, but even more so in the context of the European Convention on Human Rights"[82]. Intellectual property rights, like property rights, also fulfill a social function. We therefore argue that the object and purpose of IPRs should always be examined in the light of the public interest they pursue rather than focusing solely on individual interests.

The mutual benefit of the right holders and the society is well described by the concept of a social contract: the society is granting an exclusive right to an entity in exchange for cultural or innovative products or for guarantees of quality or origin, which should benefit the society as a whole. However, this social function of intellectual property rights is progressively being underestimated, and the entire intellectual property system is undergoing a crisis of legitimacy. In the innovation society, where a movement of continuous expansion of intellectual property rights can be observed coupled with a loss of transparency of the IP system, we argue that the social function is key to conceptualize a balanced and lasting system. Ensuring a fair balance between all stakeholders involved, in particular "the general interests of society and the requirements of the protection of the individual's fundamental rights"[83], is essential in this regard.

Understanding the general justification of the IP system is important to grasp the balance of interests inherent to the system. In addition to these justifications, each intellectual property rights is meant to fulfill a particular function.

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[78] Geiger, 'The Social Function of Intellectual Property Rights, Or how Ethics can Influence the Shape and Use of IP law', 7.
[79] Ibid, 8.
[80] Vadi, 'Mapping Uncharted Waters: Intellectual Property Disputes With Public Health Elements in Investor-State Arbitration', 15.
[81] Convention for the Protection of Human Rights and Fundamental Freedoms (1950).
[82] Anselm Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy' in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and International Dispute Resolution* (Kluwer Law International BV 2019), 147.
[83] Ibid, 148.

2. Functions of intellectual property: the specificities of the EU vision

2.1. The evolution of the functions of intellectual property rights: the increasing importance of investments

The foundations of the EU intellectual property system rely heavily on the objectives and functions of intellectual property rights. When reflecting on the objectives of IP, several concepts arise, such as stimulating competition, fostering innovation, protecting the personality of an author, ensuring the recognition of the public, dissuade from unlawful copy or use, protect consumers and even protecting investments. Intellectual property is a tool that can help to achieve prospected results of innovation, progress, and development.

From a theoretical perspective, each IP right aims at fulfilling a particular objective. Trademarks essentially have a function of guarantee of origin of a product or service[84] and that of identifying those products or services, but also a function of publicity, investment, quality, and communication.[85] Copyright has a reward function, and should also serve as an incentive to create.[86] Patents should foster innovation, and act as an incentive to disclose technical and scientific information "that might otherwise have remained secret".[87] Patents, therefore, have an information function. Other rights, such as geographical indications, have a function of guarantee of origin and a certain quality of the products.

Yet, these functions should be viewed with a critical eye when it comes to actual implementation. The protection of the consumer is a noble objective, but one could fairly ask whether, in practice, trademarks always protect or intend to protect consumers? Can trademarks also be detrimental to consumers in some instances? The same can be asked about copyright or patents; are these rights genuinely encouraging creative and innovative activity or has the system evolved towards a rather investor-friendly system, sometimes ignoring the interests of the authors or even of the public in general?

A study on the perception of IP by European citizens showed that a large majority of EU citizens believe that IP protection benefits primarily businesses and elites, rather than benefiting the consumers and citizens.[88] Even if the vast majority of Europeans are favorable to intellectual property and are convinced that these rights are a necessary component of the economic and social environment, at the individual level, a certain tolerance towards IP infringements can be observed. The study reveals that around 34% of EU citizens consider that purchasing counterfeit

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[84] For a thorough analysis of the functions of trademarks, see: Yann Basire, 'Les fonctions de la marque. Essai sur la cohérence du régime juridique d'un signe distinctif ' 2015).
[85] These "new" functions of the trademark were brought to light by the European Court of Justice in: Case C-487/07 *L'Oréal v Bellure* [2009] ECR I-05185.
[86] Even though the scope and length of copyright protection is increasingly criticized. Bently rightly summarizes that "while some aspects of copyright are justifiable, others are not. Typically, the argument is that copyright law has gone too far." (L. Bently, *Intellectual Property Law, 39.*)
[87] Ibid, 398.
[88] Office for Harmonization in the Internal Market, 'The European citizens and intellectual property: perception, awareness and behaviour' (2013) .

products can be justified. 38% even consider that buying counterfeit goods is an act of protest against a market-driven economy and 42% think that this behavior can be tolerated if it is for personal use.

These figures show the importance of having limited rights in time and scope to ensure that society can benefit from the fruits of creation and innovation while providing for enough protection and incentive to authors and inventors. If intellectual property rights fail to achieve this balance, they lose legitimacy and litigation is likely to increase. In the European Union, the public opinion has already expressed its discontent with regards to some aspects of the IP system, as the demonstrations against the Anti-Counterfeiting Trade Agreement (ACTA) in 2012 have shown, or the emergence of new movements trying to find an alternative to IP protection such as the open-source movement or political pirate parties.

To overcome the legitimacy crisis that the intellectual property system is facing, emphasizing the functions these rights aim to fulfill can be a way forward. Nevertheless, these functions have been evolving and are no longer the same as when IP rights were first conceptualized and developed. In addition to the classical functions that we have already mentioned above, we have observed in recent years the emergence of a new function for IP rights in the EU: the protection of investments.

While in other jurisdictions, the concept of the reward for the investment made in developing a new technology or creating a new piece was already present at the inception of the IP system (in particular, in common law systems), this function could be seen as rather new in the EU which has a strong civil law tradition. Copyright "has gradually become an industrial right and the investment has become the reason for protection"[89], thus becoming more of an incentive for exploiters rather than for the creators. Copyright would thus have evolved into a more investment-protection mechanism, which "reverses the initial logic, in the sense that an investment does not necessarily involve an added creative value and hence an added social value".[90]

Yet, the investment function of trademarks has been recognized by the Court of Justice in the L'Oréal v Bellure decision and more recently in the Mitsubishi v. Duma case.[91] In its decision of 18 June 2009, the Court, referring to the functions of a trademark, stated that: "These functions include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular that of

[89] Geiger, '"Constitutionalising" Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in the European Union', 381.
[90] Geiger, 'The Social Function of Intellectual Property Rights, Or how Ethics can Influence the Shape and Use of IP law', 13.
[91] Case C-129/17, 25 July 2018, *Mitsubishi Shoji Kaisha and Mitsubishi Caterpillar Forklift Europe v. Duma Forklifts NV* ECLI:EU:C:2018:594.

guaranteeing the quality of the goods or services in question and those of communication, investment or advertising".[92]

More recently in the Mistubishi v. Duma case, the Court found that: "The function of investment of the mark includes the possibility for the proprietor of a mark to employ it in order to acquire or preserve a reputation capable of attracting customers and retaining their loyalty, by means of various commercial techniques. Thus, when the use by a third party, such as a competitor of the trade mark proprietor, of a sign identical to the trade mark in relation to goods or services identical with those for which the mark is registered substantially interferes with the proprietor's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty, the third party's use adversely affects that function of the trade mark".[93] However, the exact meaning and scope of this investment function have been described as a "mystery".[94]

The investment promotion function of IPR is also featuring in several recitals of EU directives and regulations, such as the Directive 2004/48/EC on the enforcement of intellectual property rights.[95] The third paragraph already states that "without effective means of enforcing intellectual property rights, innovation and creativity are discouraged and investment diminished".[96] Thus, it is made clear that intellectual property plays not only the role of an incentive for innovation and creativity but also the role of promotion of investments in the internal market.

For some rights, the protection of the investment is the main function of this right. This is the case of database rights, which are granted "to protect the investment which goes into the creation of a database".[97] The proof of a substantial investment is even what constitutes the protectable subject-matter in the case of databases.[98]

The concept of the subject-matter of IP rights, as well as the concept of the essential function of such rights, will be briefly explored below.

2.2. The emergence of the concepts of specific subject-matter and essential function of intellectual property rights

According to liberal economic theories, both competition law and intellectual property are a source of economic growth. Intellectual property encourages creators to engage in creative

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[92] *L'Oréal v Bellure*, para 58.
[93] *Mitsubishi v. Duma*, para 36.
[94] L. Bently, *Intellectual Property Law, 1124.*
[95] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.
[96] Ibid.
[97] L. Bently, *Intellectual Property Law, 366.*
[98] Guido Westkamp, 'Protecting databases under US and European law - methodical approaches to the protection of investments between unfair competition and intellectual property concepts' International Review of Intellectual Property and Competition Law .

activities by granting them a reward, while in the case of competition law, the free movement of goods and services allows better use of resources and thus increases the satisfaction and needs of consumers. Intellectual property rights therefore primarily "serve a public interest, namely to create competitive markets for innovation, cultural arts, and commerce".[99]

Nevertheless, the basic principles of intellectual property, namely exclusivity, and territoriality, can sometimes clash with the basic principles of the common market. Indeed, intellectual property rights can hamper the free movement of goods if a right holder can control or even prevent the commercialization of protected goods across borders. To address this issue, the Court of Justice developed a theory whereby it differentiated between the existence and the exercise of intellectual property rights. It found that rules on the existence of IP rights should be subject to national laws, while the exercise of IPRs would be regulated by EU law. This would allow the EU to better control the use of intellectual property in the internal market.

This distinction was first drawn in the Consten-Grunding case,[100] and two years later in the Parke Davis judgment.[101] In the 1971 Deutsche Grammophon decision,[102] the Court reiterated that: "Amongst the prohibitions or restrictions on the free movement of goods which it concedes Article 36 refers to industrial and commercial property. On the assumption that those provisions may be relevant to a right related to copyright, it is nevertheless clear from that Article that, although the Treaty does not affect the existence of rights recognized by the legislation of Member State with regard to industrial a commercial property, the exercise of such rights may nevertheless fall within the prohibitions laid down by the treaty".[103]

The Court nevertheless clarified that: "Although it permits prohibitions or restrictions on the free movement of products, which are justified for the purpose of protecting industrial and commercial property, Article 36 only admits derogations from that freedom to the extent to which they are justified for the purpose of safeguarding rights which constitute the specific subject-matter of such property".[104]

One of the rationales behind this approach is that the exercise of IPRs affects intra-EU trade and thus the internal market. Indeed, intellectual property rights can block the freedom of movement inside the internal market and therefore the rules for the exercise of these rights must be subject to EU law. The Court of Justice found that derogation to the principles of the internal

[99] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 150.
[100] Joined cases 56 and 58/64 *Établissements Consten S.à.R.L. and Grundig-Verkaufs-GmbH v Commission of the European Economic Community* [1966] ECR 429.
[101] Case 24/67 *Parke, Davis and Co. v Probel, Reese, Beintema-Interpharm and Centrafarm* [1968] ECR 81.
[102] Case 78/70 *Deutsche Grammophon Gesellschaft mbH v Metro-SB-Großmärkte GmbH & Co. KG.* [1971] ECR 487.
[103] Ibid, para 11.
[104] Ibid.

market can only be justified by the specific subject-matter of IP,[105] which has been defined for each right by the case-law.

This new concept of the subject-matter of IP was developed by the Court of Justice as the distinction between existence and exercise of IPRs soon proved to be too vague and only partially addressed the conflict between IPRs and the free movement of goods. This new criterion of the subject-matter of IP was thus developed to determine when the exercise of an IPR was contrary to the Treaties and the free movement of goods. A reference was already made in the Deutsche Grammophon judgment but the Court merely mentioned the specific subject-matter of IP without attempting to define this concept or determining what the specific subject-matter was for copyright (which was the right at issue).

It was in 1974 that the Court defined for the first time the specific subject-matter in relation to patents and trademarks. In the Centrafarm v Sterling Drug decision, the Court recalled that a derogation from the free movement of goods could only be justified by the safeguard of rights which constitute the specific subject matter of this property. It then went on defining that: "In relation to patents, the specific subject matter of the industrial property is the guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licenses to third parties, as well as the right to oppose infringements".[106]

In Centrafarm v Winthrop, the Court followed the same reasoning and found that: "In relation to trade marks, the specific subject-matter of the industrial property is the guarantee that the owner of the trade mark has the exclusive right to use that trade mark, for the purpose of putting products protected by the trade mark into circulation for the first time, and is therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that trade mark".[107]

The doctrine has commented extensively on these two judgments and has also criticized the Court's definition of the specific subject-matter as being restrictive and reductive. Keeling reflects on the different opinions expressed on these two judgments and finds that: "the most serious criticism of the specific subject-matter criterion – and one that is made by numerous authors – is that it operates what Cornish describes as a 'definitional stop'; that is to say, the Court purports to establish a general test but defines it arbitrarily in such a way as to determine a priori the result which it wishes to reach, thus excluding further debate".[108]

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[105] The concept of "specific subject-matter" was originally translated from the French "*objet spécifique*". For a reflection on origin and meaning of the concept see: David T. Keeling, *Intellectual Property Rights in EU Law*, vol Volume I: Free Movement and Competition Law (Oxford EC Law Library 2004), 63-64.
[106] Case 15/74 *Centrafarm BV and Adriaan de Peijper v Sterling Drug Inc* [1974] ECR 1147, para 9.
[107] Case 16/74 *Centrafarm BV and Adriaan de Peijper v Winthrop BV* [1974] ECR 1183, para 8.
[108] Keeling, *Intellectual Property Rights in EU Law, 65.*

Some authors have thus considered that the definition proposed by the Court was rather arbitrary and has been evolving with the case-law "in order to fit the particular problem under consideration and to justify the solution to be given to it".[109] To balance these statements it could be argued that the Court is elaborating and constructing a definition in the case-law, which aims at determining when the exercise of an IP right is permissible under EU law. Yet the distinction between existence and exercise of IPR offers only a partial solution to the problem and therefore the concept of specific subject-matter gives an additional tool to the Court to apply EU law and to regulate the internal market.

The specific subject-matter of copyright and related rights was defined in several judgments but the most complete definition was given in the Phil Collins decision, where the Court said: "The specific subject-matter of those rights, as governed by national legislation, is to ensure the protection of the moral and economic rights of their holders. The protection of moral rights enables authors and performers, in particular, to object to any distortion, mutilation or other modification of a work, which would be prejudicial to their honor or reputation. Copyright and related rights are also economic in nature, in that they confer the right to exploit commercially the marketing of the protected work, particularly in the form of licences granted in return for payment of royalties".[110]

Some authors have argued that the definition of the specific subject-matter for copyright and related rights was purely descriptive of the essential rights granted to the right owners, and did not include any policy considerations underlying the grant of those rights.[111] This is probably why the Court developed another criterion to be taken into account when balancing the freedom of movement with the protection of IPRs: the "essential function" [112] of those rights.

For instance, the EU General Court defined the essential function of copyright in the Magill case as being "to protect the moral rights in the work and to ensure a reward for the creative effort, while respecting the aims of, in particular, Article 86."[113]

One can see from the evolution of the case law that the position of the Court has evolved from distinguishing the existence and exercise of IPRs to assessing the specific subject-matter and later the essential function of intellectual property rights. The aim of this assessment is always to find a balance between two fundamental principles of the European Union, which are the freedom of movement and free competition on the one hand, and the protection of property including intellectual property on the other hand.

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[109] Ibid.
[110] Joined cases C-92/92 and C-326/92 *Collins and Patricia Im- und Export v Imtrat and EMI Electrola* [1993] ECR I-05145, para 22.
[111] Keeling, *Intellectual Property Rights in EU Law, 67.*
[112] From the French "*fonction essentielle*".
[113] Case T-76/89 *Independent Television Publications Ltd v Commission of the European Communities* [1991] ECR 1991 II-00575, para 56.

The Court's approach has evolved from a rather objective assessment of the prerogatives of each intellectual property right with the concept of specific subject-matter, to a somewhat subjective or qualitative approach with the essential function. It must be said that the definition of both the specific subject matter and the essential function for each IP right has been widely criticized by the doctrine as being incomplete and serving the purpose of fostering the internal market while ignoring competing interests.[114]

On the other hand, one can observe the trend of harmonization of intellectual property rights, which will allow defining the essential function of each intellectual property right at the EU level. Indeed, one of the difficulties with trying to define the core prerogatives of each right is that intellectual property rights were initially national rights, and each Member State had a different approach and a different definition for each right. This made the task of the Court extremely difficult when trying to identify the essential function of an intellectual property right from an EU perspective, in particular for copyright and moral rights.

These concepts are however useful to define more holistically the functions and purpose of intellectual property rights. Indeed, the social function or the safeguard of the public interest is arguably an essential function of intellectual property rights, and only where this essential social function is safeguarded can the intellectual property system be justified. Conversely, one could argue that if an IP right is used in a way that ignores or is detrimental to the public interest, it loses its justification and its enforcement should be denied. This finding will be key when assessing the challenges posed by the protection and enforcement of IP rights through investment agreements.

B. The construction of a specific policy for intellectual property

Traditionally, based on the sovereignty of States, intellectual property was subject to territoriality principles. Some argued that this territoriality was hindering economic and cultural exchanges. Progressively, international and regional protection mechanisms were developed to supplement national protection. On the one hand, intellectual property was addressed in the EU in the framework of the "ongoing construction of an economic and political community".[115] On the other hand, international intellectual property agreements were developed in particular by the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). This multi-level development of intellectual property norms necessarily impacted on its object and purpose and on its role at the national, EU and international level.

1. Regulating IP inside the EU: an economic construction

As we have seen before, intellectual property rights have evolved from strictly national rights, limited to specific territories, to more regional and integrated rights. At the European level, this

[114] See, inter alia, James Turney, 'Defining the limits of the EU essential facilities doctrine on intellectual property rights: the primacy of securing optimal innovation' (2004) 3 Nw J Tech & Intell Prop 179.
[115] Jean-Luc Piotraut, 'European National IP Laws under the EU Umbrella: From National to European Community IP Law' (2004) 2 Loyola University Chicago International Law Review 61, 61.

"Europeanisation" of intellectual property rights has progressively taken place and through different means. First, regional intellectual property treaties were negotiated, such as the "Strasbourg Convention" of 1963[116] or the "Munich Convention" of 1973[117]. Yet, the process of harmonization of intellectual property rights in the EU was based on rather different legal grounds. In particular, the establishment of a single market[118], which has been key for the construction of the European Union, has served as the main basis for the construction of a European intellectual property system.

1.1 The role of intellectual property in shaping the internal market

After the Second World War, the necessity to maintain peace led the founding fathers and in particular Jean Monnet to propose a method of taking small steps to undertake an incremental construction of the Union. The creation of an internal market was thus one of the steps of this European construction. Intellectual property played a major role in developing this market and was also seen as a key tool to develop an innovative and competitive EU economy.

Since the beginning of the construction of the internal market, the question of the territoriality of IP rights has been at the center of the discussions. It is important to recall that, in the beginning, the European Community had rather limited competences in particular with regards to IP. In the 1960s, IP was only reflected in Article 30 EC (former Article 36 EEC) which prohibits restrictions on imports or exports, except for the protection of industrial and commercial property.[119] Even in 2005, the Court of Justice confirmed the principle of territoriality, stating that a country can only penalize conduct engaged within its national territory.[120]

The concept of territoriality means that the effects of an intellectual property right are limited to the territory where it has been granted. Each jurisdiction will, therefore, apply its own rules, and intellectual property laws can vary from one country to another, in particular before a right is harmonized at the EU level. Thus, the effects of an intellectual property right are limited to the country where this right is registered or protected. This principle of territoriality has also an important effect on the enforcement of IPRs since the right holder will only be able to enforce his rights in the territories where such rights are protected. This limitation creates new challenges in the area of digitalization and globalization, where the spread and trade of works have become easier.

To foster a more integrated single market, it has thus become a necessity for the EU to create a European IP system. Arguably, such a European IP system has not yet been fully established,

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[116] Convention on the Unification of Certain Points of Substantive Law on Patents for Invention, 1963.
[117] Convention on the Grant of European Patents, 1973.
[118] Internal market and single market are used as synonyms.
[119] Piotraut, 'European National IP Laws under the EU Umbrella: From National to European Community IP Law', 64.
[120] *Case C-192/04, Lagardère Active Broadcast v Société pour la perception de la rémunération équitable (SPRE) and Gesellschaft zur Verwertung von Leistungsschutzrechten mbH (GVL)* [2005] ECLI:EU:C:2005:475, para 46.

but this process is ongoing and there are different levels of intervention at the European level to achieve harmonization. The highest degree of harmonization is the creation of unitary protection, a single rule applying to all Member States. With such a unitary title, a single right can be valid in all EU Member States. So far, European-wide titles exist in the field of trademarks[121], designs[122], plant varieties[123], and geographical indications[124] (noting that there is no EU-wide *sui generis* system for non-agricultural products), and an EU unitary character for patents should soon come into existence.[125]

Harmonization can be pursued through regulations and directives, which achieve different levels of harmonization. Regulations typically impose the same rule to all countries, while directives leave some room for maneuver in terms of the means of achieving the same goal. It can be noted that some aspects of intellectual property are still subject to national legislation, such as criminal enforcement or copyright, even if some proposals have already been made to harmonize these areas.[126] Thus, one cannot yet talk about a full-fledged European intellectual property system but it is under constant construction. Alongside this legislative construction, the Court of Justice has also been playing an active role in the harmonization and construction of intellectual property at the EU level.

Yet, the implementation of the internal market is not the sole objective of the EU as can be observed from Article 3 of the Treaty on European Union (TEU). The third paragraph states: "The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social

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[121] Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks.
[122] Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs.
[123] Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights.
[124] Regulation (EC) No 110/2008 of the European Parliament and of the Council of 15 January 2008 on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks and repealing Council Regulation (EEC) No 1576/89; Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs; Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007; Regulation (EU) No 251/2014 of the European Parliament and of the Council of 26 February 2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and repealing Council Regulation (EEC) No 1601/91; Regulation (EU) 2019/787 of the European Parliament and of the Council of 17 April 2019 on the definition, description, presentation and labelling of spirit drinks, the use of the names of spirit drinks in the presentation and labelling of other foodstuffs, the protection of geographical indications for spirit drinks, the use of ethyl alcohol and distillates of agricultural origin in alcoholic beverages, and repealing Regulation (EC) No 110/2008; Proposal for a Regulation of the European Parliament and of the Council on geographical indication protection for craft and industrial products and amending Regulations (EU) 2017/1001 and (EU) 2019/1753 of the European Parliament and of the Council and Council Decision (EU) 2019/1754, COM(2022)174 final.
[125] For more information about the implementation of the patent package, and the establishment of a European patent with unitary effect and a new patent court, see: https://ec.europa.eu/growth/industry/policy/intellectual-property/patents/unitary-patent_en.
[126] See the work of the European Commission with regards to the enforcement of intellectual property rights: Enforcement of intellectual property rights (europa.eu); and with regards to copyright: Copyright | Shaping Europe's digital future (europa.eu).

market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance."

Basing the construction of intellectual property rules at the EU level on this clause would allow imposing some objectives of sustainable development to intellectual property and would thus go further than the mere construction of the internal market. Non-economic objectives have to be taken into account, and this is also reflected by the social function of intellectual property rights. Social and technological progress are an integral part of EU objectives and both intellectual property and the internal market must be regulated in a way that can help to achieve those objectives.

1.2 The legal basis for EU's action in the field of IP

The choice of the legal basis for any action or regulation including in the field of intellectual property is not a political decision but should be based on objective criteria that can be controlled by the CJEU. The Court in 1987 affirmed that "It must be observed that in the context of the organization of the powers of the community the choice of the legal basis for a measure may not depend simply on an institution's conviction as to the objective pursued but must be based on objective factors which are amenable to judicial review".[127]

Historically, the legal basis for regulating intellectual property at the EU level was rather scarce and thus the harmonization of intellectual property has been carried out based on general provisions. Three articles, in particular, have served as a starting point to legislate in the field of IP: Article 115, Article 114, and Article 352 of the Treaty on the Functioning of the European Union (TFEU).

Article 115 TFEU was historically the first legal ground to legislate on IP.[128] This legal basis was used only once, in the field of semiconductor topography rights, and it has not given rise to any case-law. Only a couple of months after the adoption of the Directive on topographies of semiconductors[129], the Single European Act was adopted which introduced Article 114 TFEU.[130]

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[127] Case C-45/86 *Commission v Council* [1987] ECR 1493, para 11.
[128] Article 115 TFEU reads: "Without prejudice to Article 114, the Council shall, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament and the Economic and Social Committee, issue directives for the approximation of such laws, regulations or administrative provisions of the Member States as directly affect the establishment or functioning of the internal market."
[129] Council Directive 87/54/EEC of 16 December 1986 on the legal protection of topographies of semiconductor products.
[130] Article 114 TFEU reads: "The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance."

This article was seen as more advantageous since it does not require unanimity to adopt a text but only a qualified majority, which makes decision making processes easier. Most IP directives have been adopted based on this provision, and the recent Directive on copyright in the single digital market[131] is based notably on Article 114 TFEU. The first recital of the Directive states that further harmonization of the laws on copyright should contribute to the objectives of establishing an internal market, where competition is not distorted. The economical approach to the construction of intellectual property in the EU is thereby reaffirmed. The second recital also emphasizes the importance of a harmonized legal framework to stimulate "innovation, creativity, *investment* […]" (emphasis added). The investment dimension of copyright protection is therefore present in this Directive, which also stresses the importance of "respecting and promoting cultural diversity".[132]

The economic approach to the construction of IP has historically caused some disagreements between the organs of the EU. Since the co-decision procedure was introduced in 1992 by the Maastricht Treaty on European Union, putting the European Parliament on an equal footing with the Council, the adoption of some IP texts has become more difficult. The first example of disagreement in the history of the European Parliament was in 1995 with the Biotech Directive[133], where the Parliament rejected the text of the Commission.[134] Other examples followed, first with the Commission's proposed directive on the patentability of computer-implemented inventions[135], which was rejected in July 2005 by the Parliament after several years of debate. More recently, in July 2012, the European Parliament declined its consent concerning the Anti-Counterfeiting Trade Agreement (ACTA), a multinational treaty on the enforcement of intellectual property rights.[136]

From these examples, one can conclude that EU institutions have different approaches towards the construction of intellectual property in the EU and different objectives that are not necessarily purely economic. Yet, this Article 114 TFEU only allows harmonizing some aspects of IP, which are related to the establishment of the internal market and therefore have an economic dimension. This can be problematic in the case of copyright for instance, where moral rights cannot be harmonized based on the establishment of the internal market. This is why

[131] Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC.
[132] Ibid, recital II.
[133] Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions
[134] The amended proposal of the Commission was further amended by the other decision-making institutions and finally adopted by the Parliament.
[135] Proposal for a Directive of the European Parliament and of the Council on the patentability of computer-implemented inventions, COM/2002/0092 final - COD 2002/0047, OJ C 151E , 25.6.2002.
[136] European Parliament, *European Parliament rejects ACTA* (4 July 2012)

another provision of the TFEU has sometimes been used to harmonize aspects of IP that could not be harmonized based on Articles 114 and 115 TFEU.[137]

This provision, Article 352 TFEU, states that when an action is deemed necessary to attain the objectives set out in the Treaties, and these Treaties have not provided the necessary powers, the Council can adopt the appropriate measures unanimously, on a proposal from the Commission and with the consent of the Parliament. This very general provision was used as the basis for the creation of unitary titles in the EU, such as the Community trademark[138], the Community plant variety rights[139], and the Community designs.[140]

The Court of Justice, in an opinion of 15 November 1994, affirmed that: "It is true that, in the field of intellectual property, the Community has internal competence to harmonize national laws pursuant to Articles 100 and 100a and may use Article 235 as the basis for creating new rights superimposed on national rights." Yet the Court also acknowledged this conclusion "is not altered by the fact that the Community institutions have developed a practice whereby, in order to protect the Community's intellectual property interests, they resort to autonomous measures falling within the ambit of commercial policy, namely the opening of procedures under the new commercial policy instrument and the suspension of generalized tariff preferences, or incorporate within trade agreements ancillary provisions relating to such property".[141] The Treaty of Lisbon amended the original treaties in several aspects, and in particular, with regards to intellectual property, it recognizes an explicit competence for the creation of unitary titles with Article 118 TFEU.[142]

The economic and trade-related approach to the construction of intellectual property has been the prevailing approach not only at the EU level but also on the multilateral level.

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[137] Other legal grounds are relevant to some areas of intellectual property. Article 43 TFEU on the common agricultural policy served as a legal basis for the Regulation on quality schemes for agricultural products and foodstuffs, touching upon geographical indications.

[138] In the recital, the Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, repealed and replaced by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark refers to Article 308 of the Treaty establishing the European Community (Nice consolidated version) which has become Article 352 TFEU.

[139] In the recital, the Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights refers to Article 235 of the Treaty establishing the European Community (Maastricht consolidated version) which has become Article 308 (Nice consolidated version) and Article 352 TFEU today.

[140] In the recital, the Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs refers to Article 308 of the Treaty establishing the European Community (Nice consolidated version) which has become Article 352 TFEU.

[141] Opinion 1/94 *Competence of the Community to conclude international agreements concerning services and the protection of intellectual property* [1994] EC I-05267.

[142] This Article reads: "In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements".

2. Regulating IP outside the EU: the lost race for harmonization

Along with the "Europeanisation" of IP, intellectual property standards have been developed at the international level. Already in the late 19th century, the United International Bureaux for the Protection of Intellectual Property (BIRPI), the predecessor of the World Intellectual Property Organization (WIPO), was set up to administer the Berne and the Paris Convention. Intellectual property also soon became the focal point of the modern global trading system as was exemplified by the negotiation and signature of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which is administered by the World Trade Organization (WTO).

It is thus interesting to see how the European and the international processes of constructing intellectual property systems have evolved and interacted and to see whether and how the trade and investment-related aspects of IP were conceptualized.

2.1 Bilateral or multilateral development of intellectual property?

We have seen earlier that intellectual property rights were historically conceptualized as national rights. Yet, in the 19th and 20th centuries, the movement of globalization was extended to intellectual property, based on the belief that better protection of intellectual property rights would incentivize trade and development. One can observe this globalization of IPRs at different levels. First and already in the late 19th century, multinational negotiations were taking place, in the framework of the WIPO, and later under the auspices of the WTO. In a second phase, around 1959, bilateral agreements started to emerge.[143] Pedro Roffe and Xavier Seuba observe that the number of free trade agreements (FTAs) "has burgeoned as a result of longstanding disagreements between countries at the multilateral level on a variety of issues. Data from the World Trade organization highlight the growing number of regional trade agreements since 1995".[144]

When looking at the countries sitting at the negotiation table, a shift can also be observed. Initially, developed countries were negotiating with developing countries to introduce in those countries high and efficient standards of protection for intellectual property. International intellectual property standards were developed and in a way imposed on developing countries who tended to have less or even inexistent protection for IP. These bilateral negotiations, however, had some flaws, and soon negotiating at a multilateral level became the norm. In particular, some countries believed that negotiating an intellectual property treaty under the auspices of the WTO would progressively slow down bilateral negotiations.[145] At least in the

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[143] Alan M. Anderson and Bobak Razavi, 'International Standards for Protection of Intellectual Property Rights Post-TRIPS: The Search for Consistency' (2009) 6 Transnational Dispute Management, 3.
[144] Pedro Roffe and Xavier Seuba (eds), *Current Alliances in International Intellecutal Property Lawmaking: The Emergence and Impact of Mega-Regionals* (Global Perspectives for the Intellectual Property System, CEIPI-ICTSD publications series 2017), 11.
[145] Peter Drahos, 'BITs and BIPs - Bilateralism and Intellectual Property' (2005) 4 The Journal of World Intellectual Property 791, 791.

case of the United States, this assumption proved to be wrong, as the United States' bilateral activity increased after the TRIPS came into force.[146]

The very first multilateral IP treaties were negotiated between developed and developing countries, to agree on basic minimum standards for the protection of intellectual property rights.[147] Indeed, the discrepancies between national laws were believed to be harming innovation and cross-border trade of innovative and creative goods, since inventors and authors were reluctant to share their inventions and creations abroad where no sufficient protection was offered. On this premise, a diplomatic conference was organized in Paris in 1883, which led to the adoption of the Paris Convention for the Protection of Industrial Property, signed by 11 States. Membership increased subsequently, in particular after World War II.[148]

Multilateral negotiation for copyright came about only a couple of years later, in 1886, with the adoption of the Berne Convention for the Protection of Literary and Artistic Works. While it is true that in the field of copyright, some bilateral negotiations for mutual recognition of rights had taken place before, true uniformity had never been achieved until the signature of the Berne Convention. Finally, for trademarks, an international filing system was launched with the adoption of the Madrid Agreement in 1891, creating an international registration system.

In 1893, the United International Bureaux for the Protection of Intellectual Property (BIRPI) was set up to administer the Paris and Berne Conventions. The BIRPI became the World Intellectual Property Organization in 1970, which joined the United Nations as a specialized agency in 1974. Under the WIPO, many more conventions, treaties, and agreements were negotiated and signed during the 20th century, covering almost all fields of intellectual property. But a shift was operated in terms of norm-setting for international intellectual property when intellectual property started to be negotiated during the Uruguay Round within the General Agreement on Tariffs and Trade (GATT 1947). Thus, in parallel to the work carried out by WIPO, countries were negotiating international IP standards in this "trade" forum.[149]

It is important to understand that this shift of forum (or at least, parallel development of IP norms) was driven by the belief that liberalization of trade and reduction of tariffs worldwide would contribute to the economic and socio development of all States. Therefore, countries extended trade negotiations to new areas of trade, including intellectual property. During one of the trade negotiation rounds in Uruguay, negotiators decided to pursue future negotiations on trade-related aspects of intellectual property rights, including trade in counterfeit goods.

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[146] Ibid.
[147] Moerland, *Why Jamaica wants to protect Champagne: intellectual property protection in EU bilateral trade agreements*.
[148] The list of accession is available here: https://wipolex.wipo.int/en/treaties/ShowResults?search_what=N&treaty_id=2 (last accessed 13 June 2022).
[149] Moerland, *Why Jamaica wants to protect Champagne: intellectual property protection in EU bilateral trade agreements*, 48.

After several years of negotiations, the TRIPS Agreements was adopted as part of the Marrakesh Agreement Establishing the World Trade Organization of 15 April 1994.

The main rationale behind these negotiations is expressed in the preamble to the TRIPS Agreement: "*Desiring* to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade". The TRIPS Agreement, therefore, brought intellectual property into the broader multilateral trading system.

The Agreement sets out minimum standards of protection for IP. This means that all WTO Members must provide a minimum level of protection to intellectual property rights owners. The TRIPS Agreement only creates minimum standards; each country is, therefore, free to go beyond that minimum. This is indeed what most countries have been doing since the entry into force of the TRIPS Agreement. Instead of harmonizing IP rules worldwide, the Agreement provided for a common base on which countries have built-in further bilateral and plurilateral negotiations.

These bilateral or plurilateral treaties going beyond the requirements of the TRIPS Agreement are called "TRIPS+" or "TRIPS-plus" agreements. Thomas Cottier argues that these TRIPS+ provisions have reinforced "the position of holders of exclusive rights, changing the balance of rights and obligations initially negotiated in the [TRIPS] and the Paris and Berne Conventions" (emphasis added).[150] The resulting unbalance was largely caused by successful lobbying from industries and industrialized countries but is also due to the willingness of developing countries to accept these higher standards of protection, in return for other market access rights and favors.[151]

Agreements signed by the European Union also contain at least some TRIPS+ provisions. These consist of either extended standards of protection, in duration or scope, or in the exclusion of an option that was available under the TRIPS Agreement. For instance, some agreements imposed TRIPS standards on developing countries, yet without granting them any grace period to implement them. This phenomenon has been described as a "ratcheting process" for IP coming in particular from the EU and the US.[152] This means that countries can only negotiate higher standards, but never lower ones.

These various approaches to intellectual property lawmaking have several implications. While multilateral negotiations allow for greater harmonization of the rules worldwide, they are also lengthy and complex. One of the biggest challenges of multilateral consultations is that all the

[150] Thomas Cottier, 'Embedding Intellectual Property in International Law' in Pedro Roffe and Xavier Seuba (eds), *Current Alliances in International Intellectual Property Lawmaking: The Emergence and Impact of Mega-Regionals, Global Perspectives for the Intellectual Property System* (CEIPI-ICTSD, Issue Number 4 2017), 17.
[151] Ibid.
[152] Drahos, 'BITs and BIPs - Bilateralism and Intellectual Property', 795.

negotiating countries have to agree on the same goals and ways to pursue these goals domestically and internationally. Alex Mills observes that this difficult task, even where achieved, would probably "come with a cost in terms of the content of the rules themselves."[153] He also argues that "significant compromise may be required for the sake of agreement, and this might require amendments to EU choice of law rules to bring them more closely in line with any international consensus which is reached."[154] In multilateral negotiations, countries may thus have to undertake a cost/benefit analysis to decide whether to pursue or not the negotiations.

An alternative approach is thus bilateral or plurilateral negotiations, and indeed we have seen that countries have usually achieved higher standards for intellectual property rights in bilateral or plurilateral treaties, impacting the balance of interests.

2.2 Intellectual property in bilateral investment agreements

Intellectual property norms are not contained in one single set of rules. The most common set of rules which we have already mentioned before are national and regional IP laws and international IP treaties. Yet, another body of rules is also increasingly impacting on intellectual property: international investment law. To understand this rather counterintuitive statement, one has to look back to the first bilateral investment treaties (BITs) concluded and understand the main drivers for concluding such treaties.

The US Bilateral Investment Treaty program can shed light on the policy objectives behind the conclusion of BITs. According to Drahos, this US program follows the same objectives as the ones that led to the draft Multilateral Agreement on Investment ('MAI'). He explains that: "Broadly speaking, the belief is that foreign investment and trade flows are intimately related and that liberalizing the rules on investment will also enhance trade. Adequate and effective protection for intellectual property is an explicit goal of the U.S. BIT Program".[155]

Indeed, and as we will see in the sections below, intellectual property has also become an integral part of the international investment law system. IP is treated as foreign investment and protected as such by most bilateral investment treaties but also by treaties with investment provisions, which are usually treaties with a broader scope. Such treaties can touch upon many different fields ranging from customs administration and trade facilitation, cross-border trade in services, financial services, telecommunications, environment, transparency and telecommunications, but also and most importantly intellectual property and investment.

In other words, the intellectual property and investment chapters are often separate sections of these free trade agreements. The intellectual property chapter usually contains substantive

[153] Alex Mills, 'EU External Relations and Private International Law: Multilateralism, Plurilateralism, Bilateralism, or Unilateralism?' in Pietro Franzina (ed), *The External Dimension of EU Private International Law after Opinion 1/13* (Intersentia 2016), 106.
[154] Ibid.
[155] Drahos, 'BITs and BIPs - Bilateralism and Intellectual Property', 794.

standards of protection, reiterating or sometimes going beyond the TRIPS Agreement. Earlier, we had referred to such provisions as TRIPS+ provisions. On the other hand, the investment chapter only very briefly mentions intellectual property, usually solely in the definition section, where IP can be included as a form of investment, and sometimes in the section on expropriation, where some IP-related measures are excluded from the scope of the provision.[156]

The European Union has also negotiated several of these treaties. Before the EU was granted an exclusive competence for foreign direct investment, individual Member States were concluding BITs with non-EU countries, but also with countries that later became Members of the EU. This has led to a difficult situation where some Member States have BITs in force between them, while EU law applies to the fields covered by those agreements. This particular situation of intra-EU BITs will also be addressed in more detail in the following sections, but it is important to keep these different layers of protection for intellectual property in mind, especially in the framework of the EU.

This inclusion of intellectual property into the realm of international investment law has been widely criticized by the doctrine, especially in recent years after the first investment arbitration cases involving intellectual property were made public. Many commentators have stressed the danger for the equilibrium of the intellectual property system that this growing interaction can create. In particular, the absence in investment law of important safeguards for the public interest which can be found in the TRIPS Agreement has been stressed, with several authors raising their voices with regards to the dilution of TRIPS flexibilities in investment arbitration.[157]

Yet, the intellectual property system can no longer be conceptualized as an isolated legal system, which would be hermetic to influences from other bodies of law. The opposite situation is also true, with intellectual property rights impacting increasingly on global trade, finance, and other sectors. Thus, this synergy cannot be ignored or rejected. Rather, a holistic approach and understanding of the current global trading system will allow us to draw reasonable conclusions and formulate proposals to ensure that this growing interaction between IP and investment law respects not only the interests of foreign investors but also those of the general public and other interested stakeholders. In this sense, we agree with Thomas Cottier when he concludes that “There are no convincing reasons to question its [intellectual property] basic incorporation into the trading system and more recently, into the law of international investment protection. IPRs are essential prerequisites of international trade and investment. The absence

[156] For a detailed understanding of this issue please see Part A Chapter 2 below.
[157] Cynthia M. Ho, 'A Collision Course Between TRIPS Flexibilities and Investor-State Proceedings' (2016) 6 UC Irvine Law Review 74; Carlos Correa, 'Investment Agreements: A New Threat to the TRIPS Flexibilities?' South Bulletin 72, South Center accessed 27 February 2018; Lisa Diependaele, Julian Cockbain and Sigrid Sterckx, 'Eli Lilly v Canada: the uncomfortable liaison between intellectual property and international investment law' (2017) 7 Queen Mary Journal of Intellectual Property 283; Clara Ducimetière, 'Intellectual Property under the Scrutiny of Investor-State Tribunals: Legitimacy and New Challenges' (2019) 9 JIPITEC 266.

of standards, as well as excessive standards, act as non-tariff barriers to international trade" (emphasis added).[158]

Section 2 – The regulation of Foreign Direct Investment in the European Union

The importance of foreign direct investment for the growth and competitiveness of European enterprises is usually accepted as a premise to any policy action taken in this field. Both outward and inward investments[159] are promoted in and by the European Union, notably, because the EU is the first sender and recipient of FDI worldwide.[160]

In a Communication from 2010, the European Commission observed that outward investment has an overall positive impact on growth, the competitiveness of European enterprises and productivity.[161] At the same time, the Commission acknowledged that "no measurable negative impact on aggregate employment has so far been identified in relation to outward investment. However, while the aggregate balance is positive, negative effects may of course arise on a sector-specific, geographical and/or individual basis."[162] As for inward FDI, the Commission recalled that "the overall benefits of inward FDI into the EU are well-established, notably in relation to the role of foreign investment in creating jobs, optimizing resource allocation, transferring technology and skills, increasing competition and boosting trade."[163]

Based on this premise, the EU progressively developed a policy framework for the regulation of foreign direct investment. Yet, this construction overlapped with the Member States' early competence and treaties as well as FDI policies, leading to challenging competency and compatibility issues, notably in the aftermath of the Lisbon Treaty. Looking at these challenges and at the ongoing development of the FDI policy of the EU will allow to put in perspective the broader issue of the protection of intellectual property in investment agreements and notably EU agreements.

[158] Cottier, 'Embedding Intellectual Property in International Law', 18.
[159] From the EU's point of view, inward investments are investments made by a foreign entity in the EU. Outward investments correspond to the strategy of EU firms to expand their operations to a foreign country.
[160] UNCTAD's World Investment Report 2018 read together with the Regional Fact Sheets 2018 show that FDI flows for 2017 in the European Union amounted to $ 304 billion for inward investments, and $ 436 billion for outward investment. In comparison, in the rankings for the top 20 host and home economies in 2017, the US holds the first position with $ 275 billion for inward investments and $342 billion for outward investments. Thus, the European Union considered as the sum of all EU Member States is the world leader in terms of FDI inflows and outflows. Documents available at: https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/World_Investment_Report.aspx
[161] Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - Towards a comprehensive European international investment policy [2010] COM(2010)343 final, 3.
[162] Ibid.
[163] Ibid.

A. The complexity of competency issues in the European Union with regards to international investment agreements

Before 2009, Member States were developing their own investment policies and signing bilateral investment treaties with non-EU countries, including a number of candidate countries[164]. The progressive enlargement of the European Union finally led to a situation where EU countries had BITs in force between them, the so-called intra-EU BITs.

Since 2009 and the entry into force of the Lisbon Treaty, the EU was vested with the exclusive competence on FDI. The Lisbon Treaty, signed in 2007 and which entered into force in 2009, introduced a new exclusive competence for the EU. Article 207 (ex Article 133 TEC) was amended as follows: "The common commercial policy shall be based on uniform principles, particularly with regard to changes in tariff rates, the conclusion of tariff and trade agreements relating to trade in goods and services, and the commercial aspects of intellectual property, *foreign direct investment*, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies. The common commercial policy shall be conducted in the context of the principles and objectives of the Union's external action." (emphasis added).

There was no reference to investment in the former Article 133 TEC. This reference to FDI under Title II on the common commercial policy marked a turning point in the division of competences between Member States and the EU for foreign investment.

1. The situation before the entry into force of the Lisbon Treaty

Before 2009, Member States enjoyed broad discretion in their policy choices for foreign investment. They were responsible for negotiating investment treaties and for developing their own policies to attract foreign investment and protect their investors abroad.

Germany was the first country to sign a bilateral investment treaty in 1957 with Pakistan.[165] Since 1957, the number of BITs signed by the EU Member States has skyrocketed, mirroring a global trend.[166] In 2014, UNCTAD reviewed all BITs signed by the EU Member States and found that these States had concluded over 1426 BITs then. In this study, UNCTAD noticed that: "Over the past 50 years, EU Member States have demonstrated varying levels of activity in concluding BITs, with Germany currently being signatory to 129 BITs, and Ireland being party to none."[167]

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[164] Candidate to the accession of the European Union.
[165] Treaty between the Federal Republic of Germany and Pakistan for the Promotion and Protection of Investments, 1959.
[166] Radu notes that the number of BITs globally increased from 500 in the 1990s to over 2500 in 2008. See: Anca Radu, 'Foreign Investors in the EU—Which 'Best Treatment'? Interactions Between Bilateral Investment Treaties and EU Law' (2008) 14 European Law Journal 237.
[167] UNCTAD, *Investor-State Dispute Settlement: an Information Note on the United States and the European Union* (IIA ISSUES NOTE 2 - June 2014) 3.

UNCTAD also differentiated between extra-EU BITs and intra-EU BITs and found that, in total, EU Member States were a party to 1356 extra-EU BITs (of which 1160 were in force) and 199 intra-EU BITs (of which 198 in force).[168]

Intra-EU BITs are treaties concluded between two EU Member States. In principle, the conclusion of such a treaty is not possible since EU law serves as a basis to regulate the economic, financial and commercial relationship between EU Member States. Yet, some EU countries have concluded bilateral investment treaties with countries that later became Members of the EU. This situation created (and continues, to some extent, to create) tensions about the applicability and supremacy of EU law and the internal market.

This tension is the result of the progressive enlargement of the EU. Indeed, since it was founded in 1957, the EU has expanded from 6 to 28 Member States.[169] Many countries, before joining the EU, had already signed treaties with future EU Member States, in particular, to facilitate trade and liberalize investments, but also to prepare their future accession to the EU.[170] This situation explains why today many Member States still have bilateral treaties in force between them, as these BITs were not automatically terminated once the accession process was finalized. In other words, extra-EU BITs mutated into intra-EU BITs after the respective countries became members of the European Union.[171]

On the other hand, before being able to accede the EU, candidate countries have to eliminate incompatibilities between EU law and their domestic laws, including international treaties. For instance, if a candidate country has signed a treaty with the United States, which is found to be incompatible with EU law, it has to renegotiate the treaty and sign a memorandum of understanding (MoU) to interpret the disputed provisions in light of EU law. Yet, the use of MoUs does not address all the issues of incompatibilities. The MOU "is far from representing an exhaustive solution: it has no legal force, it is limited to a number of core provisions for which the proposed solutions would come into force after a long period and it only applies to a limited number of BITs, while other BITs have similar compatibility problems."[172]

These incompatibilities can have very practical consequences. On the one hand, the country can face a risk of dispute if it adopts a measure that is compatible with EU law but incompatible with the BIT. On the other hand, it can also face liability if it takes action under the BIT, but which would be contrary to EU law. In particular, some areas can be covered by both the BITs

[168] Ibid.
[169] The number of Member States was reduced to 27 after the United Kingdom left the European Union.
[170] On this aspect, see: Segoin, 'Les accords de protection des investissements conclus entre États membres saisis par le droit de l'Union Achmea, C-284/16', 226-227.
[171] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 3.
[172] Radu, 'Foreign Investors in the EU—Which 'Best Treatment'? Interactions Between Bilateral Investment Treaties and EU Law', 238.

and EU law, such as the acquisition, management or operation of investments.[173] Such overlaps can be the source of many tensions and possible liability.

It is worth noting that in 2005, the European Commission referred three EU countries to the Court of Justice for incompatibilities between their BITs and EU law, in particular for violation of Article 351 TFEU.[174] Regarding agreements concluded before the accession of Member States, this Article foresees: "To the extent that such agreements are not compatible with this Treaty, the Member State or States concerned shall take all appropriate steps to eliminate the incompatibilities established."

The question of the compatibility of both intra- and extra- EU BITs with EU law will be addressed in greater details in the sections below, but it is important to keep in mind how the competence on foreign direct investment has impacted Member States' policies and their capacity to negotiate, conclude or just keep existing treaties in force. Besides, we will see that the shift of competence was not triggered by the willingness of Member States, but was rather the result of the Commission's action and initiative.

2. The change introduced by the Lisbon Treaty and rationale for the shift of competence

The introduction of a new exclusive competence on direct investment in the Lisbon Treaty has caused a lot of ink to flow amongst lawyers, economists, and scholars. Some scholars have pointed out that the shift of competence occurred "by stealth as a result of Commission entrepreneurship and historical serendipity", instead of being the result of negotiations and discussions between the Commission and the Member States.[175]

Before the entry into force of the Lisbon Treaty, the Commission had already started to negotiate the conditions of market access and the pre-establishment phase of investments in its treaties. In parallel, individual Member States were in charge of developing and drafting their policies for FDI protection, in particular in the post-establishment phase. The Lisbon treaty marked a turning point, in that both the pre- and post-establishment phases of foreign direct investments became of the exclusive competence of the EU.

How and why this shift occurred is not straightforward. Member States could have decided to transfer the competence on FDI to the EU to gain bargaining power on the international scene. It could also be a logical continuity of the integration process in the EU. Quite the contrary, it appears that the Member States were opposed to this shift.[176] It was therefore not the result of

[173] Ibid, 239.
[174] Ibid, 241.
[175] Sophie Meunier, 'Integration by Stealth: How the European Union Gained Competence over Foreign Direct Investment' (2017) 55 JCMS: Journal of Common Market Studies 593, 594.
[176] Ibid, 603.

intergovernmental negotiations,[177] nor the logical continuity of the evolution of EU's competences in the field of trade.

Indeed, most Member States and interest groups were either indifferent or opposed to the shift. On the other hand, the Commission had been pushing for the change since the 1990s, during the intergovernmental conferences leading to the Treaty of Maastricht in 1992, later in 1997 with the Treaty of Amsterdam, and again with the Treaty of Nice, yet always facing a lack of support and even an opposition of some Member States.[178] Thus, the inclusion of FDI in the Lisbon Treaty can seem rather surprising and hard to explain in light of the historical evolution of the discussion around this competence shift.

It seems that the inclusion of FDI in the final draft of the Treaty of Nice was the result of a coincidence rather than a common decision. Indeed, FDI had made its way in the final draft of the Constitutional Treaty. While not being included in the first drafts, foreign direct investment was added in the description of the common commercial policy during the Presidium, which met to discuss the recommendations of the working group on EU's external action.[179] This happened without further debate or discussion, and after the Constitutional Treaty was rejected in 2005, this issue was not re-opened for debate. Eventually, the Lisbon Treaty, which is similar in substance to the text of the Constitutional Treaty, included the same provision on the common commercial policy.[180]

The fact that the shift was not debated in depth before the entry into force of the Lisbon Treaty explains why the discussions on how to frame and implement the European investment policy have taken place after 2009, at a time where the European Commission was already negotiating free trade agreements and investment treaties with its trading partners. Since 2009, the European Commission and the Parliament have attempted to define the European investment policy through policy briefs and reports, but compatibility and competency issues are yet to be discussed and settled by the institutions and the Member States. Some of these issues have been clarified by the Court of Justice itself, which is progressively defining the EU investment policy through its opinions and decisions.

3. The diverging positions over the scope of the competence on FDI and the Opinion 2/15 of the Court of Justice

Article 207 TFEU includes "foreign direct investment" under the common commercial policy. Yet, no further definition or explanation is given of the meaning of foreign direct investment

[177] According to Sophie Meunier, the decision to delegate investment policy to the supranational level could have taken place after intergovernmental bargaining, for being "the most rational and effective way for [the Member States] to achieve their economic objectives". *See* ibid, 595.
[178] Ibid, 598.
[179] Ibid, 601.
[180] Sophie Meunier observes that "the paragraphs in the articles extending the scope of trade policy to foreign direct investment (now renamed Art. 206 and 207) made it into the new treaty untouched from the version hastily conceived in the Praesidium." *See* ibid, 603.

for EU's external action. One particular contentious point is whether FDI encompasses 'portfolio investment'. The Commission and the Parliament have argued it does.

In a Communication from 2010, the Commission defined FDI as follows: "Foreign direct investment (FDI) is generally considered to include any foreign investment which serves to establish lasting and direct links with the undertaking to which capital is made available to carry out an economic activity. […] When there is no intention to manage or control the undertaking, the investment is commonly referred to as 'portfolio investments'."[181] The Commission thus seemed to construe the concept of "foreign direct investment" rather broadly, including both direct and indirect investment, and in turn, intellectual property.

On the other hand, the Member States and the Council believed that foreign direct investment only encompasses "direct" investment.[182] These diverging views had an important impact on the negotiation of free trade agreements. While the Commission considered that these FTAs fall under the exclusive competence of the EU, the Member States were rather of the opinion that FTAs fall under shared competence, including because indirect investments would not be covered by Article 207 TFEU.

The question was eventually brought to the Court of Justice in the framework of the negotiation of the Free Trade Agreement between the EU and Singapore. The EU launched trade and investment negotiations with Singapore in 2010. Singapore is the EU's largest trading partner in the Association of South-East Nations (ASEAN) and the major destination for European investments in Asia.[183] It was thus strategic for the European Union to negotiate and conclude a trade and investment agreement with Singapore as soon as possible. Yet, the negotiation of such agreement proved to be more complex than it seemed at first instance, in particular, due to competency issues.

The negotiations were officially launched in 2009 and concluded in October 2014. [184] It must be said that the initial draft of the treaty was quite different from the version in force today. Indeed, the agreement was drafted as one single free trade agreement, with a chapter on investment as well as one chapter on intellectual property. Yet, after the Opinion 2/15 of the Court of Justice[185], which found that not all areas covered by the EU-Singapore FTA fall under the exclusive competence of the EU, the agreement was divided into two different parts. On the one hand, the Free Trade Agreement was kept but revamped, excluding, in particular, any

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[181] Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - Towards a comprehensive European international investment policy [2010] COM(2010)343 final, 2-3.
[182] *Opinion 2/15 of the Court (Full Court) of 16 May 2017., para 19.*
[183] See the European Commission's website : http://ec.europa.eu/trade/policy/countries-and-regions/countries/singapore/
[184] All documents are available at: http://trade.ec.europa.eu/doclib/cfm/doclib_section.cfm?sec=709&link_types=&dis=20&sta=81&en=89&page=5&langId=EN.
[185] *Opinion 2/15 of the Court (Full Court) of 16 May 2017.*

reference to investment, but keeping the intellectual property chapter. On the other hand, the negotiators drafted the Investment Protection Agreement (IPA), which deals with investment protection and dispute settlement. The FTA and the IPA were signed on 19 October 2018. In February 2019, the European Parliament consented to the trade and investment agreements. Following the Council of the European Union's approval, the Free Trade Agreement entered into force on 21 November 2019, while the investment protection agreement is still undergoing ratification by regional and national parliaments of the Member States.[186]

Taking a step back in time, when the agreement was still negotiated as a single free trade agreement encompassing all subject matters, including investment and intellectual property, the Member States disagreed with the Commission over the scope of competence of the EU to conclude such a treaty alone. In particular, the Member States considered that at least some part of the agreement fell under shared competence (or even exclusive competence of the Member States), while the Commission thought that the entire agreement fell under the exclusive competence of the EU, in particular, the common commercial policy.

The question was finally brought to the Court of Justice. It is important to understand that the question was not a purely legal one, but was likely to have important consequences on future negotiation processes with EU trading partners. Indeed, the answer to the question of competence would not only determine how much weight the Member States have during treaty negotiation processes, but it would also affect the complexity and length of the negotiations led by the EU. This is true in particular since 'mixed agreements' require the ratification of the agreement by all Member States, which can entail "severe delays in their entering into force; at worst, they multiply the risk of non-ratification at the end of a long and complex negotiation process."[187] This is the reason why the determination over the scope of the competence to conclude the EU-Singapore FTA was extremely contentious.

The request for an opinion was submitted to the Court by the European Commission on 3 November 2015.[188] It was worded as follows: "Does the Union have the requisite competence to sign and conclude alone the Free Trade Agreement with Singapore? More specifically: which provisions of the agreement fall within the Union's exclusive competence? Which provisions of the agreement fall within the Union's shared competence? And is there any provision of the agreement that falls within the exclusive competence of the Member States?"[189]

The Court rendered its Opinion on 16 May 2017. Before reflecting on the findings of the Court, it is important to note that Opinion 2/15 only deals with the competency of the EU to sign and

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[186] As of February 2022, 12 Member States have ratified it. Follow the adoption and ratification process here: https://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-singapore-ipa, last accessed 9 March 2022.
[187] Philip Hainbach, 'The CJEU's Opinion 2/15 and the Future of EU Investment Policy and Law-Making' (2018) 45 Legal Issues of Economic Integration 199, 201.
[188] Request for an opinion submitted by the European Commission pursuant to Article 218(11) TFEU (Opinion 2/15) (2015/C 363/22), 3 November 2015.
[189] *Opinion 2/15 of the Court (Full Court) of 16 May 2017., para 1.*

conclude the EU-Singapore FTA.[190] It does not look into the question of the compatibility of this agreement with EU law.[191]

The Parliament and the Commission were of the view that the agreement falls within the exclusive competence of the European Union, while the Council and the Member States considered that some provisions fall within the shared competence between the EU and the Member States.[192] In particular, they considered that some provisions of Chapter 9 (Investment), insofar as they relate to non-direct foreign investment, fall within shared competence.[193]

The Court recalled that, for an agreement to fall within the common commercial policy, it is not enough that this agreement has "implications" for trade. Rather, it must be "essentially intended to promote, facilitate or govern such trade and [have] direct and immediate effects on it"[194] (emphasis added) and thus, only the provisions that have such a characteristic fall within the common commercial policy, that is, the exclusive competence of the EU.

Concerning investment protection, the Court observed that Chapter 9 (Investment) relates to both direct and indirect investment.[195] For the Court, Article 207(1) TFEU is unambiguous in that acts concerning foreign direct investment fall within the common commercial policy.[196] In particular, the Court found that all the provisions of Section A (Investment Protection) of Chapter 9, dealing notably with the definition, the scope and the standards of treatment available, fall within the common commercial policy insofar as they relate to foreign direct investment between the EU and the Republic of Singapore.[197] Yet, the Court noted that this Section also relates to "non-direct foreign investment",[198] which falls within the shared competence between the EU and its Member States under Article 4(1) and 2(a) TFEU.[199]

The Court was particularly straightforward regarding investor-state dispute settlement. To conclude that Section B (Investor-State Dispute Settlement) of Chapter 9 falls within the shared competence, the Court reasoned as follows: "The claimant investor may indeed decide, pursuant to Article 9.16 of the envisaged agreement, to submit the dispute to arbitration, without that Member State being able to oppose this, and cannot, therefore, be established without the Member States' consent".[200] The EU could thus not conclude Section A (in so far as the

[190] Ibid, para 30.
[191] The compatibility of investment agreements with EU law will be addressed in Section 2.B below.
[192] *Opinion 2/15 of the Court (Full Court) of 16 May 2017., paras 18-19.*
[193] It is interesting to note that Chapter 11, which relates to intellectual property, was also considered to fall within shared competence by the Council and the Member States.
[194] *Opinion 2/15 of the Court (Full Court) of 16 May 2017., para 36.*
[195] Ibid, para 79.
[196] Ibid, para 81.
[197] Ibid, para 109.
[198] Ibid, para 110.
[199] Ibid, para 243.
[200] Ibid, para 291.

provisions relate to non-direct investment) and Section B of Chapter 9 of the EU-Singapore FTA on its own.

It is interesting to note that some discussions also took place about the intellectual property chapter. The Court, following established case-law, recalled that "International commitments concerning intellectual property entered into by the European Union fall within those 'commercial aspects' when they display a specific link with international trade in that they are essentially intended to promote, facilitate or govern such trade and have direct and immediate effects on it".[201] It also observed that the agreement was a "reminder" of existing obligations and bilateral commitments to ensure an adequate level of protection of IP and that it was not falling within the scope of harmonization of the laws of the Member States, but rather was intended to govern the liberalization of trade between the two countries.[202]

Member States argued that some provisions of the IP chapter fell within shared competence between the EU and the Member States, as Article 11.4 refers to multilateral conventions on copyright and related rights, which include provisions on moral rights.[203] Thus, they argued that this provision has no link with trade and does not fall within the common commercial policy. However, the Court found that the mere reference to multilateral agreements covering moral rights is not sufficient to consider that the EU-Singapore FTA, which does not mention moral rights, covers non-commercial aspects of IP.[204] The Court concluded that the "chapter consequently falls within the exclusive competence of the European Union pursuant to Article 3(1)(e) TFEU".[205]

This Opinion will have major implications for the future of EU negotiations notably in the fields of investment and intellectual property. From the Court's findings, we can conclude that the EU can negotiate alone provisions on foreign direct investment, including intellectual property investments, and this is reinforced by the fact that the EU also has exclusive competence to negotiate commercial aspects of intellectual property. On the other hand, it does not have the exclusive competence to negotiate dispute settlement provisions and provisions that relate to non-direct investment.

This finding also has important consequences in practice. Where the EU has exclusive competence, only a qualified majority at the Council will be required for the agreement to enter into force. On the contrary, if the provision falls within shared competence, this provision will need to be adopted unanimously. Besides, each Member State has a veto and can oppose the provision or the agreement. Each national parliament will also have to ratify the proposed

[201] Ibid, para 112.
[202] Ibid, para 126.
[203] Ibid, para 129.
[204] Ibid.
[205] Ibid, para 130.

agreement, which can take up to several years. One can thus understand the impact in terms of efficiency and time constraints that the judgment of the Court will have.

The approach adopted by the EU with some trading partners[206] to comply with the Court's judgment has been to divide the chapters into two distinct agreements: a free trade agreement, and an investment protection agreement. Another approach adopted by the Union has been to simply put aside the investment provisions, as illustrated by the negotiation between the EU and Japan.

The question of competency of the EU to conclude trade and investment agreements is only one side of the coin. Indeed, the question of the compatibility of such agreements was not touched upon in Opinion 2/15. The Court explicitly clarified that: "this opinion of the Court relates only to the nature of the competence of the European Union to sign and conclude the envisaged agreement. It is entirely without prejudice to the question whether the content of the agreement's provisions is compatible with EU law".[207] It did not take long until the question of the compatibility of investment agreements, and in particular, the dispute settlement chapters was brought to the Court of Justice.

In the following section, we will thus shed light on the compatibility issues that can arise from both intra- and extra- EU BITs, including investment agreements such as the CETA or the EU-Singapore IPA. In particular, we will see that some Member States took the view that investment provisions, and in particular investor-state dispute settlement, are contrary to EU law including the Charter and the EU legal order. Where this approach would prevail, enforcing intellectual property rights in investor-state arbitration under investment agreements would also be contrary to EU law.

B. The compatibility of BITs and EU investment agreements with EU law

Assessing the compatibility of international investment agreements to which the EU or its Member States are parties with the Treaties including the EU Charter of Fundamental Rights is a necessary step to subsequently evaluate the impact of such agreements on the protection of IP. Indeed, if we conclude that these agreements are all incompatible with EU law, then the assessment of the consequences of protecting IP under these agreements becomes irrelevant. On the contrary, where these agreements (or some of these agreements) are found to be compatible with EU law, including their dispute settlement chapter, then the assessment of how IP is protected under these agreements becomes relevant.

The body of international investment agreements is vast. Under this section, they have been divided into two distinct categories. First, bilateral investment treaties, including intra- and extra-EU BITs will be reviewed. Bilateral investment treaties are agreements covering exclusively the protection of foreign direct investment. By contrast, free trade agreements cover

[206] See for instance the EU-Singapore and EU-Vietnam agreements.
[207] *Opinion 2/15 of the Court (Full Court) of 16 May 2017., para 30.*

a wide range of subject matters, including foreign direct investment but also intellectual property in two distinct chapters. These agreements, exemplified by the CETA, will be the subject of the second section.

1. The compatibility of intra- and extra- EU BITs with EU law

The question of the compatibility of investment agreements with EU law became very topical after the entry into force of the Lisbon Treaty and the shift of competence. Since this shift also opened the door to the conclusion of new trade and investment agreements with EU trading partners, it was only a question of time before this question was brought to the Court of Justice. Yet, interestingly, the debate over the compatibility of investment agreements with the Treaties does not only concern extra-EU agreements but also took place in the framework of intra-EU BITs. In both cases, the most important and controversial issue has been the legality of the investor-state arbitration clause to be found in the agreements, rather than the agreement as a whole.[208] We will see that arbitral clauses in intra-EU BITs were the subject of several disputes, which took place in different fora, from national courts to the Court of Justice. On the other hand, the debate over investor-state dispute settlement in extra-EU investment agreements took place in the framework of the CETA.

The discussion over the compatibility of ISDS with EU law also asks the question of its legitimacy in light of the public interest. Therefore, when assessing the compatibility of ISDS with EU law, including the Charter of Fundamental Rights of the European Union (the EU Charter), one must consider whether this method of dispute resolution entails sufficient guarantees to safeguard the public interest, including for intellectual property disputes.

1.1 The validity of intra-EU BITs and the decisive turning point marked by the Achmea v Slovakia case

The debate over the validity of intra-EU BITs and in particular the arbitration clause they entail was illustrated by the iconic case opposing Achmea, a Dutch investor, to the Slovak Republic. The dispute was based on the bilateral investment treaty signed between the Netherlands and the Slovak Republic[209] in 1991, before the accession of the Slovak Republic to the EU in 2004. The same year, the Slovak Republic decided to open its health insurance market, allowing Achmea to invest in the country. In 2007, the government of Slovakia passed a law prohibiting the distribution of profits generated by private sickness insurance companies. Achmea initiated

[208] Yet, some authors have pointed out that Bilateral Investment Treaties and EU Law interact and that the relationship between the two is far from being peaceful. In particular, Radu shows that there are several substantive overlaps between BITs and EU law: even if there is no specific investment chapter in the Treaties, EU law regulates investment in several manners. For a detailed analysis of the potential overlaps and incompatibilities see: Radu, 'Foreign Investors in the EU—Which 'Best Treatment'? Interactions Between Bilateral Investment Treaties and EU Law'. On the compatibility of intra-EU BITs with fundamental rights and the ECHR, see: Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany'.

[209] After the dissolution of Czechoslovakia on 31 December 1992, the Slovak Republic took over the rights and obligations of Czechoslovakia. The BIT thus became binding between the Netherlands and the newly created Slovak Republic.

arbitration proceedings in October 2008, arguing that it had suffered a loss following the change of the law.

Without entering into the details of the arbitration case, it is interesting to note that different courts and institutions inside the EU had diverging opinions over the legality of such arbitration proceedings taking place between an investor from the EU and another EU country. We will review in particular the position of the German courts, of the Court of Justice in Case C-284/16, and finally of the Commission.

1.1.1 The position of the German courts

Frankfurt am Main was the chosen place of arbitration in this case. German law, therefore, applied to the arbitration proceedings. Achmea had initiated arbitration proceedings against the Slovak Republic in October 2008. In the course of the proceedings, the Slovak Republic objected to the jurisdiction of the arbitral tribunal, arguing notably that recourse to such an investment tribunal was contrary to EU law. However, the arbitral tribunal dismissed this objection, and by an award of 7 December 2012, ordered the Slovak Republic to pay EUR 22.1 million of damages to Achmea.[210]

The Slovak Republic brought an action to set aside the award before the Higher Regional Court of Frankfurt am Main. The Court, however, took the view that the arbitral clause in the bilateral investment treaty between the Netherlands and the Slovak Republic was valid under German and EU law. The Slovak Republic challenged the jurisdiction of the arbitral tribunal under German and EU law, based on several elements. First, the Slovak Republic submitted that the Dutch-Slovak BIT was terminated after the Republic's accession the European Communities, according to Article 59 VCLT (lex posterior), and that the arbitration clause could not apply following Article 30 VCLT (successive treaties). The Slovak Republic also argued that the arbitration clause was incompatible with EU law and in particular with the principle of the autonomy and supremacy of EU law, as well as Article 344 TFEU.[211]

In its judgment of 10 May 2012, the Frankfurt Court dismissed all the objections raised by the Slovak Republic. The Court found, in particular, that the arbitration clause did not violate Article 344 TFEU since this provision is only applicable between the Member States and not between an investor and a State. The Court also argued that the argument over Article 30 VCLT was without merit since it was based on the premise that the arbitration clause violated Article 344 TFEU. Further, the Court considered that the arbitration clause did not violate the non-discrimination principle under Article 18 TFEU, nor the principle of mutual trust in the courts of the Member States.[212]

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[210] *Case C-284/16, Slowakische Republik v Achmea BV* [2018] ECLI:EU:C:2018:158, para 12.
[211] Moritz Keller and Smaranda Miron, 'Message From Frankfurt - The Higher Regional Court of Frankfurt (Oberlandesgericht Frankfurt) Speaks on the Relationship Between EU Law and International Investment Law' (2013) 10 Transnational Dispute Management 15, 6-7.
[212] Ibid, 9-12.

After the Higher Regional Court dismissed the action, the Slovak Republic appealed to the Federal Court of Justice of Germany. The Court considered that "provisions of EU law take precedence, in the matters governed by them, over the provisions of the BIT".[213] However, it decided to submit a preliminary reference to the Court of Justice, as the question of the compatibility of the arbitration clause in intra-EU BITs had not yet been ruled by the Court, and as these questions "are of considerable importance because of the numerous bilateral investment treaties still in force between the Member States which contain similar arbitration clauses".[214]

1.1.2 The position of the Court of Justice in the Case C-284/16

The dispute between the Dutch investor Achmea and the Slovak Republic was brought to the Court of Justice. The questions for a preliminary ruling were the following:

"(1) Does Article 344 TFEU preclude the application of a provision in a bilateral investment protection agreement between Member States of the European Union (a so-called intra-EU BIT) under which an investor of a Contracting State, in the event of a dispute concerning investments in the other Contracting State, may bring proceedings against the latter State before an arbitral tribunal where the investment protection agreement was concluded before one of the Contracting States acceded to the European Union but the arbitral proceedings are not to be brought until after that date?

If Question 1 is to be answered in the negative:

(2) Does Article 267 TFEU preclude the application of such a provision? If Questions 1 and 2 are to be answered in the negative:

(3) Does the first paragraph of Article 18 TFEU preclude the application of such a provision under the circumstances described in Question 1?"[215]

Under Article 344 TFEU, the Member States undertake not to submit any dispute concerning the interpretation or application of the Treaties to any method of settlement other than those provided for in the Treaties. Article 267 TFEU foresees the preliminary ruling procedure.[216] Article 18 TFEU prohibits discrimination on grounds of nationality.

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[213] *Slowakische Republik v Achmea BV, para 13.*
[214] Ibid, para 14.
[215] Ibid, para 23.
[216] Article 267 TFEU reads : "The Court of Justice of the European Union shall have jurisdiction to give preliminary rulings concerning: (a) the interpretation of the Treaties; (b) the validity and interpretation of acts of the institutions, bodies, offices or agencies of the Union; Where such a question is raised before any court or tribunal of a Member State, that court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court to give a ruling thereon. Where any such question is raised in a case pending before a court or tribunal of a Member State against whose decisions there is no judicial remedy under national law, that court or tribunal shall bring the matter before the Court. If such a question is raised in a

To answer the first question raised by the German Federal Court, the CJEU first needed to determine whether the investment tribunal foreseen by the BIT at stake could be called to resolve disputes concerning the interpretation or application of EU law.[217] On this issue, the Court first recalled that the arbitral tribunal could only rule on the possible infringement of the BIT, but that it has to take into account any law in force between the contracting parties, which includes EU law.[218] Thus, the Court found that such arbitral tribunal may apply and interpret EU law, including provisions concerning fundamental freedoms.[219] In taking such a position, the Court did not address the argument that Article 344 TFEU only applies between two Member States, and not between a Member State and an investor.

Indeed, one could argue that the scope of application of Article 344 TFEU is a dispute arising between the Member States, solved in a State-to-State dispute settlement mechanism. If adopting a literal reading of Article 344 TFEU, only such dispute settlement tribunal would be contrary to EU law, provided that EU law is part of the law applicable. On the contrary, a dispute opposing an investor to a Member State would not fall within the scope of this Article, and thus, Article 344 TFEU would not apply. But this was not the position adopted by the Court in this case.

In addition, in the case at issue, EU law was considered to be part of the applicable law, on the basis of the following provision of the BIT: "The tribunal shall decide on the basis of the present Agreement and other relevant Agreements between the two Contracting Parties, the general principles of international law, as well as such general rules of law as the tribunal deems applicable."[220] Yet, all BITs differ and some might not foresee EU law as applicable law in an investment case. One could argue that such a provision, whereby any law applicable between the parties is part of the applicable law, is rather common in investment treaties. Yet, what would happen in case a BIT does not foresee such a rule, and thus, excludes EU law as applicable law? Would such a BIT, and in particular, the ISDS mechanism which it foresees, be compatible with Article 344 TFEU? Such an argument seems hard to sustain, and we will see that the Member States have not differentiated between their BITs and have taken strong commitments after the Achmea judgment to terminate all of their BITs.

To answer the second question, the Court ascertained whether the arbitral tribunal can be considered to be part of the judicial system of the EU, or in other words, whether it can be classified as a 'court or tribunal of a Member State' within the meaning of Article 267 TFEU.[221] The Court found that the arbitral tribunal is not part of the judicial system of the Member States,

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case pending before a court or tribunal of a Member State with regard to a person in custody, the Court of Justice of the European Union shall act with the minimum of delay".

[217] *Slowakische Republik v Achmea BV, para 39.*

[218] Ibid, para 40.

[219] Ibid, para 42.

[220] Slovakia Netherland BIT 1991 Article 10(7).

[221] *Slowakische Republik v Achmea BV, para 43.*

and that it has an exceptional nature.[222] The Court differentiated the arbitral tribunal from the Benelux Court of Justice, as this court applies legal rules common to the three Benelux States, while the arbitral tribunal does not have such a link with the judicial systems of the Netherlands or Slovakia.[223] The Court thus answered the second question as follows: "a tribunal such as that referred to in Article 8 of the BIT cannot be regarded as a 'court or tribunal of a Member State' within the meaning of Article 267 TFEU, and is not therefore entitled to make a reference to the Court for a preliminary ruling."[224]

On this point also the Court disagreed with the Advocate General. The AG considered that the investment tribunal could be considered to be a "court or tribunal", not of one Member States but two Member States, in this particular case Slovakia and the Netherlands.[225] Such reasoning is based on the recent evolution of the case-law, and in particular the cases Ascendi[226] and Merck[227] of 2016.[228] Based on these cases, the AG concluded that the investment tribunal could be considered to be "a court or tribunal" of two Member States, and should thus be capable of asking preliminary questions to the Court.[229] In the absence of the 2016 cases, the AG would probably have based its reasoning on the case-law from the '60s and '70s and concluded that the arbitral tribunal cannot make a preliminary reference to the Court. It was in light of the recent cases that the AG concluded that the BIT was compatible with Article 267 TFEU. This reasoning was not followed by the Court, which considered, on the contrary, that the investment tribunal is incompatible with Article 267 TFEU.[230]

On the question of whether the arbitral awards could be subject to review by domestic courts, the Court first observed that the fact that the award in the case at issue had been reviewed by German courts was only due to the fact that German law applied in this specific case, which will not always be the case. Not all domestic laws provide for a possibility of review of arbitral awards. Thus, there might be instances where domestic courts cannot review arbitral awards rendered by an arbitral tribunal such as the one foreseen by Article 8 of the BIT. The Court concluded that an investor-state tribunal "could prevent those disputes from being resolved in a manner that ensures the full effectiveness of EU law."[231]

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[222] Ibid, para 45.
[223] Ibid, para 48.
[224] Ibid, para 49.
[225] *Case C-284/16, Opinion of Advocate General Wathelet delivered on 19 September 2017* [2017] ECLI:EU:C:2017:699, paras 87-88.
[226] Case C377/13 *Judgment of the Court (Second Chamber), 12 June 2014* Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta SA v Autoridade Tributária e Aduaneira, ECLI:EU:C:2014:1754.
[227] Case C555/13 *Order of the Court (Eighth Chamber), 13 February 2014* Merck Canada Inc v Accord Healthcare Ltd and Others, ECLI:EU:C:2014:92.
[228] *Case C-284/16, Opinion of Advocate General Wathelet delivered on 19 September 2017, paras 87-88.*
[229] Ibid, paras 87-88.
[230] *Slowakische Republik v Achmea BV, para 49.*
[231] Ibid, para 56.

The AG considered that investment arbitration is not different from commercial arbitration in this regard.[232] The Court disagreed and found that there is indeed a difference that lies in the consent of the parties.[233] In commercial arbitration, the parties "fully express their wish" to submit their dispute to arbitration. [234] In investment arbitration, the Court says, the consent is different. Yet one could consider that the consent to submit a dispute to investment arbitration, even if given at the time of negotiation of the treaty, is still a valid consent. What makes it different from private parties' consent to resort to commercial arbitration? In any case, the Court considered investment arbitration distinct from commercial arbitration in this regard.

Besides, the Court noted that, in principle, an independent court created by an international agreement is not incompatible with EU law, "provided that the autonomy of the EU and its legal order is respected."[235] Yet, in the case at issue, the Court considered that: "Article 8 of the BIT is such as to call into question not only the principle of mutual trust between the Member States but also the preservation of the particular nature of the law established by the Treaties, ensured by the preliminary ruling procedure provided for in Article 267 TFEU, and is not therefore compatible with the principle of sincere cooperation."[236] The Court of Justice thus concluded that Article 8 of the BIT harms the autonomy of EU law.[237]

The Court did not discuss Article 18 TFEU, or whether the ISDS mechanism in the BIT discriminated against EU investors based on nationality. This question was answered by the Court in a subsequent judgment, which we will discuss below.[238]

What this case has taught us is that the Court of Justice, to preserve the effectiveness of EU law, ruled out a dispute settlement mechanism involving an EU State and an EU investor, which is a situation somewhat different from a dispute settlement mechanism involving only private parties. Indeed, commercial arbitration in the EU is still valid and commonly used.

The effect of the decision could be discussed. Some might argue that the judgment only applies to BITs concluded by the Netherlands or Slovakia. Such an argument would nevertheless be hard to sustain. On the other hand, it could be argued that the judgment applies to all intra-EU BITs, and would thus have a retroactive effect. In such a case, it would apply to around 195 treaties concluded between the Member States. One can thus grasp the importance of the judgment for the arbitration community.

The position of the Member States vis-à-vis intra-EU BITs has clearly evolved over time. Advocate General Wathelet commented that in their conclusions during the proceedings, eleven

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[232] *Case C-284/16, Opinion of Advocate General Wathelet delivered on 19 September 2017, para 258.*
[233] *Slowakische Republik v Achmea BV, para 55.*
[234] Ibid, para 55.
[235] Ibid, para 57.
[236] Ibid, para 58.
[237] Ibid, para 59.
[238] *OPINION 1/17 OF THE COURT (Full Court) of 30 April 2019 .*

Member States took the position that these treaties were invalid.[239] One might thus wonder why, over three decades, Member States applied these treaties. The position of the Member States was that, since intra-EU BITs afforded some protection to their investors, they chose not to terminate these treaties. However, it is apparent from the Declaration that the Member States have since then changed their position and committed to terminate their intra-EU BITs, in line with the Achmea judgment.[240]

From an intellectual property perspective, the Achmea decision should discard the possibility of an IP dispute between an EU Member State and an EU investor to be handled by an investment tribunal in the future. In other words, disputes arising from IP policies or IP regulations in the EU or by the Member States cannot be challenged in the future by an EU investor in investment arbitration. Cases such as the Eli Lilly or Philip Morris cases, which we will look into in the second Chapter below, should not happen inside the EU further to the Court's decision. Yet, it is important to note that the same conclusion is not true for disputes involving EU investors or EU States with non-EU partners. The situation of these extra-EU agreements will be scrutinized in the next section. But before moving to that point, we will briefly recall the position of EU institutions and the steps the Commission has taken in particular to put an end to the existence of intra-EU BITs.

1.1.3 The position of EU institutions with regards to intra-EU BITs

After the entry into force of the Lisbon Treaty, the EU had to deal with the issue of bilateral investment treaties in force between the Member States and how to manage them. The Commission has repeatedly explained that, in its view, intra-EU BITs are incompatible with EU law, for several reasons. First, they create a form of discrimination between investors from the EU Member States, by granting to only some EU investors additional protection for their investments and access to dispute settlement mechanism.[241] Second, the investor-state dispute settlement mechanism available under intra-EU BITs can jeopardize the functions of the CJEU as guardian of the EU legal system.[242]

While this seems to have been the position adopted by the Commission at least in the aftermath of the Lisbon Treaty, one could ask why such agreements were tolerated in the first place. We can recall that intra-EU BITs are usually the result of the accession of countries to the EU,

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[239] Statement of Melchior Wathelet during the Van Bael & Bellis CEPANI40 seminar on investment arbitration and EU law, 8 May 2019, Brussels. More information on the event available at: https://www.vbb.com/insights/trade-and-customs/van-bael-bellis-hosts-cepani40-seminar-on-investment-arbitration-and-eu-law (last accessed 9 March 2022).

[240] Declaration of the Representatives of the Governments of the Member States of 15 January 2019.

[241] European Commission, 'Get the facts: Intra-EU bilateral investment treaties ' (*Banking and Finance Newsletter* 23 July 2015) <https://ec.europa.eu/newsroom/fisma/item-detail.cfm?item_id=24581&utm_source=fisma_newsroom&utm_medium=Website&utm_campaign=fisma&utm_content=Get%20the%20facts%20Intra-EU%20bilateral%20investment%20treaties%20&lang=en> accessed 25 February 2019.

[242] European Commission, *Commission Staff Working Document - Capital Movements and Investment in the EU - Commission Services' Paper on Market Monitoring* (2012), 3.

transforming extra-EU BIT into intra-EU BIT. These agreements were also justified by the fact that they were supposed to prepare candidate countries to the accession to the EU. Yet, if this was the true purpose of these BITs, they should have contained a clause of termination of the BIT upon the accession of the country to the EU. This was not the case. Another important historic milestone is the signature of the European Charter Treaty (ECT) by the EU in 1994, which entered into force four years later and where ISDS also operates between the Member States. This shows that the position of the EU with regards to intra-EU BITs and in particular investor-state dispute settlement has evolved, the latest position being a clear opposition to both intra-EU BITs and intra-EU ISDS.

In 2015, the Commission launched the first infringement proceedings against Austria, the Netherlands, Romania, Slovakia, and Sweden, requiring these countries to terminate their intra-EU BITs.[243] In the Letters of Formal Notice, the Commission recalled that these BITs were concluded before the EU enlargements of 2004, 2007 and 2013, to reassure investors who wanted to invest in the future EU Member States. Yet, the Commission recalled that, since the countries accession to the EU, this additional layer of protection offered by BITs is no longer necessary since all Member States are subject to the same EU rules in the single market. Therefore, the Commission requested these five Member States to bring their intra-EU BITs to an end. In parallel, the Commission requested information from other 21 Member States who still have intra-EU BITs. It also recalled that Italy and Ireland had already terminated all their intra-EU BITs in 2012 and 2013. On 29 September 2016, the Commission sent a reasoned opinion to Austria, the Netherlands, Romania, Slovakia, and Sweden regarding their intra-EU BITs.[244]

It is interesting to note that the Commission had also intervened in several investment arbitrations as a non-disputing party to challenge the jurisdiction of the tribunals and advise that the intra-EU BITs be terminated.[245] Indeed, in 2014, UNCTAD revealed that out of the 117 reported cases brought against the EU Member States, three quarters (88 cases) were "intra-EU" disputes, i.e. disputes brought by investors from one Member State against another Member State.[246] Only 29 cases were brought by non-EU investors. These figures thus show the importance of intra-EU investor-state arbitration and the reason for the intervention of the Commission to put an end to these proceedings, considered to be unlawful in light of the guarantees already secured by EU law.

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[243] European Commission, *Commission asks Member States to terminate their intra-EU bilateral investment treaties, Brussels, 18 June 2015* (18 June 2015), available at http://europa.eu/rapid/press-release_IP-15-5198_en.htm.

[244] Sebastian Lukic and Anne-Karin Grill, 'The End of Intra-EU BITs: Fait Accompli or Another Way Out?' Kluwer Arbitration Blog <http://arbitrationblog.kluwerarbitration.com/2016/11/16/the-end-of-intra-eu-bits-fait-accompli-or-another-way-out/>.

[245] See the Partial award in the Eastern Sugar B.V. v. The Czech Republic case, available here; and the Award on jurisdiction in Achmea B. V. v. Slovakia case, available here.

[246]UNCTAD, *Investor-State Dispute Settlement: an Information Note on the United States and the European Union, 6.*

Following the Achmea judgment, where the Court of Justice found that investor-State arbitration clauses in intra-EU BITs are contrary to EU law, the Commission intensified its dialogue with Member States to encourage them to terminate their intra-EU BITs. In a Communication from July 2018 on the protection of intra-EU investments, the Commission recalled that EU law protects EU cross-border investments in the single market, as well as investors against unjustified restrictions.[247] It also recalled that investors can enforce their rights under EU law and benefit from multiple layers of protection, beyond the mere financial compensation usually available under BITs.[248]

As a response to the Commission's communications, the Member States issued a declaration on 15 January 2019 on the legal consequences of the Achmea judgment and investment protection. Before looking at the commitment of the Member States, it is interesting to highlight the different positions adopted by the Member States concerning the interpretation to be given to the Achmea judgment. One group of countries (comprised of Sweden, Luxembourg, Finland, Malta and Slovenia) were of the view that the ISDS provisions in intra-EU BITs must remain unapplied, but did not express their views over the validity or applicability of the Energy Charter Treaty in intra-EU cases since a decision was still pending before the Swedish courts. Hungary, on the contrary, considered that the findings in Achmea cannot apply to the Energy Charter Treaty. Some commentators justified Hungary's position by the fact that the country had pending arbitrations against Croatia based on the ECT. Finally, the remaining countries considered that ISDS provisions are no longer valid, be it in intra-EU BITs or the ECT. The last group's position was reflected in the 15 January 2019 Declaration of the Member States.[249]

In this Declaration, the Member States committed to terminate their intra-EU BITs and committed to further actions.[250] First, the Member States must inform investment arbitration tribunals about the consequences of the Achmea judgment, whether they are the responding party or the home State of a claimant investor. The Member State party to arbitration must request annulment and non-execution of intra-EU awards, either to the committee ad hoc of ICSID or to the judge of the seat of arbitration. The Home States of investors must make sure that these investors withdraw their pending investment arbitration cases. Second, no new intra-EU arbitration should be initiated. Rather, access to effective legal protection should be ensured, which is not evident in every Member State. Finally, where arbitral awards can no longer be annulled or set aside and were already complied with, they should not be challenged.

[247] European Commission, *Communication from the Commission to the European Parliament and the Council - Protection of intra-EU investment* (2018), 5-17.
[248] European Commission, *Commission asks Member States to terminate their intra-EU bilateral investment treaties, Brussels, 18 June 2015, 17-26.*
[249] 2019, 1.
[250] Ibid, available at https://ec.europa.eu/info/publications/190117-bilateral-investment-treaties_en

While it is true that a declaration does not have a binding force, the Member States decided in October 2019 to transform their declaration into a multilateral treaty.[251] This treaty had to be ratified by the Member States by 8 December 2019. On 5 May 2020, 23 Member States signed the agreement for the termination of intra-EU bilateral investment treaties. The agreement entered into force on 29 August 2020.[252]

1.1.4 Arbitration practice after the Achmea judgment

Theory can sometimes be far from the actual practice. Despite the Court's judgment, and the commitment of the Member States, data shows that arbitral tribunals issued awards in intra-EU disputes after the Achmea judgment and even after the Declaration. Table 1 shows the publicly available cases which have been initiated in 2018 after the Achmea judgment.[253] Table 2 lists the publicly available awards which were published in 2018.[254]

TABLE 1 – Cases initiated in 2018

Case name	Member State of investor	Date of initiation	Applicable Treaty	Arbitral rule and reference
LSG Building Solutions and others v. Romania	Austria	12 June 2018	ECT	ICSID Case No. ARB/18/19
Veolia Propreté v. Italy	France	20 June 2018	ECT	ICSID Case No. ARB/18/20
Bladon and German v. Romania	Cyprus	23 August 2018	BIT Cyprus - Romania 1991	ICSID Case No. ARB/18/30
Roščins v. Lithuania	Latvia	16 October 2018	BIT Latvia - Lithuania 1996	ICSID Case No. ARB/18/37
European Solar Farms v. Spain	Denmark	21 December 2018	ECT	ICSID Case No. ARB/18/45

[251] European Commission, *EU Member States agree on a plurilateral treaty to terminate bilateral investment treaties* (2019).
[252] According to the Commission's website, signatories of the termination agreement are Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia and Spain. *See* EU Member States sign an agreement for the termination of intra-EU bilateral investment treaties | European Commission (europa.eu) (last accessed 9 March 2022). The status of Contracting Parties' ratification, acceptance of approval of the agreement is available here: https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2019049&DocLanguage=en (last accessed 9 March 2022).
[253] Data collected using the database JusMundi: Jus Mundi | Search Engine for International Law and Arbitration.
[254] Ibid.

TABLE 2 – Awards rendered in 2018

Case name	Home State of the investor	Date of award	Applicable Treaty	Arbitral rule and reference	Outcome
Masdar Solar v. Spain	Netherlands	16 May 2018	ECT	ICSID Case No. ARB/14/1	Decided in favour of investor
A11Y v. Czech Republic	United Kingdom	29 June 2018	Czech Republic - United Kingdom BIT (1990)	ICSID Case No. UNCT/15/1	Decided in favour of State
Greentech and NovEnergia v. Italy	Denmark Luxembourg	23 December 2018	ECT	SCC Case No. 2015/095	Decided in favour of investor
Foresight and others v. Spain	Luxembourg Denmark Italy	14 November 2018	ECT	SCC Case No. 2015/150	Decided in favour of investor
C.D Holding and UP v. Hungary	France	9 October 2018	France - Hungary BIT (1986)	ICSID Case No. ARB/13/35	Decided in favour of investor
Antin v. Spain	Luxembourg Netherlands	15 June 2018	ECT	ICSID Case No. ARB/13/31	Decided in favour of investor
Antaris Solar and Göde v. Czech Republic	Germany	2 May 2018	Germany - Slovakia BIT (1990) ECT	PCA Case No. 2014-01	Decided in favour of State
Marfin v. Cyprus	Greece	26 July 2018	Cyprus - Greece BIT (1992)	ICSID Case No. ARB/13/27	Decided in favour of State
Gavrilovic v. Croatia	Austria	26 July 2018	Austria - Croatia BIT (1997)	ICSID Case No. ARB/12/39	Decided in favour of investor

As we can see from the available data, not all tribunals have given effect to the Achmea judgment. The responses of arbitral tribunals have been very different, and one could ask why there has been such a variety of responses in the aftermath of the Achmea judgment.

First, it should be noted that tribunals' findings and rulings are specific to each case. Besides, as we have noted earlier, the tables above only show the tip of the iceberg: many cases are not

rendered public, and it is thus impossible to conclude with certainty on the reaction of arbitral tribunals to the Achmea judgment. It can also be highlighted that the difference in the applicable arbitral rule can also play a role in the finding of the tribunal. As we will see below, the choice of procedural rule (ICSID Convention, UNCITRAL, SCC…) can have an impact on the tribunal's ability to review or take into account the Court's conclusions in the Achmea case.

The opposite is also true. Some have argued that the Achmea case was based on a specific BIT, applying specific arbitral rules and that its scope and significance for other arbitral decisions is limited. Indeed, one could apply a very narrow reading of the Achmea judgment and consider that such judgment only applies to BITs from the Netherlands and Slovakia, or only to BITs with UNCITRAL arbitration rules. Yet, the Court in the Achmea judgment emphasized the importance of mutual trust in intra-EU relations, which would extend its findings to all intra-EU disputes. Such a conclusion is reinforced by the Court's findings in the CETA decision, where the Court found that ISDS in disputes between the Member States and non-EU States is valid, in part since the principle of mutual trust does not apply in such relations.

1.1.4.1 Vattenfall v Germany

One tribunal that looked into the consequences of the Achmea judgment is the Vattenfall tribunal, in a case initiated in 2012, opposing Vattenfall, a Swedish investor, and Germany.[255] The dispute arose out of the decision of Germany to phase out the use of nuclear energy. The claimant alleged breach of several provisions of the Energy Charter Treaty. Most of the documents of the case are not publicly available, it is thus not possible to analyze the claims and arguments of the parties and the tribunal. One of the documents available is the Decision on the Achmea issue from 31 August 2018.[256] Germany had raised a jurisdictional objection following the Achmea judgment on 4 April 2018.

It is important to note that the German Constitutional Court had already ruled in 2016 over the expropriation claims of both Vattenfall and RWE, and had found the German State liable to pay compensation for the expropriation, however to a very limited extent, and "granted damages in an amount that was far less of what the plaintiffs had expected".[257] Vattenfall claimed higher damages in investment arbitration, while RWE was prevented from doing so, being a German investor.[258]

The tribunal first looked at the timeliness of the jurisdictional objection and found that "the ECJ judgment amounts to a new situation that entitled Respondent to raise its jurisdiction

[255] *Vattenfall AB and others v. Federal Republic of Germany (II)* ICSID Case No ARB/12/12.
[256] *Vattenfall AB and others v. Federal Republic of Germany (II)* ICSID Case No ARB/12/12, Decision on the Achmea Issue dated 31 August 2018.
[257] Christopher Heath and Anselm Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond' in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and International Dispute Resolution* (Kluwer Law International BV 2019), 12.
[258] Ibid, 12.

objection"[259] further to Article 41 ICSID. It then assessed the applicable law in the dispute to determine whether the ECJ judgment had legal implications for the tribunal's jurisdiction.[260] It concluded that applicable law is Article 26 ECT in conjunction with Article 25 of the ICSID Convention, which must be interpreted per general principles of international law as set out in the VCLT.[261]

The parties disputed the interpretation of Article 26 ECT. Germany contended that a restrictive interpretation of Article 26 ECT was to be applied, which would exclude the possibility of intra-EU ISDS, while the Claimant argued that no such exclusion exists in the provision.[262] The Tribunal looked at the ordinary meaning of "Contracting Party" in Article 26 ECT and found that this language encompasses both EU and non-EU States without distinction, concluding that the ECT does not foresee any exclusion for intra-EU investor-state arbitration.[263]

The tribunal then answered the question of whether EU law prevails under a conflict of laws analysis over the ECT, based on different "mechanisms": "(i) the lex posterior rule in Article 30 VCLT; (ii) the rule regarding the modification of multilateral treaties in Article 41(1)(b) VCLT; (iii) Article 351 TFEU as lex specialis ; and (iv) Article 16 ECT as lex specialis".[264] The tribunal found that Article 16 ECT is lex specialis in the case at issue, and thus rejected the Respondent's argument that EU law prevails over the ECT.[265] It added that, if the Contracting Parties to the ECT had intended to exclude intra-EU investor-State arbitration from the ECT, they should have done so explicitly.[266]

In conclusion, the Tribunal rejected the Respondent's request to dismiss all claims pending before the Tribunal based on the ECJ's findings in the Achmea decision.[267] On 16 April 2020, Germany filed a proposal to disqualify the members of the tribunal, which was rejected by the chairman of the administrative council on 8 July 2020. In November 2021, the parties informed the tribunal of their request to discontinue the proceedings, following an agreement reached by the parties with other nuclear power plant operators. The proceedings were hence discontinued in November 2021.[268]

The findings of the tribunal, in this case, may come as a surprise as some had predicted the end of all intra-EU investor-State arbitrations after the Achmea decision. Yet, as we can see from the Vattenfall case, there are many subtleties in investment law and there is no one-size-fits-all formula. Thus, the findings in a dispute that arose under a specific treaty with specific

[259] *Vattenfall v. Germany (II), para 98.*
[260] Ibid, para 108.
[261] Ibid, para 166.
[262] Ibid, para 169.
[263] Ibid, para 207.
[264] Ibid, para 215.
[265] Ibid, para 229.
[266] Ibid, para 229.
[267] Ibid, para 232.
[268] *Vattenfall AB and others v. Federal Republic of Germany (II)* ICSID Case No ARB/12/12, Discontinuance Order (9 November 2021).

procedural and substantive rules might not necessarily apply in a case with a different treaty and rules.

One could therefore argue that it is not for the investment tribunals to decline jurisdiction and apply EU law and findings of the ECJ, which lies outside the scope of investment tribunals' jurisdiction. On the contrary, the responsibility lies with the Member States, which need to exclude investor-State arbitration from their treaties, including intra-EU BITs or multilateral treaties such as the ECT. Otherwise, treaties such as the ECT could be assimilated to an international treaty such as the CETA, where investment tribunals are only competent to apply the provisions of the treaty and rules of international law.

Difficulties arise in disputes raised under international treaties such as the ECT involving two EU Member States. Different views have been put forward as to whether the rules of international law applicable to both parties include EU law. In Opinion 1/17, which we will analyze further below, the Court seems to refer to EU law as "domestic law" of the Member States.[269] Could arbitration tribunals in the future refer to this Opinion and argue that EU law is not part of international law, but rather part of the domestic law of the Member States? Could a tribunal consider EU law and the domestic law of Canada to take the example of the CETA, as equivalent?

Such findings would nevertheless go against the theory according to which EU law is an integral part of international law[270] and would thus apply in a dispute such as *Vattenfall v. Germany*. Indeed, in particular, in disputes involving two Member States, it seems reasonable to compare EU law and EU treaties to an international treaty between the Member States. Yet, even if one admits that EU law is part of international law, it could be argued that conflicts of law in public international law do not have to be solved if the subject matters are different. Thus, in the *Vattenfall* case, the tribunal could have argued that since EU law and international investment law have different subject matters, there cannot be a conflict between the two bodies of law. While investment law and EU law might actually overlap in some aspects and create conflicts of norms, the supremacy of EU law could be considered as the rule to be applied in intra-EU cases where a dispute between an EU Member States and their investors arises.

1.1.4.2 Masdar v Spain

In the Masdar v Spain case, the investment tribunal also dealt with the question of the impact of the Achmea judgment over intra-EU ECT disputes. The award was issued on 16 May 2018, in a dispute opposing Masdar Solar & Wind Cooperatief U.A., an investor established in the Netherlands, and Spain. Without entering into the details of the facts and procedure of the case, it is interesting to note that the tribunal dedicated an entire section of its award to the "intra-EU

[269] This assimilation is made throughout the Opinion but could be identified more precisely in para 133.
[270] This was for example the position adopted by the tribunal in *Electrabel S.A. v. Republic of Hungary* ICSID Case No ARB/07/19, Decision on Jurisdiction, Applicable Law and Liability (30 November 2012), based on the doctrine.

objection".[271] The Commission submitted an amicus curiae brief where it firmly stated that investor-state dispute settlement between an EU investor and a Member State is contrary to EU law.[272]

The Respondent raised several objections to the jurisdiction of the investment tribunal in this intra-EU dispute. First, the Respondent argued that the tribunal lacked jurisdiction because, according to Article 26 ECT, "the dispute must be between a Contracting Party and investors from different Contracting Parties."[273] The Respondent attempted to argue that the Netherlands and Spain are the same "Contracting Party", the European Union. The tribunal rejected this argument, based on previous awards, which all stated that, even if they are both members of the European Union, EU Member States still "exercise their sovereignty over their respective national territories."[274]

The Respondent also argued that the tribunal lacked jurisdiction because of the primacy of EU law. It argued that Article 344 TFEU "precludes the submission of a dispute of an intra-EU nature to arbitration under Article 26 of the ECT because it would require the Tribunal to decide about European investor rights on the Internal Market."[275] Yet, the tribunal found that such argument was rejected by several investment tribunals in the past and concluded that "nothing in EU law can be interpreted as precluding investor-State arbitration under the ECT and the ICSID Convention."[276] It thus dismissed the Respondent's objections and found Spain to be liable to pay EUR 64.5 million to Masdar.

On 29 June 2018, Spain filed a request for a supplementary decision in respect of the award, including an application to stay the enforcement of the award. The Tribunal rejected Spain's application to stay enforcement of the award on 24 August 2018, considering that "it has no power to order the stay of enforcement in connection with an application to supplement an award pursuant to Article 49(2) of the ICSID Convention."[277] The tribunal thus did not explicitly address the question of the relevance of the Achmea judgment and EU law for claims brought under the ECT. On 28 March 2019, Spain filed an annulment proceeding of the Tribunal's award before the ICSID. On 20 May 2020, the ad hoc Committee rejected Spain's request for a continuation of the stay of enforcement of the Award rendered on 16 May 2018. Eventually, in November 2020, the proceedings were discontinued pursuant to ICSID Arbitration Rule 44.[278]

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[271] *Masdar Solar & Wind Cooperatief U.A. v. Kingdom of Spain* ICSID Case No ARB/14/1, Award (16 May 2018) , paras 296-342.
[272] Ibid, paras 304-305.
[273] Ibid, para 296.
[274] Ibid, para 321.
[275] Ibid, para 333.
[276] Ibid, para 340.
[277] *Masdar Solar & Wind Cooperatief U.A. v. Kingdom of Spain* ICSID Case No ARB/14/1, Decision on the Respondent's Application to Stay Enforcement of the Award (24 August 2018), para 24.
[278] See Masdar v. Spain | Investment Dispute Settlement Navigator | UNCTAD Investment Policy Hub, last accessed 6 March 2022.

While one could praise the efforts of the tribunal to ensure consistency between arbitral awards, in relying on previous reasonings offered by investment tribunals with regards to the intersection of EU law and the ECT, such approach fails to take into account recent developments in EU law and in particular the Achmea judgment and its consequences. On the other hand, the Achmea judgment did not address the particular case of ECT and some have argued that an opinion of the Court is needed on this particular point.[279] Yet, even if the Court were to clarify the status of the ECT and were to declare ISDS in the ECT contrary to EU law, the effect of the CJEU's judgment on ECT tribunals could still be limited, as investment tribunals have shown to be reluctant to decline jurisdiction on such basis.

Spain has attempted to stay enforcement of ECT awards in other instances.[280] While it seems legitimate to expect that an investment tribunal would decline jurisdiction in any cases post-Achmea, challenging the validity of awards rendered before 6 March 2018 seems more difficult. How can a party justify the retroactivity of a decision such as the Achmea judgment? While it is already cumbersome to impose the Achmea judgment in the framework of investment arbitration, asking tribunals or domestic courts to review final awards on a retroactive basis could seem even more challenging. Yet, the Swedish Svea Court of Appeal granted Spain a stay on enforcement of an award obtained in February by Novenergia, a Luxembourg investor.[281]

The future awards rendered by investment tribunal in intra-EU ECT awards will have to be closely monitored, to confirm or infirm the apparent trend of rejecting any argument based on the Achmea judgment in intra-EU ECT cases. What is clear is that arbitral rules applying to a specific case can have an important impact, as well as the seat of arbitration. For instance, it would be more difficult for a respondent State to challenge the enforcement of an ICSID award, given the strict ICSID rule in this regard. Similarly, the legal seat of the proceedings can greatly influence the chances of setting aside an award. As we will see below, German courts have the legal basis in German law to be able to set aside an arbitral award, which would be contrary to *ordre public* or other grounds. Other EU courts might also be strongly encouraged to give full effect to the CJEU ruling. On the contrary, non-EU courts might not have an equivalent legal basis or incentives to set aside an arbitral award opposing an EU investor and an EU State. These elements must thus be kept in mind when looking at the responses of domestic courts after the Achmea judgment.

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[279] Damien Charlotin, 'Post-Achmea Developments: Spain Wants Court to Ask ECJ to Rule on Compatibility of Energy Charter Treaty with EU Law; Achmea Ruling Also Touted by Poland as Reason for Discontinued BIT Case' IAReporter (22 May 2018) <https://www.iareporter.com/articles/post-achmea-developments-spain-wants-court-to-ask-ecj-to-rule-on-compatibility-of-energy-charter-treaty-with-eu-law-achmea-ruling-also-touted-by-poland-as-reason-for-discontinued-bit-case/> accessed 26 November 2019.

[280] Damien Charlotin, 'Spain Secures Stay of Enforcement of Energy Charter Treaty Award in Swedish Court' IAReporter (18 May 2018) <https://www.iareporter.com/articles/spain-secures-stay-of-enforcement-of-energy-charter-treaty-award-in-swedish-court/> accessed 26 November 2019.

[281] Ibid.

1.1.5 The reaction of domestic courts to the Achmea judgment

Approximately eight months after the publication of the Achmea judgment, the German Supreme Court decided to set aside the award in the Achmea v Slovakia investment dispute.[282] Indeed, the German Supreme Court found that, since Article 8 of the Netherlands-Slovakia BIT[283] is contrary to EU law, it became inapplicable when Slovakia acceded to the EU in 2004. Thus, Achmea could not have accepted the "unilateral offer" of Slovakia to initiate arbitration.[284] The German Supreme Court annulled the award on the sole basis of the absence of arbitration agreement ab initio, without entering into considerations of German public policy.[285]

This decision might seem surprising as it seems in direct contradiction with the position taken by most investment arbitral tribunals which we will highlight below. Yet, it must be pointed out that the Achmea v Slovakia dispute was administered by the Permanent Court of Arbitration under UNCITRAL rules. The findings of the German Supreme Court could have been different in a dispute where the ICSID Convention is the applicable arbitral rule. Indeed, in recent ICSID arbitrations, tribunals have found that there is no contradiction between Article 53 of the ICSID and EU law.[286]

Tribunals have also found no contradiction with EU law in cases administered under the Stockholm Chamber of Commerce ('SCC') rules, as exemplified by the case opposing PL Holdings, a company registered in Luxembourg, and Poland.[287] The investor had initiated arbitral proceedings in November 2014 following the SCC rules, for the violation of an investment treaty between Poland on the one hand, and Luxembourg and Belgium on the other hand, which entered into force in 1991. The tribunal issued its award in this intra-EU dispute on 28 September 2017, hence before the Achmea judgment was rendered. Between September and December 2017, Poland filed two actions, one regarding a separate arbitral award, and the other regarding the final arbitral award, which have been handled by the Court of Appeal. On 13 June 2018, the Svea Court of Appeal decided to stay the enforcement of the final arbitral award, but such a decision had no impact on the validity of the arbitral award, which was addressed in the 22 February 2019 ruling.

In this decision, the Svea Court of Appeal rejected Poland's claims of invalidity of the award and its claim to set aside the arbitral award in its entirety. While Poland raised several grounds

[282] *Achmea B.V. (formerly Eureko B.V.) v. The Slovak Republic (I)* PCA Case No 2008-13, Judgment of the Grand Chamber of the European Court of Justice (6 March 2018).
[283] Article 8 of the Netherlands-Slovakia BIT foresees the investor-state dispute settlement mechanism.
[284] For an in-depth analysis of the German Supreme Court's reasoning, read: Lisa Bohmer, 'In Now-Public Decision, Reasoning of German Federal Supreme Court on Set Aside of BIT Award is Clarified' IAReporter (11 November 2018) <https://www.iareporter.com/articles/analysis-german-federal-supreme-court-puts-an-end-to-achmea-saga-finding-that-in-light-of-ecj-ruling-no-arbitration-agreement-existed-between-the-parties/> accessed 26 November 2019.
[285] Ibid.
[286] Ibid.
[287] *PL Holdings S.à.r.l. v. Republic of Poland,* SCC Case No V 2014/163.

for invalidity and challenge of the arbitral award, we will here only focus on the particular point of the compatibility of the award with EU law, in light of the Achmea ruling.

Indeed, the Court, in a lengthy analysis, assessed the significance of the Achmea ruling for consideration in the case at issue. After summarizing the main points of the ruling, it compared it to the circumstance of the case at issue. The Court acknowledged that both investment agreements contain a similar investor-state dispute settlement provision. Yet, the Court noted that Slovakia had raised an objection to jurisdiction based on the incompatibility of the ISDS provision with EU law already in its statement of defense. On the contrary, while it had also objected to jurisdiction in the statement of defense, Poland did so on different grounds, and only raised the compatibility with EU law at a later stage of the proceedings; which was key according to the Svea Court of Appeal.[288]

Besides, the Court noted that the Achmea judgment should be interpreted as precluding an agreement foreseeing investor-state arbitration between the Member States, but not between an investor and a Member State. In the Court's words: "The conclusion from the Achmea ruling is therefore that articles 267 and 344 TFEU would not as such preclude Poland and PL Holdings from entering into an arbitration agreement and participating in arbitral proceedings regarding an investment-related dispute. What the TFEU precludes is that Member States conclude agreements with each other meaning that one Member State is obliged to accept subsequent arbitral proceeding with an investor and that the Member States thereby establish a system where they have excluded disputes from the possibility of requesting a preliminary ruling, even though the disputes may involve interpretation and application of EU law."[289]

The distinction made by the Court on this point seems rather unclear. The disputes in Achmea and PL Holdings were both initiated based on an intra-EU BIT, containing a similar investor-state dispute settlement clause. The Court in the PL Holdings judgment seems to differentiate between the situation in Achmea, where two Member States would have concluded an agreement whereby they are obliged to accept arbitral proceedings with an investor, and the situation in PL Holdings, where Poland would have voluntarily entered into an arbitration agreement with the investor. The reasoning of the Court is rather difficult to follow, in particular since there are no notable differences between the BITs at stake. Had Poland concluded a contract with PL Holdings foreseeing ISDS as a dispute settlement mechanism, then the conclusions of the Court could make sense. Yet, as the case at issue is based on a BIT, it is hard to understand the distinction drawn by the Svea Court.

The Court also considered whether the arbitral tribunal in the case at issue had to interpret or apply EU law. Since the dispute concerned banking law which is harmonized within the EU, and which usually involves fundamental freedoms, the Court concluded that "the dispute

[288] *PL Holdings S.à.r.l. v. Republic of Poland,* SCC Case No V 2014/163, Judgment of Svea Court of Appeal on Set-aside Application, 22 February 2019, paras 117 & 359.
[289] Ibid, para 184.

between PL Holdings and Poland at least could have related to the interpretation or application of EU law."[290]

The Court eventually found that the case was about a breach of investment treaty, and declared Poland's liability "to pay compensation for such a breach of contract".[291] It concluded, without further elaborating on its reasoning: "The arbitral awards have therefore concerned assessment of issues that can be determined by arbitrators […]. What Poland has submitted, therefore, does not constitute grounds for declaring the arbitral awards invalid as per section 33, first paragraph 1 of the SAA."[292]

Such a conclusion is difficult to understand in light of the Achmea judgment. The Court seems not to have fully addressed Poland's argument, and it is rather difficult to understand the Court's reasoning on this particular point, in the absence of further explanation.

In a similar vein, the Court's reasoning on the compatibility of the award with Swedish *ordre public* is rather surprising. Poland argued that "It is of public interest that the autonomy of EU law is not undermined, and that the full effectiveness of EU law is ensured."[293] Yet, the Court of appeal rejected that argument, based on the CJEU's findings in the Eco-Swiss and Mostaza Claro cases. In a strange pattern of reasoning, the Court concludes that "The circumstances invoked by Poland cannot, as a matter of law, result in the substantive contents of the arbitral awards being contrary to fundamental EU law. Even if the arbitral awards would be based on an arbitration clause which was manifestly incompatible with ordre public, it does not follow that the contents of the arbitral awards are incompatible with ordre public. The arbitral awards shall therefore not be declared invalid as being manifestly incompatible with Swedish ordre public."[294]

The last stage of the Court's reasoning on this issue was to determine whether "the manner in which the arbitral awards arose" rendered these awards incompatible with Swedish *ordre public*. The Court relies on the Court of Justice's distinction between commercial and investor-State arbitration and adds a further distinction in cases where a Member State has entered into an arbitration agreement with an investor (which we understand to be a contract between the investor and the State). For the Court, such a situation is to be equated with commercial arbitration rather than investor-State arbitration arising from investment treaties. Thus, distinguishing the case at issue from the Mostaza Claro ruling, the Court concludes that the arbitral awards "even if based on article 9 (which is not valid between the Member States), have not arisen in a manner which is manifestly incompatible with Swedish ordre public",[295] and are thus not invalid.

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[290] Ibid, para 186.
[291] Ibid, para 193.
[292] Ibid, para 193.
[293] Ibid, para 189.
[294] Ibid, para 201.
[295] Ibid, para 204.

What is clear from this ruling is that a preliminary condition for a domestic court to rule on the invalidity of an investment award is that the laws of the country of this domestic court foresee grounds for invalidating awards, such as incompatibility with ordre public, which could include the respect for the autonomy and full effectiveness of EU law. Yet, this is not sufficient, as exemplified by the Svea Court of Appeal ruling, to find such award invalid. It seemed reasonable to interpret the Achmea judgment as to preclude investor-State arbitration between an EU investor and an EU Member State. Thus, an award settling such a dispute should be deemed to be invalid ab initio, or because the tribunal lacked jurisdiction in the first place. But the Court of Appeal reasoned differently.

One essential factor in the determination of the Court seems to have been the absence of grounds to challenge the jurisdiction of the tribunal in Poland's *Statement of Defense*, except for the argument that PL Holdings should not be considered an investor.[296] Poland only objected to the compatibility of the arbitral agreement with EU law in the *Statement of Rejoinder*, "six months too late" according to the Court which concludes: "Poland must therefore be considered to have waived its right to raise the objection."[297]

Finally, the Court of Appeal also addressed the need for a preliminary ruling by the Court of Justice. The Court observed that neither party considered such a request to be necessary, and found that, in its assessments of the Achmea ruling, it had not identified any interpretation issue which would justify the request for a preliminary ruling.[298]

This is rather regrettable, in light of the differences in interpretation of the Achmea ruling and the importance of domestic courts findings for the future of intra-EU investment disputes. It is our position that such a preliminary ruling will indeed be needed in the future if the domestic courts do not give full effect to the Achmea ruling. It will be particularly relevant with regards to the ECT, which status is also rather unclear.

Poland was granted leave to appeal to the Swedish Supreme Court, which rendered its judgment on 9 April 2019. At the time of writing, no information is available as to the content of the decision.

1.1.6 Conclusion

To conclude this section on the validity of intra-EU BITs, we can observe that the EU institutions and in particular the Commission have been very successful in encouraging (and sometimes pressuring) Member States to terminate their intra-EU BITs. While it took over a decade, the result can be praised from the perspective of the internal market and the safeguard of the EU legal order. Indeed, we take the view that avoiding the multiplication of sources of law for intra-EU investments will benefit both EU investors and EU Member States in future

[296] Ibid, para 224.
[297] Ibid, para 230.
[298] Ibid, paras 235-236.

investment policies and regulations. The termination of intra-EU BITs will certainly give more clarity to the European investment system, and the abolition of investor-state dispute settlement in the relation between EU investor and EU Member State seem to be the logical continuation of the construction of a just and fair judicial system in the EU.

Nevertheless, this rather optimistic view needs to be balanced given the recent developments concerning the other side of the coin: extra-EU BITs. Indeed, while we have already addressed the complex competency issues with regards to trade and investment agreements in the section above, we need to have a closer look at the competencies issues surrounding such agreements. It is particularly important since the EU is starting negotiations for trade and investment agreements with a growing number of trading partners, in a view of replacing, on the long term, individual and bilateral investment treaties signed by the EU Member States.

1.2 The validity of extra-EU BITs and the role of Regulation (EU) No 1219/2012

In a study from 2014, UNCTAD revealed that the 28 Member States of the European Union were parties to 1,356 extra-EU BITs, of which 1,160 were in force. It is important to recall that several extra-EU BITs, which are bilateral investment treaties negotiated between a Member State and a country, which is not part of the European Union, mutated into intra-EU BITs after the accession of different non-EU countries to the EU.

Yet, after the entry into force of the Lisbon Treaty, over a thousand BITs signed by the Member States were still in force. The Commission progressively developed an investment policy taking into account this situation, with a long-term objective of replacing gradually the BITs signed by the Member States by investment treaties negotiated by the EU with partner countries. Since 2007, the EU started, and in some instances already concluded negotiations with Canada, the United States, Japan, Singapore, Vietnam or the MERCOSUR, amongst others. Agreements concluded by the European Union take precedence over BITs concluded by the Member States, even a posteriori, as we will see in this section.

The question of the future of extra-BITs was addressed by the Regulation (EU) No 1219/2012, of the European Parliament and of the Council of 12 December 2012, 'establishing transitional arrangements for bilateral investment agreements between Member States and third countries'.[299] As a preliminary remark, it is important to recall that Article 2(1) TFEU provides that only the Union may legislate and adopt legally binding acts in areas falling under the exclusive competence of the EU. Member States can only adopt legally binding acts in areas of exclusive competence of the EU if so empowered by the Union.[300] On this premise, Regulation

[299] Regulation (EU) No 1219/2012 of the European Parliament and of the Council of 12 December 2012 establishing transitional arrangements for bilateral investment agreements between Member States and third countries.

[300] Recital (1) of Regulation 1219/2012 reads: "Following the entry into force of the Treaty of Lisbon, foreign direct investment is included in the list of matters falling under the common commercial policy. In accordance with Article 3(1)(e) of the Treaty on the Functioning of the European Union ('TFEU'), the European Union has exclusive competence with respect to the common commercial policy. Accordingly, only the Union may legislate

1219/2012[301] foresees strict conditions, under which Member States can maintain in force, amend or conclude bilateral investment treaties with third States.

Chapter II of the Regulation 1219/2012 deals with the maintenance in force of existing BITs concluded by the EU Member States. First, EU countries must notify the Commission of all BITs signed with third States before 2009 or before their accession to the EU (Article 2). Such BITs can be maintained in force until a bilateral investment agreement is signed between the EU and the same third State (Article 3). Member States have a duty of cooperation "with a view to the progressive replacement of the bilateral investment agreements notified pursuant to Article 2" (Article 6).

Chapter III of the Regulation 1219/2012 contemplates the authorization to amend existing BITs or conclude new ones. Article 7 allows the Member States to amend existing BITs or conclude new ones only if the conditions set out in the Regulation are respected. In particular, the Member States must notify and obtain the authorization of the European Commission (Articles 8 to 11). Such authorization can be refused in several instances listed under Article 9 of the Regulation: if the negotiations conflict with EU law, if the EU is already negotiating an agreement with the third country, if the negotiations are inconsistent with EU principles and objectives, or if the negotiations constitute a serious obstacle to EU-led negotiations.

The European Commission must be informed of any negotiation taking place and will grant the final approval over the last version of the negotiated agreement. As for existing BITs between the Member States and third countries, they will remain in force until an international investment agreement is signed between the EU and this third country.

By mid-2016, the Commission had granted 93 authorizations to open new negotiations and 41 to open re-negotiations.[302] It had also issued 16 authorizations to conclude new agreements and 21 to conclude protocols for existing extra-EU BITs.[303] A list of all the BITs signed by the Member States must be published annually by the Commission, per Article 4 of the Regulation 1219/2012.[304]

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and adopt legally binding acts within that area. The Member States are able to do so themselves only if so empowered by the Union, in accordance with Article 2(1) TFEU."

[301] Regulation (EU) No 1219/2012 of the European Parliament and of the Council of 12 December 2012 establishing transitional arrangements for bilateral investment agreements between Member States and third countries.

[302] Stefanie Schacherer, 'Can EU Member States Still Negotiate BITs with Third Countries?' (*IISD, Investment Treaty News,* 10 August 2016) <https://www.iisd.org/itn/2016/08/10/can-eu-member-states-still-negotiate-bits-with-third-countries-stefanie-schacherer/> accessed 05 December 2017.

[303] Ibid.

[304] This list can be found here: <https://op.europa.eu/en/search-results?p_p_id=portal2012searchExecutor_WAR_portal2012portlet_INSTANCE_q8EzsBteHybf&p_p_lifecycle=1&p_p_state=normal&language=en&startRow=1&resultsPerPage=10&SEARCH_TYPE=SIMILAR_DOCUMENTS&ORIGINAL_DOCUMENT_ID=c735ca21-0c40-11e6-ba9a-01aa75ed71a1.0006> accessed 27 November 2011.

Some authors have questioned the legal necessity of such Regulation. Nikos Lavranos shows that the Regulation was the result of a compromise between the Commission and the Parliament on one side, and the Council on the other side. According to the author, the Commission considered that such Regulation was necessary after the shift of competence operated by the Lisbon Treaty since existing and future BITs could be inconsistent with EU law and could become a "legal problem".[305] On the other hand, some Member States argued that the Regulation expands the powers of the European Commission and was not necessary.[306]

From a perspective of public international law, existing BITs continued to be fully binding after the Lisbon Treaty entered into force, and "there was and is clearly no legal 'problem' and therefore no legal 'necessity' for a grandfathering Regulation."[307] Yet, negotiations between the Council, the European Commission, and the European Parliament over this Regulation lasted 2 years. The final text is the result of compromises from all sides.[308] In particular, while the Commission seemed to have pushed for a regulation based solely on an authorization system, the final agreement foresees that authorization will be required only for post-Lisbon Treaty agreements, while a replacement system has been thought for BITs signed before 1 December 2009.[309]

To determine the importance and relevance of these extra-EU BITs for the protection of intellectual property, four BITs have been randomly selected from the list of BITs published in the Official Journal of the European Union on 27 April 2018 and examined.[310] The table below displays the name of the Contracting parties, the title of the agreement with the date of signature, and finally any reference to intellectual property in this agreement.

TABLE 3 – Bilateral investment agreements between Member States and third countries

Contracting Parties	Title of the agreement and date	Reference to intellectual property	Investor-state dispute settlement
Kingdom of Belgium **Democratic Republic of the Congo**	Protocole entre le Royaume de Belgique et la République du Zaïre relatif à l'encouragement réciproque	Article 1er. Au sens du présent Protocole, le terme « investissements » comprend toutes les catégories de biens notamment, mais non exclusivement : […] – les droits de propriété industrielles, brevets d'invention, marques	Yes Article 8

[305] Nikos Lavranos, 'In Defence of Member States' BITs Gold Standard: The Regulation 1219/2012 Establishing a Transitional Regime for Existing Extra-EU BITs - A Member State's Perspective' (2013) 10 Transnational Dispute Management, 3.
[306] Ibid.
[307] Ibid.
[308] Ibid, 8.
[309] Ibid, 8-9.
[310] Official Journal of the European Union, C 149, 27 April 2018, available at: EUR-Lex - C:2018:149:TOC - EN - EUR-Lex (europa.eu) (accessed 21 February 2022).

	des investissements - 28.3.1976	de fabrique ou de commerce, ainsi que les éléments incorporels du fonds de commerce	
Republic of Bulgaria **Swiss Confederation**	Agreement between the Republic of Bulgaria and the Swiss Confederation on promotion and reciprocal protection of investments – 28.10.1991	Art. 1 Définitions Aux fins du présent Accord: (1) Le terme «investissements» englobe toutes les catégories d'avoirs et en particulier: […] (d) les droits d'auteur, les droits de propriété industrielle (tels que brevets d'invention, dessins ou modèles industriels, marques de fabrique ou de commerce, marques de service, noms commerciaux, indications de provenance), le savoir-faire et la clientèle;	Yes Article 11
Federal Republic of Germany **Lao People's Democratic Republic**	Agreement between the Federal Republic of Germany and the Lao People's Democratic Republic concerning the Encouragement and Reciprocal Protection of Investments – 9.8.1996	Article 1 For the purpose of this Agreement 1. The term "investments" comprises every kind of asset, in particular: […] (d) Intellectual property rights, in particular copyrights, patents, utility-model patents, registered designs, trade-marks, trade-names, trade and business secrets, technical processes, know-how, and good will;	Yes Article 11
Republic of Estonia **Kingdom of Morocco**	Agreement between the Government of the Republic of Estonia and the Government of the Kingdom of Morocco for the Reciprocal Promotion and Protection of Investments – 25.09.2009	ARTICLE 1 Definitions For the purposes of this Agreement: 2. The term "Investment" shall mean every kind of asset invested in connection with economic activities by an investor of one Contracting Party in the territory of the other Contracting Party, in accordance with the laws and regulations of the latter and shall include, in particular, though not exclusively: […] d) intellectual property rights, including copyrights, patents, licenses, trademarks, trade names, technical process, industrial designs and know how;	Yes Article 8

Intellectual property features in the four agreements randomly selected, and we can assume that IP appears in most extra-EU BITs alongside investor-state arbitration. Therefore, where these agreements remain in force, the assessment of the impact of the protection of IP in these agreements on the public interest becomes relevant.

2. The compatibility of investor-State dispute settlement chapters in investment agreements with the Treaties and the Charter: a closer look at the CETA

The title of this section purposely focuses on investor-state dispute settlement chapters because these chapters are the ones that have been controversial and have attracted the attention of

governments, the public opinion and finally the Court of Justice. The investment chapters as such have not provoked such intense reactions within the public opinion, even if the efforts of modernizing international investment law also focus on the substantive standards of protection contained in the investment chapters.

To assess the compatibility of trade and investment agreements with the Treaties, we will, therefore, focus on the investor-state dispute settlement chapter, in particular on the relevant chapter of the CETA which has been subject to the scrutiny of the Court of Justice.

2.1 Controversies around CETA's ISDS chapter

The first version of the CETA was made public in 2014, in a context of vigorous public protests against investor-state arbitration.[311] During the negotiations of the CETA, Germany was even opposed to the introduction of the investor-state provision in the text of the agreement.[312] Bungenberg observed that the German public was amongst the strongest opponents of ISDS in Europe.[313] He writes that: "In the spring of 2014, a heavy and one-sided public debate began in the German media, not only in some of the leading newspapers, such as Sueddeutsche Zeitung, Die Zeit, Der Spiegel, and Frankfurter Allgemeine Zeitung but also on talk shows such as Anne Will and the Heute Show. Most articles described ISDS in very negative terms, usually mentioning the still undecided Vattenfall and Philip Morris cases. Most articles insisted on the exclusion of ISDS in TTIP and CETA."[314]

As a response to these movements and to address the general public's concerns, the Commission suggested introducing changes with regards to the ISDS system. The Commission proposed, in particular, the creation of the investment court system (ICS) in September 2015 and sought to introduce this change in the already concluded text of the CETA. The ICS is presented and analysed in detail in Part B, but the main improvements of the ICS compared to traditional investor-state dispute settlement concern the appointment of a permanent tribunal and the availability of appeal, in addition to improvements regarding transparency, ethics or costs among others. Thanks to the change of government in Canada at that period, the amendment of the text was possible with Canada's Prime Minister's support.

The final text, and in particular Article 8.18, reflects the project of a permanent arbitral court, with procedural rules agreed by the parties (ICSID, UNCITRAL or other). Article 8.28 introduces an appellate tribunal. Therefore, the agreement moved away from the classical and highly criticized investor-state dispute settlement mechanism, and replaced it by a more institutional "investment court system", the long term objective being the establishment of a

[311] Wolfgang Alschner and Dmitriy Skougarevskiy, 'Mapping the Universe of International Investment Agreements' (2016) 19 Journal of International Economic Law 561, 585.
[312] Benedetta Cappiello, 'ISDS in European International Agreements: Alternative Justice or Alternative to Justice?' (2016) 13 Transnational Dispute Management, 1.
[313] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 15.
[314] Ibid.

permanent investment court or multilateral investment court, to replace the ICS. Yet, the new investment court system remains controversial, as we will see in greater detail in Part B.

In a publication from 2017, the European Parliament shed light on the evolution of CETA rules with regards to investment arbitration. The Parliament recalls that, further to the public consultation on the ISDS chapter in the TTIP, it requested the replacement of the ISDS in the CETA with a new "court system."[315] The European Commission and Canada thus renegotiated the relevant provisions of the CETA to replace them with the ICS, which introduces several safeguards and "innovations" to enhance the legitimacy of the system.

On the question of the autonomy of the EU legal order and the proposed ICS, the European Parliament's position was that the establishment of the ICS can be considered to conform with EU law. In particular, the European Parliament considered that the ICS differed from the European and Community Patent Court, first because domestic court competences are not transferred to the ICS, and second because the ICS is not competent to apply domestic or EU law.[316] Indeed, Article 8.31 CETA foresees that the ICS will have no jurisdiction to rule on the legality of a measure under EU law. Besides, the interpretation of EU law given by the tribunal will not be binding upon EU domestic courts or the CJEU.

To the arguments that the ICS would still violate the autonomy of EU legal order because the tribunal might interpret directly or indirectly EU law, because there could be no prevailing interpretation or because there is no preliminary reference procedure foreseen for the ICS, the Parliament answers that these arguments could apply to any international tribunal including under the WTO.[317] The Parliament also contends that the ICS is different from the European Court of Human Rights since the ICS is not an appeal body for CJEU decisions or domestic courts.[318]

Yet, many actors ranging from academia, civil society or politicians were still firmly opposed to this investment arbitration system. Several constitutional challenges took place in France, Germany but also Canada.[319] The argument was that the new ICS did not solve the issues arising from ISDS and that such a court could threaten the autonomy of the EU legal order and the role of EU courts.[320]

On 27 October 2016, the Kingdom of Belgium reached an internal agreement with the federal governmental and federated entities with regards to the signature of the CETA. Part of this agreement regarded the conditions posed by the Kingdom of Belgium on the signature of the CETA. In particular, the Kingdom of Belgium committed to requesting the opinion of the Court

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[315] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules* (European Parliamentary Research Service, PE 607251, 2017).
[316] Ibid, 26-27.
[317] Ibid, 27-28.
[318] Ibid, 28.
[319] Ibid, 5.
[320] Ibid.

of Justice on the compatibility of certain provisions of the CETA with EU law, notably the chapter on the resolution of disputes between investors and State, in light of Opinion 2/15. On 6 September 2017, the Walloons referred the ICS in the CETA to the Court of Justice.[321]

It must be noted that reaching an agreement as to the content of the request was not an easy task. Carinne Pochet, the Director of DG Legal Affairs and EU law at the Belgian Ministry of Foreign Affairs, shared that it had required many meetings, many drafts before agreeing on the first request, which then had to be submitted to vote.[322] Reaching an agreement on the final draft to be submitted for a request was cumbersome. Even once the final agreement was given in August, the request still had to receive the agreement of all ministers implicated and comité de concertation. In total, the process took around one year, which Pochet considered being rather efficient having regard to the complexity of the process.

The Kingdom of Belgium finally requested the opinion of the Court on the compatibility of Chapter 8, Section F of the CETA with the Treaties, including fundamental rights. In concrete terms, the Kingdom of Belgium asked the CJEU to give an opinion on the compatibility of the ICS with: the exclusive jurisdiction of the CJEU over the definitive interpretation of EU law; the general principle of equal treatment and the requirement that EU law is effective; the right of access to an independent and impartial tribunal.[323]

2.2 Opinion 1/17 of the Advocate General Bot delivered on 29 January 2019

In recent years, investor-state dispute settlement has become highly controversial and the EU has undertaken to develop a new dispute settlement model addressing the shortcomings of the existing ISDS system. This new model often referred to as the Investment Court System, has been included in recent trade and investment agreements concluded by the EU, including the CETA. Advocate General Bot (AG Bot) described this new system as being "a compromise between an arbitration tribunal and an international court."[324] It is an experiment, he says, and the EU "is at the forefront of a movement the future of which will determine whether –from a legal standpoint – it is likely to be continued."[325]

In his opinion, AG Bot recalled that the investor-state dispute settlement system was first created as a response to the perceived shortcomings of judicial systems in certain countries. The availability of ISDS, he argues, "is intended to encourage investment by offering reassurance to economic operators who decide to invest in another country."[326] Yet, AG Bot clarified that

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[321] EURATIV with Reuters, 'Belgium seeks EU court opinion on EU-Canada free trade deal (6 September 2017)' <https://www.euractiv.com/section/ceta/news/belgium-seeks-eu-court-opinion-on-eu-canada-free-trade-deal/> accessed 18 October 2018.
[322] Carinne Pochet, *CEPANI40 – Van Bael & Bellis event on EU law and investment Arbitration* (8 May 2019).
[323] Royaume de Belgique Affaires étrangères Commerce extérieur et Coopération au développement, *AECG DEMANDE D'AVIS BELGE À LA COUR DE JUSTICE DE L'UNION EUROPÉENNE NOTE EXPLICATIVE* (6 September 2017).
[324] *Opinion 1/17 of Advocate General Bot delivered on 29 January 2019* ECLI:EU:C:2019:72, para 18.
[325] Ibid.
[326] Ibid, para 13.

the scope of his Opinion was not to "take a view on the appropriateness, from a political perspective, of providing for a method of dispute settlement of this kind in the agreements which the European Union negotiates with third States, or on the economic impact which the ISDS system may have in terms of attracting foreign investors and the development of their operations. Those factors fall within the discretion of the EU institutions."[327]

The Advocate General thus limited its analysis to the compatibility, from a legal perspective, of the investment court system as foreseen in the CETA with specific provisions of the Treaties and the Charter. He first considered the question of the compatibility of the ICS with the exclusive jurisdiction of the Court over the definitive interpretation of EU law.

2.2.1 The compatibility of the ICS with the exclusive jurisdiction of the Court over the definitive interpretation of EU law

Citing Opinion 1/09, he recalls that the autonomy of the EU legal order is safeguarded by the Court of Justice and courts and tribunals of the Member States, and its consistency and the full effect is ensured by the preliminary ruling procedure and the dialogue between national courts and the Court of Justice.[328] Yet, autonomy is not a synonym for autarchy: "It requires merely that the integrity of that legal order, which is based to a great extent on the jurisdiction of the Court to have the final say on EU law and on its cooperation, to that end, with the courts and tribunals of the Member States, is not undermined."[329]

AG Bot then addressed the conditions for the establishment of a specific dispute settlement mechanism under an international agreement concluded by the EU. On this issue, several elements must be taken into account: first, international agreements are an integral part of the EU legal order and thus prevail over secondary legislation; second, since the CETA has no direct effect, it coexists with EU law and interferences between the two legal systems have been "deliberately limited"; third, it is the CJEU's constant jurisprudence that "the creation of a court responsible for the interpretation of [the international agreement's] provisions and whose decisions are binding on the institutions, including the Court of Justice, is not, in principle, incompatible with EU law" (emphasis added). [330] Such a court can be created provided that it does not adversely affect the autonomy of the EU legal order. Referring to Opinion 1/00 of the Court, AG Bot clarified that: "'the preservation of the autonomy of the legal order requires therefore, first, that the essential character of the powers of the [European Union] and its institutions as conceived in the Treaty remain unaltered'. Second, it requires that the dispute settlement system will not 'have the effect of binding the [European Union] and its institutions,

[327] Ibid, para 33.
[328] Ibid, paras 53-56.
[329] Ibid, para 59.
[330] Ibid, paras 60-65.

in the exercise of their internal powers, to a particular interpretation of the rules of [EU law]'." (emphasis added).[331]

AG Bot went on recalling the rationale for providing for an investor-state dispute settlement mechanism, which lies in the requirement of reciprocity. In other words, "The fear of foreign investors of being placed at a disadvantage as compared with national investors when they bring proceedings before national courts or tribunals is thus expressed in the reciprocal grant of the possibility of accessing a specific dispute settlement mechanism."[332] Besides, the lack of direct effect of the CETA, preventing national courts from applying the standards of protection defined in the CETA, is consistent with the creation of a "dispute settlement mechanism which lies outside the Parties' domestic judicial system."[333]

Finally, another justification for having the ICS in the CETA is the absence of "mutual trust" in the relation between the EU and Canada. Indeed, the principles of mutual trust and sincere cooperation preclude two Member States from establishing investor-state dispute settlement in their intra-EU BITs under EU law, as we have seen earlier. This was also made clear in Opinion 2/15. Nevertheless, the situation is different between the EU and Canada, since their relationship is not based on such principles and EU law is not part of the applicable law between the two parties (contrary to the situation between two Member States where EU law is interpreted and applied).[334]

AG Bot also considered that the Parties provided for sufficient guarantees to preserve the exclusive jurisdiction of the Court over the definitive interpretation of EU law. In particular, the CETA Tribunal's jurisdiction is limited to Section C ('Non-discriminatory treatment') and Section D ('Investment protection') of Chapter 8.[335] Besides, the tribunal has no jurisdiction to rule on EU law.[336] It cannot rule on the legality of acts adopted by the Member States or the EU and can only grant compensation.[337] It might consider EU law as a matter of fact and in conjunction with the right to regulate, but its interpretation of EU law will only be binding between the disputing parties and in respect to each specific case.[338] Finally, the existence of an Appellate body offers additional safeguards.[339]

It is important to note that, as AG Bot rightly points out, the ICS does not affect the ability of national courts to refer questions to the CJEU.[340] Besides, foreign investors are still free to seek protection in domestic courts and are not obliged to use the ICS. Finally, the Advocate General

[331] Ibid, para 67.
[332] Ibid, para 76.
[333] Ibid, para 94.
[334] Ibid, paras 97-110.
[335] Ibid, para 120.
[336] Ibid, para 122.
[337] Ibid, paras 123-124.
[338] Ibid, paras 131-143.
[339] Ibid, paras 145-148.
[340] Ibid, paras 165-168.

considered that the prior involvement of the Court of Justice and the possibility of a full review of the awards by domestic courts are not necessary, and would even defeat the purpose of the ICS, which is to "guarantee the neutrality and the autonomy of the resolution of investor-State disputes vis-à-vis the judicial systems of the Parties."[341]

In light of all those considerations, AG Bot took the view that "the investor-State dispute resolution system provided for in Section F of Chapter 8 of the CETA does not undermine the autonomy of EU law and, in particular, does not affect the principle that the Court has exclusive jurisdiction over the definitive interpretation of EU law."[342]

2.2.2 Equal treatment and the effectiveness of EU law

The argument which was put forward by the Kingdom of Belgium was that the CETA offered a preferential judicial process to Canadian investors as compared to EU investors since Canadian investors could choose between the CETA Tribunal and domestic courts, where EU investors could only have recourse to domestic courts. For the Kingdom of Belgium, such differential treatment is prohibited by Article 20 of the Charter which states that "everyone is equal before the law", and by Article 21(2) of the Charter which forbids discrimination on the ground of nationality.

To answer this argument, AG Bot referred to the Explanations relating to the Charter and found that Article 21(2) of the Charter "must be construed as having the same scope as the first paragraph of Article 18 TFEU"[343], which means that the scope of the Charter is limited to comparable situations where two nationals of the EU are compared.[344] Conversely, a Canadian investor and an EU investor are not considered to be in the same or a similar situation, thus these articles do not apply. In particular, Canadian investors cannot be considered to be in a "preferential situation" as compared to EU investors, since the existence of the CETA Tribunal "merely compensated for the fact that the CETA cannot be relied on directly before the domestic courts and tribunals of the Parties."[345]

Another question brought to the Court was whether the CETA Tribunal "could nullify the effects of a fine imposed by the Commission or by a competition authority of one of the Member States by deciding to award damages in an equivalent amount to a Canadian investor."[346] This situation, even if theoretical at this point, could nevertheless affect the effectiveness of EU law. However, AG Bot considered that several rules in the CETA limit such risk, including the right

[341] Ibid, paras 179-182.
[342] Ibid, para 184.
[343] Article 18 TFEU reads: "Within the scope of application of the Treaties, and without prejudice to any special provisions contained therein, any discrimination on grounds of nationality shall be prohibited. The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may adopt rules designed to prohibit such discrimination".
[344] *Opinion 1/17 of Advocate General Bot delivered on 29 January 2019, paras 196-197.*
[345] Ibid, para 205.
[346] Ibid, para 214.

of the Parties to regulate, and the fact that the CETA Tribunal is obliged to follow the interpretation given to domestic law by domestic courts.[347]

On this question AG Bot concluded in the following terms: "It follows from the arguments set out above that, in my view, the provisions of Chapter 8 of the CETA do not infringe the general principle of equal treatment"[348] and that "the requirement that EU competition law should be effective does not appear to me to be affected by the establishment of the ICS."[349]

2.2.3 The compatibility of the ICS with the right of access to an independent and impartial tribunal

On this third and final point, two arguments were addressed by the Advocate General: first, the fact that the access to the ICS is extremely difficult for SMEs because of the high costs of proceedings and second, the conditions of appointment and remuneration of the Members of the Tribunal. Both elements, in some countries' view, affect the right of access to an independent and impartial tribunal as foreseen by Article 47 of the Charter.[350]

AG Bot first recalled that the ICS is a compromise between an arbitration tribunal and an international court and therefore, it cannot be equated with a genuine court. Yet, Article 47 of the Charter and the standards of independence and impartiality "have been defined to apply to courts". Therefore, and given the hybrid nature of the ICS, AG Bot considered the assumption that Article 47 of the Charter applies as such to the ICS is "incorrect".[351]

On the access of SMEs to the CETA Tribunal, AG Bot considered that several mechanisms are foreseen in the CETA to help SMEs access the ICS.[352] On this specific point, we would also like to point out that the high costs of the investor-state dispute settlement system are not so much due to the functioning of the Tribunal, but rather to the high costs of legal representation. Therefore, if there is an issue of access for SMEs, the focus should be put on reducing the costs of legal representation rather than reducing the costs of the functioning of the Tribunal.

Finally, on the contested remuneration scheme for the Members of the Tribunal, AG Bot finds that the remuneration, which is composed of a fixed component and a component dependent on the volume and the complexity of the litigation, is justified by the fact that Members will not be working on a full-time basis at the Tribunal.[353] As for the appointment processes, AG Bot

[347] Ibid, para 218.
[348] Ibid, para 213.
[349] Ibid, para 219.
[350] Article 47 of the Charter reads: "Everyone whose rights and freedoms guaranteed by the law of the Union are violated has the right to an effective remedy before a tribunal in compliance with the conditions laid down in this Article. Everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal previously established by law. Everyone shall have the possibility of being advised, defended and represented. Legal aid shall be made available to those who lack sufficient resources in so far as such aid is necessary to ensure effective access to justice".
[351] *Opinion 1/17 of Advocate General Bot delivered on 29 January 2019, para 244.*
[352] Ibid, para 255.
[353] Ibid, para 260.

concludes that: "The abovementioned safeguards, which stem from the composition of the Joint Committee, with bipartite and equal representation, and from its method of decision-making by mutual consent, mean, in my view, that it may be held that neither the appointment nor the possible removal of a Member of the Tribunal or the Appellate Tribunal is subject to conditions other than those laid down, respectively, in Article 8.27.4 and Article 8.30.1 of the CETA."[354]

To this third question raised by the Kingdom of Belgium, AG Bot answered that: "For all the foregoing reasons, and taking due account of the general considerations which I have set out, I take the view that the provisions contained in Section F of Chapter 8 of the CETA do not infringe the right of access to an independent and impartial tribunal, a right enshrined in Article 47 of the Charter, since they guarantee a level of protection of that right which is appropriate to the specific characteristics of the investor-State dispute resolution mechanism provided for in that section."[355]

To conclude his Opinion, AG Bot proposed that the Court give the following opinion: "Section F of Chapter 8 of the Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part, establishing an investment dispute resolution mechanism between investors and States, is compatible with the Treaty on European Union, the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union."[356]

2.3 The decision of the Court of Justice

The Court delivered its judgment on 30 April 2019. [357] It followed the Advocate General's Opinion on the three questions brought by the Kingdom of Belgium.

First, it found that the ISDS mechanism was compatible with the autonomy of the EU legal order. The Court recalled that "the competence of the European Union in the field of international relations and its capacity to conclude international agreements necessarily entail the power to submit to the decisions of a court that is created or designated by such agreements as regards the interpretation and application of their provisions."[358] It stated that the ICS stands outside the EU judicial system, and for it to be compatible with the autonomy of the EU legal order, it must not "(1) confer the power to such tribunals to interpret and apply rules other than those contained in the agreement and; (2) structure the power of such tribunals in a way that the awards issued would prevent the EU institutions from operating in accordance with the EU constitutional framework."[359]

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[354] Ibid, para 267.
[355] Ibid, para 271.
[356] Ibid, para 272.
[357] *OPINION 1/17 OF THE COURT (Full Court) of 30 April 2019*.
[358] Ibid, para 106.
[359] Ibid, para 119.

In this regard, the Court considered that the CETA Tribunal can only interpret and apply the rules of the CETA, following the Vienna Convention.[360] From this perspective, the Court differentiated the ICS from the unified patent litigation system, which could be called upon "to determine a dispute pending before it in the light of the fundamental rights and general principles of European Union law, or even to examine the validity of an act of the European Union."[361] It also made a distinction between the CETA Tribunal and the ISDS mechanism reviewed in the Achmea judgment, since the latter would have applied between two Member States, and would have thus interpreted and applied EU law.[362]

The Court recalled that the law of Member States can only be taken into account by the Tribunal as a matter of fact. If the Tribunal had to interpret the domestic laws of Member States, it would have to follow the interpretation given by domestic courts.[363] Besides, the absence of prior involvement of the Court of Justice is consistent with all the characteristics and safeguards set out by the CETA.[364] The Court thus concludes, in line with the findings of the AG, that Section F of Chapter Eight of the CETA "does not confer on the envisaged tribunals any jurisdiction to interpret or apply EU law other than that relating to the provisions of that agreement."[365]

It also found that this Section does not affect the operation of the EU institutions under the EU constitutional framework. The Court noted that the CETA Tribunal cannot order the annulment of a measure, but can only order the payment of compensation.[366] Also, the CETA foresees "sufficient" limitations and exceptions to the jurisdiction of the Tribunal, in particular concerning the level of protection of the public interest, to ensure that the autonomy of the EU legal order is preserved[367]. In this regard, the Court held that: "the discretionary powers of the CETA Tribunal and Appellate Tribunal do not extend to permitting them to call into question the level of protection of public interest determined by the Union following a democratic process."[368]

The language used by the Court is worth highlighting. Can such assertion be interpreted as preventing the Tribunal to rule on cases where an investor challenges a State measure, which aim is to protect the public interest? Will the Tribunal be responsible for qualifying a measure as a measure securing a certain "level of protection of public interest", or will this task be left to the Member States? These questions are surely not settled, not even by the findings of the Court, and unless clarified by the CETA Joint Committee, it will be to the Tribunal to decide whether it has jurisdiction over such cases or not.

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[360] Ibid, paras 121-122.
[361] Ibid, para 123.
[362] Ibid, para 126.
[363] Ibid, para 131.
[364] Ibid, para 134.
[365] Ibid, para 136.
[366] Ibid, para 150.
[367] Ibid, para 160.
[368] Ibid, para 156.

Second, the Court declared the envisaged ICS to be compatible with the general principle of equal treatment and the requirement of effectiveness. In particular on the possibility to challenge a fine imposed by the Commission or by a competition authority, the Court finds that "Such an award is, conversely, unimaginable where the competition rules have been correctly applied by the Commission or by a competition authority of a Member State."[369] To conclude on the compatibility with the principle of equal treatment, the Court held that "While it is not inconceivable that, in exceptional circumstances, an award by the CETA Tribunal such as that described in the request for an opinion might have the consequence of cancelling out the effects of a fine that has been imposed because of an infringement of Article 101 TFEU or Article 102 TFEU, the effect of that award will not, however, be to create a situation of unequal treatment to the disadvantage of an EU investor on which a fine vitiated by a similar defect has been imposed."[370] The Court also found the system compatible with the requirement of effectiveness.

Finally, the ICS was declared compatible with the right of access to an independent tribunal. The Court found in particular that the CETA foresees sufficient safeguards in terms of accessibility and independence of the CETA Tribunal.[371]

Both the opinion of the Advocate General and the judgment of the Court must have been well received by the arbitration community, in particular after the Achmea judgment, which closed the doors to intra-EU investment arbitration. It must be noted though that there were some important differences between the CETA and the Achmea cases. According to the Court, the former does not involve questions of mutual trust or issues related to the interpretation of EU treaties or autonomy of the EU legal order. Yet, there are still some strong links between investment arbitration and EU law, even though the AG and the Court emphasized the attempt in the CETA to keep the interface between the two bodies of law at its minimum.

While Section F of Chapter Eight of the CETA was approved by the Court of Justice, the entry into force of the investment chapter of the agreement is still pending. Indeed, all provisions falling under the shared competence between the Union and the Member States need to be approved and ratified by each Member States' parliaments. As of October 2019, 13 Member States had notified the European Council of the completion of national ratification procedures.[372]

The Court, by its favorable judgment, has consolidated the legality of ISDS in the EU, opening the door to future agreements with third countries including ISDS or its new version, the investment court system. While in the short to medium term, bilateral investment agreements

[369] Ibid, para 185.
[370] Ibid, para 186.
[371] Ibid, paras 206-244.
[372] *See* https://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-ceta, last accessed 7 March 2022.

negotiated by individual Member States will cease to exist, the EU will gradually rest its competence in the field of FDI.

The slow and progressive construction of specific policy approaches in the fields of intellectual property, trade and foreign investment has equipped the EU with a great set of tools to foster innovation and growth from the inside, but also to sit at the negotiation table with third countries with strong models and proposals for the protection of intellectual property and foreign investments. However, in the fast-changing era of digitalization and global trade, policy making in these fields can no longer be developed in silos, and the increasing interaction between the two fields has called for an in-depth analysis of both opportunities and challenges thereof. The following chapter will therefore focus on this interaction, and attempt to shed light on its origins, its characterization and its implications.

Chapter II

The slow paradigm shift: looking at intellectual property through the international investment lens and significance for the safeguard of the public interest

For some, the assimilation of intellectual property and foreign investment sounds at best counter-intuitive, at worst like an oxymoron. For others, the intertwining of both fields offers new possibilities for the protection and enforcement of intellectual property assets. As Kamperman Sanders rightly notes: "Given the fact that the rationale for the protection of intellectual property rights is often said to lie in providing a property right that enables the holder to obtain a return on investment, the perception that it is indeed an asset that constitutes an investment seems to come naturally."[373] Therefore, a balanced approach to the protection of IP and foreign investment probably requires to find a middle ground, as we will attempt to establish in this chapter. The analysis in this chapter aims at answering two main questions, namely whether investment protection standards can be used to protect IP-related investments in the EU? And which safeguards can be put in place in EU investment agreements to ensure that the essence and social function of intellectual property rights can be safeguarded, as well as the right of States to regulate?

Section 1 – When intellectual property meets investment protection

While the protection of intellectual property by investment agreements has only raised scholarly attention in recent years, mainly due to the concerns it raises from both a conceptual and substantive point of view, the interaction is not, in reality, as novel. Another pre-conceived notion according to which all "intellectual property" is, under existing agreements, assimilated to foreign direct investment and protected as such, must be set aside, as the reality is far more complex and subtle.

A – The assimilation of intellectual property rights to investments: a closer look at the treatment in EU agreements

Where, when and how did intellectual property make its way into the foreign investment realm? Is the mention of "intellectual property" in investment agreements, more specifically under the definition of "investment", enough to open the doors of investment protection? In the following sections, we will attempt to give an answer to these fundamental questions and to lay the foundations for a more in-depth understanding of the interaction between the two fields.

1. Intellectual property in the definition of "investment": the variety of practices

Investment treaties have commonly defined the concept of "investment" following either a narrow enterprise-based definition or a broader asset-based definition. The first requires the investor to show that it has an "enterprise" in the host State, or in other words, it "requires the establishment or acquisition of an enterprise in the host country to give rise to investors' rights."[374]

[373] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 153.
[374] Carlos Correa and Jorge E. Viñuales, 'Intellectual Property Rights as Protected Investments: How Open are the Gates?' (2016) 19 Journal of International Economic Law 91, 108.

The asset-based definition "only" requires proof that the investor has an "asset" in the host country. The investment agreements can have a list of covered assets, and might or might not list additional requirements that the investment has to meet to be protected. This approach is the most common one amongst all IIAs and under this definition, intangible property such as intellectual property is usually covered.[375]

Finally, the OECD underlined that a "hybrid approach" is to be found in recent treaties, such as the Energy Charter Treaty or the NAFTA, which in addition to the list of assets, refer to economic activity or activities of an enterprise in the definition of investment.[376]

1.1 The progressive introduction of intellectual property in the definition of investment

Intellectual property has not always been part of the definition of investment. Nor has its reference always been so straightforward. When the first bilateral investment agreements were negotiated, the major preoccupation of the States was the protection of their nationals abroad, and in particular the protection of tangible property.

It is key to recall the origins of investment protection to understand the current debates around the protection of intellectual property as an investment. When developed countries started to invest in third countries where the political, as well as the judicial systems, were not yet stable or fully reliable, they needed guarantees to ensure that their investors would be protected against unlawful acts. While some governments had recourse to gunboat diplomacy to defend their investors' interest[377], they soon turned to the rule of law to give protection to investors.

It was, therefore, to protect tangible property that investment law was first developed. Nevertheless, arguing that investment law should only protect tangible assets since this was the reason why the rules were developed in the first place would be quite reductive and ignorant of the changes that have taken place in the world economy during the past decades. Indeed, natural resource-seeking investments or market-seeking investments are no longer the main forms that investments may take. In the global economy where services and intangible assets are of growing importance, strategic-asset seeking investments and efficiency-seeking investments have become key.[378]

Acknowledging the importance of intangible assets in all fields of the economy helps to understand the reason for including these intangible goods in the definition of investment in international investment agreements. This shift reflects the actual evolution of the global economy where intangible assets are becoming of increasing importance.

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[375] OECD, *Definition of Investor and Investment* (Negotiating Group on the Multilateral Agreement on Investment (MAI) DAFFE/MAI(95)2, 1995), 2.
[376] Ibid.
[377] Kate Miles, *The Origins of International Investment Law: Empire, Environment and the Safeguarding of Capital* (Cambridge Studies in International and Comparative Law, Cambridge University Press 2013), 27.
[378] Cecile Fruman, 'Why does efficiency-seeking FDI matter?' (*The World Bank,* 2 May 2016) <http://blogs.worldbank.org/psd/why-does-efficiency-seeking-fdi-matter> accessed 14 May 2018.

The attention of scholars and politics regarding the linkage between IP and investment dates back to the 1960s.[379] A reference to intellectual property rights was to be found already in the 1959 bilateral investment treaty between Germany and Pakistan, which is usually referred to as the first "modern" investment agreement.[380] This BIT contains an explicit reference to intellectual property and in particular patents and technical knowledge.[381] The reason for the inclusion of intellectual property in the definition of investment remains unclear, but the practice has shown that IP was increasingly included in investment agreements since then, whether implicitly or explicitly.[382]

Indeed, an explicit reference to intellectual property is not necessary for these intangible rights to be covered by the definition of investment. The North American Free Trade Agreement (NAFTA)[383] is an example of an agreement that only mentions "intangible property" in its definition of investment without further reference to intellectual property rights.[384] But intellectual property rights were understood to be covered under the concept of intangible property.[385] One of the reason is the reference to intellectual property rights in Article 1110(7) of the NAFTA that reads: "This Article does not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with Chapter Seventeen (Intellectual Property)". Therefore, since IP-related measures are excluded from the scope of NAFTA Article 1110 (Expropriation and Compensation) provided that they are consistent with the IP chapter, it can be argued that intellectual property rights must implicitly be covered under the term "investments". [386]

NAFTA is not the only agreement where intellectual property is implicitly included in the definition of investment. In some agreements, the term investment is broadly defined as "any kind of assets" which can also be considered to cover intellectual property.[387] Carlos Correa

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[379] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 837.
[380] Germany-Pakistan BIT 1959.
[381] Article 8 of the ibid reads "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.". Noting that this BIT was replaced in 2009 by a new BIT between Pakistan and Germany, where the definition of "investments" encompasses "intellectual property rights, in particular copyrights, patents, utility model patents, industrial designs, trade marks, trade names, trade and business secrets, technical processes, know boy, and good will;" (Article 1(1)(d) of the Agreement Between the Islamic Republic of Pakistan and the Federal Republic of Germany on the Encouragement and Reciprocal Protection of Investments, 2009).
[382] Noting that "Overall, no explicit trend of implicitly including or excluding IPRs in the definition of investment can be identified" (Diependaele, Cockbain and Sterckx, 'Eli Lilly v Canada: the uncomfortable liaison between intellectual property and international investment law', 295).
[383] North American Free Trade Agreement between Canada, The United States and Mexico, 1994
[384] Ibid, Article 1139(g).
[385] Correa and Viñuales, 'Intellectual Property Rights as Protected Investments: How Open are the Gates?', 111.
[386] Diependaele, Cockbain and Sterckx, 'Eli Lilly v Canada: the uncomfortable liaison between intellectual property and international investment law', 295.
[387] For a detailed study on the monetization of intellectual property rights, and in particular the use of intellectual property rights as assets in securitisaion transactions, *see* Thibaud Lelong, 'La Monétisation des Actifs Immatériels dans l'Economie de la Connaissance, Essai sur la Titrisation' (DPhil thesis, University of Strasbourg 2018).

and Jorge E. Viñuales identified four different ways of referring to intellectual property rights in IIAs, which reflect the different practices over time and in different countries.[388]

First, there can be no express mention of intellectual property rights in the definition of investment, as illustrated by the NAFTA. This nevertheless does not mean that intellectual property rights cannot be covered, as we have shown above. Second, the agreement might only refer to "property" or "assets", without explicitly mentioning intellectual property. Yet, if interpreted broadly, the term "property" could encompass both tangible and intangible property, including intellectual property. Therefore, IPRs would also be covered by such a provision. Third, an agreement can explicitly list "intellectual property" or "intangible property" in the definition of investment, which would be more explicit as to the coverage of IP in general, but would still leave some room for interpretation as to which IPRs are actually covered. For instance, would such a reference limit investment protection to the rights covered by the TRIPS Agreement? Or could an investment tribunal go beyond that list and consider trade secrets as also protected under the term "intellectual property"? We consider that without further reference to the TRIPS Agreement in the investment agreement, or even to the intellectual property chapter in case of free trade agreements, an investment tribunal would have some discretion as to how to define the concept of "intellectual property", thus leading to "TRIPS-plus implication of the investment treaty".[389] Yet, we will see in the following sections that investment tribunals are not totally free in their interpretation and that they are bound by rules of international law and by the investment treaty as such when it comes to interpret provisions and concepts of the investment treaty.

Fourth, some agreements may explicitly list the intellectual property rights covered, like in the German Model BIT[390], which not only lists "intellectual property rights, in particular copyrights and related rights, patents, utility model patents, industrial designs, trademarks, plant variety rights"[391] but also includes "trade-names, trade and business secrets, technical processes, know-how, and goodwill."[392] Other agreements have followed this approach.

This great variety of practices is not desirable since it creates legal uncertainty as to whether and which intellectual property rights are included in the definition of investment, and this lack of harmonization "provides fertile ground for disputes."[393] Throughout this study, we will nevertheless see that intellectual property rights are usually considered as cross-border

[388] Correa and Viñuales, 'Intellectual Property Rights as Protected Investments: How Open are the Gates?', 93.
[389] Moerland, *Why Jamaica wants to protect Champagne: intellectual property protection in EU bilateral trade agreements, 80.*
[390] German Model BIT 2008.
[391] Ibid, Article 1(1)(d).
[392] Ibid, Article 1(1)(e).
[393] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration, 9.*

investments[394] and hence covered by the majority of investment agreements, finding which is also shared by the doctrine.[395]

Before looking at the EU practice in this regard, it is worth recalling that the inclusion of intellectual property in the definition of investment, be it implicitly or explicitly, is far from sufficient to grant actual investment protection to IP owners. It is important to note that there is a difference between an investment and a protected investment.[396] Indeed, the mere mention of IPRs in the definition of investments is not sufficient to be granted investment protection and therefore have access to investor-state dispute settlement. The investor has to comply with additional requirements, which will be outlined in the next sections.

1.2 The explicit reference to intellectual property in EU agreements

The European Union's practice with regards to the inclusion of intellectual property in the definition of investment does not differ from the general practices that we have identified above. On the contrary, recent agreements tend to explicitly list intellectual property amongst the covered investments.

As early as in 1994, the Energy Charter Treaty[397] contained a provision including intellectual property among the covered investments. Article 1(6) of the Treaty reads "'Investment' means every kind of asset, owned or controlled directly or indirectly by an Investor and includes:

> (a) tangible and intangible, and movable and immovable, property, and any property rights such as leases, mortgages, liens, and pledges;
>
> (d) Intellectual Property;"

This provision contains the basic wording that is to be found in most investment agreements today, including the reference to intellectual property, without defining intellectual property. This model has been used in the more recent EU negotiations with third countries but the definition has been expanded to include additional requirements.

For instance the Comprehensive and Economic Trade Agreement (CETA)[398] Article 8.1 reads "investment means every kind of asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, which includes a certain duration and other

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[394] Diependaele, Cockbain and Sterckx, 'Eli Lilly v Canada: the uncomfortable liaison between intellectual property and international investment law', 296.
[395] "It is from this perspective that the use of such broad language 'gives reason to assume that a general recognition of BITs covering intangible property exists'" (Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration, 12*, citing Bertram Boie, 'The Protection of Intellectual Property Rights through Bilateral Investment Treaties: Is there a TRIPS-plus Dimension?' (2010) NCCR Trade Working Papers No 2010/19 59, 8).
[396] Correa and Viñuales, 'Intellectual Property Rights as Protected Investments: How Open are the Gates?', 93.
[397] The Energy Charter Treaty, 1994.
[398] Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and The European Union and its Member States, 2016

characteristics such as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk. Forms that an investment may take include: […]

> (g) intellectual property rights;
>
> (h) other moveable property, tangible or intangible, or immovable property and related rights;"

In this definition, intellectual property rights are mentioned without further details, but additional requirements have been added in the first part of the definition that partly reflect the so-called Salini hallmarks.[399]

The EU-Singapore Agreement[400] includes a similar provision in Article 9.1: "'investment' means every kind of asset which has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, the assumption of risk or a certain duration. Forms that an investment may take include:

> (a) tangible or intangible, movable or immovable property as well as any other property rights, such as leases, mortgages, liens, and pledges; […]
>
> (g) intellectual property rights, as defined in Article 11.2 (Scope and Definitions), and goodwill;"

Similarly, the EU-Vietnam Agreement[401] defines "investment" as: "every kind of asset which is owned or controlled, directly or indirectly, by investors of one Party in the territory of the other Party, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, the assumption of risk and for a certain duration. Forms that an investment may take include:

> (i) tangible or intangible, movable or immovable property, as well as any other property rights, such as leases, mortgages, liens, and pledges; […]
>
> (vii) intellectual property rights as defined in Chapter Y of this Agreement [Intellectual Property] and goodwill;" (emphasis added)

The last two agreements go a step further in the definition of intellectual property rights in that they refer to the intellectual property chapter of the agreement to define the concept of intellectual property. The definition also mentions goodwill as a covered investment.

The reference to the intellectual property chapter could be seen as increasing the legal certainty as a closed list of intellectual property rights would be covered by the agreements. For instance, the EU-Singapore Agreement mentions an exhaustive list of intellectual property rights covered

[399] For further explanation on the Salini test please see Section 2.1 below.
[400] EU-Singapore Trade and Investment Agreements, 2018
[401] EU-Vietnam Free Trade Agreement, 2016

under the agreement by referring to the TRIPS agreement and listing copyright and related rights, patents, trademarks, designs, layout-designs, geographical indications and the protection of undisclosed information, as well as plant variety rights.[402] The agreement does not use wording like "such as" or "inter alia" which suggests that any other rights not included in this list would not be covered by the investment section. The EU-Vietnam Agreement uses a similar provision.[403]

This additional explanation could help to define the scope of application of the provision by limiting the number of intellectual property rights that could be covered under the definition of investment. On the other hand, a closed list removes the flexibility of being able to adapt the definition to the future changing landscape. Indeed, the concept of intellectual property rights as understood at the time of drafting and signing the agreements could well evolve in the future and no longer be in line with the economic or innovation landscape.

In this regard, it could be argued that the reference to intangible property or to "any other property rights" opens the door to a broad interpretation and could allow any new conception of intellectual property rights to be covered. If this is the case, then the reference to the intellectual property chapter could be vain in the sense that any right not covered by the intellectual property chapter could still benefit from investment protection if it can fall in the broader category of "intangible property".

A more holistic interpretation would nevertheless tip the balance in favor of a more narrow definition. Indeed, if the negotiators explicitly referred to the intellectual property chapter to define the concept of intellectual property under the investment agreements, it is doubtful that they nevertheless intended to keep a broad definition of intellectual property under the concept of intangible property.

In conclusion, intellectual property rights seem to be generally included in the definition of investment, not only in EU agreements but also worldwide.[404] Nevertheless, the simple mention of IPRs is not sufficient for those rights to qualify as a "protected" investment. Hence, the inclusion of intellectual property in the definition of "investment" "can only be the starting point of this analysis."[405] Additional requirements are imposed by the agreements, which are the subject of the next section.

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[402] EU-Singapore, Article 11.2(a) and (b).
[403] EU-Vietnam, Article 2(2).
[404] Julian Davis Mortenson, 'Intellectual Property as Transnational Investment: Some Preliminary Observations' (2009) 6 Transnational Dispute Management, 4.
[405] 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 Journal of World Investment & Trade 271, 279.

2. From investment to a protected investment: additional requirements

Contrary to preconceived views, the mere mention of IPRs under the definition of investment is not sufficient to grant an IP owner investment protection. This has been recalled by several scholars such as Correa and Viñuales who clarify that a "patent or trademark or other IPR does not constitute a protected investment in the absence of other qualifying factors."[406] Heath and Kamperman Sanders note that IP is a constituting element of an investment but not the investment in itself; in other words, "not the IP right represents the investment, but only a specific purpose to be pursued on the basis thereof, e.g. a production facility, a distribution and service network, etc."[407] In particular when looking at EU IIAs, investments must satisfy objective characteristics in order to be covered under the agreement. In order for IPRs to constitute a covered investment protected under IIAs, one must thus undertake a "holistic, case-by-case analysis".[408] Additional qualifying factors are of different kinds and stem from both the investment and the IP regime.

2.1 Additional requirements imposed by the investment regime

To decide where and under which rules to bring a claim, an investor will have to rely on the specific provisions of the investment agreements under which he seeks protection. Investment agreements can refer to existing arbitral rules such as the International Center for Settlement of Investment Disputes Convention (ICSID Convention) or UNCITRAL and established administering institutions such as the ICSID, the Permanent Court of Arbitration (PCA) or the International Chamber of Commerce (ICC). Even though the parties are free to choose any dispute settlement rules and institutions, the most often selected convention is the ICSID Convention[409] in more than 54,6% of the cases.[410]

Therefore, an investor will have to prove that its investment complies with both the characteristics of an investment under the relevant investment agreement and the relevant arbitral rules under which the dispute is administered. For instance, where a dispute is administered under the ICSID Convention, the investment will have to be "within the so-called outer limits as provided for in the ICSID Convention".[411]

Regarding the interplay between the term 'investment' under Article 25(1) of the ICSID Convention and the definition under the relevant BIT, the Tribunal in Philip Morris v Uruguay stated that "[t]he consent of the Contracting Parties under the BIT to the scope of 'investment'

[406] Correa and Viñuales, 'Intellectual Property Rights as Protected Investments: How Open are the Gates?', 112.
[407] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 6.
[408] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights', 288-289.
[409] There are different possible explanations for the ICSID Convention to be the preferred dispute settlement mechanism, but the most important reason probably lies in the enforcement mechanism.
[410] Figure based on the data available on investmentpolicyhub.unctad.org (accessed on 7 May 2018).
[411] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights', 279.

is of relevance when establishing the meaning of the term under Article 25(1) of the ICSID Convention, although such Parties do not have an unfettered discretion to go beyond what have been called the 'outer limits' set by the ICSID Convention."[412]

While it is thus important to understand the scope and definition of the concept of investment under the ICSID Convention, it is not totally independent from the meaning of the term under the relevant investment agreement, and both definitions would have to be read in conjunction with each other.

2.1.1. ICSID arbitrations and the Salini hallmarks

If the arbitration is administered under the ICSID Convention, the tribunal will have to apply a double test. First, it will have to determine whether the asset qualifies as an investment under the applicable investment agreement, and second, it will have to apply the same test based on the ICSID Convention. At this stage, the difficulty lies in the absence of definition of the term investment in this Convention, which only indicates in its Article 25 that "the jurisdiction of the Centre shall extend to any legal dispute arising directly out of an investment, between a Contracting State (or any constituent subdivision or agency of a Contracting State designated to the Centre by that State) and a national of another Contracting State, which the parties to the dispute consent in writing to submit to the Centre."[413]

The absence of a definition in the Convention has led to abundant doctrinal commentaries and arbitral awards attempting to define the boundaries of the notion. Without coming back to the historical evolution of the definition as well as the many different proposals in this regard,[414] we will address briefly the "Salini test" or "Salini hallmarks" which have been used to define an investment under the ICSID Convention by arbitral tribunals. It should be noted that this test is still contested[415] and has not been applied uniformly by investment tribunals over time but it gives some useful guidance to determine whether a tribunal has jurisdiction over an investment at stake.

In 2001, the tribunal in the Salini v. Morocco attempted to define the term investment, recognizing the lack of awards on this matter: "The Tribunal notes that there have been almost no cases where the notion of investment within the meaning of Article 25 of the Convention was raised. However, it would be inaccurate to consider that the requirement that a dispute be 'in direct relation to an investment' is diluted by the consent of the Contracting Parties. On the

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[412] *Philip Morris Brand Sàrl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay* ICSID Case No ARB/10/7, Decision on Jurisdiction (2 July 2013), para 199.
[413] ICSID CONVENTION, REGULATIONS AND RULES, Article 25.
[414] In this regard, please see Christoph H. Schreuer and others, *The ICSID Convention: A Commentary* (2 edn, Cambridge University Press 2009)
[415] Henning Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law* (First edn, Oxford University Press 2016), para 7.15.

contrary, ICSID case law and legal authors agree that the investment requirement must be respected as an objective condition of the jurisdiction of the Centre."[416]

Based on the proposals of the doctrine, the tribunal found that "investment infers: contributions, a certain duration of performance of the contract and a participation in the risks of the transaction […]. In reading the Convention's preamble, one may add the contribution to the economic development of the host State of the investment as an additional condition."[417] A fifth criterion introduced by the tribunal in Joy Mining v. Egypt and reiterated by the doctrine is the requirement of the regularity of profit and return.[418]

Therefore, even if intellectual property rights are covered under a specific investment agreement which serves as a basis for an investment claim, a tribunal would still have to look at the specific investment arbitration rules (be it ICSID or others) to determine whether the intellectual property at stake can qualify as an investment. If this question is raised by one of the parties,[419] the tribunal would have to consider the term investment to have an independent meaning under the ICSID Convention, different from the definition given by the investment agreement.[420] However, as highlighted by the tribunal in Philip Morris v Uruguay, in the absence of definition of the term in the ICSID Convention, the definition agreed upon by the parties in the relevant investment treaties should inform on the meaning and appropriate definition in the framework of the ICSID Convention.[421]

Whether intellectual property can qualify as an investment under Article 25 ICSID is disputed and different arguments have been made to support one or the other side.

Some authors consider that intellectual property rights can constitute a protected investment under the ICSID Convention. Vanhonnaeker applied the Salini test to intellectual property as follows: "(i) IP is susceptible to be invested for a certain duration; (ii) it is likely to generate profit and return on a regular basis; (iii) IP, and more precisely, IPRs 'share the unique and constant risk of infringement by third parties not privileged in their use'[422]; (iv) IP investment

[416] *Salini Costruttori S.p.A. and Italstrade S.p.A. v. Kingdom of Morocco* ICSID Case No ARB/00/4, Decision on Jurisdiction (23 July 2001), para 52.
[417] Ibid, para 52.
[418] *Joy Mining Machinery Limited v. Arab Republic of Egypt* ICSID Case No ARB/03/11, Award on Jurisdiction (6 August 2004), para 53.
[419] The Respondent would usually be the one challenging the qualification of an asset as an investment. If this is challenged under both the investment treaty and the ICSID Convention (provided that the ICSID Convention is applicable to the given case), then the Claimant will have to prove that its investment qualifies as such under both instruments.
[420] On this independent meaning approach, see Schreuer and others, *The ICSID Convention: A Commentary, para 126,* citing *Joy Mining v. Egypt*.
[421] *Philip Morris v. Uruguay, Award*, para 199.
[422] Citing Mortenson, 'Intellectual Property as Transnational Investment: Some Preliminary Observations', 8.

often represents a substantial commitment; and (v) such assets have a significant potential to contribute to the Host State's development."[423]

For pharmaceutical patents more specifically, Vadi applied some elements articulated by Salini v Morocco finding that: "In general terms, tribunals allow the consideration of pharmaceutical patents as a form of investment. First, pharmaceutical patents are assets of economic value, with a duration of twenty years. Second, creating a medicine involves an element of risk, as it may take years of research and development. Finally, the availability of pharmaceutical products—which goes hand in hand with the protection of pharmaceutical patents—can improve the public health of a given country, and albeit indirectly, to its economic development."[424]

For Mortenson, the Salini criteria are also met. First, with regards to the duration, this author advocates that IP, while intangible, remain present over time, through the tangible objects in which they materialize, such as products based on designs, published creative works or products with a trademark.[425] For the regularity of profit and return, "Intellectual property is characteristically responsible for a significant and recurring portion of the profits of transnational enterprises each year."[426] The profit of companies is also more important thanks to the temporary monopoly. Besides, there is a substantial commitment through the registration, maintenance of rights or enforcement. The commitment can also be financial. The assumption of risk is met by the constant risk of infringement. Finally, there is a contribution to the host State's development as "intellectual property facilitates the development of host state economies simply by virtue of catalyzing economic growth."[427]

On the contrary, some authors have argued that intellectual property rights "as such" cannot qualify as an investment under ICSID Article 25.[428] In other words, a registered trademark or a granted patent *alone* cannot be protected as an investment. With regards to the assessment of risk, Klopschinski rightly points out that the risk of infringement, because it is inherent to any IP right, does not go beyond the risks any IP right holder is exposed to and does thus not fulfill the requirement of Article 25 of the ICSID Convention. This finding is based on arbitral awards including the Malaysian Historical Salvors v Malaysia where the tribunal found that "the risks assumed under the Contract were no more than ordinary commercial risks assumed by many salvors in a salvage contract" and that the Claimant did not prove why the risks assumed under

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[423] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration, 26.*
[424] Valentina Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments' (2015) 5 NYU J Intell Prop & Ent L 113, 148.
[425] Mortenson, 'Intellectual Property as Transnational Investment: Some Preliminary Observations', 8.
[426] Ibid.
[427] Ibid, 9.
[428] „Immaterialgüterrechte – isoliert betrachtet – sind kein Investitionen iSd Art. 25 Abs. 1 ICSID-Konvention, da der Investitionsbegriff der Konvention von komplexen Unternehmungen ausgeht, die ein bestimmtes Ziel verfolgen und sich idR aus vershiedenen Bestandteilen zusammensetzen." (Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge, 236.*)

the Contract "were anything other than normal commercial risks".[429] One could therefore argue that the risk of infringement is an ordinary risk assumed by IP rightholders which does not go beyond normal commercial risks associated with IP rights.[430]

With regards to the contribution to the host State's development, one could also argue that the mere potential of contribution is not enough to qualify as investment under the ICSID Convention and that the investment must prove to have actually contributed to the development of the host State. In this line of argument, IPRs alone would therefore not fulfill this criterion. They would also not constitute a substantial commitment as such, unless they are "directed at a certain project" or related to "research and development" activities in the host State.[431]

Even if these criteria used to define the concept of investment under the ICSID Convention are not mandatory and are still disputed, in particular the contribution to the host state's development, they are still useful to undertake a holistic analysis of investments at stake. In particular, we believe that intellectual property rights as such, where they are not part of a broader investment operation, would not qualify as investments under the ICSID Convention and under most IIAs. In other words, a granted patent or a registered trademark alone would not benefit from any investment protection.[432] Nevertheless, IPRs are often part of broader and more complex operations that could be protected by investment agreements.[433]

It is important to recall that "It is left to the parties what kinds of investments they wish to bring to ICSID"[434] even though this does not mean that the parties have unlimited freedom in this regard.[435] On the contrary, this would imply that the tribunal has to look at the definition given by the treaty on which the parties rely in addition to the Convention's requirements. The treaty may or may not integrate similar criteria to the Salini test.

The Energy Charter Treaty, for instance, offers a very concise definition of investment and does not contain any additional requirement of this kind.[436] A tribunal examining a claim of breach of the Energy Charter Treaty would, therefore, turn to the analysis of the ICSID Convention directly since intellectual property is included in the definition of investment in the ECT without further requirements.

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[429] *Malaysian Historical Salvors, SDN, BHD v. The Government of Malaysia* ICSID Case No ARB/05/10, Award on Jurisdiction (17 May 2007), para 112..
[430] *See* to the same effect, Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights', 283.
[431] Ibid, 282.
[432] *See* along the same lines: ibid, 281; Klopschinski, *Der Schutz geistigen Eigentums durch völkerrechtliche Investitionsverträge, 233-6*; Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.16.*
[433] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para. 7.16.*
[434] Schreuer and others, *The ICSID Convention: A Commentary, para 121.*
[435] Ibid, para 122.
[436] ECT, Article 1.6.

On the contrary, the CETA, the EU-Singapore and the EU-Vietnam Agreements contain some of these additional criteria in their definition. The CETA for instance states "investment means every kind of asset that an investor owns or controls, directly or indirectly, *that has the characteristics of an investment, which includes a certain duration and other characteristics such as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk*"[437] (emphasis added). The EU-Singapore and EU-Vietnam Agreements have a very similar provision.

If a claim is brought under these agreements, a tribunal will, therefore, have to verify whether the investment at stake fulfills these additional requirements.

2.1.2. Non-ICSID arbitrations

In the framework of the Philip Morris v. Australia dispute, the tribunal had to face the question of the qualification of Philip Morris' assets and in particular answer the question of the contribution to the host State's development. This case will be scrutinized in further detail below[438], but briefly, it can be recalled that Philip Morris was claiming that the plain packaging regulations in Australia were affecting its investments and in particular its intellectual property. In this case, the tribunal rejected the Salini test as an independent benchmark.[439] With regards to the economic development criteria, the tribunal decided that the absence of such contribution was not enough to discard the qualification of investment unless otherwise stipulated in the investment agreement.[440]

It should be recalled that the Permanent Court of Arbitration was the administering institution in this case and UNCITRAL the applicable rules. Therefore it is understandable that the tribunal rejected the Salini test and rather looked at the applicable investment agreement to determine whether the investment had been admitted under the Australian law and investment policies. The determining factor, in this case, was the "No-objection Letter" issued by the Australian government that initially admitted the investment. The defendant attempted to argue that this letter was ineffective because Philip Morris did not mention its intentions of bringing an investment claim, and it lacked a description on how the investment would impact the national interest.[441] The tribunal rejected these arguments as the above-listed elements were not mandatory, and found that this "No-objection Letter" reflected that the investment was admitted in Australia.[442]

The tribunal nevertheless ruled in favor of the defendant, based on another element: the abuse of rights. Indeed, the tribunal admitted that the restructuring of Philip Morris in the context of

[437] CETA Article 8.1.
[438] *See* below Part B, Chapter 1, Section 2, 2. Philip Morris v Australia.
[439] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility), para. 192.*
[440] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para. 7.20.*
[441] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility), para. 516.*
[442] Ibid, para 523.

Australia's political developments constituted an abuse of rights since the dispute that could give rise to a treaty claim was foreseeable at the time of the change in the corporate structure.[443]

This case shows that the starting point to any legal analysis carried out by an investment tribunal is the investment treaty, which gives rise to the dispute. From this starting point, the tribunal needs to determine whether the investment at stake can qualify as such under the treaty and in the respondent State. It is therefore advisable that States include additional criteria in their definition of investment, in particular, the contribution to the host State's development, which would probably allow denying protection to investments that harm the host State's economy, environment or public health.

2.2 Additional requirements imposed by the specificities of the intellectual property regime

Intellectual property rights differ considerably from other kinds of investments.[444] The specificities of the intellectual property regime oblige us to go a step further in the analysis of the protection of intellectual property rights as an investment. Indeed, not only will a tribunal have to look into the requirements set out by the investment regime as addressed above, but it will also have to take into account specific requirements imposed by the intellectual property regime.

The first aspect, which will condition the rest of the analysis, is the territoriality of intellectual property rights. Indeed, IPR protection is granted in a specific country or region and IPRs are therefore subject to national or regional laws for their registration and/or protection. Moreover, the territoriality of IPRs implies that a right might be protected in one country but not or no longer in another country, for different reasons including the limited time for protection, the payment of renewal or maintenance fees, the potential invalidation or revocation of the right, or the very substantive rules of law that have to be complied with and might differ from one country to another despite the minimum standards imposed by the TRIPS Agreement.[445]

A tribunal, when looking at an IP claim, will therefore have to verify whether this IP right is protected in the host State. For patents, trademark and other rights subject to registration, this amounts to verifying whether the right is registered and still in force in the host State. For other rights such as copyright or unregistered designs, which do not require registration to be protected, the question would be more complex since it would force the investment tribunal to determine whether the right is protected under the host State's law.

In the European agreements, this reference to the host State's laws can be inferred from different provisions, such as the definition of investment or subsequent provisions, with a reference such

[443] Ibid, para 589.
[444] Okediji, 'Is Intellectual Property "Investment"? Eli Lilly v. Canada and the International Intellectual Property System', 1125.
[445] On these reasons for "non-enforcement" of IP and in particular the endogenous constraints and exogenous limits on IPRs, see Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 881-87.

as "investment made in accordance with the applicable law". This is the case in the CETA[446], the EU-Singapore[447] and EU-Vietnam[448] agreements. The Energy Charter Treaty does not have such a provision.

It is worth noting that some scholars have reached the opposite conclusion. In case of conflict between the treaty provision and the domestic law, some have argued that prevalence should be given to the investment agreement. Based on the example of the Ethiopia-Israel BIT including geographical indications and plant-breeders' rights under its definition of investment, while Ethiopia did not, at the time of signing the agreement, offer protection to these IPRs under its domestic law, Vanhonnaeker concludes: "It is clear that, in such circumstances, in case of conflict, tribunals would take into account the investment agreement's provisions without giving priority to domestic law."[449]

Nevertheless, it could be argued that if certain forms of intellectual property do not exist in a particular country, the fact that they are textually included in the list of investment of the agreement is irrelevant. An IIA cannot create individual IPRs in and of themselves, and must thus be interpreted as protecting IPRs only as far as they exist in domestic law. Hence, where an IPR is not recognized or not protected under the host State laws, the investment claim would arguably lack object. In fact, from the territoriality principle and the preliminary requirement that IPR be protected in the host State in order to benefit from investment protection, it could be concluded that investment agreements do not create IPRs "but merely provide for standards of protection that can be applied to (intellectual) property rights as far as they exist in domestic law."[450]

Even where the intellectual property right was granted and is valid in a particular jurisdiction, an investor will not be able to challenge measures affecting its legal title in the absence of additional indicators that the investor actually has an "investment", as we defined above, in the host State. Heath and Kamperman Sanders give some enlightening examples in this regard. For patent rights, the authors argue that "in the absence of any local production facilities, there is no investment in the first place".[451] Therefore, where the investor fails to set up a local production and only serves the host State market with imports, they should not be able to bring

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[446] Article 8.1 "covered investment means, with respect to a Party, an investment: […] (b) made in accordance with the applicable law at the time the investment is made".
[447] Article 9.2 (1) "This Chapter shall apply to covered investors and covered investments made in accordance with the applicable law, whether such investments were made before or after the entry into force of this Agreement."
[448] Article 13(1) "The provisions in this Section shall apply to: (i) investments by investors of a Party in existence in the territory the other Party as of the date of entry into force of this Agreement or made or acquired thereafter, made in accordance with applicable law". The footnote adds "For greater certainty, in the case that the investment is made in the territory of Viet Nam, "applicable law" refers to the laws and regulations of Viet Nam".
[449] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration, 19.*
[450] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.07.*
[451] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 7.

an investment treaty claim, for issuance of a compulsory license for instance. For trademarks, only the goodwill that the right holder has developed with time could be protected, and not the title in itself.[452] Finally, as for copyright, the exclusive right as such cannot be protected as an investment, "but only distribution and service networks (e.g. cinema or software, etc.), or touring, local performance and production (e.g. musical and stage performance, studio or film production and recording, etc.)"[453]

Therefore, only where an investor can show that it complies with the different elements set out above, in line with the specific wording of the investment treaty at stake, will an investment tribunal assess its claim under the different investment treaty standards of protection.

B – Investment law standards of protection applied to intellectual property

Determining whether intellectual property falls within the scope of an investment agreement and in particular under the definition of "investment" is the first step before turning to the standards of protection that are available to an investor. Once a tribunal finds that the IP right at stake can be considered as a covered investment under the applicable agreement in the case before it, the second step is to look at the different standards of protection contemplated by the investment agreement to see whether the investment (and the investor) has been treated in compliance with those standards.

There is a relative homogeneity in the standards of protection that are usually found in investment agreements. A distinction can be made between "relative" and "absolute" standards of protection. The difference lies in the comparison made with third parties. Relative standards of protection compare the treatment granted to the foreign investors with regards to a domestic investor or another foreign investor, whereas absolute standards of protection do not seek to compare how the foreign investor is treated with regards to other investors but rather whether this foreign investor is treated in accordance with specific standards.

A violation of one of these standards will have to be established for the investor to be granted compensation. These standards raise specific issues in the field of intellectual property, which we will outline in the following sections.

1. Relative standards of protection: the national treatment and most-favored-nation clauses

The two classical relative standards of treatment are known as the "national treatment" and the "most-favored-nation treatment" (MFN). These concepts were developed not only in the field of international investment law but also in trade law and intellectual property law. Major agreements in these fields have specific provisions defining both standards.[454]

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[452] Ibid, 7.
[453] Ibid, 7.
[454] See GATT Article I and III and TRIPS Agreement Article 3 and 4.

The national treatment standard in IIAs obliges a State to treat a foreign investor and/or investment[455] "no less favorably" than domestic investors and/or investments. According to Dolzer and Schreuer, "The purpose of the clause is to oblige a host state to make no negative differentiation between foreign and national investors when enacting and applying its rules and regulations and thus to promote the position of the foreign investor to the level accorded to nationals."[456] Similarly, the most-favored-nation principle mandates the same behavior but with regards to other foreign investors and/or investments. These standards, therefore, aim at preventing discriminatory treatment against and amongst foreign investors. The purpose of these rules is to increase the confidence of foreign investors who can expect to be treated equally to domestic and other foreign investors, and thus lead to an increase in investments.

National treatment and MFN clauses are usually similar in their wording but their scope can differ depending on whether they cover only the post-establishment or also pre-establishment phases of an investment. The type of activities covered might also differ, which will impact the protection given to foreign investors.

With regards to national treatment, CETA Article 8.6 foresees that: "Each Party shall accord to an investor of the other Party and to a covered investment, treatment no less favourable than the treatment it accords, in like situations to its own investors and to their investments with respect to the establishment, acquisition, expansion, conduct, operation, management, maintenance, use, enjoyment and sale or disposal of their investments in its territory".

The EU-Singapore agreement construed its national treatment more narrowly. Article 2.3 reads: "Each Party shall accord to covered investors of the other Party and to their covered investments, treatment in its territory no less favourable than the treatment it accords, in like situations, to its own investors and their investments with respect to the operation, management, conduct, maintenance, use, enjoyment and sale or other disposal of their investments".

An even narrower national treatment provision can be found in Article 2.4 of the EU-Vietnam investment agreement which states: "Each Party shall accord to investors of the other Party and to covered investments, with respect to the operation of the covered investments, treatment no less favourable than that it accords, in like situations, to its own investors and to their investments".

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[455] Some agreements only cover investors, other only cover investments, but most agreements today cover both. This is true in particular for the four EU agreements studies. See CETA Article 8.6 (1) (referring to "investor of the other Party and to a covered investment"); EU-Singapore Article 2.3 (1) ("Each Party shall accord to covered investors of the other Party and to their covered investments"); EU-Vietnam Article 3(1) ("each Party shall accord to investors of the other Party and to their investments) and the ECT Article 8 (the language of this article is somehow ambiguous but could be understood as covering both the investor and the investments: "The ECT establishes that an investment made by an investor of another Contracting Party must be treated no less favourably than investments of domestic investors or investors of any third country.").

[456] Rudolf Dolzer and Christoph Schreuer, *Principles of International Investment Law* (1st edn, Oxford University Press 2008), 178.

The major difference between the national treatment provisions of these three agreements lies in the scope of the provision. While the provision in the CETA covers both the pre- and post-establishment phases of an investment, the other two agreements cover only the post-establishment phase. This can be inferred from the language used in the CETA which refers to the "establishment" and "acquisition" of an investment, while the EU-Singapore agreement only mentions "operation, management, conduct, maintenance, use, enjoyment and sale or other disposal of" the investment. Finally, the EU-Vietnam agreement only covers the "operation" of investments.

As for MFN clauses, the practice seems to vary from agreement to agreement. For the CETA, the same findings we formulated for the national treatment clause apply since the agreement used the same formulation for the national treatment clause and the MFN clause. Thus, CETA's MFN clause covers the pre- and post-establishment phases, and in particular the following types of activities: "the establishment, acquisition, expansion, conduct, operation, management, maintenance, use, enjoyment and sale or disposal."[457]

Quite strikingly, the EU-Singapore Agreement does not make any reference to MFN. When looking at the other treaties negotiated by the European Union, we can conclude that such omission was intentional and that the parties did not wish to grant most-favored-nation treatment to their investors. As we will see, since the MFN clause has sometimes been used to import standards contained in other investment agreements and which the parties did not intend to include in their relationship, the absence of such clause in the EU-Singapore Agreement could be justified from this perspective.

Finally, the EU-Vietnam agreement introduced in its latest version an MFN clause, almost identical to the national treatment clause. Article 2.4 (1) reads: "Each Party shall accord to investors of the other Party and to covered investments, with respect to the operation of the covered investments, treatment no less favourable than the treatment it accords, in like situations, to investors of a third country and their investments." Here also, the scope of the provision is rather narrow and will allow investors to claim breach of MFN only in the post-establishment phase and only with regards to "operation".

1.1 The MFN and the importation of international IP standards in an investment dispute

Some commentators have raised the question of the importation of intellectual property standards as contemplated by international intellectual property treaties in the framework of an investment dispute, based on these relative standards and in particular the MFN. H. Grosse Ruse-Khan asks "can an investor invoke a MFN rule in an IIA to demand a more favourable treatment that may be available under an international IP treaty to be applied to his IP rights as

[457] CETA Article 8.7 (1): "Each Party shall accord to an investor of the other Party and to a covered investment, treatment no less favourable than the treatment it accords in like situations, to investors of a third country and to their investments with respect to the establishment, acquisition, expansion, conduct, operation, management, maintenance, use, enjoyment and sale or disposal of their investments in its territory".

investment protected under the IIA?"[458] This asks the question of the importation of IP standards into the investment field, and in particular whether a foreign investor can rely on the provisions of an intellectual property treaty in an investment dispute if the host State granted a more favorable treatment to his own nationals or other foreign investors based on this IP treaty.

In essence, these standards mandate that at least the same level of treatment be granted to foreign investors as compared to domestic or other foreign investors. Yet, a State can have legitimate reasons for applying a differential treatment to foreign investors. This issue could arise in a typical investment dispute, where a foreign investor claims that it has been granted a less favorable treatment than another investor has and that there was no legitimate reason for this, therefore seeking compensation. An investor could possibly rely on a treatment accorded to another investor based on a different investment agreement signed by the host State.[459]

In the field of IP, the question is whether an investor could rely, not on an investment treaty, but an intellectual property treaty such as the TRIPS Agreement signed by the host State. While some authors showed that a literal interpretation could lead to such a conclusion,[460] others, including some investment tribunals agree that the *ejusdem generis* principle would rule out such a finding.[461] Vanhonnaeker argues that "the *ejusdem generis* principle is a significant obstacle to the incorporation of substantive rights borrowed from IPRs Conventions in IIAs, as IPRs Conventions and IIAs do not share the same subject matter and have a different regulatory intent". [462] This principle clarifies that "a MFN clause can only attract matters belonging to the same subject matter or the same category of subject as to which the clause relates."[463] It is worth noting that the EU-Vietnam Agreement has included an additional provision under the MFN clause, stating that the MFN clause "shall be interpreted in accordance with the principle of *ejusdem generis*".[464] It follows that this agreement would exclude the possibility for foreign investors to benefit from more favorable provisions contained in other agreements signed by the EU or Vietnam.

Some have argued the opposite based on the findings of the tribunal in Maffezini v Kingdom of Spain.[465] In this case the tribunal allowed the Argentinian investor to rely on a different BIT

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[458] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.25.*
[459] White and Szczepanik, in this sense, find that: "This principle allows the foreign investor to take advantage of the highest standard of treatment provided to a country in any BIT to which the host country is a party." (Brian A. White and Ryan J. Szczepanik, 'Remedies Available Under Bilateral Investment Treaties for Breach of Intellectual Property Rights' (2009) 6 Transnational Dispute Management , 5).
[460] Grosse Ruse-Khan, 'Challenging Compliance with International Intellectual Property Norms in Investor–state Dispute Settlement', 262-265; Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 12.
[461] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration*, 98.
[462] Ibid, 98.
[463] OECD, 'Most-Favoured-Nation Treatment in International Investment Law' (2004) 2004/02 OECD Working Papers on International Investment, 9.
[464] *See* Article 2.4 (6) of the EU-Vietnam.
[465] *Emilio Agustín Maffezini v. The Kingdom of Spain* ICSID Case No ARB/97/7, Decision of the Tribunal on Objections to Jurisdiction (25 January 2000).

signed between Spain and Chile that allows the investor to submit the dispute to ICSID arbitration after the expiry of a six-month negotiation period, whereas the Argentina-Spain BIT allowed to submit the dispute to arbitration only after a period of eighteen months from the date the dispute was submitted to the competent tribunals. Therefore, the treatment offered by the Spain-Chile BIT appeared to be more favorable to the Argentinian investor who was, in this specific case, able to benefit from a clause contained in a different BIT to which Spain, the defendant, was party.

Yet, we take the position that such findings could not be applied as such to the specific case of intellectual property treaties. The first reason is that, in the Maffezini case, the MFN clause allowed to import a more favorable standard from another BIT, i.e. a similar kind of treaty; whereas investment treaties and intellectual property treaties are covering different subject matters. Second, the tribunal also acknowledged that if the contracting parties explicitly agree on a specific procedure to be followed to be able to submit a claim to investment arbitration, then this could not be bypassed by invoking the MFN clause.[466] For instance, if the parties agree that an investor first has to exhaust local remedies, or has to choose between local remedies and arbitration, then an investor would not be able to claim a more favorable treatment arising from a treaty that would contravene the intention of the parties. The reason why the tribunal came to a different solution in the Maffezini case was probably due to the rather unclear wording of the Argentina-Spain BIT clause.

Finally, it is important to note that the tribunal in the Maffezini case, probably because it was conscious of the risk of treaty shopping that the award would create, specified that: "Notwithstanding the fact that the application of the most favored nation clause to dispute settlement arrangements in the context of investment treaties might result in the harmonization and enlargement of the scope of such arrangements, there are some important limits that ought to be kept in mind. As a matter of principle, the beneficiary of the clause should not be able to override *public policy considerations* that the contracting parties might have envisaged as fundamental conditions for their acceptance of the agreement in question, particularly if the beneficiary is a private investor, as will often be the case. The scope of the clause might thus be narrower than it appears at first sight." (emphasis added)[467]

Thus, in light of these elements, it seems that a respondent State would be able to challenge the use of the MFN clause to import more favorable provisions from IP treaties. Another parallel question that needs to be addressed is whether the MFN clause would allow "overriding" exceptions and limitations contained in IP treaties.

1.2 Overriding exceptions and exclusions contained in IP treaties

Another concern raised by the relative standards of treatment in the field of IP is that they could allow an investor to ignore or overcome specific exclusions contained in an intellectual property

[466] Ibid, para 63.
[467] Ibid, para 62.

treaty. A key exception to the national treatment and MFN standards generally contained in intellectual property law is reciprocity,[468] whereby a country A would only grant protection to a national of country B if this country grants the same protection to nationals of country A. This rule could be seen as violating the national treatment of MFN principles but is therefore usually included as an exception to these standards. The issue arising with relative standards of protection in investment agreement is that they could allow circumventing the reciprocity rule by arguing that it violates the national treatment or MFN rule in the given IIA. We nevertheless do not think that such a claim could prevail for several reasons.

First, where the reciprocity rule is part of the domestic intellectual property law, it will apply as a condition for the validity of an investment. Indeed, for an investment to be considered as a "protected investment" it will first have to exist in a given jurisdiction, therefore it will have to comply with the local rules. If the reciprocity criterion is not fulfilled, then there will not even be an investment in the first place. An investor could thus not argue a violation of the investment treaty. A more detailed analysis is required where the IIA protection extends to the pre-establishment phase, or in case a country introduces protection for a new type of IPR. In these cases, the reciprocity rule applied by the host State could conflict with the relative standards of treatment in IIAs.[469]

Second, for these relative standards of treatment to apply, the investors and/or investments have to be in "like situations"[470], which has been understood as pertaining to the same business sector.[471] In the case of IP, the question remains open, and "like situations" could be understood as referring to the same kind of IPR, or even the same category of the subject matter. Yet, this kind of categorization might be of no relevance when looking at measures affecting all investors, regardless of their situation, as it seems to be the case for reciprocity, which would apply to any foreign investor regardless of their business sector. The question of like circumstances would then be relevant only if a measure seems to be discriminatory against a certain type of investor or investment. Then the investor would have to show that he has been treated less favorably than other investors (domestic or foreign), in like situation.

Finally, what would happen if an investment agreement between country A and B excludes the issuance of compulsory licenses from the scope of expropriation clauses, while this exclusion is not present in another investment agreement between country B and C? Could an investor from country A claim that investors from country C receive more favorable treatment since they can raise a claim for expropriation taking the form of a compulsory license? In other words, does the MFN standard "nullify the advantages obtained by specifying exceptions to certain

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[468] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.28.*
[469] Ibid, para 7.26.
[470] This wording is used in the CETA, EU-Singapore and EU-Vietnam's national treatment clause. It is also present in the MFN provision in CETA. In can be noted that there is no MFN provision in the EU-Singapore, and the current version of the EU-Vietnam does not have such provision either, even if mentioned in other articles, therefore leading to the conclusion that it could be included in a later version.
[471] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.27.*

rights in a particular agreement, as investors may be able to invoke such a clause to claim broader rights"?[472]

We have strong doubts that such question could be answered in the affirmative, for the same reasons already set out above. It is relevant to recall the assessment of the Maffezini tribunal in this regard: "As a matter of principle, the beneficiary of the clause should not be able to override *public policy considerations* that the contracting parties might have envisaged as fundamental conditions for their acceptance of the agreement in question, particularly if the beneficiary is a private investor."[473] It appears that the exclusion of compulsory licenses from the scope of the expropriation clause would be a fundamental condition for both parties to an investment treaty to agree to it. An investment tribunal faced with such an argument would therefore likely take into account, in addition to the exact wording of the treaty provisions, the intention of the parties and rule out such an argument.

We therefore argue that an investor would not be able to rely on these relative standards of protection, where present in an investment treaty, to benefit from more favorable provisions included in intellectual property agreements. It is also doubtful that these clauses could be used to override exceptions and limitations contained either in international IP agreements, or in the investment treaty itself. Investors can, however, more likely rely on absolute standards of protection.

2. Absolute standards of protection

2.1 Fair and equitable treatment

The fair and equitable treatment standard has traditionally been included in investment agreements and has been the basis for many investment claims. Nevertheless, the concept remains vague and subject to interpretation. In particular, the standard is and has to be interpreted on a case-by-case basis,[474] based on the facts and circumstances of each particular case and the language of the investment treaty.

That being said, some agreements have tried to tackle this issue by including in the definition of the standard references to customary international law, or even by listing the different measures that can fall within the scope of the standard. This is the case in particular for the EU agreements subject of this study, which include a provision similar to the CETA provision: "Each Party shall accord in its territory to covered investments of the other Party and to

[472] Correa, 'Investment Protection in Bilateral and Free Trade Agreements: Implications for the Granting of Compulsory Licenses', 343.
[473] *Maffezini v. Spain, para 62.*
[474] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration, 102.*

investors with respect to their covered investments fair and equitable treatment and full protection and security in accordance with paragraphs 2 through 6."[475]

The article further clarifies that "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; or (f) a breach of any further elements of the fair and equitable treatment obligation adopted by the Parties in accordance with paragraph 3 of this Article."[476] Such closed list of measures covered by the provision increases legal certainty.

The EU-Singapore and EU-Vietnam agreements have a similar provision.[477] The Energy Charter Treaty is much less detailed, only mentioning in its Article 10 that contracting Parties commit "to accord at all times to Investments of Investors of other Contracting Parties fair and equitable treatment".

Listing the different measures that can constitute a breach of fair and equitable treatment raises the legal certainty by limiting the possible claims under this broad and vague concept. This can be welcomed especially for intellectual property disputes where a breach of fair and equitable treatment standard was claimed for different measures and gave rise to different interpretations, as we explain below.

Within the concept of fair and equitable treatment, parties usually claim that there has been a breach of their legitimate expectations. In IP-related cases, legitimate expectations can arise with regards to different elements which we will address in light of the recent IP investment awards.

Creation of legitimate expectations

Many claims have been brought based on the violation of the investor's legitimate expectations, with variable success. We will attempt to identify the different claims that could arise in an investment dispute, with a focus on IP-related claims.

First, an investor could claim that it has legitimate expectations that its property right remains valid over time. For intellectual property, this would amount to a claim of absolute validity of the intellectual property right, which could therefore never be reviewed by a court or challenged by a third party without risking to incur in a breach of investment agreements. Under intellectual property law, such a claim would likely never prevail since it would be contrary to the essence of intellectual property rights and their social function. Intellectual property rights are not

[475] CETA Article 8.10.
[476] Ibid.
[477] See Article 9.4 of the EU-Singapore TIA and Article 14 of the EU-Vietnam.

absolute rights and can always be challenged to ensure the balance between the interests of the society and that of the inventor or creator. However, one could ask whether the same principles still hold true under a different body of law, namely that of international investment law.

Second, investors could claim that they have legitimate expectations that there will be no limits imposed on their IPRs. These limits could take the form of exceptions and limitations or new laws and regulations that limit the use of a protected good such as in the case of plain packaging regulations, where the use of tobacco brands was limited by a new law. Whether such limitation can constitute a violation of legitimate expectation was addressed in the "tobacco cases". The arguments of the parties and findings of the tribunals will be addressed in greater detail below[478], but at this stage, we can only recall that, from an IP perspective, IPRs are not absolute rights. The investor's rights have to be balanced with the regulatory freedom and State sovereignty. Moreover, a stable and predictable business environment does not prevent a State or court to change its rules or interpretations over time. Indeed, stable and predictable does not mean that "the circumstances prevailing at the time the investment is made must remain unchanged."[479]

In a nutshell, an investor could rely on the FET standard to argue that it has legitimate expectation that its property right, or in other words, its investment, will not lose of its value because of an action or inaction of a State. The argument could extend to the expectation of validity of the property right indefinitely, the absence of exception or limitation or change in the interpretation and application of domestic IP law. These changes can therefore result from actions from the legislative and judicial bodies of a State. Liddell and Waibel identified the following judicial decisions which could conflict with the FET standard, including legitimate expectations: "A direct application the text of a statute to the facts; [t]he development of judicial rules/doctrine free-standing from statutory principle; [t]he first judicial interpretation of a statutory term; [m]ore nuanced and detailed interpretation (filling in) following the first judicial interpretation; [a]n interpretation clarifying but not contradicting an earlier judicial interpretation (perhaps correcting misunderstandings); [a]n interpretation that contradicts an earlier interpretation [or a] settled interpretation." [480] (emphasis added)

However, it must first be recalled that invalidation rates of patents range from 50–70% in most jurisdictions, and therefore the invalidation of a patent right is something that any foreign investor must expect.[481] In addition, we posit that such arguments would most likely not prevail in an investment dispute, since the tribunal would look at the domestic framework to determine whether there is an investment in the State, and would give some deference to State authorities and domestic courts to determine the existence of a property right on its territory. This principle

[478] *See* below Part B, Chapter 1, Section 2, A, 1. Philip Morris v Uruguay and 2. Philip Morris v Australia.
[479] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.45* citing *Saluka Investments B.V. v. The Czech Republic* PCA Case No 2001-04, Partial Award (17 March 2006), para 305.
[480] Kathleen Liddell and Michael Waibel, 'Fair and Equitable Treatment and Judicial Patent Decisions' (2016) 19 Journal of International Economic Law 145, 167.
[481] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 160.

was recalled by many investment tribunals, which recognized that domestic courts must be afforded substantial deference and that investment tribunals cannot "second-guess" the reasoned decisions made by domestic courts.[482] The tribunal in Eli Lilly v Canada recalled that only "in very exceptional circumstances, in which there is clear evidence of egregious and shocking conduct" will it be appropriate for an investment tribunal to assess State conduct against the fair and equitable treatment standard.[483]

Liddell and Waibel consider that, for the specific patent context, investors should be entitled to expect that judges will not contradict settled interpretations of patent law, and if they do, such change should be applied prospectively to foreign investors. While the authors acknowledge that such approach would favor foreign investors over domestic patent owners, such privileges are "well-known and widely accepted consequence of" international investment law.[484] The authors also contend that investors should be entitled to expect that judges will not adopt arbitrary interpretations of the law, in the sense that they lack reason.[485] They conclude that "Assuming judges have rational basis for their interpretations and these do not contradict a settled interpretation of patent law, it would not breach FET for national courts to give the first or subsequent iterative interpretation of a statutory patent principle, a more detailed interpretation […] or to clarify an earlier judicial interpretation".[486]

While such findings could apply in the context of early BITs, which lack a proper definition of the FET standard, it would be difficult to argue that these situations could lead to a breach of the FET standard under newly negotiated FTAs such as the CETA, the EU-Vietnam or EU-Singapore IPAs. Indeed, the threshold for finding a breach of the FET standard under these agreements seems particularly high, and a breach will only be found in cases of denial of justice, fundamental breach of due process, manifest arbitrariness, targeted discrimination or abusive treatment of investors. The interpretation of the law by a court, even if contradicting earlier judgments or departing from settled interpretation, cannot, in our view, constitute a breach of the FET standard under the newly negotiated EU agreements, if such interpretation cannot be categorized under one of the elements explicitly listed in the agreement, as recalled above.

One could even consider that court decisions can only be assessed against the denial of justice claim, but tribunals still disagree on that point. As a matter of fact, intellectual property offices do not have the final say on the grant of IPRs, which can always be challenged and revoked in the future, and where an IP office or domestic court decides to revoke an IP right, such right

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[482] Or in other words, investment tribunals should not act as a court of appeal of last resort. See *Mondev International Ltd. v. United States of America* ICSID Case No ARB(AF)/99/2, Award (11 October 2002), para 126; *Robert Azinian, Kenneth Davitian, & Ellen Baca v. The United Mexican States* ICSID Case No ARB (AF)/97/2, Award (1 November 1999), para 99; *Loewen Group, Inc. and Raymond L. Loewen v. United States of America* ICSID Case No ARB(AF)/98/3, Award (26 June 2003), para 51; *Mr. Franck Charles Arif v. Republic of Moldova* ICSID Case No ARB/11/23, Award (8 April 2013), para 398.
[483] *Eli Lilly v. Canada, Final Award, para 224.*
[484] Liddell and Waibel, 'Fair and Equitable Treatment and Judicial Patent Decisions', 169.
[485] Ibid, 169.
[486] Ibid, 169.

will be considered null or inexistent *ab initio*. Therefore, claims such as the one identified above would likely not prevail even in an investment arbitration *as such*, if not accompanied by other elements that could lead a tribunal to find a violation of legitimate expectations.

Finally, another argument that can been brought concerning legitimate expectation is compliance with international law, and in particular international IP treaties. Investors could argue that they have a legitimate expectation that a State will comply with international treaties, and therefore a measure that would allegedly be contrary to international IP law could also be the basis of a claim of violation of legitimate expectation. Some commentators have argued that if an investor can claim that he has a legitimate expectation that the country will comply with international treaties, then this offers a way of challenging the compliance of measures or laws of a State with international treaties which are usually not directly enforceable by private parties (except in some specific cases).[487]

H. Grosse Ruse-Khan rightly points out that if negotiators had meant to include such a possibility in the IIA, they would have done so explicitly, but in the absence of such explicit commitment, "it appears difficult to assume that the IIA parties wished to interpret the FET standard in such a wide-ranging manner."[488]

Fair and equitable treatment in the plain packaging cases

In the arbitration opposing Philip Morris ('PM') to Australia, the investor claimed that the plain packaging legislation was not fair and equitable for several reasons: (1) it constitutes a substantial impairment of its investments; (2) there is no credible evidence that this measure will contribute to reduction in smoking and therefore enhance public health; (3) there are effective alternatives to achieve this objective and; (4) the measure is violating TRIPS Article 20[489] and other international agreements.[490]

Philip Morris acknowledged Australia's sovereign right to regulate, but considered that the balance weighed heavily in its favor: "Balanced against that is Australia's sovereign right to regulate, but where a regulation has no demonstrable utility to improve public health, violates

[487] "Only in exceptional situations where the domestic law allows for the direct effect of an international IP rule providing rights that can be executed without the need for concrete domestic implementation, right holders may, in principle, rely on an international IP rule", Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.57.*
[488] Ibid, para 7.53.
[489] TRIPS Article 20 foresees that "The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking."
[490] *Philip Morris Asia Limited (Hong Kong) v. The Commonwealth of Australia,* Notice of Claim (15 July 2011), para 10(b).

international law and effective alternative measures are available (all of which is the case here), then the State cannot justify the imposition of the regulation on the investor."[491]

In its response, Australia first noted that at the time PM Asia decided to acquire shares in PM Australia, it knew that the government of Australia would introduce the plain packaging regulation. Therefore, it could not claim a breach of a fair and equitable treatment since it acquired the Australian branch knowing that the tobacco regulation would change.[492] It also argued that the investor cannot bring a claim of FET for breach of an international treaty since these international agreements have their own dispute settlement mechanism and the arbitral tribunal is therefore not competent to hear such claims.[493]

In this case, the tribunal did not enter into discussions on the FET standard as its analysis ended at an earlier stage. Indeed, it was at the stage of admissibility that Philip Morris' claim was rejected, because it constituted an abuse of rights, which the tribunal defined as the situation where "an investor has changed its corporate structure to gain the protection of an investment treaty at a point in time where a dispute was foreseeable".[494]

In the case against Uruguay, Philip Morris also argued inter alia that it had suffered a violation of fair and equitable treatment.[495] The parties nevertheless disagreed on the standard to apply. Philip Morris argued that the Switzerland-Uruguay BIT provides for an autonomous meaning of the standard, whereas Uruguay contended that the minimum standard of treatment owed to aliens under customary international law should apply.[496]

The tribunal first recalled that the absence of any reference to international law or customary international law to define the FET standard does not mean that the FET has an autonomous meaning.[497] On the contrary, Article 31 and 32 of the VCLT must apply, and therefore international law including customary international law must shed light on the meaning of the standard.[498] The tribunal also acknowledged that, while the standard evolved since the 1926 Neer award, the content of the standard is still not settled.[499] It referred to the doctrine which has identified principles to define the FET and in particular, the criteria identified by Schreuer: "transparency and the protection of the investor's legitimate expectations; freedom from coercion and harassment; procedural propriety and due process, and good faith."[500] The tribunal

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[491] *Philip Morris Asia Limited (Hong Kong) v. The Commonwealth of Australia,* Notice of Arbitration (21 November 2011), paras 7.7-7.8.
[492] *Philip Morris Asia Limited (Hong Kong) v. The Commonwealth of Australia,* Australia's Response to the Notice of Arbitration (21 December 2011), para 7(b).
[493] Ibid, para 35.
[494] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility)*, para 585.
[495] For an extensive review and analysis of the facts and claims in this case, *see* below Part B, Chapter 1, Section 2, A, 1. Philip Morris v Uruguay.
[496] *Philip Morris v. Uruguay, Award*, para 312.
[497] Ibid, para 316.
[498] Ibid, para 317.
[499] Ibid, para 319.
[500] Ibid, para 320.

finally balanced by citing other cases which have found that a measure violates the FET if it is "arbitrary, grossly unfair, unjust or idiosyncratic, is discriminatory and exposes the claimant to sectional or racial prejudice."[501]

To decide whether Uruguay had violated the FET standard and thus breached the Switzerland-Uruguay BIT, the tribunal first determined whether the tobacco measures at issue were arbitrary. To make this assessment, it referred to external sources of law, in particular decisions from the International Court of Justice and the European Court of Human Rights. These cases will be analyzed in further details in Part B below.

To conclude, while it is true that in theory, investors could argue a violation of the fair and equitable treatment standard for certain measures affecting the validity and scope of their IP rights, the threshold for a tribunal to actually find such violation is very high. In our view, it is unlikely that an investor could be successful in arguing violation of the FET standard for measures that would normally be accepted under international IP law. This would only be the case where a tribunal identifies an egregious or shocking conduct, or grossly unfair measures, as confirmed by the tribunals in the IP-investment cases cited above.

2.2 Expropriation

Foreign investors are protected in a host State according to minimum standards of treatment, provided they can demonstrate that they are investors that have an investment in the host country in accordance with the definitions of the investment agreement binding on the host State. One fundamental standard of protection is the protection against unlawful expropriation. A difference has to be made between direct and indirect expropriation. Direct expropriations refer to cases of taking by a government of an investor's property to transfer ownership of that property to another person, usually the authority that exercised its power to do the taking.[502] Direct expropriations have become less common over time, notably because countries want to attract foreign investments.[503]

Indirect expropriations are more common and usually defined as measures which effect is "equivalent" or "tantamount" to direct expropriations. It is widely accepted that the protection against expropriation is no longer limited to tangible property rights but also covers intangible property rights, including intellectual property. This stems both from the language of the treaties as well as the case-law.[504]

[501] Ibid, para 323.
[502] *S.D. Myers, Inc. v. Government of Canada* UNCITRAL, Partial Award (13 November 2000), para 280.
[503] For an extensive analysis of the standard of expropriation, *see* Dolzer and Schreuer, *Principles of International Investment Law, 90-118.*
[504] *See* for instance *Wena Hotels Ltd. v. Arab Republic of Egypt* ICSID Case No ARB/98/4, Award (8 December 2000), para 98, referring to the findings of the tribunal in *Southern Pacific Properties (Middle East) Limited v. Arab Republic of Egypt* ICSID Case No ARB/84/3.

It must be noted that expropriations are not prohibited as such, but they must meet certain conditions to be legal. Even if there is no clear definition of the concept, and some uncertainties remain in particular as to the limit to be drawn between a compensable and non-compensable expropriation[505], there is some consistency stemming from the treaties and the case-law on the conditions that have to be met for a measure to constitute a "lawful" expropriation. According to Dolzer and Schreuer, the legality of a measure of expropriation is conditioned on the fulfillment of the following requirements cumulatively: the measure must be non-discriminatory and not arbitrary, it must serve a public purpose, follow the principles of due process of law, and be accompanied by adequate compensation.[506] The determination of the compensation for lawful expropriation has been "by far the most controversial" and while today, most tribunals seem to agree on the criteria of fair market value, the determination thereof is not an easy task.[507]

Even more controversial is the line to be drawn between legitimate regulatory measures and indirect expropriations. These two concepts are the two sides of the same coin. This is particularly well illustrated by the tobacco plain packaging measures. On the one hand, governments put forward the necessity to protect public health as overriding reason to legitimate the regulatory measure. On the other hand, such measure leads to a decrease in value of some investors' investments, such decrease being sometimes so important that the measure can be equated to an indirect expropriation. The existence of a public interest in general is usually a key element of any lawful expropriation.[508]

Some investment tribunals have referred to the European Convention of Human Rights ('ECHR') and the jurisprudence of the Strasbourg Court in their attempt to differentiate between compensable and non-compensable expropriation.[509] According to Alvarez, ECHR analogies are particularly useful where the investment agreement at stake does not provide a detailed definition or specific criteria to be taken into account when differentiating between compensable expropriation and legitimate public policy measure.[510] In recent agreements,

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[505] Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements', 904, citing Julien Chaisse, 'Promises and Pitfalls of the European Union Policy on Foreign Investment—How will the New EU Competence on FDI affect the Emerging Global Regime?' (2012) 15 Journal of International Economic Law, 67.
[506] Dolzer and Schreuer, *Principles of International Investment Law, 91.*
[507] Ibid, 91.
[508] Pia Acconci, 'Is it Time to Integrate Non-investment Concerns into International Investment Law?' (2013) 10 Transnational Dispute Management, 1.
[509] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 82, referring to the tribunals' findings in *Spyridon Roussalis v. Romania ICSID Case No ARB/06/1*, *Siemens A.G. v. The Argentine Republic ICSID Case No ARB/02/8*, *Técnicas Medioambientales Tecmed, S.A. v. The United Mexican States* ICSID Case No ARB (AF)/00/2, *Fireman's Fund Insurance Company v. The United Mexican States ICSID Case No ARB(AF)/02/1*, *Azurix Corp. v. The Argentine Republic ICSID Case No ARB/01/12*, and *Philip Morris Brands Sàrl, Philip Morris Products S.A. and Abal Hermanos S.A. v. Oriental Republic of Uruguay ICSID Case No ARB/10/7*.
[510] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 82.

however, specific criteria are usually listed to determine whether the measure at stake constitutes an indirect expropriation.

In the CETA, Article 8.12(1) mandates that a Party shall not "nationalise or expropriate a covered investment either directly, or indirectly […]". Indirect expropriation is defined as any measure "having an effect equivalent to nationalisation or expropriation". Annex 8-A further clarifies that "indirect expropriation occurs if a measure or series of measures of a Party has an effect equivalent to direct expropriation, in that it substantially deprives the investor of the fundamental attributes of property in its investment, including the right to use, enjoy and dispose of its investment, without formal transfer of title or outright seizure." The Annex also lists the factors that a tribunal should take into account when determining whether a measure constitutes an indirect expropriation, namely the economic impact and the duration of the measure, the extent to which the measure interferes with the investor's expectations, and the character of the measure. It also indicates that non-discriminatory measures "designed and applied to protect legitimate public welfare objectives, such as health, safety and the environment, do not constitute indirect expropriations" except in rare circumstances where the measure appears manifestly excessive.

Expropriations are only allowed where the following conditions are cumulatively respected: the measure must be adopted "(a) for a public purpose; (b) under due process of law; (c) in a non-discriminatory manner; and (d) on payment of prompt, adequate and effective compensation."[511] Article 8.12(2) and 8.12(3) give an indication on how the compensation is to be calculated, indicating that the benchmark should be the "fair market value" of the investment at the time immediately before the expropriation became known.

Article 8.12(4) explicitly excludes the issuance of compulsory licenses from the scope of this article, to the extent that the compulsory license is compliant with the TRIPS Agreement. While the introduction of such limitation is a notable improvement in the language of recent trade agreements, the addition on the compliance with the TRIPS Agreement leaves open the question as to whom should review and determine the legality of the compulsory license with regards to the TRIPS Agreement. While the jurisdiction of investment tribunals is usually limited to the investment agreement before them, it is doubtful that such tribunal can make a determination over the legality of a compulsory license on its own. It could rely on the decisions of domestic or international courts, or other dispute settlement mechanisms that have determined the legality of a specific compulsory license, or rely on the jurisprudence and criteria used by these courts to itself determine the compliance of a compulsory license with the TRIPS Agreement.

Investment tribunals can also rely on the opinion of experts in the field to assess and interpret intellectual property law, and benefit from written submission by third parties, as it was the case

[511] Article 8-12 of the CETA.

in the Philip Morris v Uruguay case amongst others.[512] It is interesting to note that investment tribunals can or even must deny the petition to file a written submission where the organization that seeks to intervene is not independent enough from the disputing parties or has a connection with one of them. This was the case with the Inter American Association of Intellectual Property, which the tribunal found to have a close relationship with the Claimants and thus denied its request to file a written submission.[513] The parties to the dispute can also rely on the opinions of their own experts to put forward their arguments. In Philip Morris v Uruguay, extensive references were made by the tribunal to the reports and opinions of the parties' experts.[514]

The CETA also foresees an additional limitation to the scope of the expropriation provision, which concerns the revocation, limitation or creation of IPRs. According to Article 8.12(6), these cannot constitute expropriations, to the extent "that these measures are consistent with the TRIPS Agreement and Chapter Twenty (Intellectual Property)". The Article further clarifies that "a determination that these measures are inconsistent with the TRIPS Agreement or Chapter Twenty (Intellectual Property) does not establish an expropriation". This provision also represents an important improvement in the language of recent trade and investment agreements. Most of the older generation agreements usually have a short provision on expropriation giving a general definition and leaving the interpretation open for investment tribunals. In recent years however, policy makers have realized the shortcomings of such provisions in particular for IP adjudication. Explicit exceptions and limitations to the scope of the expropriation provision for IP-related claims have therefore been introduced.

Likewise, the EU-Singapore and EU-Vietnam IPAs foresee that "Neither Party shall directly or indirectly nationalise, expropriate or subject to measures having effect equivalent to nationalisation or expropriation […] the covered investments of covered investors of the other Party except: (a) for a public purpose; (b) in accordance with due process of law; (c) on a non-discriminatory basis; and (d) against payment of prompt, adequate and effective compensation […]".[515] Both agreements have the same provision as in the CETA on the calculation of the amount of compensation.[516] They also give additional clarification on the scope of the expropriation provision in their annexes.[517] The criteria used to define indirect expropriation, as well as the exceptions and limitations, are similar to those in the CETA.[518]

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[512] The tribunal was informed in its decision making process by contributions from the WHO and FCTC Secretariat, and also received written submission from the Pan American Health Organization, see *Philip Morris v. Uruguay, Award*, paras 39-40.
[513] Ibid, para 55.
[514] See inter alia ibid, paras 61; 149; 202; 211; 242; 244.
[515] Article 2.6(1) of the EU-Singapore IPA and similar wording in Article 2.7(1) of the EU-Vietnam IPA.
[516] Article 2.6(2) of the EU-Singapore IPA and Article 2.7(2) of the EU-Vietnam IPA.
[517] Annex 1 to the EU-Singapore IPA and Annex 4 to the EU-Vietnam IPA.
[518] Annex 1(1) to the EU-Singapore IPA and Annex 4 to the EU-Vietnam IPA, noting that the EU-Singapore IPA uses the terms "interferes with the possibility to use, enjoy or dispose of the property" where the CETA referred to "expectations", and that the EU-Vietnam IPA does not include this factor in the list of factors to be taken into account in the determination of indirect expropriation.

Finally, these agreements also foresee that compulsory licenses cannot constitute expropriation, subject to the condition that they are consistent with the TRIPS Agreement only; no reference is made to the IP Chapter.[519] As for the revocation, limitation and creation of IPRs, their exclusion from the scope of the expropriation provision is foreseen in Annex 3 to the EU-Singapore IPA, which wording is identical to the wording used in the CETA, making thus reference to both the TRIPS Agreement and the IP Chapter. The EU-Vietnam IPA, interestingly, does not foresee such exclusion. It will be interesting to see how an investment tribunal constituted under this agreement will deal with such claim.

Many investment tribunals have dealt with expropriation claims mostly under older generation investment agreements. The safeguards found in more recent treaties are therefore absent from these older treaties, but this does not lead to a systematic finding of expropriation, in particular where intellectual property rights are involved.

In the case opposing Philip Morris and Uruguay, the Claimant argued that the single presentation requirement and the 80% health warnings requirement were expropriatory since it banned seven variants of the Claimants' trademarks and diminished the value of the remaining trademarks.[520] The tribunal rejected the Claimants' claims, founding that the measure must have "a major adverse impact on the Claimants' investments", amounting to a "substantial deprivation" of the investments' value.[521] It then found that the 80% requirement was not expropriatory since "a limitation to 20% of the space available […] could not have a substantial effect on the claimants' business since it consisted only in a limitation imposed by the law"[522] and did not prohibit the use of the trademark. It also found that the single presentation requirement did not deprive the Claimants' from the value of their business and investments, and that the measure was a valid exercise of Uruguay's police powers, and thus rejected the claim for expropriation.[523]

While to our knowledge, it has not yet been subject to investment arbitration[524], the question of parallel imports has nevertheless been discussed by the doctrine in the framework of indirect expropriations. The concept of parallel imports refers to the situation where a country A allows the import on its territory of protected goods, which have already been placed on the market in country B. The right holder's rights are said to be "exhausted" in country B, hence allowing country A to import the goods without the authorization of the right holder. The possibility of admitting parallel imports is recognized by Article 6 of the TRIPS and largely implemented in the European single market. Correa and others have asked whether the admission of parallel imports can diminish the value of intellectual property rights and hence be considered an

[519] Article 2.6(3) of the EU-Singapore IPA and Article 2.7(4) of the EU-Vietnam IPA.
[520] *Philip Morris v. Uruguay, Award, para 180.*
[521] Ibid, para 192.
[522] Ibid, para 276.
[523] Ibid, paras 284, 287.
[524] Parallel imports can, however, have been the subject of confidential arbitration proceedings.

(indirect) expropriation.[525] Correa notably considers that parallel imports can diminish IP owner market shares, and hence constitute an expropriation, at least under NAFTA where market shares are considered as "investment".[526]

Indeed the wording of the investment agreement at stake plays a crucial role in determining whether parallel imports can constitute indirect expropriations. Vanhonnaeker highlights that some FTAs "allow for the prevention of parallel imports that would otherwise be allowed from States in which the protected asset has been placed on the market".[527] He refers to the Australia-US FTA, which foresees the possibility for patent holders to "place restrictions on importation by contract or other means".[528] He concludes that "under these provisions, and considering the impact that illegitimate parallel imports can have, 'claims by a patent owner as an investor may arise for loss of IPR value or market share'".[529]

We therefore posit that parallel imports could only be in breach of the investment agreement provisions where such parallel imports are not authorized on a certain territory by virtue of domestic law or private contracts between a specific investor and the host State. *A contrario*, where a country authorizes parallel imports in line with Article 6 of the TRIPS Agreement and the Doha Declaration[530], no claim should be validly brought under an investment agreement to which this country is a party.

As we have noted before, while such claims can possibility be brought under some "old generation" investment agreements, "new generation" investment agreements explicitly limit the scope of the expropriation provision to exclude measures that limit the scope and use of IPRs, including the issuance of compulsory licenses or any measure designed to protect legitimate public welfare objectives. The improvements in the language of the texts of new generation investment agreements in particular the EU agreements under assessment here will most likely limit (but not complete exclude) the possibility to bring IP claims in investment arbitration proceedings. A more ambitious (and restrictive) approach could be to remove any reference to the compatibility of a measure with the TRIPS Agreement and/or the IP chapter of the investment agreement, to simply rule out the possibility to bring a claim related to the creation, revocation or limitation of an IPR, including the issuance of a compulsory license.

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[525] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 19; Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights', 293; Liberti, 'Intellectual Property Rights in International Investment Agreements: An Overview', 9-12.
[526] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 19.
[527] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration*, 74.
[528] Ibid, 74.
[529] Ibid, 74, citing Liberti, 'Intellectual Property Rights in International Investment Agreements: An Overview', 12.
[530] Declaration on the TRIPS agreement and public health, 14 November 2001, 5(d): "The effect of the provisions in the TRIPS Agreement that are relevant to the exhaustion of intellectual property rights is to leave each member free to establish its own regime for such exhaustion without challenge, subject to the MFN and national treatment provisions of Articles 3 and 4."

This will however not exclude disputes brought under older generation agreements, which remain possible as long as these agreements are still in force.

2.3 Denial of justice and fundamental breach of due process

The standard of protection against denial of justice and fundamental breach of due process is usually encompassed by the fair and equitable treatment clause. The CETA, EU-Singapore and EU-Vietnam agreements all foresee in a similar fashion that "A Party breaches the obligation of fair and equitable treatment […] 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 […]."[531]

This standard classically covers proceedings before the courts of the host State, but can also cover, depending on the language of the treaty, the conduct of a party during arbitration proceedings.[532] The standard can be referred to in different ways in the treaties or the doctrine, such as access to justice, fair procedure or prohibition of denial of justice. The concept of denial of justice relates not only to the right to receive a fair treatment during a trial, but also extends to pre- and post-trial phases, namely the right to bring a claim or to have access to the domestic judicial system, and the right to obtain an appropriate decision and access to appeal where necessary.[533] The latter lied at the heart of the denial of justice claim in the Philip Morris v Uruguay case. This claim will be assessed in great detail in the section analyzing the case below[534], but in a nutshell, the claimant argued that the absence of appeal mechanism to challenge two contradicting decisions from the highest courts of Uruguay amounted to a denial of justice. As we explain in the relevant section below, the tribunal dismissed the claimants' denial of justice claim, but one arbitrator issued a dissenting opinion including on this aspect.

The standard of denial of justice does indeed not, as most investment standards of protection, grant absolute protection to investors against governmental actions. Government actions have to be assessed in light of state immunity that protects governments authorities from private lawsuits, but always in respect of the non-discrimination standard (and sometimes even, the concept of proportionality).[535] Actions and decisions of the courts are also covered by the standard of protection, as illustrated by the Philip Morris v Uruguay case and many other investment arbitration cases.

In relation to court conduct, the standard covers situations "where the courts refuse to allow access to foreigners, where 'undue delay' exists, where there are 'manifestly xenophobic judges', when the 'final decision' was 'incompatible with state obligations', or where there is

[531] CETA Article 8.10, EU-Singapore IPA Article 2.4(2) and EU-Vietnam IPA Article 2.5(2).
[532] Dolzer and Schreuer, *Principles of International Investment Law*, 162.
[533] Ibid, 163.
[534] See below Part B, Chapter 1, Section 2, A., 1. Philip Morris v Uruguay.
[535] Dolzer and Schreuer, *Principles of International Investment Law*, 164

a refusal to provide execution of rulings that are favourable to the foreign party". [536] However, investors cannot challenge any court decision, which would not be in favor of the investor or its investments. Even if the tribunal in Eli Lilly v Canada found that judicial conduct can be characterized other than as a denial of justice, it recalled that investment tribunals are not "appellate tier in respect of the decisions of national judiciaries" and that "considerable deference is to be accorded to the conduct and decisions of such courts".[537] The tribunal concluded that an investment tribunal would only assess judicial conduct against the obligations under an IIA in "very exceptional circumstances, in which there is clear evidence of egregious and shocking conduct".[538]

Investment arbitration has therefore been described both as a means to bypass national courts in case of alleged denial of justice, by allowing litigation parallel to domestic courts, but also as a means to ensure access to justice and a neutral forum.[539]

Fair and equitable treatment usually encompasses due process in addition to the protection against denial of justice. The main element of the due process requirement is to establish procedural rights for investors in administrative proceedings.[540] Due process can cover both administrative and judicial due process, which is defined as "natural justice in judicial proceedings" or the protection against "lack of transparency and candour in an administrative process".[541]

In relation to intellectual property, one could argue that denial of justice claims could also arise from the treatment of intellectual property applications in IP offices. This however would only hold true where the investment agreement foresees protection during the pre-establishment phase. In addition, as we already recalled above, a severely egregious or shocking conduct would have to be established. Hence, a mere refusal to grant an IP right would not fall under the scope of this provision. With respect to the post-establishment phase, the decision of an IP office could also be reviewed in light of the denial of justice provision regarding annulment, cancellation, or opposition proceedings, i.e. any proceeding taking place after an IP right has been granted. However, we insist on the fact that the likelihood that such conduct could meet the requirements to qualify as a denial of justice is extremely low. Finally, any procedure in front of domestic court could also be reviewed under this provision, as has been exemplified by the Philip Morris v Uruguay case. However, one could observe that the denial of justice claim in this case is somewhat unrelated to the intellectual property at stake, and rather concerns the

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[536] Timothy G. Nelson, 'Human Rights Law and BIT Protection: Areas of Convergence' (2013) 10 Transnational Dispute Management, 40-41.
[537] *Eli Lilly v. Canada, Final Award*, para 224.
[538] Ibid, para 224; noting that this decision was taken in the specific framework of the NAFTA.
[539] Vadi, 'Trade Mark Protection, Public Health and International Investment Law: Strains and Paradoxes', 785.
[540] Stephan W. Schill, 'Fair and Equitable Treatment, the Rule of Law, and Comparative Public Law' in Stephan W. Schill (ed), *International Investment Law and Comparative Public Law* (Oxford University Press 2010), 166-167.
[541] *Waste Management, Inc. v. United Mexican States* ICSID Case No ARB(AF)/00/3, Award (30 April 2004), para 98.

validity of domestic laws regulating the use of IP rights and their assessment by two different domestic courts.

In conclusion, it can therefore be held that a denial of justice claim in an IP investment case will have to meet a high threshold for a tribunal to find a violation of such provision. It remains to be seen how and under which factual circumstances an investment tribunal will find a violation of this provision in the framework of an IP dispute.

2.4 Full protection and security

The wording of the full protection and security clause and of related provisions and clarifications in the treaty is decisive when determining the scope of the provision. Some treaties refer to "protection and security" only, or indicate "constant" instead of "full". It is clear and also in line with the historical meaning of the clause that the full protection and security standard protects the investor and the investment against physical threat and violence. In recent years however, the meaning of the standard has expanded beyond physical protection to also cover protection against infringements.

Some treaties and investment tribunals have considered that the full protection and security standard can be equated to the fair and equitable treatment standard, while others have considered them as separate standards. There can be a fine line between the scopes of these different standards, especially when the treaties contain little guidance on the definition to give to its standards. This broad meaning opens the door to interpretation by investment tribunals who seem to increasingly accept that the full protection and security standard also protects against legal infringements. The standard does not provide however an absolute protection, but rather mandates that the state and its organs must exercise "due diligence" and take reasonable measures to protect the foreign investment.[542] The treaties can also make a reference to customary international law together with the full protection and security standard, suggesting that the latter embodies the former.[543]

The protection against physical violence covers for instance the protection against violence and destruction by the State or its organs (for instance security forces)[544], but can also cover acts of private violence where the State has not intervened to protect the foreign investment.[545] The "legal" protection, in turn, provides protection against infringements of the investor's rights. The tribunal in Siemens v Argentina justified the extension of the scope of the standard from physical to legal protection by the fact that the BIT at stake also covered intangible assets, and found that "As a general matter and based on the definition of investment, which includes

[542] Dolzer and Schreuer, *Principles of International Investment Law*, 150.
[543] Ibid, 152.
[544] *Wena Hotels v. Egypt, Award*; *American Manufacturing & Trading, Inc. v. Republic of Zaire* ICSID Case No ARB/93/1, Award (21 February 1997); *Eureko B.V. v. Republic of Poland* Ad Hoc Arbitration, Partial Award (19 August 2005).
[545] *Técnicas Medioambientales Tecmed, S.A. v. The United Mexican States* ICSID Case No ARB (AF)/00/2, Award (29 May 2003), *Noble Ventures, Inc. v. Romania* ICSID Case No ARB/01/11, Award (12 October 2005).

tangible and intangible assets, the Tribunal considers that the obligation to provide full protection and security is wider than 'physical' protection and security. It is difficult to understand how the physical security of an intangible asset would be achieved."[546] It must however be noted that the BIT at stake referred explicitly to "full protection and legal security", going hence further than most investment treaties.

Under the CETA, full protection and security is covered by Article 8.10 on the "treatment of investors and of covered investments". Article 8.10(1) foresees "Each Party shall accord in its territory to covered investments of the other Party and to investors with respect to their covered investments fair and equitable treatment and full protection and security in accordance with paragraphs 2 through 6". Paragraph 5 explicitly clarifies that "full protection and security refers to the Party's obligations relating to the physical security of investors and covered investments", hence excluding from the scope of the provision "legal" protection or protection against infringements. There is therefore limited scope for any IP claims under this provision of the CETA.

Likewise, the EU-Singapore IPA includes the full protection and security clause under the standard of treatment provision, and foresees that "Each Party shall accord in its territory to covered investments of the other Party fair and equitable treatment and full protection and security", clarifying that "full protection and security only refers to a Party's obligation relating to physical security of covered investors and investments".[547] The EU-Vietnam provision explicitly covers both investors and investments under the full protection and security clause, and also defines the standard as "a Party's obligations to act as may be reasonably necessary to protect physical security of the investors and the covered investments".[548] The slight variations in the language used do not challenge our finding above that we see limited (if not no) scope for IP claims under these provisions.

It must however be noted that under a different BIT or investment agreement, with broader language and the absence of clarification as to the exact scope of the provision, an investor could invoke the full protection and security clause for lack of enforcement of its intellectual property rights. The example has been given by the doctrine of the failure of a host state to identify counterfeit goods, which enter the national market in breach of granted IP rights, hence affecting the value of an investor's investments, or even more broadly the lack of proper enforcement framework in a country which could be invoked as a breach of a "full protection and legal security" clause.[549] However we posit that it is unlikely that such claim would prevail in the absence of additional factors which could lead to the finding that a country has breached its obligations under an investment treaty. Such factors could include a blatant discrimination or the refusal of access to the domestic justice system. A mere finding that IP laws in a country

[546] *Siemens A.G. v. The Argentine Republic* ICSID Case No ARB/02/8, Award (17 January 2007), para 303.
[547] Article 2.4(1) and 2.4(5) of the EU-Singapore IPA.
[548] Article 2.5(1) and 2.5(5) of the EU-Vietnam IPA.
[549] Pratyush Nath Upreti, 'Enforcing IPRs Through Investor-State Dispute Settlement: A Paradigm Shift in Global IP Practice' (2016) 19 The Journal of World Intellectual Property 53, 74.

are not efficiently enforced or that a court ruled against the interests of an investor is unlikely to lead as such to a finding of a breach of the full protection and security clause.

2.5 Umbrella clauses

Although not as common as other standards of protection, umbrella clauses are estimated to feature in approximately 40% of all BITs.[550] The first BIT between Germany and Pakistan already included an umbrella clause.[551] These clauses usually refer to the duty of States to honor certain specific commitments they have undertaken towards the investments of a specific investor of the other contracting State. These obligations are usually governed by domestic law[552], and can consist of contracts between the State and foreign investors or even unilateral acts of the host State, such as legislation, licences, or permissions.[553]

Historically, this provision was included by capital exporting countries in their treaties to increase the protection granted to their investors, namely by elevating "contracts between investors and host states to the level of international obligation".[554] A violation of a contract between the State and the foreign investor would thereunder amount to a violation of the investment agreement, for which an investment tribunal would have jurisdiction. Umbrella clauses prevent States from abusing their authority and disrespect individual commitments towards investors. Depending on the political situation, a State may, for example, "alter domestic laws or regulations or re-interpret contracts and other acts", and the risk is even higher in jurisdictions where it is unlikely that domestic courts will rule in favor of the foreign investor.[555] Contracts and other individual commitments are therefore protected by investment treaties. A general wording of such clause reads: "Each Contracting Party shall observe any obligation it may have entered into with regard to investments of investors of the other Contracting Party."[556] Treaties can also refer more specifically to "written undertakings".[557]

Investment tribunals have interpreted this provision in a very inconsistent manner, and have adopted different interpretations of the clause.[558] A narrow reading of the provision, first

[550] 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 Journal of International Economic Law 211, 229.
[551] Tomáš Fecák, *International Investment Agreements and EU Law* (Kluwer Law International 2016), 40.
[552] Directorate-General for External Policies Policy Department, *In Pursuit of an International Investment Court Recently Negotiated Investment Chapters in EU Comprehensive Free Trade Agreements in Comparative Perspective* (EP/EXPO/B/INTA/2017/02, 2017), 29.
[553] European Parliament DG External Policies, *The investment chapters of the EU's international trade and investment agreements in a comparative perspective* (EP/EXPO/B/INTA/2015/01, 2015), 161.
[554] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs', 229.
[555] European Parliament DG External Policies, *The investment chapters of the EU's international trade and investment agreements in a comparative perspective*, 161.
[556] Article 3(4) of the Czech Republic - Netherlands BIT (1991).
[557] Article 10 of the Australia - Poland (1991).
[558] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs', 229.

adopted by the tribunal in SGS v Pakistan[559] and later confirmed by other investment tribunals[560], excludes that the umbrella clause elevate any alleged breach of contract between investors and the host state to the level of a breach of the international investment agreement. The fact that an extensive reading could have far-reaching consequences, notably in terms of the number of claims possibly brought before investment tribunals, was one of the arguments put forward by the tribunal to justify a narrow reading of the clause. In addition, according to the tribunal, if it were to adopt a broad reading of the provision according to which a violation of a contract is a violation of international law, then the claimant would need to establish "Clear and convincing evidence that such was indeed the shared intent of the Contracting Parties […]".[561]

Surprisingly, another tribunal reached the exact opposite conclusion only six months later, finding the conclusion of the SGS v. Pakistan tribunal too restrictive an unconvincing, and concluding that the umbrella clause has the effect of turning a breach of contract between an investor and the host state into a violation of the BIT.[562] Such broad reading usually relies on the *effet utile* of treaty clauses, according to which each treaty provisions must be interpreted in a meaningful way, and therefore the umbrella clauses cannot be equated to other treaty provisions such as fair and equitable treatment, national treatment or most-favored nation.[563] In other cases, tribunals have differentiated between breaches committed "in the exercise of sovereign state power", in violation to the umbrella clause, and "ordinary commercial breaches of a contract".[564] It is important however to note that tribunals usually rely on the intention of the parties as well as the object and purpose of the BIT to determine whether contractual obligations towards the private investor can constitute a breach of the investment treaty.[565]

With respect to the choice of forum, it can be noted that some tribunals, including the SGS v Philippines tribunal, considered the umbrella clause claim inadmissible since the investment contract at stake already contained a dispute settlement clause of its own. Other tribunals have reached the exact opposite conclusion.[566]

Umbrella clauses are clearly controversial provisions, which scope and interpretation has varied over time. Each tribunal confronted with a claim invoking the umbrella clause has to carefully assess the wording of the clause in the investment treaty at stake as well as identify the intention of the parties. Umbrella clauses create certain risks for States, namely constraints on the right

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[559] *SGS Société Générale de Surveillance S.A. v. Islamic Republic of Pakistan* ICSID Case No ARB/01/13, Decision of the Tribunal on Objections to Jurisdiction (6 August 2003), para 163.
[560] Fecák, *International Investment Agreements and EU Law*, 41.
[561] *SGS v. Pakistan, Decision of the Tribunal on Objections to Jurisdiction (6 August 2003)*, para 167.
[562] *SGS Société Générale de Surveillance S.A. v. Republic of the Philippines* ICSID Case No ARB/02/6, Decision of the Tribunal on Objections to Jurisdiction (29 January 2004), paras 120-125.
[563] Fecák, *International Investment Agreements and EU Law*, 42.
[564] Ibid, 42, noting that such "interpretation of umbrella clauses was however expressly rejected by some other tribunals".
[565] *Noble Ventures, Inc. v. Romania* ICSID Case No ARB/01/11, Award (12 October 2005), paras 48-56.
[566] Fecák, *International Investment Agreements and EU Law*, 42.

to regulate and parallel proceedings with respect to contract claims.[567] Indeed, multiple claims can be brought for breach of contracts, which usually foresee commercial arbitration as dispute settlement mechanism, in addition to the possibility of investors to rely on ISDS. The question therefore arises whether "the contract established an exclusive and a supplementary jurisdiction".[568]

In recent EU agreements, umbrella clauses have been limited in scope or even totally removed.[569] Dimopoulos warned against the risk of umbrella clauses being incompatible with existing secondary EU law on public procurement. He highlighted the fact that the EU public procurement regime may foresee rules for the resolution of disputes arising from public contracts and therefore, EU negotiator "should be very careful as to whether they wish to introduce an exception from the scope of IIAs for public procurement, similar to the ones introduced in the investment chapters of existing EU FTAs".[570]

Whereas most EU IIAs include an umbrella clause, it was removed from the CETA. In the EU-Singapore and EU-Vietnam FTAs however, a clause is included under the standard of treatment provision. The EU-Singapore in its Article 2.4.(6) foresees "Where a Party […] had given a specific and clearly spelt out commitment in a contractual written obligation towards a covered investor of the other Party with respect to the covered investor's investment or towards such covered investment, that Party shall not frustrate or undermine the said commitment through the exercise of its governmental authority either: (a) deliberately; or (b) in a way which substantially alters the balance of rights and obligation in the contractual written obligation unless the Party provides reasonable compensation to restore the covered investor or investment to a position which it would have been in had the frustration or undermining not occurred." The Article further clarifies that "a Party frustrates or undermines a commitment through the exercise of its governmental authority when it frustrates or undermines the said commitment through the adoption, maintenance or non-adoption of measures mandatory or enforceable under domestic laws."

The wording adopted in the EU-Vietnam agreement differs in several aspects. Article 2.5(6) reads "Where a Party has entered into a written agreement with investors of the other Party or covered investments that satisfies all of the following conditions, that Party shall not breach that agreement through the exercise of governmental authority. The conditions are: (a) the written agreement is concluded and takes effect after the date of entry into force of this Agreement; (b) the investor relies on the written agreement in deciding to make or maintain the covered investment other than the written agreement itself and the breach causes actual

[567] European Parliament DG External Policies, *The investment chapters of the EU's international trade and investment agreements in a comparative perspective*, 161.
[568] Ibid, 162.
[569] EFILA, 'TASK FORCE PAPER regarding the proposed International Court System (ICS)' (2016) European Federation for Investment Law and Arbitration , 21.
[570] Angelos Dimopoulos, 'The Compatibility of Future EU Investment Agreements with EU Law' (2012) 39 Legal Issues of Economic Integration 447, 463.

damages to that investment; (c) the written agreement creates an exchange of rights and obligations in connection to the said investment, binding on both parties; and (d) the written agreement does not contain a clause on the settlement of disputes between the parties to that agreement by international arbitration."

Both agreements specifically state that the provision only covers "written" commitments. The EU-Vietnam IPA defines in great detail which conditions such written commitments must fulfill in order to be covered, whereas such clarifications are not present in the EU-Singapore IPA. On the other hand, the latter defines in length which governmental actions may violate the clause, whereas such indications cannot be found in the former. It can be noted however that both agreements adopt a nuanced approach and clearly define the scope of the umbrella clause, in an attempt to guarantee a reasonable level of protection.[571] In contrast with broad and unqualified umbrella clauses which can be found in older BITs, these EU IIAs adopt a narrow approach to the umbrella clause, defining its scope more clearly by including only 'contractual written obligations' (in contrast, for example, to 'any other obligation').[572] The host State conduct is defined or at least qualified (in contrast to general wording such as 'shall observe'). Finally, the EU-Singapore IPA requires "either a certain intention ('deliberately') or a certain impact ('substantially alters the balance of rights and obligations')" in order for a breach of contract to be assessed under the umbrella clause.[573]

The protection of the umbrella clause was invoked by Philip Morris in the case against Australia. Philip Morris attempted to rely on the umbrella clause to invoke a breach of the TRIPS Agreement. Article 2(2) of the 1993 Australia-Hong Kong BIT foresaw that "Each Contracting Party shall observe any obligation it may have entered into with regard to investments of investors of the other Contracting Party." On the basis of the broad wording of the clause, Philip Morris argued that this clause encompasses any international obligations binding on the host State, including TRIPS, the Paris Convention or TBT.[574] Australia rejected Philip Morris' argument, arguing that arbitral tribunals established under the BIT cannot have jurisdiction over multilateral treaties, which contain their own dispute settlement mechanism, such as TRIPS.[575] It is interesting to note that the tribunal did not enter into this analysis and dismissed the case on different grounds.[576]

The same argumentation was developed in the Philip Morris v Uruguay case in much greater detail, where the Claimant argued that the umbrella clause was a vehicle to enforce international treaties including TRIPS. The tribunal first had to determine whether Article 11 of the Uruguay-Switzerland BIT was indeed an umbrella clause. The tribunal relied inter alia on the SGS v

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[571] European Parliament DG External Policies, *The investment chapters of the EU's international trade and investment agreements in a comparative perspective*, 9.
[572] Ibid, 162.
[573] Ibid, 162.
[574] *Philip Morris v. Australia (Notice of Arbitration)*, paras 7.15-7.16.
[575] *Philip Morris v. Australia (Australia's Response to the Notice of Arbitration)*, para 35.
[576] For a detailed analysis of this case see below Part B, Chapter 1, Section 2, A, 2. Philip Morris vAustralia.

Pakistan and SGS v Philippines awards, to conclude that Article 11 operates as an umbrella clause, at least for contract claims.[577] The tribunal then had to answer the question of whether trademarks can be considered as "commitments" under this clause, which it answered in the negative, finding that "A trademark gives rise to rights, but their extent, being subject to the applicable law, is liable to changes which may not be excluded by an umbrella clause: if investors want stabilization they have to contract for it."[578] The tribunal therefore rejected the Claimant's claim under the umbrella clause.

The findings of the tribunals in these cases is coherent with the fact that "WTO law is considered— pursuant to the ILC—a so-called 'self-contained regime', which prohibits determinations of breach by its Member States outside the WTO dispute settlement mechanism."[579] It is therefore consistent to conclude that international treaty obligations cannot fall within the scope of umbrella clauses, or in other word, that it is not possible for investors to invoke BIT clauses to seek redress of violations of international treaties such as TRIPS within the meaning of the Understanding on Rules and Procedures Governing the Settlement of Disputes ('DSU') Articles 23(1).[580] Indeed, "By requesting the suspension of allegedly non-compliant anti-smoking legislation, Philip Morris effectively seeks 'the removal of the WTO-inconsistent measure' pursuant to the explanations of the WTO panel on Article 23(1) in the matter of European Communities – Measures Affecting Trade in Commercial Vessels."[581]

In conclusion, based on the interpretation given by the arbitral tribunals, supported by the doctrine, and based on jurisdictional limitations contained in international treaties, it is unlikely that an umbrella clause can be used to challenge the compliance of State measures with IP treaties, which have their own dispute settlement system.[582] This finding also applies to IP treaties that do not have their own dispute settlement system such as the WIPO Copyright Treaty. According to arbitral case-law and doctrinal interpretations, umbrella clauses which refer to the concept of "any obligation" actually cover "investment-related obligations derived from contracts with the investor or the domestic law of the host state."[583] In other words, these clauses cover individual commitments made by host State in order to attract certain investors.[584]

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[577] *Philip Morris v. Uruguay, Award*, para 472.
[578] Ibid, paras 481-482.
[579] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs', 221.
[580] Article 23(1) of the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes reads (DSU) "When Members seek the redress of a violation of obligations or other nullification or impairment of benefits under the covered agreements or an impediment to the attainment of any objective of the covered agreements, they shall have recourse to, and abide by, the rules and procedures of this Understanding."
[581] Klopschinski, 'The WTOs DSU Article 23 as Guiding Principle for the Systemic Interpretation of International Investment Agreements in the Light of TRIPs', 230.
[582] Henning Grosse Ruse-Khan, 'Litigating Intellectual Property Rights in Investor-State Arbitration: From Plain Packaging to Patent Revocation' (2014) Max Planck Institute for Innovation and Competition Research Paper No 14-13 , 29.
[583] Ibid, 30.
[584] European Parliament DG External Policies, *The investment chapters of the EU's international trade and investment agreements in a comparative perspective*, 163.

They do not, unless the specific wording of the umbrella clause suggests otherwise, cover international obligations. This finding also seems in line with what most contracting parties, when negotiating an investment agreement, intend to cover with an umbrella clause.[585]

3. Remedies and compensation

Most BITs offer two types of remedies: restitution and compensation. The former allows an investment tribunal to reestablish the situation as it existed before the breach occurred. This is particularly relevant in cases of wrongful expropriation, where the tribunal can order the restitution of the expropriated property (if the investment agreement foresees this possibility), if materially possible. In addition or in alternative, tribunals may determine a certain amount, which the defendant State will have to pay to compensate for the loss of use of the property during the period it has been expropriated. Under certain BITs, the government can be given the option of paying a certain amount of money in damages instead of restituting the expropriated property.[586]

In some cases, restitution is not an option, for instance because it would not be materially possible for the State to restitute the property or to reestablish the situation ex ante. In such case, a monetary compensation will be awarded. The way tribunals determine the exact amount of compensation varies. It must be noted that the World Bank has issued guidelines on the determination of compensation. These guidelines recall that a compensation must be "adequate, effective and prompt", and an "adequate" compensation is determined "based on the fair market value of the taken asset".[587]

It must be noted that, in addition to the compensation awarded by the tribunal, the costs of the proceedings also represent an important sum for the parties. The EU, supported by UNCTAD, have endorsed the loser pays principle, according to which the costs of the proceedings are borne by the unsuccessful party. In some cases the Tribunal can decide to divide the costs between the parties.

The question of the high costs stemming from investment arbitration, not only the costs of the procedure itself but also the high damages awarded, is one of the main reasons for the crisis of legitimacy of the system. A related criticism towards the system is that these high costs almost de facto restrict the access to investment arbitration to multinational companies, to the exclusion of SMEs.[588]

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[585] Grosse Ruse-Khan, 'Litigating Intellectual Property Rights in Investor-State Arbitration: From Plain Packaging to Patent Revocation', 30.
[586] White and Szczepanik, 'Remedies Available Under Bilateral Investment Treaties for Breach of Intellectual Property Rights', 9.
[587] World Bank, *Legal framework for the treatment of foreign investment (Vol. 2) : Guidelines (English)*, 1992), 41.
[588] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules*, 19.

The CETA classically foresees that both monetary damages as well as restitution of property may be awarded by the tribunal.[589] However, one of the improvement of the CETA is to limit the amount of monetary damages which can be awarded to investors.[590] A tribunal constituted under the CETA must refrain from granting punitive damages.[591] In additional, the loser pays principle applies, unless the application of the rule in unreasonable, which presumably would facilitate the access of SMEs to investment arbitration. [592] Similar rules exist in the EU-Singapore and EU-Vietnam IPAs.[593]

For intellectual property adjudication, it is important to keep in mind, in order to properly assess the question of remedies and compensation, that intellectual property disputes are normally brought in domestic courts. Right holders usually seek a preliminary injunctive relief to stop the infringement[594], and such remedy has no equivalent in investment arbitration.

It therefore appears that the purpose of investment arbitration for intellectual property disputes will lie in retrospective remedies. The tribunal could also potential offer an injunctive relief or specific performance, but only for future actions of the host State.[595] An intellectual property right holder might also want to ask for restitution in cases where the State (including the domestic courts) has declared an IPR invalid, has refused to grant the right or has reduced its scope. It is however unlikely that an investment tribunal would order such actions, but would rather order a restitution in the form of financial damages. A right-holder can also claim compensation, in addition to the restitution, which corresponds to the lost sales or profits during the time that the intellectual property right was no longer enforced.[596] The doctrine has argued in this regard that, since expectation damages are highly speculative in the field of intellectual property, states should only be responsible for compensatory relief.[597]

Indeed, the amounts awarded in investment arbitration can be extremely high and have a detrimental impact on public finances. It has been reported that investors usually seek millions of dollars. In a 2014 case, the tribunal ordered the Respondent (the Russian Federation) to pay the Claimant Yukos Universal Limited damages in the amount of USD 1,846,000,687, and USD 2,214,277 for a portion of the costs of its legal representation and assistance in the arbitration proceedings.[598]

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[589] See Article 8.39 of the CETA.
[590] See Article 8.39(3) of the CETA.
[591] See Article 8.39(4) of the CETA.
[592] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules*, 19.
[593] Article 3.18 of the EU-Singapore IPA and Article 3.53 of the EU-Vietnam IPA.
[594] White and Szczepanik, 'Remedies Available Under Bilateral Investment Treaties for Breach of Intellectual Property Rights', 10
[595] Ibid, 10.
[596] Ibid, 11.
[597] Rochelle Dreyfuss and Susy Frankel, 'Reconceptualizing ISDS: When is IP an Investment and How Much Can States Regulate It?' (2018) 21 Vanderbilt Journal for Ent & Tech L 377, 2.
[598] *Yukos Universal Limited (Isle of Man) v. The Russian Federation* UNCITRAL, PCA Case No 2005-04/AA227, Final Award (18 July 2014).

In the Philip Morris v. Uruguay case which lasted from 2010 to 2016, Philip Morris sought USD 25 million in compensation from Uruguay, for introduction of the plain packaging tobacco legislation and related measures.[599]

These numbers also give an indication of legal costs in arbitral procedures, which amount to over 8 millions US dollars per disputing party, and in some cases, these exceed 30 million US dollars, which covers fees and expenses for legal counsel and experts.[600] Catharine Titi concluded in this regard that "Imposing a cap on legal fees and expenses could go a long way towards ensuring a more cost-effective procedure, but it is unclear whether this is a realistic proposal".[601] An additional means of reducing the costs for the parties to an arbitration proceeding is to rely on third-party funding which is expressly allowed under the CETA, the EU-Vietnam and the EU-Singapore agreements.[602]

To conclude, it can be recalled that "although the investor can decide whether to initiate the dispute – and pay concomitant legal fees and expenses –, the state has no power over whether a dispute is brought against it".[603] Certainly, the States are involved in the negotiation and the signature of investment agreements, which allow for investment disputes, but they have no power subsequently to decide whether and how notice of arbitrations are filed against them. It will have to bear in most cases its own legal fees and any additional costs and damages. While these amounts can be negligible for big countries, they can have a much worse impact on smaller countries. For instance, Titi indicated that the estimated legal costs for Philippines in the Fraport cases amounted to "12,500 teacher salaries for a year or the construction cost of two new airports". [604]

Therefore, States should bear these elements in mind when negotiating investor state dispute settlement chapters as part of trade and investment agreements, and should include specific clauses aiming at reducing the costs, including the damages, by introducing for instance specific thresholds.

Section 2 – When intellectual property separates from investment protection

We have seen that there are specific instances where intellectual property can indeed be covered by investment agreements and benefit from its protection standards. There are, however, many instances where the specificities of the intellectual property system take precedence over the investment protection rules. Another point of contention is whether international intellectual

[599] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 146.
[600] Catharine Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead' (2017) 14 Transnational Dispute Management , 16.
[601] Ibid, 16.
[602] Article 8.26 of the CETA, Article 3.8 of the EU-Singapore IPA and Article 3.37 of the EU-Vietnam IPA.
[603] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 17.
[604] Ibid, 17.

property standards, as protected under WTO agreements, can fall under the scope of investment protection standards and be reviewed by investment tribunals.

A – Intellectual property excluded from the scope of investment protection

The specificities and complexity of the intellectual property system can explain the need for the exclusion of certain IP-related operations from the investment protection realm. Some exclusions are still the subject of heated doctrinal and policy debates; others have been much debated but are now increasingly featuring explicitly in investment agreements.

1. Disputed exclusions: the special case of unregistered IPRs and applications

Certain intellectual property rights do not need to be formally registered to benefit from protection and to be enforced. This is for instance the case for copyright, trade secrets or unregistered trademarks. Whether such rights can benefit from investment protection is still debated. Similar debates are taking place for applications to obtain a protection for an intellectual property right.

1.1 Unregistered IPRs

The fact that an IPR is not registered seems to be irrelevant for its qualification as an investment. Indeed, most scholars make no difference between a registered and an unregistered right and confirm that unregistered IPRs such as copyright, trade secrets or unregistered trademarks can be considered as investments.[605] The unregistered IPR will have to fulfill the same requirements as a registered IPR to benefit from investment protection. To confirm this assumption, some treaties even mention these unregistered intellectual property rights in the list of covered investments, in particular copyright and trade secret.[606]

The EU-Singapore and EU-Vietnam agreements refer to the intellectual property chapter of the agreement to define "intellectual property". Both defer to the TRIPS Agreement and therefore include rights such as copyright, designs, trademarks or undisclosed information, which can be protected without registration. The wording in the EU-Vietnam Agreement is worth noting since it gives a non-exhaustive list of IPRs covered: "intellectual property refers **at least** to all categories of intellectual property that are the subject of […] the TRIPS Agreement"[607] (emphasis added). The CETA provides for a similar definition of intellectual property rights in Article 8.1 of the investment chapter. The same rights are covered and the list is a closed one, noting nevertheless that "The CETA Joint Committee may, by decision, add other categories of intellectual property to this definition."[608] Finally, the Energy Charter Treaty also has a

[605] Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements', 878.
[606] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 9.
[607] EU-Vietnam Article 2.2.
[608] CETA Article 8.1.

similar definition of IPRs, excluding plant varieties, but also worded in a non-exhaustive way using "in particular".[609]

Based on these definitions it seems undisputed that unregistered rights are usually encompassed by the definition of intellectual property in the investment chapter. In other words, IPRs that are protected in the host State can be considered as investments. The same is true for well-known trademarks which are usually recognized by countries especially members of WIPO.[610] Some agreements even refer to the Joint Recommendation adopted by the assembly of the Paris Union and the WIPO in 1999.[611]

The difficulty that a tribunal might face is that as a preliminary step, it will have to determine whether or not the right exists and is protected in the host State. For instance for copyright, if a claimant brings a claim for violation of its rights with regards to a copyrighted work, basing its argument on the intellectual property right being the investment, the tribunal will first have to determine whether the work benefits from copyright protection. Otherwise, the claim would be void. This would not prevent the claimant from characterizing its investment differently, based on different assets, but if the claim is brought based on the copyright (or any other unregistered right) a tribunal would have to verify whether this right exists.

1.2 Applications

The question of the protection of applications for IPRs seems to be much more disputed. Arguments defending both sides have been put forward.

Some authors have found that applications for the registration of IPRs may be protected under international investment agreements if such application or request for registration is in itself "recognized under the applicable domestic law as (intangible) property and that the IIA does not limit protection to IPRs, which are conferred pursuant to the laws and regulations of the host state."[612] Other have concluded that the broad wording in certain treaties allows encompassing applications within the definition of investment.[613] Examples often cited are treaties covering "rights with respect to IP"[614] or "patentable inventions"[615] which would allow protecting patent applications for example.[616]

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[609] ECT, Joint Declaration on Trade-Related Intellectual Property Rights.
[610] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 10.
[611] See EU-Vietnam Article 5.4, EU-Singapore Article 11.14,
[612] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights', 286.
[613] Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements', 879.
[614] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration, 17,* citing the Canada-Argentina BIT.
[615] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 9.
[616] Liberti, 'Intellectual Property Rights in International Investment Agreements: An Overview', 8.

While we could agree that such broad wording would cover applications for IP rights, it should be noted that most agreements do not use such wording and are rather limited to actual "intellectual property rights". This is also true for the EU agreements subject to this study, which encompass intellectual property rights as covered by the TRIPS agreement but do not seem to include applications or not-yet-granted rights.

This being said, a distinctive feature of the investment regime has to be pointed out at this stage. The investment protection usually applies to what is known as the "post-establishment phase". This means that an investment is protected only after it has been made in the host State. Yet, some agreements also protect investments in their "pre-establishment phase", which in the context of IP could allow protecting applications.[617]

At the time where investors where focusing on natural resources, this issue was irrelevant since the asset (the natural good) was already "established" in the country. However, with transactions becoming always more intangible, the question of establishment becomes key. This is why new investment agreements distinguish between the pre- and post-establishment phase. The older agreements designed in the 1960s only had post-establishment rules. The admission rule usually conditioned the entry of an investor to the laws and regulations of the country. There was no right of establishment and the agreement only applied when the investment was already placed. Therefore, the investor had to comply with the law of the host State to invest. For instance, if investments were not allowed in the field of energy, or if certain conditions were imposed to invest, these had to be complied with.

Since the 1990's the models have changed and investment agreements tend to protect investors in the pre-establishment phase. States, in their power to regulate, can impose conditions for the establishment of foreign investors. Depending on the country's strategy, the same conditions can be imposed on locals and foreign companies. To attract investments, a country should be transparent with regard to the conditions for entering its market. At the time of negotiating the agreement, a country can still impose differential treatment to foreigners and domestic investors but it will not be able to increase the level of disconformity in the future. It will only be able to decrease it.

The ICSID convention only applies to investments, and would therefore not apply in the pre-establishment phase.[618] To determine whether an agreement applies to the pre-establishment or only to the post-establishment phase, one has to look at the provisions of the treaty and the wording. Usually a negative or positive list of exceptions limits the pre-establishment rights in certain sectors.

[617] Ibid.
[618] ICSID CONVENTION, REGULATIONS AND RULES, Article 25, reads "The jurisdiction of the Centre shall extend to any legal dispute arising directly out of an investment […]".

In support of the argument that applications cannot be protected as investments, the Apotex award[619] is worth mentioning. The tribunal clearly states that an application to export generic drugs into the United States, even if characterized as the property of Apotex, is not an investment for the purposes of NAFTA Chapter Eleven.

In this award, the tribunal confirmed that the costs and effort required for preparing an Abbreviated New Drug Application (ANDA) are not sufficient to qualify this application as an "investment".[620] First, because the activity undertaken to prepare and file the ANDA were carried out outside the USA, Apotex has to be regarded as an exporter rather than an investor.[621] The tribunal also argued that "if preparing an ANDA could constitute an 'investment' under Article 1139, then any Canadian or Mexican exporter requiring U.S. regulatory clearance to have its goods sold by third parties in the United States could potentially bring an investment claim under NAFTA Chapter Eleven, whenever such clearance, in the exporter's view, was wrongly denied or delayed"[622] and that such a finding would be contrary to the treaty's purpose and objectives.

By analogy, the same reasoning could be applied to IPR applications, and "the mere denial of granting a patent to a patentable invention could already constitute a violation of the investor's investment."[623] This interpretation would certainly go against the very rationale justifying the intellectual property system as well as the sovereign power of intellectual property offices and courts to determine whether an invention or creation deserves protection and complies with the requirements for protection.

Coming back to the Apotex case and with regards to the ANDA submissions as such, Apotex claimed that these applications can be "bought and sold like all other property, and […] the ANDA applicant has the exclusive right to possess, use and enjoy the ANDA."[624] Nevertheless, the tribunal found that Apotex did not show that its "property" was "acquired in the expectation or used for the purpose of economic benefit or other business purposes", which is part of the definition of an investment according to NAFTA Article 1139(g). For the tribunal, the "economic benefit or other business purposes" is the right to sell the generic drugs in the US market, and this right "was neither acquired nor enjoyed by virtue of tentatively approved ANDAs."[625]

The overall underlying argument in this case is that Apotex is an exporter rather than an investor and does thus not have any investment in the US. Whether this finding could be applied to other

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[619] *Apotex Inc. v. The Government of the United States of America* ICSID Case No UNCT/10/2, Award on Jurisdiction and Admissibility (14 June 2013).
[620] Ibid, para 186.
[621] Ibid, para 188.
[622] Ibid, para 195.
[623] Marie Louise Seelig, 'Can Patent Revocation or Invalidation Constitute a Form of Expropriation?' (2009) 6 Transnational Dispute Management, 3.
[624] *Apotex v. USA (I), para 199.*
[625] Ibid, para 209.

cases brought under different investment agreements is debatable, since the wording in NAFTA is quite specific and the facts of the case are as well.

In sum, whether applications for IPRs can be protected as investments will depend on the wording of the treaty, but while some agreements in the past have been drafted in a broad way, these should rather be regarded as exceptions since more recent treaties seem to have been drafted more carefully as to include only "intellectual property rights" as such.[626] In this regard, it seems relevant to determine whether applications for IPRs can qualify as "intellectual property rights", because if they do so, then they could be covered by most agreements protecting IPRs as investments.[627]

Therefore a case-by-case analysis is necessary, in particular since some have argued that "application as such may be considered as a protected investment".[628] Even in the rare cases where a broad interpretation of the agreement's provisions would allow to conclude to the protection of application under the concept of "investment", this protection would be "limited by significant discretion of the granting authorities"[629] and only an arbitrary decision could give rise to an investment claim. Indeed, if a patent or a trademark application was rejected in accordance with due process of law, it is unlikely that an investment claim would succeed. An investor would have to prove a breach of one of the standards of protection offered by investment treaties, which, in the case of a 'classical' rejection of IP application, would probably be very hard to prove.

In conclusion, even if IP applications qualify as protected investments under investment agreements, an investor would still have to show that the IP office has breached one or several investment standards of protection to be able to succeed in its claim. In addition, the investor will have to make sure that its claim does not fall within the scope of one of the exceptions or limitations foreseen by investment treaties.

2. Explicit exclusions: carve-out in expropriation clauses

Two main categories of operations related to intellectual property rights could theoretically fall under the scope of investment agreements, but the efforts of scholars to show the negative impact such protection could have on the protection of important public interests such as the protection of public health have led policy makers to exclude these operations in recent investment treaties. However, the issue remains on the table for older investment treaties as we will explain below.

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[626] Some agreements even go further by clarifying that only "intellectual property rights which are conferred pursuant to the laws and regulations of each Member State" are covered (Article 4(c) of the ASEAM Comprehensive Investment Agreement 2009), see Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 150.
[627] Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements', 878.
[628] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.11.*
[629] Ibid.

2.1 Compulsory licenses

One of the major concerns with regards to the protection of intellectual property as an investment is related to the issuance of compulsory licenses and the potential liability of countries thereof. Indeed, the possibility to bring a claim for expropriation (or more specifically indirect expropriation) further to the issuance of a compulsory license, especially in the field of patents, can be seen as worrying in particular for public health.

The possibility to issue compulsory licenses for patented inventions is a "common feature of domestic intellectual property law".[630] In 1995, the TRIPS Agreement reaffirmed the possibility to use a patent without the right holder's authorization in its Article 31, subject to several conditions. In 2001, the Declaration on the TRIPS Agreement and Public Health reinforced Article 31 of the TRIPS Agreement by strengthening WTO members' "right to protect public health and, in particular, to promote access to medicines for all" and by giving to the members' the authority to "determine what constitutes a national emergency" for the purpose of issuing compulsory licenses. Finally, the amendment to the TRIPS Agreement which came into force on 23 January 2017 adds the possibility for countries to produce a drug under a compulsory license for export in a country with low production resources.

This framework being set, it has been shown that compulsory licenses have been rarely issued in practice[631], for different reasons including the fact that the state and the patent owner usually negotiate prior to the issuance of the compulsory license and sometimes arrive to a different solution, such as a voluntary license, a reduction of the price of the drug, or even just a "capitulation" of the State.[632] Such capitulation of the State has been described as a "chilling effect" that can result from the threat to use the investor-state dispute settlement mechanisms in investment agreements to obtain compensation in certain cases.[633]

In practice, there has been no reported case so far of investment arbitration involving a claim based on a compulsory license. Nevertheless, it was reported that some pharmaceutical companies threatened States to initiate such proceedings if the country decided to actually issue a compulsory license, as it was the case in Colombia.[634]

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[630] Reed Beall and Randall Kuhn, 'Trends in Compulsory Licensing of Pharmaceuticals Since the Doha Declaration: A Database Analysis.' (2012) PLoS Med 9(1): e1001154, 2.
[631] Christopher S. Gibson, 'A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation' (2009) 6 Transnational Dispute Management, 14.
[632] Beall and Kuhn, 'Trends in Compulsory Licensing of Pharmaceuticals Since the Doha Declaration: A Database Analysis.'.
[633] "Colombia was dissuaded by a threat of investor-state dispute settlement from issuing a compulsory license that would have made Novartis's Glivac more accessible to patients suffering from chronic myeloid leukemia." (Dreyfuss and Frankel, 'Reconceptualizing ISDS: When is IP an Investment and How Much Can States Regulate It?', 12)
[634] William New, 'Leaked Letter Shows Pressure On Colombia Not To Issue Compulsory Licence For Glivec' (*Intellectual Property Watch,* 6 February 2018) <http://www.ip-watch.org/2018/02/06/leaked-letter-shows-pressure-colombia-not-issue-compulsory-licence-glivec/> accessed 16 May 2018

The concern about the possibility to bring an investment claim for a compulsory license was already raised in 2004 by Carlos Correa[635] and reiterated by the doctrine ever since. Some have argued that expropriation provisions could restrict the grounds for the issuance of compulsory licenses and therefore interfere with the protection of public interests such as health.[636] Some authors have also questioned whether a compulsory license, which is issued where a patent is in force in a certain jurisdiction, but where "there is insufficient capacity to locally work the invention to meet domestic demands" can really amount to an expropriation of an investment.[637] Indeed, if one considers that in such situation, the patent right does not entail any investment but is "merely a legal tile to exclude others from working the patent"[638], then the investment-related claim would lack substance.

New investment agreements partially tackle this issue by expressly excluding compulsory licenses from the scope of application of the expropriation provision. In EU agreements, the provision is usually drafted as follows: "This Article does not apply to the issuance of compulsory licences granted in relation to intellectual property rights, to the extent that such issuance is consistent with the TRIPS Agreement."[639]

The reference to the TRIPS Agreement in investment provision is controversial, since it forces the investment tribunal to assess TRIPS compatibility of a measure, whereas the WTO "has compulsory jurisdiction over TRIPS-related disputes".[640] Therefore, rather than excluding compulsory licenses from the scope of investment protection, it only raises the question of whether this measure is compliant with the TRIPS Agreement.[641] In addition, this would not prevent a claim based on a different standard of protection such as the fair and equitable treatment, the national treatment or most-favored nation.

This being said, the mere fact that a measure imposing a compulsory license is not compliant with the TRIPS Agreement would not be sufficient to conclude to a violation of the investment agreement's provisions. A tribunal would still have to go through the different tests to assess its jurisdiction and the merits of the case. The only fact that a compulsory license affects negatively an investment will therefore not be sufficient to find a breach of investment provisions.[642] In addition, it has been argued that the adequate compensation foreseen by Article 31 TRIPS, if complied with, would probably exclude "a substantial deprivation of the economic

[635] Correa, 'Investment Protection in Bilateral and Free Trade Agreements: Implications for the Granting of Compulsory Licenses'
[636] Liberti, 'Intellectual Property Rights in International Investment Agreements: An Overview', 10.
[637] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 158.
[638] Ibid, 158.
[639] CETA Article 8.12 (5). A similar provision is to be found in the EU-Singapore Article 9.6(3) and in the EU-Vietnam Article 16(4). It can be noted that the Energy Charter Treaty does not have such a provision which can be explained by the fact that it dates back in 1994.
[640] Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 128.
[641] Gibson, 'A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation', 34.
[642] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 15.

value of the [IPR] and hence would not constitute an expropriation under the applicable IIA."[643] (emphasis added).

2.2 Creation, limitation or revocation of IPRs

The creation, limitation or revocation of intellectual property rights is in most countries in the hands of domestic IP offices and courts, or regional offices as in the European Union. Decisions of these offices or courts can usually be appealed in accordance with due process of law.

One of the questions that arose in the framework of investment protection for IP is whether the creation, limitation or revocation of IPRs could amount to a breach of investment provisions. Indeed these could be considered as measures amounting to an indirect expropriation or violating the fair and equitable treatment standard.

Some agreements tackle this issue by adding a provision under the section on expropriation, specifying that the creation, limitation or revocation of IPRs cannot constitute an expropriation provided that the measure is consistent with the intellectual property chapter of the same agreement, and/or the TRIPS Agreement. Such a provision can be found in the CETA,[644] or in the EU-Singapore Investment Protection Agreement.[645] At the time of drafting the EU-Vietnam still does not have such a provision but this could well change in light of the amendments that took place in the EU-Singapore after the CJEU decision.

What is important to note here is that the more recent agreements today tend to include these additional safeguards for IP in their investment chapters, but that these limitations are not intended to completely exclude measures related to IP from the scope of investment protection. This is true for two main reasons. First, the creation, limitation or revocation of IPRs are only excluded from the scope of the expropriation provision, which leaves the door open for claims brought under other standards of treatment such as fair and equitable treatment, national treatment or most-favored nation, amongst others. Second, it is not an absolute exclusion, since it is usually conditioned to the compliance of the measure with the relevant IP chapter of the agreement and/or the TRIPS Agreement.

This reference to other IP rules is of great importance and the implications of this reference have already been tested in practice in the Eli Lilly v Canada case. We will come back to this

[643] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights', 294.
[644] Article 8.12 (6) of the CETA reads "For greater certainty, the revocation, limitation or creation of intellectual property rights, to the extent that these measures are consistent with the TRIPS Agreement and Chapter Twenty (Intellectual Property), do not constitute expropriation. Moreover, a determination that these measures are inconsistent with the TRIPS Agreement or Chapter Twenty (Intellectual Property) does not establish an expropriation."
[645] Annex 3 reads "For greater certainty, the revocation, limitation or creation of intellectual property rights, to the extent that the measure is consistent with the TRIPS Agreement and Chapter Ten (Intellectual Property) of EUSFTA, does not constitute expropriation. Moreover, a determination that the measure is inconsistent with the TRIPS Agreement and Chapter Ten (Intellectual Property) of EUSFTA does not establish that there has been an expropriation."

case in further details in the sections below, but in a nutshell, Eli Lilly initiated arbitration proceedings against Canada after two of its patents had been revoked by Canadian courts based on the utility criteria. One of the arguments made by the Claimant was that these judicial decisions amounted to an expropriation and therefore a breach of NAFTA Article 1110. The NAFTA has a similar provision to the one in the CETA or the EU-Singapore Agreement partially excluding the creation, limitation or revocation of IPRs from the scope of the expropriation provision.[646] Therefore, in order for the Article 1110 to be applicable, a breach of the intellectual property Chapter (in the case of NAFTA) has first to be established.

There have been different interpretations of Article 1110(7) and especially with regards to the correct steps to be followed in order to find a breach of Article 1110. The Claimant argued that a measure in breach of the intellectual property chapter can qualify as expropriation, or is a "cognizable expropriation".[647] In other words, the Claimant's argument consisted in demonstrating first that the measure was violating Chapter 17, in order to proceed to demonstrate that this same measure qualified as a compensable expropriation under Chapter 11. It proceeded in this order based on the language of Article 1110(7), which states that the article on expropriation will not apply to revocation of an IPR to the extent that this measure is consistent with Chapter 17.

On the other hand, the United States in its submission suggested that the steps were rather to be followed the other way around, in the sense that a Claimant would first have to show that the revocation constitutes an expropriation, and if so, then show that it is in addition contrary to the intellectual property chapter: "Thus, a claimant must first demonstrate an expropriation has otherwise occurred pursuant to Article 1110(1). If the claimant is successful in so demonstrating, the disputing NAFTA Party may invoke Article 1110(7) as a safe refuge, provided that the challenged measures were taken consistent with Chapter Seventeen. If the disputing NAFTA Party does so, a Chapter Eleven tribunal may then assess the consistency of the relevant measure with those provisions of Chapter Seventeen so placed in issue."[648]

From an intellectual property perspective, the effect is the same, the tribunal will have to review (if the argument is brought by the parties) whether the measure is consistent with the intellectual

[646] Article 1110(7) of NAFTA reads "This Article [Expropriation and Compensation] does not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with Chapter Seventeen (Intellectual Property)."
[647] "Lilly demonstrated that Canada's measures were cognizable expropriations because they violated Canada's obligations in Chapter 17 of NAFTA (a basis for liability that Article 1110(7) contemplates), because they were arbitrary, and because they were in conflict with Lilly's reasonable investment backed expectations", *Eli Lilly and Company v. Canada* ICSID Case No UNCT/14/2, Claimant's reply memorial (11 September 2015), para 226.
[648] *Eli Lilly and Company v. Canada* ICSID Case No UNCT/14/2, Submission of the United States of America (16 March 2016), para 34.

property chapter.[649] In addition, it will necessarily have to determine whether the measure constitutes an expropriation according to the investment chapter.

In a somehow confusing argument, Canada stated that Eli Lilly's argument was actually that a measure that would not be consistent with the IP chapter would automatically be found to breach the investment provision on expropriation: "From this, one cannot infer, as Claimant suggests, that because a measure is inconsistent with Chapter 17, it is inconsistent with Article 1110."[650] Yet, submissions on both sides clearly showed that both parties were aware that not only they had to show that the measure was consistent (or not) with the IP chapter, but also that it constituted (or not) an expropriation.

The concern arising from this provision is that it allows (or forces) an investment tribunal to assess a measure according to provisions that should normally be subject to state-to-state dispute settlement. Indeed, the only chapter in a trade and investment agreements that can be reviewed by an investment tribunal is the investment chapter. Therefore, the assessment that a measure is contrary to the intellectual property chapter in particular should be conducted in a state-to-state proceeding. Furthermore, with regards to agreements that also include a reference to the TRIPS agreement, the concerns are even greater since the WTO should have exclusive competence to hear disputes between WTO Members arising from the TRIPS Agreement.[651]

Apart from the conflict of jurisdiction, this type of provision questions the appropriate expertise of the arbitrators with regards to intellectual property or WTO law in general. Indeed, the fact that investment tribunals have to interpret not only the investment provisions but also intellectual property provisions contained in the same agreement or in the TRIPS Agreement was described as worrying by some commentators. B. Mercurio notes that "Given that to date IIA arbitral tribunals that have attempted to interpret or explain WTO law and jurisprudence have not fully grasped the intricacies of the multilateral system, the addition of a direct interpretive reference to the TRIPS Agreement is rather worrying."[652]

Some negotiators tried to address this issue by adding additional carves-out in the agreements, as in the CETA. Canada had proposed that the expropriation provision "does not apply to a decision by a court, administrative tribunal, or other governmental intellectual property authority, limiting or creating an intellectual property right, except where the decision amounts to a denial of justice or an abuse of right". The final text of the agreement does not include this

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[649] S. Flynn pointed out that "If that provision had ended at its comma before "to the extent," the implication would be that any IP issues between the parties would have to be solved through state-to-state enforcement. [….] But by including the last clause evoking the extent of consistency with Chapter 17, it invites ISDS to be used by private companies to challenge the revocation, limitation or creation of intellectual property rights alleged to be inconsistent with the intellectual property chapter" (Sean Flynn, 'TTIP Stakeholder Statement: Protect IP from ISDS' (*infojustice.org,* 23 April 2015) <http://infojustice.org/archives/34319> accessed 18 April 2018.)

[650] *Eli Lilly v Canada* ICSID Case No UNCT/14/2, Respondent's Rejoinder on the Merits (8 December 2015), para 221.

[651] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 474.

[652] Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements', 905.

proposed provision and rather reflects the EU's proposal in this regard, stating that "For greater certainty, the revocation, limitation or creation of intellectual property rights to the extent that these measures are consistent with [TRIPS] and the IPR Chapter of CETA, do not constitute expropriation. Moreover, a determination that these actions are inconsistent with the TRIPS Agreement does not establish that there has been an expropriation."[653]

The Annex 8-D "Joint Declaration Concerning Article 8.12.6" offers additional clarification, recalling that ISDS tribunals "are not an appeal mechanism for the decisions of domestic courts" and that only these courts "are responsible for the determination of the existence and validity of intellectual property rights". The Annex also reaffirms that the Parties are "free to determine the appropriate method of implementing the provisions of this Agreement regarding intellectual property within their own legal system and practice."

As a matter of interpretation, one could question how investment tribunals will deal with these two provisions in the future. On the one hand, Article 8.12.6, by including the consistency with the TRIPS Agreement as a condition for measures not to constitute expropriation, still raises the same difficulties as NAFTA. The additional sentence is of no consequence on the fact that investors will still be able to bring an investment claim for an IP measure that would be inconsistent with the TRIPS Agreement. What the additional sentence says is that a breach of the TRIPS Agreement cannot automatically lead to the conclusion that there has been an expropriation, but a tribunal, after (or before) finding that there is a breach of the TRIPS Agreement, will determine whether or not the measure qualifies as a compensable expropriation.

Whether the Annex offers additional safeguard is debatable. The Annex attempts to clarify that different interpretations or implementations of IP standards cannot give rise to investment claims. Thus, the Annex would rule out the possibility of a claim similar to Eli Lilly's claim based on the interpretation of the utility criteria in the framework of the CETA.

On the other hand, the assertion that investment tribunals are not appeal mechanisms for domestic court's decisions appears to be rather confusing. Does such provision infer that, if a domestic court gives a final ruling on a specific subject matter, the same subject matter cannot be brought again or challenged in an investment tribunal? If this is so, would such provision rule out situations similar to the Eli Lilly case where the basis of the investment claim was actually a national court decision? This could be a reasonable interpretation, leaving it to investment tribunals to review any other State measure relating to IP that would be found to be contrary to the TRIPS Agreement and to one or several investment protection standards.

[653] Article 8.12.6 CETA.

The concern of leaving the interpretation of the TRIPS Agreement in the hands of an investment tribunal rather than the WTO still remains,[654] and will be addressed in more details in the sections below.

Despite the notable variety of practices with regards to the inclusion of intellectual property in the definition of investments, there is little doubt that IP is usually covered as a form of investment in international investment agreements. The conclusion is not different for the EU investment agreements subject to this study, which all cover IP under the concept of investment.

IP has been defined in various ways and some questions might arise as to the scope of this inclusion. In particular, the question of unregistered rights or applications for IPRs has been discussed by the doctrine, and while it seems that unregistered IPRs would usually fall within the scope of covered investments, the same cannot be concluded for applications, by analogy with other forms of applications (such as application for marketing approval) which have been found not to fall within the scope of the term "investment".

In addition, based on the language of investment treaties and investment arbitration, it appears that the issuance of compulsory licenses as well as the creation, limitation or revocation of IP rights would usually not constitute a violation of investment protection standards, provided that these measures respect the relevant intellectual property standards. Explicit exclusions are increasingly being included in new generation investment agreements including EU investment agreements, and recent investment arbitration cases involving IP considerations have also confirmed this finding. In any case, the threshold to find a violation of investment protection standards for any of these measures appears to be very high.

B - Challenging the compliance of State measures with WTO Treaties in investment arbitration

Investment protection is criticized by the IP literature for offering a route to challenge breaches of WTO Treaties, in particular, the TRIPS Agreement, in investor-State arbitration, while WTO disputes are to be adjudicated between States.[655] Gaetan Verhoosel contends that investors "affected by a State measure that could violate both WTO Agreements and the BIT […] can seek relief under arbitration".[656]

While it is true that an investment tribunal can be called upon to take WTO law into account in the course of the dispute, to say that a WTO rule can be adjudicated in investor-State arbitration is somewhat far-fetched. Whether WTO rules can be taken into account in an investment dispute will first depend on the investment treaty at stake. We take the position that only if such treaty makes a reference to international law applicable between the parties (or similar

[654] In this sense, see , Gibson, 'A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation', 34.
[655] *See* in this regard, Gaetan Verhoosel, 'The use of investor–state arbitration under bilateral investment treaties to seek relief for breaches of WTO law' (2003) 6 Journal of International Economic Law 493, 493.
[656] Ibid, 495.

language) would WTO law, like any other body of rules of international law, be applicable. Second, both signatories of the investment treaties would need to be members of the WTO, since only rules of *international law applicable between the parties* are relevant.

However, taking rules of international law into account in order adjudicate a dispute, and directly challenging WTO measures in investment arbitration are two very different things. We see no difficulty in that an investment tribunal would consider other rules of international law in order to interpret and apply investment rules to a dispute. On the contrary, this should allow to achieve higher coherence between rules of international law.

However, we agree that challenging WTO rules in investor-State arbitration, where allowed by an investment treaty, would go against the essence of both WTO and investment protection.

Some authors have argued that such challenge could occur where an investment tribunal considers a breach of a rule of international law to be a breach of the fair and equitable treatment standard.[657] Article 1105(1) of the NAFTA foresees that "Each Party shall accord to investments of investors of another Party treatment in accordance with international law, including fair and equitable treatment and full protection and security." It has been argued that investors could directly challenge measures inconsistent with WTO treaties in investment arbitration on the basis of such article.[658]

In the Methanex v USA case, the tribunal assessed whether WTO law could be used by the tribunal as guidance to interpret NAFTA Article 1102.[659] The tribunal concluded that the provisions of the NAFTA, in particular, Article 1102, have to be read on their own terms and that "trade provisions were not to be transported to investment provisions".[660] In finding so, the Tribunal might have been convinced by the argument of the USA in this case, which posited that WTO jurisprudence was irrelevant in the case at hand, "given the significant differences between the relevant texts and the objects and purposes of the different treaties".[661]

Another investment tribunal has been even more straightforward in excluding the incorporation of WTO Treaties into investment law. It is worth reproducing the relevant paragraph here. The tribunal first clarified that the sentence "in accordance with international law" refers to customary international law, and not to other treaties in force between the parties. Indeed, the tribunal considered that "other treaties potentially concerned have their own systems of implementation. Chapter 11 arbitration does not even extend to claims concerning all breaches of NAFTA itself, being limited to breaches of Section A of Chapter 11 and Articles 1503(2) and 1502(3)(a). If there had been an intention to incorporate by reference extraneous treaty

[657] Ibid, 498.
[658] Ibid, 500.
[659] Article 1102 foresees rules on national treatment, and refers to treatment "in like circumstances", which according to the Claimant, should be interpreted in light of WTO case-law.
[660] *Methanex Corporation v. United States of America* UNCITRAL, Final Award of the Tribunal on Jurisdiction and Merits (3 August 2005), Part IV, para 37.
[661] Ibid, Part II, para 6.

standards in Article 1105 and to make Chapter 11 arbitration applicable to them, some clear indication of this would have been expected. Moreover the phrase 'Minimum standard of treatment' has historically been understood as a reference to a minimum standard under customary international law, whatever controversies there may have been over the content of that standard."[662]

On the basis of the above, while we believe that WTO law can be taken into account and used to interpret a specific provision of an investment agreement pursuant to Article 31(3)(c) of the VCLT[663], we are not convinced that this is equivalent to the ability of directly challenging WTO provisions in investment arbitration.

For intellectual property disputes mores specifically, investors have indeed attempted to challenge the compliance of measures with international IP obligations in the framework of investment disputes. However, this argument was usually ancillary and not very substantiated. As a result, investment tribunals have either dismissed the claim, or not even addressed it in cases where the argument was brought at the early stages of the proceedings and not repeated in later submissions. Where this argument was made by the Claimants, it was usually either under the FET standard, or more exceptionally under the expropriation standard.

In Eli Lilly v Canada, the Claimant argued in the notice of intent that the invalidation of its patents constituted an expropriation of its exclusive rights, as such invalidation was contrary to, notably, the TRIPS Agreement.[664] The argument was thus not brought under the FET standard, but under Article 1110 of the NAFTA (expropriation). In the Claimant's Memorial, Eli Lilly brought the argument of compliance with international commitments under the legitimate expectations standard. It argued that the new promise utility doctrine developed by Canadian court had no basis in Canada's statutory patent law and was inconsistent with Canada's international obligations under Chapter 17 of NAFTA.[665]

However, in the final award, there is only one explicit mention of the TRIPS Agreement, in the description of Canadian Patent law.[666] The term WTO only appears twice, in descriptive parts.[667] As for the concept of "international obligation", it appears six times. First, when the Respondent argues that the invalidation of the patents does not constitute a breach of any international obligation, and that such obligations anyways fall outside the scope of Chapter Eleven and the jurisdiction of the Tribunal.[668] It then appears in a descriptive part.[669] The

[662] *Mondev International Ltd. v. United States of America* ICSID Case No ARB(AF)/99/2 , Award (11 October 2002), para 121.
[663] This article foresees that any relevant rules of international law applicable in the relations between the parties shall be taken into account, together with the context, for the prupose of interpretating a treaty in good faith.
[664] *Eli Lilly and Company v. Canada* ICSID Case No UNCT/14/2, Notice of Intent to Submit a Claim to Arbitration Under NAFTA Chapter Eleven (Strattera and Zyprexa) (13 June 2013), paras 101-108.
[665] *Tecmed v. Mexico, para 279.*
[666] *Eli Lilly v. Canada, Final Award, para 69.*
[667] *Tecmed v. Mexico, paras 299 & 377.*
[668] Ibid, para 6.
[669] Ibid, para 69.

Claimant, in one paragraph, argues that the violation of international obligations may constitute an expropriation even in the absence of a denial of justice.[670] The Respondent, in another paragraph, argues that international law on expropriation requires first establishing the existence of a property right, and that it cannot "circumvent an adverse determination of its rights at domestic law simply by pointing to an alleged inconsistency with some other, independent international obligation owed between States".[671] Finally, in one paragraph, the Claimant argued that it had legitimate expectations that its patent application would meet Canadian requirements, as it was valid under the PCT.[672]

The tribunal in turn, first recalled that factual premise for Claimant's case was the adoption of the promise utility doctrine which allegedly departed from prior Canadian patent law.[673] It however addressed the claim of violation of legitimate expectation, and found that the premise for such claim was to establish a dramatic change in the Canadian law on utility, which the Claimant failed to do. The allegation of violation of legitimate expectation was therefore dismissed, without considering the argument of the respect for international obligations.[674]

In the AHS v Niger case, the tribunal also rejected the claim for breach of international IP obligations as it considered that the Claimant did not explain why this arbitral tribunal would be competent to assess the violation of these international agreements. It also rejected the entire claim for compensation for moral prejudice linked to the unlawful use of the Claimant's name and trademarks.[675]

In the Philip Morris v Uruguay case, the reference to the TRIPS Agreement was first made in relation to the Claimant's argument that it has a right to use the trademark. The Claimant argued that Uruguayan law incorporates international law, including the TRIPS Agreement which, in Claimant's view, recognizes a right to use a trademark.[676] The Respondent counter-argued that none of the international IP conventions cited, in particular, the TRIPS Agreement, recognize a right to use.[677] The Tribunal agreed with the Respondent.[678] There seems to be no further reference to the TRIPS Agreement in the final award, and therefore no explicit attempt to challenge the compliance of the Uruguayan measures with the TRIPS Agreement. While it is

[670] Ibid, para 182.
[671] Ibid, para 191.
[672] Ibid, para 267.
[673] Ibid, para 307.
[674] Ibid, para 380.
[675] *AHS Niger and Menzies Middle East and Africa S.A. v. Republic of Niger* ICSID Case No ARB/11/11, Award (15 July 2013), paras 152-4.
[676] *Philip Morris v. Uruguay, Award, para 207.*
[677] Ibid, paras 233 & 261-4.
[678] Ibid, para 271.

true that the Claimant had brought the argument in the request for arbitration, it has not been maintained in further submissions.[679]

Despite the absence of success in challenging the compliance of State measures with international IP obligations in investment arbitrations, the question of whether such argument could be successful in future arbitration remains. The question is whether the compliance with international IP norms can create legitimate expectations at all. In particular, could such argument be successful under the recent EU IIAs? Investor's legitimate expectations are usually based on specific commitments entered into by the State, as opposed to general commitments. In other words, legitimate expectations can be based on a contract or even on domestic laws, but could hardly be based on general provisions of international treaties. A fortiori in the case of intellectual property rights which are territorial by nature and are not created by international treaties. It has also been argued that since general treaty provisions are usually not directly applicable and must first be implemented in the domestic legal order to be enforceable,[680] they cannot give rise to legitimate expectations under a FET standard. Even where the legal order of a States allows for the direct application of international treaties, only few provisions are sufficiently concrete to be directly invoked by investors. This is especially the case for intellectual property provisions.

In practice, this means that an investor would likely not be successful in relying on the FET standard to challenge a measure taken in good faith and in the normal exercise of regulatory powers.

However, it appears that some agreements including EU IIAs have made explicit reference to the TRIPS Agreement in the provision on expropriation. In the CETA, in particular, while Canada had proposed a wording of the expropriation provision which would not make any reference to the TRIPS Agreement,[681] the EU suggested to include the compliance with the TRIPS Agreement in the provision on expropriation. However, the provision also foresees, in rather confusing way, that a finding that a measure is inconsistent with the TRIPS Agreement would not amount to a finding on expropriation.

Finally, some authors have suggested that umbrella clauses in IIA could be relied on to challenge measures on the basis of international agreements. However, we agree once again with Henning Grosse Ruse-Khan that such clauses cannot be interpreted or used to bring a claim of breach of international IP treaties, as this neither reflects the intention of IIA parties, nor "the underlying *pacta sunt servanda* rationale for umbrella clauses".[682]

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[679] *Philip Morris Brand Sàrl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay* ICSID Case No ARB/10/7, Request for Arbitration (19 February 2010), paras 85-86.
[680] Grosse Ruse-Khan, 'Challenging Compliance with International Intellectual Property Norms in Investor–state Dispute Settlement', 256.
[681] Ibid, 271.
[682] Ibid, 274.

In light of the scarce reference to international obligations and compliance with the TRIPS Agreement in recent IP-investment cases, and hence the ancillary nature of such argument, one could question whether importing international obligations such as the ones foreseen by the TRIPS Agreement into investment arbitration is a real challenge in practice or whether it remains rather a doctrinal debate. In other words, could an investor be successful in obtaining compensation on the basis of the fair and equitable treatment standard for a measure which, in the investor's view, is not in compliance with international obligations including the TRIPS Agreement? We share Henning Grosse Ruse Khan's view that it is rather unlikely that investors such as Eli Lilly or Philip Morris could claim that decisions affecting their IP rights could "interfere with legitimate expectations based on the domestic or international IP system".[683]

In conclusion, the reference to compliance with international obligations, or even specifically to the TRIPS Agreement in an investment agreement is far from sufficient to find that a measure, which could depart from those international agreements, would thus violate the investment agreement and allow for compensation. International investment law, in particular more recent investment agreements such as the one negotiated by the EU, contain complex language and provisions which require the fulfillment of several conditions in order to bring a successful claim.

The conceptual discussions that we have engaged in so far have allowed us to formulate several findings. First, while historically intellectual property and foreign investment have developed as two separate legal and policy fields, their intertwinement can no longer be ignored nor rejected. We therefore take the views that, where intellectual property does benefit from investment protection, under the conditions that we have outlined above, the object and purpose of intellectual property rights must be taken into account in order to safeguard the public interests that are inherent to these rights. This can be done at the policy making stage, but also at the stage of implementation or enforcement.

Indeed, the discussions over the scope of investment protection for intellectual property under existing investment agreements are not merely theoretical discussions but have several very practical implications. Allowing intellectual property to be covered by investment agreements will notably allow to adjudicate intellectual property disputes in investment arbitration, a specific form of dispute settlement foreseen by a high number of investment agreements. This peculiar dispute settlement system, its rationale and functioning, and its relevance for intellectual property disputes, is at the heart of the discussions that now follow.

[683] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.58.*

Part B

Intellectual property in investor-state arbitration and significance for the EU

Chapter I

A journey through the emergence and use of investor-state arbitration for IP adjudication and its implications

When thinking about dispute settlement systems available to intellectual property right holders, investment arbitration is not necessarily the first one that would come to one's mind, and quite rightly so. Intellectual property disputes are commonly adjudicated by domestic courts, specialized courts or intellectual property offices. In addition, alternative dispute resolution has also become increasingly popular to solve intellectual property disputes, where applicable.[684] However, for the reasons that we will set out below, ISDS has become a very popular means of dispute settlement for investment disputes, and has also become a "new" tool in the intellectual property toolbox. This has not come without its challenges, for all the actors involved, ranging from policy makers, investors and right holders, arbitrators and even the general public.

The following sections will therefore explore the history of the birth of this peculiar means of dispute settlement and its use around the world and more specifically in the EU, in particular for intellectual property disputes. The following questions will specifically guide our analysis: what are the characteristics of investor-state dispute settlement and which specific issues does it raises in the EU legal order? What is the volume of investment arbitration cases in the EU and what is their impact on the balance of interest of the IP system? Can investors invoke investment treaty provisions in domestic courts and how do arbitral tribunals and courts (including the CJEU) interact in the EU?

This chapter will also allow us to review in depth some iconic IP-investment cases to answer the following research questions: what are the real impacts of these cases on the IP system? How can the public interest and important fundamental rights such as the right to health be safeguarded in IP-investment arbitration? And how can the right to regulate, as safeguarded in IP instruments, be safeguarded in EU investment agreements?

Based on the assumption that intellectual property disputes can indeed be adjudicated by investment tribunals, this journey will allow us to shed light on the challenges that ISDS raises from an ethical and conceptual point of view, and to formulate tentative proposals to achieve a balanced and sustainable system, taking into account the specificities of the IP field.

Section 1 - Birth of investor-state dispute settlement and acceptance in the EU

It has been said that "the origins of dispute settlement in international investment law have a determining role in shaping the nature of the present international investment regime".[685] While investor-state dispute settlement has been present in bilateral investment treaties and investment agreements since the 1960's, it is sometimes described as an additional step to the limitation of the sovereignty of States. Historically, States have been solving their disputes at a diplomatic level, before turning to a more "institutionalized" dispute settlement mechanism, in particular

[684] Alternative dispute resolution can encompass many different means of dispute resolution such as arbitration, mediation, conciliation and others.
[685] Marisi and Chaisse, 'The History of Investment Tribunals and the Protection of IPRs under Investment Treaties', 43.

in the framework of the GATT. However, the most important drawback of this dispute settlement mechanism resided in the week enforceability of the reports adopted, notable due to the ability of States to oppose the adopts of these reports.[686] Later, under the aegis of the WTO, the state-to-state dispute settlement mechanism with stronger enforcement procedures and strong trade retaliation had become the default mechanism to solve trade disputes, including intellectual property dispute, arising from WTO treaties. The "third inflection point"[687] to the sovereignty of States was the establishment of investor-state dispute settlement mechanisms.

A – Emergence of ISDS on the international scene as an alternative to classical dispute settlement systems

Marisi and Chaisse traced back the origins of the protection of foreign investments and identified that, in the beginning of the 10th century, merchants from Venice were allowed to anchor in the harbors of the Byzantine Empire for free.[688] The protection of foreign traders therefore relied on trade concessions granted by the monarch rather than on treaties negotiated between two kingdoms. Hence these foreign traders did not enjoy the same rights as the local citizens, but had also no obligations towards the host State.[689] The protection of aliens therefore originally consisted exclusively in State-to-State protection through arbitration, but later evolved, in the second half of the nineteenth century, to investor-State arbitration. The protection of intellectual property in this framework came at an even later stage.

1. Settling investment disputes: from a diplomatic to an individualistic protection system

In the 18th century, customary international law and minimum standards of treatment were the main tools for States and investors to enforce their rights in foreign countries. State contracts were signed between foreign private companies and host States to regulate the modalities of the investment of the protection offered by the host State. While these state contracts still exist today, developed countries progressively pushed for the adoption of bilateral investment treaties and investor-state dispute settlement mechanisms.

The first treaties were known as Friendship, Commerce and Navigation (FCN) treaties. These treaties were mainly used by capital exporters who did not possess colonies, to protect the interests of their investors abroad.[690] The first FCN was signed in 1778 between France and the USA. It is known as the Treaty of Amity and Commerce, and was later used as a model treaty by many other Western countries who were trading with Latin American, African and Asian countries.[691] The difference between these State-to-State instruments and earlier State contracts

[686] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 463.
[687] Ibid, 464.
[688] Marisi and Chaisse, 'The History of Investment Tribunals and the Protection of IPRs under Investment Treaties', 44.
[689] Ibid, 45.
[690] Ibid, 46.
[691] Ibid, 47.

mainly lied in the concept of reciprocity whereby the investors from both parties would be protected equally in the foreign State. However such concept was at the time mainly theoretical given the trade and investment flows were very much unidirectional, i.e. from what we known today as "developed" to "developing countries".

The FCN signed between the United Kingdom and the USA in 1794 introduced for the first time what could be seen as the predecessor of contemporary investor-state arbitration, by creating "mixed commissions responsible for arbitrating the boundary disputes stemming from the damage or seizure that the property of nationals of both countries had suffered during the war".[692] Due to its large success, similar provisions were largely included in subsequent treaties.

The very first investor-state arbitration was reported in the second half of the 19th century, and is said to have taken place between the Turkish *La Compagnie Universelle du Canal de Suez* and Egypt.[693] This arbitration took place on the basis of a contract signed between the company and the State, rather than two States. The Turkish company and Egypt had not foreseen arbitration in their agreement but later agreed to solve their dispute through this means. Napoleon III was appointed as arbitrator, who found that Egypt was liable to pay 84 million francs to the Turkish company.[694]

It must be said that the development of international investment law has not always been smooth. On the contrary, in the 19th century, increasing tensions developed between capital-exporting and capital-importing countries and different approaches towards to protection of aliens started to emerge. On the one hand, according to the Hull Formula (named after the then US Secretary of State, Cordell Hull), States had the sovereign right to expropriate foreign investors but had to pay prompt and adequate compensation. On the other hand, developing countries supported the Calvo Doctrine (named after the Argentine scholar Carlos Calvo), according to which foreign investors should have the same rights (and not more) as nationals, and therefore should only be granted access to domestic courts, to the exclusion of diplomatic protection of arbitration. In addition, according to the Calvo Doctrine, foreign investors would only be protected against discrimination, as opposed to other standards of protection such as the protection against expropriation. This doctrine was incorporated into numerous State contracts signed by developing countries.[695]

Later however, such provisions progressively disappeared and were replaced by what we know today as investor-state dispute settlement. In 1958, the Convention on the Recognition and Enforcement of Foreign Arbitral Awards ('New York Convention') was adopted, which in March 2020 counted 163 State parties. As its name clearly states, this Convention applies to the recognition and enforcement of foreign arbitral awards and the referral by a court to arbitration. Courts of contracting States must give effect to arbitration agreements and

[692] Ibid, 48.
[693] Ibid, 46.
[694] Ibid, 46.
[695] Ibid, 53.

recognize and enforce arbitration awards made in other contracting States. As from 1959, investment agreements such as BITs started to proliferate, and these agreements also increasingly foresaw investor-State arbitration as a means of dispute settlement. The development of investment arbitration continued with the adoption of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ('Washington Convention') in 1965, which created the International Centre for Settlement of Investment Disputes ('ICSID').

In this rather long lasting history of the protection of foreign investments and investment arbitration, the emergence of intellectual property issues is a rather recent development.

2. Settling IP disputes: the diversification of adjudication fora

2.1. Traditional dispute settlement mechanisms for intellectual property

The vast majority of intellectual property right holders solve their disputes concerning their IPRs either in domestic courts or in the national or regional intellectual property offices. Such disputes can concern the validity of IPRs, such as post-grant opposition procedures for patents, which allow third party to challenge a patent during a certain period of time, but also litigation over infringing goods. Infringement and validity therefore represent an important part of IP adjudication worldwide, including in the EU. For example, in the field of patents only, the European Patent Office deals with an average of 3000 post-grant oppositions each year.[696]

While domestic litigation represents the vast majority of IP litigation globally, it has traditionally entailed some drawbacks in particular for foreign right holders. Historically, foreign right holders were concerned about the lack of adequate protection in foreign countries, resulting from the absence of adequate standards of protection in local laws, but also the relative inefficiency of certain domestic courts.[697] The distrust in foreign domestic courts can arise either from the lack of appropriate training of judges, but also the lack of independence of the courts and the resulting corruption and bias of the decisions issued.[698] In addition, in some cases, local governments enjoy sovereign immunity, which prevents foreign right holders from seeking redress against the actions or inactions of a State.[699]

Therefore, in addition to infringement and validity procedures available at the national and regional level, dispute settlement mechanisms have also been foreseen at the international level. Already in the late 19th century, the Paris and Berne Conventions instituted a dispute settlement mechanism through the International Court of Justice.[700] Similar to other dispute settlement

[696] WIPO, *World Intellectual Property Indicators 2019*), 18.
[697] Peter K. Yu, 'The Pathways of Multinational Intellectual Property Dispute Settlement' in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and International Dispute Resolution* (Kluwer Law International BV 2019), 124-125.
[698] Ibid, 125.
[699] Ibid, 125.
[700] The Paris Convention for the Protection of Industrial Property (Paris Convention) adopted in 1883, and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) adopted in 1886.

mechanisms contained in international treaties, this redress is however reserved to States, and individual right holders therefore have to lobby their home governments in order to intervene against other State parties. These two drawbacks are said to explain (at least in part) why no international IP dispute has even been brought before the International Court of Justice.[701]

In 1994, the World Trade Organization ('WTO') established a mandatory state-to-state dispute settlement mechanism to settle disputes arising from the application of WTO Agreements including the TRIPS Agreement. The WTO dispute settlement system is a powerful tool to induce legislative changes "that are rarely available through domestic litigation in host states"[702] and also allows to shift enforcement costs from the right holder to the home government. However, similar to the dispute settlement system under the Paris and Berne Convention, States have a margin of appreciation in deciding whether to file a complaint against another State and the right holder has no power to force such decision. The WTO dispute settlement process has also been described as very costly and lengthy.[703]

Therefore, while most intellectual property disputes have historically been solved in domestic courts, international dispute settlement was eventually institutionalized, in particular under the aegis of the WTO. For foreign right holders, however, even state-to-state dispute settlement is not fully satisfactory. Statistical evidence shows the limited application and use of this dispute settlement method: "to date no case has ever been decided under the state-to-state dispute settlement provisions of any of the hundreds of agreements concluded by the EU with third countries."[704] The limited use of state-to-state dispute settlement can be explained by several factors, but mostly by the political factor. State-to-State disputes are highly politicized, and might well be avoided due to lack of resources and political will.[705] In the framework of the WTO, the only legal recourse for TRIPS violations is the WTO Dispute Settlement Understanding. In case a private actor or investor suffers from the violation of the TRIPS Agreement, it must convince its government to initiate an action.[706]

In addition to domestic and international dispute resolution, alternative dispute resolution ('ADR') mechanisms are also available to intellectual property right holders, including arbitration, mediation or conciliation. These mechanisms are available to solve disputes between two private parties, which differentiates them from state-to-state and investor-state dispute settlement. For intellectual property disputes, the WIPO Arbitration and Mediation Center offers to private parties means to settle their disputes in mediation[707], arbitration and

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[701] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 843.
[702] Yu, 'The Pathways of Multinational Intellectual Property Dispute Settlement', 129.
[703] Ibid, 131-132.
[704] Marco Bronckers, 'Is Investor–State Dispute Settlement (ISDS) Superior to Litigation Before Domestic Courts?' (2015) 18 Journal of International Economic Law 655, 660.
[705] Ibid, 660.
[706] Mortenson, 'Intellectual Property as Transnational Investment: Some Preliminary Observations', 2.
[707] According to WIPO's website, mediation is "An informal consensual process in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of their dispute, based on the parties' respective interests. The mediator cannot impose a decision. The settlement agreement has force of contract. In the absence of a

expedited arbitration[708] and expert determination[709]. Mediation and arbitration are the two most commonly used types of procedure to settle both contractual (licenses, software, technology transfer agreements, joint ventures, etc…) and non-contractual cases (infringements). Most disputes settled are international disputes (75%) as opposed to domestic ones (25%).[710] Other reputed institutions offer alternative dispute settlement mechanisms including for intellectual property disputes, at the international level such as the International Chamber of Commerce, but also private bodies such as ACID[711], ADR Center[712], ARBITRARE[713], CEDR[714] or CIMA[715]. National bodies also offer alternative dispute settlement mechanisms, including for solving IP disputes, such as the Chambers of Commerce, national patent offices, arbitration chambers and for example the Czech Arbitration Court[716].

Like investor-state dispute resolution, these alternative dispute settlement mechanisms are often confidential and it is therefore difficult to assess the exact number of cases settled each year. It is even more complex to obtain a precise figure for intellectual property disputes. However, it can safely be assumed that the number of IP cases solved thanks to ADR are much lower than the cases solved through domestic litigation. In her PhD thesis in which she explored the use of mediation for intellectual property disputes, Asako Hatanaka highlighted that "some commentators doubt that mediation is an inherent means to solving intellectual property disputes. This is because intellectual property rights are exclusive by nature and their enforcement presupposes measures against infringement".[717] However she also noted that, as a general trend, the use of mediation is on the rise[718], a trend which is also confirmed for all ADR mechanisms by the WIPO ADR statistics.

mediation agreement, a party that wishes to propose submitting a dispute to WIPO Mediation may submit a unilateral request to the WIPO Center and the other party. Mediation leaves open available court or agreed arbitration options". See https://www.wipo.int/amc/en/center/wipo-adr.html (last accessed 9 March 2022).

[708] Arbitration is "A consensual procedure in which the parties submit their dispute to one or more chosen arbitrators, for a binding and final decision (award) based on the parties' respective rights and obligations and enforceable under arbitral law. As a private alternative, arbitration normally forecloses court options." See https://www.wipo.int/amc/en/center/wipo-adr.html (last accessed 9 March 2022).

[709] Expert determination is "A consensual procedure in which the parties submit a specific matter (e.g., a technical question) to one or more experts who make a determination on the matter. The parties can agree for such outcome to be binding." See https://www.wipo.int/amc/en/center/wipo-adr.html (last accessed 9 March 2022).

[710] Monika Zikova, *Resolving IP Disputes Outside the Courts Through WIPO ADR* (WIPO Public)

[711] Anti Copying in Design, see https://www.acid.uk.com/members-area/mediation/ (last accessed 9 March 2022).

[712] See https://www.adrcenter.it/en/ (last accessed 9 March 2022).

[713] See https://www.arbitrare.pt/en (last accessed 9 March 2022).

[714] See https://www.cedr.com/ (last accessed 9 March 2022).

[715] See http://cima-mediation.com/ (last accessed 9 March 2022).

[716] See https://eu.adr.eu/about_us/court/index.php (last accessed 9 March 2022).

[717] Asako Wechs Hatanaka, 'Mediation and Intellectual Property Law - A European and Comparative Perspective' (DPhil thesis, University of Strasbourg 2016), 7.

[718] Ibid, 2.

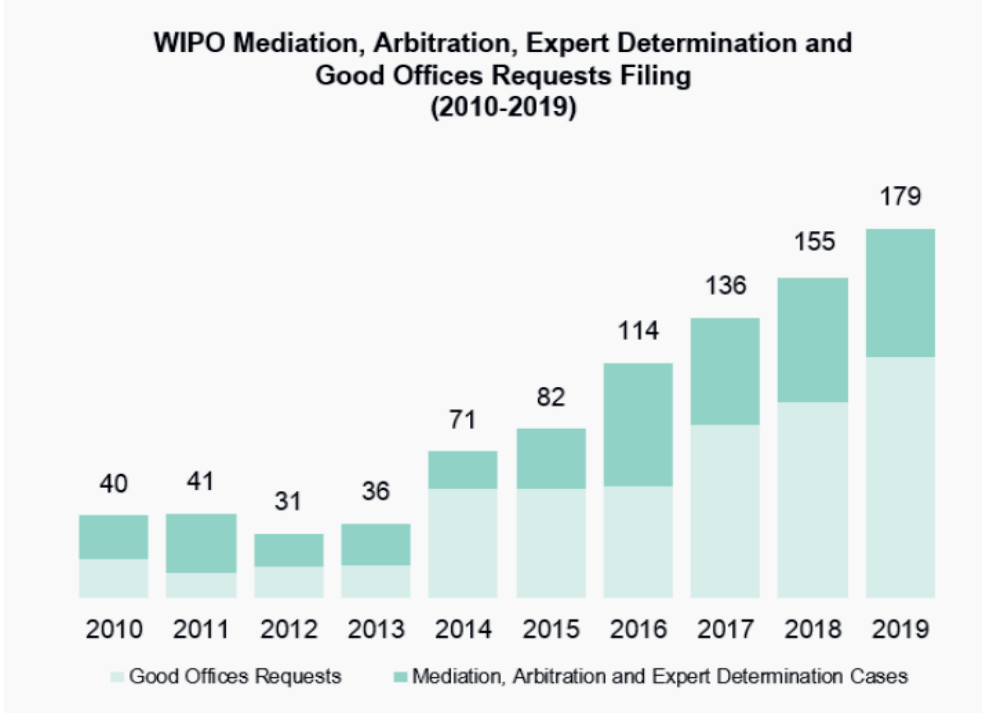

Figure 1 - WIPO Mediation, Arbitration, Expert Determination Cases and Good Offices Requests[719]

From the chart above we can see that the number of cases solved through mediation, arbitration and expert determination, combined with good offices requests, has been on the rise since 2013.

All these elements taken together can explain the slow shift of adjudication forum for intellectual property dispute, from domestic courts to state-to-state dispute resolution, alternative dispute resolution and recently investor-state dispute settlement.

2.2.IP and investor-state dispute settlement

At the turn of the 21st century, the first IP cases were adjudicated in investor-state arbitration fora. However, some arguments based on or related to intellectual property had already featured in cases since 1994. Lahra Liberti shed light on the first IPR challenge brought on 10 May 1993 by American tobacco companies against Canada under the NAFTA.[720] The facts of the case were similar to the later cases brought against Australia and Uruguay. In a nutshell, Canada has proposed a regulation, which would impose general plain packages on cigarette packaging. The

[719] WIPO Caseload Summary, WIPO Mediation, Arbitration, Expert Determination Cases and Good Offices Requests, available at: https://www.wipo.int/amc/en/center/caseload.html (last accessed 9 March 2022).
[720] Liberti, 'Intellectual Property Rights in International Investment Agreements: An Overview', 16.

American investor warned Canada that such regulation would amount to expropriation of their trademarks under the NAFTA. However the case was withdrawn when the Canadian Supreme Court decided that the regulation was violating the constitutional free speech requirements.[721]

Many commentators, in particular from the IP field, have highly criticized the used of ISDS for IP adjudication, and have highlighted that international IP disputes should be adjudicated either in domestic courts, or in state-to-state fora. For Bronckers, the argument that treaty violations should only be dealt with in state-to-state dispute settlement has its limits. He opines that, "By allowing only governments to challenge treaty violations one sharply limits the impact of these treaties. Diplomatic relations can only tolerate a limited number of intergovernmental disputes."[722] For some authors therefore, state-to-state dispute settlement has its limits in that it usually involves a high degree of political and diplomatic sensitivity.

Another aspect which has tipped the balanced in favor of ISDS over the years is probably the enforceability of the awards, and the availability of effective remedies. From the perspective of investors, it is clear that ISDS presents several advantages, and the applicable law usually "focuses on investors' interests".[723] Compared to state-to-state dispute settlement, ISDS presents the advantage of binding awards, and of monetary compensation that goes directly to the investor rather than to the State.[724] Successful awards can also be seen as "signals to local policymakers about the need to change their laws, regulations or administrative practices".[725] ISDS can therefore indirectly induce legislative changes. Finally, compared to state-to-state dispute settlement, ISDS can usually resolve disputes more quickly, and it allows keeping some information confidential.[726]

Even from the perspective of States, ISDS can present some advantages. This is particularly true for the diplomatic implications of state-to-state dispute settlement that are avoided with ISDS: "Where investment arbitration is available, these disputes are transferred from the political arena to a judicial forum especially charged with the settlement of mixed investor-State disputes. The dispute settlement process is depoliticized and subjected to objective legal criteria."[727]

Historically, it appears that States (and in particular developed nations) have allowed for arbitral review of their conducts for several reasons. First, arbitrators were seen as impartial, as being usually nationals of a third country. Second, ISDS offered guarantees to foreign investors investing in developing countries, which were seen as lacking impartial and effective domestic

[721] Ibid, 16.
[722] Bronckers, 'Is Investor–State Dispute Settlement (ISDS) Superior to Litigation Before Domestic Courts?', 659.
[723] Diependaele, Cockbain and Sterckx, 'Eli Lilly v Canada: the uncomfortable liaison between intellectual property and international investment law', 298.
[724] White and Szczepanik, 'Remedies Available Under Bilateral Investment Treaties for Breach of Intellectual Property Rights', 2.
[725] Yu, 'The Pathways of Multinational Intellectual Property Dispute Settlement', 133.
[726] Even if, in recent years, reforms of the ISDS have taken place towards greater transparency of the proceedings.
[727] Christoph Schreuer, 'Do We Need Investment Arbitration?' (2014) 11 Transnational Dispute Management, 2.

judicial systems.[728] In the same vein, ISDS was seen as a tool to foster investments and economic growth. In recent years however, States have been increasingly reluctant to include ISDS chapters in their investment agreements, or having denounced existing treaties.[729]

The use of ISDS for IP adjudication in lieu of SSDS raises several procedural and substantive questions. It is important to note that ISDS has no equivalent in international IP law.[730] Only states can bring a dispute over the compliance of another State's measures with international IP treaties. Therefore, allowing investors to bring claims against States for measures that have affected the investors' assets, including its intellectual property, can definitely be seen as a new tool in the legal toolbox of foreign investors.

2.3.The availability of ISDS: what challenges for the IP system?

As we have seen, intellectual property is usually covered by international investment agreements, which has very practical consequences. It allows investors to challenge State measures in private investor-State arbitration. This raises concerns, not only with regards to the right of States to regulate in the public interest, but also with regards to the balance of the intellectual property system, which can be overlooked by investment tribunals.

On the other hand, from a conceptual point of view, the assimilation of IP to the notion of investment is not a total fallacy. Intellectual property is considered a global asset by most companies, and is even associated to a certain extent to risk. When investors invest in foreign countries, for instance in research and development, they rely on their intellectual property assets to recover their costs. Yet, investors are subject to regulatory and legal changes that might affect their investments or intellectual property rights. While most regulations can have little or no impact on foreign investments, other State measures (or inactions) do, such as the issuance of compulsory licenses, the absence of enforcement of IP rights in domestic courts, poor regulations with regards to piracy or trade secrets.[731]

It is in such context, and from the point of view of the investor mainly, that ISDS can find some justification, even in the context of IP adjudication. Some authors have asserted that ISDS could indeed be desirable for IP disputes, for instance where the "government is complicit in acts of piracy or counterfeiting". Positive actions but also the absence of action, or the failure to take appropriate measures, can be at stake.[732]

However, the real controversy lies elsewhere. It is the ability of investors to bring investment claims against States for inadequate or insufficient protection or enforcement of intellectual property rights, which raises real issues. Peter Yu in this sense asks whether "inadequate intellectual property enforcement could meet the burden of government complicity", or if ISDS

[728] Cappiello, 'ISDS in European International Agreements: Alternative Justice or Alternative to Justice?', 3.
[729] Ho, 'A Collision Course Between TRIPS Flexibilities and Investor-State Proceedings', 426.
[730] Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law, para 7.01.*
[731] Mortenson, 'Intellectual Property as Transnational Investment: Some Preliminary Observations', 1.
[732] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 849.

could be used as an "effective tool […] in pressuring governments to strengthen their efforts to enforce intellectual property rights."[733] If this is so, then ISDS would likely lose its legitimacy.

However, investment arbitration offers considerable advantages to IP owners and investors, in terms of litigation strategy and compensation, in particular compared to other methods of dispute settlement such as the WTO DSB, or even domestic courts.[734] The recent IP investment cases, namely those involving Philip Morris, Eli Lilly or even Bridgestone, may indicate a progressive shift of forum. Whether the old justifications for ISDS, such as the absence of fair trials and impartiality in domestic courts, or perceived discrimination and denial of justice, can still apply in the context of these recent disputes is doubtful. The justification for the use of ISDS for IP disputes must therefore lie elsewhere.

B – Specificities of the EU judicial landscape and implications for intellectual property investments

The EU legal order is a complex ecosystem where several bodies of rules and enforcement mechanisms must coexist to achieve an efficient and balanced judicial system. The emergence of ISDS in the EU and its availability to solve intellectual property disputes has created new challenges that all stakeholders must address. It also adds to the complexity of the relationship and interaction between different dispute settlement bodies, both at the domestic, European and even international level.

1. The availability of investor-state dispute settlement mechanisms in the European Union

The availability of ISDS for IP disputes raises concerns worldwide with regards to the regulatory freedom of States, in particular in the field of public health. Some concerns are not specific to intellectual property, such as the impact on the right to regulate, but are concerns raised by the investor-state dispute settlement system *per se*. Other concerns are global, and are not specific to any geographical area. However, some country- and region-specific issues arise from the adjudication of IP disputes in investment arbitration. This is the case in the European Union, which has a long and well-established tradition with regards to the regulation of intellectual property, and which is to some extent threatened by the use of ISDS for resolving IP disputes.

1.1.The use of ISDS in the EU

European investors count amongst the most active users of ISDS. A 2014 report from UNCTAD showed that US and EU investors together account for 75% of the global number of known ISDS claims. In the European Union, investors from west European countries including the

[733] Ibid, 850, citing Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration*, 161.
[734] Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 140.

Netherlands, the UK, Germany, France, Italy and Spain, are claimants in three quarters of all EU claims.[735] Of the 300 cases brought by EU investors, around 30% were intra-EU disputes. In the remaining 70% of the cases, the most frequent respondents were Argentina (31 cases), Venezuela (23 cases), Czech Republic (22 cases) and Egypt (14 cases).[736]

The report also informs on the governmental measures that have most frequently been challenged. These include: "the revocation of licences, direct and indirect expropriations, alleged breaches or unilateral terminations of investment contracts, economic measures taken to combat financial crisis, environmental and public health measures, taxation measures, privatisation-related measures, sectoral economic reforms and conduct of national courts."[737]

In terms of won and lost cases, UNCTAD found that the patterns differ among countries. By the end of 2013, the global number of ISDS cases reached 568.[738] EU Member States were respondents in 20% of the cases, and won half of the concluded cases brought against them, and settled one fourth.[739] While claimant investors were nationals of western European countries in 75% of the cases, respondent EU States are predominantly from "new" Member States: Czech Republic (in 23% of the cases), Poland (in 14% of the cases), Hungary (in 10% of the cases), Slovakia (in 9% of the cases) and Spain (in 8% of the cases).[740]

It is striking to note that 75% of the 117 cases brought against EU Member States were actually intra-EU disputes, i.e. disputes brought by an EU investor against another EU Member State. In the remaining 29 cases, the claimants were nationals from *inter alia* the US (nine cases), Switzerland and the Russian Federation (three each), Canada, India and Turkey (two each).[741]

From these figures, one can conclude that ISDS has been rather popular in the EU as a means of solving investment disputes, in particular for EU investors. And indeed, even after the 2009 Treaty of Lisbon, ISDS was "not especially controversial" until the TTIP in 2013.[742] Therefore, the controversies around ISDS are rather recent in the history of investment arbitration. The civil society in the EU protested against the TTIP, and later other free trade agreements, which they considered limited the policy space of governments. Bronckers recalls that "in July 2014, Jean-Claude Juncker declared that he would not accept in the TTIP negotiations 'that the jurisdiction of courts in the EU Member States is limited by special regimes for investor disputes'".[743] Austria, France and Germany subsequently raised their voices against ISDS, and argued that domestic courts should hear private investor's claims.[744] The European Commission

[735] UNCTAD, *Investor-State Dispute Settlement: an Information Note on the United States and the European Union, 1.*
[736] Ibid, 10.
[737] Ibid, 2.
[738] Ibid, 4.
[739] Ibid, 3.
[740] Ibid, 5.
[741] Ibid, 6.
[742] Bronckers, 'Is Investor–State Dispute Settlement (ISDS) Superior to Litigation Before Domestic Courts?', 655.
[743] Ibid, 656.
[744] Ibid, 656.

eventually started to address the issue, and published a concept paper in May 2015 to propose improvement for ISDS, including the replacement by the Investment Court System.[745]

The European Commission also highlighted some of the drawbacks of ISDS especially for States. The Commission stated that States can be affected by ISDS proceedings in different ways. First, because of the damage resulting from the public mistrust in the system, but also because of the absence of predictability in the interpretation of substantive standards of treatment. [746] In addition, the lack of appeal and the limited grounds of annulment of investment awards reinforce the public mistrust as legally incorrect awards can be issued, and compensation can be sought, which will have to be paid from taxpayers' money.[747] Other aspects of the ISDS system such as the confidentiality of the proceedings, or the high costs for legal counsel, increase the public mistrust in the system. The proposal of the European Commission to create an Investment Court System partially addresses these issues, but will not completely solve the problem of interpretative consistency.[748]

An important procedural question for the European Union when looking at ISDS and even the future Investment Court System is the choice of arbitration rules to litigate investment disputes, and in particular the availability of ICSID rules. Indeed, the ICSID Convention is listed in all recent EU IIAs as a rule under which a claim may be submitted to the Tribunal.[749] From an investor's point of view, ICSID rules offer several advantages, such as the limited grounds for annulment, and the easier enforcement procedure.[750] However, difficulties would arise in cases where the EU was chosen as a respondent in a dispute. Indeed, the EU is not (and can currently not be) a party to the ICSID Convention, which only allows "States" to be parties. Hence, it appears that a foreign investors could not both designate the EU as respondent and chose the ICSID Convention as the applicable rule.

The same reasoning could apply for EU investors who would bring a claim under the recent EU IIAs. At the time of writing, while Canada and Singapore have both signed the ICSID Convention,[751] Vietnam has not done so. Therefore, despite the availability of the ICSID Convention rules under the EU-Vietnam IPA, an EU investor would not be able to choose these rules as long as Vietnam has not signed the Convention and will have to use different arbitration rules, such as the ICSID Additional Facility Rules.

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[745] European Commission, *Investment in TTIP and beyond – the path for reform. Enhancing the right to regulate and moving from current ad hoc arbitration towards an Investment Court* (Concept Paper 5 May 2015).
[746] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution* (2017), 20.
[747] Ibid, 20.
[748] Ibid, 20.
[749] *See* Article 8.23 of the CETA, Article 3.33 of the EU-Vietnam IPA and Article 3.6 of the EU-Singapore IPA.
[750] Markus Burgstaller, 'Investor-State Arbitration in EU International Investment Agreements with Third States' (2012) 39 Legal Issues of Economic Integration 207, 212.
[751] Canada ratified the ICSID Convention on 1 November 2013, and Singapore on 14 October 1968. *See* https://icsid.worldbank.org/en/Pages/about/Database-of-Member-States.aspx (last accessed 14 August 2019).

It is worth noting that the EU-Singapore IPA introduced a clarification to the provision on the submission of claim to the Tribunal, by specifying that a claim may be submitted to the Tribunal under the ICSID Convention, "provided that both the respondent and the State of the claimant are parties to the ICSID Convention".[752] This provision removes any possible doubts concerning the availability of ICSID Convention rules where the EU is designated as a respondent in an investment dispute arising under the EU-Singapore IPA.

To circumvent this procedural hurdle, Burgstaller proposed to introduce similar provisions to ICSID in the IIA.[753] However, in practice, the specific ICS features have been described as deviating in many respects from the rules provided under the ICSID Convention.[754]

In the alternative, several authors have alluded to the fact that the ICSID Convention would have to be revised in order to allow the EU to become a Contracting Party to the ICSID Convention. Indeed, Article 67 of the Convention restricts membership to member States of the World Bank, or at least parties to the ICJ Statute, to the exclusion of the EU. However, the revision of the ICSID Convention, foreseen by Article 65 and 66 of the Convention, is unlikely to take place as it requires unanimous approval by the Contracting Parties: "It is generally acknowledged that an amendment, though legally possible, would be practically almost impossible to achieve ".[755] Therefore, at the time of writing, a CETA Tribunal or alike established under the ICSID Convention rules would lack jurisdiction over a case brought against the EU. [756]

August Reinisch considered an alternative approach under general treaty law, whereby the EU and its negotiating partners would modify the ICSID Convention among themselves, to allow a Tribunal to hear a case against the EU, applying ICSID rules. However, such an approach would not be fully satisfactory, as such an "inter se modification of the ICSID Convention would not affect other ICSID Contracting States with the particular disadvantage that the outcome of ICS proceedings would not have to be enforced by them as ICSID awards."[757]

1.2.The use of ISDS in the EU for IP disputes

Publicly available data shows that very few cases involving European Member States have touched upon intellectual property issues. Even where investment tribunals were confronted with intellectual property questions, we will see that these could probably be described has having a low impact on the balance of interests inherent to the intellectual property system. This

[752] *See* Article 3.6.1(a) of the EU-Singapore IPA.
[753] Burgstaller, 'Investor-State Arbitration in EU International Investment Agreements with Third States', 213.
[754] August Reinisch, 'Will the EU's Proposal Concerning an Investment Court System for CETA and TTIP Lead to Enforceable Awards?—The Limits of Modifying the ICSID Convention and the Nature of Investment Arbitration' (2016) 19 Journal of International Economic Law 761, 768.
[755] Ibid, 769.
[756] Ibid, 769.
[757] Ibid, 782.

is also likely to be reinforced under future agreements negotiated by the EU, which further reduce the scope for IP protection under investment agreements.

1.2.1 IP-related aspects in EU investment disputes: France and the Czech Republic under the spotlight

The most publicized IP investment disputes so far have not involved EU countries, nor the EU itself.[758] However, two known ISDS cases with some IP implications must be mentioned, as they have involved the Czech Republic and France respectively.

1.2.1.1 Erbil Serter v. France

On 10 September 2013, Erbil Serter, a Turkish ship designer and architect, brought a claim against the French Republic. The claim was brought at the International Centre for Settlement of Investment Disputes (ICSID) under the France – Turkey BIT 2006[759], and was the first investment case faced by France. No material was made available, and only a few specialized websites have reported on this case. According to IAReporter, the arbitration arose out of a dispute over a ship hull design project, but the details of the claim had not been released by the parties.[760] Luke Eric Peterson reported that the Claimant had developed "a single hull ship-design, 'the deep v hull', that has been used by naval vessels in several countries including France, Germany and Turkey."[761]

Arbitrators had been appointed by the parties,[762] before a procedural order taking note of the discontinuance of the proceeding pursuant to ICSID Arbitration Rule 45 was issued by the Secretary-General of ICSID, on 2 March 2018.

It is interesting to note that the investment policy hub of UNCTAD described the investment at stake as "Intellectual property rights concerning the design of advanced hull forms."[763] UNCTAD also summarized the dispute as follows: "Claims arising out of disagreements over certain ship hull design related to Mr. Serter's experience, as ship designer and architect, in research, development and design of advanced hull forms."[764]

[758] It should be recalled that this assumption is made only on the basis of publicly available ISDS cases. Some confidential cases with IP implications might well have been brought against EU Member States but these are not publicly reported.
[759] *Erbil Serter v. French Republic* ICSID Case No ARB/13/22, Discontinued (2 March 2018)
[760] IAReporter, 'Investor claim against France shifts into gear, as parties look for lawyers and arbitrators begin to be chosen' (*IAReporter,* 14 February 2014) <https://www.iareporter.com/articles/investor-claim-against-france-shifts-into-gear-as-parties-look-for-lawyers-and-arbitrators-begin-to-be-chosen/> accessed 22 August 2019.
[761] Luke Eric Peterson, 'France is sued at ICSID by Turkish investor in relation to ship hull design controversy' (*IAReporter,* 11 September 2013) <https://www.iareporter.com/articles/france-is-sued-at-icsid-by-turkish-investor-in-relation-to-ship-hull-design-controversy/> accessed 22 August 2019.
[762] Hamid G. Gharavi was appointed by the investor and Thomas Clay was appointed by the State.
[763] *See*: https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/510/serter-v-france.
[764] *See*: https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/510/serter-v-france.

In the absence of further information, it is difficult to assess the potential impact of this case on intellectual property. While the case certainly involves some intellectual property aspects, in particular related to the protection of designs, the question of whether the investment tribunal would have assessed the protection and enforcement of Serter's intellectual property rights will remain unanswered as the case was discontinued.

1.2.1.2 The CME v. Czech Republic case

In this case involving CME Czech Republic B.V. (CME), a corporation organized under the laws of the Netherlands, the impact of dispute on the IP system deserves closer attention. CME initiated arbitration proceedings against the Czech Republic in February 2000, pursuant to the UNCITRAL Arbitral Rules, and on the basis of the 1992 Netherlands-Czech Republic BIT. The investments at stake were the 99% equity interest held by CME in a Czech television services company (CNTS).[765] CME's investments basically consisted in the license for television broadcasting granted by the Czech Media Council to CET 21, a Czech company, which provided CNTS with "irrevocable and exclusive" rights to use this broadcasting license.

Without entering into the details of the complex facts of this case[766], CME eventually claimed that "CNTS, the most successful Czech private broadcasting station operator with annual net income of roughly USD 30 million, has been commercially destroyed by the actions and omissions attributed to the Media Council, an organ of the Czech Republic."[767] In a nutshell, in 1999, the Czech Media Council announced that CNTS did not have exclusive rights to use or provide services related to the above-mentioned license. In addition, in August 1999, CNTS failed to submit the programming for broadcast for the following day and based on this contractual breach, CET 21 terminated the contract with CNTS, which led to the destruction of CNTS's business.[768]

A partial award was first rendered on 13 September 2001, with a dissenting opinion of Jaroslav Hándl. The final award was issued on 14 March 2003. The Respondent was found to be liable for treaty violation, and was ordered to pay to the Claimant USD 269,814,000.

This case mainly concerned a license for broadcasting services, which is *linked* to intellectual property rights but not a dispute *over* the scope or protection of such rights. The dispute seems to rather touch upon a contractual relationship, and the termination of a license for broadcasting services, leading to substantial financial loses, i.e. a dispute over the treatment of the investment.

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[765] *CME v Czech Republic* UNCITRAL Arbitration Proceedings, Final Award (14 March 2003), para 4.
[766] For a chronological description of the events which lead to the claim, *see* ibid, paras 4-18.
[767] Ibid, para 19.
[768] Lise Johnson, 'CME v. Czech Republic, Lauder v. Czech Republic' in Nathalie Bernasconi-Osterwalder and Lise Johnson (eds), *International Investment Law and Sustainable Development: Key cases from 2000-2010* (IISD 2011), 34-35.

When considering broadcasting rights from an intellectual property perspective, the focus is rather on the protection and enforcement of the rights of the right holders, and to some extent, the regulation of the license of such rights by both collective management organizations and broadcasters. The WIPO in 2013 published an article on "Protecting broadcasters in the digital era", where it outlined the importance to update the legal framework for the rights of broadcasters.[769] This finding was based on the growing piracy of broadcast signals: "Signal piracy is not just a problem for broadcasters. By undermining the investments made by broadcasters, inadequate protection eventually undermines the public interest, making it increasingly difficult for broadcasters to meet rising consumer demand for time and place-convenient access to broadcast signals, such as through hybrid TVs, tablets, smartphones and the like."[770]

The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, also provided some protection to broadcasters, but only against unauthorized re-broadcasting. It further granted broadcasters with 20 years of exclusive rights to authorize rebroadcasting, fixation (or recording), reproduction and communication to the public of their broadcasts. The WIPO was seeking to increase the protection of broadcasters against unlawful use of broadcast signals, to combat piracy of broadcasts on the Internet and other digital platform.[771] In addition, WIPO acknowledged that "Most broadcasters want the new treaty to extend and update those rights for the new technologies, especially to prevent unauthorized retransmission of their programmes over the Internet."[772] In 2014, the WIPO Standing Committee on Copyright and Related Rights discussed the possibility of a new treaty protecting IP rights of broadcasting organisations. This project does not seem to have been implemented at the time of writing.

In the EU, several Directives protect the rights of broadcasters and foresee rules for licensing.[773] The Council Directive 93/83/EEC[774] clarifies the broadcasting rights for broadcasting of programmes by satellite, and the notion of communication to the public by satellite of copyright works. These rights are considered as "copyright-related rights".[775] The Council Directive also foresees rights for cable retransmission, and states that Member States must ensure that copyright and related rights are observed when programmes from other Member States are retransmitted by cable in their territory, and that a contractual agreement must exist between

[769] WIPO, 'Protecting broadcasters in the digital era' WIPO Magazine <https://www.wipo.int/wipo_magazine/en/2013/02/article_0001.html> accessed 15 August 2019.
[770] Ibid.
[771] Ibid.
[772] WIPO, 'Protection of Broadcasting Organizations – Background Brief' <https://www.wipo.int/pressroom/en/briefs/broadcasting.html> accessed 15 August 2019.
[773] In addition to the instruments mentioned below, see inter alia Council Directive 89/552/EEC of 3 October 1989 on the coordination of certain provisions laid down by Law, Regulation or Administrative Action in Member States concerning the pursuit of television broadcasting activities.
[774] Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission.
[775] *See* Article 5 of the Council Directive 93/83/EEC.

the copyright owners, holders of related rights and cable operators.[776] Overall, this Council Directive appears to protect the rights of right holders where their work is to be communicated to the public by satellite or cable.

The Directive 2014/26/EU[777] on Collective Rights Management provides for several rights and exceptions and limitation for broadcasters. Article 32 foresees for instance that the requirements under Title III of the Directive on "Multi-territorial licensing of online rights in musical works by collective management organisations" do not apply to collective management organisations when they grant "a multi-territorial licence for the online rights in musical works required by a broadcaster to communicate or make available to the public its radio or television programmes simultaneously with or after their initial broadcast as well as any online material, including previews, produced by or for the broadcaster which is ancillary to the initial broadcast of its radio or television programme."

The Directive (EU) 2019/789[778] aims at simplifying rights clearance for the broadcasting and retransmission of television and radio programmes online. This Directive protects the right of communication and the right of making available to the public of works by wire and wireless means, as well as the rights in retransmission by rightholders.

Therefore, it appears that national and regional instruments regulating broadcasting services focus on the rights (copyright and related rights) of right holders and on the management of such rights, including through licenses, by CMOs and broadcasters. In contrast, in the CME v Czech Republic case, the claims focused on the financial loses that arose after an exclusive license for broadcasting services was revoked. This issue does not seem to be covered by any of the copyright and related rights instruments mentioned above. It could therefore be argued that there is little, if no overlap, between the investment dispute and potential IP disputes that could be brought in the framework of broadcasting services. To qualify this investor-State dispute as an "IP dispute" would therefore be rather far-fetched. However, it is true, as Lise Johnson notably highlights, that this case raises important question of forum shopping and of diverging interpretation of international investment law standards by investment tribunals.[779]

Several IP scholars have indicated that forum shopping is a critical issue arising from the multiplication of fora to adjudicate IP disputes, including investor-state arbitration.[780] In

[776] *See* Article 8 of the Council Directive 93/83/EEC.
[777] Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market.
[778] Directive (EU) 2019/789 of the European Parliament and of the Council of 17 April 2019 laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes, and amending Council Directive 93/83/EEC.
[779] *See* Johnson, 'CME v. Czech Republic, Lauder v. Czech Republic'.
[780] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 27.

particular, the risk of conflicting decisions, as was the case in the CME v Czech Republic[781], could likely arise where an IP dispute is brought under different legal regimes and in different types of courts. Indeed, as Moerland notes, since WTO rules are part of the interpretative context in an investment dispute according to Article 31.3(c) of the VCLT, investors are likely to go forum-shopping and the resulting decisions might conflict with each other. [782] She gives the following example: "in an ICISD procedure, an intellectual property right holder, as an investor, can seek direct reparation of damages from the State that allegedly failed to recognize his rights under the TRIPS Agreement. For that, the arbitrator would have to interpret relevant provisions of the TRIPS Agreement. Such interpretations can potentially conflict with those of WTO dispute settlement bodies."[783]

Radu contemplates a different situation, where a foreign investor, owning a company created in the territory of a Member State, would benefit from the protection of an investment treaty, and at the same time from the provisions of EU law as a company of a Member State. She concludes that this situation creates the possibility of treaty shopping on the part of investors, which "could circumvent EU provisions that impose restrictions on their activity—if such restrictions are not contained in the relevant BIT, or the BIT prohibits them—while at the same time taking advantage of the benefits of treatment conferred by EU law—although such privileges should normally not be separated from granting the same advantages by all the other Member States."[784]

While there are reasons for questioning the possibility to adjudicate IP disputes in investment arbitration fora, there are also some arguments in favor of it. Indeed, investment arbitration has been seen as an opportunity for more effective protection of IP assets. It is in particular the special features of investment arbitration, such as the availability of financial remedies and the direct right of action, which leads some commentators to argue that investment treaty protection could be desirable for IP rights.[785] It is worth noting that, in spite of this observation, Mortenson discerns a tendency of restriction of the scope of arbitral jurisdiction over non-physical assets through arbitral awards themselves.[786]

This finding also applies to recent international investment agreements, which seem to reduce the scope of IP protection under their investment and dispute settlement chapters.

[781] In parallel to the CME v Czech Republic case, another investor-state arbitration case was brought by the R. Lauder, the owner of the CME company, against the Czech Republic, for virtually the same facts, and in additional to several domestic civil and criminal proceedings. For more information, *see*: Johnson, 'CME v. Czech Republic, Lauder v. Czech Republic'.
[782] Moerland, *Why Jamaica wants to protect Champagne: intellectual property protection in EU bilateral trade agreements, 85.*
[783] Ibid, 85.
[784] Radu, 'Foreign Investors in the EU—Which 'Best Treatment'? Interactions Between Bilateral Investment Treaties and EU Law', 245.
[785] Mortenson, 'Intellectual Property as Transnational Investment: Some Preliminary Observations', 3.
[786] Ibid, 3.

1.2.2 The increasing reduction of the scope of ISDS for IP disputes in the EU: the example of CETA

In the CETA, "substantive intellectual property is at least partly excluded from ISDS scrutiny, for example, a move perhaps informed by the filing of the Lilly case."[787] Indeed, Annex 8-D "Joint Declaration concerning Article 8.12.6"[788] provides that "investor-State dispute settlement tribunals [...] are not an appeal mechanism for the decisions of domestic courts," and that "the domestic courts of each Party are responsible for the determination of the existence and validity of intellectual property rights." In addition, Article 20.3 of the intellectual property chapter refers to the Doha Declaration, "thus incorporating its interpretative guidelines on balancing IP rights and public health."[789]

The scope of the expropriation provision has also been reduced, despite disagreements between Canada and the EU on the exact scope of this provision. Indeed, Canada proposed to exclude from the scope of expropriation, any decision "by a court, administrative tribunal, or other governmental intellectual property authority, limiting or creating an intellectual property right, except where the decision amounts to a denial of justice or an abuse of right."[790] The EU rejected this proposal and suggested as an alternative: "For greater certainty, the revocation, limitation or creation of intellectual property rights to the extent that these measures are consistent with [TRIPS] and the IPR Chapter of CETA, do not constitute expropriation. Moreover, a determination that these actions are inconsistent with the TRIPS Agreement does not establish that there has been an expropriation."[791] (emphasis added)

The two proposals are significantly different, as the first only allows for a finding of expropriation where a decision amounts to a denial of justice or abuse of right. The threshold is thus very high, and a tribunal faced with such a claim would not enter into an assessment of the intellectual property right, nor would it interpret intellectual property laws. On the contrary, the scope of the EU proposal is much broader, as any decision, found to be inconsistent with the TRIPS Agreement and the IPR Chapter of the CETA, could constitute an expropriation. The clarification added that such a determination would not de facto establish an expropriation would nevertheless not prevent "an interpretation of existing safeguard clauses (such as Article 1110 (7) NAFTA) to the effect that finding a breach of international IP norms as such cannot amount to expropriation."[792] Henning Grosse Ruse-Khan adds that: "since the further

[787] Daniel Gervais, *The Proposed Multilateral Investment Court Human Rights and Regulatory Lessons from Lilly v Canada* (2017), 8.
[788] Article 8.12.6 of the CETA reads: "For greater certainty, the revocation, limitation or creation of intellectual property rights, to the extent that these measures are consistent with the TRIPS Agreement and Chapter Twenty (Intellectual Property), do not constitute expropriation. Moreover, a determination that these measures are inconsistent with the TRIPS Agreement or Chapter Twenty (Intellectual Property) does not establish an expropriation."
[789] Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 191.
[790] Grosse Ruse-Khan, 'Challenging Compliance with International Intellectual Property Norms in Investor–state Dispute Settlement', 271.
[791] Ibid, 271.
[792] Ibid, 271.

requirements for a finding of expropriation (for example, under Article 1110 (1) NAFTA) find no equivalent expression in international norms on IP limitations (such as Article 1709 (8) on patent revocations), a breach of an international IP norm hardly serves as a substitute for criteria commonly considered to determine (indirect) expropriations."[793]

2. The interaction of investor-state tribunals with other judicial bodies in the EU

As a preliminary remark, it must noted that the interaction between investor-state tribunals and domestic courts in intra-EU disputes has been significantly reduced, if not totally wiped out, in the aftermath of the decision of the Court of Justice in the Slovak Republic v Achmea case.[794] The European Commission also considered the scenario of disputes between EU investors and Member States to be incompatible with EU law, and asserted that, "in those circumstances, national courts and eventually resort to the CJEU based on EU law are considered an appropriate forum for conflict resolution."[795]

The following paragraphs consider, first, the situation where domestic courts and investment tribunals can or must interact, and where jurisdictional overlap may arise. Interactions with the Court of Justice are also scrutinized.

2.1.Interactions with domestic courts

Investment arbitration and litigation in front of domestic courts are not two hermetic dispute settlement mechanisms that one must assess in silos. Quite the opposite is true, and the modalities of the interaction between the two systems can sometimes be explicitly foreseen in investment agreements, but can also stem from the application of general principles of law. The degree of interaction can also depend on the rules applicable in the Member State where relief is sought. Different scenarios can exist, which we will review in the following sections.

2.1.1 Fork-in-the-road and no-U turn

While the majority of investment agreements do not usually regulate the relationship between domestic courts and ISDS tribunals, some investment treaties do foresee specific rules in this regard. The European Parliament noted that countries could typically adopt three different approaches. First, they can impose on investors the exhaustion of domestic remedies before being able to bring an investment arbitration claim. However, the Parliament considered such an approach to be rather "lengthy and costly".[796] In the alternative, countries can introduce "fork-in-the-road" clauses, which foresee that the investor must choose between litigating its "dispute" either in domestic courts or in investment tribunals. Finally, some countries adopt so-

[793] Ibid, 271.
[794] *Slowakische Republik v Achmea BV*.
[795] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 32.*
[796] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 10.*

called "no-U turn" clauses, whereby an investor would still be able to revert to arbitration after having chosen to litigate a dispute in domestic court, but the opposite is not possible.[797]

However, some jurisdictions do not allow investors to bring claims based on the breach of an international treaty in domestic courts. In addition, an investor can sometimes base a claim on both the breach of domestic law and international investment law. In this case, the objection to jurisdiction raised by a State could fail, as the investor bringing a contractual or other claim in domestic courts would not be precluded from bringing a similar claim, but based on the breach of an international investment agreement, in investment arbitration. Heath and Kamperman Sanders also raise doubts in this regard and note that, in the framework of the CETA, even if "investors must withdraw from any domestic proceedings before pursuing an ISDS claim, this only relates to the same subject matter. However, before domestic courts, investors would most likely challenge legislation or lower court decisions in order to have them overturned, rather than in order to obtain damages, making these arguably different claims."[798]

Investment tribunals have adopted divergent approaches to the interpretation of fork-in-the-road clauses. On the one hand, some tribunals have considered that, for the fork-in-the-road clause to preclude an investment tribunal to have jurisdiction over a claim, the Tribunal "has to consider whether the same claim is 'on a different road,' i.e., that a claim with the same object, parties and cause of action, is already brought before a different judicial forum."[799] In this case opposing Toto to Lebanon, the tribunal rejected the Respondent's arguments that the investor's proceedings in domestic courts precluded the investment tribunal to hear the case, based on the distinction between contractual and treaty claims drawn by the investment tribunal. The Tribunal found in particular that: "Contractual claims arising out of the Contract do not have the same cause of action as Treaty claims. Consequently, the fact that Toto has brought two contract claims before the *Conseil d'Etat* does not restrict Toto's right to submit its Treaty claims to the Tribunal."[800]

On the other hand, other tribunals have followed and applied the test expressed in the 1903 Woodruff case and confirmed by the ICSID Vivendi annulment decision in 2002, which asks "whether or not 'the fundamental basis of a claim' sought to be brought before the international forum is autonomous of claims to be heard elsewhere".[801] The Tribunal in this case considered that "The key is to assess whether the same dispute has been submitted to both national and international fora."[802] On the contrary, the Tribunal rejected the distinction between contract

[797] Ibid, 10.
[798] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 12.
[799] *Toto Costruzioni Generali S.p.A. v. Republic of Lebanon* ICSID Case No ARB/07/12, Decision on Jurisdiction (11 September 2009), para 211.
[800] Ibid, paras 211-212.
[801] *Pantechniki S.A. Contractors & Engineers v. Republic of Albania* ICSID Case No ARB/07/21, Award (30 July 2009), para 61.
[802] Ibid.

and treaty claims, which it considered to be an "argument by labelling – not by analysis".[803] This case was considered to represent a "marked departure from the prevailing jurisprudence [distinguishing between contract and treaty claims] by adopting a qualitative test that looks at the subject-matter of the claims, as opposed to their legal character."[804] (emphasis added).

Guy Van Harten has criticized the approach taken by the European Commission in the CETA for insufficiently addressing the issue of multiple claims and parallel proceedings.[805] In the framework of a consultation regarding the TTIP, the Commission asked for views on the effectiveness of the approach taken to balance access to ISDS with possible recourse to domestic courts. Van Harten considered that the CETA in particular did not attempt to "favour" the recourse to domestic courts, and did thus not address the issue of parallel litigation and conflicting decisions.[806] It is, in particular, the rather vague language of the CETA that the author criticizes, and he suggests that the exhaustion of local remedies should be mandatory before an investor could initiate an investment arbitration proceeding.[807]

The final text of the CETA has adopted the "no U-turn" approach, whereby an investor, in order to initiate arbitration proceedings, will have to withdraw or discontinue any existing proceedings before domestic or international courts or tribunals, with respect to a measure alleged to constitute a breach referred to in the investor's CETA claim. In addition, the investor must waive its right to initiate any such proceedings in domestic or international courts in the future.[808] These obligations are reinforced by Article 8.22.4 which reads: "Upon request of the respondent, the Tribunal shall decline jurisdiction if the investor or, as applicable, the locally established enterprise fails to fulfill any of the requirements of paragraphs 1 and 2."

An additional safeguard is foreseen by Article 8.24 of the CETA, which states that: "Where a claim is brought pursuant to this Section and another international agreement and: (a) there is a potential for overlapping compensation; or (b) the other international claim could have a significant impact on the resolution of the claim brought pursuant to this Section, the Tribunal shall, as soon as possible after hearing the disputing parties, stay its proceedings or otherwise ensure that proceedings brought pursuant to another international agreement are taken into account in its decision, order or award."

In both articles above, the treaty drafters used the modal verb "shall" which reflects a stronger degree of obligation, compared to other provisions using the modal verb "could" or similar phrases indicating a possibility rather than a requirement.

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[803] Ibid, para 61.
[804] Andrea Dahlberg, 'Fork-in-the-road provisions in investment treaties' <http://www.allenovery.com/publications/en-gb/Pages/Fork-in-the-road-provisions-in-investment-treaties.aspx> accessed 9 September 2019.
[805] Gus Van Harten, 'Comments on the European Commission's Approach to Investor-State Arbitration in TTIP and CETA' (2014) Osgoode Legal Studies Research Paper No 59/2014, 34-39.
[806] Ibid, 34-39.
[807] Ibid, 34-39.
[808] *See* Article 8.22 of the CETA.

The EU-Vietnam IPA foresees similar rules with regards to parallel proceedings. Article 3.34 requires a claimant not to submit a claim to the Tribunal if he has a pending claim before any other domestic or international court or tribunal concerning the same disputed measure and the same loss or damage, unless the claimant withdraws such pending claim. In addition, before submitting a claim, the claimant shall provide a waiver of its right to initiate any claim as referred above. However, it must be noted that Article 3.34(7) limits the application of these provisions in situations where a claim is submitted to a domestic court or tribunal for the sole purpose of seeking interim injunctive or declaratory relief, and do not involve the payment of monetary damages.

Article 3.34(8) also addresses the situation where a claim is brought under both the state-to-state and the investor-state dispute settlement chapters, or under another international agreement, for the same treatment. In such case, the Tribunal must "take into account" such proceeding in its decision, and "may […] stay its proceedings" if deemed necessary. This article is much less prescriptive than the previous articles, or similar articles in the CETA. It is nevertheless more likely to be enforced by an EU-Vietnam tribunal, as many of the characteristics of classical ISDS, which have hampered the enforcement of such provision in the past (or in the context of a different IIA), are not present in the more recent EU IIAs.[809]

It is important to mention that Annex 12 to the EU-Vietnam IPA introduces an additional provision on concurring proceedings. Annex 12 specifies that: "Notwithstanding paragraph 1 of Article 3.34 (Other Claims), an investor of the EU Party shall not submit to the Tribunal […] a claim that Viet Nam has breached a provision referred to in Article 2.1 (Scope) if the investor has submitted a claim alleging a breach of that same provision referred to in Article 2.1 (Scope) in proceedings before a court or administrative tribunal of Viet Nam or any international arbitration." While at first glance, this provision seems to overlap with Article 3.34, it can be noted that Annex 12 only relates to breaches of Article 2.1. However, Article 2.1 defines the scope of the Investment Protection Chapter and introduces a number of limitation. Therefore, it will be interesting to see how the Tribunal will address a challenge of jurisdiction on the basis of Annex 12, and what kind of challenges can be brought on the basis of Article 2.1 in general.

Finally, Article 3.7 of the EU-Singapore IPA also lists amongst the conditions to submit a claim, that a claimant must withdraw any pending claim submitted to the Tribunal or any other domestic international court or tribunal under domestic or international law, "concerning the same treatment as alleged to breach the provisions" of the investment chapter. In addition, the claimant must declare that it will not submit such a claim in the future. The Tribunal shall decline jurisdiction upon request of the respondent, in case the claimant fails to respect the above-mentioned requirements.

[809] For instance, the fact that arbitrators in classical ISDS proceedings are remunerated for each case, contrary to the Tribunal members of the Investment Court System which will receive a compensation regardless of the number of cases adjudicated.

The three EU agreements therefore follow the "no U-turn" model for parallel proceedings, whereby an investor will be able to initiate arbitration proceedings even after having initiated domestic or international proceedings under domestic or international law. However, once an investor decides to initiate such arbitration proceeding under the IIA, it will have to withdraw any existing claim or suspend any existent proceedings under domestic or international law for the same damage or treatment, and has to waive its right to initiate such proceedings in the future. It is important to note that there are some slight differences in the language used in each treaty, in particular with regards to the kind of claim brought in domestic or international courts or tribunals. It remains to be seen how the ICS will apply these provisions in the future.

2.1.2 The direct applicability and direct effect of international investment agreements

Another dimension of the question of the interaction between investment arbitration tribunals and domestic courts is the possibility for foreign investors to directly invoke the provisions of international investment agreements in domestic courts. In this regard, a distinction is usually made between dualist and monist systems. In monist systems, international treaties do not need to be implemented or translated into national law in order to be enforceable. The ratification of the treaty is sufficient to incorporate the treaty provisions into domestic law. In the Netherlands for instance, under unwritten constitutional law, implementing legislation is not required in order for a properly ratified international treaty to be valid.[810]

In dualist systems, international treaties are not directly applicable and must first be translated into national law by means of implementing legislation for instance. Therefore, in dualist systems such as the United Kingdom, international treaty obligations cannot be directly enforced in national courts.[811] Bungenberg clarifies however that, in case a provision of a BIT contains individual rights, "as is the case in protection standards of BITs", these can be invoked by foreign investors in German courts.[812] This is nevertheless not the case for recent EU IIAs such as the CETA, which has no direct effect and therefore, the investment court system and domestic courts of the EU are "two complementary legal remedies and not substitutes for one another."[813]

Put differently, the key question when assessing the interaction between domestic courts and investment arbitration tribunals is whether domestic courts of Member States are competent to decide investment treaty-based claims. Indeed, where domestic courts are competent to decide investment disputes arising from the violation of an investment treaty, there could potentially be jurisdictional overlap and the question of the choice of forum becomes relevant. However, where domestic courts are not competent to hear such claims, then the question would be

[810] Christopher Heath, 'The Direct Application of International IP Agreements before National Courts' in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and International Dispute Resolution* (Kluwer Law International BV 2019), 103.
[811] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 4.
[812] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 10.
[813] *Opinion 1/17 of Advocate General Bot delivered on 29 January 2019, para 168.*

whether foreign investors can rely on domestic laws to seek for relief equivalent to what they could seek under international investment agreements.

The answer to the second question would require a detailed analysis of the laws of the Member States concerning the protection of foreign investments.[814] It is not the purpose of this section to engage in such a comparative analysis.[815] We will focus instead on the question of the direct applicability and direct effect of international investment treaties, to determine whether a foreign investor could rely on such treaties in domestic courts.

According to Koen Lenaerts, and based on the jurisprudence of the ECJ, three steps must be followed to determine whether the provisions of an international agreement produce direct effect in the EU. First, one must determine whether the international agreement is binding upon the EU. Second, whether the international agreement is directly applicable. And third, whether the relevant provisions have direct effect.[816] Lenaerts explains that, where the EU is a party to an international agreement, this agreement is incorporated into the EU legal order pursuant to Article 216(2) TFEU. In relation to mixed agreements, he clarifies that the ECJ "can only interpret the relevant provisions of the mixed agreements that are covered by EU law", i.e. provisions falling within the exclusive competence of the EU, to the exclusion of provisions falling within the competence of Member States. [817]

Concerning the direct applicability of international agreements, Lenaerts recognizes that it will usually be inferred from the intention of the contracting parties.[818] As we have seen earlier, the contracting parties of the CETA have made clear that they do not wish the CETA to be directly applicable. On the contrary, some international investment agreements, including BITs, might be directly applicable. The intention of the contracting parties can either be explicitly set out in the agreement, or not. If not, it will be to the court or tribunal to determine what the intention of the contracting parties was in this regard.

Finally, the question of the direct effect of specific provisions must be addressed. Lenaerts recalls that a provision must be "unconditional and sufficiently precise in order to produce direct effect".[819] This should be determined by the relevant court or tribunal faced with a claim. Heath observes that in most cases, "international norms cannot be directly applied even where the agreement as such is held directly applicable, because the norms are not precise or unconditional". [820] He adds nevertheless that "these norms may express general principles that

[814] For a detailed assessment of the direct application of international agreements before domestic courts, *see* Heath, 'The Direct Application of International IP Agreements before National Courts'
[815] For a comprehensive overview of the national sources of investment law, *see*: Arnaud de Nanteuil, *Droit international de l'investissement* (1st edn, A. Pedone 2014), 55-88.
[816] Koen Lenaerts, 'Direct Applicability and Direct Effect of International Law in the EU Legal Order' in Inge Govaere and others (eds), *The European Union in the World - Essays in Honour of Marc Maresceau* (Martinus Nijhoff Publishers 2013), 46.
[817] Ibid, 47.
[818] Ibid, 56.
[819] Ibid, 58.
[820] Heath, 'The Direct Application of International IP Agreements before National Courts', 117.

can be used to interpret domestic laws".[821] In general, however, it seems that most investment agreements concluded by the European Union or by its Member States exclude direct applicability of such agreement, and hence the direct effect of its provisions.

Even in the hypothetical cases where the provisions of investment treaties are given direct effect, and could therefore be reviewed and applied by domestic courts, one could legitimately ask whether all EU domestic courts are well-equipped to interpret and apply rules of international investment law. Some authors, based on the finding of studies, have highlighted that EU courts might not be sufficiently independent and efficient, and that it would therefore be difficult for the EU to "resist demands from treaty partners […] to establish an ISDS-type mechanism."[822] Bungenberg, in the same vein, opines that "It is not guaranteed that foreign investors in general receive equal and fair treatment from foreign national courts. Even sophisticated legal systems in Canada, the United States and most parts of the European Union do not guarantee that non-commercial risk presented by government action will be dealt with in a non-discriminatory and fair manner by national courts."[823]

The European Commission, in the framework of its impact assessment of the multilateral reform of the investment dispute settlement, considered the option to make national courts competent to decide on investment disputes[824], as one of the options to address the deficiencies of the ISDS system.[825] Under this option, foreign investors would only be able to rely on domestic courts to solve their disputes, while ISDS would be phased-out. Investment provisions would therefore be given direct effect. A variation of this option would consist in first assessing how reliable the judicial system of the trading partner is and which guarantees it offers, before deciding on whether only domestic court should be competent to hear investment claims, or whether ISDS should also be provided as a parallel option.

However, the Commission finally concludes that "making national courts competent to hear investment disputes arising from treaties with third countries would run counter to the main purpose of international dispute settlement systems […] which is to provide an international and neutral forum for the resolution of cross-border disputes."[826] This option was therefore not considered desirable for several reasons. First, as the main purpose of investment arbitration is to avoid the bias of national judges. Second, because IIAs are based on the principle of reciprocity. And finally, in the same line of thought, because EU institutions have rejected the

[821] Ibid, 117.
[822] Bronckers, 'Is Investor–State Dispute Settlement (ISDS) Superior to Litigation Before Domestic Courts?', 671.
[823] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 19.
[824] This option was one of the options suggested during the public consultation and the stakeholder meeting of 27 February 2017.
[825] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 32.*
[826] Ibid, 32.

option of giving direct effect to investment provisions in IIAs, as most trading partners also do not grant direct effect to their international investment treaties.[827]

In light of all the above, it could be concluded that the direct applicability of international investment agreements and direct effect of their provisions in the EU is not usually supported, neither from a legal perspective, nor from an institutional perspective. However, domestic courts can still have a role to play in shaping international investment law, in the particular case where the enforcement of arbitral awards is challenged.

2.1.3 The review of arbitral awards by domestic courts

The possibility given to the parties to an investment dispute to challenge the enforcement of an award in domestic court is the source of many controversies and basically depends on the rules under which the dispute has been decided, and on the domestic laws of the countries where enforcement is sought.

In principle, domestic courts do not have the power to review awards rendered by ICSID Tribunals.[828] According to Article 54 of the ICSID Convention, the Contracting States must recognize and enforce the awards issued under the Convention.[829]

The situation is different with the UNCITRAL Arbitration Rules, which foresee that the place of arbitration must be determined by the parties, or in the absence of such determination by the parties, the place of arbitration shall be determined by the arbitral tribunal.[830] In addition, Article 35 of the UNCITRAL Arbitration rules foresees that the arbitral tribunal shall apply the rules of law designated by the parties, and in the absence of such designation, the arbitral tribunal shall apply the law it determines to be appropriate.

The Achmea v. Slovakia case[831] illustrates this mechanism. In this case, the applicable treaty was the Netherlands-Slovakia BIT of 1991, which foresaw the UNCITRAL arbitration rules as applicable rules.[832] In the absence of agreement between the parties, the tribunal determined Frankfurt as the seat for the arbitration. Therefore, German law applied to the enforcement of the arbitral award and other procedural matters, such as the jurisdiction of the arbitral tribunal. In this case, the Slovak Republic challenged the jurisdiction of the arbitral tribunal in the Higher Regional Court of Frankfurt, arguing that Article 8 of the BIT foreseeing the possibility of

[827] Ibid, 32.
[828] Keller and Miron, 'Message From Frankfurt - The Higher Regional Court of Frankfurt (Oberlandesgericht Frankfurt) Speaks on the Relationship Between EU Law and International Investment Law', 4.
[829] Article 54 of the ICSID Convention reads : "(1) Each Contracting State shall recognize an award rendered pursuant to this Convention as binding and enforce the pecuniary obligations imposed by that award within its territories as if it were a final judgment of a court in that State."
[830] *See* Article 18 of the UNCITRAL Arbitration Rules.
[831] *Achmea B.V. (formerly Eureko B.V.) v. The Slovak Republic* PCA Case No 2008-13.
[832] Article 8.5 of the Netherlands-Slovakia BIT provides that: "The arbitration tribunal shall determine its own procedure applying the arbitration rules of the United Nations Commission for International Trade Law (UNCITRAL)."

investor-state arbitration, was contrary to EU law. The Frankfurt court rejected Slovakia's arguments. The decision was appealed. The German Federal Court of Justice eventually referred the question of the compatibility of the arbitration clause with EU law to the Court of Justice.[833]

In this case, Slovakia, even if eventually unsuccessful, was able to challenge the jurisdiction of the arbitral tribunal in domestic courts. This was possible, as we have seen earlier, only due to the combination of the arbitral rules and the seat of arbitration.

2.1.4 The review of a domestic court's decision by an investment tribunal

Interestingly, the interaction between domestic courts and investment tribunals can also be addressed the other way around. The question then becomes whether investment tribunals can review and overturn decisions made by domestic courts, including supreme courts. This question was raised in the framework of the important intellectual property investment dispute opposing Eli Lilly and Canada. One of the controversial aspects of this case, in particular from an intellectual property perspective, was that the arbitral tribunal was reviewing the legitimacy of Canada's domestic court decisions in light of Canada's obligations under the NAFTA. In particular, the decision of Canada's domestic courts to revoke two of Eli Lilly's patents was at stake.

In this case, the Claimant argued that domestic court decisions "can be expropriatory if they violate a rule of international law".[834] By contrast, Canada argued that "denial of justice is the only basis on which a domestic court judgment on the validity of a property right could constitute an expropriation."[835] The position of the United States is worth highlighting. Instead of supporting the argument of the American investor, Eli Lilly, the United States considered that the actions of domestic courts must be granted a great presumption of validity. It contended that foreign investors may not challenge domestic court decisions where the domestic system conforms to a "'reasonable standard of civilized justice' and is fairly administered."[836] It concludes that: "unless there is a denial of justice, international tribunals will defer to domestic courts interpreting matters of domestic law."[837]

The Tribunal in this case proceeded in two steps to decide this issue. First, the tribunal defined the concept of denial justice. Second, it determined whether the decision of a domestic court, which would not amount to a denial of justice, could nonetheless qualify as a violation of Articles 1105 and 1110 of NAFTA.[838]

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[833] For a more detailed analysis of the case, see supra Part A, Chapter 1, Section 2, B, 1.1.
[834] *Eli Lilly v. Canada, Final Award, para 189.*
[835] Ibid, para 188.
[836] Ibid, para 204.
[837] Ibid, para 204.
[838] Article 1105 concerns minimum standard of treatment, including fair and equitable treatment, and full protection and security. Article 1110 foresees rules concerning expropriation and compensation.

With regards to the first question, the Tribunal agreed with the Respondent that "a decision of a court, or other judicial conduct, that falls so far below accepted minimum standards—in the words of counsel for Respondent, that 'had a result that was so surprising that propriety and competence had to be questioned' — might engage the liability of the respondent State".[839]

As for the second question, the Tribunal refrained from reaching a decision on this issue, due to its conclusions on the section on the utility requirement. The Tribunal made, however, the following observations. It stated that, while judicial acts could in principle raise questions of expropriation, the NAFTA Chapter Eleven tribunal "is not an appellate tier in respect of the decisions of national judiciaries."[840] It also took the position that judicial conduct could in principle engage the responsibility of a State under Article 1105, even in situation where the conduct has not been characterized as a denial of justice.[841] However, such conduct would need to be "sufficiently egregious and shocking, such as manifest arbitrariness or blatant unfairness" for a NAFTA Chapter Eleven tribunal to assess such conduct in light of Article 1105.[842]

2.2.Interactions with the Court of Justice of the European Union

The nature of the interactions between the Court of Justice and arbitral tribunals has been clarified over time, though many uncertainties remain. The main question that should be answered in this context is whether arbitral tribunals are capable of making a preliminary reference to the CJEU. The preliminary reference procedure is set out in Article 267 of the TFEU, which reads: "The Court of Justice of the European Union shall have jurisdiction to give preliminary rulings concerning: (a) the interpretation of the Treaties; (b) the validity and interpretation of acts of the institutions, bodies, offices or agencies of the Union; Where such a question is raised before any court or tribunal of a Member State, that court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court to give a ruling thereon. Where any such question is raised in a case pending before a court or tribunal of a Member State against whose decisions there is no judicial remedy under national law, that court or tribunal shall bring the matter before the Court […]."

Arbitral tribunals can be of different kinds, and thus the relation between such tribunals and the CJEU varies. In the 1982 Nordsee case[843], the CJEU had to decide whether an arbitration tribunal established pursuant to a contract between private individuals could make a reference to the court for a preliminary ruling. In particular, the Court had to decide whether such arbitration tribunal could be considered a court or tribunal of one of the Member States within the meaning of Article 177 of the EC Treaty (now Article 267 TFEU). The Court found that the "link between the arbitration procedure in instance and the organization of legal remedies

[839] *Eli Lilly v. Canada, Final Award, para 219.*
[840] Ibid, para 221.
[841] Ibid, para 223.
[842] Ibid, paras 223-224.
[843] *Case 102/81, Nordsee Deutsche Hochseefischerei GmbH v Reederei Mond Hochseefischerei Nordstern AG & Co. KG and Reederei Friedrich Busse Hochseefischerei Nordstern AG & Co. KG.* [1982] ECR 1982-01095.

through the courts in the Member States in question in not sufficiently close for the arbitrator to be considered as a 'court or tribunal of a Member State' within the meaning of Article 177",[844] and declared inadmissible the referral by a German arbitrator. In addition, the Court noted that it is for national courts and tribunals to make a reference to the Court if they deem it necessary, and that domestic courts can be called upon to examine questions of EU law raised in the context of an arbitration, either "in the context of their collaboration with arbitration tribunals, […] or in the course of a review of an arbitration award".[845]

In the 1999 Eco Swiss judgment, the Court confirmed the conclusions of the Nordsee case, and reaffirmed that an arbitration tribunal constituted pursuant to an agreement between the parties are not "court or tribunal of a Member State" as required by Article 267 TFEU.[846]

The Court clarified the meaning of "court or tribunal of a Member State" in several cases, and notably identified six factors in its 1997 Dorsch Consult judgment, which must be taken into account in order to determine whether a body can make a reference to the Court. Factors such as "whether the body is established by law, whether it is permanent, whether its jurisdiction is compulsory, whether its procedure is inter partes, whether it applies rules of law and whether it is independent" [847] should be taken into account, according to the Court.

Based on these criteria, Jürgen Basedow argued in 2015 that investment tribunals appear to be "qualified to submit requests for a preliminary ruling to the Court of Justice of the European Union where the investor has the alternative option of pursuing its claim in a state court of a Member State; such panel is to be considered as a court or tribunal for the purposes of Article 267 TFEU".[848] Schill also considered that investor-State tribunals should be regarded as "courts or tribunals of a Member State", and should thus not be equated to commercial arbitration tribunals. Indeed, according to Schill, investment treaty tribunals, contrary to commercial arbitration tribunals, are not based on contract, but rather involve a public authority and to a large extent, settle disputes under public law.[849]

However, as we will see below, the Court has reached a different conclusion in recent cases.

Therefore, there seem to be only two options left for arbitration tribunals to request clarification on a point of EU law: either by asking a State court, or during annulment or enforcement

[844] Ibid, para 13.
[845] Ibid, para 14.
[846] *Case C-126/97, Eco Swiss China Time Ltd v Benetton International NV* [1999] ECR 1999 I-03055, para 34.
[847] *Case C-54/96, Dorsch Consult Ingenieurgesellschaft mbH v Bundesbaugesellschaft Berlin mbH* [1997] ECR 1997-I-04961, para 23. Gaffney notes, however, that: "All these elements, however, are not absolute. Other criteria, such as the res judicata effect of courts' decisions upon the referring body, proceeding in an adversarial way in handling subject matters, and delivering a binding judgment are also determinative." *See* John P. Gaffney, 'Should Investment Treaty Tribunals Be Permitted to Request Preliminary Rulings From the Court of Justice of the European Union?' (2013) 10 Transnational Dispute Management, 5.
[848] Jürgen Basedow, 'EU Law in International Arbitration: Referrals to the European Court of Justice' (2015) 32 Journal of International Arbitration 367, 380.
[849] Stephan W. Schill, 'Arbitration Procedure : The Role of the European Union and the Member States' in Catherine Kessedjian (ed), *Le droit européen et l'arbitrage d'investissement* (Panthéon-Assas Paris II 2011), 144.

proceedings of an arbitral award.[850] For example, in the Bulk Oil case[851], Bulk appealed against an arbitral award to the High Court of Justice of England, which decided to refer questions to the Court of Justice for a preliminary ruling.[852] On the other hand, arbitrators can also "request a Member State court at the place of arbitration to make a reference to the CJEU on a particular point of EU law on which the arbitrator requires clarification."[853]

In the 1982 Nordsee case, the court advised arbitral tribunals to have recourse to domestic courts for a preliminary ruling.[854] However, as Basedow rightly notes, this is not always possible and will depend on the applicable arbitration rules as well as the arbitration law of the country where the arbitration tribunal established its seat. In addition, not all domestic courts will eventually decide to make such referral.[855] In any case, and despite this analysis, the Court of Justice seems to have conclusively closed the door to the possibility for investment tribunals to make preliminary references. In its 2018 Achmea decision, the Court clarified that: "the arbitral tribunal […] would not have the possibility of making a reference to the Court for a preliminary ruling, however, since it could not be regarded as a 'court or tribunal' within the meaning of Article 267 TFEU."[856]

Indeed, the Court differentiated between a court common to a number of Member States, such as the Belenux Court of Justice, which is empowered to submit a request for a preliminary ruling to the Court, and arbitral tribunals, which cannot. The justification of the Court for differentiating between these two types of tribunals is their respective link with the judicial systems of the Member States.[857] It is important to note that the Court did not follow the Advocate General's Opinion in this case. Indeed, AG Wathelet proposed that the Court regarded investor-State tribunals as 'court or tribunal of one of the Member States' within the meaning of Article 267 TFEU.[858]

It is interesting to note that some arbitral tribunals have themselves refrained from requesting preliminary rulings from the CJEU, such as the tribunal in Eastern Sugar B.V. v. Czech Republic. The tribunal acknowledged that: "As it understands the possibility of a referral to the European Court of Justice, this is a route not open to an arbitral tribunal even if it has its seat in the European Union […]."[859]

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[850] Basedow, 'EU Law in International Arbitration: Referrals to the European Court of Justice', 381.
[851] *Case 174/84, Bulk Oil (Zug) AG v Sun International Limited and Sun Oil Trading Company* [1986] ECR 1986 -00559.
[852] Ibid, para 7.
[853] Gaffney, 'Should Investment Treaty Tribunals Be Permitted to Request Preliminary Rulings From the Court of Justice of the European Union?', 7.
[854] *Nordsee, para 14.*
[855] Basedow, 'EU Law in International Arbitration: Referrals to the European Court of Justice', 374.
[856] *Slowakische Republik v Achmea BV, para 19.*
[857] Ibid, para 48.
[858] *Case C-284/16, Opinion of Advocate General Wathelet delivered on 19 September 2017, para 131.*
[859] *Eastern Sugar B.V. v. The Czech Republic* SCC Case No 088/2004, Partial Award (27 March 2007), para 131.

One could therefore safely conclude from all of the above that investor-State tribunals, as established under most existing BITs and other investment instruments, are not entitled to refer question to the Court of Justice for a preliminary ruling. However, one question that is still unsettled when considering the recent agreements negotiated by the EU is whether the Investment Court System will be allowed to do so. In other words, should the ICS be assimilated to "classical" investment arbitration tribunals, or will this "court" be considered different from investment tribunals. In Opinion 1/17, Advocate General Bot considered that the ICS only deals with the application of the CETA, and does therefore not affect the ability of national courts to refer questions to the CJEU on the interpretation and application of EU law.[860] This could indicate that the ICS would not even need to request preliminary rulings to the CJEU since it is not supposed to interpret EU law, but only the CETA.

In the same vein, some commentators have asked whether it would even be desirable for arbitrating parties to be able to stay arbitration proceedings in order to request a preliminary ruling from the Court. Some have considered that this would not be desirable, as it would likely prolong the arbitration proceedings by several years.[861] The Court of Justice's judicial statistics for 2018 reveal that the average duration of references for a preliminary ruling is 16 months.[862] In addition, some authors argue that investment treaty tribunals should be able to reach decisions on EU law without requesting a preliminary ruling, with the assistance of the European Commission.[863] Some tribunals already take EU law into account when reaching a decision, but only as a matter of fact, and the interpretation given by this tribunal, if any, is therefore not binding on any other tribunal and will only serve to reach a decision in a specific case between the two parties. But if the ICS were to interpret EU law it would likely have more impact on future decisions taken by it than for ad hoc investment tribunals. The option to seek advice from the European Commission and guidance on the interpretation of certain provisions of EU law, in the absence of a preliminary reference procedure, would therefore be worth exploring.

We have seen that the emergence of ISDS and its use in the EU have allowed for a diversification of dispute settlement mechanisms but have also given rise to a certain number of conceptual and procedural questions, some of which remain to be fully answered. The role of domestic courts as well as the Court of Justice in reviewing arbitral awards, as well as the possibility for investment tribunals including the future ICS to apply EU law will need to be further explored to ensure the full respect of the EU legal order. According to publicly available

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[860] *Opinion 1/17 of Advocate General Bot delivered on 29 January 2019, para 165.*
[861] Gaffney, 'Should Investment Treaty Tribunals Be Permitted to Request Preliminary Rulings From the Court of Justice of the European Union?', 8.
[862] Court of Justice of the European Union, *Judicial statistics 2018: the Court of Justice and the General Court establish record productivity with 1,769 cases completed, PRESS RELEASE No 39/19* (25 March 2019).
[863] Gaffney, 'Should Investment Treaty Tribunals Be Permitted to Request Preliminary Rulings From the Court of Justice of the European Union?', 14.

data, the use of ISDS for intellectual property disputes in the EU appears to be still very limited, but the possibility exists. On the global scene, however, several landmark cases have revealed the scope and implications of the overlap between intellectual property and investment rules. These cases will be explored in detail in the following sections.

Section 2 – Adjudication of intellectual property cases in investor-state tribunals and lessons learned for the EU

While the consequences of the protection of intellectual property under investment agreements has long remained theoretical, the past decade marked an important turning point with the adjudication of several landmark investment cases where intellectual property has played a central role. These cases have caused a lot of ink to flow, and while some authors have fortunately gotten into the details and subtleties of each case, it appears that most articles and reviews mentioning these cases have fallen into the trap of oversimplification. The purpose of this section is therefore to carefully review these cases in order to understand the background, the history, the specificities of the investment treaties and arguments brought thereof by the parties and the findings of the tribunals. This detailed review will allow us to subsequently engage in a more conceptual discussion over the impact of such cases on the safeguard of key public interests such as the protection of public health, through the lens of the safeguard of fundamental rights. The consequences on state sovereignty and more specifically the right to regulate will also be scrutinized.

A – Overview of investment cases involving IP issues: overcoming misconceptions

The aim of this section is to provide a summary and analysis of four iconic investment cases involving IP issues. This appears to be necessary in order to overcome some misconceptions about these disputes which have often been summarized by the literature in a way which left out important aspects of these cases. In particular, the objective is to shed light on the reasoning of the arbitral tribunals to highlight the relevance of their findings for the intellectual property system. In addition to these four iconic cases which are used as case study, several additional investment arbitrations involved some discussions about IP. These cases are summarized in the table below for reference but will not be further analysed.

TABLE 4 – Summary of investment arbitration cases involving intellectual property aspects

Case name	Request for Arbitration	Award	Outcome	IP
CME v Czech Republic[864]	2000	14 March 2003	In favour of investor	"Claims arising out of actions and omissions attributed to the Media Council, an organ of the Czech Republic that allegedly commercially destroyed the broadcasting station operator which was partly owned by the investor."[865]
Generation Ukraine v Ukraine[866]	21 July 2000	16 March 2003	In favour of State	Construction project of an office building. Claimant was encouraged by Ukrainian government to invest. After approval of the office building project, local authorities obstructed and interfered with realization of that project over 6 years, which amounted to expropriation. Amongst the investments: intellectual property related to the Parkview Project, combination of literary and artistic works, inventions and industrial designs. All claims rejected.
F-W Oil v. Trinidad & Tobago[867]	28 September 2001	3 March 2006	In favour of State	"Claims arising out of claimants' alleged investment in the Soldado Fields, the site of an offshore oil and gas development and production project in Trinidad and Tobago, after the government sought to recommence resource production by soliciting the participation of foreign investors in the region."[868] Investor claimed that confidential plans and economic models submitted in the framework of a tender process were used in a second tender process without the investor's authorization, therefore resulting in an unlawful appropriation of its IP assets.

[864] *CME v Czech Republic*.
[865] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/52/cme-v-czech-republic> accessed 28 November 2019.
[866] *Generation Ukraine, Inc. v. Ukraine* ICSID Case No ARB/00/9, Award (16 September 2003).
[867] *F-W Oil Interests, Inc. v. Republic of Trinidad & Tobago* ICSID Case No ARB/01/14, Award (3 March 2016).
[868] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/62/f-w-oil-v-trinidad-tobago> accessed 28 November 2019.

				Rejected by tribunal because claimant did not show that it had an investment and that it had suffered a specific lost.[869]
Grand River v USA[870]	12 March 2004	12 January 2011	In favour of State	No jurisdiction over exportation activities of Grand River, a Canadian cigarette manufacturer. Jurisdiction of M. Arthur Montours activities of importing Grand River's product into USA and further distribution, but claims failed on merits. Claimant argued that M. Arthur Montour owned the trademark Seneca and evidence showed large expenses and efforts in promoting and distributing the brand and branded cigarettes. But the tribunal, even if acknowledging the investment of Arthur Montour, found the other Claimants did not have an interest in constituting an investment in the brand for NAFTA purposes.[871]
Shell v Nicaragua[872]	11 August 2006	12 March 2007 (Discontinued)	Settled	Alleged expropriation of Shell logo and brand name in Nicaragua. Nicaraguan court had seized those trademarks to enforce a 489 Million Dollar judgment handed down in 2002 against these two Dutch entities (Shell & co). Ruling was in favour of 500 Nicaraguan citizens who claimed health effects linked to pesticide DBCP. Dutch entities argued that the judgment was against the US-based Shell Oil Company and not them. The companies brought an ICSID claim. In November 2006, the Nicaraguan courts reversed their earlier embargo, and the two Shell companies dropped their ICSID claim.
Joseph Charles Lemire v. Ukraine[873]	8 December 2006	28 March 2011	In favor of investor	Claimant invested substantial amounts of money in the Ukrainian radio broadcaster Gala. It argued violation of the FET standard in the awarding of new frequencies for the radio, violation of the FET standard for other

[869] *F-W Oil v. Trinidad & Tobago, para 184.*
[870] *Grand River Enterprises Six Nations, Ltd., et al. v. United States of America* UNCITRAL, Award (12 January 2011).
[871] Ibid, para 118.
[872] *Shell Brands International AG and Shell Nicaragua S.A. v. Republic of Nicaragua* ICSID Case No ARB/06/14 , Settled (2006).
[873] *Joseph Charles Lemire v. Ukraine* ICSID Case No ARB/06/18, Award (28 March 2011).

				actions performed by the respondent, and requested moral damages The tribunal found a violation of the FET standard but rejected the claims for compensation of moral damages.
Philip Morris v Uruguay[874]	19 February 2010	8 July 2016	In favour of State	Claimant brought claim after enactment by Uruguay of an Ordinance and a Decree mandating single presentation for cigarette packaging, prohibiting different packaging or presentations for cigarettes sold under a given brand. The Ordinance mandates graphic images for health warnings, but claimants argues that these go beyond health warnings and actually undermine the good will associated with the protected trademarks. Decree has caused decrease in claimant's sale, deprivation of claimant's IPRs and reduction in value of claimant's company. Argue abuse of right to promote and protect public health. Claims rejected.
AHS Niger v Niger[875]	4 March 2011	15 July 2013	In favour of investor	Niger launched a tender in 2003 for handling operations at its airports. AHS Niger was successful. An Investment Agreement was signed between AHD Niger and Nigeria to structure the operations. Concluded for 10 years. In 2010, the government amended unilaterally the agreement, reduced it to 5 years, and did not renew the license in 2010. AHS Niger also stated that its bank accounts, material and equipment were illegally seized by the new handling unit and used in violations of the claimant's rights. Claimant argued that it had suffered a moral prejudice, due to violation of their right to image and reputation, and a violation of their IPRs. Claimant argued that their trademark AHS had been violated since the new handling unit continued using their equipment and uniforms until 2011, after which the sign AHS was removed from the seized material. The tribunal considered that the evidence was not sufficient to find violation.

[874] *Philip Morris v. Uruguay, Award.*
[875] *AHS Niger v. Niger*.

Philip Morris v Australia[876]	21 November 2011	17 December 2015	In favour of State	Claims arising out of the enactment and enforcement by the Government of the Tobacco Plain Packaging Act 2011 and its alleged effect on investments in Australia owned or controlled by the claimant.[877]
Apotex v USA (III)[878]	29 February 2012	25 August 2014	In favour of State	Apotex argued that it had committed significant capital and resources toward the preparation, filing and maintenance of its sertraline and pravastatin ANDAs and products in the United States, as well as towards U.S. patent litigation arising as a result of these ANDAs.[879] The tribunal dismissed all the claims on the basis of res judicata and on their merits.
Erbil Serter v France[880]	10 September 2013	2 March 2018 (Discontinued)	Discontinued	"Claims arising out of disagreements over certain ship hull design related to Mr. Serter's experience, as ship designer and architect, in research, development and design of advanced hull forms."[881]
Eli Lilly v Canada[882]	12 September 2013	16 March 2017	In favour of State	"Claims arising out of the invalidation of the claimant's Strattera and Zyprexa pharmaceutical patents by Canada."[883]
Bridgestone v Panama[884]	7 October 2016	14 August 2020	In favour of State	"Claims arising out of a decision of the Supreme Court of Panama which held that Bridgestone's motion to oppose the registration of the Riverstone trademark by tyre-maker Muresa had been in bad faith, and awarded USD 5.4 million in damages to Muresa. According to the claimants, their challenge to the trademark application was a

[876] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility)*.
[877] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/421/philip-morris-v-australia> accessed 28 November 2019.
[878] *Apotex Holdings Inc. and Apotex Inc. v. United States of America* ICSID Case No ARB(AF)/12/1, Award (25 August 2014).
[879] Ibid, para 227.
[880] *Serter v. France*.
[881] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/510/serter-v-france> accessed 28 November 2019.
[882] *Eli Lilly v. Canada, Final Award*.
[883] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/507/eli-lilly-v-canada> accessed 28 November 2019.
[884] *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama* ICSID Case No ARB/16/34, Request for Arbitration (7 October 2016).

				good-faith effort due to the trademark's similarity to two of Bridgestone's own registered trademarks."[885]
beIN v Saudi Arabia[886]	1 October 2018	pending	pending	"Claims arising out of government authorities' alleged measures to stop the claimant's broadcasting operations in the country, after Saudi Arabia suspended diplomatic relations with Qatar in 2017. This allegedly included the non-renewal of the claimant's Pay TV broadcasting licence and the denial of licences required by the claimant's subsidiary."[887]
Einarsson v Canada[888]	18 April 2019	pending	pending	"Claims arising out of the Government's alleged unilateral disclosure to third parties of proprietary marine seismic data created or acquired by the claimants' company GSI, without compensation for GSI or the possibility of recourse. According to the claimants, the Government thereby confiscated GSI's intellectual property rights in the seismic data."[889]

1. Philip Morris v Uruguay

1.1 The parties

The Claimants in this case were Philip Morris Brand Sarl (Swizerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. ("Abal"), jointly referred to as "Claimants". Abal is a Uruguayan company, licensee of several of Philip Morris' trademarks such as "Marlboro", "Fiesta", "L&M" and "Philip Morris". Abal is 100% owned by Philip Morris Brand.

The Claimants filed a request for arbitration on 19 February 2010 under the Switzerland-Uruguay BIT, following two specific tobacco control measures taken by Uruguay: the

[885] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/750/bridgestone-v-panama> accessed 28 November 2019.
[886] *beIN Corporation v. Kingdom of Saudi Arabia*, UNCITRAL.
[887] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/940/bein-v-saudi-arabia> accessed 24 June 2023.
[888] *Theodore David Einarsson, Harold Paul Einarsson and Russell John Einarsson v. Canada*, ICSID Case No. UNCT/20/6.
[889] Summary of the dispute provided by Investment Policy Hub, available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/1065/einarsson-v-canada> accessed 24 June 2023.

pictograms and the single presentation requirement, as contained in the Ordinance 514, and the 80% requirement, as mandated by the Decree 287/009.

1.2 The measures at issue

In March 2008, the Uruguayan Parliament adopted the Law 18,256, which reinforced the existing laws and decrees on tobacco control in Uruguay. This law prohibits, inter alia false or misleading tobacco packages, labels and trademarks which could create "a false impression that a certain tobacco product is less harmful than others" (Article 8 of Law 18,256).

In August 2008, the Ministry of Public Health issued the Ordinance 514 ("the Ordinance") which implemented the Law 18,256, and which required the use of graphic images (pictograms) for tobacco packaging and mandates a single presentation for tobacco brands (the single presentation requirement ("SPR")), thus prohibiting the use of several presentations for one cigarette brand (i.e. variations in colors, descriptive features, numbers or letters). In June 2009, the President enacted the Decree 287/009 which increased the size of health warnings on cigarette packaging from 50% to 80% ("80/80 Regulation"). The single presentation requirement and the 80/80 Regulation are the challenged measures.

1.3 The procedure

1.3.1 In the domestic courts of Uruguay

Regarding the SPR

Abal sought to annul the Ordinance before the administrative court (Tribunal de lo Contencioso Administrativo, hereinafter 'TCA') because "(1) an ordinance that exceeds or contradicts the law it implements is manifestly illegal; (2) the Ministry of Public Health does not have any jurisdiction to create the entirely new single presentation requirement; and (3) only a formal law enacted by Parliament" could do so.[890] The challenge was rejected by the tribunal in June 2011. In August 2011, Abal filed a motion for clarification and expansion which was rejected.[891]

Regarding the 80% requirement

Abal filed an action with the Supreme Court of Justice ("**SCJ**") of Uruguay, arguing that certain provisions of the Law 18,256 were unconstitutional "to the extent that they purport to grant the executive branch unlimited power to impose restrictions on individual rights."[892] During the proceedings, both the Legislature and the State attorney considered that there was no such delegation of power and that the Executive could not set higher percentages. In November 2010, the SCJ dismissed Abal's claims.

[890] *Philip Morris v. Uruguay, Request for Arbitration, para 31.*
[891] *Philip Morris v. Uruguay, Award, para 160.*
[892] *Philip Morris v. Uruguay, Request for Arbitration, para 38.*

In parallel, Abal had filed an action to annul the 80/80 Regulation with the TCA. In August 2012 the TCA dismissed all claims,[893] considering that the Law 18,256 only sets a minimum percentage which the Executive had the power to increase. The TCA thus rendered a decision in direct contradiction with the decision of the SCJ. This contradiction is at the core of the denial of justice claim brought by the Claimants.

1.3.2 In the ICSID tribunal

For the tribunal to have jurisdiction in this case, the Claimants had to show that they were an "investor" who had made an "investment" in the host country, in accordance with the applicable BIT. They also had to show that they complied with the requirement of domestic litigation which was disputed by the Respondent. Both aspects will be addressed in turn.

The qualification of "investor" and "investment"

In this case, the Claimants relied on the Switzerland-Uruguay BIT, and were able to show that they qualified as investors for the purpose of the treaty, which was not challenged by the Respondent.

As for the "investment" at issue, the parties disagreed on the definition applicable. The Claimants posited that in view of the absence of the definition in the ICSID Convention, the definition of "investment" to be applied should be that it requires a commitment of capital, an expectation of profit and the assumption of risk as usually defined by the doctrine and other awards.[894]

Based on the definition of investment in the BIT[895], the Claimant argued that its "immovable and movable property, shares and intellectual property rights clearly constitute 'investments'."[896] Abal also referred to the manufacturing facilities it established in Uruguay as well as the trademarks it registered in the host country, and also mentions the licenses agreements it entered into with Philip Morris Products.[897]

The Respondent contended that in the absence of definition in the ICSID Convention, the *Salini test* applies whereby a positive and significant contribution to the economic development of the host State is required for an investment to qualify as such under the Convention.[898] It therefore argued that the condition is not fulfilled since the Claimants' activities, far from benefiting the economic development of the host State, rather impose a huge cost on Uruguay.

[893] *Philip Morris v. Uruguay, Award, para 165.*
[894] *Philip Morris v. Uruguay, Request for Arbitration, para 63.*
[895] Article 1 of the BIT defines the term investment as including, inter alia, "copyright, industrial property rights (such as patents of inventions, utility models, industrial designs or models, trade or service marks, trade names, indications of source or appellation of origin), know-how and good-will".
[896] *Philip Morris v. Uruguay, Request for Arbitration, para 66.*
[897] Ibid, para 64.
[898] *Philip Morris v. Uruguay, Decision on Jurisdiction, para 178.*

The Tribunal considered that the definition of the term "investment" under the ICSID Convention is controversial, and that it must be read in conjunction with the definition of the BIT.[899] The Tribunal agreed with the findings in Pey Casado v Chile: "An investment could prove useful or not for a country without losing its quality [as an investment]. It is true that the Preamble to the ICSID Convention mentions contribution to the economic development of the host State. However, this reference is presented as a consequence and not as a condition of the investment: by protecting investments, the Convention facilitates the development of the host State. This does not mean that the development of the host State becomes a constitutive element of the concept of investment."[900] It therefore concluded that the Claimants' long-term, substantial activities in Uruguay qualify as investments under the BIT and the ICSID Convention.[901]

The exhaustion of domestic remedies

The Switzerland-Uruguay BIT requires the investor to attempt to settle and wait at least 18 months after the proceedings have been instituted in domestic courts and no judgment has been passed before it can bring the claim to the arbitral tribunal.[902]

The Claimants did not fulfill the 18-month requirement since they started the arbitration proceedings before the expiry of this period, which they did not dispute. The Claimants thus tried to argued that this requirement was "'nonsensical', since, allegedly, the domestic court would not be in a position to render a decision within the time-limit prescribed by the applicable treaty".[903] The tribunal disagreed with this line of argument, but still found that the Claimant had fulfilled the requirement. It relied on the ICJ's jurisprudence[904] and on the Teinver v Argentina case[905] to conclude that "the core objective of this requirement, to give local courts the opportunity to consider the disputed matters, has been met. To require claimants to start over and re-file this arbitration now that their 18 months have been met [at the time of rendering the Decision on Jurisdiction] would be a waste of time and resources."[906] (emphasis added)

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[899] Ibid, paras 196, 199.
[900] Ibid, para 208.
[901] Ibid, para 209.
[902] Article 10(2) of the BIT reads "If a dispute within the meaning of paragraph (1) cannot be settled within a period of six months after it was raised, the dispute shall, upon request of either party to the dispute, be submitted to the competent courts of the Contracting Party in the territory of which the investment has been made. If within a period of 18 months after the proceedings have been instituted no judgement has been passed, the investor concerned may appeal to an arbitral tribunal which decides on the dispute in all its aspects".
[903] *Philip Morris v. Uruguay, Decision on Jurisdiction, para 137.*
[904] In particular the cases: Case Concerning Application of the Convention on the Prevention and Punishment of the Crime of Genocide (Croatia v. Serbia), Preliminary Objections, Judgment, 18 November 2008, ICJ Reports 2008, pp. 441-442 and Mavrommatis Palestine Concession case, Judgment No. 2, 30 August 1924, PCIJ, Series A, No. 2.
[905] *Teinver S.A., Transportes de Cercanias S.A. and Autobuses Urbanos del Sur S.A and the Argentine Republic*, ICSID Case No. ARB/09/1, Decision on Jurisdiction (21 December 2012).
[906] *Philip Morris v. Uruguay, Decision on Jurisdiction, para 148.*

In the alternative, the Claimants had argued that they did not have to comply with the domestic litigation requirement because of the most-favored nation ("**MFN**") clause present in the fair and equitable treatment ("**FET**") provision in the BIT. According to the Claimants, Uruguay has signed at least two other BITs where the requirement of the waiting period is not present and thus is according a better treatment to other investors.[907] Therefore, the MFN should apply in their favor by waving the domestic litigation requirement. The Respondent submitted that the MFN clause does not apply to the dispute settlement mechanism, but only to the FET clause.[908] It is unfortunate that the Tribunal did not give guidance on this issue, but rather decided that there was no need to decide whether the MFN could apply as to dispense the Claimants with the 18-month litigation requirement in light of its findings as mentioned above.[909]

Finally, the Respondent also contended that the Claimant should have litigated its "treaty dispute" (*i.e.* the dispute arising out of the BIT) in domestic court to satisfy with the requirement.[910] The Claimants objected, showing that the BIT only refers to the "subject matter at issue, not to particular legal claims, much less to claims for breach of the BIT".[911] The Tribunal concluded that the Claimants had no obligation to submit their specific BIT claims to domestic courts, and that it was sufficient that the dispute related to an investment made according to the BIT.[912] It found that "the ordinary meaning of the phrase 'disputes with respect to investments' is broad and includes any kind of disputes where the subject matter is an 'investment' as this term is defined by the BIT".[913]

1.4 The claims

The Claimants brought several claims which we will analyze in turn: expropriation, denial of fair and equitable treatment, failure to observe commitments as to the use of trademarks under Article 11 of the BIT and denial of justice. We will look at the arguments of the parties and the findings of the tribunal, before concluding on the reliefs and a short analysis of the implications of this case.

1.4.1 Expropriation under Article 5 of the Treaty

Abal argued that the disputed measures led to a substantial reduction of its sales in Uruguay, thus reducing the overall value of the company.[914] It contended that the discontinuance of certain product varieties led to a reduction in sales and to the termination of contracts with local distributors, as well as the closing of some manufacturing facilities in Uruguay and the lay-off

[907] *Philip Morris v. Uruguay, Request for Arbitration, para 72-74.*
[908] *Philip Morris v. Uruguay, Decision on Jurisdiction, para 47.*
[909] Ibid, para 150.
[910] Ibid, para 100.
[911] Ibid, para 103.
[912] Ibid, para 107.
[913] Ibid, para 107.
[914] *Philip Morris v. Uruguay, Request for Arbitration, 43.*

of work force.[915] The Respondent nevertheless showed that "Abal's net operating income actually increased between 2005 and 2012".[916]

Since the measures banned seven variants of the Claimants' trademarks and diminished the value of the remaining trademark, the Claimant argued that the measure were expropriatory.[917] The Respondent argued that there was no expropriation since the measures were the result of the legitimate exercise of the State's sovereign public power to protect public health. It added that there was no expropriation because Abal's activities continued to be profitable after the measures were implemented, and because there was no right capable of being expropriated in the first place (since the variants that were banned by the measures had not been registered in Uruguay).[918]

1.4.1.1 The legal standard

The Parties disagreed on the legal standard applicable. The Claimants contended that the threshold to be applied was that they had been "substantially deprived" of their investments' value.[919] They also argued that any lawful expropriation must be accompanied by effective and adequate compensation. They added that "public benefit" is not an exception from expropriation. Finally, they stressed that the BIT did not contain any general exception or carve-out for regulatory measures to protect public health, unlike other treaties.[920]

The Respondent challenged the application of Article 5 arguing that there had been no expropriation: "interference with foreign property in the valid exercise of police power is not considered expropriation and does not give rise to compensation".[921] They posited that the threshold to be applied is that of "severe economic impact" that leaves the investment "virtually without value", adding that "a mere negative impact is not sufficient".[922]

On the legal standard to be applied, the Tribunal pointed out that the BIT refers to "'any other measure having the same nature or the same effect' as an expropriation or a nationalization" unlike other BITs which refer to "equivalent" measures. For the Tribunal, the measure must have "a major adverse impact on the Claimants' investments", amounting to a "substantial deprivation" of the investments' value.[923]

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[915] Ibid, para 50.
[916] *Philip Morris v. Uruguay, Award, para 212.*
[917] Ibid, para 180.
[918] Ibid, para 181.
[919] Ibid, para 183.
[920] Ibid, para 184.
[921] Ibid, para 188.
[922] Ibid, para 189.
[923] Ibid, para 192.

1.4.1.2 Arguments of the parties and findings of the tribunal

On the capability of the variants of the registered trademarks to be expropriated, the Claimants contended that the variants of a registered mark are protected under Uruguayan law since they maintain the distinctive characteristic of the registered trademark. The descriptors are non-essential elements which do therefore not need a separate registration to be protected.[924] The Respondent argued that the variants are not the same as the trademarks originally protected and therefore are not protected under Uruguayan law.[925] The Tribunal first observed that "ownership of the trademarks is one to be determined under Uruguayan law governing intellectual property"; the Tribunal has the "difficult task of applying Uruguayan trademark regulation in the presence of discordant opinions of the Parties' experts regarding its interpretation".[926] It concluded that "in light of its other findings regarding the claim of expropriation, it is not necessary to reach a definitive conclusion on the question of the claimants' ownership of the banned trademarks. It will assume, without deciding, that the trademarks continued to be protected under the Uruguay Trademark Law".[927]

On the right to use, the Claimants contended that the 80% requirement unfairly limits their right to use their trademarks.[928] They observed that "a trademark can only serve [its] function if it is used", and that several other international instruments binding on Uruguay affirm a right to use a trademark, such as Article 11 of the MERCOSUR Protocol, the TRIPS Agreement or Article 2 of the Montevideo Treaty.[929]

The Respondent posited that relying on expert opinion and Uruguay law, there is no right to use.[930] The Tribunal concluded that "under Uruguayan law or international conventions to which Uruguay is a party 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 […] subject to the State's regulatory power".[931] It is worth noting that this conclusion is also in line with the majority opinion in the doctrine.[932]

On the assessment of the expropriation claim, the Tribunal first notes that there is "not even a prima facie case of indirect expropriation by the 80/80 Regulation", since the Claimants' trademarks continued to appear on cigarette packs. The Regulation thus only limited the space available by law, and therefore did not constitute a breach of Article 5 of the BIT.[933]

[924] Ibid, para 201.
[925] Ibid, para 222.
[926] Ibid, para 243.
[927] Ibid, para 254.
[928] *Philip Morris v. Uruguay, Request for Arbitration, para 5.*
[929] *Philip Morris v. Uruguay, Award, para 204.*
[930] Ibid, para 229.
[931] Ibid, para 271.
[932] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 156.
[933] *Philip Morris v. Uruguay, Award, para 276.*

Regarding the SPR, the Tribunal notes that the measure did not deprive the Claimants "of the value of its business or even causing a substantial deprivation' of the value, use or enjoyment of the claimants' investments".[934] The Tribunal adds that as long as sufficient value remains, there is no expropriation. It refers to other investment treaty decisions where a partial loss of profits is not sufficient to qualify a measure as expropriatory.[935]

The Claimants' argued that the measures "were expropriatory, even if enacted in pursuit of public health, because they were unreasonable". They added that "the SPR and 80/80 Regulation do not fall within the police powers doctrine" because: the measures were not "designed and applied to achieve reduced tobacco consumption"; the government's actions are in conflict with specific commitments to investors; and the government did not conduct serious and objective studies before implementing the measures.[936] With regards to the 80% requirement, the Claimants contended that the requirement bears no relationship with a legitimate governmental policy and thus violates the standards of treatment in the BIT. In particular, the Claimants considered that a 50% requirement would be enough to achieve the policy objective.[937]

The Respondent replied that "Uruguay has the right to exercise its sovereign power to protect public health without incurring international responsibility generally".[938] They argued that a bona fide, non-discriminatory exercise of the State's sovereign power to regulate public health does not constitute an expropriation "as a matter of law".[939]

The Tribunal first stated that "the adoption of the Challenged Measures by Uruguay was a valid exercise of the State's police powers, with the consequence of defeating the claim for expropriation under Article 5(1) of the BIT".[940] It then explains its reasoning on the State's power to regulate: "protecting public health has since long been recognized as an essential manifestation of the State's police power", and according to the OECD, "it is an accepted principle of customary international law that where economic injury results from a bona fide non-discriminatory regulation within the police power of the State, compensation is not required".[941] Since 2000 there has been an increase in the recognition of police powers in arbitral awards. Some decisions have relied on the ECHR such as Tecmed v Mexico, or Saluka v Czech Republic.[942] The police power doctrine has been applied in several cases to reject the claimants' claims on the basis of the protection of public health, such as in Methanex v United

[934] Ibid, para 284.
[935] Ibid, para 286, citing LG&E Energy Corp., LG&E Capital Corp. and LG&E International Inc. v. Argentine Republic, ICSID Case No. ARB/02/1, Award (25 July 2007).
[936] Ibid, para 199.
[937] *Philip Morris v. Uruguay, Request for Arbitration, para 81.*
[938] *Philip Morris v. Uruguay, Award, para 216.*
[939] Ibid, para 217.
[940] Ibid, para 287.
[941] Ibid, para 294.
[942] Ibid, para 295.

States or Chemtura v Canada.[943] More recently, model BITs also include a carve-out in the expropriation section which recognizes the right of states to regulate in the public interest (see US model BIT, Canada Model BITs, CETA Annex 8-1 Article 3, EU-Singapore FTA).[944]

The Tribunal concluded that in order for the measure not to constitute an indirect expropriation it has to be taken in bona fide, for the purpose of protecting public welfare, be non-discriminatory and proportionate.[945] In the present case the measures were "not 'arbitrary and unnecessary' but rather were potentially 'effective means to protecting public health'."[946] It also noted that "the fact remains that the incidence of smoking in Uruguay has declined, notable among young smokers, and that these were public health measures which were directed to this end and were capable of contributing to its achievement. In the Tribunal's view, that is sufficient for the purposes of defeating a claim under Article 5(1) of the BIT".[947]

1.4.2 Denial of Fair and equitable treatment under Article 3(2) of the Treaty

The Claimants contended that the measures are arbitrary because they do not serve a public purpose, they cause harm to their investments and undermine their legitimate expectation that they will be allowed to use their trademarks.[948] The Respondent counter argued that the measures were adopted in good faith and in a non-discriminatory manner to protect public health.[949]

In addition, the Claimants contended that the SPR was adopted "with little preparation and specifically without any thorough and meaningful studies"[950], whereas the Respondent affirmed that the measure was adopted "pursuant to the same deliberative process as other tobacco control measures".[951]

The Parties also disagreed on the effect of the measure on public health, in particular on whether the tobacco use increased, remained constant or decreased after the measure was implemented in Uruguay. The parties contended that "any correlation between an individual tobacco control measure and overall consumer behavior is difficult to establish".[952] They also observed that tobacco use in Uruguay overall declined. The International Tobacco control Policy Evaluation Project assessed that "the percentage of smokers who reported that warning labels on cigarette

[943] Ibid, para 298.
[944] Ibid, para 300.
[945] Ibid, para 305.
[946] Ibid, para 306.
[947] Ibid, para 306.
[948] Ibid, para 309.
[949] Ibid, para 310.
[950] Ibid, para 113.
[951] Ibid, para 113.
[952] Ibid, para 135.

packs were a reason to think about quitting increased from 25% in 2008-09 […] to 31% in 2010-11 and 30% in 2012".[953]

1.4.2.1 The legal standard

The Parties disagreed on the standard to apply. The Claimant argued that the treaty provides for an autonomous meaning of the standard, whereas the Respondent argued that the minimum standard of treatment owed to aliens under customary international law should apply.

The Tribunal first observed that the absence of any reference to international law or customary international law in the treaty to define the FET standard does not mean that it has an autonomous meaning.[954] It adds that Article 31 and 32 of the VCLT applies, thus international law including customary international law should shed light on the meaning of the standard.[955] The Tribunal also stressed that the standard has evolved since the 1926 Neer case, becoming broader even though its content is not settled.[956] It cited the principles identified by Schreuer to define the FET standard: "transparency and the protection of the investor's legitimate expectations; freedom from coercion and harassment; procedural propriety and due process, and good faith".[957] It concludes that other cases have found that a measure violates the FET if it is "arbitrary, grossly unfair, unjust or idiosyncratic, is discriminatory and exposes the claimant to sectional or racial prejudice".[958]

1.4.2.2 Arguments of the parties and findings of the tribunal

1.4.2.2.1 Arbitrariness of the measures

The Tribunal first dealt with the question of whether the measures were arbitrary. The Claimant argued that the measures were taken "without scientific evidence of their effectiveness and due consideration by public officials and with no reasonable connection"[959] with the objectives pursued. The Tribunal noted that ICJ Chamber in ELSI defined "arbitrariness" as "a wilful disregard of due process of law, an act which shocks, or at least surprises, a sense of judicial propriety".[960] The Tribunal concludes that the measures are not "arbitrary" for several reasons. First, it observed that the measures were taken to pursue the protection of public health and utility recognized by the WHO and the PAHO in their Amicus Briefs.[961] Second, it recognized that Uruguay did not need to undertake additional studies, and that a "margin of appreciation" is to be recognized to regulatory authorities when making public policy determinations.[962] On

[953] Ibid, para 142.
[954] Ibid, para 316.
[955] Ibid, para 317.
[956] Ibid, para 319.
[957] Ibid, para 320.
[958] Ibid, para 323.
[959] Ibid, para 389.
[960] Ibid, para 390.
[961] Ibid, para 391.
[962] Ibid, para 398.

this particular aspect, the Tribunal explained that it "agrees with the Respondent that the 'margin of appreciation' is not limited to the context of the ECHR but 'applies equally to claims arising under BITs', at least in contexts such as public health"[963], noting that the margin of appreciation was also referred to in Chemtura v Canada.[964]

1.4.2.2.2 The 80/80 Regulation

On the 80/80 Regulation, the Claimants argued inter alia that the measure was discriminatory because it had the effect of increasing sales of illegal tobacco product. The Tribunal rejected this claim.[965] The Tribunal also found that the government did deliberate in a meaningful way before implementing the regulation. It observed that "substantial deference is due in that regard to national authorities' decisions", and that "the fair and equitable treatment standard is not a justiciable standard of good government, and the tribunal is not a court of appeal".[966] Thus a measure could only be found to violate the FET standard if it is "lacking in justification or wholly disproportionate".[967] The Tribunal concluded that "the 80/80 Regulation was a reasonable measure adopted in good faith to implement an obligation assumed by the State under the [WHO Framework Convention on Tobacco Control]. It was not an arbitrary, grossly unfair, unjust, discriminatory or a disproportionate measure, in particular given its relatively minor impact on Abal's business".[968] (emphasis added)

1.4.2.2.3 Legitimate expectations and legal stability

On the Claimants' legitimate expectations and Uruguay's legal stability, the Tribunal recalled that "it is common ground in the decisions of more recent investment tribunals that the requirements of legitimate expectations and legal stability as manifestations of the FET standard do not affect the State's rights to exercise its sovereign authority to legislate and to adapt its legal system to changing circumstances".[969] In other words, "changes to general legislation (at least in the absence of a stabilization clause) are not prevented by the fair and equitable treatment standard if they do not exceed the exercise of the host State's normal regulatory power in the pursuance of a public interest and do not modify the regulatory framework relied upon by the investor at the time of its investment 'outside of the acceptable margin of change'."[970] The Tribunal thus confirmed the jurisprudence in EDF v Romania and El Paso v Argentina.[971]

On the contrary, the Tribunal contended that there would be a violation of the FET standard if a State measure undermines "specific undertakings or representations made by the host State to

[963] Ibid, para 399.
[964] *Crompton (Chemtura) Corp. v. Government of Canada* PCA Case No 2008-01, Award (2 August 2010).
[965] *Philip Morris v. Uruguay, Award, para 415.*
[966] Ibid, para 418.
[967] Ibid, para 419.
[968] Ibid, para 420.
[969] Ibid, para 422.
[970] Ibid, para 423.
[971] Where the tribunal found that an investor cannot expect that the legal framework will remain unchanged over time.

induce investors to make an investment"[972], thus modifying the existing legal framework beyond an "acceptable margin of change".[973] To conclude, the Tribunal dismissed the Claimants' claims on this basis.

1.4.2.2.4 The SPR

Regarding the SPR, the Tribunal noted that the measure was reasonable in that it attempted to address the false perception that trademark variants can create through the use of colors and their association with earlier packaging. The Claimants argued that the measure was overbroad since the use of colors are not misleading, the Tribunal sided with the Respondent, finding that "in the end the tribunal does not believe that it is necessary to decide whether the SPR actually had the effects that were intended by the State, what matters being rather whether it was a 'reasonable' measure when it was adopted".[974]

1.4.2.2.5 Gary Born's Concurring and Dissenting Opinion

Mr Born contended that "the single presentation requirement is manifestly arbitrary and unreasonable, and thus a violation of Article 3(2) of the BIT".[975] It considered that "while fully acknowledging Uruguay's sovereign power and regulatory authority to protect the health of its population, I am persuaded that the single presentation requirement does not bear even a minimal relationship to the legislative objective cited by Uruguay for the requirement".[976]

He further noted that the single presentation requirement was not required by or referred to in the Framework convention on Tobacco control, and that Uruguay was the first country to adopt it.[977] He also contended that Article 8 of the Law 18,256 already prohibits false or misleading packaging or labeling of tobacco products.[978]

Gary Born recalled that "it is important to recognize that the fair and equitable treatment standard, and the protection against arbitrary measures, does not empower this, or any other, tribunal to second-guess legislative or regulatory judgments. On the contrary, it is well-settled that the judgments of national regulatory land legislative authorities are entitled, under the fair and equitable treatment guarantee, to a substantial measure of deference".[979] Nevertheless, he concluded that "deference to sovereign measures is the starting point, but not the ending point, of evaluation of fair and equitable treatment claims"[980] and recalled that the BIT does not

[972] *Philip Morris v. Uruguay, Award, para 426.*
[973] Ibid, para 432.
[974] Ibid, para 409.
[975] *Philip Morris Brand Sàrl (Switzerland), Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay* ICSID Case No ARB/10/7, Concurring and Dissenting Opinion of Gary Born (8 July 2016), para 82.
[976] Ibid, para 86.
[977] Ibid, paras 99, 101.
[978] Ibid, para 105.
[979] Ibid, para 137.
[980] Ibid, para 142.

contain absolute immunity for state actions. He therefore considers the requirement to violate the FET standard, as it does not add anything to the existing regulations and laws to prevent misleading packaging and brands, and is even under-inclusive since it fails to address the issue of alibi brands.

It is important to note that Mr Born disputed the application by the Tribunal of the "margin of appreciation" doctrine developed by the European Court of Human Rights ('ECtHR'), considering that "the 'margin of appreciation' adopted by the Tribunal is either mandated or permitted by the BIT or applicable international law".[981] He recalls that the margin of appreciation was developed by ECtHR on the basis of Article 1 Protocol 1 ECHR "which protects private property from seizure, subject to exceptions for the 'public interest' and 'general interest'."[982] Whereas nothing in the BIT is equivalent to Article 1 Protocol 1 ECHR, it is, in his view, impossible to transfer the margin of appreciation to the BIT context. He notes that the only awards that have adopted this doctrine were based on BITs which contained similar exceptions for public order or essential security interests.[983]

1.4.3 Failure to observe commitments as to the use of trademarks under Article 11

Article 11 of the BIT states that "Either contracting Party shall constantly guarantee the observance of the commitments it has entered into with respect to the investments of the investors of the other Contracting Party".

The Claimants contended that Uruguay had entered into a commitment to protect the claimants' right to use its trademarks.[984] In this regard, the Tribunal recalled that it had assumed, without deciding, that the Claimants' trademarks were still protected under Uruguayan law, and that it had excluded the right to use.[985] The Tribunal qualified Article 11 of the BIT as umbrella clause, at least for contract claims. It clarified that umbrella clauses only cover specific commitments, as opposed to general commitments contained in the law.[986]

The Tribunal also disagreed with the Claimant in that it considered that "a trademark is not a unique commitment agreed in order to encourage or permit a specific investment. Unlike the case of an authorization or a contract, where the host State may undertake some specific obligations, Uruguay entered into no commitment 'with respect to the investment' by granting a trademark".[987] Finally the Tribunal concluded that "a trademark is not a promise by the host State to perform an obligation. It is simply a part of its general intellectual property law framework. A trademark gives rise to rights, but their extent, being subject to the applicable

[981] Ibid, para 87.
[982] Ibid, para 182.
[983] *See* for instance *Continental Casualty Company v. Argentine Republic* ICSID Case No ARB/03/9, Award (5 September 2008), para 187.
[984] *Philip Morris v. Uruguay, Award, para 450.*
[985] Ibid, paras 457-8.
[986] Ibid, para 478.
[987] Ibid, para 480.

law, is liable to changes which may not be excluded by an umbrella clause: if investors want stabilization they have to contract for it".[988] It thus rejected the Claimants' claims on this aspect.

1.4.4 Denial of justice

The Claimants posited that since the TCA's decision was final and unappealable, they should be permitted to raise a denial of justice claim.[989]

The Tribunal found that it had jurisdiction to hear the claim since the Claimants complied with the required conditions, *i.e.* the claim must be presented in the reply, or if justified and authorized by the Tribunal, at a later stage; it must arise directly out of the subject-matter of the dispute; and it must be within the scope of the consent of the parties and in the Tribunal's jurisdiction.[990]

The Parties agreed that a denial of justice claim can only arise from "fundamentally unfair judicial proceedings" at the issuance of which the claimant is considered to have exhausted all available local remedies.[991] The Tribunal accepted that "an elevated standard of proof is required for finding a denial of justice due to the gravity of a charge which condemns the State's judicial system as such".[992] It added that "it is not enough to have an erroneous decision or an incompetent judicial procedure, arbitral tribunals not being courts of appeal", there must be a "'*clear evidence* of … an *outrageous* failure of the judicial system', or a demonstration of 'systemic injustice' or that 'the impugned decision was clearly improper and discreditable".[993]

1.4.4.1 The Apparently contradictory TCA and SCJ Decisions on the 80/80 Regulation

The Claimants challenged the 80/80 Regulation in two different courts and on two different grounds. They challenged the Regulation in the SCJ on constitutional grounds, arguing that Articles 9 and 24 of the Law No. 18,256 were unconstitutional "inasmuch as they grant unlimited authority to the Executive Branch to restrict individual rights", which is the exclusive power of the legislature.[994] The SCJ dismissed Abal's claims and found that the law "does not delegate to the Executive Power a discretionary power to impose restrictions on top of said minimum, but imposes on the tobacco company the obligation that the exterior labeling of their packs must contain a warning that occupies at least 50% of the total exposed principal surfaces."[995] The Executive Power (Ministry of Public Health) could thus only control that the warnings occupy at least 50% of the packaging.[996]

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[988] Ibid, para 481.
[989] *Philip Morris v. Uruguay, Decision on Jurisdiction, para 61.*
[990] Ibid, para 224.
[991] *Philip Morris v. Uruguay, Award, para 487.*
[992] Ibid, para 499.
[993] Ibid, para 500.
[994] Ibid, para 517.
[995] Ibid, para 518.
[996] Ibid, para 518.

In its action before the TCA, the Claimants argued that the Decree 287 "went beyond the scope of authority conferred on the MPH by Law 18,256 when it required warnings covering 80% of the package" thus violating the "reserva de la ley principle", under which "such limitations could only be imposed by law and not by an executive decree".[997] The TCA dismissed Abal's claims, arguing that the law established only a minimum limit, and that "raising the set minimum, according to the directives of the World Health Organization, is in accordance to law".[998]

According to the Claimants, these decisions were directly contradictory, since the SCJ found that "Articles 9 and 24 of Law 18,256 were constitutional since they 'did not delegate authority to the MPH to require warnings covering more than 50% of tobacco packaging' while the TCA found that the law did delegate that exact authority to the MPH.'"[999] On the basis of these contradictory judgments and the absence of any appeal mechanism for these decisions, the Claimants brought the denial of justice claim.

The Respondent made several points. First, it stressed that each court has its "original and exclusive jurisdiction: the SCJ to determine the constitutionality of a law; the TCA to declare the validity or illegality of an administrative act".[1000] Second, it argued that "the TCA is only bound by a decision of the SCJ holding a law unconstitutional" which was not the case in the present dispute.[1001]

The Tribunal concluded that "it is unusual that the Uruguayan judicial system separated out the mechanisms of review in this way, without any system for resolving conflicts of reasoning".[1002] Nevertheless, for the Tribunal, this was not sufficient to find a denial of justice, since judicial bodies were available to hear Abal's claims, and these courts gave "a properly reasoned decision". It qualified the fact that the TCA's decision was not appealable even though it was contradictory to the SCJ's decision as a "quirk of the judicial system".[1003] In rendering its decision, the Tribunal referred to the jurisprudence of the ECtHR in Sahin v Turkey where the existence of separate administrative tribunals in the civil law tradition was justified.

1.4.4.2 Gary Born's Concurring and Dissenting Opinion

Gary Born first recalled that the claimant did not seek to establish that the existence of parallel and co-equal judicial organs constitutes a denial of justice, nor does it "require the tribunal to decide whether the rendering of contradictory decisions concerning the same issue of law, by parallel an co-equal judicial organs, constitutes a denial of justice".[1004] He added that in systems

[997] Ibid, para 519.
[998] Ibid, para 520.
[999] Ibid, para 521.
[1000] Ibid, para 522.
[1001] Ibid, para 523.
[1002] Ibid, para 527.
[1003] Ibid, para 527.
[1004] *Philip Morris v. Uruguay (Concurring and Dissenting Opinion of Gary Born), para 11.*

where such parallel proceeding exist, "the legal systems have adopted mechanisms for avoiding or preventing contradictory decisions".[1005]

The Claimants brought their denial of justice claim on the basis of the absence of any mechanism to appeal the TCA's decision or to reconcile the SCJ and the TCA's contradictory decisions. Mr. Born noted that "this case was the first time that the USC and TCA have rendered contradictory decisions about the meaning of a statutory provision".[1006] He considered that "the operation of the Uruguayan judicial system in this case constituted a denial of justice" which was "contrary to Article 3(2)'s guarantee of fair and equitable treatment and the rule of law".[1007] He qualified these contradictory decisions as "Heads, I win; tales, you lose"[1008] treatment.

Mr. Born also dissented over the reference to the ECtHR's jurisprudence to deny relief to the Claimant in this case. He considered that "even if the ECtHR's interpretations of the European Convention on Human Rights ("ECHR") were decisive in interpreting Article 3(2) of the BIT, which they are not, the Sahin v Turkey decision involved a vitally different factual setting than this case".[1009]

He explained that "I do not agree that decisions interpreting the protection of the right to a fair trial in Article 6 of the ECHR are of decisive importance in interpreting the fair and equitable treatment guarantee of Article 3(2) of the BIT. […] Article 6's fair trial guarantee is contained in a particular human rights instrument, which was drafted and accepted in a specific geographic and historical context. Interpretations of Article 6 by the ECtHR may shed light on the general objects and purposes of the prohibition in Article 3(2) against denials of justice, but they provide little additional guidance in interpreting Article 3(2) or the standard of fair and equitable treatment under international law more generally".[1010]

He concluded in the following terms: "I am unpersuaded by the Tribunal's characterization of the foregoing circumstances as only a quirk. Quirkiness is not a defense under international law",[1011] and found that the breach of fair and equitable treatment resulted from the contradictory decisions and the absence of any recourse to reconcile these decisions.

While the wide majority of the doctrine welcomes the award for different reasons that we highlight below, it must however be said that the contradictory decisions between the two Uruguayan courts coupled with the absence of appeal mechanism to resolve the conflict between the decisions has been rather criticized. Iveta Alexovicova observes that "Under the circumstances of this particular case, where the Uruguay's Administrative Tribunal is obliged by law to follow Supreme Court's rulings such as the one at issue but departs from it by only

[1005] Ibid, para 11.
[1006] Ibid, para 33.
[1007] Ibid, para 40.
[1008] Ibid, para 40.
[1009] Ibid, para 44.
[1010] Ibid, para 45.
[1011] Ibid, para 62.

'a brief and largely unreasoned decision', while at the same time both contradictory decisions are applied to the party to the proceedings to deny it a relief against the government action that is at issue, with no means of judicial recourse, the tribunal's conclusion is hard to digest. One is more likely to agree with the dissenting arbitrator Gary Born that the situation is 'the antithesis of the rule of law' and 'a classic denial of access to justice'".[1012] And to add further on "As noted by the dissenting arbitrator, had there been a possibility to reopen proceedings before the Supreme Court whose decision was not followed by the Administrative Tribunal, the situation would have been different. This was however not the case."[1013] Whether, however, investor-state arbitration is the most appropriate forum to address such a grievance is another question, to which we doubt the answer should be positive.

1.4.5 Relief

In their request for Arbitration, the Claimants requested the suspension of the measures vis-à-vis the Claimants, stressing that the ICSID tribunal has the power to order pecuniary and non-pecuniary remedies.[1014] The Claimants added that the suspension of measures is "clearly not materially impossible, nor would it involve a burden 'out of all proportion to the benefit deriving from restitution instead of compensation'."[1015]

In the final award, the Tribunal decided that: "(1) the Claimants' claims are dismissed; and (2) the Claimants shall pay to the Respondent an amount of US$7 million on account of its own costs, and shall be responsible for all the fees and expenses of the Tribunal and ICSID's administrative fees and expenses"[1016], which amounted to approximately US$1.5 million.

1.5 Analysis

1.5.1 The recognition of Uruguay's right to regulate

The Claimants have repeatedly declared that they recognize Uruguay's right to regulate in the public interest. In the request for arbitration, they stated that "The Claimants do not challenge the Uruguayan Government's sovereign right to promote and protect public health. However, the Government cannot abuse that right and invoke it as a pretext for disregarding the Claimants' legal rights".[1017] They contended that "while a host State has the sovereign right to change its regulatory framework, including for the purpose of pursuing its public health polices, such changes must be fair and equitable in light of the investor's legitimate expectations".[1018]

[1012] Iveta Alexovicova, 'The Tobacco Plain Packaging Legislation Before Investor-State Tribunals: Philip Morris Asia v. Australia and Philip Morris et al. v. Uruguay' in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and International Dispute Resolution* (Kluwer Law International BV 2019), 206.
[1013] Ibid, 207.
[1014] *Philip Morris v. Uruguay, Request for Arbitration, paras 88, 91.*
[1015] Ibid, para 92.
[1016] *Philip Morris v. Uruguay, Award, para 590.*
[1017] *Philip Morris v. Uruguay, Request for Arbitration, para 7.*
[1018] Ibid, para 84.

The Respondent challenged the jurisdiction of the tribunal on the basis of Article 2 of the BIT. Article 2(1) of the BIT on the promotion and admission of investments recognizes the right of the States "not to allow economic activities for reasons of public security and order, public health or morality, as well as activities which by law are reserved to their own investors". The Respondent thus argued that public health measures fall outside of the scope of protection afforded to investors. Nevertheless, the Tribunal found that this article only applies to the pre-establishment phase, i.e. before investments are made in the host country.[1019] The exclusion of the admission of investments for public health reasons can therefore not apply once the investments have already been admitted.

In order for public interest arguments to be taken into account by a Tribunal when assessing the legitimacy of a State measure, it is therefore important to consider the precise language of the treaty giving rise to the investment claim. Such language should cover both pre- and post-establishment phases of an investment, in order for the measure to be balanced against the State's right to regulate in the public interest, even where the investment has already been made in the country.

In its dissenting Opinion, Gary Born recalled that "the Claimants' challenge to the single presentation requirement does not in any way question Uruguay's sovereign authority to adopt measures to protect the health and safety of its population. […] Uruguay has adopted an extensive and comprehensive set of legislation and regulations that impose highly restrictive limitations and safeguards on the sale and use of tobacco. The claimants do not challenge any of these regulations. More fundamentally, nothing in the Award (or this Opinion) raises any question about the validity or lawfulness of any of these regulations."[1020]

Gary Born insisted in that "Nothing in the Award or this Opinion raises any question about the authority of Uruguay (or other States) to regulate in the interests of public health and safety on the future. […] Nothing in the BIT prevents Uruguay from exercising these powers".[1021] However, he was of the view that "deference to sovereign measures is the starting point, but not the ending point" and that such deference "is not a substitute for reasoned analysis".[1022] In other words, the provision in the BIT at issue reaffirming the right of States to regulate in the public interest[1023] does not exempt the investment tribunal from assessing "the nature of the governmental measure, the character and context of the governmental judgment, the relationship between the measure and its stated purpose, and the measure's impact on protected investments is necessary"[1024] which can lead to the finding of a violation of the BIT.

[1019] *Philip Morris v. Uruguay, Decision on Jurisdiction, paras 170-171.*
[1020] *Philip Morris v. Uruguay (Concurring and Dissenting Opinion of Gary Born), para 89.*
[1021] Ibid, para 90.
[1022] Ibid, para 142.
[1023] To be very precise, the provision only foresees the Parties right "not to allow economic activities for reasons of public security and order, public health or morality, as well as activities which by law are reserved to their own investors." (*See* Article 2 of the 1991 Switzerland-Uruguay BIT)
[1024] *Philip Morris v. Uruguay (Concurring and Dissenting Opinion of Gary Born), para 142.*

It has also been said that this decision, and in particular the refusal to grant relief for the denial of justice claim, and thus the dismissal of all of Philip Morris' claims against Uruguay "can hardly be explained otherwise than by the tribunal's mindfulness of the systemic impact of a ruling in an exemplary dispute brought by a tobacco multinational against a small country that wants to protect health and life of its population from a deadly product".[1025]

1.5.2 The allegedly limited impact of the decision

A recurrent argument in the literature on the limited impact of an arbitral award such as the Philip Morris v Uruguay award is that these decisions might not be followed by other investment tribunals. In particular in the IP literature, the fact that in the three most important cases to date, the investors have always been unsuccessful appears to be irrelevant, as other investment tribunals are not bound by these awards.[1026] Likewise, the reasoning of the tribunal in the Philip Morris v Uruguay with regards to the right to use a trademark, while it could be praised for being aligned with the majority view on the scope of trademark rights, would only have a limited impact as other tribunals need not follow this decision.[1027]

In the same vein, the finding of the Tribunal that a legitimate expectation can only arise from specific representations made by a State, and not from an expectation that the legal framework for tobacco control would remain stable in Uruguay must be welcomed. Where such interpretation prevails, we do not believe that an investment tribunal could find that legitimate expectations could arise from general representation such as the TRIPS Agreement. In other words, a State measure departing from the TRIPS Agreement, provided that it is not in direct contradiction with the provisions of this Agreement, would not be a violation of a FET standard, since the TRIPS Agreement is not capable of creating s specific representation by a State – it only imposes minimum standards of protection that countries can depart from.

It is true that investment tribunals are not bound by past decisions, but it could be argued that this is also the case of most courts in the civil law tradition or even international courts or dispute settlement bodies. One could argue that it is not because a court upheld governmental measures that other courts will decide likewise. Nevertheless such a divergence of opinion could be justified by many different factors and not only by the discretion of a tribunal. Indeed, investment disputes arise out of a specific investment treaty, which all have their specific provisions and carve-outs.

[1025] Alexovicova, 'The Tobacco Plain Packaging Legislation Before Investor-State Tribunals: Philip Morris Asia v. Australia and Philip Morris et al. v. Uruguay', 208.
[1026] Cynthia Ho in this sense warns: "Countries faced with such a threat should realize that although Uruguay prevailed, it was not a unanimous opinion and future tribunals need not follow the majority opinion." In Ho, 'A Collision Course Between TRIPS Flexibilities and Investor-State Proceedings', 435.
[1027] While acknowledging that "the Uruguay tribunal interpreted TRIPS Article 20 in a manner favorable to countries desirous of tobacco regulation" Cynthia Ho asserts that "other panels need not follow the decision and, as explained below, it is possible that they may not." In ibid, 438.

This is also true for panel and appellate body reports or recommendations of the dispute settlement body of the WTO. On the legal status of adopted/unadopted reports in other disputes, one can read: "A dispute relates to a specific matter and takes place between two or more specific Members of the (WTO). The report of a panel or the Appellate Body also relates to that specific matter in the dispute between these Members. Even if adopted, the reports of panels and the Appellate Body are not binding precedents for other disputes between the same parties on other matters or different parties on the same matter, even though the same questions of WTO law might arise. As in other areas of international law, there is no rule of stare decisis in WTO dispute settlement according to which previous rulings bind panels and the Appellate Body in subsequent cases. This means that a panel is not obliged to follow previous Appellate Body reports even if they have developed a certain interpretation of exactly the provisions which are now at issue before the panel. Nor is the Appellate Body obliged to maintain the legal interpretations it has developed in past cases. The Appellate Body has confirmed that conclusions and recommendations in panel reports adopted under GATT 1947 bound the parties to the particular dispute, but that subsequent panels were not legally bound by the details and reasoning of a previous panel report."[1028]

Therefore, in view of the reasoning of the Tribunal in the Philip Morris v Uruguay case, future investment tribunals would likely deliver similar awards, if the instrument giving rise to the disputes contains similar language. This means that investment protection standards are not applied in an abstract and discretionary manner, but have rather been defined by past arbitral award and by each investment treaty. Both the wording of the treaties (in particular recent investment agreements) and the case-law should allow States to adopt measures to protect the public interest, where these measures are not totally unreasonable with regards to the objective pursued, arbitrary or discriminatory.

2. Philip Morris v Australia

2.1 The facts

In this case, Philip Morris Asia Limited (PM Asia) initiated arbitration proceedings against Australia for the enactment and enforcement of the Tobacco Plain Packaging Act 2011. On 23 February 2011, the Claimant formally acquired Philip Morris Australia and Philip Morris Limited (PML). Following this acquisition, PM Asia owned 100% of the shares of PM Australia, which in turn owned 100% of the shares of PML. The Notice of Arbitration was filed pursuant to Article 10 of the Agreement between the Government of Australia and the Government of Hong Kong for the Promotion and Protection of Investments (Hong Kong-Australia BIT),[1029] as PM Asia was incorporated in Hong Kong and thus qualified as an

[1028] World Trade Organization, 'Legal effect of panel and appellate body reports and DSB recommendations and rulings' <https://www.wto.org/english/tratop_e/dispu_e/disp_settlement_cbt_e/c7s2p1_e.htm> accessed 29 November 2011.

[1029] The agreement entered into force on 15 October 1993 and was terminated on 17 January 2020. Article 10 foresees any dispute between the parties should be settled amicably. After a period of three months from the written

investor.[1030] According to Philip Morris Asia, the shares it owned in Philip Morris Australia and Philip Morris Limited, as well as the intellectual property and goodwill, qualified as investment under the Hong Kong-Australia BIT.[1031] In particular, Philip Morris' assets in Australia consisted in eight principal "brand families" as well as a number of product lines in each brand family, in addition to good will.[1032] Intellectual property was thus at the core of Philip Morris' business in Australia. [1033]

2.2 The measures at issue

The measure challenged by the complainant in this case was the Tobacco Plain Packaging Act ('The Act') from 2011. The Act was introduced into Parliament on 6 April 2011 and received Royal Assent on 1 December 2011.

The Act introduces specific requirements for the retail packaging and appearance of tobacco products. Physical features, such as the inner and outer design, dimensions or colors are prescribed.[1034] The Act foresees that no trademark may appear anywhere on the retail packaging of tobacco products, except "the brand, business or company name for the tobacco products, and any variant name for the tobacco products, […] any other trade mark or mark permitted by the regulations."[1035] The Act further clarified that such company name must respect several criteria set out by the Act, such as appearing below the health warning, in the centre, and be displayed horizontally.

According to Philip Morris, the purpose of the plain packaging legislation was to eliminate branding, in that it "prescribes every aspect of the appearance, size and shape of tobacco packaging."[1036]

2.3 The procedure

The Notice of Arbitration was filed pursuant to the Hong Kong-Australia BIT on 21 November 2011. The Award on Jurisdiction and Admissibility was issued four years later, on 17 December 2015. It is important to recall that separate WTO claims were brought by Ukraine (on 28 September 2012), Honduras (on 25 September 2013), Indonesia (on 26 March 2014), Dominican Republic (on 25 April 2014) and Cuba (on 25 April 2014) against Australia, and

notification, if no settlement was found, the dispute may be submitted for settlement as agreed by the parties (and in the absence of agreement, the Arbitration rules of UNCITRAL apply).

[1030] Article 1(b)(2) of the Hong Kong-Australia BIT defines investors as "corporations […] incorporated or constituted or otherwise duly organised under the law in force in any part of its area or under the law of a non-Contracting Party and owned or controlled by entities described in this sub-paragraph […], regardless of whether or not the entities referred to in this sub-paragraph are organised for pecuniary gain, privately or otherwise owned, or organised with limited or unlimited liability".

[1031] *Philip Morris v. Australia (Notice of Arbitration), para 5.6.*

[1032] Ibid, paras 4.3-4.6.

[1033] Ibid, para 1.4.

[1034] No. 148, 2011 as amended. , Articles 18-29.

[1035] Ibid, Article 20(3).

[1036] *Philip Morris v. Australia (Notice of Arbitration), para 4.12.*

that the WTO Panel eventually upheld the Australian legislation.[1037] Philip Morris also challenged the plain packaging laws in Australian domestic courts, together with other tobacco companies. On 15 August 2012, the High Court of Australia handed down orders for this matter, and found that the legislation was not contrary to the Constitution. In its decision of 5 October 2012, the Court explained that there had been no acquisition of property that would have required provision of "just terms" under the Constitution.[1038]

2.4 The claims

2.4.1 In the notice of arbitration

In the Notice of Arbitration, Philip Morris argued that Australia had violated the BIT on several grounds. First, it argued that the plain packaging legislation had expropriated its intellectual property by virtually eliminating its branded business.[1039] It argued that the measure had substantially deprived PM Asia of the value of its shares and destroyed the commercial value of its intellectual property and good will.[1040] Its ability to compete with other tobacco manufacturer was hence limited.[1041] Philip Morris finally argued that the measure amounted to an unlawful expropriation since no proven public purpose had been put forward and there had been no compensation.[1042]

Second, Philip Morris argued unfair and unequitable treatment, as well as unreasonable impairment of the full use and enjoyment of its investments.[1043] In the complainant's view, fair and equitable treatment involves a balance between the investor's legitimate expectations and the host State's legitimate regulatory interests.[1044] However, Philip Morris contended that, in this case, the public health benefits were entirely disproportionate to the harm to the investment, and that Australia had hence violated the FET standard.[1045] In addition, Philip Morris argued that Australia violated its legitimate expectations that the country would comply with its obligations under international treaties namely the TRIPS Agreement, the TBT and the Paris Convention.[1046]

Under the TRIPS Agreement, Philip Morris argued the violation of Article 20, stating that plain packaging encumbers PML's trademarks in an unjustifiable way, and that there is no exception or carve out in the TRIPS Agreement for tobacco trademarks.[1047] It also argued violation of

[1037] ICTSD, 'WTO Panel Upholds Australia Plain Packaging Policy for Tobacco Products' (2018) 22 Bridges Weekly.
[1038] *British American Tobacco Australasia Limited and Ors v. The Commonwealth of Australia* [2012] HCA 43, Case S389/2011, Judgment (5 October 2012), para 372.
[1039] *Philip Morris v. Australia (Notice of Arbitration), para 1.5.*
[1040] Ibid, para 7.3.
[1041] Ibid, para 6.1.
[1042] Ibid, para 7.3.
[1043] Ibid, para 1.6.
[1044] Ibid, para 7.6.
[1045] Ibid, para 7.8.
[1046] Ibid, para 6.7-6.11.
[1047] Ibid, para 6.8.

Article 15(4) of the TRIPS Agreement, arguing that use is inextricably linked to the registration and hence, if the use is hampered, an obstacle to the registration of the trademark based on the nature of the good or service must be found.[1048] It also argued violation of the Paris Convention in that Australia did not take effective actions to prevent unfair competition.[1049]

Philip Morris also argued that the rationale for the plain packaging legislation, i.e. the protection of public health and the implementation of the WHO Framework Convention on Tobacco Control ('FCTC'), was contradicted by the facts.[1050] The complainant argued that there was no evidence that tobacco consumption could be reduced by introducing plain packaging or increasing health warnings.[1051] It also argued that, without branding, the price of cigarettes is likely to decrease as the competition will primarily be based on price, hence the consumption will increase.[1052] Finally, PM stated that effective alternatives exist to pursue the public health goal.[1053]

Third, the complainant argued that Australia had failed to provide full protection and security for its investments.[1054] According to Philip Morris, full protection and security means that a State must exercise due diligence to prevent damage to qualifying investments, which has not been the case with the measure at issue.[1055]

Finally, relying on Article 2(2) of the BIT,[1056] the complainant put forward the umbrella clause arguing that Australia must observe any obligation it may have entered into with regard to investments of investors of Hong Kong.[1057] It therefore relied on international agreements entered into by Australia, and argued that Australia had breached its obligations under these international agreements, as mentioned above, therefore violating Article 2(2) of the BIT.[1058]

2.4.2 The admissibility and jurisdiction

Australia objected to the admissibility of the claims and the jurisdiction of the investment tribunal for two main reasons. First, Australia argued that it had not admitted the claimant's investments according to the BIT. Second, it argued that the dispute was pre-existing to the restructuring of the respondent, which allowed the respondent to benefit from the BIT

[1048] Ibid, para 6.11.
[1049] Ibid, para 6.10.
[1050] Ibid, para 6.2.
[1051] Ibid, para 6.4.
[1052] Ibid, para 6.3.
[1053] Ibid, para 7.11.
[1054] Ibid, para 1.6.
[1055] Ibid, para 7.14.
[1056] Article 2.2. of the 1993 Hong Kong-Australia BIT reads "[…] Each Contracting Party shall observe any obligation it may have entered into with regard to investments of investors of the other Contracting Party. This Agreement shall not prevent an investor of one Contracting Party from taking advantage of the provisions of any law or policy of the other Contracting Party which are more favourable than the provisions of this Agreement."
[1057] *Philip Morris v. Australia (Notice of Arbitration), para 7.15.*
[1058] Ibid, para 7.16.

protection, and that such restructuring amounted to an abuse of rights.[1059] The Tribunal hence had to determine whether it had jurisdiction over the dispute, i.e. whether the claimant qualified as an investor at the time of the enactment of the challenged measure.[1060]

The Tribunal hence had to determine, first, whether the claimant had exercised control over PM Australia since 2011, within the meaning of Article 1(e) of the BIT[1061]; second, whether the claimant's investment had been admitted under Australian law; and third, whether the claim related to a pre-existing dispute and would then fall outside the tribunal's jurisdiction.

On the first question, the claimant argued that the way it obtained ownership of PM Australia was irrelevant since it had already exercised management control over PM Australia since 2001.[1062] The Treaty defined "control" as a "substantial interest in the company or the investment".[1063] The tribunal therefore had to decide whether management control suffices to qualify as control under the BIT. However, the tribunal decided not to answer this specific question of the definition of control under this BIT, as it found that the Claimant did not prove "that PM Asia exercised management control for any significance in respect of the Australian subsidiaries".[1064]

On the second question, the tribunal noted that Australia had issued a no-objection letter to the restructuring of Philip Morris.[1065] However, the Respondent argued that the information provided by Philip Morris for the restructuring was incomplete and misleading as no mention to the potential BIT claim was made.[1066] The tribunal concluded on this specific point that the Respondent did not prove that these elements were mandatory to obtain the no-objection letter, and it did also not show that it had revoked the letter at any point.[1067] The tribunal concluded that the investment had been admitted under the BIT.[1068]

On the third question, the tribunal had to determine whether the claim fell outside the temporal scope of the BIT, i.e. whether the dispute arose before the BIT covered the investor and its investment. The Respondent argued that the dispute over the plain packaging legislation had arisen before the restructuring of PMI had taken place.[1069] For the Claimant, the dispute did not crystalize until the legislation was passed.[1070] The tribunal relied on the Gremcitel case, where the tribunal found that the "the critical date is the one on which the State adopts the disputed

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[1059] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility), para 184.*
[1060] Ibid, para 185.
[1061] Article 1(e) of the Treaty reads: "investment means every kind of asset, owned or controlled […]". The article then defines control as a "substantial interest in the company or the investment".
[1062] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility)*, para 496.
[1063] *See* Article 1(e) of the Treaty.
[1064] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility)*, para 506.
[1065] Ibid, para 512.
[1066] Ibid, paras 515-522.
[1067] Ibid, paras 515-522.
[1068] Ibid, para 523.
[1069] Ibid, para 525.
[1070] Ibid, para 526.

measure, even when the measure represents the culmination of a process or sequence of events which may have started years earlier."[1071] The tribunal finally concluded that both the decision to restructure and the completion of the restructuring occurred before the enactment of the plain packaging act; it therefore had jurisdiction rationae temporis.[1072]

The tribunal then proceeded with determining whether the Claimant's invocation of the BIT protection constituted an abuse of rights. Based on previous case law[1073], the tribunal found that threshold for finding an abuse of right was high.[1074] The tribunal recalled that it is "uncontroversial that the mere fact of restructuring an investment to obtain BIT benefits is not *per se* illegitimate", but it may nevertheless become an abuse if the restructuring takes place when there is a foreseeable dispute, i.e. "when there is a reasonable prospect […] that a measure which may give rise to a treaty claim will materialize".[1075]

The tribunal clarified that a dispute in the legal sense "is a disagreement about rights, not merely about policy", before concluding that, in the case at issue, the dispute was clearly about rights.[1076] The tribunal concluded that, at the time of the restructuring, "the dispute that materialized subsequently was foreseeable to the Claimant".[1077] The tribunal finally had to determine whether the reasons for the restructuring was justified independently from the possibility to bring the treaty claim. While the Claimant argued that there were a number of reasons for the restructuring[1078], including to obtain BIT protection, the tribunal concluded that it was not persuaded that these reasons were determinative factors for the Claimant's restructuring. Therefore, the tribunal found that "the main and determinative, if not sole, reasons for the restructuring was the intention to bring a claim under the Treaty."[1079]

2.4.3 Conclusion

The tribunal concluded from all of the above that the commencement of the treaty based claim constituted an abuse of right, given that Philip Morris had changed its corporate structure to gain protection from the BIT, at a point in time where the adoption of the plain packaging legislation was foreseeable.[1080]

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[1071] *Renée Rose Levy and Gremcitel S.A. v. Republic of Peru* ICSID Case No ARB/11/17, Award (9 January 2015), para 149.
[1072] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility)*, para 533.
[1073] The tribunal relied on previous case law such as *Tidewater v. Venezuela*, *Mobil Corporation v. Venezuela*, *Gremcitel v. Peru*, and *Aguas del Tunari SA v. Bolivia*, to establish the legal test.
[1074] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility)*, para 539.
[1075] Ibid, paras 540-554.
[1076] Ibid, para 566.
[1077] Ibid, para 569.
[1078] The Claimant argued that there were a number of reasons for the restructuring to take place: it was part of a broader, group-wide process; the Claimant needed to align ownership with the pre-existing management control; to minimize tax liabilities, and to optimize cash flows. It also acknowledges that it was in part to obtain BIT Protection. *See* ibid, paras 571-580.
[1079] Ibid, para 584.
[1080] Ibid, para 586.

2.5 Relief

Philip Morris requested the tribunal to order the suspension of the enforcement of the plain packaging legislation, and to be compensated for the loss as a result of the compliance with the legislation. In the alternative, Philip Morris required compensatory damages for the loss suffered as a result of the enactment and continued application of the measure.[1081] In the award on admissibility and jurisdiction, the tribunal concluded that the claims were inadmissible and that it could not exercise jurisdiction, and saved the decision on costs for the final awards on costs.[1082] While the exact figures regarding costs were not released in the official and publicly available Final Award Regarding Costs[1083], Australia released the full details of the costs in 2019. IAreporter revealed that Australia claimed a total of A$23,045,242.33 (around US$16 million) in legal fees for its defense in the investment arbitration case. However, the tribunal ordered the investor to bear only 50% of those defense costs, amounting to A$11,522,621,17, and 50% of Australia's half-share of the arbitrators' fees (€333,059.91 of the totaled €1,329,202.14).[1084]

2.6 Analysis

While it could be considered as one of the landmark cases in the IP investment arbitration field, one could almost regret that the analysis of the tribunal was concluded at such an early stage of the procedure, hence giving little guidance on the relevance and standing of IP arguments in investment arbitration. It is difficult to predict what the tribunal would have decided on the merits, should it not have found that Philip Morris had committed an abuse of rights.

On the other hand, it must be noted that the Australia's plain packaging legislation, while strongly limiting the possibility of using a trademark on tobacco packaging, did not introduce a total ban to use the trademark. The difference has probably its importance at the moment of determining whether such measure can meet the conditions to find a violation of the investment treaty, notably the expropriation and the fair and equitable standards of protection. It is therefore our position that a limitation of the use of a trademark, where justified by overriding reasons related to the public interest such as the protection of public health, would not meet the threshold to find a violation of investment treaty provisions such as expropriation or FET.

[1081] *Philip Morris v. Australia (Notice of Arbitration)*, para 1.7.
[1082] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility)*, para 590.
[1083] *UNCITRAL, PCA Case No. 2012-12, Final Award Regarding Costs (8 juillet 2017), para 105.*
[1084] Jarrod Hepburn, 'Final costs details are released in Philip Morris v. Australia following request by IAReporter' (*IAReporter,* 21 March 2019) <https://www.iareporter.com/articles/final-costs-details-are-released-in-philip-morris-v-australia-following-request-by-iareporter/> accessed 22 March 2020.

3. Eli Lilly v Canada

3.1 The facts, procedure and disputed measures

Eli Lilly, an American pharmaceutical company, was granted two patents in Canada. The first patent for Olanzapine (Zyprexa Patent) was issued in July 1998, while the second patent for Atomoxetine (Strattera Patent) was issued in October 2002. Both drugs were marketed in Canada. In June 2007 Novopharm, a Canadian drug manufacturer, obtained regulatory approval to market a generic version of Zyprexa. Lilly Canada attempted to challenge the issuance of the Notice of Compliance to Novopharm but the Federal Court dismissed the action in June 2007.[1085] Lilly Canada filed a suit against Novopharm for patent infringement. On 5 October 2009, the Federal Court dismissed the action and invalidated the Zyprexa Patent on the basis that it "is not a valid selection patent" and that "it does not describe an invention over and above what was disclosed in the 687 patent".[1086]

On 21 July 2010 the Federal Court of Appeal set aside the Federal Court's decision on the basis that the Federal Court "had erroneously treated the conditions for a valid selection patent as 'an independent basis upon which to attack the validity of a patent'".[1087] The Federal Court of Appeal remanded the issues of 'utility' and 'sufficiency of disclosure' to the Federal Court for re-determination.[1088] Justice O'Reilly reconsidered the case, and found that the Zyprexa Patent was invalid for lack of utility: "Novopharm has established that the patent's promise had not been demonstrated and could not have been soundly predicted on the basis of the evidence available to the inventors in 1991".[1089] Lilly appealed the decision, but the appeal was dismissed by the Federal Court of Appeal on 10 September 2012.[1090] Finally, on 16 May 2013, the Supreme Court of Canada refused leave to appeal the decision of the Federal Court of Appeal.[1091]

The Strattera Patent, on the other hand, was issued in 2002. On 24 December 2004 a Notice of Compliance with respect to the Strattera Patent was issued.[1092] Novopharm challenged the validity of the Strattera Patent in the Federal Court. On 14 September 2010, Justice R.L. Barnes issued a judgment finding the Strattera Patent to be "invalid on the basis of inutility".[1093] On 5 July 2011, the Federal Court of Appeal dismissed the appeal. On 8 December 2011, the Claimant was denied leave to appeal to the Supreme Court.[1094]

[1085] *Eli Lilly v. Canada, Final Award*, para 79.
[1086] Ibid, para 80.
[1087] Ibid, para 81.
[1088] Ibid, para 81.
[1089] Ibid, para 82.
[1090] Ibid, para 83.
[1091] Ibid, para 84.
[1092] Ibid, para 92.
[1093] Ibid, para 93.
[1094] Ibid, para 94.

3.2 The claims

The claims in this case focused on the promise utility doctrine[1095], which the Claimant considered to be "radically new, arbitrary and discriminatory", and to be inconsistent with Canada's obligation under NAFTA Chapter 17. The Claimant also argued that the revocation of the patents resulted in unlawful expropriation and a violation of the minimum standard of treatment.[1096]

The Respondent's main arguments in response to the Claimant were that, first, "the sole legal basis on which a national court decision could result in a breach of NAFTA Chapter Eleven is a denial of justice"; second, that the Tribunal lacked jurisdiction ratione temporis; third, that there had been no dramatic change in the interpretation of the promise utility doctrine; and fourth, that the Tribunal lacked jurisdiction over the intellectual property Chapter or any other international obligation.[1097]

The Tribunal's reasoning was divided in four main parts, which we will address in turn. Before entering into the details of its argumentation, the Tribunal recalled, as a matter of principle, that any interested person may challenge a patent in invalidation proceedings before the Federal Court.[1098] The Tribunal then addressed the claims in the following order: (1) the jurisdiction of the tribunal; (2) the liability for judicial measures under NAFTA Chapter Eleven; (3) the alleged dramatic change in the utility requirement under Canadian law; and (4) the alleged arbitrary and discriminatory nature of the utility requirement under Canadian law.

3.2.1 Jurisdiction

The tribunal acknowledged that a NAFTA Chapter Eleven tribunal "is not a tribunal of general jurisdiction with competence to adjudicate claims of a breach of other provisions of NAFTA".[1099] It nevertheless recalled that NAFTA Chapter Eleven "does not require the Tribunal to ignore other provisions of the NAFTA, other agreements between the NAFTA parties, or other relevant and applicable rules of international law".[1100] Article 1131(1) of the NAFTA namely provides that the tribunal shall take into account the Agreement and applicable rules of international law. Article 33(1) of the UNCITRAL Rules also mandates the application of the Agreement and international law.[1101] In addition, Article 1112(1) provides that in case of inconsistency between the investment chapter and another chapter of the agreement, the other chapter shall prevail to the extent of the inconsistency.[1102] In this regard, the tribunal recalled

[1095] Under Canadian Patent law, inventions must be useful, novel and non-obvious to be granted a patent. Utility requires that the invention be directed to a practical use and that it delivers on what was indicated in the patent.
[1096] *Eli Lilly v. Canada, Final Award*, para 5.
[1097] Ibid, para 6.
[1098] Ibid, para 70.
[1099] Ibid, para 101.
[1100] Ibid, para 102.
[1101] Ibid, para 103.
[1102] Ibid, para 104.

that the concept of "rules of international law" does not only refer to rules of treaty interpretation such as VCLT.[1103]

With regards to the jurisdiction of the tribunal rationae temporis, the Parties disagreed as to whether the Respondent's jurisdictional objection should be barred as untimely under Article 21(3) of the UNCITRAL Rules.[1104] However, the tribunal found that it did not need to decide on this issue since the objection had to be dismissed for other reasons.[1105] Based on NAFTA Articles 1116(2) and 1117(2), which provide that an investor has three years from the moment it acquires knowledge of the breach to bring a claim[1106], the Respondent argued that the Claimant's claim was untimely. The parties based their argument on different events in time. The Respondent contended that the basis for the Eli Lilly's claim was the promise utility doctrine, adopted since 2002 by Canadian courts, whereas the Claimant argued that the invalidation of the patents was the relevant event to determine the jurisdiction.[1107] The Tribunal conclude that the Claimant solely aimed at challenging the invalidation of its patents, and that therefore the relevant dates were 2011 and 2013.[1108] The Tribunal thus denied the Respondent's objection to the tribunal's jurisdiction, and informed that, in line with the findings in previous awards, it would rely on events which occurred prior to the three-year period, including the interpretation of the promise utility doctrine.[1109]

3.2.2 Liability for judicial measures under NAFTA Chapter Eleven

The argument on this point focused on the qualification of decisions and actions of the courts under NAFTA Chapter Eleven (Investment). The Respondent argued that decisions and actions of the courts can only amount to a denial of justice.[1110] However, in the tribunal's view, it is "possible to contemplate circumstances in which a judicial act (or omission) may engage questions of expropriation under NAFTA Article 1110".[1111] Indeed, based on the tribunal's findings in Glamis Gold[1112], the Tribunal found that the conduct of a court could amount to a

[1103] Ibid, para 106.
[1104] Article 23(1) UNCITRAL reads: "The arbitral tribunal shall have the power to rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement. For that purpose, an arbitration clause that forms part of a contract shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitral tribunal that the contract is null shall not entail automatically the invalidity of the arbitration clause."
[1105] *Eli Lilly v. Canada, Final Award*, para 160.
[1106] Ibid, para 161.
[1107] Ibid, paras 162-163.
[1108] Ibid, para 170.
[1109] Ibid, para 173.
[1110] Ibid, para 218.
[1111] Ibid, para 221.
[1112] The Tribunal in Glamis Gold found that "a violation of the customary international law minimum standard of treatment, as codified in Article 1105 of the NAFTA, requires an act that is sufficiently egregious and shocking—a gross denial of justice, manifest arbitrariness, blatant unfairness, a complete lack of due process, evident discrimination, or a manifest lack of reasons—so as to fall below accepted international standards and constitute a breach of Article 1105". *See Glamis Gold Ltd. v. United States of America* UNCITRAL, Award (8 June 2009), para 627.

manifest arbitrariness or blatant unfairness, therefore breaching Article 1105 of the NAFTA; a judicial conduct could therefore be characterized other than a denial of justice.[1113]

However, the Tribunal made clear that "it is not the task of a NAFTA Chapter Eleven tribunal to review the findings of national courts and considerable deference is to be accorded to the conduct and decisions of such courts".[1114] Hence, a NAFTA Chapter Eleven can only assess national courts' conducts in light of the obligations of NAFTA Article 1105(1) in very exceptional circumstances, where there is a "clear evidence of egregious and shocking conduct".[1115]

In the case at hand, the tribunal concluded that the Claimant did not meet the threshold requirement to sustain a case of a breach of Article 1105(1) and/or Article 1110.[1116]

3.2.3 The alleged dramatic change in the utility requirement under Canadian law

Under Canadian patent law, the utility requirement is composed of: "(i) the identification of a 'promise' in the patent disclosure, against which utility is measured; (ii) the prohibition on the use of post-filing evidence to prove utility; and (iii) the requirement that pre-filing evidence to support a sound prediction of utility must be included in the patent."[1117] Utility is therefore a condition to grant a patent under Canadian patent law. The promise utility doctrine was developed by the case law on the basis of this criteria. The Claimant argued that the promise utility doctrine developed in the mid-2000s was a dramatic change in the utility requirement in Canada, and that Canada's patent utility law underwent a dramatic transformation between the mid-2000s and the invalidation of its patents by the courts in 2011 and 2013.[1118]

However, the Tribunal found that the Claimant did once again not meet its burden in relation to this allegation.[1119] To reach this conclusion, the Tribunal first noted that a change operated over a period of more than six years, through the case law of first instance and appeal courts cannot be qualified as a "dramatic change".[1120] Changes in the case law, which depart from previous decisions, are to be expected, even in common law systems where courts rely on precedent and decisions, which usually evolve in a "reasonably foreseeable and predictable channel".[1121]

The Tribunal concluded, after reviewing decisions of the Canadian court's, that there had been, even before 2005, indications of "similar analysis and policy considerations to that of the

[1113] *Eli Lilly v. Canada, Final Award*, para 223.
[1114] Ibid, para 224.
[1115] Ibid, para 224.
[1116] Ibid, para 226.
[1117] Ibid, para 313.
[1118] Ibid, para 307.
[1119] Ibid, para 308.
[1120] Ibid, para 309.
[1121] Ibid, para 310.

promise doctrine" and hence, found that the Claimant's argument of a dramatic change in the law failed.[1122]

The Claimant focused in particular on the 2002 Supreme Court decision ('AZT decision') whereby the Court introduced a ban on post-filling evidence to prove utility was "unpersuasive" and had to be considered a dramatic change in the law.[1123] In the same vein, the Claimant argued that the 2008 Raloxifene Decision changed the law "by requiring the basis of sound prediction to be disclosed in the patent".[1124]

On the AZT Decision, the Tribunal recalled that its role was not to determine whether the Supreme Court jurisprudence was persuasive or not, but rather to decide whether this decision was a "complete and surprising reversal from prior law". The Tribunal concluded it was not, based on the record before it.[1125] Regarding sound prediction, the Tribunal noted that there had been a progressive development of the doctrine over the years, and that the disclosure for sound prediction was clarified by the 2007 Raloxifene Decision.[1126] The change in law was hence "more incremental and evolutionary than dramatic."[1127]

The Claimant also brought arguments based on the Manual of Patent Office Practice Amendments and the Canadian Intellectual Property Office's practice, as well as on statistical evidence. It also attempted to show the dramatic change based on a comparison with other jurisdiction. The Tribunal however concluded that the Claimant's evidence did not support its allegation of a dramatic change in the law.[1128] In addition, the Claimant's quantitative data provided "insufficient evidentiary support for its allegation of a dramatic change in the law".[1129] Finally, the Tribunal rejected the Claimant's comparative analyses as being unable to challenge the findings above.[1130]

The Claimant finally argued that the promise utility doctrine violated its legitimate expectations. The Tribunal noted that to argue a violation of legitimate expectation, the Claimant had to show that there had been a dramatic change in Canadian law, which it failed to do. The Tribunal therefore dismissed the legitimate expectation claim.[1131] The tribunal also added: "All patentees, including Claimant, understand that their patents are subject to challenge before the courts on the ground that the invention does not satisfy one or more patentability requirements".[1132]

[1122] Ibid, paras 318-325.
[1123] Ibid, para 326.
[1124] Ibid, para 338.
[1125] Ibid, paras 331-332.
[1126] Ibid, para 349.
[1127] Ibid, para 350.
[1128] Ibid, para 366.
[1129] Ibid, para 376.
[1130] Ibid, para 379.
[1131] Ibid, para 380.
[1132] Ibid, para 382.

3.2.4 The alleged arbitrary and discriminatory nature of the utility requirement under Canadian law

The Claimant subsequently attempted to argue that the utility requirement under Canadian law was arbitrary and discriminatory, and hence violated Articles 1105(1) and 1110(1) of the NAFTA. The Claimant notably argued that the promise utility doctrine was arbitrary because it was "unpredictable and incoherent" and lacked a legitimate public purpose.[1133]

The Claimant argued that the promise utility doctrine resulted in a de facto discrimination against pharmaceutical patents as a field of technology. The Claimant mainly relied on Professor Levin's statistical analysis of the outcomes of utility cases, to show a "causal relationship between the promise utility doctrine and the higher invalidity rates in the pharmaceutical sector."[1134] The Claimant also argued that there was a de facto discrimination based on nationality. The Claimant did not argue that the promise utility doctrine was discriminatory per se, but rather that it amounted to a de facto discrimination, since "in practice, the application of the promise utility doctrine has resulted in the invalidation of patents held by foreign firms only, and that the primary beneficiaries have been domestic generic drug manufacturers".[1135]

The Tribunal considered unnecessary to explore the different standards applicable under Articles 1105(1) and 1110(1) in the present case. Indeed, the Tribunal was satisfied that, "under any plausible standard, the challenged decisions of the Canadian courts are neither arbitrary nor discriminatory, nor can it be said that the judicial measures taken were expropriatory within the meaning of Article 1110 in the present case".[1136] The Tribunal added that the patent invalidation was rational and not unforeseeable since the legal framework had and can evolve, and that "some level of unpredictability is present in the application of all law".[1137]

As to the public policy justification, the Respondent contended that the legitimate public policy justification for the promise utility doctrine is based on the "patent bargain" between the society and the inventor, and where the patent system "encourages accuracy while discouraging overstatement in patent disclosures".[1138] The Tribunal found that it "need not opine on whether the promise doctrine is the only, or the best, means of achieving these objectives. The relevant point is that, […] the promise doctrine is rationally connected to these legitimate policy goals".[1139] The Tribunal concluded that the promise utility doctrine was a "rational police

[1133] Ibid, para 419.
[1134] Ibid, para 431.
[1135] Ibid, para 440.
[1136] Ibid, para 418.
[1137] Ibid, para 421.
[1138] Ibid, para 423.
[1139] Ibid, para 423.

approach in Canada, not an indication of arbitrariness in the law", adding "it is not the role of a NAFTA Chapter Eleven tribunal to question the policy choices of a NAFTA Party".[1140]

On the argument of discrimination, the Tribunal found that the Claimant did not present any evidence of causality, and that the expert did not opine on the causality.[1141] The Tribunal agreed with the Respondent in that there might be other reasons or factors such as the patenting practices of pharmaceutical companies that could explain the higher invalidity rates for pharmaceutical patents.[1142] Therefore the tribunal rejected this claim. On the argument of discrimination based on nationality in particular, the Tribunal noted that the Claimant did not fully develop this argument, and did not give enough evidence to support its claim. Therefore, the Tribunal declared that it could "not infer discrimination from such a bare record".[1143]

3.2.5 Conclusion

The Tribunal therefore held that "even if it were to accept Claimant's position regarding the legal standards applicable to its allegations of arbitrariness and discrimination, Claimant has failed to establish the factual premise on which its allegations of arbitrariness and discrimination are based. The Tribunal has already concluded that there was no fundamental or dramatic change in Canadian patent law. In the circumstances presented in these proceedings, the evolution of the Canadian legal framework relating to Claimant's patents cannot sustain a claim of arbitrariness or discrimination going to a violation of NAFTA Articles 1105(1) or 1110(1)".[1144]

With regards to costs, the tribunal adhered to the "loser pays" principle and ordered the Claimant to bear the costs of the arbitration including the Tribunal's fees and expenses for a total amount of almost USD 750.000. [1145] In addition the Claimant was ordered to pay 75% of the Respondent's costs for legal representation and assistance, given that the Respondent did not prevail on jurisdiction. Eli Lilly was therefore ordered to pay to Canada CAD 4,448,625.32[1146] (around EUR 3.2 million).

3.3. Analysis

In this case the tribunal gave guidance on the potential scope of IP protection in investment agreements. The tribunal confirmed the established line already taken by previous investment tribunals that the conduct of domestic courts could only meet the threshold for violation of treaty standards if there was a "clear evidence of egregious and shocking conduct". Such threshold, as the tribunal recalls, is very high. In order to find a violation of investment standards

[1140] Ibid, para 426.
[1141] Ibid, para 433.
[1142] Ibid, para 435.
[1143] Ibid, para 441.
[1144] Ibid, para 442.
[1145] Ibid, para 457.
[1146] Ibid, para 460.

of protection, Eli Lilly would have had to demonstrate that there had been a dramatic change in the utility requirement as interpreted and applied by domestic courts, for which the threshold was again very high.

It appears that the analysis of the court on this specific aspect was of a general nature and does not relate to specific IP issues. On the contrary, it was asked to respond to the broader question of the liability of domestic court and which investment treaty standards are applicable to such conduct. The findings of the tribunal could therefore be replicated in other non-IP related cases.

The more specific question that the case at issue raised for the intellectual property regime was hence the question of whether the revocation of a patent by domestic courts, in the course of an annulment procedure brought by a third party, could amount to a violation of investment treaty standards. The answer is clearly negative, and the responsibility of the State can only be engaged in case of "egregious" or "shocking" conduct.

The main question which raises significant issues for the patent system in this case is the question of legitimate expectations that an investor arguably has that its patent would not be revoked. Eli Lilly has attempted to argue violation of the FET standards on the basis that "the patents specifically assured Claimant that it would have exclusive rights to make, use, and sell its invention until the expiry of the patents."[1147] However, Lilly's arguments were dismissed by the tribunal in a very clear and succinct statement, namely that "all patentees, including Claimant, understand that their patents are subject to challenge before the courts on the ground that the invention does not satisfy one or more patentability requirements".[1148] Such basic rule of the intellectual property system is therefore not being challenged by investment tribunals who can rely on the submissions of experts to understand and acknowledge the functioning of the intellectual property system and take it into account when making determinations concerning foreign investments.

4. Bridgestone v Panama

4.1 The facts

Bridgestone Licensing Services Inc (BSLS), Bridgestone Americas Inc (BSAM) and Bridgestone Corporation (BSJ) (hereinafter referred to as 'Bridgestone') contend that they have suffered an egregious denial of justice due to a decision of the Supreme Court of Panama.

Bridgestone has protected and used the "Firestone" and "Bridgestone" trademark in several countries including in Panama. Its strategy to protect its trademark consists in opposing any trademark application for tires which includes the suffix "stone" and to monitor the market to

[1147] Ibid, para 264.
[1148] Ibid, para 382.

identify brands which it considers to be confusingly similar to its trademarks, and further to ask the company to desist from marketing the tires.[1149]

In 2005, Muresa's application to register the "Riverstone" trademark for tires in Panama was published in the Official Gazette. Bridgestone filed an opposition, which was rejected in 2006 by the Panamanian court, which considered that the brands had already coexisted on the market at the time of application. Bridgestone filed an appeal, which they subsequently withdrew because they realized that they were likely to fail in the proceedings.[1150]

In 2007, Muresa filed a claim with domestic courts for damages of USD 5 million caused by the trademark opposition. They argued that the opposition had made them seize production and selling of tires. The Panamanian court of first instance ruled in favour of Bridgestone in 2010, finding that Muresa continued selling tires during the period of the trademark opposition action. They also found that there was no basis for the fear of seizure of tires and no evidence of the loss.[1151]

In 2011, Muresa appealed. In 2013, the appeal was dismissed, on the basis that the plaintiff must show that there is a real damage, that there is a fault or negligence on the part of the defendant (recklessness or fraud) and that there is a causal link between the two elements, which the plaintiff failed to show. Muresa then filed a permission to appeal to the Supreme Court which was granted.[1152] In 2014, the Supreme Court ruled in favour of Muresa, with one judge dissenting from the judgment, finding that "bringing a trademark opposition action, in circumstances where the trademark applicant was a competitor, was unlawful because there was a risk the competitor might thereby suffer loss".[1153] According to the Claimant, there was no hearing before the Supreme Court issued its judgment[1154]. The motion to overturn the Supreme Court's judgment was dismissed on 28 May 2016.[1155] The Supreme Court ordered BSJ and BSLS to pay the sum of US$ 5,431,000 to Muresa for damages and legal fees.[1156]

Bridgestone hence initiated investment arbitration proceedings in October 2016 following the Supreme Court decision.

4.2 The Claimant's case

The Claimant in this case argues that Panama has violated the fair and equitable treatment provision of the Trade Promotion Agreement between the United States and Panama ('TPA'), and in particular the denial of justice provision, following the decision of the Supreme Court of

[1149] *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama* ICSID Case No ARB/16/34, Claimants' Memorial (11 May 2018), para 18.
[1150] Ibid, paras 20-32.
[1151] Ibid, para 25.
[1152] Ibid, para 25.
[1153] Ibid, para 25.
[1154] Ibid, para 87.
[1155] Ibid, para 106.
[1156] *Bridgestone v Panama, Award*, para 549.

Panama. The Claimant argues that the decision "was so clearly improper and discreditable, and that its failure to adhere to Panamanian rules of procedure and standards of due process was so flagrant that it lead to an outcome that was manifestly unjust and shocks a sense of judicial propriety".[1157]

The Claimant stated that the ambassador of Panama in the Unites States admitted corruption of Panamanian courts[1158], and there had already been several complaints against Justice Ortega who ruled in favour of Muresa in the case at issue, for abuse of authority and corruption.[1159] However the Claimant contended that the Tribunal need not even decide on corruption, and that it will be sufficient to find that the decision constitutes a denial of justice.[1160]

In its memorial, the Claimant first established that its FIRESTONE trademark constitutes an investment under the TPA, namely because the trademark is registered in Panama, and because BSLS, who owns the trademark, has delegated its exploitation to its licensee BSAM.[1161] It also showed that BSLS qualifies as an investor under the TPA, given that BSLS is a US company, which made an investment in Panama.[1162] The dispute at hand arises directly out of BSLS's investment and in particular the judgment of the Panama Supreme Court, which imposed damages on BSLS for the trademark opposition procedure, which was aimed at protection BSLS's investment in Panama.[1163]

The Claimant then showed that BSAM's trademark licenses constitute an investment under the TPA, that BSAM also qualified as an investor under the TPA and that the dispute arises directly out of its investment.

Under the TPA, Panama committed to protect foreign investment against denial of justice and to provide fair and equitable treatment. The Claimant showed that it had exhausted all domestic remedies, which is a precondition to the denial of justice claim, in that no appeal to the Supreme Court decision was available.[1164] The Claimant argues that it has suffered a denial of justice because there was a fundamental breach of due process, the decision was arbitrary, there was corruption in the process, and the tribunal was incompetent.[1165]

The Claimant also argued that Panama breached its obligations under the national treatment and MFN provisions. The Claimant argued that they were not aware of any other similar decision by the Supreme Court in Panama, while there are hundreds of trademark oppositions

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[1157] *Bridgestone v Panama, Claimants' Memorial*, para 9.
[1158] Ibid, para 115.
[1159] Ibid, para 126.
[1160] Ibid, para 9.
[1161] Ibid, paras 137-139.
[1162] Ibid, para 142. Panama attempted to object the benefit of the TPA to BSLS since it is wholly owned by BSJ, a Japanese corporation, and that it does not have substantial business activities in the US. The Tribunal dismissed this objection, and was satisfied that BSLS has substantial business activities within the United States.
[1163] Ibid, para 144.
[1164] Ibid, para 164.
[1165] Ibid, paras 165-211.

every year. The Court has thus treated BSLS and BSJ "differently" than other investors and violated its obligation under the TPA.[1166] The Claimant requested the tribunal to order Panama to pay damages of between USD 5,929,293 and USD 18,243,952, in addition to attorney fees and expenses arising from the proceedings.[1167]

4.3 The Respondent's case

According to the Respondent, the Claimant has mischaracterized the Supreme Court decision, the proceeding that lead to it as well as the Panamanian norms. Panama mainly argues that the Complainant has failed to identify "a single cognizable claim" and that the tribunal lacks jurisdiction.[1168]

Panama contends that the Respondent does not fulfill the requirements to qualify as an "investor" pursuant to the TPA, because Bridgestone Corporation does not have the required nationality to bring a claim. The Respondent however admits that Bridgestone Licensing and Bridgestone Americas do qualify as investors within the meaning of the TPA.[1169] Panama therefore argues that the tribunal must assess the claims of each investor separately.[1170]

The position of Panama can be summarized as follows. There is no cognizable claim in respect of Bridgestone Americas nor Bridgestone Licensing, because they did not establish that Panama adopted a measure affecting the investor or its investments.[1171] Panama notably argues that the fact that there is no other "similar" decision by the Supreme Court is not enough to establish a breach of national treatment or most favoured nation.[1172]

The only claim for which the tribunal could have jurisdiction is the claim of denial of justice brought by Bridgestone Licensing. However, the Respondent is of the view that "denial of justice entails a high legal standard that requires more than the misapplication of domestic law."[1173] Panama also shows that Panama's Supreme Court did not misapply Panamanian law.[1174]

With regards to the damages claim, Panama demonstrates that it fails, for several reasons. Panama argues that the Claimant is seeking damages for the alleged diminution in value of its investments outside of Panama.[1175] Panama also argues that Bridgestone Licensing has failed

[1166] Ibid, para 222.
[1167] Ibid, para 242.
[1168] *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama* ICSID Case No ARB/16/34, Panama's Counter-Memorial (14 September 2018), para 3.
[1169] Ibid, para 8.
[1170] Ibid, para 9.
[1171] Ibid, para 14.
[1172] Ibid, paras 18-19.
[1173] Ibid, para 47.
[1174] Ibid, para 160.
[1175] Ibid, paras 175-185.

to prove actual injury, and has also failed to prove any causation between the Supreme Court's judgment and the alleged losses.[1176]

4.4 The findings of the tribunal

The Tribunal issued its final award on 14 August 2020.

On jurisdiction, the Tribunal first clarified that it has no jurisdiction to hear claims related to loss experienced outside of Panama.[1177] It therefore rejected the claims for loss from BSAM, but however found that it had jurisdiction to hear BSLS's claims.[1178]

On liability, the tribunal focused on the denial of justice claim under Article 10.5 of the TPA.[1179] The tribunal assessed several elements: the breach of due process, the errors of appraisal of the evidence (liability and damages), the judgment of the Supreme Court and the alleged corruption.

On the breach of due process, the tribunal basically assessed whether "the decision reached by the Court was one that no honest and competent court could have reached".[1180] In doing so, the tribunal considered whether the Supreme Court failed to comply with procedural rules under Panamanian law and failed to properly appraise evidence.

On the first point, the tribunal first observed that the cassation proceedings proceeded on the basis of an appropriate ground of recourse under Panamanian law. The tribunal declared without merit the Claimant's contention that the Supreme Court had applied the wrong ground for cassation.[1181] It also declared without merit the Claimant's argument that the Supreme Court was wrong to apply a specific article of the Panamanian judicial code when determining liability.[1182] The tribunal finally had to decide whether the Supreme Court was correct in admitting a specific piece of evidence (referred to as the "Foley Letter") during the proceedings. The tribunal, however, did not express a definitive view on this aspect, but solely noted that, even if the admission of this evidence was erroneous, it would not amount to an egregious or

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[1176] Ibid, para 191 and following.
[1177] *Bridgestone v Panama, Award*, para 200.
[1178] Ibid, para 219.
[1179] Article 10.5 entitled "Minimum Standard of Treatment" foresees that "Each Party shall accord to covered investments treatment in accordance with customary international law, including fair and equitable treatment and full protection and security." The second indent clarifies that "For greater certainty, paragraph 1 prescribes the customary international law minimum standard of treatment of aliens as the minimum standard of treatment to be afforded to covered investments. The concepts of 'fair and equitable treatment' and 'full protection and security' do not require treatment in addition to or beyond that which is required by that standard, and do not create additional substantive rights." Finally, the Article defines "fair and equitable treatment" as including "the obligation not to deny justice in criminal, civil, or administrative adjudicatory proceedings in accordance with the principle of due process embodied in the principal legal systems of the world". Interestingly, the third indent also further clarifies that "A determination that there has been a breach of another provision of this Agreement, or of a separate international agreement, does not establish that there has been a breach of this Article."
[1180] *Bridgestone v Panama, Award*, para 409.
[1181] Ibid, para 418.
[1182] Ibid, para 431.

shocking error that would qualify as a denial of justice under the relevant principles of international law.[1183]

On the second point, namely the appraisal of evidence, the most contentious issue was the appraisal of the Foley Letter. This letter had been written in 2004 by the Washington office of Foley & Lardner LLP, an international law firm, to Sanchelima & Associates, P.A., who had acted for L.V. International in the U.S. proceedings.[1184] In this letter, Foley & Lardner LLP warned against any use of the RIVERSTONE trademark in the US or in country in the world, and indicated that Bridgestone/Firestone would object to any registration or use of the RIVERSTONE trademark for tires in the US or any other country.[1185]

The tribunal focused on the assessment as to whether "the Foley Letter lend support to Muresa's allegation that bringing the Trademark Opposition Proceeding was reckless?"[1186] The tribunal took the view that the letter itself could not properly be described as reckless; "Nor does the evidence suggest that the letter had causative effect".[1187] The tribunal therefore disagreed on this aspect with the Supreme Court, but considered that this type of error incurred by the Supreme Court would not in itself establish a denial of justice, but that it would feed into the general picture that the tribunal will consider after carrying out its analysis.[1188]

The tribunal then considered the action of withdrawal of the appeal in the trademark opposition proceeding, and whether the trademark opposition action itself could qualify as reckless behaviour, as had found the Supreme Court. According to the tribunal, the Supreme Court did not even come to such conclusion, contrary to what the Claimant and even the dissenting judge of the Supreme Court contended.[1189] The tribunal considered that bringing proceedings without legal grounds and without carrying out an assessment of applicable Panamanian law was "ill-considered".[1190] The tribunal found that the Claimants could have reasonably known before bringing the appeal that they were unlikely to succeed, and therefore filing the appeal, and subsequently withdrawing it, could indeed be considered as reckless "if the potential consequences were significant".[1191]

The question of consequence went down to the question of causation, namely whether the trademark opposition proceeding had caused Muresa to stop or reduce selling RIVERSTONE tires. According to the Claimant, the reasoning of the Supreme Court was "simply incomprehensible".[1192] The tribunal found that evidence showing that Muresa had stopped

[1183] Ibid, para 455.
[1184] Ibid, para 232.
[1185] Ibid, para 232.
[1186] Ibid, para 470.
[1187] Ibid, para 472.
[1188] Ibid, para 475.
[1189] Ibid, para 479.
[1190] Ibid, para 489.
[1191] Ibid, para 496.
[1192] Ibid, para 498.

selling REIVERSTONE tires had been ignored by the Appeal Court, but subsequently accepted by the Supreme Court.[1193] However, the tribunal concluded that the Supreme Court had erred in attributing the Claimant responsibility for the decision taken by Muresa to stop or reduce the selling of its tires.[1194]

On the basis of all the facts of the case, the Tribunal concluded that the Supreme Court had indeed committed a certain number of mistakes, but that these mistakes do not demonstrate incompetence or corruption.[1195] On the allegation of corruption more specifically, the Tribunal assessed two elements: first, whether the Majority of the Supreme Court were incompetent or bribed and second, whether the declaration by the former Panamanian Ambassador to the United States that the judgment had been procured by corruption was established.[1196] The tribunal agreed with experts that, to find a denial of justice, a mere suspicion of corruption is not enough, but corruption must be established based on actual evidence. Despite the evidence submitted by the Claimant, the tribunal confirmed that the Supreme Court judgment did not give rise to a presumption of incompetence or corruption. Therefore the tribunal concluded that it "does not consider it desirable to ventilate further matters that might lend some peripheral support to a finding of corruption but that do not, of themselves, suffice to found such a finding, the more so as some of these matters involve Restricted Information."[1197] On the declaration of the Ambassador, the tribunal also found, based on a declaration of that same Ambassador during the hearings, that there was no evidence that he had made such statement.[1198]

The conclusion of the tribunal is worth reproducing here in its entirety "A judgment that had held BSJ and BSLS liable in damages simply for exercising their procedural right to file an objection to an application to register the RIVERSTONE trademark would have been startling indeed. This was not such a case, however. After the detailed analysis that this Arbitration has involved, the Tribunal understands the reasoning that led the Majority of the Supreme Court to reach its decision. It has identified defects in that reasoning, but these are no more than errors of judgment. They fall far short of demonstrating that the judgment was the product of incompetence or corruption. For these reasons, the claims of BSAM and BSLS must be dismissed".[1199]

The tribunal therefore dismissed the Claimants' claim, and ordered the Claimant to pay the Respondent US$ 6,941,085.73.

[1193] Ibid, para 499.
[1194] Ibid, para 505.
[1195] Ibid, para 530.
[1196] Ibid, para 533.
[1197] Ibid, para 538.
[1198] Ibid, para 546.
[1199] Ibid, para 547.

4.5 Analysis

There are two main takeaways that we can highlight at this stage. The first one is the relative importance of intellectual property law or standards in this case. Even though the question at the heart of the national proceedings was the lawfulness of the opposition procedure in the trademark proceedings, the question assessed by the investment tribunal is quite different, and relates mainly to the acting of the Supreme Court and the possible denial of justice that took place. It is therefore important to stress that even though, at first glance, the case seems to be an "intellectual property case" adjudicated by an investment tribunal, we posit that this is not quite the case.

The tribunal itself puts the importance of intellectual property law into perspective for the purpose of this specific denial of justice case, and more specifically the explanations from intellectual property law experts with regards to the difference between reservation of rights letters and cease and desist letters. After recalling the experts explanations with regards to this distinction and their respective position as to whether the Foley Letter was one or the other type of letter, the tribunal states "This is a good example of a false issue of expert evidence that does nothing to assist the Tribunal. As Ms. Kepchar for the Claimants remarked at the Hearing, it does not matter what you call the Foley Letter, all that matters is what it actually says and you do not need trademark experts to understand that".[1200] While this statement could seem somewhat presumptuous, it could also indicate on the contrary that investment tribunals such as the one in the case at issue is not questioning or interpreting intellectual property law and standards, but is rather solely focusing on investment-related standards. While the tribunal does, of course, listen and take into account the views of intellectual property experts when assessing the case, these insights help the tribunal to get a clear vision of the factual premises of the case at hand. The task of the tribunal is therefore not to interpret intellectual property standards but, when faced with a case with intellectual property elements, it does take all these elements into account as a factual premise.

The second main takeaway regards the significance of this award for trademark opposition proceedings, not only in Panama but globally. It could be argued that the award sets a dangerous precedent with regards to trademark opposition procedures, given that it has ruled that it had jurisdiction to hear the case. However this is, in our view, incorrect. While the ruling of the Panamanian Supreme Court could indeed be seen as dangerous as it found that a trademark opposition can be "reckless" and ordered the payment of high damages, the arbitral award is of a very different nature. Again, the investment tribunal's main task was to assess the lawfulness of the findings of the national Supreme Court against the denial of justice standards. Whether the main subject of Supreme Court's judgment is intellectual property or any other field of law is irrelevant to the findings of the investment tribunal.

[1200] Ibid, para 466.

This finding must however be put into perspective and it is important to acknowledge that the recent intertwining between intellectual property and investment law have raised certain concerns with regards to the safeguard of public interests such as public health.

B – Enhancing the safeguard of the public interest in investment arbitration: lessons learned from and for IP investment arbitration

International investment law and investment arbitration have been increasingly criticized for their inability to take into account or give importance to public interest objectives. Indeed, they could be described as rather one-sided instruments, protecting the interests of foreign investors, and neglecting at the same time what could be seen as conflicting interests, such as fundamental rights[1201], or the sovereignty of States. By contrast, it appears that the intellectual property system was built on the premise of a balance of interests involved. Even if one must acknowledge that this balance is not always achieved, conflicting interests are equilibrated by a system of rights and exceptions and limitations, which do not necessarily find an equivalent in investment law. The following sections will therefore focus on two specific aspects, namely fundamental rights and State sovereignty, in order to assess their relevance in investment protection, in light of intellectual property cases. Given the importance and vastness of these topics, the following sections are purposely limited and will not cover questions such as the corporate responsibility for human rights violations, human rights arguments in amicus curiae briefs, or questions regarding the transparency of investment procedures.

1. Fundamental rights, investment arbitration and IP: a disputed marriage

Talking about fundamental rights in the framework of investment arbitration is not the most intuitive combination. And indeed, for many years, fundamental rights considerations were absent from the discussions on how to shape international investment law. The same holds true for investment arbitration, namely because of the absence of legal basis for tribunals to address fundamental rights arguments.

However, in recent years, fundamental rights arguments have increasingly featured in investment arbitration, in particular arguments based on the ECHR and the case law of the ECtHR. José Alvarez has reviewed the use of European Human Rights Law in investor-state dispute settlement in a very detailed study from 2016.[1202] He looked at 760 cases from 1990 until 2016, and focused on the 343 cases that had neither been discontinued nor settled. He found that, out of these 343 awards, 65 (around 19%) contained references to the ECHR or the case law of the ECtHR.[1203]

However, the fact that European human rights law appeared in 19% of the results does not mean that it played an important role in all those cases. Alvarez made several caveats in this regard.

[1201] In this section, the concepts of 'human rights' and 'fundamental rights' are used interchangeably.
[1202] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 2.
[1203] Ibid, 2. For a detailed table of the 65 awards with one or more reference to ECHR, please see Ibid, 98-102.

First, in 12 of these cases, European human rights law was only mentioned in passing. Second, in some cases, the reference was found to be irrelevant. Third, the study was only based on data publicly available and therefore, more non-public awards might have used references to ECHR.[1204] Overall, Alvarez found that "neither litigants nor arbitrators have come to uniform conclusions about why ECHR caselaw might be relevant or persuasive authority for the interpretation of IIAs, whether that question is subject to a single answer applicable to all IIAs across distinct ISDS disputes, whether the relevance of ECHR law varies with the interpretative question at issue." [1205]

While several studies and research papers have looked at the link between fundamental rights and investment law in great detail[1206], the following sections will focus in particular on the question of the legal basis to import human rights arguments into investment arbitrations, based on arbitration practice, with a specific focus on European human rights law and IP investment arbitrations.

1.1 Human rights considerations in investment arbitration: the search for a legal basis

The need to integrate human rights into the investment sphere has grown progressively over time and is today at the heart of the debate over the reform of the investment protection system. There are several reasons for this growing importance of human rights. The main reason is that the international investment regime has been described by the literature as a threat to human rights.[1207] Indeed both IIAs and ISDS are seen as hindrances to the regulatory autonomy of States including to the fulfillment of human rights obligations such as the protection of the environment or the protection of public health.[1208]

For all these reasons, increasing the reference to human rights law in IIAs and ISDS is seen by the literature as desirable as it could help bridging the gap "between human rights and investment protection duties owed by States".[1209] In more general terms, an increased interaction could help reducing the fragmentation of international law, by taking into account human rights obligations when interpreting the scope of the regulatory leeway of States.[1210]

There seems to be a growing consensus that investment tribunals should consider human rights obligations for the reasons set out above. However, the legal basis to bring such obligations into

[1204] Ibid, 8.
[1205] Ibid, 8.
[1206] Dupuy, Francioni and Petersmann, *Human rights in international investment law and arbitration*; Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement' Alec Stone Sweet, 'Investor-State Arbitration: Proportionality's New Frontier' (2010) 4 L & Ethics Hum Rts 46; Nicolas Klein, 'Human rights and international investment law: investment protection as human right' (2012) 4 Goettingen J Int'l L 179; see also the work of the Columbia Center on Sustainable Investment on the nexus of investment and human rights, at: http://ccsi.columbia.edu/our-focus/human-rights-development/ (last accessed 8 February 2021).
[1207] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 3.
[1208] Ibid, 3.
[1209] Ibid, 3.
[1210] Gervais, *The Proposed Multilateral Investment Court Human Rights and Regulatory Lessons from Lilly v Canada, 9.*

investment arbitration are disputed. Several ways have been put forward to allow investment tribunals to hear and consider human rights arguments in their findings. First, certain BITs or IIAs can cover implicitly (or more rarely, explicitly) human rights obligations. For instance, if the agreement refers in its jurisdictional clause to "disputes in connection with an investment", this could allow to cover human rights violations "if and to the extent that they affect the investment."[1211] On the contrary, where the jurisdictional clause of the investment treaty refers to "breaches of this treaty" only (i.e. the investment agreement), it would necessarily exclude human rights arguments on this basis insofar as they are not explicitly (or implicitly) mentioned by the investment agreement.

Second, investment agreements usually define the applicable law as encompassing international and customary international law. The agreements can also refer to national law. In such cases, human rights instruments could be covered.[1212]

In the CETA, Article 8.31 on the applicable law and interpretation foresees that the Tribunal, when rendering its decision, shall apply the Agreement as interpreted in accordance with the VCLT, and "other rules and principles of international law applicable between the Parties". The Article further excludes the domestic law of the parties as applicable law (which the tribunal can, however, consider as a matter of fact). In addition the Article foresees that the CETA Joint Committee can issue binding interpretations of the Agreement.

In the EU-Singapore agreement, Article 3.13 foresees similarly that "the Tribunal shall apply this Agreement interpreted in accordance with the Vienna Convention on the Law of Treaties and other rules and principles of international law applicable between the Parties". The EU-Singapore agreement does not foresee any specific rules with regards to domestic law. It does, however, state that any interpretations taken by the Committee are binding on the tribunal.

Finally, the jurisdictional clause in the EU-Vietnam agreement foresees that the tribunal shall apply "provisions of Chapter 2 (Investment Protection) and other provisions of this Agreement, as applicable, as well as other rules or principles of international law applicable between the Parties, and take into consideration, as matter of fact, any relevant domestic law of the disputing Party."[1213]

It is interesting to note that the three agreements contain an additional, separate provision on general rules of interpretation.[1214] This provision foresees that the tribunal must interpret the provisions of the Agreement in accordance with customary rules of interpretation of public international law, including those set out in the VCLT. It also foresees that the tribunal shall take into account relevant interpretations in reports of Panels and the Appellate Body adopted

[1211] Ursula Kriebaum, 'Foreign Investments & Human Rights The Actors and Their Different Roles' (2013) 10 Transnational Dispute Management, 12.
[1212] Ibid, 12.
[1213] Article 3.42 of the EU-Vietnam Investment Protection Agreement.
[1214] Article 29.17 of the CETA, Article 3.42 of the EU-Singapore IPA and Article 3.21 of the EU-Vietnam IPA.

by the WTO Dispute Settlement Body. It is interesting to note that the language of the EU-Singapore IPA contains a small (but none the less crucial) addition, foreseeing that the interpretation adopted by the WTO DSB shall be taken into account where "an obligation under this Agreement is *identical* to an obligation under the WTO Agreement"[1215] (emphasis added).

As we can see, the reference to the VCLT is prominent in all these agreements. Some authors have put forward the Vienna Convention as a way to integrate human rights into investment arbitration, in particular Article 31(3)(c).[1216] Where some investment agreements refer, in their provision on applicable law, to any agreement or rule "applicable in the relations between the parties", the question of whether human rights apply can be asked. Indeed, and as we will see below with the specific example of the ECHR, the tribunal would first have to determine whether human rights obligations actually apply between the parties to the investment agreement. Where the investment agreements refers to human rights obligation in its preamble, or where both parties to the investment agreement are also party to a human rights instrument, the tribunal is likely to have a strong legal basis to accept jurisdiction. In the contrary, the question of the legal basis might be more difficult to answer.[1217]

Finally, Alvarez explored the possibility for investment tribunals to rely on jurisprudence. While he acknowledges that there is no obligation for arbitrators to rely on existing case-law, he states that it can help their reputation.[1218] Relying on existing case-law could help reducing the length of a procedure by avoiding to look into negotiation history.[1219] It could also help increasing the reputation of the arbitrators and the legitimacy of the award by relying on the interpretation of "another prominent court of adjudicator", including the judges of the ECHR.[1220]

Some investment tribunals have already referred to human rights instruments in their awards. Human rights arguments mostly come from respondent States in an attempt to defend their policy space, and also sometimes from amicus interveners, less from investors.[1221] In Micula v Romania the tribunal cited Article 15 of the Universal Declaration of Human Rights to uphold the nationality of the claimant.[1222] In Biloune v Ghana the claimant argued that he had been expropriated, denied justice and suffered violations of human rights. Since Ghana was not party to human rights instruments the claimant had to have recourse to the investment treaty. The tribunal declared that it lacked jurisdiction for the human rights arguments.[1223]

[1215] Article 3.42 of the EU-Singapore IPA.
[1216] Article 31(3)(c) on the general rule of interpretation reads "There shall be taken into account, together with the context […] Any relevant rules of international law applicable in the relations between the parties".
[1217] Kriebaum, 'Foreign Investments & Human Rights The Actors and Their Different Roles', 13.
[1218] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 47.
[1219] Ibid, 50.
[1220] Ibid, 48.
[1221] Ibid, 4.
[1222] Kriebaum, 'Foreign Investments & Human Rights The Actors and Their Different Roles', 4.
[1223] Ibid, 4.

Before turning to the specific case of the treatment of the ECHR and the jurisprudence of the ECtHR, it is worth mentioning that some agreements mention human rights instruments in their preamble. This is the case, for instance, in the CETA, where the Parties reaffirmed "their strong attachment to democracy and to fundamental rights as laid down in the Universal Declaration of Human Rights", or in the EU-Singapore and EU-Vietnam IPAs, where the Parties also reaffirmed in similar terms "their commitment to the Charter of the United Nations signed in San Francisco on 26 June 1945 and having regard to the principles articulated in The Universal Declaration of Human Rights […]".

1.2 The European Convention of Human Rights and the case-law of the Strasbourg Court

A prominent instrument for the protection of Human Rights, which has sometimes been referred to by investment tribunals, is the Convention for the Protection of Human Rights and Fundamental Freedoms, better known as the European Convention on Human Rights. When the Convention came into force in 1953, it was the first instrument to give effect to certain rights stated in the Universal Declaration of Human Rights by making them binding.

The European Court of Human Rights was set up in 1959 to rule on both individual and State applications alleging violations of the rights set out in the Convention. The judgments issued by the Court are binding on the countries concerned and the Court has built a strong jurisprudence over the years. The 47 Member States of the Council of Europe have ratified the Convention and accepted the jurisdiction of the Court.

The ECtHR has developed important principles of law based on the Convention, such as the principles of proportionality and the margin of appreciation. Authors have suggested that investment tribunals should use these principles in order to adopt a balanced approach to the interpretation of IIAs. Such "cross-fertilization" could be beneficial to the coherence and consistency of international investment law.[1224] However, Alvarez found that reference to ECHR in investment arbitration cases "tells a more complicated story that challenges [these] assumptions" (emphasis added).[1225] Indeed, not only can human rights arguments be brought for very different purposes by both investors and States, they have also not lead to "more consistent results or reasoning among different arbitral tribunals", Alvarez says.[1226]

The problem of fragmentation seems to result mainly from the fact that ECHR and IIAs share different objectives. These two bodies of law have different scopes and purposes, and so are the rights they entail. There are nevertheless reasons to push for a greater integration of ECHR principles in investment law. While the scope and purpose of these bodies of law differs in some aspects, there are also overlaps between some of their standards of protection. Alvarez notes the similarities "between the provisions of most IIAs and Article I of Protocol I of the

[1224] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 5.
[1225] Ibid, 5.
[1226] Ibid, 5.

ECHR (right to protection of possessions), its Article 6 (1) (rights to fair process in civil cases), Article 13 (right to an effective remedy), and Article 14 (prohibition of discrimination)".[1227]

It has been argued that a greater reference to human rights law may increase the legitimacy of investment arbitration and investment protection in general.[1228] It may also help filling interpretative gaps in international investment law. Stephan Schill argues that analogies with and from other disciplines of public international law can help resolving interpretative difficulties in investment law.[1229] For instance, in determining the scope of minimum standards of treatment or interpreting the concept of legitimate expectation, investment tribunals in the Mondev and Total cases have relied on the case law of the ECtHR.[1230]

Therefore, what are the legal tools that arbitrators may use to refer to the ECHR? What is the legal base? There are several legal justifications to integrate the ECHR as applicable law.

Article 31(3)(c) of the VCLT foresees that any relevant rules of international law applicable in the relations between the Parties shall be taken into account, together with the context, to interpret the treaty. As we have seen, some IIAs also make reference to rules of public international law as relevant context to interpret the Treaty. For instance, CETA Article 29.17 on the General rule of interpretation foresees "The arbitration panel shall interpret the provisions of this Agreement in accordance with customary rules of interpretation of public international law, including those set out in the Vienna Convention on the Law of Treaties […]."

It is important to note that the VCLT refers to rules applicable between the Parties. Where both parties to the arbitration are also party to the ECHR, we see no difficulty in relying on the ECHR as a set of rules of international law applicable between the Parties. Alvarez found that, out of the 53 disputes he identified where tribunals made a reference to ECHR, both parties to the dispute were also party to the ECHR in 34 cases. However, tribunals do often not indicate why the ECHR is being invoked or applied.[1231]

On the other hand, it is doubtful that an investment tribunal could apply the ECHR where one or both parties are not parties to the ECHR. It could be asked whether, in such case, the tribunal could rely on the ECHR with regards to only the party to the ECHR. For instance, whether it could find justifications of overriding reasons of public interest to justify an action or omission of a State in the ECHR. This however seems rather far-reaching, and it could lead to an uneven playing field where different rules apply to the parties to the dispute, which would be contrary to the purpose of the IIA. Alvarez, in the same vein, finds that "[i]t should not be presumed that

[1227] Ibid, 52.
[1228] Ibid, 56.
[1229] Stephan W. Schill, 'International Investment Law and Comparative Public Law—an Introduction' in Stephan W. Schill (ed), *International Investment Law and Comparative Public Law* (Oxford University Press 2010), 27.
[1230] Anthea Roberts, 'Clash of Paradigms: Actors and Analogies Shaping the Investment Treaty System' (2013) 107 American Journal of International Law, 7.
[1231] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 77.

such a reference, in a BIT between an ECHR party and a non-party, is intended to incorporate regional human rights law applicable only to one BIT party."[1232]

Some BITs also have clauses that allow the Parties to rely on any more favorable treatment accorded under international agreements in force between the Parties. More favorable treatment could therefore be found in the ECHR, and where both Parties to the investment proceedings are also bound by the Convention, the ECHR could apply.

Finally, the tribunal could still make a reference to the ECHR without suggesting that the rules are binding, but only to provide context, example, or draw a comparative analysis between the interpretation of similar standards. This appears to be the approach followed by most investment tribunals who have been faced with ECHR arguments. Most tribunals do not address the question of the applicable law and do therefore not clarify whether the ECHR is legally binding in the investment dispute.[1233]

In Rompetrol v Romania[1234], both the Claimant and the Respondent brought human rights arguments in the course of the proceedings. The Respondent filed with the Tribunal a decision of the ECHR at a late stage of the proceedings. However the tribunal rejected the request since the Respondent's application was made at a too late stage of the proceedings.[1235] Under the denial of justice claim, Romania argued that the ECHR supplied the appropriate standard for BIT, and that, if the ECHR standard was respected, there would be no breach of the Treaty standard. The Respondent however, argued that "human rights standards set a 'floor,' but not a 'ceiling' that would limit the level of protection that might be granted under the Treaty, so that ECHR case law can only be of assistance by analogy".[1236] The tribunal also extensively addressed the relevance of the ECHR to the proceedings.[1237] It found that "it is not competent to decide issues as to the application of the ECHR within Romania", and that "the governing law for the issues which do fall to the Tribunal to decide is the BIT". [1238] The tribunal notably considered that the claims at issue, which are those of the investor in respect with its investments in Romania, "are qualitatively different in kind from whatever complaints there might be by individuals as to the violation of their individual rights by Romanian state authorities".[1239] However, the tribunal considered that the ECHR could be useful material to help in the interpretation of some BIT standards, such as the fair and equitable treatment.[1240]

[1232] Ibid, 78.
[1233] Ibid, 79.
[1234] *The Rompetrol Group N.V. v. Romania* ICSID Case No ARB/06/3, Award (6 May 2013).
[1235] Ibid, para 30.
[1236] Ibid, para 60.
[1237] Ibid, paras 168-172.
[1238] Ibid, para 168.
[1239] Ibid, para 168.
[1240] Ibid, para 168.

In Fireman's Fund v. Mexico,[1241] the Tribunal considered several elements to qualify an expropriation as compensable, including a factor used by the ECtHR, namely the "proportionality between the means employed and the aim sought to be realized".[1242] In a footnote, the Tribunal notes that it has doubts as to whether such factor may be "a viable source of interpreting Article 1110 of the NAFTA".[1243] However, before assessing whether the potential expropriation was or not compensable, it first had to determine whether there was an expropriation at all. Since it found that the Claimant's investments had not been expropriated, it did not have to turn to an assessment of the factors defining a compensable expropriation, including the factor stemming from ECtHR case-law.[1244]

This criteria of the "proportionality" was notably developed by the ECtHR in its Judgment of 21 February 1986, in the case of James and others v. the United Kingdom, where the Strasbourg Court found: "Not only must a measure depriving a person of his property pursue, on the facts as well as in principle, a legitimate aim 'in the public interest', but there must also be a reasonable relationship of proportionality between the means employed and the aim sought to be realized".[1245] This requirement was expressed in an earlier judgment of the Court by the notion of "fair balance" to be struck "between the demands of the general interest of the community and the requirements of the protection of the individual's fundamental rights".[1246]

This criteria was subsequently relied upon by other investment tribunals to interpret expropriation provisions of IIAs, and notably the need for compensation.[1247] In these cases, the investment tribunals considered the interpretation of the ECHR to be a "useful guidance" for the purpose of determining the scope of the expropriation provision under the IIA as well as the need for compensation.

Other investment protection standards have been interpreted in light of the Strasbourg Court's jurisprudence, namely the fair and equitable treatment standard. The Tribunal in Total v. Argentina, when interpreting the fair and equitable standard under the France-Argentina BIT, considered that a comparative analysis of the protection of legitimate expectations in domestic jurisdictions was justified. The tribunal explained that, since "the concept of legitimate expectations is based on the requirement of good faith, one of the general principles referred to in Article 38(1)(c) of the Statute of the International Court of Justice as a source of international law", the comparative analysis was justified.[1248] The tribunal further explained that the interpretation of EU law was relevant from a comparative law perspective since the principle

[1241] *Fireman's Fund Insurance Company v. The United Mexican States* ICSID Case No ARB(AF)/02/1, Award (17 July 2006).
[1242] Ibid, para 176.
[1243] Ibid, para 176.
[1244] Ibid, para 217.
[1245] *James and Others v. The United Kingdom* no 8793/79, A98, ECHR 1986, para 50.
[1246] *Sporrong and Lönnroth v. Sweden* no 7151/75, A52, ECHR 1982, para 69.
[1247] *Tecmed v. Mexico*, para 122; *Azurix Corp. v. The Argentine Republic* ICSID Case No ARB/01/12, Award (14 July 2006), paras 311-312.
[1248] *Total S.A. v. The Argentine Republic* ICSID Case No ARB/04/01, Award (27 November 2013), para 128.

of legitimate expectations has been based on the international law principle of good faith.[1249] It also referred to the interpretation of the ECtHR in the context of the fundamental right to property.[1250]

In Mondev v. USA, the Tribunal relied on the jurisprudence of the ECtHR by analogy and stated, that even if the standard developed by the ECtHR were to be applicable under NAFTA, there was no violation of the NAFTA standard in the case at issue.[1251] The reasoning by analogy was also further developed in relation to the immunities of public authorities.[1252]

Some investment tribunals have therefore taken human rights into account in their interpretation and reasoning, but we must once again recall that this concerns a rather small proportion of the entirety of investment award. Alvarez found that, among all the 760 cases adjudicated between 1990-2016, in looking in particular at the 343 that had been neither discontinued or settled, only 65 (or 19%) of those cases contained a reference to ECtHR or its jurisprudence.[1253] In addition, in 12 of those cases, ECHR was only mentioned in passing, and in a "significant number" of the remaining 53 cases, the reference was found to be inapposite or irrelevant.[1254] In several cases, the tribunals also simply rejected arguments based on ECHR as being completely extraneous to the arbitration and having no link with the investment at stake.[1255]

Therefore, a tentative conclusion taking into account the empirical analysis conducted by scholars on the use of human rights arguments in investment arbitration as well as the findings of some investment tribunals reveals that the use of human rights arguments has not yet led to more "human rights friendly" investment law. Investment tribunals still seem reluctant to accept jurisdiction over and interpret human rights law, which can be used by both investors and States to defend very different and sometimes contradicting interests. Instead of relying on external instruments such as the ECHR to improve the balance of interests in IIAs and increase the legitimacy of investment arbitration, policy makers should therefore rather focus on improving the language of IIAs and the rules and procedure for investment arbitration proceeding to achieve these objectives.[1256] In view of the creation of a possible multilateral investment court,

[1249] Ibid, para 130.
[1250] Ibid, para 129.
[1251] *Mondev International Ltd. v. United States of America*, para 138.
[1252] Ibid, paras 141-144.
[1253] Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement', 2.
[1254] Ibid, 8.
[1255] See, in this regard, *Siemens A.G. v. The Argentine Republic*; *Teinver S.A., Transportes de Cercanías S.A. and Autobuses Urbanos del Sur S.A. v. The Argentine Republic* ICSID Case No ARB/09/1, Decision on Jurisdiction (21 December 2012); *ST-AD GmbH v. Republic of Bulgaria* UNCITRAL, PCA Case No 2011-06, Award on Jurisdiction (18 July 2013)
[1256] For a more detailed analysis of the introduction of human rights considerations in investment rule-making, *see* Bruno Simma, 'Foreign Investment Arbitration: A Place for Human Rights?' (2011) 60 International and Comparative Law Quarterly 573.

Gervais for instance proposes to include "solid and convincing interpretative principles" in the statute establishing the new court.[1257]

1.3 Case study: intellectual property investment arbitration cases

Before looking at the investment cases which have dealt with intellectual property matters, it is worth mentioning, like Gervais rightly notes, that intellectual property and the right to health are not *jus cogens*, in the sense that they do not create obligations from which treaties cannot derogate.[1258] However, Gervais finds that human rights could serve as a guidance to tribunals and "compensate for the excessively economic focus of trade law".[1259]

In this line of thought, we have looked earlier at the 13 cases which have some intellectual property implications. The table of the cases as well as document reviewed in each cases is reproduced in the Annex. In order to search for references to human rights law in these awards and other documents related to the arbitration, we made a search using different key words, notably "human right", "fundamental right", "ECHR" and "ECtHR", or their equivalent concept in French where the documents were in French.[1260]

The result of the search is rather surprising and does not seem to follow the general trend on the use of human rights arguments in investment arbitration, as identified by Alvarez. Indeed, out of the 13 cases scrutinized, a reference to one of the key words identified above was found in 6 cases. In 4 cases there was no reference to any of the key words identified. For 2 cases, no documentation is disclosed, and it was therefore not possible to conduct the search. Finally, in one case, a reference was made to "fundamental public welfare objective - the protection of public health", which for the purpose of this exercise, we do not consider as a reference to human rights or to a human rights instrument.

In 46% of the cases a reference to human rights was found, which is far beyond the figure that Alvarez found after reviewing all investment arbitration awards (around 19%). However, several disclaimers must be made at this stage. First, as we have stated earlier, some proceedings can be confidential and no information on the claims and decision be disclosed. Second, even where some information about a case is available to the public, not all the documents related to the arbitration are disclosed. This is for instance the case where only the award was published. It could therefore happen that a party made an argument based on human rights at an early stage at the proceeding, but that the tribunal did not subsequently address such argument in its award.

[1257] Gervais, *The Proposed Multilateral Investment Court Human Rights and Regulatory Lessons from Lilly v Canada, 9.*
[1258] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 480.
[1259] Ibid, 481.
[1260] This was the case for *AHS Niger v. Niger*.

In addition, some information in a published award can be hidden for purpose of confidentiality of the information.

With these elements in mind, it is however possible to scrutinize the cases available before us to determine whether and how the parties and tribunals have dealt with human rights arguments in the investment arbitration. Among the 6 cases where we have found a reference, half of them only mention human rights in passing.

1.3.1 Generation Ukraine v Ukraine

In Generation Ukraine v Ukraine, the tribunal relied on the interlocutory award in Starrett Housing Corporation v. Iran to state that "While assumption of control over property by a government does not automatically and immediately justify a conclusion that the property has been taken by the government, thus requiring compensation under international law, such a conclusion is warranted whenever events demonstrate that the owner was deprived of the *fundamental rights of ownership* and it appears that this deprivation is not merely ephemeral"[1261] (emphasis added). While recognizing that investors have a fundamental right to property (or ownership), the tribunal concluded in this case that the Claimant had not been expropriated.

1.3.2 Apotex v USA (III)

In Apotex v USA (III), the Claimant was banned from exporting identified drugs to the USA as these drugs had been classified as "adulterated" according to US law. The import ban was immediate and without real possibility for the Claimant to challenge the decision of the US authorities. On this basis, the Claimant initiated arbitration proceedings against the US on several grounds, notably the violation of NAFTA Article 1105 (minimum standard of treatment). The Claimant namely considered that the Respondent "should have allowed Apotex Inc. to continue exporting adulterated drugs to the USA until it had been afforded six 'procedural safeguards': (i) a hearing; (ii) with advance notice; (iii) before an impartial body; (iv) where the party may present evidence and contest the decision; (v) with a reasoned decision relying on all relevant legal and factual considerations; and (vi) with judicial review of that decision."[1262] Given the absence of these safeguards, the Claimant contended that the Respondent had violated the customary international law minimum standards of treatment.

The Respondent argued that the Claimant did not establish that these procedural safeguards are "customary rules of international law that form part of the minimum standard of treatment under NAFTA Article 1105".[1263] On the contrary, the Respondent submitted that the Claimant deduced these safeguards from "soft law sources, law review articles, working papers, and *human right*s, trade and European Union decisions that have no bearing on this case"[1264]

[1261] *Generation Ukraine, Inc. v. Ukraine*, para 20.23.
[1262] *Apotex v. USA (III)*, para 2.64.
[1263] Ibid, para 2.64.
[1264] Ibid, para 2.65.

(emphasis added). The Respondent considered international law does not prevent a State from banning import on drugs it considers a risk for public health and the safety of the people. A different conclusion, the Respondent said, would have enormous implications and constitute a potential danger for patients.[1265]

Two human rights were potentially at stake here. The Claimant relied on a fundamental right to due process, while the Respondent stressed the duty of States to protect public health. The Tribunal eventually found that "the state practice available to the Tribunal in the specific context presented here, namely the regulation of imported drug products, weighs heavily against the assertion that the claimed protections are required by customary international law."[1266] It concluded that the Respondent "failed to establish that the Respondent's conduct rose to the threshold of severity and gravity required to establish a violation of NAFTA Article 1105".[1267]

1.3.3 Bridgestone v. Panama

In Bridgestone v. Panama, a short reference to the American Convention on Human Rights was found in the Claimant's Memorial. The Claimant stated that the Convention, which is incorporated in the laws of Panama, guarantees due process.[1268] The final award, however, does not make any reference to fundamental rights or human rights instruments in general.

1.3.4 Grand River v. USA

In Grand River v. USA, the tribunal was faced with the diverging arguments as to whether the reference to international law in NAFTA[1269] should be construed as encompassing human rights instruments. The Claimants urged a broad understanding of the obligation to take international law rules into account, including customary rules relevant to indigenous people and human rights norms, including but not limited to *jus cogens* principles.[1270] The Respondent disputed the Claimants' broad interpretation.

In the Claimants' view, several norms on the protection of the rights of indigenous people have acquired the status customary international law.[1271] The Claimants invoked several sources to

[1265] Ibid, para 2.65.
[1266] Ibid, para 9.27. For the entire reasoning of the tribunal see ibid, paras 9.15-9.65.
[1267] Ibid, para 9.65.
[1268] *Bridgestone v Panama, Claimants' Memorial*, para 167.
[1269] Under NAFTA Article 102(2), NAFTA must be interpreted and applied "in the light of its objectives set out in paragraph 1 and in accordance with applicable rules of international law." Under Article 1131(1), the Tribunal "shall decide the issues in dispute in accordance with this Agreement and applicable rules of international law." Under Article 1131(2), "an interpretation by the Commission of a provision of this Agreement shall be binding on a Tribunal established under this Section."
[1270] *Grand River Enterprises Six Nations, Ltd., et al. v. United States of America*, paras 65-66.
[1271] Ibid, para 67, referring to "an 'evolving norm of customary international law, [embodying] the duty of States to respect and protect the rights and interests of First Nations across borders, in good faith,' a customary rule requiring States 'to honor obligations undertaken with respect to First Nations,' an obligation 'to respect the rights of indigenous peoples to occupy and enjoy their traditional territories,' and a principle of 'constant promotion and protection for First Nations members' in respect of traditional commercial activities carried on in their territories across borders".

establish the existence of such customary norms, including Article 21 of the Inter-American Convention on Human Rights, Article 17 of the Universal Declaration of Human Rights, Articles 17 and 19 of the United Nations Declaration on the Rights of Indigenous Peoples, Article 6(1)(a) of ILO Convention 169 as well as the jurisprudence of the Inter-American Court of Human Rights.[1272] The Claimant argued that "their interests should be assessed in harmony with the communal property rights of indigenous peoples".[1273]

In the Claimants' view, international legal obligations are therefore 'relevant' in determining the obligations under Article 1105, and the content of Article 1105 is shaped notably by international human rights treaties and customary principles of human rights law.[1274]

The Respondent disagreed with the Claimant and argued that the UN Declaration on the Rights of Indigenous Peoples does not represent customary international law. In addition, the Respondent pointed to the fact that the United States voted against the Declaration at its adoption by the General Assembly in 2007. It finally argued that, even if the Tribunal should consider these rules as customary rules, these mandate consultation with indigenous communities as opposed to individuals.[1275]

The Tribunal adopted a careful reading of the obligation to take into account other rules of international law. In the Tribunal's view, this obligation merely requires to respect the Vienna Convention's rules of treaty interpretation. It does not, however, "provide a license to import into NAFTA legal elements from other treaties, or to allow alteration of an interpretation established through the normal interpretive processes of the Vienna Convention".[1276] The Tribunal recalled that it has a limited jurisdiction, which does not allow it to decide on claims based on treaties other than NAFTA.[1277]

The Tribunal concluded that the Claimants had failed to show that they have an investment in the United States, and part of their claims were therefore dismissed for lack of jurisdiction.[1278] However the Tribunal found that it had jurisdiction over the NAFTA Article 1110 expropriation claim and NAFTA Article 1105 minimum standard of treatment claim of one of the Claimants.[1279] In the context of these claims, the Tribunal assessed the relevance of international law norms.

Regarding Article 1105, the Tribunal deduced from the text of the Article that "the controlling element in applying Article 1105 is international law."[1280] It therefore found that the "fair and equitable treatment" and "full protection and security" standards are not "independent" or "free-

[1272] Ibid, para 182.
[1273] Ibid, para 67.
[1274] Ibid, para 180.
[1275] Ibid, para 200.
[1276] Ibid, para 71.
[1277] Ibid, para 71.
[1278] Ibid, para 122.
[1279] Ibid, para 126.
[1280] Ibid, para 174.

standing concepts" which content would be determined by sources such as equity or the preference of arbitrators.[1281] On the contrary, the content of these standards is determined by international law.

The Tribunal relied on the interpretation provided by the NAFTA Free Trade Commission[1282] which stated that the "concepts of 'fair and equitable treatment' and 'full protection and security' do not require treatment in addition to or beyond that which is required by the customary international law minimum standard of treatment of aliens."[1283] In addition, the Commission clarified that a "determination that there has been a breach of another provision of the NAFTA, or of a separate international agreement, does not establish that there has been a breach of Article 1105(1)".[1284]

The Tribunal therefore disagreed with the argument made by the Claimants and found that the content of Article 1105 must be determined by reference to customary international law, not by reference to standards contained in other treaties or NAFTA provisions or any other source, including human rights treaties.[1285] It found that "to hold otherwise would make Article 1105 a vehicle for generally litigating claims based on alleged infractions of domestic and international law and thereby unduly circumvent the limited reach of Article 1105 as determined by the Free Trade Commission in its binding directive".[1286]

The Tribunal did not fully answer the question of whether the UN Declaration has acquired the status of customary international law. It found that the Respondent's had argued in "sweeping terms" that the Declaration did not represent customary international law and the Respondents' counsel even admitted that some parts of the Declaration could "reflect fundamental human rights principles and emerging customary law".[1287] However, it agreed with the Respondent on the fact that the Declaration foresees an obligation to consult communities or collectivities of indigenous peoples, and that it would go "well beyond any articulation of the indigenous consultation norm, as well as far beyond its conceptual foundations as understood by the Tribunal" to conclude that it also requires the consultation of individual investors.[1288]

In conclusion, the Tribunal found that it did not have jurisdiction over most claims because there was no investment, and that even where it had jurisdiction, it could not find any violation of NAFTA provisions. All claims were therefore dismissed.

[1281] Ibid, para 174.
[1282] Which is binding on the Tribunal pursuant to NAFTA Article 1131(2).
[1283] NAFTA Free Trade Commission, *Notes of Interpretation of Certain Chapter 11 Provisions* (31 July 2001).
[1284] Ibid.
[1285] *Grand River Enterprises Six Nations, Ltd., et al. v. United States of America*, para 176.
[1286] Ibid, para 219.
[1287] Ibid, para 210.
[1288] Ibid, para 211.

1.3.5 Joseph Charles Lemire v. Ukraine

From the outset it must be mentioned that one arbitrator mentioned fundamental rights in its dissenting Opinion to the Decision on Jurisdiction and Liability. There, it found that the process had violated the Respondent's Right to be Heard, and relied on previous case-law as well as doctrine to recall that "[i]t is fundamental, as a matter of procedure, that each party is given the right to be heard before an independent and impartial tribunal. This includes the right to state its […] defence and to produce all arguments and evidence in support of it. This *fundamental right* has to be ensured on an equal level […]."[1289] (emphasis added)

In the Award, human rights arguments were brought up in relation to the calculation of compensation for breach of the treaty standards of protection, in particular the violation of the FET standard. In a nutshell, the Tribunal had found the Respondent to be liable for breach of the BIT in its First Decision[1290], and the tribunal still had to answer "the question of appropriate redress of the breach, including the quantification of damages" as well as "whether the circumstances of the case, and the harassment which Claimant has allegedly suffered, merit the awarding of moral damages."[1291]

The Tribunal acknowledged that the answer to the first question was "particularly thorny".[1292] It found that the calculation of the damages would require making certain assumptions, which must be checked and reasonable. It stated that the "difficulty in calculation cannot, however, deprive an investor, who has suffered injury, from his fundamental right to see his losses redressed".[1293]

The Tribunal also noted that "there is indeed an adequate proportionality between the compensation awarded to Mr. Lemire and his investment – not in cash alone but in a combination of cash, risk-taking, personal commitment, and the essential contribution of a path-breaker".[1294]

With regards to the existence of moral damages, the Respondent pointed out that "the amounts awarded for moral damages before international human rights courts and tribunals are much lower than that requested by Claimant."[1295]

[1289] *Joseph Charles Lemire v. Ukraine* ICSID Case No ARB/06/18, Dissenting Opinion of Arbitrator Dr Jürgen Voss (1 March 2011), para 350.
[1290] The Tribunal summarized its findings in the First Decision as follows: "[…] Gala Radio, although it tried insistently for six years, and presented more than 200 applications for all types of frequencies, was prevented, because of wrongful actions of the National Council, from obtaining a single licence (except for one in a small village in rural Ukraine). If it had not been for this delictual treatment, Gala Radio would now be a bigger, more profitable and more valuable radio operator." *See Joseph Charles Lemire v. Ukraine*, para 243.
[1291] Ibid, para 117.
[1292] Ibid, para 249.
[1293] Ibid, para 249.
[1294] Ibid, para 306.
[1295] Ibid, para 324.

The Tribunal carried out a very lengthy and detailed analysis to answer both questions. While it found that the Claimant should not be awarded moral damages, it ordered the Respondent to pay to the Claimant 8,717,850 USD as compensation for the violation of the FET standard, as well as 750,000 USD as compensation for the costs and expenses incurred in this arbitration.[1296]

1.3.6 Philip Morris v. Uruguay

This case is probably the most iconic and detailed one when it comes to the triangle investment, intellectual property and fundamental rights. The protection of public health lies at the heart of this case, and it therefore comes with no surprise that the Tribunal as well as the Parties referred several times to the "human rights to health" in the course of the proceedings. While there are numerous references to the right to health or the protection of public health (and other synonyms) in the award, there a fewer explicit references to the concepts of "human rights" or "fundamental rights" or to human rights instruments. This section will therefore focus on the latter.

An explicit reference is first to be found in the Tribunal's analysis of the expropriation claim under Article 5 of the Treaty. The Tribunal first recalled that, historically, investment tribunals did not necessarily consider that State's *bona fide* exercise of police powers could be excluded from the scope of expropriation and compensation.[1297] It was only after the 2000s that investment decisions developed a differentiation between police powers and indirect expropriation, anchoring the content and conditions of the State's powers in international law. The principle now recognized by this body of decisions is that the characterization of a measure as expropriatory depends on the nature and purpose of the State's measures. The Tribunal noted that some decisions have relied explicitly on the jurisprudence of the ECtHR in finding so.[1298]

In the case at hand, in order to find that the measures were a "valid exercise by Uruguay of its police powers for the protection of public health"[1299] and could therefore not amount to an expropriation, the Tribunal relied on the obligation of Uruguay under the WHO Framework Convention on Tobacco Control (FCTC) and other instruments. The Tribunal notably found that the Uruguayan Law on Tobacco Control and the resulting disputed measures were adopted "in fulfillment of the obligations undertaken by Uruguay under" the FCTC.[1300] It recalled that the FCTC, to which Uruguay is a party, is "one of the international conventions […] guaranteeing the human rights to health".[1301] The Tribunal also noted in a rather confusing footnote that Uruguay is also a party to the European Convention for the Protection of Human Rights, which, in the Tribunal's words, is "another source of decisions regarding the police powers doctrine".[1302] While in this specific case the Tribunal must have erred in identifying the

[1296] Ibid, 106.
[1297] *Philip Morris v. Uruguay, Award*, para 295.
[1298] Ibid, para 295.
[1299] Ibid, para 307.
[1300] Ibid, para 304.
[1301] Ibid, para 304.
[1302] Ibid, footnote 403.

correct instrument to which it intended to refer[1303], and regardless of whether the Convention is binding on either of the Parties, the Tribunal referred to the ECHR and ECtHR in several instances.

First, under the denial of fair and equitable treatment section, the Tribunal assessed whether the challenged measures were arbitrary. One of the arguments brought forward by the Claimant was that the measures were adopted "without due consideration by public officials".[1304] The Tribunal remarked that a certain "margin of appreciation" must be recognized to public authorities in their regulatory powers. In the Claimant's view, this concept has no application in the investment proceeding since it is applied by the ECtHR while interpreting "the specific language of Article 1 of the Protocol to the Convention, no analogous provision being contained in the BIT."[1305]

The Tribunal however considered that this concept is not limited to the context of the ECHR but "'applies equally to claims arising under BITs', at least in contexts such as public health".[1306] The Tribunal relied on other investment arbitration awards to conclude that a great deference is owed to governments in matters such as the regulation and protection of public health, and that it should limit itself to assessing whether the discretionary exercise of sovereign power was not made "irrationally and not exercised in bad faith", and whether or not "there was a manifest lack of reasons for the legislation".[1307]

The Tribunal also relied on the case-law of ECtHR to explain the separation in Uruguayan law between constitutional and administrative courts[1308], as the apparent contradiction between the decisions of both courts lied at the heart of the Claimant's denial of justice claim.

While the Tribunal used several concepts arising from the jurisprudence of the ECtHR in its reasoning, an even greater number of references is to be found in the dissenting opinion by Gary Born. As we mentioned earlier in this paper, Gary Born disagreed with the Tribunal's analysis on the denial of justice claim as well as the fair and equitable treatment claim but only insofar as it relates to the single presentation requirement.

Finally, on the denial of justice claim, Gary Born notes that the Tribunal relied on the jurisprudence of the ECtHR, and in particular the decision Nejdet Şahin and Perihan Şahin v. Turkey ("Şahin v. Turkey") to conclude that the contradictory interpretations by the two Uruguayan Court did not amount to a denial of justice. Born disagreed not only on the relevance of this decision in the case at issue, but even more broadly on the relevance of the jurisprudence

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[1303] The Convention is opened to ratification by the Member States of the Council of Europe only.
[1304] *Philip Morris v. Uruguay, Award*, para 397.
[1305] Ibid, para 398.
[1306] Ibid, para 399.
[1307] Ibid, para 399, citing *Electrabel S.A. v. Republic of Hungary*, para 8.35; *Saluka v Czech Republic*, paras 272-273; *Frontier Petroleum Services Ltd. v. The Czech Republic* UNCITRAL, Final Award (12 November 2010), para 527; *Glamis Gold v. USA*, para 805.
[1308] *Philip Morris v. Uruguay, Award*, para 531.

of the ECtHR to interpret the BIT.[1309] Born contended in particular that the decisions interpreting Article 6 of the ECHR on the right to a fair trial are not of decisive importance when interpreting a provision of fair and equitable treatment such as the one foreseen by Article 3(2) of the BIT, namely because both instruments have a different scope and purpose and were drafted in a different "specific geographic and historical context".[1310]

On the single presentation requirement, Born first considered that the "margin of appreciation" concept as adopted by the Tribunal is neither mandated nor permitted by the BIT or applicable international law. Born considers the concept as being "a specific legal rule, developed and applied in a particular context, that cannot properly be transplanted to the BIT".[1311]

1.4 Conclusion

The different arbitration cases that we have reviewed so far illustrate the high complexity of the triangle investment, human rights and intellectual property. While there are some similarities in scope and purpose between these bodies of law, there are also strong discrepancies, which prevent a full integration of the concepts developed in the framework of each field, and partially explain the resulting fragmentation of international law in these areas.

After reviewing the intellectual property cases that investment tribunals have dealt with, we can only confirm our earlier conclusion that we are still at an early stage of understanding and attempting to push for a greater integration of human rights law and concepts into investment arbitration. It is apparent that investment tribunals are still predominantly careful, if not strongly reluctant, in accepting jurisdiction over and interpreting concepts stemming from human rights law and case-law. We have also seen that human rights arguments do not necessarily lead to more human rights friendly awards, and that human rights can be relied upon by both claimants and respondents in investment arbitration, which illustrates the duality of human rights standards of protection.

A tentative proposal at this stage therefore consists in pushing for an improvement of the language of investment treaties, as well as the rules and procedure of investment arbitration tribunals, instead of relying on external instruments such as the ECHR to improve the balance of interests in investment arbitration. Recent agreements already include more "human rights friendly" language, such as the CETA, the EU-Singapore or the EU-Vietnam. It therefore remains to be seen how investment tribunals to be constituted under these agreements will make use of the flexibilities offered by these treaties to issue balanced awards, taking into account not only the investors' interests but also the States sovereign right to regulate. However, the protection of the right to regulate is not only guaranteed by a greater integration of human rights

[1309] Born found that "even if the ECtHR's interpretations of the [ECHR] were decisive in interpreting Article 3(2) of the BIT, which they are not, the Şahin v. Turkey decision involved a vitally different factual setting than this case", *Philip Morris v. Uruguay (Concurring and Dissenting Opinion of Gary Born)*, para 44.
[1310] Ibid, para 45.
[1311] Ibid, para 87.

law in investment arbitration. Existing instruments and investment tribunals have shaped the right to regulate, in particular in recent year, using very different tools.

2. State sovereignty in perspective: the difficult balance of interests involved

States have the ability and the duty to take measures and shape policies in order to advance the public interest. The public interest can be seen as a set of common values and objectives to be pursued on a broad and inclusive scale. In modern democratic systems, objectives such as the protection of public health or the environment can be seen as central and it is generally accepted that they are key public policy areas.

The right to regulate, on the other hand, can be defined as a legal concept according to which States are free to take measures necessary to protect such legitimate public policy goals without being liable for breach of international norms. The European Parliament has clarified that "the debate which has been labelled with the slogan of 'right to regulate' is actually about the impact of investment agreements and ISDS on the State's autonomy to use regulatory instruments".[1312] Titi defines the right to regulate as a "legal right that permits a departure from specific investment commitments assumed by a State on the international plane without incurring a duty to compensate."[1313] Tietje and Baetens describe the right to regulate as a "shield that prevents ISDS claims from piercing the heart of state sovereignty".[1314] According to the authors, the right to regulate concerns three main areas of investment law: indirect expropriation, fair and equitable treatment and national treatment.[1315]

In the framework of international investment law, a recurrent tension or interplay arises between the interests of foreign investors and States' ability to regulate in the public interest.[1316] The aim of international investment law was originally to protect foreign investments against unlawful State measures. International investment agreements, and notably bilateral investment treaties, have increasingly protected foreign investments against State measures affecting the value of the foreign investment. Commentators have progressively highlighted the imbalance of the international investment law system, arguing that the right of States to regulate in the public interest was undermined by the broad and general investment provisions contained in IIAs.

In this regard, Daniel Gervais asks: "what happens when international law is used to limit the protection of human or fundamental rights that a state […] wants to protect […] because it could

[1312] European Parliament DG External Policies, *The investment chapters of the EU's international trade and investment agreements in a comparative perspective, 18.*
[1313] Aikaterini Titi, *The Right to Regulate in International Investment Law* (Nomos 2014), 52.
[1314] Christian Tietje and Freya Baetens, *The Impact of Investor-State-Dispute Settlement (ISDS) in the Transatlantic Trade and Investment Partnership* (Study prepared for Minister for Foreign Trade and Development Cooperation, Ministry of Foreign Affairs, The Netherlands, MINBUZA-201478850, 2014), para 89.
[1315] Ibid, para 90.
[1316] Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 119.

amount to an alleged expropriation?"[1317] These concerns are shared by most of the literature today, which emphasizes the need to achieve an appropriate balance between the right of States to regulate in the public interest and the protection of foreign investors.

2.1 The right of States to regulate in the public interest: concept and implementation

The fact that for many years ISDS tribunals have not considered public policy arguments has probably contributed to the increasing outcry this dispute settlement system is facing. Investment arbitrators are not seen as "natural guardians of the public interest, but of business interests and of a new 'industry' that, as experience shows, has privileged investors over the public."[1318] The ISDS system is often compared to other means of dispute settlement, which seem to achieve a better balance between the different interests involved. For instance, in state-to-state disputes, public policy arguments can justify a violation of trade-related commitment, but "not in ISDS".[1319] Some commentators have suggested that there is "little room for the consideration of the public interest in a regime so heavily weighted towards investor protection".[1320]

Yet, the balance between the different interests at stake is a key feature of the intellectual property system. We have mentioned earlier that the social function of intellectual property mandates to achieve an equilibrium between the interests of the IP owner and the society. Following the line of thinking developed above, one could argue that investment tribunals will not take the social function of IP rights into account, but will rather focus on the investors' rights as protected under investment agreements. Susy Frankel notes in this regard that "Investment tribunal arbitrators when making decisions (including the interpretation of the agreements at issue) are likely to focus on the function of IP as a set of property rights rather than equally important parts of the international IP structure, which enables tailoring of those rights to reward innovation appropriately (rather than excessively) and to maintain public regarding interests, such as where property rights need to be balanced with affordability and availability of medicine."[1321]

The difficulty of the balancing exercise could be explained by the different objectives pursued by each stakeholder. While investors are primarily concerned with capital growth, States face a much more diverse and complex set of priorities. In particular with regards to intellectual property rights, policymakers must ensure that the IP system fulfils its intended purpose, while

[1317] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 468.
[1318] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 3.
[1319] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 486.
[1320] Kate Miles, 'Reconceptualising international investment law: bringing the public interest into private business' in Meredith Kolsky Lewis and Susy Frankel (eds), *International Economic Law and National Autonomy* (2010), 296.
[1321] Frankel, 'Interpreting the Overlap of International Investment and Intellectual Property Law', 125.

investors are seeking to protect their IP assets regardless of the potential benefit to the society. The real question would then be whose responsibility it is to ensure that the essence of the intellectual property system is safeguarded. Policymakers can ensure that the appropriate balance between the interests of IP owners and the society is achieved by limiting the exclusive rights of IP owners by means of exceptions and limitations in the relevant legislation. Yet, investor-State tribunals will not necessarily take into account domestic or international legislation. Thus, the public interest component, which is present to some extent in state-to-state dispute settlement[1322], must be integrated in the ISDS system itself to ensure that the social function of IP is safeguarded.

While some have argued that the best way to safeguard the right to regulate is simply to remove ISDS from investment agreements or even to terminate existing investment agreements, this does not seem to be a realistic or feasible proposal for most of the countries today. Countries do take into account the benefits of offering investment protection and investment dispute settlement to foreign investors, and in certain countries, the existence of these investment protection facilities is even a condition for investors to invest in that country, as the availability of ISDS can ensure an access to a "fair and independent judicial system".[1323]

Regarding intellectual property enforcement, the right to regulate must once again be balanced with investors' interests. If investment protection was transformed into a tool to pressure States to intensify their efforts to enforce intellectual property rights, it would threaten the social function of intellectual property and the discretion of policy makers to achieve the right balance within the IP system. However, meeting the threshold to prove a violation of "fair and equitable treatment", or "full protection and security" would be highly challenging for investors, as the enforcement system in most countries is not fully effective, especially in developing countries.[1324]

Investor-state arbitration is a tool granted to foreign investors to challenge regulatory measures that have negatively affected their investments. International investment law, and by extension investor-state arbitration, therefore necessarily limits the regulatory freedom of States.[1325] Said differently, the purpose of investment protection and its dispute settlement system is to allow foreign investors to challenge State measures that have affected their investments, and they therefore necessarily clash with the ability of States to regulate. The question is hence not which of the investors' or States' interests should prevail over the other, but rather how to reconcile and balance them.

[1322] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 487.
[1323] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 846.
[1324] Ibid, 850.
[1325] For an extensive review and assessment of the right to regulate in international investment law, see UNCTAD, *The Development Dimension of FDI: Policy and Rule-making Perspectives: Proceedings of the Expert Meeting held in Geneva from 6 to 8 November 2002, UN Doc UNCTAD/ITE/IIA/2003/4* (2003), 189-232; and also Titi, *The Right to Regulate in International Investment Law*.

An additional clarification needs to be introduced about the exact meaning of "right to regulate". This concept has been used by the doctrine to describe very different realities. The notion is sometimes used to describe the "right to regulate the admission of investments" [1326], but also the "right to regulate for public policy objectives". Several synonyms are also used to refer to the right of States to regulate in the public interest, such as "regulatory autonomy", "regulatory freedom", "ability to regulate in the public interest", "regulatory actions" or even "sovereignty" and "policy space". Despite the inconsistent use of the concept across the literature, it appears that most of time the ability of States to regulate in key areas of "public interest" such as public health or the protection of the environment is at stake.

The following sections will assess in more detail whether and how a balance between the protection of foreign investors and of the right to regulate can and has been achieved, both in the recent EU treaties and in IP investment arbitration. The premise before starting this assessment is to accept that State sovereignty is not absolute, and that State actions must comply with international norms, including international investment agreements.[1327] UNCTAD summarizes this idea as follows: "International agreements, like other legal texts, are specifications of legal obligations, which as such limit the sovereign autonomy of the parties. As international legal obligations generally prevail over domestic rules, a tension is created between the will to cooperate at the international level through binding rules and the need for Governments to discharge their domestic regulatory functions."[1328]

We will see that the safeguards of the right to regulate can take different forms, and can be implemented both in the treaties as well as by the arbitral tribunals themselves. Treaties have increasingly introduced these safeguards, either by explicitly introducing a "right to regulate" in the preamble of the agreement, or implicitly, by means of "exceptions, reservations, derogations, waivers or transitional arrangements [which] ensure that signatories retain their prerogative to apply non-conforming domestic regulations in certain areas."[1329] (Emphasis added).

2.2. The progressive affirmation of the right to regulate in intellectual property and investment instruments

The first investment instruments, and in particular bilateral investment treaties, were usually very succinct and did not contain explicit language to safeguard the right to regulate.

[1326] Fecák, *International Investment Agreements and EU Law*, 25.
[1327] Gervais identified "three inflection points" to the sovereignty of States: first, the failed attempt to establish the international trade organization followed by the establishment of the GATT. Second, WTO and state-to-state dispute settlement with stronger enforcement procedures, trade retaliation, and stronger rules on IP and expropriation. Third, ISDS, which further limit state's sovereignty since investor's can offer direct investment in exchange of specific policy choices. *See* Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 463-465.
[1328] UNCTAD, *The Development Dimension of FDI: Policy and Rule-making Perspectives: Proceedings of the Expert Meeting held in Geneva from 6 to 8 November 2002, UN Doc UNCTAD/ITE/IIA/2003/4, 14.*
[1329] Ibid, 15.

Progressively, however, and under the mounting pressure of stakeholders, treaty drafters have started to include explicit provisions recognizing the right of States to regulate in the public interest, as well as clarifications of existing and often vague investment provisions.

It is interesting to note that, from a government perspective, the right to regulate is "inherent to State sovereignty" and has therefore "never been disputed".[1330] Hence, it would not need to be "specifically recognized in international agreements" and, if anything, "international law may confer a duty to regulate on a State, for example, to protect human rights and essential services".[1331] However, given the rising number of ISDS cases challenging regulations taken in the public interest, many stakeholders have called for explicit recognition of the right to regulate in IIAs to increase legal certainty.

More specifically for intellectual property measures, the question to be answered is how much flexibility States have under international and national IP instruments to take measures in the public interest affecting IPRs. The second step is then to assess the flexibility States have under IIAs for taking the same type of IP-related measures, in order to assess the extent to which the regulatory flexibility of States in the field of IP is actually limited by IIAs.

2.2.1 In IP-related instruments

An important distinction needs to be made between on the one hand, regulations adopted in the public interest that affect IPRs, and on the other hand, the characteristics of the intellectual property system, which include among other things the fact that IPRs are not absolute rights and can be revoked. The basic assumption that needs to be taken into account when assessing the impact of a measure on an IP-related investment is therefore the fact that the existence of an IPR is determined by national IP offices and courts.

The protection of the right of States to regulate in the public interest in WTO agreements including the TRIPS Agreement is arguably ensured by GATT Article XX, which foresees a number of specific situations where WTO Members may be exempted from GATT rules. The Article reads: "Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures: (a) necessary to protect public morals; (b) necessary to protect human, animal or plant life or health; […]".

This Article does not "prescribe the type of measure that can be taken by the State"[1332], but rather offers a possibility to States to justify their measures which would otherwise be

[1330] European Parliament DG External Policies, *The investment chapters of the EU's international trade and investment agreements in a comparative perspective*, 18.
[1331] Ibid, 18.
[1332] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 500.

considered contrary to the agreement. It follows that the exceptions under GATT Article XX are the "most common safeguards to regulatory autonomy."[1333] According to Gervais, "recourse to general interfaces has not been very successful in the TRIPS context at the WTO, but then there have been relatively few cases".[1334]

It is important to highlight that not any regulatory measure taken in the public interest can be justified under Article XX. Indeed, the State will have to show that the measure was not a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade. In addition, the State must prove that the measure was "necessary" to pursue a legitimate purpose. The measure will also have to fall within one of the categories of the exceptions listed under Article XX, since the Article foresees a closed list of exceptions.[1335]

The TRIPS Agreement itself contains safeguard clauses under Articles 7 and 8, which secures Member's right to promote and protect innovation, social and economic welfare, public health and broadly the "public interest in sectors of vital important to their socio-economic and technological development".[1336] These articles must be read in conjunction with the Doha Declaration, which provides 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".[1337] Article 7 of the TRIS Agreement, read in conjunction with the Doha Declaration, is thus the "operative provision to address the issue of policy freedom of states in respect of intellectual property in the context of WTO dispute resolution".[1338]

When looking more specifically at the promotion of public health, another instrument must be mentioned: the WHO Framework Convention on Tobacco Control ('FCTC').[1339] This instrument aims at protecting public health by encouraging restrictive measures targeted at reducing the consumption of tobacco worldwide. The Parties to the Convention reaffirmed their right to protect public health in the preamble. This Convention, and other related instrument,

[1333] A. Mitchell and E. Sheargold, 'Protecting the autonomy of states to enact tobacco control measures under trade and investment agreements' Tob Control <https://www.ncbi.nlm.nih.gov/pubmed/25361743> accessed 28 March 2018, 4-5.
[1334] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 500.
[1335] UNCTAD, *The Development Dimension of FDI: Policy and Rule-making Perspectives: Proceedings of the Expert Meeting held in Geneva from 6 to 8 November 2002, UN Doc UNCTAD/ITE/IIA/2003/4, 16.*
[1336] Article 7 of the TRIPS Agreement reads: "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." Article 8.1 of the TRIPS Agreement reads: "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, provided that such measures are consistent with the provisions of this Agreement."
[1337] Doha WTO Ministerial 2001: Declaration on the TRIPS Agreement and Public Health, para 5.a.
[1338] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 152.
[1339] World Health Organization, *WHO framework convention on tobacco control*, 2004).

are seen as "a strong affirmation by nearly all States of their right and priority to regulate tobacco products in order to protect public health."[1340]

However, while these rules apply in the context of international law and WTO adjudication, some authors have argued that the findings of an investment tribunal faced with the interpretation of these IP-related instruments may differ, as it has to consider "the context and objective of the BIT as guiding its interpretation of the consistency test as well."[1341] While old generation BITs and IIAs in general contain little if no language safeguarding the right to regulate and legitimate public interests, recent agreements tend to include such language. We will see in particular how EU IIAs have addressed this question.

2.2.2 In EU investment agreements

The CETA, EU-Singapore and EU-Vietnam agreements can be described as modern agreements in that they contain explicit provisions to safeguard the right to regulate in the public interest. In contrast, older generation agreements are increasingly criticized for their laconic language, regarded as "a potential threat to the regulatory sovereignty of host States."[1342] Therefore, the recent EU agreements contain not only explicit, but also implicit language to safeguard the right to regulate, by means of closed lists of measures that fall under the scope of investment provisions, exceptions and limitations, and clarification as to the dispute settlement system. These provisions are relevant to address questions such as whether changes in IP law, or other IP-related measures, undertaken in particular to safeguard the public interest, can constitute a violation of the expropriation or the fair and equitable treatment standard.[1343]

a. Explicit provisions affirming the right to regulate

CETA Article 8.9 reflects the Parties' will to preserve "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." The Parties added the clarification, perhaps as a response to recent investment arbitrations, that 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

[1340] Eva Nanopoulos and Rumiana Yotova, ''Repackaging' Plain Packaging in Europe: Strategic Litigation and Public Interest Considerations' (2016) 19 Journal of International Economic Law 175, 179.
[1341] Fina and Lentner, 'The European Union's New Generation of International Investment Agreements and Its Implications for the Protection of Intellectual Property Rights', 298.
[1342] August Reinisch, 'The EU and Investor-State Dispute Settlement: WTO Litigators Going "Investor-State Arbitration" and Back to a Permanent "Investment Court"', *European Yearbook of International Economic Law 2017* (European Yearbook of International Economic Law, 2017), 271.
[1343] For an extensive review of how international investment tribunals have articulated the right to regulate in expropriation, fair and equitable treatment, and national treatment, see: Tietje and Baetens, *The Impact of Investor-State-Dispute Settlement (ISDS) in the Transatlantic Trade and Investment Partnership*, paras 89-134.

an investor's expectations, including its expectations of profits, does not amount to a breach of an obligation under this Section."[1344]

The joint interpretative instrument on the CETA confirms the determination of the Parties to preserve the right and ability of the Parties to regulate in the public interest. The wording of the 2nd recital of the Joint interpretative instrument is similar to Article 8.9 of the CETA and does not appear, however, to add significant clarification.[1345]

The Preamble of the EU-Singapore IPA reaffirms "each Party's right to adopt and enforce measures necessary to pursue legitimate policy objectives such as social, environmental, security, public health and safety, promotion and protection of cultural diversity".[1346] The right to regulate is also expressly stated under Article 2.2, which is almost identical to Article 8.9 of the CETA, indicating perhaps that the EU has adopted a model provision on the right to regulate.

Indeed, the EU-Vietnam IPA contains the same provision under the same Article number.[1347] The clarification however differs slightly in its wording. Article 2.2.2 stipulates that the provisions of this section "shall not be interpreted as a commitment from a Party that it will not change the legal and regulatory framework, including in a manner that may negatively affect the operation of covered investments or the investor's expectations of profits."

The explicit reference to the right to regulate, both in the preamble and in the provisions of the text, will likely give additional guidance to the arbitral tribunal, which will have to take this principle into account. In other words, when assessing the legitimacy of a measure, the tribunal will have to consider that the intention of the Parties when concluding the agreement "was not to undermine in any way the right to regulate."[1348]

[1344] Article 8.9 of the CETA reads: "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".

[1345] General Secretariat of the Council of the European Union, *Joint Interpretative Instrument on the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union and its Member States*, 27 October 2016). Recital 2 reads: "2. Right to regulate CETA preserves the ability of the European Union and its Member States and Canada to adopt and apply their own laws and regulations that regulate economic activity in the public interest, to achieve legitimate public policy objectives such as the protection and promotion of public health, social services, public education, safety, the environment, public morals, social or consumer protection, privacy and data protection and the promotion and protection of cultural diversity".

[1346] EU-Singapore.

[1347] *See* Article 2.2. of the EU-Vietnam IPA.

[1348] European Parliament, *Investor-State Dispute Settlement (ISDS) Provisions in the EU's International Investment Agreements* (EXPO/B/INTA/2014/08-09-10, 2014), 10.

b. Implicit provisions strengthening the right to regulate

In addition to its explicit consecration, the right to regulate is also safeguarded implicitly in several provisions of the agreements. First, some classical investment provisions now contain a closed list of measures that fall under their scope. Second, exceptions and limitations are introduced to reduce the scope of application of certain provisions, including for IP. Finally, the new dispute settlement system is also seen as an improvement to safeguard the right to regulate.

Closed lists of measures

While the expropriation provision of the CETA is similar to classical expropriation provisions, the real innovation to safeguard the right to regulate is contained in Annex 8-A, which specifies the factors that the tribunal should take into account to make a finding on expropriation. Paragraph 2 notably lists, among other factors, the economic impact of the measure, the duration and the character of the measure, and the extent to which the measure interferes with the investor's expectations. In addition, paragraph 3 contains explicit language to exclude non-discriminatory measures of a Party "that are designed and applied to protect legitimate public welfare objectives, such as health, safety and the environment" from the scope of the expropriation provision, unless they are manifestly excessive in light of their purpose.[1349]

CETA Article 8.10 also foresees a closed list of measures that can constitute a breach of fair and equitable treatment, such a denial of justice, breach of due process, manifest arbitrariness or targeted discrimination. The wording of the FET clause in the CETA has been described as a "codification" of the investment arbitration case-law on this matter, emphasizing the right to regulate, and that "mere changes in the regulatory environment or legitimate regulatory actions as such do not normally constitute violations of FET."[1350]

The full protection and security provision is limited to only physical security, which further limits the scope of potential breach. This clarification can be seen as important in light of the jurisprudence interpreting the FPS standard, and which has sometimes considered that the standard could go "beyond physical security."[1351]

Finally, the MFN provision in the CETA excludes investor-state arbitration, perhaps as a reaction to the uncertainty in this regard in the aftermath of the Maffezini case, and whereby some tribunals had considered that the MFN clause could allow the investor to invoke "more favourable procedural, maybe even jurisdictional, provisions in third country BITs."[1352]

[1349] Ibid, 10.
[1350] Reinisch, 'The EU and Investor-State Dispute Settlement: WTO Litigators Going "Investor-State Arbitration" and Back to a Permanent "Investment Court"', 271.
[1351] Ibid, 273.
[1352] Ibid, 275.

The EU-Singapore agreement also clarifies in Annex 1 the meaning and scope of the expropriation provision. The language of this Annex is highly similar to the language of Annex 8-A of the CETA. Article 2.4 also provides for a closed lists of measures under fair and equitable treatment, which is shorter than the list of the CETA Article 8.10.[1353] Full protection and security is also limited to physical security.[1354] Finally, the EU-Singapore agreement does not appear to have any MFN clause.

The EU-Vietnam IPA, in its Annex 4 on the "understanding on expropriation", also foresees a list of factors that a tribunal must consider. The Annex also refers to "legitimate public policy objectives" in a broad sense, to exclude non-discriminatory (and not manifestly excessive) measures from the scope of indirect expropriation. The wording of Article 2.5 on fair and equitable treatment and full security is almost identical to the provision in CETA. Finally, the MFN provision under Article 2.4.5 excludes dispute resolution from its scope.[1355]

It appears that the aim of all these provisions is eventually to limit the scope of investors' rights to secure the right of States to regulate. In particular, these more precise and more limited standards of protection have been introduced to make clear that "host State rights should not be unduly limited."[1356]

Exceptions and limitation

The treaty negotiators have introduced in recent agreements exceptions and limitation to the application of investment provision to IP-related measure, in particular with regards to expropriation. Indeed, Article 8.12.5 and 8.12.6 of the CETA exclude the issuance of compulsory licenses, as well as the revocation, limitation or creation of IPRs, from the scope of application of the expropriation provision. However, this exclusion only applies to the extent that these measures are consistent with the TRIPS Agreement and, for the revocation, limitation or creation of IPRs, also with the Intellectual Property Chapter of the CETA.

The dispute settlement system

Some commentators see the new investment court system as an additional safeguard for governments' right to regulate, "making arbitral tribunals operate more like traditional court systems with a clear code of conduct for arbitrators, and guaranteeing access to an appeals

[1353] Article 2.4.2 of the EU-Singapore IPA reads: "A Party breaches the obligation of fair and equitable treatment referenced in paragraph 1 if its measure or series of measures constitute: (a) denial of justice2 in criminal, civil and administrative proceedings; (b) a fundamental breach of due process; (c) manifestly arbitrary conduct; (d) harassment, coercion, abuse of power or similar bad faith conduct."
[1354] *See* Article 2.4.5 of the EU-Singapore IPA.
[1355] Article 2.4.5 reads: "For greater certainty, the term 'treatment' referred to in paragraph 1 does not include dispute resolution procedures or mechanisms, such as those included in Section B (Resolution of Disputes between Investors and Parties) of Chapter 3 (Dispute Resolution), provided for in any other bilateral, regional or international agreements."
[1356] Reinisch, 'The EU and Investor-State Dispute Settlement: WTO Litigators Going "Investor-State Arbitration" and Back to a Permanent "Investment Court"', 270.

system."[1357] The reasoning behind this argument is that ad hoc investment tribunals are often charged with having an incentive to "multiply the cases successful for claimants".[1358] The opposite argument has also been formulated according to which the ICS "arguably incentivizes the judges to dismiss investors' claims", and therefore achieve the opposite result.[1359] Fecák further argues that "when combined with repeated assertions of the states' right to regulate, the Union may in fact develop an investment model which will in fact offer very little protection to investors. […] the EU investors may end up with no effective protection in countries where such protection is indeed desirable."[1360]

However, both arguments about the partiality of ad hoc tribunals and the ICS can be challenged. First, we have seen earlier, while the ad hoc system undoubtedly raises some ethical issues, statistics show that investors do not win more often than States in investor-State arbitration. In addition, the Members of the Investment Court System under the CETA and other investment protection agreement are bound by strict ethical and procedural rules which aim at removing any bias. In addition, the language of these agreements, which strengthens the right to regulate, does not however remove any investment protection. Measures that do not comply with the conditions set out in the provisions as explained above will be found to violate the investment agreement, and compensation will be granted.

2.3 The shy enforcement of the right to regulate by investment tribunals

Investment tribunals increasingly deal with cases involving legitimate public interests, such as the protection of public health or the environment. However, it is important to recall that each case is brought under a specific investment agreement, some of which were negotiated in the second half of the 20th century and contain rather laconic provisions. Therefore, there can be instances where investment tribunals lack a proper legal base to consider public policy arguments. Tribunals constituted under more recent agreements such as the one analyzed above can take advantage of the treaty language to balance the interests at stake.

The European Parliament noted in 2010 that the majority of cases related to regulatory policy had "either been dismissed or decided in favour of the host Government and where decisions have been in favour of the investor, awards have been relatively small."[1361] While it is true that the number of cases necessarily went up since 2010, it would be relevant to determine the share and outcome of these cases compared to the overall number of investment cases, in order to assess the real impact of investment arbitration on regulatory policies. As the European Parliament noted, the real problem might rather lie in the "role of privately contracted adjudicators to determine the legality of sovereign acts and to award public funds to businesses

[1357] Ibid, 261.
[1358] Fecák, *International Investment Agreements and EU Law*, 289.
[1359] Ibid, 289.
[1360] Ibid, 289.
[1361] European Parliament Directorate-General for External Policies, *The EU Approach to International Investment Policy after the Lisbon Treaty* (EXPO/B/INTA/FWC/2009-01/Lot7/07-08-09, 2010), 46.

that sustain loss as a result of government regulation."[1362] Rather than attempting to map all investment cases that have affected public policy interests since 2010, the following two sections will focus on specific examples of investment disputes and IP investment disputes to understand, from a substantive point of view, how investment tribunals have handled public policy arguments brought by the parties.

2.3.1 Examples from investment disputes

We have seen earlier how the language of each particular investment treaty may influence the interpretation and findings of an investment tribunal. Indeed, faced with very general, even laconic provisions, an investment tribunal could be tempted to side with investors' arguments that a change in the regulatory environment of State A has violated the fair and equitable treatment clause, in particular its legitimate expectation in the stability of the existing regulatory environment at the time the investment was made. Where the change in the regulatory environment leads to a decrease in the value of the investment, or even a total loss of the investment, investors could argue that such change constitutes an indirect expropriation.

These general assumptions have been the basis of heated debates taking place in the investment protection field and have led not only to an improvement of treaty language over the years but also a clarification of the definition and scope of investment provisions by investment tribunals, which, contrary to what is sometimes argued, is taken into account by other investment tribunals. Reinisch finds that, over the years, "investment tribunals have refined their jurisprudence" and clarified that "investment standards are not intended to limit the legitimate regulatory space ('right to regulate') of host countries."[1363]

Based on a review of the evolution of arbitration practice over the years, it is possible to argue that investment tribunals have not simply considered any change in the laws and regulations of States to constitute a violation of investment treaty provisions, not even of old-generation agreements. In other words, as Okediji rightly states, investment tribunals have not generally interpreted the standard of legitimate expectations "to allow investors to freeze legislative or regulatory frameworks, but the doctrine has been used to limit the policy choices available to countries."[1364]

It can therefore be argued that investment tribunals do not generally consider regulatory changes to violate investment treaty standards, and that rather "only in rare scenarios have changes in regulatory frameworks through the normal operation of domestic legal process been held to violate 'legitimate expectations'."[1365] It is hence relevant to observe the way and context

[1362] Ibid, 46.
[1363] Reinisch, 'The EU and Investor-State Dispute Settlement: WTO Litigators Going "Investor-State Arbitration" and Back to a Permanent "Investment Court"', 266.
[1364] Okediji, 'Is Intellectual Property "Investment"? Eli Lilly v. Canada and the International Intellectual Property System', 1129.
[1365] Ibid, 1135.

in which the disputed regulation has been adopted, and which public interest objective is pursued, to determine whether such regulation was adopted rationally and in good faith.

Several investment tribunals have acknowledged the importance of the discretionary exercise of sovereign power. In Continental Casualty v. Argentine Republic, the Tribunal found that "it would be unconscionable for a country to promise not to change its legislation as time and needs change".[1366] In Methanex v. United States, the tribunal also clarified that "a non-discriminatory regulation for a public purpose, which is enacted in accordance with due process and, which affects, inter alios, a foreign investor or investment is not deemed expropriatory and compensable unless specific commitments had been given by the regulating government to the then putative foreign investor contemplating investment that the government would refrain from such regulation."[1367]

Mercurio considers in this regard that investment tribunals seem to apply a proportionality test in order to weigh the protection of public interest against the protection of investors or foreign investments.[1368] However, he also finds that other tribunals, such as the tribunal in Azurix v Argentina[1369] or in ADV Affiliate v Hungary[1370], "reject the notion that a right to regulate trumps the obligations contained in IIAs".[1371]

In conclusion, while certain investment tribunals have been to some extent reluctant to give weigh to the States' right to regulate, it appears that tribunals increasingly recognize that IIA provisions, in particular the FET provision, do not equate to a guarantee of regulatory stability. On the contrary, investors must expect that the legislation may change over time, and only in exceptional cases (for instance where a stabilization clause or other specific assurances exist) may a State be held liable for a regulatory change that has negatively affected an investor or investment.

2.3.2 Examples from investment disputes involving IP

The right to regulate has been at the heart of the public IP-investment disputes. As we will see below, a case-law review indicates that the adoption of regulatory measures to protect public interests often triggered these investment disputes.

[1366] *Continental Casualty Company v. The Argentine Republic* ICSID Case No ARB/03/9, Award (23 October 2009), para 258.
[1367] *Methanex v. USA, Final Award*, Part IV - Chapter D - Page 4, para 7.
[1368] Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements', 908.
[1369] *Azurix Corp. v. The Argentine Republic, Award*.
[1370] *ADC Affiliate Limited and ADC & ADMC Management Limited v. The Republic of Hungary* ICSID Case No ARB/03/16, Award (2 October 2006).
[1371] Mercurio, 'Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements', 908.

The Servier v Poland[1372] dispute arose because of pieces of legislation adopted by Poland to harmonise its regulation of pharmaceuticals with that of the European Union prior to its accession[1373], and in particular the EU Pharmaceutical Directive.[1374] The tribunal considered that four criteria need to be fulfilled in order for regulatory or administrative actions to be lawful. These actions "must be taken (i) in good faith, (ii) for a public purpose, (iii) in a way proportional to that purpose, and (iv) in a non-discriminatory manner".[1375] However, the tribunal concluded that, in this specific case, Poland's refusal of authorisation was discriminatory, and the regulatory measures were disproportionate in nature and not a matter of public necessity.[1376] On damages, it is interesting to note that the tribunal did "not find that the divestment calls for damages beyond those set out in Article 5(2) of the Treaty in the form of 'real value' compensation".[1377]

In Saluka v Czech Republic, the tribunal recognized that "no investor may reasonably expect that the circumstances prevailing at the time the investment is made remain totally unchanged. In order to determine whether frustration of the foreign investor's expectations was justified and reasonable, the host State's legitimate right subsequently to regulate domestic matters in the public interest must be taken into consideration as well".[1378]

In the dispute opposing Philip Morris to Uruguay, the complainant explicitly recognized a State's sovereign right to change its regulatory framework, in particular to pursue public health policies.[1379] However, the complainant posited that such changes must be fair and equitable in light of the investor's legitimate expectations.[1380] Philip Morris considered, inter alia, the Uruguayan measures to be unfair an inequitable because of their alleged incompatibility with the TRIPS Agreement.[1381] This argument was based on the TRIPS article "that permits trademarks to be regulated, but not unjustifiably encumbered by special requirements, such as use in a manner that would negatively impact its ability to distinguish the goods or services of one from another".[1382] Ho recalls that, according to the complainant, "plain packaging clearly encumbers its trademarks since it is barred from using logos and also restricted in the size of

[1372] *Les Laboratoires Servier, S.A.A., Biofarma, S.A.S., Arts et Techniques du Progres S.A.S. v. Republic of Poland* UNCITRAL, Award (14 February 2012).
[1373] Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 145.
[1374] Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use.
[1375] *Servier v Poland, Award*, para 569.
[1376] Ibid, para 575.
[1377] Ibid, para 575.
[1378] *Saluka v Czech Republic, para 305.*
[1379] *Philip Morris v. Uruguay, Request for Arbitration*, para 7.
[1380] Ibid, paras 84-85.
[1381] Grosse Ruse-Khan, 'Challenging Compliance with International Intellectual Property Norms in Investor–state Dispute Settlement', 251.
[1382] Ho, 'A Collision Course Between TRIPS Flexibilities and Investor-State Proceedings', 439.

trademarks on the package, such that its product cannot be distinguished from others except as to price."[1383]

Philip Morris also more generally considered the measures to be expropriatory because they were unreasonable in that they were not connected to the legitimate public health objective pursued. The tribunal was therefore tasked with the difficult balance between the intended public health effects of the measure and the investor's rights and legitimate expectations, to decide whether the measure fell within the scope of the accepted right of States to regulate and their margin of appreciation.

Some commentators also criticized Gary Born's finding, in its dissenting opinion, that more empirical evidence on the effectiveness of the single presentation measure was needed. Dreyfuss and Frankel observe, in this regard that "the balance between the right to regulate and investor protection is far from settled, but part of the right to regulate includes the discretion to experiment based on lesser evidence than Born would require."[1384]

These cases shed the light on the difficult balance that tribunals must strike between States' right to regulate, and investor's legitimate expectations. Investment agreements usually contain laconic language on the right to regulate, simply stating its importance or that nothing in the agreement limits States right to regulate. However, such general provision must be assessed against the other explicit provisions protecting investors' interests. A State should therefore not be able to simply argue that a measure was taken in pursuit of a public interest to be exempted from any responsibility under an investment agreement. In the same vein, the compatibility of a measure with an existing instrument is not per se the indication of the legality of a measure. These elements can however contribute to the analysis of the proportionality and justification of the measure, as well as the good faith of the Member State.

In other words, in order to balance the investor's expectations against a States sovereign right to regulate, several elements should be considered by a tribunal to find that a measure has indeed been taken in good faith, in pursuit of a public interest such as the protection of public health, is non-discriminatory, and proportionate to the public policy interest pursued. In the assessment of the proportionality of the measure, a certain degree of leeway or discretion must be granted to the States. In other words, States should benefit from a certain freedom when deciding which measures they deem appropriate to pursue a public policy objective, and the threshold should be high for investors to prove that such measure is totally inappropriate to pursue the objective, discriminatory, or adopted in bad faith.

[1383] Ibid, 439.
[1384] Dreyfuss and Frankel, 'Reconceptualizing ISDS: When is IP an Investment and How Much Can States Regulate It?', 391.

2.4 Tentative proposals for achieving an appropriate balance

UNCTAD undertook a review of recent IIAs to evidence reform to preserve the right to regulate while maintaining protection for foreign investors. The figure below contrasts "earlier BITs" with "recent BITs", and compares the drafting of several provisions relevant for the right to regulate. These provisions are: the preamble, the definition of covered investment, the definition of covered investor, MFN, FET, indirect expropriation, free transfer of funds and public policy exceptions.[1385]

Table III.7. Evidence of reform in recent IIAs: preserving the right to regulate, while maintaining protection

Treaty provisions Options for IIA Reform	UNCTAD Policy Framework	Earlier BITs (1962–2011) (1,372)	Recent BITs (2012–2014) (40)
Preamble Refer to the protection of health and safety, labour rights, environment or sustainable development	1.1.2	11%	63%
Definition of covered investment Expressly exclude portfolio investment, sovereign debt obligations or claims to money arising solely from commercial contracts	2.1.1	6%	45%
Definition of covered investor Include "denial of benefits" clause	2.2.2	7%	58%
Most-favoured-nation treatment Specify that such treatment is not applicable to other IIAs' ISDS provisions	4.2.2	3%	33%
Fair and equitable treatment Refer to minimum standard of treatment under customary international law	4.3.1	2%	35%
Indirect expropriation Clarify what does and does not constitute an indirect expropriation	4.5.1	20%	53%
Free transfer of funds Include exceptions for balance-of-payments difficulties and/or enforcement of national laws	4.7.2 4.7.3	20%	83%
Public policy exceptions Include general exceptions, e.g. for the protection of human, animal or plant life, or health; or the conservation of exhaustible natural resources	5.1.1	12%	58%

Source: ©UNCTAD.
Note: The numbering refers to the policy options set out in table III.1. "Policy Options for IIAs: Part A", in the 2015 Version of UNCTAD's Investment Policy Framework for Sustainable Development. Data derived from UNCTAD's IIA Mapping Project. The Mapping Project is an UNCTAD-led collaboration of more than 25 universities around the globe. Over 1,400 IIAs have been mapped to date, for over 100 features each. The Project's results will be available at http://investmentpolicyhub.unctad.org/IIA/.

Figure 2 – Evidence of reform in recent IIAs, preserving the right to regulate, while maintaining protection (Source: UNCTAD)

This table shows that more recent BITs contain much clearer language, which increases legal certainty for both States and investors. An appropriate balance can be achieved in future IIAs by ensuring that investors benefit from a sufficient level of protection, but at the same time such protection cannot be unlimited, i.e. investors cannot be protected against any type of regulatory measure that negatively affects them or their investment. Legitimate public policy interests

[1385] UNCTAD, *World Investment Report 2016 - Investor Nationality: Policy Challenges*), 128.

must be taken into account in this assessment by investment tribunals. A provision in this sense can also be explicitly foreseen in the IIA.

At the same time, States cannot be allowed to take discriminatory or unjustified measures which negatively affect foreign investors or investments, and it is therefore key to ensure that future IIAs contain sufficiently clear and precise language to allow tribunals to properly assess States' regulations against investors rights. This could be achieved by explicitly including in the text of the agreement the characteristics that the State's action (right to regulate) should fulfill, for example based on the criteria identified by the tribunal in Servier v Poland[1386]: good faith, public purpose, proportionality, and non-discriminatory.

Future IIAs should therefore always include strong and precise language regarding the right of States to regulate in the public interest. As I have argued elsewhere, a provision similar to Article XX GATT could be introduced in investment agreements, which would not prevent investor from bringing investment claims, but would give additional safeguards to States against frivolous claims.[1387] In this regard, it is important that such provisions are contained in the core of the text, rather than in the preamble[1388], even if preambles guide the interpretation of investment treaties. CETA already includes strong language on the right to regulate for all levels of government, and notably ensures that its provisions are not interpreted as commitments to investors that their legal frameworks will never change.[1389] In future agreements, the Commission could even go one step further and consecrate the right to regulate as a full-fledged "right" alongside the rights of investors rather than foreseeing exceptions to protect public health or the environment.

With regard to the interface of investment protection with intellectual property, explicit provisions protecting the regulatory autonomy of States to protect public health can also ensure that the right balance is struck in patent cases involving pharmaceutical products[1390], but also other cases involving intellectual property rights and where the clear and unambiguous objective of the State is to protect public health. An explicit reference to the principle of proportionality can also equip investment tribunals with an additional tool to strike the right balance. Arbitral tribunals would always, on this basis, engage in a proportionality assessment, weighing the arguments of the parties to decide whether the investor's loss or the State's regulatory freedom should prevail, taking into account all the circumstances of the case.

[1386] *Servier v Poland, Award*, para 569.
[1387] Ducimetière, 'Intellectual Property under the Scrutiny of Investor-State Tribunals: Legitimacy and New Challenges', paras 56-57.
[1388] Van Harten, 'Comments on the European Commission's Approach to Investor-State Arbitration in TTIP and CETA', 3.
[1389] European Commission - Press release, *CETA: EU and Canada agree on new approach on investment in trade agreement, 29 February 2016* (29 February 2016)
[1390] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 509.

It is therefore possible, in our view, to ensure the effective protection of investors while safeguarding certain fundamental rights and important public interests such as public health or the protection of the environment.

The aforesaid proposals to improve the substantial provisions of IIAs do, however, only tackle one part of the criticisms formulated against investment agreements and investment arbitration. Both have also been described as sometimes undermining ethical standards, mainly from a procedural point of view. In the next chapter, we will review the ethical concerns raised by the classical ISDS system and assess the relevance of the EU proposal for an investment court system in light of the specificities of the intellectual property system.

Chapter II

Legitimacy crisis and future of ISDS for IP adjudication in the EU

"The question is not about whether to reform or not, but about the 'what', 'how' and 'extent' of such reform."[1391] In 2015, the United Nation General Assembly warned against the threats to the democratic and equitable international order posed by investor-state dispute settlement and by the absence of human rights considerations in international investment agreements. It acknowledged that there was an urgent need for reform of the international investment regime, illustrated by the heated public debates taking place in several countries.[1392]

In this chapter, we will ask what are the ethical concerns arising from investor-state dispute settlement and what is the relevance of it for IP? Is it possible to address these shortcomings and if so, how? And can the Investment court system and the multilateral investment court address the ethical issues raised by ISDS and what will be the impact for IP litigation? We will look closely at procedural features of ISDS that raise ethical issues, to assess how such issues can affect intellectual property adjudication. We will then focus on the European Union's efforts to tackle these ethical issues and analyze the proposals for an Investment Court System and a Multilateral Investment Court and their significance for IP adjudication.

Section 1 – Ethical concerns regarding investor-state arbitration and particular implications for IP adjudication

In its review of German investment agreements and their investor-state dispute settlement provisions, Marc Bungenberg highlighted that German BITs do usually not foresee any rule on transparency or on the possibility to submit amicus curiae briefs, or on the possibility for the hearings to be public.[1393] In addition, he reveals that some German BITs allow investors to file a claim for arbitration even after a domestic court has settled the dispute and rendered a final judgment.[1394]

These findings are not surprising especially when looking at older investment agreements, which were usually more concise, contained general provisions, and thus opened the door to diverging interpretations. In particular, the blatant absence of any reference to ethical principles or related rules was common in first generations of investment treaties. While the first investment agreements date back from the Sixties[1395], they have only started to trigger criticism and debate in the recent years, in particular their dispute settlement provisions. In the first part of this work, we have commented extensively on the substantive provisions of investment agreements, and highlighted the need for reform and reformulation of substantive standards of protection, in particular in light of IP disputes. This second part will focus on adjudication, and in particular policy and procedural concerns raised by the ISDS system. However, a reform of the procedural rules governing investor-state dispute settlement is only a partial reform, and

[1391] UN General Assembly, *Promotion of a democratic and equitable international order: Note by the Secretary-General, UN Doc A/70/285* (5 August 2015), para 1.
[1392] Ibid, para 1.
[1393] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 8.
[1394] Ibid, 8.
[1395] The German-Pakistan BIT dating back from 1959 is usually said to be the first BIT signed in the history.

such efforts should be assessed in light of the substantive standards of protection offered by an investment treaty.

A - Procedural aspects of ISDS undermining the legitimacy of the system and its relevance for IP disputes

1. Empirical analysis of the investor-state dispute settlement system

Investor-state dispute settlement is often described as a one-sided procedure, favoring investors, and undermining the public interest. Detractors of ISDS consider this dispute settlement mechanism to be a tool for multinational companies to challenge legitimate public policies, when such policies affect their assets in a country. On the other hand, some have argued that statistics show that States "win" ISDS cases more often than investors do.[1396] Therefore, the system would not be biased but rather be equitable according to the data available.

Bungenberg gathered data for Germany. He looked at 49 cases initiated by German investors between 1994 and 2015, and found that the disputes were decided in favor of investors in 9 cases, and in favor of defendant States in 15 cases, while 5 cases were either settled or discontinued; the remaining cases were either pending or no data was available[1397] These figures thus confirm the finding that more cases are decided in favor of States than in favor of investors.

This trend is also reflected at the international level. In 2017, UNCTAD published the following figures about concluded ISDS proceedings: 36,4% of the cases ruled in favor of States, 26,7% in favor of investors, 24,4% of the cases settled and 10,1% of the cases discontinued.[1398] These figures can be contrasted with the data available in 2019, which shows that the share of cases decided in favor of States decreased slightly to 35,7%, while the number of cases decided in favor of investors reached 28,7%.[1399]

[1396] Cappiello, 'ISDS in European International Agreements: Alternative Justice or Alternative to Justice?', 5.
[1397] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 11. Please note that the article dates back to October 2016. The author had reported that 19 cases were still pending at that time, which could have evolved at the time of writing.
[1398] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 8.*
[1399] *See*: https://investmentpolicyhubold.unctad.org/ISDS (last accessed 4 June 2019)

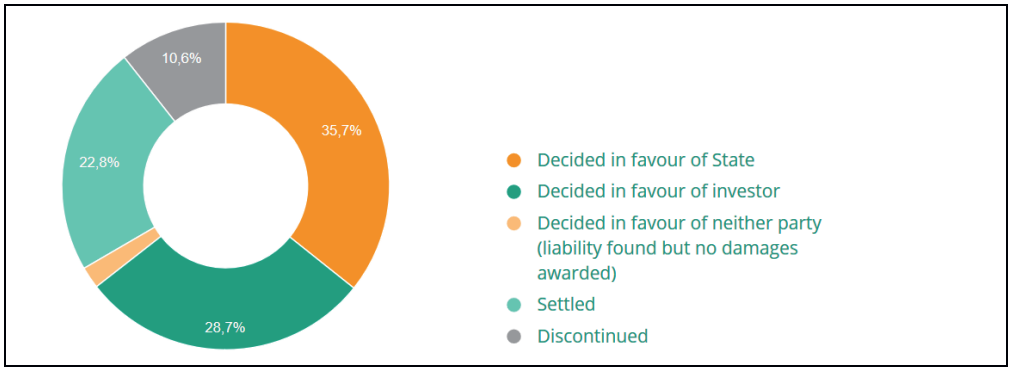

Figure 3 – Concluded ISDS proceedings (Source: UNCTAD 2019)

The data shown above must be interpreted very carefully. It is important to recall first that not all ISDS proceedings are public, thus the data is not always available. In other words, the graph above likely represents only the tip of the iceberg. Second, the fact that a case is decided in favor of a State does not necessarily mean that the State "won", as part of the costs of the proceedings can still be borne by the State, and it is well known that ISDS costs can be very high. Such high costs are partly responsible for the "chilling effect" of ISDS proceedings. Indeed, the threat of proceedings can sometimes lead countries to refrain from passing new laws or implement changes in the public interest, which could potentially affect foreign investor's asset in the country. We will come back to this aspect of ISDS proceedings later.

Finally, the figures shown above are only aggregated data and do not reflect local or regional trends with regards to investor-state dispute settlement. Indeed, a statement such as "States are generally more successful than investors in ISDS" is terribly vague and does not give any insights on the reality of ISDS by countries or regions. In this regard, UNCTAD noted that: "The patterns of won and lost cases differ among countries. EU Member States won half of the concluded cases brought against them and settled another quarter. On the offensive side, investors from the US and EU Member States won about a third of the concluded cases and settled another third. The awards rendered in US and EU ISDS cases vary highly. The lowest known amount awarded by an arbitral tribunal was 0.46 million USD and the highest 1.8 billion USD".[1400]

Some empirical research has been carried out in order to classify and quantify ISDS cases according to different criteria and following different methodologies. Tim Samples offers an overview of claim volumes for four income groups (high, upper-middle, lower-middle and low

[1400] UNCTAD, *Investor-State Dispute Settlement: an Information Note on the United States and the European Union*.

income), based on a sample of 936 cases from 1987 to 2017.[1401] He classified the cases according to different criteria.

First, when looking at general case volumes, the author found that "Claimants are overwhelmingly from high-income countries (86.25%). Claimants from upper–middle-income countries (10.34%) and lower– middle-income countries (3.41%) account for the rest of the claims. Meanwhile, there were no ISDS claims brought by investors from low-income countries".[1402] Regarding the nationality of the Respondent States, the author found that "High-income countries were respondents in a significant number of cases (27.55%). But upper–middle-income countries (42.15%) and lower–middle-income (24.26%) account for the majority of ISDS claims as a respondent state. Low-income countries are the least claimed against category (6.04%)".[1403]

While these figures are slightly more detailed, they are still silent on the number of cases won and lost by the different categories of States, and in particular the "value" of each case, i.e. the monetary compensation paid and overall cost of the proceedings. In this regard, Samples show that there are important differences between home countries of investors who have "won" a high number of cases, and respondent states, which have lost the highest number of cases: "Some of the 'winningest' countries are winning considerable sums and losing very little or nothing. Meanwhile, some of the 'losingest' countries are losing considerable sums—especially in relation to economic capacities—and winning very little or nothing".[1404]

In terms of "value" of the cases, the contrasts are quite striking: "Among three high-win countries—France, the Netherlands, and the United States—net ISDS outcomes (wins minus losses) were approximately $17.2 billion in gains. Meanwhile, among the three high-loss countries—Argentina, Poland, Venezuela—net outcomes amounted to approximately $22.3 billion in losses".[1405]

What these figures show is that there is no one-size-fits all analysis of ISDS cases, and that the impact of each case on the countries and the investors will depend on many different factors, which are sometimes not even disclosed. Further, even in instances where the respondent State prevails, it might still incur heavy costs: "Even when a sovereign prevails against an investor claim, the state often spends substantial sums of money, on average $5.64 million per case, on legal and tribunal costs. Sometimes these costs are recoverable but often they are not".[1406]

[1401] Tim R Samples, 'Winning and Losing in Investor– State Dispute Settlement' (2019) 56 American Business Law Journal 115.
[1402] Ibid, 143.
[1403] Ibid, 143.
[1404] Ibid, 164.
[1405] Ibid, 164.
[1406] Ibid, 160.

2. The procedural deficiencies and their impact on the legitimacy of the system

In order to be able to assess the European Union's proposals for reforming investment arbitration and formulating recommendation for intellectual property disputes, it is important to identify some of the most controversial features of ISDS. The procedural deficiencies that we will address below are at the heart of the public's concerns and can explain to some extent the crisis of legitimacy that the ISDS system is facing.

2.1 Independence of arbitrators

The choice of arbitrators in investment arbitration usually depends on the level of expertise of those arbitrators, notably in public international law.[1407] It has been argued that, since arbitrators are appointed and remunerated by the parties to the dispute, they necessarily have some professional interest and thus lack independence.[1408] No safeguards for the independence of the arbitrators is to be found in the ISDS system since it is not a judicial system.[1409] Some have argued that arbitrators may be partial and unaccountable as they "may have worked in law firms that have clients in the same industry"[1410] or as they may have been counsel to the parties in the past, or expressed opinions in an article.[1411]

Kamperman Sanders notes: "The arbitrators are not appointed judges, but professional lawyers who act as representative of parties one day, and as arbitrator the next."[1412] Even though, when composed under ICSID rules, the members of the tribunal must sign a declaration of absence of conflict of interest, they might have an interest in "getting called again" which "may have an influence on their rulings and gives rise to concerns".[1413] Contrary to the situation in commercial arbitration where challenges to the arbitrators can occur where the nature of the relationship between the arbitrators and the claimant may be a source of conflict of interest, in investment arbitration, "the previous cases in which the arbitrators were involved and the outcomes of those cases may have a bearing on current cases".[1414]

The independence of arbitrators lies therefore at the heart of the criticisms against investor-state dispute settlement, mainly because of the potential conflicts of interests that arbitrators may face. However, some commentators have also highlighted that, on the contrary, the independence and impartiality of arbitrators is an essential element of ISDS, which allows "to

[1407] Marisi and Chaisse, 'The History of Investment Tribunals and the Protection of IPRs under Investment Treaties', 59.
[1408] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution* 17.
[1409] Ibid, 17.
[1410] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 852.
[1411] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 10.*
[1412] Kamperman Sanders, 'Intellectual Property as Investment and the Implications for Industrial Policy', 146.
[1413] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 13.
[1414] Marisi and Chaisse, 'The History of Investment Tribunals and the Protection of IPRs under Investment Treaties', 59.

tackle problems posed by corruption, anti-foreign bias and local protectionism" that could arise in domestic litigation.[1415] Therefore "the use of these arbitrators helps to ensure the provision of a fair dispute settlement environment to foreign right holders".[1416]

These different approaches highlight the importance of this debate as the role and quality of arbitrators lies at the heart of the entire investor-state dispute settlement system.

2.2 Predictability and consistency of arbitral awards

The consistency of the case-law in investment arbitration has been hard to ensure for several reasons. First, because of the ad hoc nature of these tribunals. Second, because of the absence of formal requirements to follow past case-law: "ISDS arbitrators have therefore no mandate or incentive (for example through being reversed by an appeal mechanism) to build a coherent body of investment case law"[1417]. Despite the similarity between the substantive rules of protection found in investment agreement, the interpretation of each standard varies depending on the tribunal, but also on the specific facts of the case.

There is no binding precedent in investment arbitration. In comparison, in WTO, even if precedent is not binding, the panels and Appellate Body have tried to rely on previous cases: "Adopted panel reports are an important part of the GATT acquis. They are often considered by subsequent panels. They create legitimate expectations among WTO Members, and, therefore, should be taken into account where they are relevant to any dispute".[1418]

Some have argued that the bilateral nature of investment arbitration and the different arbitration rules can explain the differences in the interpretation of relevant provisions.[1419] The resulting alleged lack of consistency and incoherencies in the interpretation of IIA provisions have been said to decrease rather than increase legal certainty.[1420]

Some commentators have, however, a different view on this question. Cheng Tai-Heng observed that "although arbitrators in investment treaty arbitration are not formally bound by precedent in the same manner as common-law judges, there is an informal, but powerful, system of precedent that constrains arbitrators to account for prior published awards and to stabilize international investment law".[1421]

[1415] Yu, 'The Pathways of Multinational Intellectual Property Dispute Settlement', 133.
[1416] Ibid, 133.
[1417] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 12.*
[1418] *Japan - Taxes on Alcoholic Beverages [WT/DS8/AB/R]* (Report of the Appellate Body (4 October 1996)), 14.
[1419] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 17.*
[1420] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 9.*
[1421] Tai-Heng Cheng, 'Precedent and Control in Investment Treaty Arbitration' (2006) 30 Fordham International Law Journal 1014, 1016.

A careful review of arbitral awards confirms this statement, as most arbitral tribunals rely on past awards like domestic courts can rely on jurisprudence. For example, the tribunal in the Eli Lilly v Canada case made a reference to 19 different ICSID arbitration cases and 12 UNCITRAL cases in the final award.[1422] However, and by analogy with domestic courts, investment tribunals do and must take into account the differences in the language of the investment treaty before them, coupled with the negotiation history and the intention of the parties (where relevant). Similar provisions will therefore not be necessarily interpreted the same way, which is fortunate due to the differences in the language used and hence the difference between the provisions.

2.3 Transparency

The lack of transparency, or confidentiality of the proceedings, while appreciated by the parties, including sometimes the State, is one of the main reasons for the public outcry against ISDS. There is a big uncertainty around the number of actual ISDS cases handled on a yearly basis. The known-ISDS cases are only the tip of the iceberg, while most proceedings might well be confidential.

The confidentiality also extends to the documents related to the proceedings. Depending on the arbitral rule, the parties can decide whether to render publicly available some or all documents related to the proceedings. This has been particularly controversial since the disputes involve the public interest, and State measures, which should not be kept secret.

Yet, confidentiality is one of the main characteristics of arbitration in general, and most parties choose to solve their disputes through arbitration proceedings instead of domestic courts exactly for this reason. The tribunals alone have no power to decide whether to publish the outcome of a proceeding and related documents, and always require parties' consent to disclose information which makes transparency difficult.[1423] To take an example, the Philip Morris v Australia case was only made available after a request for declassification.[1424]

2.4 Absence of appeal mechanism

While it is often said that there is no possibility of review of investment arbitral awards, this is not exactly true, as there are some limited grounds on which a party can ask for the award to be annulled. Yet, these grounds highly depend on the arbitral rules and the seat of arbitration. A common feature of all ISDS proceedings is that there is no appeal mechanism, and annulment is only possible in cases of corruption, errors in the composition of the tribunal or breach of

[1422] Calculation made by the author based on a keyword search in the text of the final award. The keywords used were "ICSID Case" and "UNCITRAL".
[1423] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 10.*
[1424] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 853.

fundamental procedural rules.[1425] In practice, annulment or review of arbitral awards are rare[1426] and this has been pointed out as one of the defects of ISDS.

2.5 High costs and chilling effect

Litigation, even in domestic courts, can be costly. The development of alternative dispute resolution was a way to lower costs and time, but this finding does not seem to apply to investment arbitration. Indeed, ISDS costs can be very high. It is difficult to give a precise number of the average cost of ISDS proceedings, but some authors have commented that the cost of ISDS proceedings are of $ 8 million on average, and up to $ 70 million in some cases, whereas WTO dispute costs are estimated around $ 300 000 to $ 400 000.[1427] As we have seen earlier, the impact of such costs on the countries greatly depends on the level of development and the resources of each country. While for rich countries, the costs of litigation can represent only a small percentage of the country's budget, the compensation can sometimes be higher than the overall GDP for poorer countries.[1428]

These high costs partly explain that most Claimants come from developed countries.[1429] Even in developed countries, some have argued that only large multinational enterprises can afford ISDS, to the detriment of SMEs that do not have the financial capacity to initiate investment arbitration proceedings.[1430] However, a survey conducted by the OECD in 2011 covering 50 ICSID cases and 45 UNCITRAL cases gives a different perspective on this interesting question. The survey shows that investors range from individuals to large multinational companies. In particular, the survey shows that 22% of the claimants in the 95 cases are either individuals or very small corporations with limited foreign operations. Medium and large companies account for about half of the total sample.[1431] Therefore, while the system allows individuals and SMEs to bring claims against States, high costs can still represent a barrier to access to investment arbitration for these actors. [1432]

[1425] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 18.*
[1426] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 9.*
[1427] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 851.
[1428] Ibid, 858.
[1429] Ibid, 852.
[1430] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 18.*
[1431] D. Gaukrodger and K. Gordon, 'Investor-State Dispute Settlement: A Scoping Paper for the Investment Policy Community' (2012) OECD Working Papers on International Investment, 2012/03, OECD Publishing, 18.
[1432] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 10.*

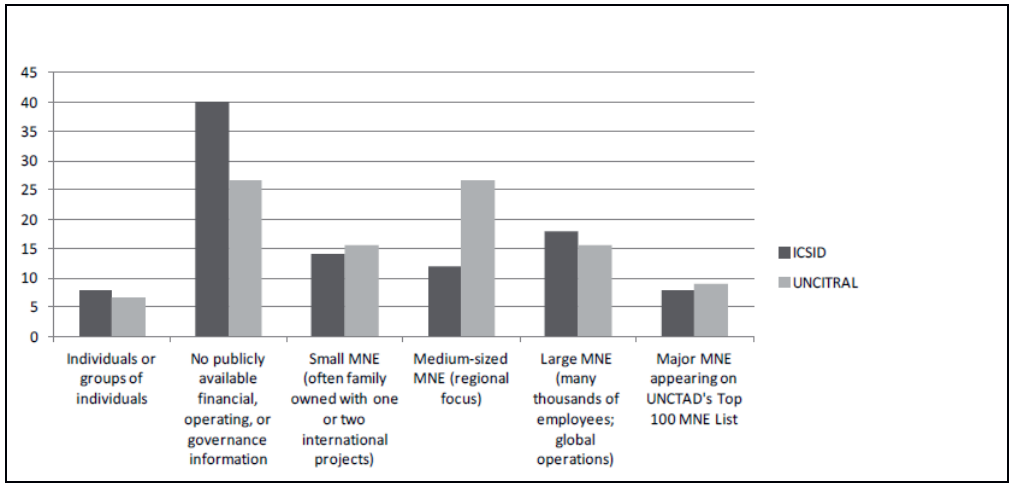

Figure 4 – Types of investor in 50 ICSID and 45 UNCITRAL cases (Source: OECD 2011)

High costs also explain to some extent the chilling effect that ISDS proceedings have on countries. In particular, frivolous lawsuits whereby countries lose time and resources sometimes lead countries to "change their laws to avoid costly arbitrations".[1433] When threatened with a lawsuit, some countries "may settle disputes even when their laws have already met international standards".[1434]

Some commentators have argued that ISDS actually promotes sovereignty and does not affect the legislative process of each country. Indeed, taking into account the fact that States often win ISDS cases, and that "only" monetary compensation can be awarded, there is virtually no impact on the law. Yet, as we have seen before, high costs can have a detrimental impact especially on developing countries or countries with limited resources.[1435]

In the case of intellectual property law, a striking example is the case of plain packaging laws. Cynthia Ho argues that some countries have withdrawn their proposals to adopt plain packaging laws because of the threat of litigation, in the aftermath of the Uruguay and Australia cases.[1436] Such effect was even identified in developed countries and in particular New Zealand, who was not directly threatened nevertheless postponed the adoption of plain packaging laws.[1437]

[1433] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 854.
[1434] Ibid, 855.
[1435] Ho, 'A Collision Course Between TRIPS Flexibilities and Investor-State Proceedings', 422-423.
[1436] Ibid, 424-425.
[1437] Ibid, 411.

2.6 Forum shopping

In the field of investment arbitration, forum shopping can refer to the practice of locating headquarters or subsidiaries in a specific country to benefit from specific IIA provisions: "ISDS procedures utilise different sets of arbitration rules, which gives leeway for investors to choose the most advantageous one on which to bring a case".[1438] This practice is not specific to investment arbitration but is also a common practice in other fields of law, including intellectual property.

For intellectual property adjudication, there are many different forum available to an investor, apart from domestic courts: "Because investment agreements such as BITs stand side-by-side with the WTO multilateral trading system, different regimes may afford protection to the foreign investor in a state that is not only a member of the WTO, but has also entered into an applicable IIA".[1439]

Forum shopping can also refer to parallel proceedings. Under some investment arbitration rules, an investor can initiate a proceeding in domestic courts and at the same time bring a claim against a State under ISDS for the same harm. For a breach of intellectual property provisions, an investor, through his home State, could also seek relief at the WTO. WTO agreements do not address the issue of parallel proceedings or the possibility of litigating a breach of WTO provisions in another forum such as ISDS.[1440]

As we have seen, some IIAs explicitly require that investors first exhaust local remedies before they can bring a claim to ISDS. Other investment agreements offer the possibility to choose between domestic courts and ISDS, but once the investor elects one path it cannot go back. These provisions are known as 'fork-in-the-road' provisions. Finally, some IIAs have 'no-U-turn' provisions, whereby an investor, once it has chosen domestic courts, can still revert to arbitration, but the opposite is not possible.[1441]

As example of 'fork-in-the-road' provisions, one could cite Article 28.4(1) of the TPP Agreement which states: "If a dispute regarding any matter arises under this Agreement and under another international trade agreement to which the disputing Parties are party, including the WTO Agreement, the complaining Party may select the forum in which to settle the dispute." The article further clarifies that "Once a complaining Party has requested the establishment of, or referred a matter to, a panel or other tribunal under an agreement referred to in paragraph 1, the forum selected shall be used to the exclusion of other fora".[1442]

[1438] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 17.*
[1439] Gibson, 'A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation', 37.
[1440] Ibid, 39.
[1441] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 10.*
[1442] Article 28.4(2) TPP Agreement.

The CETA also foresees a similar, yet more detailed provision. Article 29.3(2) of the CETA reads "if an obligation is equivalent in substance under this Agreement and under the WTO Agreement, or under any other agreement to which the Parties are party, a Party may not seek redress for the breach of such an obligation in the two fora." Where the TPP refers to "dispute", the CETA refers to "obligation" and "substantially equivalent obligation"[1443] as the decisive criteria to determine whether an investor can seek redress in several fora. The wording in the EU-Vietnam IPA seems slightly clearer, and reads "a Party shall not, for a particular measure, seek redress for the breach of a substantially equivalent obligation under this Agreement and under the WTO Agreement or under any other international agreement to which both Parties are party in the relevant fora".[1444] A review of "equivalent obligations" in typical investment agreement and in the WTO agreements would allow to identify the exact scope of these choice of forum provisions. What is however clearly left out from these provisions is the question of parallel proceedings between international fora and domestic courts, which therefore seem to be allowed under these agreements. The EU-Singapore IPA seems silent on this issue.

The ICSID Convention foresees specific rules for the choice of forum. Article 26 states that, "Consent of the parties to arbitration under this Convention shall, unless otherwise stated, be deemed consent to such arbitration to the exclusion of any other remedy. A Contracting State may require the exhaustion of local administrative or judicial remedies as a condition of its consent to arbitration under this Convention". According to Article 27, an investor cannot benefit from diplomatic protection if it has already initiated proceedings under the ICSID Convention.[1445] In other words, under ICSID arbitration rules, a party must give up resort to national and international judicial remedies as well as diplomatic protection. Christoph Schreuer notes that there is however a difference between the two provisions: "Whereas the exclusive remedy rule of Art. 26 is subject to variation by the parties ('unless otherwise stated'), the exclusion of diplomatic protection is mandatory".[1446]

One of the risk of forum shopping for intellectual property protection is the further fragmentation of the law and the lack of legal certainty arising thereof. Indeed, the coexistence

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[1443] Article 29.3(2) of the CETA reads: "Notwithstanding paragraph 1, if an obligation is equivalent in substance under this Agreement and under the WTO Agreement, or under any other agreement to which the Parties are party, a Party may not seek redress for the breach of such an obligation in the two fora. In such case, once a dispute settlement proceeding has been initiated under one agreement, the Party shall not bring a claim seeking redress for the breach of the substantially equivalent obligation under the other agreement, unless the forum selected fails, for procedural or jurisdictional reasons, other than termination under paragraph 20 of Annex 29-A, to make findings on that claim."

[1444] Article 3.24(2) of the EU-Vietnam IPA.

[1445] Article 27 of the ICSID Convention reads: "(1) No Contracting State shall give diplomatic protection, or bring an international claim, in respect of a dispute which one of its nationals and another Contracting State shall have consented to submit or shall have submitted to arbitration under this Convention, unless such other Contracting State shall have failed to abide by and comply with the award rendered in such dispute. (2) Diplomatic protection, for the purposes of paragraph (1), shall not include informal diplomatic exchanges for the sole purpose of facilitating a settlement of the dispute".

[1446] Christoph Schreuer, 'Commentary on the ICSID Convention - Article 27' (1997) 12 ICSID Review - Foreign Investment Law Journal 205, 207.

of these different dispute settlement mechanism could likely lead to conflicting decisions for the same IP dispute.[1447] Therefore, it is necessary that investment agreements foresee clear rules in terms of choice of forum, or in other words, give full effect to the maxim *electa una via, non datur recursus ad alteram.* However, this principle usually applies where a dispute is brought between the same parties, with the same object and the same cause. One could argue that an intellectual property dispute, brought under domestic or international intellectual property laws, is different from a case brought under an investment arbitration agreement, even if the dispute has the same origin, for instance the cancelation of an IP right.

2.7 Conclusion

When assessing the procedural drawbacks of the investor-state dispute settlement, one should always take into account the data available and the different interpretations, which can be given to such data. Some commentators have warned against preconceived ideas and hasty conclusions. Bungenberg puts his findings into perspective. He warns: "It has to be noted that some of the aforementioned people had worked little on issues relating to international trade law, EU common commercial policy or international investment law prior to the anti-ISDS campaign in Germany, even though ISDS in German BITs and in the Energy Charter Treaty have existed for almost 30 years. It must be remarked at this point that Herta Däubler-Gmelin, German minister of justice from 1998 to 2002, strongly criticized ISDS as not being in line with German constitutional law. However, during her time as minister of justice, more than 12 German BITs with third countries were concluded".[1448]

With this element in mind, we must nevertheless acknowledge that the ISDS system suffers from a number of procedural deficiencies, affecting its legitimacy, in particular from the general public's perspective. These deficiencies include the lack of independence of arbitrators, the lack of transparency of proceedings, the absence of appeal mechanism, the high costs and resulting chilling effect of investment arbitration, to the forum shopping and possible parallel proceedings. A number of proposals have already been put forward to address these deficiencies, which we will review in the following section.

B –Addressing the shortcomings and possible options for reform

In order to tackle the issues identified above and address some of the criticisms faced by the ISDS and investment protection system overall, policy makers and researchers have put forward a certain number of proposals, which impacts differ depending on their level of ambition. Such level of ambition, however, is also decisive at the moment of deciding which options are politically acceptable and technically feasible. We will review, in the next sections, several of these options, including: the termination of international investment agreements, or in the alternative, removing investor-state dispute settlement from such agreements; conceptual and

[1447] Correa, 'Bilateral Investment Agreements: Agents of New Global Standards for the Protection of Intellectual Property Rights?', 27.
[1448] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 15.

procedural improvements, such as limiting the scope of investment protection or the introduction of obligation on investors; and finally institutional answers, such as the creation of an advisory center or the introduction of small-claims procedure.

1. Terminating international investment agreements or removing investor-state dispute settlement

A natural response to the increasing outcry and skepticism toward ISDS would seem to be to remove this dispute settlement mechanism from IIAs, or even terminating existing investment agreements which foresee this kind of dispute settlement mechanism. Such response is supported by scholars who highlight the claimed lack of independence of arbitrators and other shortcoming of ISDS, and question the rationale for the willingness of States to accept ISDS, knowing the risk to be liable to pay large amounts in damages.[1449] While economic studies have questioned the actual benefit of foreign investment for the development of host states, and more specifically the role of ISDS and IIAs in attracting foreign investments, some countries have started to rethink the need of giving investors access to this special dispute settlement mechanism.[1450]

At the time of writing, three countries have denounced the ICSID Convention. Bolivia was the first country denouncing the ICSID Convention in 2007, followed by Ecuador and Venezuela.[1451] Yet, when a country denounces the ICSID Convention, it will not be automatically protected from ICSID arbitrations. All arbitrations initiated before the date of denunciation are not affected by the subsequent denunciation of the ICSID Convention and must be settled. This explains why Bolivia, even ten years after its denunciation of the ICSID Convention, was still involved in an ICSID arbitration. An award was issued in 2015 and the decision on annulment was released in 2018, both rejecting Bolivia's claims and finding the respondent liable. In June 2018, Bolivia and the investor reached a settlement agreement, whereby Bolivia committed to compensate the Claimant for a total amount of US$ 46.2 million. Therefore, as some commentators rightly pointed out, "it is still mesmerizing to realize that Bolivia remains subject to the decisions of an ICSID tribunal, even ten years after leaving ICSID".[1452]

While the intention of Bolivia was probably to avoid any investor-State arbitration after denouncing the ICSID Convention, there are several elements that must be taken into account. First, Article 71 and 72 of the ICSID Convention foresee additional protection periods of at least 6 months. Second, Bolivia has ratified other instruments including BITs, which allow for

[1449] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 14.
[1450] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 3.
[1451] It can be noted that some countries have never even signed the ICSID Convention such as Brazil or India.
[1452] José Carlos Bernal Rivera and Mauricio Viscarra, 'Life after ICSID: 10th anniversary of Bolivia's withdrawal from ICSID' Kluwer Arbitration Blog <http://arbitrationblog.kluwerarbitration.com/2017/08/12/life-icsid-10th-anniversary-bolivias-withdrawal-icsid/> accessed 13 June 2019.

investment arbitration. Therefore, "denouncing the ICSID Convention is not an immediate escape valve for regretful states".[1453]

Indeed, in 2007, Bolivia still had 26 BITs in place. In 2009 the government announced that it would denounce or renegotiate all of its BITs. In 2008 it denounced nine of them, and one in 2010 (with Finland). In 2017, it formally withdrew from the remaining sixteen treaties.[1454] Yet, most of these treaties had "survival clauses which allowed investors to continue to rely on them" [1455] for the protection of their investment, usually from 5 to 20 years after the termination.

Other countries have progressively terminated their BITs, such as Indonesia, South Africa[1456] and India. 2017 marked a turning point in the history of investment agreements: effective treaty terminations exceeded the number of new treaty conclusions, and the lowest number of IIAs were concluded since 1983.[1457] In 2015, Indonesia effectively terminated 8 BITs, and the country announced the termination of 10 more BITs, to take effect in 2016.[1458]

It would seem sensible to expect that countries with high number of ISDS losses are more favorable to the withdrawal from IIAs and investment arbitral rules, compared to those with high winning rates. Samples notes in this regard "Among countries with highly unfavorable ISDS outcomes, policy reactions away from the IIA–ISDS system are very prevalent. Examples include Bolivia, Ecuador, Venezuela, and Russia". [1459] He is nevertheless cautious about finding a causal relationship: "For one, as explained elsewhere in the article, there are material limitations in ISDS data. Second, the nature of ISDS liabilities and policy decisions are highly idiosyncratic from country to country. Properly controlling for all the variables in play is an ambitious task. Economic nationalism, for instance, could conceivably generate both ISDS liabilities as well as anti-ISDS measures. Nonetheless, these questions are interesting and potentially deserving of further research."[1460]

As for the European Union, it seems unlikely that it will refrain from negotiating new investment agreements with trading partners or remove investment arbitration from these instruments, "given that the European Institutions keep on affirming that they want to change the arbitral system, not to renounce to it".[1461] However, the situation is different for intra-EU BITs. In 2015, the Commission initiated several infringement proceedings against EU Member States seeking the termination of their intra-EU BITs. Italy and Ireland were the only States that

[1453] Ibid.
[1454] IISD, 'Ecuador denuncia sus 16 TBIs restantes y publica informe de auditoría CAITISA' Investment Treaty News <https://www.iisd.org/itn/es/2017/06/12/ecuador-denounces-its-remaining-16-bits-and-publishes-caitisa-audit-report/> accessed 13 June 2019.
[1455] Bernal Rivera and Viscarra, 'Life after ICSID: 10th anniversary of Bolivia's withdrawal from ICSID'.
[1456] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 855.
[1457] 18 new IIAs were concluded, bringing the total to 3,322 treaties by year-end. *See* UNCTAD, *World Investment Report 2018 - Investment and New Industrial Policies*), 88.
[1458] Ibid, 102.
[1459] Samples, 'Winning and Losing in Investor– State Dispute Settlement', 165.
[1460] Ibid, 165.
[1461] Cappiello, 'ISDS in European International Agreements: Alternative Justice or Alternative to Justice?', 10.

had terminated all their intra-EU BIT at that date. EU Member States have now notified their intention to terminate their intra-EU BIT and thus to put an end to intra-EU investment arbitration for the future.

As for other instruments, Italy notified in 2014 its withdrawal from the Energy Charter Treaty, taking effect in January 2016. Some Member States have expressed their willingness to withdraw from the treaty, should it not be revised in particular to take into account climate-change considerations.[1462] As we know, EU Member States are subject to investment arbitration further to this treaty, including in intra-EU disputes.

While there seems to be a willingness from States to avoid or at least limit investment arbitration, many instruments are still in place, which allow for investor-state dispute settlement. New agreements are negotiated every year, which also include this dispute settlement mechanism, and it thus seems reasonable to address the potential improvements of the existing system, rather than rejecting it as a whole.

1.1.The role of domestic courts: can they assume the role of ISDS tribunals?

For many years, some stakeholders have argued that ISDS is neither necessary nor appropriate in particular in democratic countries where the rule of law is respected. Indeed, we recall that the historical rationale behind investment arbitration was to offer investors (mostly from developed countries) a reliable means of dispute settlement when they were investing in countries where they could not fully trust or rely on the judicial system (mostly in developing countries). Some have argued that this situation is no longer encountered especially in developed countries, and that therefore, investor-state arbitration is no longer needed.

However, even if domestic courts might be well equipped to deal with foreign investment claims, some additional elements must be considered. First of all, it has been argued that even in democratic and developed countries, the judiciary cannot always be qualified as just and independent. This seems to be confirmed by data on ISDS proceedings.

Indeed, while one could argue that ISDS is not an appropriate dispute settlement system in the European Union for example, statistics show that European States have been respondents in many cases, which could be a sign of mistrust of the justice system in EU countries. Bungenberg notes, “Foreign investors may be subject to discrimination, may not receive a fair trial in domestic courts, or may otherwise be deprived of fundamental rule of law guarantees even in highly developed OECD countries”.[1463] Indexes such as the Corruption Perception Index 2014 or the World Economic Forum Global Competitiveness Index have shown doubts about corruption in and judicial independence of certain EU countries, and the European Commission has also published reports showing doubts about the fairness and impartiality of judicial systems

[1462] See the position of Luxembourg and France: Luxembourg backtracks on Energy Charter Treaty withdrawal – EURACTIV.com.
[1463] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 18.

in particular in Bulgaria and Romania.[1464] The author concludes: "It is not guaranteed that foreign investors in general receive equal and fair treatment from foreign national courts. Even sophisticated legal systems in Canada, the United States and most parts of the European Union do not guarantee that non-commercial risk presented by government action will be dealt with in a non-discriminatory and fair manner by national courts".[1465]

Second, as Catharine Titi rightly points out, IIA provisions can usually not be invoked in domestic proceedings. She finds that "in dualist systems such as in the United Kingdom, there is no other method of invoking international treaty obligations; the latter are not directly enforceable in national courts. Even in monist systems, invoking investment treaty obligations in domestic courts has encountered setbacks; in 2007, the French *Conseil d'Etat* determined that the guarantee of fair and equitable treatment in the France-Algeria BIT of 1993 is an inter-state obligation but does not protect investors vis-à-vis their host state."[1466]

Some agreements such as CETA even state explicitly that the provisions cannot be invoked in domestic courts. Article 30.6 of the CETA states that "Nothing in this Agreement shall be construed as […] permitting this Agreement to be directly invoked in the domestic legal systems of the Parties". Therefore, one could argue that such a trade agreement would remain almost symbolic in the absence of enforcement mechanisms. However, these agreements usually foresee other means of dispute settlement, such mediation, conciliation and even state-to-state arbitration. Therefore, investors could resort to one of these mechanisms in case of breach of any of the agreement's provisions.

1.2.Keeping ISDS but removing IP from ISDS' scope

Where ISDS is available under an investment agreement, some commentators have argued that IP should be excluded from its scrutiny. This position is defended primarily by intellectual property scholars who consider that this additional layer of protection for intellectual property is not necessary or even harmful for intellectual property policies.[1467]

Recent agreements have already started to include exceptions and limitations to the review of IP disputes by investment tribunals. For instance, several provisions of the CETA foresee limitations with regards to intellectual property, while IP is still included under the definition of an investment.

II

[1464] Ibid, 18.
[1465] Ibid, 19.
[1466] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 4.
[1467] *See* in particular: Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 902; Cynthia M. Ho, 'Sovereignty Under Siege: Corporate Challenges to Domestic Intellectual Property Decisions' (2015) 30 Berkeley Technology Law Journal 213, 255; Diependaele, Cockbain and Sterckx, 'Eli Lilly v Canada: the uncomfortable liaison between intellectual property and international investment law', 303; Brook K. Baker, 'Corporate Power Unbound: Investorstate Arbitration of IP Monopolies on Medicines—Eli Lilly v. Canada and the Trans-Pacific Partnership Agreement' (2015) 23 Journal of Intellectual Property Law, 58.

Article 8.12 'Expropriation': "5. This Article does not apply to the issuance of compulsory licences granted in relation to intellectual property rights, to the extent that such issuance is consistent with the TRIPS Agreement.

6. For greater certainty, the revocation, limitation or creation of intellectual property rights, to the extent that these measures are consistent with the TRIPS Agreement and Chapter Twenty (Intellectual Property), do not constitute expropriation. Moreover, a determination that these measures are inconsistent with the TRIPS Agreement or Chapter Twenty (Intellectual Property) does not establish an expropriation".

Article 8.15 'Reservations and exceptions': "4. In respect of intellectual property rights, a Party may derogate from Articles 8.5.1(f), 8.6, and 8.7 if permitted by the TRIPS Agreement, including any amendments to the TRIPS Agreement in force for both Parties, and waivers to the TRIPS Agreement adopted pursuant to Article IX of the WTO Agreement."

Annex 8-D 'Joint Declaration Concerning Article 8.12.6': "Mindful that investor-State dispute settlement tribunals are meant to enforce the obligations referred to in Article 8.18.1, and 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.

Other recent agreements have similar provisions, and exclude some IP measures from the scope of expropriation. However, IP remains within the scope of investment arbitration, and IP disputes could still be litigated in investment arbitration under different provisions. However, some scholars have questioned the justification and rationale for offering foreign investors a different, additional judicial recourse in comparison to domestic investors. Heath and Kamperman Sanders observe in this regard that "in the field of intellectual property law, there is very little that would indicate that foreigners could be jeopardised by unequal or discriminatory treatment and for this reason should have judicial recourses not open to domestic IP owners".[1468]

Therefore, the only way to achieve a total exclusion of IP from ISDS scrutiny would be to remove any reference to intellectual property, intellectual property rights and even intangible

[1468] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 5.

assets from the definition of investment. However, in treaty negotiation practice, this is unlikely to happen given the importance of intellectual property and intangible assets to foreign investors. Therefore, it seems necessary to increase the number of safeguards in investment treaties to ensure the respect of inherent principles of the intellectual property system and of fundamental rights. In addition, efforts must be pursued towards conceptual and procedural improvements of the ISDS system.

2. Conceptual and procedural improvements to the ISDS system

The increasing tension between the IP and investment fields might also be rooted in the reciprocal lack of knowledge about the other field. Investment law experts might not always be familiar with the IP system and its policy implications, while IP specialists might not always be fully knowledgeable about investment standards of protection. This situation is not unique and could be compared to intersection of IP and trade or IP and human rights.[1469] For that reason, training investment experts in IP and vice versa could probably help creating synergies between the two fields.

2.1 Limit the scope of investment protection for IP

The protection of intellectual property as an investment seems problematic as it can create situations where an intangible asset could be protected under investment rules while not benefiting from protection under intellectual property rules. Indeed, intellectual property rights are territorial and could thus not be enforceable in some countries, while still protected in others. This could be due to the limited duration of intellectual property rights, to the non-payment of renewal fees, or to a subsequent invalidation of the right by domestic courts.[1470] In addition, most intellectual property laws integrate exceptions and limitations to the exclusive rights of IP owners. As Peter Yu rightly clarifies, these limitations can be endogenous (fair use, exhaustion, experimental use…) or exogenous (human rights, public order…).[1471]

Such limitations are absent from the investment regime which foresees its own rules for granting protection and its own exceptions and limitations, which might not be aligned with the rules of the IP system. One option to tackle this issue could be to the link the investment to the intellectual property chapter of the same agreements, in order to integrate exceptions and limitations of the IP chapter. This would greatly reduce the number of potential claims, limiting them to situations "where a host country specifically targets the intellectual property right of a particular investor"[1472] by issuing for instance a compulsory license which would not comply with the statutory requirements. In such instance, "the policy-making ability of the host state is

[1469] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 876.
[1470] Ibid, 881.
[1471] Ibid, 885.
[1472] Okediji, 'Is Intellectual Property "Investment"? Eli Lilly v. Canada and the International Intellectual Property System', 1137.

not threatened"[1473] , while the investors would still benefit from investment protection and dispute settlement mechanism for their IP rights in some specific cases.

2.2 Imposing obligations on investors

"The slogan 'No Rights without Responsibilities', adopted by campaigners against the MAI, encapsulated the criticisms levelled by many observers of the emerging regulatory framework for international investment."[1474]

Another rather controversial option to achieve a greater balance between investors' and the public's interests would be to impose several obligations to investors who decide to invest in a foreign country, in addition to domestic obligations. More specifically, the option would be to introduce investor obligations in the investment agreement, in order to allow investment tribunals to assess a breach of the IIA in light of such obligations. Indeed, as we have seen repeatedly, it is rather difficult for Respondents to invoke their domestic laws or even international commitments to justify a violation of investment provisions, in particular because investment tribunals have usually no jurisdiction to review and interpret such rules.

Therefore, introducing specific obligations for investors, in the field of sustainable development and human rights for instance, would allow investment tribunals to balance the different interests at stake. In this regard, Daniel Gervais observes that the application of human rights to non-state actors such as pharmaceutical companies is not a settled question in international law. There are examples of domestic courts, notably in India and South Africa that have imposed access obligations to patent holders based on the human right to health, but this practice is rather rare. [1475]

One could be even less ambitious and rely on existing investment standards in order to impose some obligations to foreign investors. In the first part, we have seen that under some investment rules, an investment has to comply with the Salini test in order to qualify as protected investment. The tribunal in the Salini v Morocco case identified several criteria to define the concept of investment, including contributions, a certain duration, risks, and more importantly, "In reading the Convention's preamble, one may add the contribution to the economic development of the host State of the investment as an additional condition".[1476]

If such a requirement was explicitly listed as a condition for an asset to qualify as investment, then an investor would have to prove "that its intellectual property rights have had a clear economic benefit to the host country and thus constitutes an 'investment' […] requiring the claimant to establish the significance of the intellectual property to the host State's economic

[1473] Ibid, 1137.
[1474] UNCTAD, *The Development Dimension of FDI: Policy and Rule-making Perspectives: Proceedings of the Expert Meeting held in Geneva from 6 to 8 November 2002, UN Doc UNCTAD/ITE/IIA/2003/4, 154.*
[1475] Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada', 510.
[1476] *Salini v. Morocco, para 52.*

development."[1477] However, the concept of contribution to the economic development of the host State says little about the respect for human rights and sustainable development. Investment agreements would thus need to introduce both the economic contribution and the commitment to sustainable development goals as a condition to be granted investment protection.

The CETA does not contain such explicit provisions but the preamble recognizes the importance of "democracy, human rights and the rule of law for the development of international trade and economic cooperation". It also recognizes that the provisions of the Agreement "reserve the right of the Parties to regulate within their territories and the Parties' flexibility to achieve legitimate policy objectives, such as public health, safety, environment, public morals and the promotion and protection of cultural diversity". However, the binding force of the preamble is disputed. In addition, the investment chapter defines investment as every kind of asset "that has the characteristics of an investment, which includes a certain duration and other characteristics such as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk".

This definition merits special attention. The contribution to the host State's economic development is not listed as one of the characteristics of an investment. It could thus be argued that the negotiators deliberately decided not to include it. However, the language used leaves the doors open to interpretation. The use of 'such as' could lead to the conclusion that the definition offers a non-exhaustive list of characteristics, and that in light of the preamble, the contribution to the economic development of the host state could be included, as well as the respect of fundamental rights and sustainable development.

In addition, the definition of 'covered investment' in the CETA includes the requirement that an investment be made "in accordance with the applicable law at the time the investment is made". A country could thus require that investment made within its territory must not only comply with the regulations of each specific sector, but also must not harm the environment, contribute to sustainable development and not be in violation of human rights. To our knowledge, such requirements are not yet imposed by States and it would probably difficult for governments to pass such laws, as it would likely have a negative impact on inward investment flows.

2.3 Imposing performance requirements

"The positive impacts of FDI do not occur automatically, because the commercial interests of companies do not always coincide with states' development goals. Specific policies are needed to create an environment that encourages the positive impacts of (and best practices for) FDI,

[1477] Okediji, 'Is Intellectual Property "Investment"? Eli Lilly v. Canada and the International Intellectual Property System', 1137.

while strengthening their contribution to sustainable development. One potential policy is for host states to use performance requirements (PRs)".[1478]

Performance requirements can be defined as provisions in IIAs, which impose on investors certain obligations to ensure that their FDI contributes to the development and other policy objectives of the host State. They are measures requiring investors to behave in a particular way or to achieve a certain outcome in the host country.[1479] Some of these objectives could include "deepening of the domestic industrial base, generation of employment and local linkages, development of export capability and improvement of balance of payments, and development of local technological capability through transfer and diffusion of technology."[1480] They can thus have economic but also non-economic goals, such as developing national expertise or fostering technology transfer.[1481]

Performance requirements were commonly used in the first investment agreements, but were progressively prohibited, in particular by the United States. The trend then expanded, with most IIAs containing prohibitions against performance requirements today.[1482] The reasons for this increasing prohibition are manifold, but countries have argued in particular that performance requirements are ineffective or even counterproductive.[1483] The WTO has also prohibited certain performance requirements in the Agreement on Trade-Related Investment Measures.

Article 8.5 of the CETA contains a prohibition on the imposition of certain requirements with regards to investments made in the territories of the parties, including a prohibition to impose requirements in connection to "transfer technology, a production process or other proprietary knowledge to a natural person or enterprise in its territory".[1484] However, Article 8.5.4 specifies that "Subparagraph 1(f) does not apply if the requirement is imposed or the commitment or undertaking is enforced by a court, administrative tribunal or competition authority to remedy a violation of competition laws."

Some commentators have noted that the success and usefulness of performance requirements depends on many different factors, including the capacity of a State to manage and monitor such performance requirements. The effectiveness of technology transfer requirements in particular, depends on "the capacity of the state to specify the type of technology it needs the most and to monitor the implementation of these requirements."[1485]

[1478] Suzy H. Nikièma, 'Performance Requirements in Investment Treaties' (2014) IISD Best Practices Series, 1.
[1479] Ibid, 1.
[1480] UNCTAD, *The Development Dimension of FDI: Policy and Rule-making Perspectives: Proceedings of the Expert Meeting held in Geneva from 6 to 8 November 2002, UN Doc UNCTAD/ITE/IIA/2003/4, 60.*
[1481] Nikièma, 'Performance Requirements in Investment Treaties', 1.
[1482] White and Szczepanik, 'Remedies Available Under Bilateral Investment Treaties for Breach of Intellectual Property Rights', 7.
[1483] Nikièma, 'Performance Requirements in Investment Treaties', 1.
[1484] *See* Article 8.5.1(f) of the CETA.
[1485] Nikièma, 'Performance Requirements in Investment Treaties', 4.

It is interesting to note that the TRIPS Agreement is silent on this issue. This does not mean however, that performance requirements cannot be imposed on intellectual property transactions. For instance, the TRIPS Agreement incentivizes the protection of technology transfer in Articles 8.2[1486] and 66.2.[1487] However some BITs prohibit performance requirements with regards to "transfer a particular technology, a production process, or other proprietary knowledge to a person in its territory."[1488] Investment agreements containing this kind of prohibition can thus be assimilated to TRIPS+ agreements, removing flexibilities in the field of IP, which could be detrimental in particular to developing countries that need technology transfer. [1489]

It can be noted that, where an investment agreement makes no reference to performance requirements, the TRIMs Agreement may apply if both parties are members of the WTO. Some investment agreements might even refer to the TRIMs Agreement, thus incorporating the TRIMs' list of prohibited performance requirements.[1490] Some investment agreements include exceptions for public order, public health or environmental concerns.[1491]

Amongst the recent treaties negotiated by the European Union, a rather fragmented approach can be observed. The CETA as well as the EU-Vietnam agreements both contain prohibitions on performance requirements, while the EU-Singapore remains silent on this issue. Performance requirements could seem useful in the field of intellectual property investments in particular with regards to technology transfers, and could be further used to ensure the compliance of FDI with fundamental rights and sustainable development.

In addition to these forms of obligation imposed on investors, the States could also enjoy greater power to initiate proceedings against investors, or argue the violation of fundamental rights in counterclaims.

[1486] Article 8.2 of the TRIPS Agreements reads "Appropriate measures, provided that they are consistent with the provisions of this Agreement, 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."

[1487] Article 66.2 of the TRIPS Agreements reads "Developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base."

[1488] Moerland, *Why Jamaica wants to protect Champagne: intellectual property protection in EU bilateral trade agreements, 84.*

[1489] Ibid, 84.

[1490] Nikièma, 'Performance Requirements in Investment Treaties', 7.

[1491] Ibid, 8. *See* Article 4.4 of the India-Kuwait BIT (2001) which states "Once established, investment shall not be subjected in the host Contracting State to additional performance requirements which may hinder or restrict their expansion or maintenance or adversely affect or be considered as detrimental to their viability, **unless such requirements are deemed vital for reasons of public order, public health or environmental concerns** and are enforced by law of general application" (emphasis added).

2.4 States' initiative in bringing investment disputes, or the alternative counterclaims

A fundamental rule of investor-State arbitration is that only investors can sue States. On the opposite, States are not allowed to sue investors.[1492] The underlying rationale for such rule is that States have already given their consent to arbitration when they signed the investment agreement foreseeing ISDS as a means of dispute settlement. Therefore the possibility given to investors to initiate an investment dispute against States could be seen as the acceptance of an offer in contract law, rather than a unilateral right of investors. However, it is true that States do not benefit from the same right against investors and they cannot initiate an ISDS proceeding against a foreign investor. States have other means to enforce their domestic laws against foreign investors, including the recourse to domestic courts.

Some commentators have nevertheless argued that such a right should be given to States. If investors can sue States, then States should be entitled to the same rights. Heath and Kamperman Sanders note that "alleged cases of expropriation were often the reaction of a state to gross violations of environmental laws that the state in question should accordingly have been able to pursue by way of a counterclaim, or as an independent claim in its own right."[1493] However, even if the idea is appealing, we see practical and procedural hurdles to the implementation of such a right. Investors initiate investment proceedings for the breach of investment provisions. Yet, these provisions are usually drafted in a way that they protect investors against unlawful State actions. We do not see how a State could argue that an investor violated provisions such as expropriation, national treatment, fair and equitable treatment, or denial of justice. Existing standards of protection do not seem to allow States to bring claims against investors.

States would usually sue investors in domestic courts or in other fora, for the breach of contract obligations, or for the violation of fundamental rights on their territories. In order to allow States to initiate investment arbitrations, specific obligations for investors would have to be introduced in the investment chapter of IIAs. Needless to say that such change could only be implemented in future investment agreements, or during the revision process of existing instruments. Overall, such changes are unlikely to happen for several political and procedural reasons.

An alternative means to allow States to enforce environmental obligations and fundamental rights is to allow them to bring counterclaims in investment arbitration proceedings. When an investment agreement foresees such possibility, a Respondent, in the course of the proceedings, can bring a counterclaim against the Claimant for the violation of specific rules. Historically counterclaims were not admitted, in particular because the tribunal usually found that it had no jurisdiction over such counterclaims. Recent case law in the investment field reversed this

[1492] Moerland, *Why Jamaica wants to protect Champagne: intellectual property protection in EU bilateral trade agreements, 84.*
[1493] Heath and Kamperman Sanders, 'Investor State Dispute Settlement (ISDS) in the Field of Intellectual Property Law and Beyond', 19.

approach, by finding that tribunals have indeed jurisdiction to hear counterclaims, if the investment agreement and arbitration rules foresee such possibility.

The use of counterclaims can be particularly observed in the environmental field. In a recent case opposing Burlington Resources Inv. V Republic of Ecuador, the Respondent raised two counterclaims against the investor, related to the contamination of soil and groundwater by the investor and to the standards of maintenance of oil fields and equipment. The Tribunal granted both counterclaims and ordered Burlington to pay Ecuador USD 41,776,492.77.[1494]

It must nevertheless be noted that prior to the finding on counterclaims, the tribunal had found Ecuador liable for the violation of the expropriation provision of the investment agreement, and ordered Ecuador to pay to Burlington the amount of USD 379,802,267 as well as to bear 65% of the costs of the arbitration.[1495] Pursuant to ICSID Arbitration Rules, Ecuador was able to assert two counterclaims in its counter-memorial on liability.

The ICSID Convention foresees the possibility of bringing counterclaims. Article 46 reads "Except as the parties otherwise agree, the Tribunal shall, if requested by a party, determine any incidental or additional claims or counterclaims arising directly out of the subject-matter of the dispute provided that they are within the scope of the consent of the parties and are otherwise within the jurisdiction of the Centre." Any arbitration proceeding brought under ICSID arbitral rules could thus involve the submission of counterclaims. Recent case law shows more and more cases of this kind in environmental disputes, where the protection of the environment is brought by the Respondent.[1496]

Admitting a counterclaim in an arbitration proceeding could be seen as a balancing act from the tribunal. Some investment agreements do not foresee the possibility of bringing counterclaims, but the ICSID and UNCITRAL rules[1497] include this possibility, provided that two requirements are fulfilled: (1) the tribunal must have jurisdiction over the counterclaims and, (2) there must be a close connection between the counterclaim and the main claim.[1498] The connection must not only be factual, but also legal. If the main claim was based on a breach of international law (including international investment agreements), then the counterclaim must also arise from the same legal framework, i.e. international law. This would mean that the State will have to prove that it has a claim against a private entity, the investor, on the basis of international law. In other words, the State will only be able to rely on rules of international law, which create obligations for private parties.

[1494] *Burlington Resources, Inc. v. Republic of Ecuador* ICSID Case No ARB/08/5, Decision on Counterclaims (7 February 2017).
[1495] *Burlington Resources, Inc. v. Republic of Ecuador* ICSID Case No ARB/08/5, Decision on Liability (14 December 2012).
[1496] *Perenco Ecuador Limited v. Republic of Ecuador (Petroecuador)* ICSID Case No ARB/08/6, Interim Decision on the Environmental Counterclaim (11 August 2015).
[1497] *See* Article 46 of the ICSID Convention and Articles 21(3) and 22 of UNCITRAL Arbitration Rules.
[1498] Christoph Schreuer, 'Commentary on the ICSID Convention - Article 46' (1998) 13 ICSID Review - Foreign Investment Law Journal 183.

Based on the language of the BIT in force between Argentina and Spain (1991), the tribunal found that "the BIT does not represent, in the view of the Contracting Parties and its clear text, a set of rules defined in isolation without consideration given to rules of international law external to its own rules."[1499] The tribunal also found, on the basis of the language of the BIT, that investors can be subjects of international law and therefore are capable of holding obligations, since the BIT confers investors the possibility to invoke rights resulting from international law.[1500] However, in this case, Argentina had only argued that the investor had obligations with regards to access to water under the concession contract, but did not refer to any particular international law obligation.[1501] The tribunal concludes "Respondent does not explain the basis of such obligations under international law other than by emphasizing Claimants' duty to ensure AGBA's performance in providing water and sewage services as if such duty were based on the human right to water and thus on international law. This is incorrect. The human right to water entails an obligation of compliance on the part of the State, but it does not contain an obligation for performance on part of any company providing the contractually required service. Such obligation would have to be distinct from the State's responsibility to serve its population with drinking water and sewage services."[1502]

While the solution in this case might seem disappointing from the perspective of the safeguard of fundamental rights, the tribunal indicates the conditions under which human rights obligation could apply and bind investors: "In order to have such an obligation to perform applicable to a particular investor, a contract or similar legal relationship of civil and commercial law is required. In such a case, the investor's obligation to perform has as its source domestic law; it does not find its legal ground in general international law. The situation would be different in case an obligation to abstain, like a prohibition to commit acts violating human rights would be at stake. Such an obligation can be of immediate application, not only upon States, but equally to individuals and other private parties."[1503]

Eventually the tribunal rejected the Respondent's counterclaim in this case. However, this award opens the door to further counterclaims based on human rights or other obligations of international law, provided that the investment agreements are drafted in a way which will allow investment tribunals to hear and decide such claims.

2.5 Increase the capacity of tribunals to take the public interest into account

Somewhat linked to the issues discussed above is the limited capacity of investment tribunals to consider the public interest when looking at a breach of the investment agreements. The safeguard of the public interest can usually not be invoked as a defense by Respondents as such,

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[1499] *Urbaser S.A. and Consorcio de Aguas Bilbao Biskaia, Bilbao Biskaia Ur Partzuergoa v. Argentine Republic* ICSID Case No ARB/07/26, Award (8 December 2016), 1192.
[1500] Ibid, 1194.
[1501] Ibid, 1206.
[1502] Ibid, 1208.
[1503] Ibid, 1210.

but must be foreseen by the investment treaty, either as a condition for a measure to be lawful, or in the preamble. The public interest in usually required for expropriations to be "lawful" but this requirements is not defined by the treaties. Pia Acconci refers to public interests as "those related to the protection of non-investment concerns, such as the protection of the environment and human rights."[1504]

Sustainable development is sometimes mentioned in the preambles of investment agreements, and new treaties tend to include the protection of "health, environment and workers' rights as exceptions."[1505] ISDS might not be the best mechanism to resolve a dispute about a regulation taken in the public interest. This explains that certain countries have denounced the ICSID Convention, or removed ISDS from their BITs.[1506]

2.5.1 Take human rights into account

The cases we have mentioned earlier show that investment arbitration is growingly taking non-investment concerns into account, including fundamental rights. While this evolution can be welcomed, some have asked whether "this acknowledgment [is] enough to make investment arbitration more acceptable and the international investment legal framework less controversial?"[1507] It is clear that more efforts and reform are needed at the stage of treaty drafting as well as at the adjudication phase. We have seen that one way for tribunals to take fundamental rights into account is to consider these part of international law. Where an investment treaty foresees international law as part of the applicable law, then human rights consideration might play a role. However, in practice, "many investment arbitration tribunals have either ignored or refused the requests of the host countries to apply international rules on the protection of human rights."[1508]

Some research has already been carried out on the reference to human rights in investment arbitration.[1509] Some of the recent cases which have taken non-investment concerns into consideration include the Methanex v. USA[1510], Glamis Gold v. USA[1511], Chemtura v. Canada[1512] and Grand River.[1513] In these cases, the tribunals "have accepted that the protection of non-investment concerns in the international investment legal framework can be considered as a legitimate exercise of the host State's police powers. Other tribunals have accepted the

[1504] Acconci, 'Is it Time to Integrate Non-investment Concerns into International Investment Law?', 1.
[1505] Ibid, 1.
[1506] Ibid, 1.
[1507] Ibid, 2.
[1508] Ibid, 2.
[1509] *See* in particular Gervais, 'Investor-State Dispute Settlement: Human Rights and Regulatory Lessons from Lilly v. Canada'; Alvarez, 'The Use (and Misuse) of European Human Rights Law in Investor-State Dispute Settlement'; Ursula Kriebaum, 'Aligning Human Rights and Investment Protection' (2013) 10 Transnational Dispsute Management Special.
[1510] *Methanex v. USA, Final Award*.
[1511] *Glamis Gold v. USA*.
[1512] *Chemtura v. Canada*.
[1513] *Grand River Enterprises Six Nations, Ltd., et al. v. United States of America*.

'Salini test' to define foreign investments and have thus considered the contribution of a foreign investment to the host State's development as one of the key defining elements".[1514] It thus appears that interpretation is key to integrate non-investment concerns into investment law.

Interestingly, some investment tribunals have relied on the case-law of the European Court of Human Rights and in particular the theory of margin of appreciation of States.[1515]

From an intellectual property perspective, taking human rights considerations into account would only increase the safeguard of the public interests and ensure a certain balance between the different interests involved. In addition, intellectual property instruments already integrate human rights considerations, such as the TRIPS Agreement, which contains both general and specific interfaces with human rights[1516], such as the general exception in Article 8.1. TRIPS which reads "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, provided that such measures are consistent with the provisions of this Agreement."

2.5.2 The right to regulate

IIAs can explicitly recognize the right to regulate. Article 8.9.1 of the CETA foresees that "For the purpose of this Chapter [Investment], 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."

Article 2.2 of the EU-Singapore agreements reads in a similar fashion "The Parties reaffirm their right to regulate within their territories to achieve legitimate policy objectives, such as the protection of public health, social services, public education, safety, environment or public morals, social or consumer protection privacy and data protection and the promotion and protection of cultural diversity."

Article 13bis of the EU-Vietnam likewise foresees that "The Parties reaffirm the right to regulate within their territories to achieve legitimate policy objectives, such as the protection of public health, safety, environment or public morals, social or consumer protection or promotion and protection of cultural diversity".

It is interesting to note that the safeguard of the right to regulate is not featuring in the preamble but in the investment chapter as such. This gives the right to regulate a greater importance with regards to investment protection, as investment tribunals can consider regulatory measures on the basis of these explicit provisions. It is advisable that the right to regulate be integrated as a

[1514] Acconci, 'Is it Time to Integrate Non-investment Concerns into International Investment Law?', 3.
[1515] Ibid, 4.
[1516] Gervais, *The Proposed Multilateral Investment Court Human Rights and Regulatory Lessons from Lilly v Canada, 7.*

general exception clause into future IIAs, in order to ensure that "the application of the standards of investment protection does not unduly impede the host states' regulatory autonomy to protect the public welfare".[1517]

Some authors have proposed to go even one step further, and to consider the right to regulate as the rule rather than an exception, along with the rights of investors. [1518] In doing so, arbitral tribunals could not interpret investment protection standards in a way that is detrimental to the right to regulate.[1519] Eventually, investment tribunals still enjoy some discretionary power to interpret the treaties. Guy Van Harten argues that "there is no way to 'ensure' that the treaty 'cannot be interpreted' by anyone in a way that harms the right to regulate. However, the Commission could at least remove the unacceptable financial interests of the adjudicator in this respect."[1520]

Some authors are even skeptical as to the capacity of investment tribunals to consider these non-investment aspects: "In cases involving public health, one may wonder whether investment arbitration provides an adequate forum to address important noneconomic concerns".[1521]

3. Institutional answers

3.1 Advisory Center

Several institutional proposals have been brought forward by the doctrine and policy makers to improve the existing ISDS system. Peter Yu proposes the creation of an Advisory Center on Investor-State Disputes, similar to the Advisory Centre on WTO Law: "Based in Geneva, the latter provides to the developing and least developed country members of the WTO 'free advice and training on all aspects of WTO law, as well as assistance in WTO dispute settlement proceedings'."[1522] The role of such an Advisory Center on Investor-State would thus be to provide advice and training on investor-state dispute settlement to developing and least developed countries. Peter Yu justified the need for such a Centre based on important differences in GDP per capita between developed and developing countries. He finds that "Peru and Vietnam are unlikely to have the same financial flexibility to handle investor-state disputes as the United States and Japan. These two poorer countries are also unlikely to have the same legal capacity to achieve success through ISDS."[1523]

While the idea should be welcomed, some elements can be noted in this regard. First, some organizations already provide some trainings and offer advice to developing and least developed countries on ISDS, in particular the UNCITRAL and the WHO. From a more

[1517] Ibid, 303.
[1518] Van Harten, 'Comments on the European Commission's Approach to Investor-State Arbitration in TTIP and CETA', 11.
[1519] Ibid, 25.
[1520] Ibid, 25.
[1521] Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 136.
[1522] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 895.
[1523] Ibid, 896.

empirical point of view, it appears that developing countries do indeed lose more ISDS cases compared to developed countries, but not in a striking manner. Out of 942 known treaty-based ISDS claims, 280 were brought against developed economies.[1524] Out of these cases, 78 were decided in favor or State, 35 decided in favor of investor, 49 decided in favor of neither party, settled or discontinued and 114 are still pending.[1525]

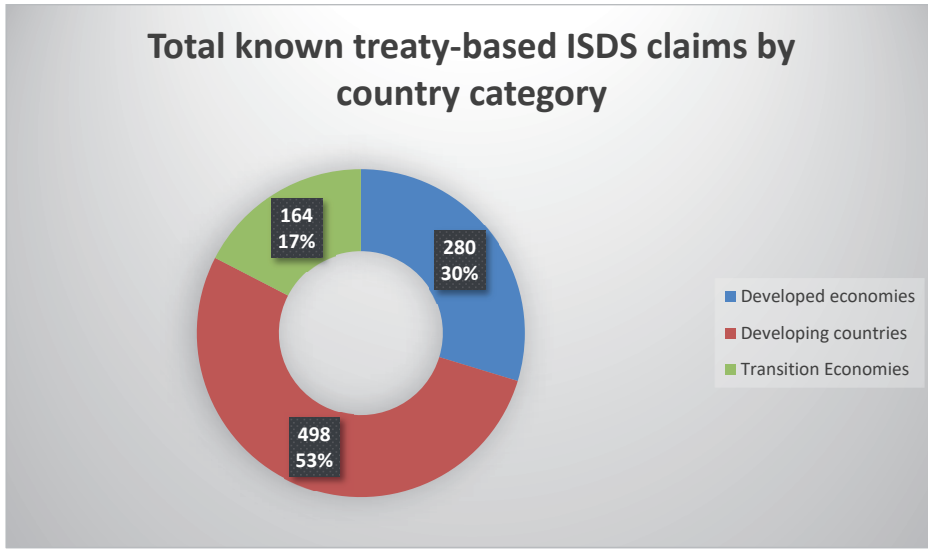

Figure 5 – Total known treaty-based ISDS claims by country category (Source: the author based on investment policy hub UNCTAD)

[1524] *These include*: Bermuda, Canada, Greenland, Saint Pierre and Miquelon, United States of America, Israel, Japan, Andorra, Austria, Belgium, Bulgaria, Cyprus, Czechia, Denmark, Estonia, Faeroe Islands, Finland, France, Germany, Gibraltar, Greece, Holy See, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, Australia, New Zealand, Croatia.
[1525] Data gathered on 17 June 2019.

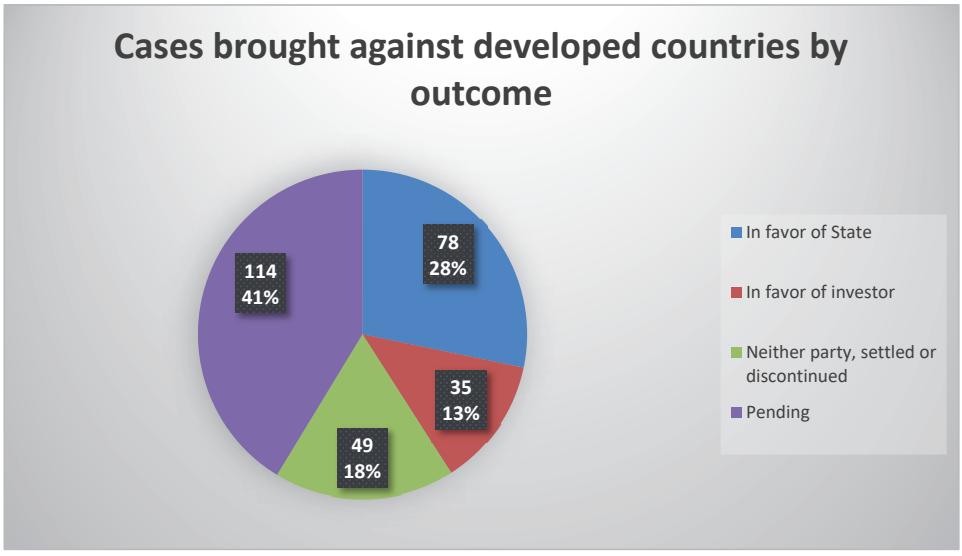

Figure 6 – Cases brought against developed countries by outcome (Source: the author based on investment policy hub UNCTAD)

As a comparison, 498 cases were brought against developing countries including LDCs.[1526] 102 cases were decided in favor of States, 95 in favor of investor, 136 decided in favor of neither party, settled or discontinued and 162 are still pending.[1527]

[1526] *These include*: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Capo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mayotte, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Saint Helena, Sao Tome and Principe, Senegal, Seychelles Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda Zambia, Zimbabwe, Anguilla, Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bolivia, Brazil, British Virgin Islands, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Curacao, Dominica, Dominican Republic, Ecuador, Salvador, Falkland Islands, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Montserrat, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, Uruguay, Venezuela, Afghanistan, Bahrain, Bangladesh, Bhutan,, Brunei Cambodia, China, Hong Kong, India, Indonesia, Iran, Iraq, Jordan, Korea, Kuwait, Lao, Lebanon, Macao, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Oman Pakistan, Philippines, Qatar, Saudi Arabia, Singapore, Sri Lanka, Palestine, Syrian Arab Republic, Taiwan, Thailand, Timor-Leste, Turkey, United Arab Emirates, Viet Nam, Yemen, Cook Islands, Fiji French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis and Futuna Islands.
[1527] Data gathered on 17 June 2019.

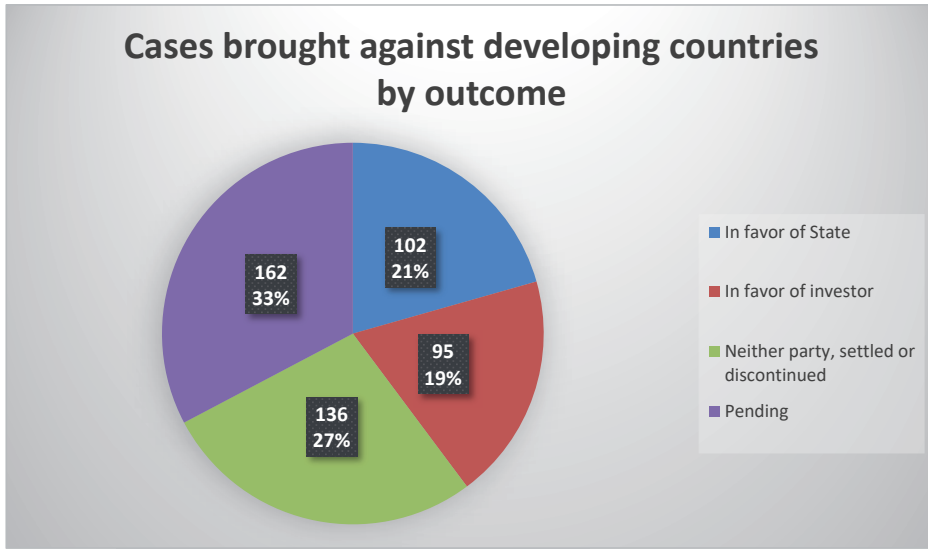

Figure 7 – Cases brought against developing countries by outcome (Source: the author based on investment policy hub UNCTAD)

Finally and perhaps even more interestingly, 164 cases were brought against transition economies.[1528] 35 cases were decided in favor of States, 43 in favor of investor, 29 decided in favor of neither party, settled or discontinued and 56 are still pending.[1529]

[1528] *These include:* Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, North Macedonia, Russian Federation, Serbia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.
[1529] Data gathered on 17 June 2019.

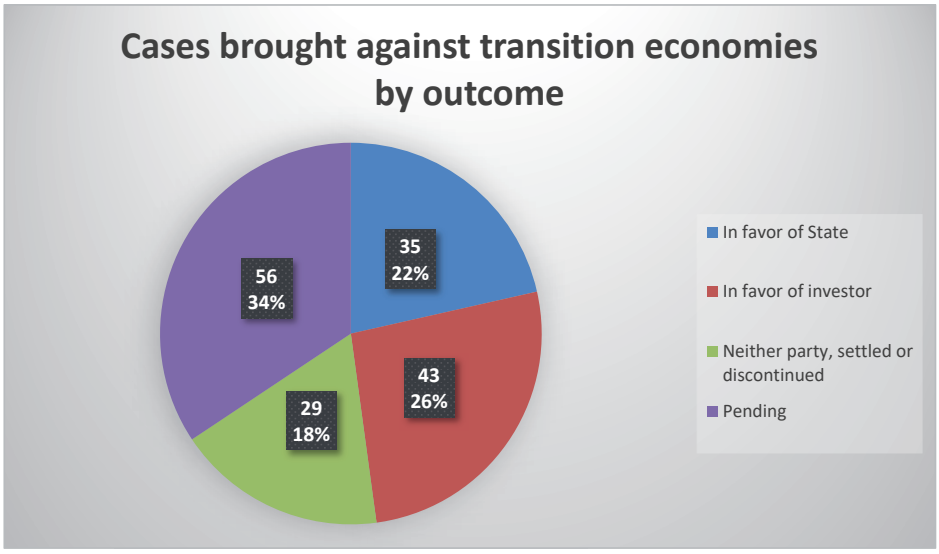

Figure 8 – Cases brought against transition economies by outcome (Source: the author based on investment policy hub UNCTAD)

However, the creation of such a center could be welcomed in addition to existing trainings and forms of support offered to developing and least developed countries. It is important to note that the creation of such an advisory center is currently being discussed by the Working Group III of UNCITRAL working on ISDS reform. The creation of an advisory center is part of the twelve reform avenues identified by the working group and discussions on a multilateral advisory center will be taking place at least until 2024.[1530]

3.2 Small-claims procedure

A second institutional improvement proposed by Peter Yu consists in a small-claims procedure, which builds on "the proposal Håkan Nordström and Gregory Shaffer advanced a few years ago on the development of such a procedure within the WTO."[1531] The aim of such a procedure would be to reduce costs and thus increase accessibility to ISDS for countries with low income. Such a procedure would both allow to reduce costs on respondent states, and increase the accessibility of ISDS to businesses from developing countries.

Empirical data shows that investors from developed countries initiate the vast majority of cases, in 766 cases out of 942. Businesses from developing countries including LDCs have initiated

[1530] See the revised workplan included in the Annex to document A/CN.9/1054: V2103872.pdf (un.org), last accessed 9 March 2022.
[1531] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 897.

the cases in only 151 cases, and transition economies in 41 cases. The charts below also gives some indications on country of origin of the Respondent and Claimant in these cases.

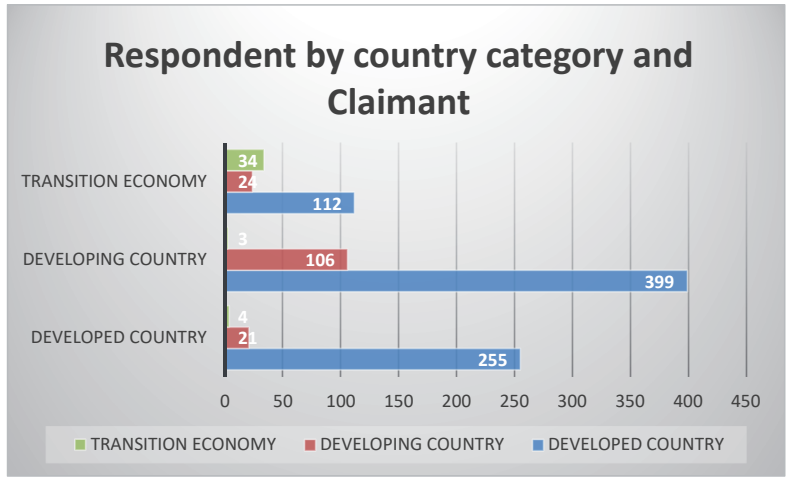

Figure 9 - Respondent by country category and Claimant (Source: the author based on investment policy hub UNCTAD)

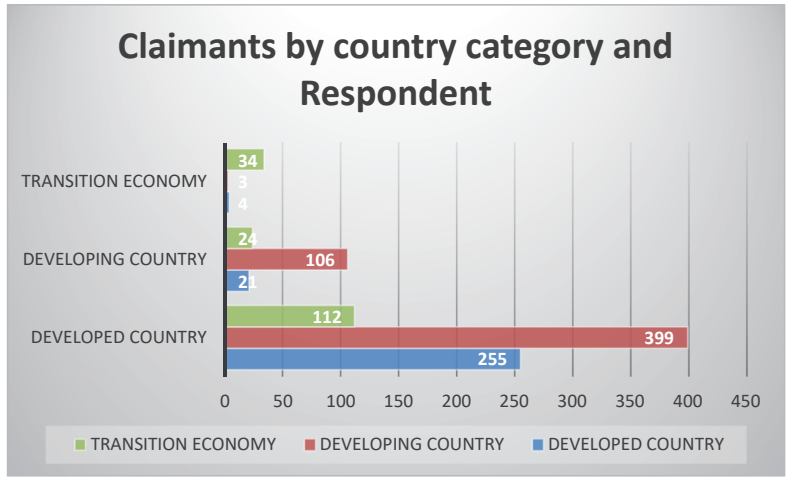

Figure 10 - Claimants by country category and Respondent (Source: the author based on investment policy hub UNCTAD)

Such a procedure could be welcomed as part of the efforts to limit the costs of ISDS both for claimants and for respondent. Such a procedure could be foreseen explicitly in future investment agreements, or included as part of the discussions on an Investment Court System or the Multilateral Investment Court, which we will discuss below.

4. Conclusion

Investor-State arbitration is under the spotlight. It is heavily criticized, not only by the civil society but also by policy makers. Indeed, ISDS is raising several ethical concerns, from a policy and procedural perspective, and in particular for intellectual property adjudication. The deficiencies of the ISDS system seem to affect intellectual property policy making and the right to state to regulate, and in fine, the safeguard of fundamental rights.

Several proposals have been formulated to address these ethical concerns. The most radical option would be to exclude investor-state dispute settlement from future investment agreements or otherwise denounce investor-state dispute settlement instruments such as the ICSID Convention. While some governments in recent years have already followed this approach, it is unlikely that the European Union would follow the same path, in particular because of its efforts invested in reforming the current ISDS system.

In the alternative, policy makers could decide to exclude intellectual property from the scope of investment chapters, thus only allowing state-to-state dispute settlement or other alternative dispute resolution mechanisms to solve IP dispute under free trade agreements. Such an approach does not seem to prevail in any trade and investment agreement, despite the call of many IP scholars to exclude IP from the definition of investment. We do also think that it is unlikely that the European Union would follow such a recommendation in future negotiations, at it seems to have opted for the inclusion of exceptions and limitations to the jurisdiction of investment tribunal, rather than an exclusion of IP from the scope of investment protection.

However, it could be advisable to further explore the economic and financial impact of removing the reference to IP from the investment chapter, in particular the impact on inward and outward investment flows. Indeed, as investors seem to have ignored the potential for IP litigation in investment arbitration for decades, and have not been successful to date in any IP investment arbitration, removing IP from the scope of investment protection might not even face oppositions during treaty negotiations or from important investors.

If intellectual property were to remain protected under investment chapters of future agreements, some safeguards should be implemented to ensure that the balance of interest and the social function inherent to the IP system are respected. Ethical concerns arising from investment arbitration must be addressed, while specific IP issues must also be taken into account.

Section 2 – The EU's approach towards the reform of investor-State arbitration and implications for the IP regime

The European Union has been conscious of the public concern about ISDS in particular in the aftermath of the CETA and the TTIP negotiations. These two trade and investment agreements

have received a strong opposition in the EU from the general public but also from associations and other organizations.

In Germany for instance, a large public debate began in the spring 2014 in the media, echoing the strong opposition to ISDS amongst the general public.[1532] Leading newspapers, such as the Süddeutsche Zeitung, Die Zeit[1533], Der Spiegel or the Frankfurter Allgemeine Zeitung were giving voice to the debate: "Most articles described ISDS in very negative terms, usually mentioning the still undecided Vattenfall and Philip Morris cases. Most articles insisted on the exclusion of ISDS in TTIP and CETA."[1534] The opposition was not only coming from the public but also from legal professionals who have argued, in the case of Germany, that ISDS was contrary to German constitutional law.[1535]

Despite this recent and growing outcry, ISDS has been an important dispute settlement mechanism for the EU, in terms of use. A report from UNCTAD from 2014 informs on the volume of cases where EU Member States were parties to ISDS proceedings, as either Respondents or Claimants.[1536] By the end of 2013, EU Member States were respondent in 20% of all ISDS cases. Countries, which acceded to the EU in 2004 or later were respondents in the majority of cases (73%).[1537]

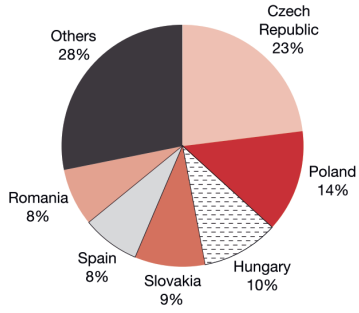

Figure 11 – Distribution of cases brought against EU Member States (Source: UNCTAD 2014)

UNCTAD notes very interestingly that of the 117 cases against EU Member States, 88 cases were brought by investors from other EU Member States. Therefore intra-EU disputes

[1532] Bungenberg, 'A History of Investment Arbitration and Investor-State Dispute Settlement in Germany', 15.
[1533] Bungenberg comments, "In July 2014, two of the leading German newspapers, Sueddeutsche Zeitung and Die Zeit, wrote that Germany opposed CETA over concerns relating to ISDS. One article titled Im Namen des Geldes ("In the name of money") was even awarded the Otto-Brenner-Preis für kritischen Journalismus", ibid.
[1534] Ibid, 15.
[1535] Ibid, 15.
[1536] UNCTAD, *Investor-State Dispute Settlement: an Information Note on the United States and the European Union*
[1537] Ibid, 5.

accounted for 75% of EU disputes.[1538] The remaining 29 cases "include claimants from a variety of countries such as the US (nine cases), Switzerland and the Russian Federation (three each), Canada, India and Turkey (two each) and others."[1539] As for the outcome of these disputes, 50% of the cases were won by the EU Member State, 24% were decided in favor of the investor and 26% were settled. In terms of damages, "The highest amount awarded is 270 million USD (plus interest). In settled cases, amounts of settlements almost invariably are kept confidential."[1540]

The importance of ISDS in the EU is also confirmed by the number of claims initiated by EU investors. At the time of the study, UNCTAD found that 300 of the 568 cases had been initiated by EU investors. Over half of all claimants were therefore from the EU, with the most active countries being the Netherlands (21%), the UK (14%) and Germany (13%).[1541]

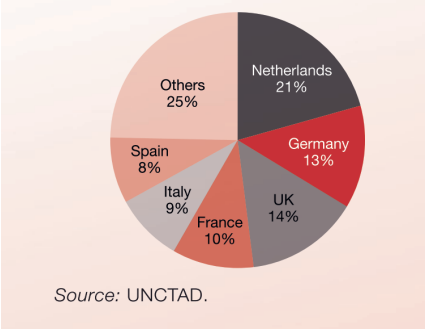

Figure 12 – Most frequent home States of EU claimants (Source: UNCTAD 2014)

Of the 300 cases filed by EU investors, nearly 30% were intra-EU disputes. The remaining 70% were brought predominantly against countries from South America, Egypt and Russia.[1542]

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[1538] Ibid, 6.
[1539] Ibid, 6.
[1540] Ibid, 7.
[1541] Ibid, 8.
[1542] Ibid, 10.

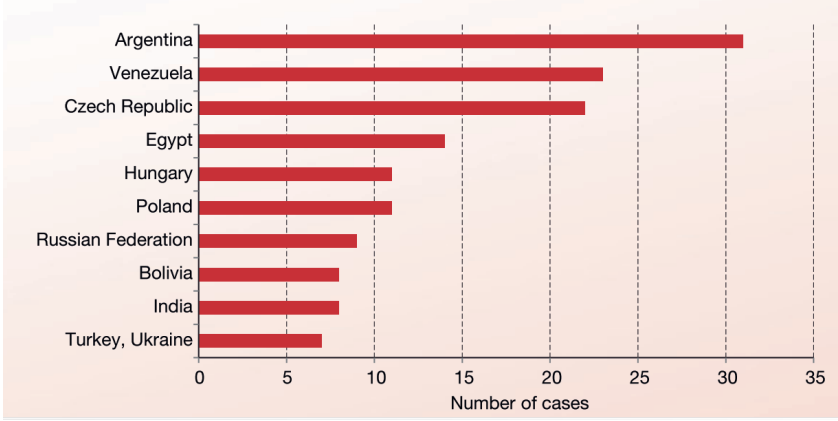

Figure 13 – Respondents in disputes brought by EU investors (Source: UNCTAD 2014)

The outcomes of the disputes brought by EU investors heavily differ from the outcomes where EU Member States are respondents. Out of the concluded cases, 36% were decided in favour of States, 34% in favour of investors and 30% were settled. As for damages, "The lowest awarded amount was 0.46 million USD, while the highest reached (the equivalent of) 800 million USD."[1543]

These figures tend to show that the EU is usually more successful than countries from the rest of the world in ISDS disputes. This can be explained by many different factors, but what it really says is that ISDS could be, to some extent, defended in the EU, as it seems to be rather favorable to EU Member States and investors overall.

Despite this relative success, the European Union has initiated a unique reform of the classical ISDS system in its trade and investment agreements, with the introduction of the Investment Court System ('ICS'), to replace ad hoc arbitration in future agreements. The European Commission noted, "The ICS to be included in all EU trade and investment agreements addresses to a significant extent important shortcomings identified with the ISDS system, notably as regards the system's legitimacy and independence, consistency and predictability of case-law within each EU agreement, possibility of review and transparency". [1544]

A – From investor-state dispute settlement to an investment court system: relevance for IP disputes

To address the strong opposition to the classical investor-state dispute settlement system, the European Union, rather than removing ISDS from its trade and investment agreements, designed a new model it called 'Investment Court System' ('ICS'). This model has been

[1543] Ibid, 12.
[1544] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 15.*

introduced in recent trade agreements with Canada, Vietnam and Singapore. The aim of the Investment Court System is to address the lack of public trust in a system of private arbitration being used to decide public law matters. In EU Member States, matters of expropriation and discrimination are usually subject to administrative or constitutional requirements, which are dealt with by permanent standing bodies to make sure that consistency and predictability can be built over time. The ICS was developed based on that model.

We will first look at the specific features of this investment court system to try to understand why it can be considered an improvement of the existing ISDS system. In doing so, we will see that many of the ICS characteristics are truly innovative and place the system between the traditional courts and the ad hoc investment tribunals. For this reason, the system might be better equipped to deal with intellectual property disputes. Yet, the ICS is still facing many criticisms and has not achieved the political and social acceptance it has hoped to obtain. We will highlight the shortcomings of the ICS system, while linking these with the improvements promised by the multilateral investment court. Indeed, the ICS has been conceived as an intermediary step between the moving away from the classical ISDS, and the achievement of a multilateral investment court at UN level.

1. The birth of the Investment Court System: a European Union initiative

After the concerns raised by the civil society in the EU with regards to ISDS to be included in future trade and investment agreements, the Commission launched a wide online public consultation on "investment protection and investor-to-state dispute settlement (ISDS) in the Transatlantic Trade and Investment Partnership Agreement (TTIP)".[1545] The consultation was completed in July 2014 and received a total of 149 399 replies. Most replies were submitted as collective submissions (93.3%), while 4% were resubmissions and 2.4% were individual submissions. As for the countries of origin of the respondents, "97 % of replies came from the following seven Member States: the United Kingdom (34.8 %), Austria (22.6 %), Germany (21.8 %), France (6.5 %), Belgium (6.3 %), the Netherlands (3.3 %), and Spain (1.7 %)."[1546]

The results of the public consultation revealed stakeholders' high skepticism toward the current ISDS system.[1547] The European Parliament commented on the results of the consultation and found that the stakeholders arguing against ISDS are essentially NGOS, whereas business associations, large companies and the ICC argued in favor.[1548] NGOs usually argued that domestic courts or state-to-state dispute settlement should be favored, while the stakeholders arguing in favor of the system found that it allows EU investors to protect themselves from

[1545] Details over the public consultation can be found here: http://trade.ec.europa.eu/consultations/index.cfm?consul_id=179 (last accessed 19 June 2019).
[1546] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 12.*
[1547] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 1.
[1548] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 12.*

discrimination abroad, in particular in the US where discrimination in favor of local companies is allowed.[1549]

Following this consultation, the European Commission suspended the negotiations on the investment chapter in the TTIP, but reopened the discussions on the features of such investment chapter with different stakeholders including the European Parliament and the Member States. In May 2015, the European Commission presented a concept paper titled "Investment in TTIP and beyond – the path for reform - Enhancing the right to regulate and moving from current ad hoc arbitration towards an Investment Court".[1550] In this paper, the Commission revealed its desire to "explore the creation of an international investment court and of a future multilateral setting for the resolution of investment disputes." [1551] In September 2015, the Commission proposed the introduction of the ICS in the TTIP. The European Parliament not only supported the possibility of replacing the ISDS by the ICS in the TTIP, but also called for the replacement of ISDS in other agreements under negotiations.[1552]

Since then, the European Commission has adopted a two-step approach to reforming the existing ISDS system. The first step was the introduction of the Investment Court System in future trade and investment agreements with EU trading partners, to replace the ad hoc ISDS system. The second step was the negotiation, in parallel, of an international investment court, which would aim at replacing the bilateral ICSs on the long term.

To this end, the Commission launched an impact assessment in August 2016 "to examine the possible options and impacts of a reform of the ISDS system at multilateral level, including through the establishment of a permanent multilateral investment Court"[1553]. Yet, the Impact Assessment was "limited to examining options for reforming at multilateral level the dispute settlement system and does not examine the substantive investment protection standards, which are not intended to be addressed by this reform."[1554]

This impact assessment was released in September 2017, and was accompanying the document "Recommendation for a Council Decision authorizing the opening of negotiations for a Convention establishing a multilateral court for the settlement of investment disputes".[1555] In this 120 pages document, the Commission carefully analyses the origins of the issue, its implications, and the potential ways forward. It proposes several policy options to address the concerns raised by the classical ISDS system. Amongst the concerns regarding the ISDS

[1549] Ibid, 12.
[1550] Commission, *Investment in TTIP and beyond – the path for reform. Enhancing the right to regulate and moving from current ad hoc arbitration towards an Investment Court*.
[1551] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 2.
[1552] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 13.*
[1553] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 6.*
[1554] Ibid, 6.
[1555] Ibid, 6.

system, the Commission highlighted the lack of legitimacy of such tribunals to deal with issues that concern acts of public authorities, the deficiency in predictability and interpretative consistency of case-law, the lack of appeal mechanisms and transparency, as well as the costs of proceedings.[1556]

The Commission proposed to tackle these issues with the Investment Court System. The ICS has been included in EU treaties since 2015, and is composed of a Tribunal of First Instance and an Appeal Tribunal with permanent tribunal members. The procedures are subject to the UNCITRAL Rules on Transparency[1557]. This is a means to address the lack of transparency of the procedures in ISDS, since all the documents related to the hearings are made public.[1558]

2. The characteristics of the Investment Court System and the attempt to address the deficiencies of the classical ISDS

The Investment Court System in the CETA is foreseen by Section F of Chapter 8. The agreement attempts to tackle most of the issues of the classical ad hoc ISDS system. In the EU-Singapore Investment Protection Agreement, the ICS is foreseen in Chapter 3, Section A. In the EU-Vietnam IPA, Chapter 3, Section B, foresees the dispute settlement mechanism.

While at first glance, it could seem that the European Union developed a single model to be introduced and replicated in all its FTAs, a careful review of the articles governing the creation and the functioning of the ICSs in these three agreements show that there are some differences between the different investment court systems. We will attempt to shed light on these differences and on their rationale, as well as the implications for IP adjudication.

2.1 The access and participation to the proceedings

2.1.1 Forum shopping

The risk of forum shopping and multiple proceedings for the same issue is addressed to some extent by Article 8.24 of the CETA.[1559] This article foresees that "Where a claim is brought pursuant to this Section and another international agreement and: (a) there is a potential for overlapping compensation; or (b) the other international claim could have a significant impact on the resolution of the claim brought pursuant to this Section, the Tribunal shall, as soon as possible after hearing the disputing parties, stay its proceedings or otherwise ensure that

[1556] Ibid, 10.
[1557] See Article 8.36.1 of the CETA.
[1558] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 10.*
[1559] Article 8.24 of the CETA reads "Where a claim is brought pursuant to this Section and another international agreement and: (a) there is a potential for overlapping compensation; or (b) the other international claim could have a significant impact on the resolution of the claim brought pursuant to this Section, the Tribunal shall, as soon as possible after hearing the disputing parties, stay its proceedings or otherwise ensure that proceedings brought pursuant to another international agreement are taken into account in its decision, order or award".

proceedings brought pursuant to another international agreement are taken into account in its decision, order or award."

The EU-Vietnam also foresees that, where a claim is brought under this agreement and another agreement for the same treatment, the tribunal shall "take into account" the other proceedings, and if necessary, stay its own proceedings.[1560] This wording appears to be rather vague, and gives little guidance on the consequences of forum shopping.

The EU-Singapore, to the contrary, contains stricter and clearer rules with regards to parallel proceedings. Article 3.7.1(f) foresees that a claim may only be submitted to the tribunal if the claimant "(i) withdraws any pending claim submitted to the Tribunal, or to any other domestic or international court or tribunal under domestic or international law, concerning the same treatment as alleged to breach the provisions of Chapter Two (Investment Protection); (ii) declares that it will not submit such a claim in the future; and (iii) declares that it will not enforce any award rendered pursuant to this Section before such award has become final, and will not seek to appeal, review, set aside, annul, revise or initiate any other similar procedure before an international or domestic court or tribunal, as regards an award pursuant to this Section."

2.1.2 Third party participation

Third party participation should be encouraged in particular in cases where the members of the tribunal lack specific or expert knowledge on a specific subject. For example for intellectual property cases, the submission of amicus curiae briefs could be welcomed. However, some authors have already pointed out the fact that such third party participation might create delays and impose higher costs on the parties. Therefore, Baetens suggests that a code of conduct be developed for third party participation, and that additional requirements be respected in order for a third party to submit a brief. For instance, third parties should prove what their submission will bring to the proceedings, there should be a page and time limit for the submission and third parties should pay the costs for the tribunal and the parties to assess and respondent to the brief.[1561]

2.1.3 Anti-circumvention rules

The EU-Vietnam includes an interesting limitation to the investment tribunal's jurisdiction, in the case where a dispute arose, or was foreseeable at the time when the claimant acquired ownership or control over the investment subject to the dispute. In such a situation, the tribunal can determine that the claimant acquired ownership or control of the investment "for the main purpose of submitting the claim".[1562]

[1560] Article 3.34.8 of the EU-Vietnam IPA.
[1561] Freya Baetens, 'The European Union's Proposed Investment Court System: Addressing Criticisms of Investor-State Arbitration While Raising New Challenges' (2016) 43 Legal Issues of Economic Integration 367, 376.
[1562] *See* Article 3.43 of the EU-Vietnam IPA: "For greater certainty, the Tribunal shall decline jurisdiction where the dispute had arisen, or was foreseeable on the basis of a high degree of probability, at the time when the claimant

The situation described in the article is not theoretical, and actually materialized in the Philip Morris v Australia case, where the tribunal found that Philip Morris' claim constituted an abuse of right, or abuse of process, as it had changed its corporate structure to gain the protection of the Hong-Kong-Australia BIT, at a point in time where the dispute was foreseeable.[1563] The tribunal therefore declined its jurisdiction. This case had nevertheless a significant impact on Australia's and other countries' plain packaging regulations, and it is therefore not surprising that countries have started to include explicit safeguards in their investment treaties to prevent similar situations to occur. [1564]

Interestingly, the CETA and the EU-Singapore do not seem to have included similar safeguards. States would therefore only be able to rely on existing treaty standards such as the abuse of rights to challenge the jurisdiction of investment tribunals in cases where the claimant would restructure or acquire an investment only with the objective to challenge a regulation.

2.2 The constitution of the court

2.2.1 Tribunal of First Instance – appointment of the judges

The CETA, the EU-Singapore IPA and the EU-Vietnam IPA foresee similar provisions concerning the constitution of the tribunal of first instance. However, some differences can be noted, which probably reflect the outcome of different negotiation processes.

Regarding the constitution of the Tribunal, the CETA Joint Committee will appoint 15 permanent members who will be elected for a five-year term, renewable once. There will be five nationals from each party, and five from third countries. The EU-Singapore IPA foresees the appointment of 6 Members to the Tribunal, for an eight-year term, not renewable. Each Party shall nominate two Members, and the EU Party and Singapore shall jointly nominate the two remaining Members who shall not be nationals of either party. As for the EU-Vietnam, 9 Members will be appointed for a four-year term renewable once, which can be of the nationality of the parties, or not. Each party is thus free to propose the appointment of three Members, of any nationality.

The rules concerning the number of Members of the tribunals, their nationality as well as their appointment term are thus different in each agreement. There is therefore no single model for the ICS in this regard.

Some rules are common to the three agreements. First, the arbitrators will be appointed by the President of the Tribunal, and not by the parties to the dispute. Second, as regards qualifications,

acquired ownership or control of the investment subject to the dispute and the Tribunal determines, on the basis of the facts of the case, that the claimant has acquired ownership or control of the investment for the main purpose of submitting the claim under this Section. The possibility to decline jurisdiction in such circumstances is without prejudice to other jurisdictional objections which could be entertained by the Tribunal."

[1563] *Philip Morris v. Australia (Award on Jurisdiction and Admissibility), para 585.*

[1564] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 15.

the three agreements foresee that the Members of the Tribunal "shall possess the qualifications required in their respective countries for appointment to judicial office, or be jurists of recognized competence. They shall have demonstrated expertise in public international law. It is desirable that they have expertise in particular, in international investment law, in international trade law and the resolution of disputes arising under international investment or international trade agreements".[1565]

While this qualification rule can be seen as an improvement to ensure that arbitrators have proper expertise to deal with investment disputes, it is clear that the pool of arbitrators who have usually been appointed in ad hoc investment arbitrations also had the required expertise. The fact that they were appointed by each parties ensured, perhaps even in a greater way than with the CETA appointment procedure, that the arbitrators had the expertise required for each specific case. As for intellectual property disputes, the fact that the arbitrators will be appointed by the CETA Joint Committee for any kind of disputes during at least five years could be seen as a drawback. There is no certainty that one of the fifteen arbitrators will have previous experience and expertise in dealing with IP disputes. In this regard, one could argue that having a broad choice to elect an arbitrator at least gives some security as to the expertise of the arbitrators. In case of IP disputes, the CETA Tribunals will have to rely on external expertise if the arbitrators are not trained in IP law.

The three agreements foresee that three Members of the tribunals will hear cases. They also foresee that a case can be heard by a sole Member if the disputing parties agree so, and that the respondent "shall give sympathetic consideration to a request from the claimant to have the case heard by a sole Member of the Tribunal, in particular where the claimant is a small or medium-sized enterprise or the compensation or damages claimed are relatively low."[1566] While such a provision should be welcomed as it offers a time- and cost-effective option for the parties, especially SMEs, it is unfortunate that the treaty drafters used this rather vague language ("sympathetic consideration"). At the same time, it would be relevant to assess the difference in the total costs of proceedings, where a dispute is handled by one or three arbitrators. Compared to the overall costs of the proceedings, including legal fees, administration fees and damages, this amount could be rather small, as therefore this measure would only be a partial answer to the criticism of expensive ISDS proceedings. In addition, the introduction of an appellate mechanism could also represent further costs on the disputing parties.

2.2.2 Appellate mechanism

The introduction of an Appellate Tribunal is perhaps the most innovative feature of the ICS. While it is true that under the ICSID Convention, there are instances in which an award can be

[1565] *See* Article 8.27.4 of the CETA, Article 3.9.4 of the EU-Singapore IPA and Article 3.38.4 of the EU-Vietnam IPA.
[1566] *See* Article 8.27.9 of the CETA, Article 3.9.9 of the EU-Singapore IPA and Article 3.38.9 of the EU-Vietnam IPA.

revised or annulled, these are rather limited and cannot be equated to an appellate review.[1567] There are four procedures in the ICSID Convention to challenge an award: "a request to the tribunal to decide any question it had omitted or to rectify minor errors in the text (art. 49(2)), interpretation where parties disagree on the meaning (art. 50), revision where new facts are discovered (art. 51) and applications for annulment (art. 52, which contains an exhaustive list of grounds). As the cases dealing with these provisions make clear, none of these requests may give rise to appellate review."[1568]

As for non-ICSID awards, the grounds on which such award can be set aside depends on the applicable arbitral rules. The UNCITRAL Model Law on International Commercial Arbitration foresees limited instances in which an application for setting aside an arbitral award can be submitted to a court. Article 34 foresees that an arbitral award may be set aside by a court only if the party making the application proves: (i) incapacity of the party or invalidity of the agreement at stake; (ii) absence of proper notice of appointment of an arbitrator or of the arbitral proceedings, or impossibility of the party to present his case; (iii) some or all parts of the dispute were outside the scope of the submission to arbitration; or (iv) the composition of the tribunal or the procedure were illicit. The court can also decide to set aside an arbitral award in two instances: "(i) the subject-matter of the dispute is not capable of settlement by arbitration under the law of this State; or (ii) the award is in conflict with the public policy of this State".[1569]

These grounds for setting aside an arbitral award are similar to the ones under Article 36(1) of the 1958 New York Convention. The UNCITRAL Model Law proposes to harmonize the grounds and requirements to set aside an arbitral award, which greatly differs in the different domestic laws.[1570] Where a request to set aside an arbitral award is made with a domestic court, such domestic court will have to determine which rule or law to apply, and if the parties did not decide to use existing rules such as the ICSID or UNCITRAL rules, then the court could base its findings on domestic law regulating the enforcement and setting aside of arbitral awards.

These limited grounds under which an arbitral award can be challenged is growingly criticized in the framework of investor-state disputes. Indeed, while the absence of appeal is justifiable in "classic" arbitration opposing private parties, in particular for reasons of time and costs savings, it is harder to justify where one of the parties is a State, and therefore represents the interests of the country. It would seem that the public interest mandates that some form of review should be available to the State (and therefore to the investors), to ensure legal certainty. The main reasons for introducing the Appeal Tribunal, aside from the need to address the criticism, is that it is expected to "enhance predictability of treaty interpretation, improve consistency in ISDS

[1567] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 9.
[1568] R Doak Bishop, James Crawford and William Michael Reisman, *Foreign investment disputes: cases, materials, and commentary* (Kluwer Law International The Hague 2005), 1542.
[1569] Article 34(2)(b) of the UNCITRAL Model Law, 1994.
[1570] See Explanatory Note by the UNCITRAL Secretariat on the Model Law on International Commercial Arbitration, point 7.

decisions, and ultimately contribute to increasing the political acceptability of investment dispute settlement."[1571]

The Appellate Tribunal is thus an innovative feature and an integral part of the Investment Court System.[1572]

The Appellate Tribunal will have the power to uphold, modify or reverse a Tribunal's award, on three exhaustive grounds: (a) errors in the application or interpretation of applicable law; (b) manifest errors in the appreciation of the facts, including the appreciation of relevant domestic law; (c) the grounds set out in Article 52 of the ICSID Convention, in so far as they are not covered by paragraphs (a) and (b).[1573] The Appellate Tribunal is thus closer to a domestic court of appeal than to an investment tribunal asked to set aside an arbitral award under the ICSID Convention. Indeed, the grounds that can be invoked by a party are much broader, in particular with regards to errors in the application or interpretation of the applicable law.

The possibility of appeal should be welcomed for different reasons, in particular because it could increase the consistency between arbitral awards, at least amongst each particular ICS. However, there are no explicit rules in the agreements on precedent and the tribunals are not bound by the findings of other ICS tribunals.

Some commentators have criticized the appeal procedure for increasing the duration of the proceedings[1574], whereas one of the main reasons for choosing arbitration is usually the fact that the proceedings are rather short, or at least shorter than proceedings in domestic courts. However, the ICS proposal limits the procedure by imposing time limits at every stage of the proceedings. There are nevertheless some differences between the agreements. The EU-Singapore and the EU-Vietnam IPAs foresee that the Tribunal shall issue a provisional award within 18 months of the date of submission of the claim, or otherwise justify any further delay. The parties can then appeal the provisional award within 90 days of its issuance. If the appeal is well founded, the Appeal Tribunal must then refer the matter back to the Tribunal, and the Tribunal has then 90 days to issue its revised award. The appeal proceedings shall not exceed 180 days from the date of notification of appeal, unless longer proceedings are justified by the Tribunal. The appeal proceedings cannot exceed 270 days.[1575] It is unclear, however, whether the "proceedings" referred to in Article 3.19(4) of the EU-Singapore IPA and Article 3.54(5) of the EU-Vietnam IPA includes the referral back to the Tribunal, but one could infer that they do taking into account the different timeframes. The official total time limit would then be the

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[1571] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 10.
[1572] It is foreseen in the CETA under Article 8.28, in the EU-Singapore by Article 3.10 and by Article 3.39 of the EU-Vietnam.
[1573] Article 8.28.2 of the CETA, Article 3.19.1 of the EU-Singapore IPA and Article 3.54.1 of the EU-Vietnam IPA.
[1574] Baetens, 'The European Union's Proposed Investment Court System: Addressing Criticisms of Investor-State Arbitration While Raising New Challenges', 376.
[1575] *See* Articles 3.18 and 3.19 of the EU-Singapore IPA, Articles 3.53(6) and 3.54(5) of the EU-Vietnam IPA.

sum of the 18 months for the Tribunal and 270 days for the Appellate tribunal proceedings, therefore 27 months in total.

In the CETA, a clear time limit rule is to be found in Article 8.38, which foresees that the Tribunal "shall issue its final award within 24 months of the date the claim is submitted pursuant to Article 8.23", which should include the proceedings under the Appellate Tribunal.[1576]

While these timeframes are not set in stones, as the Tribunals can justify delays, and the Committees could amend some of these rules, they nevertheless give the indication that proceedings under the new Investment Court System should be limited in time and not exceed 24-27 months. In comparison, ICSID proceedings last on average 3.6 years, therefore the introduction of the Appeal Tribunal should not have the negative impact on the length of proceedings that some commentators have highlighted.

Therefore, overall, the introduction of the appeal mechanism can be welcomed, as it provides for "a 'second opinion', which, particularly in sensitive cases, would enhance the acceptability and legitimacy of the resulting decision".[1577]

2.3 Procedural enhancements through the ICS

2.3.1 Mitigating the costs

We have already highlighted earlier that compensation and damages in investment arbitration can be very high. Catharine Titi reported that "the average legal costs in recent arbitral procedures amount to over 8 million US dollars per disputing party; 128 in some cases, they exceed 30 million US dollars."[1578] According to Titi, legal fees amount to 82% of the costs on average.[1579] Therefore reducing legal fees is key, as well as the overall costs of investment arbitration, which have a "nefarious influence on public finances".[1580]

Even with the Investment Court System, the concern that costs will be high still exists. The agreements attempted to tackle this issue by proposing to fix the remuneration of Tribunal and Appellate Tribunal members. In addition, the three EU agreements have a "loser pays" rule, whereby the unsuccessful disputing party bears the costs of the proceedings.[1581] In contrast, in most ICSID cases, each party bares its own costs. For Titi this could help fighting against

[1576] According to Article 8.28(7) it is likely that the CETA Joint Committee will provide clarifications notably on the procedures for the initiation and conduct of appeals, and the procedures for referring issues back to the Tribunal for adjustment of the award.
[1577] Baetens, 'The European Union's Proposed Investment Court System: Addressing Criticisms of Investor-State Arbitration While Raising New Challenges', 381.
[1578] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 16.
[1579] Ibid, 16.
[1580] Ibid, 15.
[1581] *See* Article 8.39.5 of the CETA, Article 3.53.4 of the EU-Vietnam and Article 3.21 of the EU-Singapore.

frivolous claims and regulatory chill[1582], by limiting the number of cases brought by claimants. However, the three texts foresee exceptional instances in which the tribunal may order that the costs be borne by both parties, to different extents.

In addition, in light of the foreseen low number of cases per year, the European Commission had suggested to delegate administrative tasks to the secretariat of ICSID or the PCA. The European Commission did not intend to create a new standing institution for the Investment Court System, but rather to work in collaboration with existing institutions and centers to lower costs.[1583]

There is nevertheless one aspect that must be mentioned at this stage, and it regards the applicability of the ICSID Convention where the EU is the respondent. Since the EU is not party to the ICSID Convention, its procedural rules could not apply where the EU is a respondent. Indeed, only States can be party to the Convention, and therefore, in order to allow the EU to be party to an ICSID dispute, the convention would have to be amended. However, since there are 153 Contracting States, this is unlikely to happen. The ICSID could nevertheless function as a Secretariat, while other procedural rules would apply such as the PCA rules. If a Member State is respondent, the ICSID Convention could apply since all EU Members are party to the Convention. Nevertheless some features of the ICSID Convention would have to be put aside, such as the annulment proceeding or absence of appeal, since the ICS foresees more specific rules on these issues, therefore prevailing over the ICSID lex generalis.[1584]

2.3.2 Ethics

"It is well known that money and morality do not often mix well; arbitration is often associated with business, interests, confidentiality and networks and implies flexibility, pragmatism, realism and compromise, whereas ethics require a certain impartiality, transparency, detachment from material contingencies, a degree of intransigence and an ability to clearly and simply discern the acceptable from the unacceptable".[1585]

Despite the apparent contradiction between investment arbitration and ethics, ethical requirements were enhanced in most recent EU agreements. Codes of conduct for Members of the Tribunal, the Appeal Tribunal and Mediators were introduced.[1586] Ethical requirements also

[1582] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 17.
[1583] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 21.*
[1584] Baetens, 'The European Union's Proposed Investment Court System: Addressing Criticisms of Investor-State Arbitration While Raising New Challenges', 360.
[1585] UNCITRAL, *Proposal by the Government of Algeria: possible future work in the area of international arbitration between States and investors — code of ethics for arbitrators, UN Doc A/CN.9/855* (27 May 2015), 2.
[1586] *See* Annex 7 and Annex 11 of the EU-Singapore, Annex 8 and Annex 11 of the EU-Vietnam, and Article 8.44 of the CETA.

feature in the body of the texts, such as Article 3.11 of the EU-Singapore, Article 3.40 of the EU-Vietnam and Article 8.30 of the CETA.

Enhancing ethics requirements might have a positive impact on the legitimacy and trust in the ICS, which is a key element to the acceptance and enforcement of the award.[1587] The rules in the aforementioned EU agreements bring together a set of values that the members of the tribunal should respect. Other types of rules are also directed to the parties to the arbitration, and all these rules eventually aim at ensuring the success of the arbitration proceedings. The government of Algeria, in the framework of UNCITRAL, noted that "It is not simply a matter therefore of establishing which lines should not be crossed, or even less so of compiling an exhaustive list of behaviours that might be considered immoral, deviant or unfair. […] Ethics are thus necessary not simply in order to better conduct arbitration proceedings, but because they appear essential to arbitration proceedings and the success thereof."[1588]

The government of Algeria also noted that "Ethical guidelines would be independent and would impose no sanctions but act as the voice of conscience; arbitration law has gone beyond mere sanctions — if indeed there are sanctions — and now needs ethics in order to find its bearings again and a new lease of life." Some examples of ethical behaviors include the fact that arbitrators should not talk unilaterally to one party's counsel even in context unrelated to the dispute. It has been argued that ethics should be about the manifestation of a moral duty that is not set in stone, rather than a pre-existing legal obligation. As ethical rules are not legal regulations, there are no sanctions strictly speaking. But the breach by an arbitrator of his moral duties could have consequences, such as the setting aside of the award, "the removal of an arbitrator from proceedings, reduction or non-payment of fees, civil or criminal liability, and the ultimate and effective sanction of non-appointment to further arbitration cases".[1589]

UNCITRAL has been very active in the field of ethics for arbitrators.[1590] The recent EU Agreements include several of these ethical rules for the members of the tribunals, which can be praised.

2.3.3 Transparency

The criticism of lack of transparency in ISDS proceedings generally refers to different elements, from the publication of and access to documents, to open hearings and third-party participation.

Ensuring the transparency of the proceedings is not straightforward, as confidentiality is usually the main reason for parties to choose arbitration rather than domestic courts. However, the lack of transparency of ISDS proceedings is at the heart of the criticisms toward the system. While

[1587] UNCITRAL, *Proposal by the Government of Algeria: possible future work in the area of international arbitration between States and investors — code of ethics for arbitrators, UN Doc A/CN.9/855, 2.*
[1588] Ibid, 3.
[1589] Ibid, 3.
[1590] UNCITRAL, *Settlement of Commercial Disputes: Possible Future Work on Ethics in International Arbitration, UN Doc A/CN.9/880* (29 April 2016).

confidentiality can be justified in proceedings where the parties are private entities, it loses its legitimacy where one of the party is a State, or any government entity. Transparency is then justified by the need to protect the public interest. It can be noted that many investment arbitration awards have been made public in the last decades, and this trend is supported by initiatives and regulations such as the UNCITRAL Transparency Rules which are included in most recent agreements to enhance transparency, and therefore to some extent, the legitimacy of the ISDS system.

The European Commission, in an attempt to respond to the civil society, has increased the level of transparency of ISDS proceedings in recent treaties, by including inter alia the UNCITRAL Rules of Transparency in its investment agreement. Some commentators have noted that these reforms undertaken by the European Union are not "above or beyond reforms already adopted and being gradually incorporated in the existing investor-State arbitration system".[1591] On the contrary, the new ICS model is part of a global process of reform of the system.

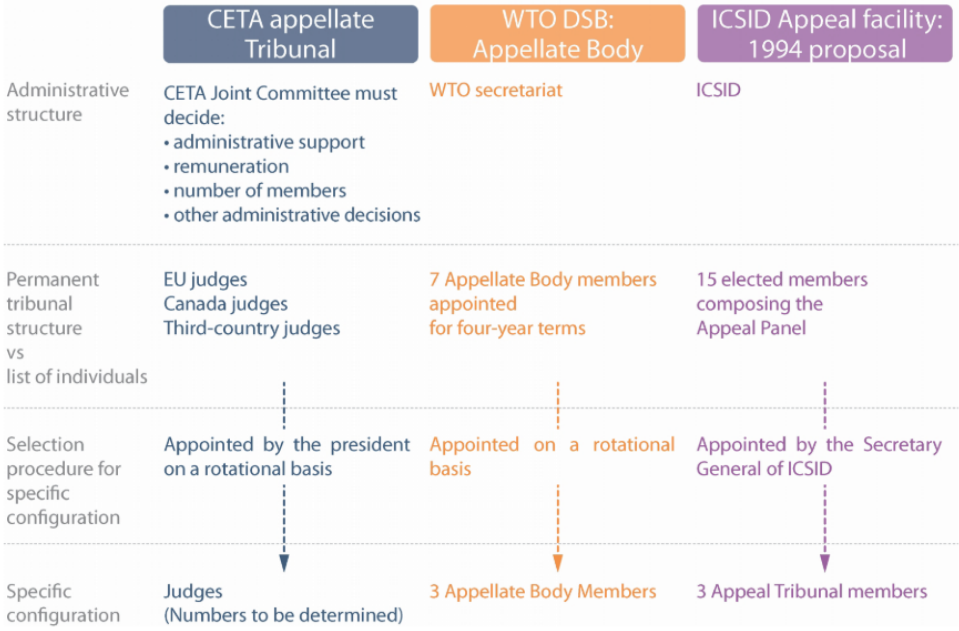
The CETA, the EU-Singapore and the EU-Vietnam agreements all have rules on transparency of the proceedings. They all refer to the UNCITRAL Rules on Transparency in Treaty-based Investor-State Arbitration and also foresee more specific rules. Article 8.36 of the CETA foresees that a certain number of documents must be made available to the public, and that hearing shall be open to the public. Annex 8 of the EU-Singapore foresees detailed rules on public access to documents, hearings and the possibility of third persons to make submissions. Article 3.46 of the EU-Vietnam foresees similar rules.

2.4 Comparison of CETA, WTO and ICSID dispute settlement mechanisms

The European Parliament compared the CETA Tribunal to the WTO Panels and the ICSID tribunals, and found that the investment court system was actually inspired from the quasi-judicial system of the WTO.[1592] Figures 3 and 4 below offer an overview of the similarities and differences between the three systems.

[1591] Baetens, 'The European Union's Proposed Investment Court System: Addressing Criticisms of Investor-State Arbitration While Raising New Challenges', 374.
[1592] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 14-15.*

Figure 4 – Comparison of CETA Appellate Tribunal, WTO DSB Appellate Body and ICSID appeal facility (1994 proposal)



Source: EPRS.

3. Limitation of the ICS and the need for a multilateral reform

"Bearing in mind that more than half of the world's IIAs involve EU Member States, the EU would seem well-placed to launch the initiative for a world-wide form of an ICS by creating a dispute settlement mechanism that is common to all EU treaties".[1593]

Despite all the improvements introduced by the ICS to the investor-state dispute settlement system, there are limits to what can be achieved through bilateral reforms. The European Commission itself pointed out that certain elements cannot be addressed by the ICS, such as the predictability across agreements, costs for the EU budget and the administrative burden for the EU of such system.[1594] The Commission echoed the concerns expressed during the 2014 consultation on investment dispute settlement in the TTIP, and the consensus over the fact that "the legitimacy and independence of the investment dispute settlement system would be more effectively addressed through a multilateral reform than through bilateral reforms."[1595]

[1593] Baetens, 'The European Union's Proposed Investment Court System: Addressing Criticisms of Investor-State Arbitration While Raising New Challenges', 384.
[1594] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 16.*
[1595] Ibid, 16.

Therefore, it appears that the ICS will only partially address the public outcry for several reasons. First, the ICS only achieves reform at bilateral level, since it has only be included in bilateral trade and investment agreements negotiated by the EU so far. This means that existing investor-State tribunals will continue to exist and adjudicate disputes under hundreds of BITs and IIAs signed by individual EU Member States, until they are replaced by the new system. According to the European Commission "this policy alone fails to fully address the problems arising from ISDS as included in the nearly 1,400 BITs concluded by Member States and the Energy Charter Treaty (ECT), although it does to the extent that the Member State agreements are gradually replaced by EU level agreements."[1596]

Indeed, the replacement of ad hoc ISDS tribunals by ICSs will require the revision of existing treaties or the opening of new negotiations with trading partners, which can prove to be quite a long and costly process. The Commission noted that there will be operational challenges, since over 20 ICSs are currently envisaged. The new investment court system would also cost around EUR 800,000 per contracting party per year.[1597] Therefore, the multiplication of ICSs would have significant budgetary implications for the EU and raise issues of interpretative consistency. These elements explain that the Commission considered that the reform of ISDS "would be more effectively addressed through a multilateral reform than through bilateral reforms".[1598]

The bilateral nature of the ICS will also likely impact the predictability and consistency of the awards[1599], since the case-law might only be followed by the same ICS, to the exclusion of ICSs created under different investment agreements. For instance, a tribunal deciding a dispute under the CETA might not follow the "case-law" of the tribunal established under the EU-Vietnam or the EU-Singapore agreement.

In addition, it must be noted that the ICS reform does not at all tackle the issues arising from the lack of clarity of substantive provisions in IIAs, but rather focus on procedural matters. Even if we have seen that recent agreements have improved the language for most standards of treatment, increasing clarity and legal certainty, the tribunal's approach and interpretation of these new-generation standards is still to be seen.

In fine, will the ICS receive the public support it is hoping to receive? Will it be perceived by the public as a more legitimate system to handle cases involving their government and public policy regulations? As Baetens rightly points out, "to some extent, this is unpredictable as public opinion is not always based on factual reality."[1600] She also notes that the ICS will face several challenges in the future, both at the 'pre-establishment' and 'post-establishment phases'.

[1596] Ibid, 21.
[1597] Ibid, 21.
[1598] Ibid, 16.
[1599] Ibid, 17.
[1600] Baetens, 'The European Union's Proposed Investment Court System: Addressing Criticisms of Investor-State Arbitration While Raising New Challenges', 382.

With regards to the setting up of the ICS, she notes that the applicability of the ICSID Convention is doubtful, and that the pool of available candidates to become Members of the tribunals might be limited by the approach to "ancillary professional affiliations".[1601] As for the functioning of the ICS, she deplores the lack of consequences should the deadlines not be met, as well as the absence of rules facilitating SMEs' access to the new system. She also raises doubts with regards to third party participation, with regards to costs and time. She concludes with the fact that "domestic courts in third countries, when faced with an enforcement request in respect of an ICS award, would not be bound by the provision that all ICS awards are to be automatically deemed in conformity with the New York Convention as well as the ICSID Convention, seems to have been overlooked". [1602] As alternatives to the new ICS, she proposes to reform existing ISDS, by appointing arbitrators from a mandatory roster and by applying PCA rules.[1603]

B - Looking at the broader picture: the proposals for multilateral reform of the international investment regime

The creation of a permanent, multilateral investment court has been considered by UNCTAD for several years and was mentioned in UNCTAD 2015 World Investment Report. It also featured in the negotiations on a dispute settlement center for the Union of South American Nations.[1604]

It is important to note that all recent EU investment agreements mention the commitment of the countries to pursue the creation of a multilateral investment court, outside the parties' bilateral relations.[1605] Article 8.29 of the CETA, on the 'Establishment of a multilateral investment tribunal and appellate mechanism', foresees that the "Parties shall pursue with other trading partners the establishment of a multilateral investment tribunal and appellate mechanism for the resolution of investment disputes. Upon establishment of such a multilateral mechanism, the CETA Joint Committee shall adopt a decision providing that investment disputes under this Section will be decided pursuant to the multilateral mechanism and make appropriate transitional arrangements." Article 3.12 of the EU-Singapore IPA, as well Article 3.41 of the EU-Vietnam IPA adopted a similar language.

At the international level, the United Nations Commission on International Trade Law (UNCITRAL) has been assigned the task to discuss possible reforms of the investor-state dispute settlement. In 2017, Working Group III was established to that end. The Working Group is meeting twice a year, and is gathering all different types of actors, from institutional to

[1601] Ibid, 383.
[1602] Ibid, 383.
[1603] Ibid, 384.
[1604] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead', 2.
[1605] Ibid, 3.

political, but also arbitrators and the academia. Over 158 countries were present during the discussions, which highlights the importance of the process worldwide.

The first step of the discussions was to identify the concerns, and the working group came to the agreement that a multilateral reform is indeed desirable. The second step was then to identify the possible options for reform. The final stage is to develop and implement the options. The Working Group identified a number of avenues for reform during its 38th to 40th sessions, including: "(i) the establishment of an advisory centre; (ii) a code of conduct for adjudicators; (iii) the regulation of third-party funding; (iv) dispute prevention and mitigation and means of alternative dispute resolution; (v) treaty interpretation by States parties; (vi) security for costs; (vii) means to address frivolous claims; (viii) multiple proceedings and counterclaims; (ix) reflective loss and shareholder claims; (x) appellate and multilateral court mechanisms; and (xi) the selection and appointment of ISDS tribunal members; and (xii) a multilateral instrument on ISDS reform". At its 40th session in May 2021, the Working Group published a workplan to implement this ISDS reform over 2021-2026.[1606]

At the time of writing, the process is still ongoing. However it can be said that good progress has been made by the Working Group on this reform process. The Working Group is currently working on each of the avenues for reform, and the status of work is published regularly on the UNCITRAL webpage.[1607] The efforts for transparency on the process can be praised, and is a model that should be followed in any policy-making processes.

One could discuss the need and the efficiency of an international court for investment disputes. With respect to human rights, and in particular the realization of the right to health, Vadi wrote "the lack of a World Human Rights Court (WHRC) and the fragmentation of international human rights institutions have inevitably affected the realization of the right to health."[1608] By analogy, the multilateral investment court could be welcomed as it could achieve a certain level of harmonization of international investment standards, and create a corpus of case-law to enhance legal certainty for foreign investors. Therefore, even if its realization is challenging, given the number of actors involved, the initiative must be praised. However, it must be recalled that such initiative is not totally innovative, as a failed attempt to adopt a Multilateral Agreement on Investment had been witnessed in the late 1990's in the framework of the Organization for Economic Co-operation and Development (OECD).

[1606] The workplan is available in the Annex to document A/CN.9/1054: V2103872.pdf (un.org), last accessed 9 March 2022.
[1607] Working Group III: Investor-State Dispute Settlement Reform | United Nations Commission On International Trade Law, last accessed 9 March 2022.
[1608] Vadi, 'Towards a New Dialectics: Pharmaceutical Patents, Public Health and Foreign Direct Investments', 124.

1. The Multilateral Agreement on Investment: lessons learned

1.1 History

One attempt to adopt a Multilateral Agreement on Investment (MAI) was led by the OECD in the mid-1990s. The Ministerial Council of the OECD officially launched the negotiations in May 1995, and the agreement was to be concluded within two years. As the negotiations did not result in a final text by the end of 1997, a first extension was granted until 1998. However, the process was already facing serious political difficulties at that time, and in April 1998, the Council of Ministers decided to suspend the negotiations for a six-month period, to allow the negotiating parties to consult with their societies, in light of the strong opposition coming from both the civil society and NGOs. In October 1998, while the discussions were to be resumed, France decided to withdraw from the process, which abruptly ended the negotiations. The Secretary General, in its report to the 1999 Ministerial Council, stated that "negotiations are no longer taking place".[1609]

This Agreement aimed to facilitate international investment by granting to foreign investors the same level of protection as the one granted to domestic investors. The initiative, while promising, nevertheless failed after a couple of years of negotiations, for several reasons. Some commentators have stressed the impact of public demonstrations and of the strong opposition of NGOs to the MAI. In addition, the sudden withdrawal of France from the negotiation table factored in the end of the negotiations.[1610]

Some lessons can nevertheless be learned from this failed attempt to conclude a multilateral investment agreement. It can be noted that, even if its ambition was to become a "multilateral" or "international" agreement, it was initially negotiated between OECD members. It was then to be opened for accession by other countries, members and non-members of the OECD. R. Geiger notes that "[i]f the intention was to conclude a truly multilateral agreement with broad adherence by developing countries, it was difficult to explain why those countries were not invited to the negotiating table."[1611] While it is true that developing countries were not invited to participate in the negotiations, some countries were nevertheless participating as observers, such Argentina, Brazil, Chile, Hong Kong, China, Estonia, Latvia, Lithuania and Slovakia.[1612]

While during the first years the negotiations seemed promising, the participating countries eventually disagreed on major aspects of the final text.[1613] This somehow came as a surprise as it was in the interest of these developed countries, which are generally both capital-importing

[1609] Rainer Geiger, 'Regulatory Expropriations in International Law: Lessons from Multilateral Agreement on Investment' (2002) 11 New York University Environmental Law Journal, 96.
[1610] Meunier, 'Integration by Stealth: How the European Union Gained Competence over Foreign Direct Investment', 598.
[1611] Geiger, 'Regulatory Expropriations in International Law: Lessons from Multilateral Agreement on Investment', 96.
[1612] Ibid, 98.
[1613] Fecák, *International Investment Agreements and EU Law, 12.*

and –exporting countries, to agree on these liberalization and protection standards for investment.[1614] In addition, the draft was based on several pre-existing instruments, such as the BITs and multilateral treaties such as NAFTA already in force at the time, but also OECD documents such as the OECD Codes for the Liberalisation of Capital Movements and Services, as well as the Declaration on International Investment and Multinational Enterprises.[1615] All these instruments did not trigger any such public debate and it was therefore surprising to the negotiators that these rules suddenly faced strong oppositions. R. Geiger explains this apparently ambiguous reaction as follows: "BITs were basically a one-way street to protect investments by industrialized countries in developing countries, whereas the MAI could be vigorously invoked in intra-OECD investment disputes as well. And in 1997, precisely when the NGO campaigns against the MAI gained momentum, the first regulatory expropriation cases came up through NAFTA arbitration proceedings. The Ethyl Corp. v. Government of Canada case in particular had a chilling effect on MAI negotiators".[1616]

It followed that the opposition of some countries to some far-reaching deregulatory provisions led to a growing list of national exclusions and carve-outs, leading to a highly complex final draft. Some authors have also pointed out additional potential causes to the failure of the negotiations, including the financial crisis in Asia in 1997, drawing attention "to the dangers of rapid liberalization of investment flows". [1617]

Important discussion points were the expropriation and the dispute settlement system in the MAI draft. While it is true that dispute settlement was a rather less significant issue at the beginning of the negotiations[1618], it became of outmost importance after 1997 and after the first NAFTA cases were released. Eventually, the dispute settlement provisions became the major reason for the failure of the MAI.

ICSID and the ICC were the forum chosen for ISDS under the proposal.[1619] At first sight, investor-state dispute settlement could have appeared as rather useless in investment relations between developed countries, where the domestic court systems are rather reliable. However several justifications can be found to ISDS even in such setting. The availability of investor-state arbitration helps creating confidence and adds credibility to the substantive provisions of

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[1614] UNCTAD, *The Development Dimension of FDI: Policy and Rule-making Perspectives: Proceedings of the Expert Meeting held in Geneva from 6 to 8 November 2002, UN Doc UNCTAD/ITE/IIA/2003/4, 154.*
[1615] Geiger, 'Regulatory Expropriations in International Law: Lessons from Multilateral Agreement on Investment', 97.
[1616] Ibid, 95.
[1617] UNCTAD, *The Development Dimension of FDI: Policy and Rule-making Perspectives: Proceedings of the Expert Meeting held in Geneva from 6 to 8 November 2002, UN Doc UNCTAD/ITE/IIA/2003/4, 154.*
[1618] Gervais and Nicholas-Gervais wrote in this sense that there were "a number of less significant issues, including dispute settlement, where experts agreed on a need to limit 'forum-shopping' between the OECD-MAI dispute settlement system and the WTO system.", in: Daniel Gervais and Vera Nicholas-Gervais, 'Intellectual Property in the Multilateral Agreement on Investment' (1999) 2 The Journal of World Intellectual Property 257, 271.
[1619] European Parliament, *From Arbitration to the Investment Court System (ICS) - The Evolution of CETA Rules, 20.*

the Agreement.[1620] ISDS also avoids diplomatic tensions by shifting the burden of negotiation and litigation from governments to private investors.

Despite the apparent benefits for investors, and investment flows between member countries, several Contracting States introduced exceptions to ISDS, in the form of reservations in the fields of tax, health and cultural measures. As a result, "the draft Agreement became increasingly complex and started losing its attraction for the business community." [1621]

This process reflects the general and historical trend towards ISDS. The dispute settlement system was developed and introduced by developed countries in their trade and investment relations with developing countries. Until the mid-1990's the system was well accepted, and the "weak" negotiating parties, generally the developing country, had to accept the system in return for other benefits. But as soon as developed countries started to be the target of investment claims, their position rapidly evolved, and the system suddenly became a serious threat to their regulatory freedom. Therefore, when the negotiators of the MAI first designed the dispute settlement system, they used existing rules and framework from BITs which had hardly given rise to any investment dispute until that time. However, after the first NAFTA cases in 1997, developed countries raised serious concerns with the system. Developed countries became aware of the risk that ISDS entailed for regulatory activities, as well as the costs of such proceedings. Some stakeholders were concerned about the chilling effect on environment measures, which could be challenged as being unlawful expropriations.

The system was designed as ad hoc panels with no appeal procedure. Later in the negotiation process, some delegations proposed to introduce the right to make written and oral submissions, and to introduce an appeal proceeding, which was rejected. Some criticism was also oriented towards the appointment of arbitrator, which was similar to the existing procedures in BITs, whereby the parties chose their arbitrators. At the same time, the proposal to establish a standing tribunal "was rejected by the majority of delegations as an unnecessarily costly device". [1622] Therefore the remaining option would have be to establish a roster of arbitrators, on the model of the WTO Dispute Settlement Body.

1.2 Intellectual property

"The MAI is not about intellectual property per se. Yet, in an economy where intangible goods and services are fast becoming an increasingly important share of international trade, IPRS cannot be dissociated from investment."[1623]

II

[1620] Geiger, 'Regulatory Expropriations in International Law: Lessons from Multilateral Agreement on Investment', 102.
[1621] Ibid, 99.
[1622] Ibid, 106.
[1623] Gervais and Nicholas-Gervais, 'Intellectual Property in the Multilateral Agreement on Investment', 265.

Some commentators have stressed that there were very few IP experts present during the MAI negotiations.[1624] In fact, since the OECD had not been really active in the field of IP, the negotiations did not actively include IP interested parties.[1625] Even if IP featured in several provisions and was given special attention during some discussions, it was not at the core of the negotiations during the first two years. It is worth noting that the Negotiating Group was assisted by Expert Groups and Drafting Groups, but there was no group specifically on IP issues.[1626] However, in 1997, two rounds of discussions were held on intellectual property matters. Delegations first conducted informal consultations on IP from 24 to 25 March 1997 which resulted in a report to the negotiating group on IP.[1627] Another report was issued a couple of months later following informal discussions that took place amongst IP experts on 28 and 29 October 1997.[1628]

In the March 1997 report, the experts attempted to identify and understand the issues that the MAI raised with respect to IP. They addressed six areas of potential conflict. First, with regards to the definition of investment, the delegations had varying views, as to whether there should be an open or closed definition, covering the rights protected by the TRIPS Agreement only or more rights. Several delegations pushed for the exclusion of copyright, neighboring rights and databases from the definition. Finally, some delegations suggested applying the characteristics of an investment also to IP.[1629]

As regards national treatment, MFN and general treatment, all delegations agreed that the MAI was going beyond existing standards in IP treaties. The delegations proposed three approaches: (1) unqualified application of the standards; (2) no application of the standards at all to IP and; (3) possible derogation from the standards if a measure is consistent with TRIPS. All delegations supported the latter two options. [1630]

Concerning expropriation and transfers, the report well summarizes that "some delegations expressed the view that the concepts of direct and indirect expropriation and the concept of a measure having an equivalent effect to expropriation should not cover certain intellectual property practices, such as the issuance of compulsory licenses or the revocation, limitation or creation of intellectual property rights, that are permissible under TRIPS and, perhaps, other

[1624] Ibid, 272.
[1625] Ibid, 266.
[1626] There were five Expert Groups on the following topics: Selected Issues Concerning Dispute Settlement and Geographical Scope; Treatment of Tax Measures in the MAI; Special Topics; Institutional Matters; and Financial Services Matters. There were also three Drafting Groups tasked with: Selected Topics Concerning Investment Protection; Selected Topics Concerning Definition and Treatment of Investors and Investments (pre/post establishment); and Definition, Treatment and Protection of Investor and Investment. *See*: http://www1.oecd.org/daf/mai/intro.htm (last accessed 16 July 2019).
[1627] OECD, *Report to the Negotiating Group on Intellectual Property* (Negotiating Group on the Multilateral Agreement on Investment (MAI) DAFFE/MAI(97)13, 1997).
[1628] OECD, *Report to the Negotiating Group on Intellectual Property* (Negotiating Group on the Multilateral Agreement on Investment (MAI) DAFFE/MAI(97)32, 1997).
[1629] OECD, *Report to the Negotiating Group on Intellectual Property, para 2.*
[1630] Ibid, paras 3-4.

intellectual property agreements."[1631] It is interesting to note how such recommendation was progressively included in modern IIAs, including the CETA, the EU-Singapore and the EU-Vietnam Agreements.

Some recommendations were included with regards to performance requirements and monopolies.[1632] As for dispute settlement, the delegations noted the Expert Group No. 1 was addressing the overlap between dispute settlement in the MAI and in other international agreements. However, some delegations considered that this issue was not specific to IP but was a broader issue. Other delegations disagreed, considering that IP requires special attention, in particular in light of the panel decisions on TRIPS provisions and forum shopping. [1633]

Finally, the report raises new and challenging issues, formulated as five separate questions which are worth reproducing here: "(a) does the definition of investor as applied to the holder of a right in intellectual property give rise to any issues that need to be addressed; (b) when does an intellectual property right take on the characteristics of an investment; (c) does the status of a rights holder give rise to any issues that must be addressed with respect to the MAI provisions on key personnel; (d) will the MAI contain provisions on corporate practices that might give rise to intellectual property concerns; and (e) will the MFN provision of TRIPS be triggered by any substantive or procedural provisions of the MAI and, if so, what is the impact?"[1634]

Most questions and concerned remained unanswered, as was reflected by the November 1997 Report. The Report however, stresses that the IP experts agreed that a carve-out for the creation, limitation and revocation of IPRs as well as other IP measures should be included under the provision on expropriation.[1635] On the remaining issues, the experts did not reach any consensus.

In the final draft of the MAI, the definition of investment eventually included "intellectual property rights", without further indications on the definition of IP in this context. However, the characteristics of an investment seem to apply also to intellectual property, as can be deduced from the footnote 2.[1636] The draft also mentions that "intellectual property issues are being examined by intellectual property experts" and reproduces the status of discussions on

[1631] Ibid, paras 5-6.
[1632] Ibid, paras 7-8.
[1633] Ibid, para 9.
[1634] Ibid, para 10.
[1635] The Report suggests to insert the following provision: "The creation, limitation, revocation, annulment, statutory licensing, compulsory licensing and compulsory collective management of IPRs, the withholding of authorised deductions by an entity charged with the collective management of IPRs, and the sharing of remuneration between different holders of IPRs are not expropriation within the terms of this agreement, to the extent that they are not inconsistent with specialised IPR conventions.". *See*: OECD, *Report to the Negotiating Group on Intellectual Property, 3.*
[1636] Footnote 2 explains: "For greater certainty, an interpretative note will be required to indicate that, in order to qualify as an investment under the MAI, an asset must have the characteristics of an investment, such as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk."

several aspects, including *inter alia* transfers, monopolies, performance requirements, expropriation, national treatment and MFN, the definition of investment and dispute settlement.[1637] The document outlines where the negotiators had reached an agreement, and where not.

Further explanations were provided in the Commentary to the Draft MAI. For instance, the document specifies what forms of intellectual property were to be covered by the Agreement, namely "All forms of intellectual property […] including copyrights and related rights, patents, industrial designs, rights in semiconductor layout designs, technical processes, trade secrets, including know-how and confidential business information, trade and service marks, and trade names and goodwill."[1638] It was recognized that further work was needed on the relationship between the MAI and other international IP agreements.[1639] Same conclusion for expropriation, where the provision in relation to IP was to be "further revisited in a global context".[1640]

The negotiations were not public and the documents were not disclosed to interested parties. It was only after copyright collectives and government agencies dealing with cultural matters started to raise their voices against the project in 1997 that the OECD made documents available. [1641] Overall, the position of IP experts was to denounce the treaty as a whole[1642] as it became apparent that IP would remain under the definition of investment, despite the call from several countries to exclude IP from the definition of investment.[1643]

IP experts had warned against the threat that the MAI could represent especially in the field of copyright. For instance, the national treatment principle was fully applicable to IPRs, including to the collective management of copyright and related rights. [1644] The draft also foresaw that "all payments relating to an investment in the territory of another contracting party should be freely transferable."[1645] While it can be noted that the principle of national treatment is also included in most IP treaties, such as the TRIPS Agreement, there are usually exceptions attached to the principle. Gervais and Nicholas-Gervais noted that "in many European countries substantial sums are collected on blank audio and videotapes to compensate rightholders for private copying". [1646] However, the sums collected are distributed to rightholders on the basis of reciprocity rather than national treatment, to encourage national creation. If the sums were distributed based on national treatment, most of the sums would be distributed to American

[1637] OECD, *The Multilateral Agreement on Investment - Draft Consolidated Text* (DAFFE/MAI(98)7/REV1, 1998), 49.
[1638] OECD, *The Multilateral Agreement on Investment - Commentary to the Consolidated Text* (DAFFE/MAI(98)8/REV1, 1998), 7.
[1639] Ibid, 7.
[1640] Ibid, 30.
[1641] Gervais and Nicholas-Gervais, 'Intellectual Property in the Multilateral Agreement on Investment', 272.
[1642] Ibid, 272.
[1643] Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: from Collision to Collaboration, 13.*
[1644] Gervais and Nicholas-Gervais, 'Intellectual Property in the Multilateral Agreement on Investment', 266.
[1645] Ibid, 266.
[1646] Ibid, 267.

rightholders since they have a major share on the market. [1647] Under most IP laws, foreign rightholders are not paid if their home country does not provide for the same remuneration scheme. The authors add that the governance of national copyright collectives would have been affected as well (with regards to appointment of directors, recipients of aid funds), as well as other activities such as subsidies for national film production, that would have to be opened up to foreign creators and rightholders.[1648] Other concerns were raised for intellectual property measures, by provisions concerning monopolies, performance requirements, expropriation, or the exhaustion of rights.[1649]

In order to tackle the criticisms especially from IP experts, MAI negotiators tried to introduce exceptions, including for copyright collectives. The final draft included a statement that the MAI agreed not to extend national treatment or MFN standards to intellectual property.[1650] IP-treaty consistent measures were excluded from expropriation claims.[1651]

From all these documents and reports it can be concluded that the negotiators could not agree on most issues surrounding intellectual property, and that it was therefore a source of tension and disagreement between delegations.

2. The multilateral reform of the investment protection system and the possible creation of a multilateral investment court: perspectives from the UN and the EU

2.1 UNCITRAL Working Group III and the Investor-State Dispute Settlement Reform

The United Nations Commission on International Trade Law, in its 50th session on 10 July 2017, entrusted the Working Group III ('WGIII') with a broad mandate to work on the possible reform of the current investor-state dispute settlement system. All UNCITRAL members supported the mandate of the new Working Group, which is also tasked with discussing the possible establishment of multilateral system for investor-state dispute settlement. In September 2017, the European Commission however noted that, "Since design elements still need to be negotiated under a broad multilateral discussion, it is not yet possible to identify support for particular elements of the mechanism"[1652].

The Working Group III has been working on the basis of several reports and submissions by member states and international organizations. In particular, the WGIII considered a study conducted by the Centre for International Dispute Settlement, which highlighted possible reform options for the ISDS system. The report formulated two reform options: "(i) creation of a permanent international dispute settlement body providing direct access to private parties and

[1647] Ibid, 267.
[1648] Ibid, 267.
[1649] Ibid, 268-271.
[1650] OECD, *The Multilateral Agreement on Investment - Draft Consolidated Text, 50.*
[1651] Grosse Ruse-Khan, 'Challenging Compliance with International Intellectual Property Norms in Investor–state Dispute Settlement', 265.
[1652] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 69.*

States parties alike for investment related matters; and (ii) establishment of an appeals mechanism for investor-State arbitral awards."[1653]

On the basis of several background documents and reports, the Working Group was tasked with three specific actions: "(i) first, identify and consider concerns regarding ISDS; (ii) second, consider whether reform was desirable in light of any identified concerns; and (iii) third, if the Working Group were to conclude that reform was desirable, develop any relevant solutions to be recommended to the Commission."[1654]

After identifying the issues related to ISDS and conclude that a reform was indeed desirable, the Working Group agreed on specific reform options from its 38th to 40th sessions. These twelve avenues for reform are: "(i) the establishment of an advisory centre; (ii) a code of conduct for adjudicators; (iii) the regulation of third-party funding; (iv) dispute prevention and mitigation and means of alternative dispute resolution; (v) treaty interpretation by States parties; (vi) security for costs; (vii) means to address frivolous claims; (viii) multiple proceedings and counterclaims; (ix) reflective loss and shareholder claims; (x) appellate and multilateral court mechanisms; and (xi) the selection and appointment of ISDS tribunal members; and (xii) a multilateral instrument on ISDS reform."[1655]

A workplan was agreed and published in May 2021[1656], which foresees the calendar of discussions for eight work streams, for the period 2021-2026. These include discussions on a Multilateral Permanent Investment Court, but also discussions on procedural reforms, code of conduct, alternative dispute resolution, advisory centre and appellate mechanism. The working group is regularly published initial drafts on these specific issues which are then open for comments from delegations.[1657] For example, during the first quarter of 2022, the working group published a draft on a "standing multilateral mechanism", in particular on the selections of the members of the tribunal.[1658]

While UNCITRAL has been focusing on procedural reforms in a broad sense, the European Union has been pushing for the creation of a multilateral investment court to address procedural issues arising from the classical ISDS system.

[1653] UNCITRAL, *Working Group III (Investor-State Dispute Settlement Reform) Thirty-fourth session Vienna, 27 November-1 December 2017 - Annotated provisional agenda, UN Doc A/CN.9/WG.III/WP.141* (15 September 2017), 2.
[1654] Ibid, 3.
[1655] See reform options and all documents related to the discussions here: Working Group III: Investor-State Dispute Settlement Reform | United Nations Commission On International Trade Law, last accessed 9 March 2022.
[1656] See Annex to document A/CN.9/1054: V2103872.pdf (un.org), last accessed 9 March 2022.
[1657] All the information regarding the work of the working group III, including minutes of the sessions, reports, and initial drafts and comments, are available here: Working Group III: Investor-State Dispute Settlement Reform | United Nations Commission On International Trade Law, last accessed 9 March 2022.
[1658] See 030222_pertinent_elements_of_selected_international_courts_final.pdf (un.org), last accessed 9 March 2022.

2.2 The efforts of the European Union towards the creation of a multilateral investment court

The European Commission has been pushing forward the idea of a multilateral investment court in the framework of UNCITRAL Working Group III discussions. At the time of writing, this proposal has received support from most participating countries. Lavranos noted that, "the only countries which continue to resist the EU's MIC proposal are *Japan*, the USA and *Russia*. Interestingly, *China* so far has been pretty much silent in relation to its views on this issue."[1659]

The multilateral investment court could be seen as the second phase of the ambitious reform of the ISDS system promoted by the EU. We have seen earlier that the Investment Court System, while being an important step for the improvement of the investment dispute settlement system, especially for the EU, fails to address the entirety of the concerns raised by the current ISDS system. Therefore, the EU has proposed since the beginning of the discussions to pursue with interested countries the establishment of a Multilateral Investment Court (MIC), to replace both existing ISDS mechanisms as well as bilateral ICSs on the long term. UNCTAD has highlighted that the objective of the MIC would be to "address systemic challenges resulting from the current coexistence of multiple dispute settlement systems, such as interpretative coherence across IIAs, issues of cost efficiency and the legitimacy of the investment dispute settlement system."[1660]

This ambition of the EU is also reflected in recent free trade agreements, notably in the CETA, the EU-Singapore and the EU-Vietnam agreements, which lay "the basis for a multilateral effort to develop further this new approach to investment dispute resolution into a Multilateral Investment Court."[1661] Indeed, in the CETA, the partner countries committed to work towards the creation of a Multilateral Investment Court. Article 8.29 of the CETA, titled "Establishment of a multilateral investment tribunal and appellate mechanism", reads: "The Parties shall pursue with other trading partners the establishment of a multilateral investment tribunal and appellate mechanism for the resolution of investment disputes. Upon establishment of such a multilateral mechanism, the CETA Joint Committee shall adopt a decision providing that investment disputes under this Section will be decided pursuant to the multilateral mechanism and make appropriate transitional arrangements."

The EU-Vietnam, in Article 3.41, adopts a similar language: "The Parties shall enter into negotiations for an international agreement providing for a multilateral investment tribunal in combination with, or separate from, a multilateral appellate mechanism applicable to disputes under this Agreement. The Parties may consequently agree on the non-application of relevant parts of this Section. The Committee may adopt a decision specifying any necessary transitional

[1659] Nikos Lavranos, 'A preview on the upcoming UNCITRAL negotiations for a multilateral investment court' (*Thomson Reuters Arbitration Blog,* 19 March 2019) <http://arbitrationblog.practicallaw.com/a-preview-on-the-upcoming-uncitral-negotiations-for-a-multilateral-investment-court/> accessed 24 July 2019.
[1660] UNCTAD, *World Investment Report 2016 - Investor Nationality: Policy Challenges, 115.*
[1661] Point 6(i) of the Joint Interpretative Instrument of the CETA.

arrangements." The EU-Singapore also reflects this commitment of the parties to pursue negotiations with other interested trading partners for the establishment of a multilateral investment tribunal and appellate mechanism.[1662]

The MIC would progressively replace the bilateral ICSs including the one established in the CETA[1663], once "a minimum critical mass of participants is established, […] and be fully open to accession by any country that subscribes to the principles underlying the Court.'[1664]

It is interesting to note that, despite the failure of the Multilateral Agreement on Investment, the Commission has always supported the idea of a multilateral reform of investment protection rules. However, even if a progressive reform of substantive investment protection rules is being achieved at bilateral level, a multilateral reform does not seem to be politically feasible at this point, and the Commission has therefore focused on procedural aspects in multilateral fora. The Commission itself in 2017 explained the impossibility for a multilateral substantive reform in the following terms: "There is currently insufficient appetite across countries to re-start such negotiations, in part because countries do not agree on the broad parameters of what such a discussion should encompass. Also, nothing suggests that there is a willingness to leave legal approaches behind in favour of a unified approach to substantive investment standards."[1665]

Efforts to pursue discussions over the creation of a multilateral investment court have been supported by both Canada and the European Commission already since 2016, both at the UNCTAD World Investment Forum in Nairobi, and during the OECD Investment Treaty Dialogue in Paris.[1666] Exploratory discussions took place with third countries during these events, and a "non-paper" was published, outlining the possible features of the future MIC.[1667]

In 2016, the Commission launched an Impact Assessment to examine possible options and implications of a multilateral reform of the ISDS system. The Impact Assessment focused on procedural aspects of the reform, to the exclusion of substantial improvements.[1668] Six options were identified to multilaterally reform the system of investment dispute settlement. Option 1 was the baseline scenario under which the EU would follow its current policy of negotiating ICS in its IIAs, and keep ISDS in existing treaties. Option 2 consisted in renegotiating EU Members States' BITs and the ECT to include an ICS. Option 3 proposed to reform international arbitration rules. Option 4 envisaged the establishment of a multilateral appeal

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[1662] *See* Article 3.12 of the EU-Singapore Investment Protection Agreement.
[1663] release, *CETA: EU and Canada agree on new approach on investment in trade agreement, 29 February 2016*.
[1664] Point 6(i) of the Joint Interpretative Instrument of the CETA.
[1665] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 30-31.*
[1666] UNCTAD, *World Investment Report 2017 - Investment and the Digital Economy*), 123.
[1667] European Commission and Government of Canada, *Non-paper - Reforming investment dispute settlement: Considerations on the way towards a multilateral investment dispute settlement mechanism* (21 July 2016), available at: trade.ec.europa.eu/doclib/html/155266.htm (last accessed 29 July 2019).
[1668] European Commission, *Commission Staff Working Document Impact Assessment - Multilateral reform of investment dispute resolution, 6.*

instance. Option 5 foresaw the establishment of a multilateral investment court. Option 6 recommended the negotiation of multilateral substantive investment rules.

The impact assessments detailed each option, and assessed the impact of these policy options. With regards to policy Option 5, the Commission assessed several elements of the potential multilateral investment court, such as the composition of the court with number of adjudicators of the first level tribunal and appeal tribunal, the terms of mandate, the employment status and remuneration of adjudicators, qualifications and ethics. It also looked at procedural aspects such as the appointment of adjudicators, the case allocation and the scope of appeal. Institutional and financial aspects were similarly evaluated, such as the Secretariat, the mechanism to be part of the multilateral Court, support to SMEs, support to developing countries, but also the allocation of costs among members and the possibility of a mixed financing.[1669] The figure below reflects the implications of Option 5 for each stakeholder.

	Option 5: Establishment of a multilateral investment court			
	Composition of the court	***Procedural aspects***	***Institutional aspects***	***Financial aspects***
Investors	No role in the selection of adjudicators for specific disputes.	Possibility to be involved in the appointment of adjudicators. Ability to appeal first instance decisions with procedural errors or substantial errors of law, and possibly also with manifest errors in the appreciation of facts.	Resort to the court conditional upon their home state opting-in to the Convention establishing the court. Possibility for SMEs to benefit from assistance.	Will face lower costs, possibility of user fees, possibility for SMEs to benefit from assistance.
States	Prominent role in the appointment of adjudicators.	Prominent role in the appointment of adjudicators. Ability to appeal first instance decisions with procedural errors or substantial errors of law, and possibly also with manifest errors in the appreciation of facts.	Lower resources to manage court thanks to the existence of a secretariat. Ability to decide on the jurisdiction (i.e. scope) of the court when negotiating investment treaties. Ability to opt-in or not. Possibility to benefit from assistance to developing countries.	Budgetary implications (costs of functioning to be at least mostly covered by states).
Legal practitioners / Arbitrator community	Ability to participate as legal counsel Provided that is not against the ethical requirements, ability to sit as adjudicators.	Possibility to be involved in the appointment of adjudicators.	Possible lower workload due to existence of a secretariat.	Lower legal fees charged as a result of streamlined proceedings and certain procedural steps being eliminated (e.g. choice of arbitrators).
General public	N.a.	Possibility to be involved in the appointment of adjudicators in the event that an independent body be set up.	Easier access to documents through the secretariat.	Taxpayers' money spent on funding the court.

Figure 14 – Implications of Option 5 for stakeholders (Source: European Commission 2017).

Six months after the completion of the public consultation, the European Commission published a recommendation for a Council Decision authorizing the opening of negotiations for a Convention establishing a multilateral investment court. On 20 March 2018, the EU Council adopted the negotiating directives authorizing the Commission to negotiate such convention.[1670] At the time of writing, the Commission has been actively participating in the discussions taking

[1669] Ibid, 39-54.
[1670] UNCTAD, *World Investment Report 2018 - Investment and New Industrial Policies, 49.*

place under the auspices of the UNCITRAL. Informal meetings took place in 2021, and an initial draft on a "Standing multilateral mechanism" was published in 2021 and open for comments until November 2021.[1671] The EU and its Member States submitted comments.[1672] According to the revised workplan published in May 2021, the discussions on the several reform avenues including the discussions on the multilateral permanent investment court will take place at least until 2026.[1673]

There are, however, certain hurdles to overcome in order for such a multilateral court to be fully efficient. First, the jurisdiction of the court will likely be limited in the early stages to disputes arising from a limited number of agreements foreseeing the establishment of the MIC. Indeed, we have seen that recent EU IIAs include in the text the possibility of replacing the bilateral ICS by the MIC. In such instances, the MIC would *de facto* have jurisdiction over investment disputes arising out of these recent EU IIAs, without the need to amend the text of these IIAs. However, for all the older BITs and FTAs, which did not foresee the possibility of the MIC, the jurisdiction of the multilateral court could only be established by revising the treaties. UNCTAD has proposed to follow the opt-in technique of the Mauritius Convention as a potential model for reform.[1674]

In addition to the limited jurisdiction of the court, at least in the first years, the MIC could have a limited effect on the consistency of arbitral awards, due to the current fragmentation of substantive standards in the thousands of BITs. Even in instances where the substantive provisions are similar or identical, rules of treaty interpretation such as Article 31 of the VCLT require that the tribunal take into account "other bilateral legal obligations on matters such as the environment, labour, or security between the State parties."[1675] As these bilateral obligations defer from country to country, the interpretation of specific investment provisions might also well differ depending on the instrument giving rise to the dispute. On the long term, consistency will only be achieved if common substantive provisions are adopted amongst a certain number of States. However, we have seen that achieving international consensus on substantive investment protection rules will require more political will, and perhaps a consensus on "the fundamental balance between the protection of private property interests and other public interests such as the environment, public health, and others".[1676] Therefore, it could still take time before the full beneficial effects of a multilateral investment court can be observed.

Some authors have argued that a multilateral appellate mechanism could have a similar effect in terms of coherence to that of a multilateral investment court. Stephan Schill observes that,

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[1671] See Standing first instance and appeal investment court, with full-time judges | United Nations Commission On International Trade Law, last accessed 9 March 2022.
[1672] See 20211125_wp_selection_eums_comments.pdf (un.org), last accessed 9 March 2022.
[1673] See V2103872.pdf (un.org), last accessed 9 March 2022.
[1674] UNCTAD, *World Investment Report 2017 - Investment and the Digital Economy, 141.*
[1675] Directorate-General for External Policies Policy Department, *In Pursuit of an International Investment Court Recently Negotiated Investment Chapters in EU Comprehensive Free Trade Agreements in Comparative Perspective, 205.*
[1676] Ibid, 205.

"the advantage of an appellate mechanism over a permanent investment court would likely be that its creation is politically easier to achieve at the global scale than the establishment of a multilateral investment court. […] Further, an appellate mechanism could be combined with the existing arbitral system as a first instance."[1677] He also argues that an appellate mechanism could be more cost efficient.[1678] However, current negotiation trends seem to tip the scales in favor of a MIC.

Finally, a last tool that could be used to ensure some form of consistency between the arbitral awards of the MIC are appropriate interpretive principles, such as the requirement that an interpretation of the IIA should not contravene human rights obligation, which could be included in the statute of the court. Daniel Gervais notes that such an approach "is compatible with the EU legal order in which the Charter of Fundamental Rights stands above trade and investment treaty rules. Including the principle in the new court's statute would mean that states that agree to its jurisdiction would agree to be bound by it, as they agree to be bound by UNCITRAL or ICSID rules."[1679] In addition or as an alternative, these interpretative principles could also be included in the texts of the investment agreements, which are binding on the investment court.

It is also important to highlight that some authors do have doubts as to the feasibility of establishing a multilateral investment court, for different reasons. First, it has been argued that "a well-functioning bilateral TTIP court could be a stumbling block to future multilateralism"[1680], or in other word, that a successful bilateral investment court would be difficult to replace at a later stage by a multilateral instrument. From this perspective, some authors have argued that it would have been preferable to create a multilateral court from the beginning, "or at least a court that can be multilaterised, for instance on the basis of an opt-in system."[1681] The "multilateralization" of bilateral courts could be achieved by introducing specific provisions in the text of investment agreements that guarantee some form of flexibility to set up the multilateral court. For example, "such flexibility can be achieved by entrusting the Committee with more functions, e.g. by granting it the power to increase the number of Judges and modify nationality requirements. Committees established under different treaties could then be required to consult and negotiate with a view to merging the treaties' respective courts or making a court competent for multiple treaties."[1682]

[1677] Stephan W. Schill, 'Reforming Investor–State Dispute Settlement: A (Comparative and International) Constitutional Law Framework' (2017) 20 Journal of International Economic Law 649, 667.
[1678] Ibid, 667.
[1679] Daniel Gervais, 'Intellectual Property: A Beacon for Reform of Investor-State Dispute Settlement' (2019) 40 Michigan Journal of International Law 289, 324.
[1680] Titi, 'The European Union's Proposal for an International Investment Court: Significance, Innovations and Challenges Ahead'
[1681] Ibid, 29.
[1682] Ibid, 29.

While the creation of a multilateral investment court could address a number of procedural and public policy issues arising from classical and even bilateral investment dispute settlement, its implementation will require both strong political will and proper legal basis.

It appears that the creation of such an international court by means of an international agreement, and which would be responsible for the interpretation of the provisions of this agreement, would be compatible with EU law, even where its decisions are binding on the EU.[1683]

In its Opinion 1/17, the Advocate General Bot assessed the compatibility of the CETA, and in particular the ICS, with the exclusive jurisdiction of the Court over the definitive interpretation of EU law. The AG found, on the basis of previous Opinions of the Court, in particular Opinion 1/09 that the autonomy of the EU legal order was guaranteed by the dialogue between national courts and the court of Justice.[1684] He also recalled that the "'preservation of the autonomy of the [EU] legal order requires therefore, first, that the essential character of the powers of the [European Union] and its institutions as conceived in the Treaty remain unaltered'. Second, it requires that the procedure for resolving disputes will not 'have the effect of binding the [European Union] and its institutions, in the exercise of their internal powers, to a particular interpretation of the rules of [EU law]'."[1685]

The ICS foreseen by the CETA was also justified, according to AG Bot, by the requirement of reciprocity in the protection afforded to investors of each Party, and by the lack of direct effect of the CETA. [1686] The Advocate General also stressed the difference between intra-EU ISDS and the ICS in the CETA, and stated that there were sufficient guarantees to preserve the exclusive jurisdiction of the Court over the definitive interpretation of EU law in the text of the CETA.[1687]

The Court followed the Opinion of the Advocate General, and recalled that "the competence of the European Union in the field of international relations and its capacity to conclude international agreements necessarily entail the power to submit to the decisions of a court that is created or designated by such agreements as regards the interpretation and application of their provisions."[1688] The Court considered that a court such as the CETA Tribunal and Appellate Tribunal may only be compatible with EU law if it does not adversely affect the autonomy of the EU legal order.[1689]

Therefore, it appears that the creation and operation of a multilateral investment court would be compatible with EU law, under the condition that such court does not issue binding

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[1683] *OPINION 1/17 OF THE COURT (Full Court) of 30 April 2019, para 106.*
[1684] *Opinion 1/17 of Advocate General Bot delivered on 29 January 2019, para 56.*
[1685] Ibid, para 67.
[1686] Ibid, para 73-94.
[1687] Ibid, para 97-160.
[1688] *OPINION 1/17 OF THE COURT (Full Court) of 30 April 2019, para 106.*
[1689] Ibid, para 108.

interpretations of EU law. In other words, the court should be limited to the interpretation of a specific international investment agreement, to the exclusion of the domestic law of the parties, which in the case of the EU, would encompass EU law.

3. UNCTAD's Reform Package for the International Investment Regime: enhancing substantive investment protection

"Since 2012, over 150 countries have undertaken at least one action in the pursuit of sustainable development-oriented IIAs as set out in UNCTAD's Reform Package for the International Investment Regime".[1690]

UNCTAD has worked for several years on a sustainable development-oriented IIA reform. The 2015 Reform Package for the international investment regime was divided into three phases. During the first phase, over 100 policy options for treaty clauses were formulated, addressing five priority areas for sustainable development-oriented treaty making. The second phase resulted in the proposal of 10 reform mechanisms that countries can use to modernize existing old-generation treaties. Phase 3 aimed at formulating policy guidance to achieve overall investment policy coherence for sustainable development.

UNCTAD's IIA Reform Phase 1 focused on five areas, including the safeguard of the right to regulate while providing protection, reforming investment dispute settlement, protect and facilitate investment, ensure responsible investment and enhance systemic consistency.[1691] The reform aimed at being achieved at different levels, from national and regional, through bilateral and multilateral level.

With regards the reform of investment dispute settlement, three different options seemed available.[1692] First, fixing existing ISDS mechanisms, namely by improving the arbitral process, limiting investors' access to ISDS, channeling sensitive cases to state-to-state dispute settlement, and introducing local litigation requirements as a precondition for access to ISDS. Second, UNCTAD proposed to add new elements to existing ISDS mechanisms, by building in effective alternative dispute resolution, and introducing an appeal mechanism. The final option would be to fully replace ISDS, either by creating a standing international investment court, or by replacing ISDS by state-to-state dispute settlement or domestic dispute resolution.

UNCTAD carried out an ex-post implementation check and found that the effects of Phase 1 of the IIA reform could already been observed when comparing treaty clauses of IIAs concluded in 2000 compared to 2017. The graph below shows this important shift in treaty making, with a focus on sustainable development objectives.[1693]

[1690] UNCTAD, *World Investment Report 2018 - Investment and New Industrial Policies, 96.*
[1691] Ibid, 96.
[1692] UNCTAD, *UNCTAD's Reform Package for the International Investment Regime*, 2018), 48.
[1693] UNCTAD, *World Investment Report 2018 - Investment and New Industrial Policies, 97.*

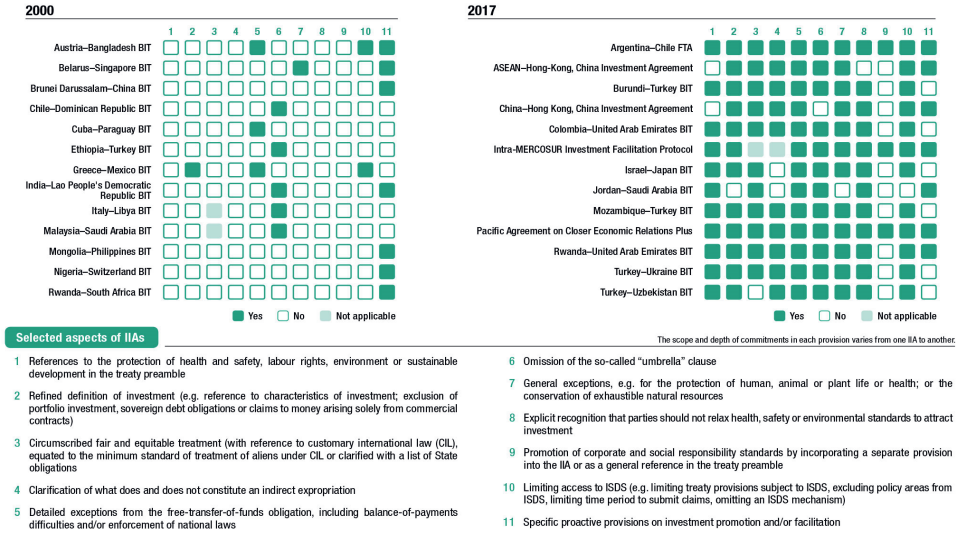
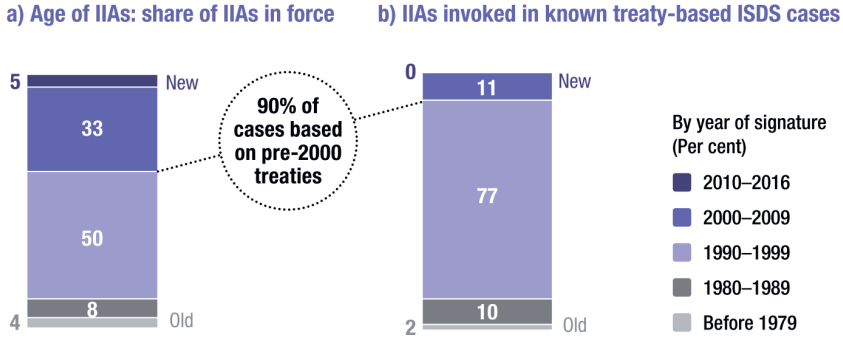


Figure 15 – Reform-oriented provisions in IIAs concluded in 2000 and in 2007 (Source: World Investment Report 2018)

The need to modernize existing old-generation treaties was justified by the high number of such treaties still in force today, and the number of ISDS cases initiated on the basis of these treaties. According to UNCTAD's findings, 58% of existing IIAs were concluded between 1980 and 1999.[1694] However, over 87% of known ISDS cases were based on these old-generation treaties. In contrast, the 38% of all IIAs which were concluded between 2000 and 2016 have been invoked in less than 11% of the known ISDS cases. Therefore, the need to focus efforts on existing IIAs seems to make sense.



[1694] UNCTAD, *UNCTAD's Reform Package for the International Investment Regime, 72.*

Figure 16 – Share of IIAs in force by age of IIAs and IIAs invoked in known treaty-based ISDS cases (Source: UNCTAD's Reform Package for the International Investment Regime, 2018)

On this basis, UNCTAD proposed in 2017 ten options to modernize existing old-generation IIAs: jointly interpreting treaty provisions, amending treaty provisions, replacing "outdated" treaties, consolidating the IIA network, managing relationships between coexisting treaties, referencing global standards, engaging multilaterally, abandoning unratified old treaties, terminating old treaties, and withdrawing from multilateral treaties.[1695] Each reform action was defined in the World Investment Report 2017, which also highlights the possible outcomes (pros) and challenges (cons) for each option. Since 2012, UNCTAD noted that 27 outdated IIAs had been replaced and100 had been terminated, which brought the total number of IIAs terminated by March 2018 to 243.[1696]

The third phase was implemented in 2018, and aimed at enhancing investment policy coherence and synergies globally. In order to achieve this objective, UNCTAD's proposal was to first ensure internal consistency between a country's IIAs, second to "maximize synergies" between IIAs and the national legal framework for domestic and foreign investment, and finally to manage the interaction between investment agreements and other bodies of law touching upon investment.[1697] Several considerations were made at this stage. It was stated that "[p]olicy coherence does not necessarily require uniform legal language" and that "[a]chieving a satisfactory level of investment policy coherence is not instantaneous".[1698]

In 2020, UNCTAD launched the IIA Reform Accelerator, to modernize the existing stock of old-generation IIAs still in force and support the reform process.[1699] The tool proposes "ready-to-use model language" with examples of modern IIAs and BITs.[1700] It is a tool for steering discussion and coordination in the reform process.

The efforts of UNCTAD to enhance substantive investment protection go hand in hand with procedural enhancements, notably in the framework of UNCITRAL's initiative to develop a multilateral investment court. This aspect is important, as we have seen throughout this study that any reform in the field of investment and IP should be holistic, and undertook at both a substantive and procedural level in order to be effective. In addition, efforts to reform IIAs should not only focus on future treaties, but also address the deficiencies in existing treaties.

The sustainable development perspective of UNCTAD on the reform process will be beneficial to intellectual property, as it will allow to take fundamental rights considerations into account,

[1695] UNCTAD, *World Investment Report 2017 - Investment and the Digital Economy, xii;131.*
[1696] UNCTAD, *World Investment Report 2018 - Investment and New Industrial Policies, 99.*
[1697] Ibid, 104-115.
[1698] Ibid, 104.
[1699] UNCTAD, *World Investment Report 2021 (Investing in Sustainable Recovery*), xii.
[1700] UNCTAD's IIA Reform Accelerator - a new tool to facilitate investment treaty reform | UNCTAD Investment Policy Hub, last accessed 9 March 2022.

as well as the right of states to regulate in the public interest, two aspects which have been of outmost importance in our discussions and in the discussions taking place on the interaction between IP and investment protection.

Conclusion

We begun this holistic journey with the metaphor of the collision between two suns. We used this stellar phenomenon to convey the message that any interaction and intertwinement between two separate objects can either result in the creation of a new paradigm, or in the destruction of both objects. In this thesis, we have chosen to follow the first path, acknowledging that "legal fragmentation cannot itself be combated".[1701]

The main research question that this research has attempted to answer is whether a balanced investment protection system, including its dispute settlement system, can be conceptualised in EU investment agreements for the protection of intellectual property? The working hypothesis was that the growing interaction between intellectual property and investment law creates a new paradigm that can be carefully designed and enforced to ensure that the essential functions of intellectual property law are safeguarded in EU investment treaties but most importantly in investment arbitration.

Throughout this journey, we have made concrete proposals to address certain substantive and policy issues that arise from the interaction between intellectual property and foreign direct investment, while paying particular attention to detail. We will summarize some of the main findings that have been formulated throughout. These proposals are formulated based on the premise that the very existence of investment protection and investment arbitration is accepted. Despite the many criticisms that investment arbitration in particular has faced over the past years, investor-state dispute settlement is still a dispute settlement mechanism foreseen by many investment treaties in force, and is also considered in ongoing negotiations; it is therefore here to stay.

In the first chapter, we asked what the essential functions of intellectual property rights are and how these have evolved in the EU, to understand whether the protection of investments is an essential function of intellectual property rights. We also asked very concretely whether EU and non-EU investors can rely on investment treaties in the EU to arbitrate disputes involving intellectual property rights.

First, we have seen that the assimilation of intellectual property to the protection of investment is rather intuitive for foreign investors and businesses, and is also mirroring the shift that is slowly taking place in the EU, notably through the jurisprudence of the Court of Justice, who has increasingly recognized the investment function as an essential function of certain intellectual property rights. However, it is also clear that the intellectual property system, at least in the EU, has its specificities, and entails a certain number of exemptions and limitations, which constitute safeguards to protect important public interests. The protection of these public interests, and more specifically public health, has therefore been the red thread guiding our analysis.

[1701] Teubner and Fischer-Lescano, 'Regime-collisions: the vain search for legal unity in the fragmentation of global law', 1004.

Second, we assessed the competency issues in the European Union with regards to foreign direct investment and dispute settlement. It allowed us to conclude that it is first and foremost for the European Union to ensure that, when negotiating international investment agreements with third countries, appropriate language is included in order to ensure that the interaction between the investment and IP rules does not give rise to legal uncertainty and does not jeopardize the protection of public interests.

Based on these preliminary findings, we asked in Chapter 2 whether investment protection standards such as national treatment, most-favoured-nation, fair and equitable treatment and others can be used to protect IP-related investments in the EU. We assessed which safeguards can be put in place in EU investment agreements to ensure that the essence and social function of intellectual property rights can be safeguarded, as well as the right of States to regulate.

Based on a thorough assessment of investment protection standards and the legal analysis of the provisions of the three EU agreements that were used as case-study in this research, namely the CETA, the EU-Singapore and the EU-Vietnam agreements, we found that the threshold to find a violation of an investment agreement in relation to intellectual property is rather high and that the mere inclusion of IP under the definition of investment in those agreements is far from sufficient to find a violation of investment standards. This is particularly true today under new generation investment agreements such as those signed by the European Union, which include explicit safeguards for the public interest and the right to regulate, as well as more precise protection standards, often excluding certain IP-related measures from their scope.

To strengthen such safeguards and in order to clearly define the scope of protection granted under investment agreements for intellectual property, we suggest that exceptions and limitations regarding intellectual property measures be included in specific provisions defining covered investments and investment protection standards, rather than in the preamble or in Annexes.

More specifically, compulsory licenses should be explicitly excluded from the scope of investment protection, and it should be for national or specialized IP courts to verify whether the conditions to grant compulsory licenses have been respected. Any claim regarding the existence of intellectual property rights, including their grant and revocation, should also be excluded from the scope of investment protection. Such claims must be assessed in light of existing intellectual property laws regulating the conditions to grant and revoke intellectual property rights, by national or specialized IP courts offices. In addition, the rights and obligations that intellectual property right holders have under the applicable intellectual property laws must be taken into account by investment tribunals. Investment tribunals can rely on submissions by intellectual property law experts to determine whether the rights and obligations under IP laws have been respected.[1702]

[1702] See, for instance, the debate over the right to use a trademark, versus the right to exclude others from using the trademark, in the Philip Morris v Uruguay dispute. The tribunal relied on expert opinion to find that there is no

The revocation of an intellectual property right should therefore never give rise to a breach of investment protection rules claim. The potential claims that investors can bring with regards to their intellectual property rights should therefore be very limited. For instance, potential claims could be limited to denial of justice claims and only where all the other conditions to bring a claim are fulfilled, or in the very specific case where the "government is complicit in acts of piracy or counterfeiting".[1703] The threshold should therefore be very high. Such a limitation can be achieved directly in the text of future investment agreements. For existing agreements, limitation can be introduced by revising the text of such agreements. However this is unlikely to be implemented in practice. In such cases, it would be for investment tribunals to interpret the provisions of the investment treaty in accordance with customary rules of interpretation of public international law, including those set out in the Vienna Convention on the Law of Treaties.

The same holds true for the protection of States' right to regulation. A distinction must be made between what can be achieved on the basis of existing agreements and what can be achieved in future investment agreements. Stronger language protecting the right of States to regulate must be included not only in the preamble of investment agreements but in specific provisions defining in greater detail the scope and extent of such right to regulate. We for instance agree with Dimopoulos that "a general provision that non-discriminatory and transparent measures that aim to achieve legitimate public policy objectives, such as the protection of public health, national security, the environment, workers' and consumers' rights, do not amount to indirect expropriation, as long as they are proportionate, could add to clarity of what constitutes indirect expropriation".[1704]

In contrast, and in addition to the rights of investors, a definition of the obligations on investors in investment agreements could also allow to better frame the scope of the investment protection for investors and the margin of maneuver of States. This would allow to address the criticism that investment agreements are "bill of rights" offering to investors rights with no obligation, with the situation of States being the exact opposite.[1705] Strong and explicit language in investment treaties would give the necessary tools to investment tribunals to rebalance States' and investors' rights and obligations. This is also in line with a "changing spirit in international investment law and arbitration since 2021"[1706] rebalancing the interests of States and investors.

The second part of the thesis focused on adjudication and procedural aspects of investor-state dispute settlement. In chapter 1, we reviewed the characteristics of investor-state dispute settlement and the specific issues it raises in the EU legal order. Based on empirical analysis,

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right to use a trademark under international and national intellectual property law, but only a right to exclude others from doing so.

[1703] Yu, 'The Investment-Related Aspects of Intellectual Property Rights', 849.

[1704] Dimopoulos, 'The Compatibility of Future EU Investment Agreements with EU Law', 467.

[1705] Ho, 'A Collision Course Between TRIPS Flexibilities and Investor-State Proceedings', 409.

[1706] Alexovicova, 'The Tobacco Plain Packaging Legislation Before Investor-State Tribunals: Philip Morris Asia v. Australia and Philip Morris et al. v. Uruguay', 193.

we identified the volume of investment arbitration cases in the EU and answered the question of the impact of these cases on the balance of interest of the IP system. We also asked whether investors can invoke investment treaty provisions in domestic courts and how arbitral tribunals and courts (including the CJEU) interact in the EU. In addition, four iconic IP-investment cases were selected and scrutinized, to answer the following research questions: what is the relevance of this cases for the intellectual property system and the safeguard of important public interests? Can these cases really be qualified as "intellectual property" investment cases, discussing in depth intellectual property questions, or do the tribunals and parties only merely refer to intellectual property aspects?

A historical analysis of the evolution of ISDS and a comparative analysis between ISDS and other dispute resolution mechanisms such as state-to-state dispute settlement allowed us to understand the limits of these other dispute resolution mechanisms and the advantages of ISDS, in particular for foreign investors. The limits of dispute resolution involving diplomatic relations and the lack of confidence in certain domestic court systems can explain why ISDS has become so popular over time, both for investors and capital-exporting countries. A number of these factors taken together can explain the slow shift of adjudication forum for intellectual property dispute, from domestic courts to state-to-state dispute resolution, alternative dispute resolution and more recently investor-state dispute settlement.

Focusing more specifically on ISDS in the EU, the research allowed us to conclude that investor-State tribunals, as established under most existing BITs and other investment instruments, are not entitled to refer questions to the Court of Justice for a preliminary ruling. However, one question that is still unsettled when considering the recent agreements negotiated by the EU is whether the Investment Court System will be allowed to do so.

A detailed research using two different databases[1707] then allowed us to identify thirteen publicly available investment arbitration cases with some intellectual property elements.[1708] Among those thirteen cases, only four were identified as raising potentially relevant intellectual property issues. The other cases were not further scrutinized as it was concluded that only a mere reference to intellectual property rights could be found without further discussions. The four iconic cases identified were then reviewed in detail, focusing on the final awards, and taking into account the arguments of the parties in the different submissions as well as third party contributions where relevant, to answer the above-mentioned research questions.

In the Philip Morris v Uruguay case, the tribunal expressly recognized Uruguay's right to regulate to protect public health, and rejected Philip Morris' claims of expropriation, denial of fair and equitable treatment, denial of justice and failure to observe commitments as to the use of trademarks under Article 11 of the BIT. The tribunal relied on expert opinion regarding the interpretation and application of intellectual property law, notably to determine whether there

[1707] The databases used were Investment Policy Hub from UNCTAD and JusMundi.
[1708] See table 4 for a detailed list of those cases.

is a right to use a trademark. This case undeniably sets an important precedent for the compatibility with international investment law of public health related measures such as plain packaging.

In Philip Morris v Australia, the tribunal did not enter into the merits of the case as it concluded at an early stage that Philip Morris had committed an abuse of rights. Similarly to the measures taken by Uruguay, it can be noted however that Australia did not introduce a total ban to use a trademark but only measures to limit such use. Such a limitation, where justified by an overriding reason related to the public interest such as the protection of public health, is unlikely to be qualified as a violation of an investment treaty, in the absence of other elements (such as a blatant denial of justice). This case is not, however, shedding light on these aspects as the tribunal declared that an abuse of rights had been committed.

In Eli Lilly v Canada, the question focused on the behavior and decisions of national courts and whether such decisions could amount to a denial of justice. We found that the assessment of the tribunal of the denial of justice claim in this case could be applied to non-IP cases. However, the tribunal did enter into the consideration of whether the revocation of patent could amount to a violation of investment treaty standards. The answer is unequivocally negative, as the tribunal confirmed that the responsibility of a State can only be engaged in case of "egregious" or "shocking" conduct, which was not the case of Canada. The argument of Eli Lilly according to which a patent holder has a legitimate expectation that his patent will remain valid over time was dismissed by the tribunal in a very clear and succinct statement, recalling that any patent right can be challenged in court and revoked if it does not satisfy the patentability requirements. We therefore see that the investment tribunal confirmed and respected basic principles of intellectual property law.

Finally, in Bridgestone v Panama, intellectual property law was of relative importance, even though the measure that triggered the investment case was an opposition procedure in trademark proceedings. However, the question assessed by the investment tribunal related rather to the behavior of national courts, in this case the Supreme Court, and in particular whether the Court had committed a denial of justice within the meaning of the investment treaty at stake. It is worth noting that the investment tribunal itself put the relevance of the interpretation of intellectual property law into perspective, notably the arguments put forward by the experts to determine the difference between reservation of rights and cease and desist letters.[1709] The tribunal clarified that it is not his role to interpret intellectual property law, but it rather relies on expert opinion to take intellectual property law considerations into account when determining the compatibility of a measure or conduct with investment law standards. Finally, we also concluded that this case does not necessarily set a dangerous precedent with regards to trademark opposition procedures, as some commentators may have argued, given that the investment tribunal concluded that it had jurisdiction to hear the case. On the contrary, while

[1709] The tribunal observed that "this is a good example of a false issue of expert evidence that does nothing to assist the Tribunal". See *Bridgestone v Panama, Award*, para 466.

the Panamanian Supreme Court did find that a trademark opposition could be "reckless" and ordered the payment of high damages, the investment tribunal was only tasked with assessing whether the decision of the Supreme Court was in breach of the denial of justice standard.

While these cases have entered to a limited extent into substantive discussions regarding the application and interpretation of intellectual property law, it must be acknowledged that they have raised questions with regards to the relevance of fundamental rights in the interplay between IP and investment law. In this context, this thesis assessed the extent to which the public interest and important fundamental rights such as the right to health can be safeguarded in IP-investment arbitration. It asked how the right to regulate, as safeguarded in IP instruments, can be safeguarded more specifically in EU investment agreements?

To answer these questions, we relied on existing research that looks into the link between fundamental rights and investment law, or fundamental rights and IP law, to focus in particular on the question of the legal basis to import human rights arguments into investment arbitrations. We looked at arbitration practice, with a specific focus on European human rights law and IP investment arbitrations. The arbitration cases that were reviewed illustrate the high complexity of the triangle investment, human rights and intellectual property. We found that there are important discrepancies in the scope and purpose of these bodies of law which explains the fragmentation of international law and resulting conflicts. We found that human rights can be relied upon by both claimants and respondents in investment arbitration, which also illustrates the duality of human rights standards of protection.

An improvement of the language of investment treaties to increase the protection of fundamental rights seems possible, with however some limitations. Such improvements only seem possible in future investment treaties, or in the process of revision of existing investment treaties, which limits to some extent the impact of any reform proposal. In this research, we nevertheless made a number of substantive proposals to improve the language of investment treaties, as well as the rules and procedure of investment arbitration tribunals, instead of relying on external instruments such as the ECHR to improve the balance of interests in investment arbitration. We found that the recent EU agreements, namely the CETA, the EU-Singapore and the EU-Vietnam agreements, already include more "human rights friendly" language. The interpretation of these agreements by future investment tribunals and the importance they will give to human rights arguments therefore still remains to be seen.

With regards to the right to regulate, we found that it is possible to increase legal certainty for both States and investors by defining more clearly and limiting the scope of investment protection standards. Investment tribunals, in turn, have a role to play in the safeguard of the public interest, in that they must take legitimate public policy objectives into account in their assessments. This can be ensured by including stronger and explicit language in investment treaties, similar to Article XX GATT. We found that recent EU agreements such as the CETA already include stronger language on the right to regulate. One proposal formulated in this thesis is, however, that the right to regulate could be consecrated as a full-fledged "right" alongside

the rights of investors in future agreements rather than foreseeing exceptions to protect public health or the environment.

The last chapter of this thesis looked at the future, and focused on ethical concerns raised by investor-state dispute settlement and the proposals supported by the EU to improve the investment protection system. In this chapter, we asked: what are the ethical concerns arising from investor-state dispute settlement and what is the relevance of it for IP? Is it possible to address these shortcomings and if so, how? Can the Investment Court System and the Multilateral Investment Court in particular address the ethical issues raised by ISDS and what will be the impact for IP litigation?

The assessment of procedural deficiencies of ISDS started from the observation that there is a clear and explicit call at the international level for procedural reforms of ISDS (in particular from the UN General Assembly). This research allowed us to identify and analyse six procedural deficiencies.

First, the lack of independence of arbitrators, who are appointed and remunerated by the parties, which is said to create a certain level of conflict of interest. There are also limited, if not no rules on the independence of arbitrators in investment agreements or other rules of procedure governing the conduct of ISDS tribunals.

Second, there is allegedly a lack of predictability and consistency of arbitral awards in ISDS. This is mainly due to the ad hoc nature of investment tribunals, but also because of the absence of formal requirements to rely in past arbitral awards. To put this finding into perspective, it must be recalled that investment tribunals are bound by the specific language of the investment treaty at stake, and can therefore not rely on the interpretation given by another tribunal faced with a different investment treaty. We have also shown in this research that investment tribunals actually rely, in practice, on previous arbitral awards; this was notably the case for the four IP-investment cases analysed in this work

Third, ISDS is often criticized for its lack of transparency, due to the confidentiality of the procedures. This confidentiality necessarily extends to the documents related to the proceedings. We found, however, that the confidentiality of investment arbitration proceedings is one of the main reasons for parties to choose ISDS. In addition, tribunals have no power to decide whether to disclose information regarding the proceedings; this can only take place with the consent of the parties.

Fourth, there is currently no formal appeal mechanism for investment arbitration awards. While this is formally true, we noted that there are a number of grounds on the basis of which parties can request the annulment or revision of a final award.

High costs of ISDS and the resulting chilling effect has also been identified as the fifth major deficiency of the ISDS system. The empirical analysis that we carried out in this work shows that States more often “win” ISDS cases than investors. However, we acknowledge that even in cases where the tribunal settles in favor of States, important costs can be borne by the

defendant State. These high costs are also said to cause the “chilling effect” that ISDS has on governments, who refrain from taking measures in the public interest, because of the fear of facing investment arbitration claims.

Based on a literature review, we found that the average cost of an ISDS proceeding is $8 million, but it can go up to $ 70 million in some cases. The resulting chilling effect was particularly notable in the plain packaging cases, where some commentators found that certain countries had withdrawn their proposals to adopt plain packaging laws because of the threat of litigation, in the aftermath of the Uruguay and Australia cases (e.g. New Zealand). Empirical analysis also shows that there is an imbalance in the use of ISDS, as claimants are, in the vast majority of cases, from high-income countries. Respondent States are, in turn, most often from upper-middle income countries (42.15%).[1710]

These findings must however be interpreted carefully, in view of the high number of confidential proceedings for which no data is available; as we have mentioned several times throughout this work, any publicly available data on ISDS is only "the tip of the iceberg", as it is said that a high number of cases is in fact confidential.

Finally, forum shopping has also been identified as problematic in this context. In particular for intellectual property adjudication, we found that there are a number of options available to intellectual property investors to bring IP-related claims, leading to the possibility of parallel proceedings.

All these deficiencies have contributed to the current crisis of legitimacy that the ISDS system is facing, which has fostered, in turn, a number of proposals and initiatives to address these deficiencies. We focused, in this research, on both procedural and substantive proposals to address the shortcomings of ISDS.

First, we assessed the possibility for States to terminate international investment agreements, or remove ISDS from these agreements. While we have seen that certain countries have denounced the ICSID Convention and are terminating their BITs, this does not seem to reflect a broader or long-lasting trend. We also concluded that, without ISDS, the enforcement of investment agreements would be limited, as we see a limit role for domestic courts in this regard.

Second, regarding more specifically intellectual property, we explored different possibilities to limit intellectual property claims in ISDS, such as limiting the scope investment protection for IP. We found that the only way to achieve a total exclusion of IP from ISDS scrutiny would be to remove any reference to intellectual property, intellectual property rights and even intangible assets from the definition of investment. However, in treaty negotiation practice, this is unlikely

[1710] Samples, 'Winning and Losing in Investor– State Dispute Settlement'.

to happen given the importance of intellectual property and intangible assets to foreign investors.

Therefore, it seems necessary to increase the number of safeguards in investment treaties to ensure the respect of inherent principles of the intellectual property system and of fundamental rights. We recommend notably to link the investment to the intellectual property chapter in investment agreements to integrate exceptions and limitations included in the intellectual property chapter. Arbitrators could either be trained in intellectual property law, or more heavily rely on expert opinions if questions of interpretation of intellectual property law are raised in investment arbitration.

In addition, efforts must be pursued towards conceptual and procedural improvements of the ISDS system as highlighted above. In this work, we explored notably the possibility to impose obligations on investors, alongside the obligations imposed on States, or the possibility to the introduce performance requirements on investors. More specifically, treaty negotiators could include specific obligations for investors in the field of sustainable development or human rights in the investment chapter, or even non-economic goals as performance requirements. The respect of fundamental rights, including the protection of public health or the protection of the environment could be added in the definition of investments in investment agreements or in national laws as a condition to receive an investment, to increase the protection of those rights.

We also analysed the possibility for States to bring counterclaims, or the need to increase the possibility of tribunals to take into account the public interest objectives behind State measures. The former can be achieved by strengthening the language of investment treaties so as to explicitly allow States to bring counterclaims. The latter can also be achieved by including specific language on the right to regulate in the body text of investment agreements, as is already done in a number of new generation investment agreements, including the CETA, the EU-Singapore and the EU-Vietnam agreements. With regards to the proposal sometimes formulated by the doctrine to allow States to initiative investment proceedings, we do not think that States should be able to bring investment claims against investors, as we do not see this proposal as procedurally or substantially viable. In addition, there are other means for States to challenge the behavior of investors.

In addition to these conceptual proposals for improvement, we also explored a two more specific institutional answers developed by Peter Yu, namely the creation of an advisory center for investment arbitration, or the creation of small-claims procedures. With regards to the former, we concluded that the creation of such a center could be welcomed, while noting that trainings and other forms of support to developing and least developed countries on ISDS already exist, and that the creation of such an advisory center is currently being discussed by the Working Group III of UNCITRAL working on ISDS reform. With regards to the latter, we agree with Peter Yu that such a procedure could be welcomed, with however the limitation that it could only be foreseen in future investment agreements or in the framework of the ongoing discussions on an Investment Court System or the Multilateral Investment Court.

The ICS has been introduced in recent EU investment agreement to address some of the shortcomings and lack of public trust of the classical ISDS system as we have described above. A thorough review of the ICS as included in the CETA, the EU-Vietnam and EU-Singapore agreements, allowed us to conclude that its characteristics are truly innovative and place the system between the traditional courts and the ad hoc investment tribunals. The improvements in terms of costs, ethics and transparency show that the ICS might be better equipped than classical ISDS to deal with intellectual property disputes. We however pointed at certain limitations of the ICS, notably its bilateral nature, and the fact that it does not address substantial issues but focuses on procedural aspects of investment arbitration, concluding that a multilateral reform of the ISDS system may be more desirable to achieve a systemic and holistic reform of ISDS.

The discussions over a possible multilateral reform of ISDS and the establishment of a multilateral investment court are led by the Working Group III of UNCITRAL. Based on the avenues for reform identified by the working group, as well as the good progress made in the past years, we conclude that this multilateral avenue is the best approach to achieve a consistent and systematic reform of ISDS. The involvement of the EU in these discussions must also be welcomed. A more coherent and improved investment protection system is likely to have a positive impact on intellectual property adjudication as a number of safeguards, as identified throughout this research, as well as the inherent balance of interest and social function of intellectual property would more likely be safeguarded.

This thesis has presented a first comprehensive analysis of the protection of intellectual property in EU investment agreements, its significance for the EU legal order and its impact on the adjudication of IP-related disputes. Given that a number of investment agreements are currently being negotiated by the EU with trade partners, it is important to analyze and shed light on some of the challenges arising from the inclusion of IP-references in the investment and dispute settlement chapters. The conclusions of this research could serve as indications not only to the EU but also other countries, in particular developing countries, when negotiating investment agreements, in order to ensure that these cannot be wrongly used by investors to challenge legitimate IP-related measures taken by States.

While there is no magic formula to address the several issues that we have identified throughout this work, a more balanced and sustainable investment protection system, especially in the EU, can no doubt be achieved with smart and better-informed regulation, taking into account not only the interests of investors but also the broader public interest perspective. A thorough knowledge of the history and functioning of the intellectual property system would, in this sense, be beneficial for future negotiations of international investment agreements. It remains to be seen how the investment court system and the multilateral reform of the investment protection system will improve the current landscape, and more specifically for IP-investment protection.

IMPACT PARAGRAPH

The protection of intellectual property in investment agreements has long been theoretical but it can have very practical consequences, as exemplified by recent investment arbitration cases involving IP, notably on the right of States to regulate in the public interest, for example to protect public health.

This research has demonstrated that, while recent investment agreements such as the EU investment agreements used as case studies contain a number of substantive improvements compared to old-generation agreements, there is still room to further improve these agreements and their dispute settlement chapters to ensure a balanced investment protection system, in particular for IP.

The main objective of this research is therefore to assess whether it is possible to protect intellectual property as an investment, and therefore bring intellectual property disputes in front of investment tribunals, while ensuring that the essential functions of intellectual property are safeguarded, as well as the right of States to regulate in the public interest, in particular to protect public health.

To address this important question, the research applied a mixed methodology combining a theoretical analysis (with legal theory, philosophy of law, doctrinal research and historical analysis), and an empirical analysis (based on doctrinal research, legal analysis of case-law and policy analysis).

The main findings are based on the research hypothesis that investment agreements and investment protection, including for intellectual property, are here to stay (e.g. the reference to IP in investment agreements is unlikely to be removed). Throughout this thesis, proposals have been formulated to improve the substantive and procedural flaws of investment protection for IP.

First, we found that intellectual property can and is currently protected as an investment in most investment agreements today, including EU investment agreements. From a conceptual viewpoint, we have seen that even the Court of Justice increasingly recognizes the investment function of IP rights. After a careful review of compatibility and competency issues in the EU, we concluded that it is first and foremost for the EU to ensure that appropriate language is included in EU investment agreements, to safeguard the right of States to regulate in the public interest and the essential functions of IP.

Based on a thorough legal assessment of investment protection standards in three recent EU investment agreements, we found that the threshold to find a violation of an investment agreement in relation to intellectual property is rather high. In other words, while in theory it is possible to bring IP-related claims to investment tribunals, it seems rather unlikely that such claims would ever be successful. This finding is confirmed by the empirical analysis carried

out based on existing databases of investment arbitration cases, and which allowed us to identify a number of cases with some intellectual property discussions.

However, only four cases were considered to truly discuss intellectual property matters in depth. These cases were therefore thoroughly reviewed, to finally conclude that, while they have entered to a limited extent into substantive discussions regarding the application and interpretation of intellectual property law, they have raised questions with regards to the relevance of fundamental rights, in particular the right to health, in the interplay between IP and investment law.

We found that an improvement of the language of investment treaties to increase the protection of fundamental rights is possible, but only to some extent. Improvements will only be possible during new negotiations or revision of existing agreements, but a large number of existing investment agreements will remain untouched, which necessarily limits the impact of any improvements in future or existing agreements.

In addition, existing safeguards in EU investment agreements can be further strengthened, notably by including additional exceptions and limitations related to intellectual property in investment agreements (e.g. with regards to compulsory licenses). The right of States to regulate in the public interest can also be strengthened by increasing legal certainty. Very concretely, this can be achieved by clarifying the scope of investment protection standards and explicitly including exceptions and limitations to investment protection.

Finally, this research looked into possible improvements to the investor state dispute settlement system, by focusing on the investment court system and the multilateral investment court. It concludes that most of the flaws and deficiencies of the traditional investment arbitration system can be addressed to some extent in the future with the investment court system and the multilateral investment court, in particular with regards to costs, ethics and transparency. However, these new mechanisms also have their limitations.

To sum up, this research presents a comprehensive analysis of the protection of intellectual property in EU investment agreements, its significance for the EU legal order and its impact on the adjudication of IP-related disputes. The findings offer policy makers, and more specifically those who draft and negotiate investment agreements, very practical suggestions as to how to best draft substantive investment protection standards and enforcement chapters to ensure that essential functions of the EU intellectual property system are safeguarded. This is particularly relevant given that new investment agreements are currently being negotiated by the EU with trade partners.

The conclusions could serve as indications not only to the EU but also other countries, in particular developing countries, when negotiating investment agreements, in order to ensure that these cannot be used by investors to challenge legitimate IP-related measures taken by States.

While there is no magic formula to address the several legal and policy issues that we have identified throughout this work, a more balanced and sustainable investment protection system, especially in the EU, can be achieved with smart and better-informed regulation, taking into account not only the interests of investors but also the broader public interest perspective. A thorough knowledge of the history and functioning of the intellectual property system would, in this sense, be beneficial for future negotiations of international investment agreements.

This thesis will be shared with policy makers at the European Commission and other EU institutions working on the development and modernization of investment agreements and the new investment court system and multilateral investment court.

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WORK EXPERIENCE

Legal and Policy Officer

European Commission - DG GROW [16/01/2020 – Current]

City: Brussels

Country: Belgium

Single market for services & digital transformation of industry

- Policy development, implementation, inter-institutional relations
- International negotiations
- Investigation, compliance and infringement handling
- Budget, contract and project management
- External communication

Early Stage Researcher

Center for International Intellectual Property Studies and Queen Mary University of London [04/09/2017 – 13/01/2020]

City: Strasbourg

Country: France

Early Stage Researcher (ESR) at Center for International Intellectual Property Studies (CEIPI) and Queen Mary University of London (QMUL) - EIPIN Innovation Society

- **Project title***:* The Protection and Enforcement of Intellectual Property in EU Investment Agreements.
- **Main activities**: Paper presentations at international conferences, organisation of international conference, editorial work on Handbook, doctrinal research, training on drafting policy recommendations regulations.
- **Secondment**: International Center for Trade and Sustainable Development (ICTSD), Geneva, Switzerland. Representation of ICTSD at WIPO and UN meetings, attending WHO workshop and UN Forum, drafting concept notes.
- **Scholar-in-residence**: United Nations Conference on Trade and Development (UNCTAD), Geneva, Switzerland.
- **Other responsibilities**: ESR Representative at the EIPIN Innovation Society Supervisory Board; Student Representative at the CEIPI Board meeting.

Pan-European Seal Trainee / Project Support

European Union Intellectual Property Office [09/10/2016 – 18/08/2017]

City: Alicante

Country: Spain

- **Project support** for the project "Mediation centre: impact analysis": review request for offer, project management using Prince2 and clarity, drafting minutes, preparing kick-off meetings, set up brainstorming session, draft stakeholder analysis, provide legal advice, draft written opinion on legal questions, drafting and reviewing the legal analysis deliverable, conduct interview of internal and external stakeholders.
- **Legal Reform**: implementation of the EU Trade Mark Regulation, coordination with other departments of the Office to update FAQs.
- **Advanced linguistic Solutions**: ex post quality check of various documents of the Office in French and English, revision and proofreading of documents for the management board budget committee.
- Observer at the **knowledge circle Enforcement**: quality control of key enforcement judgements, involvement in academy's activities, KCE case-law trend analysis, drafting study in the field of enforcement.

Legal assistant
Pilot Corporation of Europe [01/06/2014 – 10/07/2014]

City: Allonzier-la-Caille
Country: France

- Response to legal issues (incl. intellectual property, corporate law, obligations)
- Search for similar trademarks and collaboration with customs for counterfeit search
- Preparing arguments to be sent to a party using a similar mark considered counterfeit
- Preparation of the Board of Directors
- Translation of documents to and from English and German

Legal assistant
Siemens AG [07/07/2013 – 17/08/2013]

City: Munich

- Drafting summary documents on a legal issue
- Research in German and international law
- Preparation of arguments for the lawyers to defend a case before courts

EDUCATION AND TRAINING

PhD Candidate
Maastricht University [03/02/2020 – 21/09/2023]

City: Maastricht
Country: Netherlands

Research title: "Change of Paradigm: Intellectual Property in EU Investment Agreements"
Defence date: 21 September 2023

Master 2 International and European Intellectual Property Law
Center for International Intellectual Property Studies [14/09/2015 – 30/05/2016]

City: Strasbourg
Country: France

Master Thesis: "The increasing recognition of second medical use patents: Legal treatment and public health issues", under the direction of Xavier Seuba.
Intellectual property law courses: Patent law, trademark law, designs, copyright, plant varieties, international intellectual property law, European intellectual property law, study of foreign IP systems (US, China, Japan, Korea, Australia)
General law: EU law, Competition law, international commercial law, contract law, technology transfer, open-data, software
With honors (mention bien) - Major of promotion

Master 1 International and European Law
Universidad del Rosario [26/07/2014 – 30/05/2015]

City: Bogota
Country: Colombia

Elsa Moot Court competition in Washington: best written submission for the respondent.
Courses: General commercial law, EU law, international economical law, legal English, intellectual property, theory of international law, e-commerce, human rights and international humanitarian law
With honors (mention très bien)

Bachelor in Applied Foreign Languages
Université Stendhal [31/08/2011 – 30/05/2014]

City: Grenoble
Country: France

English - German
Grammar Translation, Civilisation, practice of the language
With honors (mention bien)

Bachelor in Law
Université Pierre Mendès France [31/08/2011 – 30/05/2014]

City: Grenoble
Country: France

Civil law, corporate law, criminal law, criminal procedure, EU law, labour law, public competition law, civil liability, common law, administrative law, etc...
With honors (mention bien)

Scientifical "baccalauréat" (speciality mathematics), with mention "Bien"
Lycée Gabriel Fauré [2011]

City: Annecy
Country: France

LANGUAGE SKILLS

Mother tongue(s): **French** | **German**

Other language(s):

English	**Spanish**
LISTENING C1 **READING** C1 **WRITING** C1	**LISTENING** C1 **READING** C1 **WRITING** C1
SPOKEN PRODUCTION C1 **SPOKEN INTERACTION** C1	**SPOKEN PRODUCTION** C1 **SPOKEN INTERACTION** C1
Italian	**Chinese**
LISTENING B2 **READING** B2 **WRITING** B1	**LISTENING** A1 **READING** A1 **WRITING** A1
SPOKEN PRODUCTION B1 **SPOKEN INTERACTION** B1	**SPOKEN PRODUCTION** A1 **SPOKEN INTERACTION** A1

Levels: A1 and A2: Basic user; B1 and B2: Independent user; C1 and C2: Proficient user

PUBLICATIONS

Publications

- C. Ducimetière, *Change of Paradigm: Intellectual Property in EU Investment Agreements*, 2023 ProefschriftMaken, forthcoming.
- C. Ducimetière, *Intellectual Property under the Scrutiny of Investor-State Tribunals: Legitimacy and New Challenges*, 9 (2018) JIPITEC 266 para 1, South Center Research Paper 97 (August 2019)
- C. Ducimetière, *The increasing recognition of second medical use patents: Legal treatment and public health issues,* September 2016, under the direction of Xavier SEUBA, Senior Lecturer and Researcher at CEIPI.

- "Spain needs reforms" in: Taurillon en Flam's, April 2016.
- "Référendum aux Pays-Bas : les conséquences pour le futur de l'Union européenne et de l'Ukraine" in: Le Taurillon en ligne, translated from English, April 2016.
- "Sondages : Printemps libéral en Europe ?" in:le Taurillon en ligne, translated from English, January 2016.
- "Un combattant solitaire au Parlement européen : Klaus Buchner (ÖDP)" in:le Taurillon en ligne, translated from German, January 2016.