Introduction

The current international commercial scene is characterized by a crossroads between the ‘globalization of economic activities and the expansion of international transactions involving knowledge intensive products’\(^1\) or, between international investment law and intellectual property law.

Intellectual property (IP) is by now widely recognized as a critical asset for corporations ‘[i]n a global economy increasingly based upon conceptual products, converged technologies and international networks’.\(^2\) However, with ‘great importance and value . . . comes increased exposure and risk’.\(^3\) Already confronted by risks of counterfeiting and struggling with free-riders, IP owners, and especially corporations owning IP who are increasingly dependent on transnational activities in a trade context defined by the intertwinemnt of national economies, must face an additional risk by doing business in countries that do not share the same commitment to property rights and whose IP regimes differ substantially from the one of their Home Country. The territorial aspect of intellectual property rights (IPRs) means that there is a separation of, on the one hand, the IPR as such, which is grounded in domestic laws and whose effects are limited to the national territory at

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stake, and, on the other hand, the protected asset (e.g. a good, a name, an invention . . . ) that crosses borders, not necessarily accompanied by its associated IPR.

The main consequence of the distinction between the IPR and the object of the IPR requires the IPR’s owner to ensure the adequate protection of his rights in the relevant jurisdiction(s) by paying special attention to the duration of the IPR and the scope of protection granted by the domestic law of the Host Country. However, even the formal protection of the IP at stake does not exempt the investor from risks arising from ineffective protections. IP investors can indeed be confronted to the arbitrary issuance of compulsory licenses, the improper disclosure of protected information or hostile domestic enforcement agents or courts unwilling to adequately protect IPRs.

Confronted by such risks, and in case of injury, corporations have at their disposal international legal recourse. They may, for example, invoke the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)4 in order to protect themselves against an infringement of their intangible properties occurring in a foreign country. The TRIPs Agreement will, however, often appear insufficient both substantively and procedurally.5

Faced with the shortcomings of international instruments, a more effective alternative for IP investors lies in the use of Bilateral Investment Treaties (BITs) that provide foreign investors with powerful new rights to protect their investments against expropriation and other forms of discrimination and the ability to sue governments directly through an innovative form of dispute settlement known as investment treaty agreements.

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5 Substantively, the TRIPs provides for diverse exceptions, for example permitting the exclusion of given inventions from patentability (Article 27) or permitting compulsory licensing (article 31). Procedurally, under the Dispute Settlement mechanism of the WTO, by application of articles 1–4 of the DSU (Understanding on rules and procedures governing the settlement of disputes, Annex 2 of the WTO Agreement), investors are at the mercy of their Home Governments, which are alone able to bring a WTO claim. Investors are thus limited to lobbying to make their Home States espouse their claim on their behalf. Moreover, by application of articles 11 and 22 of the DSU, WTO panels are limited to adjudication on abstract legal rights providing no means of enforcing direct compensation. The shortcomings of the TRIPs have been underlined by the Report of the OECD on the Economic Impact of Counterfeiting and Piracy (2008), available at http://www.oecd.org/ (accessed 27 January 2014), at 13.
arbitration’, 6 Since the first 1959 Germany–Pakistan BIT, 7 some 2902 individual BITs have been concluded, 8 ‘making the BIT one of the most widely used types of international agreement for protecting and influencing foreign investment’. 9

In the absence of BITs, investors must necessarily rely on the Host Country’s law, with the risks this entails. Consequently, the explanation for ‘the rapid expansion of BITs rests in the desire of companies of industrialized states to invest safely and securely . . . as well as the consequent need to create a stable international legal framework to facilitate and protect those investments’. 10

This current state of affairs sets the framework in which the present study finds its roots. Indeed, IPRs investments necessarily involve the intertwining of two legal spheres that are regulated by two different legal regimes: multilateral intellectual property agreements and international investment agreements. The study of the interface between IP and investment necessarily leads to one key question: what is the level of convergence between the international investment law regime and the international legal regime regulating intellectual property rights? This question is the guiding thread of this study and thus places the present research

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8 UNCTAD, World Investment Report 2014: Investing in the SDGs: An Action Plan, 2014, available at http://www.unctad.org/ (accessed 7 October 2014), at 114 (‘The year 2013 saw the conclusion of 44 international investment agreements (IIAs) (30 bilateral investment treaties, or BITs, and 14 ‘other IIAs’), bringing the total number of agreements to 3236 (2902 BITs and 334 ‘other IIAs’) by year-end’ (Ibid, footnotes omitted)).


10 Ibid., at 75.
at the centre of the general topic of the fragmentation of international law, which arises from the expansion and diversification of international law. However, the study of this intricate topic goes beyond the scope of this study, which will rather focus on whether and to what extent the international intellectual property rights and international investment law regimes can be conceived as integrated. The answer to this interrogation will be in the negative: the current state of play sheds light on the failure to address adequately the relationship between these legal regimes.

In order to demonstrate this hypothesis, this study’s ambition is to analyse the main questions that should or must be raised in the context of an IP investment. These questions are numerous: they can be asked at different stages of a given investment’s operation and by diverse interveners, whether internal to the Host State–investor relationship (i.e. the Host State or the investor) or external to this relationship, as, for example, the counsel of a party to an investment dispute, the arbitral tribunal seized of a given dispute or civil society.

Tackling these numerous and often intricate questions necessarily involves first analysing whether IPRs (and, more generally, IP) can be considered as ‘investments’ as understood in the realm of international investment law (that is to say both under international investment agreements (IIAs) and under the ICSID Convention).11 This question, also composing the first part of this study (Part I), is of critical importance as it constitutes the theoretical background necessary to fully understand why and how the traditional standards of protection of investors and investments under international investment law apply to such operations. Tackling this question initially is also dictated by the logical consideration that ‘a contracting state owes obligations only to investors of other contracting states who make investments in its territory’.12 The study of these standards, including the protection against expropriation, the National Treatment (NT) principle, the Most-Favoured-Nation (MFN) clause and the notion of Fair and Equitable Treatment (FET) will be undertaken in Part II of this study. This second part of the study will mainly focus on the standard of protection against indirect expropriation. The choice of this standard as focal point of this second part is explained by the fact that, besides being one of the most frequently invoked standards of protection in investment disputes, it is also the standard that raises the most questions when applied

12 Jeswald W. Salacuse and Nicholas P. Sullivan, op. cit., at 80 (emphasis added).
to IPRs investments and will involve scrutinizing compulsory licensing mechanisms, patent revocation or invalidation and parallel imports in light of the protection against (indirect-) expropriation. Moreover, this choice is also dictated by the topical trend in investment law that is characterized by disputes having an IPRs component and involving questions relating to the notion of ‘investment’ and to the standard of protection against indirect expropriation. These issues include claims brought by Eli Lilly and Philip Morris against the United States and Australia in the fields of pharmaceuticals and the tobacco industry respectively.

Both the legal fields of intellectual property rights and international investment law are characterized by their strong economic and social consequences on states, populations and individuals. While both legal fields will impact these entities in their own way, such consequences raise key issues that are situated at the crossroads of both regimes. The study of these numerous and complex issues, as a result of the different interests – both public and private – at stake, will be undertaken in a third strand (Part III) that will focus on the question of performance requirements and technology transfer as well IPRs piracy.

Finally, prior to the analysis of case studies involving IPRs as investments that aim at providing a concrete aspect to the questions analysed in the previous parts of the study, Part IV will start with a synthesis of the findings reached through the different parts of the book and confront the question asked by our guiding thread: to qualify the interaction (if any) of multilateral IPRs instruments and international investment agreements, conceptualized as the roots of two different legal regimes belonging to a same habitat – international law.