

Fourth Annual Patent Colloquium University of Toronto

Investor-State Settlement of Intellectual Property Disputes

“ISDS and IP”



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Outline

1. ISDS cases

- a. Lilly v. Canada
- b. Philip Morris v. Australia
- c. Hovering: challenges to compulsory licenses

2. Why a threat

- a. Form
- b. Substance

3. Addressing the Problem



North American Free Trade Agreement

Article 1105: Minimum Standard of Treatment

1. 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.

Article 1110: Expropriation and Compensation

1. No Party may directly or indirectly nationalize or expropriate an investment of an investor of another Party in its territory or take a measure tantamount to nationalization or expropriation of such an investment ("expropriation"), except:

- (a) for a public purpose;
- (b) on a non-discriminatory basis;
- (c) in accordance with due process of law and Article 1105(1); and
- (d) on payment of compensation in accordance with paragraphs 2 through 6.

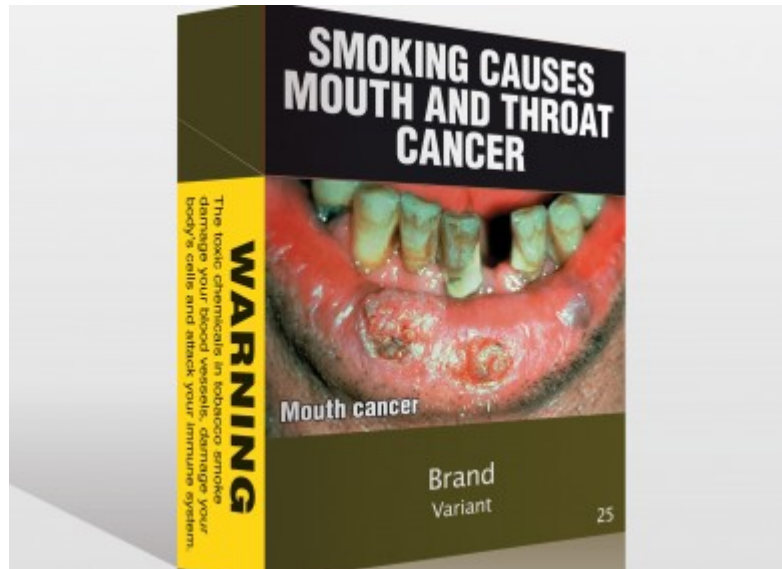
7. This Article does not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with Chapter Seventeen (Intellectual Property).



Framework Convention on Tobacco Control (FCTC)

Plain Packaging

46. Parties should consider adopting measures to restrict or **prohibit the use of logos**, colours, brand images or promotional information on packaging other than brand names and product names displayed in a standard colour and font style (plain packaging). This may **increase the noticeability and effectiveness of health warnings** and messages, prevent the package from detracting attention from them, and address industry package design techniques that may suggest that some products are less harmful than others.



Agreement Between the Government of Australia and the Government of Hong Kong for the Promotion and Protection of Investments

art. 6: Investors ... shall not be deprived of their investments nor subjected to measures having effect equivalent to such deprivation . . . except under due process of law, for a public purpose related to the internal needs of that Party, on a non-discriminatory basis, and against compensation.

art. 2: Investments . . . shall at all times be accorded fair and equitable treatment and shall enjoy full protection [and parties shall not] in any way impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investments



OFFICE *of the* UNITED STATES TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT

The United States has free trade agreements in force with 20 countries. These are:

- Australia
- Bahrain
- Canada
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- El Salvador
- Guatemala
- Honduras
- Israel
- Jordan
- Korea
- Mexico
- Morocco
- Nicaragua
- Oman
- Panama
- Peru
- Singapore

The United States recently completed the Asia-Pacific trade agreement, known as the Trans-Pacific Partnership (TPP) Agreement and is in negotiations with the European Union on the Transatlantic Trade and Investment Partnership (T-TIP) According to the USTR, the objective is to shape “high-standard, broad-based regional pacts.”

United States bilateral investment treaties

Albania Bilateral Investment Treaty
Argentina Bilateral Investment Treaty
Armenia Bilateral Investment Treaty
Azerbaijan Bilateral Investment Treaty
Bahrain Bilateral Investment Treaty
Bangladesh Bilateral Investment Treaty
Bolivia Bilateral Investment Treaty
Bulgaria Bilateral Investment Treaty
Cameroon Bilateral Investment Treaty
Congo, Democratic Republic Of (Kinshasa) Bilateral Investment Treaty
Congo, Republic Of (Brazzaville) Bilateral Investment Treaty
Croatia Bilateral Investment Treaty
Czech Republic Bilateral Investment Treaty
Ecuador Bilateral Investment Treaty
Egypt Bilateral Investment Treaty
Estonia Bilateral Investment Treaty
Georgia Bilateral Investment Treaty
Grenada Bilateral Investment Treaty
Honduras Bilateral Investment Treaty
Jamaica Bilateral Investment Treaty
Jordan Bilateral Investment Treaty
Kazakhstan Bilateral Investment Treaty
Kyrgyzstan Bilateral Investment Treaty
Latvia Bilateral Investment Treaty
Lithuania Bilateral Investment Treaty
Moldova Bilateral Investment Treaty
Mongolia Bilateral Investment Treaty
Morocco Bilateral Investment Treaty
Mozambique Bilateral Investment Treaty
Panama Bilateral Investment Treaty
Poland Bilateral Investment Treaty
Poland Business and Economic Relations Treaty
Romania Bilateral Investment Treaty
Rwanda Bilateral Investment Treaty
Senegal Bilateral Investment Treaty
Slovakia Bilateral Investment Treaty
Sri Lanka Bilateral Investment Treaty
Trinidad And Tobago Bilateral Investment Treaty
Tunisia Bilateral Investment Treaty
Turkey Bilateral Investment Treaty
Ukraine Bilateral Investment Treaty
Uruguay Bilateral Investment Treaty

The Pig War (1859)



According to the treaty verbiage, the water boundary between the two nations was to run along the 49th parallel to the middle of the Strait of Georgia and then south through the middle of the the channel, then out the Strait of Juan de Fuca to the sea. This left the San Juan Islands in dispute.

United States Court of Appeals for the Federal Circuit

2008-1248

ARIAD PHARMACEUTICALS, INC.,
MASSACHUSETTS INSTITUTE OF TECHNOLOGY,
THE WHITEHEAD INSTITUTE FOR BIOMEDICAL RESEARCH,
and THE PRESIDENT AND FELLOWS OF HARVARD COLLEGE,

Plaintiffs-Appellees,

v.

ELI LILLY AND COMPANY,

Defendant-Appellant.

Appeal from the United States District Court for the District of
Massachusetts in Case No. 02-CV-11280, Judge Rya W. Zobel.

DECIDED: March 22, 2010

Before MICHEL, Chief Judge, NEWMAN, MAYER, LOURIE, RADER, BRYSON,
GAJARSA, LINN, DYK, PROST, and MOORE, Circuit Judges.

Opinion for the court filed by Circuit Judge LOURIE, in which Chief Judge MICHEL and Circuit Judges NEWMAN, MAYER, BRYSON, GAJARSA, DYK, PROST, and MOORE join. Additional views filed by Circuit Judge NEWMAN. Concurring opinion filed by Circuit Judge GAJARSA. Dissenting-in-part, concurring-in-part opinion filed by Circuit Judge RADER, in which Circuit Judge LINN joins. Dissenting-in-part, concurring-in-part opinion filed by Circuit Judge LINN, in which Circuit Judge RADER joins.



TABLE 1: *WTO Panelists Are From Mars, ICSID Arbitrators Are From Venus*

	WTO PANELISTS	ICSID ARBITRATORS
1. Nationality	> 50% developing country	68% W. Europe/N. America
2. Background	80% governmental service	76% private practice
3. Legal Expertise	45% non-lawyers	99.6% lawyers
4. Diversity	“Relatively High” 2.4 repetition rate 47.4% once-appointed only Top 10= 15.5% of appoint. Winner (Cartland, HK): 2% Women = 15 %	“Low” 3.5 repetition rate 56% once-appointed only Top 10= 20% of appoint. Winner (Stern, Fr.): 2.9% Women = 7 %
5. Status	Low-key technocrats	Star arbitrators
6. Ideology	Homogeneous	Polarized

TRIPS Agreement

Article 20

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.

North American Free Trade Agreement

Article 1105: Minimum Standard of Treatment

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Article 1110: Expropriation and Compensation

1. No Party may directly or indirectly nationalize or expropriate an investment of an investor of another Party in its territory or take a measure tantamount to nationalization or expropriation of such an investment ("expropriation"), except:

- (a) for a public purpose;
- (b) on a non-discriminatory basis;
- (c) in accordance with due process of law and Article 1105(1); and
- (d) on payment of compensation in accordance with paragraphs 2 through 6.

7. 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).

MICHIGAN JOURNAL OF INTERNATIONAL LAW



Rochelle Dreyfuss & Susy
Frankel, *From Incentive to
Commodity to Asset: How
International Law is
Reconceptualizing
Intellectual Property*



TRIPS Agreement

Article 7

Objectives

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Agreement Between the Government of Australia and the Government of Hong Kong for the Promotion and Protection of Investments

Article 2

Promotion and protection of investment and returns

(1) Each Contracting Party shall encourage and create favourable conditions for investors of the other Contracting Party to make investments in its area, and, subject to its right to exercise powers conferred by its laws and investment policies, shall admit such investments.

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Trans-Pacific Partnership Agreement

5 November 2015

Article 18.6: Understandings Regarding Certain Public Health Measures

1. The Parties affirm their commitment to the Declaration on TRIPS and Public Health. In particular, the Parties have reached the following understandings regarding this Chapter:

(a) The obligations of this Chapter do not and should not prevent a Party from taking measures to protect public health.

Trans-Pacific Partnership Agreement

5 November 2015

Article 9.7: Expropriation and Compensation

5. This Article shall not apply to the issuance of compulsory licences granted in relation to intellectual property rights in accordance with the TRIPS Agreement, or to the revocation, limitation or creation of intellectual property rights, to the extent that the issuance, revocation, limitation or creation is consistent with Chapter 18 (Intellectual Property) and the TRIPS Agreement

Trans-Pacific Partnership Agreement

5 November 2015

Article 9.9: Performance Requirements

[Certain requirements are suspended if:]

(i) if a Party authorises use of an intellectual property right in accordance with Article 31^{FN} of the TRIPS Agreement...

^{FN} The reference to “Article 31” includes any waiver or amendment to the TRIPS Agreement implementing paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health (WT/MIN (01)/DEC/2).

Trans-Pacific Partnership Agreement

5 November 2015

Annex 9-B Expropriation

(b) Non-discriminatory regulatory actions by a Party that are designed and applied to protect **legitimate public welfare objectives**, such as public health,^{FN} safety and the environment, do not constitute indirect expropriations, except in rare circumstances.

^{FN} For greater certainty and without limiting the scope of this subparagraph, regulatory actions to protect public health include, among others, such measures with respect to the regulation, pricing and supply of, and reimbursement for, pharmaceuticals (including biological products), diagnostics, vaccines, medical devices, gene therapies and technologies, health-related aids and appliances and blood and blood-related products.

Trans-Pacific Partnership Agreement

5 November 2015

Article 9.6: Minimum Standard of Treatment

...

2. For greater certainty, paragraph 1 prescribes the customary international law minimum standard of treatment of aliens as the 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. The obligations in paragraph 1 to provide:

(a) “fair and equitable treatment” includes 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**; and

(b) “full protection and security” requires each Party to provide the level of police protection required under customary international law.