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ARTICLE

The Role of National and International Intellectual Property Law and Policy in Reconceptualising the Definition of Investment

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Abstract This article analyses the role of national and international intellectual property (IP) law in assessing IP as a protected investment. It offers two approaches for controlling investment arbitration related to intellectual property rights (IPRs), followed by an examination of the implications and challenges of those approaches. Its main argument is that even if a dispute arises from an investment (IP as an investment), it does not necessarily fall under the jurisdictional requirements of investment arbitration. Rather, assessing IP as an investment must be done by referring to national laws. This is more relevant in the case of IPRs as they are territorial. This means that rights and obligations are derived from national IP legislation. Essentially, only those IPRs that are "protected" by national regimes should be treated as investments. This article also examines the language used in investment agreements and arbitral awards to analyse the role of national law, particularly in determining the validity and scope of IP investments. Then it examines three IP-related arbitral cases to discuss how arbitral tribunals have used national law. Finally, it suggests approaches for controlling investment arbitration by integrating the territoriality principle and the social objectives and bargains achieved through international IP treaties.

Keywords Investment · ISDS · TRIPS · IIAs · National law · Arbitration · ICSID · Intellectual property

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1 Introduction

What is the relationship between intellectual property rights (IPRs) and investor-state dispute settlement (ISDS),[1] an ad hoc dispute settlement governed by the International Center for Settlement of Investment Disputes (ICSID) Convention?[2] This issue has received attention due to a few high-profile cases where IPRs have been sought to be protected through investment law and treaties.[3] In those cases, the arbitral tribunals decided in favour of states, but the investors' arguments have led to a fierce debate. This article does not analyse those cases in detail. Instead, this article aims to analyse the role of national and international IP law[4] in assessing intellectual property (IP) as protected investment.

International investment agreements (IIAs)[5] explicitly include IPRs in the definition of investment. Generally, the content of IPRs includes, "copyright and related rights, trademark rights, geographical indications, industrial designs, patent, layout designs of integrated circuits, undisclosed information, plant breeders' rights … utility model rights".[6] This is relevant because the fundamental way to access the ICSID tribunal is by establishing jurisdiction. To fall under the ICSID jurisdiction, parties must establish that the dispute is arising directly out of investment.[7] Furthermore, arbitral tribunals have established criteria for assessing an investment, which is popularly known as the "Salini test" that mainly focus on: contribution, duration, risk and economic development in the host state.[8] Hence, to bring IP related disputes in ISDS, the claimant needs to show that IP as investment fulfils the Salini test. As the test is broadly interrelated, an IP will likely satisfy the Salini test.[9]

[1] Geiger (2020); Heath and Sanders (2019); Special Issue of *Vanderbilt Jorunal of Entertainment & Technology Law* (2018) and Journal of International Economic Law (2016) on intellectual property and investment law; Grosse Ruse-Khan (2014).

[2] ICSID Convention is a treaty ratified by 153 Contracting States and entered into force on 14 October 1966.

[3] *Philip Morris Brands Sarl, Philip Morris Products S.A and Abal Hermanos S.A v. Oriental Republic of Uruguay*, ICSID Case No: ARB/10/7, Award (8 July 2016) [hereinafter *Philip Morris v. Uruguay*]; *Eli Lilly and Company v. The Government of Canada*, UNCITRAL, ICSID Case No. UNCT/14/2, Award (16 March 2017) [hereinafter *Eli Lilly v. Canada*]; *Bridgestone Licensing Services, Inc. And Bridgestone Americas, Inc. v. Republic of Panama* (ICSID Case No. ARB/16/34) Decision on Expedited Objections (13 December 2017) [hereinafter *Bridgestone v. Panama*].

[4] The terms "national law" and "domestic law" are used interchangeably throughout the text.

[5] For the purposes of this article, an "international investment agreement" (IIA) refers to an agreement between two sovereign states and includes Free Trade Agreements (FTAs), bilateral investment treaties (BITs), Preferential Trade Agreements and Mega-Regional Trade Agreements. It specifically refers to three types of IIAs: (i) BITs, (ii) regional investment treaties signed by a group of states within a single region, and (iii) chapters of integrated trade and investment agreements that can be signed either at the bilateral or regional level.

[6] CETA, Art. 8.1. For more discussion on the reference of intellectual property in IIAs, *see* Upreti (2018a)

[7] ICSID Convention, Art. 25.

[8] *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 (hereinafter *Salini v. Morocco*); Grabowski (2014); Gaillard (2009).

[9] *See* Mortenson (2009); Upreti (2016); Vanhonnaeker (2015), p. 26.

However, there are views against it.[10] Additionally, one would argue that merely holding copyright or a trade mark without sufficient engagement in the host state is not an investment.[11] This is true, but arbitral practice shows all the criteria of the Salini test are not required to be fulfilled at the same time.[12] Therefore, since the Salini test is broadly defined, IPRs are likely to satisfy the test. However, before assessing the Salini test, the first step is to inquire about the treaty language – if IPRs are included in the definition. If yes, the second step is the assessment of the Salini test. The argument made in this article is confined to the role that national and international IP would play in reconceptualising investment in the definition of investment before the assessment is made based on the Salini test.

In other words, before turning to the substantial analysis, arbitral tribunals must assess the validity and scope of IP investment based on national laws. In other words, even if a dispute arises out of investment (IP as investment), it does not mean that it per se falls under the jurisdictional requirement of the ICSID Convention. Before assessing IP as an investment based on the Salini test, this must be done by referring to national laws. This is more relevant in the case of IPRs, as they are territorial. That means rights and obligations are derived from national laws. In other words, only those IPRs which are "protected" in a national regime should be treated as an investment. Therefore, the analysis of IP as a protected investment must be based on national laws, particularly in assessing the validity and scope of IP investment. The ICSID Convention and arbitral practice also confirm that national law or international law can be referred to as applicable law.

In light of a few IP-related ISDS cases, this article aims to address two concerns. First, it examines the arbitral tribunals' recognition of national laws in jurisdictional assessments. Hence, the use of national law would be more pertinent to IPRs because rights and obligations are adjudicated and enforced at the national level. Second, the article determines how to align the territorial nature of IPRs in investment assessments so that national laws and decision are given importance when IP is being assessed as an investment. As a result, national exceptions and limitations are considered in investment assessments. Thus, the analysis offered in this article is comparative since it refers to arbitral awards, treaties and investment agreements.

The article is divided into three main parts. The first part (Sects. 2 and 3) briefly highlights the role of national laws and courts in shaping the national IP regime and is followed by an analysis of whether national laws play any role in investment arbitration. The second part (Sect. 4) analyses the role of national laws in

[10] Okediji (2014), p. 1125 ("intellectual property, however, differs considerably from most other covered investment assets in important respects. Intellectual property rights can be held simultaneously in many countries and in some cases, like copyright, without any formalities or other domestic process that would indicate a specific investment purpose").

[11] *Ibid*. In case of trademarks, *Bridgestone v. Panama* has clarified that mere registration of a trademark does not fulfil the economic development criteria of Salini.

[12] *Biwater Gaufff (Tanzania) Ltd. v. United Republic of Tanzania,* ICSID Case No. ARB/05/22 (Decision on Award, 24 July 2008) para. 312 ("there is no basis for a rote, or overly strict, application of […] Salini criteria in every case. These criteria are not fixed or mandatory as a matter of law. They do not appear in the ICSID Convention").

determining the legality and scope of IP investment. This is achieved by analysis of the language used in several IIAs and the reading by arbitral tribunals of such language in confirming the role of national laws. Next, it examines three IP-related arbitral cases to discuss how arbitral tribunals have used national law. The last part (Sects. 5 and 6) examines the recent IIAs and offers two approaches for controlling investment arbitration related to IPRs, followed by an examination of the implications and challenges of those approaches.

2 Role of the National Law and Courts in Shaping the IP Regime

Historically, IP law is designed to address the needs of a country within its territorial boundaries, and thus, IPRs are domestic in nature. The territoriality principle requires laws to be created and applied within the national borders of a country. The underlying rationale of the principle is based on the premise that intellectual property is an expression of sovereign will that is based on a "country's economy and social fabric … . the rights and obligations are matters of social policy to be determined by the proper legislative and executive processes".[13] The territoriality principle subscribed to international IP agreements results in a significant difference in national IP law among countries,[14] resulting in a "universal, systemic self-limitation of substantial [national] IP law".[15] Therefore, the territoriality principle is embedded in the international IP framework to preserve sovereign authority and allow states to enact laws that match their own policy prerogatives.[16] In the words of Vivant "IP must be thought of as a global tool where the principle of territoriality remains dominant",[17] and the territorial basis for IP rights is exclusive.[18]

Therefore, "copying or adapting" other countries' IP laws into a national regime may not always be as productive as it would be in those countries. Generally, countries formulate domestic IP laws based on their socio-economic status. For instance, African and Asian countries are rich in traditional knowledge and biodiversity. To protect their traditional cultural expressions from unauthorised use by third parties who might want to copy or exploit these, they adopt measures through existing forms of IPRs or enact "*sui generis*" laws. For example, Kyrgyzstan and Azerbaijan have *sui generis* protections for traditional knowledge and folklore.[19] However, the United States does not protect its traditional

[13] Arnold (1990); *see* Drahos (1998).

[14] Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgements in Transnational Disputes (2008) https://www.wipo.int/edocs/lexdocs/laws/en/us/us218en-part14.pdf (accessed 1 January 2021).

[15] Peukert (2012).

[16] Kur and Maunsbach (2019), p. 49.

[17] Vivant (2016), p. 259.

[18] Lundstedt (2016), p. 94.

[19] For example, Kyrgyz Republic and Azerbaijan have *sui generis* protection for traditional knowledge and folklore, *see* Law of Kyrgyz Republic on the Protection of Traditional Knowledge, 2007 and Law of Republic of Azerbaijan on Legal Protection of Expression of the Azerbaijan Folklore, 2003.

knowledge through "*sui generis* laws",[20] perhaps because it contributes less to the national economy. Similarly, the US and European Union have employed *sui generis* protections for biotechnology, since biotechnology-related inventions would not have been developed without such protections.[21] These protections may not exist in other countries, mainly because they may not have felt the need. Thus, the choices that a country makes to enact IP laws are based on social, political, cultural and market values.

International IP treaties, mainly TRIPS, provide minimum standards as a goal, but the extent to which countries go beyond the minimum standard is up to their governments.[22] Generally, minimum standards have a particular goal to achieve. For example, TRIPS provides three criteria for patentability: novelty, inventive step and industrial application. The goal is to ensure that patents are assessed based on these criteria. However, these standards are not defined in TRIPS; hence, countries can define these terms based on their needs.[23] These flexibilities allow countries to develop their own national IP policies. Due to this, countries frequently differ in their national IP laws. To elaborate, Sec. 3(d) of the Indian Patent Act requires a new form of an existing pharmaceutical substance to show "efficacy" with an aim to prevent evergreening by prohibiting the patenting of new forms of existing pharmaceutical substances.[24] The meaning of the term "efficacy" has been contested and, after years of conflict, the Indian Supreme Court held that "efficacy" is synonymous with the novelty and inventive step requirements of the patent law.[25] Thus, the reading of these terms is subject to national law because TRIPS allows applicability of these standards based on national needs. Even though countries may agree to harmonise their IP laws, applications will vary. According to Trimble,

> [E]ven when countries agree on IP policies generally, the policies can still play out differently in specific cases. Because IP rights that require registration are protected only in the countries where the rights are registered … or granted

[20] The US has consistently raised its voice against the "s*ui generis*" protection of trade knowledge and folklore, *see* WIPO Intergovernmental Committee on Intellectual Property and Generic Resources Traditional Knowledge and Folklore, "The Protection of Traditional Knowledge: Factual Extraction" (WIPO/GRTKF/IC/12/5(b), 2008), p. 9.

[21] Schuler (2013), p. 756.

[22] *See* Berne Convention, Art. 5(2), TRIPS Art. 1(1).

[23] On the other hand, some minimum standards also have exceptions, *see* TRIPS, Art. 11 on rental rights.

[24] Indian Patent Act, 1970, Sec. 3(d); "the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use of a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one reactant. Explanation, for the purpose of this clause, salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy".

[25] *Novartis AG v. Union of India*, AIR 2013 SC, App. No. 2706-2716 of 2013. Abbott (2013).

> …, the relevance of particular national IP policies to a particular mark or invention varies based on whether the IP right is registered in the country or not.[26]

Therefore, in most cases, IPRs are based upon registration in a country, which means rights derived from registration are subject to national IP policies. For IPRs such as well-known trademarks that do not require registration, the scope of the such trademarks also depends on the country of enforcement where the mark is considered well-known.[27] The territorial delineation of IP law not only determines the validity but also the scope of those rights. Since the boundaries of the public domain are within the boundaries of IP protection,[28] the legislature should be careful concerning the subject and scope of IP protection. Nonetheless, the legislature enjoys a wide margin of appreciation in relation to IP issues.[29] Thus, despite international minimum standards, countries' national practice and policy shape their national IP regime.

The territoriality principle of IP not only entails law-making power, but also confers the enforcement of IP law in territorial boundaries of a country. In this context, the role of national courts becomes important in protecting IPRs and shaping IP laws and policy. Geiger has argued that the seeds of the social function of IPRs should be planted in legislation and groomed through national courts.[30] Rightly so, at the national level, a judge "draft[s] her sentences by taking into consideration all relevant facts and laws, in lights of secondary norms of interpretation and adjudication".[31] Thus, IP laws are moulded to achieve a fair and balanced system.[32] For instance, in the *Delhi University Photocopy* case,[33] the Delhi High Court expanded the scope of Sec. 52(1)(i) of the Indian Copyright Act,[34] which is a relevant provision for exceptions and limitations. The copyright suit was brought by international publishers against a photocopy service carrying out its business at the University of Delhi. Basically, the court held that the publications by photocopying, reproduction and distribution of copies on a large scale and by the sale of unauthorised compilations of substantial extracts from the plaintiffs' publications into a course pack fall under the ambit of fair use. The judgment gives the impression that any coursework, irrespective of the medium including translation of audio books prepared by the teacher, shall fall under permissible use. According to the Court, the purpose of copyright protection is "to increase and not to impede the harvest of knowledge. It is intended to motivate the creative

[26] Trimble (2015), p. 225.

[27] *Ibid*., p. 231.

[28] Peukert (2019), p. 120.

[29] *Ibid*., p. 128.

[30] Geiger (2013).

[31] Geiger et al. (2018), p. 3.

[32] *Ibid*.

[33] *Chancellor, Master and Scholars of the University of Oxford & ORs. v. Rameshwari Photocopy Services & Anr. Cs* RFA(OS) No. 81/2016. [hereinafter the *DU Photocopy Case*].

[34] Sec. 52(i) lists acts which do not constitute infringement of copyright. Sec. 52(i)(g) – any act by a teacher or a pupil in the course of instruction does not constitute infringement of copyright.

activity of authors and inventors in order to benefit the public".[35] Though this reading does not infer digital course books, taking into account the broad rationale upon which the decision is based, it can be read that the decision also covers digital course books.

This is just an example to show the role of national courts in broadening the legal provisions to recognise the public interest and in achieving a balance between the private and public interest. Similarly, Court of Justice of the European Union (CJEU) as a policymaker[36] has played an influential role in shaping European IP protection. According to Cassiers and Strowel the CJEU's logical interpretation of EU IP laws has broad normative and economic significance.[37] This can be demonstrated by a dynamic interpretation by the CJEU. In some cases, new concepts have been discovered; the CJEU has developed the "author's own intellectual creation" criteria to assess originality criteria in copyright.[38] Similarly, confirmation of legal principles such as the "right to be forgotten"[39] that is the right to be delinked, or interpretation of a "new public" to ensure copyright-protected content in the online environment, are some examples which demonstrate the role of the CJEU. Thus, national courts, through new legal interpretation and concepts, have continued to shape national IP systems by accommodating both private and public interest. This also demonstrates that IP is never static, but is always evolving and challenging creators, industries and national courts. The judicial authority is the first to assess such challenges that are significant to social, scientific and economic development.[40] Therefore, in taking on these challenges, the national courts must construct a kaleidoscope view of IP in a way that addresses the social, legal and economic interests and actors involved in the field and achieve a fine-tuning of rights and obligations.[41]

3 National Law as Applicable Law in ICSID Arbitration

The relationship between national and international law in arbitral practice has been contested and debated, yet there is a lack of common understanding of these interactions.[42] If one views international investment law through the lens of public international law, then there is no relevance of national law as a source of foreign investment.[43] This is simply because under public international law, national or

[35] *Ibid*., para. 80.

[36] Pila and Torremans (2019), p. 38; Cassiers and Strowel (2018), p. 197.

[37] *Ibid*., Cassiers and Strowel (2018), p. 205.

[38] *See* CJEU, 16 July 2009, *Infopaq, C-5/08; BeSoft, C-393/09; Football Association Premier League*, C-403/08 and C-429/08. Leistner (2014), pp. 559–600.

[39] CJEU, 13 May 2014, *Google Spain*, C-131/12. ECLI:EU:C:2014:317 para. 36.

[40] Geiger et al. (2018), p. 2.

[41] *Ibid*., p. 3.

[42] For a general discussion on the interplay between national and international law on investment arbitration. *See* Nijman and Nolkaemper (2007); Kjos (2013).

[43] Brownlie (2008), p. 38; Alvarez (2009), p. 193.

domestic laws are traditionally understood as "facts". This understanding is confirmed by the Permanent Court of International Justice in its judgment which observes that "municipal laws are merely facts which express the will and constitute the activities of States, in the same manner as do legal decisions or administrative measures".[44] A similar view has been adopted by the International Court of Justice, the European Court of Human Rights, the CJEU and the Appellate Body of the World Trade Organization, among others.[45] Departing from the traditional public international tribunals, the ICSID arbitral tribunals, by the virtue of Art. 42(1) of the Convention, apply the law of the Contracting State party to the dispute.[46] In pursuance of this, the arbitral tribunal has acknowledged and considered "the law of the host state as a matter of [applicable] law, dispelling the notion that [domestic law] may be considered a mere matter of fact".[47]

Therefore, national law as applicable law can be used in assessing investment at the jurisdictional level. According to Art. 25 of the ICSID Convention "the jurisdiction of the Centre shall extend to any legal dispute arising directly out of an investment".[48] A careful reading of the sentence refers to the nature of the dispute, i.e. legal dispute. The legal character of the dispute has been discussed in the Report of the Executive Directors on the ICSID Convention.[49] It is confirmed that the "assertion of legal rights" and "articulation of the claims in terms of law" is key in determining the legal nature of the dispute.[50] However, the wording of Art. 25 does not address the legality of disputes. The legality of a dispute differs from the nature of a dispute. In other words, legality derives from national law, therefore to what extent national law plays in assessing investment depends on the treaty language, and arbitral tribunals have acknowledged the applicability of national law. The next section will examine the role of national law in determining the legality and scope of IP investment.

[44] *Certain German Interests in Polish Upper Silesia* (*Germany v. Polish Republic*) (Merits) PCIJ Rep Series A No. 7 (1926), p. 19.

[45] Grisel (2014), p. 223.

[46] ICSID Convention, Art. 42(1) "The Tribunal shall decide a dispute in accordance with such rules of law as may be agreed by the parties. In the absence of such agreement, the Tribunal shall apply the law of the Contracting State party to the dispute (including its rules on the conflict of laws) and such rules of international law as may be applicable".

[47] *National Grid Plc v. The Argentine Republic* (UNCITRAL) Award (3 November 2008), para. 84.

[48] ICSID, Art. 25(1).

[49] Report of the Executive Directors on the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (18 March 1965), adopted by Resolution No. 214 of the Board of Governors of the International Bank for Reconstruction and Development on 10 September 1964, 1 ICSID Rep.23, at 28 (1993) "the expression 'legal dispute' has been used to make clear that while conflicts of rights are within the jurisdiction of the Centre, mere conflicts of interest are not. The dispute must concern the existence or scope of a legal right or obligation, or the nature or extent of the reparation to be made for breach of a legal obligation".

[50] Schreuer (2009), p. 12 (Schreuer in footnote 46 of the article cites several cases to establish this analogy).

4 IP as a Protected Investment: The Role of National Law

The meaning of the term "protection" in IP law is not the same as the one that is understood in investment law. Intellectual property protects certain classified items such as copyrights, designs, trademarks and patents after satisfying certain qualifications under national laws. Intellectual property protects individuals and legal entities by providing a right of exclusion, which excludes others from use. In contrast, the protection provided by IIAs is a legal mechanism that is used to compensate investors through substantial investment standards for the breach of treaty obligations committed by a sovereign state. Fundamentally, the meaning of the term is different, but those (IP) investments are only protected if they qualify as investments in the host state.

To argue that IP is a protected investment implies that the legality and scope of an IP investment should be established through national law.[51] Correa and Viñuales[52] discussed several models and approaches to establishing IP as a protected investment in an influential article. The referral model proposed by Correa and Viñuales argues that if there is a reference to national law in the definition of investment, then IP must be read and understood conceptually and legally according to domestic law. The central idea of the referral model is based on the premise that "domestic law is controlling".[53] The authors relied mostly on treaty language to argue the role of domestic or national law. However, the position taken here is that IP is a protected investment by virtue of the territoriality principle embedded in IPRs, irrespective of explicit references made in treaty language. Thus, the national laws play an influential role in determining IP as a protected investment in investor-state arbitration.

4.1 Role of National Law in Determining the Legality of IP Investments

How is national law applied to foreign investment disputes to determine whether intellectual property as a protected investment?[54] There are two ways in which treaty language utilises the relevance of national law in assessing the legality of investments. First, the legality of an investment under national law is either explicitly mentioned in investment agreements through phrases like "rights conferred by contract or national laws" or "in accordance with national laws and regulations". Second, even in the absence of any explicit references, arbitral tribunals have established that referring to national law is essential for determining investments.

4.1.1 "In Accordance with National Laws" Requirement

The recently signed Brazil–Guyana BIT (2018) refers to investment as "any kind of asset invested … in accordance with the laws and regulations of each party".[55]

[51] Grosse Ruse-Khan (2016); Correa and Viñuales (2016), Okediji (2020).

[52] Correa and Viñuales (2016).

[53] *Ibid*. p. 96.

[54] Grisel (2014), p. 223.

[55] Brazil–Guyana BIT (2018), Art. 1.3.

Likewise, many IIAs refer to a country's national laws in defining investment explicitly. Such references are generally found as a chapeau to the starting definition of investment or are attached to the explicit content of investment.

There is a divergence in the language used in BITs. For example, the Japan–Jordon BIT (2018) defines investment as "made in accordance with applicable laws and regulations",[56] but it does not mention national law in relation to IP as it is included in the definition of investment.[57] Even though national law is not used to refer to IP, the reference to investment "made in accordance with applicable law" is enough to consider national law in cases that involve IP. In contrast, the Congo–India BIT (2010) refers to IPRs, without categorising the definition of investment, as an "asset established or acquired, including changes in the form of such investment that includes intellectual property rights, in accordance with the relevant laws of the respective Contracting Party".[58] In the same spirit but with different variations, the Ethiopia–Algeria BIT (2002) refers to "registered trade-marks"[59] in its definition of investment. The use of the term "registered" indicates that only those rights derived after registering at the national level qualify as IP and are then treated as an investment. Older IIAs feature similar provisions but with different word choices. For example, the US–Egypt BIT (1986) does not refer to national law in its definition of investment, but it does refer to "valid intellectual and industrial rights …".[60] The term "valid" denotes that the legality of IPRs is decided at the national level; subsequently, the question of investment should be analysed.

Regarding arbitral awards, national law is essential for determining the legality of investment. In *Fraport v. Philippines*,[61] the tribunal analysed the definition of investment, which refers to "accordance with the respective laws and regulations of either Contracting State" and emphasised the role of domestic law to establish the legality of an investment. The tribunal also examined the treaty language and found that "parties were anxious to encourage investment, which was the *raison d'etre* of the treaty"[62] and "economic transactions undertaken … . [must] meet certain legal requirements of the host state in order to qualify as an "investment" and fall under the [t]reaty".[63] In responding to the claimant's arguments that compliance of national laws has no international legal significance, the tribunal viewed that:

> The [t]ribunal cannot agree, as a matter of law, with the [c]laimant's contention that "[e]ven if there could be said to be an issue as to whether the Philippine laws were complied with … it could be of only municipal, not international legal significance". This interpretation, if accepted, would

[56] Japan–Jordon BIT (2018), Art. 1(a).

[57] *Ibid*., Art. 1(a)(vii).

[58] India–Congo BIT (2010), Art. 1(b)(iv); *see also* Montenegro–United Arab Emirates BIT (2012); China–Madagascar BIT (2005); UK–Lebanon BIT (1999).

[59] Ethiopia–Algeria BIT (2002), Art. 1(1)(d).

[60] US–Egypt BIT (1986), Art. I(1)(c)(iv).

[61] *Fraport AG Frankfurt Airport Services Worldwide v. The Republic of the Philippines*, ICSID Case No. ARB/03/25 Award (16 August, 2007).

[62] *Ibid*., para. 340.

[63] *Ibid*.

> deprive a significant part of the ordinary words of a treaty of any meaning and effect. The BIT is, to be sure, an international instrument, [effect a *renvoi to national law*] mechanism which is hardly unusual in treaties … . A failure to comply with the national law to which a treaty refers will have an international legal effect.[64]

Similarly, the tribunal in *Tokios Tekelés v. Ukraine*[65] accepted that if the assets touch on the question of legality, then such assets should fall under the wording of the investment definition "… in accordance with the laws and regulations of the latter".[66] These cases confirm the practice of referring to national law to determine the legality of investments under national law before assessing them based on the Salini test.[67] IIAs that were used in a few IP disputes[68] that were brought before the ISDS did not explicitly refer to national law. Even if they had, the question of the legality of IP investments did not need to be addressed because the issue was already settled. However, this does not remove the relevance of national law in assessing IP investments. According to arbitral tribunals, the legality clause in IIAs "reflects both sound public policy and sound investment practice",[69] and any investment made that goes against the local law is devoid of jurisdiction. In other words, the state maintains some control over foreign investments by denying investors access to dispute settlement if they do not comply with the laws of the host state.[70] Certainly, in the case of IPRs, legality accrues through registration; if not, an IPR becomes freely available state of art as soon as it is disclosed to the public. The question concerns whether there should be an explicit reference to the role of national law in assessing IP as an investment in treaty language. The next section will answer this question.

4.1.2 "In the Absence of Accordance with National Laws" Requirement

The US–Mongolia BIT (1994) refers to "inventions in all fields of human endeavor"[71] to define IP. The plain reading of this phrase confirms that everything

[64] *Ibid*., para. 394.

[65] *Tokios Tekelés v. Ukraine*, ICSID Case No. ARB/02/18, Decision on Jurisdiction (29 April 2004).

[66] *Ibid*., para. 97. *See also* Lithuania–Ukraine (1994) Art. 1(1) the term "'investment' shall comprise every kind of asset invested by an investor of the Contacting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the latter and shall include …."

[67] The reference of domestic law to establish the validity of investment has been practiced by the tribunal in several cases; *see World Duty Free Co. Ltd. v. Republic of Kenya*, ICSID Case No. ARB/00/7, Award (4 October 2006). *Inceysa Vallisoletana S.L. v. Republic of El Salvador*, ICSID Case No. ARB/03/26 Award (2 August 2006) (hereinafter *Inceysa v. El Salvador*).

[68] *See* footnote 3.

[69] *Alasdair Ross Anderson et al v. Republica of Costa Rica*, ICSID Case No. ARB(AF)/07/03, Award (19 May 2010), para. 58.

[70] *Loannis Kardassopolous v. The Republic of Georgia* ICSID Case No. ARB/05/18, Decision on Jurisdiction, 6 July 2007, para. 182. (the tribunal quoting M. Sornarajah writes; "As noted by one scholar, 'no State has taken its fervour for foreign investment to the extent of removing any controls on the flows of foreign investment into the host state'"); *see* Sornarajah (2004), p. 106.

[71] US–Mongolia BIT (1994), Art. I(1)(a)(iv).

can be patentable; however, such readings cannot sustain legitimacy. This is because the phrase should be read in the context of national IP laws. In principle, "inventions in all fields of human endeavor" (without the reference to national laws) could be patented, but the scope of patentability criteria is based on national law.[72] If one reads this from the investor's perspective, one can easily argue that since the host state has committed to BITs, even "second medical use" patents that are not protected by national law should be protected as investments. This reading is incorrect. Even, if an asset (e.g. inventions) is capable of being patented, but it has yet to receive registration, then it will read as an investment, but not "patent as an investment". In that case, if the patent is registered at the national level, it will qualify as an investment with limitations of national patent law.[73] Some IIAs do not explicitly refer to "in accordance with national laws" in their definitions of investment or the content of IPRs that is included in their definitions of investment. In the absence of such explicit references, should arbitral tribunals be required to assess IP investments in relation to national law?

Some arbitral decisions support the role of national law in the absence of such explicit references.[74] In *Cortec Mining v. Kenya*, the tribunal concluded that an investment – like licence – is created based on the laws of a host state. Hence, to qualify for protection, an investment must be made in accordance with the national laws of the host state.[75] In essence, only those investments that derive their legality from national laws or substantially comply with the legal requirements of a host state are treated as protected investments at the international level.[76] However, the tribunal confirmed that there is no need to explicitly refer to compliance with the national laws of a host state in a treaty. Other tribunals have also determined that compliance with national laws "goes beyond the general rule that for a foreign investment to enjoy treaty protection it must be lawful under the law of the host state".[77]

Some IIAs refer to "rights in the field of intellectual property, such as copyright, trademark …".[78] The references to "rights" indicate that IP originates from the country where it is registered. In other words, the legality of such rights should originate at the national level. The term "rights" not only refers to legality but also means that the scope of rights is based on national law. This point is supported by the Montenegro–Moldova BIT (2014), which refers to accordance with laws and regulations of contracting parties in the first sentence of its investment definition,

[72] Correa and Viñuales (2016).

[73] *Ibid*., pp. 49, 97.

[74] *See Yaung Chi OO Trading Pte Ltd. v. Government of the Union of Myanmar*, ASEAN I.D. Case No. ARB/01/1, Award (31 March 2003), para. 58; *Vladislav Kim and Others v. Republic of Uzbekistan*, ICSID Case No. ARB/13/6 (Decision on Jurisdiction, 8 March 2017) para. 101; *Phoenix Action v. Czech Republic*, ICSID Case No ARB/06/5, Award, 15 April 2009, paras. 27, 101.

[75] *Cortec Mining v. Kenya,* para. 319.

[76] *Ibid*., para. 321.

[77] *Yaung Chi OO Trading Pte Ltd. v. Government of the Union of Myanmar*, ASEAN I.D. Case No. ARB/01/1, Award (31 March 2003), para. 58.

[78] For example Netherlands–UAE BIT (2013), Art. 1(a)(iv), *see also* Netherlands Model BIT (2019) Art. 1(a)(iv); Israel–Myanmar BIT (2014), Art. 1(a)(iv).

which is followed by this statement "intellectual property rights, as defined in the multilateral agreements concluded under the auspices of the World Intellectual Property Organization … including, but not limited to, copyrights … .".[79] This BIT also includes a separate provision that refers to "rights in the field of intellectual property".[80] When read with a general reference to accordance with national laws and regulations, this separate provision within the definition of investment indicates that the scope of "rights in IP" is based on national law. Thus, the reference to "rights" also borrows the same limitations that are incorporated into national IP laws.

Correa has expressed concern about such an approach. He gives the example of the Canada–Argentina BIT (1993), which defines investment as "rights with respect to copyrights patent" contrary to the usual practice of "copyrights, patents". To Correa, the phrase "rights … with respect to …" would allow investors to argue that IP rights that are not granted by the state would fall under the scope of investment.[81] To some extent, this is true, but if one reads the reference to "rights" in relation to IP more broadly, one can conclude that this reference means that only those rights that are derived from national law, irrespective of any explicit reference to national law, are considered IP investments. Any assets that can potential qualify as IP cannot be considered unless provided under national law. Similarly, the term "rights" refers not only to validity of or qualification for IP protection, but also to the fact that rights are subject to national law. This means that the scope of those rights is based on the national regime, and they are, therefore, subject to national IP policies. For example, the term "rights" in patents means that not only the validity of patent rights is based on national law, but post-grant administrative or judicial proceedings are also based on substantial and procedural national IP laws.

This practice confirms that IP as an investment cannot be assessed without national laws irrespective of any explicit reference to national laws in the definition of investment. Grosse Ruse-Khan indicated that since IPRs are territorial rights, IP rights in investments must be derived from national laws. This means that the absence of national law requirements in treaty language is irrelevant in the assessment of IP.[82] An alternative approach to using national law in the absence of explicit references can be made through the applicable law of investment arbitration, which allows the use of "international law".[83] In this regard, the *Guidelines on Intellectual Property and Private International Law* of the International Law Association (ILA) have accepted that in the "grant, registration, validity, abandonment, or revocation of a registered intellectual property right the court of the State of registration shall have exclusive jurisdiction".[84] The ILA guidelines are considered to be an instrument of international law and thus fall

[79] Montenegro–Moldova BIT (2014), Art. 1(1)(d).

[80] *Ibid*., Art. 1(1)(e).

[81] Correa (2020), p. 132.

[82] Grosse Ruse-Khan (2016).

[83] ICSID Convention, Art. 42(1).

[84] *See* validity claims and related disputes of ILA Guidelines on Intellectual Property and Private International Law (2015).

under applicable law. This means the parties may use ILA guidelines as the applicable law to bring national law in assessing IP as a protected investment. To summarise, irrespective of the treaty language, national law plays an important role in determining the legality of IP investments.

4.2 IP-Related ISDS Cases and the Role of National Law

In the *Philip Morris*, *Eli Lilly* and *Bridgestone* disputes, the arbitral tribunals did not rely on national law when assessing investments. In *Philip Morris v. Uruguay*, the issue of trademarks as investments was never questioned, and the question of legality did not arise because the trademarks in question were registered. In the case *of Eli Lilly v. Canada*, the tribunal assumed the patent was an investment. In *Bridgestone v. Panama*, the trademark in question was already registered in Panama; therefore, the question of the validity of the investment did not arise. The *Philip Morris* and *Eli Lilly* disputes demonstrate the importance of national IP law in assessing IP-ISDS disputes. This section will first analyse the *Philip Morris* and *Eli Lilly* disputes to examine how arbitral tribunals have relied on IP law and the extent to which they have referred to national IP law and will then examine the *Bridgestone* dispute.

4.2.1 Philip Morris v. Uruguay: Reference to National IP law

The basic assumption in intellectual property law is that the scope of IP protection is based on a territorial limit where it receives protection. The coverage of the exclusive rights within the territory of a country is a testament to the territoriality of IP rights.[85] One essential finding of an arbitral award in *Philip Morris v. Uruguay* is that it reflects a well-established territoriality principle in IP law. The dispute was related to tobacco plain packaging measures that restricted the use of a trademark resulting in the expropriation of Philip Morris' property and destroyed the commercial value of IP and goodwill.[86] In examining the question of trademark restriction and right to use, the arbitral tribunal referred to Uruguayan laws on trademarks.

First, the tribunal viewed "trademarks and goodwill associated with the use of trademarks are protected investments".[87] Second, while assessing if Uruguayan measures expropriated claimant variants, including goodwill and rights deriving from IP, the tribunal looked at the Uruguayan laws on trademarks to analyse whether the national law guarantees a positive right to use. In fact, in response to the claimants' arguments that the trademark is a property right under the Uruguayan law allowing a right to use a trademark, the tribunal writes:

> [N]othing in their [claimants] arguments supports the conclusion that a trademark grants an inalienable right to use the mark … the scope of the

[85] *See* Peukert (2012).

[86] For an overview of *Philip Morris v. Uruguay* award, *see* Upreti (2018b).

[87] *Philip Morris v. Uruguay*, para. 235.

> property rights is determined by Uruguayan IP Laws, such that, in order to work out the legal scope of the property right, it is necessary to refer back to the *sui generis* industrial property regime in Uruguay.[88]

After analysing the Uruguayan law and international treaties, the tribunal concluded:

> [T]he 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 so that only the trademark holder has the possibility to use the trademark in commerce, subject to the State's regulatory power.[89]

The tribunal's references to national IP law, along with international IP instruments, acknowledges the territoriality principle of IP law. This is particularly important, if, in the future, the arbitral tribunal is required to assess IP-related ISDS claims. International IP recognises a minimum level of protection, allowing WTO Member countries to exercise rights beyond such a minimum level. Taking this into account, if a developing country considers a broadly permissible limitation on IP rights, that might be perceived as indirect expropriation in the eye of investors. Therefore, recognising national IP law assures that in such a scenario, the tribunal will be required to refer national IP law to determine the scope of the rights.

4.2.2 Eli Lilly v. Canada: Pre-Establishment and Post-Establishment Rights

In *Eli Lilly v. Canada*, a dispute arose after the Canadian Supreme Court invalidated patents on the basis that they failed to meet the Canadian patent law requirement of utility.[90] The question of patents as investments was never examined since the tribunal assumed patents to be investments.[91] However, if one considers the facts of the case, one will uncover two questions. First, should the legality of (intellectual property) investments be analysed when they are made? Second, should the assessment of the legality of (intellectual property) investments be considered in relation to the performance of investments? These two questions are relevant because the facts of the *Eli Lilly* case reveal that the invalidity of the patent (as an investment) that was determined by the Canadian Supreme Court was challenged. The question concerns whether patents as investments should be questioned when they are made or when they act as investments?

Some arbitral tribunals have shed light on the answers to these questions. In *Gustav Hamester v. Ghana*, the arbitral tribunal clarified that the legality of an investment at the jurisdictional level is confined to initial illegality. The tribunal noted that

[88] *Ibid.*, para. 266.

[89] *Ibid.,* para. 271.

[90] For a general overview of the case, *see* Stepanov (2018).

[91] This is because the *Eli Lilly* dispute was governed by the UNCITRAL rules that do not require an assessment of investment. *See* UNCITRAL Rules, Art. 21(3): "[a] plea that the arbitral tribunal does not have jurisdiction shall be raised no later than in the statement if defense or, with respect to a counter-claim, in the reply to the counterclaim".

> a distinction has to be drawn between (i) legality as at the initiation of the investment ("made"), and (ii) legality during the performance of the investment. … Thus, on the wording of this BIT, the legality of the creation of the investment is a jurisdictional issue; the legality of the investor's conduct during the life of the investment is a merits issue.[92]

The tribunal referred to the ICSID Convention to argue that "states cannot be deemed to offer access to the ICSID dispute settlement mechanism to the investments made in violation of their laws",[93] confirming that illegal investments, irrespective of any treaty reference, cannot be deemed investments.

Arbitral practice has established that the assessment of investments should be made at the time an investment is formed. However, considering the contingent nature of IP rights, should IP as an investment be assessed based on the performance of (IP) investments rather than at the time of investment? If this approach is taken, then the dispute that arose in *Eli Lilly* would have never happened because, once patents are invalidated by the Canadian Supreme Court, an investor does not have patent rights and hence no investment. In other words, to gain legal status, IPRs should be approved by national laws via registration and should be maintained by abiding by the rules and regulations of national law. If one applies the reference to national law to the facts of *Eli Lilly v. Canada*, one can determine that the first point to emphasise concerns whether there were valid property rights. If patents are invalidated by the Canadian Supreme Court, then no property rights are provided to them. Therefore, patents as protected investments cannot be established. Eli Lilly's registered patents would be treated as protected investments to the extent that they were subject to national law.

Registration with a specific jurisdiction allows a patentee to exercise their exclusive rights, but to what extent are these guaranteed by the national patent system? International IP provides the freedom to define patentability criteria, and if Canada had adopted the utility criteria in the form of the Promise Doctrine, then by mere registration in Canada, Eli Lilly should have been subject to Canada's IP policy. Surprisingly, the arbitral tribunals contradicted their approach. They presumed patents to be investments, which means they presumed the validity of IP based on national laws. However, when it came to the revocation and invalidation of IP, the same presumption became a violation of investment standards.[94] This is because the arbitral tribunal tended to ignore the basic principles of international IP. Therefore, to address this, the principle of territoriality needed to be aligned in the definition of IP that was included in the definition of investment. In other words, reconceptualising the investment definition suggested in Sect. 6 would ensure that national IP limits are recognised.

Regarding the question of lawful investments made in accordance with the host state, examining *Cortec Mining v. Kenya*[95] is useful in understanding the role of

[92] *Gustav Hamester v. Ghana*, para. 127.

[93] *Phoenix v. Czech Republic*, para. 101.

[94] Okediji (2020), pp. 96–97.

[95] *Cortec Mining Kenya Limited, Cortec (PTY) Limited and Stirling Capital Limited v. Republic of Kenya* (ICSID Case No. ARB/15/29) Award (22 October 2018) (hereinafter *Cortec Mining v. Kenya*).

national law as it relates to investments that indirectly feature IPRs. The dispute arose when the government revoked a special mining licence (SML) that went against the claimant's assets and interests (shares, IPRs and know-how),[96] which resulted in the expropriation of the investment. The question before the tribunal concerned whether the SML was a protected investment. The tribunal first acknowledged that an investment made under ICSID arbitration must demonstrate that an investment should "be in accordance with the laws of the host state and made in good faith".[97] The tribunal offered a detailed analysis of whether the licence arrangement that resulted in "know-how" and "intellectual property" qualified as a protected investment made in accordance with Kenyan laws. In response to the claimant's arguments that IP rights and know-how were generated in furtherance of the SML, the respondent argued that "data generated" that may consist of IP rights was freely given to the government "in the hopes of – but with no entitlement to – a mining licence"[98] and that the data generated was not disclosed and remained the property of the claimant. In other words, there was "no protected investment in IP". The tribunal agreed with the respondent's claims and found that the SML was void *ab initio* under international law. According to the tribunal:

> ICSID and the BIT protects only "lawful investments". The text and purpose of the BIT and the ICSID Convention are not consistent with holding host governments financially responsible for investments created in defiance of their law's fundamental protecting public interests such as the environment. The *explicit* language to the effect that protected investments must be made "in accordance with laws of Kenya" is therefore unnecessary to secure the objects and purpose of the BIT.[99]

The above passage indicates the importance of the legality clause. The *Cortec Mining* tribunal found that the IP was not a protected investment because the licence was based on know-how and generated data that were illegal, which resulted in noncompliance with the host state's laws. An investor's access to dispute settlement depends on the conditions imposed by the state. Therefore, the point to emphasise is that states should expressly provide conditions for access to dispute settlement by redefining the content of investment.[100] One common requirement with which investments must comply is the internal legislation of the host state.[101]

[96] The SML Licence 351 includes rights of claimants regarding; "intellectual property (IP) rights, including the know-how that CMK generated and applied in furtherance of the Mrima Hill project, such as geological and drilling data, resource analyses, feasibility studies, technical processes and project development plans authored by or on behalf of CMK and provided to the State" (via the DMG and other agencies. *See Cortec Mining v. Kenya*, para. 323(d).

[97] *Ibid*., para. 260.

[98] *Ibid*., para. 331.

[99] *Ibid*., para. 333(a).

[100] *Gustav FW Hamester v. Ghana*, ICSID Case No. ARB/07/24, Award (18 June 2010).

[101] *Ibid*., para. 125.

4.2.3 *Bridgestone v. Panama: The Degree of Investors' Engagement in the Host State*

Bridgestone v. Panama is the first dispute where arbitral tribunals have discussed when IP (trademarks) is an investment and to what extent investors' engagement should be considered when assessing IP as an investment.

The dispute arose after Panama's Supreme Court set aside lower court findings and held that trademark opposition proceedings brought by the claimant were carried out in bad faith; they subsequently awarded a heavy penalty. The claimant filed investment arbitration on the grounds that they had suffered an egregious denial of justice and a violation of due process.[102] At the time of this writing, the dispute is ongoing; however, the decision on expedited objections addresses some key questions regarding the role of investments in the host state. The question before the tribunal concerned whether a licence to use the relevant trademark satisfied the definition of investment under the US–Panama Trade Promotion Agreement (TPA) and the ICSID Convention.[103] To answer this, the tribunal needed to establish when a trademark qualifies as an investment. First, the tribunal analysed the functions of trademarks and acknowledged that past arbitral tribunals had not discussed this question:

> Nor has this [t]ribunal been referred to any other decision that considers the circumstances in which a trademark can constitute an investment when it is unaccompanied by other forms of investment such as the acquisition of shares in a company incorporated under the law of the host State, the acquisition of real property, or the acquisition of other assets commonly associated with the establishment of an investment.[104].

Second, to elaborate, the tribunal raised two sub-questions. First, does the mere registration of trademarks in a country qualify as an investment? Second, can the exploitation of trademarks in a country be treated as a prerequisite for qualifying as investment? To answer the first question, the tribunal held that mere registration does not amount to or have the characteristics of an investment because registration only provides a negative right to exclude others from using a trademark. Therefore, a trademark cannot be considered to be an investment or have the characteristics of an investment. According to the tribunal:

> The effect of registration of a trademark is negative. It prevents competitors from using that trademark on their products. It confers no benefit on the country where the registration takes place, nor, of itself, does it create any expectation of profit for the owner of the trademark. No doubt for these reasons the laws of most countries, including Panama, do not permit a trademark to remain on the register indefinitely if it is not being used.[105]

[102] *Bridgestone v. Panama*, *Claimant's Memorial* para. 1.

[103] Upreti (2018a), p. 24.

[104] *Bridgestone v. Panama*, para. 166.

[105] *Ibid.*, para. 171.

To answer the second question, the tribunal confirmed that the exploitation of a registered trademark may amount to an investment or have the characteristics of an investment. According to the tribunal, the exploitation of a trademark requires the manufacturing, promoting, selling, marketing of goods that bear the mark, after-sale servicing and providing of guarantees.[106] Achieving this requires resources. Therefore, such exploitation might result in some benefit for the host states.[107]

To establish this point, the tribunal cited the *Philip Morris v. Uruguay* case as an example in which "the activities that included marketing the cigarettes under the trademark constituted a qualifying investment".[108] The tribunal elaborated that exploitation can be achieved by trademark owners or through franchise agreements that provide "exploitation rights" to a licensee for their own benefit.[109] The tribunal also acknowledged the fact that, in some cases, qualified investments can be determined by examining interrelated activities. According to the tribunal, "interrelated activities" include selling products that bear a trademark. The tribunal disagreed with Panama's argument that "an interrelated series of activities, built around the asset of a registered trademark, that do have the characteristics of an investment does not qualify as such simply because the object of the exercise is the promotion and sale of marked goods".[110] Instead, it ruled that if Panama's argument was to be accepted, this would result in the preference of form over substance. Thus, the tribunal concluded that if a licensee can exploit a licence in the same manner as a trademark, this would be sufficient to consider it an investment.[111]

Thus, the point to emphasise is that an economic contribution must be made to the host state for it to be considered an investment. Similarly, Dreyfuss and Frankel suggested using the "in-state investment" approach to assess whether IP is an investment.[112] According to the authors, the mere inclusion of IPRs in the definitions of investment agreements is not enough. Instead, the inclusion of an in-state investment related to IPRs should be considered since this is important for determining IP investments.[113] According to Dreyfuss and Frankel, this approach "would potentially limit the threat of overreaching in IP-related disputes".[114] In 2012 the Southern African Development Community (SADC) in its *SADC Model Bilateral Investment Treaty Template with Commentary* also suggested using the "in state investment" approach.[115]

[106] *Ibid*., para. 172.

[107] Upreti (2018a), p. 24.

[108] *Bridestone v. Panama*, para. 172.

[109] *Ibid*, para. 173.

[110] *Ibid,* para. 176.

[111] *Ibid,* para. 180.

[112] Dreyfuss and Frankel (2018), p. 403 ("it is somewhat surprising that there has been so little discussion of whether there has been an in-state investment in the context of investor states disputes involving IP".)

[113] *Ibid*., pp. 404–405.

[114] *Ibid*., p. 405.

[115] SADC Model Bilateral Investment Treaty Template with Commentary (2012).

To some extent, the question of in-state investments has been clarified in *Bridgestone v. Panama* since the arbitral tribunal has held that the mere registration of a trademark does not qualify it as an investment. Exploiting trademarks through promotion, sales and marketing, among others activities, to generate revenue in a host state qualifies as an investment.[116] Given this information, the tribunal's decision did not clarify the scale of investment and economic development that arose from IP in the host state which has left this question partially unanswered. One must remember that the findings of the tribunal are based on the fourth criterion of the Salini test, which is economic development in the host state. However, the arguments examined in the article reveal that before the Salini test, national exceptions and limitations incorporated into the treaty language must be considered. Therefore, before accessing the Salini test, the tribunal needed to determine whether IP investments are in accordance with national laws including exceptions and limitations.

5 A New Emerging Practice: How Far It Would Act as a Gate-Keeper for IP Investment Arbitration?

Recently signed IIAs such as the EU–Canada Comprehensive Economic and Trade Agreement (CETA), the US–Mexico–Canada Free Trade Agreement (USMCA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have defined investment as every kind of asset with economic value acquired or established by foreign investors.[117] In contrast, in 2015/2016, two developing countries, India and Brazil, moved away from the traditional definition of investment through their Model BIT. The Indian Model BIT (2016)[118] has adopted a new approach that is an "enterprise-based" definition of investment. Article 1.4 of the Indian Model BIT provides:

> Investment means an enterprise constituted, organized and operated in good faith by an investor in accordance with the law of the Party in whose territory the investment is made … has the characteristics of an investment such as the commitment of capital or other resources, certain duration, the expectation of gain or profit, the assumption of risk and a significance for the development of the Party in whose territory the investment is made.[119]

This is followed by a non-exhaustive list of assets that an enterprise may possess, including "copyright, know-how and intellectual property rights such as patents, trademarks, industrial designs and trade names, to the extent they are recognised under the law of a party".[120] This definition shows that only investment made by enterprises would be constituted as an investment. The idea behind such an initiative is to tie intellectual property with an operating business in the host state.

[116] *Bridgestone v. Panama*, paras. 171–176; *see* Upreti (2018a).

[117] CETA, Art. 8.1; USMCA, Art. 14.1; CPTPP, Art. 9.1.

[118] Model Text for the Indian Bilateral Investment Treaty (2016) [hereinafter Indian Model BIT].

[119] Indian Model BIT (2016), Art. 1.4.

[120] *Ibid*., Art. 1.4(f).

Additionally, the Indian Model BIT explains the meaning of enterprise as: "(i) any legal entity constituted, organised and operated in compliance with the law of a Party, including any company, corporation, limited liability partnership or a joint venture; and (ii) having its management and real and substantial business operations in the territory of the Host State".[121] Further, "real and substantial business operation" is defined and some noticeable inclusions are that real and substantial business operations should make a substantial contribution to the development of the host state and carry out all its operation in accordance with the host state law.[122] Additionally, under a separate provision, investors and their investment must comply with the law of the host state.[123]

The Indian Model BIT is a strict definition of investment that negates the "walk-in" approach to investment arbitration and allows the state to control investment. The reasoning maintained in *Bridgestone v. Panama* – that exploitation of intellectual property rights through revenue-generating licensing arrangement would fall under economic development in the host state – does not seem appropriate here.[124] This is because the Indian Model BIT requires that an investment make a "substantial contribution", but does not provide any indicia to determine how the investment would be significant for the development of the host state.[125] Additionally, it also excludes the claims that by virtue of the registration of IP or the use of that IP licensing or for export to the country of registration if it does not prove "substantial contribution required under the definition of investment".

Likewise, Brazil, through the Agreements on Cooperation and Facilitation Investments (ACFIs), has also adopted enterprise based definition by emphasising "direct investment … established or acquired in accordance with the laws and regulations … exert[ing] control or [a] significant degree of influence over the management of the production of goods or provision of services in the territory of the other Party".[126] The territorial nexus to the investment would allow state control for determining investment and would act as a gatekeeper to the investment arbitration. The Brazil–Mozambique BIT (2015) defines investment that is capable of "establishing lasting economic relations".[127] This means those foreign direct investments (including IP) that are capable of definitive development to the host states are treated as investment.

Though the BIT model may be a radical approach, it has been argued that such an approach will impact India's negotiations on future BITs.[128] The question is whether countries are interested in such model BIT. Thus far, that is not the case. In

[121] *Ibid*., Art. 1.3.

[122] *Ibid*., Art. 1.2.1.

[123] *Ibid*., Art. 12.

[124] *Bridgestone v. Panama*, paras. 171–173.

[125] Ranjan et al. (2018), p. 19.

[126] Corporation and Facilitation Investment Agreement (2015), Art. 3(1)(1.3); *see* Brazil–Mozambique BIT (2015), Art. 3.

[127] Brazil–Mozambique BIT (2015), Art. 3.

[128] Ranjan and Anand (2017), pp. 9–10 (discussing impact of India's negotiations on RCEP). In November 2019, India decided to opt out of the RCEP deal. *See* The Economic Times (2019).

India's case, since the 2016 Model BIT, India has signed three BITs with Brazil, Kyrgyzstan and Belarus, but they are not in force. Brazil has signed more than ten BITs, mostly with developing countries,[129] but only the 2015 BIT with Angola is in force.[130] An improvement to these approaches would ensure the return of states by controlling the regulatory space and promoting economic development. However, strictly speaking from an IP perspective, an alternative way would be to borrow the language of international IP in the definition of investment in IIAs, as explained in the next section.

6 Reconceptualising Investment Definition Through National and International IP: Two Approaches

> [O]ne must also caveat that the issue of whether a specific form of IPR constitutes … investment may be analyzed by looking to different sources of law. While any such analysis will be grounded in the application of sources of public international law, also the national law of the host state – and perhaps even that of the investor's state – can play a role. As part of this, assistance may be also be obtained by referring to the leading intellectual property international treaties.[131]

The above quote of Lavery emphasises two points. First, different sources of law could be used to determine whether a specific form of IPRs constitutes an investment. Second, international IP treaties can be used to determine whether IP counts as a protected investment. Although there may be interplay between IP and investment law, this does not detract from the meaning and limits of IP that have been established by international IP agreements. As states enjoy the freedom to enter and implement the treaty, the approach adopted here comprises remodelling/redefining the content and meaning of treaty definitions of investment. Such an approach should not be surprising because many countries are currently rethinking their model BITs. This is evident from the United Nations Conference on Trade and Development (UNCTAD) report, which has revealed that several states are taking the initiative to calibrate the definition of investment.[132] One should agree with the dominant view that arbitral tribunals cannot rely solely on the ICSID investment criteria.[133] Regarding this point, Dreyfuss and Frankel state, "the better way to evaluate the sufficiency of an investment is through the reference to Art. 31 of the VCLT", which requires treaties to be interpreted in good faith in accordance with the ordinary meaning,[134] which includes "any relevant rules of international law

[129] *See* status of Brazil, https://investmentpolicy.unctad.org/international-investment-agreements/countries/27/brazil (accessed 1 January 2021).

[130] Figueroa (2020), pp. 7–8.

[131] Lavery (2009), p. 4.

[132] UNCTAD (2018).

[133] Dreyfuss and Frankel (2018), p. 407.

[134] VCLT, Art. 31(1).

applicable in the relations between the parties".[135] Thus, the objectives of international IP agreements should be considered when assessing IP as a protected investment.[136] Likewise, Stepanov argued that tribunals must focus on the nature of IPRs reflected in the international treaties to treat development aspects of IP as an investment.[137] Considering these views, two approaches that are suggested in this section are more pragmatic: remodelling and redefining the inclusion of IPRs in investment definition will automatically take into account the objects and purposes of IP agreements and their national interpretations.

6.1 The First Approach: Re-Modelling the Inclusion of IPRs in Investment Definition

Two methods for controlling the gate of investment arbitration include either remodelling the contents of IPRs in investment definition or narrowing the scope of jurisdiction by simply excluding IPRs from the definition of investment. The latter option may not be a sound idea because IPRs have become important assets to multinational companies.[138] Therefore, excluding them from the definition of investment may discourage foreign investment. The most feasible alternative would be to align the territoriality principle with language that defines IPRs according to the definition of investment incorporated into IIAs.

The definition of investment and the content of IPRs impacts how investors can claim IP as a protected investment.[139] In other words, when the definition of investment is more precise, then investors are less likely to make broad and frivolous investment claims.[140] One approach to achieving this could be broadening the language while defining IPRs in the definition of investment. Generally, most IIAs refer to IPRs or explicitly refer to kinds of IPRs. Some states may take a slightly different approach by including explicit references to TRIPS "exceptions and limitations" in their definition of investment. For instance, in a hypothetical situation, the relevant provision could be read as follows:

> Intellectual and industrial property rights, which are recognized under the national law of the host contracting party including but not limited to copyright and related rights, patents, industrial designs, know-how, trade-marks, trade and business secrets, trade names, geographical indications, plant varieties; as defined or referred in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and consistent with the national laws governing exceptions and limitations or TRIPS Agreement.

[135] VCLT, Art. 31(3)(c).

[136] *Ibid*.

[137] Stepanov (2020), p. 750 .

[138] WIPO has acknowledged the role of IP as economic or reputable assets, *see* World Intellectual Property Report 2017, *Intangible Capital in Global Value Chains,* WIPO (2017) 31.

[139] Marisi and Chaisse (2019), p. 62.

[140] *Ibid*.

The reference to "exceptions and limitations" requires tribunals at the jurisdictional level to assess IPRs as investments by considering the language of IIAs before making assessments based on the Salini test. In doing so, a tribunal must consider the language of the provision and whether the language explicitly refers to exceptions and limitations. Then the tribunal should determine whether the dispute falls under the exceptions and limitations enshrined in TRIPS or is protected by national laws. In such a scenario, a tribunal may reject the claims based on a lack of jurisdiction.

The first step is completing an assessment of a claim to establish whether it falls under the definition of investment. In doing so, a tribunal must assess the claim in light of the exceptions and limitations that are included in the definition of investment. Since TRIPS is not directly enforceable,[141] the tribunal must refer to national IP law and practice to examine whether claims fall under exceptions and limitations. If claims fall under exceptions and limitations, then such claims are denied. Additionally, considering the asymmetric relationship between contracting parties to the IIA, the direct reference to TRIPS will safeguard the bargain that developing countries achieved during the TRIPS negotiations. In the same spirit, Correa and Viñuales took a slightly different approach to this issue. These authors did not explicitly suggest that exceptions and limitations should be inserted but maintained that referring to IPRs in the definition of investment is enough. According to these authors, such a reference will not only allow contracting parties to establish legality based on national law but will also encourage them to import the limitations and scope of those IP rights. Taking patents as an example, the authors state: "[W]hile using a specific IPR reference in a treaty as a 'safe harbour' may be useful for the asset to qualify as an investment, the effect may be that all the limitations on the scope of IPRs contemplated in domestic law will be imported into the IIA".[142]

The authors suggest that simply referring to IPRs will automatically import "all the limitations on the scope of IPRs contemplated in domestic law … into the IIA".[143] Both approaches suggested by these authors and discussed in this article qualify as options, but such approaches could invite investment tribunals to assume that they are entitled to interpret international IP agreements. This is relevant because if TRIPS' exceptions and limitations are referred to in the definition of investment, there might be a scenario that requires a tribunal to read TRIPS to assess an investment. Additionally, considering the broad language used in TRIPS, investors will likely rely on language that the tribunal might require for interpretation. This can be avoided if the tribunal is restricted to reading WTO jurisprudence on TRIPS, which is possible if the language in the definition is framed to include WTO TRIPS jurisprudence along with exceptions and limitations in the contents of IPRs in IIAs. One should agree with scholars who argue against the ISDS interpretation of international IP agreements.[144] However, at least at the

[141] Heath (2019).

[142] Correa and Viñuales (2016), p. 99.

[143] *Ibid*.

[144] Mercurio (2012); Gathii and Ho (2017).

jurisdictional level, allowing arbitral tribunals to adopt existing WTO jurisprudence without taking the prerogative to interpret the TRIPS text[145] should not be discouraged. Most importantly, WTO jurisprudence has acknowledged deference to national systems when international IP is being implemented. This would significantly bind the hands of arbitrators.

On the contrary, this approach could be interpreted as extremely radical because the broad meaning of "exceptions and limitations" under TRIPS would make any investor's claims futile. This is not to mean that such an approach cannot be sustained. If one analyses recent IIAs, one will find that references to TRIPS have been made in their definitions of investment. The UAE–Mexico BIT (2016) refers to investment meaning the following assets:

> Intellectual property rights. Including but not limited to copyrights and related rights, patents, industrial designs, know-how, trademarks, trade and business secrets, trade names, geographical indications, and layout-designs (topographies) of integrated circuits, and rights in plants varieties; as defined or referred in the Agreement on Trade Related Aspects of Intellectual Property Rights of the World Trade Organization.[146]

Likewise, the India–Brazil BIT (2020) used different language to explicitly refer to TRIPS without categorising IPRs. The relevant provision reads, "intellectual property rights as defined or referenced to in the Trade-Related Aspects of Intellectual Property rights of the World Trade Organization (TRIPS)".[147] The explicit reference to IPRs as they are defined or referred to in TRIPS can be read as IPRs that are consistent with TRIPS, and the scope of said IPRs is determined based on how countries implement TRIPS at the national level. In other words, in assessing disputes that arise from investments, tribunals should also remember that the reference to IPRs cannot be read as absolute rights and that they must adhere to and assess IP as an investment in light of the limitations and exceptions enshrined in TRIPS.

Few IIAs have incorporated IPRs into their definitions of investment; those that do have defined IPRs by exclusively referring to TRIPS. For instance, the Taiwan–Saint Vincent and Grenadines BIT (2009) and the Turkey–Pakistan BIT (2012) generally refer to IPRs in their definitions of investment, which are followed by sections that define IPRs by referring to language such as "defined or referred [to] in the TRIPS Agreement".[148] These trends confirm that states intend to use the contents of TRIPS to define the scope of IP as an investment in IIAs. Thus, the inclusion of "exceptions and limitations" in IIAs is possible, although the approach has not been adopted by states. Nonetheless, this approach could limit broad IPRs-

[145] *See* Report of the Panel, United States Sec. 110(5) of the US Copyright Act (WT/DS160/R); *see* Ginsburg (2010); *see also* Geiger et al. (2008).

[146] UAE–Mexico BIT (2016) Art. 1(5)(h).

[147] Brazil–India BIT (2020), Art. 2.4(e); Rwanda–Morocco BIT (2016), Art. 1.

[148] *See* Taiwan–Saint Vincent and the Grenadines BIT (2009), Art. 1(1)(d) read with Art. 1(6); Turkey–Pakistan BIT (2012), Art. 1(1)(d) read with Art. 1(4).

related claims in ISDS. In other words, such language in the form of a "chapeau" will limit claims that were not intended by the parties at the time of negotiation.

The approach discussed previously would help limit IP disputes in ISDS. The question concerns whether states would consider adopting such an approach in their IIAs. In the past, arbitral tribunals have viewed that "contracting States are free to deem any kind of asset or economic transaction to constitute an investment as subject to treaty protection".[149] Few arbitral tribunals have emphasised that "the wording of the instrument [referring to the treaty] in question must leave no room for doubt that the contracting States intended to accord to the term "investment" an extraordinary and counterintuitive meaning".[150] This provides the impression that the contracting parties could purposefully depart from the traditional practice devoted to the meaning and content of investment. Moreover, the *Report of the Executive Directors on the ICSID Convention* also supports the idea of contracting parties' voices for the non-autonomous definition of investment based on the parties agreements.[151] Therefore, purposefully departing from the traditional definition of investment by including special content falls under Art. 31(4) of the VCLT.[152] Such a departure is presumed to be a choice made by the contracting parties.[153] Thus, the explicitly common intention of parties to add new elements to the definition of investment is practically and legally permissible.

6.2 The Second Approach: The Negative Definition and the Protocol Related to the Definition of Investment

To ratchet the effects of broad investment claims and the far-reaching implications of arbitral awards, a move has been made towards the inclusion of general exceptions and the right to regulate provisions in IIAs.[154] Such approaches act as additional safeguards when the dispute is admitted at the jurisdictional level. However, before the admission of the dispute, examining the definition of investment is crucial in establishing the jurisdiction. Therefore, as an alternative, a negative definition of investment or the protocol to the definition of investment could be used as a possible way to address frivolous claims and bring international IP agreements when assessing IP as a protected investment.

[149] *Romak S.A. (Switzerland) v. The Republic of Uzbekistan*, UNCITRAL, PCA Case No. AA280, Award, (26 November 2009) para. 205.

[150] *Ibid.*

[151] *See* International Bank of Reconstruction and Development, *Report of the Executive Directors on the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States* ("Report of the Executive Directors") para. 27, ("No attempt was made to define the term 'investment' given the essential requirement of consent by the parties, and the mechanism through which Contracting States can make known in advance, if they so desire, the classes of disputes which they would or would not consider submitting to the Centre […]").

[152] VCLT, Art. 31(4): "a special meaning shall be given to a term if it is established that the parties so intended".

[153] Gazzini (2016), p. 79 (highlighting "textual interpretation" of treaties and each provision is presumed to be the result of logical decisions and choice made by the contracting parties).

[154] *See* Titi (2013).

The negative definition of investment in IIAs has not been practised regularly, which demonstrates states' lack of enthusiasm in pursuing a negative definition. However, some IIAs have featured negative definitions of investment. For example, the Mexico–Korea BIT (2002) includes a negative definition with a non-exhaustive definition of investment.[155] It defines investment as every kind of asset:

> [B]ut investment does not include, a payment obligation from, or the granting of a credit to a Contracting Party or to a state enterprise … . But investment does not mean, claims to money that arise … . from: (i) commercial contracts for the sale of goods or services by an investor in the territory of a Contracting Party to a company or a business of the other Contracting Party, or (ii) the extension of credit in connection with commercial transaction … . (iii) any other claims to money.[156]

The IIAs signed in and after 2010, such as the Columbia–Korea BIT (2010),[157] the Canada–Benin BIT (2013),[158] the Guatemala–Trinidad and Tobago BIT (2013),[159] the UK–Columbia BIT (2014)[160] and the Azerbaijan Model BIT (2016), include negative lists of investment either through separate provisions or explanations.[161] However, these agreements also include long lists of non-exhaustive definitions of investment, which are followed by negative definitions. No IIA has solely included a negative definition of investment. This could be because the inclusion of a negative definition might limit genuine investment disputes at the jurisdictional level. Therefore, the contracting parties preferably agree on broader definitions of investment and, in exceptional cases, opt for negative definitions along with non-exhaustive lists of investment.

Since no negative definition of IP has been reported in the definition of investment, an alternative approach that is similar to using a negative definition is using the addition of a "protocol" to the investment definition. The German–Algeria BIT (1996) has incorporated a protocol into its definition; it first defines IP in its definition of investment and then it provides an exclusionary provision through a protocol. Article 1(1)(d) refers to: "[I]ntellectual property rights, in particular copyrights, patents, utility-models designs and industrial models, trade names, trade and business secrets, technical processes, know-how, and good-will".

The Protocol to Art. 1(1)(d) reads:

> Information and knowledge not accessible to the public and not covered by Art.1, such as knowledge of the technical functioning of the Company, client data, bundles such as documents about the personnel and management of the

[155] *See* Serbia BIT Model (2014), Art. 1.

[156] Mexico–Korea BIT (2002), Art. 1.

[157] Columbia–Korea BIT (2010), Art. 1.2.

[158] Canada–Benin BIT (2013), Art. 1.

[159] Guatemala–Trinidad and Tobago BIT (2013), Art. 1(b).

[160] UK–Columbia BIT (2014), Art. 1(1)(b).

[161] *See* Canada Model FIPA which replaces the 2004 Model BIT consisting of negative definition. *See* Canada Model FIPA, Art. 1.

company shall be considered as trade and business secrets according to art 1.1.(d).

The above-indicated protocol explicitly broadens the scope of the IPRs as they are defined by the definition. This may be due to the lack of a definition for trade secrets made by one of the contracting parties; therefore, the protocol enables the widening of the scope of trade secrets. Given this information, the re-oriented IP protocol that incorporates exceptions and limitations of national IP laws into the definition of investment helps limit investor's reach. For example, the protocol for the definition of investment should explain that "all exceptions and limitations of IPRs protected and enforced at the national level of each contracting party" do not fall under the scope of IP as it is listed in the definition of investment. Therefore, when arbitral tribunals must assess IP as an investment, they are obliged to consider the limitations and exceptions of national IP laws in their assessments.

Alternatively, to accommodate the spirit of international IP agreements that have struck a balance in the IP system, it is possible to include the language of TRIPS that addresses the mechanism for balancing private and public interests. Therefore, an approach for accomplishing this could include a protocol that explains "intellectual property or industrial property which are recognised under the national law of the host contracting parties … but exclude any measure that is inconsistent with objectives and principles of the TRIPS Agreement implemented at the national level".

A slightly different approach has been adopted by the recently concluded IIAs. For example, the investment chapter of the CPTPP includes a limitation clause in its definition of investment. This definition includes IPRs but also includes a limitation clause that reads, "investment does not mean an order or judgment entered in a judicial or administrative action".[162] This was done to avoid litigation over judicial decisions made in the host state. Similarly, the USMCA has adopted verbatim the CPTPP.[163]

Although the new generation IIAs has considered both non-exhaustive and negative definitions of investment, it has used a very narrow negative definition that is confined to the exclusion of judicial and administrative actions, among others. The literature does not demonstrate that any IIA has solely relied on the negative definition of investment or any negative content related to IP in its definition of investment. There are examples in other fields of law that demonstrate that using a negative definition has succeeded. For example, patent law requires an invention to be new and non-obvious and provide utility; these requirements are followed by a negative list or exclusion-of-subject-matter list. Therefore, as an alternative, it is possible to have a negative definition of investment or a negative definition of IPRs in the contents of investment defined in IIAs. Thus, the protocol that explains the national limitations and exceptions related to IPRs in the definition of investment can also be a useful alternative approach.

[162] *See* CPTPP, Art. 9.1.

[163] *See* USMCA, Art. 14.1 Definition of Investment (i).

6.3 Implications and Challenges of the Two Approaches

6.3.1 Implications

The two approaches discussed in the previous section would enable the transfer of national limitations and exceptions into the definition of investment. Therefore, at the time of assessment, an arbitral tribunal must consider the limitations of IPRs that are incorporated at the national level. A fundamental problem demonstrated by *Eli Lilly v. Canada* is that the invalidation or revocation of IP could be a basis for litigating IPRs in ISDS. The fact that the arbitral tribunal assumed that the patent was an investment despite being revoked demonstrated the ignorance of the territoriality principle of IP. The revocation, invalidation and other limitations of IPRs are dealt with through national law; therefore, the starting point of a tribunal's analysis must be based on whether the (IP) investment in question has fulfilled national limitations and exceptions. If the answer is "yes", then the arbitral tribunal should perform its assessment based on the arbitral criteria. As implied by the two approaches discussed previously, either the direct reference to the national limitations of IPRs or the exclusive protocol attached to the definition of investment should force arbitral tribunals to assign importance to the national limitations of IPRs.

The national exceptions and limitations align with TRIPS to set minimum standards. The TRIPS exceptions and limitations provision caters to the interests of users and consumers, and generally meets the needs of society vis-à-vis the economic interests of IPR holders. Thus, injecting fairness[164] into the system would allow states to achieve a fair national IP framework.[165] TRIPS lists exceptions for each patent,[166] copyright,[167] trademark[168] and industrial design.[169] All of these exceptions are similar in structure, substance and function.[170] As indicated previously, TRIPS provides a minimum ceiling for exceptions and limitations; however, national practices can go beyond the minimum exceptions and limitations enshrined in TRIPS. Therefore, the references to TRIPS' exceptions and limitations in the suggested approaches will not be problematic; arbitral tribunals must adhere to national limitations and exceptions.

Another implication would be if national limitations and exceptions related to IPRs are integrated into the definition of investment, then chances of frivolous claims relying on revocations and invalidation or claims based on national

[164] Gervais (2020) (several authors to the volume has examine fairness and IPRs and how fairness can infuse the protection of users and addresses public interest concern in general).

[165] *See* Rodrigues Jr. (2012), pp. 17–18 (the Supreme Court of Justice of Brazil discussion on TRIPS exceptions and Limitations and its relevance in addressing conflicting values arising out of economic protection of IPRs).

[166] TRIPS, Art. 30.

[167] TRIPS, Art. 13; Berne Convention, Art. 9(2).

[168] TRIPS, Art. 17.

[169] TRIPS, Art. 26(2).

[170] Rodrigues Jr. (2012), p. 19.

limitations would be challenged at the jurisdictional level. This is important because, considering the broad application of investment principles such as expropriation, fair and equitable treatment and legitimate expectations made by arbitral tribunals, investors might potentially succeed in convincing a tribunal that national limitations and exceptions related to IPRs go against investment protection.

6.3.2 Challenges

One common challenge is that both the approaches share concerns whether the inclusion of national exceptions and limitations in the definition of investment would allow arbitral tribunals to interpret national IP laws. The issue has been clarified at least at the European level. The EU–Canada CETA has clarified through its annex that "domestic courts of each party are responsible for the determination of the existence and validity of intellectual property rights ".[171] Additionally, the annex clarifies that parties are free to determine "appropriate method of implementing the provisions of [CETA] regarding intellectual property within their own legal system and practice".[172] This declaration supports the approaches suggested in this article.

Arbitral tribunals' powers to interpret national laws and decisions have been clarified by the CJEU at the European level. The question before the CJEU was whether the CETA tribunal has the power to interpret and apply EU law other than the provision of [CETA], having regard to the rules or principles of international law applicable between the parties. The CJEU referred to the applicable law incorporated in Art. 8.31 of CETA, which reads:

> For greater certainty, in determining the consistency of a measure with this Agreement, the [t]ribunal may consider, as appropriate, the domestic law of a Party as a matter of fact. In doing so, the [t]ribunal shall follow the prevailing interpretation given to the domestic law by the courts or authorities of that Party and any meaning given to domestic law by the [t]ribunal shall not be binding upon the courts or the authorities of that Party.[173]

Based on this provision, the CJEU concluded that the applicable law urges investment courts to treat domestic laws as facts and that any interpretation given by an investment court is not binding on domestic courts. The relevant paragraph of the CJEU opinion is:

> That examination may, on occasion, require that the domestic law of the respondent Party be taken into account. However, as is stated unequivocally in Article 8.31.2 of the CETA, that examination cannot be classified as equivalent to an interpretation, by the CETA [t]ribunal, of that domestic law, but consists, on the contrary, of that domestic law being taken into account as a matter of fact, while that tribunal is, in that regard, obliged to follow the

[171] CETA, Annex 8-D.

[172] *Ibid.*

[173] CETA, Art. 8.31.2.

> prevailing interpretation given to that domestic law by the courts or authorities of that Party, and those courts and those authorities are not, it may be added, bound by the meaning given to their domestic law by that [t]ribunal.[174]

It is interesting to note that the CJEU tried to distinguish between examination and interpretation. Based on the preceding quote, the CJEU believes that tribunals may be required to examine the domestic law before issuing their decision when a matter goes before an investment court. However, the CJEU draws a line by stating that "examination cannot be classified as equivalent to an interpretation".[175] The question concerns to what extent examination does not require interpretation. In some cases, the examination might require interpreting domestic laws. The CJEU has considered such scenarios. According to the Court of Justice, an investment court may interpret the law, but such interpretation is not binding on the parties, and the domestic court is not bound to follow such interpretation provided by the investment court. However, the investment tribunal is obliged to follow the "prevailing interpretation given to that domestic law by the court or authorities of that party".[176] The CJEU approach is a good example to show that arbitral tribunals are not entitled to interpret and review national laws and court decisions. Therefore, inclusion of exceptions and limitations of national IP in the definition of investment can be an option because the question of possible interpretation of national laws and decisions has been clarified.

7 Conclusion

This article examined the role of national and international IP law in reconceptualising the definition of investment. The arguments advanced mainly examined how national IP law would be used as a condition in relation to the gateway of investor-state arbitration. This was observed through the examination of investment treaties and practices, using national law to assess the concept of investment as a continuous practice. The direct or indirect reference to national law in the definition of investment or the contents of IPRs defined under the definition of investment is immaterial since arbitral tribunals have confirmed that the legality of an investment is based on national law. Considering the nature and territorial characteristics of IP, this article offered two gateways that could integrate the social objectives and bargains achieved through international IP treaties. First, explicitly incorporating TRIPS language into the definition of investment would ensure that arbitral tribunals are obliged to assess IP as a protected investment at the jurisdictional level in light of national laws that have incorporated TRIPS standards. The second approach proposes using a negative definition of investment with the specific incorporation of a protocol that consists of the national limitations and exceptions related to IPRs. These approaches have not been adopted so far by the contracting

[174] CJEU Opinion 1/17 (30 April 2019) para. 131.

[175] *Ibid*.

[176] *Ibid*.

parties. As indicated in this article, there are challenges to utilising the approaches that were discussed, but they are worth discussing at the policy level. Keeping in mind that the ongoing reforms of ISDS and state enthusiasm to reform their IIAs, one must acknowledge that these approaches would help limit frivolous IP-related ISDS claims that would burden states in defending cases and would ensure that a balance is struck in international IP.

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