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**The Second Transformation of the  
International Intellectual Property Regime**

*Peter K. Yu*

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# THE SECOND TRANSFORMATION OF THE INTERNATIONAL INTELLECTUAL PROPERTY REGIME

*Peter K. Yu\**

## Introduction

A quarter of a century ago, the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and the marriage of intellectual property and trade through the World Trade Organization (WTO) transformed the international intellectual property regime. This Agreement ushered in not only new international minimum standards for protecting and enforcing intellectual property rights, but also major changes to domestic intellectual property systems across the world. As Frederick Abbott, Thomas Cottier, and Francis Gurry recounted in their widely-used textbook, '[t]he TRIPS Agreement represented a sea change in the international regulation of [intellectual property rights]'.<sup>1</sup> Other commentators concurred. Sam Ricketson described the TRIPS Agreement as 'a conceptual leap',<sup>2</sup> while Charles McManis observed that 'the field of international intellectual property law underwent a tectonic shift with the promulgation of the [TRIPS Agreement]'.<sup>3</sup>

Today, the international intellectual property regime is being transformed once again. Thanks to the proliferation of bilateral, regional, and plurilateral trade and investment agreements, new international minimum standards are being developed to protect the investment-related aspects of intellectual property rights.<sup>4</sup> Unlike the WTO, which provides for only state-to-state dispute settlement, the investor-state dispute settlement (ISDS) mechanism built into these newly

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<sup>1</sup> Frederick M Abbott, Thomas Cottier, and Francis Gurry, *International Intellectual Property in an Integrated World Economy* (4th edn, Wolters Kluwer Law and Business 2019) 4.

<sup>2</sup> Sam Ricketson, 'The Future of Traditional Intellectual Property Conventions in the Brave New World of Trade-Related Intellectual Property Rights' (1995) 26 *International Review of Industrial Property and Copyright Law* 872, 883.

<sup>3</sup> Charles R McManis, 'Teaching Current Trends and Future Developments in Intellectual Property' (2008) 52 *St Louis University Law Journal* 855, 856.

<sup>4</sup> Peter K Yu, 'The Investment-Related Aspects of Intellectual Property Rights' (2017) 66 *American University Law Review* 829 (hereafter 'Investment-Related Aspects'); Peter K Yu, 'The Non-Multilateral Approach to International Intellectual Property Normsetting' in Daniel J Gervais (ed), *International Intellectual Property: A Handbook of Contemporary Research* (Edward Elgar Publishing 2015) 110–12 (hereafter 'Non-Multilateral Approach').

adopted international agreements enables private investors, such as intellectual property rights holders, to sue foreign governments without the support of their home governments.<sup>5</sup> In view of the potential ramifications of this new mechanism, and the related commitments under new international investment agreements, one cannot help but wonder whether the international intellectual property regime is now experiencing yet another ‘sea change’ or ‘tectonic shift’. As Ruth Okediji reminded us, the intersection of intellectual property and investment is ‘not only a new frontier in investment arbitration, but more importantly, uncharted territory in the increasingly complex and contested landscape of international intellectual property obligations’.<sup>6</sup>

Focusing on the potential second transformation of the international intellectual property regime brought about by the growing intrusion of international investment norms, this chapter addresses the structural changes that these new norms have posed to the regime. It begins by documenting changes brought about by the first and potential second transformations of this regime. The chapter then discusses three sets of problems that have emerged when international investment norms intrude into the intellectual property domain. It concludes by proposing three solutions to curtail inappropriate and unnecessary intrusions and to improve the engagement of international intellectual property and investment norms. Matching the central theme of this edited volume, all of these solutions involve constitutional hedges around the intellectual property domain.

## Transformations

### *Origins*

When the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) were established in the late nineteenth century, countries were eager to develop international minimum standards to facilitate trade in intellectual property goods.<sup>7</sup> Although these historic Conventions introduced only piecemeal standards in the area of intellectual property enforcement,<sup>8</sup> they combatted piracy and counterfeiting by strengthening intellectual property protections for foreign authors, inventors, and other rights holders.

Until the launch of the Uruguay Round of Multilateral Trade Negotiations in the mid-1980s, members of the Paris and Berne Unions gathered together every decade or two to revise

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<sup>5</sup> On the comparison between state-to-state and investor-state dispute settlement, see Rochelle Cooper Dreyfuss, ‘Protecting Fundamental Values in International IP Disputes: Investor-State vs. WTO Adjudication’ in Christophe Geiger (ed), *Research Handbook on Intellectual Property and Investment Law* (Edward Elgar Publishing 2020); Peter K. Yu, ‘State-to-State and Investor-State Copyright Dispute Settlement’ in Ysolde Gendreau (ed), *Le droit d’auteur en action: Perspectives internationales sur les recours* (Les Éditions Thémis 2019); Peter K Yu, ‘The Pathways of Multinational Intellectual Property Dispute Settlement’ in Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and International Dispute Resolution* (Kluwer Law International 2019).

<sup>6</sup> Ruth L Okediji, ‘Is Intellectual Property “Investment”? *Eli Lilly v. Canada* and the International Intellectual Property System’ (2014) 35 *University of Pennsylvania Journal of International Law* 1121, 1122.

<sup>7</sup> Peter K Yu, ‘Currents and Crosscurrents in the International Intellectual Property Regime’ (2004) 38 *Loyola of Los Angeles Law Review* 323, 339, 352.

<sup>8</sup> Examples of these rare and piecemeal enforcement provisions are articles 9, 10(1), 10*bis*, and 10*ter* of the Paris Convention and articles 13(3), 15, and 16 of the Berne Convention.

international intellectual property norms.<sup>9</sup> These repeated revisions sought to address changes precipitated by the advent of new technologies, the growing business demand for greater intellectual property protection, and drastic changes in the geopolitical environment. Since its inception in 1883, the Paris Convention has been revised six times – in 1900, 1911, 1925, 1934, 1958, and 1967, respectively. Likewise, the Berne Convention has undergone revision seven times – in 1896, 1908, 1914, 1928, 1948, 1967, and 1971, respectively. While the membership in both Unions remained small before the Second World War,<sup>10</sup> the post-war decolonization movement resulted in the arrival of many newly independent countries from the developing world.

The active admission of these countries into the Paris and Berne Unions eventually led to demands for major adjustments to the international intellectual property regime. Such demands and related adjustments included the adoption of the Stockholm Protocol Regarding Developing Countries, the formation of World Intellectual Property Organization (WIPO) as a UN specialized agency, and the proposed revision of the Paris Convention.<sup>11</sup> As WIPO membership grew in the 1970s and 1980s, developed countries became increasingly frustrated by their greatly reduced ability to push for new and more stringent international intellectual property norms. Their frustrations eventually led them to move outside WIPO to push for new norms through the General Agreement on Tariffs and Trade (GATT), and later through the WTO.<sup>12</sup> This forum shift, in turn, sparked the first transformation of the international intellectual property regime.

As stated in the TRIPS preamble, a key expectation of developed countries in their push for new international intellectual property norms under the GATT/WTO is ‘the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments’. Although both the Paris and Berne Conventions provide an optional dispute settlement mechanism for member states to take disputes to the International Court of Justice, no country has ever used that mechanism.<sup>13</sup> As a result, disagreements between the different Union members over the interpretation of international intellectual property norms could only be addressed through the revision process every decade or two – or, worse, through power-driven diplomacy, such as the threats of unilateral trade sanctions under the United States Trade Representative’s notorious Section 301 process.<sup>14</sup>

### ***First Transformation***

In the mid-1980s, GATT members began to explore the development of new international intellectual property norms in the international trade regime. Such development led to the adoption

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<sup>9</sup> Sam Ricketson, *The Paris Convention for the Protection of Industrial Property: A Commentary* (OUP 2015) 65–96; Sam Ricketson and Jane C Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond* (2nd edn, OUP 2005) vol 1, 84–133.

<sup>10</sup> Ricketson (n 9) 83, 86; Ricketson and Ginsburg (n 9) 884–85.

<sup>11</sup> Peter K Yu, ‘A Tale of Two Development Agendas’ (2009) 35 *Ohio Northern University Law Review* 465, 471–93, 505–11.

<sup>12</sup> On TRIPS negotiations, see generally Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (3rd edn, Sweet and Maxwell 2008) 3–27; Duncan Matthews, *Globalising Intellectual Property Rights: The TRIPS Agreement* (Routledge 2002); Susan K Sell, *Private Power, Public Law: The Globalization of Intellectual Property Rights* (CUP 2003) 96–120; Jayashree Watal, *Intellectual Property Rights in the WTO and Developing Countries* (Kluwer Law International 2001) 11–47; Peter K Yu, ‘TRIPs and Its Discontents’ (2006) 10 *Marquette Intellectual Property Law Review* 369, 371–79.

<sup>13</sup> Yu (n 7) 355.

<sup>14</sup> Joe Karaganis and Sean Flynn, ‘Networked Governance and the USTR’ in Joe Karaganis (ed), *Media Piracy in Emerging Economies* (Social Science Research Council 2011); Paul C B Liu, ‘U.S. Industry’s Influence on Intellectual Property Negotiations and Special 301 Actions’ (1994) 13 *UCLA Pacific Basin Law Journal* 87.

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of the TRIPS Agreement alongside other WTO agreements in Marrakesh in April 1994. This agreement provided international minimum standards for eight categories of intellectual property rights – namely, copyrights, patents, trademarks, geographical indications, industrial designs, plant variety protections, integrated circuit topographies, and protections for undisclosed information (such as trade secrets and the protections for undisclosed test or other data for pharmaceutical and agrochemical products). The agreement also laid down detailed provisions concerning the enforcement of intellectual property rights – a key deficiency in the Paris and Berne Conventions. In addition, the TRIPS Agreement made the WTO dispute settlement process mandatory for addressing disputes arising under the agreement.

Marrying intellectual property to trade, the GATT, and later the WTO,<sup>15</sup> the TRIPS Agreement has caused three major structural changes to the international intellectual property regime. First, as far as future international intellectual property negotiations are concerned, the Agreement has transformed the negotiating forum from a ‘one country, one vote’ platform (which still exists today at WIPO diplomatic conferences) to one that supports greater participation of developed countries.<sup>16</sup> Commentators have widely criticized the wide range of horse-trading at the Uruguay Round, which has put developing countries at a significant disadvantage.<sup>17</sup>

Second, the TRIPS Agreement has put a heavy trade gloss on international intellectual property norms. For example, in her chapter in this edited volume, Rochelle Dreyfuss criticized the WTO panel in *Canada – Patent Protection of Pharmaceutical Products* for failing to ‘directly [consider] the public welfare goals that Canada was seeking to promote’ and the panel in *United States – Section 110(5) of the US Copyright Act* for construing the three-step test in a way that ‘le[ft] no room for consideration of the public interest’.<sup>18</sup> Likewise, Bernt Hugenholtz and Ruth Okediji have lamented that the WTO’s view of ‘IP protection ... through its impact on free trade ... [has] provide[d] a distinct gloss on the interpretation of TRIPS obligations that often disregards cultural and other relevant criteria central to both national and international copyright systems’.<sup>19</sup> The concerns among these commentators are understandable, considering the significant differences between evaluating intellectual property policies as part of a package trade deal and evaluating those same policies independently.<sup>20</sup>

Third, the TRIPS Agreement has ushered in a new mandatory dispute settlement process that helps clarify international intellectual property norms. This newly developed process contrasts significantly with the optional dispute settlement processes that have been built into the Paris and Berne Conventions. While the WTO process is open to all member states, the high costs involved in state-to-state dispute settlement has put developing countries at a structural disadvantage.<sup>21</sup> As

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<sup>15</sup> R Michael Gadbaw, ‘Intellectual Property and International Trade: Merger or Marriage of Convenience’ (1989) 22 *Vanderbilt Journal of Transnational Law* 223; Joseph Straus, ‘A Marriage of Convenience: World Economy and Intellectual Property from 1990 to 2012’ (2012) 40 *AIPLA Quarterly Journal* 633.

<sup>16</sup> Yu (n 7) 357.

<sup>17</sup> Sell (n 12) 113; Yu (n 12) 379–83.

<sup>18</sup> [Cross-reference to Dreyfuss chapter.]

<sup>19</sup> P Bernt Hugenholtz and Ruth L Okediji, ‘Contours of an International Instrument on Limitations and Exceptions’ in Neil Weinstock Netanel (ed), *The Development Agenda: Global Intellectual Property and Developing Countries* (OUP 2008) 491.

<sup>20</sup> Michael Geist, ‘Why We Must Stand on Guard Over Copyright’ *Toronto Star* (20 October 2003) D3; Peter K Yu, ‘The International Enclosure Movement’ (2007) 82 *Indiana Law Journal* 827, 892–94.

<sup>21</sup> Gregory Shaffer, ‘Recognizing Public Goods in WTO Dispute Settlement: Who Participates? Who Decides? The Case of TRIPS and Pharmaceutical Patent Protection’ in Keith E Maskus and Jerome H Reichman (eds), *International Public Goods and Transfer of Technology under a Globalized Intellectual Property Regime* (CUP 2005) 895–901.

a result, developed countries were the primary users of this process in its first five years of existence.<sup>22</sup> In later years, however, large emerging countries, such as Brazil, China, and India, have begun to use the process more frequently,<sup>23</sup> although this process has remained rarely used among low-income and low-middle-income countries.

### ***Potential Second Transformation***

Today, the international intellectual property regime is being transformed once again – this time, through a potential marriage of intellectual property and investment. This ongoing transformation is the result of two parallel sets of developments. Since the mid-2000s, developed countries and their likeminded trading partners have actively negotiated bilateral, regional, and plurilateral trade agreements that contain investment chapters. Cases in point are Chapter 10 of the Dominican Republic–Central America Free Trade Agreement, Chapter 11 of the Korea–United States Free Trade Agreement, and Chapter 9 of the Trans-Pacific Partnership Agreement – which became the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) following the United States’ withdrawal from the regional pact.

In the past few years, multinational intellectual property rights holders have also actively explored the use of ISDS in the intellectual property context. Leading the pack was tobacco giant Philip Morris, which used the mechanism in bilateral investment agreements to challenge the tobacco control measures in Uruguay and Australia.<sup>24</sup> Eli Lilly quickly followed suit by utilizing the North American Free Trade Agreement to seek compensation for the Canadian courts’ invalidation of its patents on the hyperactivity drug Strattera (atomoxetine) and the anti-psychotic drug Zyprexa (olanzapine).<sup>25</sup> A few years later, the Japanese Bridgestone Group mounted yet another ISDS complaint following the Supreme Court of Panama’s decision to fine its subsidiaries for their wrongful opposition of a potentially infringing trademark.<sup>26</sup>

Like the adoption of the TRIPS Agreement, the arrival of international investment agreements – or plurilateral trade agreements with investment chapters – is now fostering three major structural changes to the international intellectual property regime. First, as far as future international intellectual property negotiations are concerned, these international agreements are transforming the negotiating forum from a multilateral platform to a plurilateral one. Heavily criticized by commentators for promoting the formation of ‘country clubs’, these agreements enable developed countries and their like-minded trading partners to develop new international intellectual property norms.<sup>27</sup> Because developing countries, including many emerging countries,

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<sup>22</sup> William J Davey, ‘The WTO Dispute Settlement System: The First Ten Years’ (2005) 8 *Journal of International Economic Law* 17, 17; Peter K Yu, ‘TRIPS and Its Achilles’ Heel’ (2011) 18 *Journal of Intellectual Property Law* 479, 515–16.

<sup>23</sup> Davey (n 22) 24; Peter K Yu, ‘Are Developing Countries Playing a Better TRIPS Game?’ (2011) 16 *UCLA Journal of International Law and Foreign Affairs* 311, 333–36.

<sup>24</sup> Permanent Court of Arbitration, *Philip Morris Asia Ltd v The Commonwealth of Australia*, Notice of Claim (22 June 2011) PCA Case No 2012-12; International Centre for the Settlement of Investment Disputes, *Philip Morris Brands Sàrl v Oriental Republic of Uruguay*, Request for Arbitration (19 February 2010) ICSID Case No ARB/10/7.

<sup>25</sup> International Centre for the Settlement of Investment Disputes, *Eli Lilly and Company v Government of Canada*, Notice of Arbitration (12 September 2013) ICSID Case No UNCT/14/2.

<sup>26</sup> International Centre for the Settlement of Investment Disputes, *Bridgestone Licensing Services, Inc and Bridgestone Americas, Inc v Republic of Panama*, Request for Arbitration (7 October 2016) ICSID Case No ARB/16/34.

<sup>27</sup> Daniel Gervais, ‘Country Clubs, Empiricism, Blogs and Innovation: The Future of International Intellectual Property Norm Making in the Wake of ACTA’ in Mira Burri and Thomas Cottier (eds), *Trade Governance in the Digital Age: World Trade Forum* (CUP 2012); Peter K Yu, ‘The ACTA/TPP Country Clubs’ in Dana Beldiman (ed), *Access to Information and Knowledge: 21st Century Challenges in*

have been shut out of the plurilateral negotiation process,<sup>28</sup> the legitimacy and effectiveness of the norms established through this process are highly questionable.

Second, the ISDS mechanism built into international trade and investment agreements put a heavy investment gloss on international intellectual property norms. In an earlier article, I registered my concern about a growing ‘incentive-investment divide’ among policymakers and negotiators.<sup>29</sup> By overemphasizing the investment-related aspects of intellectual property rights, these policymakers and negotiators ignore the primary justification for intellectual property protection – that is, to provide incentives for creativity and innovation. As I noted:

When policymakers and trade negotiators focus on the protection of intellectual property investments by their own nationals, they will likely be less interested in evaluating the economic efficiency of the intellectual property system and the welfare gains that system produces. Instead, they will push for the development of a system that protects foreign investors often at the expense of the public interest . . . , the local innovative environment and the country’s social-economic conditions.<sup>30</sup>

Third, ISDS allows intellectual property rights holders to sue foreign governments without the support of their home governments. In doing so, the mechanism empowers multinational corporations at the expense of developing countries that are already struggling under the existing international intellectual property regime.<sup>31</sup> As US Senator Elizabeth Warren lamented a few years ago, ISDS gives these corporations ‘the right to challenge laws they don’t like – not in court, but in front of industry-friendly arbitration panels that sit outside any court system’.<sup>32</sup> In the recently adopted United States–Mexico–Canada Agreement, the Trump administration has significantly curtailed the use of ISDS in US–Mexico disputes while eliminating its use in US–Canada disputes three years after the agreement has taken effect.

## Problems

Since the establishment of the WTO, commentators have widely discussed the problems brought about by the TRIPS Agreement and its first transformation of the international intellectual property regime. Instead of rehashing these problems, this section turns to new problems that are now emerging from the regime’s potential second transformation. Focusing on the ISDS mechanism that has now been built into many international trade and investment agreements, this section identifies problems that will arise when ISDS is being used in the intellectual property area. To

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*Intellectual Property and Knowledge Governance* (Edward Elgar Publishing 2014); Peter K Yu, ‘Six Secret (and Now Open) Fears of ACTA’ (2011) 64 *SMU Law Review* 975, 1074–83.

<sup>28</sup> Peter K Yu, ‘TPP and Trans-Pacific Perplexities’ (2014) 37 *Fordham International Law Journal* 1129.

<sup>29</sup> Yu (n 20) 892–901.

<sup>30</sup> Yu, ‘Non-Multilateral Approach’ (n 4) 112.

<sup>31</sup> Maude Barlow, ‘CETA Changes Make Investor-State Provisions Worse’ (*Huffington Post*, 2 February 2016) <[http://www.huffingtonpost.ca/maude-barlow/ceta-changes\\_b\\_9130538.html](http://www.huffingtonpost.ca/maude-barlow/ceta-changes_b_9130538.html)> accessed 22 October 2019; Daniel J Ikenson, ‘A Compromise to Advance the Trade Agenda: Purge Negotiations of Investor-State Dispute Settlement’ (*Cato Institute*, 4 March 2014), <<http://www.cato.org/publications/free-trade-bulletin/compromise-advance-trade-agenda-purge-negotiations-investor-state>> accessed 22 October 2019.

<sup>32</sup> Deirdre Fulton, ‘As Countries Line up to Sign Toxic Deal, Warren Leads Call to Reject TPP’ (*Common Dreams*, 3 February 2016) <<http://www.commondreams.org/news/2016/02/03/countries-line-sign-toxic-deal-warren-leads-call-reject-tp>> accessed 22 October 2019.

enhance analytical effectiveness, this section groups the problems based on three distinct concerns: inconsistency, incoherence, and inequity.

### *Inconsistency*

The first concern relates to the high volume of inconsistencies the ISDS mechanism has produced.<sup>33</sup> These inconsistencies can be found in ‘(1) cases involving the same facts, related parties, and similar investment rights, (2) cases involving similar commercial situations and similar investment rights, and (3) cases involving different parties, different commercial situations, and the same investment rights’.<sup>34</sup> Such inconsistencies are generally attributed to three factors.

First, ISDS lacks binding precedents.<sup>35</sup> Although *stare decisis* remains a special feature of common law and may be irrelevant to other legal tradition or dispute settlement arrangement, disputing parties from around the world increasingly expect similar cases to be decided consistently and predictably.<sup>36</sup> In the WTO, for instance, the dispute settlement panels and the Appellate Body have used previous cases for explanation and support even though they are not required to follow precedents. As the Appellate Body reasoned in *Japan – Taxes on Alcoholic Beverages*, the use of earlier relevant cases can help ‘create legitimate expectations among WTO Members’.<sup>37</sup>

Second, ISDS lacks an appellate mechanism. As Cynthia Ho lamented, ‘[a]lthough tribunals often rely on prior decisions and awards, and counsel for parties regularly cite prior decisions, the lack of hierarchy among tribunals as compared to traditional court systems, as well as the lack of an appellate system, may result in unpredictability’.<sup>38</sup> Likewise, Asif Qureshi observed, ‘[m]ost successful judicial systems are accompanied by an appellate process’.<sup>39</sup> Because ISDS lacks such a process, its effectiveness as a quasi-judicial system has been questioned.

Third, the existing ISDS mechanism does not provide much transparency. As Kate Miles lamented, although ISDS cases ‘resolve questions that can affect significant matters of public policy, the public generally does not have access to the documents, the proceedings are conducted

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<sup>33</sup> Charles N Brower and Stephan W Schill, ‘Is Arbitration a Threat or a Boon to the Legitimacy of International Investment Law?’ (2009) 9 *Chicago Journal of International Law* 471, 473; Susan D Franck, ‘The Legitimacy Crisis in Investment Treaty Arbitration: Privatizing Public International Law through Inconsistent Decisions’ (2005) 73 *Fordham Law Review* 1521, 1558–82; Stefanie Schacherer, ‘TPP, CETA and TTIP between Innovation and Consolidation – Resolving Investor-State Disputes under Mega-regionals’ (2016) 7 *Journal of International Dispute Settlement* 628, 640; Stephan W Schill, ‘The European Commission’s Proposal of an “Investment Court System” for TTIP: Stepping Stone or Stumbling Block for Multilateralizing International Investment Law?’ (*ASIL Insights*, 22 April 2016), <<https://www.asil.org/insights/volume/20/issue/9/european-commissions-proposal-investment-court-system-ttip-stepping>> accessed 28 October 2019.

<sup>34</sup> Franck (n 33) 1559.

<sup>35</sup> Christoph Schreuer and Matthew Weiniger, ‘A Doctrine of Precedent?’ in Peter Muchlinski, Federico Ortino, and Christoph Schreuer (eds), *The Oxford Handbook of International Investment Law* (OUP 2008) 1196.

<sup>36</sup> August Reinisch, ‘The Future of Investment Arbitration’ in Marc Bungenberg et al (eds), *International Investment Law: A Handbook* (C H Beck/Nomos/Hart Publishing 2015) 905–08.

<sup>37</sup> WTO, *Japan – Taxes on Alcoholic Beverages: Report of the Appellate Body* (4 October 1996) WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, 14.

<sup>38</sup> Cynthia M Ho, ‘Sovereignty under Siege: Corporate Challenges to Domestic Intellectual Property Decisions’ (2015) 30 *Berkeley Technology Law Journal* 213, 234.

<sup>39</sup> Asif H Qureshi, ‘An Appellate System in International Investment Arbitration?’ in Peter Muchlinski, Federico Ortino, and Christoph Schreuer (eds), *The Oxford Handbook of International Investment Law* (OUP 2008) 1155.



behind closed doors, and the submission of amicus curiae briefs is restricted, if permitted at all'.<sup>40</sup> Even worse, policymakers, commentators, and civil society organizations have thus far had great difficulty uncovering what happens in ISDS proceedings.<sup>41</sup> A case in point is Philip Morris' ISDS case against Australia, where the notice of claim was made available only through a request for declassification under the Australian Freedom of Information Act.<sup>42</sup> Had the case not been publicly disclosed, one has to wonder whether it would have received as much public attention.

### *Incoherence*

The second concern pertains to the growing incoherence in the international intellectual property system, which has been built upon not only the TRIPS Agreement but also WIPO-administered international intellectual property agreements.<sup>43</sup> Such incoherence can be attributed to at least four reasons.

First, the proliferation of ISDS cases and the intrusion of international investment norms into the intellectual property domain have greatly fragmented the multilateral system.<sup>44</sup> Indeed, the growing trend of using investment law and fora to set international intellectual property norms has led norm-setting activities to shift from the intellectual property regime to the investment regime.<sup>45</sup> Such a regime shift has greatly reduced the historical context concerning international intellectual property laws and policies while at the same time taking away the technical expertise needed to deal with specific rules in this fast-evolving area.<sup>46</sup> Moreover, the possibility of using parallel proceedings<sup>47</sup> to challenge intellectual property and intellectual property-related regulations in host states threatens to 'make the multilateral system less appealing and thereby undermine its stability and growth'.<sup>48</sup> For many host states with limited resources, such as those in the developing world, the greater focus on defending ISDS cases could also '[force these] countries to divert scarce time, resources, energy, and attention from other international intergovernmental initiatives', including the development of the multilateral intellectual property system.<sup>49</sup>

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<sup>40</sup> Kate Miles, 'Reconceptualising International Investment Law: Bringing the Public Interest into Private Business' in Meredith Kolsky Lewis and Susy Frankel (eds), *International Economic Law and National Autonomy* (CUP 2010) 295–96.

<sup>41</sup> Ho (n 38) 234; Schacherer (n 33) 647.

<sup>42</sup> Yu, 'Investment-Related Aspects' (n 4) 853–54.

<sup>43</sup> Peter K Yu, 'International Enclosure, the Regime Complex, and Intellectual Property Schizophrenia' [2007] *Michigan State Law Review* 1, 18.

<sup>44</sup> Eyal Benvenisti and George W Downs, 'The Empire's New Clothes: Political Economy and the Fragmentation of International Law' (2007) 60 *Stanford Law Review* 595, 597–98; Jagdish Bhagwati, 'U.S. Trade Policy: The Infatuation with Free Trade Areas' in Jagdish Bhagwati and Anne O Krueger (eds), *The Dangerous Drift to Preferential Trade Agreements* (AEI Press 1995) 2–3; Xavier Seuba, 'Jurisdictional Overlaps in International Intellectual Property: Challenges Arising from the Proliferation of Preferential Trade Agreements Regulating Intellectual Property Rights' in Christophe Geiger (ed), *Research Handbook on Intellectual Property and Investment Law* (Edward Elgar Publishing 2020); Yu, 'Non-Multilateral Approach' (n 4) 93–94.

<sup>45</sup> Rochelle Dreyfuss and Susy Frankel, 'From Incentive to Commodity to Asset: How International Law Is Reconceptualizing Intellectual Property' (2015) 36 *Michigan Journal of International Law* 557, 566; James Gathii and Cynthia Ho, 'Regime Shifting of IP Lawmaking and Enforcement from the WTO to the International Investment Regime' (2017) 18 *Minnesota Journal of Law, Science and Technology* 427, 430.

<sup>46</sup> Hugenholtz and Okediji (n 19) 491; Watal (n 12) 5; Yu (n 7) 367–75.

<sup>47</sup> Daniel Kalderimis, 'Exploring the Differences between WTO and Investment Treaty Dispute Resolution' in Susy Frankel and Meredith Kolsky Lewis (eds), *Trade Agreements at the Crossroads* (Routledge 2014) 58; Katia Yannaca-Small, 'Parallel Proceedings' in Peter Muchlinski, Federico Ortino, and Christoph Schreuer (eds), *The Oxford Handbook of International Investment Law* (OUP 2008); Yu, 'Investment-Related Aspects' (n 4) 833.

<sup>48</sup> Yu, 'Non-Multilateral Approach' (n 4) 92.

<sup>49</sup> Peter K Yu, 'Intellectual Property and Human Rights in the Nonmultilateral Era' (2012) 64 *Florida Law Review* 1045, 1089.

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Second, ISDS awards could undermine the hard-earned bargains developing countries have won through the WTO negotiations.<sup>50</sup> In fact, those awards could slowly rewrite the TRIPS Agreement – or, for that matter, other multilateral trade or intellectual property agreements.<sup>51</sup> A case in point is the moratorium imposed on non-violation complaints – complaints of nullification or impairment of trade benefits when no substantive violation has occurred.<sup>52</sup> Since the adoption of the TRIPS Agreement, this moratorium has been repeatedly extended, most recently during the Eleventh WTO Ministerial Conference in Buenos Aires, Argentina in December 2017. Despite this extension, nothing prevents ISDS arbitrators from considering complaints that are based on impaired benefits or frustrated expectations, as opposed to substantive violations.

Third, ISDS could ratchet up the standards of intellectual property protection and enforcement, thereby amplifying the widely documented deleterious impacts of TRIPS-plus bilateral, regional, and plurilateral agreements.<sup>53</sup> As I noted in an earlier article:

[T]he broad definition of covered investment may allow intellectual property rights holders to use ISDS to demand higher standards of intellectual property protection and enforcement even when those standards are not required [by the TRIPS Agreement]. If ISDS-based strategies prove successful, developed country governments and multinational corporations may become more eager to rewrite international intellectual property rules outside the usual multilateral fora, such as the WTO and WIPO.<sup>54</sup>

Even worse, ISDS could take away the many limitations, flexibilities, and safeguards that have been carefully built into the TRIPS Agreement and the larger international intellectual property system.<sup>55</sup> The proliferation of ISDS cases could also create what commentators, intergovernmental bodies, and civil society organizations have widely referred to as ‘regulatory chill’ – a chilling effect that undermines a country’s sovereign ability to regulate harmful conduct, including conduct committed by transnational corporations.<sup>56</sup> Finding it costly to go through the ISDS process, host states with limited resources, such as those in the developing world, may be too eager to change their laws to avoid costly arbitrations.<sup>57</sup>

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<sup>50</sup> Susy Frankel, ‘Interpreting the Overlap of International Investment and Intellectual Property Law’ (2016) 19 *Journal of International Economic Law* 121, 124; Ho (n 38) 250.

<sup>51</sup> Ho (n 38) 223; Okediji (n 6) 1123–24.

<sup>52</sup> On non-violation complaints in the TRIPS context, see Susy Frankel, ‘Challenging TRIPS-Plus Agreements: The Potential Utility of Non-Violation Disputes’ (2009) 12 *Journal of International Economic Law* 1023.

<sup>53</sup> Robert Burrell and Kimberlee Weatherall, ‘Exporting Controversy? Reactions to the Copyright Provisions of the U.S.–Australia Free Trade Agreement: Lessons for U.S. Trade Policy’ [2008] *University of Illinois Journal of Law, Technology and Policy* 259; Christopher Heath and Anselm Kamperman Sanders (eds), *Intellectual Property and Free Trade Agreements* (Hart Publishing 2007); Yu (n 7) 392–400.

<sup>54</sup> Yu, ‘Investment-Related Aspects’ (n 4) 875.

<sup>55</sup> Frankel (n 50) 124; Cynthia M Ho, ‘A Collision Course between TRIPS Flexibilities and Investor–State Proceedings’ (2016) 6 *UC Irvine Law Review* 395, 453–57; Kathleen Liddell and Michael Waibel, ‘Fair and Equitable Treatment and Judicial Patent Decisions’ (2016) 19 *Journal of International Economic Law* 145, 146; Henning Grosse Ruse-Khan, ‘Protecting Intellectual Property Rights under BITs, FTAs and TRIPS: Conflicting Regimes or Mutual Coherence?’ in Chester Brown and Kate Miles (eds), *Evolution in Investment Treaty Law and Arbitration* (CUP 2011). [Cross-references to Dreyfuss and Grosse Ruse-Khan chapters.]

<sup>56</sup> Ho (n 38) 233; Lone Wandahl Mouyal, *International Investment Law and the Right to Regulate: A Human Rights Perspective* (Routledge 2016) 67–68; Kyla Tienhaara, ‘Regulatory Chill and the Threat of Arbitration: A View from Political Science’ in Chester Brown and Kate Miles (eds), *Evolution in Investment Treaty Law and Arbitration* (CUP 2011); United Nations Conference on Trade and Development, *World Investment Report 2015: Reforming International Investment Governance* (United Nations Conference on Trade and Development 2015) 128.

<sup>57</sup> Brook K Baker and Katrina Geddes, ‘The Incredible Shrinking Victory: *Eli Lilly v. Canada*, Success, Judicial Reversal, and Continuing Threats from Pharmaceutical ISDS’ (2017) 49 *Loyola University Chicago Law Journal* 479, 505; Mouyal (n 56) 68; ‘TPP’s ISDS: Moving

Finally, ISDS arbitrators are generally unfamiliar with intellectual property issues and may therefore subscribe to an oversimplified view of intellectual property.<sup>58</sup> For example, they may focus primarily on the protection levels without adequately considering the corresponding limitations, flexibilities, and safeguards. They may also have tunnel vision and thereby overemphasize intellectual property rights as investors' rights.<sup>59</sup> As Rochelle Dreyfuss and Susy Frankel described:

Because investor rights and IP [intellectual property] rights are both private rights, IP holders tend to equate the investment protectable under these instruments to the private economic value of their IP rights. Further, they see IP rights as reliance interests that are defined by the law at the time they made their investment or, more extremely, when the agreement references TRIPS or its own IP chapter, the law at the time when the investment agreement was made.<sup>60</sup>

In addition, there is growing concern that ISDS arbitrators will focus narrowly on the intellectual property side of the investment bargain, thus ignoring the concessions the host state has made outside the intellectual property field, such as free lands, tax breaks, exemption from export custom duties, and preferential treatment on foreign exchange.<sup>61</sup>

### *Inequity*

The last concern regards inequity, especially the inequity suffered by host states in the developing world. Thus far, the existing ISDS mechanism has been heavily criticized for having partial and unaccountable arbitrators.<sup>62</sup> For instance, the arbitrators involved may have worked in law firms that have clients in the same industry as those filing ISDS complaints.<sup>63</sup> They may also have a tendency to serve corporate clients who are similar to the complainants.<sup>64</sup> As Joost Pauwelyn summarized:

ICSID arbitrators ... get referred to as 'elite lawyers,' 'ambitious investment lawyers keen to make a lucrative living,' a 'mafia,' 'super arbitrators' who are 'not just the mafia but a smaller, inner mafia,' adjudicators – not faceless – but with conflicts of interest and a 'hidden agenda' ('one minute acting as counsel, the next framing the issue as an academic, or influencing policy as a government representative or expert witness').<sup>65</sup>

Moreover, when ISDS is used against host states in the developing world, policymakers, commentators, and civil society organizations have noted their concern for the mechanism's

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from State-to-State to Company-to-World Dispute Resolution' (*Legal Reader*, 1 May 2015) <<http://www.legalreader.com/tpps-isds-moving-from-state-to-state-to-company-to-world-dispute-resolution>> accessed 22 October 2019.

<sup>58</sup> Liddell and Waibel (n 55) 147; Yu, 'Investment-Related Aspects' (n 4) 876.

<sup>59</sup> Yu, 'Investment-Related Aspects' (n 4) 872–73.

<sup>60</sup> Dreyfuss and Frankel (n 45) 589.

<sup>61</sup> Peter Muchlinski, 'Policy Issues' in Peter Muchlinski, Federico Ortino, and Christoph Schreuer (eds), *The Oxford Handbook of International Investment Law* (OUP 2008) 33; Anastasia Telesetsky, 'A New Investment Deal in Asia and Africa: Land Leases to Foreign Investors' in Chester Brown and Kate Miles (eds), *Evolution in Investment Treaty Law and Arbitration* (CUP 2011).

<sup>62</sup> Ho (n 38) 234; Joost Pauwelyn, 'The Rule of Law without the Rule of Lawyers? Why Investment Arbitrators Are from Mars, Trade Adjudicators from Venus' (2015) 109 *American Journal of International Law* 761, 783.

<sup>63</sup> David Gaukrodger and Kathryn Gordon, 'Investor-State Dispute Settlement: A Scoping Paper for the Investment Policy Community' (2012) Organisation for Economic Co-operation and Development Working Paper on International Investment No 2012/03, 44; Ernst-Ulrich Petersmann, 'Transformative Transatlantic Free Trade Agreements without Rights and Remedies of Citizens?' (2015) 18 *Journal of International Economic Law* 579, 604.

<sup>64</sup> Pauwelyn (n 62) 764.

<sup>65</sup> *Ibid.*, 780. [See also Henning/Rochelle]

‘development bias’.<sup>66</sup> Such bias enables the process to favour the interests of transnational corporations at the expense of host states in the developing world.<sup>67</sup> As former Bolivian president Evo Morales declared, ‘Governments in Latin America and I think all over the world never win the cases. The transnationals always win.’<sup>68</sup> This type of sentiment is unsurprising considering that investors from developed countries filed the majority of ISDS complaints.<sup>69</sup>

In sum, the intrusion of international investment norms into the intellectual property domain has brought many substantive and procedural problems that are inherent in ISDS. This mechanism has made the evolving international intellectual property norms less consistent, less coherent, and less equitable. Considering that ISDS is here to stay – a view held not only by this author but also by many other commentators – it will be important to start thinking about the reform measures needed to address the three concerns identified in this section.

## **Solutions**

Taking advantage of the focus of this edited volume on new constitutionalism, this section proposes three solutions that involve constitutional hedges around the intellectual property domain. Inspired by the longstanding use of institutional separation and coordination in constitutional designs – such as the separation-of-powers doctrine – these solutions show how greater separation, coordination, and cross-fertilization of international intellectual property and investment norms can protect the integrity of the international intellectual property regime.

## ***Behind Hedges***

The first recommendation concerns efforts to erect constitutional hedges around the intellectual property domain. As this chapter has noted earlier, many of the concerns sparked by the first and potential second transformations of the international intellectual property regime pertain to the structural changes brought about by the arrival of new international norms that do not share the same objectives, logic, and rationales behind the protection of intellectual property rights. Their different orientation has caused these emergent norms – be they trade-related or investment-related – to augment the protection of intellectual property rights beyond what would be suitable under local conditions. These norms have often elevated the level of protection in the intellectual property system to the point that the system can no longer provide the traditional, and much-needed, safeguards to promote competition, consumer welfare, and follow-on creativity and innovation.

To ensure the proper functioning of the intellectual property system, this section calls for the decoupling of international intellectual property norms from norms in the trade or investment area. In an article written more than a decade ago, I underscored the importance of delinking intellectual property from trade when evaluating intellectual property policies. With the growing intrusion of international investment norms into the intellectual property domain, it is time we extended this earlier proposal to the investment context. The goal of such an extension is not to

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<sup>66</sup> Susan D Franck, ‘Development and Outcomes of Investment Treaty Arbitration’ (2009) 50 *Harvard International Law Journal* 435, 451.

<sup>67</sup> *Ibid.*, 450–51.

<sup>68</sup> Leslie Mazoch, ‘Chavez Takes Cool View toward OAS, Says Latin America Better Off without World Bank’ *Associated Press International* (30 April 2007).

<sup>69</sup> United Nations Conference on Trade and Development, ‘World Investment Report 2016: Investor Nationality: Policy Challenges’ (June 2016) UNCTAD/WIR/2016, 105.

force international intellectual property norms to be ‘read in clinical isolation’ from other international norms – a concern the WTO Appellate Body rightly noted in *United States – Standards for Reformulated and Conventional Gasoline*.<sup>70</sup> Rather, the proposed approach aims to ensure that the analysis of intellectual property policies takes proper consideration of the objectives, logic, and rationales behind the protection of intellectual property rights.

The easiest way to delink intellectual property from investment is by requiring ISDS arbitrators to refrain from making an automatic assumption that intellectual property rights are covered investments within the meaning of international investment agreements. The removal of this misguided assumption is important because most international investment agreements, or plurilateral trade agreements with investment chapters, have a broad definition of covered investment. A case in point is the TPP Agreement, which has now been incorporated into the CPTPP. Article 9.1 of the former defines ‘investment’ as ‘every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk’. The provision further states that ‘forms that an investment may take include ... intellectual property rights’, which are defined in the TPP intellectual property chapter as ‘all categories ... that are the subject of Sections 1 through 7 of Part II of the TRIPS Agreement’.

Given the exceedingly broad coverage of ‘investment’ in the CPTPP and other international trade and investment agreements, intellectual property rights holders can now use the ISDS mechanism to protect many different rights even when no actual investment has been made in the host state. As Professor Okediji reminded us:

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. Is merely having authorial works in circulation in a host country sufficient to constitute an ‘investment in a given country?’ Similarly, where patent rights are acquired by mere registration, such as in many least-developed countries, should this alone confer the status of an ‘investment?’ Should requirements of local working conditions that more firmly anchor the patent grant to domestic priorities make a difference in an assessment of a protected investment?<sup>71</sup>

In fact, if intellectual property rights acquired in the host state can automatically become investments regardless of whether investments have been made in that state, many of the safeguards and adjustments provided by the TRIPS Agreement will immediately be lost.<sup>72</sup>

One test that has garnered considerable support from commentators was used in *Salini Costruttori S.p.A. and Italstrade S.p.A. v Kingdom of Morocco*, a case involving the construction of a Moroccan highway by Italian contractors.<sup>73</sup> This test took into consideration four distinct

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<sup>70</sup> WTO, *United States – Standards for Reformulated and Conventional Gasoline: Report of the Appellate Body* (29 April 1996) WT/DS2/AB/R, 17.

<sup>71</sup> Okediji (n 6) 1125.

<sup>72</sup> Bryan Mercurio, ‘Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements’ (2012) 15 *Journal of International Economic Law* 871, 911; Yu, ‘Investment-Related Aspects’ (n 4) 879–80.

<sup>73</sup> Carlos Correa and Jorge E Viñuales, ‘Intellectual Property Rights as Protected Investments: How Open Are the Gates?’ (2016) 19 *Journal of International Economic Law* 91, 100 fn 30; Emmanuel Gaillard, ‘Identify or Define? Reflections on the Evolution of the Concept of Investment in ICSID Practice’ in Marc Bungenberg et al (eds), *International Investment Law: A Handbook* (C H Beck/Nomos/Hart Publishing 2015) 403; Okediji (n 6) 1137; Yu, ‘Investment-Related Aspects’ (n 4) 880–81.

factors: '[1] contributions, [2] a certain duration of performance of the contract ... [3] a participation in the risks of the transaction ... [and] [4] the contribution to the economic development of the host State of the investment'.<sup>74</sup> Applied to the intellectual property context, Lukas Vanhonnaeker translated these factors as follows:

- (i) IP is susceptible to be invested for a certain duration; (ii) it is likely to generate profit and return on a regular basis; (iii) IP, and more precisely, [IP rights] 'share the unique and constant risk of infringement by third parties not privileged in their use'; (iv) IP investment often represents a substantial commitment; and (v) such assets have a significant potential to contribute to the Host State's development.<sup>75</sup>

Through a close examination of these factors, the *Salini* test forces ISDS arbitrators to ask whether actual investments have been made in the host state.

Apart from making this inquiry, ISDS arbitrators should pay greater attention to the contingent nature of intellectual property rights.<sup>76</sup> Just because these rights have been initially granted does not mean that they will enjoy full protection for the entire duration of an international investment agreement. Unlike rights to tangible property, intellectual property rights are subject to many contingencies, including limited duration, dependence on the payment of renewal or maintenance fees, the possibility of subsequent invalidation or revocation, and the existence of both internal and external limits.<sup>77</sup> The more deeply the arbitrators understand the contingent nature of intellectual property rights, the less likely they are to use the initially granted rights as proxies for the covered investments.

### *Across Hedges*

The second recommendation relates to the need to develop rules to govern the interfaces between the different regimes<sup>78</sup> within the larger 'international intellectual property regime complex'.<sup>79</sup> When property owners erect hedges around their property, they do not always forbid neighbours from entering their land. Nevertheless, standards do exist as to when and how property lines can be crossed. Sometimes, these standards are dictated by law, such as in the form of property rights, trespass actions, and criminal statutes. At other times, the standards are merely derived from prevailing customs or social norms – for example, it is acceptable to cross property lines based on the fact that your neighbour has invited you to do so in the past.

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<sup>74</sup> International Centre for the Settlement of Investment Disputes, *Salini Costruttori S.p.A. and Italstrade S.p.A. v Kingdom of Morocco* (2003) 42 ILM 609, para 52.

<sup>75</sup> Lukas Vanhonnaeker, *Intellectual Property Rights as Foreign Direct Investments: From Collision to Collaboration* (Edward Elgar Publishing 2015) 26.

<sup>76</sup> Okediji (n 6) 1126.

<sup>77</sup> Yu, 'Investment-Related Aspects' (n 4) 881–87.

<sup>78</sup> Sonja Bartsch, Wolfgang Hein, and Lars Kohlmorgen, 'Interfaces: A Concept for the Analysis of Global Health Governance' in Wolfgang Hein, Sonja Bartsch, and Lars Kohlmorgen (eds), *Global Health Governance and the Fight against HIV/AIDS* (Palgrave Macmillan 2007); Peter K Yu, 'Virotech Patents, Viropiracy, and Viral Sovereignty' (2013) 45 *Arizona State Law Journal* 1563, 1622. On the relationships between the different international norms implicated by intellectual property protection, see Henning Grosse Ruse-Khan, *The Protection of Intellectual Property in International Law* (OUP 2016). [Cross-reference to Grosse Ruse-Khan chapter.]

<sup>79</sup> Yu (n 43) 9–16. The international intellectual property regime complex is defined as 'a non-hierarchical, decentralised conglomerate regime that includes not only the traditional area of intellectual property laws and policies, but also the overlapping areas in related international regimes or fora'. Peter K Yu, 'The Global Intellectual Property Order and Its Undetermined Future' (2009) 1 *WIPO Journal* 1, 4.

## SECOND TRANSFORMATION OF INTERNATIONAL IP REGIME

Because the engagement of international intellectual property and investment norms is relatively new and the boundaries between the two remain unclear, it will be useful to develop ‘rules of engagement’ to ensure better interactions between these two sets of norms. In the international arena, the starting point for locating such rules is the Vienna Convention on the Law of Treaties (Vienna Convention).<sup>80</sup> Article 31(1) stipulates that ‘[a] treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose’. For the purposes of treaty interpretation, acceptable contexts include those provided by a related agreement, a subsequent agreement, or subsequent practice involving the relevant parties.

Given the benefits provided by the Vienna Convention, it is no surprise that WTO panels have widely applied the Convention in their decisions.<sup>81</sup> Since *United States – Standards for Reformulated and Conventional Gasoline*, the first case resolved through the mandatory dispute settlement process, WTO panels have embraced article 31 of the Vienna Convention as a general rule of interpretation. Endorsing the panel’s position in that case, the Appellate Body described article 31 as ‘a fundamental rule of treaty interpretation’.<sup>82</sup> In the TRIPS context, this rule of interpretation was first applied in *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products*, which addressed India’s failure to provide a mailbox system as required by article 70.8 of the TRIPS Agreement.<sup>83</sup> The application of the Convention continues in later cases. In *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, for instance, the WTO panel declined to treat the United States–Australia Free Trade Agreement as a subsequent agreement within the meaning of the Vienna Convention.<sup>84</sup>

In the investment context, Susy Frankel suggested that this Convention ‘can be used to bring [the] purposes [of international intellectual property and investment agreements] into compatibility in a way that does not undermine the incentive rationales and calibration mechanisms that are an important feature of international IP law and where appropriate recognizes that investment can include IP-related investment, where it truly is investment’.<sup>85</sup> In an earlier article, I also advocated using the principles of the Vienna Convention to help develop a code of conduct for ISDS arbitrators that would require them to consider a host state’s broad multilateral commitments.<sup>86</sup> The arbitrators’ use of this Convention is particularly important considering their continued reluctance to formally apply the Convention – due perhaps to the fact that an investor-state arbitration involves not only a state but also a private investor.<sup>87</sup>

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<sup>80</sup> On the Vienna Convention, see Richard Gardiner, *Treaty Interpretation* (2nd edn, OUP 2017).

<sup>81</sup> Susy Frankel, ‘WTO Application of “the Customary Rules of Interpretation of Public International Law” to Intellectual Property’ (2006) 46 *Virginia Journal of International Law* 365; Daya Shanker, ‘The Vienna Convention on the Law of Treaties, the Dispute Settlement System of the WTO and the Doha Declaration on the TRIPs Agreement’ (2002) 36 *Journal of World Trade* 721.

<sup>82</sup> World Trade Organization (n 70) 16.

<sup>83</sup> WTO, *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products: Report of the Panel* (5 September 1997) WT/DS50/R, paras 7.18, 7.24, 7.29 fn. 87.

<sup>84</sup> WTO, *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights: Report of the Panel* (26 January 2009) WT/DS362/R, para 7.581; Peter K Yu, ‘TRIPS Enforcement and Developing Countries’ (2011) 26 *American University International Law Review* 727, 754–57.

<sup>85</sup> Frankel (n 50) 126.

<sup>86</sup> Yu, ‘Investment-Related Aspects’ (n 4) 894–95.

<sup>87</sup> Mahnouch H Arsanjani and W Michael Reisman, ‘Interpreting Treaties for the Benefit of Third Parties: “The Salvors’ Doctrine” and the Use of Legislative History in Investment Treaties’ (2010) 104 *American Journal of International Law* 597, 598–99; Gary Born and Mitchell Moranis, ‘Should Investment Treaties Have Their Own Rules of Interpretation?’ (*Kluwer Arbitration Blog*, 3 February 2015) <<http://arbitrationblog.kluwerarbitration.com/2015/02/03/should-investment-treaties-have-their-own-rules-of-interpretation/>> accessed

While the Vienna Convention has supplied an ideal set of rules to guide the engagement of international intellectual property and investment norms, other rules and principles can be utilized to improve the interactions between these two sets of norms. For example, the principle of primacy helps foster a hierarchy that ensures respect for a specific set of norms.<sup>88</sup> In the human rights area, Resolution 2000/7 of the United Nations Sub-Commission on the Promotion and Protection of Human Rights reminded governments ‘of the primacy of human rights obligations over economic policies and agreements’.<sup>89</sup> This principle of human rights primacy helps address the continued tensions and conflicts between the protection of human rights and the non-human rights aspects of intellectual property rights.

In the context of environmental protection, such as in the area of climate change mitigation, commentators and international organizations have widely advocated the use of the precautionary approach. Principle 15 of the 1992 Rio Declaration on Environment and Development provides:

In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

The precautionary approach ‘imposes regulations on polluters or on those introducing new technologies to force them to accept responsibility for managing unknown risks associated with their activities’.<sup>90</sup> In recent years, some commentators have extended this approach to the public health context. For instance, Phoebe Li called for its use to enhance access to medicines during public health exigencies.<sup>91</sup> Given the growing use of the precautionary approach in new contexts, policymakers and commentators may want to consider applying it to guide the engagement of international intellectual property norms and norms in the trade or investment area. The use of this approach will help curtail the inappropriate and unnecessary intrusions into the intellectual property domain, especially when such intrusions threaten to cause ‘serious or irreversible damage’.

### ***Beyond Hedges***

The final recommendation pertains to the need to facilitate greater cross-fertilization of international intellectual property and investment norms as well as those involved in developing or shaping these norms, such as policymakers and commentators. In an earlier article addressing the deficiencies of the ISDS mechanism found in bilateral, regional, and plurilateral trade and investment agreements, I advanced a two-tier proposal for developing a dispute settlement mechanism that would bring together experts in both the intellectual property and trade areas.<sup>92</sup>

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29 October 2019; Frankel (n 50) 136–38; Thomas W Wälde, ‘Interpreting Investment Treaties: Experiences and Examples’ in Christina Binder, Ursula Kriebaum, August Reinisch, and Stephan Wittich (eds), *International Investment Law for the 21st Century: Essays in Honour of Christoph Schreuer* (OUP 2009) 730, 746, 765.

<sup>88</sup> On the principle of human rights primacy, see Peter K Yu, ‘Reconceptualizing Intellectual Property Interests in a Human Rights Framework’ (2007) 40 UC Davis Law Review 1039, 1092–93.

<sup>89</sup> UNHCR, ‘Intellectual Property Rights and Human Rights: Sub-Commission on Human Rights Resolution 2000/7’ (17 August 2000) E/CN.4/Sub.2/RES/2000/7, para 3.

<sup>90</sup> Phoebe Li, *Health Technologies and International Intellectual Property: A Precautionary Approach* (Routledge 2014) 53.

<sup>91</sup> *Ibid.*, 8–9.

<sup>92</sup> Peter K Yu, ‘Crossfertilizing ISDS with TRIPS’ (2017) 49 Loyola University Chicago Law Journal 321, 341–47.



## SECOND TRANSFORMATION OF INTERNATIONAL IP REGIME

The first part of this proposal calls for a modified version of the existing ISDS mechanism, in which the arbitral panel handling a dispute involving WTO obligations would have to include at least one arbitrator who has demonstrated knowledge and experience in issues concerning the specific obligations involved.<sup>93</sup> For example, in a dispute involving intellectual property, the panel would have to include at least one arbitrator who has specialized expertise regarding TRIPS obligations. By contrast, in a dispute involving only traditional investment issues, no arbitrator with WTO expertise would be required because the dispute will not implicate any specific WTO obligations.

To determine whether this WTO expertise requirement has been met, the first part of the proposal calls for the development of a list of arbitrators who are familiar with each WTO area, similar to the indicative list of governmental and non-governmental individuals specified in article 8.4 of the WTO Dispute Settlement Understanding or the Roster for NAFTA Dispute Settlement Panels and Committees. Having a list of qualified arbitrators in a specific WTO area would ensure that the arbitral panels possess the right expertise to make high-quality decisions. Such a list would also accelerate the panel selection process, thereby reducing the overall arbitral costs involved.

The second part of the proposal calls for the establishment of a new appellate body, which was modelled after both the WTO Appellate Body and drew on the European Commission's proposal during the now-suspended negotiation of the Transatlantic Trade and Investment Partnership (TTIP).<sup>94</sup> The EU proposal called for the creation of a two-tier investment court system that would include a Tribunal of First Instance and an Appeal Tribunal. The latter would consist of six judges – two each from the European Union, the United States, and third countries. While the EU proposal was straightforward due to the quasi-bilateral nature of the TTIP negotiations, a proposal that is designed to resolve ISDS disputes throughout the world will require a much more complicated selection process.<sup>95</sup> Although one could widely debate which process would result in the best mix of experts in the proposed ISDS appellate body, an easy choice would be to select two members from developed countries and two from developing countries, as opposed to two each from the European Union and the United States.

With respect to the two other members who are supposed to come from third states, this part of the proposal calls for selections from the WTO system – for instance, former WTO panellists, former members of the WTO Appellate Body, or even experts who are qualified to serve on WTO panels.<sup>96</sup> Through such selections, the proposed ISDS appellate body would be equipped with arbitrators who are familiar with the WTO and its obligations. The WTO expertise requirement for this body would be similar to the arrangement for arbitral panels discussed earlier, except that the appellate body would only require general familiarity with the WTO and its

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<sup>93</sup> Yu (n 92) 342–44.

<sup>94</sup> European Commission, 'European Union's Proposal for Investment Protection and Resolution of Investment Disputes' <[http://trade.ec.europa.eu/doclib/docs/2015/november/tradoc\\_153955.pdf](http://trade.ec.europa.eu/doclib/docs/2015/november/tradoc_153955.pdf)> accessed 28 October 2019. This proposal has been incorporated into recent bilateral and regional trade agreements, such as the European Union–Canada Comprehensive Economic and Trade Agreement and the European Union–Vietnam Free Trade Agreement.

<sup>95</sup> Schill (n 33).

<sup>96</sup> Yu, 'Investment-Related Aspects' (n 4) 901. Other commentators have also called for greater interactions between ISDS arbitrators and the WTO. Theodore R Posner and Marguerite C Walter, 'The Abiding Role of State-State Engagement in the Resolution of Investor-State Disputes' in Jean E Kalicki and Anna Joubin-Bret (eds), *Reshaping the Investor-State Dispute Settlement System: Journeys for the 21st Century* (Brill Nijhoff 2015) 389–91; Andreas R Ziegler, 'Investment Law in Conflict with WTO Law?' in Marc Bungenberg et al (eds), *International Investment Law: A Handbook* (C H Beck/Nomos/Hart Publishing 2015) 1800–01.

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obligations, as opposed to knowledge and experience regarding the specific WTO obligations involved in the dispute.

If one takes the same view as I do – that the arrival of powerful middle-income countries, such as Brazil, China, and India, has greatly distorted the international economic system to the point that the separation of developed and developing countries no longer provides satisfactory global representation<sup>97</sup> – the proposed ISDS appellate body could easily be expanded to eight seats. Those eight seats would include two members each from three groups of countries: high-income, middle-income, and low-income. The remaining two seats would be reserved for those with WTO expertise, as discussed earlier.

To be sure, having WTO expertise is not the same as having TRIPS expertise. Indeed, the WTO has about 30 agreements, whose coverage ranges from goods to services and from agriculture to textiles. Nevertheless, it is impossible to include experts in all the subject matters covered by the WTO in the proposed ISDS appellate body. Nor is it easy to find many individual experts with a broad range of WTO expertise who can serve as appellate body members.

The goal of this part of the proposal is to ensure that somebody in the proposed appellate body will have demonstrated knowledge and experience in WTO issues so as to promote coherence between ISDS and the WTO system. The proposal does recognize the inability to equip the proposed ISDS appellate body with expertise in every single area covered by the WTO. It also takes note of the fact that the arbitral panel below would already include at least one arbitrator with demonstrated knowledge and expertise concerning the specific WTO obligations, such as TRIPS obligations in an intellectual property case. That panel would therefore have the capability to develop a strong record of the various WTO-related issues, concerns, and challenges involved, even if it ends up with a decision somewhat inconsistent with the prevailing interpretations of the TRIPS Agreement. Drawing on this record, the proposed ISDS appellate body should be able to make an informed decision. Members who are already familiar with the WTO and its obligations should be able to draw on their own experience and use analogical reasoning to examine the TRIPS-related issues identified by the arbitral panel as if those issues concerned their own field of expertise. They would also be in a good position to share their WTO experience with fellow members who do not have similar expertise.

Finally, beyond the two members who have been selected for their WTO expertise, additional WTO expertise might be found in those members of the proposed ISDS appellate body who have been selected by developed and developing countries – or, in the modified proposal, by high-income, middle-income, and low-income countries. If such additional expertise is present, the overall WTO expertise in the proposed appellate body would greatly increase. Thus, this part of the proposal strongly encourages the selection of members with a diverse and complementary range of WTO expertise. In doing so, the proposed ISDS appellate body would be well-equipped to handle ISDS cases covering many different WTO areas.

In sum, the cross-institutional setup in this two-part proposal would greatly enhance the quality of the ISDS mechanism. It would also promote coherence and cross-fertilization between

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<sup>97</sup> Peter K Yu, 'The Middle Intellectual Property Powers' in Randall Peerenboom and Tom Ginsburg (eds), *Law and Development of Middle-Income Countries: Avoiding the Middle-Income Trap* (CUP 2014).

that mechanism and the WTO dispute settlement process, thereby ensuring the healthy development of the international intellectual property regime.<sup>98</sup> Such cross-fertilization would further alleviate the problems posed by the increasing use of parallel proceedings to challenge intellectual property and intellectual property-related regulations in developing countries, such as those via WTO dispute settlement and ISDS.

## **Conclusion**

The ongoing intrusion of international investment norms into the intellectual property domain has ushered in major structural changes to the international intellectual property regime, sparking a potential second transformation. This transformation will affect the existing international minimum standards for protecting and enforcing intellectual property rights and the attendant limitations and exceptions. It will also create inconsistency, incoherence, and inequity within the international intellectual property regime.

In view of the challenges posed by the arrival of these new norms and their further intrusion into the intellectual property domain, this chapter proposes three solutions to curtail inappropriate and unnecessary intrusions and to improve the engagement of international intellectual property and investment norms. Although the chapter recognizes the inevitability that the international intellectual property regime will continue to evolve and be transformed, it suggests ways to protect the regime's integrity by utilizing those constitutional hedges that have been, or could be, erected around the intellectual property domain.

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<sup>98</sup> Grosse Ruse-Khan (n 78) 263–66; Ho (n 55) 464; Surya P Subedi, *International Investment Law: Reconciling Policy and Principle* (2nd edn, Hart Publishing 2012) 158; Yu (n 92).