



# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

CASE FOR ECONOMIC DEVELOPMENT

Ivan Stepanov  
MIPLC Alumni Conference 2019  
23.2.2019.

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

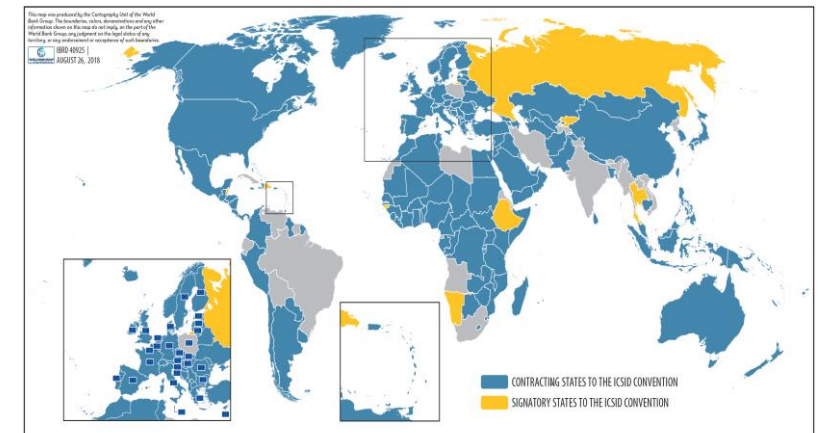
## Overview

- Relationship of IP, IIL and economic development
- Cross-section of IP and IIL
- *Salini* test
- *Philip Morris v. Uruguay* & *Bridgestone v. Panama*
- Remarks and conclusions

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## International Investment Law and Economic Development

- FDI as a contributor to economic development
- What is international investment law (IIL)?
- International Center for Settlement of Investment Disputes (ICSID)
- ICSID Convention and reference to economic development
  - „Considering the need for international cooperation for economic development, and the role of private international investment therein;”



ICSID Membership Map

source:  
[icsid.worldbank.org](http://icsid.worldbank.org)

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Intellectual Property and Economic Development

- IP as a facilitator of economic development through innovation, opening and developing markets, diffusion of information, etc.
- TRIPS Articles 7 & 8

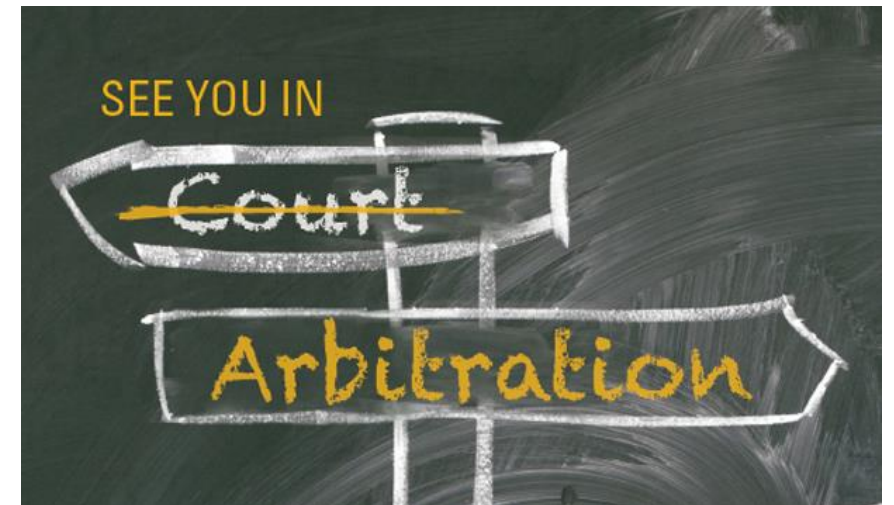
*“...to the mutual advantage of producers and users of technological knowledge and **in a manner conducive to social and economic welfare**, and to a balance of rights and obligations.”*

*...and **to promote the public interest in sectors of vital importance to their socio-economic and technological development**, provided that such measures are consistent with the provisions of this Agreement.”*

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

Defining IPRs as 'Investment' – the prerequisite for ISDS jurisdiction

- IPRs defined as an 'investment'
  - 1. Direct reference to a particular IPR (eg. patents)
  - 2. IPRs in general
  - 3. No direct reference; interpreted from the treaty text („any asset with expectations of profit“)
- Need to look elsewhere?



source:  
[www.flprobatelitigation.com](http://www.flprobatelitigation.com)

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Defining IPRs as 'Investment' - ICSID

- Defining something as an investment – two-barreled approach

- Article 25(1) ICSID Convention:

**“The jurisdiction of the Centre shall extend to any legal dispute arising directly out of an investment**, between a Contracting State (or any constituent subdivision or agency of a Contracting State designated to the Centre by that State) and a national of another Contracting State, which the parties to the dispute consent in writing to submit to the Centre. When the parties have given their consent, no party may withdraw its consent unilaterally.”

- Definitions do not inherently overlap but both need to be satisfied

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## *Salini* Test

- *Salini* criteria:
  - A substantial commitment or contribution of resources
  - Duration (not a one off transaction)
  - Assumption of risk
  - Regularity of profit and return
  - **Contribution to economic development of the host state**
- Issues with *Salini* – not a precedent, does not have a definite and stable form, jurisdictional requirement or typical elements ie it is not a *jurisprudence constante*



source:  
<http://www.sandboxadvisors.com>

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Salini in IP Cases – *Philip Morris v. Uruguay*

- Restrictions on the use of trademarks on tobacco packaging
- Uruguay lodges a jurisdictional challenge, questions the economic development contribution – smoking brings a net economic loss to society
- Tribunal does not agree with Uruguay – *Salini* not a requirement; economic development a consequence, not a condition; difficult to conduct ex-post analyses



Warnings on cigarette packets in Uruguay.  
Foto: Aldo Orellana.

source: [www.ip-watch.org](http://www.ip-watch.org)



# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Salini in IP Cases – *Bridgestone v. Panama* (1)

- Bridgestone and its subsidiaries have registered trademarks and trademark licenses in Panama
- Files opposition for a similar mark (Firestone), eventually loses the case before the Supreme Court of Panama and is ordered to pay damages to the applicant due to suspension of commercial activities

**BRIDGESTONE**



source:  
[www.rubbernews.com](http://www.rubbernews.com)

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Salini in IP Cases – *Bridgestone v. Panama* (2)

- Bridgestone sues under US – Panama TPA
- Panama lodges a jurisdictional challenge – TMs and licenses do not have characteristics of an investment
- Tribunal rejects the strict application of *Salini* but still goes on to conduct a full *Salini*-type analysis



Panama Canal – the largest investment in Panamanian history

source: [timesofindia.indiatimes.com](http://timesofindia.indiatimes.com)

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Salini in IP Cases – *Bridgestone v. Panama* (3)

- Tribunal defines what are trademarks and what are their functions – easy identification of producer's goodwill by the customers
- Goodwill is generated in two ways – manufacturing products with desirable qualities and investing in promotion and marketing
- “[T]he promotion involves the **commitment of resources** over a **significant period**, the **expectation of profit** and **the assumption of the risk** that the particular features of the product may not prove sufficiently attractive to enable it to win or maintain market share in the face of competition”

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Salini in IP Cases – *Bridgestone v. Panama* (4)

- A mere registration is not enough; trademarks are negative rights by nature
- “[C]onfers 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.”

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Salini in IP Cases – *Bridgestone v. Panama* (5)

- The situation changes when the trademark is actively used; use of trademark in the market
- “It will involve devotion of resources, both to the production of the articles sold bearing the trademark, and to the promotion and support of those sales. It is likely also to involve after-sales servicing and guarantees. **This exploitation will also be beneficial to the development of the home State.**”
- Applies mutatis mutandis to trademark licenses

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Remarks (1)

- If applied to IPRs *Salini* or similar tests help legitimize the introduction of IPRs into IIL:
  - No mere exclusionary practices, necessitates economic activities based around the IPR
  - The existence of some IPRs is inherently justified by use; revocation of trademarks for non-use and working requirement for patents
  - Corresponds with the investment justification of IPRs
- Concurrent with legal & economic theories and in line with the purpose of international legal instruments



source:  
[www.infoworld.com](http://www.infoworld.com)

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Remarks (2)

- However there are several issues:
  - Not necessarily applicable outside of ICSID jurisdiction
  - Defining and measuring economic development is not easy
  - Too much protection?



source::  
[www.flaticon.com](http://www.flaticon.com)

# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

## Conclusions

- *Salini* and economic development are here to stay
- The *Bridgestone* Tribunal created an analysis which other Tribunals can follow
- Interesting to see how this can be applied to other IPRs



# DEFINING INTELLECTUAL PROPERTY RIGHTS AS 'INVESTMENT' IN INTERNATIONAL INVESTMENT LAW

Thank you for your attention!

[ivan.stepanov@ip.mpg.de](mailto:ivan.stepanov@ip.mpg.de)