Protecting Intellectual Property under TRIPS, FTAs and BITs: Conflicting Regimes or Mutual Coherence?

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Outline

- IP Protection and Public Interest
- TRIPS Flexibilities
- ‘TRIPS-Plus’ IP Protection under FTAs and BITs
- Impact on Public Health related Policy Space under TRIPS
- Conflict or Coherence?
IP Protection and Public Interest

- IP rights provide **artificial exclusivity** to recoup investments and make profits

- **Rationale**: to incentivise new innovations or creations which are to the benefit of society and mankind

- IP regulation as a **trade-off** between a **protection-incentive** for market actors and **public access** to and dissemination of the resulting innovations and creations

- This balance is achieved by **limiting IP exclusivity** in time and in scope
IP Protection and Public Interest

Balancing **Exclusivity** and **Access**

- While IP incentivises the production socially useful goods such as innovative **new medicines**, higher yield promising seeds or climate change mitigating ‘**green’ technology’ …

- … IP rights enable the right holder to prevent others from using protected goods/services and so **limit access to these goods** by consumers, competitors and the public at large.

→ **Int. IP** has to provide sufficient **flexibility** for countries to set the ‘exclusivity-access balance’ tailored to the domestic needs
TRIPS Flexibilities

Doha Declaration on TRIPS and Public Health

3. We recognize that intellectual property protection is important for the development of new medicines. We also recognize the concerns about its effects on prices.

4. We agree that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all.

In this connection, we reaffirm the right of WTO Members to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose.
TRIPS Flexibilities

Doha Declaration (contd.)

5. (...) we recognize that these flexibilities include:

- In applying the customary rules of interpretation of public international law, each provision of the **TRIPS** Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its **objectives and principles**.

- Each Member has the **right to grant compulsory licences** and the **freedom to determine the grounds** upon which such licences are granted.

- Each Member has the **right to determine** what constitutes a **national emergency** or other **circumstances of extreme urgency**, it being understood that public health crises, including those relating to **HIV/AIDS, tuberculosis, malaria and other epidemics**, can represent a national emergency or other circumstances of extreme urgency.
TRIPS Flexibilities

Concept of ‘Negative Rights’

“The TRIPS Agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement.” (WTO Panel in EC – Geographical Indications)

→ Limits on Exploitation of IP protected goods (e.g. price controls) do not affect (negative) IP rights
TRIPS-plus standards in FTAs and BITs

IP Chapters of FTAs

- US – Australia, Art.17:9.7: Limiting the grounds for granting compulsory licenses to “remedy a practice determined after judicial or administrative process to be anticompetitive” and “cases of public non-commercial use, or of national emergency, or other circumstances of extreme urgency”

- EC – CARIFORUM EPA:
  - Art. 139:2: “Nothing in this Agreement shall be construed as to impair the capacity of the Parties and the Signatory CARIFORUM States to promote access to medicines.”
  - Art.147 B: Recognising the “importance of the Doha Declaration” for the issue of patents and public health.
TRIPS-plus standards in FTAs and BITs

IP Protection under BITs

- IP rights as **protected investment** (see e.g. Germany – Pakistan BIT Art.8; US – Ecuador BIT Art.1 (a) (iv))
- What follows from the application of **substantive investment protection standards** to IP rights?
  - ‘fair and equitable treatment’
  - ‘full protection and security’
  - prohibition of (direct or indirect) ‘expropriation’
  - prohibition of performance requirements relating to technology transfer or ‘other proprietary knowledge’

→ In particular, do these standards afford protection for IP which curtails the flexibilities under TRIPS?

- Role of **investor – state arbitration** for IP
TRIPS-plus standards in FTAs and BITs

CLs in Ecuador as (Indirect) Expropriation?

Art.III:1 US – Ecuador BIT:

“Investments shall not be expropriated or nationalized either directly or indirectly through measures tantamount to expropriation or nationalization ("expropriation") except:

● for a public purpose;
● in a nondiscriminatory manner;
● upon payment of prompt, adequate and effective compensation;
● and in accordance with due process of law and the general principles of treatment provided for in Article II (3).” [referring to fair and equitable treatment & full protection and security standards]
TRIPS-plus standards in FTAs and BITs

(Customary IL?) Criteria for Expropriation

- **Direct expropriation**: “formal transfer of title or outright seizure” (US Model BIT, Annex B sec.3)
- **Indirect expropriation**: “action or series of actions” which “has an effect equivalent to direct expropriation” – requiring “a case-by-case, fact-based inquiry that considers, among other factors:
  - the **economic impact of the government action**, although the fact that an action or series of actions by a Party has an adverse effect on the economic value of an investment, standing alone, does not establish that an indirect expropriation has occurred;
  - the extent to which the government action **interferes** with distinct, **reasonable investment-backed expectations**; and
  - the **character of the government action**.”
TRIPS-plus standards in FTAs and BITs

Application to CLs by Ecuador

- **Significant economic impact** of CL: → royalties based on the price of generic versions

- **Reasonable expectations** flowing from the grant of patent? → IP exclusivity is not absolute and CLs are an internationally accepted limitation (Art.31 TRIPS): Expectations of the patent holding investor are *a priori* limited by the regulatory tools which the domestic IP law of the host state foresees

- **Character** of Gov Action: “Except in rare circumstances, nondiscriminatory regulatory actions by a Party that are designed and applied to protect legitimate public welfare objectives, such as public health, safety, and the environment, do not constitute indirect expropriations.” → Here public health or industrial policy objective?
Impact on Public Health Flexibilities under TRIPS

IP Chapters in FTAs
→ Unless specific safeguard clauses exist, certain TRIPS-plus standards curtail TRIPS flexibilities

IP Protection under BITs
→ Depending on the individual circumstances, CLs might considered as indirect expropriations
→ Safeguarding TRIPS flexibilities via consistency clauses: standards on expropriation do “not apply to the issuance of compulsory licenses granted in relation to intellectual property rights in accordance with the TRIPS Agreement.” (see e.g. US Model BIT)
→ However: In Investor-State disputes, the host state may have to prove TRIPS consistency…
TRIPS, FTAs and BITs – Conflict or Coherence?

Applicable ‘Conflict Norms’

- **Art.1:1 TRIPS** & Principle of **Minimum Standards** in Int IP Law:
  - IP treaties generally set only a ‘floor’ of minimum standards – subsequent treaties add new layers of protection
  - TRIPS equally allows Members to provide additional IP protection – provided that it “does not contravene the provisions of the Agreement.”

- **Can curtailing TRIPS flexibilities amount to ‘contravening’ the respective TRIPS norms?**

  → A decision of a WTO Member not to implement an optional TRIPS flexibility is also a way of exercising the “right to use” (Doha Decl.) this flexibility

  → Hence no ‘conflict’ from TRIPS perspective…
Applicable ‘Conflict Norms’ (contd)

- In some FTAs, ‘safeguard clauses’ ensure ability to use (public health) flexibilities under TRIPS (see Art.139:2, 147.B EC – CARIFORUM EPA)
- General WTO- or TRIPS consistency clauses in FTAs however cannot safeguard TRIPS flexibilities
- In FTA Investment Chapters & BITs, specific safeguard clauses for TRIPS consistent compulsory licenses prevent expropriation standards to curtail some TRIPS flexibilities (but subject them to Investor-State disputes)
- These clauses however sometimes rely on own TRIPS-plus IP standards as consistency-benchmark
  → From FTA/BIT perspective, specific safeguard clauses may uphold TRIPS flexibilities; general clauses do not
Thank you for your attention!

Any comments and critique to
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