Analysis of Implicit & Explicit IP Clauses in IIAs

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The research which underpins this publication has as its point of departure, a targeted empirical analysis of intellectual property provisions in a sample group of international investment agreements (IIAs) concluded between 1994 and 2013. Based on the findings of this empirical investigation, it develops a typology of investment-based intellectual property provisions and a broad classification of treaties, for the period indicated.

The primary intent of this empirical exercise was to determine the scope and subject matter of explicit and implicit intellectual property provisions in IIAs, with a view to providing a comprehensive analysis of the legal content and scope of the protection for IP rights in IIAs. This empirical analysis provides a structure around which the legal arguments put forward in this thesis are built, as it identifies the extent to which protection for IPRs is explicitly and implicitly embedded within investment treaty drafting. The research for this thesis also included in-depth qualitative research on treaty negotiating documents from the Uruguay Round, in addition to available NAFTA negotiating documents. It uses economic and financial data available for international mergers and acquisitions and foreign direct investment flows in intellectual property intensive industries, such as pharmaceuticals. Further data used includes investment claim case and evidence documents, along with judgements from court cases directly related to IP investment claims. This thesis is also underpinned by secondary sources from investment law, IP Law, international commercial arbitration, property law and theory, as well as economic policy and theory.

A purposive sampling method was used to identify the group of treaties for this study. The treaties reviewed include BITs and FTA investment chapters concluded between 1994 and 2013, by the top 12 performing countries in the WIPO Global Innovation Index (GII) 2014. The WIPO GII ranking was used as a filter to select the countries and treaties included in the sample. It was theorised that those countries which featured at the top of the ranking were more likely to a.) have highly developed intellectual property systems; b.) engage in moderate to intensive IIA treaty making; c.) be net exporters of foreign direct investment and; d.) were more likely to seek the conclusion of IP intensive treaties. From this observation it could be extrapolated that the IP and investment treaty practices of these countries were more likely to have been diffused throughout the international legal system, having deep and lasting regulatory impact, due to their dominant position as net owners of IP assets and net exporters of capital.[1] It is therefore more likely that the law-

[1] Teubner, Legal Irritants: Good Faith in British Law or How Unifying Law ends up in New Divergences, 61 *Mod. L. Rev*. 11 (1998) For a comprehensive analysis of norm diffusion see Sandra Lavanex, The Power of Functionalist Extension: How EU Rules Travel, *Journal of European Public Policy*, 2014, vol. 21, no. 6, p. 885-903, The process of norm diffusion over time in the EU's Relationship with the Africa, Caribbean and Pacific Grouping is an instructive example of how economic and information/knowledge(proprietary knowledge) asymmetries can spread the rules of the stronger treaty negotiating partner throughout the system. As such a group of likeminded countries as those ranking toward the top of the WIPO Global Innovation Index, will be negotiating IP treaties with each other and third partners, which contain clauses that disproportionately privileges the protection of knowledge assets. See also Annika Björkdahl, Norm-maker and Norm-taker: Exploring the Normative Influence of the EU in Macedonia, *European Foreign Affairs Review,* (10) 257-278, 2005

making and dispute settlement activities of these countries, would not only be representative of accepted legal practice, but also influence the activities of other state actors engaging in asymmetric trade and investment negotiations with them.[2] Many of these countries such as Switzerland and the United States, have also concluded large numbers of IIAs with both developing and developed countries.

Taking into consideration the previous assumptions, it was determined that the treaty making practices of the top 12 performing economies in the WIPO Global Innovation Index (GII) would cover a significant proportion of treaty-based regulatory and economic activity for intellectual property. Because such countries are in an advantageous negotiating position with respect to IP ownership, it is logical that their treaty-making practices would more readily be adopted by their negotiating partners, who seek access to these knowledge assets. I was also more likely that such countries, would attempt to create cross-border devices to harmonise their respective IP systems. On this basis it was assumed that these countries would have an increased incentive to propose investment treaty-based IP provisions that extend beyond the minimum standards for intellectual property protection under TRIPS, which would be reflected in their general IIA drafting practice.

While IIAs are ubiquitous, only a hand full of developed and emerging economies account for a significant proportion of treaties in force,[3] covering a larger share of global foreign direct investment flows, as well as the majority of IP rights granted, used and traded in the global economy.[4]

The treaty sample for this thesis included 40 international investment agreements (IIAs) selected from the IIA database of the United Nations Conference on Trade and

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[2] See Cornell University, INSEAD, and WIPO (2014): The Global Innovation Index 2014: The Human Factor In innovation, Fontainebleau, Ithaca, and Geneva Cornell University, INSEAD, and WIPO (2013): The Global Innovation Index 2013: The Local Dynamics of Innovation, Geneva, Ithaca, and Fontainebleau.

[3] See The 2003 Singapore-Australia Free Trade Agreement contains an investment chapter with extensive intellectual property provisions, alongside an intellectual property chapter which specifically states in article l3 (i) that , 'The purpose of this Chapter is to increase the benefits from trade and investment through the protection and enforcement of intellectual property rights.' 2003 Singapore-Australia Free Trade Agreement (SAFTA) http://www.dfat.gov.au/fta/safta/; Other treaties containing similar investment and intellectual property chapters are the 2010 Costa Rica- Singapore FTA, 2008 Canada Peru-FTA, 2009 Switzerland-Japan FTA. More recently the 2014 FTA between the European Union and Canada (CETA) includes an extensive investment chapter which provides for investor state dispute settlement. However, the treaty contains further provisions on limiting the subject matter

40 See Cornell University, INSEAD, and WIPO (2014): The Global Innovation Index 2014: The Human Factor In innovation, Fontainebleau, Ithaca, and Geneva Cornell University, INSEAD, and WIPO (2013): The Global Innovation Index 2013: The Local Dynamics of Innovation, Geneva, Ithaca, and Fontainebleau. UNCTAD, Global Investment Trends, Chapter 1 of *The World Investment Report*, 2014, 2015, 2016, 2017

[4] Ibid in Chapter 1 Global Trends, World Investment Report 2018, In 2017 the top outward investors were developed economies. The flow of outward investment from developed stood at $1 trillion in 2017, having only declined by 3%. Developed countries' share of global outward FDI flows remained at 71% from the previous year. Outward FDI flows from developing economies declined to $381 billion, primarily due to a 36% decrease in capital out-flows from China. FDI out-flows from China stood at $125 billion in 2017. Outflows from transition economies rose 59 per cent to $40 billion. In 2017 the United States was the largest recipient of FDI, attracting $275 billion in inflows, with China in second place, showing record inflows of $136 billion, despite an initial slowdown in the first half of 2017.

Development (UNCTAD). For the main sample group of treaties analysed, IIAs are defined as bilateral investment agreements, plurilateral investment agreements and investment chapters of free trade agreements (FTAs).[5] Free trade agreements often contain extensive intellectual property chapters alongside investment chapters;[6] which may have the effect of extending the scope of investment protection to aspects of intellectual property law not anticipated by the TRIPS Agreement or the ICSID Convention. They also act as a device which provides the possibility to modify the territorial principle within the IP system, toward a decentralised legitimation of property rights. The treaties reviewed for this monograph are taken from more than 2600 bilateral investment agreements and FTA investment chapters [in force]. Where necessary, the World Trade Organization's database of notified regional trade agreements was used to provide contextual information on additional IP obligations of the states surveyed.

For countries within the European Union, it was decided to exclude as much as practicable intra-EU BITs and older extra-EU BITs signed by single member states.[7] This is related to

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[5] UNCTAD Series in Issues in International Investment Law, Scope and Definition International Investment Agreements II, 2011

[6] The 2003 Singapore-Australia Free Trade Agreement contains an investment chapter with extensive intellectual property provisions, alongside an intellectual property chapter which specifically states in article l3 (i) that , 'The purpose of this Chapter is to increase the benefits from trade and investment through the protection and enforcement of intellectual property rights.' 2003 Singapore-Australia Free Trade Agreement (SAFTA) http://www.dfat.gov.au/fta/safta/; Other treaties containing similar investment and intellectual property chapters are the 2010 Costa Rica- Singapore FTA, 2008 Canada Peru-FTA, 2009 Switzerland-Japan FTA. More recently the 2014 FTA between the European Union and Canada (CETA) includes an extensive investment chapter which provides for investor state dispute settlement. However, the treaty contains further provisions on limiting the subject matter

[7] See the opinion of the Advocate General explaining that the EU does not have exclusive competence to conclude the Singapore – EU FTA, Opinion of Advocate General Sharpston 21st December 2016 (1) Opinion procedure 2/15 initiated on request of the European Commission for an Opinion pursuant to Article 218(11) TFEU — Conclusion of the Free Trade Agreement between the European Union and the Republic of Singapore — Allocation of competences between the European Union and the Member States, See also the contrary opinion of the European Court of Justice, Opinion2/15 of the Court (Full Court) 16 May, 2017 - Opinion Pursuant to Article 218 (11) TFEU, Investment protection, international trade and intellectual property regulation are perceived as falling within the common commercial policy as provided for in Article 207(1) TFEU and, therefore, within the European Union's exclusive competence pursuant to Article 3(1)(e) TFEU. The struggle to determine the with clarity the nature of the EU's competence with respect to conclusion of new generation mixed agreements containing trade, investment and intellectual property provisions is clear from the analytic discussion in the ECJ opinion regarding the Free Trade Agreement between the European Union and Singapore. Paragraphs 31 to 39 of the Opinion state that, "…it must be examined whether the provisions of the envisaged agreement fall within the exclusive competence of the European Union, a competence shared between the European Union and the Member States, or a competence of the Member States alone. In the light of the subject matter and objectives of the envisaged agreement, which, as stated in Articles 1.1 and 1.2 thereof, consist in 'establish[ing] a free trade area' and 'liberalis[ing] and facilitat[ing] trade and investment between the Parties', it should be examined at the outset to what extent the agreement's provisions fall within the exclusive competence of the European Union — referred to in Article 3(1)(e) TFEU — relating to the common commercial policy." The commitments in the Singapore-EU FTA The commitments contained in the envisaged agreement relate to (i) market access, (ii) investment protection, (iii) intellectual property protection, (iv) competition and (v) sustainable development. Pursuant to Article 3(1)(e) TFEU, has exclusive competence on common commercial policy; meaning that Article 207(1) TFEU, relating to the policy provide that it 'shall be based on uniform principles, particularly with regard to changes in tariff rates, the conclusion of tariff and trade agreements relating to trade in goods and services, and the commercial aspects of intellectual property, foreign direct investment, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies. The common commercial policy shall be conducted in the context of the principles and objectives of the Union's external action'." See also Catherine Titi, International Investment

the uncertain status and legal effect of these BITs, pursuant to the exclusive competence given to the European Union within the sphere of trade and investment negotiations.[8] Furthermore, the regulation and enforcement of IP rights across the EU's internal borders is dealt with by EU Directives[9], as well as the case law of ECJ and the ECtHR. The research conducted excludes any potential effects of Brexit for the UK on FTAs, BITs, EPAs, and any intra-EU BITs; as the legal fall-out from the UK's position remains uncertain time of writing.

The period of analysis 1994 to 2013, was separated into three blocks: 1994-2000, 2001-2007, and 2008-2013. 1994 was chosen as the starting point, as it was hypothesized that the entry into force of the TRIPS Agreement was likely to trigger a change in the intellectual property content of IIAs for all countries in the sample. Empirical studies show that trade agreements signed after the TRIPS agreement, were more likely to contain clearly defined intellectual property provisions, and that these provisions became more numerous and more complex over time.[10] A sample of two to three treaties was chosen for each of the top 12 ranking countries in the GII, to provide representative look at each country's treaty drafting practice. Many knowledge intensive developed economies have model BITs which constitute their starting position in trade and investment negotiations. Ireland is the only country among the top 12 that had no IIAs in force at the time of data gathering for this publication. Ireland's lone BIT with the Czech Republic concluded in 1997, was terminated. At present, Ireland is only party to IIAs by virtue of its membership in the European Union Economic Partnership treaty programme, in-keeping with the competence given to the European Commission for investment and trade in the Lisbon treaty.

The IIAs analysed were separated into two groups consisting of a.) BITs, plurilateral investment agreements and FTA investment chapters and b.) hybrid investment-trade treaties or EPAs. Only four hybrid treaties could be studied for this thesis due to research constraints. The approach to investment and intellectual property in these agreements were significantly different to that of BITs and FTA investment chapters. Both intellectual

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Law and the European Union: Towards a New Generation of International Investment Agreements, *The European Journal of International Law* Vol. 26 no. 3, 2015, Siegfried Fina and Gabriel M. Lentner, The Scope of the EU's Investment Competence After Lisbon, *Santa Clara Journal of International Law*, Vol, 14 no. 2, 2016, Vaughne Miller, UK House of Commons Briefing Paper, Number CBP 7192, 28 March 2016, EU External Agreements: EU and UK procedures, See Regulation (EU) No 1219/2012 of the European Parliament and of the Council of 12 December 2012 establishing transitional arrangements for bilateral investment agreements between Member States and third countries, See Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers

[8] Ibid

[9] Corrigendum to the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004), See European Commission Staff Working Document - SWD(2018) 47 final, Report on the Protection and Enforcement of Intellectual Property Rights in Third Countries, Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No. 1383/2003

[10] Raymundo Valdes and Runyowa Tavengwa, 'Intellectual Property in Regional Trade Agreements', World Trade Organization Economic Research and Statistics Division – Staff Working Paper ERSD-2012-21. This is the most comprehensive empirical study available which looks at the content and scope of intellectual property provisions in RTAs.

property and investment are incorporated throughout these hybrid treaties, in clauses addressing different kinds of economic activities. It is necessary to develop a separate analytical framework for assessing these treaties, which is beyond the scope of this research. The text of BITs, plurilateral agreements and FTA investment chapters were analysed to determine which clauses contained explicit and implicit references to protection of intellectual property. This facilitated the creation of a typology of clauses occurring across the sample group.

Limitations of the Research

A number of the countries included in the sample group are members of the European Union[11], as such a few of the agreements included in this study are identical for these European countries. In the case of Luxembourg, all of its IIAs are concluded as part of the Belgium, Netherlands, and Luxembourg Customs Union.[12] One of the treaties included for Switzerland was concluded as part of Switzerland's membership in the European Free

[11] After the entry into force of the Lisbon Treaty, the European Commission was given exclusive competence over matters involving foreign direct investment for its members. TFEU Article 207 (ex-Article 133 TEC) 1. The common commercial policy shall be based on uniform principles, particularly with regard to changes in tariff rates, the conclusion of tariff and trade agreements relating to trade in goods and services, and the commercial aspects of intellectual property, foreign direct investment, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies. The common commercial policy shall be conducted in the context of the principles and objectives of the Union's external action.
2. The European Parliament and the Council, acting by means of regulations in accordance with the ordinary legislative procedure, shall adopt the measures defining the framework for implementing the common commercial policy. 3. Where agreements with one or more third countries or international organisations need to be negotiated and concluded, Article 218 shall apply, subject to the special provisions of this Article. The Commission shall make recommendations to the Council, which shall authorise it to open the necessary negotiations. The Council and the Commission shall be responsible for ensuring that the agreements negotiated are compatible with internal Union policies and rules. The Commission shall conduct these negotiations in consultation with a special committee appointed by the Council to assist the Commission in this task and within the framework of such directives as the Council may issue to it. The Commission shall report regularly to the special committee and to the European Parliament on the progress of negotiations. 4. For the negotiation and conclusion of the agreements referred to in paragraph 3, the Council shall act by a qualified majority. For the negotiation and conclusion of agreements in the fields of trade in services and the commercial aspects of intellectual property, as well as foreign direct investment, the Council shall act unanimously where such agreements include provisions for which unanimity is required for the adoption of internal rules. The Council shall also act unanimously for the negotiation and conclusion of agreements: (a) in the field of trade in cultural and audiovisual services, where these agreements risk prejudicing the Union's cultural and linguistic diversity; (b) in the field of trade in social, education and health services, where these agreements risk seriously disturbing the national organisation of such services and prejudicing the responsibility of Member States to deliver them. 5. The negotiation and conclusion of international agreements in the field of transport shall be subject to Title VI of Part Three and to Article 218. 6. The exercise of the competences conferred by this Article in the field of the common commercial policy shall not affect the delimitation of competences between the Union and the Member States, and shall not lead to harmonisation of legislative or regulatory provisions of the Member States in so far as the Treaties exclude such harmonisation.
[12] The treaty establishing the Benelux Economic Union was signed in 1958 and came into force in 1960. Article 233 of the Treaty Establishing the European Economic Community of 1958 made provision for the existence of the Benelux Economic Union as a separate entity. The initial Benelux treaty was signed for 50 years and expired in 2010. Instead of renewing the old treaty, a new agreement was signed in 2008, establishing the Benelux Economic Union. This treaty came into force in 2012.

Trade Association (EFTA)[13]. IP provisions in mixed investment-trade treaties (EPAs) are not included in the typology developed for IP clauses, nor are they addressed in this thesis. It was noted that references to IP in these treaties were diffuse and couched in best efforts language. Overall, these types of agreements do not subject States parties to express legal obligations on IP and investment. They do not figure prominently in the subject matter of this publication, as their complexity warrants separate analysis. This goes beyond the scope of the subject matter addressed in this monograph.

Additionally, IP protection through investor-state contracts are not addressed here. Like IIAs, standard investor-state contracts do contain provisions protecting intellectual property and do provide for international investment arbitration. Many host states who often appear to have no record of IIAs, have in reality, concluded multiple investor-state contracts. However, most such contracts are private, and are not included in any publicly available databases, so that disputes arising under such state-investor contracts, are often subject to similar confidentiality restrictions as are applied in international commercial arbitration.[14] However, excerpts of disputes arising from such contracts are sometimes made public when they intersect with the regulation of important public policy goals such as health, environment or land management.[15] None of the disputes publicly available during the time of drafting this thesis, concerned breach of an intellectual property provision, nor damage to, or expropriation of intellectual property rights arising from an investor-state contract. It is therefore not possible to include them in our empirical assessment.

IP and investment provisions in hybrid economic partnership agreements have a significantly different structure from those included in BITs, plurilateral investment agreements and FTA investment chapters. They tend to contain a mix of soft law, open-ended clauses alongside more statute-like IP provisions. There is often no clearly defined investment chapter in such agreements. As a result, they were not included in the typology

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[13] The EFTA includes, Iceland, Lichtenstein, Norway and Switzerland. Former EFTA member states include Austria, Denmark, Portugal, Sweden, Finland and the United Kingdom. The EFTA has signed FTAs with a number of countries in Eastern Europe, Africa and Asia. It has 25 free trade agreements with a total of 35 partners outside the EU: Albania, Bosnia and Herzegovina, Canada, the Central American States of Costa Rica and Panama, Chile, Colombia, Egypt, the Gulf Cooperation Council (GCC; comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong China, Israel, Jordan, the Republic of Korea, Lebanon, Macedonia, Mexico, Montenegro, Morocco, the Palestinian Authority, Peru, Serbia, Singapore, the Southern African Customs Union (SACU; comprising Botswana, Lesotho, Namibia, South Africa and Swaziland), Tunisia, Turkey and Ukraine. (Source: http://www.efta.int/sites/default/files/publications/this-is-efta/this-is-efta-2015.pdf)

[14] See Patrick Dumberry, 'International Investment Contracts', in Tarcisio Gazzini and Eric de Brabandere in *International Investment Law: The Sources of Rights and Obligations*,Martinus Nijhoff Publishers, Leiden: Boston, 2012, See UNCTAD Series on issues in international investment agreements, State Contracts, UNCTAD/ITE/IIT/2004/11, See also William Kenny, "Transparency in Investor State Arbitration", *Journal of International Arbitration*, Vol. 33, No. 5, 2016, 471-500

[15] A prime example of this is the dispute in RSM Production Corporation v. Saint Lucia, ICSID Case No. ARB/12/10 which arises out of an investor-state petroleum exploration and exploitation contract. Saint Lucia has only two BITs in force, none of which have been concluded with the United States (the home state of RSM Production Corporation). Consent to arbitration in this dispute arises solely from claimant's perception of a breach of the investor-state contract, which had remained a private agreement between the Government of Saint Lucia and RSM Production Corporation until filing of the investment claim.

developed for IP provisions. However, they seem to represent an emerging treaty drafting approach in dealing with the problem of IPR harmonisation and investment protection.

Preliminary Analysis of Findings on IP Clause Types in IIAs

The IIAs included in the research for this thesis were those concluded by the top performing countries in the WIPO Global Innovation Index for 2014.[16] It is important to note that these countries were also the top performing countries for the GII in 2013. They included Switzerland, Sweden, the United Kingdom, Finland, the Netherlands, the United States, Singapore, Denmark, Luxembourg, Hong Kong, Ireland and Canada.[17] There have been very few drastic changes in the highest scoring countries, since the establishment of the GII. Many of the countries at the top of the GII can be defined as 'IP demanding' with respect to regulation and enforcement. Many of the top performing countries in the GII have been at the forefront of international norm-setting in intellectual property. As such their national laws and international economic interests have exerted significant influence on the structure of international intellectual property agreements such as TRIPS and the WIPO treaties. Their intellectual property interests are reflected in their bilateral investment treaty programs, or in free trade agreements. These treaties represent an additional layer of regulation, which is aimed at gaining both higher levels of protection and harmonisation than what is currently possible under the WTO/WIPO multilateral IP regime.

This section will briefly outline the typology used for classifying the explicit and implicit intellectual property provisions found in the 40 IIAs analysed. It will then provide an analysis of the previously described typology of IP provisions. The scope, content and

[16] From a reading of the WIPO Global Innovation Index from 2013 to 2017, the report appears to attempt to provide both empirical and qualitative information about the state of global innovation and creativity and the integral role of intellectual property rights as part of innovation. The report describes the method by which it achieves its results as a composite of input and out sub-index scores. Indicators in the input sub-index capture country economic data enabling innovative activities such as institutions; human capital and research; infrastructure; market sophistication; and business sophistication. Indicators in the output sub-index focus on capturing activities which are the results of innovative activities. These include knowledge and technology outputs (which would include patents; semi-conductor layouts; industrial designs) and creative outputs such as music; cinematographic and literary works, fine arts (covered by copyright, geographical indications etc.). Though the GII focuses on comparison of innovation, creativity and intellectual property rights across countries, more recent iterations of the index have begun to consider geographic clusters which are sites of innovation creation and output. This reflect an economic analysis approach from theories associated with industry clusters and global value chains. However, the country as a unit remains the basis for comparing innovation activities across the world. The innovation ranking by country confirms the hypothesis that knowledge intensive economies have more sophisticated IP legal regimes and tending to conclude more IP intensive IIAs, both among themselves and with developing and transition economies. The 2017 ranking has not witnessed much movement1. Switzerland,2. Sweden, 3. Netherlands, 4. United States of America, 5. United Kingdom, 6. Denmark, 7. Singapore, 8. Finland, 9. Germany, 10. Ireland. There has been very little movement among the top 25 economies, save few China which entered the top 25 in the 2016 GII and has now moved to the 22nd place in the 2017 report. The GII provides an effective analytical base for identifying which countries have the most impact on the international legal environment in intellectual property, international trade and international investment regulation.

[17] Since 2013 very little has changed regarding the countries filling the top places in the global ranking.

legal effect of the identified clauses will be analysed later in this monograph. The 40 IIAs included in this study were analysed to determine the number of explicit and implicit intellectual property related clauses which they contained. The clauses were then classified according to subject matter and intended function. A typology of explicit and implicit IP clauses included in investment agreements was developed on this basis. The most common clauses which appeared in all 40 treaties were explicit provisions

1.) designating intellectual property as an investment to be protected;

2.) intellectual property could also be presumed to be implicitly protected by several treaty provisions also referring to protection for intangible property/assets] and;

3.) explicit protection for IPR earnings can be seen in clauses referring to returns and transfers of royalties and fees accruing from IP investments.

Expropriation provisions are also increasingly used to incorporate IP regulation into IIAs. Several treaties contained explicit carve-out clauses whose *prima facie* purpose is excluding compulsory licenses from the normal disciplines of expropriation. However, such 'safe-guard' clauses also attached conditions to the host state's power to create or revoke an intellectual property right. On their face, these clauses are structured as safeguard mechanisms, intended to assure the host state's right to regulate in relation to the issuance of a compulsory licenses, and the issuance of IPRs in general. However, they serve a dual purpose, allowing foreign investors to challenge the host state's IP laws, [and its implementation of said laws] in compliance with relevant multilateral and plurilateral intellectual property treaty obligations.

Another important type of clause contained in a hand full of the treaties surveyed, referred to prohibition of performance requirements, citing prohibitions or limitations regarding transfer of technology and local content or local working requirements. These are normally included within a general clause on performance requirements relating to the operation of an investment. The purpose of these clauses is to ensure that a requirement to transfer technology cannot be made a mandatory condition for admission of an investment. Many countries often request that an investor include a certain percentage of local inputs, hire a certain percentage of local people, or specify local investment partners as a mechanism to develop local industry and spur acquisition of proprietary know-how. However foreign investors and their home states often perceive this as interference with intellectual property rights or undisclosed business information, and as counterproductive to the success of an investment, bordering on IP expropriation. For this reason a number of states have included clauses, that on their face prohibit non-specific performance requirements, but when read in conjunction with other treaty clauses amount to a severe restrictions, on any kind of requirement to share proprietary knowledge with local business or state entities.

Clauses eschewing technology transfer, potentially scupper some of the policy goals of TRIPS flexibilities. For example, TRIPS Article 66.2 provides that,

> *"Developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base."*

Difficulties with legal issues such as prohibition of performance requirements were anticipated. Consequently, Article 11.2 of the Doha Ministerial Decision on Implementation - Related Issues reaffirms Article 66.2 as mandatory and established the TRIPS Council to monitor obligations.

Several treaties also contained clauses referring to disclosure of sensitive business information. Such clauses may be interpreted as offering legal cover to information, which is not covered by standard IPRs, but forms part of an investment operation in the territory of the host state. This allows the investor to have direct access to protection under the law of trade secrets trade secrets. Non-precluded measures or national security clauses are also implicitly related to the protection of intellectual property under IIAs. The creation, issuance or revocation of IPRs is intrinsically linked to the host state's right to regulate. Therefore, the non-precluded measures clauses (NPMs) which safeguard the host state's right to regulate in light of its essential security interests, are implicitly related to an investor's exercise of their IPRs, particularly when compulsory licenses are sought.[18] NPM clauses are frequently drafted as provisions protecting the essential security interests of the host state or provisions referring to the legal concept of 'public order or public policy'. In emergency public health situations, essential security interest clauses can provide an added legal tool, facilitating the host states' issuance of TRIPS compliant compulsory licenses. The typology of the clauses identified in the sample group of treaties is listed below.

Clause Typology

1. **Clauses Designating IP as an Investment [IP as a protected property right within an investment operation]**
2. **Returns Clauses [a. Protection for royalties and related payments collected in the host state; b.) Protection for the right to transfer these royalties and related IP payments to the investors' home state or outside the territory of the host state]**
3. **Compulsory Licensing and Expropriation Clauses [Carve-out of compulsory licensing from expropriation]**
4. **Transfer of technology Clauses and Performance Requirements [Preclusion of transfer of technology and prohibition of performance requirements]**
5. **Disclosure [Referring to undisclosed business information or trade secrets]**
6. **Essential Security Interests or Public Order Clauses [Exceptions for public order/public policy related IP measures]**

The data collected shows that clauses referring to compulsory licensing, technology transfer, disclosure and essential security interests or public order are almost exclusively found in the IIAs concluded by the United States and Canada. In the case of expropriation provisions related to compulsory licensing, the two exceptions are the 2006 Switzerland-Colombia BIT and the 2001 Denmark-Kuwait BIT.

[18] Burke White, Andreas Von Staden, "Investment Protection in Extraordinary Times: The Interpretation and Application of Non-Precluded Measures Provisions in Bilateral Investment Treaties", 48 VA. J. Int'l L. 307 (2008)

Returns and Transfers

Transfer or returns clauses perform an important function within the context of IIAs; they refer to earnings derived from a covered investment. All IIAs contain provisions indicating the scope of investment related earnings that qualify as 'returns' which have been authorised to be transferred outside of the host state. The structure of provisions referring to transfers takes on a two-fold character. They first address the protection of the earnings, then the right or ability of the investor to transfer these funds outside of the host state. All investment agreements reviewed contained clauses allowing returns associated with covered investments to be freely transferable outside of the host state. Article 5 of the 1999 United States-Bahrain BIT permits all transfers relating to a covered investment to be made freely and without delay into and out of the territory. They often define 'returns' as, *'all amounts yielded by an investment and in particular, though not exclusively, include profits, interest, capital gains, dividends, royalties, fees or other current income.'*[19] Royalties and other kinds of fees related to intellectual property as a covered investment under a specific treaty, are thus protected. Transfer and return clauses therefore offer additional legal protection for the right of remuneration, which is an exclusive right within the bundle of rights granted to IP owners.

In addition to defining and protecting investment returns, IIAs also contain provisions which safeguard the transfer of these funds. In all the BITs analysed for this paper, 'returns' or 'transfer' clauses employing a variety of textual formulations, define 'returns' as including, amounts yielded by an investment including any profits, interest, capital gains, dividends, **royalties or fees.** Therefore, royalties and fees accruing from intellectual assets which are considered part of an investment operation, within the definition of an IP investment. This provides additional protection for economic rights, which are an inherent part of the grant of an intellectual property right under national laws. Provisions dealing with 'royalties and fees' are an effort by treaty drafters to ensure investors' ownership of these funds, along with rights to repatriate or transfer these funds outside of the host state.

Additional clauses addressing transfer of funds, guarantee that foreign investors are free to transfer the returns from any investment on a non-discriminatory basis. Article 8(1) d of the Singapore-Czech Republic BIT 1995 provides that transfers shall be made in freely convertible currency and shall include, '*royalties or other fees in relation to intellectual property rights or goodwill'*. The two related provisions, one defining the term returns and the other protecting the transfer of said returns, together protect the exclusive rights of IPR owners, meaning the entitlement to fees for providing access; and the right to cross-border transfer of fees, as part of profits associated with an investment operation in the host state. Returns and transfer clauses are thus directly related to the categories of intellectual property included in the definition of investment for a given IIA. Revenues generated by all types of IPRs designated as covered investments are thus classified as returns, and a freely transferable. It should be emphasized that the lists of IPRs included in IIAs are not exhaustive. Since investments must be made in accordance with host state law and foreign investors benefit from national treatment, revenues from any category of

[19] Article 1(k) Canada-Latvia BIT

IPRs recognized under host state law, even if not expressly included in the treaty text, are deemed to be returns that are freely transferable.

Drafting practice for returns and transfer clauses are highly variable from country to country. It was not possible to analyse the drafting complexity for the treaties of all 12 countries included in the study. The analysis provided here reflects the most frequently occurring drafting styles.

1.) A definition of returns; Article 1 para (5) of the 1997 Hong Kong- Japan BIT states that, '*The term "returns" means the amounts yielded by an investment and in particular, though not exclusively, includes profit, interest, capital gains, dividends, royalties and fees*.' When the definition is included in a treaty, the language appears to be standardized for most countries, with minor variations. Royalties and fees are always used to refer to proceeds earned from IPRs. Article 1 para (3) of the 2001 United Kingdom-Lebanon BIT also states, '*The term "returns" means amounts yielded by an investment and in particular, though not exclusively, includes profits, dividends, interest, capital gains, royalties, or other fees, irrespective of the form in which the return is paid.*' Other treaties do not provide a definition and may refer to transfers of 'payments relating to an investment'. Whether drafted in French or English, BITs concluded by the Netherlands all follow this style.

Compulsory Licensing and Expropriation

One of the significant differences between pre-1994 and post-1994 IIAs (particularly those concluded by the United States) is the inclusion of special provisions addressing compulsory licensing. A compulsory license constitutes the grant of a license by the government, giving a third party or a state enterprise, permission to use intellectual property rights without prior authorisation of a right holder. While some categories of intellectual property such as trademarks[20], may not benefit from all elements which form part of the conventional bundle of property rights, the grant of all IP rights generally allows right holders to exclude others from accessing use of same. One of the only exceptions to this is the issuance of a compulsory license by the government to a third party, which modifies the IP owner's right to exclude others from use of his/her property. In the case of patent law, the foundation of the patent bargain is that the inventor provides adequate disclosure of the working of the invention to society, in exchange for exclusive rights to commercialise his or her discovery for a period of 20 years. Therefore, state intervention to modify the benefits derived by the IP owner from the patent bargain through compulsory license, has the potential to lead to circumstances equivalent to a regulatory taking or an indirect expropriation.[21] Like all categories of property, IPRs derive their legitimacy and substantive scope from the state, which means that within well- defined parameters governments may exercise their sovereign right to give access to third parties or make use of the IP rights themselves. Under international law, the sovereign right of states allows the taking of property held by nationals or foreign

[20] The grant of a trademark or a service mark does not confer a right to use one the right holder. Instead it provides a exclusive right of use, meaning that the owner is granted the right to exclude others from using the said trade mark.
[21] Lukas Vanhonnaeker, Intellectual Property Rights as Foreign Direct Investments: From Collision to Collaboration, Northhampton, MA: Edward Elgar Publishing, 2015 at 53 - 60

investors, through nationalization or expropriation for public purpose or essential security interests. Takings of property can be direct or indirect. The right of the state to take or make use of property without prior authorisation is closely associated to the right a state has, to regulate within its territory and areas under its jurisdiction.

Compulsory licensing is a specific type of interference with private property for public purpose, within the context of intellectual property law. The minimum international standards regulating the grant of compulsory licenses are provided for in article 31 of the TRIPS agreement on '*Other Use Without Authorization of the Right Holder*' and modified by the 2001 Doha Declaration on TRIPS and Public Health. This allows for use of a patent without the authorization of the right holder, by the government or third parties authorized by the government. States parties have the freedom to determine in national laws, the specific grounds upon which compulsory licenses are granted. In many national legal systems compulsory licenses are granted for reasons of public order or to remedy anticompetitive abuses of patent rights. In contrast with the international perception of the United States' stance on compulsory licenses, its anti-trust laws and other special legislation do allow for grant of compulsory licenses.

In the sample of 40 BITs analysed for this paper, provisions referring to compulsory licensing were only found consistently in treaties concluded by Canada and the United States. Only two other countries within the sample had an investment treaty that contained clauses discussing compulsory licensing; the 2006 Switzerland-Colombia BIT and the 2001 Denmark-Kuwait BIT. This translates into 8 treaties out of the 40, investigated for this paper. Ad Article 6(1) of the 2006 Colombia-Switzerland BIT, states specifically that,

"It is understood that the said Article is without prejudice to the issuance of compulsory licenses granted in relation to intellectual property rights or other measures taken in accordance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights."

Some Canadian BITs are also drafted in this manner. The details on compulsory licensing are located within articles on miscellaneous exceptions. Article VI § (1) of the Canada-Latvia BIT provides that,

"(a) In respect of intellectual property rights, a Contracting Party may derogate from Article III in a manner that is consistent with the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh, April 15, 1994. (b) The provisions of Article VIII do not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh, April 15, 1994."

This is a contrast to the structure of provisions in the most recently concluded United-States and Canada BITs. Though the basic language and overall effect is similar to the previous excerpt, newer treaties include provisions on compulsory licensing within the main body of the treaty, under provisions dealing with expropriation. In the 2009 Canada-Jordan BIT, article 13 (5) on expropriation states that,

"The provisions of this Article shall not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of

intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with the WTO Agreement."

It could be argued that without provisions which provide a carve-out, there is an obligation to compensate investors at normal market rates, for granting compulsory licenses for medicines, which may result in parallel imports that affect market performance for an investor. In the absence of a carve-out the grant of a compulsory license by a host state would likely require the following conditions to be met: (a) property has to be taken for a public purpose; (b) On a non-discriminatory basis; (c) In accordance with due process of law; (d) Accompanied by compensation. This provision effectively changes the standard for expropriation in relation to investments made in the host state. However, in a strict sense the grant of a CL could also mean that there is no obligation to compensate for the use of private intellectual property for a public purpose, as not all sovereign regulatory acts with respect to private property are deemed to be expropriation. Brownlie notes that, "state measures, a *prima facie* lawful exercise of powers of governments, may affect foreign interests considerably without amounting to expropriation". This can be seen in the case of *Philip Morris v Uruguay* and the determination in *BAT and others v the Secretary of State for Health*, where it was found that trademark – related tobacco control measures did not amount to expropriation as it did not interfere with title to property, nor was in a blanket ban on the use of the trademarks and associated brand messaging; the plain packing laws were therefore found not to amount to a taking of property.

However, this compensation defect is remedied somewhat by TRIPS article 31(b) which states that reasonable efforts must be taken to secure a voluntary license with a right holder before granting a CL, and that where a license is granted, adequate remuneration must still be paid to the right holder. The World Health Organization (WHO) and the United Nations Development Programme (UNDP) have published guidelines for the level of royalty payments. Classic compensation for expropriation, whether determined by a national court or an investment tribunal is likely to be more substantial than that awarded through CL. In the remaining seven US/Canada treaties, the expropriation clauses were drafted so that the grant of compulsory licenses would be deemed compliant [with the treaty], or not equivalent to a treaty breach, if granted in accordance with the rules outlined in the TRIPS agreement.

The first investment based compulsory license clause emerged in the NAFTA investment chapter in 1994. It is not surprising that the NAFTA investment chapter contains substantive regulatory commitments on IP, given its parallel negotiating trajectory with TRIPS. The inclusion of compulsory licensing provisions within an investment chapter expanded investment protection for IPRs well beyond what standard BITs provided at that time. Article 1110.7 deals specifically with the '*issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with Chapter Seventeen'.*

NAFTA Chapter 17 on intellectual property contains detailed statutory-like provisions. Compulsory licenses issued under NAFTA, must be compliant with Chapter 17, which itself goes beyond the TRIPS agreement. The research carried out on the selected sample of treaties shows that the first free-standing BIT to contain a compulsory licensing clause was the 1995 Canada-Trinidad and Tobago BIT. Article VI 1 (b) on miscellaneous exceptions provides that, '*The provisions of Article VIII do not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15th April, 1994.*

Transfer of Technology and Prohibition of Performance Requirements

Part of the intent of this thesis when observing the development of international property law norms through the lens of the protection of IPRs in IIAs, is to underline the strong historical relationship between the development of investment protection and intellectual property law as mutually reinforcing property regimes. A clear example of this is the intellectual property origins of transfer of technology and performance requirement provisions. A reading of the history of patent law and the introduction of the 1624 Statute of Monopolies in England reveals that a major part of patent policy at the time included attracting foreign artisans by awarding limited exclusive rights to practice their art in exchange for training locals.[22] Moving beyond historical approaches toward a more modern iteration of technology of transfer clauses, in 1987 during GATT preparations, the US and Mexico had already signed framework of principals for bilateral consultations on trade and investment relations which featured '*transfer of technology and intellectual property rights'* among other issues.[23] Provisions on transfer of technology or prohibition thereof, are usually to be found within clauses referring to investment related performance requirements. In 2001 Part I of a WTO study entitled Trade Related Investment Measures and Performance Requirements described performance requirements, using policy observations made in 1983 by the UN Centre for Transnational Corporations (UNCTC). The UNCTC associated performance requirements with the economic policies of some developing countries, whose approach to FDI obligated investors to utilise certain percentages of local content in manufacturing programmes and sourcing of raw materials. Some investment agreements also included obligations for an investment to create employment in the host state, while also training local workers and companies in the use of technologies brought into to the territory of the host state; very similar to the approach of the 1624 Statute of Monopolies. The key preoccupation of developing states in admitting foreign investment was deemed to be the acquisition of advanced technology, transfer of technical knowledge, and establishment of domestic R&D facilities.

Performance requirement clauses explicitly referred to transfer of technology in 10 out of 40 BITs and FTA investment chapters included in the study. All FTA investment chapters reviewed for this paper contained these provisions. However, in the case of BITs, these provisions were only common to treaties concluded by the United States and Canada. Of the 5 U.S. BITs included in the study, three contained these provisions. All five

[22] Neil Devenport, The United Kingdom Patent System: A Brief History, (London: Kenneth Mosan Publications Ltd.,), 1979, p. 14.
[23] Mexico and the United States, General Agreement on Tariffs and Trade. L/6260 19 November 1987, Understanding Between the United States and Mexico Concerning A Framework Of Principles And Procedures For Consultations Regarding Trade and Investment Relations, http://sul-derivatives.stanford.edu/derivative?CSNID =91330012&mediaType=application/pdf

Canadian IIAs contained performance requirement clauses. The earliest BIT containing this type of clause is the 1995 Canada-Trinidad and Tobago BIT which addresses transfer of technology and performance requirements in article 5 referring to 'other measures' not including a separate clause on performance requirements. Article 5(2)e provides that,

'Neither Contracting Party may impose any of the following requirements in connection with permitting the establishment or acquisition of an investment or enforce any of the following requirements in connection with the subsequent regulation of that investment:.....(e) to transfer technology, a production process or other proprietary knowledge to a person in its territory unaffiliated with the transferor, except when the requirement is imposed or the commitment or undertaking is enforced by a court, administrative tribunal or competition authority, either to remedy an alleged violation of competition laws or acting in a manner not inconsistent with other provisions of this Agreement.'

This clause suggests that a state may only prescribe transfer of technology where it is included in a national tribunal decision, to remedy a breach of competition law. This is the only treaty included in the sample which contained such a clause in the 1990s, on the heels of the conclusion of the TRIPS agreement. This provision suggests that the host state could not request knowledge transfer [technical assistance] for local firms or government agencies as part of the conditions for giving investment access to its territory. This is potentially at odds with the provisions of the TRIPS agreement on technology transfer. One of the important balancing mechanisms included in TRIPs to provide for the needs of LDCs and other developing countries is Article 7 which states that among the objects of the Agreement is that,

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

The logical conclusion is that a host state would need to issue a compulsory license, invalidate a patent or provide a judgment in a claim brought for anti-competitive practices in the use of an IPR, to facilitate access to technical knowledge. Although this type of clause provides an extra layer of protection in addition to host state intellectual property laws, they create the potential for an adversarial relationship between the host state and investors. Access to knowledge and technology is one of the prime factors which drives states to conclude BITs and provide incentives to foreign investors. Such transfer of technology clauses significantly dilutes a key benefit of FDI and forces states to take administrative, judicial or legislative measures, which may then trigger investment claims for IP infringement. Furthermore, where BITs concluded with other states do not contain such provisions; MFN clauses may allow the investors of other BIT partners to benefit from the clause indirectly.

In the 2005 US-Uruguay BIT transfer of technology is included in a separate article on performance requirements. Article 8 (1) f on performance requirements of that treaty provides that,

'Neither Party may, in connection with the establishment, acquisition, expansion, management, conduct, operation, or sale or other disposition of an investment of an investor of a Party or of a non-Party in its territory, impose or enforce any requirement or enforce any commitment or undertaking: ….(f) to transfer a particular technology, a production process, or other proprietary knowledge to a person in its territory;'

Here transfer of technology is prohibited outright. There is no possibility as in the previous clause to facilitate transfer of technology through administrative tribunals, courts and other legal procedures. The US-Uruguay BIT also contains a compulsory license clause of the type described earlier. The 2013 Tanzania-Canada BIT is drafted in a manner which incorporates the TRIPS prescription that, the protection and enforcement of intellectual property rights should contribute to innovation and technology transfer. In paragraph 2 of article 9 on performance requirements the BIT states that, 'A measure that requires an investment to use a technology to meet generally applicable health, safety or environmental requirements is not inconsistent with subparagraph 1(f). Sub-paragraph 1 (f) is concerned with measures "to transfer technology, a production process or other proprietary knowledge to a person in its territory;". Though there are general conditional prohibitions on performance requirements in Article 9 §3 (a) (b) (c) (d) [24], §2 excludes public order measures for health and the environment, while part of of sub-paragraph (d) makes clear that, "*Paragraph 3 does not prevent a Party from conditioning the receipt or continued receipt of an advantage, in connection with an investment in its territory of an investor of a Party or of a non-Party, on compliance with a requirement to locate production, provide a service, train or employ workers, construct or expand particular facilities, or carry out research and development, in its territory;".*

This construction of rights and obligations provide significant policy space for host states and investors to negotiate case specific technical assistance investment- intellectual property packages without deploying, compulsory licensing or essential security interest clauses; which have a higher potential to trigger ISDS mechanisms. This is the most development-oriented and carefully crafted BIT of all the treaties studied. It takes into consideration several the flexibilities provided to LDCs in the TRIPS agreement, while addressing the property concerns of IP generating and capital exporting home states. Most standard BITs, even between developed countries and LDCs do not approach technology transfer and intellectual property investment in this way. This is likely an attempt to head off the backlash against the investment treaty regime and investor state dispute settlement by providing alternative treaty drafting practice on the status of IP as part of an investment operation. It may provide a blueprint for future IIAs.

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[24] Agreement between the Government of Canada and the Government of the United Republic of Tanzania for the Promotion and Reciprocal Protection of Investments, 2013 (a) to achieve a given level or percentage of domestic content; (b) to purchase, use or accord a preference to a good produced in its territory, or to purchase a good from a producer in its territory; (c) to relate the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with that investment; or (d) to restrict sales of a good or service in its territory that the investment produces or provides by relating those sales to the volume or value of its exports or foreign exchange earnings;

Trade Secrets, Disclosure and Confidentiality

Trade secrets or undisclosed information can be described as any kind of confidential or secret business information which conveys a competitive advantage to the investor who owns or controls it. These are the most nebulous intellectual property rights included in the TRIPS Agreement, as they allow investors to claim property rights over secret information which may be a combination of different categories of technical and commercial proprietary information. Within the host state, any unauthorised disclosure or acquisition of such secret information by an act or omission of a constituent sub-division of the host state, through dishonest commercial practices, is a violation of the law applying to trade secrets. Technical secrets may include drawings and designs, prototypes, manufacturing processes, not patentable or not patented inventions, know-how, formulae or recipes, genetic materials and fragrances; whereas commercial secrets may consist of customer and supplier lists, business methods and strategies, and cost and price information.[25] As such trade secrets or confidential business information do fall within the scope of IPRs and constitute a property right, but are they included in the definition of investment within IIAs. In many IIAs trade secret and disclosure clauses are used as tools to protect knowledge intensive foreign investment operations and their use of commercially valuable information in the territory of the host state. Among the treaties reviewed for this thesis, a total of five treaties contained clauses or provisions dealing with issues of disclosure of confidential and protected information. Both the 2005 United States – Uruguay BIT and the 2008 Rwanda - United States BIT are illustrative of this type of IIA. Both BITs contain definitions of protected information as including "*confidential business information or information that is privileged or otherwise protected from disclosure under a Party's law*." Clauses providing protection for undisclosed and confidential information within the United States – Rwanda BIT take on special importance, as the definition for investment in this treaty simply lists "intellectual property" as a covered investment and does not include the common non-exhaustive list of IPRs that can be found in many IIAS, nor does it include a definition of intellectual property.

The other three out of 5 IIAs containing extensive trade secret/disclosure clauses were concluded by Canada. The Canadian BITs contain a definition of "*confidential business information*" which is an exact restatement of the definition of "*protected information*" in the BITs concluded by the United States.[26] The clauses referring to protected information and disclosure within Canadian and United States BITs strengthen the effect of the definition of investment within these IIAs. For example, the definition of intellectual property rights used in the 2006 Canada – Peru BIT includes "*rights in relation to protection of undisclosed information*", though the definition of investment itself only implicitly protects IPRs as, "*other property, tangible or intangible, acquired in the expectation or used for the purpose of economic benefit or other business purposes*". Both the 2013 Canada – Tanazania BIT and the 2010 Canada – Panama BIT contain identical definitions of intellectual property, which include undisclosed information. It is also

[25] European Commission, Study on Trade Secrets and Confidential Business Information in the Internal Market, at http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/130711_final-study_en.pdf
[26] See the definition of confidential business information in the 2013 Canada – Tanzania BIT, the 2006 Canada – Peru BIT and the 2010 Canada – Panama BIT

important to note that disclosure and protected information clauses also apply to the ability of investors to invoke confidentiality in arbitral proceedings, in relation to the presentation of evidence which may divulge extensive information about their trade secrets or clinical test data associated with patent applications. This can be seen in article 38 § 1 of the Canada – Peru BIT which addresses public access to hearings and documents. That paragraph notes that the tribunal may hold portions of hearings *in camera* to ensure the protection of confidential business information.[27] Paragraph 2 of the same article also requires the tribunal to establish procedures for the protection of such confidential information.[28] Further to this, Article 9.(3) of the Canada – Panama BIT on public access to hearings and documents provides that they shall be publicly available subject to redaction of confidential information and that the tribunal may hold portions of the hearing in camera for the purposes of protecting confidential business information. This IIA also provides that a "*Party shall protect any confidential information from disclosure that would prejudice the competitive position of the investor or the covered investment*." Identical provisions regarding public access to hearings and documents can also be found in the 2013 Canada – Tanzania BIT.[29]

The basis for clauses related to protected business information can be found in the TRIPS Agreement's provisions on trade secrets. International law makes special provision under Article 39 § 1 of the TRIPS Agreement for trade secrets. This article requires that WTO members, in accordance with their obligations regarding unfair competition under Article 10*bis* of the Paris Convention, protect information in accordance with *paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3*.[30] Therefore, government agencies have a responsibility to adequately protect proprietary data submitted to them in anticipation of the admission of an investment; in expectation of the award of a patent (prior to issuance); or secret information submitted in expectation of final marketing authorisation for generic/biosimilar drug formulations under Abbreviated New Drug Applications (ANDAs)[31]. Paragraph 2 of article 39 of the

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[27] 2006 Canada – Peru BIT 38 § 1
[28] 2006 Canada – Peru BIT 38 § 2
[29] 2013 Canada – Tanzania BIT, Article 30 - Public Access to Hearings and Documents
1. Any Tribunal award under this Section shall be publicly available, subject to the redaction of confidential information. All other documents submitted to, or issued by, the Tribunal shall be publicly available unless the disputing parties otherwise agree, subject to the redaction of confidential information.
2. Hearings held under this Section shall be open to the public. The Tribunal may hold portions of hearings in camera to the extent necessary to ensure the protection of confidential information, including business confidential information.
3. A disputing party may disclose to other persons in connection with the arbitral proceedings such unredacted documents as it considers necessary for the preparation of its case, but it shall ensure that those persons protect the confidential information in such documents.
4. The Parties may share with officials of their respective federal and sub-national governments all relevant unredacted documents in the course of dispute settlement under this Agreement, but they shall ensure that those persons protect any confidential information in such documents.
5. To the extent that a Tribunal's confidentiality order designates information as confidential and a Party's law on access to information requires public access to that information, the Party's law on access to information shall prevail. However, a Party should endeavour to apply its law on access to information so as to protect information designated confidential by the Tribunal.
[30] TRIPS Agreement 39 § 1
[31] ANDAs is an acronym 'abbreviated new drug applications', for a facility established pursuant to the Hatch-Waxman Amendments to the United States Patent Act. Under this carve-out, generic manufacturers are allowed to begin using patents just prior to their expiration to start synthesising and stocking

TRIPS Agreement goes further and gives investors and other classes of natural and juridical persons the power to prevent information under their control from being disclosed, acquired or used by others without their consent in a manner contrary to honest commercial practices, as long as the said information is secret in the sense that it is not generally known or readily accessible to persons within circles that normally deal with this kind of data. Article 39 also stipulates that the said information must have some commercial value and that persons with lawful control of such information must take reasonable steps to keep it secret. In addition to this Article 39 § 3 provides protection against "*unfair commercial use of submissions of undisclosed test or other data, the origination of which involves a considerable effort*". This paragraph also requires WTO members to "*protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use"*. This would therefore apply to situations where a foreign investor submits clinical trial data and other kinds of information in support of the grant of a patent, admission of an investment, or where an investment consists of the setting up of knowledge intensive plants, facilities and production processes which must be inspected by governmental regulatory agencies of the host state for approval. Disclosure by the host state of such information entrusted to its agencies, to one of its nationals or another third party would be considered a violation of the TRIPS Agreement and the law of trade secrets. This would also be considered as a violation of IIAs containing clauses that provide protection for trade secrets and contain prohibitions on disclosure of protected information and confidential business information.

Trade secrets or confidential business information includes a variety of different kinds of technical and commercial information, which in many cases could be alternatively protected by patent, or copyright. However, in some cases certain kinds of confidential information may not yet fulfil the minimum standards required for the grant of a proprietary right under intellectual property law, so companies may choose trade secret protection until clinical data has reached a stage where a patent application is likely to meet the minimum utility threshold for a grant of propriety rights. Trade secret protection is also an alternative in cases where companies do not wish to disclose knowledge which provides a competitive advantage, as patent law requires full disclosure of the claimed invention and provides a time limited proprietary right. Trade secret protection is useful in cases where clinical test data and research results from on-going pharmaceutical, biological or engineering trials have not yet reached the stage of patentability or may be inconclusive; such data still has commercial value and so requires some system of property protection, if a company intends to maintain its advantage as the first to file or any other competitive advantage.

Even after a specific invention has been patented and disclosed, research results and data from tests and trials are still commercially valuable in other ways. In United States patent law generic drug companies are allowed to submit research results and clinical trial data completed by innovator companies in order to take advantage of the truncated application process to file an ANDA to manufacture, market and distribute generic versions of branded drugs.

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pharmaceutical biosimilars to facilitate quick market entry upon expiration of a patent. The first generic manufacturer to apply for ANDA and receive approval is rewarded with the exclusive right to synthesise, manufacture, market and distribute generic versions of branded drugs, within a commercially viable window of a patent's expiration.

As an IPR, trade secrets receive added protection within U.S. and Canadian treaty drafting practice. The Canada – Panama Bit includes an article titled confidentiality, which notes that information collected under Chapter four of the BIT (referring to customs procedures) should be protected from disclosure that could prejudice the competitive advantage of the person providing the information. This implies that if any confidential business information of an investor becomes subject to customs investigations, the host state in question would be required to supress such business information if it were to impinge on the competitive advantage of an investor. This extends the protection of trade secrets into areas of investment law which are not on their face directly related to intellectual property law.

Many of the 35 remaining treaties dealt with disclosure, secrets and confidential information with reference to essential security interests of the state. At first glance national security clauses, and the way in which they may protect confidential information within the sovereign purview of the state does not seem to be related to IPRs. However, since a large part of innovative research conducted across borders involves government research facilities, it is possible that national security clauses could also cover IPRs belonging to the state. However, the goal of this publication is to analyse the protection of IPRs in IIAs from the perspective of the investor state relationship, and how this unique convergence of two separate property protection regimes (IPRs and international investment law) is creating a *defacto* international law of property (concrete international property norms).

International regulations relating to the protection of confidential or privileged business information are dealt with by TRIPS Article 39. Article 39 § (1) of the TRIPS agreement requires member states to provide effective protection against unfair competition, pursuant to article 10*bis* of the 1967 Paris Convention which requires members protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3. The information in question must be secret,

> *"in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) has commercial value because it is secret; and (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret."*

Several IIAs include, 'rights in relation to undisclosed information' under the definition of an investment. The investment chapter of the United States-Korea FTA states that,

> *"Notwithstanding … a Party may require an investor of the other Party or its covered investment to provide information concerning that investment solely for informational or statistical purposes.*" However, "*The Party shall protect any*

> *confidential business information from any disclosure that would prejudice the competitive position of the investor or the covered investment."*

Other BITs provide a definition of confidential information as business and privileged information or information protected from disclosure. The Rwanda-United States BIT also contains an article on special formalities, an information requirement which is a replication of the previously quoted provisions.

A number of treaties simply list trade secrets as assets to be protected, rather than including separate rules for confidential business information. Article 1(d) of the 2006 Singapore-Slovak Republic BIT includes trade secrets within the non-exclusive list of investments protected under the BIT. Trade secrets may also be protected by the inclusion of know-how within the definition of investment. For example, the 2004 Ethiopia-Sweden BIT provides protection for 1(d) *"Intellectual property rights, technical processes, trade names, **know-how**, goodwill and other similar rights;"*

The 2008 Panama-Sweden BIT also includes protection for, *"d) derechos de propiedad intelectual, procesos técnicos, nombres comerciales, **"know how",** "goodwill" y otros derechos similares.* The 2004 China – Finland BIT also follows the list method but instead refers to, *"trade and business secrets, technological processes, know-how and good-will;"*