

Session III: Issues Concerning Enforcement and Dispute Resolution*

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My name is Sean Flynn. I'm from American University, Washington College of Law where I direct our LLM program, teach International Intellectual Property, and run research and advocacy projects.

I will talk a bit about the politics of international intellectual property, and specifically about ISDS—Investor State Dispute Settlement.

I. POLITICAL CONTEST AND REGIME SHIFTING IN INTERNATIONAL INTELLECTUAL PROPERTY LAW

International intellectual property law, especially over the last twenty years or so, has been an incredibly contested field. The last big treaty in this area—the Anti-Counterfeiting Trade Agreement¹—was met on its release by the mobilization of roughly 300,000 people across Europe marching in the streets.² People were marching to oppose the substance of the agreement. They believed that its measures combatting piracy were invading personal rights and the liberties of Internet users. And they opposed the treaty's process. People marched against the treaty's highly secretive process. They demanded that rules with such general applications should be subject to more democratic processes.³

There is struggle not just on the streets, but between industry groups. Steve mentioned the potential differences of perspectives between the tech community on one side—the Googles, Yahoos, Facebooks of the world—and the content producers on the other—the movie and music industries.⁴ Copyright is subject to intense political debate, and those debates are what I call “nested.”⁵

Struggles between owner rights to exclude and public and technology industry rights to access recur at different levels of the process. And that process itself shifts between forums. From local legislatures to courts. From national systems to bilateral

* These remarks are adapted from the transcript of a talk that was given on October 14, 2016, at the Kernochan Center Annual Symposium at Columbia Law School.

1. Anti-Counterfeiting Trade Agreement (ACTA), *opened for signature* May 1, 2011, <https://perma.cc/X3R8-Z6KQ>.

2. Eric Pfanner, *Europeans Reject Treaty to Combat Digital Piracy*, N.Y. TIMES, July 5, 2012, at B5.

3. *Id.*

4. Steven Metalitz, *Session I: Keynote Panel, Describing the Legal Landscape*, 40 COLUM. J.L. & ARTS 319 (2017).

5. See Duncan Kennedy, *Semiotics of Legal Argument*, appendix (discussing genealogy of the nesting idea from Claude Levi Strauss).

trade deals. From bilateral deals to multilateral institutions like the World Intellectual Property Organization. And back down again. Following Larry Helfer, we call this aspect of the field “regime shifting.”⁶ The idea is that these debates find themselves occurring and recurring in different kinds of international political forums.⁷

This morning, we started with the Berne Convention.⁸ That was a multilateral treaty—a treaty originally negotiated with Western European countries. Developing countries if they were present were there as colonies of the Western countries. One of the slides showed Tunisia as an original Berne member. Tunisia was a French colony at the time. It wasn’t actually negotiating on its own behalf.

The Berne Convention’s implementation institution evolves into the World Intellectual Property Organization (“WIPO”) after World War II. By the 1980s, when the U.S. actually joins that convention, WIPO is a true multilateral organization made up of most of the countries of the UN.

From WIPO the main international intellectual property norm setting shifts in the 1990s to the World Trade Organization. There we have, from 1994, the TRIPS agreement.⁹ In the WTO, intellectual property was negotiated in conjunction with other trade issues so that it became something you can trade off. If you want some kind of an advantage in the agriculture chapter, then you might have to give up something in the patent chapter.

We are in a post-TRIPS stage now. In the post-TRIPS period the main forums are shifting back down. It shifted first, in the late 1990s and early 2000s, to bilateral free trade agreements. Then it shifted again to plurilateral free trade agreements, such as ACTA and the Trans Pacific Partnership Agreement.

All of these different levels operate under different processes and create different kinds of intellectual property commitments.

At the current moment, there is a lot of doubt about those processes. ACTA failed to be ratified by the EU and U.S. TPP doesn’t have any presidential contenders that want to put it before Congress.¹⁰ It’s questionable whether the TPP will come up before Congress for ratification at all. If it does – it is questionable whether it will be voted up or down.

The political discussion thus ends at this moment of contestation and unclear trajectories. If neither TPP nor ACTA go into effect—if the latest regime shift ends in failure—where does the regime shift to next?

6. Laurence R. Helfer, *Regime Shifting: The TRIPS Agreement and New Dynamics of International Intellectual Property Lawmaking*, 29 YALE J. INT’L L. 1 (2004).

7. *Id.*

8. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, *as revised* on July 24, 1971 and *as amended* in 1979, S. Treaty Doc. No. 99-27, <https://perma.cc/ZB2N-HVDE>.

9. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197 [hereinafter “TRIPS Agreement”], <https://perma.cc/SWM3-MXRS>.

10. See Rebecca Savransky, *Trump to sign executive order to withdraw from TPP*, THE HILL (Jan. 23, 2017), <https://perma.cc/5R39-BGK4>.

II. REGIME SHIFTING AND ISDS

There are two main answers to the question of where we might be shifting to next. One is that the field might shift back into the multilateral agenda. “E-commerce” issues are being discussed in the World Trade Organization, and there seems to be a lot of energy around that. Perhaps an e-commerce negotiation at the WTO will be the next big international agenda for the field.

The other answer is that the agenda shifts out of norm setting and into enforcement. The idea, mentioned by some in the content industry earlier today, is that maybe we’ve met the high watermark of treaty making and what we’re really going to do is focus on enforcement of existing rules.

Enforcement itself is the subject of regime shifting. Enforcement of treaties through dispute resolution is shifting out of traditional state-to-state mechanisms like the WTO. These traditional dispute resolution mechanisms can be thought of as horizontal in the sense that they regulate and involve only state actors. But there is a recent shift of international intellectual property treaty interpretation and enforcement into investor state dispute settlement (“ISDS”) that is vertical in its application—it provides the ability of state actors to be sued by individual citizens or corporations.

ISDS is new to the field of international intellectual property. ISDS standards are not in intellectual property chapters of trade agreements, nor are they mentioned in any international intellectual property treaty. They are rather included in separate investment agreements and chapters of trade agreements. These provisions are negotiated by completely different people. USTR’s intellectual property negotiators—people like Probir Mehta and Stan McCoy, who are here today—were negotiating intellectual property chapters, not investment chapters. The investment chapters were negotiated by investment lawyers who live in a different part of the building; they live in a different kind of world.

The separation of those worlds changed in 2013 when Eli Lilly sued Canada in an ISDS forum created by NAFTA over a judicial decision that revoked a patent.¹¹ It was a patent on a second use of a known chemical.¹² The patent was revoked for not meeting Canada’s definition of their utility doctrine implemented through what they called the “promise doctrine.” Eli Lilly failed in its applications up through the court system to convince judges that its second use patent met this Canadian doctrine. When it finally lost, it said: well, we’re going to invoke NAFTA. We’re going to say that that invalidation of the patent by your courts has “expropriated” our investment in that patent.¹³

NAFTA itself does not define intellectual property as investment. But the TPP does and post-NAFTA free trade agreements do. And NAFTA defines “intangible”

11. Eli Lilly & Co. v. Canada, [2014] ICSID Case No. UNCT/14/2.

12. *Id.*

13. Eli Lilly & Co. v. Canada, [2013] ICSID Case No. UNCT/14/2, Notice of Intent to Submit a Claim to Arbitration Under NAFTA Chapter Eleven.

property as a type of investment that can be subject to expropriations analysis.¹⁴ And so that part of the analysis is relatively solved—the confiscation of intellectual property can indeed be an investment protected by an investment chapter.

That part is not particularly new. It is not particularly controversial. We have had treaties since the 1950s that cover the *direct* expropriation of intangible property.

What changed with NAFTA is that it is the first FTA to include both an investment chapter extending to intellectual property expropriations and an intellectual property chapter having substantive rules about what your intellectual property norms should look like.¹⁵ It also protected not only direct expropriations but so-called “indirect” expropriations. The intellectual property chapter, like the 200 previous years of international intellectual property law, is enforceable through state-to-state adjudication. But the negotiators for the first time had to address the relationship between the two chapters. Could the investor-state process be used to enforce the intellectual property commitments by claiming that failure to do so constituted an indirect expropriation of intellectual property rights?

To address that relationship, there is a clause in NAFTA that provides a carve-out from the investment chapter of a series of intellectual property decisions. Article 1110(7) states:

This Article does 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 Chapter Seventeen (Intellectual Property).

This same clause reappears in the TPP and all other post-NAFTA free trade agreements. The TPP language adds TRIPS to the list of rules that the decisions must be “consistent with” to take advantage of the carve-out.¹⁶ And so the question is: do these clauses protect IP decisions from ISDS litigation or expose IP decisions to ISDS litigation?

Eli Lilly’s briefs in the NAFTA case argue the latter. The say in essence that the “consistent with” clause bootstraps in a private right of action under the treaty against a state for breach of the intellectual property chapter (or, in TPP, TRIPS).¹⁷ If this argument prevails, we will have capacitated an entirely new forum to define what international intellectual property law means.

ISDS is not part of public international law. ISDS forums are part of private international law. They are arbitration forums. And this fact brings with it important procedural differences. ISDS forums are not staffed by judges; they’re usually

14. North American Free Trade Agreement, U.S.-Can.-Mex., art. 1721, Dec. 17, 1992, 32 I.L.M. 289 (1993) (“Intellectual property rights refers to copyright and related rights, trademark rights, patent rights, rights in layout designs of semiconductor integrated circuits, trade secret rights, plant breeders’ rights, rights in geographical indications and industrial design rights.”).

15. John Terry et al., *NAFTA: the first trade treaty to protect IP rights*, INTELL. ASSET MGMT. MAG., <https://perma.cc/P65C-4M8D> (last visited Feb. 6, 2017).

16. Trans-Pacific Partnership, ch. 18.1, Feb. 4, 2016, <https://perma.cc/M8SX-2UTA> (“Intellectual property refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II of the TRIPS Agreement.”).

17. Eli Lilly & Co. v. Canada, [2014] ICSID Case No. UNCT/14/2.

staffed by arbitrators who in their daytime are arbitration lawyers—arbitration lawyers who represent clients (usually private clients). The forums themselves, depending on which agreement you’re talking about, don’t have public hearings or public records. Depending on what forum you’re bringing these in, they may or may not allow third parties to file amicus briefs. They may or may not allow other countries with interests in the outcome to intervene.

Nor do ISDS forums have any kind of appellate mechanism on any issues of law that they might get wrong. So these are bodies that are seen to be empowered to interpret intellectual property chapters—and even a multilateral intellectual property agreement—with essentially none of the trappings of law that you would expect in a public international law body such as the WTO.

III. ISDS REGIME SHIFTING IN INTERNATIONAL INTELLECTUAL PROPERTY SCHOLARSHIP

The shift of international intellectual property adjudication into ISDS forums has triggered a new spate of international intellectual property law scholarship. This scholarship has thus far focused on three main implications of the shift of IP into ISDS: reconceptualization, capture, and fragmentation.

A. RECONCEPTUALIZATION

Some scholars focus on the potential of the shift of IP into ISDS to reconceptualize what disputes in the field are, and should be, about.¹⁸ These scholars worry that ISDS forums ask different questions than those that lie at heart of intellectual property doctrine. They point out that intellectual property is a policy tool that entails policy balances, including the weighing of consumer interests. Different industries have different interests, consumers have different interests than industries. Intellectual property ultimately must balance those interests through implementing doctrines defining the scope of rights, limitations and exceptions, terms of protections, et cetera.

The reconceptualization scholars worry about what happens when you take these questions into forums with a different focus. The questions in investment forums are not asking what best promotes creativity or innovation balanced against the interests of libraries and consumers in society. They’re asking, “Was there an investment backed decision in the country and was that investment taken away?” This reconceptualization of the question appears to bracket all these social and public interests that we international intellectual property lawyers see as the heart of intellectual property law and policy.

18. See Rochelle Dreyfuss & Susy Frankel, Article, *From Incentive to Commodity to Asset: How International Law is Reconceptualizing Intellectual Property*, 36 MICH. J. INT’L L. 557 (2015); Ruth L. Okediji, Essay, *Is Intellectual Property “Investment”?* *Eli Lilly v. Canada and the International Intellectual Property System*, 35 U. PA. J. INT’L L. 1121 (2014).

B. CAPTURE

Others frame the problem in the terms of court capture.¹⁹ The concern is like, and comes from, the literature on agency capture. The question here is whether courts can be captured like agencies so that the courts themselves start to operate in the interests of those before them. All the process problems I just mentioned lead people to think yes. There is a small amount of empirical literature on ISDS generally that attempts to cast some light on this matter.²⁰

C. FRAGMENTATION

The final concern is of fragmentation in the system of law.²¹ The kind of question that arises here includes—if you are interpreting the law, shouldn't there be a Supreme Court? Shouldn't there be some kind of international hierarchy of interpretations so that when somebody gets it wrong you can appeal it to someone who can get it right? And even if that body gets it wrong, at least it's wrong the same everywhere?

You can imagine the international arbitration and substantive treaty systems as kind of like state and federal constitutional systems. They can each have their own rules. But at some point, there should be an ability to appeal from the state system to the federal system, such as where the state system interpretations inhibit Federal rights. But there's nothing like that in the international system. We built this really big, relatively well respected system in the WTO with permanent appellate bodies, with open hearings, with amicus processes, with all the things that are lacking in ISDS. But there's no connection between the two systems. The Eli Lilly tribunal could get it wrong. They could say that a judicial decision to revoke a wrongly granted patent has had its rights violated by TRIPS, and there could be no ability to appeal that decision to the real people in charge of interpreting TRIPS.

19. I take the term from Jonas Anderson, Works-in-Progress Intellectual Property Colloquium, February 10-11, 2017, Boston University School of Law.

20. See Susan D. Franck & Lindsey E. Wylie, Article, *Predicting Outcomes in Investment Treaty Arbitration*, 65 DUKE L.J. (2015).

21. See Peter K. Yu, *The Investment-Related Aspects of Intellectual Property Rights*, 66 AM. U.L. REV. 829 (2017); Cynthia Ho, *A Collision Course between TRIPS Flexibilities and Investor-State Proceedings*, 22 U.C. IRVINE L. REV. (forthcoming 2017).