

**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT  
Geneva**

# **Intellectual Property Provisions in International Investment Arrangements**

**IIA MONITOR No. 1 (2007)  
International Investment Agreements**



**UNITED NATIONS  
New York and Geneva, 2007**

# Intellectual Property Provisions in International Investment Arrangements

There are many multilateral treaties on intellectual property (IP), but the best known and farthest reaching is the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), concluded during the Uruguay Round of trade negotiations. The TRIPS Agreement establishes minimum standards that WTO members must adhere to, subject to a number of exceptions. Provisions relating to IP rights are also often found in bilateral investment treaties (BITs) and preferential trade and investment agreements (PTIAs).<sup>1</sup> The inclusion of IP-related provisions in BITs and PTIAs reflects the importance of patents, trade secrets, trademarks, copyrights and the like in commercial relations between countries. It is also an important area where intense negotiations occur.

This *IIA Monitor* takes an initial look at the variety of ways in which IP provisions are treated in BITs and PTIAs. While there are similarities between certain sets of agreements in their provisions relating to IP, there are also differences that have important legal ramifications.

## A. Intellectual property as “investment” in bilateral investment treaties

The inclusion of IP rights in the definition of “investment” in BITs reflects the importance of protecting such intangible assets in many investment operations. IP may be a significant strategic asset, and is all the more important in the light of the rapid development of advanced industries, such as biotechnology and pharmaceuticals, which rely on patent and know-how protection.

---

<sup>1</sup> PTIAs refer to a variety of different international arrangements, including free trade agreements, regional trade agreements, economic framework agreements, economic partnership agreements, new-age partnership agreements, economic complementation agreements, agreements for establishing a free trade area and closer economic partnership arrangements. PTIAs, however, do not include BITs. The term “International Investment Arrangements” (IIAs) includes both PTIAs and BITs.

The precise language referring to IP rights in the definition of investment in BITs has evolved over time. In general, BITs concluded from the 1960s through the 1980s often distinguished between “industrial property rights” and “copyrights”, as well as other related subject matter such as technical procedures or processes. More recent BITs tend to use the overarching term “intellectual property rights”, which is typically found in a specific list of itemized assets to be protected. One example is the United States BIT with Uruguay (2004, as amended), which provides in the definition of investment that:

*“‘investment’ means every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk. Forms that an investment may take include:*

*“...*

*“(f) intellectual property rights;”*

The BIT concluded between Chile and Egypt (1999) is another example:

*“‘Investment’ means any kind of assets or rights related to it provided that the investment has been admitted in accordance with the laws and regulations of the Contracting Party in which territory the investment was carried out and shall include in particular, though not exclusively;*

*“...*

*“(d) intellectual and industrial property rights, including copyright, patents, trademarks, trade names, technical processes, know-how and goodwill;”*

Another approach is for the BIT to stipulate that only rights as recognized by the national laws of both contracting parties will be protected under the BIT. This might considerably limit the scope of protection of IP under the BIT. This is the case of the BIT between Benin and Ghana (2001), which states that:

*“‘Investments’ means every kind of asset and in particular, though not exclusively, includes:*

“...

*“(iv) intellectual property rights, goodwill, technical processes and know-how and all similar rights recognized by the national laws of both Contracting Parties...”*

The impact of having IP included in the definition of investment is that it could potentially subject IP to the general guarantees afforded to investors under the BIT. These include protection in case of expropriation, national treatment and most-favoured nation (MFN) treatment among others. Moreover, including IP in the definition of investment could provide a legal basis to foreign investors for a cause of action against the host country for failing to protect their IP.

The extent of protection under a BIT for an investor’s IP will be affected by how the term “intellectual property” is defined, if at all, in the treaties. The narrower the definition becomes, as in the case of the Benin–Ghana BIT, the more limited the scope for potential claims. Countries interested in limiting liability for IP claims under a BIT could also, for example, seek to confine the protected IP to those patents, copyrights and trademarks registered with its national IP authorities, thus excluding from the definition of “investment” decisions by the authorities to grant these exclusive rights.

Though BITs typically do not address the issue of IP rights beyond the definition of investment, exceptional cases can be found. One example is the aforementioned BIT between the United States and Uruguay (2004). In Article 14.5, the BIT provision clearly articulates that national treatment (Article 3) and MFN (Article 4) shall not apply in particular cases as provided under the TRIPS Agreement:

*“Articles 3 and 4 do not apply to any measure covered by an exception to, or derogation from, the obligations under Article 3 or 4 of the TRIPS Agreement, as specifically provided in those Articles and in Article 5 of the TRIPS Agreement.”*

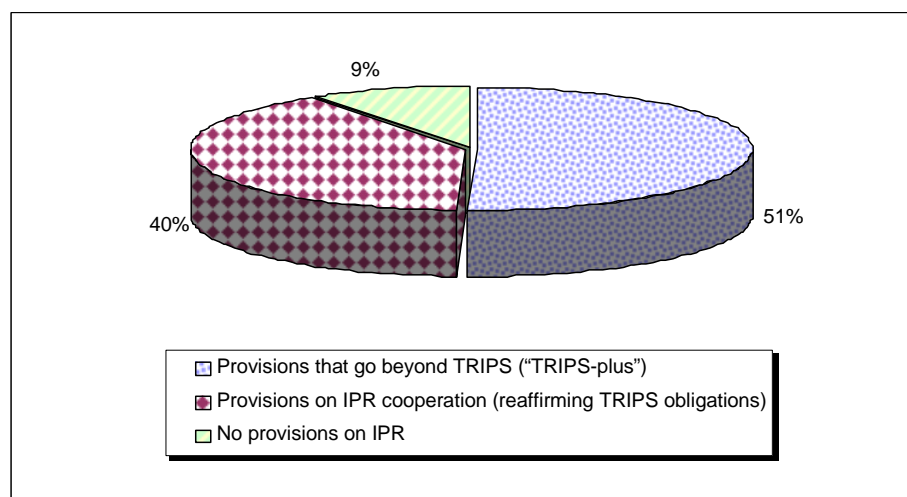
Other more comprehensive free trade agreements (FTAs) have a full chapter on the protection and enforcement of such rights, and are discussed below.

## B. Intellectual property provisions in PTIAs

Unlike BITs, PTIAs often include specific provisions on IP rights. Some agreements include a full chapter on IP containing substantive obligations to be borne by the contracting parties, while other agreements focus only on cooperation between the parties on IP-related issues. A review of 158 PTIAs reveals that over 50 per cent of the agreements contain provisions going beyond the TRIPS minimum obligations (figure 1). A sizable proportion of these treaties include provisions obligating the contracting parties to meet standards that are more stringent than the ones found in the TRIPS Agreement. Other preferential agreements, however, only reaffirm the parties' commitments under the TRIPS Agreement.

**Figure 1. Forms of intellectual property rights (IPR) provisions in PTIAs**

(Percentage)<sup>2</sup>



*Source:* UNCTAD, 2007.

Usually in negotiations, the starting point for discussions is based on a model agreement. This is why the IP issues covered in PTIAs are often similar from one treaty to another, among the set of treaties to which a major economic country (or countries) is a party. A review of the United States FTAs with Australia, Bahrain, Chile, Colombia, Morocco,

---

<sup>2</sup> TRIPS-plus in this graph includes agreements that refer to the "highest international standards", including those agreements where the parties confirm the importance they attach to a number of TRIPS-plus obligations arising from certain multilateral agreements. See, for example, Article 39 of the European Union-Israel Association Agreement (1995) and Annex VII, paragraph 3, referring to the UPOV Convention.

Jordan, Oman and Singapore, as well as the Central American–Dominican Republic Free Trade Agreement (CAFTA) shows that all of these treaties have specific provisions dealing with protection for pharmaceutical products, such as, *inter alia*, patent term extensions, substantive grounds upon which compulsory licences can be issued, exclusion of parallel importation, exclusive rights in clinical test data and the linkage between regulatory approval procedures for medicaments and patent rights. These treaties also have provisions concerning access to information in the digital environment and copyrights concerning the obligation to protect plants through patents, as well as on enforcement of IP rights, among others.

Agreements concluded by the European Union (EU) uniformly specify the standards and level of protection that the contracting parties must adhere to. In some agreements concluded by the EU, the other party is required to adhere to a number of multilateral conventions on IP including, in many instances, the International Convention for the Protection of New Varieties of Plants (UPOV). The EU agreements with Algeria, Bangladesh, Lebanon, Morocco and Tunisia are examples.

An initial examination of agreements by the United States and the EU shows that while both sets contain many “TRIPS-plus” provisions, there is a significant difference in their overall approaches to IP in their FTAs. The agreements to which the United States is a party generally have an entire chapter on IP, while those of the EU have limited provisions on IP, and generally focus on particular issues such as geographical indications and protection of plant varieties. The EU also sometimes pursues separate agreements specifically dedicated to wines and spirits.

While the IP issues covered tend to be similar from one treaty to another between the set of treaties to which the United States or the EU is a contracting party, other sets of treaties show greater variation in terms of how IP issues are treated. Japan’s Economic Partnership Agreement with Malaysia (2005), for example, obligates the contracting parties to “ensure that rights relating to new plant varieties are adequately protected” and “having due regard to the concerns of the other Country, endeavor to protect as many plant genera or species in a manner stated in paragraph 1 of this Article within the shortest period of time” (Article 123). On the other hand, the Economic Partnership Agreement between Japan and the Philippines (2006) is not nearly as clear concerning the efforts required of the parties to ensure protection

for new plant varieties. It states that each party shall “within its capabilities, endeavor to increase the number of plant genera and species that can be protected under its laws and regulations” and that “[i]n this regard, each Party shall consider the concerns of the other Party” (Article 127). An owner of rights on a new plant variety will clearly have more legal leverage in formulating a cause of action under the Japan–Malaysia treaty than under the Japan–Philippines treaty.

### **C. Preliminary conclusions**

A great deal of literature exists concerning IP provisions in trade and investment treaties, particularly those that involve TRIPS-plus obligations. While the starting point for BIT and PTIA negotiations often takes the form of a model or prior agreement, this does not necessarily mean that the final agreement between all countries using that model will be the same. Negotiations are inherently a political process, and the results will differ depending on the objectives of each party, the bargaining power that the negotiators bring to the table, as well as the skills of the individual negotiators, among other factors. The differences in text may have important legal implications (from increasing the scope of protection and/or legal liability in some cases, to reducing the obligations to be borne by the contracting parties and thereby diminishing the risk of potential claims). Therefore, these provisions are likely to be subject to serious negotiations by the contracting parties.

Furthermore, negotiations over IP provisions may have far-reaching implications with regard to national treatment and MFN obligations in PTIAs and in those BITs where obligations concerning IP rights are spelled out in more detail. In short, these obligations could very well require the agreed standards stipulated in a treaty to be applied across the board, to all citizens and to all countries (e.g. in cases where country X signed two treaties with different standards on an IP issue, country X would, in a legal dispute, be held to the more stringent standard). Countries negotiating treaties containing IP provisions should, therefore, carefully examine these potential ramifications of the national treatment and MFN provisions on their national IP laws and policies.

Given the widespread interest in this topic, UNCTAD will examine in more detail trends in IP provisions in IIAs, including their implications on system-wide coherence and

legal liability. UNCTAD research and policy analysis on issues related to IIAs, including IP, is geared towards assisting developing countries to participate as effectively as possible in international rule-setting for investment and IP. In this respect, there is a growing need for capacity-building to help developing countries in assessing the implications of different policy options before concluding IIAs. UNCTAD work in this area also provides multilateral forums to promote the understanding of specific provisions in IIAs, policy coherence and consensus-building.

\* \* \*