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From Incentive to Commodity to Asset: How International Law is Reconceptualizing Intellectual Property

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ARTICLES

FROM INCENTIVE TO COMMODITY TO ASSET: HOW INTERNATIONAL LAW IS RECONCEPTUALIZING INTELLECTUAL PROPERTY

Rochelle Dreyfuss and Susy Frankel**

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INTRODUCTION

The intellectual property landscape is changing. As Jerry Reichman once observed, intellectual property rights were islands in a sea of the public domain until domestic laws expanded to include such “innovations” as business methods, software, scents, and sounds and turned the public domain into a pond surrounded by a continent of rights. Reichman spoke towards the end of the 20th century, and whatever problems accompanied this change, in truth (to paraphrase Voltaire’s view of the Holy Roman Empire), the concept of “intellectual property rights” was predominantly

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about neither “property” nor “rights” (nor was it always “intellectual”).¹ Rather, copyright, patent, and trademark were principally thought of as incentives to promote innovation and creativity. Debates in the literature, in policy circles, and in courts were primarily *quantitative*, concerned with *how much* exclusivity was needed to produce adequate encouragement and how to balance the interest in protection against the access needs of the public, especially the next generation of innovators.² Thus, while the subject matter of protection may have been expanding, there were many ways in which governments retained significant flexibilities to contour the “continent” to benefit the public. Not only was protection time-bound, domestic laws recognized various limitations and exceptions that permitted innovators to build on prior knowledge.³ Countries also had ample freedom to address problems presented by new technologies. And because monitoring compliance and enforcement were expensive, difficult, and slow, protection was easily eroded.

Early multilateral international intellectual property agreements preserved the porous nature of intellectual property (IP). The World Intellectual Property Organization’s (WIPO) Berne and Paris Conventions required countries to extend domestic protection to foreigners, but they imposed minimum levels of protection (at least for copyright and trademark law) and largely left to domestic law exceptions that dealt with public access concerns.⁴ Ostensibly, the shift in lawmaking from WIPO to the World Trade Organization’s (WTO) merely expanded on this approach. The 1995 Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement) adopted minimum standards for patent protection, raised the levels of protection for copyright and trademark, extended coverage to trade secrets, design protection, and geographical indications, and instituted enforcement obligations.⁵ But still, the debate, both domestic

1. On the nature of intellectual property, see Stephen L. Carter, *Does It Matter Whether Intellectual Property is Property?*, 68 CHI.-KENT L. REV. 715 (1992-1993); Jeremy Waldron, *From Authors to Copiers: Individual Rights and Social Values in Intellectual Property*, 68 CHI.-KENT L. REV. 841 (1992-1993).

2. See, e.g., *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (“The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors.”). See generally William M. Landes & Richard A. Posner, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* (2003).

3. For example, countries have laws permitting experimentation with patented inventions that could lead to non-infringing workarounds and superseding inventions. They permit fair use to facilitated socially-productive utilization of copyrighted works and trademarks. The first sale doctrine releases used copyrighted, trademarked, and patented works into the public’s hands. Trade secrets can be reverse-engineered.

4. Berne Convention for the Protection of Literary and Artistic Works, July 24, 1971, 1161 U.N.T.S. 31 [hereinafter Berne Convention]; Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention].

5. Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 33 I.L.M. 81 (1994) [hereinafter TRIPS Agreement].

and international, focused on how much protection was needed to encourage new production and (to a lesser extent) whether the right balance between public and private interests was being struck.

The loss of WIPO's hegemony over IP through the adoption of TRIPS was, however, soon followed by other efforts at international lawmaking in the IP realm. These included the use of free trade agreements (FTAs), bilateral investment treaties (BITs), and regional pacts, which were all aimed at further enhancing the level of protection. But as Larry Helfer chronicled in his 2004 article on regime shifting,⁶ there were also attempts to influence the international IP regime so as to better safeguard public interests in health, human rights, genetic diversity, nutrition, and development.⁷ Those events, and Helfer's path-breaking piece, changed the conversation. While Helfer argued that regulatory competition among international institutions was beneficial, the literature began to consider the detrimental effects of law production in multiple venues: the drain on resources, particularly of the less powerful; the onset of fragmentation; and the cycling of disputes among national and international tribunals.⁸

Clearly, boundary expansion, fragmentation, and cycling are important and deserve sustained attention.⁹ We, however, see in regime shifting an unanticipated—and largely overlooked—consequence: the development has entrenched a new *qualitative* vision of IP, one that drives a fundamental reconceptualization. Thus, a comparison of the WTO's TRIPS Agreement with the original General Agreement on Tariffs and Trade [GATT] moved from framing IP as a barrier to trade¹⁰ into conceptualizing it as a tradable commodity in the name of facilitating trade. It put enforcement on the international agenda and emphasized the rhetoric of "rights." The shift from TRIPS to FTAs and BITs was equally drastic: it converted IP into an investment asset subject to claims of direct and indirect expropriation, thereby emphasizing the rhetoric of "property."

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. See, e.g., Convention on Biological Diversity, June 5, 1992, 1760 U.N.T.S. 143 [hereinafter CBD].

8. See, e.g., Graeme B. Dinwoodie & Rochelle C. Dreyfuss, A NEOFEDERALIST VISION OF TRIPS: THE RESILIENCE OF THE INTERNATIONAL INTELLECTUAL PROPERTY REGIME (2012); Susan K. Sell, *TRIPS Was Never Enough: Vertical Forum Shifting, FTAs, ACTA, and TPP*, 18 J. INTELL. PROP. L. 447, 451 (2011); Susy Frankel, *The Legitimacy and Purpose of Intellectual Property Chapters in FTAs*, in CHALLENGES TO MULTILATERAL TRADE THE IMPACT OF BILATERAL, PREFERENTIAL AND REGIONAL AGREEMENTS (ROSS BUCKLEY, Vai Io Lo & Laurence Boule eds., 2008) at 185; Peter Drahos, *BITS and BIPS: Bilateralism in Intellectual Property*, 4 J. WORLD INTELLECTUAL PROP'Y 791 (2001).

9. See, e.g., Ruti Teitel and Robert Howse, *Cross-Judging Tribunalization in the Fragmented but Interconnected Global Order*, 41 N.Y.U. J. INT'L L. & POL. 959, 962-8 (2008-2009).

10. See General Agreement on Tariffs and Trade, art. XX (d), Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194 [hereinafter GATT] (exempting measures "necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including . . . the protection of patents, trade marks and copyrights, and the prevention of deceptive practices" from the scope of the GATT).

The effect of these changes cannot be underestimated. Where Reichman described continents emerging from a sea of the public domain and Helfer emphasized continental drift, these developments suggest that the new topography is unyieldingly rigid. These trade and investment rationales are largely impervious to flexibility and balancing. They protect those holding property—incumbents—even if it is at the cost of undermining public-regarding measures and discouraging new entrants and innovation. It is no wonder then that negotiations over the Trans-Pacific Partnership Agreement (TPP) were hard fought on account of concerns over its IP provisions or that Canada, which is currently subject to an investor dispute under NAFTA over patent rights, is balking at the application of the investment chapters of the proposed Comprehensive Trade and Investment Agreement (CETA) to IP.¹¹

In this paper, we examine the effects of the shift from quantitative to a qualitative solidification of the IP landscape. In the first two sections, we choose examples from these rather extensive agreements to demonstrate how the evolution of international lawmaking, which may well have started as a purposive response by post-industrial economies,¹² is all too rapidly eclipsing incentive rationales for intellectual property protection. Using recent controversies over the working requirement and tobacco packaging, we next look at how commodification and assetization alter the debate over protecting creative output and to the loss of flexibility and diminished public access. While our major contribution lies in making the cumulative effect of these successive changes salient, we end by suggesting ways that governance at the international level could be improved to avoid the negative impact of reconceptualization.

I. FROM INCENTIVES TO COMMODIFICATION

While there are many theories for IP protection, the dominant justification has long been incentive-based: in order to encourage innovation, those investing in creative production must be protected against free riders

11. The TPP was concluded in October 2015, but it has not been ratified. Furthermore, as of this writing, only a leaked text of the intellectual property chapter is available, see *TPP Treaty: Intellectual Property Rights Chapter, Consolidated Text (October 5, 2015)*, art. QQ.A.11 WIKILEAKS (Oct. 9, 2015), <https://wikileaks.org/tpp-ip3/> [hereinafter *TPP 2015*]. See, e.g., *EU, Canada Fail To Close CETA; Stuck Over Issue Related to Eli Lilly Case*, INSIDE U.S. TRADE, (September 12, 2013). See generally, Notice of Arbitration, *Eli Lilly* (September 12, 2013), <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/disp-diff/eli.aspx?lang=eng>. Also, the “Australian Government is opposed to signing up to international agreements that would restrict Australia’s capacity to govern in the public interest—including in areas such as public health, the environment or any other area of the economy.” See *Frequently Asked Questions on Investor-State Dispute Settlement*, AUSTRALIAN GOVERNMENT DEPARTMENT OF FOREIGN AFFAIRS AND TRADE, <https://www.dfat.gov.au/fta/isds-faq.html> (last visited July 8, 2015).

12. See, e.g., *U.S. Commerce Department Releases New Report Showing Intellectual Property-Intensive Industries Contribute \$5 Trillion, 40 Million Jobs to US Economy*, UNITED STATES DEPARTMENT OF COMMERCE (Apr. 2012), <http://www.commerce.gov/news/press-releases/2012/04/11/us-commerce-department-releases-new-report-showing-intellectual-prope>.

who would otherwise compete down prices, prevent the recoupment of costs, and diminish the opportunity to collect profits sufficient to compensate for taking risk.¹³ Incentive theorists recognize, however, that the drive to ensure adequate incentives must be tempered by other concerns. Knowledge is cumulative and consumers demand interoperable products and backward compatibility; progress cannot occur unless the next generation can build on earlier innovations. As important, intellectual products have strong cultural, competitive, and educational dimensions as well as health, safety, and environmental implications. How far the interest in protection must give way to these other interests has been highly contested as has been the best approach to safeguarding public access imperatives.¹⁴

The Paris and Berne Conventions largely followed the quantitative, incentive-based, approach. As Thomas Dreier has described in his writing on the Berne Convention, when these agreements were adopted at the end of the 19th century, the main international concern was seepage of copyrighted goods from a place where they were not protected into a place where they were.¹⁵ The proximity of states using the same language meant that each could undermine the individual balances set by the others by permitting unauthorized production of foreign works, which could then be sold back into the region of the foreign creator. Publishers of copyrighted works obliged to pay royalties, for example in France, could not compete with unauthorized Belgian copies spilling back over the French border. To solve the problem, the conventions created a set of minimum protections that each country had to extend to all creators operating in member countries.¹⁶ In addition, because it was recognized that reputation and information can precede market entry, the Paris Convention required members to prevent third parties from adopting a mark that was well known in their territories, even if the mark was not used there, and to consider earlier foreign filings when determining priority dates for patents and trademarks.¹⁷ Berne reached the same result by banning formalities as a condition of copyright protection.¹⁸ In most other respects, however, both agreements left matters to domestic law. Thus, apart from a few restrictions, such as the three-step framework for exceptions to the reproduction

13. See generally Landes & Posner, *supra* note 2.

14. For a sampling of the literature, see *WORKING WITHIN THE BOUNDARIES OF INTELLECTUAL PROPERTY* (Rochelle Dreyfuss, Diane L. Zimmerman & Harry First eds., 2010); *INTERNATIONAL PUBLIC GOODS AND TRANSFER OF TECHNOLOGY UNDER A GLOBALIZED INTELLECTUAL PROPERTY REGIME* (Keith E. Maskus & Jerome H. Reichman eds., 2005); *EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY: INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY* (Rochelle Cooper Dreyfuss, Diane Leenheer Zimmerman & Harry First eds., 2001) [hereinafter *EXPANDING BOUNDARIES*].

15. Thomas Dreier, *Balancing Proprietary and Public Domain Interests: Inside or Outside of Proprietary Rights*, in *EXPANDING BOUNDARIES*, *supra* note 14, at 295, 300.

16. Berne Convention, *supra* note 4, art. 3; Paris Convention, *supra* note 4, art. 3.

17. Paris Convention, *supra* note 4, arts. 6bis (well-known marks) and 4 (priority date).

18. Berne Convention, *supra* note 4, art. 5(2).

right introduced into the Berne Convention in 1967,¹⁹ each member remained free to craft the limitations and exceptions it considered necessary to safeguard the interests of its population. Since neither agreement included a strong compliance mechanism, domestic solutions to balancing problems were never challenged in an international forum.²⁰

After World War II, IP began to matter in a new way. The international regime promoted economic prosperity and peace through trade—hence, the GATT Agreement²¹ and the development of the European Common Market.²² Technological changes significantly facilitated the way. Containerization reduced transportation costs for hard goods;²³ forty years later, the internet eliminated distribution costs for works that could be digitized. With expanded market opportunities and increased appreciation for foreign creative products came the potential for greater incentives to innovate. The liberalization of trade also led to the relocation of manufacturing and the development of global value chains that geographically separate research, development, production, distribution, and servicing.²⁴

As IP grew in economic significance, it became more prominent in political debate. Spill backs were no longer the sole cause for concern. Suddenly, innovators cared about the precise level of protection everywhere, for that affected their incentives as well as their ability to use IP as markers for allocating profits among value chain members.²⁵ When WIPO proved unable to update the Berne and Paris Convention to accommodate globalization, attention shifted to the WTO; the TRIPS Agreement was the outcome.²⁶ Once IP became a global trade issue, however, the door opened to a different type of discourse about the nature of protection. The emphasis of international accord focused on commodification and main-

19. *Id.* art. 9(2).

20. In theory, a member that failed to comply with its obligations under Paris or Berne could be sued in the International Court of Justice. *See* Berne Convention, *supra* note 4, art. 33; Paris Convention, *supra* note 4, art. 28. However, no such cases have ever been brought.

21. *See, e.g., The WTO can contribute to peace and stability*, WORLD TRADE ORGANIZATION, https://www.wto.org/english/thewto_e/whatis_e/10thi_e/10thi09_e.htm; DEBRA P. STEGER, *PEACE THROUGH TRADE: BUILDING THE WORLD TRADE ORGANIZATION* 15 (2004).

22. *See, e.g.,* MARTIN J. DEDMAN, *THE ORIGINS AND DEVELOPMENT OF THE EUROPEAN UNION 1945-2008: A HISTORY OF EUROPEAN INTEGRATION* 90 (2d ed. 2009).

23. *See, e.g.,* David Hummels, *Transportation Costs and International Trade in the Second Era of Globalization*, 21 *J. EC. PERSP.* 131, 141, 152 (2007).

24. *See, e.g.,* Gary Gereffi, John Humphrey & Timothy Sturgeon, *The Governance of Global Value Chains*, 12 *REV. INT'L POL. ECON.* 78, 78-79 (2005); *see also* SUSY FRANKEL, *TEST TUBES FOR GLOBAL INTELLECTUAL PROPERTY ISSUES: SMALL MARKET ECONOMIES* (2015).

25. That is, patents and trade secrets pinpoint who in the chain made specific inventive contributions; trademarks and geographical indications identify the source of each component; copyrights signify other creative inputs. *See, e.g.,* Gereffi, *supra* note 24, at 95; Warren Maruyama, *The WTO: Domestic Regulation and the Challenge of Shaping Trade*, 37 *INT'L LAW.* 677 (2003).

26. *See, e.g.,* Frederick M. Abbott, *The Future of the Multilateral Trading System in the Context of TRIPS*, 20 *HASTINGS INT'L & COMP. L. REV.* 661, 664-65 (1997).

taining comparative advantage.²⁷ The result transforms IP protection into more than primarily an innovation incentive and into a right proper.²⁸

First, national commitments became the subject to a regimented rules-based system, enforced by the WTO's Understanding of Dispute Settlement (DSU), a quasi-legal compliance mechanism that permits member states to challenge one another's adherence to the Agreement before the Dispute Settlement Body (DSB).²⁹ For the first time, failure to meet international IP obligations could lead to sanctions, including retaliation or, in cases where the law could not be changed quickly, the responsibility to pay compensation for ongoing violations.³⁰

Second, state power to establish an innovative sector was constrained. Berne and Paris preserved avenues for countries that wished to encourage the creative development of their citizens. An appendix to Berne permitted states to have books translated into local languages;³¹ the Paris Convention allowed countries to require the patent holder to work the invention in their territories, thereby giving jobs and training opportunities to locals. But the theory of comparative advantage suggests that in sectors where a country is not at the technological frontier, it should import innovative products rather than create space for their own populace to become innovative. Thus, with comparative advantage comes a new emphasis on nondiscrimination. Where Berne and Paris operated on a principle of national treatment, TRIPS adds a most-favored nation obligation. Further, in its patent provisions, TRIPS prohibits discrimination by field of technology, place of invention, and whether products are imported or locally produced.³²

Third, internationally mandated rules on limitations and exceptions curbed the flexibilities available to WTO members to protect public interests. Some of these new measures are highly specific. Examples include a provision permitting members to exclude plants from patent obligations, but only so long as they adopt another protective scheme;³³ compulsory licensing of patented inventions is allowed, but countries must abide by

27. For an explanation of comparative advantage in today's trade law, see MICHAEL TREBILCOCK, ROBERT HOWSE & ANTONIA ELIASON, *THE REGULATION OF INTERNATIONAL TRADE* 3-6 (4th Ed. 2013).

28. See, e.g., Cynthia M. Ho, *Unveiling Competing Patent Perspectives*, 46 *HOUSTON L. REV.* 1047 (2009).

29. See Understanding on Rules and Procedures Governing the Settlement of Disputes, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2, 1869 U.N.T.S. 401 [hereinafter DSU].

30. See *id.* arts. 3.7, 22.

31. See Berne Convention for the Protection of Literary and Artistic Works, Stockholm Revision, July 14, 1967, U.N.T.S. No. I-11850, 828 U.N.T.S. 221 (January 1, 1970 being the effective date for the administrative provisions; the substantive provisions were incorporated into the later Paris Revision). The provision has, however, proved to be ineffective. See R. L. Okediji, *Sustainable Access to Copyrighted Digital Information Works in Developing Countries*, in Maskus & Reichman, *supra* note 14.

32. See TRIPS Agreement art. 27.1.

33. See *id.* art. 27.3(b).

over ten detailed restrictions on granting them.³⁴ For each major IP right, there is also an exception that is nominally open-ended. However, all the measures are based on Berne's three-step exceptions test—a test that was specifically developed to protect the reproduction right, arguably the most important stick in the copyright bundle. In carrying that test forward, TRIPS limits every type of copyright exception to the same vigorous extent and offers only slightly more flexibility regarding trademark, design, and patent limitations.³⁵ In all cases, the emphasis is on the economic—or trade related—aspects of IP, and the focus is mainly on the degree to which the exception is circumscribed and the effect on normal exploitation and the legitimate interests of the IP owner. In addition, the Berne provision referred to “authors”; the TRIPS exceptions focus on “rights-holders” and “owners.” The provisions came under early scrutiny in two WTO disputes, *Canada-Pharmaceuticals* (on patents) and *US-110(5)* (on copyright).³⁶ In neither case did the panel find much room to consider public interests.³⁷ To make matters even more difficult, the *Canada-Pharmaceuticals* panel also decided that exceptions must be nondiscriminatory; thus, they must be limited but also drawn broadly enough to include any field that may present similar problems.

Fourth, the rights talk in TRIPS goes hand in hand with a focus on domestic enforcement. Neither Berne nor Paris required states to adopt enforcement procedures. In contrast, the TRIPS Agreement requires WTO members to provide expeditious measures that constitute a deterrent to infringement.³⁸ Every state must give judges authority to issue injunctions, award monetary relief, seize infringing goods and the machinery of infringement, and take infringing goods out of the right-holder's market.³⁹ WTO members must also give courts the authority to issue provisional measures and customs authorities the power to exclude counterfeit or pirated goods (infringements which are particularly easy to spot) at the border before they enter the market.⁴⁰ Criminal penalties must be pro-

34. See *id.* art. 31.

35. See *id.* arts. 13, 17, 26.2, 30.

36. See Panel Report, *Canada-Patent Protection of Pharmaceutical Products*, WT/DS114/R (Mar. 17, 2000) [hereinafter *Canada-Pharmaceuticals*]; see also Panel Report, *United States—Section 110(5) of the US Copyright Act*, WT/DS160/R (June 15, 2000) [hereinafter *US-110(5)*].

37. See *Canada-Pharmaceuticals*, *supra* note 36; see also *US-110(5)*, *supra* note 36. Thus the tests consider whether an exception is limited or, in the case of copyright, “special.” These might have provided an opportunity for weighing, but neither panel used the opening. Both panels also applied the three steps in the exceptions tests cumulatively. Since the rights of third parties only come up in the third part of test, the panels managed to avoid considering them as well. The panels also refused to take account of the underlying policy that led the state to enact the measure or the TRIPS Agreement's stated objective to balance rights and obligations and further social and economic welfare.

38. See *Canada-Pharmaceuticals*, *supra* note 36.

39. See TRIPS Agreement arts. 44-46.

40. See *id.* arts. 50-51.

vided for “willful trademark counterfeiting or copyright piracy on a commercial scale.”⁴¹

In its move to commodification, TRIPS does not, however, squeeze out all space for nations to use exceptions to address local needs. Its Basic Principles state that members are free to determine the appropriate methods for implementing their obligations in their own legal systems.⁴² The Agreement does not allow for WTO disputes over whether rights are exhausted nationally or internationally thus permitting countries to parallel import works that were sold in foreign countries under the authority of the right holder.⁴³ Moreover, TRIPS, as later underscored by a WTO Ministerial Declaration (the Doha Declaration), specifically recognizes domestic authority to balance rights and obligations, to promote social and economic welfare, and to adopt measures to protect public health and nutrition.⁴⁴

Significantly, key terms in the Agreement are not defined. For example, while the Agreement requires countries to protect inventions in all fields of technology if they involve “an inventive step,”⁴⁵ it equates “inventive step” to “non-obvious”⁴⁶ but does not otherwise define the terms. This has, for example, allowed countries such as India to refrain, either on a theory of no invention or non-inventiveness, from protecting a new use of a known product and to bar patents on new forms of known substances if efficacy is not enhanced.⁴⁷ Finally, the Agreement emphasizes that no country must put in place a judicial system for the enforcement of IP rights that is distinct from the enforcement of law in general.⁴⁸

DSB reports have also evolved. Although, as noted in early dispute resolutions, the panels took a rather rigid approach to TRIPS, later panels saw more flexibility. Thus the *Canada-Pharmaceuticals* and *US-110(5)* reports were followed by the *EC-GI* dispute.⁴⁹ In that case, the panel took a more permissive approach to exceptions to trademark rights. Moreover, a dispute challenging enforcement procedures in China recognized that countries can, consistent with TRIPS, take a variety of approaches to remedies. Consequently, the *China-Enforcement* panel was highly deferential

41. *Id.* art. 61.

42. *See id.* art. 1.1.

43. *See id.* art. 6.

44. *Id.*, arts. 7-8; World Trade Organization, Ministerial Declaration of 14 November 2001, ¶¶ 17, 19, WT/MIN(01)/DEC/1.

45. TRIPS Agreement art. 27.1

46. *Id.* at n.5.

47. The Patents Act, No. 39 of 1970, § 3(d) (Universal 2005) (India).

48. TRIPS Agreement art. 41.5

49. Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WT/DS174/R (Mar. 15, 2005) [hereinafter *EC-GI*].

to China's policy choices.⁵⁰ The panel did not require China to stop infringing goods from leaving the country. It interpreted the provisions stating that judicial "authorities must have the authority" to issue relief, as merely requiring that courts possess the power to order relief, and not as requiring them to exercise it. Under TRIPS, criminal penalties are triggered only by counterfeiting and piracy "on a commercial scale";⁵¹ the panel read that to mean infringement must be on a large scale and for commercial gain.

II. FROM COMMODIFICATION TO ASSETIZATION

But even this flexibility may not last. Much of the later regime shifting is aimed at correcting perceived inadequacies in TRIPS. Thus there are multilateral soft and hard laws, as well as bilateral, plurilateral, and regional agreements that define terms, fill gaps, further constrain flexibilities, and prescribe particularized enforcement regimes. More importantly, these measures effectuate linkage between IP and investment regimes.

While TRIPS laid the platform for commodification, much of the current regime shifting is reconceptualizing IP as an asset and progressively detaching it from its grounding in incentive-based principles. Remedying perceived inadequacies solidifies the rights side of the equation. The remaining flexibility in the three-step test is under considerable pressure, as variants have found their way into three post-TRIPS Agreements, the WIPO Copyright Treaty (WCT), the WIPO Performances and Phonograms Treaty (WPPT), and the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (Treaty for the Visually Impaired).⁵² Morphed yet again, the three-step test has also been incorporated into national laws,⁵³

50. Panel Report, *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WTO Doc. WT/DS362/R (Jan. 26, 2009) [hereinafter *China-Enforcement*].

51. TRIPS Agreement art. 61.

52. WIPO Copyright Treaty, art. 10.11, Dec. 20, 1996, S. TREATY DOC. NO. 105-17; WIPO Performances and Phonograms Treaty, art. 16.2, Dec. 20, 1996, S. TREATY DOC. NO. 105-17 (1997), 2186 U.N.T.S. 245; Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired, or Otherwise Print Disabled, art. 11, June 27, 2013, <http://www.wipo.int/wipolex/en/details.jsp?id=13169> [hereinafter *Treaty for the Visually Impaired*].

53. WIPO, *Limitations and Exceptions Under The "Three-Step Test" and In National Legislation – Differences Between The Analog And Digital Environments*, WIPO/DA/MVD/00/4 (August 29, 2000). See, e.g., Civil Code of the Republic of Armenia art. 1127 (Arm.); Copyright Act 1968, s200AB (Australia); Law on the Promotion and Protection of Intellectual Property, art. 49-C (El Sal.), <http://www.wipo.int/wipolex/en/>; The Copyright Protection Law of 1992, art. 17(b) (Jordan), <http://www.wipo.int/wipolex/en/>.

into FTAs,⁵⁴ and the TPP.⁵⁵ Placed in new contexts and subject to dispute resolution in new fora, its interpretation remains to be determined.⁵⁶

Because the essentially toothless standard of enforcement adopted in the *China-Enforcement* report is not functionally adequate for a rights-based approach to IP, proponents of rights-focused IP have campaigned domestically for enhanced enforcement mechanisms. For example, the United States has applied its law extraterritorially to infringing activities occurring abroad and has tried (but so far failed) to strictly police the internet.⁵⁷ Australia has enacted extensive statutory criminal provisions.⁵⁸ And until the Court of Justice of the European Union (CJEU) limited the procedure, the European Union (EU) was stopping goods in transit on a theory of local infringement, but without regard to whether the goods infringed in their country of origin or at their destination.⁵⁹ At the international level, similar efforts produced the Anti-Counterfeiting Trade Agreement (ACTA), IP provisions in various bilateral and regional FTAs, and the TPP as well as negotiations over CETA.

ACTA, a 2011 agreement among Australia, Canada, the European Union, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland, and the United States⁶⁰ repeats many of the obligations found in TRIPS but adds definitions that, if found in TRIPS, would change the result in *China-Enforcement*. Where TRIPS did not specify how to calculate damages for copyright infringement, thus permitting China to measure compensation by local losses (that is, the price that would clear local demand), ACTA requires the court to consider “any legitimate measure of value the right holder submits, which may include lost profits, the value of

54. See, e.g., Free Trade Agreement between the United States of America and the Republic Of Korea, U.S.-S. Kor., arts. 18.4 (1), n. 11; 18.4 (10)(a); 18.8 (3), June 30, 2007–Feb. 21, 2012, <https://ustr.gov/trade-agreements/free-trade-agreements/korus-fta/final-text> [hereinafter KORUS].

55. See, e.g., *TPP 2015*, *supra* note 11, arts. QQ.C.4 (trademarks); QQ.E.4 (patents); QQ.G.16(a)(copyrights).

56. For suggestions for how to interpret the test, see Christophe Geiger, Daniel Gervais & Martin Senftleben, *The Three-Step Test Revisited: How to Use the Test's Flexibility in National Copyright Law*, 29(3) AM. U. INT'L L. REV., 581, 597-607 (2014) (suggesting that in other contexts, decision makers could take better account of the diverse social, economic, and cultural policies of the signatories, think more holistically, or apply the steps in reverse order).

57. See, e.g., *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952); *L.A. News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987 (9th Cir. 1998); *Stop Online Piracy Act (“SOPA”)*, H.R. 3261, 112th Cong. (2011); *Protect Intellectual Property Act*, S. 1830, 112th Cong. (2011).

58. *Copyright Act 1968*, pt 5, div 5 (Austl).

59. *Koninklijke Philips Electronics NV v. Lucheng Meijing Industrial Company Ltd, Far East Sourcing Ltd, Röhlig Hong Kong Ltd and Röhlig Belgium NV and Nokia Corporation v. Her Majesty's Commissioners of Revenue and Customs*, 1 December 2011, Joined Cases C?446/09 and C?495/09.

60. *Anti-Counterfeiting Trade Agreement*, Dec. 3, 2010, *opened for signature* May 1, 2011, 50 I.L.M. 243 (2011), http://trade.ec.europa.eu/doclib/docs/2010/december/tradoc_147079.pdf [hereinafter ACTA].

the infringed goods or services measured by the market price, or the suggested retail price.”⁶¹ Where the panel permitted China to return counterfeit trademarked goods to the market, ACTA requires destruction, except in “exceptional circumstances.”⁶² The DSB defined “on a commercial scale” (the trigger for criminal penalties) to require commercial benefit on a large scale; ACTA specifies that commercial scale includes “commercial activities for direct or indirect economic or commercial advantage.”⁶³ In addition, ACTA is framed so that other countries take a role in preventing widespread dissemination of infringing works. It permits members to adopt measures to stop pirated copyrighted goods and counterfeit trademarked goods in transit.⁶⁴

ACTA has not yet gone into force and probably never will.⁶⁵ So far, only one country (Japan) has ratified it.⁶⁶ In spite of this impediment, limited domestic success, and the outcome in the *China-Enforcement* dispute, the drive for greater enforcement continues and has multiple outlets. These efforts intend not only to “fix” the enforcement problem but move well beyond it.

Consider some of the prescriptive details in the FTAs that the United States has entered into over the last few decades.⁶⁷ The agreement with Korea (KORUS), which came into force in 2011, is a good example.⁶⁸ KORUS adopts the enforcement obligations laid out in ACTA, with some significant variations. “On a commercial scale” now includes the “the receipt or expectation of anything of value.”⁶⁹ There is an expansion of the rule on in-transit seizure: countries “shall” adopt procedures to stop in-transit goods that are suspected of being pirated or counterfeit as well as goods that are suspected of being confusingly similar to trademark goods.⁷⁰ KORUS also elaborates on TRIPS substantively. For example,

61. *Id.* art. 9(1). ACTA also requires a party to maintain a system for pre-established damages or presumptions for determining compensatory damages, and for copyright, additional damages. *See id.* art. 9(3).

62. *Id.* art. 10(1).

63. *Id.* art. 23(1).

64. *Id.* art. 16(2).

65. For the mechanics of its defeat, see James Losey, *The Anti-Counterfeiting Trade Agreement and European Civil Society: A Case Study on Networked Advocacy*, J. INFO POL'Y 4 (2014) 205-27, <http://jip.vmhost.psu.edu/ojs/index.php/jip/article/view/168/119>.

66. OFFICE OF THE U.S. TRADE REP., 2014 SPECIAL 301 REPORT (2014), at 14, <https://ustr.gov/sites/default/files/USTR%202014%20Special%20301%20Report%20to%20Congress%20FINAL.pdf>.

67. For a discussion of how the European Union is pursuing similar objectives in its European Partnership Agreements, see Henning Grosse Ruse-Khan, *Protecting Intellectual Property Under BITS, FTAs, and TRIPS: Conflicting Regimes or Mutual Coherence?*, in *EVOLUTION IN INVESTMENT TREATY LAW AND ARBITRATION* 485, 493-494 (K. Miles, C. Brown, eds., Cambridge University Press 2011).

68. KORUS, *supra* note 54.

69. *Id.* arts. 18.10.26, 18.10.26 n.33.

70. *Id.* art. 18.10.22.

plants can no longer be excluded from patentability.⁷¹ There is an obligation to patent new uses of known products (thus barring Korea or the United States from adopting the Indian approach to pharmaceuticals).⁷² Furthermore, KORUS adds new obligations. It requires accession or reasonable efforts to ratify eleven instruments not mentioned in TRIPS.⁷³ Whereas TRIPS has no rules about price controls, KORUS requires countries to publish in advance proposed prices for pharmaceuticals and to give “interested persons” a reasonable opportunity to comment.⁷⁴

Other agreements add more obligations. AUSFTA, the 2005 FTA between the United States and Australia, provides trademark protection for sounds and scents (TRIPS requires protection only for visually perceptible marks).⁷⁵ It limits the grounds on which either country can award compulsory patent licenses⁷⁶ and narrows their ability to parallel import patented products.⁷⁷

The TPP, an agreement among Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam, threatened to go even further, and in some cases, succeeded. Leaked negotiation text show that the United States had proposed that parties allow copyright owners to prevent the importation of even authorized copies of works thus, prohibiting parallel imports.⁷⁸ Although this proposal appears to have been rejected,⁷⁹ for trademarks, the TPP apparently will bar the use of visual perceptibility as a condition of trademark registration⁸⁰ and require adherence to the Joint Recommendation on Well Known Marks, a soft law agreement adopted in 1999 by the Assembly of the Paris Union for the Protection of Industrial Prop-

71. *Id.* art. 18.8.2.

72. *Id.* art. 18.8.1.

73. *Id.* arts. 18.8.3, 18.8.4.

74. *Id.* arts. 5.3.1, 5.3.2. In a Confirmation Letter, Korea also agreed to ensure that the body setting prices be independent of the health authorities.

75. The Australia–United States Free Trade Agreement, U.S.–Austl., art. 17.2.2, May 18, 2004, 43 I.L.M. 1248, [hereinafter AUSFTA]; TRIPS Agreement art. 15.1.

76. AUSFTA, *supra* note 75, art. 17.9.7.

77. *Id.*, at 17.9.4. *See also* The United States–Morocco Free Trade Agreement, U.S.–Morocco, art. 15.9.4, June 15, 2004, 44 I.L.M. 544 (2005), [hereinafter U.S.–Morocco FTA]; Agreement Between the United States of America and the Hashemite Kingdom of Jordan on the Establishment of a Free Trade Area, U.S.–Jordan, art. 4.11, Oct. 24, 2000, 41 I.L.M. 63 [hereinafter U.S.–Jordan FTA].

78. *Secret TPP Treaty: Advanced Intellectual Property Chapter for All 12 Nations with Negotiating Positions*, WIKILEAKS (Nov. 13, 2013), <https://wikileaks.org/tpp/static/pdf/Wikileaks-secret-TPP-treaty-IP-chapter.pdf> [hereinafter *TPP 2013*] (“Negotiator’s Note: The US is considering the relationship between this provision and other proposals regarding the exhaustion of IP rights, as well as other TPP countries’ legal regimes.”). Other countries have proposed encouraging international exhaustion. *Id.* art. QQ.G.17.

79. *TPP 2015*, *supra* note 11, art. QQ.A.11.

80. *Id.*, art. QQ.C.1.

erty and the General Assembly of WIPO,⁸¹ which expanded protection for well-known marks and extended the scope of protection beyond consumer confusion to dilution.⁸² For patents, the TPP proposed to remove the specific exceptions for diagnostic, surgical, and therapeutic treatment of humans or animals⁸³ and it apparently will prevent countries from denying patents on the sole ground that efficacy is not enhanced.⁸⁴ The three-step exceptions framework test is repeated. However, during the negotiations, some of the participants were so concerned that the intent of the TPP was to tighten the test, through its own dispute resolution mechanisms, that they proposed specific exceptions to cover important issues, such as the ability of generic drug companies to conduct experiments during the patent period, experimentation, and the ability of countries to issue compulsory licenses.⁸⁵

In isolation, many of these developments are incremental changes. However, the net effect is a difference not merely in degree, but in kind. In total, the changes create new norms regarding the appropriate level of protection and excludability and an unraveling of the incentive-based rationale for protection. Together, the new agreements re-conceptualize the nature of IP. As Margreth Barrett aptly put it: “Where investment goes, an inherent sense of property right tends to follow.”⁸⁶ The changes to trademark law—the extension in geographic scope, the expansion to dilution, the responsibility to seize goods in transit—provide a powerful illus-

81. See Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks [hereinafter Joint Recommendation], WIPO and Assembly of the Paris Union for the Protection of Industrial Property, Sept. 29, 1999, 883(E), <http://www.wipo.int/edocs/pubdocs/en/marks/833/pub833.pdf>.

82. TPP 2015, *supra* note 11, art.QQ.C.5; Joint Recommendation, *supra* note 81, arts. 2(2)(iii), art. 4 (1) (iii) (requiring protection of the use is likely to impair or dilute in an unfair manner the distinctive character of the mark). Provisions of the Joint Recommendation are also included in existing FTAs. See, e.g., U.S.-Jordan FTA.

83. TPP 2013, *supra* note 78, art. QQ.E.1: {Patents / Patentable Subject matter}, n.136 (“Negotiator’s Note: The US is considering the relationship between this provision and other proposals regarding the exhaustion of IP rights, as well as other TPP countries’ legal regimes”); see also James Love, *Copyright Limitations and Exceptions: What Does the Secret TPPA Text Say?*, KNOWLEDGE ECOLOGY INTERNATIONAL (July 3, 2012, 3:21 PM), <http://keionline.org/node/1451>. This provision was apparently eliminated, TPP 2015, *supra* note 11, art. QQ.E.3.

84. *Id.* art. QQ.E.2.

85. TPP 2013, *supra* note 78, art. QQ.E.5: {Exceptions}, art. QQ.E.5bis: {Regulatory Review Exception}, art. QQ.E.5ter: {Experimental Use of a Patent}, art. QQ.E.5quater: {Other Use Without Authorisation of the Right Holder}. TPP 2015 does elaborate on achieving the appropriate balance in copyright, see TPP 2015, *supra* note 11, at QQ.G.17. A draft of the Investment Chapter of the TPP has also been leaked and clearly includes investor-state dispute resolution. See *Secret TPP Treaty: Advanced Intellectual Property Chapter for All 12 Nations with Negotiating Positions [Draft]*, WIKILEAKS (2012), <http://www.citizenstrade.org/ctc/wp-content/uploads/2012/06/tppinvestment.pdf>. The TPP also includes state-to-state dispute settlement, TPP 2015, *supra* note 11.

86. Margreth Barrett, *A Cause of Action for “Passing Off/Associational Marketing”*, 1 IP THEORY 1, 2 (2010), <http://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=1000&context=ipt>.

tration.⁸⁷ Trademarks become, in the words of Mark Lemley, “strong unfettered property rights.”⁸⁸

Significantly, once assetization is realized through successive negotiations over IP, investment treaties and investment chapters in free trade agreements become significant, for lurking within them are provisions defining IP as assets and a mechanism—investor-state arbitration—that protects these assets from direct or indirect expropriation and guarantees investors fair and equitable treatment. Early instruments adopt the terminology of, and therefore are interpretively connected to, the Berne and Paris Conventions.⁸⁹ But as protection became more pervasive, the language changed. Later BITs refer specifically to TRIPS and speak of “intellectual property rights” or use other broad terms to cover the breadth of creative production.⁹⁰

87. The CJEU stopped in-transit seizure on the theory that trademarks create channels of communications with customers. Without proof that the trademarked goods in question were entering the EU, the court held there could not be consumer confusion and therefore no power to seize the goods. Provisions such as KORUS and ACTA, that permit (or require) goods to be stopped in-transit treat the rights as property—the ability to seize is no longer dependent on communicative effect. Requirements to recognize the Recommendation on Well Known Marks underscore this move. The Paris Convention requires a country to protect foreign marks that are “well known in that country” and domestic cases interpreting that provision have tended to require a high degree of renown. In contrast, the Recommendation considers marks to be well known when they are known in only business circles. The Recommendation goes on to reject consumer confusion as the sole test for infringement.

88. Mark Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1694 (1999). See also Lionel Bently, *From Communication to Thing: Historical Aspects of the Conceptualization of Trade Marks as Property*, in TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH (Graeme B. Dinwoodie & Mark D. Janis, eds. Edward Elgar Publishing Ltd. Cheltenham 2008). Bently examines whether property rhetoric is responsible for enhanced protection. We do not make that point. Rather, we suggest that property rhetoric helps describe what is happening.

A similar story can be told about patents. TRIPS commodified patents by requiring that every country recognize both product and process patents, delineating the criteria of patentability, and setting out a suite of exclusive rights. The FTAs then defined the terms that were previously flexible, leading to harmonization and standardization, and ultimately, to assets amenable to use as investment vehicles, cf. David Bowie, who, in 1997, securitized his song catalogue for \$55 million.

89. For example, the 1988 BIT between and Switzerland and Uruguay covers “les droits d’auteur, droits de propriété industrielle (tels que brevets d’invention, modèles d’utilité, dessins ou modèles industriels, marques de fabrique ou de commerce, marques de service, noms commerciaux, indications de provenance ou appellations d’origine), savoir-faire et clientèle[.]” Accord Entre la Confédération Suisse et la République Orientale de l’Uruguay Concernant la Promotion et la Protection Réciproques des Investissements, art. 1(2)(d), Switz.-Uru., Oct. 7, 1988, RO 1992 1810.

90. The 1985 BIT between the United States and Turkey describes “intellectual property, including such as copyrights and related patents, trade marks and trade names, industrial designs,” but goes further, mentioning “trade secrets and know-how[.]” Turkey Bilateral Investment Treaty, art 1(iv), U.S.- Turk., Dec. 3, 1985, Senate Treaty Doc. 99-19. KORUS provides that “[covered] investment” means “every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment.” It includes intellectual property rights in a list of the “forms that an investment may take[.]” KORUS, *supra* note 54, art 11:28.

When IP is recast as an investment asset, its property dimensions come into even sharper focus. Because traditional IP law is aimed at encouraging creativity, questions of protection center on the innovation, not the investment: in trademarks, effective communication with consumers; in patents, inventiveness; in copyright, original expression. As Justice Brandeis stated in an opinion invalidating the trademark Shredded Wheat, which the holder claimed deserved protection because \$17,000,000 had been put into creating it, “[t]hose facts are without legal significance.”⁹¹ The Justice wanted to know how “Shredded Wheat” was functioning in the marketplace. As described in investment law, IP is about “the characteristics of an investment [such as] the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk.”⁹² To put it another way, conventional IP law had benchmarks: to be actionable, infringement must impair the power to identify source (in trademark) or the incentive to innovate (in patent and copyright). There is, however, no equivalent IP-related benchmark for determining what constitutes an expropriation.

Assetization changes both the procedures of adjudication and the substantive matters considered. Investment disputes are fundamentally different from disputes in the WTO. In the WTO, states decide whether to bring a dispute to the DSB.⁹³ They may decline to pursue a perceived injury for political or policy reasons. For example, so far, no state has challenged India’s singular definitions of “invention” and “inventiveness” before the WTO, even though the application of India’s criteria notoriously led to Novartis’s loss of a patent on Gleevac, a valuable treatment for leukemia.⁹⁴ Even when a state decides to go forward, the DSU re-

91. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 119 (1938). He went on to say, “Kellogg Company’s right was not one dependent upon diligent exercise. Like every other member of the public, it was, and remained, free to make shredded wheat when it chose to do so, and to call the product by its generic name. The only obligation resting upon Kellogg Company was to identify its own product lest it be mistaken for that of the plaintiff.” *Id.* See also *Feist Publications, Inc. v. Rural Telephone Services Co., Inc.*, 499 U.S. 340, 353, 354 (1991) (“Decisions of this Court applying the 1909 Act make clear that the statute did not permit the ‘sweat of the brow’ approach” “Protection for the fruits of such research . . . may in certain circumstances be available under a theory of unfair competition (*false*). . . .” “But to accord copyright protection on this basis alone distorts basic copyright principles in that it creates a monopoly in public domain materials without the necessary justification of protecting and encouraging the creation of ‘writings’ by ‘authors.’”) (alteration in original).

92. See, e.g., *KORUS*, *supra* note 54, art. 11.28.

93. See generally Daniel Kalderimis, *Exploring the Differences between WTO and Investment Treaty Dispute Resolution*, in *TRADE AGREEMENTS AT THE CROSSROADS* (Susy Frankel & Meredith Kolsky Lewis eds, Routledge/Taylor & Francis Group 2014).

94. See Sidhartha, *US Faces Pressure to Take India to WTO*, *THE TIMES OF INDIA* (New Delhi), May 6, 2014, <http://timesofindia.indiatimes.com/business/india-business/US-faces-pressure-to-take-India-to-WTO/articleshow/34700793.cms>; *Novartis AG v. Union of India*, Civil Appeal No. 2728 of 2013, ¶¶ 64-67, 195-96 (Sup. Ct. India Apr. 1, 2013), <http://supremecourtindia.nic.in/outtoday/patent.pdf>. Similarly, South Africa’s decision to award compulsory licenses for AIDS medication was initially challenged by pharmaceutical companies in the South Africa Supreme Court, but eventually they backed off and no country

quires diplomatic consultations before a panel is formed.⁹⁵ These negotiations often end the dispute, as when the United States backed off from challenging Argentina's alleged failure to provide adequate protection to undisclosed pharmaceutical market-clearance data.⁹⁶ Moreover, once a challenge is brought, states retain the power to decide which arguments to make. A state may, for example, desist from challenging another state's use of a flexibility in an agreement that it also wishes to use. In contrast, investment arbitration is initiated by the investor right holders. Geopolitical considerations and social welfare are not necessarily relevant to their decisions to demand arbitration, settle disputes, or make particular assertions.

The issues decided at the WTO and in an investment dispute are also different. When the DSB is asked to decide whether a national court offered "effective enforcement" and "fair and equitable" procedures in IP enforcement actions,⁹⁷ it has benchmarks—effective relief must be provided. But as the *China-Enforcement* panel determined, a state is not required to offer more to IP holders than it provides for the enforcement of other laws; while states must give judicial authorities various powers, the judicial authorities are not required to exercise them.⁹⁸ Furthermore, rights to information must be proportionate to the seriousness of the infringement.⁹⁹ In investment disputes, the question is whether the state afforded "due process" and "fair and equitable treatment," but there is no IP incentive-related benchmark.¹⁰⁰ Indeed, because many BITs were created precisely because investors were skeptical whether state procedures would protect their assets, the inquiry is likely to be substantially less deferential to the state.

Furthermore, the measure of damages in TRIPS is not well defined (which is why subsequent instruments have specified criteria); in investment disputes, compensation is set at the "fair market value of the expropriated investment immediately before the expropriation took place."¹⁰¹ The damages awarded are therefore likely to be much higher. In WTO cases, states must conform their laws to the decision of the DSB, face retaliation, or where it is impractical to conform the law immediately, to pay compensation for future harm.¹⁰² In investment arbitration, a state is responsible to pay for losses incurred by investors during the time when it

pursued an action in the WTO. GRAEME B. DINWOODIE, ET AL., *INTERNATIONAL INTELLECTUAL PROPERTY LAW AND POLICY* 477 (Lexis Nexis, 2d ed. 2008).

95. DSU, *supra* note 29, at art. 4.

96. See Permanent Mission Report, *Argentina-Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals*, WT/DS171, WT/DS196 (May 31, 2002), http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds171_e.htm.

97. TRIPS Agreement art. 41.1-41.2.

98. See text at note 50.

99. TRIPS Agreement art. 47.

100. See, e.g., KORUS, *supra* note 54, arts. 11.5, 11.6(1)(d).

101. See, e.g., *id.* art. 11.6(2)(b).

102. DSU, *supra* note 29, arts. 3.7, 22.

was in violation of the agreement. For example, when the United States failed to conform to the 1999 *US-110(5)* decision, it paid the EU, pursuant to further WTO arbitration, \$3.3 million to cover a three-year period ending in 2004 (the panel had determined the damages to be 1,219,900 euros).¹⁰³ In an investment dispute Eli Lilly brought against Canada over its patent rights, it demanded CDN \$500 million.¹⁰⁴ That difference could have a considerable impact on the willingness of countries to draft laws that test the limits of international flexibilities.

Admittedly, the more recent investment treaties exempt “compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights” that are in accordance with IP obligations between the parties, which can include TRIPS obligations.¹⁰⁵ But even here, there could be differences in outcomes. The investment obligation may be part of an agreement that limits flexibilities more than does TRIPS. For example, unlike TRIPS, KORUS does not permit the exclusion of plants from patentability. Accordingly, a failure to patent plants could be brought as an investor dispute, but not as a TRIPS dispute. Similarly, because AUSFTA limits the grounds on which compulsory licenses can be awarded, it creates grounds for an investment dispute that could not be asserted in the DSB.

More subtly, inconsistency with international obligations must ultimately be proved by the complainant in a TRIPS dispute.¹⁰⁶ In investment arbitration, consistency with TRIPS is essentially a defense. Accordingly, it must be proved by the respondent state. Furthermore, since investors claim their expectations are formed at the time the investment is made, there is a question whether a country can later alter its IP laws in a way

103. *Section 110(5) of the US Copyright Act*, OFFICE OF THE U.S. TRADE REPRESENTATIVE, <https://ustr.gov/issue-areas/enforcement/dispute-settlement-proceedings/united-states-%E2%80%94-section-1105-us-copyright-ac> (last visited July 8, 2015); see also Award of the Arbitrators, *United States – Section 110(5) of the US Copyright Act, Recourse To Arbitration Under Article 25 of the DSU*, WT/DS160/ARB25/1, (Nov 9, 2001), https://www.wto.org/english/tratop_e/dispu_e/160arb_25_1_e.pdf.

104. Notice of Arbitration ¶ 85, *Eli Lilly & Co. v. Gov't of Can.*, (Can. Sept. 12, 2013), <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/disp-diff/eli.aspx?lang=eng>. See also *Philip Morris Brands and Oriental Republic of Uru.*, ICSID Case No. ARB/10/7, Decision on Jurisdiction (July 2, 2013), <http://www.italaw.com/sites/default/files/case-documents/italaw1531.pdf>. Philip Morris has brought an action against Uruguay over its trademark rights. The company, which makes double Uruguay's GDP, is claiming “substantial” damages – variously said to be in the \$25 million-2 billion range. See *Mac Mar Margolis, Uruguay Battles Big Tobacco Over Cigarette Restrictions*, NEWSWEEK (Dec. 9, 2010, 2:30 PM), <http://www.newsweek.com/uruguay-battles-big-tobacco-over-cigarette-restrictions-68943>; *Philip Morris Is Suing Uruguay for Anti-Tobacco Laws*, SUMOFUS, <http://action.sumofus.org/a/uruguay-philip-morris/?sub=tw> (last visited July 8, 2015); Claudio Paulillo, *Part III: Uruguay vs. Philip Morris*, THE CTR. FOR PUB. INTEGRITY (Nov. 15, 2010, 1:26 AM), <http://www.publicintegrity.org/2010/11/15/4036/part-iii-uruguay-vs-philip-morris>; *Philip Morris Sues Uruguay Cigarette-Labeling Claiming Violation of Investment Treaty*, MERCOPRESS (Mar. 19, 2012, 11:23 PM), <http://en.mercopress.com/2012/03/19/philip-morris-sues-uruguay-cigarette-labeling-claiming-violation-of-investment-treaty>.

105. AUSFTA, *supra* note 75, art. 11.7(5); KORUS, *supra* note 54, 11.6(5).

106. Some aspects of defenses must be proved by the respondent.

that affects that investment, even if the alteration is TRIPS-compatible.¹⁰⁷ Finally, FTAs can be interpreted as requiring the parties to bring their laws into closer harmony (in fact, AUSFTA specifically provides that “each party shall endeavor to reduce differences in law and practice between their respective systems.”).¹⁰⁸ As a result, arbitrators may measure one country’s law by whether it conforms to the others’.¹⁰⁹ Given the rights-centric focus of these instruments, two countries could largely agree on the appropriate balance between public and proprietary interests, but if each implemented that view differently, public-regarding provisions in both systems could be stripped out through successive challenges.¹¹⁰

III. APPLICATION

Aspects of commodification and assetization are arguably moves in the right direction. Countries sign on to investment treaties because creating a good investment environment attracts often much needed foreign capital. Strong IP rights can encourage technology transfer.¹¹¹ Well-functioning worldwide rights can also facilitate global licensing and correct for-trade imbalances and job losses caused by the relocation of manufacturing facilities for knowledge-intensive products. Furthermore, strong rights can promote widespread access to information and thus enhance appreciation of foreign culture. The sophistication necessary to appreciate IP may even preserve the peace. As Thomas Friedman famously observed, “no two countries that both have a McDonald’s[®] have ever fought a war against each other.”¹¹² In a world beset by problems such as climate change, pollution, malnutrition, and pandemics, it is imperative to create the conditions necessary to produce knowledge and effectively disseminate the fruits of creativity. The question, however, is whether the proliferation of IP, trade, and investment agreements produces (only) these results.

This section exposes the costs of reconceptualizing IP by comparing the possible resolution of two disputes, one concerning the working requirement and the other about tobacco packaging. Both the decision to require local working—that is, requiring the patent holder to exploit the invention in the country where protection is sought—and the decision to alter tobacco packaging have protectionist implications (the working re-

107. See also Ruse-Khan, *supra* note 67, at 504-508.

108. AUSFTA, *supra* note 75, arts. 17.2(11).

109. See, e.g., Notice of Arbitration, *Eli Lilly & Co. v. Gov’t of Can.*, (Can. Sept. 12, 2013), <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/disp-diff/eli.aspx?lang=eng>.

110. Another way in which countries can strip out public regarding exceptions is through cooperation among patent offices. PETER DRAHOS, *THE GLOBAL GOVERNANCE OF KNOWLEDGE: PATENT OFFICES AND THEIR CLIENTS* (CAMBRIDGE UNIVERSITY PRESS, 2010).

111. See generally, KEITH MASKUS, *PRIVATE RIGHTS AND PUBLIC PROBLEMS: THE GLOBAL ECONOMICS OF INTELLECTUAL PROPERTY IN THE 21ST CENTURY* (Peterson Institute for International Economics, 2012).

112. Thomas Friedman, *Foreign Affairs Big Mac I*, N.Y. TIMES (Dec. 8, 1996), <http://www.nytimes.com/1996/12/08/opinion/foreign-affairs-big-mac-i.html>.

quirement favors local producers over foreign ones; tobacco packaging arguably leads consumers to buy generic tobacco products of local origin), but each move also has important social implications for technology transfer (in the case of the working requirement) and health (tobacco regulation). The difficulty is distinguishing between legitimate goals and purely protectionist ones.

A. *The Working Requirement*

Many early patent statutes had dual objectives. On the one hand, they awarded patents to encourage invention. On the other, they required inventors who received patents to manufacture (“work”) the invention locally.¹¹³ The working (or production) requirement is thus a good example of how incentive-based systems can balance interests: exclusivity allowed patentees to earn a supra-competitive return, while the working requirement limited the patentee’s freedom to choose exploitation strategies, thereby safeguarding local interests in such matters as the adequacy of supply, price, industrial growth, jobs, and training opportunities.

On the whole, the 1883 Paris Convention permitted states to perpetuate such policies. However, the Convention was much more innovator-centric. Thus, it constrained members from deeming unworked patents immediately forfeit. And in subsequent iterations, it formulated successively more restrictive compromises between states that imposed a working requirement and those that wished to leave decisions on production and supply to the patent holder.¹¹⁴ Nevertheless, at the time TRIPS came into force, the Paris Convention continued to permit countries to prevent “abuse”—including failure to work. Compulsory licenses could be awarded in the event of nonworking, but not until four years after the patent application was filed, or three years from the date of the grant (whichever is last). A patentee must, however, be provided an opportunity to justify its inaction. Forfeiture is still permitted, but only if, after two years, compulsory licensing proves insufficient to prevent abuse.¹¹⁵ On an

113. See generally, Michael Halewood, *Regulating Patent Holders: Local Working Requirements and Compulsory Licenses at International Law*, 35 *OSGOODE HALL L.J.* 243 (1997); Thomas Cottier et al., *Use It or Lose It? Assessing the Compatibility of the Paris Convention & TRIPS with Respect to Local Working Requirements*, (NCCR Trade Regulation: Swiss National Center of Competence in Research, Working Paper No 2012/11 Appendix, June 2013), http://www.wti.org/fileadmin/user_upload/nccr-trade.ch/wp3/Use_it_or_Lose_it_June_2013.pdf (listing countries with contemporary working requirements). In England, “Letters Patents,” from which the modern patent is derived, have been granted since the 14th century. Such Letters Patent gave the inventor or importer the sole right to use it for a period of time. In exchange for which the realm gained the technology. The Venetian Patent Law of 1474, which is generally considered the world’s first patent act, was clearly grounded on similar principles. It conferred exclusive manufacturing rights to “every person who shall build any new and ingenious device in this City,” *UFF ANDERFELT, INTERNATIONAL PATENT LEGISLATION AND DEVELOPING COUNTRIES* 9 (1971). In awarding patents to inventions built—rather than invented—in Venice, the Act promoted local industry as well as technology transfer.

114. Dinwoodie et al., *supra* note 94, at 436-443.

115. Paris Convention, *supra* note 4, art. 5.

incentive theory, it is not hard to see why this would be so: the countries attracted to working requirements are likely too poor to provide significant returns to innovators, compulsory licenses would not undermine potential gains from innovation.¹¹⁶

Commodification would appear to alter this compromise, for both the trade rationale of TRIPS and its explicit provisions are fundamentally at odds with the notion that states can demand local working. The WTO framework is built on a theory of comparative advantage and is intended to “reduce distortions and impediments to international trade.”¹¹⁷ As Nuno Pires de Carvalho, Acting Director of the Intellectual Property and Competition Policy Division at WIPO put it, “because the local working requirement is inconsistent with the core rationale of the WTO, the TRIPS Agreement has unequivocally banned it.”¹¹⁸

Textually, the ban is said to derive from two provisions in TRIPS: first, the bar on discrimination based on “whether products are imported or locally produced,”¹¹⁹ and second, the provision giving patent holders the exclusive right to import,¹²⁰ which is thought to imply that whatever local interests a state might have in the supply of patentable goods, they can be satisfied through importation.¹²¹ To be sure, the working requirement under Paris is enforced though the issuance of compulsory licensing, and since TRIPS includes a provision allowing states to issue compulsory licenses, this exception for “use without authorization” might be thought to carry forward the Paris compromise on working.¹²² But nowhere in the provision is working mentioned. One might therefore conclude that the general exceptions provision could be used to defend the working requirement’s discrimination by place of production.¹²³ It is, however, questionable whether a measure that is incompatible with the specific provision on

116. Cf. Jean O. Lanjouw, *A New Global Patent Regime for Diseases: U.S. and International Legal Issues*, 16 HARV. J.L. & TECH. 85, 90 (2002) (noting that developing countries make only marginal contributions to the worldwide profit of pharmaceutical companies); Alan O. Skyes, *TRIPS, Pharmaceuticals, Developing Countries, and the Doha “Solution,”* 3 CHI. J. INT’L L. 47, 48 (2002) (suggesting that if developing countries do not contribute to research costs, “relaxing” intellectual property protection would not be a problem).

117. TRIPS Agreement Preamble.

118. NUNO PIRES DE CARVALHO, *THE TRIPS REGIME OF PATENT RIGHTS* § 27.66 (Kluwer Law International 2010).

119. TRIPS Agreement art. 27.1.

120. *Id.* art. 28.1.

121. See DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 497 (4th ed. 2012) (“The TRIPS Agreement is much more precise than previous international standards in the field. Article 5A(4) of the Paris Convention only deals with compulsory license for failure to work. In this respect, it must be noted that under art. 28.1(a), importation is sufficient to meet local working requirement.”); see also Eric Bond & Kamal Saggi, *Compulsory Licensing, Price Controls, and Access to Patented Foreign Products*, 109 J. DEV. ECON. 217 (2014); Shamned Basheer & Tamir Amin, *Taming of the Flu: Working Through the Tamiflu Patents in India*, 11 J. INTELL. PROP’Y RIGHTS, 113 (2006).

122. TRIPS Agreement art. 31.

123. See *id.* art. 30.

compulsory licensing could be defended on the basis of a more general exception. Besides, the *Canada-Pharmaceutical* panel decided that a general exception must be nondiscriminatory; if that is correct, the exceptions provision cannot be applied to *excuse* discrimination. And even if the exceptions test could be relied upon to defend a local production requirement, the three-part test was, as we saw, interpreted very rigidly and with little regard for third party interests.¹²⁴ An exception that covers all the patentee's rights and conflicts unreasonably with the exploitation opportunities WTO members intended to provide would, arguably, not survive.

But this conclusion is not without doubt. After all, the TRIPS Agreement explicitly incorporates the Paris Convention.¹²⁵ The Paris Convention's used failure to work as an example of "abuse,"¹²⁶ and that term was picked up in the TRIPS provision permitting states to combat anti-competitive practices.¹²⁷ Subsequent to *Canada-Pharmaceuticals*, the Doha Declaration emphasized the importance of the Principles and Objectives provisions of the Agreement¹²⁸ in interpreting the TRIPS obligations. These provisions also mention "abuse" that "adversely affects the international transfer of technology."¹²⁹ Moreover, they emphasize the goal of promoting technological transfer in a manner "conducive to social and economic welfare,"¹³⁰ as well as the protection of public health, if consistent with the Agreement.¹³¹

Thus, most commentators do not entirely agree with de Carvalho, but instead take the position that TRIPS, at most, limits the working requirement. Daniel Gervais would find a working requirement compatible with TRIPS when it is used to deal with national emergencies.¹³² Countries could, for example, license a local producer in order to secure a low-cost supply of essential medicines (or to induce pharmaceutical companies to

124. *Id.* art. 30.

125. *Id.* art. 2.1.

126. Paris, *supra* note 4, art. 5A(2).

127. TRIPS Agreement art. 40.2.

128. World Trade Organization, Declaration on the TRIPS Agreements and Public Health of 20 November 2001, WT/MIN(01)/DEC/2, art. 5(a) (2001) [hereinafter Doha Declaration] ("In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles.").

129. TRIPS Agreement art. 8.2.

130. *Id.* art. 7.

131. *Id.* art. 8.1; see also *id.* Preamble; S.K. Verma, *The Doha Declaration and Access to Medicines by Countries Without Manufacturing Capacity*, *Research Handbook on the Protection of Intellectual Property Under WTO Rules: Intellectual Property*, in *INTELL. PROP. IN THE WTO*, VOL. 1 623, 636 (Carlos M. Correa ed., 2010).

132. Gervais, *supra* note 121, at 233 ("Forcing a patent to work the invention with a specific time-frame or exercising a wide-ranging right to issue non-voluntary licenses (in the absence of an emergency or other similar situation) . . . tip[s] the balance towards the 'public interest' or the interests of actual or potential competitors.").

lower their prices).¹³³ Thomas Cottier and his coauthors take a broader approach: “Since the economic impact and welfare effects of requiring local working will vary depending on a State’s level of economic development and the patented technology in question, such exceptions are warranted below a certain threshold, which is malleable to the principle of graduation.”¹³⁴ For instance, where absorptive capacity is too low for the transmission of technical knowledge through publications, these authors would argue that working is acceptable as a way to train a work force and bring the country to the technological frontier.¹³⁵

The issue of the relationship between TRIPS and Paris’s working requirement came to the fore in the late 1990s, when Brazil invoked its working requirement in order to lower the price of AIDS medications.¹³⁶ The United States requested consultations in the DSB, claiming that Brazil had violated TRIPS’s nondiscrimination provision.¹³⁷ Possibly because of pressure from international institutions interested in the health implications of high-priced medicines, the United States eventually agreed with Brazil to a solution that ended the dispute without resolving the question definitively.¹³⁸

With assetization, doubt—and leeway—may disappear. As AUSFTA demonstrates, the IP chapters of many FTAs do not repeat the Principles and Objectives that shed meaning on the scope of the TRIPS Agreement. Nor do they refer to the Doha Declaration.¹³⁹ The texts of some FTAs are even more inhospitable to the working requirement than is TRIPS. For example, AUSFTA permits compulsory licensing only in the case of anti-

133. *Id.* at 497 (“The TRIPS Agreement is much more precise than previous international standards in the field. Article 5A(4) of the Paris Convention only deals with compulsory license for failure to work. In this respect, it must be noted that under art. 28.1(a), importation is sufficient to meet the local working requirement.”). *See also* J.H. Reichman, *The TRIPS Component of the GATT’s Uruguay Round: Competitive Prospects for Intellectual Property Owners in an Integrated World Market*, 4 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 171, 206 (1993); Hanns Ullrich, *Expansionist Intellectual Property Protection and Reductionist Competition Rules: A TRIPS Perspective*, (Eur. Univ. Inst., Working Paper Law No. 2004/3, 2005), <http://escholarship.org/uc/item/0hz9g1d5;jsessionid=#page-1>.

134. Cottier et al., *supra* note 113, at 4-5.

135. *See id.* at 10; *see also* Bryan Mercurio & Mitali Tyagi, *Treaty Interpretation in WTO Dispute Settlement: The Outstanding Question of the Legality of Local Working Requirements*, 19 *MINN. J. INT’L L.* 275 (2010) (arguing that the provision in the Paris Convention regulating working requirements survives TRIPS).

136. Ellen F.M. ‘t Hoen, *TRIPS, Pharmaceutical Patents and Access to Essential Medicines: Seattle, Doha and Beyond* 44-46 (June 25, 2003) (unpublished manuscript), <http://cdrwww.who.int/intellectualproperty/topics/ip/tHoen.pdf>.

137. *See* Notification of Mutually Agreed Solution, *Brazil—Measures Affecting Patent Protection*, WTO Doc. WT/DS/199/4 (July 19, 2001).

138. ‘t Hoen, *supra* note 136, at 45-46.

139. KORUS mentions the Doha Declaration. *See* KORUS, *supra* note 54, art. 18.11. Thus, it may permit local production to deal with essential medicines, but does not refer more generally to economic welfare.

competitive conduct, national emergency, or for government noncommercial use.¹⁴⁰ Nonworking would not appear to qualify.

Working requirements are even more unlikely to survive under the investment chapters in FTAs and BITs. The main goal of these instruments is to protect investors, which suggests that once a right holder invests in IP with the expectation of relying on particular strategies of exploitation, disrupting its manufacturing and distribution plans is problematic. Textually, investment chapters in FTAs exempt compulsory licenses, but only when they are consistent with the IP provisions in the same instrument. Thus, in AUSFTA, a working requirement is potentially an expropriation of an IP investment asset. Also, dispute resolution would be handled differently. An investor challenging a working requirement is less likely to be deterred by geopolitical considerations. For example, a representative of Merck left little doubt that he considered Brazil's working requirement an expropriation.¹⁴¹ Furthermore, because the question whether working requirements survive TRIPS is a close one, any shift in the burden of proof on TRIPS compatibility from the complainant to the respondent could be dispositive of the resolution of the dispute.¹⁴² Quite apart from how such a dispute would be resolved, the possibility of extremely high damages could have a chilling effect on countries that might otherwise consider using working requirements.

In sum, the power to use working requirements to deal with economic problems becomes more severely constrained as the framing shifts from the incentive-based rationale of Paris, to commodification through TRIPS, and then, to the assetization effectuated by investment treaties. The bottom line is that, instead of promoting technology transfer (as TRIPS states is one of its principles), international law may inhibit it. As the next section shows, commodification and assetization can also limit state authority to deal with health concerns.

B. Tobacco Packaging

Issues over the size and scope of health warnings on tobacco packaging and the prohibition of use of logo, pictorial, and figurative marks have raised questions about the nature of trademark rights and the ability of countries to regulate for public health where it interferes with the ability of trademark owners to use their marks as they see fit.

140. AUSFTA, *supra* note 75, art. 17.9(7).

141. See Ruse-Khan, *supra* note 67, at 497. Merck could not, however, bring such a challenge because the United States does not have a BIT with Brazil.

142. To be sure, investment treaties often have public health exceptions to what amounts to indirect expropriation. For example, AUSFTA provides that: "Except in rare circumstances, nondiscriminatory regulatory actions by a Party that are designed and applied to achieve legitimate public welfare objectives, such as the protection of public health, safety, and the environment, do not constitute indirect expropriations" AUSFTA, *supra* note 75, Annex 11B art. 4(b). However, its applicability to the working requirement is questionable because the investment chapter specifies that in the event of inconsistency, the other chapter prevails. *Id.* art 11.2(1).

Now that smoking is understood as a health issue,¹⁴³ countries have regulated sales and packaging of tobacco in a variety of ways. Limits on advertising via radio, television, printed matter, restrictions on retail outlets, and existing health warnings on packets (while varying in scope and detail among jurisdictions) have not in the view of the World Health Organization (WHO) been enough to address public health concerns.¹⁴⁴ Guidelines to the WHO's Framework Convention on Tobacco Control (FCTC)¹⁴⁵ therefore recommend that plain packaging be used to further reduce tobacco consumption.¹⁴⁶ In 2011, Australia's plain packaging legislation prohibited the trademark holder's use of any logo or figurative marks on the packaging.¹⁴⁷ The law also places limits on the use of word marks, requiring them to be standard font and size.¹⁴⁸

If the core role of trademarks is to exclude competitors in order to prevent confusion, then as long as Australia permits the use of one trademark to identify the product, consumers can distinguish among goods. Or to put it another way, the trademark holder retains the incentive to develop strong word marks because the right to prevent others from using the marks endures. But commodification makes Australia's case much harder. Indeed, the compatibility of the legislation with the TRIPS Agreement has provoked five WTO members to lodge complaints that were consolidated to be heard by the same panel.¹⁴⁹ In May 2015, one of the

143. See e.g., Regina Benjamin, Preface to U.S. Dep't of Health & Human Servs., *How Tobacco Smoke Causes Disease: The Behavioral Basis for Smoking Attributable Disease*, A Report of the Surgeon General, at iii (2010), <http://www.ncbi.nlm.nih.gov/books/NBK53017/pdf/TOC.pdf> (enumerating the harmful chemicals inhaled by smokers).

144. World Health Org., *Confronting the Tobacco Epidemic in a New Era of Trade and Investment Liberalization*, at 37 (2012), http://whqlibdoc.who.int/publications/2012/9789241503723_eng.pdf (commissioned by the World Health Org. Tobacco Free Initiative).

145. World Health Org. Framework Convention on Tobacco Control, May 21, 2003, 2302 U.N.T.S 166 (entered into force Feb. 27, 2005).

146. World Health Org. Framework Convention on Tobacco Control, Conference of the Parties, Durban, South Africa, Nov. 17-22, 2008, *Elaboration of Guidelines for Implementation of Article 11 of the Convention*, ¶ 46, FCTC/COP3(10) (Aug. 21, 2008) ("Parties should consider adopting measures to restrict or prohibit the use of logos, colours, brand images or promotional information on packaging other than brand names and product names displayed in a standard colour and font style (plain packaging). This may increase the noticeability and effectiveness of health warnings and messages, prevent the package from detracting attention from these, and address industry package design techniques that may suggest that some products are less harmful than others.").

147. Australia also adds its own health warnings. See, e.g., Abby Phillip, *Australia Put Cigarettes in Standardized Packs with Graphic Labels—and They're Working*, WASHINGTON POST (Nov. 12, 2014), <http://www.washingtonpost.com/news/to-your-health/wp/2014/11/12/australia-put-graphic-labels-on-cigarette-packs-and-theyre-working/>.

148. *Tobacco Plain Packaging Act 2011* (Cth) s. 21; *Tobacco Plain Packaging Regulations 2011* (Cth) reg. 2.4.1.

149. Request for the Establishment of a Panel by Ukraine, *Australia—Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WTO Doc. WT/DS434/11 (Aug. 17, 2012) (panel composed May 5, 2014); Request for the Establishment of a Panel by Honduras, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements*

complainants requested the proceedings be suspended.¹⁵⁰ The other complainants may well keep the dispute going, and many regard it as a close case.¹⁵¹ While the Paris Convention retained the incentive-based system, it provided a platform for commodification by recognizing, among other things, that the trademark owner controls licensing and assignments.¹⁵² TRIPS took the process much further, giving a nod to the trademark owner's interest in making affirmative use of the mark (and not merely in excluding others). Thus, the Agreement provides that "the use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements,"¹⁵³ and it acknowledges that trademark can be acquired through use.¹⁵⁴ Furthermore, it allows for domestic exceptions only by way of an analogue to the three-step test.¹⁵⁵ These many references to "use," coupled with the overall context and object and purpose of trademark protection and the TRIPS Agreement,¹⁵⁶ lead commentators to suggest that a country seeking to encumber use of the mark must show why doing so is not unjustified.¹⁵⁷

At the same time, the core provision of TRIPS (the "Rights Conferred") describes only the "exclusive right to prevent all third parties," suggesting that trademark owners only have the right to prevent infringing

Applicable to Tobacco Products and Packaging, WTO Doc. WT/DS435/16 (Oct. 17, 2012) (panel composed May 5, 2014); Request for the Establishment of a Panel by the Dominican Republic, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WTO Doc. WT/DS441/15 (Nov. 14, 2012) (panel composed May 5, 2014); Request for the Establishment of a Panel by Cuba, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WTO Doc. WT/DS458/15 (Apr. 14, 2014) (panel composed May 5, 2014); Request for the Establishment of a Panel by Indonesia, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WTO Doc. WT/DS467/15 (Mar. 6, 2014) (panel composed May 5, 2014). There are other agreements that Australia is arguably also violating, in particular the Agreement on Technical Barriers to Trade, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Apr. 15, 1994, 1868 U.N.T.S. 120.

150. *Australia—Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WORLD HEALTH ORG. (last updated June 22, 2015), https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds434_e.htm (stating that Ukraine requested the panel to suspend its proceedings in accordance with Article 12.12 of the DSU, on May 28, 2015).

151. See, e.g., Susy Frankel & Daniel Gervais, *Plain Packaging and Interpretation of the TRIPS Agreement*, 46 VAND. J. TRANSNAT'L L. 1149 (2013).

152. Paris Convention, *supra* note 4, art. 6quater. Paris also facilitated entry into new markets through the protection for well-known marks and the requirement that every country that is a party to the Convention register marks in the same form (*telle quelle*) as they are registered in the country of origin. Paris Convention, *supra* note 4, arts. 6bis. & 6quinquies A(1).

153. TRIPS Agreement art. 20.

154. *Id.* arts. 15.3, 19.

155. *Id.* art. 17.

156. See Frankel & Gervais, *supra* note 151, at 1197.

157. See *id.* at 1185, 1187-1190, 1198-1202.

uses¹⁵⁸ (in contrast, some national laws refer to the owner's right "to use the trade mark"¹⁵⁹). While trademark holders may have an interest in how their marks are perceived, under this view, states still retain considerable authority to regulate for public purposes.

Arguably, however, assetization removes some of the flexibility that even commodification retains.¹⁶⁰ The IP chapters of FTAs strengthen the hand of trademark owners. For example, KORUS and AUSFTA betray a concern that labeling requirements not impair the effectiveness of the trademark.¹⁶¹ They also protect trademark holders from cyber piracy.¹⁶² AUSFTA goes further, referencing the ability of trademark owners to "assert rights."¹⁶³ The TPP is similar: it requires adoption of several trademark treaties,¹⁶⁴ requires recognition of the importance of the Joint Recommendation on Well Known Marks,¹⁶⁵ and mandates protection for trademark holders in cyberspace.¹⁶⁶ Investment chapters in these agreements and the BITs build on this foundation. As we saw earlier, investment protection is not necessarily tied to the question whether a trader enjoys an unambiguous channel of communication with customers. Rather, it focuses on protecting investment-backed expectations.

The difference assetization makes may soon become evident, for Australia's plain packaging is being challenged not only by several states in the WTO; it is also the subject of an investment dispute filed by Philip Morris Limited Asia (PML) based on a BIT between Australia and Hong Kong that provides that: "Investors . . . shall not be deprived of their investments nor subjected to measures having effect equivalent to such deprivation . . . except under due process of law, for a public purpose related to the internal needs of that Party, on a non-discriminatory basis, and against compensation."¹⁶⁷ The BIT also provides that: "Investments . . . shall at all times be accorded fair and equitable treatment and shall enjoy full protection [and parties shall not] in any way impair by unreasonable or discrimi-

158. TRIPS Agreement art. 16.1. See Tania Voon & Andrew D. Mitchell, *Face Off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, 22 PUB. L. REV. 218, 234-36 (2011). See also the discussion in Frankel & Gervais, *supra* note 151, at 1184-1186.

159. See, e.g., Trade Marks Act 1995 (Cth) s 20 (1)(a) (Austl.).

160. By this we do not mean to suggest that Australia will lose the investment claim brought against it. This claim involves other issues that we do not discuss here.

161. KORUS, *supra* note 54, art. 18.2(3); AUSFTA, *supra* note 75, art. 17.2(3). Both provisions address use of a common name in connection with the trademark.

162. KORUS, *supra* note 54, art. 18.3(1); AUSFTA, *supra* note 75, art. 17.3(1).

163. AUSFTA, *supra* note 75, art. 17.2(12)(a).

164. TPP 2015, *supra* note 11, art. QQ.A.8(2).

165. *Id.* art. QQ.C.5(3).

166. *Id.* art. QQ.C.12.

167. Agreement Between the Government of Australia and the Government of Hong Kong for the Promotion and Protection of Investments, Austl.-H.K., art. 6, Sept. 15, 1993, 1748 U.N.T.S. 385.

natory measures the management, maintenance, use, enjoyment or disposal of investments”¹⁶⁸

PML’s notice of arbitration demonstrates the potential effect of reconceptualizing IP as an asset. PML asserts that Australia’s plain packaging legislation “manifestly deprives PML of the IP and the commercial utility of its Brands”¹⁶⁹ and “transform[s] PML from a manufacturer of branded products to a manufacturer of commoditized products with the consequential effect of substantially diminishing PM Asia’s investments in Australia,”¹⁷⁰ leading to a loss “potentially amount[ing] to billions of dollars.”¹⁷¹ PML, in short, assumes that, as its brand is centrally important to its business, it has a right to use its trademark at its discretion.

Of course, an assumption does not win the case, but the core issues before the investment Tribunal may well be different from those which are the WTO disputes’ focus. Thus, it is possible that a substantive analysis of whether trademark holders have any interests beyond the right to exclude, which is contentious under Paris and TRIPS, will not even arise in the investment dispute.¹⁷² Furthermore, issues both regimes apparently have in common could easily be decided differently. Both disputes require a finding of an adverse effect (“encumbrance,” “expropriation,” or “inequitable treatment”), but because the instruments will presumably be interpreted in accordance with their object and purpose, and the objects and purposes of these instruments are different, the two tribunals could easily disagree on whether there is an effect and whether it is actionable. Australia may even be whipsawed, because a finding at the WTO that plain packaging is an encumbrance (even if not “unjustified”) could be used as supporting PML’s claim that Australia has deprived it of its asset.¹⁷³ Ultimately, it is possible that both disputes will turn on whether a sufficient showing can be made that the regulation contributes to overall reduction of smoking or actually stops smoking,¹⁷⁴ an issue which will be very diffi-

168. *Id.* art. 2(2).

169. Notice of Arbitration, Australia/Hong King Investment Agreement for the Promotion and Protection of Investments (Philip Morris Asia Ltd. v. Austl.), UNCITRAL PCA Case. No. 2012-12, (Nov. 21, 2011), <http://www.italaw.com/sites/default/files/case-documents/ita0665.pdf>.

170. *Id.* ¶ 1.5; *see also id.* ¶¶ 1.6, 44.

171. *Id.* ¶ 11.

172. The DSU would not necessarily have to determine this point by deciding the dispute on the basis of TRIPS art. 20, but it remains an open question for the WTO. *See* TRIPS Agreement.

173. Australia’s constitutional case also considered the legislation (Tobacco Plain Packaging Act 2011) an impairment. The High Court of Australia found that there had been no expropriation contrary to the guarantee provided by s 51(xxxi) of the Australian Constitution. This was because the government had not taken title to the trademarks at issue. However, both the majority and the dissent found that the trademarks had been impaired. *JT Int’l SA v Commonwealth* [2012] HCA 43 ¶¶ 102-41 (Austl.); *see id.* ¶¶ 210-13.

174. *See* Frankel and Gervais, *supra* note 151, at 1177. As to who has the burden of proof, *see id.* at 1206-11.

cult to resolve, particularly within the time-frame of the disputes.¹⁷⁵ And each tribunal might handle the question differently: they may rely on different evidence and impose different rules concerning the size and the placement of the burden of proof. Thus, even if Australia were to win in the WTO, an adverse decision under the BIT could lead it (or other countries that have agreed to investor-state arbitration) to become less willing to experiment with IP flexibilities.

IV. ADDRESSING THE EFFECTS OF RECONCEPTUALIZATION

Because IP is traditionally associated with incentive-based rationales, it is doubtful that countries entering into FTAs, BITs, and plurilateral agreements fully understood that instead of merely heightening the level of protection to accommodate the increasing importance of knowledge production, they were fundamentally altering the scope of intellectual property and the analysis of what is considered actionable, or realized how deeply the instruments might undermine national capacity to strike the appropriate balance between proprietary and public interests. Paris and Berne clearly left the job of balancing to states, and while TRIPS constrained their flexibility, it did not explicitly eliminate it. Yet our analysis of the working requirement post-TRIPS shows that states may no longer be able to facilitate their citizens' acquisition of technical proficiency. In a knowledge economy, countries that are unable to move up the value chain have little choice but to rely for comparative advantage on cheap labor (if that). Left in a technological backwater, they are doomed to remain net importers of IP.

The analysis of Australia's tobacco legislation is equally problematic. Science is not static, and neither can be its interface with the legal system. As new technologies develop and as the impact of old technologies are better understood, countries must have some freedom to adapt both IP legislation and impacted regulatory regimes. In this section, we discuss how global governance of IP could be improved to revitalize the quantitative analysis associated with incentive-based systems and show how it is possible to restore balance into the system.

175. Compare Christian Kerr, *Labor's Plain Packaging Fails as Cigarette Sales Rise*, THE AUSTRALIAN (June 6, 2014), <http://www.theaustralian.com.au/national-affairs/policy/labor-plain-packaging-fails-as-cigarette-sales-rise/story-fn59nokw-1226945123085#> (suggesting that packaging legislation is not reducing smoking in Australia), with David Currow, *Why Plain Packaging Is Reducing the Number of Smokers in Australia*, THE SYDNEY MORNING HERALD (June 25, 2014), <http://www.smh.com.au/comment/why-plain-packaging-is-reducing-the-number-of-smokers-in-australia-20140624-zsjt9.html#ixzz3C2uMMFc9> (stating that "since the introduction of plain packaging in 2012, there has been solid, peer-reviewed and transparent evidence of its effectiveness" and citing several studies in support), and Jidong Huang et al., *Cigarette Graphic Warning Labels and Smoking Prevalence in Canada: A Critical Examination and Reformulation of the FDA Regulatory Impact Analysis*, 23 TOB. CONTROL 17 (2014) (suggesting that graphic warnings have reduced smoking in Canada).

A. Norm Shifting

When Larry Helfer discussed regime shifting, he optimistically suggested that when IP is relevant to a regime, that regime would develop norms that reflect its own object and purpose. He concluded that these regimes would not remain isolated, but rather global positions would develop through experimentation, cross-pollination, counter-norm development, and ultimately integration.¹⁷⁶ Because the agreements he discussed addressed distributive justice and other public concerns, had his prediction come to fruition, the IP system as a whole would have retained the power to balance interests and deal effectively with any new problems presented by technological change and scientific advancement. But as we have seen, what has happened instead is an increase in the level of IP protection and a concomitant restriction on flexibilities. Conceptualizing IP as an asset led to the idea of “if value, then right” (if creativity has produced value, then there is an ownership interest in it), which leaves little room for countervailing considerations.¹⁷⁷

The reason Helfer’s vision did not come to fruition is, at least in part, that norm development has been asymmetric. Increasing IP protection has mainly occurred through the adoption of binding instruments, such as the WCT, the WPPT, FTAs, BITs, and plurilateral agreements, several of which have their own dispute resolution mechanisms (there are some exceptions, such as the Joint Recommendation on Well Known Marks, but where these provide additional protections, they have become incorporated into hard law instruments).¹⁷⁸ The standards articulated are therefore directly actionable norms and, because they are repeated in successive bilateral and plurilateral agreements, they are highly likely to be implemented in multiple state laws. In this way, they not only have effect within their own regime, but they also feed back into the TRIPS Agreement and WTO dispute resolution. Thus, when the DSB looks at state practice to interpret TRIPS provisions, as it did in *Canada-Pharmaceuticals*, it will be looking at a widespread practice as brought about at least in part by these instruments. And because the WTO, with its multinational membership and dispute resolution system, remains a pri-

176. Helfer, *supra* note 6, at 71-78.

177. See Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 400-12 (1990); *cf.*, Rasmus Neilsen, *Superflex Keynote Speech: If Value, Then Copy*, 47 U.C. DAVIS L. REV. 735, 736 (2014) (“If Value, Then Copy, is a brilliant parody of the property rights syllogism described by Rochelle Dreyfuss.”).

178. See Joint Recommendation, *supra* note 81. See generally WILLIAM R. CORNISH, *GENEVIAN BOOTSTRAPS*, [1997] EIPR 336. Similarly, these norms could enter the WTO regime through TRIPS art. 71.2, which permits amendments “merely serving the purpose of adjusting to higher levels of protection” without further negotiation when the provisions appear in other multilateral instruments accepted by other members of the WTO. See TRIPS Agreement art. X(6).

mary institution of IP development, a decision based on these norms then becomes a guide for every member of the WTO.¹⁷⁹

Furthermore, some norms are in multilateral instruments negotiated under the auspices of WIPO (the WCT and WPPT are examples). While WIPO currently describes its mission as “the development of a balanced and effective international intellectual property (IP) system that enables innovation and creativity for the benefit of all,”¹⁸⁰ the Convention establishing it describes its objective as “promot[ing] the protection of intellectual property throughout the world.”¹⁸¹ The result is that the norms it develops also tend to weigh on the side of right holders. And because Paris, Berne, and WIPO’s cooperation with the WTO are built into TRIPS,¹⁸² WIPO norms also impact WTO dispute resolution fairly directly. For example, the *US-110(5)* panel consulted WIPO about the norms found in the WCT on the copyright owner’s rights of communication to the public and its relationship to the copyright three-step test.¹⁸³

In contrast, norms developed around measures, such as those that Helfer considered, tend to be soft law and thus rarely find a home in instruments that bind all relevant actors. As such, they usually have no direct corollary in state law. Nor do they usually have the imprimatur of WIPO. Accordingly they can never raise a true clash of norms within dispute resolution. When the rubber hits the road, they are not easily integrated into the IP landscape. The FCTC is an example. It seems unlikely that the WHO guidelines on plain packaging of cigarettes would be treated as a norm countervailing the asserted rights of trademark holders.¹⁸⁴ And even the few instruments that are public-regarding or are de-

179. For example, once the Canada-Pharmaceutical panel approved Canada’s procedure for regulatory review, *Canada-Pharmaceuticals*, *supra* note 36, §§ 7.42, 7.78, similar provisions were adopted in Australia, New Zealand, and Singapore.

180. *Inside WIPO*, WORLD INTELLECTUAL PROP. ORG., <http://www.wipo.int/about-wipo/en/> (last visited July 8, 2015).

181. Convention Establishing the World Intellectual Property Organization, art. 3.1, July 14, 1967, 828 U.N.T.S. 3.

182. TRIPS Agreement arts. 1.3, 9.1, 68 & Preamble; Agreement Between the World Intellectual Property Organization and the World Trade Organization, Preamble, Dec. 22, 1995, 35 I.L.M. 754 (1996).

183. *US-110(5)*, *supra* note 36, ¶ 6.69. See also Dinwoodie & Dreyfuss, *supra* note 8, 162-165; Graeme Dinwoodie & Rochelle Dreyfuss, *Designing a Global Intellectual Property System Responsive to Change: The WTO, WIPO, and Beyond*, 46 HOUSTON L. REV. 1187 (2010). See also Neil W. Netanel, *The Next Round: The Impact of the WIPO Copyright Treaty on TRIPS Dispute Settlement*, 37 VA. J. INT’L L. 441, 451-55 (1997) (arguing for continual incorporation of WIPO copyright norms).

184. The DSB when deciding if a US law, which was aimed at protecting sea turtles, complied with the GATT Agreement considered whether turtles were an “exhaustible natural resource” by reference to several environmental agreements (including the CBD). See Appellate Body Report, *United States - Import Prohibition of Certain Shrimp and Shrimp Products*, WTO Doc. WT/DS58/AB/R (Oct. 12, 1998) <http://www.wto.org/wto/dispute/distab.htm>. The Appellate Body did not weigh the environmental norms against GATT norms, but used the environmental norms to establish whether a sea turtle fell within the meaning of “exhaustible natural resources.” Interestingly, the WTO states on its website that it “wishes to underscore” that it did not decide that the US could not regulate to protect the environ-

veloped by WIPO, like the Treaty for the Visually Impaired, are so restrictive in their rules that they too have very limited effect.

But the impact of asymmetry need not be assetization. TRIPS includes an important counterweight to the reconceptualization problem and to the WTO's powerful ability to instantiate global norms. While the Basic Principles of the TRIPS Agreement permit states to implement more extensive protection, there is a proviso: they may not go so far as to "contravene the provisions of the Agreement."¹⁸⁵ Now that it is clear how easily theories of commodification and assetization can unravel the rationale behind IP protections, the proviso could play a more prominent role in the future. The Objectives provision of TRIPS recognizes that IP protection should be to the mutual advantage of producers and users, create a balance of rights and obligations, and promote technical transfer.¹⁸⁶ Thus, agreements that undermine those objectives should not be regarded as legitimately made.¹⁸⁷ The proviso would also require countries negotiating new agreements and WTO decision makers to engage in the sort of quantitative analysis that is characteristic of incentive-based systems. Under this approach, for example, it would be difficult to argue that the prevalence of FTA norms that bar a working requirement support the view that TRIPS overruled the Paris compromise. Such a prohibition would destroy the balance contemplated by the objectives and purposes of TRIPS.¹⁸⁸

Other steps could be taken to make the quantitative approach more salient to the trade and investment community. For example, some observers would create a counterweight by urging states to adopt explicit user rights.¹⁸⁹ Others would insert user rights into international instruments.¹⁹⁰

ment, and noted that in fact the US would not require WTO permission to do so. *See United States- Import Prohibition of Certain Shrimp and Shrimp Products*, WORLD TRADE ORG., http://www.wto.org/english/tratop_e/envir_e/edis08_e.htm (last visited July 8, 2015). The U.S. lost the dispute because it did not comply with aspects of the GATT. *See also* infra discussion at notes 215-216.

185. TRIPS Agreement art.1.1. Article 1.1 was expressly relied upon in the China-Enforcement case, albeit for a different proposition. *See* China-Enforcement, *supra* note 50, ¶ 7.513.

186. TRIPS Agreement art. 7.

187. *See* Frankel, *supra* note 8.

188. Article 1.1 is not a substantive right. TRIPS Agreement art. 1.1. Thus, a rejection of FTAs as a TRIPS norm would permit countries to agree between themselves not to use working requirements where this fits the stage of development and so from the viewpoint of those countries was to the mutual advantage of producers and users. *See* Ruse-Khan, *supra* note 67, at 511-12.

189. *See, e.g.*, Rochelle Cooper Dreyfuss, *TRIPS-Round II: Should Users Strike Back?*, 71 U. CHI. L. REV. 21, 22-30 (2004); David Vaver, *Copyright and the Internet: From Owner Rights and User Duties to User Rights and Owner Duties?*, 57 CASE W. RES. L. REV. 731, 747 (2007); DAVID VAVER, *COPYRIGHT LAW* 171 (2000) ("User rights are not just loopholes."); Niva Elkin-Koren, *Affordances of Freedom: Theorizing the Rights of Users in the Digital Era*, 6 JERUSALEM REV. LEGAL STUD., 96, 109 (2012).

190. *See, e.g.*, Graeme B. Dinwoodie, *The International Intellectual Property Law System: New Actors, New Institutions, New Sources*, 98 AM. SOC'Y INT'L L. PROC. 213, 219 (2004).

More directly, there are those who argue that *existing* exceptions and limitations should be considered user rights.¹⁹¹ With any of these approaches, public interests would then be treated on an equal footing with owners' rights. Arbitrators would no longer be inclined to interpret proprietary rights broadly while construing user interests narrowly. In dispute resolution of all types, decision-makers would be balancing concerns of genuinely equivalent weight. They might thus be compelled to ask the questions that lie at the heart of incentive-based systems, such as how much incentive is needed to inspire creativity, and whether the challenged measure interferes substantially with that incentive.

B. Interpretation

In addition to identifying counter-norms to the strong IP rights propounded by binding instruments, there are approaches to interpretation that can offer important avenues for anchoring commodification and investment protection measures to the incentive-based rationales of domestic law, Berne, and Paris. That is, interpretation can operate as the mechanism by which other values found in both IP and non-IP instruments, including the Basic Principles of TRIPS and guidelines promulgated by organizations such as WHO, are taken into account when dispute settlement analyses compliance with obligations.

1. BITS and Investment Chapters of FTAs

As discussed earlier, the investment chapters in FTAs and BITs define IP as an asset. It is reasonable to assume that in doing so, the nations who were parties to the agreements intended these instruments to mean something qualitatively different from TRIPS. It is, however, questionable whether they meant to go as far as IP holders, who have the right to bring challenges under these instruments assert. Because investor rights and IP rights are both private rights, IP holders tend to equate the investment protectable under these instruments to the private economic value of their IP rights. Further, they see IP rights as reliance interests that are defined by the law at the time they made their investment or, more extremely, when the agreement references TRIPS or its own IP chapter, the law at the time when the investment agreement was made.

This investor view does not, however, logically follow from the move to assimilate IP into investment agreements. Not all IP-related investments have the quality of investment assets for purposes of investor-state dispute settlement. A NAFTA dispute between the United States and Apotex provides insight into the issue.¹⁹² Apotex, a Canadian generic drug manufacturer, intended to make its goods in Canada and sell them in

191. See P. BERNT HUGENHOLTZ & RUTH L. OKEDJII, OPEN SOC'Y INST., CONCEIVING AN INTERNATIONAL INSTRUMENT ON LIMITATIONS AND EXCEPTIONS TO COPYRIGHT 11-25 (2008), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2017629.

192. Apotex Inc. v. U.S., Award on Jurisdiction and Admissibility, (N. Am. Free Trade Agreement Tr. 2013), <http://www.italaw.com/sites/default/files/case-documents/italaw1550.pdf> [hereinafter *Apotex*].

the United States; to do so it applied to the US Food and Drug Administration (FDA) for premarket clearance. When it was stymied by a statutory provision that prevented it from suing to have the patents on the products it wished to make declared invalid,¹⁹³ it brought an investment dispute against the United States claiming an expropriation of its “property right” in the application for market clearance. A NAFTA Tribunal rejected the claim on jurisdictional grounds, finding that the expense incurred in the regulatory FDA approval process was not an “investment” and Apotex was not an “investor.”¹⁹⁴ According to the Tribunal, “a company’s activities undertaken in its capacity as a foreign exporter of goods into the territory of a NAFTA Party are not addressed by [the investment chapter of NAFTA].”¹⁹⁵

For IP, this suggests that the expenses entailed in the act of registration are not protectable on their own.¹⁹⁶ Each situation will depend on its facts; where there is investment in addition to registration, the result may be different.¹⁹⁷ The *Apotex* tribunal drew a distinction between exporters and investors suggesting that investment provisions are intended to protect actual investments in the relevant contracting party. What amounts to an investment may be a fine line, but mere expenditures on registration appear insufficient. Additionally, in all domestic systems, registration can be challenged. If a challenge to registration succeeds, arguably, there was nothing to be expropriated. In the NAFTA investment dispute against the Government of Canada, for example, the complainant pharmaceutical company disputes the invalidation of patents in the Canadian Court system.¹⁹⁸ Canada’s defense includes the assertion that a judicial finding of invalidity means there is no investment within the meaning of NAFTA.¹⁹⁹

193. Drug Price Competition and Patent Term Restoration (Hatch-Waxman) Act of 1984, Pub. L. No. 98-417, 98 Stat. 1585 (codified as amended in scattered sections of 21 U.S.C., 28 U.S.C. and 35 U.S.C.).

194. *Apotex*, *supra* note 192, ¶¶ 103(c), 158, 243.

195. *Id.* ¶ 143.

196. Different considerations may apply to copyright both because copyright is not a registered right and also because copyright works may be imported and exported more readily online than many patented goods (software is an obvious exception).

197. Admittedly, an argument can be made that there is a difference between obtaining marketing approval and registering a trademark. The FDA approval is incidental to the IP; registration is central. This was a difference noted in *Canada-Pharmaceuticals*, albeit for a different purpose. *Canada-Pharmaceuticals*, *supra* note 36. However, when registration is merely a prelude to importation, the investment would be analogous to the FDA expenses rejected by the NAFTA Tribunal.

198. Notice of Arbitration ¶¶ 72, 77, *Eli Lilly & Co. v. Gov’t of Can.*, ICSID Case No. UNCT/14/2, (Sept. 12, 2013), <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/disp-diff/eli.aspx?lang=eng>.

199. An important aspect of Canada’s defense is that the patent office rules note this point and the statute reflects the distinct role of the courts. Canada also notes that the complainant has had due process before the Canadian courts. Statement of Defence Part V, *Eli Lilly & Co. v. Gov’t of Can.*, ICSID Case No. UNCT/14/2, Statement of Defence, Part V, (June 30, 2014), <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/disp-diff/eli-statement-declaration.aspx?lang=eng>.

The working requirement provides a further illustration. If a country takes the position that a working requirement cannot be fulfilled by importation because it did not involve local production, the existence of the patent may not be enough to subject the country to arbitration under the BIT.

The incentives and balancing rationales underlying IP protection can be helpful in determining how much more than mere registration is required. Relying in particular on the Basic Principles of TRIPS, which use concepts like “the mutual advantage of producers and users of technological knowledge,”²⁰⁰ would better align investment treaties with the core IP agreements. In the example of the working requirement, a protectable investment might include technology transfer, local research and development activities, or building manufacturing facilities, all of which would help the country develop an innovative sector of its own.

From an interpretive perspective that incorporates IP values, it is equally flawed to determine the value of an investment by considering the law on the date the investment was made or the date the investment agreement went into force. IP rights are intended to promote innovation. But innovation can be both dynamic and disruptive. Countries may argue about whether it is the province of the courts or the legislature or the IP agencies to respond to new scientific developments, but no country with developed IP law operates as if the law is static. Each innovation, be it gene sequencing, oil-consuming bacteria, oncomice, or cloud computing, requires reinterpretation of the relevant statutes, if not reweighing of public and private interests.²⁰¹ Since innovators should know that the legal rules may change while they are engaged in research, during the registration process, or even later, it is difficult to see how a law (whenever adopted) that meets the standards required by international IP obligations can amount to an expropriation.²⁰² Indeed, international obligations are framed as minimum standard regimes and include flexibilities, such as undefined terms, in order to permit continual recalibration.

Even when a measure is considered an expropriation, there are opportunities to tether the analysis to the incentive based rationale of IP. Here, the focus would be on what it means for an expropriation to be permissible because it is for a public purpose. For example, the tobacco dispute will undoubtedly raise the question whether the alleged expropriation is justified on the grounds of public health. Unlike some BITs which carve

200. TRIPS Agreement art.7.

201. See, e.g., *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013); *D'Arcy v. Myriad Genetics, Inc.* [2015] HCA 35; *Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980); *Harvard College v. Canada (Commissioner of Patents)*, [2002] 4 S.C.R. 45 (Can.); *ABC, Inc. v. Aereo, Inc.*, 134 S.Ct. 2498 (2014). An analogy to the WTO Appellate Body decision is *Shrimp Turtle*. Appellate Body Report, *United States-Import Prohibition of Certain Shrimp and Shrimp Products*, WTO Doc. WT/DS58/AB/R (Oct. 12, 1998) <http://www.wto.org/wto/dispute/distab.htm>. There the Appellate Body noted that “natural resources” is not static but is by definition evolutionary. *Id.* ¶ 130.

202. The same is true for users: they have no reliance interests in the continued existence of particular exceptions. See, e.g., *Golan v. Holder*, 132 S.Ct. 873 (2012).

out public health purposes from the definition of expropriation,²⁰³ the Australia-Hong Kong BIT does not, creating the possibility that public purpose includes only the exercise of police powers.²⁰⁴ However, if linked to IP, which in the plain packaging dispute it is, then interpreting public purpose more readily includes the promotion of public health.

Tania Voon and Andrew Mitchell suggest the decision on permissibility may also depend on proportionality between the public purpose and the interference with the trademark holder's interest.²⁰⁵ In this case and in contrast to norm creation discussed above, a soft law such as the FCTC may support Australia's interpretation.²⁰⁶ A similar analysis applies to the working requirement: tying the analysis of public purpose to IP's traditional rationales makes it evident that there is a public purpose in requiring the patent holder to provide training opportunities and technology to the local community so that it can build domestic innovation capacity.

To be sure, a finding that an expropriation is permissible to effectuate a public purpose would require the respondent to pay damages. Once again, IP law may be helpful in this evaluation as most countries, consistent with TRIPS, have compulsory licensing or government use provisions that require compensation. Cases under these laws offer a framework with which to determine the appropriate level of the award.²⁰⁷ Under an incentive-based rationale, these could be calculated to be sufficient to induce investment in innovation (since that is all intellectual property rights promise) and to deter infringement, rather than to return to the right holder every penny of profit that could be earned in the jurisdiction.²⁰⁸

Interpreted in these ways, it is clear that investment treaties need not be viewed as going a step further from TRIPS up the assetization line. In both cases, rights protection is leavened by an interest in social welfare and is not detached from public regarding issues. Attention to incentives provides a way to determine the appropriate balance.

2. TRIPS, Plurilateral IP Agreements, and IP Chapters of FTAs

As we saw, many FTAs exempt actions related to IP from expropriation if they are compliant with TRIPS. For these FTAs, the interpretation

203. See *AUSFTA*, *supra* note 75, art. 17.9(7).

204. See, e.g., Tania Voon & Andrew D. Mitchell, *Implications of Investment Law for Plain Tobacco Packaging: Lessons from the Hong Kong-Australia BIT*, in *PUBLIC HEALTH AND PLAIN PACKAGING OF CIGARETTES: LEGAL ISSUES* 137, 157 (Tania Voon et al. eds. Edward Elgar, 2012).

205. *Id.* at 158.

206. See generally Tsai-yu Ln, *The Status of FCTC in the Interpretation of Compensable Indirect Expropriation and the Right to Adopt 'Stricter' Tobacco Control Measures Under BITs*, 9 *ASIAN J. WTO & INT'L HEALTH L. & POL'Y* 123 (2014).

207. See generally JAMES PACKARD LOVE, *KNOWLEDGE ECOLOGY INT'L, RECENT EXAMPLES OF THE USE OF COMPULSORY LICENSES ON PATENTS* (2007), http://www.keionline.org/misc-docs/recent_cls_8mar07.pdf.

208. Cf. Ted Sichelman, *Purging Patent Law of "Private Law" Remedies*, 92 *TEX. L. REV.* 517 (2014) (suggesting that remedies be calculated based on public-regarding factors).

of TRIPS is critical to creating a balance between public interest and private IP rights. Admittedly, *Canada-Pharmaceuticals* together with *US-110(5)* put the position of public regarding principles in second place to rights-holders concerns, but a use of interpretative principles²⁰⁹ to include the incentive basis of IP protection would directly connect protection to the balancing factors that are found in the Basic Principles. For example, the three-step tests use many terms with normative implications: they direct adjudicators to consider whether the challenged measure is “limited” (patents, trademarks, and designs) or “special” (copyright); whether the measure “unreasonably” conflicts (patents, designs) with “normal” exploitation (patents, copyrights, design); whether it “unreasonably” prejudices the “legitimate” interests of the right holder (patents, copyrights, trademark, designs), taking account of the “legitimate interests of third parties” (patents, trademark, designs). Neither of the panels was willing to construct normative frames with which to consider the import of these terms.²¹⁰ However, with a better understanding of the rationale for protection, the adjudicators could have grounded their analysis in a consideration of whether the challenged measure undermined incentives to innovate and the extent to which the diversion of gain was intended to create a balance among producers, users, and later generations of innovators.

To some extent, later WTO developments followed this route. Thus, the Doha Declaration sought to address the problem of valorizing economic interests over public interest concerns described in the Basics Principles. It underscored the relevance of *object and purpose* of IP to TRIPS interpretation, a principle found in the Vienna Convention,²¹¹ by declaring that interpretation takes into account the Basic Principles that allow countries to balance rights and obligations.²¹² Panel decisions subsequent to Doha likewise appear more conscious of countervailing public interests. Perhaps this was because later disputes were about provisions that were more flexible than those considered earlier; while the provisions that Doha was concerned with were not the focus of the *EC-GI* and *China-Enforcement* panel reports. Nevertheless, in both reports, the DSU took a more progressive view of the legitimacy of state regulation. And we might expect that the Appellate Body will take a similar approach. Robert Howse has suggested, as a standing tribunal, it is likely to be more cognizant of public values than are the ad hoc panels that have resolved most of

209. These principles include context and object and purpose. See Vienna Convention on the Law of Treaties, art. 31, May 23, 1969, 1115 U.N.T.S. 331 (entered into force Jan. 27, 1980).

210. See, e.g., Jane C. Ginsburg, *Toward Supranational Copyright Law? The WTO Panel Decision and the “Three Step Test” for Copyright Exemptions*, 187 *REVUE INTERNATIONALE DU DROIT D’AUTEUR* 3, 17 (2001) (noting that the US-110(5) panel failed to use the consideration of “normal” exploitation in the three-step test for copyright to develop norms on what copyright holders have the power to exploit).

211. Vienna Convention on the Law of Treaties, art 31.

212. TRIPS Agreement.

the earlier IP disputes.²¹³ Similarly such a body could be expected to take account of the rationales underlying IP protection.

Other sources may also be used to interpret TRIPS. To be sure, the DSU does not permit panels or the Appellate Body to fill gaps. Rather it must interpret the existing agreements.²¹⁴ Put differently, interpretation is not the place for norm development, nor would the WTO allow an external agreement to trump its own. However, the WTO has shown itself willing to consider all relevant norms in an interpretative framework. For example, in the *Shrimp-Turtle* report, the Appellate Body considered what the term “exhaustible natural resource” meant in non-WTO environmental agreements.²¹⁵ Depending on the part of TRIPS at issue in any given dispute, the interpretation process may follow this example. As we have seen WIPO agreements (both past and future) are a key source for construing IP-specific terminology. Non-IP instruments external to the WTO can be used for interpretive purposes through a *Shrimp-Turtle*-like process. Public health provides an example. The WTO is unlikely to treat the FCTC as creating a clash of norms with the TRIPS Agreement.²¹⁶ It may, however, consider it relevant to interpreting the meaning of “public health” found in the Basic Principles. In the tobacco dispute, this means that the FCTC could be used to interpret whether the packaging encumbrances are not unjustified.²¹⁷ From an incentive perspective, this could be framed as an assessment of whether packaging regulation is an intrusion on trademark owners’ incentives.

These approaches to TRIPS interpretation could also be used when considering the IP chapters of plurilateral agreements and FTAs. Of course, countries are largely free to eliminate flexibilities among themselves. Thus, a working requirement could be barred by an FTA or a pluri-

213. Robert Howse & Makau Matua, *Protecting Human Rights in a Global Economy: Challenges for the World Trade Organization*, in HUMAN RIGHTS IN DEVELOPMENT YEARBOOK 1999/2000: THE MILLENNIUM EDITION (Hugo Stokke & Anne Tostensen, eds., 2001); see also Robert Howse & Efraim Chalamish, *The Use and Abuse of WTO Law in Investor-State Arbitration: A Reply to Jürgen Kurtz*, 20 EUR. J. INT’L L. 1087, 1094 (2010).

214. DSU Article 3(2) provides: “The dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. The Members recognize that it serves to preserve the rights and obligations of Members under the covered agreements, and to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law. Recommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements.”

215. The landmark dispute for allowing the use of non-WTO sources to interpret WTO obligations. Appellate Body Report, *United States-Import Prohibition of Certain Shrimp and Shrimp Products*, WTO Doc. WT/DS58/AB/R (Oct. 12, 1998) <http://www.wto.org/wto/dispute/distab.htm>. See also Susy Frankel, *WTO Application of “the Customary Rules of Interpretation of Public International Law” to Intellectual Property*, 46 VA. J. INT’L L. 365, 424 (2006).

216. World Health Organization Framework Convention on Tobacco Control, May 21, 2003, 2302 U.N.T.S 166 (entered into force Feb. 27, 2005).

217. Frankel and Gervais, *supra* note 151, at 1206.

lateral IP agreement (and might have been by the US-AUSFTA FTA).²¹⁸ However, the extent to which trading partners intended to eliminate flexibilities will often require interpretation. For example, WHO guidelines on medical care might be helpful in determining whether Korea had met its KORUS obligations on pricing pharmaceuticals,²¹⁹ especially if supplemented with an analysis of whether the prices set maintained sufficient incentive to innovate.

In this context, it is even clearer that the proviso in the TRIPS Agreement that states not contravene the Agreement could be used to set an affirmative limit on the scope of deviations,²²⁰ for, in some cases, greater protection could intrude upon the balance third-party countries have set. For example, an agreement to protect marks against dilution will affect the marks that can be adopted in every one of the FTA parties' trading partners; an agreement to protect second uses of known materials affects every country that might have imported the known compound from one of the parties. Similarly, requirements to seize goods in transit can conflict with the ability of countries to rely on parallel importation to meet their needs.²²¹ While these third countries could probably not bring an action for violation only of the Basic Principles,²²² these Principles might be the basis for challenging such FTA measures in a non-violation complaint on the theory that they impede the objectives of the TRIPS Agreement, including the incentive based rationales of IP.²²³ There is currently a moratorium on non-violation complaints under the TRIPS Agreement,²²⁴ but once the moratorium ends, such challenges may go far in helping to restore the quantitative dimension of IP.²²⁵

218. See AUSFTA, *supra* note 75.

219. See KORUS, *supra* note 54; see, e.g., *Medicines Price Information*, WORLD HEALTH ORG., <http://www.who.int/medicines/areas/access/ecofin/en/> (last visited July 8, 2015).

220. TRIPS Agreement art 1.1.

221. The national and most-favored-nation provisions could also reduce flexibilities in third nations, raising the same issue. *Id.* arts. 3, 4.

222. Of course, they could claim other violations and use the Principles in support of their argument. For example, India and Brazil have brought actions against the EU and the Netherlands to challenge in-transit seizure, European Union and a Member State-Seizure of Generic Drugs in Transit, DS 408 & DS 409 (request for consultation received 11 and 12 May 2010).

223. GATT, *supra* note 10, art. XXIII(1)(b).

224. TRIPS Agreement art. 64.2. There have been successive postponements; the latest is until February 2015. See Council for Trade-Related Aspects of Intellectual Property Rights, *Extension of the Transition Period under Article 66.1 for Least Developed Country Members*, Decision of the Council for TRIPS, IP/C/64 (June 11, 2013); see also, *Responding to Least Developed Countries' Special Needs in Intellectual Property*, WORLD TRADE ORG. (last updated Oct. 16, 2013), https://www.wto.org/english/tratop_e/trips_e/ldc_e.htm.

225. See Susy Frankel, *Challenging TRIPS-Plus Agreements: The Potential Utility of Non-Violation Disputes*, 12 J. INT'L ECON. L. 1023, (2009).

3. Going Forward

The governance of IP described in these pages is not ideal. The multiplicity of international lawmaking is re-conceptualizing IP first as a commodity, then as an asset, and in the process it has crowded out room for quantitative analysis that vindicates public-regarding interests. Strong countries created binding agreements appropriate to their advanced state of development, but the norms were then imposed on countries for which the provisions are not appropriate. Right holders have a choice of institutions in which to press their demands and a choice of forums in which to assert them. Each time one of these institutions recognize flexibility in TRIPS, powerful nations shift to another regime and dismantle it. In the blur of negotiations, the conceptual foundations of IP have been lost without anyone fully considering the impact of reconceptualization on the landscape as a whole. The prior discussion proposed two methods to reconnect IP (even as it is conceived of as a commodity or an asset) firmly to its foundations as an incentive-based system: counter-norm development and interpretation. But now that the dynamics of IP reconceptualization are understood, it should be possible to better govern the evolution of international IP law going forward.

As the effect of TRIPS on the working provision in the Paris Convention shows, one reason for the emerging disconnect with IP incentives is that the relationships among many of these instruments are often unclear. Much has been written about relying on maxims such as *lex specialis* and temporal relationships among agreements in interpretation generally.²²⁶ However, these rules have proved extremely unsatisfactory at identifying substantive outcomes in IP cases.²²⁷ Negotiators (and the institutions in which they operate) can do better. As Kate Miles has pointed out, because investment negotiators come from a culture steeped in the private law of commercial transactions, they can lack appreciation for the public interests at stake.²²⁸ They could also easily misunderstand the rationale underlying the recognition of IP rights. Much the same can be said for those negotiating trade agreements—to them, the instruments are about market access and IP is simply one more commodity.

226. See, e.g., Henning Grosse Ruse-Khan, *The International Law Relation Between TRIPS and Subsequent TRIPS-Plus Free Trade Agreements: Towards Safeguarding TRIPS Flexibilities?*, 18 J. INTELL. PROP. L. 325 (2011); see also Fragmentation of International Law: Difficulties Arising from the Diversification and Expansion of International Law, Rep. of the Study Group of the Int'l Law Comm'n, 58th Sess., May 1-June 9, July 3-Aug. 11, 2006, UN Doc. A/CN.4/L.682 (Apr. 13, 2006).

227. Dinwoodie & Dreyfuss, *supra* note 8, at 158-168. See, e.g., Decision by the Arbitrators, *European Communities—Regime for the Importation, Sale and Distribution of Bananas—Recourse to Arbitration by the European Communities Under Article 22.6 of the DSU*, ¶ 152, WT/DS27/ARB/ECU (Mar. 24, 2000) (refusing to consider the relationship between Berne and TRIPS).

228. Kate Miles, *Reconceptualising International Investment Law: Bringing the Public Interest into Private Business*, in INTERNATIONAL ECONOMIC LAW AND NATIONAL AUTONOMY 295, 296 (Meredith Kolsky Lewis & Susy Frankel eds. Cambridge University Press 2010).

Over time, as more agreements involving IP are negotiated and negotiators are forced to learn about IP and the impact of their regimes on IP, this problem may abate. Thus, the most recent FTAs do consider relationships when they arise internally. For example, the investment chapter of KORUS provides that “[i]n the event of any inconsistency between this Chapter and another Chapter, the other Chapter shall prevail to the extent of the inconsistency.”²²⁹ Some also refer explicitly to TRIPS and to other IP agreements.²³⁰ And WIPO, which has considerable experience in the IP field, details the relationships among its instruments and with TRIPS.²³¹ But unfortunately, these connections are often superficial. The references merely name the treaties, they do not attempt to reconcile differences in object and purpose, even when they overlap significantly in coverage.²³²

Moreover, the references in FTAs to TRIPS make it clear that TRIPS obligations are incorporated; the status of *public-regarding provisions*, particularly those found in the TRIPS Basic Principles, are not clearly made a part of the FTAs. Were those relationships better specified, there would be less of a tendency to see these agreements as a one-sided approach to asseztizing IP. If the instruments made the appropriate linkages and clarified the relationships among agreements, they would point specialist adjudicators towards the rationales underlying protection. As a result, dispute resolution would be more consistent across agreements and could provide more effective guidance.

Significantly, some agreements include highly targeted carve-outs or very specific obligations. For example, the TPP apparently permits parties to exempt tobacco control measures from the scope of investor-state dispute resolution.²³³ On the other side, KORUS has a provision mandating that “interested parties” have an opportunity to be heard on price controls over pharmaceuticals.²³⁴ Acknowledging the need for these specifics provides another opportunity to take a sounder approach to lawmaking, for negotiators could consider whether the urge to specify or carve out betokens a more general problem.

For example, the carve-out the TPP may be considering to permit Australia to administer a “nudge” to smokers could be broadened to permit states to use similar measures to influence people to change their

229. KORUS, *supra* note 54, art. 11.2(1).

230. *Id.* art 18.1(2).

231. See, e.g., WIPO Copyright Treaty, art. 1(1), Dec. 20, 1996, S. TREATY DOC. NO. 105-17 (specifying its relationship to Berne); Treaty for the Visually Impaired, *supra* note 52, art. 11 (noting the relationships among the three step tests in Berne, TRIPS, and the WCT).

232. The *US-110(5)* case is an example, where a key issue was how Berne and TRIPS interrelate.

233. Office of the United States Trade Representative, Summary of the Trans-Pacific Partnership Agreement (October 2015), <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/october/summary-trans-pacific-partnership>.

234. KORUS, *supra* note 54, art. 18.8(6).

health-related behavior more generally.²³⁵ The tobacco carve-out could then be used as an example within the broader exemption. Such an approach would provide guidance to regime members as they adopt domestic law—if illustrated with enough examples, it would not only alert members to what is possible, it would also provide assurance that states will not take the permissiveness further than the parties intended. Similarly, illustrating permissible price structures for pharmaceuticals, geared to the level of return necessary to induce innovation, would provide better assurance of internationally fair prices than giving pharmaceutical companies an opportunity to be heard in individual domestic price setting discussions.

Including illustrations would also provide significant assistance in dispute resolution. For example, one reason the *EC-GI* dispute was resolved more permissively than the *Canada-Pharmaceuticals* case or the *US-110(5)* case was that the trademark exceptions test included a specific example (a carve-out for fair use of descriptive terms) to guide the analysis.

To help negotiators appreciate the relevance of IP values and countervailing norms, more than their experience in negotiating successive agreements may be required. The real problem appears to be isolation, or as Miles puts it, a failure of cultural transformation.²³⁶ To expand the resources available to negotiators, observers (including WIPO) have issued reports on limitations, exceptions and public interest considerations.²³⁷ Others have suggested setting ceilings on how far any regime—hard or soft—could raise the level of protection.²³⁸ Another possibility is to develop intellectual property's *acquis*: a set of background rules drawn from existing instruments and national laws that articulate the “multisourced equivalent norms” inherent in IP.²³⁹ The *acquis* would clarify for negotiators the limited nature of IP protection, illuminate its roots in the objective of creating incentives, and clarify that the ultimate purpose is the advancement of knowledge for the public welfare, and not to generate private gain.

235. See, e.g., Alberto Alemanno, *Nudging Smokers – the Behavioural Turn of Tobacco Risk Regulation*, 3 EUROPEAN J. RISK REG'N 1 (2012).

236. Miles, *supra* note 228, at 314-15.

237. See, e.g., WIPO Standing Committee on Patents, Experts' Study on Exclusions from Patentable Subject Matter and Exceptions and Limitations to the Rights, SCP/15/3.(2010) (prepared by Lionel Bently, et al.); Ruth L. Okediji, *The International Copyright System: Limitations and Public Interest Considerations for Developing Countries* (2006) (prepared under the auspices of the UNCTAD - ICTSD Project on IPRs and Sustainable Development); BERNT HUGENHOLTZ & RUTH L. OKEDIJI, *CONCEIVING AN INTERNATIONAL INSTRUMENT ON LIMITATIONS AND EXCEPTIONS TO COPYRIGHT* (2008), www.ivir.nl/publicaties/hugenholtz/finalreport2008.pdf.

238. Annette Kur & Henning Grosse Ruse-Khan, *Enough Is Enough—The Notion of Binding Ceiling in International Intellectual Property Protection*, MAX PLANCK INST. FOR INTELLECTUAL PROP., COMPETITION & TAX LAW, 41-44, 64-67 (2008), <http://ssrn.com/abstract=1326429>.

239. Dinwoodie & Dreyfuss, *supra* note 8, at 175-201; Tomer Broude, *Principles of Normative Integration and the Allocation of International Authority: The WTO, the Vienna Convention on the Law of Treaties, and the Rio Declaration*, 6 LOY. L. REV. 173 (2009).

The *acquis* would also help states identify the flexibilities available to them to advance local objectives and offer adjudicators and arbitrators a better perspective on the interests at stake in dispute resolution.

Adopting the transparency, access, and participation principles suggested by Benedict Kingsbury and Richard Stewart as part of their Global Administrative Law initiative is also imperative. Not only would procedural protections improve the legitimacy of international lawmaking, they would also promote cross-fertilization among investment, trade, and IP regimes.²⁴⁰ The TPP (and before it ACTA) was negotiated in secret and the drafts of the agreement are confidential.²⁴¹ As a result, it is near impossible for counter-norms to be considered unless negotiators introduce them. Were nongovernmental organizations (NGOs) given an opportunity for direct and significant participation, negotiators would be in a better position to consider such questions as the level of protection actually needed and whether there is an appropriate balance with public interest concerns. Because the same NGOs tend to appear each time their interests are the subject of negotiation (and have formed strong networks that likewise follow multiple negotiations), they could also help identify latent linkages among international regimes.²⁴²

Procedural values are also critical for dispute resolution. More transparency, receptivity to amicus briefing, consultation with other international organization (along the lines of the relationship between the WTO and WIPO), and references to the decisions of other tribunals would provide decision makers with a broader context in which to consider disputed issues.²⁴³ With regard to the WTO, a review of the DSU began in 2000, and many of these proposals are being actively debated.²⁴⁴ In addition, consideration has been given to professionalizing the panel stage of dispute resolution by replacing ad hoc panelists with a permanent body. Among other things, this would reduce the temptation of panelists to decide cases in a manner that will lead to their reappointment.²⁴⁵

240. Benedict Kingsbury, Nico Krisch & Richard B. Stewart, *The Emergence of Global Administrative Law*, 68 L. AND CONTEMP. PROBS. 15-61 (2005). See also Michelle Limenta, *Open Trade Negotiations as Opposed to Secret Trade Negotiations: From Transparency to Public Participation*, 2012 NZ YEARBOOK OF INT'L LAW.

241. See also Margot E. Kaminski, *The Capture of International Intellectual Property Law Through the U.S. Trade Regime*, 87 S. CAL. L. REV. (2014) (noting that greater openness at the domestic level would give negotiators a better appreciation for the interest within their own country).

242. See, e.g., Miles, *supra* note 228, at 315-18; Margaret Chon, *Global Intellectual Property Governance (Under Construction)*, 12 THEORETICAL INQUIRIES L. 349 (2011) (discussing the work of norm entrepreneurs); Amy Kapczynski, *The Access to Knowledge Mobilization and the New Politics of Intellectual Property*, 177 YALE L.J. 804, 821, 824 (2008).

243. See generally Donald McRae, *What Is the Future of WTO Dispute Settlement*, 7 J. INT'L ECON. L. 3 (2004) (comparing the procedures of domestic courts with the DSU).

244. Bernard Hoekman, *Proposals for WTO Reform: A Synthesis and Assessment*, The World Bank Policy Research, Working Paper 5525 1, 15 (2011), <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-5525>.

245. Cf. Miles, *supra* note 228, at 309 (discussing the same point in relation to investor-state arbitration).

Bernard Hoekman and Petros Mavroides have put forward another proposal: they would provide special prosecutors to developing countries.²⁴⁶ Such prosecutors, if supplemented by defense attorneys, would be particularly helpful for IP, because their availability could correct the current imbalance between developed and undeveloped countries in dispute resolution. Because most of the disputes are among the developed countries that can afford to be involved in these cases, the range of flexibilities considered are limited to those necessary to win. Broader flexibilities, including those dealing with the unique interests of developing countries are rarely brought to the attention of adjudicators (interestingly, however, developing countries are the main complainants in the Australia tobacco case). As a result, there is a paucity of WTO law on what sorts of flexibilities are permissible. For example, there is no definitive conclusion about the working requirement, even though a dispute was lodged in 2001. How many countries have contemplated using local working but were deterred by the lack of international guidance is unknown.²⁴⁷

The growth of investor-state dispute resolution has shined a spotlight on the structure of that system. As we noted in the Introduction, several countries have begun to balk at joining investment agreements;²⁴⁸ others are withdrawing.²⁴⁹ Their concerns are clear. The powers of private parties in these disputes, the high damage awards, and the potential disconnect between the interests of the state and its investors (including for IP, the interests of states in utilizing flexibilities) have led participants to realize that these arrangements can backfire. Nonetheless, there is value in them. Creating IP and manufacturing products in which IP is embedded can be an expensive proposition, and when the investment is in foreign countries, it requires protection. While it may make more sense for IP to improve the enforcement provisions of TRIPS, we do not take the position that investor-state dispute resolution should be rejected wholesale.²⁵⁰ Retaining membership in BITs will, however, require a series of changes. Most are

246. Bernard M. Hoekman and Petros C. Mavroidis, *WTO Dispute Settlement, Transparency and Surveillance*, 23 *WORLD ECONOMY* 527, 536 (1999).

247. See generally Hunter Nottage, *Developing Countries in the WTO Dispute Settlement System*, GEG Working Paper 2007/47 (2009), <http://www.globaleconomicgovernance.org/geg-wp-200947-developing-countries-wto-dispute-settlement-system> (noting that participation by developing countries in other aspects of WTO dispute resolution can make the WTO more responsive to their concerns).

248. See *supra* note 11 and accompanying text. See also Ann Capling & Kim Richard Nossal, *Blowback: Investor-State Dispute Mechanisms, in International Trade Agreements*, 19 *GOVERNANCE* 151 (2006) (discussing the reasons why AUSFTA, unlike NAFTA, does not provide for investor-state dispute resolution).

249. See, e.g., *ICSID and Latin America: Criticisms, withdrawals and regional alternatives*, BILATERALS.ORG (June 25, 2013), <http://www.bilaterals.org/?icsid-and-latin-america-criticisms>.

250. To be sure, some regard the problems we see in investment arbitration as an advantage. See Peter B. Rutledge, *TRIPS and BITS: An Essay on Compulsory Licenses, Expropriation, and International Arbitration*, 13 *N.C.J.L. & TECH. ON.* 149 (2012).

beyond the scope of this paper.²⁵¹ We focus on the problem relevant to IP: the lack of systemic engagement with public-regarding interests in the investment context caused by the obliteration of the incentive basis for IP protection. Accordingly, like Kate Miles, we would support the creation of a central appellate body for investment disputes to address both consistency and substantive issues, on the theory that it would have the same appreciation for IP rationales as Howse suggests the Appellate Body would have for public-regarding principles. Further, it would endure for long enough to develop a better grasp of IP rationales.²⁵² As with our approach to the WTO, we would also adopt measures to expand the vision of arbitrators, including through the participation of third party countries.

CONCLUSION

This paper has traced the reconceptualization of IP and the concomitant solidification of the IP landscape. Through the examples of the working requirement and tobacco packaging, we have demonstrated how the progression from Paris and Berne, to TRIPS, and to FTAs and BITs has detached IP from its foundations. These agreements, although nominally designed to facilitate technology transfer and promote investment in technological progress, can have the opposite effect and constrain the ability of states to deal with local economic concerns and public health.

We do not dispute the theory of comparative advantage or the notion that investors require protection against expropriation and arbitrary treatment. However, the fact that each regime has distinct objectives and purposes leads to obfuscation of the qualitative nature of IP as an incentives-driven system. While some see the solution in even more regime shifting, experience shows that public-regarding norms tend to be created in soft law instruments whereas higher levels of protection are generally encoded into binding law and are often accompanied by compliance systems.

To restore a place for balance, international lawmakers and adjudicators must focus on the nature and purpose of that which is being protected. IP lawmakers need to be cognizant of other regimes and public-regarding concerns. In their analysis of issues and interpretation of agreements, decision makers should ensure they remain alert to IP values and refrain from contributing to the reconceptualization of the IP regime in ways that lead to longer-term isolation of public regarding interests. As states consider their position in international negotiations, they too must recalibrate. Positions in the technology hierarchy change over time, and every state must recognize that the flexibilities it now wishes to limit may become indispensable to its society's future wellbeing. Even those in the strong position now may not have considered where this reconceptualization puts them in the future, when they are not necessarily at the forefront of innovation or

251. U.N. UNCTAD, Denunciation of the ICSID Convention and BITS: Impact of Investor-State Claims, 2 IIA 1, 8 (2010), http://unctad.org/en/Docs/webdiaeia20106_en.pdf.

252. Miles, *supra* note 228, at 298.

because they are not in control of the IP intensive part of an innovation-related value chain. In either situation, those pushing assetization now may wish for more flexibility in the future.