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Trade Mark Protection, Public Health and International Investment Law: Strains and Paradoxes

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Abstract

This article aims at exploring the antinomies and paradoxes of trade mark protection in international investment law. The negative impact of trade mark protection on public health seems counterintuitive or even paradoxical. Strong trade mark protection is usually associated with positive effects on consumer protection and, more generally, there is a sort of mystical thinking about trade marks. Brand names are deemed the keystone of a competitive economy, where individuals are encouraged to do the best they can and make their products recognizable to the public, who will determine their eventual success. However, it is a common criticism that in recent years law makers and judges have expanded the rights of trade mark owners too far, at the expense of the common weal. In some cases, trade marks have been used in an aggressive fashion by corporations in order to chill public health regulation. At the international level, this expansion ultimately determines the emergence of antinomies between intellectual property law and other branches of public international law. This article critically assesses international trade mark protection in order to verify whether such a paradox and the consequent systemic antinomies may be resolved. It also puts forward some legal mechanisms which may help policy makers and adjudicators to reconcile trade mark protection and public health in international investment law.

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1 Introduction

This article explores the linkage between trade mark protection and public health in international investment law, highlighting the potential negative impact that excessive trade mark protection may have on public health policies. This may seem counterintuitive, as usually trade mark protection is associated with positive effects on consumer protection. Trade marks have long been used by manufacturers and traders to identify their goods and to distinguish them from goods made or sold by others.[2] The ownership of trade marks – which may consist of fancy words and descriptive words, or pictures, figures, letters, labels, etc. and a combination of all of the above – gives the proprietors the exclusive right to prevent all third parties from using identical or similar signs, for identical or similar goods or services, where such use would result in the likelihood of confusion.[3] Strong trade mark protection is usually associated with positive effects on consumer protection and, more generally, there is a sort of mystical thinking about trade marks.[4] Trade marks serve as an incentive for producers to maintain their business reputation, clarifying the linkage between a producer and its product (Origin function). In parallel, trade marks protect the consumers from deception, preventing the public from purchasing inferior goods in the mistaken belief that such goods originate from another trader (Quality or guarantee function). By knowing that a product is produced by a certain company, the consumer immediately assumes certain product qualities or characteristics.[5]

The negative impact of trade mark protection on public health may seem illogical. However, in recent years, it has been a common criticism that law makers and judges have expanded the rights of trade mark owners too far, at the expense of the public weal.[6] This expansion ultimately determines the emergence of antinomies between intellectual property law and other branches of public law. This article aims critically to assess trade mark regulation in investment treaties in order to verify whether the above-mentioned paradox and the consequent systemic antinomies may be resolved.

The article will proceed as follows. First, the major features of the international trade mark regulation will be scrutinized. After briefly sketching out the discipline provided by the TRIPS Agreement, the relevant provisions in investment treaties will be examined. Secondly, the link between trade mark protection and public health will be highlighted. Thirdly, some recent case studies will be analysed. Fourthly, this study will propose some legal mechanisms which may help policy makers and

2 D. Bainbridge, *Intellectual Property* (2002) 359.

3 TRIPS Agreement, 33 ILM (1994) 1197, Art. 16.

4 See L. Bently and B. Sherman, *Intellectual Property Law* (2nd edn, 2004), at 699.

5 A third function of trade marks would be the investment or advertising function. Trade marks would advertise a certain product or service, helping the efficiency of the consumer's choice and creating an incentive for trade mark holders to invest in quality to create reputation: see Chiappetta, 'Trademarks: More than Meets the Eye', [2003] *U Illinois J L Tech & Policy* 35.

6 See Bently, 'From Communication to Thing: Historical Aspects of the Conceptualization of Trademarks as Property', in G. B. Dinwoodie and M. D. Janis (eds), *Trademark Law and Theory* (2008), at 3.

adjudicators adequately to balance the different interests concerned in international investment law.

2 The Internationalization of Trade Mark Regulation

As trade mark protection is associated with individualism and liberal economic theories, the development of the neo-liberal structures created in the aftermath of World War II has furthered its growth in quality and quantity.[7] The rationale for protecting trade marks in investment treaties lies in the argument that a trade mark regime would economically benefit those countries that endorse it. On the one hand, trade mark protection would assist domestic producers to receive income that would otherwise be lost to counterfeiters. On the other hand, protecting foreign brands would encourage multinational corporations to invest in developing countries and establish an industrial or commercial presence therein. In turn, this would facilitate the opening of those countries' respective markets while creating new jobs. Thus, as an author highlights, 'trademark protection is said to carry promise of economic benefit for developing and developed countries alike'.[8]

International investment treaties elaborate on a series of international law instruments, including but not limited to the Paris Convention for the Protection of Industrial Property[9] and the Trade Related Aspects of Intellectual Property Rights Agreement[10] (TRIPS Agreement) which was adopted under the aegis of the World Trade Organization. More importantly, investment treaties are characterized by the propertization and harmonization of trademark law at the international level.

A *The Propertization of Trade Marks in International Law*

The propertization of intangible goods has become a common trend in international standard setting. Propertization can be defined as the process of putting emphasis on proprietary aspects of given intangible rights or the characterization of modern knowledge governance as moving towards a property-based regime.[11] This process, which also concerns patents and copyrights,[12] is particularly evident with regard to

[7] See Rogers, 'The Social Value of Trade Marks and Brands', 37 *Trademark Reprtr* (1947) 249, at 253.

[8] Homere, 'Intellectual Property Rights Can Help Stimulate the Economic Development of Least Developed Countries', 27 *Columbia J L & the Arts* (2004) 277; Khoury, 'Trademark Policy: The Case of Arab Countries', in D. Gervais (ed.), *Intellectual Property, Trade and Development* (2007), at 299, 300.

[9] The Paris Convention for the Protection of Industrial Property was signed in Paris on 20 Mar. 1883 and was revised at Brussels on 14 Dec. 1900, at Washington on 2 June 1911, at The Hague on 6 Nov. 1925, at London on 2 June 1934, at Lisbon on 31 Oct. 1958, and at Stockholm on 14 July 1967, and has been amended on 28 Sept. 1979. The text is available at www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html (accessed 9 Dec. 2008).

[10] See *supra* note 3.

[11] See, e.g., Lemley, 'The Modern Lanham Act and the Death of Common Sense', 108 *Yale LJ* (1999) 1687 (pointing out that 'commentators and even courts increasingly talk about trademarks as property rights; as things valuable in and of themselves').

[12] See, e.g., P. Drahos and J. Braithwaite, *Information Feudalism: Who Own the Knowledge Economy?* (2002).

the international regulation of trade marks. Authors have described the shift from the 'deception-based trademark', which focused on a trade mark's value as a device for conveying information about a product, to the 'property-based trademark', which regards a trade mark as property in itself.[13]

This conceptualization is not only reflected in some national legislations[14] and regional agreements, but is particularly evident in international trade law, where the TRIPS Agreement disciplines trade marks because they are trade-related aspects of intellectual *property* rights.[15] This commoditization is also evident in investment law, where investment treaties protect foreign trade marks as forms of investment or property. Unexpectedly, even international human rights treaties seem to support such a commoditization of trade marks. The European Court of Human Rights has broadly interpreted Article 1 of the First Protocol to the European Convention on Human Rights and Fundamental Freedoms[16] which protects the right to property including trade marks.[17] Trade mark protection has been conceptualized as a human right, because of its proprietary dimension.[18]

While propertization of trade marks seems inevitable in contemporary society, what is less evident is the impact of this trend on the traditional theory of trade mark functions. Indeed, in the light of protecting trade marks as proprietary rights, the risk is that of overemphasizing the first essential function of trade mark protection which is the identifying function, while diminishing the worth of the second function which is consumer protection.[19] In other words, as an author highlights, '[c]ourts seem to be replacing the traditional rationale for trademark law with a conception of trademarks as property rights, in which "trademark owners" are given strong rights over the marks without much regard for the social costs of such rights'.[20]

B *The Harmonization of Trade Mark Law*

The TRIPS Agreement, which provides for detailed regulation of trade marks, has brought about the substantive *harmonization* of trade mark law. This has not been a *neutral* phenomenon though. As Professor Ullrich highlights, 'harmonization is

13 Lunney, Jr., 'Trademark Monopolies', 48 *Emory LJ* (1999) 367, at 371–372; Landes and Posner, 'The Economics of Trademark Law', 78 *Trademark Reporter* (1988) 267.

14 See, for instance, the UK Trade Mark Act 1994, ss 2(1) and 22.

15 On the politics, economics, and effects of global intellectual propertization see, for instance, A. George (ed.), *Globalization and Intellectual Property* (2006); Gervais, 'The Changing Landscape of International Intellectual Property', in C. Heath and A. Kamperman Sanders (eds), *Intellectual Property and Free Trade Agreements* (2007), at ch. 3; Vadi, '*Sapere Aude!* Access to Knowledge as a Human Right and a Key Instrument to Development', 12 *Int'l J Communications L and Policy* (2008) 346.

16 Convention for the Protection of Human Rights and Fundamental Freedoms, opened for signature on 4 Nov. 1950 and entered into force on 3 Nov. 1953, European Treaty Series No. 5.

17 See, e.g., App No 73049/01, *Anheuser Busch Inc. v. Portugal*, 11 Oct. 2005: '[i]ntellectual property as such undeniably attracts the protection of Art. 1 of Protocol No. 1'.

18 See *infra* Section 3.

19 According to some authors, consumer protection, as desirable and worthy though it may be, is little more than a by-product of trademark law. See, for instance, Bainbridge, *supra* note 2, at 361.

20 Lemley, *supra* note 11, at 1697.

directed at enhancing and extending protection, not at defining the exceptions, let alone to make the exceptions coextensive with enhanced protection'.[21] Not only does the TRIPS Agreement impose an obligation on its member states to apply the Paris Convention standards relating to trade marks,[22] and cross-refer to those provisions in a number of points, but the former supplements the provisions of the latter in significant respects and imposes its own obligations in addition.[23]

However, the TRIPS Agreement also provides some general provisions and basic principles which have to be taken into account by both policy makers and adjudicators in respectively adopting and interpreting intellectual property norms. Article 7, entitled 'Objectives', requires that the protection and enforcement of intellectual property rights should contribute *inter alia* to 'the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations'. Article 8, entitled 'Principles', allows member states to adopt measures necessary to protect public health, provided that such measures are consistent with the provisions of the Agreement. In addition, the second paragraph of the same provision allows states to adopt 'appropriate measures, provided that they are consistent with the provisions of this Agreement' in order *inter alia* to 'prevent the abuse of intellectual property rights by right holders'.

Yet, the vague wording of these general clauses may result in the hesitation of members further to develop the measures indicated. This is all the more true as every clause is accompanied by a caveat in favour of protection. Evidence shows that *in concreto* it may be difficult for member states to invoke the flexibilities provided by the TRIPS Agreement because of the fear of other countries' complaints before the WTO Dispute Settlement bodies.[24]

C *Trade Mark Regulation in Investment Treaty Law*

In recent years there has been a paradigm shift in IP negotiations. As negotiations at the WTO level are at a standstill, industrialized countries have moved negotiations to bilateral settings in order to obtain higher standards of IP protection.[25] In a sense, industrialized countries have increasingly used investment treaties in a strategic fashion to incorporate TRIPS-plus commitments that they would not be able to obtain

[21] Ullrich, 'Intellectual Property, Access to Information, and Antitrust: Harmony, Disharmony, and International Harmonization', in R. Cooper Dreyfuss *et al.*, *Expanding the Boundaries of Intellectual Property* (2001), at 365, 399.

[22] TRIPS Agreement, Art. 2(1).

[23] For a detailed overview see N. Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (2006) 23.

[24] With regard to access to medicines, only at the end of a long debate did the Ministerial Conference clarify the relevant TRIPS provisions and expressly restate the right of the member states to adopt measures to protect public health. See *Declaration on the TRIPS Agreement and Public Health*, IV Ministerial Conference, Doha, WT/MIN(01)/DEC/W/2, 20 Nov. 2001. On intellectual property disputes at the WTO see Di Blase, 'Human-Right-Related Aspects in the Settlement of International Disputes on Intellectual Property Rights', in G. Venturini *et al.* (eds), *Liber Amicorum Fausto Pocar* (2009).

[25] According to Art. 1 of the TRIPS Agreement, '[m]embers may but shall not be obliged to implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement'.

in the WTO.[26] Although developing countries – being net importers of knowledge-based products – would benefit from less rigorous levels of protection, they generally accept TRIPS-plus provisions to obtain favourable concessions in other areas, notably in agriculture.[27]

TRIPS-plus is a relative concept which refers to and develops the intellectual property standards provided by the TRIPS Agreement. There is no single exhaustive definition of TRIPS-plus as investment provisions are negotiated on an *ad hoc* basis. Generally, though, this concept has a cumulative nature, as negotiators tend to increase the standards building on past experience.[28] Investment treaty provisions on trade marks seem to confirm the trend that investment treaties 'have shifted from being simple tariff-reducing instruments to institution-regulating instruments'.[29]

For example, if we compare the discipline of intellectual property provided by NAFTA[30] to the regulation provided by the most recent investment treaties signed by the United States,[31] we note a gradual accretion in quality and quantity of the provisions protecting trade marks. This is not the place to analyse these provisions in detail; suffice it to refer to the accurate work of other authors[32] and to mention a few common characteristics. Recent investment treaties not only reaffirm the obligations under the TRIPS Agreement,[33] but they also impose the obligation to ratify a series of international instruments concerning trade marks.[34] This accretion and *renvoi matériel* reflect the recent proliferation of instruments which protect intellectual property at the international level. Further, recent investment treaties go beyond the classical definition of trade marks as they may require the protection of non-conventional or non-traditional trade marks. US trade mark law is flexible enough to accommodate most non-traditional trade marks, and no policy change would be necessary to

[26] Okediji, 'Back to Bilateralism? Pendulum Swings in International Intellectual Property Protection', 1 *U Ottawa Law & Technology J* (2003) 125; Helfer, 'Regime Shifting: The TRIPS Agreement and New Dynamics of International Intellectual Property Lawmaking', 29 *Yale J Int'l L* (2004) 1.

[27] M. Ryan, *Knowledge Diplomacy – Global Competition and the Politics of Intellectual Property* (1998), at 92.

[28] Given the increasing complexity of IP regulation in investment treaties, some authors have hypothesized the existence of TRIPS plus-plus standards: see Sell, 'The Global IP Upward Ratchet, Anti-Counterfeiting and Piracy Enforcement Efforts: The State of Play', June 2008, available at: www.twnside.org.sg/title2/intellectual_property/development.research/SusanSellfinalversion.pdf .

[29] Drahos *et al.*, 'Pharmaceuticals, Intellectual Property and Free Trade: The Case of the US–Australia Free Trade Agreement', *Prometheus* (2004) 243.

[30] The North American Free Trade Agreement (NAFTA) was signed by the US, Canada, and Mexico in Dec. 1992 and took effect on 1 Jan. 1994: 32 ILM (1994) 289.

[31] See, for instance, the Free Trade Agreement between the US and the Republic of Korea (KORUS FTA), concluded on 1 April 2007, available at: www.ustr.gov/assets/Trade_Agreements/Bilateral/Republic_of_Korea_FTA/Final_Text/asset_upload_file755_12697.pdf (accessed on 10 Dec. 2008).

[32] For an exhaustive overview see Ong, 'The Trademark Law Provisions of Bilateral Free Trade Agreements', in G. Dinwoodie and M. Janis (eds), *Trademark Law and Theory* (2008), at 229.

[33] KORUS FTA, *supra* note 31, Art. 18(1)(2).

[34] The international instruments to be ratified by the parties include the Protocol relating to the Madrid Agreement Concerning the International Registration of Marks (1989), the Trademark Law Treaty (1994), and the Singapore Treaty on the Law of Trademarks (2006).

address a rise in registrations of non-traditional marks. Other countries have a more traditional approach.[35]

With regard to the term of protection, while the TRIPs Agreement provides for a minimum registration term (and renewal term) of no less than seven years,[36] NAFTA and other investment treaties require a term of protection of no less than 10 years.[37] Investment treaties also provide limited exceptions to the rights conferred by a trade mark,[38] and forbid compulsory licences.[39] Finally, investment treaties protect trade marks from unlawful expropriation and grant the trade mark owner the right of direct access to an international arbitral tribunal.

D *Intellectual Property Adjudication and Investor–State Arbitration*

The flourishing of investor–state disputes in recent years has transformed the landscape of investment protection since customary international law provided for state to state disputes only.[40] The widespread introduction of the neutral forum of arbitration into international investment treaties is regarded as an important mechanism for protecting foreign investment from nationalization or other forms of expropriation by the host state. As Professor Böckstiegel points out, the traditional David–Goliath relationship between private investors and states has been replaced, at least procedurally, by a level playing field.[41]

By giving their consent to investor–state arbitration in investment treaties, states waive their sovereign immunity and give arbitrators a comprehensive jurisdiction over essentially regulatory disputes in matters of public law.[42] Many recent arbitral awards have concerned the determination of the appropriate boundary between two conflicting values: the legitimate sphere for state regulation in the pursuit of public goods on the one hand, and the protection of private property from state interference on the other. As investment treaty arbitration presents some characteristics which are typical of international commercial arbitration, this has proven problematic.[43] On the one hand, these characteristics favour efficiency; on the other hand, it may be questioned whether public policy issues are adequately dealt with within these contexts.

Traditionally, arbitral tribunals are neither open to the public nor accountable to democratic processes. In investment treaty arbitration, not only does the public not have a formal role in the proceedings, but even the final awards may not be published or

35 See Saez, 'Some See Rise in Non-Traditional Trademarks; National Registries Not Yet', *Intellectual Property Watch*, 20 June 2008. See also T. P. Arden, *Protection of Non Traditional Marks* (2000).

36 TRIPS Agreement, *supra* note 3, Art. 18.

37 NAFTA, *supra* note 30, Art. 1708.7 and KORUS, *supra* note 31, Art. 18(2)(12).

38 TRIPS Agreement, *supra* note 3, Art. 17. See also NAFTA, *supra* note 30 and KORUS, *supra* note 31, Arts 1708(12), 18(2)(5), and 15(2)(4) respectively.

39 TRIPS Agreement, *supra* note 3, Art. 21 and NAFTA, *supra* note 30, Art. 1708.11.

40 C. McLachlan, L. Shore, and M. Weiniger, *International Investment Arbitration* (2007), at 5.

41 Böckstiegel, 'Enterprise v. State: the New David and Goliath?', 23 *Arbitration Int'l* (2007) 93.

42 Van Harten, 'The Public–Private Distinction in the International Arbitration of Individual Claims Against the State', 56 *ICLQ* (2007) 371.

43 Blackaby, 'Investment Arbitration and Commercial Arbitration (or the Tale of the Dolphin and the Shark)', in J. Lew and L Mistelis (eds), *Pervasive Problems in International Arbitration* (2006), at 217.

disclosed. In sum, arbitrations lack the transparency generally afforded by judicial proceedings. Finally, it is usually the investor who triggers the use of the system. Thus, it could happen that human rights violations or abuses of rights by the foreign investor may not be considered in the context of the proceedings. The concrete result is that human rights issues are only marginally dealt with in the context of arbitral proceedings.[44]

The question which arises is whether the public interest is adequately protected within a framework aimed primarily at protecting private interests. *Prima facie*, it seems that the current framework lacks adequate procedural protections for the public interest since it fails to secure transparency. Although an analysis of the procedural aspects of investor–state arbitration goes beyond the limited scope of this contribution, suffice it to recall that some authors have proposed procedural reforms to improve the structure of investor–state arbitration.[45]

To date, *known* investment disputes concerning intellectual property have been rare.[46] This seems to be counter-intuitive, given the economic importance of intellectual property, the recent rise of IP disputes at the international trade level, and the flourishing of IP arbitrations concerning international commercial disputes among private parties.[47] To solve this puzzle several considerations need to be made.

First, the available data may represent only the top of the iceberg, given the only limited transparency of investment arbitration.[48] While the International Centre for the Settlement of Investment Disputes (ICSID)[49] makes all the proceedings public and

[44] Reiner and Schreuer, 'Human Rights and International Investment Arbitration', in P.-M. Dupuy, F. Francioni, and E.-U. Petersmann, *Human Rights in International Investment Law and Arbitration* (forthcoming 2009), at ch. 4.

[45] See, for instance, G. Van Harten, *Investment Treaty Arbitration and Public Law* (2007) and Van Harten, 'A Case for an International Investment Court', paper presented at the SIEL Inaugural Conference, Geneva, 15–17 July 2008, SIEL Working Paper No. 22/08.

[46] With regard to investment disputes concerning patents see Vadi, 'Access to Medicines versus Protection of "Investments" in Intellectual Property: Reconciliation Through Interpretation?', in A. Perry Kessaris (ed.), *Justice, Power and Law in the Pursuit of Development* (forthcoming 2009). See also Vadi, 'Mapping Uncharted Waters: Intellectual Property Disputes with Public Health Elements in Investor–State Arbitration', *Transnational Dispute Management* (forthcoming 2009).

[47] The International Chamber of Commerce estimates that 10% of its annual caseload involves an IP element. WIPO has administered over 80 complex IP arbitrations in recent years and some 25,000 domain name disputes since 2000. See Lamb and Garcia, 'Arbitration of Intellectual Property Disputes', *The European and Middle Eastern Arbitration Review* (2008), section 3. To date the WIPO Centre's ADR services have not had any investment disputes. With regard to the Stockholm Chamber of Commerce, in 2008, there were 9 disputes concerning intellectual property: Arbitration Institute of the Stockholm Chamber of Commerce, *Statistical Report 2008* (2009). However, due to confidentiality requirements, it is not possible to know whether these disputes were investment treaty disputes. It is not possible to know whether there are IP-related disputes pending at the London Court of International Arbitration (LCIA) because of the confidentiality requirements. For the same reasons of confidentiality and by virtue of Art. 30 of the LCIA Rules, the LCIA does not publish awards or parts of awards, even in redacted form.

[48] See, for instance, Peterson, 'All Roads Lead out of Rome: Divergent Paths of Dispute Settlement in Bilateral Investment Treaties', in L. Zarsky (ed.), *International Investment for Sustainable Development* (2005), at 123.

[49] The International Centre for the Settlement of Investment Disputes (ICSID) forms part of the World Bank, and administers ICSID arbitrations, which are not court proceedings but voluntary arbitrations: Convention on the Settlement of Investment Disputes between States and Nationals of other States, signed 18 Mar. 1965, entered into force 14 Oct. 1966, 575 UNTS 159.

generally publishes the awards made, other facilities do not necessarily disclose their dockets of cases and, even when they do so, they do not publish the awards unless the parties so agree. Therefore, it is likely that the scarcity of cases in this matter is not due to an absence of conflicts, but rather to the systemic lack of transparency.

Secondly, with regard to intellectual property claims, several fora are available. The recent process of regionalization[50] and internationalization of IP protection has not eliminated the traditional judicial remedies, but has added further avenues for dispute settlement. National courts always represent the first available option to foreign investors. As industrial property rights are territorial in nature, they are subject to the national laws of each individual country. In some cases, the host state has a long-standing judicial tradition and can ensure appropriate remedies in cases of trade mark infringement. Further, at the international level, the WTO dispute settlement body ensures a very effective dispute settlement mechanism, where a state violates its TRIPS commitments.

Thirdly, investment disputes are extremely expensive. Initiating an investment dispute may be a suitable option only for large corporate actors. Despite the fact that alternative dispute mechanisms such as arbitration and mediation have been traditionally described as cheaper then litigation, this is not always the case, especially with regard to investment disputes, where legal fees and expenses are extremely high.

Fourthly, it may be argued that there is still too little knowledge about intellectual property among investment lawyers,[51] and there is still too little knowledge about investment law among IP lawyers. Not only is intellectual property considered to be a highly technical subject,[52] but only recently has it entered into the international law agenda. The same arbitrability of intellectual property-related disputes is not allowed in many jurisdictions.[53] Thus, for the moment, investment disputes keep on mainly concerning infrastructure projects, financial instruments, and water services, albeit that a future development in the intellectual property area may be foreseen.

[50] As Sir Robin Jacob put it, 'Apart from the general rise of IP rights, Europe has been involved in another major development: the harmonization – some would call it "federalization" of our IP laws': see Jacob, 'The Onward March of Intellectual Property Rights and Remedies', in R. Cooper Dreyfuss, D. Leenheer Zimmerman, and H. First (eds), *Expanding the Boundaries of Intellectual Property* (2001), at 415, 416.

[51] Issues where the assistance of experts may be important are, e.g., cases of infringement of trade marks and determination of damages: see Goldschneider, 'The Employment of Experts in Mediating and Arbitrating Intellectual Property Disputes', in T. Cottier (ed.), *Strategic Issues of Industrial Property Management in a Globalizing Economy* (1999), at 93. See also Lew, 'The Arbitration of Intellectual Property Disputes', 5 *Am Rev Int'l Arb* (1994) 110.

[52] Vaver, 'Does the Public Understand Intellectual Property? Do Lawyers?', Oxford Legal Studies Research Paper No. 23 (2006).

[53] On grounds of public policy, a small number of jurisdictions prohibit the resolution by arbitration of certain aspects of IP disputes: a private adjudicator should not resolve a dispute which may affect society at large. See Povrzenic, 'Arbitrability of Industrial Property Disputes', 12 *Croatian Arb Yrbk* (2005), at 25; Hanotiau, 'L'arbitrabilité des litiges de propriété intellectuelle: une analyse comparative', 1 *ASA Bull* (2003) 3; Blessing, 'Arbitrability of Intellectual Property Disputes', 12 *Arb Int'l* (1996) 2; Grantham, 'The Arbitrability of International Intellectual Property Disputes', 14 *Berkeley J Int'l L* (1996) 175.

2 The Link between Trade Mark Protection and Public Health: Case Studies

The link between trade mark protection and public health is well established. Trade mark protection is instrumental to consumer protection and well-being, by reassuring the consumer about the qualities of the product and by certifying its producer. In turn, counterfeiting is extremely dangerous for public health.[54] Counterfeit goods are 'goods manufactured without the authorization of the trademark owner or one of its agents',[55] thus deliberately and fraudulently mislabelled with respect to the identity or source. In some cases, counterfeit goods may have the same ingredients or component parts as the original product. However, in other cases, the fraud may involve the very essence of the product determining high health risks. For instance, during a meningitis epidemic in Niger in 1995, more than 50,000 people received fake vaccines, and this resulted in 2,500 deaths.[56]

In China, the adulteration of milk and infant formulas with melamine, a chemical compound which is used to make plastic and fertilizers, caused thousands of illnesses. With China's wide scale of exports, the scandal has affected countries on all continents.[57] China has publicly acknowledged the widespread concern about recent discoveries of melamine in milk powder and other products and has stated that it has adopted tighter control measures to prevent similar incidents.[58]

Public health concerns dictate the firm protection of trade marks at the international law level, in order to stop fraud with potentially grave effects on consumer life and well-being. However, it is important to be aware that in some cases excessive trade mark protection may have a negative impact on public health policies. In other cases, trade marks may be subject to expropriation allegedly justified by the need to redress public health damage under national tort law. This section presents a survey of cases which clearly illustrate the potential conflict between extensive trade mark protection and public health on the one hand, and the emerging trend in retaliating against trade marks for alleged violations of public policy norms on the other hand.[59]

[54] An international agreement to address counterfeiting (the Anti-Counterfeiting Trade Agreement, ACTA) is currently being negotiated between the US, the EU, Canada, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, and Switzerland.

[55] Gervais, 'Epilogue: A TRIPS Implementation Toolbox', in D. Gervais (ed.), *Intellectual Property, Trade and Development* (2007) 527.

[56] See WHO, 'Counterfeit Medicines', Fact Sheet No 275, 14 Nov. 2006.

[57] See 'China Tainted Milk Scandal Widens', *BBC News*, 19 Sept. 2008; Chao and Louisson, 'More Countries Ban Chinese Products Amid Milk Scandal', *Wall Street Journal*, 25 Sept. 2008.

[58] As several countries have introduced import bans, China has urged them to base their measures on science, risk assessment, and information from the WHO to avoid escalating the restrictions and to notify their measures. See 'Sanitary and Phito-sanitary Measures', WTO News Item, 8–9 Oct. 2008, available at: www.wto.org/english/news_e/news08_e/sps_10oct08_e.htm (last visited 14 Jan. 2009).

[59] The notion of case adopted in this section is a broad one which includes both conflicts and disputes. *Conflict* signifies a general state of hostility between the parties, while *dispute* indicates a specific disagreement relating to a question of rights. See J. Collier and V. Lowe, *The Settlement of Disputes in International Law* (1999).

A *Retaliation against Trade Marks for Alleged Violations of Public Health*

The first case brought to the ICSID which expressly concerned intellectual property rights, and in particular expropriation of trade marks, is part of a broader trend in international economic law where IP becomes the object of retaliation measures.[60] In *Shell Brand International AG and Shell Nicaragua SA v. Republic of Nicaragua)*,[61] two companies belonging to the Shell group filed a claim against the government of Nicaragua for breach of the Netherlands–Nicaragua bilateral investment treaty in response to an alleged expropriation of their logo and brand name.[62] The case concerned a regulatory measure adopted by Nicaragua to help its citizens seek compensation for DBCP (1,2-dibromo-3-cloropropane) related injuries. In the 1960s and 1970s, the pesticide DBCP, under the brand name *Nemagon* was commonly used on banana plantations. In 1977 however, the use of this product was banned after it was linked to health problems. As some 500 Nicaraguan citizens claimed to have been affected by use of *Nemagon*,[63] the Nicaraguan National Assembly introduced *ad hoc* legislation, imposing consistent guarantee payments and requiring special trial proceedings.[64] According to Special Law 364, if the court were to find against the defendants and they did not satisfy the judgment, the plaintiffs would have a right to auction off the trade marks and be compensated out of the proceeds of the auction. The Nicaraguan citizens then began an action in Nicaragua and *Sonia Eduarda Franco et al. v. Dow Chemical et al.* resulted in the largest judgment ever handed down in Nicaragua. On 11 December 2002, the Nicaraguan court acknowledged the harm suffered by the claimants for health problems linked to DBCP and ordered the respondents (the Dow Chemical Company,

[60] On 21 Dec. 2007, arbitrators in the *US – Gambling* dispute awarded the Caribbean island state Antigua and Barbuda the right to retaliate against the USA by suspending obligations under the TRIPs with an annual value of US$21 million. Ruse-Kahn argues that, given the asymmetries in market size and economic power, suspending intellectual property protection would represent a legal and feasible option for developing countries and small economies in disputes with their larger trading partners. Further, he highlights that suspending intellectual property protection 'can do a significantly better job than traditional retaliation in achieving the re-balancing purpose as well as the objective of inducing compliance. … its main attraction lies in the potential to generate positive welfare effects: If implemented wisely, suspending TRIPS obligations can create temporary policy space for designing the domestic intellectual property regime in a way which facilitates technological development and domestic innovation through imitation and technological learning. In this case, the publicity "WTO authorized piracy" is likely to generate might actually put a spotlight on normative flaws within the global intellectual property regime': see Grosse Ruse-Khan, 'A Pirate of the Caribbean? The Attractions of Suspending TRIPS Obligations' 11 *J Int'l Economic L* (2008) 313, at 313.

[61] Case n ARB/06/14 registered at ICSID on 11 Aug. 2006 (hereinafter *Shell v. Nicaragua)*.

[62] Agreement on Encouragement and Reciprocal Protection of Investments between the Republic of Nicaragua and the Kingdom of the Netherlands, signed on 28 Aug. 2000 and entered into force on 11 Oct. 2002, available at www.sice.oas.org/ctyindex/NIC/NICBITs_e.asp (last visited 12 Dec. 2008).

[63] An attempt was made to bring a class action in the US in the 1980s. The American courts dismissed the case under the doctrine of *forum non conveniens*, considering the fact that the citizens and evidence were in Nicaragua.

[64] According to these rules, *inter alia* defendants had three days to answer the complaint, the parties had eight days to present their evidence, and the court had three days to issue a judgment.

Shell Oil Company, Standard Fruit, and Dole Food Corporation) to pay $489 million in damages.

On 14 May 2003, the Nicaraguan claimants began an action in the Central District of California, attempting to enforce the judgment against Dow Chemical, Shell Chemical, and Dole Food Company pursuant to California's Uniform Foreign Money-Judgments Recognition Act and general principles of comity among nations.[65] However, Shell Oil Company filed a complaint for declaratory relief, seeking a declaration that the Nicaraguan judgment was not enforceable in the United States. In particular, the company asserted that the Nicaraguan judgment was unenforceable because: (1) the Nicaraguan court lacked personal jurisdiction over Shell Oil; (2) Nicaragua did not have a system of impartial tribunals; and (3) Nicaraguan Special Law 364 failed to afford due process of law.

Regarding the first claim, the plaintiff argued that Shell Oil was a distinct legal entity from Shell Chemical and that Shell Oil did not sell *Nemagon* in Nicaragua. The court recognized that, according to the requirements of California's Recognition Act and under the principles of comity among nations, 'lack of personal jurisdiction mandates rejection of a foreign judgment'.[66] Thus, it questioned whether Nicaraguan courts had jurisdiction over Shell Oil. In particular, the court held that jurisdiction cannot be founded 'on the mere presence of a product in the forum, where the product has not been marketed there, and its presence there is not part of the regular and anticipated flow of the products of the manufacturer'.[67] According to the court, the stream of commerce does not refer to unpredictable currents, but to the regular and anticipated flow of products from manufacturer to distribution to retail sale. Therefore, the District Court affirmed that the Nicaraguan court lacked personal jurisdiction over Shell Oil. Because the lack of personal jurisdiction alone is sufficient ground for non-recognition, the court did not address Shell Oil's arguments regarding the impartiality of the Nicaraguan courts or alleged violations of due process. Accordingly, it granted summary judgment and declared that the Nicaraguan judgment would not be recognized or enforced in the United States.[68]

In the aftermath of the District Court's decision, the Nicaraguan plaintiffs attempted to enforce the judgment in Nicaragua. After a Nicaraguan court seized the Shell logo and trade mark in the country, Shell requested arbitration at the ICSID where it alleged expropriation of its assets.[69] Shell Brand International AG and Shell Nicaragua SA maintained that the class-action judgment concerned companies other than themselves – in particular the US based Shell Oil Company which was a separate entity – and that they never sold the pesticide in Nicaragua, but in other Central American countries. Further, they claimed that the Nicaraguan legal system as a whole was no longer capable of providing a fair hearing. Accordingly, the seizure of their trade mark

[65] *Franco v. The Dow Chemical Company et al.*, CV no. 03-5094, on file with the author.

[66] *Ibid.*, at 11.

[67] *Ibid.*, at 13.

[68] *Shell Oil Company v. Sonia Eduarda Franco, Franco et al.* (US DC, CD Cal), 10 Nov. 2005, case CV03-8846 NM, on file with the author.

[69] *Shell Brands International AG and Shell Nicaragua SA v. Republic of Nicaragua supra* note 61.

would constitute an unlawful expropriation and a denial of justice in violation of the relevant provisions of the Netherlands–Nicaragua BIT.[70]

In November 2006, Nicaragua's Court of Appeal reversed the lower court's decision, thus allowing for the return of the trade mark. With the trade mark released, the two Shell companies abandoned their ICSID claim, officially discontinuing the proceedings in March 2007.[71] The case, albeit discontinued, is important in two respects. First, it shows that foreign investors may bypass national courts in case of alleged denial of justice claims, as investment treaties offer a venue of litigation which parallels national administrative or specialized IP courts. On the one hand, this highlights the importance of investment arbitration as a means to ensure access to justice and a neutral forum.[72] On the other hand, since the dispute was not adjudicated on it is not possible to determine whether and how the arbitral tribunal would have taken into account the complex background of the dispute which preceded the regulatory measure in question. Secondly, the case shows that intellectual property may be the targeted object of retaliation measures. However, while in the WTO system such measures are adopted under the *ex ante* scrutiny and authorization of an international law body, investment law does not present the same degree of institutionalization. Therefore, scrutiny of the legitimacy or justification of the state measures necessarily rests on investment treaty tribunals, or national, regional, or human rights courts.

B *Trade Marks and Tobacco Control Measures*

While the sale of tobacco products is legal, growing restrictions are placed on their sale and use. At the international law level, the World Health Organization Framework Convention on Tobacco Control[73] has established a 'cognitive and normative consensus' for promoting global public health through tobacco control.[74] However, a potential tension exists when a state adopts tobacco control measures interfering with foreign trade marks, as regulation may be considered tantamount to indirect expropriation under investment rules. In addition, investment treaties provide foreign investors with direct access to investment arbitration. Thus, foreign investors can seek compensation for the impact of regulatory measures on their businesses. In turn, the mere threat of a potential dispute with a powerful investor can exert a chilling

[70] Vis-Dunbar and Peterson, 'Shell Drops ICSID Suit against Nicaragua over Seizure of Trademarks', *Investment Treaty News*, 9 May 2007, at 10–11.

[71] The ICSID Secretary-General issued an order taking note of the discontinuance of the proceedings pursuant to Arbitration Rule 44 on 12 Mar. 2007. See 'Shell Drops Nicaraguan IP Claim', *Global Arbitration Review*, 18 May 2007.

[72] See Francioni, 'Access to Justice, Denial of Justice and International Investment Law', in Dupuy, Francioni, and Petersmann (eds), *supra* note 44, at ch. 4.

[73] WHO Framework Convention on Tobacco Control, WHA Res. 56.1, World Health Assembly, 56th Ass 4th plenary meeting, Annex WHO Doc. A56.VR/4, 21 May 2003, 42 ILM (2003) 518 (hereinafter FCTC). The Convention entered into force on 27 Feb. 2005.

[74] Mason Meier, 'Breathing Life into the Framework Convention on Tobacco Control: Smoking Cessation and the Right to Health', 5 *Yale J Health Policy & Ethics* (2005) 137, at 137.

effect on public health regulation, especially in developing countries.[75] For instance, in Uzbekistan a foreign tobacco company lobbied the local authorities and obtained a series of regulatory benefits as part of its investment conditions. Advertising bans were replaced by the tobacco industry voluntary advertising code, and smoke-free restrictions were scaled back to cover only healthcare facilities and kindergartens and schools.[76]

When Canadian health officials were to issue a new regulation on cigarette labelling, a US tobacco company is known to have threatened to use the NAFTA investment chapter to challenge restrictions on the packaging of cigarettes proposed by the Canadian government.[77] In particular, the company considered filing an investment claim, alleging a potential two-fold infringement of NAFTA Chapter Eleven. First, the company insisted that the terms light, mild, and low were incorporated into cigarette names and communicated differences of taste to consumers. Banning these descriptors would not only destroy valuable trade marks and the goodwill they represented, but would be tantamount to indirect expropriation. Secondly, the company argued that the Canadian regulation would violate the fair and equitable treatment standard, as tobacco companies were initially encouraged to market low yield cigarettes.[78]

In the end, Canada adopted the labelling system, but the threat of an investment dispute might prove potent in less industrialized countries. For instance, in Thailand, companies were able to stall mandatory disclosure of cigarette ingredients by affirming that this would amount to a violation of trade secret rights protected under trade and investment agreements.[79] In 2002, when Thailand considered imposing graphic warnings on the covers of cigarette packets, a US company argued that the regulation would unnecessarily limit free speech and its right to communicate with its customers. The company also lamented that the regulation would have infringed its trade mark rights.[80] While tobacco companies argue that graphic warnings constitute 'an emotional rather than a rational response to the issue of consumer awareness and information',[81] it has been proven that pictorial warnings also work in reaching people who are illiterate and cannot read the language in which the warnings are written.

[75] *See* generally Grass, 'Inordinate Chill: BITs, Non-NAFTA MITs and Host-State Regulatory Freedom – An Indonesian Case Study', 24 *Michigan J Int'l L* (2002–2003) 893. With regard to tobacco control see Sebrie *et al.*, 'Tobacco Industry Successfully Prevented Tobacco Control Legislation in Argentina', 14 *Tobacco Control* (2005) 2.

[76] Gilmore, Collin, and McKee, 'British American Tobacco's Erosion of Health Legislation in Uzbekistan', 332 *British Medical J* (2006) 355.

[77] For a detailed overview see D. Schneidermann, *Constitutionalizing Economic Globalization* (2008), at 120–129.

[78] Chase, 'Tobacco Firms Warns "Mild" and "Light" Cigarette Ban May Violate NAFTA', *Globe & Mail*, 16 Mar. 2002.

[79] Mackenzie *et al.*, '"If We Can Just 'Stall' New Unfriendly Legislations, the Scoreboard is Already in Our Favor": Transnational Tobacco Companies and Ingredients Disclosure in Thailand', 13 *Tobacco Control* (2004) 79.

[80] See Macan-Markar, 'Thai Authorities Have Marlboro Man Fuming', *Asia Times*, 14 May 2002.

[81] See Macan-Markar, 'Tobacco Wars: Singapore the Picture of Health', *Asia Times*, 5 Sept. 2005.

A NAFTA case[82] which is still pending deals with public health regulation and investments by tobacco companies. Although the case does not deal with trade marks but with market shares, it will be interesting to see how arbitrators will decide the case as, by way of analogy, this decision may serve as a model for future arbitrations concerning trade marks.[83] In this case, Grand River, a Canadian tobacco company, argues that the tobacco settlements between the United States and large tobacco firms have harmed its investment in the US. As scientific evidence showing that cigarette smoking caused cancer and other diseases mounted, the US adopted a number of governmental policies to curb it,[84] and most states entered into the Master Settlement Agreement (MSA).[85] The MSA required each company adhering to it to make cash payments to a central account in respect of each cigarette sold to pay state costs incurred in the treatment of indigent patients suffering from tobacco-related illnesses. In exchange for payments, the states would drop all antitrust and consumer protection actions. The petitioners argue that the major tobacco firms conspired to ensure that smaller businesses were covered by the settlement in an effort to force them out of business. According to the claimants, the requirement to make payments into state accounts would constitute an expropriation in violation of NAFTA Article 1110, because it would raise prices by an amount which would neutralize cost advantages and prevent small companies from offering meaningful price competition.[86] In addition, the petitioners allege that they are deprived of fair and equitable treatment under Article 1105, because they are bound by the terms of a settlement they did not negotiate.

Crucially, as the claimants are Native Americans, they hold that the tobacco business is their traditional activity, and that the case would involve their cultural rights.[87] According to the claimants, respect for international law protecting cultural

82 *Notice of Arbitration Under the United Nations Commission on International Trade Law and the North American Free Trade Agreement between Grand River Enterprises Six Nations Ltd, Jerry Montour, Kenneth Hill, and Arthur Montour and Government of the United States of America*, 3 Mar. 2004, available at: www.state.gov/documents/organization/30961.pdf.

83 For an in-depth analysis see Vadi, 'Reconciling Public Health with Investor's Rights: The Case of Tobacco', in Dupuy, Francioni and Petersmann (eds), *supra* note 44, at ch. 19.

84 Since 1965, Congress has enacted statutes addressing the problem of tobacco use and human health, requiring health warnings on packages and prohibiting the advertisement of tobacco products on mass media: see Tremblay, 'Introduction to the Series on the US Cigarette Industry', 28 *Rev Industrial Org* (2006) 199.

85 In 1998, 46 US states entered into the MSA with major tobacco companies to settle legal claims that the state had filed, seeking to recoup medical expenses incurred for treating smoking-related illnesses of indigent smokers and to pay for smoking reduction programmes. The text of the Master Settlement Agreement is available at: www.naag.org/settle.htm.

86 *Grand River Enterprises Six Nations Ltd, et al. v. United States of America*, Statement of Claimants' Claims Arising Directly Out of the Adoption and Implementation of the Allocable Share Amendments, 6 November 2006, at 11, available at: www.state.gov/documents/organization/75752.pdf.

87 Indeed, in their application, the Claimants state: 'This arbitration is not about health protection or promotion. It is not about state rights to regulate in the interests of the public good. And it is not only about the anticompetitive measures being imposed at the behest of a few large companies in exchange for a share of their profits. This arbitration concerns and arises out of the Respondent's discrimination against a group of aboriginal investors, their traditions, businesses and livelihoods, and the expropriation of their markets, all in violation of their rights under international law.' *Grand River Enterprises Six Nations Ltd, et al. v. United States of America*, Statement of Claimants' Claims, *supra* note 86.

rights of indigenous peoples in the present dispute would be required by interpretation of NAFTA Article 1105: '[i]n any given case, the standard of treatment owed by a government will be informed by all sources of international law, including treaties, general principles and customary international law'.[88]

The question is whether this consideration has to favour only the investors, or may also favour the respondent state. Interpreting Article 1105 and the fair and equitable treatment standard in a *fair* manner, *all* international law sources would be relevant. Thus, not only would indigenous peoples' rights become crucial, but public health would too.[89] With regard to the balancing issue, by way of analogy a solution might be provided by the recent UNESCO Convention for the Safeguarding of Intangible Cultural Heritage (CSICH).[90] This Convention safeguards only intangible cultural heritage[91] which is *compatible* with existing human rights instruments.[92] Thus, even if smoking were deemed to be a form of intangible cultural heritage, it would not be protected under the Convention, because of its incompatibility with public health.

A precedent which might be taken into account by the arbitral tribunal in *Grand River* is the GATT *Thailand – Cigarettes* case.[93] In that case, the panel accepted as its starting point Thailand's authority under Article XX(b) to enact measures to reduce consumption of cigarettes because cigarettes posed a serious risk to public health. However, import restrictions were found to be inconsistent with Article XI(1) and not justified under Article XI(2), because they plainly discriminated against foreign products. Further, they were not deemed to be necessary within the meaning of Article XX(b).

Importantly the Panel consulted with the World Health Organization, asking it to present its conclusions on technical aspects of the case, such as the health effects of tobacco consumption.[94] The Panel stated that smoking constituted a serious risk to human health and that measures designed to reduce tobacco consumption fell within the scope of Article XX(b). The Panel noted that this provision clearly allowed

[88] *Ibid.*, at para. 97.

[89] Arbitrators have already applied general principles of international law in the Decision on Objections to Jurisdiction.While waiting for the decision on the merits one can wonder whether arbitrators will show the same attitude with regard to the substantive issues: *Grand River Enterprises Six Nations Ltd, et al. v. United States of America*, ICSID, Decision on Objections to Jurisdiction, 20 July 2006, available at www.state.gov/documents/organization/69499.pdf.

[90] Convention for the Safeguarding of Intangible Cultural Heritage (CSICH), Paris, 17 Nov. 2003 (UNESCO Doc MISC/2003/CLT/CH/14), which entered into force in 2006. As Canada and the US have not signed this Convention, so far it is not applicable to them.

[91] Art. 2(1) of CSICH defines intangible cultural heritage as including 'practices … that communities … recognize as part of their cultural heritage. This intangible cultural heritage, transmitted from generation to generation, is constantly recreated by communities and groups in response to their … interaction with nature … and provides them with a sense of identity and continuity, thus promoting respect for cultural diversity and human creativity'.

[92] *Ibid.*, Art. 2(1).

[93] *Thailand – Restrictions on the Importation of and Internal Taxes on Cigarettes*, GATT Panel Report, adopted on 7 Nov. 1990, BISD 37S/200.

[94] See *Thailand – Cigarettes*, *supra* note 93, at paras 50–57.

contracting parties to give priority to human health over trade liberalization.[95] Further, although Thai measures were found to be discriminatory and inconsistent with the necessity test, the Panel considered that Thailand could take other measures to limit the health consequences of cigarette liberalization. Admittedly, acceptable measures would include taxes on tobacco products, advertising bans, labelling requirements, and so on and so forth. In conclusion, *Thailand – Cigarettes* opened the door to inter-organizational co-operation and acknowledged the priority of public health policy over trade liberalization, showing that tobacco control policies may be consistent with international trade agreements, if implemented in a non-discriminatory fashion.[96]

C *Trade Marks and Other Public Health Regulations*

An area of conflict between trade mark protection and public health regulation arose with regard to the infant formula trade. Baby formulas require clean water and good sanitation in order to be used safely. The marketing of breast-milk substitutes by the baby-food industry in developing countries where water is unsafe caused many infants to be infected with bacterial diseases, resulting in some cases in their dehydration and death.

In order to regulate the advertising of baby formulas in ways which included the necessary information, the WHO elaborated its International Code of Marketing Breast-Milk Substitutes with virtually universal agreement.[97] The code imposes strict guidelines which ensure proper labels on all products describing the benefits of breast-feeding and the dangers of bottle-feeding. *Inter alia*, the WHO Code requires that 'neither the container nor the label should have pictures of infants, nor should they have other pictures or text which may idealize the use of infant formula'.[98]

Following the indications of the WHO Code, in 1983 Guatemala enacted legislation requiring that '[a]ll information must state that breast milk is the best food for children under two years of age; none may have photos or other representations of children under two years of age'.[99] Gerber, a baby formula producer which has used the 'Gerber baby' face for its advertising campaigns worldwide, brought an action before the Guatemalan Administrative Tribunal, claiming that the Gerber Baby was part of its trade mark and that excluding it would have amounted to an indirect expropriation. The Tribunal ruled in favour of the Ministry of Health. However, when Gerber threatened to challenge the regulation under the TRIPS Agreement, Guatemala's Supreme Court ruled in favour of Gerber, and the Guatemalan law was amended in 1995 so as to regulate only locally produced complementary foods.[100]

95 *Ibid.*, at para. 73.

96 For a similar conclusion see World Bank, *Curbing the Epidemic: Governments and the Economics of Tobacco Control* (2000).

97 The International Code of Marketing of Breast-Milk Substitutes, World Health Organization, Geneva, 1981, available at: www.who.int/nutrition/publications/code_english.pdf. The Code was adopted by the WHA on 21 May 1981 by 118 votes in favour to 1 against, with 3 abstentions.

98 *Ibid.*, Art. 9(2).

99 Guatemalan Law-Decree 66–83 of 6 June 1983 on the Marketing of Breast-Milk Substitutes.

100 See Mokhiber, 'Gerber Uses Threat of GATT Sanctions to Gain Exemption from Guatemalan Infant Health Law', 10 *Corporate Crime Reporter* (1996) 14; Mayer, 'Protectionism, Intellectual Property and Consumer Protection: Was the Uruguay Round Good for Consumers?', 21 *J Consumer Policy* (1998) 195, at 210.

Assuming the US government had brought a WTO challenge – which is not at all certain – Guatemala's law might have withstood such a complaint. The TRIPS Agreement contains a public health exception, and an epidemic of infant mortality certainly could be covered by such a provision to justify measures infringing intellectual property rights.[101] Nowadays, similar complaints might be brought before investment treaty arbitral tribunals. In this eventuality, arbitrators would have to balance the different interests concerned.

3 Policy Options

Having examined the conflict area between trade mark protection and national regulations allegedly aimed at protecting different goals ranging from redressing past injuries to protecting public health, this article highlights three different policy options: negotiation/mediation, interpretation, and conflict clauses.

A *Negotiation/Mediation*

Negotiation and mediation constitute dispute resolution methods alternative to judicial settlement and arbitration. In abstract terms, negotiation generally creates a situation where both parties co-operate to reach a satisfactory result.[102] Agreement often can be reached if parties look not at their stated positions but rather at their underlying interests to reach a decision that benefits both parties. The negotiation process may also produce more successful outcomes than the adversarial 'winner takes all' approach.[103]

Mediation may also play a useful role in this context. Where the degree of animosity between the parties is so great that direct negotiations are unlikely to lead to a dispute settlement, the intervention of a neutral third party to reconcile the parties may be a very suitable option.[104] Mediation involves the good offices of a neutral third party which facilitates communication between the disputants. Like negotiation, mediation is guided by the goal of finding a win-win situation for all parties through a creative process which focuses on the interests of the parties rather than on their positions. As the mediator does not have the authority to make a binding decision and does not follow a fixed procedure, mediation allows for flexible and dynamic dialogue. Further, mediation may involve other stakeholders' participation.

[101] For a detailed analysis of TRIPS Art. 8 see Vadi, 'The Relationship between Intellectual Property Rights and the Right to Health in The Context of the TRIPS Agreement', *Italian Yrbk Int'l L* (2004) 195.

[102] See H. Raiffa, *The Art and Science of Negotiation* (1982); A. Plantey, *International Negotiation in the Twenty-First Century* (2007).

[103] See R. Fisher and W. Ury, *Getting to Yes: Negotiating Agreement Without Giving In* (1983).

[104] J. Collier and V. Lowe, *The Settlement of Disputes in International Law: Institutions and Procedures* (1999), at 29; Onwuamaegbu, 'The Role of ADR in Investor–State Dispute Settlement: The ICSID Experience', 4 *Transnati'l Dispute Management* (2007) 1; Salacuse, 'Is There a Better Way? Alternative Methods of Treaty Based, Investor–State Dispute Resolution', 31 *Fordham Int'l LJ* (2007–2009) 138; Franck, 'Challenges Facing Investment Disputes: Reconsidering Dispute Resolution in International Investment Agreements', in K. Sauvant (ed.), *Appeals Mechanism in International Investment Disputes* (2008), at 143.

Time is another intrinsic advantage of these alternative dispute resolution methods, as these instruments usually achieve results in a short time-frame. Importantly, mediators are not required to deal with the past: they ask the parties to look at their future and to reshape their duties and responsibilities toward each other. Foreign investors thus participate in the decision-making process which will ultimately affect them. All the different interests are explored and discussed in these proceedings. In addition, experience shows that agreements entered into through a voluntary process stand out on account of their durability, because of the parties' high identification with the agreement achieved.

At the national level, in some cases negotiation has led to positive results. For instance, in the US, the Master Settlement Agreement between states and tobacco companies has settled thousands of disputes. At the international level, though, these advantages should not lead us to overestimate ADR methods. While they can be extremely useful in those situations where both contracting parties have equal or similar bargaining power – like in commercial disputes among private parties – agreements between host states and foreign investors may lead to unsatisfactory results. Concretely, unbalanced negotiation may lead states to accept unnecessary limits on their regulatory power. For instance, the recent agreement between the Mexican government and the tobacco industry which excludes graphic health warnings and conditions the disclosure of ingredients in respect of industrial secrets and confidential information has been widely criticized because it would contrast with the key Articles of the FCTC which require graphic warnings and disclosure of ingredients without any condition.[105]

B *Interpretation*

Interpretation is not only a part of the implementing process of a treaty, but it also plays a fundamental role in avoiding antinomies between different treaty regimes. Whatever the conception of the adjudicative function that arbitrators adopt, it is generally accepted that adjudicators are neither mere *bouches de la loi* nor authentic lawmakers.[106] In a sense, arbitrators have a *maieutic* role, as they give birth to the meaning of treaty provisions, having to identify the applicable rules, clarify their meaning, and relate them to the specific facts of the case. According to the International Law Commission, 'the interpretation of documents is to some extent an art, not an exact science'.[107] However, to say that the adjudicators' role is creative would probably go too far, because it would undermine their legitimacy.[108]

[105] Samet, Wipfli, Perez-Padilla, and Yach, 'Mexico and the Tobacco Industry: Doing the Wrong Thing for the Right Reason?', 332 *British Medical J* (2006) 353.

[106] On the different conceptions of the adjudicative function see Petersmann, 'Constitutional Theories of International Economic Adjudication and Investor-State Arbitration', in Dupuy, Francioni, and Petersmann, *supra* note 44, at ch. 7.

[107] Report of the International Law Commission on its eighteenth session, 4 May–19 July 1966 (A/6309/Rev.1).

[108] On the role of creative interpretation in international law see Szpak, 'A Few Reflections on the Interpretation of Treaties in Public International Law', 18 *Hague Yrbk Int'l L* (2005) 59, at 69; on creative interpretation in investor–state arbitration see S.P. Subedi, *International Investment Law-Reconciling Policy and Principle* (2008), at 135–137.

Customary rules of treaty interpretation, as restated by the Vienna Convention on the Law of Treaties (VCLT),[109] offer the adjudicators the conceptual and legal framework in which to perform their function of settling disputes 'in conformity with the principles of justice and international law'.[110] Customary rules of treaty interpretation are applicable to investment treaties because investment treaties are international law treaties. Further, some investment treaties expressly mention these rules.[111] Notably, with regard to the governing or substantive law to be applied in investment disputes, NAFTA expressly requires that '[a] Tribunal established under this Section shall decide the issue in dispute in accordance with this Agreement and applicable rules of international law'.[112] NAFTA tribunals have made it clear that 'applicable rules of international law comprise the customary international rules of treaty interpretation which are reflected and codified in Articles 31 and 32 of the VCLT'.[113]

According to the *general rule of interpretation*, which comprises several sub-norms, 'a treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose'.[114] Although the various elements are parts of a whole, as a matter of convenience the following analysis will follow the order in which these norms generally appear.

1 *Textual Interpretation*

Looking at the literal terms of treaties, there is no black letter norm which demands that trade mark owners not take consumer protection into consideration. On the contrary, investment treaties usually recall the TRIPS Agreement which expressly contains a clause regulating the interface between public heath protection and intellectual property. For instance, the Central American Free Trade Agreement,[115] like other treaties, does not expressly include a public health exception with regard to intellectual property. However, by making clear reference to the TRIPS

[109] Vienna Convention on the Law of Treaties, done at Vienna on 23 May 1969, entered into force on 27 Jan. 1980, 1155 UNTS 331.

[110] VCLT, Preamble. For an accurate analysis see Petersmann, 'Do Judges Meet their Constitutional Obligation to Settle Disputes in Conformity with 'Principles of Justice and International Law?', 1 *European J Legal Studies* (2007) 1.

[111] See, for instance, US–Australia Free Trade Agreement (AUSFTA), signed on 18 May 2004 and entered into force on 1 January 2005, available at: www.ustr.gov/trade-agreements/free-trade-agreements/australian-fta, Art. 21(9)(2).

[112] NAFTA, *supra* note 30, Art. 1131(1).

[113] *Canadian Cattlemen for Fair Trade v. United States*, Award on Jurisdiction, 28 Jan. 2008, at para. 46, available at: www.state.gov/documents/organization/99954.pdf.

[114] VCLT, *supra* note 109, Art. 31(1).

[115] The Dominican Republic – Central America Free Trade Agreement, commonly called DR-CAFTA, encompasses the US and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic. The final text was signed on 5 Aug. 2004, and is available at: www.ustr.gov/assets/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/asset_upload_file747_3918.pdf (accessed 12 Dec. 2008).

Agreement,[116] it incorporates Article 8 of the TRIPS Agreement which becomes applicable and may provide guidance in the context of investment disputes.[117]

Notoriously, Article 8 of the TRIPS Agreement states that 'Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement'. In addition, paragraph 2 of the same provision adds that '[a]ppropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders'.

The above-mentioned provision seems to provide space for reconciliation between private and public interest in IP regulation. However, it imposes some limits on this. In particular, the measures to be adopted must be consistent with the TRIPS Agreement. *Prima facie*, this clause may be interpreted so as to give precedence to intellectual property over other interests. But, at a closer glance, it merely requires the whole agreement to be taken into account when adopting the measures needed to prevent abuses of intellectual property rights. In a sense, it reaffirms the need to interpret the treaty 'in accordance with the ordinary meaning to be given to the terms of the treaty *in their context and in the light of its object and purpose*.'[118]

2 Teleological Interpretation

From a functional perspective, legal rules can be considered as an instrument to realize certain legal, social, and economic goals and values. The method of teleological interpretation searches for the *thelos* of a norm to clarify uncertainties in its exact content. The notion of property, the protection of which is required by investment treaties, is extremely problematic in international law, as 'it cannot be easily classified as an exclusively civil and political right or as a social right'.[119] Indeed, such right was not included in the 1966 Covenants, because its exact content was a matter of debate,[120] and the Universal Declaration merely prohibits arbitrary deprivation of property, but it does not provide for an articulated regime.[121] Therefore, in order properly to conceptualize the right to property, it is useful to look not only at the broad but vague concept of investment as defined in investment treaties, but also at national and regional instruments.

[116] *Ibid.*, Art. 15(1)(7).

[117] On the applicability of WTO law in investment disputes see, for instance, Hsu, 'Applicability of WTO Law in Regional Trade Agreements: Identifying the Links', in L. Bartels and F. Ortino (eds), *Regional Trade Agreements and the WTO Legal System* (2006), at 525.

[118] VCLT, Art. 31(1) (emphasis added).

[119] See Krause, 'The Right to Property', in A. Eide, C. Krause, and A. Rosas, *Economic, Social and Cultural Rights* (1995), at 143, 143.

[120] See T. R.G. Van Banning, *The Human Right to Property* (2002), at 5.

[121] UDHR, Art. 17. The Universal Declaration of Human Rights (UDHR) (doc. UNGA Res. 217 A (III)) was adopted on 10 Dec. 1948.

These instruments and contemporary doctrinal reflection all build upon the Roman concept of property as restated by Justinian's Digest. But Roman law is not important just as the conceptual matrix of international law,[122] but also because of its functional worth. For centuries, the question to be answered has been the same: Should property be considered an absolute right, which extends *usque ad inferos et usque ad sidera*?[123] According to Roman law, *dominium est jus utendi et abutendi re sua, quatenus juris ratio patitur*: the concept of property includes the use, enjoyment, or disposition of the property right within the limits established by the law. Roman law put several limits on property owners. For instance, the owner of a *taberna casearia* or cheese factory was not allowed to discharge dense volumes of smoke and fumes into the neighbour's property. Vice versa, the normal smoke of the hearth stone was deemed to be lawful as *non gravis* or tolerable interference with others' property.[124] In sum, the limitation of the right by the law was not so much a limitation on the institution as an internal safeguard. What would seem to limit the nature of the right actually confirmed it and preserved it.[125]

In modern constitutions and regional treaties, property rights are not absolute, but their owners can enjoy them within the limits established by the law.[126] Accordingly, a person may be restrained from enjoying her property if such use is harmful to others.[127] As Professor Alexander highlights:

> property as a constitutional right may be thought to serve two quite different functions. The first is an individual or personal function: securing a zone of freedom for the individual in the realm of economic activity. . . . The second function that might be recognized is social and public . . . it is to serve the public good. . . . Property is individually owned . . . but the basic reason why the institution of property is recognized is to advance the collective good of the society which has recognized it.[128]

If we turn our attention to intellectual property which is a special form of property, the notion that it serves a social function has wide acceptance in international law, as expressly indicated by Articles 7 and 8 of the TRIPS Agreement and by Article 15 of

[122] On the connection between Roman law and international law see A. Pillet, *Les Fondateurs du droit international* (1904); on the connection between Roman law and international investment law see Sourgens, 'ICSID Arbitration and the Importance of Public Accountability of a Private Judicature – A Roman Law Perspective', 9 *Int'l Community L Rev* (2007) 59.

[123] See Wood, 'Intellectual Property in the Courts: The Role of the Judge', in R. Cooper Dreyfuss, D. Leenher Zimmerman, and H. First (eds), *Expanding the Boundaries of Intellectual Property* (2001), at 431, 436.

[124] De Martino, 'Individualismo e diritto privato romano', XVI *Annuario Comparato di Studi Legislativi* (1941) 1.

[125] P.-J. Proudhon, *What is Property?* (trans. B. R. Tucker, 1876), at 43.

[126] See Singer, 'The Ownership Society and Takings of Property: Castles, Investments and Just Obligations', 30 *Harvard Environmental L Rev* (2006) 309.

[127] Cf. J W Singer, *Entitlement: The Paradoxes of Property* (2000), at 4.

[128] Alexander, 'Constitutionalizing Property: Two Experiences, Two Dilemmas', in J. McLean (ed.), *Property and the Constitution* (1999), at 88, 89.

the International Covenant on Economic, Social and Cultural Rights.[129] Thus, intellectual property is never absolute.[130]

In particular, Professor Gervais and Professor Geiger suggest the recognition of two *equilibria* within intellectual property.[131] While the *intrinsic equilibrium* would concern the very structure or architecture of IP norms, the *extrinsic equilibrium* would indicate the search for a balance between IP and other rights as established by different treaty regimes. The intrinsic equilibrium is evident in the conceptual matrix of certain norms of the trade mark regime, such as TRIPS Article 20 which forbids unjustifiable special requirements for trade marks. Such a provision does not forbid special requirements *tout court*, but it gives a certain margin of appreciation to policy makers and adjudicators to determine what a justifiable requirement is. In other words, by presenting a certain degree of flexibility, the same trade mark regime does not offer an absolutist paradigm, but an intrinsic equilibrium. As Geiger notes, 'Already in the 13th century, the theologian and philosopher Thomas Aquinas held the opinion that "positive rights" (*ius positivum*) could be regarded only as fair and legitimate as long as they aimed for general well-being . . . Where this is no longer the case, property must be limited; otherwise it will lose legitimacy.'[132]

In parallel, the extrinsic equilibrium appears in the *thelos* or ultimate goal of intellectual property. If one adopts an instrumentalist view of intellectual property, the international IP system should function for the good of all.[133] According to Professor Gervais, 'one should not protect beyond what is necessary to achieve policy objective(s) because the risk of a substantial general welfare impact is too high'.[134] Similarly, Professor Cornides points out that 'property is not an end in itself. Obviously, it must be used in a way that contributes to the realisation of the higher objective of human society.'[135]

In sum, it may be said that the dialectical interaction between different conceptions of property as a civil right or a social right have been reconciled in a structured conception of property which reconciles individual freedom with societal goals. The intellectual property regimes reflect such a *thelos* by providing flexibilities and nuanced norms.

[129] Art. 15(1) of the ICESCR, 999 UNTS 171, states: '1. The States Parties to the present Covenant recognize the right of everyone:…

(b) To enjoy the benefits of scientific progress and its applications;

(c) To benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.'

[130] P. Drahos, *A Philosophy of Intellectual Property* (1996).

[131] See Geiger, '"Constitutionalising" Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in the European Union', 37 *IIC Int'l Rev Intellectual Property and Competition L* (2006) 351; Gervais, 'The Changing Landscape of International Intellectual Property', in C. Heath and A. Kamperman Sanders (eds), *Intellectual Property and Free Trade Agreements* (2007), at ch. 3.

[132] See Geiger, *supra* note 131, at 374.

[133] See Gervais, *supra* note 131, at para. 5.

[134] *Ibid.*

[135] See Cornides, 'Human Rights and Intellectual Property, Conflict or Convergence?', 7 *J World Intellectual Property* (2004) 143.

3 Subsidiary Means of Treaty Interpretation

The instrumental or functional conceptualization of property has been adopted by a variety of courts at both the national and regional levels. This case law should not be neglected, as it may provide a rich source of comparative understanding on the link between trade mark regulation and the investment treaty regime.[136]

Although the Vienna Convention does not refer to cases, these are mentioned in the ICJ Statute as 'subsidiary means for the determination of rules of law'.[137] In most cases, as Professor Schreuer highlights, *conversations across cases* take place,[138] and a systematic study of the case law of international tribunals suggests the 'tendency to chart a coherent course within law'.[139] Looking at the arbitral awards, there is not only an *endogenous path coherence* by which arbitrators look at previous arbitral awards, but also an increasing *heterogeneous path coherence* by which arbitrators look at the case law of other international courts.[140] In particular, reference is made not only to the ICJ jurisprudence and the WTO Dispute Settlement Body case law, which have dealt respectively with the protection of foreign investments and international economic law, but also to the case law of regional human rights courts.

In this sense, a review of the jurisprudence of the European Court of Justice (ECJ) and the European Court of Human Rights (ECtHR) concerning tobacco control may provide some useful reference. For instance, the ECJ stated in the famous *Tobacco Products Judgment*[141] that the right to property, which forms part of the general principles of Community law,[142] is not absolute and that 'its exercise may be restricted, provided that those restrictions in fact correspond to objectives of general interest . . . and do not constitute a disproportionate and intolerable interference, impairing the very substance of the rights guaranteed'.[143] The case concerned some provisions of Directive 2001/37, which required cigarette packets to carry indications of the levels of harmful substances and warnings concerning the risks to health.[144] British American Tobacco and other tobacco companies claimed that the large size of the new health warnings required by Article 5

[136] *Contra*, it has been argued that these different treaty regimes should be seen as separate universes with different actors, rules, and goals: see Ratner, 'Regulatory Takings in Institutional Context: Beyond the Fear of Fragmented International Law', 102 *AJIL* (2008) 475.

[137] ICJ Statute, Art. 38. The ICJ Statute is annexed to the Charter of the United Nations of which it forms an integral part: UN Charter, 26 June 1945, entered into force 24 October 1945, UKTS No 67 (1946).

[138] Schreuer, 'Conversations across Cases. Is There a Doctrine of Precedent in Investment Arbitration?', 5 *Transnat'l Dispute Management* (2008) 1.

[139] McLachlan, 'The Principle of Systemic Integration and Article 31(3)(c) of the Vienna Convention', 54 *ICLQ* (2005) 279, at 289.

[140] Vadi, 'Towards Arbitral Path Coherence & Judicial Borrowing: Persuasive Precedent in Investment Arbitration', 5 *Transnat'l Dispute Management* (2008) 6.

[141] Case C–491/01, *The Queen v. Secretary of State for Health (ex parte British American Tobacco Investments Ltd and Imperial Tobacco Ltd)* [2002] ECR I–11453 (hereinafter *Tobacco Products Judgment*).

[142] The right to property is a fundamental right in the Community legal order, protected by Art. 1 of the First Protocol to the ECHR and enshrined in Art. 17 of the Charter of Fundamental Rights of the European Union.

[143] *Tobacco Products Judgment*, *supra* note 141, at para. 149.

[144] Dir. 2001/37 on the approximation of the laws, regulations, and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products, OJ (2001) L194/26.

of the Directive constituted a serious infringement of their intellectual property rights. These warnings would dominate the overall appearance of tobacco product packaging, thus curtailing or even preventing the use of their trade marks. The companies also complained that the absolute ban on using terms such as *mild* or *light* would amount to a trade mark infringement, as these terms are incorporated into the trade mark.

The Court found that the measures imposed did not prejudice the substance of companies' trade mark rights, but constituted a proportionate restriction on the use of the right to property to ensure a high level of health protection. In particular, the prohibition on using a trade mark incorporating *mild* or similar descriptors did not keep tobacco manufacturers from distinguishing their products by using other distinctive signs. The restrictions on the trade mark right caused by the Directive did in fact correspond to an objective of general interest pursued by the Community and did not constitute a disproportionate and intolerable interference, impairing the very substance of that right.[145]

The claimants also maintained the infringement of Article 20 of the TRIPs Agreement, which provides that use of a trade mark in the course of trade is not to be unjustifiably encumbered by special requirements such as its use in a manner detrimental to its capacity to distinguish the goods or services of one company from those of its competitors. The Court ultimately dismissed this argument, as the TRIPs Agreement does not have direct effect in the Community legal order.[146] Had the Court had the competence to adjudicate the claim, it would probably have rejected it. Indeed, Article 20 of the TRIPS Agreement states that '[t]he use of a trademark in the course of trade shall not be *unjustifiably* encumbered by special requirements, such as use with another trademark, use in a special form' (emphasis added). *A contrario*, it may be held that if such requirements are justifiable, they may be adopted by national regulatory authorities. Accordingly, Article 20 of the TRIPS Agreement would present no obstacle to the requirement to print large health warnings on cigarette packets.[147]

The ECJ decision fully conforms to the trade mark protection rationale, which is to enable purchasers to know the origin or quality of the goods, thereby protecting the public from fraud and deception.[148] As light cigarettes are as harmful as regular cigarettes, the use of descriptors such as *light* on tobacco product packaging would mislead smokers to believe that these products were less harmful than others. In this sense, public health considerations would help overcome the dysfunctions of the trade mark system, especially when it is used excessively and contrary to its rationale.[149]

[145] *Tobacco Products Judgment*, *supra* note 141, at paras 149–153.

[146] It is only where the Community intended to implement a particular obligation assumed in the context of the WTO, or where the Community measure refers expressly to the precise provisions of the WTO agreements, that it is for the Court to review the legality of the Community measure in question in the light of the WTO rules. See also Case C–149/96, *Portugal v. Council* [1999] ECR I–8395, at para. 47.

[147] For a similar conclusion see Pires de Carvalho, *supra* note 23, 331; Rogers, 'Book Review: N. Pires de Carvalho, The TRIPS Regime of Trademarks and Designs', 29 *European Intellectual Property Rev* (2007) 76 (commenting on and adhering to Pires de Carvalho's conclusions on health labelling).

[148] B. Sodipo, *Piracy and Counterfeiting GATT, TRIPS and Developing Countries* (1997), at 16.

[149] See Helfer, 'Toward a Human Rights Framework for Intellectual Property', 40 *UC Davies L Rev* (2006–2007) 972, at 1017.

In a recent case,[150] the ECtHR concluded that trade marks are protected by the property right clause of the European Convention's First Protocol.[151] Therefore, the ECtHR's consistent case law on the right to property might provide useful guidance to arbitrators facing expropriation claims,[152] especially with regard to the amount of compensation that should be paid or not paid in case of regulatory measures. In this regard, the ECtHR has stated that the notion of public interest is extensive and that states have a very wide margin of appreciation to determine it.[153] In particular, a very important public interest will weigh in the balance to justify control of the use of property without compensation. In assessing whether a fair balance of public and private interests has been involved, the Court looks at the nature and proportionality of the interference and at the legitimate expectations of the private owners.[154]

For instance, in *Fredin v. Sweden*, the Court held that environmental legislation had a public interest goal to protect nature, and that it was thus proportionate, notwithstanding that there was no payment of market compensation.[155] In *Pinnacle Meat Processors Co. v. United Kingdom*,[156] the European Commission on Human Rights declared the application inadmissible. The case concerned a regulation aimed at preventing the possibility of contracting the human form of Bovine Spongiform Encephalopathy (BSE) from infected beef. When a law stated that meat extracted from cattle heads could no longer be sold, the applicant companies, which conducted a business which involved de-boning cattle heads, were forced out of business. In evaluating whether there was a fair balance between the protection of the public and private interest, the Commission observed that protecting people against a potentially fatal disease was a

[150] *Anheuser-Busch Inc v. Portugal*, *supra* note 17. For commentary see, for instance, Burkhart, 'Trademarks Are "Possessions" but Applications Are Not', 1 *J Intellectual Property L & Practice* (2006) 240; Corte-Real, 'The Conflict between Trademarks and Geographical Indications – The Budweiser Case in Portugal', in C. Heath and A. Kamperman Sanders (eds), *New Frontiers of Intellectual Property Law* (2005), at 149–159.

[151] The protection of property rights was not included in the ECHR but in its first optional protocol: Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms, opened for signature 20 Mar. 1952, 213 UNTS 262, at 262. Art. 1 of Prot. No 1 to the Convention provides: '[e]very natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by the law and by the general principles of law. The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.' For commentary see Helfer, 'The New Innovation Frontier? Intellectual Property and the European Court of Human Rights', 49 *Harvard Int'l LJ* (2008) 1.

[152] Freeman, 'Regulatory Expropriation Under NAFTA Chapter 11: Some Lessons From the European Court of Human Rights', 42 *Columbia J Transnat'l L* (2003–2004) 177; Ruiz-Fabri, 'The Approach Taken by the European Court of Human Rights to the Assessment of Compensation for "Regulatory Expropriations" of the Property of Foreign Investors', 11 *NYU Environmental LJ* (2002–2003) 148.

[153] *James v. UK*, 8 EHRR (1986) 123.

[154] Mountfield, 'Regulatory Expropriations in Europe: The Approach of the European Court of Human Rights', 11 *NYU Environmental LJ* (2002–2003) 136, at 142.

[155] *Fredin v. Sweden*, ECHR, judgment, 23 Feb. 1994, available at: www.ius-software.si/EUII/EUCHR/dokumenti/1994/02/CASE_OF_FREDIN_v._SWEDEN_(No._2)_23_02_1994.html.

[156] App No 33298/96, *Pinnacle Meat Processors Co. v. UK*, 27 EHRR (1998) 217 (Commission Report).

pre-eminent interest. Thus, the Commission declared that the applicants' loss was not expropriation.[157]

The European Court of Justice has adopted a very similar approach, ruling that the protection of public health is a general interest which can justify even substantial adverse consequences for freedom of trade and property rights. For instance, in his Opinion in the *Booker Aquaculture and Hydro Seafood* case, Advocate General Mischo stated that regulations requiring the destruction of fish affected by a disease do not constitute an expropriation but a case of control of the use of goods.[158] Consequently, it was held that the measures, even without recognizing a right to compensation, did not constitute a disproportionate and intolerable interference with the right to property.[159]

With specific regard to tobacco products, in the *Swedish Match* cases[160] the ECJ recognized that the prohibition of the marketing of tobacco for oral use restricted the freedom to pursue a trade,[161] but stressed that such a regulation was intended to protect a high level of health which is an objective of general interest.[162] The case concerned a Swedish manufacturer of tobacco products for oral use, called *snus*, who wished to sell these products in the United Kingdom. In parallel, a German trader wanted to import *snus* into Germany and place them on the German market. Both activities were prohibited by national laws in accordance with a 2001 directive.[163] The two companies thus brought actions against the decisions taken by national authorities before the English court and the German court respectively, claiming that the Directive breached several principles of Community law. Both courts referred a number of questions to the Court of Justice for a preliminary ruling.

The ECJ considered that in the exercise of the power conferred by Article 95 of the EC Treaty, the Community legislature has to adopt a high level of health protection. As scientific evidence has shown that tobacco products for oral use can cause cancer of the mouth, and these products contain nicotine which is addictive and toxic, the Court held that the legislature was fully entitled to prohibit the commercialization of these new products. Further, the Court noted that the legislature had already explained the reasons for the ban in a previous 1992 Directive,[164] noting that tobacco

[157] *Ibid.*, at 223.

[158] Mischo AG in Joined Cases C–20/00 and C–64/00, *Booker Aquaculture Ltd and Hydro Seafood GSP Ltd v. The Scottish Ministers* [2003] ECR I–7411.

[159] *Ibid.*, at paras 85–93. For commentary see, for instance, Lenaerts and Vanvoorden, 'The Right to Property in the Case Law of the Court of Justice of the European Communities', in H. Van den Berge (ed.), *Propriété et Droits de l'Homme – Property and Human Rights* (2006), at 195, at 237.

[160] Cases C–210/03 and C–434/02, *Swedish Match AB, Swedish Match UK Ltd v. Secretary of State for Health* [2003] ECR I–11893.

[161] *Ibid.*, at para. 73.

[162] *Ibid.*, at para. 74.

[163] Dir. 2001/37, *supra* note 144.

[164] Council Dir. 92/41/EEC of 15 May 1992 on the approximation of the laws, regulations, and administrative provisions of the Member States concerning the labelling of tobacco products, OJ (1992) L158/30.

products for oral use were particularly attractive to young people. Thus, the measure was deemed to be necessary and appropriate.

An almost identical approach was adopted by the United States Supreme Court in *Austin v. Tennessee*.[165] In this ancient case, the Court held that the regulation of cigarette sales fell within the powers of the states: '[w]ithout undertaking to affirm or deny their evil effects, we think it within the province of the legislature to say how far cigarettes may be sold or to prohibit their sale entirely . . . and there is no reason to doubt that the act in question is designed for the protection of public health'.

In conclusion, as trade marks are not mere property rights, but also serve a social function related to consumer protection, certain regulatory measures may be considered as intrinsic limits or *natural boundaries* of these intellectual property rights, rather than *exceptions* to the rule.

4 *Systemic Interpretation*

If looking at the object and purpose of the treaty does not help, another criterion of treaty interpretation requires adjudicators to take into account 'any relevant rules of international law applicable in the relations between the parties'.[166] As stated by Sinclair, pursuant to Article 31(3)(c), '[e]very treaty provision must be read not only in its own context, but in the wider context of general international law, whether conventional or customary'.[167] As the International Court of Justice recognized in its advisory opinion on *Legal Consequences for States of the Continued Presence of South Africa in Namibia*, an adjudicator's interpretation cannot remain unaffected by subsequent developments of law and 'an international instrument has to be interpreted and applied within the framework of the entire legal system prevailing at the time of interpretation'.[168]

Coherently, with regard to the governing or substantive law to be applied in investment disputes, while only some BITs make reference to international law, NAFTA expressly requires that '[a] Tribunal established under this Section shall decide the issue in dispute in accordance with this Agreement and applicable rules of international law'.[169] According to Article 38(1)(b) of the Statute of the International Court of Justice, the sources of international law include international conventions and international customs, as well as general principles and, as a subsidiary means of interpretation, judicial decisions and the teachings of the most highly qualified publicists of international law.[170]

A number of international organizations such as the World Intellectual Property Organization and the WHO play an active role in IP regulation, determining a sort

[165] *Austin v. Tennessee*, 179 US 343 (1900).

[166] Art. 31(3)(c) of the VCLT.

[167] I. Sinclair, *The Vienna Convention on the Law of Treaties* (1984), at 139.

[168] ICJ Advisory Opinion of 21 June 1971, *Legal Consequences for States of the Continued Presence of South Africa in Namibia (South-West Africa) Notwithstanding Security Council Resolution 276 (1970)* [1971] ICJ Rep 16.

[169] NAFTA, *supra* note 30, Art. 1131(1).

[170] Statute of the International Court of Justice, *supra* note 137, Art. 38.

of institutional density.[171] As all these organizations receive almost worldwide consensus, a broader perspective of the legal environment which surrounds a given dispute should be adopted in investor–state arbitration. If WTO law is duly taken into account in interpreting investment treaties, conceptually there is no reason to object to the consideration of other treaty regimes. In this sense, arbitrators should acknowledge their responsibility for the charting of the contours of international law norms and, more broadly, as cartographers of the international legal order.[172] If arbitral awards are referred to as persuasive precedents, then arbitrators must realize their determinant role not only with regard to the individual dispute but also with regard to the possible influence that their reasoning may have on subsequent arbitral panels.[173]

C *Conflict Clauses*

Having analysed the *ex post* approach to the interplay between public health regulation and trade mark regulation in international investment governance, it can be asked whether an *ex ante* or legislative approach might be envisaged. In general, public health goals are more directly achievable through the political process than through litigation.[174] For instance, at the European level, the Treaty Establishing a Constitution for Europe expressly referred to tobacco regulation.[175] Although the Constitution never came into force, it paved the way for the Treaty of Lisbon,[176] which similarly includes a provision on tobacco control.[177] Should certain public health regulations be treated as an exception to the international investment rules, so that investment can be more easily restricted? Should certain sectors or products be excluded *tout court* from investment treaties?

With regard to the first question, setting up an exception to investment protection for the tobacco trade would be a feasible option. This approach has already been adopted in the context of the US–Vietnam Free Trade Agreement, which excludes tobacco from

[171] Raustiala, 'Density and Conflict in International Intellectual Property Law', 40 *UC Davis L Rev* (2006) 1021.

[172] On the concept of legal order see S. Romano, *L'ordinamento giuridico* (2nd edn, 1946).

[173] Commission, 'Precedent in Investment Treaty Arbitration – A Citation Analysis of a Developing Jurisprudence', 24 *J Int'l Arb* (2007) 1298; Kaufmann-Kohler, 'Arbitral Precedent: Dream, Necessity or Excuse?', 23 *Arb Int'l* (2007) 357; Bjorklund, 'Investment Treaty Arbitral Decisions as *Jurisprudence Constante*', in C. Picker, I. Bunn, and D. Arne (eds), *International Economic Law: The State and Future of the Discipline* (2007); Vadi, *supra* note 140.

[174] See Jacobson and Warner, 'Litigation and Public Health Policy Making: The Case of Tobacco Control', 24 *J Health Politics, Policy and L* (1999) 769, at 769.

[175] Treaty Establishing a Constitution for Europe, 16 Dec. 2004, OJ (2004) C310/1, Art. III–278. The Treaty never entered into force. On the link between tobacco control and the Constitution for Europe see Nicola and Marchetti, 'Constitutionalizing Tobacco: The Ambivalence of European Federalism', 46 *Harvard J Int'l L* (2005) 507.

[176] Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community, signed on 13 Dec. 2007, OJ (2007) C306/135. In order to enter into legal force, the Treaty of Lisbon must be ratified in all Member States. As this did not happen as scheduled by the end of 2008, the Treaty will come into force on the first day of the month following the last ratification: Art. 6(2).

[177] *Ibid.*, Art. 127(d)(iv).

its tariff regulation and reduction scheme.[178] In parallel, investment treaties might exclude the tobacco trade from their scope of application. According to the exemption, if an investor invokes dispute settlement to investigate any action taken by the state under this provision, an arbitral tribunal will not have jurisdiction.

Should investment treaties recognize the need to promote public health objectives? Theoretically, there is no need for such a specific provision, as protecting public health is a traditional police power of a given state. However, as the concept of expropriation in investment agreements is very broad, a detailed provision clarifying that public health measures in conformity with international standards would not be considered as a measure tantamount to expropriation would help arbitrators to issue consistent decisions.

At a preliminary phase, given that in the interpretation of investment treaties particular attention is given to the object and purpose of the Treaty as expressed in the Preamble,[179] it will be important for policy makers to ensure that investment treaties recognize not only the importance of a favourable investment climate, but also the prerogative of states to regulate in the public interest, as well as the importance of other policy goals, such as public health. In this sense, the US Draft Model BIT states in its Preamble the 'importance of providing effective means of asserting claims and enforcing rights with respect to investment under national law as well as through international arbitration' and the desire 'to achieve these objectives *in a manner consistent with the protection of health, safety, and the environment, and the promotion of internationally recognized labor rights*' (emphasis added). In parallel, some recent Economic Partnership Agreements concluded by the European Community include a specific provision on sustainable development, affirming that this principle is to be applied and integrated at every level of the economic partnership. The Parties also understand this objective as a commitment that 'the application of this Agreement shall fully take into account the human, cultural, economic, social, health, and environmental best interests of their respective population and of future generations'.[180]

4 Conclusions

Public health or *salus publica* lies at the very heart of state sovereignty, as the basic duty of government is maintaining and enhancing the well-being of its people.[181] As one of the conceptual pillars of trade mark law is exactly consumer protection, *prima*

[178] Agreement Between the USA and the Socialist Republic of Vietnam on Trade Relations, signed on 13 July 2000, available at: www1.mot.vn/en/Agreements/wwwfbta.pdf, Annex D1.

[179] For instance, in *Siemens v. Argentine Republic*, the arbitral tribunal observed that it was obliged to interpret key treaty rules through the lens of the Treaty's object and purpose, which was to 'create favourable conditions for investments and to stimulate private initiative': *Siemens v. Argentine Republic*, Decision on Jurisdiction, 3 Aug. 2004, ICSID Case No ARB/02/8, at para. 81.

[180] See the Economic Partnership Agreement between the CARIFORUM States and the European Community and Its Member States, OJ (2008) L289/I/3.

[181] M. Loughlin, *The Idea of Public Law* (2003), at 7.

facie there seems to be full synergy between the vigorous protection of trade marks, granted by investment treaties, and the state power to protect public health. In this sense, investment treaties would further the synergy between the trade mark protection and public health regulation.

However, two different, albeit parallel, phenomena may be highlighted. First, in some (rare) circumstances, the excessive protection of investors' rights may have negative effects on public health. Propertization, which characterizes contemporary knowledge governance, tends to over-emphasize the first function of trade mark law (identification), with the risk of neglecting its second function (consumer protection).

Secondly, *trade mark wars* may be symptomatic of broader conflicts where states resort to trade mark expropriation in order to retaliate against trade partners or to recover damages allegedly caused by foreign corporations. While in the trade context retaliation may be justified by a WTO DSB ruling, in the investment context there is no such *ex ante* mechanism. In this emerging scenario, arbitrators have to assess *ex post* whether such an action amounts to expropriation and, if so, whether it is lawful. This may be an extremely daunting task.

In this problematic context, alternative dispute resolution mechanisms such as conciliation or mediation may be useful, but their effectiveness depends on the parties' equal or similar bargaining power. Where there is no such condition, a legal approach is preferable.

De lege lata, investment law is part of international law, and thus the former has to be consistent with the norms of the latter, and must also be interpreted in accordance with the customary rules of treaty interpretation. Accordingly, relevant rules of international law which are applicable in the relations between the parties must be taken into account when interpreting investment treaties. As investment law increasingly intersects with other sets of international law norms, it is necessary to acknowledge potential antinomies and to adopt a holistic approach. Therefore, intellectual property rights should not be considered as absolute rights, but should be interpreted in the light of their goals and limits. With regard to the issue as to whether regulatory measures to protect public health can be considered *indirect expropriation*, as the arbitral tribunal held in *Feldman Karpa v. United Mexican States*, 'not every business problem experienced by a foreign investor is an indirect or creeping expropriation'.[182] On the contrary, regulation adopted to protect public health depending on the specific circumstances of the case may be viewed as an intrinsic limit to property. This article supports the existing protection of trade marks, but it also proposes their well-balanced understanding, according to the constitutional traditions of many states and the case law of regional courts such as the ECtHR or the ECJ. In conclusion, this article contends that foreign investment should not be considered an end in itself, but one of the available tools to promote human welfare.

[182] *Marvin Roy Feldman Karpa v. United Mexican States* (Merits), 16 Dec. 2002, 18 ICSID Rev (2002) 488, at para. 102.