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TRIPS COVID-19 Waiver, Patent Breaking and Investment Treaty Arbitration

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Almost ten months after India and South Africa sparked the debate on the protection of intellectual property rights with the TRIPS COVID-19 Waiver (IP/C/W/669), there is still no consensus at the TRIPS Council in favour of any action. Despite the support of numerous other WTO Members, including the United States, the TRIPS COVID-19 Waiver still faces the opposition of European governments. In June 2021, the European Union submitted a different proposal, which favoured the use of the existing compulsory licensing mechanism under the TRIPS Agreement (IP/C/W/681).

In their initial proposal, India and South Africa requested the TRIPS Council to recommend to the WTO General Council the approval under Article IX of the Marrakesh Agreement of a waiver of WTO Members' obligations 'to implement and apply Sections 1, 4, 5 and 7 of Part II of the TRIPS Agreement or to enforce these Sections under Part III of the TRIPS Agreement [...] in relation to prevention, containment or treatment of COVID-19' (IP/C/W/669) for a period of years that has not been defined yet. Although the TRIPS COVID-19 Waiver covers the obligations of WTO Members under the TRIPS Agreement pertaining to copyrights and related rights, industrial designs, patents and undisclosed information, the main target of the TRIPS COVID-19 Waiver is undoubtedly patents for COVID-19 vaccines and medicines. According to India and South Africa's communication, '[a]n effective response to COVID-19 pandemic requires rapid access to affordable medical products including diagnostic kits, medical masks, other personal protective equipment and ventilators, as well as vaccines and medicines for the prevention and treatment of patients in dire need' (IP/C/W/669). In relation to patents, the TRIPS COVID-19 Waiver will exempt WTO Members from the obligation to make patents available for inventions (Article 27 of the TRIPS Agreement), and the obligation to confer on the patent proprietor exclusive rights over the make, use, offer for sale, sale and import of the product or process protected by the patent (Article 28 of the TRIPS Agreement). The TRIPS COVID-19 Waiver will also exempt WTO Members from the obligation to comply with Article 31 of the TRIPS Agreement, which sets forth the requirements for the compulsory licensing of patents, including the obligation to pay 'adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization' (Article 31(h) of the TRIPS Agreement); and with Article 31bis of the TRIPS Agreement, which exempts the compulsory licensing of patents for

pharmaceutical products from certain requirements of Article 31 of the TRIPS Agreement, but does not exempt from the obligation to pay adequate remuneration. Hence, the TRIPS COVID-19 Waiver hands a blank cheque to WTO Members to break patents for COVID-19 vaccines and medicines, without the need to observe the obligation to pay adequate remuneration under Articles 31 and 31bis of the TRIPS Agreement.

But even if the TRIPS COVID-19 Waiver is finally approved, it is unlikely that it will be the end of the matter. On the contrary. The break of COVID-19 vaccines and medicines' patents will likely open the gates to legal disputes worldwide. Patents, like (most) intellectual property rights, are territorial in nature. This means that, except for certain regional arrangements, patents are acquired and enforced under the laws of each State within its territory. Inventors do not enforce their right to have their inventions protected by patents pursuant to Article 27 of the TRIPS Agreement, nor do patent proprietors enforce their rights pursuant to Article 28 of the TRIPS Agreement. What the TRIPS Agreement does is to place on WTO Members the obligation to implement in their domestic legislations the right of inventors to have their inventions protected by patents and the rights conferred on patent proprietors. Because of its territorial nature, the patent and the rights conferred on its proprietor will not be directly affected by the TRIPS COVID-19 Waiver if the obligation to implement TRIPS provisions on patents had been correctly implemented in the domestic legal system of the State where the patent was acquired. The TRIPS COVID-19 Waiver will only have the effect of shielding WTO Members from being accused of not implementing the TRIPS Agreement. Patent proprietors will still be entitled to enforce their rights through different means, including through international treaties for the promotion and protection of foreign investments ('investment treaties').

Investment treaties afford protection to investments made in the territory of a State by investors of other States based on standards of protection, including (in most cases) the right of adequate compensation in cases of direct or indirect expropriation and the option to submit claims against the host State of the investment to international arbitration. The acquisition of patents for COVID-19 vaccines and medicines through registration in the territory of a State qualifies as an investment under most (perhaps all) investment treaties. A typical definition of investment contained in investment treaties provides that "investment" means every kind of asset and in particular, though not exclusively, includes: [...] intellectual property rights, goodwill, technical processes and know-how' (Article 1(a)(iv) of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of South Africa for the Promotion and Protection of Investments of 20 September 1994). Accordingly, if the home State of the patent proprietor has an investment treaty in force with a State where the patent is acquired, the patent will be protected under such investment treaty.

Most patent breaking measures, including compulsory licensing, are likely to be based on legislations introduced by States in response to the COVID-19 pandemic and, as such, the chances of patent proprietors being successful before local courts will be significantly reduced. Investment treaties, on the other hand offer a gateway to international arbitration without the need (in most cases) to first have resort to local courts. In addition, even if the patent breaking measures are consistent with the

domestic legislation, such measures may still amount to a violation of the substantive standards of protection afforded by investment treaties in favour of foreign investors. The investment treaty will not prevent States from breaking patents, but it may be relied on to ensure that patent proprietors are adequately compensated for their losses.

A very small number of investment treaties set forth an exception excluding measures taken to protect human life and health, like Article XX(b) of GATT 1947. On the other hand, investment treaties concluded by the United States after the publication of its 2004 Model BIT provides that the right to be compensated in cases of expropriation does not apply to 'the issuance of compulsory licenses granted in relation to intellectual property rights in accordance with the TRIPS Agreement, or to the revocation, limitation, or creation of intellectual property rights, to the extent that such issuance, revocation, limitation, or creation is consistent with the TRIPS Agreement'. Similar provisions are also found in investment treaties concluded by Canada after 1994, including the Comprehensive and Economic Trade Agreement - CETA entered into with European Union in 2016, and in a small number of investment treaties concluded by the United Kingdom and by France. It is not found in investment treaties concluded by Germany. This provision precludes the right of compensation only in cases where the compulsory licensing, revocation or limitation of intellectual property rights is made in accordance with the TRIPS Agreement and, therefore, it will not apply to patent breaking measure taken based on the TRIPS COVID-19 Waiver. The exemption based on the waiver of the TRIPS Agreement was recently added in the 2021 Model BIT recently published by Canada. Article 9(6) of the 2021 Model BIT provides that 'a measure of a Party that would otherwise constitute an expropriation of an intellectual property right under this Article does not constitute a breach of this Article if it is consistent with the TRIPS Agreement and any waiver or amendment of that Agreement accepted by that Party'. Canada has not concluded any investment treaty based on the 2021 Model BIT.

The plea of necessity will certainly be invoked by States to justify patent breaking measures. Under customary international law, necessity precludes 'the wrongfulness of an act not in conformity with an international obligation [if] the act: (a) is the only way for the State to safeguard an essential interest against a grave and imminent peril; and (b) does not seriously impair an essential interest of the State or States towards which the obligation exists, or of the international community as a whole' (Article 25(1) of the Draft Articles on Responsibility of State for Internationally Wrongful Acts). However, although the COVID-19 pandemic is certainly a threat to human life and health, the plea of necessity will only help States to avoid the payment of compensation to patent proprietors if the payment of compensation constitutes itself 'a grave and imminent peril'. Acts of expropriation are lawful under public international law, but they are unlawful if the expropriation is carried out without adequate compensation.

In sum, investment treaty arbitration will be a powerful tool for COVID-19 vaccines and medicines' patent proprietors and will gain particular importance considering the waiver of the obligation to pay adequate remuneration under Article 31(h) of the TRIPS Agreement. Even if approved by the WTO General Council, the TRIPS COVID-19 Waiver will not prevent patent proprietors from relying on investment

treaties to seek redress for losses caused by patent breaking measures and obtain adequate remuneration in the form of compensation for the expropriation of the rights conferred by patents.

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