SUBMITTED BY:	**VISSCHER**
SUBMITTED TO:	**INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES**

CLAIMANT:	**MEDBERG CO., A BERGONIAN CORPORATION**
	V.
RESPONDENT:	**THE GOVERNMENT OF THE REPUBLIC OF BERGONIA**

DOCUMENT NAME:	**MEMORIAL FOR CLAIMANT**

TABLE OF CONTENTS

LIST OF AUTHORITIES

TABLE OF INTERNATIONAL TREATIES AND CONVENTIONS

TABLE OF CASES

TREATISES AND COMMENTARY

Press 2004). 37

NOAH RUBINS & N. STEPHAN KINSELLA, INTERNATIONAL INVESTMENT, POLITICAL RISK AND DISPUTE RESOLUTION: A PRACTITIONER'S GUIDE (2005). 14, 35

NOBERT HORN, ARBITRATING FOREIGN INVESTMENT DISPUTES (Kluwer Law International 2004). 32, 36

THE OXFORD HANDBOOK OF INTERNATIONAL INVESTMENT LAW (Peter Muchlinski et al. eds., 2008). 17, 20, 29

JOURNALS

Burns H. Weston, *"Constructive Takings" under International Law: A Modest Foray into the Problem of "Creeping Expropriation,"* 16 VA. J. INT'L. L. 103, 115-116 (1975)……46

Emias Tekeste Biadgleng, *IP Rights Under Investment Agreements: The TRIPS-Plus Implications for Enforcement and Protections of PublicInterest,* Research Paper No. 8, South Centre (Aug. 2006). 46

Emmanuel Gaillard, *Chronique des sentences arbitrales*, 126 J.D.I. 273 (1999). 34

Farouk Yala, *The Notion of 'Investment' in ICSID Case Law: A Drifting Jurisdictional Requirement?: Some Unconventional Thoughts on Salini, SGS & Mihaly*, 22 J. INT'L ARB. 105 (2005). 29

George C. Christie, *What Constitutes a Taking Under International Law?*, 33 BRIT. Y.B. INT'L. L. 307 (1962)..... 39, 40

L. Yves Fortier & Stephen L. Drymer, *Indirect Expropriation in the Law of International Investment: I know it When I See it, or Caveat Investor,* 19 ICSID REV.F.I.L.J. 293. 39

INSTITUTIONAL REPORTS AND COMMENTARY

Draft Articles on most-favoured-nation clauses with commentaries, [1978] 2 Y.B. Int'l L. Comm'n 16, U.N. Doc. A/CN.4/SER.A/1978/Add.1 (Part 2)..... 14, 15

Report of the Executive Directors of the International Bank for Reconstruction and Development on the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. 28

UNCTAD, Series on Issues in International Investment Agreements, Taking of Property (2000). 42

REFERENCES

STATUTES

INTRODUCTION

1. Claimant, MedBerg, asserts that the Tribunal may exercise jurisdiction over the dispute under Article25(2)(b) of the ICSID Convention. Respondent has challenged the jurisdiction of the tribunal; therefore, the Tribunal has inquired whether the Tribunal has jurisdiction in view of the nationality of those parties controlling MedBerg. Addressed in Part A of this memorandum is the argument supporting the fact that Respondent has agreed to treat MedBerg as a national of Conveniencia for purposes of Article 25(2)(b) of the ICSID Convention.
2. Claimant MedBerg asserts that the exploitation of its intellectual property should constitute an investment. Addressed in Part B of this memorandum is the argument supporting Medberg's claims that the exploitation of its patent constituted an investment under both the Bergonia-Conveniencia BIT and under the objective criteria indicating an investment for purposes of ICSID jurisdiction under Article 25(4), and further, that it should be considered an investment as a matter of good public policy.
3. Addressed in Part C of this Memorandum is Respondent's issuance of the compulsory license, which amounts to expropriation because Respondent breached Article 4 of the Bergonia-Conveniencia BIT, which prohibits expropriation. Moreover, any reliance by Respondent on the TRIPS Agreement is misplaced. Finally, even if the TRIPS Agreement is applicable to this dispute (which it is not), Respondent is not TRIPS-compliant.

FACTS

4. Dr. Frankensid, a dual national of Amnesia and Bergonia, joined together with MedScience Co. (MedScience), a Laputan corporation, to acquire MedX Holdings Ltd. (MedX), a Conveniencian corporation, on 1 December 2003.[1] Previous, to the acquisition of MedX, MedScience had invested money into researching and developing a new technology.[2] Dr. Frankensid had worked on the new technology for MedScience.[3] In acquiring MedX, both MedScience and Dr. Frankensid transferred all interests they had in the new technology to MedX.[4] MedX then became the place where MedScience, the capital provider, and Dr. Frankensid, the scientist, were joined together.[5] MedScience and Dr. Frankensid both own fifty percent of MedX and neither party has an advantage over the other for control.[6] MedX has an office located in Conveniencia and employs two highly skilled professionals – a lawyer and a tax advisor.[7]
5. Claimant, MedBerg Co. (MedBerg), is wholly owned by MedX, and was established in Bergonia 30 January 2004, by MedX.[8] MedBerg's board is composed of three members, two of which are the lawyer and tax advisor employed by MedX.[9] Several patents were obtained based off of Dr. Frankensid's work.[10] One such patent was Bergonian Patent No. AZ2005.[11] MedBerg came to own the patent in the following way: MedX assigned the rights to the invention with respect to Bergonia to MedBerg.[12] After receiving the rights, MedBerg applied and received the patent on 15 March 2005.[13]
6. MedBerg licensed BioLife Co., a Bergonian company, to exclusively[14] utilize Bergonian Patent No. AZ2005 on 31 March 2005 (the License Agreement) for the purpose of marketing products using the patent's technology domestically.[15] Claimant terminated the License

[1] Annex 3 Uncontested Facts ¶ 2; *see also* Clarification 74, 45.
[2] Clarification 74, 105.
[3] *Id.* at 45, 74.
[4] *Id.* at 74.
[5] *Id.* at 45, 74.
[6] *Id.* at 18.
[7] *Id.* at 76.
[8] Annex 3Uncontested Facts ¶¶ 1, 2.
[9] Clarification 75.
[10] Annex 3Uncontested Facts ¶ 4.
[11] *Id.* at ¶¶ 4,5.
[12] Clarification 74.
[13] Annex 3 Uncontested Facts ¶ 5.
[14] Clarification 32.
[15] Clarification 27.

Agreement in accordance with the License Agreement's notice and termination provisions on 31 March 2007 because BioLife was engaged in improper exports to third countries,[16] something that would drastically reduce the rate of return on MedBerg's investment.[17]

7. Despite terminating the contract with BioLife, since MedBerg has been granted the patent, its technology has been continuously available on the Bergonian market.[18]
8. Bergonia has a GDP per capita of US$ 7,535.[19] Conveniencia has a GDP per capita of US$ 40,213.[20] In addition, 34 percent of Bergonians are considered to be obese.[21] MedBerg's patent is potentially beneficial to this segment of the population.[22]
9. On 1 June 2007, the Bergonian Intellectual Property Office (IP Office) commenced proceedings for the issuance of a compulsory license (which allowed for commercial use)[23] with respect to Patent No. AZ2005. In defending the proceedings, the IP office cited important domestic medical needs that may be addressed by the technology.[24] Despite numerous objections, "the Bergonian IP Office issued a compulsory license for Patent No. AZ2005 on 1 November 2007."[25]
10. As of 1 January 2009, BioLife and five other Bergonian entities had begun producing health–related products, by invoking the compulsory license, and utilizing the technology covered by the patent. Despite the fact that it was the reason MedBerg terminated the license with BioLife in the first place, three of the companies invoking the compulsory license have gone beyond marketing products domestically, and "have exported some of the products to other countries in substantial amount."[26]
11. Royalty fees have been collected by the Bergonian IP office from the six Bergonian companies that have invoked the compulsory license.[27] As of the date on which these ICSID proceedings were initiated, Claimant had refused to accept them because they were lower than the rate that had been in effect under the terms of the licensing agreement between

---

[16] *Id.* at 113.
[17] *Id.* at 39, 113.
[18] *Id.* at 114.
[19] *Id.* at 44.
[20] *Id.* at 89.
[21] Clarification 40.
[22] *Id.* at 40.
[23] *Id.* at 34.
[24] Annex 3 Uncontested Facts ¶ 7.
[25] *Id.* at ¶¶ 8, 9.
[26] *Id.* at ¶ 8.
[27] *Id.* at ¶ 8.

MedBerg and BioLife.[28]

12. Claimant immediately[29] communicated its objections through the appropriate appellate mechanism to the Bergonian IP Office and within the relevant statutory time limits,[30] but these objections and appeals were not resolved to the Claimant's satisfaction.[31] As of yet, there has been no review of the IP Office's decision to issue the compulsory license, despite Claimant's numerous objections. [32]
13. Additionally, no judicial or administrative pronouncements have been made regarding the practice of parallel exports.[33]
14. On 1 November 2008, the ICSID Secretary General registered the dispute for arbitration.[34]

[28] Annex 3 Uncontested Facts ¶ 8; *see also* Clarification 88.
[29] Clarification 72.
[30] *Id.* at 46.
[31] *Id.* at 29.
[32] Uncontested Facts, Annex 3 ¶9
[33] Clarification 113.
[34] Uncontested Facts, Annex 3 ¶10

SUMMARY OF ARGUMENT

15. Although a domestic company of Bergonia, the Tribunal may exercise jurisdiction over the dispute. MedBerg arrives at jurisdiction under Article 25(2)(b) of the ICSID Convention by invoking the most-favoured-nation (MFN) clause in Article 3 of the Bergonia-Conveniencia Bilateral Investment Treaty (BIT). This allows MedBerg to avail itself of Article VI.8 of the Tertia-Bergonia BIT, which provides that MedBerg is deemed a company of Conveniencia so long as it is the investment of a company from Conveniencia. Conveniently, as MedBerg is an investment of MedX, a company of Conveniencia, MedBerg should be considered a foreign entity for purposes of Article 25(2)(b) and the Tribunal may exercise its jurisdiction to hear the dispute.
16. The exploitation of MedBerg's intellectual property in Bergonia constitutes an investment because under the Bergonia-Conveniencia BIT, 'investment' is broadly defined as to include intellectual property and patents. Furthermore, the exploitation of the intellectual property satisfies the five objective criteria of: (1) duration; (2) regularity of profit and return; (3) assumption of risks; (4) a substantial commitment; and (5) significance to the development of the host state, which are indicative of an investment for purposes jurisdiction for Article 25(4) of the ICSID Convention. Finally, given the goals of promoting investment and the economic development of states set forth in both the Bergonia-Conveniencia BIT and the Preamble to the ICSID Convention, this should constitute an investment simply as a matter of good public policy.
17. Respondent's issuance of the compulsory license amounts to expropriation because Respondent breached article 4 at the Bergonia-Conveniencia BIT. Respondent's breached Article 4 by depriving MedBerg of its fundamental rights to control its investment, by entirely destroying MedBerg's investment value, and by engaging in conduct that is "tantamount" to expropriation. Additionally, Respondent's claim that TRIPS is applicable is misplaced. Moreover, even if TRIPS applies, Respondent is not TRIPS-compliant because it has permitted significant unauthorized exports, has not provided adequate remuneration to MedBerg and has not provided adequate review of its policies.

ARGUMENT

A) THE TRIBUNAL HAS JURISDICTION IN VIEW OF THE NATIONALITY OF THOSE PARTIES CONTROLLING THE CLAIMANT

18. The Tribunal should affirm the jurisdiction of the Centre and its own competence and decline to entertain the objection from the Respondent.
19. An ICSID Tribunal's jurisdiction is governed by Article 25 of the ICSID Convention determined in light of "the instrument expressing the parties' consent to ICSID arbitration,"[35] in this case, the Bergonia-Conveniencia BIT.[36]
20. Beginning by examining the Bergonia-Conveniencia BIT, the Tribunal should apply the Most-Favoured-Nation (MFN) clause[37] in the Bergonia-Conveniencia BIT, thereby allowing Claimant to invoke Article VI.8 of the Tertia-Bergonia BIT. When invoked, Article VI.8 provides for a corporation formed under Bergonian laws by

> nationals or companies of [Conveniencia, to] be treated as a national or company of [Conveniencia] in accordance with Article 25(2)(b) of the ICSID Convention.

Second, the Tribunal should recognize MedBerg as a national of Conveniencia thereby granting the Tribunal jurisdiction under Article 25(2)(b) of the ICSID Convention as designated by Article VI.8 of the Tertia-Bergonia BIT.

21. Claimant must address two issues herein: 1) that MedBerg may apply the MFN clause in to invoke Article VI.8 of the Tertia-Bergonia BIT; and 2) that MedBerg qualifies to be recognized as a national of Conveniencia under Article VI.8. These two issues are addressed in subsections 1) and 2), respectively.

1) The Most-Favoured-Nation Treatment Permits Claimant to Invoke Article VI.8 of the Bergonia-Tertia BIT

22. The underlying purpose of a most-favoured-nation (MFN) clause is to prevent discrimination of foreign investors from a BIT party state and require that such foreign investors "enjoy any

[35] *Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, 3 August 2004, 44 I.L.M. 138, 143 (2005).
[36] *See* Bergonia-Conveniencia BIT Art. 10(2).
[37] Bergonia-Conveniencia BIT Art. 3.

advantages offered to nationals of third-party States."[38]

23. The International Law Commission (ILC) has adopted *Draft Articles on most-favoured-nation clauses with commentaries* (ILC Draft Articles), which provide a useful framework through which to interpret MFN clauses.[39] MFN treatment is accorded to a State in a MFN clause.[40] The ILC Draft Articles define MFN treatment:

> Most-favoured-nation treatment is treatment accorded by the granting State to the beneficiary State, or to persons or things in a determined relationship with that State, not less favourable than treatment extended by the granting State or to persons or things in the same relationship with that third State.[41]

A treatment is extended at the time a treaty is ratified, not at the time when the treatment is actually exercised.[42]

24. As required by the ILC Draft Articles definition, for a MFN clause to be relevant, the situation will consist of 1) three states – a granting state, a beneficiary state, and a third party state; 2) the granting state must be extending more favourable treatment to the third state than the beneficiary state; and 3) persons or things in that third state receiving the more favourable treatment must be in the same relationship to the third state as those in the beneficiary state.
25. Article 3 of the Bergonia-Conveniencia BIT is a MFN clause and the requisite elements set forth in the ILC Draft Articles apply to the present situation so the clause is relevant. First, Conveniencia is the beneficiary state, Bergonia is the granting state, and Tertia is the third party state. Second, Bergonia has accorded a more favourable treatment to Tertian foreign investors in respect of dispute settlement procedures by affording Bergonian corporations that constitute Tertian investments jurisdiction under Article 25(2)(b) of the ICSID Convention.[43] Third, foreign investors from Tertia that are receiving the more favourable treatment share the same relationship with Bergonia as the Conveniencian foreign investors that are receiving the less favourable treatment from Bergonia.
26. To clarify, the treatment Tertian investors are receiving from Bergonia is more favourable than that granted to Conveniencian investors because Tertian investors may facilitate their

---

[38] NOAH RUBINS & N. STEPHAN KINSELLA, INTERNATIONAL INVESTMENT, POLITICAL RISK AND DISPUTE RESOLUTION: A PRACTITIONER'S GUIDE 225 (2005).
[39] *Draft Articles on most-favoured-nation clauses with commentaries*, [1978] 2 Y.B. Int'l L. Comm'n 16, U.N. Doc. A/CN.4/SER.A/1978/Add.1 (Part 2).
[40] *Id.* at 21, 25.
[41] *Id.* at 21.
[42] *Id.* at 21, 54.
[43] *See* Tertia-Bergonia BIT Art. VI.8.

foreign investment into Bergonia by forming a subsidiary corporation under Bergonian law and still be considered a foreign entity for ICSID jurisdictional purposes. A Conveniencian may invest by way of incorporation in Bergonia, but will not be viewed as a foreign entity for ICSID jurisdictional purposes. The ability to settle disputes with a host government efficiently and in an unbiased setting is a significant concern for foreign investors. ICSID tribunals have noted the inextricable link between foreign investment and access to proper dispute settlement mechanisms.[44] Tertian investors are allowed to avail themselves of the corporate form and its benefits (e.g., less liability, different taxes) and have access to ICSID for dispute settlement. Meanwhile, if Conveniencian investors wish to incorporate in Bergonia, they are left wondering whether they will be able to adequately settle disputes. The disparity in treatment is discriminatory and should be rectified by application of the MFN clause in the Bergonia-Conveniencia BIT to invoke the more favourable treatment being offered to Tertian investors.

27. Having established the necessary elements are present for a MFN clause to be applicable, an additional step is necessary. The Tribunal must conclude that under the MFN clause Conveniencia would be acquiring "rights which fall within the limits of the subject-matter of the clause."[45] This rule is referred to as *ejusdem generis*, which, by definition, means:

> [a] canon of construction that when a general word or phrase follows a list of specifics, the general word or phrase will be interpreted to include only items of the same type as those listed.[46]

A simpler explanation of the rule may be that Conveniencia cannot claim from Bergonia by way of a MFN clause "advantages of a kind other than that stipulated in the clause."[47] An *ejusdem generis* analysis, therefore, must examine "the intention of the Contracting parties" and be based on a "reasonable interpretation of the Treaty."[48]

28. Here, Claimant seeks to invoke the MFN clause to gain access to a more favourable dispute

---

[44] *See* discussion *infra* ¶¶ 28-30.
[45] *Draft Articles on most-favoured-nation clauses with commentaries*, [1978] 2 Y.B. Int'l L. Comm'n 16, at 27, U.N. Doc. A/CN.4/SER.A/1978/Add.1 (Part 2).
[46] BLACK'S LAW DICTIONARY (8th ed. 2004).
[47] *Draft Articles on most-favoured-nation clauses with commentaries*, [1978] 2 Y.B. Int'l L. Comm'n 16, at 30, U.N. Doc. A/CN.4/SER.A/1978/Add.1 (Part 2).
[48] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, 40 I.L.M. 1129, 1137 (2001) (citing *Award of the Commission of Arbitration established for the Ambatielos claim between Greece and the United Kingdom*, March 6, 1956, United Nations: Reports of International Arbitral Awards, Vol. XII, 1963, p. 107.

settlement clause; thus, the inquiry need be whether the protections of the MFN clause in the Bergonia-Conveniencia BIT include dispute settlement mechanisms.

29. The ICSID decisions, *Maffezini v. Spain*[49] and *Siemens A.G. v. The Argentine Republic* [50] are instructive as to how tribunals have applied the *ejusdem generis* principle as it pertains to MFN in the past. In *Maffezini*, the Tribunal determined that a provision of the Chile-Spain BIT was applicable to an Argentinean investor by way of the MFN clause in the Argentine-Spain BIT.[51] The Argentine-Spain BIT provided that domestic courts had a period of eighteen months to address a dispute before it might be submitted to arbitration. The Chile-Spain BIT imposed no such condition. Therefore, the Claimant contended that Chilean investors were treated more favourably than Argentine investors in Spain.[52] Spain argued that under *ejusdem generis* that only substantive matters could be imported by way of a MFN clause, not procedural or jurisdictional matters.[53] The tribunal, however, noted, that a right is only as good as the remedy designed to protect the right.[54] The tribunal concluded that "dispute settlement arrangements are inextricably related to the protection of rights."[55] Further, that dispute settlement arrangements "were essential for the adequate protection of the rights they sought to guarantee."[56] The tribunal added international arbitration is a modern development "essential to the protection of the rights envisaged under" a treaty.[57] Finally, the Court summarized:

> [T]hat if a third-party treaty contains provisions for the settlement of disputes that are more favorable to the protection of the investor's rights and interests than those in the basic treaty, such provisions may be extended to the beneficiary of the most-favored-nation clause as they are fully compatible with the ejusdem generis principle.[58] Of course, the third-party treaty has to relate to the same subject matter as the basic treaty, be it the protection of foreign investments or the promotion of trade, since the dispute settlement provisions will operate in the

[49] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, 40 I.L.M. 1129 (2001).
[50] *Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, 3 August 2004, 44 I.L.M. 138 (2005).
[51] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, 40 I.L.M. 1129 (2001).
[52] *Id.*
[53] *Id.* at 1135-36.
[54] *Id.* at 1137-38.
[55] *Id.* at 1137-38.
[56] *Id.* at 1138.
[57] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, 40 I.L.M. 1129, 1138 (2001).
[58] *Id.*

> context of these matters; otherwise there would be a contravention of that principle.[59]

30. The *Maffezini* tribunal then noted that the operation of the MFN clause may be constrained by "important limits arising from public policy considerations."[60] First, the *Maffezini* tribunal noted that if one party had accepted the treaty solely based on a specific, stipulated condition, such condition may not be bypassed by invoking the most-favoured-nation clause.[61] Second, if by invoking a dispute settlement provision from a third-party treaty would "upset the finality" of an award, then such a clause may not be invoked.[62] Third, if a specific arbitration institution has been agreed to, such as ICSID, the MFN clause may not be invoked to bypass the forum.[63]
31. Analyzing the Bergonia-Conveniencia BIT and the Tertia-Bergonia BIT under the *Maffezini* analysis, satisfies the *ejusdem generis* analysis. That is to say, the third party treaty of Tertia-Bergonia relates to the same subject matter as the Bergonia-Conveniencia treaty. Both treaties were meant to facilitate the "reciprocal protection of investments",[64] address dispute settlement procedures,[65] and notably, in both, Bergonia consents to arbitration through ICSID.[66] Furthermore, none of the public policy concerns are at issue. Finally, and most importantly, at issue is a dispute settlement provision, which the *Maffezini* tribunal referred to as "essential to the protection of the rights envisaged under" a treaty.[67]
32. In 2005, the *Siemens v. Argentine Republic* ICSID tribunal also agreed with the application of the MFN clause to dispute settlement provisions.[68] In reaching its conclusion, the tribunal first examined the purpose of the BIT in question, its preamble and title. The *Siemens* Tribunal began its analysis by referring to the Vienna Convention. Article 31(1) of the

---

[59] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, 40 I.L.M. 1129, 1138 (2001); *see also* Pia Acconci, *Most-Favoured-Nation Treatment, in* THE OXFORD HANDBOOK OF INTERNATIONAL INVESTMENT LAW 389-90 (Peter Muchlinski et al. eds., 2008) (explaining the tribunal's award).
[60] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, 40 I.L.M. 1129, 1138 (2001).
[61] *Id.* at 1139.
[62] *Id.*
[63] *Id.*
[64] *Compare* Bergonia-Conveniencia BIT Title & Preamble, *with* Tertia-Bergonia BIT Title & Preamble.
[65] *Compare* Bergonia-Conveniencia BIT Art. 10, *with* Tertia-Bergonia BIT Art. VI.
[66] *Compare* Bergonia-Conveniencia BIT Art. 10(2)(b), *with* Tertia-Bergonia BIT Art. VI(3)(a)(i).
[67] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, 40 I.L.M. 1129, 1138 (2001).
[68] *Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, 3 August 2004, 44 I.L.M. 138, 155 (2005).

Vienna Convention on the Law of Treaties provides that "[a] treaty shall be interpreted in good faith . . . in the light of its object and purpose." The Tribunal found that the intention of the parties to the BIT was "to create favorable conditions for investments and to stimulate private initiative."[69] Next, the tribunal examined the specific clauses that mentioned MFN treatment. The structure of the MFN clauses revealed an intention of wide application of the clause to the matter of the entire BIT.[70] Further, the tribunal checked its broad application of the MFN clause to the entire treaty against the "treaty interpretation rules that require that a meaning be attributed to each clause."[71] The Tribunal concluded its interpretation did not render any clause superfluous.[72] Finally, the tribunal reached its conclusion that the MFN clause extended to cover dispute settlement mechanisms.[73]

33. Similarly, guided by Article 31(1) of the Vienna Convention on the Law of Treaties and the approach followed by the *Siemens* tribunal, this Tribunal should conclude that Article VI.8 of the Tertia-Bergonia BIT, as a dispute settlement sub-clause, is covered by the MFN clause in the Bergonia-Conveniencia BIT.

34. Beginning with the title of the Bergonia-Conveniencia BIT, the treaty is "concerning the encouragement and reciprocal protection of investments." The preamble sets forth that the object and purpose of the BIT is to

> [I]ntensify economic co-operation between both countries and create favorable conditions to increase investments by investors. . . . [In addition, to recognize] that the encouragement and contractual protection of such investments are apt to increase the prosperity of both nations.

The object and purpose of the Bergonia-Conveniencia BIT is no different than that of the BIT in question in *Siemens*.[74] Furthermore, should there be any doubt about the intention of the parties, Article 2 of the Bergonia-Conveniencia BIT repeats that both states will "create favourable conditions for . . . investments." Certainly, necessary to creating favourable conditions for investments, is providing access to a mechanism to settle disputes between

---

[69] *Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, 3 August 2004, 44 I.L.M. 138, 150 (2005).
[70] *Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, 3 August 2004, para. 85, 44 I.L.M. 138 (2005).
[71] *Id.* at ¶ 86.
[72] *Id.* at ¶ 90.
[73] *Id.* at ¶ 102.
[74] *See Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, para. 81, 3 August 2004, 44 I.L.M. 138, 150-51 (2005).

parties engaged in business.

35. Next, examining the specific language in the BIT concerning MFN treatment, the term "most-favoured-nation" is only mentioned twice by name in the BIT. First, Article 3 contains the term in its title – "National Treatment and Most-Favoured-Nation Treatment of Investments". Second, Article 4(4) states that

> [i]nvestors of either Contracting State shall enjoy most-favoured-nation treatment in the territory of the other Contracting State in respect of the matters provided for in this Article.

36. Focusing the attention of the tribunal first to Article 3, the MFN clause should be interpreted broadly to apply to all subject-matter contained within the treaty. Similar to the MFN clause analyzed in the *Siemens* award,[75] the Bergonia-Conveniencia BIT MFN clause provides a list of investor activities that will receive MFN treatment, that include, "**<u>though not exclusively</u>**, . . . management, maintenance, operation, enjoyment or disposal of their investments."[76] The language the drafters chose – "though not exclusively"[77] – "is a clear indication that the clarifications do not"[78] restrict the application to solely the listed items.
37. Alternatively, where the drafters of the Bergonia-Conveniencia BIT wanted to exclude certain activities from the protections of MFN treatment, they have done so clearly. Subsections 4, 5 and 6 of Article 3, specifically, exclude the application of the clause to privileges granted to third-party states based on their membership in an economic union or the like, issues of taxation, and issues related to the privileges granted nationals concerning ownership of lands and real estate. Please note that dispute settlement provisions were not excluded from MFN treatment under Article 3 or anywhere else within the BIT.
38. The fact that the BIT does not qualify more in depth what constitutes investor activities, but instead delineates very clear exclusions from MFN treatment, militates towards interpreting the clause broadly to apply to all subject-matter covered under the BIT, including dispute settlement provisions.
39. As mentioned previously, the term "most-favoured-nation treatment" also appears in Article

---

[75] *See Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, paras. 83-90, 3 August 2004, 44 I.L.M. 138, 152-53 (2005).
[76] Bergonia-Conveniencia BIT, Art. 3(2) (emphasis added).
[77] *Id.*
[78] *See Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, para. 85, 3 August 2004, 44 I.L.M. 138, 152 (2005).

4(4) of the BIT, which addresses expropriation. The tribunal should read this as the drafters exercising an abundance of caution given the magnitude of the potential conflict surrounding expropriation as it is a key issue in foreign direct investment.[79] The Tribunal only need look so far as the actions of the Bergonian government in this instance, to find the drafters abundance of caution justified.

40. Finally, a right is only as valuable as the remedy that will protect the right when it is violated. Despite the rights granted against expropriation in a BIT, if that right is violated and there is no recourse against the violator of the right, the right is worthless. Therefore, "dispute settlement arrangements are inextricably related to the protection of foreign investors."[80] As such, the Tribunal should recognize that "it is part of the treatment of foreign investors and investments and of the advantages accessible through a MFN clause."[81]
41. In addition, the Tribunal should decline to follow later decisions that held differently than *Maffezini* because they were not decided until after the Bergonia-Conveniencia BIT was entered into effect. *Salini* and *Plama* were decided in November of 2004 and February of 2005, respectively. The Bergonia-Conveniencia BIT was signed and entered into effect 30 May 2005.[82] At that time, *Maffezini*, a January 2000 decision, had not been challenged, and surely, the drafters were aware of its holding. Other treaty drafters concerned with the implication of *Maffezini* drafted their agreements to counteract the holding or limit the effect of the MFN clause,[83] but Bergonia did not. Ultimately, it is the host nation that has the ability to control MFN treatment, if they do not want it to apply they should expressly draft their treaties as such, or, alternatively, not grant country A's investors a privilege they are not willing to extend to another country B's investors.
42. For the aforementioned reasons, the Tribunal should recognize that dispute settlement procedures are protected by the MFN clause present in Article 3 of the Bergonia-Conveniencia BIT. Doing so is consistent with the principles of *ejusdem generis.*

---

[79] *See Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, para. 90, 3 August 2004, 44 I.L.M. 138, 152 (2005).
[80] *Maffezini v. Spain*, ICSID Case No. Arb/97/7 Decision on Objections to Jurisdiction, 25 January 2000, para. 54, 40 I.L.M. 1129, 1137-38 (2001).
[81] *See Siemens A.G. v. The Argentine Republic*, ICSID Case No. ARB/02/8 Decision on Jurisdiction, para. 102, 3 August 2004, 44 I.L.M. 138, 155 (2005).
[82] Bergonia-Conveniencia BIT Art. 12(4).
[83] *See* Pia Acconci, *Most-Favoured-Nation Treatment, in* THE OXFORD HANDBOOK OF INTERNATIONAL INVESTMENT LAW 403 (Peter Muchlinski et al. eds., 2008).

2) Under Article VI.8 of the Tertia-Bergonia BIT, MedBerg Co., is an Investment of Nationals or Companies of the Other Party (i.e. Conveniencia)

43. MedBerg Co. is an investment of companies of Conveniencia, such that under Article VI.8 of the Tertia-Bergonia BIT, MedBerg should be treated as a national or company of Conveniencia for purposes of jurisdiction under Article 25(2)(b) of the ICSID Convention.

44. In order to be considered a national of Conveniencia, Article VI.8 of the Tertia-Bergonia BIT requires that "immediately before the occurrence of the event or events giving rise to the dispute, was an investment of nationals or companies of" Conveniencia. Therefore, two elements must be satisfied for Article VI.8 to apply: 1) MedBerg must have been an investment of another company; 2) the company that invested in MedBerg must have been a Conveniencian company. The fact that MedBerg met these elements is addressed below in sub-sections i and ii, respectively.

45. In addition, despite an agreement between states to recognize certain domestic corporations as foreign entities as found in Article VI.8, "an arbitral tribunal maintains its authority to examine the nationality of a company independently."[84] While the agreement between the parties, Article VI.8, requires that MedBerg be an investment of a foreign company, Article 25(2)(b) of the ICSID Convention requires that MedBerg be under the control of a foreign entity. Sub-section iii establishes the element of foreign control.

i. Satisfaction of Element 1 of Article VI.8: MedBerg was an Investment

46. This Tribunal is faced with a unique treaty provision in Article VI.8 of the Tertia-Bergonia BIT. The provision requires that MedBerg be an *investment* of a foreign company. This investment is entirely different and separate from the investment required to be made by a Claimant in the host state for purposes of ICSID Jurisdiction under Article 25(1) of the Convention. Rather, the investment in question here speaks to whether MedBerg should be treated as a national of Conveniencia in accordance with Article 25(2)(b) of the ICSID Convention. The chart below demonstrates the interplay between Articles 25(1) & (2) of the ICSID Convention and Article VI.8 of the Tertia-Bergonia BIT.

[84] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS & BORZU SABAHI, INVESTOR STATE ARBITRATION 306 (Oxford University Press 2008).

47. In order for the Tribunal to exercise jurisdiction:

Chart 1

Article 25(1) Requires:	1) a legal dispute 2) arising out of an investment 3) between a contracting state and a national of another contracting state
↓	
Article 25(2)(b) Allows for:	Parties to treat a domestic company as a national of another contracting state if that company is under foreign control.
↓	
Article VI.8 of the Tertia-Bergonia BIT Agrees:	To treat domestic companies as a national of another contracting state so long as the domestic company is an investment of a foreign company.

48. The investment we are concerned with is the investment that arises from Article VI.8 of the Tertia-Bergonia BIT (underlined in Chart 1 above).
49. The requirement of this investment is derived not from the ICSID Convention, but solely from the Tertia-Bergonia BIT, and therefore, should be analyzed solely in the light of the Tertia-Bergonia BIT.
50. Article I(1)(a)(ii) of the Tertia-Bergonia BIT defines investment as "a company or shares of stock or other interests in a company or interests in the assets thereof." This is a definition of investment that Bergonia is comfortable with, as a very similar version appears in Article 1(1)(b) of the Bergonia-Conveniencia BIT as well.
51. Applying the definition provided in the BITs, MedX owns one-hundred percent of MedBerg's shares; therefore, MedBerg qualifies as an investment of MedX.

ii. Satisfaction of Element 2 of Article VI.8: MedX Holdings Ltd., the Company that Invested in MedBerg Co., is a Company of Conveniencia

52. As a company of Conveniencia, MedX Holdings Ltd ("MedX") satisfies the second element of Article VI.8 of the Tertia-Bergonia BIT.

53. MedX was incorporated under the name CC123 Holding Ltd by Convenient Companies SARL in Conveniencia on 1 January 2003.[85] On 1 December 2003, ownership of CC123 was transferred to Dr. Frankensid and MedScience; at this time the corporation took the name MedX.[86] Currently, MedX has an office located in Conveniencia and has two highly-skilled employees: a lawyer and a tax adviser.[87]

54. The inquiry should be settled on the above facts alone. Regardless whether the Tribunal looks under the Bergonia-Conveniencia BIT or the Tertia-Bergonia BIT for its definition, MedX is a company of Conveniencia. The Bergonia-Conveniencia BIT does not directly define "company of a Party"; however, it does define investor, which is equally relevant, since we are asking if the company that is making the investment in MedBerg (i.e. the investor) is Conveniencian. The Bergonia-Conveniencia BIT states that "any juridical person having its seat in" Conveniencia is an investor of the State.[88] The "seat" is not defined by the Bergonia-Conveniencia BIT, but looking at the traditional meaning of it: "The seat 'connotes the place where the effective management of a company takes place.'"[89] As stated above, MedX has an office with two highly skilled employees in Conveniencia.[90] Nothing in the facts suggests that the effective management of the company takes place anywhere but this office; therefore, the seat of MedX is located in Conveniencia.

55. Under the Tertia-Bergonia BIT, in pertinent part,

> company of a Party means any kind of corporation . . . legally constituted under the laws and regulations of a Party.[91]

Incorporated in Conveniencia, MedX clearly satisfies this definition.[92]

iii. MedX, a Foreign Corporation, Controls MedBerg

56. The element of foreign control in Article 25(2)(b) is satisfied because MedX is a company of Conveniencia controlling MedBerg, a company of Bergonia.

---

[85] Clarification ¶ 45; *see also* Annex 3 Uncontested Facts ¶ 2.
[86] *Id.* at ¶ 45.
[87] *Id.* at ¶ 76.
[88] Bergonia-Conveniencia BIT Art. 1(3).
[89] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS & BORZU SABAHI, INVESTOR STATE ARBITRATION 306 (Oxford University Press 2008) (quoting United Nations Conference on Trade and Development (UNCTAD), *Scope and Definition*, 2 UNCTAD Series on Issues in International Investment Agreements, 36, U.N. Doc. UNCTAD/ITE/IIT/11 (1999)).
[90] Clarification ¶ 76.
[91] Tertia-Bergonia BIT Art. 1(1)(b).
[92] *See* Clarification ¶ 45; *see also* Annex 3 Uncontested Facts.

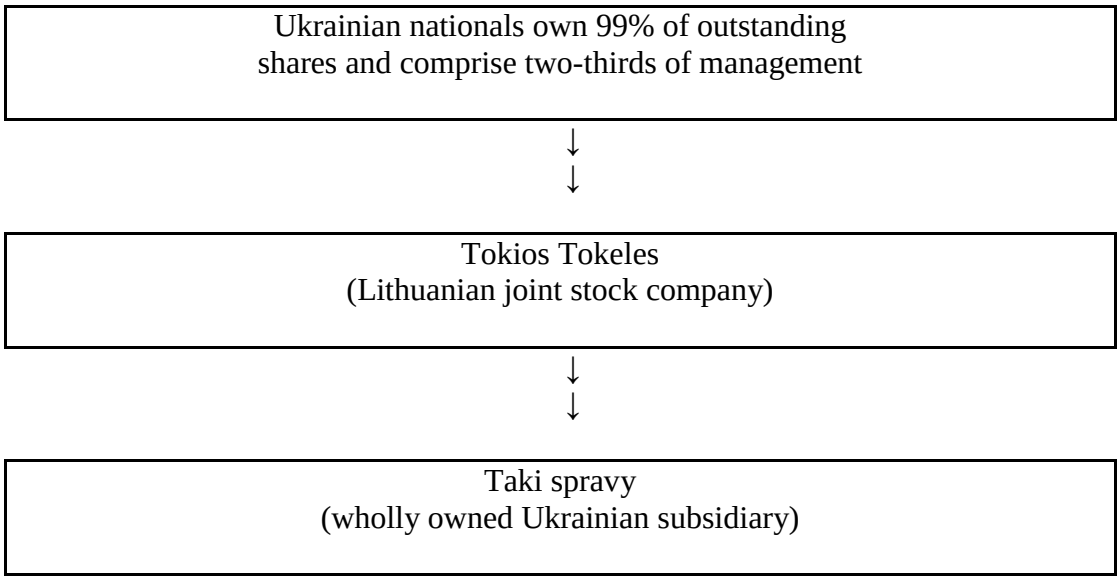
57. Generally, if a foreign company owns more than fifty percent of a domestic company, the domestic company is said to be under foreign control.[93] Where applicable, tribunals have also looked at "several factors such as equity participation, voting rights and management."[94]
58. MedX controls one hundred percent of MedBerg's shares,[95] and two-thirds (a majority) of the management board.[96]
59. The Tribunal should decline any suggestion by Respondent to look any further up the ownership chain. Where an entity is owned by a chain of entities, once a tribunal locates a juridical entity that satisfies the formal requirements for jurisdiction, they usually determine that it is not necessary to pierce the corporate veil any further to analyze whether the entity that satisfies jurisdiction is owned or controlled by other investors.[97]
60. For example, in *Amco Asia Corp. v. Republic of Indonesia*,[98] an Indonesian corporation, P.T. Amco, was formed to construct and manage a hotel in Jakarta. When the hotel was expropriated by the Indonesian government, the United States corporation, Amco Asia, (that owned P.T. Amco) requested arbitration under ICSID against the Indonesian government. The basis for jurisdiction was that Amco Asia was a juridical entity from an ICSID signatory, the United States. The Indonesian government objected to jurisdiction on the grounds that in the immediate level of ownership above Amco Asia was an entity not from an ICSID signatory. The *Amco* Tribunal declined to

> enter the thicket into which Indonesia invited it. . . . because such an investigation would open the door to an unending examination of the chain of control, and would be both exceedingly taxing on the arbitration process as well as undermine the objects and purposes of the ICSID Convention.[99]

61. One of the most compelling examples of tribunals' unwillingness to proceed further up a chain of ownership once an entity has been reached that satisfies the jurisdictional requirements is *Tokios v. Ukraine*.[100] There the ownership structure was the following:

---

[93] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS & BORZU SABAHI, INVESTOR STATE ARBITRATION 314 (Oxford University Press 2008).
[94] *Id.*
[95] Annex 3 Uncontested Facts ¶ 2.
[96] Clarification 75.
[97] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS & BORZU SABAHI, INVESTOR STATE ARBITRATION 319 (Oxford University Press 2008).
[98] *Amco Asia Corp. v. Republic of Indonesia*, ICSID Case No. ARB/81/1, 23 I.L.M. 351 (1984).
[99] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS & BORZU SABAHI, INVESTOR STATE ARBITRATION 321 (Oxford University Press 2008).
[100] *Tokios Tokeles v. Ukraine*, ICSID Case No. ARB/02/18 (Decision on Jurisdiction, Apr. 29, 2004).



[101]

62. Even with an ownership structure that clearly demonstrated that the ultimate controlling owner was of the nationality of the host state, the Tribunal limited themselves to only determining that Tokios Tokeles was a corporate national of Lithuania and, therefore, jurisdiction was satisfied under ICSID to bring a claim against the Ukraine.

63. Furthermore, policy considerations make it unwise for the Tribunal to look beyond the first company that establishes jurisdiction. Foreign investors that sought to avail themselves of the Bergonia-Conveniencia BIT by incorporating in one of the states should not be punished. This was the purpose of the creation of the BIT in the first place – to facilitate foreign investment.[102]

> In fact, many states make treaties that facilitate this situation. They operate on the basis of a platform concept so that MNCs would locate within their territories and proceed out from there. As a result, they may reap some of the advantages, including repatriation of profits through their banks, in exchange for, among other things, the protection provided by the treaties.[103]

In this instance, both Conveniencia and Bergonia benefitted. Foreign money was infused into a corporation in Conveniencia to improve technology leading to the patented product in Bergonia.

---

[101] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS & BORZU SABAHI, INVESTOR STATE ARBITRATION 322 (Oxford University Press 2008).
[102] *See* Bergonia-Conveniencia BIT Title, Preamble, & Art. 2.
[103] KARL P. SAUVANT, APPEALS MECHANISM IN INTERNATIONAL INVESTMENT DISPUTES 56 (Oxford University Press 2008).

64. Directly relevant to the current inquiry is the ICSID Case, *Aguas del Tunari, S.A. (AdT) v. Republic of Bolivia*.[104] There the claimant was a Bolivian corporation that had entered into an agreement with the Bolivian government. When a dispute arose, the central question in the case flowed from a provision in the Netherlands-Bolivia BIT. The provision at issue defined a national as:

> Legal persons controlled directly or indirectly, by nationals of that Contracting Party, but constituted in accordance with the law of the other Contracting Party.[105]

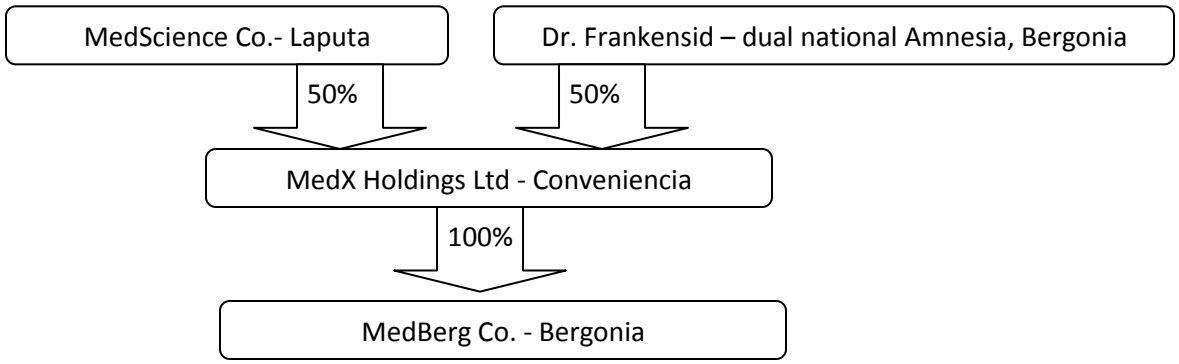
65. The Bolivian incorporated claimant argued that it was a national of the Netherlands as it was "'controlled directly or indirectly' by nationals of the Netherlands."[106] The Bolivian government argued that the Dutch companies that owned 55% of AdT, were just shell companies and lacked ultimate control. The AdT Tribunal disagreed with the Respondent and concluded that "where an entity has both majority shareholdings and ownership of a majority of the voting rights" control exists.[107]
66. Thus, guided by the aforementioned case law, the Tribunal should decline to look any further up the ownership chain than MedX. Like the corporations that the *Amco*, *Tokios*, and *AdT* tribunals based their jurisdiction from, MedX satisfies the jurisdictional requirements for ICSID. Again, whether determined by place of incorporation or seat, MedX is a company of Conveniencia. Second, like the company found to provide jurisdiction by the *AdT* tribunal, MedX controls one hundred percent of MedBerg's shares,[108] and two-thirds (a majority) of the management board.[109]
67. In addition, should the Tribunal find it necessary to examine further up the ownership chain based on any exceptional, outlier cases that Respondent may present, they should exercise extreme caution in making any decisions because the ownership or control framework is likely to prove very unworkable.

---

[104] *Aguas del Tunari, S.A., v. Republic of Bolivia*, ICSID Case No. ARB/02/3 (2005).
[105] *Id. at* ¶ 80.
[106] *Id. at* ¶ 81.
[107] *Id. at* ¶ 264.
[108] Annex 3 Uncontested Facts ¶ 2.
[109] Clarification 75.

68. Chart 2 below provides the ownership structure of MedBerg and MedX:

Chart 2[110]



69. Ownership of MedX is divided equally among two parties – MedScience and Dr. Frankensid. MedScience is a Laputan corporation, with primarily Laputan shareholders,[111] and owns fifty percent of MedX.[112] Dr. Frankensid is a dual national of Bergonia and Amnesia and owns fifty percent of MedX.[113] It is, therefore, impossible to determine control or ownership because neither owner has an advantage over the either in ownership or voting rights.[114] Voting rights split according to share ownership, thus, each party has fifty percent of the voting rights, and deadlocks are resolved by negotiation.[115]
70. To avoid this struggle, consistent with previous ICSID decisions,[116] the Tribunal should not look past the nationality of MedX, which clearly owns 100% and controls the management board.[117]

[110] Annex 3 Uncontested Facts ¶ 2.
[111] Clarification 17.
[112] Annex 3 Uncontested Facts ¶ 2.
[113] *Id.*
[114] Clarification 18.
[115] *Id.*
[116] *See* discussion *supra* ¶¶ 60-68.
[117] Clarification 75.

B) THE EXPLOITATION OF CLAIMANT'S INTELLECTUAL PROPERTY CONSTITUTES AN INVESTMENT BECAUSE IT FALLS WITHIN THE DEFINITION OF 'INVESTMENT' UNDER THE APPLICABLE BIT, SATISFIES THE OBJECTIVE CHARACTERISTICS OF AN 'INVESTMENT,' AND SHOULD BE CONSIDERED AN INVESTMENT AS A MATTER OF PUBLIC POLICY.

71. The Claimant's exploitation of its patent in Bergonia constitutes a protected investment because intellectual property, including patents, is included in the concept of 'investment' as defined under the Bergonia-Conveniencia BIT.[118] Furthermore, the patent satisfies the general characteristics of an 'investment' under international law and ICSID case law.

72. The ICSID Convention, never explicitly defines the term 'investment.' The Report of the Executive Directors on the Convention explains that a definition was omitted from the ICSID Convention because of the:

> essential requirement of consent by the parties, and the mechanism through which Contracting States can make known in advance, if they so desire, the classes of disputes which they would or would not consider submitting . . .[119]

73. Given the lack of definition in the ICSID Convention itself, the method by which the parties show their consent to arbitration under international law, and under what terms, is generally by the existence of a bilateral investment treaty ("BIT").[120] An applicable BIT for terms of ICSID arbitration will set forth the definition of what constitutes a protected 'investment,' and under what circumstances the parties will agree to arbitrate disputes arising from said 'investment' before the Centre.[121]

74. However, it has also been determined that because there is an independent requirement of an 'investment' under Article 25 of the ICSID Convention that signatories to the Convention who have agreed to arbitration under its terms must not only satisfy the definition of an 'investment' under their BIT, but also must meet the objective characteristics of an

---

[118] Bergonia-Convenienca BIT, Art. 1(1)(d).
[119] Report of the Executive Directors of the International Bank for Reconstruction and Development on the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, para. 27.
[120] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS, AND BORZU SABAHI, INVESTOR-STATE ARBITRATION 220 (Oxford University Press 2008).
[121] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS, AND BORZU SABAHI, INVESTOR-STATE ARBITRATION 221 (Oxford University Press 2008).

'investment' as set forth in ICSID case law.[122]

75. In this case, there exists an applicable BIT between Bergonia and Conveniencia which specifically includes intellectual property, and patents, under its definition of investment.[123] Furthermore, the protected 'investment' as defined by the Bergonia-Conveniencia BIT also satisfies the objective characteristics of an investment as described in ICSID case law. As a result, the Bergonian government's issuance of a compulsory license of MedBerg's patent constitutes a protected investment under both of these criteria.

1) The Bergonia-Conveniencia BIT Defines the Term 'Investment' to Be Inclusive of Intellectual Property, and Specifically, Includes Patents Within That Definition

76. MedBerg's exploitation of its patent in Bergonia constitutes an 'investment' under the terms of the Bergonia-Conveniencia BIT. The Bergonia-Conveniencia BIT specifically includes intellectual property, with a particular regard given to patents, as constituting an 'investment.'

77. For there to be proper ICSID jurisdiction an 'investment' must be present in order to satisfy the *ratione materiae* requirement.[124] As long as the disputed transaction in the case is covered by the definition of 'investment' listed in the applicable BIT, then there should be no valid dispute as to the existence of a protected investment.[125]

78. The purpose of the BIT is to offer investors certain minimum protections regarding their investments in the other contracting state.[126] ICSID tribunals have been reluctant to make determinations as to the existence of an 'investment' where the sole basis for that determination is a broadly worded provision within the BIT.[127] However, when the term is narrowly defined it has posed almost no issues in the tribunal's finding of proper jurisdiction.

---

[122] Farouk Yala, *The Notion of 'Investment' in ICSID Case Law: A Drifting Jurisdictional Requirement?: Some Unconventional Thoughts on Salini, SGS & Mihaly*, 22 J. INT'L ARB. 105 (2005).
[123] Bergonia-Conveniencia BIT.
[124] Engela C. Schlemmer, *Investment, Investor, Nationality, and Shareholders, in* THE OXFORD HANDBOOK OF INTERNATIONAL INVESTMENT LAW 55 (Peter Muchlinski et al. eds, 2008).
[125] *Id.*
[126] LUCY REED, JAN PAULSSON, AND NIGEL BLACKABY, GUIDE TO ICSID ARBITRATION 41 (Kluwer Law International 2004).
[127] CAMBELL MCLACHLAN, LAURENCE SHORE, AND MATTHEW WEINIGER, 172, ¶ 6.30 INTERNATIONAL INVESTMENT ARBITRATION (Oxford University Press 2007).

79. For example, in the case of *Jan de Nul N.V. Arabic Republic of Egypt*,[128]the Tribunal upheld jurisdiction based on the clear language of the Luxembourg-Egypt BIT, which clearly granted the Tribunal jurisdiction. The tribunal said"[a]bsent specific circumstances to the contrary, this Tribunal sees no reason to deviate from the 'ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose' "[129], which was stated in the BIT as giving "continuity of protection of investments."[130]
80. As discussed above, Claimant MedBerg Co. is a national of Conveniencia and the Respondent is the sovereign state of Bergonia. The states of Conveniencia and Bergonia have an investment treaty with each other under which they agree that after the satisfied settlement period of three months that "[d]isputes concerning investments . . . shall be submitted . . . [to], international arbitration under. . . ICSID."[131] Furthermore, the Bergonia-Conveniencia BIT specifically defines the term 'investment' as "compris[ing] of. . . intellectual property rights, **in particular**. . . patents"[132]
81. There is no ambiguity in the BIT as to whether intellectual property, or even whether patents, are considered to be an investment. The Bergonia-Conveniencia contains an exhaustive list of what constitutes an 'investment'[133] and explicitly lists intellectually property and patents in that list.[134] In this instance the contracting parties have clearly stated their intent to the have intellectual property, and patents, considered as 'investments' and there is no reason to interpret their clearly written intent otherwise.

2) The Exploitation of MedBerg's Intellectual Property Constitutes a Protected Investment Because it Satisfies the Characteristics of an 'Investment' Under ICSID Case Law

82. Even though the ICSID Convention never defines what qualifies as a protected 'investment' for purpose of ICSID, and it was generally assumed that the definition of what constitutes an investment was to be defined by the applicable BIT, ICSID case law has set forth the requirement that the 'investment' must still satisfy Article 25 of the ICSID Convention in

[128] *Jan de Nul N.V. Arabic Republic of Egypt*, ICSID Case No. ARB/04/13, Award, 6 November 2008.
[129] *Id.* at ¶139.
[130] *Id.* at ¶139.
[131] Bergonia-Conveniencia BIT Art. 10(2)(B).
[132] *Id.* at Art. 1(1)(d)(emphasis added).
[133] *Id.* at Art. 1(1).
[134] *Id.* at Art. 1(1)(d).

order for the Tribunal to have jurisdiction. Therefore, an 'investment' must satisfy not only international law by way of the BIT, but also the ICSID Convention itself via a list of objective factors, which although not binding, have been determined to be dispositive of the existence of an investment for purposes of Article 25 jurisdiction.

83. In *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco*[135] the ICSID Tribunal stated:

> The rights in dispute must also constitute an investment pursuant to Article 25 of the Washington Convention. The Arbitral Tribunal, therefore, is of the opinion that its jurisdiction depends upon the existence of an investment within the meaning of the Bilateral Treaty as well as that of the Convention, in accordance with the case law.*[136]*

84. The reason stated for setting forth this objective criteria standard in addition to the requirement of the consent of the parties via the BIT is that:

> The parties to a dispute cannot by contract or treaty define an investment, for the purposes of ICSID jurisdiction, as something which does not satisfy the objective requirements of Article 25. . . Otherwise. . .its reliance on the concept of investment, even if not specifically defined, would be turned into a meaningless provision. . .[137]

85. In the *Fedax NV v. Republic of Venezuela*[138] the ICSID Tribunal adopted the criteria that were proposed by Professor Christoph Schreur[139] in determining whether there was the existence of an 'investment' for purposes of Article 25 of the ICSID Convention. The *Fedax* Tribunal stated that:

> The basic features of an investment have been described as involving a certain duration, a certain regularity of profit and return, assumption of risk, a substantial commitment and significance for the host State's development.[140]

86. These criteria were further adopted in the case of *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco*. Further, the Tribunal in *Salani* stated that these criteria "may be interdependent" and "should be assessed globally even if . . . the Tribunal considers them

---

[135] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* ICSID Case No ARB/00/4, Decision on Jurisdiction, 23 July 2001, 42 ILM 606 (2003).
[136] Id.
[137] *Joy Mining Machinary Ltd. v. The Arab Republic of Egypt*, ICSID Case No. ARB/03/11, Award on Jurisdiction, 6 August 2004, at ¶ 50.
[138] *Fedax NV v. Republic of Venzuela*, ICSID Case No ARB/96/3, Decision on Jurisdiction, 11 July 1997, 37 ILM 1378 (1997).
[139] CHRISTOPH SCHREURER, THE ICSID CONVENTION: A COMMENTARY (Cambridge University Press 2001).
[140] *Fedax*, para. 43.

individually here."[141] Therefore, as an example, it would be appropriate to look at the other criteria to determine the existence of one of the other criteria.[142]

87. Bergonia's compulsory licensing of MedBerg's patent satisfies all of the five factors listed in the *Fedax* case. However, even if it did not this would not preclude the compulsory licensing of MedBerg's patent from being determined to be an investment under Article 25 of the ICSID Convention as it already is deemed to be an investment under the language of applicable BITs.

i. There is a Set Duration of Time for the Project Which is Set By the Life Span of Patent AZ2005

88. The use of MedBerg's patent in Bergonia satisfies the duration criteria for determining an investment for purposes of Article 25 of the ICSID Convention because patent AZ2005 has a certain existence of at least twenty years as a result of being issued in compliance to the TRIPS agreement.

89. To satisfy that a project is for an acceptable duration, it must "compl[y] with the minimal length of time upheld by doctrine, which is from 2 to 5 years."[143] It was also contemplated in the first Draft of the ICSID Convention that "'investment' means any contribution . . . for an indefinite period or, if the period be defined, for not less than five years."[144]

90. Generally, the reason for requiring a set duration as a characteristic of an 'investment' is because of a host states' desire to encourage investments which are of a long enough duration that they can count on that 'investment's' continued existence for the host states' economic development.[145]

91. In *Salini,* the Tribunal held that the total duration for the performance of a construction contract, which was for three years, satisfied the duration requirement for an investment.[146]

92. Patent AZ2005 was issued in Bergonia in accordance with the standards set forth in the TRIPS Agreement,[147]to which all of the states involved in this dispute are a party.[148] Under

---

[141] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* ICSID Case No ARB/00/4, Decision on Jurisdiction, 23 July 2001, 42 ILM 606 (2003), at ¶ 52.
[142] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* ICSID Case No ARB/00/4, Decision on Jurisdiction, 23 July 2001, 42 ILM 606 (2003),
[143] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* 23 July 2001, 42 ILM 606 (2003), at ¶ 54.
[144] *Fedax NV v. Republic of Venzuela*, ICSID Case No ARB/96/3, Decision on Jurisdiction, 11 July 1997, 37 ILM 1378 (1997), at ¶ 23.
[145] NOBERT HORN, ARBITRATING FOREIGN INVESTMENT DISPUTES 297 (Kluwer Law International 2004).
[146] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* 23 July 2001, 42 ILM 606, ¶ 54 (2003).
[147] Clarification 58.

Article 33 of TRIPS the "term of protections shall not end before the expiration of. . . twenty years counted from the filing date."[149]

93. Therefore, MedBerg's patent satisfies the duration criteria in determining Article 25 jurisdiction because it is not a short-term, or one-time investment, and will have a duration of at least twenty years.[150] As long as the technology in the patent continues to be relevant and utilitarian the investment has a possibility of spanning a very substantial time period.

ii. MedBerg Had a Reasonable Belief That They Would Receive a Regularity of Profit and Return by the Licensing of Patent AZ2005

94. When MedBerg patented its technology in the form of AZ2005 it did so with the belief that the licensing of that patent would bring them a regularity of profit and return. In return for its investment, Medberg did not expect a one-time payment, but rather a gradual return where the profits would materialize over time.

95. One of the distinctions between a sales contract and an investment is the investor's anticipation of a regularity of profit and return. As a result, an investor's infusion of capital into a state without any reasonable expectation that action will yield a profit is not determined to be an 'investment.'[151]

96. For example, in the case of *Joy Mining Machinery Ltd. v. The Arab Republic of Egypt*[152] the Tribunal held that where the price of a project was paid in full at the outset, there would be no regularity of profit and return. Taking this into consideration with the other objective criteria, the Tribunal determined that the project did not constitute an 'investment.'[153]

97. MedBerg is being offered a percentage royalty-rate for the use of the patent,[154] which indicates that they are not being paid in one lump-sum. Furthermore, Bergonia has collected, and offered to distribute royalties in payments to MedBerg.[155] The royalty fees which were

---

[148] Annex 3 Uncontested Facts ¶ 3.
[149] Agreement on Trade-Related Aspects of Intellectual-Property Rights.
[150] Clarification 58.
[151] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS, AND BORZU SABAHI, INVESTOR-STATE ARBITRATION 269 (Oxford University Press 2008).
[152] *Joy Mining Machinery Ltd. v. The Arab Republic of Egypt*, ICSID Case No. ARB/30/11, Award on Jurisdiction, 6 August 2004.
[153] *Joy Mining Machinery Ltd. v. The Arab Republic of Egypt*, ICSID Case No. ARB/30/11, Award on Jurisdiction, 6 August 2004, at ¶ 57.
[154] Clarification 25.
[155] Annex 3 Uncontested Facts ¶ 8.

offered to MedBerg were offered on a yearly basis.[156] This royalty payment arrangement supports that this was a project initiated with the objective of gaining regular profits and returns.

iii. The Use of the Patent By Bergonia Will Constitute an Assumption of Risk for Both Parties Because of Bergonia's Uncertainty that the Patent Will Be Effective in Solving Their Issue, and Because of MedBerg's Uncertainty as to the Security of Their Patent

98. Both MedBerg and the state of Bergonia are assuming a relatively high amount of risk in their participation in this transaction. MedBerg stands the risk that their asset, Patent AZ2005, will not be protected, or that they never see any profit. The state of Bergonia is risking that the patented product will not work in helping them manage their domestic issue.
99. In *Salini,* the tribunal stated that the risks undertaken "flow[ed] from the nature of the contract at issue"[157] and that it "did not matter. . . that these risks were freely taken."[158] The *Salini* project consisted of construction, and therefore the Tribunal accepted a list of 'risks' on behalf of the investors including "potential increase in the cost of labour in case of modification of Moroccan law" and "any unforeseeable incident that could be considered *force majeure* and which therefore, would not give rise to compensation."[159]
100. However, even though the risk might stem from the contract, it is not the risk "of contractual breach, which classical doctrine has in mind when it defines investment."[160] Furthermore, projects where the risk falls mainly on the shoulder of the host state have normally been deemed to not constitute an 'investment.'[161]
101. In this case the risk of the project is borne equally between the state of Bergonia and the investor MedBerg. MedBerg's decision to patent AZ2005, and then license it to outside companies, opened them up to the possibility of having those licensees misuse their patent, or export their intellectual property to others.[162] MedBerg could have licensed the patent

---

[156] Clarification 87.
[157] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* 23 July 2001, 42 ILM 606 (2003), at ¶ 55.
[158] *Id.* at ¶ 56.
[159] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* 23 July 2001, 42 ILM 606 (2003), at ¶ 55.
[160] Emmanuel Gaillard, *Chronique des sentences arbitrales*, 126 J.D.I. 273, 292 (1999).
[161] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS, AND BORZU SABAHI, 269 INVESTOR-STATE ARBITRATION (Oxford University Press 2008).
[162] Annex 3 Uncontested Facts ¶ 8.

themselves, and have eliminated this risk. Bergonia is taking a risk in that the product will not solve their obesity issues. The effectiveness of the patent on their population is still undetermined.[163] Bergonia has entered into this project based solely on two studies showing the patent is effective in combating the type of obesity that effects their population.[164]

iv. The Patent is a Substantial Commitment or Contribution from MedBerg to Bergonia in Terms of 'Know-how.'

102. The use of patent AZ2005 by Bergonia is a substantial commitment or contribution on behalf of MedBerg in terms of their contribution of 'know-how' and how important this 'know-how' is for the development of Bergonia.

103. What is determined to be a substantial commitment or contribution is considered based on the relative positions of the parties involved.[165] Additionally, the magnitude of the contribution is considered rather than simply the monetary contribution.[166]

104. In the case of *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco* [167] the Tribunal held that the use of a foreign investor's "know-how" constituted a substantial contribution by a foreign investor.[168] Similarly, in the case of *Bayandir Insaat Turzim Ticaret Ve Sanayi A.S. v. Islamic Republic of Pakistan*[169] the Tribunal held that a contribution of "know-how" could be indicative of a substantial contribution.[170]

105. MedBerg made a very substantial contribution to Bergonia in the form of patent AZ2005. MedBerg invested fully into Bergonia the 'know-how' which they had available to them – their intellectual property in the form of patent AZ2005. Furthermore, given Bergonia's low income-level,[171] and the degree of their problem,[172] the availability of 'know-how' which

---

[163] Clarification 67.
[164] *Id.* at 26.
[165] NOAH RUBINS AND N. STEPHAN KINSELLA, INTERNATIONAL INVESTMENT, POLITICAL RISK AND DISPUTE RESOLUTION 296, n. 168 (2005).
[166] CHRISTOPHER F. DUGAN, DON WALLACE, JR., NOAH RUBINS, AND BORZU SABAHI, INVESTOR-STATE ARBITRATION 271 (Oxford University Press 2008).
[167] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco*, 23 July 2001, 42 ILM 606 (2003).
[168] Id.
[169] *Bayandir Insaat Turzim Ticaret Ve Sanayi A.S. v. Islamic Republic of Pakistan*, ICSID Case No. ARB/03/29, Decision on Jurisdiction, 14 November 2005.
[170] *Id.* at ¶ 131.
[171] Clarification 44.
[172] *Id.* at 65.

might solve an issue that the Bergonian government's previously taken actions had not,[173] carries a substantial weight.

v. A Project Using MedBerg's Patent In Bergonia is Significant for Bergonia's Development in Light of Their Populations' Health Issues and the Nature of the Patent.

106. A project using patent AZ2005 in Bergonia would be significant for the development of Bergonia in light of the country's wide-spread health issues and the possibility that their ability to use this patent might help eradicate the problem.

107. The four previous characteristics reviewed in determining the existence of an 'investment' for purposes of ICSID jurisdiction look primarily, although not exclusively, to the role of the investor and their participation.[174] The determination whether the project would be significant for a host states' development takes into consideration the host state's acceptance and protection of the project.[175]

108. In *Salini* the Tribunal held that a contribution of "know-how" and that the project "serve[d] the public interest" were sufficient to satisfy the requirement that the project is significant for the economic development of the host state.[176] Furthermore, in the Annulment Decision of *Mr. Patrick Mitchell v. The Democratic Republic of Congo*,[177] the *ad hoc* Committee determined that:

> [It] suffices for the operation to contribute in one way or another to the economic development of the host State, and this concept of economic development is, in any event, extremely broad but also variable depending on the case. [178]

109. The use of MedBerg's patent is significant for Bergonia's development as a nation because it deals with a health-related technology,[179] which might effectively remedy a health situation[180] that is affecting a large part of the Bergonian population.[181] An issue so serious

---

[173] Clarification 85.
[174] NOBERT HORN, ARBITRATING FOREIGN INVESTMENT DISPUTES 299 (Kluwer Law International 2004).
[175] *Id.* at 299.
[176] *Salini Costruttori S.p.A. & Italstrade S.p.A. v. Kingdom of Morocco,* 23 July 2001, 42 ILM 606 (2003), at ¶ 57.
[177] *Mr. Patrick Mitchell v. The Democratic Republic of Congo,* Case No. ARB/99/7, Decision on the Application for Annulment of the Award, 1 November 2006.
[178] *Id.*
[179] Clarification 40.
[180] Clarification 85.
[181] Clarification 65.

that the Bergonian government considered imposing a substantial tax and other protectionist measures in order to attempt to eradicate the problem.[182] Bergonia currently has a very low income-level[183] and this health issue has caused some financial output on the part of the Bergonian government.[184] Consequently, a project which could possibly eliminate this health issue is certainly something that serves the public interest of Bergonia.

3) As a Matter of Good Public Policy this Should Constitute a Protected Investment Given the Preamble of the ICSID Convention and the Language of the BIT

110. As a matter of good public policy, the exploitation of MedBerg's patent should constitute a protected investment for purposes of ICSID arbitration proceedings. In order to encourage and promote important investments in states, particularly in less developed or needing states, investors need to feel that their investments are truly being protected.

111. The effective protection of intellectual property rights through investment treaties should yield in more transfers of important technologies to developing nations.[185] To an investor with assets in areas such as technology or pharmaceuticals the protection of their intellectual property is of the utmost importance.[186] Assuredness of the protection of intellectual property, such as patents, will allow promote confidence in international investors, and abundant benefits for host states receiving new technologies which can be vital to their development as nations.[187] However, this theory will only be applicable if the Tribunal enforces clear language in the BIT that is the will of the two contracting states - that intellectual property rights, inclusive of patents, be considered an 'investment.'

112. The Preamble to the ICSID Convention takes into consideration:

> [T]he need for international cooperation for economic development, and the role of the private international investor therein.[188]

113. Furthermore, the BIT between Bergonia and Conveniencia states in its Preamble that the contracting parties have agreed to the terms of the BIT between them in order to:

> [I]ntensify economic co-operation between both countries and create favourable

---

182 Clarification 85.
183 Clarification 44.
184 Clarification 85.
185 M. SORNARAJAH, THE INTERNATIONAL LAW ON FOREIGN INVESTMENT 12 (Cambridge University Press 2004).
186 M. SORNARAJAH, THE INTERNATIONAL LAW ON FOREIGN INVESTMENT 47 (Cambridge University Press 2004).
187 *Id.*
188 Convention of the Settlement of Investment Dispute Between States and Nationals of Other States, Preamble.

conditions to increase investments by investors of one of the Contracting States in the territory of the other Contracting States.[189]

114. In *Jan de Nul N.V. Arabic Republic of Egypt*,[190] while considering a similar provision to that found the Bergonia-Conveniencia BIT Preamble in a BIT between Belgium and Egypt, the Tribunal, while declining to find a violation by the Respondent in this instance, "pondered whether the intention of the Contracting Parties was to create a positive duty. . ." and ultimately determined that "this issue can be left open."[191]

115. Determining that intellectual property, inclusive of patents, is a protected 'investment' furthers the goals set forth both in the ICSID Convention and the BIT between Bergonia and Conveniencia. Allowing for intellectual property rights to be protected by the BIT as well as satisfy the Article 25 jurisdictional requirements of the ICSID Convention would both "foster economic cooperation"[192] and "create favourable conditions to increase investments."[193]

C) ISSUANCE OF THE COMPULSORY LICENSE AMOUNTS TO EXPROPRIATION

1) Respondent Breached Article 4 of the Bergonia-Conveniencia BIT Because it Expropriated MedBerg's Investment

116. Article 4(2) of the Bergonia-Conveniencia BIT provides:

> Investments by investors of either Contract State **shall not directly or indirectly be expropriated**, nationalized **or subjected to any other measure the effects of which would be tantamount to expropriation** or nationalization . . . in the territory of the other Contracting State except in accordance with the applicable laws of the latter Contracting State for the public benefit, **on a non-discriminatory basis and against prompt, adequate and effective compensation.** Such compensation shall be equivalent to the value of the expropriated investment immediately before the date on which the actual or threatened expropriation has become publicly known.[194]

117. Respondent is in total breach of Article 4.

118. Expropriation determinations are highly fact-intensive inquiries; indeed, the specific factual

[189] Bergonia-Conveniencia BIT.
[190] *Jan de Nul N.V. Arabic Republic of Egypt*, ICSID Case No. ARB/04/13, Award, 6 November 2008.
[191] *Jan de Nul N.V. Arabic Republic of Egypt*, ICSID Case No. ARB/04/13, Award, 6 November 2008, at ¶ 274.
[192] Convention of the Settlement of Investment Dispute Between States and Nationals of Other States, Preamble.
[193] Bergonia-Conveniencia BIT.
[194] Bergonia-Conveniencia BIT Art. 4(2).

background of the dispute "is almost always more important than any particular doctrinal approach." [195] Thus, this tribunal should not feel constrained to rigidly apply a legal doctrine that is unsuitable for accounting for the many considerations at hand.[196] The determination of when a state has expropriated "tends to involve a balancing of several considerations," many of which a unique to a given case.[197] Such an approach is required because expropriation can "arise in such innumerable circumstances."[198]

119. In the case at bar, Respondent has expropriated MedBerg's investment, and therefore breached article 4(2) of the Bergonia-Conveniencia BIT, for at least four reasons. First, because MedBerg's "fundamental rights" associated with its control of its investment have been deprived; second because the value of the investment or has been destroyed; third, because the value of the investment has been "substantially diminished"; and fourth, because Respondent has engaged in behavior that is "tantamount" to expropriation, all in violation of Article 4(2) Bergonia-Conveniencia BIT.[199]

i. The Deprivation of MedBerg's Fundamental Rights Amounts to Expropriation

120. Many arbitral tribunals have adopted the position that deprivation of a business's fundamental right to control its operations is expropriation.[200] Government agencies, such as the U.S. Overseas Private Investment Corporation (hereinafter, "OPIC"), have also adopted this position.[201]

121. It is commonly accepted that "fundamental rights" in an investment include "the right to control day-to-day operations of the investment" and to be "free from interference" with the use of the investment in the marketplace.[202] Indeed, in the context of an international taking, commentators have explained that the most fundamental right of "an owner of property [] is

---

[195] DUGAN, *supra* note 166, at 450.
[196] S*ee* George C. Christie, *What Constitutes a Taking Under International Law?*, 33 BRIT. Y.B. INT'L. L. 307 (1962); *see also* L. Yves Fortier & Stephen L. Drymer, *Indirect Expropriation in the Law of International Investment: I know it When I See it, or Caveat Investor,* 19 ICSID REV.F.I.L.J. 293, 326-27.
[197] Christie, *supra* note 196.
[198] *Id.*
[199] DUGAN, *supra* note 166, at 455.
[200] See, e.g., *Thomas Earl Payne v. Gov't of the Islamic Rep. of Iran* (Award No. 245-335-2), 12 Iran-U.S. Cl. Trib. Rep. 3 (Aug. 8, 1986).
[201] 22 U.S.C. §§ 2192 *et. seq.*
[202] DUGAN, *supra* note 166, 456.

the right to be participate in its control and management."[203] Arbitral tribunals have recognized the importance of the right of control over one's investment as fundamental and its deprivation as expropriation.[204] In its interim award of June 2000, the Arbitral Tribunal in *Pope & Talbot, Inc. v. Canada* explained that an investment's "access to the U.S. market is a property interest and is subject to protection under Article 1110 . . ."[205] The Tribunal's decision regarding expropriation largely focused on "the degree of control the investor was left with."[206]

122. As tribunals, such as Pope & Talbot, as well as commentators and even governments, themselves, have emphasized, elimination of the fundamental right to control the "day-to-day" operations of an investment in a market place is expropriation. In the case at bar, Respondent has stripped MedBerg of its ability to control its investment by negotiating on the open market. Worse, MedBerg has been has been effectively sidelined while five Bergonian entities have invoked the compulsory license to market products using MedBerg's technology and even **export** those products to other countries. Despite MedBerg's numerous objections and the clear language prohibiting expropriation in Article 4(2), Respondent has refused to provide MedBerg with even the slightest measure of control over its investment.

ii. Respondent's Issuance of the Compulsory License has Entirely Destroyed Claimant's Investment Value

123. Tribunals have held that the alteration of licenses lead to expropriation when the alteration destroys the investor's investment value.[207] In CME v. Czech Republic, the Arbitral Tribunal held that the Czech Republic's alteration of a license to operate a television station "caused destruction of [Claimant's investment] operations" and was therefore an expropriation.[208]

124. Determining that expropriation occurred is appropriate when a government alters a license, but permits the investor to maintain nominal ownership over the investment.[209] In Middle East Cement v. Arab Republic of Egypt, a license revocation effectively terminated an

---

[203] Christie, *supra* note 195, at 337.
[204] See, e.g., *Pope & Talbot, Inc. v. Gov't. of Canada* (Interim Award, June 26, 2000).
[205] *Pope & Talbot, Inc. v. Gov't. of Canada* (Interim Award, June 26, 2000); *see also* Dugan at 456.
[206] DUGAN, *supra* note 166, at 456.
[207] See, e.g., *CME v. Czech Republic*, Partial Award ¶591 and ¶607.
[208] *CME v. Czech Republic*, Partial Award ¶591 and ¶607.
[209] See, e.g., *Middle East Cement Shipping and Handling Co., S.A. v. Egypt*, ICSID Case No. ARB 99/6 (Apr. 12, 2002).

investor's business and constituted expropriation under the Egypt-Greece BIT even though the investor remained the nominal owner of the investment.[210] The Arbitral Tribunal specifically held that

> [w]hen measures are taken by a state the effect of which is to deprive the invetor of the use and benefit of his investment even though he may retain nominal ownership of the respective rights being the investment . . . the investor is deprived by such measure of parts of the value of his investment.[211]

Like the Tribunal in Middle East Cement, the Tribunal in CME was careful to note that that the Czech Republic's license alterations caused CME to be left with "assets" but without a "business."[212]

125. In the case at bar, Respondent's issuance of the compulsory license completely prevented MedBerg from realizing its investment value, and although MedBerg remains the owner of the investment, this ownership is in name only. In effect, MedBerg has no business. By depriving MedBerg of access to Respondent's market, as well as other markets to which licensees have been permitted to export, Respondent has completely deprived MedBerg of the value of its investment and thereby expropriated it.

iii. Even if MedBerg's Investment Value Is not Completely Destroyed, Respondent's Measure Amounts to Expropriation Because it Caused Significant and Substantial Devaluation

126. While entirely destroying MedBerg's investment value is certainly sufficient to determine that Respondent's measures were expropriatory, it is not strictly required. In order to demonstrate expropriation, MedBerg need only prove that Respondent significantly and substantially diminished the value of MedBerg's investment. There should be no doubt that Respondent did, indeed, significantly and substantially diminish (if not entirely destroy) the value of MedBerg's investment.

127. A number of tribunals require only that an investor demonstrate that that his investment has been significantly and substantially diminished in value in order to find expropriation. In Metalclad v. Mexico, the Arbitral Tribunal made clear that a

---

[210] *Middle East Cement Shipping and Handling Co., S.A. v. Egypt*, ICSID Case No. ARB 99/6 (Apr. 12, 2002).
[211] *Id.*
[212] *CME v. Czech Republic*, Partial Award ¶591 and ¶607.

> regulatory measure qualifies as expropriatory if it deprives the investor in whole **or in significant part**, of the use or reasonably-to-be-expected economic benefit of property.[213]

128. Similarly, in CME Czech Republic B.V. v. Czech Republic, the Tribunal found liability for expropriation when approximately 90.5% of the investment value was destroyed.[214] Moreover, UNCTAD considers expropriation to include "official acts that effectuate . . . a significant depreciation in the value of assets."[215]

129. Again, by depriving MedBerg of access to Respondent's market, as well as other markets to which licensees have been permitted to export, Respondent has completely deprived MedBerg of the value of its investment and thereby expropriated it.

iv. The Effects of Respondent's Measures, Even if not Direct Expropriation, Are "Tantamount to Expropriation" in Violation of Article 4(2)

130. Arbitral Tribunals have held that government measures that result in a loss of the fundamental rights of a business (see section C(1)(i), *supra*) or result in a substantial deprivation of the value of an investment (see sections C(1)(ii) and C(1)(iii), *supra*) will be treated as expropriation when "similar effect" language is included in the relevant BIT.[216]

131. For example, in *Antoine Goetz v. Republique du Burundi*, the Tribunal held that revocation of a "free enterprise license" was a measure having "similar effect" to expropriation because the measure resulted in depriving the investors of their future profits.[217] The Tribunal explained that

> Since according to the facts supplied to the Tribunal by the Claimants, the revocation of the free enterprise certificate forced them to cease all activities from August 13, 1996, the date of their last export, which deprived their investment of any utility and robbed the Claimant investors of the profit they could have obtained from their investments, the disputed measure can be regarded as a "measure having a similar effect" to measure expropriating or restricting property in the sense of Article 4 of the Investment Convention.[218]

132. Thus, in the case at bar the Tribunal should not hesitate to merely look to the *effects* of the

---

[213] *Metalclad v. Mexico*, ICSID Case No. ARB (AF)/97/1 (Award of Aug. 30, 2000), 109 ¶ 103 (emphasis supplied); *see also* Dugan at 459 (same).
[214] *CME Czech Republic B.V. v. Cezech Republic* (UNCITRAL Final Award, Mar. 4, 2003) ¶ 620.
[215] UNCTAD, Series on Issues in International Investment Agreements, Taking of Property 3-4 (2000).
[216] See, e.g., *Antoine goetz v. Republique du Burundi*, ICSID Case No. ARB/95/3 (Decision of Feb. 10, 1999).
[217] *Id.*
[218] *Id.*

Respondent's measures. That is, because the Respondent's measures have resulted in the substantial deprivation of MedBerg's "profit they could have obtained from their investments," it has had an effect "tantamount to expropriation," and is therefore in violation of Article 4(2). As previously discussed, MedBerg's access to the Bergonian market, and the resulting profit, was entirely foreclosed. Moreover, there is further loss of profit from the three companies which are exporting products built by MedBerg's technology. MedBerg's entire loss of profitability from the Bergonian market, as well as the Bergonian export market, is undeniably a result that is "tantamount" to expropriation for which MedBerg is entitled to relief.

v. The "Public Benefit" Exception of Article 4(2) is Inapplicable

a. The Plain Language of the Exception Prohibits Respondents from Invoking it

133. Any reliance by respondent on the Article 4(2) "public benefit" exception is entirely misplaced.[219] The exception provides that expropriation may occur

> in accordance with the applicable laws of [Bergonia] for the public benefit, **on a non-discriminatory basis and against prompt adequate and effective compensation.**[220]

134. Thus, the plain language of the exception makes it inapplicable to the case at bar. Respondent's actions have amounted to discrimination, and Respondent has completely failed to provide any which resembles "prompt, adequate and effective" relief to MedBerg. MedBerg has not been compensated for its lost profits resulting from the issuance of the compulsory license. In fact, Respondent has even permitted three of the compulsory licensees to begin to export products produced by MedBerg's technology to third parties for a profit. Strictly as a matter of the plain-language requirements of the exception, Respondent cannot make a good faith argument that it should be permitted to invoke the "public benefit" exception to the Article 4(2) expropriation prohibition.

[219] Bergonia-Conveniencia BIT Article 4(2).
[220] Bergonia-Conveniencia BIT Article 4(2).

b. The Intent, Purpose, Nature, or Character of Respondent's Measures Is Irrelevant

135. Just as the plain language of the "public benefit" exception prohibits respondents from invoking it in the case at bar, this Tribunal should not be persuaded to otherwise look to Respondent's motivations for issuing the compulsory license when determining whether expropriation occurred.

136. According to the majority of investment arbitral tribunals, a government's motivations for taking a measure have "generally been less important than the measure's consequences for the investment."[221] Indeed, in the CME Partial Award, the Tribunal made clear that:

> The intent of the government is less important than the effects of the measure on the owner, and the form of the measures of control or interference is less important than the reality of their impact.[222]

137. Similarly, in *Biloune v. Ghana Investment Centre*, the Tribunal held that although it could not definitively decipher the purpose or motivation of Ghanaian authorities in passing an allegedly expropriatory law, that "it did not need to establish those motivations to come to a conclusion" in the case because the various government acts at issue "had the effect of causing the irreparable cessation of work" on the project at issue.[223] Likewise, in *Tecmed v. United Mexican States*, the Tribunal took note that the Mexican government's "intention is less important that the effects of the measures on the owner of the assets."[224] In Phelps Dodge Corp v. Islamic Repub. of Iran, the Tribunal acknowledged the social concerns that motivated Iranian officials to act, but explained, in no uncertain terms that "those reasons and concerns cannot relieve Iran of the obligation to compensate [Claimant] for its loss."[225]

138. Arbitral Tribunals have reacted similarly even when the social good at issue could potentially affect an entire population. For example, in *Compañia del Desarrollo de Santa Elena v. Costa Rica*, the Tribunal stated:

> the purpose of protecting the environment for which the property was taken does

---

[221] DUGAN, *supra* note 166, at 461.
[222] *See* CME Partial Award, ¶ 608.
[223] *Biloune v. Ghana Investment Centre*, Oct. 27, 1989, 95 I.L.R. 184 ¶126 (1990).
[224] *Tecmed v. United Mexican States*, ICSID Case No. ARB (AF)/00/2 (May 29, 2003).
[225] Phelps Dodge Corp v. Islamic Repub. of Iran (Award No. 217-99-2), 10 Iran-U.S. Cl. Trib. Rep. 121, 130 (Mar. 19, 1986).

> not alter the legal character of the taking for which adequate compensation must be paid. The international source of the obligation to protect the environment makes no difference.[226]

139. Thus, Arbitral Tribunals, and commentators alike,[227] have very often refused to consider the underlying motivations of a government as a factor in determining whether expropriation occurred. In the case at bar, the effects of the expropriation on MedBerg have been tremendous loss of profit and loss of control over its investment.

140. Finally, should the tribunal decide to consider any public benefit associated with Respondent's measures, it must equally consider the negative social cost associated with such expropriatory measures, namely, the resulting decline in desire to produce new forms of intellectual property in the future.

2) The TRIPS Agreement and the Doha Declaration on the TRIPS Agreement and Public Health Are Inapplicable

i. TRIPS Is not a Standard for Expropriation

141. Simply put, TRIPS does not purport to set forth a standard for expropriation. Article 4(2) of the Bergonia-Conveniencia does.[228] Therefore, TRIPS cannot answer the question "was there an expropriation?" However, Article 4(2) of the Bergonia-Conveniencia BIT, discussed in section C(1), *supra* does answer this question (with a resounding "yes.")

142. Specifically, Article 31 of TRIPS merely sets forth conditions under which a state may allow use of "the subject matter of a patent without the authorization of the right holder."[229] Nowhere does Article 31 of TRIPS (or any other provision of TRIPS) purport to define or provide a remedy for expropriation. Although Article 31 provides for "remuneration," it is merely described as a condition precedent to the issuance of the compulsory license; *i.e.*, it does not purport to be a legal remedy available to individual parties to an ICSID

---

[226] *Compañia del Desarrollo de Santa Elena v. Costa Rica*, ICSID case No. ARB/96//1 (Final Award, Feb. 17, 2000) ¶17.

[227] Burns H. Weston, *"Constructive Takings" under International Law: A Modest Foray into the Problem of "Creeping Expropriation,"* 16 VA. J. INT'L. L. 103, 115-116 (1975) (questioning utility of trying to evaluate government motives or purposes of taking); *see also* DUGAN *supra* note 166, at 462.

[228] *See* Art. 4(2).

[229] TRIPS Art. 31.

arbitration.[230]

143. Indeed, TRIPS was not designed to replace contractually agreed upon legal standards for expropriation. TRIPS was designed to be enforced in WTO proceedings by WTO member-states, themselves (i.e., not by individual claimants and/or respondents to an ICSID arbitration, respectively). To permit individual investors to litigate TRIPS standards in arbitration, outside of the proper WTO forum, would do violence to the intent of the WTO.[231] This view has been echoed by the academic community:

> Except in circumstances where the provisions of the [BITs] speicifically refer to the provisions of the TRIPS Agreement, providing investors with the opportunity to challenge governments on the violation of the TRIPS or any other WTO agreement would be a radical departure from the self-contained system of negotiation, implementation and dispute settlement of the WTO.[232]

144. Also, even as recently as the Doha Declaration on the TRIPS Agreement and Public Health (hereinafter, "Doha Declaration"), WTO Members confirmed the WTO's unique role; the 2001 Doha Ministerial Declaration on the subject of public health expressly noted that "[w]e stress our commitment to the WTO as a unique forum for global trade rule-making . . ."[233]

145. Thus, compliance with TRIPS is not tantamount to a finding that no expropriation took place and such a standard would unnecessarily conflate the role of the WTO with private causes of action by individuals against governments pursuant to BITs. Therefore, this Honorable Tribunal should not consider TRIPS (and by incorporation the DOHA Declaration) when determining whether Respondent expropriated MedBerg's investment.

ii. Even if TRIPS Applies, Respondents Failed to Comply with TRIPS or the DOHA Declaration

146. Among other restrictions, Article 31 of TRIPS provides that when a government permits use of:

> [T]he subject matter of a patent without the authorization of the right holder . . . the following **shall** be respected: [. . .] any such use shall be authorized

[230] TRIPS Art. 31.
[231] Emias Tekeste Biadgleng, *IP Rights Under Investment Agreements: The TRIPS-Plus Implications for Enforcement and Protections of PublicInterest,* Research Paper No. 8, South Centre (Aug. 2006).
[232] Emias Tekeste Biadgleng, *IP Rights Under Investment Agreements: The TRIPS-Plus Implications for Enforcement and Protections of PublicInterest,* Research Paper No. 8, South Centre (Aug. 2006) (citing Verill, Charles Owen, Jr. (2005), "Are WTO Violations Also Contrary to the Fair and EquitableTreatment Obligations In Investment Protection Agreement?" 11 *ILSA Journal of Internationaland Comparative Law 2*.).
[233] The Doha Declaration on the TRIPS Agreement and Public Health WT/MIN(01)/DEC/2 (Nov. 2001).

> predominantly for the supply of the **domestic market** [. . . and that] the right holder shall be paid **adequate remuneration** in the circumstances of each case, taking into account the **economic value** of the authorization . . . [T]he **legal validity** of any decision relating to the authorization of such use shall be **subject to judicial review or other independent review** by a distinct higher authority . . . [A]ny decision relating to the **remuneration** provided in respect of such use **shall be subject to judicial review or other independent review** by a distinct higher authority. . . [234]

147. Considering the case at bar "on its individual merits" (as TRIPS would require)[235], it is apparent that Respondent has not made just made the fruits of the investment available to the domestic market. In fact, fifty percent (50%) of the firms awarded a compulsory license are actively exporting products derived from the investment.

148. Perhaps most importantly, Respondent's contention that its issuance of the compulsory license complies with TRIPS fails for the additional reason that MedBerg has not received "adequate remuneration . . . taking into account the economic value of the authorization."[236] There is no evidence that the royalties collected by Respondent are commensurate to the opportunity cost or "economic value" of the compulsory license. Moreover, Respondents have ignored the TRIPS mandate that both the "legal validity" of the issuance of the compulsory license and the remuneration offered to the investor be subject to "judicial review or other independent review."[237] Despite MedBerg's repeated objections to both the legal validity and the remuneration offered, Respondent has made no attempt to comply with TRIPS by conducting any sort of independent review. Thus, Respondent can make no good faith argument that its actions are TRIPS-compliant.

149. In fact, if this Honorable Tribunal were to accept Respondent's assumption that TRIPS provides a legal standard by which expropriation can be judged (which, TRIPS does not purport to do), it would also have to accept that Respondent expropriated MedBerg's investment pursuant to this TRIPS standard. Given that Respondent usurped MedBerg's investment product, permitted domestic manufacturers to then export the product, while not providing MedBerg with remuneration or any sort of independent review, this Honorable Tribunal would be hard-pressed to not find expropriation, if these are, indeed, the standards

[234] TRIPS Art. 31.
[235] TRIPS Art. 31(a).
[236] TRIPS Art. 31(h).
[237] TRIPS Art. 31(i), (j).

to be applied. Should this Honorable Tribunal find that the TRIPS standards do apply and that Respondent expropriated MedBerg's investment pursuant to the TRIPS standards, it must then award MedBerg damage commensurate to "adequate remuneration . . . taking into account the economic value" of the compulsory license.[238]

150. Similarly, any reliance by Respondent on the Doha Declaration on the TRIPS Agreement and Public Health[239] is equally misplaced. The Doha Declaration merely clarifies TRIPS to the extent that it permits states to issue compulsory licenses for health-related emergencies.[240] However, the Doha Convention, to change the requirements of TRIPS outlined in the previous section. That is, the TRIPS requirements that the investment serve the domestic market, that independent review be granted, and that adequate remuneration be paid are unchanged by the Doha Convention.[241] Therefore, any reliance by Respondent on the Doha Convention is a further attempt to mask the true issue at hand, whether the issuance of the compulsory license without adequate remuneration or independent review to MedBerg was TRIPS-compliant.

[238] TRIPS Art. 31(h).
[239] The Doha Declaration on the TRIPS Agreement and Public Health WT/MIN(01)/DEC/2 (Nov. 14, 2001).
[240] The Doha Declaration on the TRIPS Agreement and Public Health WT/MIN(01)/DEC/2 (Nov. 14, 2001).
[241] The Doha Declaration on the TRIPS Agreement and Public Health WT/MIN(01)/DEC/2 (Nov. 14, 2001).

CONCLUSION

151. MebBerg may invoke Article 3, the MFN clause of the Bergonia-Conveniencia BIT, to avail itself of Article VI.8 of the Tertia-Bergonia BIT. In doing so, MedBerg qualifies then as a foreign investor for jurisdictional purposes under Article 25(2)(b) of the ICSID Convention, and as such, the Tribunal should exercise jurisdiction.

152. Medberg's exploitation of its intellectual property in Bergonia is an investment both under the definition set forth in the Bergonia-Conveniencia BIT, and under the objective criteria used to determine an investment under Article 25(4) of the ICSID Convention. Furthermore, the exploitation of Medberg's intellectual property should be considered as an investment under a public policy rationale, as terming it as such would further the stated goals of the Bergonia-Conveniencia BIT and the ICSID Convention Preamble.

153. Respondent's issuance of the compulsory license amounts to expropriation under both Article 4 of the Bergonia-Conveniencia BIT. Respondent's claim that TRIPS is applicable is misplaced. Moreover, even if TRIPS applies, Respondent is not TRIPS-compliant

154. WHEREFORE, MedBerg demands full monetary compensation from Respondent pursuant to Article 4 of the Bergonia-Conveniencia BIT and TRIPS Article 31, if applicable.

_____

Visscher
Respectfully Submitted this 7th day of September 2009