1. The Year: 2030. The Setting: The “Plume D’ Pride”, a luxurious resort on the outskirts of Paris. A group of adroit arbitrators huddle together minutes before embarking on one of the most controversial investor state arbitrations ever. The plushness of the palatial plume does nothing to calm their frayed nerves, anxious in anticipation of the spirited exchanges likely to fly from counsels on either side. But first, for those who came in late, a bit of background.

2. The Republic of Paradice is an extraordinarily pretty island nation in the Pacific Ocean. Flush with flora and fauna of the most diverse distinction, this pristine sanctuary is a nature lovers’ delight. Most of its revenue comes from tourism and gambling, a vice that has historically been encoded in the very DNA of its being.

3. Unfortunately, owing to a sudden downturn in the economy in the first decade of the twenty first century, its revenues take a turn for the worse. An election sees the emergence of a leader, Quick Fix, who unleashes a series of policy measures to diversify its revenue sources. To begin with, on the advice of his trusted deputy, Lotterix, he mounts a mammoth “Play in Paradice” campaign to spur domestic innovation and manufacturing. Further, in order to demonstrate that they are not a nation of gamblers, they hire an ad agency that showcases their national animal, the dog, with the slogan: “Dog Does Not Play Dice!”

4. The Quick-fix government also signs up to a number of BITs (Bilateral Investment Treaties) and FTAs (Free Trade Agreements) to attract foreign investment and assure investors that Paradice is not only pretty, but also safe, as an investment haven.
5. One such BIT (Annexure A) is entered into on 15-6-2009 with Tech-Tonic, a wealthy and well-endowed technology leader. A couple of years after the coming into force of this BIT, Paradice’s patent regime and competition law regime are amended (on 1-8-2012) to include the following provisions:

A. **Patents Amendment Act (2012):**

Section 15A shall be inserted into the text of the Patents Act 2000 as below:

**Section 15A: Patent Working:**

If, after two years from the date of grant, a patent is not “worked” by or under the authorization of the patentee in the territory of Paradice, no injunction or restraining order will be granted against any third party that infringes upon the said patent. In all such cases, the patentee shall be awarded compensatory damages computed at rates that approximate the royalty rates that might have been agreed upon by similarly situated parties.

B. **Competition Amendment Act (2012)**

Section 10A shall be inserted into the text of the Competition Act 2005 as below:

**Section 10A of Competition Act: Standard Essential Patents:**

i) Patents covering standards (whether or not a formal “standard” by a standard setting body or a *de facto* industry standard) will be deemed to constitute an “essential facility”.

ii) Any person or entity registered as the owner of such a standard essential patent will be deemed to be in a dominant position with respect to the standard.

iii) Any refusal to license the above standard essential patent to a third party who wishes to incorporate the standard in any of its devices will be deemed to amount to an abuse of a dominant position.

iv) Any license agreement entered into by and between the standard essential patent owner and a third party with respect to the patented technology has to be compulsorily published, in full, on the website of the patent owner.

It bears noting that the existing competition regime (The Competition Act 2005 prior to the amendment) provides as below:
Section 9 of Competition Act 2005 (Abuse of Dominant Position): Any person or entity that abuses its dominant position in the market will be subject to sanctions, including fines and other appropriate remedies to be determined by the Competition Tribunal.

6. Much in line with TRIPS, the patent regime of Paradice (a member of the WTO) also makes clear that patents are to be granted to only those inventions that new, inventive and useful. The statute also provides for a patent term of twenty years, from the date of filing of the patent application.

Fun-Fix and the Patented Ghost Protocol

7. Fun-Fix, a technology leader headquartered in Tech-Tonic registers patents for a wide range of inventions in a number of countries, including Paradice. In particular, it lays claim to a very special set of patents that have generated a fair amount of controversy. Towards the middle of 2010, it discovered the wavelength at which spirits (a.k.a. ghosts) allegedly communicate with each other. Based on this, it works out a communication protocol to access spirit communications and to also speak with willing spirits. The standard is labeled as “Spookix”, and patents are taken out to cover this protocol, as also a range of devices to implement the protocol and methods attendant thereto. The technology is tested (and continuously refined after such testing) in various countries, particularly those known for their love of spirits, such as Paradice.

8. Of the various patent claims covering this new age technology filed globally (taking advantage of PCT and other relevant international instruments), two are relevant for the purposes of this dispute:
   i. Patent A: The main claim of this patent (Claim 1) covers the Spookix communication protocol (commonly called the “Ghost Protocol”).
   ii. Patent B: The main claims of this patent cover a range of devices implementing the said protocol, and methods attendant thereto.

9. For the purposes of this problem, assume that as on the date of filing the relevant patent applications in Paradice (on 1.3.2011 for Patent A and 1.5.2011 for Patent B), all of the patent claims are patentable under traditional patentability criteria: i.e. they are novel, inventive, useful, and sufficiently disclosed in an enabling manner. Both patent applications are published by the Paradice Patent Office (PPO) in late 2012, opposed (rather unsuccessfully) by interested parties in 2013 and finally granted in 2019: Patent A granted on 1.5.2019 and Patent B granted on 5.10.2019.
10. Seeking to cash in on this new age technology, Why-Fix, a company headquartered in Paradice seeks a license from Fun-Fix. However Fun-Fix has already entered into an exclusive patent and technology license with “Side-Kix”, a corporation based in Pacifix, an island nation not too far from Paradice. Side-Kix has been known to ingratiate itself with innovators and license their technologies, without innovating itself. This exclusive license granted in May 2012 prevents Fun-Fix from granting licenses to any other entity for the territory of Paradice. In any case, given the pioneering position of Fun-Fix as a technology innovator and Why-Fix’s rather brazen corporate slogan, “Why Fix When you Can (Re)Mix”, it is highly unlikely that a license would have been granted to a perceived techno-pirate.

11. After consulting with its crafty counsel, Sly-Fix, Why-Fix decides to take on Fun-Fix. It embarks on an audacious at-risk launch strategy. It releases a cell phone in September 2014 that could, apart from regular functions, also instantaneously connect with spirits and communicate with the willing. Why-Fix also figures out a way of boosting signals such that spirits not ordinarily within the range of existing devices (currently in the global market) could be accessed and spoken with.

12. Needless to say, Fun-Fix drags Why-Fix to court, alleging that Why-Fix’s device infringes its patents. However given that Paradician patent law offers no remedy to patent applicants, Fun-Fix brings this suit only in January 2020.

13. The Pristine High Court in Paradice before whom the suit is brought finds that Patent A and Patent B are valid and infringed. However, since devices implementing the patent are only imported into Paradice, the court finds that the patents have not been “worked” in the territory of Paradice and therefore no injunction or restraining order can be granted against third party infringers. The court also finds (in the same decision issued in September 2028) that since the defendant has been selling his wares in the market for almost 14 years now, and a mere two and a half years or so of the patent life remain, the balance of convenience (a factor to be considered under domestic law prior to grant of an injunction) tilts in favour of the defendant.

14. After offering parties a reasonable amount of time to negotiate and mutually agree upon licensing terms, the court steps in to determine a fair and reasonable value, for both past and future infringements of Patents A and B.
15. During the course of the lawsuit above, Why-Fix initiates a complaint in June 2026 before the Paradice Competition Tribunal (PCT), alleging that the exclusive arrangement between Fun-Fix and Side-Kix is a violation of domestic competition law. It further argues that the Spookix standard is an “essential facility” and therefore ought to be compulsorily licensed to all interested parties at reasonably affordable rates. In a well-reasoned decision issued on November 2029, the tribunal rules in favour of Why-Fix. More specifically, the tribunal holds as below:

i. That the denial of a license to Why-Fix would result in the blocking of an important technological improvement and a consequent loss of consumer welfare.

ii. That the patent covering the essential facility shall be compulsorily licensed to Why-Fix on terms that had already been set by the Pristine High Court.

iii. The same terms as above shall apply to any other third party interested in accessing the said technology.

16. Lastly, notwithstanding the protestations of Why-Fix that some of its licensing terms are highly confidential and constitute trade secrets (protectable under common law principles in the territory of Paradice), the tribunal also rules that the license agreement and all of its terms must be published by Fun-Fix in accordance with local Paradician law. The tribunal notes that in order to ensure that all standard essential patents are licensed on FRAND terms (irrespective of whether or not the patent owner agrees or not to such terms or is part of an SSO or not), it is essential that all licensing terms be made public.

17. In the meantime, the Spirit Society of Paradice (SSP) files a separate action before the Paradice Patent Office (PPO) in May 2026 for invalidating Patent B on the ground that the patented technology and its usage would lead to debilitating consequences. The spirit world and the world of humans cannot be breached so wantonly through technology; rather, these separate universes are to be mediated only through the grace of trained third parties (spiritualists). Existing Paradician patent law contains a provision (section 5) stipulating that a patent may be invalidated at any time by the Patent Office, if it comprises an invention that “offends public morality”.

SSP vs Fun-Fix: The Morality of Spirited Patents
18. Fun-Fix strenuously contests this charge, arguing that this is nothing more than a brazen attempt at maintaining the priesthood of spiritualists, who fear that they will be busted out of business, should the man on the street begin directly communing with spirits. Fun-Fix hails this new technological revolution as one that democratizes the discourse between humans in this world and spirits in the other.

Fun-Fix also alleges that SSP is doubling up as a front for Why-Fix in filing this ridiculous revocation petition.

19. The patent office however agrees with SSP and invalidates Patent B in October 2029 on the following grounds:

i. The invention offends public morality, in that spirits are held in the highest respect in Paradice and often seen as the deceased souls of elders and ancestors.

ii. The invention violates the privacy rights of spirits by forcefully intruding in on their soirees.

20. In the wake of these decisions, Why-Fix rakes in significant revenues with its considerably cheaper phones and enters hitherto untapped markets.

### BIT Investment Complaint

21. A very upset Fun-Fix files an investment complaint against the Republic of Paradice on the ground that each of the actions taken by the Paradician court, patent office and the competition authority in relation to the two patents (Patent A and B) amount to a contravention of several BIT terms. Fun-Fix decries the fact that true to its legacy, Paradice effectively rendered its laborious investments as a wasted gamble. To which Paradice quips: Patents are nothing more than mere lotteries!

22. For its part, the Republic of Paradice contests the complaint in its entirety.

23. The complaint is filed in Jan 2030 and the proceedings are to take place according to the rules of the International Centre for Settlement of Investment Disputes (ICSID).

24. Assume the following:

i. The state of play (in so far as laws, rules and regulations that exist internationally are concerned) in Jan 2030 is the same as that existent on the 1st of May 2016.

ii. Paradice is party to the ICSID Convention.
iii. Paradice is a middle-income country with a heavily backlogged and under-resourced patent office and court system. The timelines for resolution of legal disputes in Paradice as outlined in the facts above are broadly consistent with how the patent office, courts and other dispute resolution authorities in Paradice resolve matters in other similar cases.

iv. Consultations between the parties to resolve the dispute have been unsuccessful, leaving Fun-Fix no choice than to bring this complaint.

25. Parties need not argue on the quantum of compensation to be awarded/paid.
AGREEMENT BETWEEN THE REPUBLIC OF PARADICE AND THE REPUBLIC OF TECH-TONIC FOR THE PROMOTION AND PROTECTION OF INVESTMENTS

The Government of the Republic of Paradice and the Government of the Republic of Tech-Tonic (hereinafter the “Parties”):

Desiring to promote greater economic cooperation between them with respect to investment by nationals of one Party made in the territory of the other Party;

Recognizing that agreement on the treatment to be accorded such investment will stimulate the flow of private capital and the economic development of the Parties;

Agreeing that a stable framework for investment will maximize effective utilization of economic resources and improve living standards;

Recognizing the importance of providing effective means of asserting claims and enforcing rights with respect to investment under national law as well as through international arbitration;

Definitions:

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

i. an enterprise;

ii. shares, stock, and other forms of equity participation in an enterprise;

iii. turnkey, construction, management, production, concession, revenue-sharing, and other similar contracts;

iv. R&D and resultant intellectual property rights;

v. licenses, authorizations, permits, and similar rights conferred pursuant to domestic law;

vi. other tangible or intangible, movable or immovable property, and related property rights, such as leases, mortgages, liens, and pledges.

(ii) “investor of a Party” means a Party or a national of a Party that attempts to make, is making, or has made an investment in the territory of the other Party.

(iii) “national of a Party” means:

(a) any natural person holding the legal nationality of a Party, provided, however, that a natural person who is a dual national shall be deemed to be exclusively a national of the State of his or her dominant and effective nationality;
(b) any legal person established in the Territory of one of the Parties in accordance with the respective national legislation such as public establishments, joint-stock corporations or partnerships, foundations or associations, regardless of whether their liability is limited or otherwise.

(iv) “returns” means the amounts yielded by an investment and in particular, though not exclusively, includes profit, interest, capital gains, dividends, royalties and fees.

(v) “territory” means the territory of the Parties, as well as the territorial sea and any maritime area situated beyond the territorial sea of the Party concerned which has been or might in the future be designated under the national law of the Party concerned in accordance with international law as an area within which the Party concerned may exercise rights with regard to the sea-bed and subsoil and the natural resources.

Article 1 – Promotion and Protection of Investments

1. Each Party shall encourage and create favourable conditions for investors of the other Party to invest capital in its territory, and, subject to its right to exercise powers conferred by its laws, shall admit such capital.

2. Investments of each Party or of nationals of each Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Party. Neither Party shall in any way impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investment in its territory of nationals of the other Party.

3. Neither Party shall in its territory subject investments of the other Party or of nationals of the other Party to treatment less favourable than that which, in like circumstances, it accords to investment or returns of its own nationals or companies or to investments or returns of nationals of any third State.

Article 2 – Expropriation

1. Neither Party may expropriate or nationalize a covered investment either directly or indirectly through measures equivalent to expropriation or nationalization (“expropriation”), except:

   (a) for a public purpose;

   (b) in a non-discriminatory manner;

   (c) on payment of prompt, adequate, and effective compensation.

2. The compensation referred to in paragraph 1(c) shall:

   (a) be paid without delay;

   (b) be equivalent to the fair market value of the expropriated investment immediately before the expropriation took place (“the date of expropriation”):

   (c) not reflect any change in value occurring because the intended expropriation had become known earlier; and
(d) be fully realizable and freely transferable.

3. Where a Party expropriates the assets of a company, which is incorporated or constituted under the law in force in any part of its own territory, and in which nationals or companies of the other Party own shares, the provisions of previous paragraphs of this Article shall apply.

**Article 3 – Repatriation of Investment and Returns**

Each Party shall in respect of investments guarantee to investors of the other Party the unrestricted transfer of their investments and returns. Transfers shall be effected without delay in the convertible currency in which the capital was originally invested or in any other convertible currency agreed by the investor and the Party concerned. Unless otherwise agreed by the investor transfers shall be made at the rate of exchange applicable on the date of transfer pursuant to the exchange regulations in force.

**Article 4 – Settlement of Disputes between the Parties**

1. Any dispute between the Parties concerning the interpretation or application of this Agreement shall, as far as possible, be settled by consultation through diplomatic channels.

2. If a dispute between the Parties cannot thus be settled, it shall, upon the request of either Party, be submitted to an arbitral tribunal for binding decision in accordance with the applicable rules of international law. In the absence of an agreement by the Parties to the contrary, the ICSID Convention and the ICSID Rules of Procedure for Arbitration shall govern the arbitration.

3. Within a month of receipt of a request, each Party shall appoint an arbitrator. The two arbitrators shall select a third arbitrator as Chairman, who shall be a national of a third State. The ICSID Rules for appointing members of three member panels shall apply mutatis mutandis to the appointment of the arbitral tribunal.

4. The arbitral tribunal shall reach its decision by a majority of votes. Each Party shall bear the costs of its own representation in the arbitral proceedings. The costs and expenses incurred by the Chairman, the other arbitrators, and the Parties shall pay for other costs of the proceedings equally. The Tribunal may, however, at its discretion, direct that a higher proportion of such costs be paid by one of the Parties.

**Article 5 – Settlement of Disputes between Investors of One Party and the Other Party**

1. Any legal dispute between an investor of one Party and the other Party in connection with an investment shall, as far as possible, be settled amicably through negotiations between the parties to the dispute.

2. Each Party hereby consents to submit a dispute referred to in paragraph (1) of this Article, to binding arbitration before:
   (a) the International Centre for Settlement of Investment Disputes and the Regulations and Rules of the Centre;
   (b) the Additional Facility of the same Centre.
3. The tribunal shall decide the issues in dispute in accordance with the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, any other applicable agreements between the Parties, any relevant rules of international law and, where applicable, any relevant domestic law of the disputing Party.

4. The place of any arbitration conducted under this Article shall be a country which is, at the time of the arbitration, a party to the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards and each Party undertakes to carry out without delay the provisions of any award resulting from an arbitration held in accordance with this Article. Further, each Party shall provide for the enforcement in its territory of such arbitral awards.

**Article 6 – Application of Other Rules**

If the provision of law of either Party or obligations under international law existing at present or established hereafter between the Parties in addition to the present Agreement or if any agreement between an investor of a Party and the other Party contain rules, whether general or specific, entitling investments by investors of the other Party to a treatment more favourable than is provided for by the present Agreement, such rules shall to the extent that they are more favourable prevail over the present Agreement.

**Article 7 – Entry Into Force**

This Agreement shall become effective within a year of the signing of this Agreement.

**Article 8 – Duration and Termination**

This Agreement shall remain in force for a period of ten years. In respect of investments made whilst the Agreement is in force, its provisions shall continue in effect with respect to such investment for a period of ten years after the date of termination and without prejudice to the application thereafter of the rules of general international law.

IN WITNESS WHEREOF, the undersigned being duly authorized thereto by their respective Governments, have signed the present Agreement.

DONE IN Pristine County, Paradice, this 15th day of June, in the year 2009, in English.

FOR THE GOVERNMENT OF THE REPUBLIC OF PARADICE

FOR THE GOVERNMENT OF THE REPUBLIC OF TECH-TONIC