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25 October 2016

VIA E-MAIL

Luisa Fernanda Torres
Legal Counsel
International Centre for Settlement of
Investment Disputes (ICSID)
1818 H. Street, N.W.
Washington, D.C. 20433

Re: Request for Arbitration of Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc.

Dear Ms. Torres:

We refer to your letter dated 19 October 2016 whereby ICSID requests that Bridgestone Licensing Services, Inc. ("**BSLS**") and Bridgestone Americas, Inc. ("**BSAM**") (collectively, "**Claimants**") provide ICSID with additional information and clarification regarding their request for arbitration against the Republic of Panama (the "**Request**"). We provide our responses to your requests below. For purposes of clarity and organization, we reprint each of your requests and follow with Claimants' responses.

1. Pursuant to Article 25 of the ICSID Convention and ICSID Institution Rule 2(1)(c), please:

a) Confirm whether each BSLS and BSAM is submitting the claim to arbitration on its own behalf under Article l0.16.1(a)(i)(A) of the Trade Promotion Agreement between the United States of America and the Republic of Panama, signed 28 June 2007, in force 31 October 2012 (the "US-Panama FTA").

We confirm that each of BSLS and BSAM is submitting the claim to arbitration on its own behalf under Article 10.16.1(a)(i)(A) of the US-Panama FTA. Each of BSLS and BSAM submit that the Republic of Panama has breached its obligations under Section A (namely, obligations under Articles 10.5, 10.3 and 10.7) of the US-Panama FTA, as described at ¶¶ 61-63 of the Request, and that each of BSLS and BSAM has incurred loss or damage by reason of, or arising out of, those breaches.

b) Clarify how the provision of Article 10.18(2)(b) of the US-Panama FTA is met in this case.

Article 10.18(2)(b) requires that the Claimants' notice of arbitration be accompanied by "written waiver . . . of any right to initiate or continue before any administrative tribunal

or court under the law of any Party, or other dispute settlement procedures, any proceeding with respect to any measure alleged to constitute a breach referred to in Article 10.16." In accordance with this provision, Claimants' written waivers are hereby attached to this letter as **Exhibit C-44** (waiver for BSLS) and **Exhibit C-45** (waiver for BSAM).

c) Confirm that the provision of Annex 10-C of the US-Panama FTA is met in this case.

The Claimants confirm that the provision of Annex 10-C of the US-Panama FTA is met in this case. The claims asserted by the Claimants in this arbitration arise out of a Supreme Court decision of the Republic of Panama. As described at ¶¶ 28 to 47 of the Request, on 12 September 2007, Muresa Intertrade S.A. ("**Muresa**") and Tire Group of Factories Ltd ("**TGFL**") commenced proceedings in the Eleventh Circuit Civil Court of the First Judicial Circuit of Panama against two Bridgestone entities (BSLS and BSJ) seeking damages of USD 5,000,000. Muresa and TGFL alleged that the trademark opposition lawsuit initiated by Bridgestone in April 2005, which was ultimately unsuccessful, caused Muresa and TGFL to cease sales of tires, resulting in loss and damage. Bridgestone successfully defeated the claims in the Eleventh Circuit Civil Court, but Muresa and TGFL appealed to the First Superior Court of the First Judicial District on 5 January 2011. Bridgestone successfully defeated the appeal. Muresa and TGFL then appealed to the Supreme Court of Panama on 3 January 2014, and succeeded in obtaining a judgment against Bridgestone for USD 5,431,000. Bridgestone made two attempts to appeal the Supreme Court decision in Panama, basing its arguments on provisions of Panamanian law as set out in ¶¶ 44 and 45 of the Request. These attempts were unsuccessful, and Bridgestone was left with no further recourse under Panamanian law.

Accordingly, the Claimants have not alleged breach of any obligation under Section A of the FTA before any court or administrative tribunal of Panama. Such allegations were raised for the first time in the notice of intent to submit a claim to arbitration sent to Panama on 30 September 2015, as described at ¶ 81 of the Request.

2. Pursuant to Article 25 of the ICSID Convention and ICSID Institution Rule 2(1)(e), please elaborate on:

a) Whether there is an investment within the meaning of Article 25(1) of the ICSID Convention, for each BSLS and BSAM.

Article 25(1) of the ICSID Convention provides: "The jurisdiction of the Centre shall extend to any legal dispute arising directly out of an investment . . . ." As discussed herein, both BSLS and BSAM have made an investment within the meaning of Article 25(1) of the ICSID Convention.

The term "investment" is not defined in Article 25(1) or elsewhere in the ICSID Convention. This is generally accepted by ICSID tribunals as a deliberate omission by the drafters of the Convention "so as to leave flexibility in [the term's] application."[1]

There is authority that Article 25(1) should be read in conjunction with the definition of "investment" in the applicable bilateral investment treaty. [2] As explained in our response to question 2(b) below, the US-Panama FTA defines "investment" broadly and expressly states that it includes "Intellectual property rights," "revenue sharing," and "licenses."[3]

Further, there is authority that Article 25(1) sets the "outer limits" of the meaning of the term "investment."[4] On that footing, ICSID Tribunals have found that for the purposes of Article 25(1) the term is to be interpreted in accordance with its ordinary meaning and that this covers "a wide range of economic operations," specifically including "rights to royalty payments" and "trademarks."[5] It has been found that only those transactions that involve a "simple sale and like transient commercial transactions" are excluded from the Centre's jurisdiction.[6]

The claims brought in the Request in the present case arise directly out of BSLS and BSAM's respective intellectual property rights in Panama, which possess the characteristics of an investment within the meaning of that term under Article 25(1) as outlined above.

In particular, as described at ¶ 6 of the Request, BSLS is the owner of the FIRESTONE trademark in all countries outside of the United States. In Panama, BSLS holds the intellectual property rights in the FIRESTONE trademark and licenses the use of the brand in Panama to BSAM.[7] These fall within the broad wording of Article 25(1) and the interpretation given by ICSID Tribunals as indicated above, as well as within the express meaning of "investment" under the US-Panama FTA as explained at 2(b) below – which is relevant to analysis under Article 25(1). Further, BSLS's rights and licenses in Panama possess the characteristics of an investment as this term is understood in the context of Article 25(1) of the Convention. For example, BSLS has expended significant capital to

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[1] *Philip Morris v. Uruguay*, ICSID Case No. ARB/10/7, Decision on Jurisdiction, para 196 (July 2, 2013) (**Exhibit C-46)**.

[2] *Malaysian Historical Salvors Sdn. Bhd. v. Malaysia*, ICSID Case No. ARB/05/10, Decision on the Application for Annulment, paras 71-72 (16 April 2009) ("[T]he equally fundamental assumption that the term 'investment' does not mean 'sale,' appear to comprise 'the outer limits,' the inner content of which is defined by the terms of the consent of the parties to ICSID jurisdiction.") (**Exhibit C-47**).

[3] *See* US-Panama FTA at Article 10.29 (e)-(g).

[4] *See Malaysian Historical Salvors Sdn. Bhd. v. Malaysia*, ICSID Case No. ARB/05/10, Decision on the Application for Annulment, para 72 (16 April 2009).

[5] *See Philip Morris v. Uruguay*, ICSID Case No. ARB/10/7, Decision on Jurisdiction, paras 183, 200, 209 (concluding that Claimants' assets in Uruguay, which included rights to royalty payments and trademarks, qualified as investments under Article 25(1) of the ICSID Convention).

[6] *See Malaysian Historical Salvors Sdn. Bhd. v. Malaysia*, ICSID Case No. ARB/05/10, Decision on the Application for Annulment, para 69 (16 April 2009).

[7] *See* Claimant's Request for Arbitration at Exhibit C-7.

establish and protect its investment in Panama (for example, in protecting its trademark in opposition proceedings brought against Muresa and the subsequent civil damages litigation). Additionally, the intellectual property rights over the FIRESTONE trademark bring an expectation of profits, as the right permits the sale of tires bearing the FIRESTONE brand in Panama. Additionally, as stated at ¶ 12 of the Request, the FIRESTONE mark was first registered in Panama 1921 and subsequently assigned to BSLS in 2002. Accordingly, BSLS's investment in intellectual property rights in Panama constitutes a long-term investment, which cannot be characterized as merely a transient commercial transaction or simple sale.

Additionally, as set out at ¶ 7 of the Request, BSAM is the parent company for various Bridgestone business units in North, Central and South America, including Panama. BSAM, including through its subsidiaries, is authorized to sell, market, and distribute products under the BRIDGESTONE and FIRESTONE trademarks in Panama and the Americas.[8] BSAM's subsidiaries include Bridgestone Costa Rica ("**BSCR**"), which sells BRIDGESTONE and FIRESTONE brand tires to third party dealers and distributors in Panama. Profits from sales to Panamanian dealers and distributors are paid to BSCR and reported on BSAM's consolidated financial statements. These assets and activities fall within the broad wording of Article 25(1) and the interpretation given by ICSID Tribunals as indicated above, as well as within the express meaning of "investment" under the US-Panama FTA as explained at 2(b) below – which is relevant to analysis under Article 25(1). Further, these assets in Panama possess the characteristics of an "investment" as this term is understood in the context of Article 25(1) of the Convention. Specifically, they involve an assumption of risk (as to the volume of sales of tires in Panama) and require substantial capital expenditure in the form of corporate services to conduct tire sales in Panama. These activities also involve an expectation of gain, since profits from sales to Panamanian dealers and distributors are paid to BSCR and reported on BSAM's consolidated financial statements. Lastly, BSAM has engaged in commercial activity in Panama under its name since 2001 and has sold into Panama for decades through its predecessor, The Firestone Tire and Rubber Company. Accordingly, BSAM's investment in Panama involves a long-term investment, which cannot be characterized as a transient commercial transaction or simple sale.

Accordingly, we respectfully submit, the claims brought in the Request arise directly out of an investment in Panama within the meaning of Article 25(1) of the ICSID Convention.

[8] *See* **Exhibit C-48** which provides an "Agreement to License Trademarks" entered into between BSLS and Bridgestone/Firestone Americas Holding, Inc. ("**BSAH**") granting intellectual property rights to BSAH over the FIRESTONE mark in markets outside of the United States. As provided in Exhibit C-4 to the Request (Incorporation Documents), BSAH is the predecessor company of BSAM; see also **Exhibit C-49** which provides a "Trademark Sublicense Agreement" entered into between Bridgestone Americas Tire Operations, LLC (a BSAM subsidiary) and BSCR granting BSCR the right to use the BRIDGESTONE mark; see also **Exhibit C-50** which provides a "Trademark License Agreement" between BSJ and BFAH granting intellectual property rights including the use of the BRIDGESTONE mark.

b) Whether each BSLS and BSAM has an "investment" meeting the definition of Article 10.29 of the US-Panama FTA, and the notion of "covered investment" referred to in Articles 10.1 and 2.1 of the US-Panama FTA.

Article 10.29 of the US-Panama FTA defines "investment" as follows:

"*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:*

(a) An enterprise;
(b) Shares, stock, and other forms of equity participation in an enterprise;
(c) Bonds, debentures, other debt instruments, and loans;
(d) Futures, option, and other derivatives;
(e) Turnkey, construction, management, production, concession, revenue-sharing, and other similar contracts;
(f) Intellectual property rights;
(g) Licenses, authorizations, permits, and similar rights conferred pursuant to domestic law; and
(h) Other tangible or intangible, movable or immovable property, and related property rights, such as leases, mortgages, liens and pledges." (Footnotes omitted.)

"Covered investment" is defined in Article 2.1 as follows: *"[C]overed investment means, with respect to a Party, an investment, as defined in Article 10.29 (Definitions), in its territory of an investor of the other Party in existence as of the date of entry into force of this Agreement or established, acquired, or expanded thereafter."*

Both BSLS and BSAM are US-incorporated entities. As indicated in our response to question 2(a) above, the claims brought in the Request in the present case arise directly out of (a) BSLS and BSAM's respective intellectual property rights in Panama and hence fall within the definition of "investment" at Article 10.29(f) of the US-Panama FTA and (b), in respect of BSAM, its revenue-sharing and license rights in Panama and hence fall within the definition of "investment" at Article 10.29(e) and Article 10.29(g) of the FTA**.** Further, those rights themselves possess the characteristics of an investment within the meaning of that term under Article 10.29, namely "*the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk.*" In that context, we again refer to the description of BSLS's and BSAM's respective assets stated in response to question 2(a) above.

For completeness, and as described at ¶ 12 of the Request, the rights to the FIRESTONE trademark in Panama were assigned to BSLS in 2002, and BSLS continues to hold those rights. Therefore, BSLS's investment in Panama was in existence as of the date of entry into force of the US-Panama FTA, and is accordingly a "covered investment" pursuant to Article 2.1 of the US-Panama FTA.

Additionally, BSAM's investments are in the form of revenue sharing rights and authorizations conferred on Panamanian entities, which are expressly protected in Article 10.29(e) and Article 10.29(g) of the U.S.-Panama FTA. BSAM has had this role with BSCR in Panama since 2001 and for decades under BSAM's predecessor The Firestone Tire and Rubber Company. Therefore, BSAM's investment in Panama was in existence as of the date of entry into force of the US-Panama FTA, and is accordingly a "covered investment" pursuant to Article 2.1 of the US-Panama FTA.

We respectfully submit that the unjust and arbitrary Panamanian Supreme Court decision which imposed a penalty on Bridgestone for invoking, in good faith, Panama's own trademark opposition procedures, represent "measures" adopted by Panama relating to "covered investments", pursuant to Article 10.1 of the US-Panama FTA.

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Please do not hesitate to contact us should you have any further queries.

Sincerely,

Justin Williams

Enclosures

cc:
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