

The Utility Model – An Effective Tool in Global Patent Portfolio Protection



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As global commerce increases and intellectual property budgets shrink, companies and organizations should look at different approaches in protecting their patent portfolio worldwide. Utility models, often overlooked and underutilized, can provide a means for a cost-effective international patent portfolio strategy. Although widely used in the countries that have them, they're curiously unpopular with non-residents. In China, for example, greater than 99% of utility models are filed by Chinese residents, while less than 1% of utility models are filed by non-residents.¹ This is the case, even though the number of utility models registered is only slightly less than the number of patents granted in China.² This article takes a look at utility models – how they work and when to use them – and why U.S. corporations, who previously might not have appreciated their value, should entertain using them for their patent portfolios.

AN OVERVIEW OF UTILITY MODELS

A utility model is a registered right which provides protection for an invention. Utility models are sometimes referred to as “petty patents.” They were originally intended to protect “minor inventions” or inventions that are less inventive than those covered by patents.

There are a number of differences between utility models and patents. Utility models generally have a shorter protection term and are faster and easier to obtain than patents. Patents, on the other hand, can cover more types of inventions. Some general differences between patents and utility models are in Table 1.

Many industrialized countries have both patents and utility models. These include

Germany, Japan, Taiwan, Korea, and France. Countries such as the United States, United Kingdom and the Netherlands have patents, but do not have utility models.

Different countries that allow for utility model protection may have different terms of protection. They may also have different standards for validity (e.g., different levels of inventiveness or different prior art standards) than what they have in place for patents.³ Both of these are detailed in Table 2.

Like regular patent applications, utility model applications may be filed as national phase filings of PCT (Patent Cooperation Treaty) applications. Also like regular patent applications, they may be filed directly in foreign countries without using the PCT application process.

Utility models are generally less popular than patents, but they can still be a significant deterrent to copying. Many of the remedies associated with patents are also generally available for utility models, including, but not limited to, injunctions and damages. Thus, a potential infringer cannot afford to ignore the presence of utility models simply because they are not patents.

The effectiveness of utility models was demonstrated in recent litigation in China between Chint, a manufacturer of low voltage devices in China, and Schneider Electric. In that litigation, Chint succeeded in asserting its utility model against Schneider and obtained a verdict of \$49 million, a productive result for a utility model application with just a \$70 filing fee. Chint's utility model survived Schneider's subsequent invalidity challenge, with Schneider settling the lawsuit for \$23 mil-

lion.⁴ While the dollar amounts might seem small in comparison to patent litigation in the U.S., the *Chint* case has been described as one of the largest patent damages verdicts in China to date.

WHEN TO USE A UTILITY MODEL

There are a number of situations when a company should consider filing for one or more utility models. Below is a discussion of the circumstances when utility models should be considered.

Immediate and comprehensive protection is important.

In many countries, the patent process can easily take three to five years (or more) before a patent is issued. This is simply too long for many industries, where the first to market determines the viability of a company. Many inventions can be commercialized shortly after conception (or may have a short commercial lifetime). Protection for those inventions must be obtained quickly to deter imitation or duplication while the inventions gain commercial acceptance in the marketplace.

In addition, a company may be involved in licensing negotiations or litigation. Rapid intellectual property procurement may be necessary as bargaining tools for the negotiations or litigation. Intellectual property protection for such inventions must be obtained quickly to be of any value.

The immediate protection that utility models can provide is due in large part to the registration process which is significantly shorter than the process for obtaining a patent as there is no substantive examination process. In most cases, it typically takes less than a year to obtain a utility model registration, making it significantly shorter than the time period for a patent. In addition, because there is no substantive examination, unlike a patent, the registration of a utility model is certain upon the application being filed.

TABLE 1

	Patents	Utility Models
Term of Protection	Typically 20 years from the filing date.	Typically 10 years from the filing date.
Procedure	A search and examination are conducted.	Neither a search nor an examination is conducted.
Time from filing to patent or registration	Typically 2-3 years or more.	Typically less than 1 year.
Cost	Substantially higher due to prosecution costs.	Significantly lower than patents.
Processes protectable?	Yes	No

TABLE 2

	Germany	Japan	France	Korea	Taiwan	China
Term from filing date	10 years	10 years	6 years	10 years	10 years	10 years
Different validity standard?	Yes	No	No	No	No	Yes

In many countries, utility models can be pursued simultaneously with patents, thereby providing comprehensive protection for an invention. In Germany, for example, one can file applications for both a patent and a utility model for the same subject matter, enabling the company to obtain both immediate short-term protection (utility models) and stronger long term protection (patents) for an invention. In some countries that offer both utility model and patent registrations, only one type of protection may be retained to avoid duplicate protection for the same invention. In China, for example, one can obtain a utility model registration for an invention first and pursue a patent for the same invention at the same time. If a patent eventually issues, then either the utility model or the patent must be abandoned to avoid double patenting.

By pursuing both utility model and patent protection simultaneously, a company can maximize all possible intellectual property protection for an invention. It also provides the company with more options. If a patent eventually issues, for example, the utility model for the invention can be abandoned to reduce costs. Pursuing both also increases the ability of the company to leverage business opportunities, something that may not have been open to a company given the length of the patent application process.

Budgets are limited

The process for registering a utility model is significantly less expensive than the process for obtaining a patent, as there are essentially no prosecution costs associated with utility models. Because utility model applications are not examined, there are essentially no legal fees associated with reviewing and responding to office actions.

As many U.S. patent practitioners and companies are aware, responses to foreign office actions are expensive, because they require the services of U.S. practitioners and foreign attorneys. Two law firms are typically needed to respond to foreign office actions, with fees of \$4,000-\$5,000, or more. Assuming that there are at least two examination reports to respond to per application, the costs associated with prosecuting a single foreign patent application can easily exceed

\$8,000 or \$12,000. If a single patent application is filed in five foreign countries, the cost savings associated with obtaining five utility models as compared to five patents can exceed \$40,000 or \$60,000. In addition, because the lifetime of most utility models is 10 years, there are no annuity payments after the utility model has expired. Annuity payments for patents after the 10th year are significant in most countries. These costs are only associated with one hypothetical patent family and do not take into account the time that a client must spend analyzing and providing instructions for responding to examination reports. Many companies maintain and prosecute many patent families so the cost savings for such companies can be very significant.

The invention to be protected has a lower level of inventiveness

In some countries, the inventive standard associated with a valid utility model is lower than the inventive standard for a patent. Utility models therefore allow one to protect an invention that could otherwise be protected with a patent. In China, for example, for a utility model to be valid, the invention must be “new, inventive, and applicable in practice.”⁵ It must also have “substantive features and must represent progress.”⁶ By comparison, for a patent to be valid in China, the invention must have “prominent substantive features and must represent considerable progress.”⁷

As an example, one may have an invention that is arguably “obvious” by U.S. standards. The arguably obvious invention may not be suitable subject matter for a patent application in a country such as China because it may not have “prominent substantive features [that] represent considerable progress.” It may, however, be suitable subject matter for a valid utility model registration, because it has “substantive features [that] represent progress.” If a U.S. applicant does not file a utility model for a seemingly obvious but commercially important invention, the U.S. applicant may be giving up important intellectual property rights in countries such as China.

Further, because the inventive standard for a valid utility model is theoretically lower than it is for a patent, it is also

theoretically harder to invalidate a utility model than a patent in a country such as China. That is, a claim in a patent may be invalidated if the invention is shown to lack an inventive step or if the invention is obvious in view of the prior art. However, that same claim in a utility model may not be invalidated in view of that same prior art, because the standard for a valid utility model is less stringent than the standard for a patent.

Lastly, utility models can be used to cover design around embodiments that were previously not contemplated. If the design around is a seemingly obvious variant that does not have a sufficient inventive step that can distinguish over the invention of the original patent, a utility model application may be filed to quickly cover the design around embodiment, without expending significant resources.

As international commerce increases, there exists a need for comprehensive global patent procurement strategies. Such strategies should include the use of utility models.

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ENDNOTES

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