UTILITY MODELS

A USEFUL NATIONAL STRATEGY FOR PROMOTING INNOVATION?

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DEFINING UTILITY MODEL
No internationally accepted meaning

Refers to subject-matter that hinges precariously between patent and sui generis design law

Used to refer to second tier patent systems which offer a quick, cheap, no-examination protection regime for technical inventions which do not fulfill the classical patent criteria

Names: “utility model” (Germany), “innovation patent” (Australia), “utility innovation” (Malaysia), “utility certificate” (France), “short-term patent” (Belgium).
INTERNATIONAL LAW
PARIS CONVENTION

* recognition of concept
* no obligation for Union countries to introduce utility model protection in their national laws
* no minimum standards
* priority right - 12 months for utility model applications in Union countries (including those based on prior patent application); 6 months for design applications based on prior utility model applications
* art. 5A - importation and forfeiture clauses; compulsory licensing allowed
* arts. 5D and 11 - reciprocal treatment
TRIPS AND PCT

* Arts. 1(2) and 2(1), TRIPS Agreement - recognises concepts via Paris Convention

* Patent Cooperation Treaty (PCT) - no substantive provisions

* Art. 1, Strasbourg International Patent Classification covers “inventors’ certificates, utility models, and utility certificates”
CHARACTERISTICS OF A 2ND TIER SYSTEM
Exclusive property rights (usually an exclusive right)

Novelty is a criterion in all utility model systems, though the standard of novelty varies widely

Adoption of the Strasbourg Agreement for the International Patent Classification, 1971

Registration is a requirement

No substantive examination
AUSTRALIA

A 32-YEAR EXPERIMENT
1979 - first 2nd tier regime called “petty patent system” introduced

2001 - “petty patents” replaced by ”innovation patents”

2012 - Australian Government’s Consultation Paper to raise threshold to same level of inventiveness as standard patents
PETTY PATENTS

* Subject matter and threshold of protection - identical to standard patents
* Duration - maximum term of 6 years
* No opposition proceedings prior to grant & limited examination process
* Limited to 1 claim

INNOVATION PATENTS

* Lower threshold of protection
* An invention is taken to involve an innovative step when compared with the prior art base if the invention varies from what has been published or done before the priority date of the invention in a way or ways that make a ‘substantial contribution to the working of the invention’.
* No protection for inventions concerning plants/animals/processes for generation of them
* Duration - maximum term of 8 years
* No opposition proceedings prior to grant & no examination (except at enforcement stage)
* Limited to 5 claims
WHAT WENT WRONG WITH PETTY PATENTS?

* Too expensive - cost was the same as standard patents
* Too short a duration of protection
* Difficult to enforce a single claim
* Minor innovations cannot fulfil inventive step
* Too little usage - 300 applications per year

WHAT WENT WRONG WITH INNOVATION PATENTS?

* Too low threshold - Delnorth decision held that innovative step allows clearly obvious enhancements to be patented
* Tactical use of innovation patents by manufacturers creates uncertainty and blocks follow-on innovation
* Potential for evergreening and “patent thickets”
* Fear of Australian system falling into disrepute
Currently in progress….

- **Intellectual Property Laws Amendment (Raising the Bar) Act 2012** –
  - removal of the geographical restriction (Australia), and increasing the inventiveness threshold required for assessing prior art
  - introduction of a ‘balance or probabilities’ test for determining questions of novelty and innovative step to enable patent examiners to weigh up all of the material before them and decide, on balance, whether an objection is more likely

- **Australian Government Advisory Council on IP (ACIP) consultation and surveys**
  - conducted extensive public consultations including releasing an Issues Paper and an Options Paper
  - Final Report released 16 June 201
  - Australian Government is considering its response to this Report.
LESSONS FROM AUSTRALIA
LESSON 1.
CRITERIA OF PROTECTION

* Novelty
  * local novelty in Italy/Spain/Turkey
  * absolute novelty in Germany/Malaysia/France/Belgium
* Inventiveness
  * standard patent level in Germany/France
  * lower levels in Malaysia/Australia/Denmark
  * no inventiveness required in Cambodia/Phillipines/Thailand
* Duration
  * Ranges from 6 to 15 years
* Examination
  * usually only formalities
  * sometimes any person may request substantive examination report ex-post grant (eg Japan)
  * usually a requirement prior to enforcement
  * opposition proceedings
LESSON NO.2
SUBJECT MATTER

* Is there a need to protect minor innovations in all industries?
  * For example, the E.U. draft utility model directive: excluded biological materials/chemical or pharmaceutical substances or processes

* Australian Consultation 2012
  * Concern as to rise of innovation patent applications:
    * electrical devices and engineering - a 350% rise
    * information technology - 390%
    * pharmaceuticals - 560%
  * All technologies - average 150% [from 82 (in 2001) to 401 (in 2011)], amounting to nearly a quarter of all Innovation Patent applications filed in 2011.
LESSON NO.3
WHY IMPLEMENT A 2ND TIER REGIME?

- Is it to protect all sub-patentable inventions?
  - those inventions which show little or no inventiveness or are a result of cumulative, incremental innovation?
  - why not lower the inventive step threshold under the standard patent law
  - why not create alternative legal means of protection such as a tort or misappropriation law, or a hybrid property rights system - examples include sui generis semiconductor topography law, vessel hull design protection, UK unregistered design right (which protects 3D functional designs) - which are all anti-copying or weak exclusive rights

- Is it to encourage local innovation? Can you discriminate against foreign applicants?

- Do you have the right “intellectual property institutional order”? Compare UK and Germany, for example

- Why not - United Stated, United Kingdom, Singapore, India, Sweden and New Zealand?
WHAT ARE THE JUSTIFICATIONS?

WHAT ARE THE PROS AND CONS?
UNFAIR COPYING

- Vulnerable sub-patentable (or minor) innovations should be protected
- All innovators should be rewarded and/or incentivised
- Unfair copying/misappropriation of innovation is wrong
But should all sequential and cumulative innovation be protected?
SMEs

๏ Heavy presence in small or emergent industries which do not experience revolutionary technological breakthroughs

๏ Examples - toy manufacturing, clock/watchmaking, optics, microtechnology and micromechanics

๏ *Sui generis* regimes can improve legal environment for incremental or improvement innovation (topography law/UK UDR, for example, with lower thresholds i.e. originality / creator's own intellectual effort/ not commonplace)
But should a new property right be the answer to help SMEs? What about tax breaks, subsidies for patenting, etc.?
DEVELOPING COUNTRIES

- Weak IPRs + 2nd tier regimes allow
  - local absorption of foreign innovations
  - encourage protection of minor adaptations and inventions by local firms
- Especially beneficial for relatively innovative developing countries - helps cottage and fledgling industries to advance their technological capacities
- Eg - historically, Japan, South Korea and Taiwan used a combination of (weak IPRs + 2nd tier regimes such as utility models and design patents) to encourage technological learning

(Kumar, N, Technology and Economic Development: Experiences of Asian Countries, CIPR, 2002, London)
But in the long run, technologically-developed countries start to distrust an “easy” system and switch to a more rigorous 2nd tier system with concerns re competitiveness and use of system by foreign companies (e.g. Australia and Japan)
A (VERY SHORT) JAPANESE CASE STUDY
Japan

- Utility Model Law established in 1905
  - Protecting minor inventions
  - Encouraging development of domestic industries
- Before 1993 revision, UM applications were examined in the same way as patent applications - lengthy
- After 1993 revision, no substantive examination
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PROS

- Encourages production of more IP goods, and encourage local innovation
- If the region is a net importer of IP goods, UMs encourage local industry to produce more goods, and thus decrease imports
- Provides protection of IP goods which currently cannot be protected under the current IP regime
- Prevents free-riding from predatory firms with little R&D costs or investment
- Provides revenue to governments in the form of fees (registration, etc.)
- Provides a source of information via published specifications
CONS

* Possible increase in transactions costs e.g. litigation, licensing, etc.
* Encourages undesirable economic rent-seeking behaviour
  * re-direction of funds in an effort to gain utility model protection
  * patent thickets
  * evergreening
* Increased outward flow of net royalty and licensing fees to overseas producers
* Stunts future innovation e.g. cordonning-off of areas of research
Bibliography


