

Let's Not Forget Utility Model Patents

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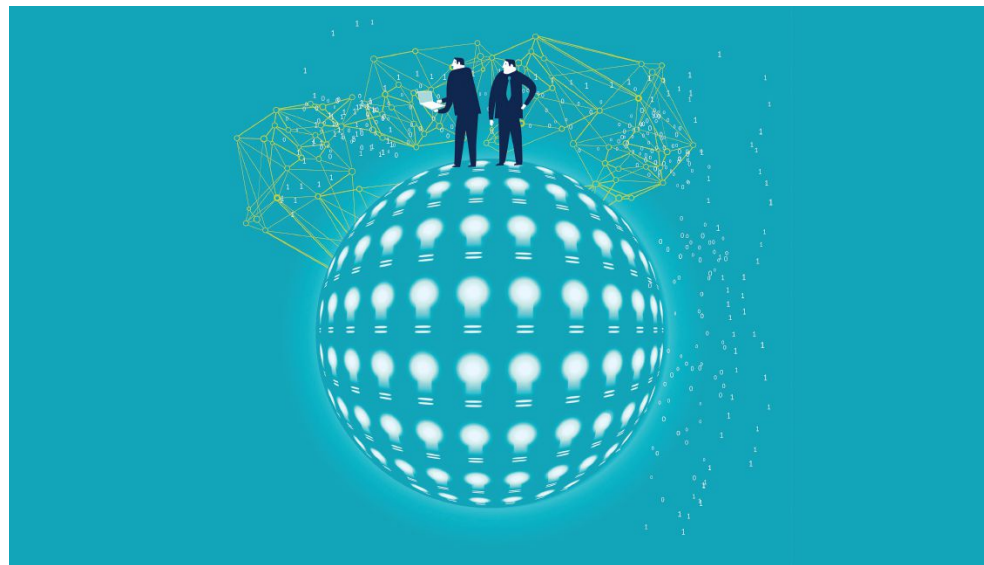
You never know when you will have an unexpected need that could be easily addressed if you just knew where to go or what to use. My curiosity has often been rewarded by walking down the aisle less traveled, only to discover an obscure tool that is the perfect solution to solve that problem I've been putting off addressing. Utility model patents often fit the bill as that little-known and seldom-used tool that is a perfect fit for extending your intellectual property protection abroad.

Utility model patents are not available in the United States, which is why many patent practitioners and business leaders are unfamiliar with their use and nuances. Although the rules and scope of utility model patents vary from country to country, utility models generally have a shorter patent term (10 years as opposed to 20 for conventional utility applications), a reduced inventive step (e.g., obviousness) requirement, and are limited in subject matter to the shape and structure of an article (or their combination). In particular, utility models are typically not available for processes or new materials. Benefits of utility models are that they generally issue very quickly, and, in many countries, can be filed in parallel with conventional invention patents, giving applicants an opportunity for quick initial coverage for fast-to-market inventions, while waiting for the examination and eventual issuance of the conventional invention application.

Utility models are particularly popular in Asia, where they are often utilized to cover not only products, but the spare and replaceable components for those products and the machines that build them. Manufacturers are always at risk of unscrupulous third parties filing utility models for the spare parts for the very same machine and products they manufacture. Thus, it's advisable that intellectual property reviews for new machine or product releases include utility model analysis for spare parts in the countries in which the machines and products are to be fabricated, used or sold.

Utility models are most widely used in China. According to statistics from the China National Intellectual Property Administration (CNIPA), the number of utility model patents granted in 2020 increased by 50%. Numerically, 2,377,223 utility model patent applications were granted in 2020, with less than 1% of the utility model patentees being foreign applicants. As damage awards may be substantial, for example with the damage award in *Schneider Electric v. Zhengtai* being in the neighborhood of 334 million CYN (51.6 million USD), the protection afforded by utility models is deserving of serious consideration.

In China, utility models are often granted within six to eight months of filing with only a preliminary examination. As discussed above, the level of inventiveness is lower for a utility model patent than for an invention patent. Particularly, a utility model patent is



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generally considered inventive when it survives a challenge of a combination of at most one or two prior art references from the same technical field, in contrast to the examination of invention patents where multiple prior art references from different technical fields are often utilized to show a lack of inventive step.

Similarly, Japan, Korea and some other countries also have reduced inventiveness requirements, although Taiwan does not. However, although Korean utility models have reduced inventive step requirements, Korean examiners typically apply the same inventiveness criteria that is used for the examination of invention applications. Thus, the advantage of reduced inventive steps for utility models in Korea may be difficult to realize in practice.

An important strategy that can be employed in both China and Taiwan is the simultaneous filing of invention and utility model applications to cover the same invention. The quick patent grant of the utility model patent provides early patent protection while the patentee is waiting for the examination of the invention patent to be complete. Both China and Taiwan require invention and utility model applications to be filed on the same day by the same applicant(s) with a declaration of co-pendency made in each application. The benefit is that once the invention patent application is allowed, the utility model patent granted earlier can be abandoned so that the patentee can enjoy the longer term of the invention patent. Consequently, the patentee can enjoy gapless enforceability all the way from the grant of utility model to the expiry of an invention patent.

Notably, the parallel filing strategy is not possible in the event where a Patent Cooperation Treaty (PCT) application is used to enter China, because there is no option for a declaration of co-pendency of the PCT application. That is because only a single national phase application can enter the national phase, and China only allows divisional applications to be of the same type as the parent application. Thus, decisions for parallel filing in China must not be delayed beyond one year from the priority date, as this

strategy cannot be employed through the PCT. Of course, an applicant may enter the national phase in China with a utility model application to take advantage of the reduced inventive step requirements when parallel filing is not desired.

Filing both utility model and invention applications can be utilized in other countries, but rules for double patenting should be reviewed in each country prior to deciding on a filing strategy. In contrast to the parallel filings allowed in China and Taiwan, the claims of utility model and invention applications often must be patently distinct to avoid double patenting.

Once an application is filed in China, the applicant cannot convert the utility model application to an invention application, or vice versa. In contrast, Taiwan, Korea and Japan allow converting applications, subject to certain rules. Thus, challenging prior art encountered during examination in Taiwan and Japan may be mitigated by converting an invention application to a utility model to take advantage of the reduced inventive step requirements.

In China, a patent dispute resolution forum can be a court or a local intellectual property (IP) authority. However, the local IP authority can only grant injunctions and not damages. If the patentee is not satisfied, the authority's decision may be further litigated in court. Damages awards in Chinese courts are typically calculated as the plaintiff's actual loss, an infringer's gained profits, or a reasonable royalty. Punitive damages are available for one to five times the calculated basis. However, statutory damages may be awarded by the court's discretion if either one of the three approaches is not feasible, the amount of which ranges from CNY 30,000 to 5,000,000 (about 4650 to 773250 USD).

In Taiwan, damages are calculated in a similar way to China's system. The punitive damages are one to three times the calculated basis and there are no statutory damages. In most other countries, damages are determined in much the same way as with invention patents.

In Japan, Taiwan, China and other countries that do not have substantive examination, granted utility models

are vulnerable to validity challenges. During utility model-related infringement disputes, the patentee or licensee may be required to obtain a technical evaluation report. In some countries, the claims may be amended while obtaining the technical evaluation report. In other countries, the claims may be amended during invalidation proceedings. In Taiwan, a technical evaluation report is not a prerequisite for serving a cease-and-desist letter or filing a lawsuit. However, a patentee who does not have a technical evaluation report for a utility model right bears the risk of being accused of abuse of patent right if the outcome is not in favor of the patentee.

Utility models are also available in many European countries. Notably, Germany allows the filing of utility models for European Patents (EP) validated in Germany. Marc Kraushaar of Zimmermann & Partner advises that filing a utility model patent in Germany can provide a hedge against opposition to the corresponding EP patent as the rules for literal support, a common opposition tactic, are more lenient for German utility models. Other advantages of German utility model applications are that, since there is no examination, the applications typically grant within weeks, and public prior use outside of Germany is not considered prior art.

One potential downside of the German utility model practice is that costs of cancellation proceedings are paid by the losing party. Patentees may avoid these costs by accepting the cancellation at the beginning of the procedure when warranted. Additionally, requests for preliminary injunctions are unlikely to be granted in light of the lack of substantive examination.

In summary, utility models can be a key tool in your intellectual property protection portfolio. Low cost, a fast grant and the reduced inventiveness requirement can often fill the void between product release and grant of invention patents. However, with the many local nuances, remember to work with your intellectual property professionals to map out the strategy most suitable for you. ■

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