

Max Planck Institute
for Intellectual Property and Competition Law

NATIONAL SYSTEMS OF UTILITY MODELS PROTECTION - THE EUROPEAN EXPERIENCE

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the Utility Model System
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Outline

■ **Germany** as a Case-Study

- **History** of Utility Model Protection in Germany
- Protection under the **Current System**
- **Checks and Balances**
- **Empirical Data** and Economic Impact

■ The Attempt to Harmonise Utility Model Protection in the **European Union**

- Utility Models in Europe – an **Overview**
- The Views of **Interested Parties** and the **Commission**
- Harmonisation from the Perspective of **Regional Integration**



History of Utility Model Protection in Germany

- After enactment of **Copyright and Design Law** in 1876, the question arose whether *technical and/or functional features of products of practical use* can be protected as designs
- After **ROHG** denied protection in 1878, developers of new products in Germany could *only apply for a patent* to protect innovative technical features and technical improvements
- The **German Patent Office**, confronted with an increasing number of applications for minor innovations, *increasingly rejected them as below the threshold for patent protection*
- In response, a **Utility Model Act (GebrMG)** as a second-tier *system for protecting sub-patentable innovation* was introduced in 1891 to remedy this protection-gap



History of Utility Model Protection in Germany

Main Features of GebrMG

(1) protection was limited to new and innovative **working tools** or other objects of utilitarian purpose contained in a **three-dimensional form**;

(2) utility model applications were only checked for the formalities, with **no substantive examination**;

(3) the **protection period** was six years in total, divided into two periods of three years each;

(4) **1st fee was comparable low** (15 German marks for the first period, but 60 marks for the extension);

(5) **novelty** was limited to publications or domestic use; courts demanded rather **low level of inventiveness**



History of Utility Model Protection in Germany

Continued Expansion of UM Protection

- To protect also against similar three-dimensional forms which fulfilled the same function, courts shifted protection from the form or shape as such to the underlying utilitarian idea/function
 - In 1936, the RG held machines to be protectable as such
 - Subsequent revisions (1986, 1990) abolished the remainders of the 3-dimensional form requirement
 - In 2006, the BGH there finds that due to the continued erosion of patent protection standards, there is no workable lower degree of inventiveness under the Utility Model Act
- Approximation towards standards of patent protection**



Current System of UM Protection

- **Protectable as UM** is any invention – with the exception of processes and the exclusion of bio-technological inventions
- **Conditions for protection** are novelty, inventive step and industrial applicability:
 - relevant state of the art against which **novelty** is assessed comprises anything disclosed in domestic and foreign publications & disclosure via domestic use (hence excluding foreign use as well as oral descriptions at home or abroad)
 - Until 2006, lower **degree of inventiveness** required; since ‚Demonstrationsschrank‘ decision of BGH, same threshold as under patent law



Current System of UM Protection

- The German UM system is primarily a **registration system** without substantive examination
- The applicant can choose to apply for a **search report** by the Patent Office which lists all relevant published documents for judging the application against the state of the art in the relevant field of technology
- In practice, the **patent office examines whether the application covers unprotectable subject matter** and rejects an application if it does
- **Act of registration** has effect of granting the exclusive UMRs



Current System of UM Protection

- **Rights granted** include the right to exclude others from making, using, offering for sale, selling or importing/possessing for such purposes the protected UM or goods containing UM
- **exceptions and limitations** exclude from utility model protection:
 - **acts of private nature**, not taken for a commercial purpose;
 - **experimental uses** in relation to the protected UM;
 - certain acts performed by a **prior user** of the UM in good faith;
 - the use of the protected subject matter if so ordered by the state (**government use**)
 - **Compulsory licenses** are available in case of public interest



Current System of UM Protection

Remedies against UM infringements

- Infringer must **cease infringing activity**: In this regard, **injunctive relief** is the main procedural remedy
- Negligent or purposeful infringement leads to **damage claims**
- Other Remedies include **destruction of infringing goods and equipment** used in the production of these goods
- Comprehensive obligations to **disclose information** about the origin and chain of production of infringing goods, as well as further documents
- Wilful utility model infringements on a commercial scale are a **criminal offense** and subject to criminal proceedings



Current System of UM Protection

- Total of **10 years period of UM protection** (from the date from the date of application)
 - The **fees for obtaining UM protection** are:
 - an application fee of 40 Euros
 - an optional search fee of 250 Euros
 - After the first 3 years, **protection is contingent on the payment of a renewal fee** for
 - the 4th until 6th year (210 Euros)
 - the 7th & 8th year (350 Euros), and
 - the 9th & 10th year (530 Euros)
- Failure to pay** the renewal fees leads to the termination of UM protection



Checks and Balances

Revocation Proceedings

- Revocation procedures at Patent Office (PO) **aim at annulment of the registered UM**. Proceedings can be initiated any time during the period of protection and currently cost 300 Euros.
- PO will forward the revocation claim to the **UM holder who has to object to the revocation within 1 month**. Failure to object leads to revocation.
- If right holder objects, **proceedings on the merits** are initiated. Main test for revocation is whether
 - the **invention falls under protectable subject matter** ; and
 - the **invention meets the conditions for protection**
- Option of **judicial review** (of PO decision) to the **Patent Court**:
 - If the panel decides to revoke UM, this **decision is valid for everyone** (not just the parties) and **extinguishes the utility model protection from its initial registration**.



Checks and Balances

Infringement Proceedings

- Alleged infringer can raise **objection against UM validity**
- Court examines whether the invention
 - falls within the **protectable subject matter** for UM; and
 - meets the **conditions for protection**
- If court finds UM invalid, it dismisses the infringement action. **Dismissal has only *inter-partes* effect** and does not affect the general validity of the UM.
- In case infringement proceedings **overlap with revocation proceedings**, the court *may stay its proceedings* until PO issues a decision on revocation. The court *must* stay its proceedings if it considers the utility model to be invalid.
- In case **PO holds the UM to be valid**, the court is bound by its decision only if the same parties are involved in the infringement- and revocation proceedings.
- The **court may hold UM invalid** (with *inter-partes* effect only), even if the PO rejects the revocation proceedings.



Empirical Data and Economic Impact

- Initially, UM system served primary goal to provide SMEs with inexpensive, quickly-available protection for less significant innovations for useful purposes

- Early statistical data indicates the Act fulfilled this goal:

“the Utility Model Act got a warm reception from industry. Between 1891 and 1895, 55.173 utility models were registered, of which 51.202 came from Germany. As to patents, between 1877 and 1890, 187.218 patents were applied, 85.340 patents were granted, of which 85.242 came from Germany, 27.098 from abroad. While in the first year of full operation, in 1892, a total of 9.066 utility model applications were made, the figure had climbed to 21.432 in 1900, and 54.580 in 1910.” (Heath, 1998)



Empirical Data and Economic Impact

Ifo Study (1989) on the relationship between the German patent system and innovative activity in firms contains some **findings on the importance** of IPRs, including **UMRs, in relation to the type of business**:

→ Among **independent inventors and craft firms (often SMEs)**, UM protection is 2nd in order of importance: after patents (but before TMs and industrial design rights)

→ Among **industrial & manufacturing companies and research institutes**, UM protection ranks at least 3rd

→ The study supports that **in Germany, UMs are of importance especially to small and medium-sized industry** – the reasons having for the most part to do with savings in costs time and administration



Empirical Data and Economic Impact

A shift in the strategic use & function of UM system?

Approximation of the UM & Patent system arguably affects the strategic behaviour of applicants and thereby the function of the utility model system:

→ For applicants primarily aiming at patent protection, there is an incentive to file also for UM (**'split-off applications'**)

→ UM registration allows for **interim protection** (incl. injunctive relief) until the patent is granted

Function shift in the German UM system? Protection focus on small innovations continuously eroded; instead interim protection tool for patent applicants

In 2010 however, **only 10% of split-off applications...**



Empirical Data and Economic Impact

Recent Statistical Data

■ **Continuous decrease of applications** over last 6 years: 17005 in 2010, 17.306 for 2009, 17.067 for 2008, 18.083 for 2007, 19.766 for 2006, 20.418 for 2005 and 20.286 for 2004

■ Similar (but small) **decline of overall UMs in force**: 95.598 in 2010, 96.909 in 2009, 100.093 in 2008, 102.559 in 2007, 104.117 in 2006, 104.976 in 2005 and 106.096 in 2004

■ **Ratio between foreign & domestic filings**: In 2010, about 80 % from domestic applicants – with the remaining 20% divided amongst applicants from Taiwan (6.5%), Austria (2.4%), Switzerland (1.9%), USA (1.3%) and 7.3% from other countries



The Attempt to Harmonise Utility Model Protection in the EU

- Utility Models in Europe – an Overview
- The Views of Interested Parties and the Commission
- Harmonisation from the Perspective of Regional Integration



Utility Models in Europe – an Overview

Some European Countries which offer UM protection

Belgium	Brevet de courte durée/Octrooi van korte duur
Denmark	Brugsmodel
Germany	Gebrauchsmuster
Greece	Πιστοποιητικό υποδειγματοζ χρησιμότητας
Spain	Modelo de utilidad
France	Certificat d'utilité
Ireland	Short-term patent
Italy	Brevetto per modelli di utilità
Netherlands	Zesjarig octrooi
Austria	Gebrauchsmuster
Portugal	Modelo de utilidade
Finland	Nyttighetsmodellagen



Utility Models in Europe – an Overview

3 separate systems in Europe

1) System with protection standards very much akin to patent law, functioning as **quick ‘reservation’ system for patent applications** (Belgium, the Netherlands, France and Ireland)

2) **‘Three-Dimensional Model’ Regime** where protectable invention must be embodied in a 3-dimensional form and the conditions of protection are usually less stringent than under patent law (Denmark, Finland, Greece, Italy, Spain and Portugal)

3) The **German system** which has developed from requiring a three-dimensional form (Raumform) for a utility model towards a system with close proximity to the patent system.



The Attempt to Harmonise Utility Model Protection in the EU

- July 1995: European Commission launched **Green Paper** on ‘the Protection of Utility Models in the Single Market’
- 1997 **Proposal for a Directive** approximating the legal arrangements for the protection of inventions by utility model
- 28 June 1999: **Amended proposal** for a UM Directive
- Since March 2000: **Suspension of work** on amended proposal
- 2001-2002: **Further consultations** on the impact of the Community UM Protection in order to update the Green Paper
- **Increasing skepticism** on the side of stakeholders and national governments leads to suspension of work



The Views of Interested Parties and the Commission

Stakeholder's Rejection of a Single Community UM Right

- A single Community UM right would be **too costly** and **politically unrealistic** to achieve (unanimity in the EU Council required);
- **Problem of translations:** Translation into all official languages involves exorbitant costs in relation to the needs of industry for quick, flexible and cheap protection;
- A single right does not correspond to the **real needs of industry**, particularly in the field of minor inventions as UM protection is rarely sought in more than 3 to 5 Member States and never in the whole EU



The Views of Interested Parties and the Commission

The Commission's Perspective on Harmonising National Laws

- UM protection for inventions of both **products and processes** (no requirement for 3-dimensional form)
- UMs must be **new, inventive** and suitable for **industrial application**
- **Lower level of inventiveness** required than for patents
- **Absolute novelty** standard
- **No examination** of the conditions for protection
- **UM rights (and exceptions)** similar to rights granted by a patent; dual protection allowed
- Maximum of **10 years** of UM protection



The Views of Interested Parties and the Commission

After the 2001 Consultation: Increasing Scepticism

“Three-quarters of the contributors state their opposition to a Community utility model. The reasons are many and varied, including the risk of restricting competition and adversely affecting the competitiveness of European companies, less legal certainty, unsatisfactory criteria (level of inventiveness, etc.). Moreover, it is felt that the utility model would respond to a need for local, or even national protection, but would not be justified at Community level.

Of the contributors opposed to a Community utility model, a majority advocate abandoning any initiative on it, while a number would like to see a resumption of work on the Directive aiming to approximate Member States' legislation on this form of protection.”

(EU Commission, 2002 Summary of Responses)



Harmonisation from the Perspective of Regional Integration

Differences in national UM systems as barriers to cross-border trade

- In absence of unified/harmonised UM laws, trade in potentially protected goods is affected:
 - **Bundle of national UM rights** may lead to goods being protected in one country, but not another
 - **Different standards of protection** may discourage attempts to register UM abroad
 - Especially for **SMEs**, registration in markets abroad is too costly
- absence of a harmonised approach **inhibits** the **innovation** (from SMEs) which is encouraged by UM systems



Harmonisation from the Perspective of Regional Integration

3 Options to address Barriers to a Common Market

1) Harmonisation of nat. laws by **setting common minimum (& maximum) standards** of UM Protection

2) System of **Mutual Recognition of UM rights** registered with another IPO: In 1 act of registration, right holder designates countries where protection is sought (based on nat. law); requires streamlining of application/granting procedures

3) creation of one **single, community-wide IP right**: covers territory of the whole Community, based on Community registration office; possibly in addition to nat. UM systems

Key Question: Do innovators, especially SMEs, really engage in significant cross-border trade with such goods so that a harmonized system of protection really outweighs the downside of not being able to tailor the system to the domestic needs anymore?



Thank you for your attention!

Comments and critique to
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