Utility models

Utility models can support inventions that fall short of complying with the "inventive step" requirement for receiving patent protection. Their potential contributions in support of innovation have been mentioned in particular in the context of emerging and developing countries, of firms with lower incentive capacities and in sectors where minor enhancements are prevalent. However, exclusive rights over such minor improvements can impose unnecessary barriers to further innovative activities, and they have limited impacts for incentivizing innovation if the novelty threshold is set at too low a level. Many countries, including the United Kingdom and the United States, do not have utility models. Countries are free to adopt a system for the protection of utility models and conditions vary from one country to another as well.

What is a utility model?

Like patents, **utility models are exclusive rights granted for inventions that allow the rights holders to prevent others from commercializing the protected invention, without their authorization**, for a limited period of time. Due to the similarity between patents and utility models, the latter are sometimes referred to as **"petty patents"** or **"innovation patents"**. "Utility model" refers to subject-matter that can be placed between that protectable under patent law and design law (Suthersanen, 2006).

Utility models have lower requirements than patents, especially in terms of the threshold of inventiveness. The term of protection for utility models is also shorter than that for patents: It varies from country to country and is usually **between 7 and 10 years**, without the possibility of extension or renewal. Moreover, in countries where utility model protection is available, patent offices do not use to examine applications as to substance prior to registration. This means that the registration process is often significantly simpler, cheaper and faster, taking six months on average (WIPO, 2013). More detail on the legal framework for utility models is provided at this link (see Utility model law [1]).

Another important feature of utility models is that they can be branched off from a pending patent application. Moreover, a utility model may claim priority from an earlier patent or utility model application; it is also possible to use a PCT application as the basis for a utility model application in the national phase.

How are utility models related to innovation?

The relationship of utility models to innovation is similar to that of patents. The IP designation is provided to inventions rather than innovations and, therefore, can similarly be regarded as an intermediate step between innovation inputs (such as R&D investment) and outputs (see Patents [2]).

The rationale for utility models is closely tied to the patent system and its inability to extend legal rights to innovations or discoveries that fall short of the inventive step and/or novelty thresholds needed to obtain patents. The rationale for utility models is based on the facts that potentially valuable **inventions** can be cumulative in nature and that many of them are **sub-patentable** in the sense that the novelty and inventive step requirements are too high for these inventions to comply with. Moreover, a second tier patent law may respond to or avoid the shortcomings of the patent law in fostering local innovation (Suthersanen, 2006).

Utility models are an instrument of protection **particularly suited to emerging countries, where enterprises are small with limited R&D capacity but capable of making incremental changes or adaptations to existing products**. The threshold for obtaining patents is too high for most actors in emerging countries' innovation systems, thus in these cases other types of IP such as utility models might be more suitable to support innovation. They can also be attractive for "catching-up" firms in different sectors and helping to support **"catching-up" phases of development** (Kim

et al., 2012). However, there is no empirical evidence showing a positive correlation between innovation performance and utility models (Suthersanen, 2006).

In those technology sectors where **minor or incremental innovation** occurs (such as the automotive spare parts sector, agricultural machinery and machine tools), tailored utility model protection may be a way of facilitating incremental innovation (Suthersanen, 2006). In this regard, software, pharmaceuticals and high-tech IT products may be among those excluded from utility model protection, as the need for substantive examination appears particularly important here to prevent abusive and anti-competitive blocking behavior (Grosse Ruse-Khan, 2012).

How are utility models used in practice?

There is no international obligation concerning utility models; therefore, countries can freely determine what conditions for protection (e.g. standards of novelty, inventiveness and industrial applicability) they consider appropriate for their domestic setting. In terms of international law the only international conditions that arise once a country has adopted utility models are the following:

- Article 4 of the Paris Convention refers explicitly to the national treatment rule applying to utility model applications in Convention countries (Article 4A(1)) and establishes a priority filing period of 12 months for utility models (Article 4C(1).
- Article 2 of the TRIPS Agreement (WTO 1994) requires all WTO Members to comply with Articles 1 through 12, and Article 19, of the Paris Convention (e.g. including Article 4 on utility models). Then even a country non-signatory to the Paris Convention, if it grants utility models itself, must observe national treatment and priority filing period rules in a way that does not discriminate against nationals of other WTO Members.

In addition, **all countries where national laws on utility models exist have some traits in common**. All utility model laws confer exclusive rights on the proprietor of the right; novelty is a criterion in all utility model systems; registration is a requirement but there is usually no substantive examination of applications; and finally, most utility model laws protect the technical character of the invention as opposed to the ornamental function or the appearance of the product (Suthersanen, 2006). Nevertheless, countries vary in terms of subject matter, granting procedure, term of protection and substantive criteria.

While utility models are not offered in Canada, the United States or the United Kingdom, they are an option for a number of industrialized countries including Argentina, Australia, Brazil, China, France, Germany, Italy, Japan, Mexico, Republic of Korea, the Russian Federation and Spain. In some countries, utility model protection can only be obtained for certain fields of technology and only for products, not processes. For utility models, countries may also decide not to extend exclusivity to all acts of making, using, offering for sale, selling or importing the protected innovation (Grosse Ruse-Khan, 2012).

The absolute use of the utility model differs across countries (Figure 1). Leading users include not only a range of emerging countries but also advanced economies such as Germany, Italy and Korea.

Figure 1. Gazelles (employment definition), % of enterprises with 10+ employees

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Links
[1] https://www.innovationpolicyplatform.org/content/utility-model-law?topic-filters=12174
[2] https://www.innovationpolicyplatform.org/content/patents?topic-filters=12214
[3] http://ssrn.com/abstract=2160229
[4] http://dx.doi.org/10.2139/ssrn.2160229
[5] http://www.wipo.int/sme/en/ip_business/utility_models/utility_models.htm
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