# Utility model law

Utility model law refers to the set of provisions dealing with specific aspects of utility model protection, namely inventiveness, subject matter of protection, rights of the owner and duration. Each dimension of the utility model laws has a specific impact on innovation or will impact specific types of innovations; adequate policies might differ across countries or change over time. In particular, utility models are more (but not exclusively) used in developing countries.

## What are the legal dimensions of utility models?

Utility models are also called “petty patents”. The law on utility models shares several aspects with patent law (see Substantive patent law [1]). Nevertheless, there are important differences between both legal regimes—namely, the standard of inventiveness, the rights of owners, the subject matter of protection and the duration of the right—discussed as follows.

### Inventiveness

While novelty is a criterion in all utility model systems (although the standard varies widely, Suthersanen, 2006), the requirement of inventive step as it exists in patent regimes is not always imposed on utility models. When it does pertain, it is defined differently from such requirement for patentable inventions. In most utility model systems, a certain level of inventive activity is required, although the threshold is lower than that required for patents (Christie and Moritz, 2004; Janis, 1999). However, because countries have the flexibility to decide on the level of inventiveness that they wish to adopted as a condition for protection (Grosse Ruse-Khan, 2012), the standard of inventive step varies across countries. Some countries require an equivalent level of inventive step as under the patent system, (e.g. Belgium, France), while others require a lower level of inventive step (e.g. Denmark, Finland, Germany, Greece, Ireland, and Spain) (Llewelyn, 1995).

### Rights of the owner

For utility models, countries are not required to grant exclusive monopoly rights in the same way that they are for patents. Governments may decide not to extend exclusivity to all acts of making, using, offering for sale, selling or importing the protected innovation. They may also exchange the concept of negative rights to exclude others from engaging in certain acts with a form of liability rule whereby the beneficiary of utility model protection cannot prevent the use of the protected innovation but is entitled to some form of reasonable compensation (Grosse Ruse-Khan, 2012).

Moreover, utility model protection is not bound to exceptions which meet the three conditions of Article 30 of the Agreement of Trade-Related Aspects of Intellectual Property Rights (TRIPS), nor to the provisions on compulsory licenses of Article 31 of TRIPS (WTO, 1994). Thus, countries can freely determine which type of use does not require any authorisation of the right holder, whether any compensation is owed for such a use and what kind of conditions apply for invoking such an exception (Suthersanen 2006; Grosse Ruse-Khan, 2012).

### Duration

The term of protection for utility models is shorter than for patents and varies from country to country (usually between 7 and 10 years, without the possibility of extension or renewal). The fact that utility model protection is inexpensive and relatively easy to obtain justifies (in part) the short-term of protection that they are granted (Christie and Moritz, 2004).

### Subject matter

While there are international obligations concerning the type of subject matter that should be protected by patent systems, there is no international obligation with regard to the subject matter of utility models. Countries are free to determine whether they wish to make their utility model systems available to all fields of technology or to limit protection to certain technology sectors while excluding others (Janis, 1999).

In general, utility models protect technical inventions that meet the requirements of novelty and industrial application and show a certain degree of inventiveness. However, the type of subject matter that is protectable under different systems ranges from only protecting three-dimensional forms, protecting technical inventions including processes or adopting the domestic patent law definition of protectable subject matter (Janis 1999; Suthersanen, 2006). Hence, in some countries the scope of protectable material is the same as under the patent system (e.g. Belgium, Denmark, France and Ireland); in other countries protection is restricted to shapes and configurations (e.g. Finland, Greece, Italy and Portugal); or the right specifically excludes processes and chemical or pharmaceutical products (e.g. Austria and Germany) (Llewelyn, 1995).

## How is utility model law related to innovation?

First, imposing a higher or lower inventiveness threshold on utility models has different effects on innovation.

- Lower inventiveness standards can allow small and local companies with limited resources to access IP protection (Janis, 1999), thus encouraging them to invest in the creation of products that are innovative, but the standards do not comply with the high standards required for patents (Suthersanen, 2006).

- The lower level of inventiveness associated with utility models would also benefit those businesses characterized by incremental innovations and short product cycles, like the automotive spare parts sector, agricultural machinery, machine tools, or electronics (Suthersanen, 2006; Brack, 2009, Grosse Ruse-Khan, 2012). For example, start-up firms would more quickly obtain enforceable IP protection for their developments, which could aid them in seeking capital and investors (Brack, 2009). Utility model protection could also help them prevent counterfeiting and imitation of their innovations.

However, the fact that the utility model regime encourages a lower degree of inventiveness may result in legal uncertainty and excessive litigation. There is the concern that firms may overuse utility models to block weaker competitors (Suthersanen, 2006). IP rights are based on the notion that inventions and creative works must be in the public domain, except for those works that fulfill the traditional standards of novelty, inventive step, originality or distinctiveness. Granting exclusive rights to inventions that fail to meet these standards may have undesired impacts on innovation. Because the duration of utility models is usually short, their impact on innovation is limited so as to provide opportunities for encouraging second-tier innovation without incurring such costs.

## What are the implications of utility model law for policy?

Since there is plenty of flexibility for governments in designing utility model protection, it is essential that policy makers use that flexibility in a constructive manner in favour of a system tailored towards encouraging local innovation that takes into account any other relevant interests on the domestic level (Grosse Ruse-Khan, 2012). For instance, it is important to consider the extent to which sub-patentable inventions (less inventive) inventions should be protected, and if so, to determine what is the appropriate level of inventiveness that utility models should show in order to be protected by IP rights. In particular, the needs and requirements will differ across economies' stages of development. Since clarity and certainty are crucial elements for the well-functioning of IP systems (see Legal quality of IP [2]), whatever the types of subject matter protectable by utility models are determined to be, it is essential to establish a clear line between the kinds of innovations that can be the subject of utility model rights and those to be excluded from such protection.

Those countries with a utility model system could consider what kind of uses should be exempted (according to their domestic features) from the protection available for utility models (Grosse Ruse-

Khan, 2012). Given that utility model systems are often designed as registration systems without a substantive examination as to the requirements for protection, an exclusion of certain fields of technology that are primarily served by the patent system may be an important consideration (Suthersanen, 2006; Brack, 2009; Grosse Ruse-Khan, 2012). In this way, utility model regimes can focus on specific fields where minor and incremental innovations occur.

For example, economies dominated by industries characterized by more incremental innovation—such as transport, domestic articles, basic electronics, optics, among others—could be stimulated by utility model laws; whereas, industries more typically characterized by "breakthrough" innovations—such as biotechnology and pharmaceutical—would not need such form of protection (Brack, 2009). Furthermore, focusing protection on specific fields can help prevent abusive behavior by companies attempting to use the exclusivity provided by utility model rights to block competitors from offering their products on the market.

Since no multilateral minimum standard exists on the duration of utility models, countries can also determine the duration of protection in the light of the overall objective pursued with the utility model system (Grosse Ruse-Khan, 2012). The average life cycle of products subject to protection in the relevant sectors, as well as the time needed to develop such products, are key factors to consider in that context.

## References


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**Links**
[1] https://www.innovationpolicyplatform.org/content/substantive-patent-law?topic-filters=12003
[2] https://www.innovationpolicyplatform.org/content/legal-quality-ip?topic-filters=12258
[3] http://ssrn.com/abstract=2160229
[4] http://dx.doi.org/10.2139/ssrn.2160229
[5] http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm