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Intellectual
Property

IP FOCUS 2012

EUROPE

8TH EDITION

A NEW LOOK AT HARMONISING UTILITY MODELS

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Jesper Sellin and **Gunnar Hjalt** of **Valea** consider the benefits of creating a unified EU utility model, and suggest some principles for its implementation

A new look at harmonising utility models

In the struggle to implement a truly unitary patent and solve the difficult task of designing an adequate unitary patent court system, little focus has been put on its little brother, the utility model. Why is it so misunderstood? After looking into some of the reasons for the EU harmonisation lacking results so far, it seems more than likely that harmonisation is more achievable today and it could even serve as a catalyst for putting the unitary patent together. At the same time, countries that do not have a utility model system, such as Benelux, Sweden and the United Kingdom, would be given new and fresh IP rights.

What are utility models?

We can actually start by establishing what they are not. Utility models are not a poor man's patent or a grade C patent. They are not a contribution to SMEs. Rather, they are a form of intellectual property that has its logical place between designs and patents.

In other contexts we are used to the notion of double protection (or even triple protection) in relation to intellectual property. The existence of a copyright does not exclude the chances of obtaining trade mark protection for the same feature, for example a logotype. The same applies to the combination of designs and copyright and to the combination of patents and designs, and designs and trade marks. The different intellectual property types often overlap, but sometimes there is a gap. In some cases, such as business concepts, there is no intellectual property immediately available to fill this gap. In other cases the gap is filled by utility models.

Think of an invention that essentially is best described as a new and functional product design. You may not be entitled to a patent because the person skilled in the art would have thought of this particular product design. Neither will you obtain design protection because the design is essentially technically functional. Moreover, the invention relates to a feature that is not visible during normal use of the product. You think this is just unfair. If this person was so skilled in the art, why did he not come up with your solution a long time ago? He didn't but now you have. Shouldn't you be rewarded for this – even if you could accept that the scope of protection would be narrow and the term of protection short? Yes, you should have your reward some way – the utility model way.

Many jurisdictions have already recognised the usefulness of utility models, though the rules differ.

Previous attempts at harmonisation

There have been several attempts to harmonise utility models in Europe. Slightly more than fifteen years ago the European Commission presented its green paper on the protection of utility models in the single market. The Commission received about 100 comments and prepared a proposal for a directive approximating the legal arrangements for the protection of inventions by utility model. The directive was stopped for various reasons in 2002.

One of the reasons for killing the directive proposal was that the proposed Community patent consumed all of the legislative energy at the time. Another

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reason was that the utility model system would provide less legal certainty than the patent system. Moreover, since many of the current users of the existing utility model systems in Europe only filed national applications, there was no need for a Community filing system. It was also feared that a uniform utility model would be in competition with the existing patent system but without adequately addressing the needs of SMEs. An interesting theory also surfaced; a unitary utility model system in Europe would strengthen American and Japanese companies to the detriment of European companies.

In our opinion, this could be the time and place to achieve full European harmonisation on utility models, but it would require that the harmonisation is made for the right reasons, as we hope to illustrate in this article.

A Community patent instead?

The work on the Community patent has consumed a lot of energy and it still does. Many issues have been resolved but it is nevertheless impossible to tell whether the result of the achievements will be forthcoming within the next five years, or if the result will actually be an attractive solution at all.

In the absence of a ready solution on the unitary patent, it would be a tempting idea to actually pursue new legislation, but in an adjacent area. Utility models could be introduced on a Community level as a complement to the future Community patent. This would make it possible to put some of the thoughts behind the Community patent to the test, in particular the court system. Although the primary purpose of a harmonised utility model should not be to try out new ideas for the unitary patent, this aspect could be a very important side effect.

Better legal certainty

The term legal certainty is, at least, two-fold. In our opinion, one cannot really speak about legal certainty when having 24 different utility model laws in Europe. A whole lot of legal certainty would, however, be gained by having a uniform utility model system with one set of rules.

It has been argued, quite correctly, that publication and registration without examination means that you typically do not know for certain if a utility model is valid or not. However, this is not fundamentally different from patents where proof of prior art or prior use can be presented before a court at a later stage. The difference is thus more of a difference in degree than a difference in kind. The lesser degree of legal certainty that comes from publication without examination can naturally be beneficial for the holder of the registration. It can be an advantage to keep your competitors uneasy. Yes, you obtain more certainty through examination by a competent authority but this comes at a cost – both in time and money.

Today we have gotten used to a well-functioning Community design system, even though it does not involve any examination. The Community trade mark system does not comprise examination with regard to prior rights, but there is no talk about lack of legal certainty here. These are two good examples of how much there is to gain from minimising examination.

Community-wide filing

Those who previously filed design applications nationally now tend to file Community-wide design applications. A similar trend was also noticed when the Community trade

mark was introduced. Is it not at least possible that the same scenario would occur if an applicant would have actual access to a Community-wide utility model system? For those who prefer doing it the old way, we would still have the national rules to fall back upon. We personally doubt that the introduction of a harmonised utility model system would take place unnoticed. In any event, it is hardly a strong argument against harmonisation that national filing is the preferred way of doing things when it is the only option presently available.

The proposed Community patent consumed all of the legislative energy at the time

Taking care of SMEs' needs

The needs of SMEs are important, but we do think that an intellectual property system of any kind should not be designed to prioritise a particular group. The needs of SMEs could be provided for in other ways; lower fees, better insurances, easy access to accurate information, and simplified court proceedings, for example. Otherwise we risk having a grade C patent system which is not what utility models are about. Utility models should complement the patent system and not be a poor copy. From our experience, SMEs are not necessarily low-tech companies that only develop minor technological inventions. They can indeed be high-tech and need access to the ordinary patent system (and to the utility model system too).

It should also be pointed out that it is a popular misconception that a utility model system is not for large enterprises. Of course it is. Why else would anyone fear that major companies in non-member states such as Japan and USA would file an “unconsciously large number of applications” (as per an SEC questionnaire, 2001)? This possible scenario, which perhaps isn't very likely, nevertheless demonstrates that utility models can be an important strategic tool for large companies. Also, the use of a utility model system in conjunction with other IP would typically not lead to extra costs for the applicant. Contrary to adding costs, the new IP field would appear more flexible, resulting in better streamlining of the IP protection to a lower total cost. This should be good news for the SMEs as well as the large corporations. At this point the main problem in connection with utility model filings in the EU, both for SMEs and for larger corporations, is that it is hard to maintain a good overview of the different national laws. A unitary system would make utility model filings easier, both for SMEs and large enterprises.

The court system

Any harmonised utility model system would presumably hinge upon the absence of examination before publication. The body that publishes utility models could also have the duty of performing examination upon request, even though this is perhaps not necessary. Examination is a natural first step in order to ascertain the validity of a registration and, secondarily, its scope of protection. This is true for patents, designs and utility models. Examination can be performed at different places or in different situations; before the filing of an application, during the application procedure, during opposition, during invalidation actions or during all of these situations. Why not give the task of voluntarily examining utility models to the applicant or the applicant's competitors and let the competent

courts perform the official examination in those few cases where it really is important?

Having two different courts – in a bifurcated system – may have its advantages, but it also has its downsides, something which the slow progress on the Community patent presently illustrates. It seems logical that any court deciding on infringement should also take into consideration the important question of validity. As mentioned earlier, this could actually be the time and place to try out a court system that would also suit the purposes of a unitary patent.

A suggestion

After summarising the opinions raised the last time harmonisation of utility models in Europe was on the agenda, and after browsing through the different rules on utility models throughout Europe, we have included some aspects from the work on the Community patent and come up with an arbitrary starting point for a debate on the principles for a unitary utility model. It could be this:

- Full EU legislation instead of harmonisation of national laws. Keep it simple, inexpensive and let the possibilities for choosing the national route remain.

- No method claims allowed, only product claims. This is in keeping with most national systems today. The national route would still be open in those countries that currently provide for utility model protection for method claims.
- Maximum term of protection 10 years. An average term that seems well balanced.
- Absolute novelty requirement. It is no longer modern, logical or in accordance with the unitary principle to have a novelty requirement that differentiates between prior use in one EU member state and such prior use in another member state.
- Filing language. This could be any of the 22 EU languages, apart from the claims which must be filed in one of the five OHIM languages of German, English, French, Italian and Spanish.
- Applications are filed with the OHIM and published after formal examination. Take advantage of the role of OHIM as a competent publishing body in Europe within the field of intellectual property
- Appoint a number of Community utility model courts. Any request for examination or invalidation is tried by one of the Community utility model courts (similar to Community design courts or Community trade mark courts) located in a country where the official language is the same as the filing language.

It remains to be seen whether the European Commission will pick up on this suggestion.

This could be the time and place to achieve full European harmonisation on utility models

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