UTILITY MODEL PRACTICE IN CHINA

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Invention, utility model and design are the three types of patent rights available in China. Invention patent is equivalent to the utility patent in the U.S. Utility model finds its root in European, in particular, German practice. The utility model has been used extensively by Chinese applicants whereas foreign applicants do not seem to favor it at all.

According to statistics from State Intellectual Property Office (SIPO), in 2010, Chinese applicants filed 407,238 (99.4%) utility model applications while foreign applicants only filed 2,598 (0.6%). The accumulative numbers from April 1985 to December 2010 are respectively 2,397,523 (99.3%) and 16,801 (0.7%). A possible explanation is that foreign applicants from countries where no utility model system exists, e.g. the U.S., may not be familiar with it. In addition, the uncertainty of the validity of utility models makes it a second tier patent devalued by some practitioners.

However, utility model patents in China may offer applicants and patent owners strategic advantages in terms of acquiring and enforcing patent rights in China.

“Utility model” means a new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use. In other words, utility model patents protect products, but not methods. A Chinese utility model is valid for a term of 10 years from the filing date.

A utility model application can be filed as a first filing or claiming priority from a previous utility model or invention application. It can also be filed as a national phase of a PCT application. Upon filing an application or entering national phase of a PCT application, either utility model or invention must be chosen. It is not possible to change from one type to the other later during prosecution. It is not possible to branch out a utility model application from an invention application, as in Germany. However, for priority purpose, a patent for invention can claim priority from a utility model and vice versa.

A utility model patent is usually granted much quicker than an invention patent. Under the current electronic examination system in SIPO, a utility model patent can be granted as quickly as 3 months whereas an invention needs average of two and half years. There is no substantive examination for utility model. However, the Chinese utility model system is not a simple registration system either. An application has to go through “preliminary examination” during which formality and claim languages, among other things, are checked. For example, a utility model application must have at least one drawing showing the shape or structure of the product. Otherwise, the application will not even get a filing receipt. During prosecution, it is usually not allowed to make changes to the drawings. Features related to methods are not allowed in claims, even if the subject of the claims is a product. An electrical circuit can be protected by utility model. However, claims can only include fixed connection relationship between the components. Features like algorithm or logic are not allowed.

Even though Chinese utility model practice has lots of limitations, it does allow an exception to double patenting which may interest many applicants. In particular, Chinese patent law allows an applicant to file a utility model application and an invention application for the same subject matter on the same day. The utility model is usually granted first and when the invention application is ready to be allowed and the utility model is still valid at that time, the applicant is allowed to abandon the utility model and choose the invention patent. The utility model is then abandoned on the issue day of the invention patent.

This effectively extends the period during which an enforceable patent right is available. As the cost of prosecuting and maintaining a utility model is far less than that for an invention, filing two applications will not significantly increase the cost to the applicant. For a foreign applicant, since the text of the applications are the same, translation cost will basically be the same as filing only one application.

However, the following points need to be noted by foreign applicants to take advantage of this rule. First of all, the "same day" herein refers to the same day on which two applications are actually filed in China. Hence, this rule applies when both applications are the first filings. This rule also applies when both applications are filed in China on the same day and claim priority through Paris convention from same previous foreign application(s). If they are not filed on the same day or have different priority dates, under the current Chinese patent law, the earlier one constitutes a conflicting application against the novelty of the latter.

It is to be noted that one cannot take advantage of this rule when it files a PCT international application and a Chinese utility model application on the same day, even if both are filed with SIPO, since the type of application cannot be determined at the time of filling the PCT application and it is not certain the PCT application will enter Chinese national phase. This rule does not apply when an applicant files a Chinese utility model application and enters national phase of a PCT application on the same day, as in this case, the priority dates will be different. As a matter of fact, the applicant may end up with no patent, as the PCT application will destroy the novelty of the utility model in invalidation proceedings and most likely, the utility model will be granted first which bars the PCT national phase application from being granted on the ground of double patenting.

Besides the abovementioned rule, another interesting aspect of Chinese utility model practice is that utility model has a patentability standard lower than that for invention, in terms of obviousness. The Guidelines for Examination prescribe that usually only one or two pieces of prior art shall be used to assess the obviousness of a utility model and examiners usually only consider the references in the same technical field rather than similar or related technical fields, as they do for an invention. Thus, in practice, it is difficult to invalidate a utility model on the ground of obviousness.

According to statistics from SIPO, up until August 31, 2008, approximately 25% of invention patents were declared completely invalid compared with 33.3% of utility models – a less than significant difference. In fact, many utility models filed by Chinese applicants are not drafted by sophisticated professionals and often leave little room for the patentee to make amendments during invalidation proceedings. The statistics for the utility model could have been even better otherwise.

Since utility models are not substantively examined, according to the new Chinese patent law, when a patentee wants to enforce a utility model against an alleged infringer, the infringement courts or administrative authorities usually request the patentee to provide a "patent right evaluation report". The evaluation report, which must be done by SIPO, includes full examination results and comments. Although courts may consider the type of patents infringed when determining damages, this does not necessarily mean a patentee of a utility model cannot get high amount of damages, as shown in cases like Chint v. Schneider.

Chinese applicants seem to favor utility models as they are cheap and fast to get and maintain while offering an enforceable right that may not be easily invalidated. Foreign applicants may also want to consider filing utility model applications for strategic reasons. Foreign applicants usually file Chinese applications claiming priority from foreign applications, either through the Paris Convention or PCT route. In most cases, the applicants have an idea of the patentability of their inventions by the time of filing applications in China, from PCT search report, examination report or foreign examination results. For those applications that may have difficulty in terms of obviousness, the applicant could strategically choose to file utility model applications in China. Then, for the "less inventive" inventions, applicants could get a utility model patent, which is difficult to be invalidated for obviousness.

For the same reason, even if an applicant missed the priority period and have disclosed its invention, it may still consider filing a utility model in China covering any slight improvement made to the invention, and end up with a valid utility model patent.

Moreover, the utility model is a quick and cost-efficient way to protect products with short life cycles. Invention patents may not be suitable for protecting such products since they take a couple of years to grant, whereas utility models can offer protection much quicker and the 10year term may well be long enough.

In addition, the utility model is also suitable for “urgent protection”. Where a product is to be launched in China or abroad quickly and where there is no time for sophisticated drafting, a utility model application can be filed with possibly narrow scope of claims which in extreme cases may only cover the actual product. For multinational companies with inventions coming out of China, this could be particularly useful. In this sense, it is better than US provisional applications, as it results in an enforceable right.

Lastly, applicants could strategically choose to file both invention applications and utility model applications. As mentioned above, the applicant could enjoy an extended period of time during which an enforceable right is available. Furthermore, applicants are more than likely to obtain claims in utility model patents and invention patents, with different scope, which under current Chinese practice, is not considered double patenting. In this case, the applicants do not need to abandon the utility model and could keep both the utility model and the invention. The applicants are then in a strategically advantageous position as the utility model may stand attack of validity even with broader scope, due to different standards of obviousness for utility model and invention.

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