

Interview No.16

Why Don't We Utilize the Chinese Utility Model More?

【2011/8/11】

The utility model which is not so prevalent in Japan is regarded as important as the patent in China. In the Japanese sense, we would say, "Let's take a patent rather than a utility model," while in China this common sense is not usual. Japanese companies intending on starting a business in China in future need to pay more attention to effective uses of utility models. We asked members familiar with the Chinese and Japanese patent situations about differences between China and Japan in dealing with utility models. (Interviewer: Hiroshi Asakura, TechnoAssoiates)

--I hear the number of the Japanese utility model applications is less than the patent applications...

Mr. Takamatsu: As for the number of applications, in Japan about 350,000 patents are filed compared to about 10,000 utility models, while in China about 400,000 patent applications are filed compared to more than 400,000 of utility model applications, that is, more utility model applications are filed than patent applications.

Mr. Kato: In Japan's case, it is a fact that we have paid less attention to the utility model as a means for acquisition of right. First of all, the duration of the right is as short as 10 years for the utility model, compared to 20 years for the patent. I honestly believe that, compared to such a downside, there are few merits. This may be my wrong assumption, but in Japan, there is no big difference between them as a means for substantial right acquisition. In fact, in Japan, inventions which have poor inventive step and are not allowed to be patented are in most cases not recognized even for utility models, either, I guess.

Mr. Takamatsu: Before, there was an examination system in Japan also for the utility model. At that time, there were about 120,000 applications compared to about 400,000 patent applications. There are concerns about the stability of the right in the present system requiring no examination. If the right is unstable, risks that the right may become invalid will increase when exercising that right and that, on the contrary, if the right is exercised, damages may have to be paid to an opponent. I think people would feel rather more at ease with the patent application which should undergo an examination.

--Is there any such difference in the stability of the rights in China?

Ms. HAO: In Japan, the difference in inventive step between the patent and the utility model is not always clear, but in China, there is a clear distinction. In judging the inventive step, prior art documents are cited. In a utility model case, the judgment is made on two or less documents, while in a patent case, judgment can be made on three or more documents in combination. Furthermore, as for the field of prior art, in a utility model case, generally only documents in the field can be considered, while in a patent case, documents in some peripheral fields related to the invention can also be included in consideration. It means that the utility model is lower in level of inventive step than the patent.

Mr. Kato: From another point of view, in the utility model, the inventive step is recognized if there is a comparatively small difference prior art, and so, the utility model is harder to reject. That is, the right to a utility model is more stable.

--On the contrary, what are the merits of choosing a patent in China over a utility model?

Ms. HAO : In the patent, the duration of the right is as long as 20 years (compared to 10 years of the utility model), and the amount of compensation for damages for a suit is high.



--I hear that a utility model was the subject of a case where a subsidiary company of Schneider Electric Company in France was given an order to pay a huge amount of damages in China.

Mr. Yan: In both patent and utility model cases, the amount of compensation for damages is calculated from the amount of profit on the product suspected of infringement. In this case, Schneider didn't inform the court of the profit in relation to the sales amount inspected by an

auditing office. So, the court compared the average profit on Schneider's product with the amount (3.3 billion yuan, approximately 40 billion yen) demanded by the suing party CHINT Group Corp.'s, and decided the latter, which was lower, as the amount of damages. Like this, when profit can be calculated, even a utility model can generally get high compensation for damages. However, when profit cannot be calculated, an amount of compensation by a utility model often seems to be about half that of a patent case.

Mr. Takamatsu: If I may add a big difference between Japan and China; it is not allowed in Japan to file both patent and utility model applications at the same time and obtain both rights, while it is possible in China. For example, you can file both applications at the same time, protect the right for the first several years by the utility model, and the right can be covered by the patent after that.

--Do you mean that, basically, it is better to file both applications at the same time?

Mr. Soda: In that case, we must consider paying extra costs such as fees. If the ratio of registration of patent is high enough, I think it is not necessary to file them at the same time and pay such costs. It depends on whether the acquisition of right is the highest priority, and whether you would like to protect the right for several years from filing to registration of the patent.

Ms. HAO: In China, as there is no substantive examination until a patent application is publicly disclosed, even when you request an examination at the time of filing, it takes one year and a half until the public disclosure, and 2 years on the average for the examination period. Even if everything goes smoothly, it takes as long as 3 and a half years from filing to registration. If such a procedure as an amendment is added, it may take longer. In China there is no accelerated examination system. So, if you wish an earlier grant of right, simultaneous filing of patent and utility model applications is the only route. So in that case, I would recommend it. A utility model can be granted in 6 months and you can abandon the utility model at the time of the final decision to register the patent. By this, an early acquisition of right is intended, and the purpose to obtain protection by the patent can be achieved.



--The 2010 Chinese statistics show that effective utility models owned by Chinese are about 850,000 cases, while those owned by foreigners are about 9,000 cases, that is, only 1 %.

Mr. Kato: Outside China, there is little idea how to utilize utility models. So it may be that even in China, foreigners have not been inclined to obtain utility models.

Ms. HAO: As mentioned before, there is no accelerated examination system in China like in Japan, so that if you want to obtain a right sooner and without rejection, there is nothing but a utility model. This also is the greatest cause of the increased number of utility model applications.

Mr. Takamatsu: Japanese are not likely to consider utility models so necessary, but Japanese companies also should recognize that they are treated quite differently in China.

Mr. Soda: As a matter of fact, Japanese companies are also puzzled about how to utilize utility models.

Ms. HAO: There are examples that, Japanese companies, Panasonic, Brother Industries, and so forth take the lead in obtaining the utility model rights within China.

--What should be noted when filing a utility model application in China?

Ms. HAO: If an amendment is needed, you must do the amendment within 2 months from the application. You should also note when filing a simultaneous application for a patent:

- (1) the applicants and filing dates in both cases are the same;
- (2) you should set forth in both applications that they are simultaneous applications;
- (3) you should not fail to pay the right maintenance fee (annuity) for the utility model which

is obtained earlier;

(4) you should abandon the utility model at the time of registration of the patent;

(5) if due to an amendment made during a process of obtaining the right to the patent, the identity of the patent and utility model is spoiled, two rights to the patent and utility model will coexist.

If the right to the utility model is lost by failure to pay the right maintenance fee for the utility model mentioned earlier, the subsequent patent cannot be granted, either.

Mr. Takamatsu: I am curious to know whether or not the utility model is presumed to become invalid if the patent application was finally rejected in the simultaneous filing.

Ms. HAO: There is a possibility that an invalidation trial may be demanded because of it, but there may be a judgment that, even if the patent is rejected, the utility model is valid; specifically, in the case where the reason for rejection of the patent lies in the inventive step. Meanwhile, in the case where the reason for rejection of the patent is other than the inventive step, I guess that the utility model will also be decided invalid for the same reason.



--In reference to simultaneous application, is it possible to use the utility model in combination with the PCT application system?

Ms. HAO: No, it is not possible to file a patent application using the PCT application system and a utility model application at the same time. If you want to file both applications at the same time in China, you need to file them through the Paris route different from the PCT.

Mr. Takamatsu: As we have been filing through the Paris route in Taiwan which is not a member of the PCT, I think there is no big problem in filing applications in China through the Paris route.