UTILITY MODELS

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SUMMARY: 1. Advantages and disadvantages of the current system of utility models; 2. Proposals for revision of utility model legislation: A. Adopting a registration system, B. Adopting a substantive examination system, C. Adopting a documentation seaching system, D. Adopting a «registration plus substantive examination system», E. Adopting a system of «preliminary examination plus domestic novelty examination by patent agency», F. The scope will not be limited to the model, G. Final judicial review.

Under the Patent Law of the People´s Republic of China, three different categories of patents shall be protected: patent for inventions, patent for utility models and patent for industrial designs. Legal protection of utility models in China is obviously learned from the successful experiences of some western countries, especially Germany and Japan.

According to Article 2, paragraph 2 of the Rules for the Implementation of the Patent Law of PRC, Utility model means any new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use.

Utility models have three main characteristics, which are clearly different from the patent for inventions. Firstly, utility models are concerned only with product, not with process, as in the patent for inventions. Secondly, the patentability, especially the inventive step of the utility models, needs substantive features and represents progress compared with the state of the art, and for patent for inventions, it is necessary to have prominent substantive features and notable progress [1]. In other words, the inventive step in respect of a utility

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1 Article 22, paragraph 2, Patent Law of the People´s Republic of China.

model is lower than that of an patent of invention. Whether a substantive feature is «prominent» or «not prominent» and a progress is «notable» or «not notable», depends on the subjective analysis of the examiner, with the helps of the «Guide to the Examination» published by the former China Patent Office (CPO, now its name changed to State Intellectual Property Office, SIPO, on April 1998) [2]. Thirdly, where it is found after preliminary examination (without substantive examination) that there is no cause for rejection of the application for a patent for utility model, the Patent Office shall make a decision to grant the patent right for utility model, issue the relevant patent certificate, and register and announce it [3].

There are other differences, which are clear and easy to understand, such as the duration of protection for a patent for utility model shall be ten years and that for a patent for invention shall be 20 years, counted from the date of filing.

During the drafting of the Patent Law from March 19, 1979 to March 12, 1884, a strong opposition was insisted by many imfluential persons and organizations against the preparation of a Patent Law. In order to lessen the opposition and simplify the draft, some experts, such as Mr. Hu Minzheng, a member of the Patent Law Drafting Group and an expert from the China Council for the promotion of International Trade, suggests that a Patent Law, only includes the protection of the patent for invention, should be promulgated and a separate law for utility model may be postponed to sometime later. However, afterwards the opposition opinion have been diminished and utility model was included again in the final Draft. Many experts are afraid that a separate legislation of utility model will be difficult to insert into the crowded legislative plan of the National People´s Congress and its Standing Committee.

[2] See chapter 2, paragraph 165, «Intellectual Property Law of the People´sRepublic of China», Guo Shoukang, Kluwer Law International, 1998.

[3] Article 40, Patent Law of the People´s Republic of China.

1. Advantages and disadvantages of the current system of utility models

During the drafting of the Patent Law, a great majority of experts are in favor of establishment of a utility model system. Fundamentally speaking, there are two main reasons for adopting the protection of utility model. Firstly, China has a vast population and the protection of utility model can stimulate the creativeness of the vast masses. Secondly, owing to the historical conditions, the level of science and technology in China are still lagged behind those of developed countries. The utility model system shall meet the urgent needs of China, as a developing country.

Practice shows that the implementation of utility model system have a positive result since the entering into effect of the Patent Law of the People´s Republic of China. According to the statistics published by the China Patent Office, from April 1, 1985 to May 31, 1998, the total amount of patent applications are 786,662, among which 217,056 are patents for inventions, 436,545 are patents for utility models and 133,061 are patents for industrial designs. During the same period, the total patents granted by CPO are 382,463, among which 37,797 are patents for inventions, 266,004 are patents for utility models and 78,662 are patents for industrial designs. Only in 1997, the total amount of patent applications are 114,208, amoung which 33,666 (29.5%) are patents for inventions, 50,129 (43.9%) are patents for utility models and 30,413 (26.6%) are patents for industrial designs. The total amount of three different kinds of patents granted in 1997 are 50,992, among which 3,494 (6.9%) are patents for inventions, 27,338 (53.6%) are patents for utility models and 20,160(39.5%) are patents for industrial designs [4].

[4] Annual Report 1997, Patent Office of the People´s Republic of China, p.22, p.24 and p.26, Statistics of SIPO, May 1998(in chinese), table 1, table 2 and table 6.

For comparison, let us look at the statistics of utility models (*Gebrauchsmuster*) in Germany, the first country adopting utility models in history. In the year of 1997, applications for patents for inventions directly with GPO and PCT-GPO international phase, as well as directly with GPO and PCT-GPO national phase, are, respectively, 75,576 and 55,729. The patents granted in 1997 are 16,333 and the patents stock, including patents granted by the European Patents Office with effect in the Federal Republic of Germany, are 337,198. The applications for utility models are 23,062, the registrations of utility models in that year are 19. 500 and the stock of registrations are 97,600. For industrial designs (*Geschmacksmuster*), the applications are 74,092, the registrations are 70,066 and the stock of registrations are 266,991 [5]. In China, the number of applications and grant of utility models in 1997 are respectively 50,129 (43.9% of the whole three kinds of patents) and 27,338 (53.6% of the whole three kinds of patents), which are much numerous. both in quantity and in percentage, than in FRG. Anyhow, the large amount of applications and grantings of utility models reflects the main objective of the utility model system has been realizing:to encourage creations, to foster the spreading and applications, and to promote the development of science and technology, as well as for meeting the needs of the construction of socialist modernization.

On the other hand, the experiences obtained from the implementation of utility model system express clearly that there are also disadvantages or shortcomings in the current system of utility models. In one word, the fundamental cause for the over-generous granting of patents for utility models is «high-standard requirements and low-level examination» [6]. Article 22 of the Patent Law stipulates that any utility model, for which patent

[5] Annual Report 1997, German Patent Office, p.8.

[6] The Legislation for Utility Model and Their Examination and Approval-On Improving the System of Patent for Utility Model, Zhang Rongyan, China Patents & Trademarks, 2, 1997, p.74-p.75.

right may be granted, must possess novelty, inventive step and practical applicability. Under the China Patent Law, novelty means absolute novelty, i.e., the invention is new in the world-wide scope. Inventive step of a utility model, as mentioned above, is lower than that for a patent for invention. However, it is, indeed, very difficult for a examiner to define whether a substantive feature is «prominent» or «not prominent» and a progress is «notable» or «not notable». Under the China Patent Law, the examination for a utility model shall only be «preliminary» or «formal», and not «substantive». This is, actually, an important advantage of utility model-save money and save time. However, practice indicates that among the over 200,000 patents for utility models granted, a large number of such patents are repetitively granted or with rather low quality. So, there are a lot of complaint on the current utility model system. According to statistics published by China Patent Office, since 1985, 2913 requests for invalidation have been received by the Patent Reexamination Board, of which 550 were received in the year 1997. Among the total request for invalidation in 1997, 36 related to patents for invention, representing 6.5% of the total, 320 related to patents for utility models, representing 58.2%, 194 related to industrial designd, representing 35.5% [7]. During January 1,1998 to May 31, 1998, 242 requests for invalidations are filed, among which 20 are related to invention, 140 to utility model and 82 to design. The number of final decisions for invalidation are 129, among which 12 related to invention, 79 to utility model and 38 to industrial design. Obviously, the filing number and percentage of final decision for the invalidation of utility models are much numerous and higher than the other two categories of patents-patents for invention and patents for industrial design [8].

From time to time, many complaints about the low quality of patented products in the field of utility model are heard from the consumers.

[7] Annual Report 1997, Patent Office of the People´s Republic of China.
[8] Statistics of SIPO, May 1998(in chinese), table 15.

The case of Human Height Stimulator (HHS) patent for utility model are a notable one. Jin Tai-bao, a young peasant from the rural area of Shijiazhuang, capital of Hebei province, invented in 1985 a body-building apparatus, Human Height Stimulator (HHS). The invention, according to the patent claims, could make a short youth grow between 5 to 7 centimeters higher by means of electronic stimulator. Later, Mr. Jin filed a patent for utility model and, on March 24, 1987, a utility model patent was granted, which patent number was 85204439. Then, Mr. Jin licensed three enterprises to manufacture such stimulators. The broad masses believe that a patented product, approved by CPO, are certainly going to be high quality and up to standard. In consequence, the HHS, each costs no more than 20 yuan RMB [9] and its selling price ran as high as 78 yuan RMB. The HHS became a best-selling product. Jin made a great profits, but many manufactures of HHS even started production without the consent of the patent owner. However, it was soon found that the HHS could produce no desired effects, except to torment its users mersilessly. An amateur actor in Beijing was already 173 centimeters high, but he thought he was still too short. He bought an HHS and, under the guidance of the HHS instruction, he used the apparatus for a week. His eyes became so swollen that he could hardly open them. Hard swellings grew all over his face, his complexion became black-grey and he suffered itching all over his body. He went to see doctors of several hospitals for medical treatment and recovered completely only after more than ten months. The actor's stature finally measured one centimeter less than he started to use his HHS. Many victims are stimulated into so great a wrath and wrote to the press and to the consumers societies. The Consumer's Press of China then filed with the CPO a request for a declaration of nullity of the HHS patent. On November 30, 1988, the HHSW patent was declared null. However, the HHS case is only a notable one, which express that there are problems in the current utility models system and its legislation must be carefully studied and amended in the coming revision of China Patent Law [10]. Dr. Gao

[9] At that time, US$ 100 was worth 371.28 buying rate yuan RMB on June 13, 1989, according to the official foreign exchange rate established by the Bank of China.

[10] *The Height of Opportunism? The Sad Story of Jin Tai-bao Patent Human Height Stimulator*, Guo Shoukang and Niu Shaoxing, Patent World, November 1989, p. 11 and p. 12.

Lulin, The former president of CPO. pointed out that «Some sort of Improvement should be made on the system of patent for utility model. The present system of examination for utility models, which is lax at both ends, cannot go on » [11].

2. Proposals for revision of utility model legislation

For improving the current shortcomings of utility model, many proposals have been suggested in newspapers and journals, and became a «hot topic» for the coming revision of Patent Law. Some main proposals will be analysed in the followings.

A. Adopting a registration system

Under such system, the repetitive granting of patents for utility models will be more serious. The fame of patent system will be heavily damaged.

B. Adopting a substantive examination system

Under a substantive examination system, the repetitive granting of patents for utility models shall be diminished a lot and the quality of which will also be quaranteed. But, the basic advantages of the utility model system-save money and save time, will be lost. Only in the year of 1997, there are already 50,129 applications for patents for utility model. At the moment, it is impossible to adopt a substantive examination system for utility model in China. Even in Japan, the substantive examination system of utility model; implemented for many years, was replaced by a registration system a few years ago.

[11] *Problems in the Carrying Out of the Patent Law and Legislation Strategy Concerned*, Ma Lianyuan, Journal «Intelletual Property» (in chinese), 1997,1, p.11.

C. Adopting a documentation seaching system

A documentation seaching system means that, when carrying out preliminary examination of a utility model, the Patent Office will make a search in order to deftrmine whether the application fulfils the requirements of novelty, inventive step and industrial applicability, and established a search report. The merit of such a searching system is that the searching results of the Patent Office and the claims of the application are directly provided to the public for them to judge. However, such a searching system is also difficult to implement when a large number of applications is existed, and its advantages will be lost or diminished a lot.

D. Adopting a «registration plus substantive examination system»

The «registration plus substantive examination system» is, in certain degree, learned from the revised Dutch Patent Law, entered into force on April 1, 1995. According to the revised Dutch Patent Law, a «grande patent» shall be registered only after a searching was completed by the Patent Office. However, a «petit patent» shall be registered without searching. But, if a petit patent is involved in a court procedure, then it is necessary to applied substantive examination with the Patent Office. Some Chinese patent experts take reference from the Dutch experience and suggest that a utility model shall be registered after formal examination, but if the utility model is involved in a court procedure or the patent or any interested party request the administrative authority for patent affairs to handle the matter, then the utility model must be substantially examined by the Patent Office [12].

E. Adopting a system of «preliminary examination plus domestic novelty examination by patent agency»

The dilemma is: the advantages or characteristics of utility models will be lost or weakened if substantive examination,

[12] *Problems in the Carrying Out of the Patent Law and Legislation Strategy Concerned,* Ma Lianyuan, Journal «Intelletual Property» (in chinese), 1997,1, p.11.

whether only novelty or also inventive step and industrial applicability, is to be strengthened: the repetition of patent granting as well as the low quality of patent for utility models will not be improved if a substantive examination is not to be implemented. Thus, some experts suggest a new proposal, by which the Patent Office instruct the patent agency to make the domestic novelty examination, then a patent for utility model will be granted only with a preliminary examination of the Patent Office [13]. The problem of such a proposal is: the responsibility of the patent agency will be too heavy, and the money and time spent by patent agency shall, finally, be compensated by the patent applicant.

F. The scope will not be limited to the model

As mentioned above, utility model in China means any new technical solution relating to the shape, the structure, or their combination, of a product. which is fit for practical use, and process shall not be included in the scope of utility model. Such definition is in conforming with earlier western legislation. But. later on, german law began to protect eletrical circuits as a utility model. As Prof. F.K. «Beier pointed out, many authors request that «the historical requirement of a definite three dimensional form be dropped and the utility model system fully developed into a petty patent system open to any invention» [14]. China, indeed, shall pay attention to, and take reference from, the recent trend of international utility model system.

G. Final judicial review

According to TRIPs Agreement, final administrative decisions in any of the procedures concerning the acquisition or maintenance of intellectual property rights and, where a Member's law provides

[13] A Proposal of Preliminary Examination plus Domestic Novelty Examination by Patent Agency, Zhu Chengshi, Patent News, July 1, 1998, p.2.

[14] *German Industrial Property, Copyright and Antitrust Laws, Legal Texts with Introduction*, Introduction to Industrial Property Law, by F.K.Beier, p.1/A17.

for such procedures, administrative revocation and inter partes procedures such as opposition, revocation and cancellation, shall be subject to review by a judicial or quasi-judicial authority [15]. However, under the China Patent Law, any party, unsatisfied with the decision of the Patent Office rejecting the application, or revoking or upholding the party right, may, within three months from the date of receipt of the notification, request the Patent Reexamination Board to make a reexamination;[16] any entity or individual, which consider the granting of a patent is not in conformity with the relevant provisions of the Patent Law, may, after the expiration of six months from the date of patent granting, request the Patent Reexamination Board to declare the patent right invalid [17]. The decision of the Patent Reexamination Board in respect of reexamination and invalidation of a patent for utility model, is final [18]. The historical background of such a provision is that, at the middle of 1880s, chinese courts cannot yet be in full charge on so heavy burden at that moment. Now, the circumstances are changed completely. As a part of the preparation for accession in WTO, China shall revise the above-mentioned provision and introduce a final judicial rewiew to the decisions of the Patent Rexamination Board.

For my personal opinion, I believe that a final judicial review should be added, the preliminary examination should be improved by reasonable novelty searching or additional reasonable examination, which could be found out in a best way after careful study and debate. It would be a good idea to enact a separate law for utility models, parallel with the Patent Law. However, I am afraid the legislative authority would not like to go so far.

[15] Article 62, TRIPs Agreement.
[16] Article 43, Patent Law of the People´s Republic of China.
[17] Article 48, Patent Law of the People´s Republic of China.
[18] Article 43 and 49, Patent Law of the People´s Republic of China.