

Written by
Bob Stembridge

Chinese utility models – a lesser-known IP strategy

Although less well known and certainly less well used by foreign companies, the Chinese utility model patent system offers a potentially useful and strategically valuable route for protection of inventions, writes Bob Stembridge, the manager of customer relations at the IP Solutions business of Thomson Reuters

Filings for invention patents in China have been growing at an average of over 24% per annum since the turn of the new millennium. Last year, just over 280,000 invention patent applications were published by the Chinese Patent Office. However, this is not the complete story.

An alternative protection is available to inventors through Chinese utility model patents. These lesser-known patents provide a more affordable route for protection of inventions and hence are very popular with Chinese domestic innovators. Annual filing growth rates are significant at over 17% per annum since 2001. Last year, just over 200,000 of these patents were published by the Chinese Patent Office. Very few of these patents are filed outside China and hence are available only in Chinese, yet they constitute publicly published information and therefore form an important part of the prior art. Perhaps more importantly, they can pose a real and present danger to companies wishing to operate in China.

There are three types of patents available in China:

- Invention patents protect inventions which provide any new technical solution relating to a product, a process or improvement. They provide 20-year protection from date of filing and are subject to substantive examination.
- Utility model patents protect any new technical solution relating to the shape, the structure, or their combination, of a product which is fit for practical use. They provide 10-year protection from date of filing and are not subject to substantive examination.
- Design patents protect any new design of the shape, pattern or combination thereof, or the combination of colour with shape or pattern, of a product, which creates an aesthetic feeling and is fit for

industrial application. They provide 10-year protection from date of filing.

The concept of the invention patent is common throughout all major patent systems, although the name may differ; as, for example, in the United States where this type of patent is known (confusingly) as the utility patent. The utility model patent concept is less common, although still widespread in over 70 patent issuing authorities. Examples exist in Europe (eg, the German and Austrian *gebrauchsmuster*) and elsewhere (eg, the Australian petty patent and Japanese utility model patent). The system is designed to provide an industrial property right that is relatively inexpensive, quick, easy to obtain and suited to inventions having a short commercial life. The United States has no utility-model style patent similar to China's.

A comparison of the number of Chinese invention and utility model patent applications published from 2001 to 2009, and as found in Thomson Innovation, shows that both systems are used heavily, with over 280,000 invention and 200,000 utility model patents published in 2009. Both systems are growing substantially year on year at an average of 24.9% for invention and 17.8% for utility model patent applications.

One significant difference between invention and utility model systems is the use made by foreign companies filing for protection in China. According to SIPO statistics, in 2009, foreign companies filed 85,477 invention patents, but only 1,910 utility model patents.

Of course, it is not possible to obtain a utility model patent for all types of inventions since they may be obtained only on physical products and not for methods or chemical compounds. But where applicable, utility model patents offer the same protection (albeit for a shorter time span) as invention patents. However, they are quicker and cheaper to obtain since a utility model receives only preliminary examination rather than the full substantial examination of an invention application. For products with a relatively short lifecycle such as electronics or communications devices, utility model protection offers an excellent alternative.

The Chinese patent law underwent a further revision, the third amendment, effective as of 1st October 2009. Among the provisions of this amendment, the question of double patenting was addressed. The revision provides that only one patent may be granted for one invention. Where both an invention patent and a utility model patent are applied for, the invention patent may be granted only if the utility model patent is abandoned at the time the invention patent is granted.

Since an application for a utility model patent does not go through a substantive review, such a patent will be granted much faster than an invention patent. A possible strategy then would be to file both a utility model patent and an invention patent simultaneously to benefit from the speedy granting of the utility model patent, which can then be abandoned in favour of the longer protection of the invention patent when that eventually grants.

Utility models have real teeth in China. In a celebrated case, Chinese company the Chint Group was awarded approximately US\$45 million in damages for alleged infringement of its utility model patent protecting a miniature circuit breaker by the French-headquartered Schneider Electric company (although Chint later settled for a lower amount of approximately US\$23 million). Chinese prior art cannot be ignored. Given the dramatic increase in the number of patent applications emanating from China, it is good practice for every company operating in China to review Chinese patent prior art. This may include regularly reviewing patent application filing activity. As we have seen, this includes tracking not only conventional invention patents, but also utility model patents. Access to a reliable source of this information, such as Thomson Innovation, is imperative. Thomson Innovation is provided by Thomson Reuters and gives access to English-language translations, titles, abstracts and all claims of both Chinese invention and utility model patent applications.

Bob Stembridge, manager of customer relations, the IP Solutions business of Thomson Reuters
bob.stembridge@thomsonreuters.com