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Utility models and industrial designs – IP rights
worth considering

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Utility models and industrial designs – IP rights worth considering

By Natalie Raffoul, Brion Raffoul

In the strategic management of a company's IP portfolio, many consider the patent and trademark counts first. Yet for new inventions, technical solutions and designs, other forms of IP right should be contemplated. This chapter explores two other forms of protection that may complement patents in particular, and could prove an asset to any global IP portfolio.

Utility models

Similar to utility patents, utility models protect new technical inventions through the granting of a limited exclusive right to prevent others from commercially exploiting protected inventions. Utility models are sometimes referred to as 'short-term patents', 'utility innovations' or 'innovation patents'. While a comprehensive global definition of a utility model is not available, in general, utility models are considered particularly suited for protecting inventions that make small improvements to existing products or inventions that have a shorter commercial life. An owner of a utility model obtains the exclusive right for a limited period, usually between six to 15 years from the filing date, depending on the country.

Utility models afford similar protection to patents. A granted utility model prevents the protected invention from being commercially made, used, distributed, imported or sold by others without the owner's consent. Utility models are jurisdictional, meaning that the right can be enforced only within the country in which a utility model is granted.

Many countries and regional patent offices provide utility model protection, with notable exceptions including Canada, the United Kingdom and the United States.

Utility models bring numerous advantages.

Lower threshold for inventiveness than patents

In general, utility models have a lower threshold for inventiveness than patents. Novelty is always required but the inventiveness (or non-obviousness) requirement for patents may differ or be absent altogether. In practice, protection for utility models is often sought for innovations of a rather incremental character that may not meet the patentability criteria of a patent.

No substantive examination

Utility models are generally unexamined and granted as of right provided that they meet all national formality requirements. The validity of a utility model is usually only assessed during subsequent enforcement proceedings.

Quick grants

As a result, the registration process is often simpler and faster, sometimes taking six months or less. In countries that register utility models without analysing inventive step, registrations can be obtained within several weeks of filing. Patents typically take three or more years to be granted.

Cost effective

Fees for obtaining and maintaining utility models are cheaper than for invention patents.

Grace period for public disclosure of invention

If the utility model's invention has been already disclosed to the public, an application for a utility model will be rejected or a utility model registration will be invalidated. Therefore, the invention should be kept confidential before filing a utility model application.

However, some countries have a grace period – usually between six to 12 months – for applicants who have disclosed their inventions before filing a utility model application. In Europe, this grace period is particularly useful because there is no grace period for invention patents. Inadvertent early disclosure of inventions is an issue that plagues many innovators.

Utility models may be filed later under Paris Convention

As utility models are listed as one category of industrial property in the Convention for the Protection of Industrial Property (the Paris Convention), the general principles of the Paris Convention, such as the national treatment and right of priority, are also applicable to utility models, and thus applicants have one year to file utility model applications based on a patent application and vice versa.

For example, a European patent application may claim priority to one or more earlier filed utility model directed to shared subject matter. First, filing a utility model is an effective strategy that ensures some form of enforceable protection is in place during the pendency of the subsequently filed patent application. If the earlier filed utility model and the subsequently filed patent application are directed to the same invention then, prior to grant of the patent application, the earlier filed utility model would need to be abandoned to avoid duplicated protection of the same invention.

While there are many advantages to considering utility models, the following notable disadvantages should be considered:

- Utility models have a shorter term than the 20-year term for invention patents (and patent term extensions may also be available).
- The range of innovations that can be protected by a utility model is narrower than for an invention patent. Eligible subject matter for utility models varies significantly from one country to another. In some countries,

utility model protection can be obtained only for certain fields of technology (eg, mechanical devices and apparatus) and only for products, not processes. However, in some countries, utility models can be used to protect processes, chemical compounds, pharmaceuticals and software. One consideration may be in cutting-edge fields (eg, artificial intelligence), where patents take time to prosecute. For example, novel neural networks or novel implementations of deep learning algorithms may be protectable through utility models.

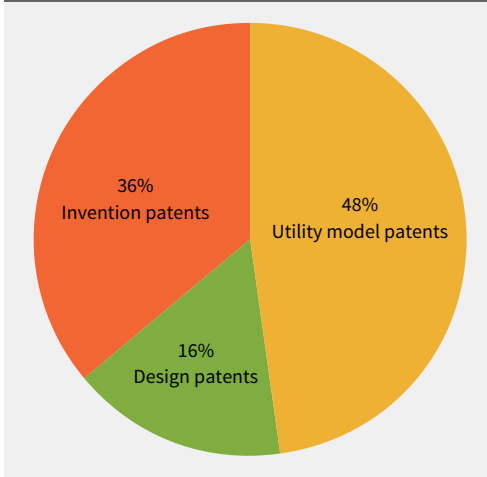
- Most countries allow an innovation to be protected by either a utility model or a patent, but not both. Nevertheless, some countries permit the conversion of an invention patent application to a utility model application and vice versa at any time during the pendency of the application. Conversion may be strategic because the invention can be first protected with a utility model while an invention patent application is under substantive examination. Once a patent is granted, the utility model may be abandoned. However, during the pendency of the patent application, the utility model may be enforced, thereby providing the possibility of seeking injunctive relief to quickly prevent potentially infringing activity.
- The lack of substantive examination means that there is less legal security with respect to the validity of the registered utility models and, as such, they may be successfully challenged later. Consequently, third parties may be sceptical about the value of utility models and be more cautious with licensing agreements.

BRIC countries

The BRIC countries – Brazil, Russia, India and China – are distinguished by their large, fast-growing economies. Filing utility models in the BRIC countries could be a sound IP strategy. For example, in Brazil, the duration of protection is 15 years from the priority date. China provides

“Filing a utility model is an effective strategy that ensures some form of enforceable protection is in place during the pendency of the subsequently filed patent application”

FIGURE 1. The utility model accounted for nearly half of Chinese-issued patents in 2018



Source: <http://english.sipo.gov.cn/statistics/2018/201812a/1136945.htm>

for 10 years of protection, while Russia provides up to 13 years.

Utility models have been crucial for the small to medium-sized enterprise development in the Chinese market. Many foreign enterprises are not making full use of the Chinese utility model patent system, perhaps due to a lack of awareness. However, developments in China have made utility models an attractive option for such enterprises (see Figure 1).

To increase the quality of granted utility models, the China National Intellectual Property Administration recently launched a Plan for the Implementation of Patent Quality Improvement Project. Since 2017 the chance of a utility model application being rejected for lack of novelty increased from 0.5% (before 2017) to 4.5%. Quality of grants is also rising, with a significant increase in the number of applications being rejected for not meeting the disclosure requirement. Examination also takes an average seven to 14 months, up from a three-month average before the project started.

Enforcement of utility models

In one well-known Chinese case, Chint Group sued Schneider for infringing its utility model patent (ZL97248479.5) for a miniature circuit breaker. The court ordered Schneider to pay compensation of Rmb335 million to Chint Group

in the first trial (Wenzhou Intermediate People's Court, Wen Min San Chu Zi 135(2006)). The case finally settled when Schneider paid compensation of Rmb157.5 million to Chint Group and agreed to a global settlement.

Courts may also grant injunctive relief for utility model infringement. In Germany, the Hamburg District Court granted a preliminary injunction for the alleged literal infringement of a utility model covering a grip for a hydraulic hose (27 November 2014, 327 O 559/14, *Hydraulikschlauchgriffteil*, reported at GRUR RR 4.2015, Pages 137 to 140). The plaintiff successfully argued that the utility model was valid, based on a research report prepared by the German Patent and Trademark Office that disclosed a relevant but non-identical prior art device. The plaintiff also argued the urgent need for an injunction because the defendant was exhibiting at trade fairs and offering the alleged infringing device at significantly lower prices. The court granted the injunction, stating that a further examination of the utility model is not required before an injunction may be granted if, after careful examination, validity can be adequately established.

In another case, a German utility model was filed based on a pending (but recently allowed) European patent application. The owner of the utility model was then able to send a cease and desist letter immediately on receipt of the granted utility model. A settlement was reached within weeks of sending the cease and desist letter.

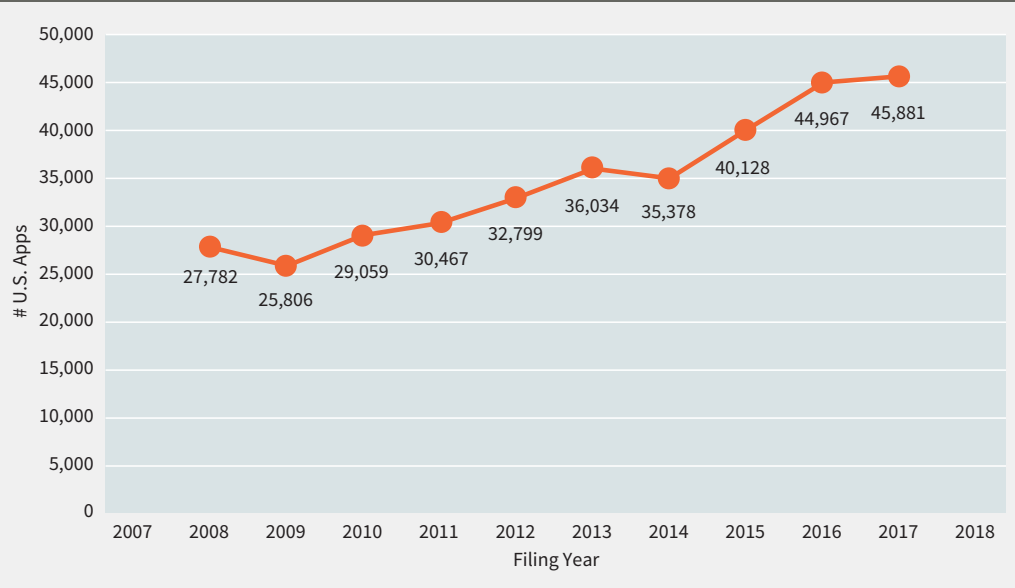
Given the many advantages presented and the examples of successful enforcement, utility models may be worthwhile in a select set of countries. For products with a relatively short lifespan or products that can be copied quickly and easily, utility models may prove to be very strategic. For less inventive products, utility model protection may also be ideal.

Finally, one strategy may be to consider filing invention patent applications in countries of higher importance, while filing utility model applications in countries of lower importance to balance budgetary constraints.

Industrial designs

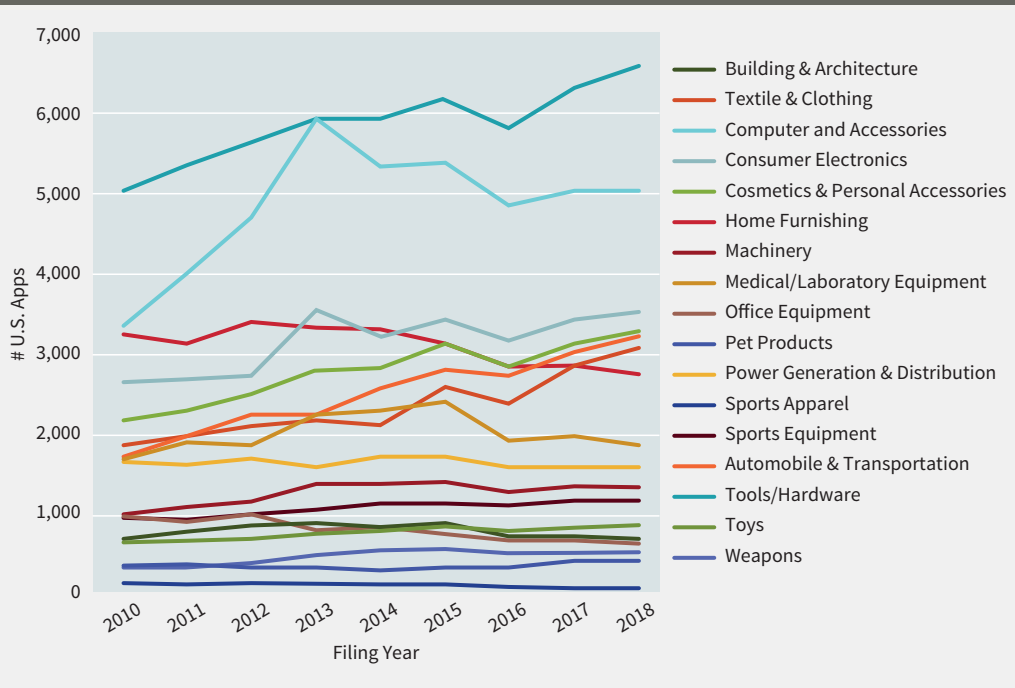
Industrial design rights (also known as 'designs' or 'design patent rights') focus on protecting the ornamental features of a functional product. Designs have been issued on all kinds of novel features of articles, everything from the rounded rectangle shape on the front of Apple's iPhone, to furniture, desserts, the look of a website and even the look of

FIGURE 2. US design patent filings are on the rise (WIPO statistics)



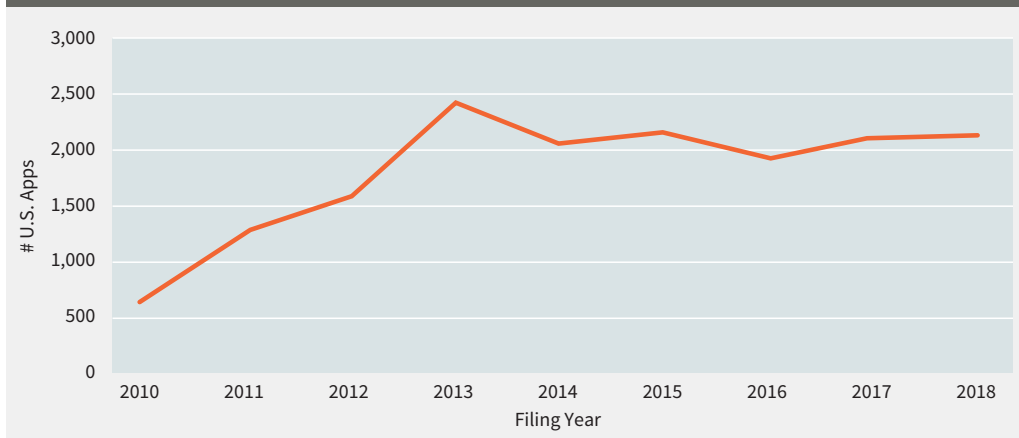
Source: www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=US

FIGURE 3. US design patent filings are increasing across multiple technology clusters



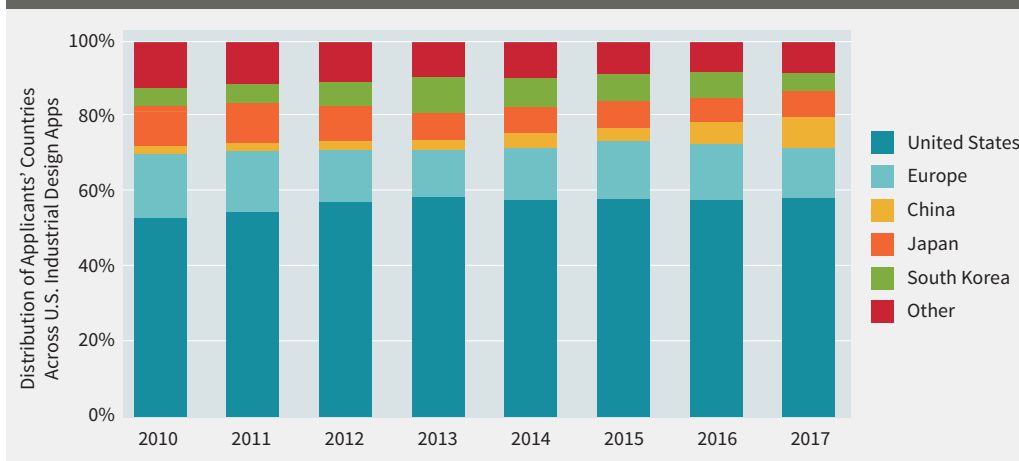
Source: <https://apps.kilpatricktownsend.com/files/Patent%20Trends%20Study.pdf>, Page 58.

FIGURE 4. US GUI design patent filings



Source: <https://apps.kilpatricktownsend.com/files/Patent%20Trends%20Study.pdf>, Page 59.

FIGURE 5. US-based design patent filings are holding steady near 60%



Source: <https://apps.kilpatricktownsend.com/files/Patent%20Trends%20Study.pdf>, Page 60.

the Statue of Liberty. The term of protection varies globally, but typically it ranges from 10 years in China to 25 years in Europe. In Canada and the United States, the period of protection was recently increased from 10 years to 15 years.

Industrial designs have the following advantages over patents:

- typically higher allowance rates;
- it usually takes only 12 to 18 months to achieve grant versus at least three years or more for patents;
- enforcement and assertion may be easier because assessing infringement is based on a comparison between two or more images or drawings

rather than on claim scope, as is the case with invention patents; and

- damages may be sought on profits for the sale of the entire product as compared to patents where damages are limited to the smallest saleable unit or part that embodies the invention, which creates a more complicated calculation.

US design patent filings

As can be seen in Figures 2 to 6, US design patent filings are not just on the rise, they are actually being used to protect more categories of invention.



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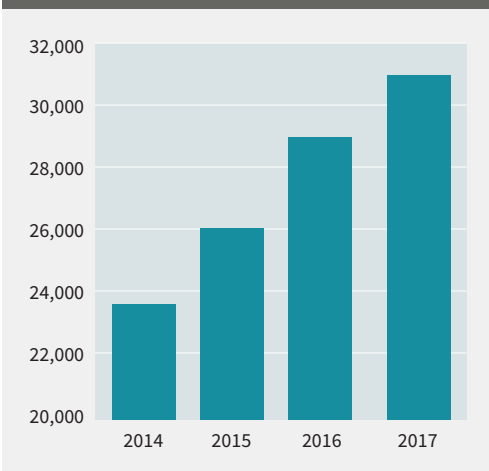
Natalie Raffoul has world-renowned expertise in the patenting of software, business methods, artificial intelligence and machine learning. She has been ranked among the world’s leading patent practitioners in *IAM Patent 1000* annually since 2014, and in 2017 and 2019 she was shortlisted as one of the seven most highly recommended patent prosecutors in Canada. As a patent agent, Ms Raffoul works closely with companies of all sizes to develop and refine IP procurement strategies within the context of a particular company’s business goals and environment. As a lawyer, she also advises on IP licensing and commercialisation, as well as IP enforcement issues in a pre-litigation context.

Although industrial designs can also be protected by copyright and trade dress, designs have the distinct advantage of protecting types of subject matter that cannot be protected under either copyright or trade dress. For example, no aspect of a product that adds value to that product can be considered trade dress, and nothing functional can be protected by copyright. Industrial designs have no such limitations.

Protecting retail businesses

Industrial designs may be vital for protecting retail businesses where utility patents, copyright and trademarks fall short. The scope of what a design patent protects can be tailored using techniques such as showing some parts of the article in dashed lines to convey that those parts are disclaimed from the design. Designs can cover, for example, a building, a shop or a fixture of that shop. The designs of interior features such as tables, shelving

FIGURE 6. US design patent issuances from 2014 to 2017



Source: https://arapackelaw.com/wp-content/uploads/2018/01/2017_designpatent_YER.pdf, Page 1.

FIGURE 7. Apple’s GUI design patent US D604305



Source: <https://patentimages.storage.googleapis.com/fe/0a/f3/d80b71fd9fcc86/USD604305.pdf>, Page 3.

units or other display fixtures, architectural features or even product arrangements can also be important to a retailer’s aesthetic. Design

protection may prevent a competitor from styling their spaces in a similar way.

GUIs

Microsoft, Facebook, Mitsubishi Electric, Honeywell and Uber have been early adopters of the Canadian Intellectual Property Office's (CIPO) new practice that allows an animated graphical user interface (GUI) to be filed as a single design. The CIPO now considers computer-generated animated designs with a sequence of frames to be protectable as a single design. Software designers should consider taking advantage of the new practice for animated GUIs, either in parallel or as an alternative to utility patent protection.

One of the most notable examples of industrial design enforcement of GUIs is Apple suing Samsung for infringing Apple's unique iOS interface design (US Design Patent D604305). After appeals and retrial, the court found in favour of Apple and awarded approximately \$500 million in damages (*Apple Inc v Samsung Electronics Co*, No 11-CV-01846 (ND Cal)).

Comment

Utility models and industrial designs should be considered as valuable IP rights within an IP portfolio. These IP rights can be useful in seeking quick settlements when competitors are copying your designs or technical solutions. Given the relative lower cost of obtaining such protection, in countries where patent protection is not being sought, industrial designs and utility models can be a worthy alternative form of IP protection. *iam*



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