

Application and protection of Chinese utility model patents

Quick and inexpensive to obtain, utility model patents offer substantial benefits over other types of patent protection

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Increasingly litigious Chinese companies are likely to have hundreds, if not thousands, of Chinese utility model patents. In 2012 more than 740,000 utility model applications were filed in China – a figure that exceeded the number of applications for both invention patents and design patents. This represents a dramatic increase on the 225,000 utility model patent applications submitted in 2008. Utility model patents are relatively inexpensive and many utility patent applications are of low quality; however, invalidation is often challenging and damages for infringement are almost the same as for invention patents. Damages for utility model patent infringement can be high, but more importantly, a successful claim of utility model infringement by a Chinese patent holder can potentially prevent a foreign company from manufacturing or selling its products in China.

Many Chinese companies own a large number of utility model patents (eg, Huawei owns or co-owns approximately 1,600 utility model patents; ZTE approximately 1,900; Midea approximately 5,200; Joyoung approximately 1,000; and Haier approximately 3,500). A solid understanding of utility model patents is critical for all companies that manufacture or operate in China. Companies requiring inexpensive and rapid protection should consider utility model patent applications. This article discusses the features, application procedure and benefits of utility model patents.

The Chinese government designed the utility model patent system in order to help local inventors and companies to obtain some form of patent protection for their innovations. Since many local applicants are not technically advanced and are cost sensitive, utility model applications are handled differently from invention applications in various respects, so that local applicants can obtain such protection easily and inexpensively. Consequently, utility model applications are a favoured tool among Chinese companies looking to build a patent portfolio quickly and economically. Currently, foreign entities file less than 1% of utility model patent applicants; more foreign companies should consider utility model patents for both defensive and offensive purposes.

Features of utility model application

A utility model patent application is different from an invention patent application in several key respects. First, a utility model application is directed to innovations in limited areas – specifically, technical solutions related to the shape and/or structure of a product. Methods, uses and chemical compositions or compounds do not constitute statutory subject matters for utility model applications.

Second, a utility model application is subject to only a preliminary examination substantially on formalities. This means that no prior art search and no assessment of novelty or inventive step for the claimed solution are conducted during the examination by the State Intellectual Property Office (SIPO).

Consequently, almost all utility model applications are finally granted and the claims of utility model applications usually remain unchanged where no formal defects are found. This is the main reason why applicants

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can obtain utility model patents rapidly and economically. In general, utility model applications are granted within approximately seven to nine months. For both domestic and foreign applicants, the costs of utility model applications are significantly lower than for invention patents.

Third, the standard of inventive step for a utility model patent is lower than that for an invention patent. An invention requires “a prominent substantive feature and a notable progress” to establish inventive step over the prior art, while a utility model requires only “a substantive feature and a progress”. In practice, for an invention application, the examiner will consider not only the technical field to which the invention belongs, but also proximate or other relevant technical fields in which the problem to be solved by the invention would prompt a person skilled in the art to look for technical means. For a utility model, the examiner will normally focus on the technical field to which the utility model belongs, unless there is a clear technical teaching. For an invention application, multiple prior art references may further be cited to assess inventive step. However, for a utility model patent, usually only one or two prior art references may be cited, unless the utility model is made just by juxtaposing some prior art means.

Fourth, the formal requirements applied to a utility model application are stricter than those which apply to an invention application. For example, a utility model application claim must be drafted in Jepson style – that

is, the existing features and new features must be separated with the wording “which is characterised in” or the like. Further, examiners require applicants to define the product only in terms of the shape and/or structure. Features related to function or effect, or the working process of the mechanism in a product, will generally be rejected.

Protection based on utility model patent

A utility model patent is valid for only 10 years, whereas an invention patent is valid for 20 years from the filing date. In spite of this difference, a utility model patent provides almost the same scope of protection as an invention patent. Without the patentee’s authorisation, no entity or individual may make, use, offer to sell, sell or import the patented product for production or commercial purposes. Moreover, the bases for claiming damages caused by patent infringement on invention and utility models are the same:

- losses suffered by the patentee;
- profits earned by the infringer;
- the exploitation fee for the patent under contractual licence; and
- a statutory amount of between Rmb10,000 and Rmb1 million, depending on various factors such as the type of patent right and the nature and gravity of the infringement.

The quality of utility model patents is generally believed to be low, since they are not actually examined. However, a utility model patent is still presumed valid. To balance the patentee’s responsibility and public interest, an evaluation report on patentability issued by SIPO is required before enforcement of the utility model patent, in order to prevent patentees from abusing their utility model patents. If the evaluation report does not support the patentability of the utility model and the alleged infringer files a request for a declaration of invalidation of the utility model patent with the Patent Re-examination Board, the court is likely to suspend proceedings and await the board’s findings.

If the court has other reasons to believe that the utility model patent is possibly invalid, the judge can also choose to await the board’s decision. Therefore, enforcement

proceedings for utility model patents are more stringent than those for invention patents. However, a utility model patent cannot easily be invalidated. This is due to the fact that a dispute between two parties in a courtroom is never easy, especially because the number and technical fields of prior art references are limited, and there are two further instances of jurisdictional review to go through. The success rate for invalidation proceedings for utility model patents is approximately 30%, which is slightly higher than that for invention patents (approximately 25%). Protection afforded to utility model patents is strong. The largest damages award for infringement of a utility model patent in China was Rmb334 million (\$53.4 million; although the parties later settled at approximately half that amount) in a dispute between French company Schneider Electronic and China's Chint Group regarding a circuit breaker utility model patent.

Dual-filing scheme

For non-Patent Cooperation Treaty (PCT) patent applications, the applicant can file an invention application and a utility model application for the same subject matter before SIPO. This does not create a double-patenting issue if certain requirements are satisfied, including filing on the same day together with a declaration. The utility model application will be granted early and an invention application can subsequently be granted after the applicant abandons the utility model patent. In this way, the applicant can obtain patent protection rapidly via a utility model patent but also enjoy the long-term and stable protection of an invention patent.

This filing strategy has been widely used by local applicants for a long time, but is rarely adopted by foreign applicants, because when a PCT application is entered into the national phase, the applicant must decide whether to pursue an invention patent or a utility model patent in China.

How to benefit from Chinese utility model patents

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protection for their products. By filing an invention application for the same subject matter through the dual-filing scheme, the applicant can also enjoy the benefits of an invention patent. This is significant for foreign companies whose products can be easily copied.

For foreign companies that have conducted operations in China for years and have a sizeable patent portfolio, utility model patents can prove useful in expanding the portfolio, controlling costs and increasing the possibility of cross-licensing. Reducing costs is worth considering for applicants which have a limited budget. Increasing the ratio of utility model applications may save a significant amount in attorneys' fees. In addition, the renewal fees for utility model patents are much lower than those for invention patents. Therefore, when maintaining a large patent portfolio, the applicant may consider pursuing utility model patents for short-term products or low-level innovations.

Many foreign applicants prefer to file a utility model application with the same set of claims as its parent application for which the Chinese utility model application claims the benefit of priority. However, this widely adopted practice risks corrupting the utility model patent that is eventually granted because the original set of claims is usually broad, with too much focus on the scope of protection.

The applicant of an invention patent has opportunities to refine the claims through amendments in view of prior art references available during the substantive examination. In contrast, Chinese utility model applications are not substantially examined and the broad claims are normally granted without any amendments. The only opportunity to amend the claims of a utility model patent is during the invalidation procedure, but the amendments are strictly limited to deletion of a claim, combination of claims and deletion of a technical solution. The patentee is not allowed to define the claims further by adding features from the description.

Therefore, the unexamined broad claims of a utility model patent may possibly result in a negative patent evaluation report, complicating any subsequent enforcement procedure or even invalidating the whole patent. To avoid this risk, it is worth taking

time to prepare another set of claims in consideration of prior art references for a utility model application to be filed in China and the special requirements for the utility model. For example, the applicant should define in the claims features that will distinguish the utility model from the prior art references, rather than simply describing them in the description. In this way, the patentee will have some back-up claims and can avoid invalidation of the entire utility model patent.

Another reason for preparing a set of claims specifically for a utility model application is that the guidelines for patent examination have additional requirements on the claims of utility model applications. For example, in addition to the subject matter of the claims being restricted to a technical solution relating to the shape and/or structure of a product, each dependent claim of the utility model application must recite an additional feature relating to the shape and/or structure of the product. The examiner will object to a dependent claim that purely recites the operations, materials and functions of the product. Since most foreign attorneys may be unfamiliar with these requirements, it is recommend to engage a Chinese patent attorney to review the application before filing.

If prior art searches show that the claimed solution fails to satisfy the patentability requirement for an invention patent, but the solution might satisfy the requirement for a utility model patent, the applicant should consider pursuing a utility model patent. This is especially useful when the prior art searches reveal several prior art references in different technical fields.

Chinese patent attorneys may help to overcome any formal problems in the specification and claims to save prosecution costs and expedite the allowance. Most rectification notifications issued by examiners during the preliminary examination conducted for utility model applications filed by foreign applicants are directed to formal defects of the application documents, since the formal requirements for a utility model application are different from those for an invention application or PCT national phase application.

New developments

In 2010 the implementing regulations of the Patent Law were revised to expand the scope of preliminary examination of utility models. SIPO is in the process of revising the guidelines for patent examination again; to this end, it published draft amendments to the guidelines for patent examination in February 2013. The draft regulations encourage examiners to assess novelty and inventive step of utility model applications based on “the information of related prior art or conflicting applications obtained not through sophisticated prior art searches”. This move is intended to strengthen preliminary examination of utility model applications and reduce junk patents.

Adoption of the draft amendments will likely prolong the time spent on preliminary examination. However, since no prior art searches are required, it will probably not substantially change utility model patents practice.

Conclusion

Utility model patents can be an effective, low-cost tool for protecting innovation in China. Many utility model patents are of low quality since they are either too broad or too specific. However, many Chinese companies are gaining substantial benefits from securing large and relatively high-quality utility model portfolios by paying more attention to the quality – not just the quantity – of their patents. Foreign companies need to understand the potential infringement risks presented by the large number of utility model patents in China and should consider developing their own utility model patent portfolios for both defensive and offensive purposes. By having capable Chinese counsel carefully craft the claims, the patentee can obtain a high-quality utility model patent with an appropriate scope of protection. High-quality utility model patents can be effectively used to maintain technical advantage over competitors and deter copycats. ●●●●●●

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