Page 587 - 597 **DOI:** *https://doij.org/10.10000/IJLMH.116164*

INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 6 | Issue 6

2023

Balancing Act: Evaluating Utility Models in IP

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ABSTRACT

Utility models work independently as well as complementary to patents. It benefits SMEs and encourages sharing of knowledge. Its advantages include cost-effectiveness, faster application processing, and promotion of incremental innovations. However, it is not without limitations, such as a narrower scope of protection, reduced commercial value, weaker enforcement, and jurisdictional restrictions. This article analyses the pros and cons of the utility model system and aims to help inventors in evaluating their needs and requirements to effectively protect their innovations.

Keywords: *utility models, utility model system, intellectual property, intellectual property rights, IP, IPR*

I. INTRODUCTION

The utility model system is a legal framework that protects ideas which do not meet high patentability standards but still have practical relevance and innovation potential.[2] In order to promote innovation and creativity in a wide range of sectors, it offers a unique opportunity for inventors to safeguard their inventions while retaining exclusive rights for a certain time period.

Utility models, which are second-tier patents, have been defined by the World Intellectual Property Organization as "an exclusive right granted in relation to an invention allowing its author to prevent other individuals from commercial exploiting without prior authorization".[3] The terms "petty patents," "innovative patents," "small patents" and "minor patents" are also interchangeably used.

Unlike patents that focus on a high degree of creativity and novelty, the utility model focuses on diminutive improvements or changes to existing technologies. The scheme recognises that industry can be highly impacted even through minuscule smaller innovations, which would significantly contribute towards society's progress and development.

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[2] U Suthersanen, Utility Models and Innovation in Developing Countries, United Nations Conference on Trade and Development, 2006, (Jul 02, 2023), https://unctad.org/system/files/official-document/iteipc20066_en.pdf

[3] Utility Models, The World Intellectual Property Organization, (Jun 20, 2023), https://www.wipo.int/patents/en/topics/utility_models.html

 [ISSN 2581-5369]

The utility model is particularly useful for inventors in fast-growing industries where innovation and continuous improvement are inevitable and highly necessary. It helps inventors to get their ideas formally recognised. Unlike regular patents that undergo a more thorough examination process, these second-tier patents allow holders to swiftly obtain rights to utilise and gain economic benefits out of their inventions. This enables inventors to focus on developing newer ideas rather than frequently dealing with tedious bureaucratic procedures.[4]

Patents have been a traditional means of protecting new and innovative ideas for centuries together. However, utility models are now gaining popularity as an alternative method of IP protection in many countries.[5] The concept of utility models is exposited in detail in this comprehensive article, including its definitions, legal requirements, benefits, disadvantages, and relevance in the contemporary world.

II. CHARACTERISTICS OF THE UTILITY MODEL SYSTEM

Laws relating to utility models vary from one country to another to a great extent due to their distinctive approaches to protecting intellectual property rights. Some countries have dedicated utility model legislation, while others have a unified system that incorporates utility model protection within their existing patent laws.[6] Despite these variations, there are several commonalities found in utility model laws:

1. **Eligibility Criteria:** Utility Model laws define the criteria that an invention must meet to qualify for protection. These criteria typically include novelty, inventive step, and industrial applicability.[7] Generally, utility models require a lower degree of inventive steps compared to patents.

2. **Novelty Requirement:** To qualify for protection, a utility model must be new and should have not been disclosed publicly before the filing date.[8] In certain jurisdictions, there might be a certain grace period allowing inventors to disclose their invention

[4] Gautam Sharma and Hemant Kumar, Exploring the Possibilities of Utility Models Patent Regime for Grassroots Innovations in India, Journal of Intellectual Property Rights Vol 23, (Jul 02, 2023), http://docs.manupatra.in/newsline/articles/Upload/7C7521B6-2021-457A-8672-EC67F2D7A192.pdf

[5] Patents And Innovation: Trends and Policy Challenges, Organization for Economic Co-Operation, and Development, (Jul 03, 2023), https://www.oecd.org/science/inno/24508541.pdf

[6] Dr. K.S. Kardam, Utility Model –A Tool for Economic and Technological Development: A Case Study of Japan, Intellectual Property of India, (Jul 02, 2023), https://www.ipindia.gov.in/writereaddata/images/pdf/FinalReport_April2007.pdf

[7] Dr. Hans-Peter Brack, Utility Models and Their Comparison with Patents and Implications For The Us Intellectual Property Law System, Boston College Intellectual Property & Technology Forum, (Jul 01, 2023), https://dashboard.lira.bc.edu/downloads/fad8b7a8-6d81-4bed-9626-a2fff8383329

[8] Guidelines for Examination in the European Patent Office, March 2023 edition, European Patent Office.

 [ISSN 2581-5369]

within a specific time frame before filing without jeopardizing its eligibility for protection.

3. **Industrial Applicability:** Utility models should be useful and applicable in real-world trade, commerce, and business, rather than being merely theoretical or abstract with no practical use.

4. **Scope of Protection:** The Utility Model laws explain the extent of exclusive rights offered to utility model owners. These rights enable them to move the court against those producing, utilising, selling, or importing the protected invention without prior authorisation.[9]

5. **Duration of Protection:** Utility model laws prescribe the duration of protection. In countries like Germany, China, Japan, South Korea, Spain, and Brazil, utility models are typically protected for a shorter period, usually 10 to 15 years, starting from the date of filing, while it may be shorter or way longer in other countries.[10]

6. **Application and Examination Process:** The application process for utility models typically involves applying to the appropriate intellectual property office with the necessary documents, making the invention public, and finally resulting in either approval or rejection of protection. If approved, the applicant will get a certificate for their utility model, which confirms the IP protection and its validity period. In certain countries, inventors should pay renewal fees regularly to retain the protection. Utility models are a great choice for quickly safeguarding small improvements or innovations because the process is easier, and the requirements are less strict.[11]

7. **Enforcement and Remedies:** Utility model legislation specifies the legal mechanisms for enforcing utility model rights and the remedies that may be awarded in case of infringement of those rights. These remedies may include injunctions, damages, or restraint orders by the court to prevent further infringement.

8. **Non-Obviousness:** According to the principle of non-obviousness, an invention should be significant and have a reasonable improvement which may not be obvious to someone with expertise in that area. The utility model should demonstrate a noteworthy technical

[9] U. Suthersanen, Utility Models and Innovation in Developing Countries, International Center for Trade and Sustainable Development (ICTSD), Issue Paper No. 13 (2006), http://www.unctad.org/en/docs/iteipc20066_en.pdf
[10] Utility Model - Intellectual Property Helpdesk - European Union, https://intellectual-property-helpdesk.ec.europa.eu/utility-model_en
[11] Dr. Hans-Peter Brack, Utility Models and their comparison with Patents and Implications for The US Intellectual Property Law System, Boston College Intellectual Property & Technology Forum, (Jul 19, 2023), https://dashboard.lira.bc.edu/downloads/fad8b7a8-6d81-4bed-9626-a2fff8383329

 [ISSN 2581-5369]

advancement or offer a solution to a problem that is not obvious or easy to figure out using existing knowledge.

9. **Subject Matter Exclusions:** Certain subjects, such as medical techniques, engineering methods, and computer programs, may be excluded from protection under certain utility model laws.[12] Inventions that are purely theoretical or abstract without any practical application are disbarred. Inventions related to plant varieties and animal species are often ruled out from utility model protection as they are typically covered by plant variety protection or other specialised laws. Scientific or mathematical theorems and principles are also generally not eligible for utility model protection.
10. **International Recognition:** Some countries have specific laws for utility models that provide protection equivalent to patents. International agreements such as the Paris Convention for Industrial Property Protection facilitate the recognition of utility models at the member state level.[13]

III. DIFFERENCES BETWEEN UTILITY MODELS AND PATENTS

Utility models and patents are two types of intellectual property rights protecting inventions, but they differ considerably from one another. The key distinctions between utility models and patents are summarized as follows:

A. ***Requirements for Protection***:

Utility model: Utility models generally require relative novelty, i.e., the invention must be new within a country's jurisdiction where protection is sought, whereas it may have been published in other countries.

Patents: Patents have stricter rules. To obtain a patent, the invention must be completely new and not be known anywhere else across the world while applying. Also, patents need more significant and creative improvements to existing technologies which must not be obvious to others.[14]

B. ***Scope of Protection***:

Utility models: Utility models offer a limited scope of protection. They tend to protect

[12] Certain Aspects of National/Regional Patent Laws, WIPO, (Jul 01, 2023), https://www.wipo.int/export/sites/www/scp/en/national_laws/exclusions.pdf

[13] Henning Grosse Ruse – Khan, The International Legal Framework for The Protection of Utility Models, WIPO, (Jul 02, 2023), https://www.wipo.int/edocs/mdocs/aspac/en/wipo_ip_kul_12/wipo_ip_kul_12_ref_t3c.pdf

[14] "Enlarged" Concept of Novelty: Initial Study Concerning Novelty and The Prior Art Effect Of Certain Applications Under Draft Article 8(2) Of The SPLT, WIPO, (Jul 02, 2023), https://www.wipo.int/export/sites/www/scp/en/novelty/documents/5prov.pdf

 [ISSN 2581-5369]

specific improvements or minuscule innovations within existing inventions, rather than covering the entirety of the invention. However, some parts or aspects of the invention may still remain unprotected despite the existence of laws for both forms of protection.[15]

Patents: Patents provide broader and more comprehensive protection, encompassing all the components and aspects of an invention.

C. ***Duration of Protection***:

Utility models: The protection period for utility models is generally shorter than that of patents. Utility models are granted protection temporarily in most countries, typically lasting between six to fifteen years.

Patents: Patents, on the other hand, offer a longer period of protection, usually ranging from 20 to 30 years from the filing date. This extensive duration allows inventors to retain exclusive rights over their inventions for a longer time.

D. ***Examination Process***:

Utility models: The examination process in utility models is often less stringent and much quicker than that of patents. Some countries allow registration of utility model applications without prior examination of their substance.

Patents: Patent applications undergo a more rigorous examination process to assess novelty, innovative steps, and industrial applicability to ensure genuine innovation and novelty in inventions.[16]

E. ***Commercial Value***:

Utility models: Utility models may have lower commercial value than patents due to their narrower scope and shorter duration of protection. It may be difficult to secure funding or conclude licensing agreements as investors and potential partners may be sceptical regarding the value that utility models bring to the table.[17]

Patents: Patents are more commercially valuable because of their broader scope and longer protection period. They offer better exclusivity and are thus more appealing to investors and potential licensees.

[15] U Suthersanen, Utility Models and Innovation in Developing Countries, United Nations Conference on Trade and Development, 2006, (Jul 02, 2023), https://unctad.org/system/files/official-document/iteipc20066_en.pdf
[16] Sajid Sheikh (2022), *Exploring the Possibility of Utility Model Protection in India*, Scholars International Journal of Law, Crime and Justice, 5(2), pp.53–60. doi:https://doi.org/10.36348/sijlcj.2022.v05i02.003.
[17] Patents And Innovation: Trends and Policy Challenges, Organization for Economic Co-Operation, and Development, (Jul 03, 2023), https://www.oecd.org/science/inno/24508541.pdf

 [ISSN 2581-5369]

F. ***Jurisdictional Coverage***:

Utility Models: Utility model protection is typically limited within the country or region where it was granted. They usually do not offer international protection unless those countries who have similar utility model systems in place.[18]

Patents: Patents are protected globally across multiple countries through international treaties like the WIPO Convention, Paris Convention, TRIPS Agreement etc.

IV. BENEFITS OF THE UTILITY MODEL SYSTEM

Some of the key advantages of utility models are as follows:

a. Cost-Effective:

Obtaining utility model protection is much cheaper than obtaining patent protection as there are fewer administrative processes involved in the application review procedure. Utility models improve practicality and are thus often the preferred choice for individual inventors, start-ups, and small businesses with limited funds over patents.[19] The utility model system encourages inventors to disclose their creations and seek legal protection without incurring exorbitant expenses.

To obtain utility model protection cost-effectively, the following strategies are useful:

1) To deal with and promote one's invention in multiple countries, filings must be done through centralised organisations like the European Patent Office or the African Regional Intellectual Property Organization or the Eurasian Patent Organization[20] rather than filing separately in each country, as it can be more affordable.[21]

[18] Gautam Sharma and Hemant Kumar, Exploring the Possibilities of Utility Models Patent Regime for Grassroots Innovations in India, Journal of Intellectual Property Rights Vol 23, (Jul 02, 2023), http://docs.manupatra.in/newsline/articles/Upload/7C7521B6-2021-457A-8672-EC67F2D7A192.pdf. *See also*, *Supra* note 15, Paris Covention for the Protection of Industrial Property, 1883. (Paris Convention mentions Utility Models as a category of Industrial Property due to which if thedesignated country have such a protection the same can be sought by the inventor).

[19] Kilpatrick Townsend & Stockton LLP, Utility Models: Economical, Efficient, and Enforceable Patent Protection, Lexology, (Jul 10, 2023), https://www.lexology.com/library/detail.aspx?g=3d469814-3c54-4105-a2e8-a07725323330.

[20] Utility Model - Intellectual Property Helpdesk - European Union, https://intellectual-property-helpdesk.ec.europa.eu/utility-model_en

[21] Nirmalya Syam and Viviana Muñoz Tellez, Innovation and Global Intellectual Property Regulatory Regimes – The Tension Between Protection and Access in Africa, South Centre, Research Paper 67 June 2016, (Jul 10, 2023), https://www.southcentre.int/wp-content/uploads/2016/06/RP67_Innovation-and-Global-IP-Regulatory-Regimes_EN-1.pdf. *See also*, Utility Model - Intellectual Property Helpdesk - European Union, https://intellectual-property-helpdesk.ec.europa.eu/utility-model_en

2) Before applying for a utility model, one must check thoroughly if the invention is actually new and is eligible for protection. Some patent offices offer optional preliminary examination services, which provide valuable feedback, before one may choose to proceed with paying the fee for a full and thorough examination.

3) Seeking professional guidance from experienced intellectual property attorneys or agents may be helpful in the smooth processing of applications and help avoid expensive blunders.

4) When applying for a utility model, it is important to focus on the most crucial features and limit the number of claims to lower the costs of processing the application.

5) Assess the value of the utility model throughout its protection period to decide if it would be worthy to continue its protection.

b. Faster Processing and Quicker Market Entry:

Utility model laws usually enable simpler and faster application procedures (within months) than patent application procedures (which often take years). This allows inventors to protect their ideas quickly and bring innovative products and services to the market faster.

c. Encouragement of Incremental Innovations:

The utility model system is suitable for making incremental improvements and modifications to existing technologies. Most industries make significant progress by building on these small improvements. Utility model protection allows inventors to safeguard these minimal innovations even if they don't qualify for patents. This motivates inventors to keep enhancing their products, contributing to overall technological advancement.[22]

d. Complementary Protection to Patents:

Utility model law can complement patent protection and provide additional layers of security for inventors. While patents offer broader protection for the entire invention, utility models help in covering specific features or improvements that might not be fully protected by the patent. This comprehensive protection strategy prevents competitors from exploiting unprotected aspects of an invention which enhances the overall IP

[22] Henning Grosse Ruse – Khan, Options Within the IP System to Promote Minor Innovations. WIPO, (Jul 19, 2023), https://www.wipo.int/edocs/mdocs/aspac/en/wipo_ip_kul_12/wipo_ip_kul_12_ref_t4b.pdf

protection for inventors and businesses.

e. Ideal for Short-Lived Innovations:

Utility models specifically protect certain types of inventions in certain industries as inventions in those industries may become outdated quickly because of changing consumer preferences or technological advancements. So, shorter protection period benefits such industries the most.

f. Supports Small and Medium-Sized Enterprises (SMEs):

Utility model law is especially useful for small and new businesses like SMEs and start-ups which have limited resources. These companies may find it difficult to get patents due to the costs and time involved. The utility model system levels the playing field in the market, allowing small and medium businesses to compete with big corporations.

g. Encourages Disclosure and Sharing of Knowledge:

The utility model law motivates inventors to share their ideas and discoveries with the public and add to the collective knowledge in their fields. This knowledge sharing can lead to fruitful collaborations and advancements across different industries, and boost innovation.[23]

h. Regional or National Focus:

Some countries may have utility model laws that provide protection only within their national jurisdiction, which tends to be beneficial for inventions with a limited market scope and to those that are tailored to cater to specific regional needs.

i. Flexibility in IP Portfolio Management:

Utility model laws enable inventors to tailor their IP portfolio management strategies according to their distinct needs. By being able to choose between utility models and patents, inventors can optimize their IP protection approach based on the invention's nature, market dynamics, and commercial objectives.[24]

j. Promotes Innovation and Economic Growth:

By providing inventors with cost-effective and accessible protection, the utility model system fosters a culture of innovation and encourages inventors to bring their ideas

[23] Patents And Innovation: Trends and Policy Challenges, Organization for Economic Co-Operation, and Development, (Jul 03, 2023), https://www.oecd.org/science/inno/24508541.pdf
[24] Intellectual Property Commercialization, United Nations Economic Commission for Europe, (Jul 18, 2023), https://unece.org/sites/default/files/2022-01/ip.pdf

 [ISSN 2581-5369]

quickly to the market without the fear of being exploited. Eventually, this innovation drives economic growth by creating new products, services, and industries, generating employment opportunities, and enhancing a nation's competitive edge in the global market.[25]

Overall, utility model protection offers a range of benefits, including faster registration, cost-effective protection, recognition of incremental innovations, easier accessibility, strategic commercialization opportunities, and the promotion of ongoing innovation. For inventors, it is a valuable mechanism that enables them to protect their inventions as well as cope with the expansive scope of intellectual property rights.

V. DRAWBACKS OF THE UTILITY MODEL SYSTEM

While the utility model system presents certain advantages, it also entails drawbacks and limitations that inventors and businesses should thoroughly assess before choosing the appropriate form of intellectual property protection. The following are some of the challenges the utility model system poses to inventors seeking to safeguard their innovations:

i. *Limited Scope of Protection*: While patents cover the entirety of the invention, utility models only focus on specific features or enhancements to existing technology. Due to the limited scope of protection, inventors face the risk of competitors finding ways and means to infringe the utility model rights.

ii. *Reduced Commercial Value*: Utility models may have less commercial value than patents due to their limited scope and shorter protection period. Investors and potential partners may consider utility model protection as less valuable, which makes it difficult for inventors to attract funding or negotiate profitable licensing deals. This perceived lower commercial value limits the growth and market potential of innovations protected by utility models.

iii. *Weaker Enforcement*: Enforcing utility model rights can be more challenging compared to enforcing patents. The less rigorous examination process and narrower scope of protection may lead to more frequent challenges such as proving the validity of utility models in the judicial proceedings. This results in weaker legal protection against infringement and uncertainties in litigation.[26]

[25] Joseph Aristotle. S., Prof. (Dr.) S. Shanthakumar, Significance of Utility Patents in the Economic Development of India, (Jul 20, 2023), https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3140664_code338285.pdf?abstractid=3139963

[26] Dr. Hans-Peter Brack, Utility Models and their comparison with Patents and Implications for The US Intellectual Property Law System, Boston College Intellectual Property & Technology Forum, (Jul 19, 2023),

iv. *Limited Jurisdictional Coverage*: Utility model protection is generally limited to the country or region where it is granted. This lack of international recognition can be a major drawback for inventors who want global protection for their innovations.[27]

v. *Unsuitable for Complex Innovations*: Utility models may not be the best choice for complex and revolutionary inventions that require extensive protection. High-tech industries with groundbreaking innovations usually need broader and stronger protection, which only patents can offer.

vi. *Shorter Protection Period*: Although a shorter protection period can be beneficial in fast-changing industries, it can also be a disadvantage in certain cases. For inventions with long-lasting commercial value and significant market potential, the limited protection period of a utility model might not give enough time to fully benefit from the invention's market exclusivity. This limitation can affect commercial success and return on investment for inventors and businesses.

vii. *Inconsistent Protection across Countries*: Utility model laws vary significantly from one country to another in terms of eligibility criteria, scope of protection, and duration. This lack of consistency can create challenges for inventors seeking global protection for their innovations.[28] Inconsistent laws and regulations may complicate the process of managing an international portfolio of utility models and may lead to discrepancies in legal rights across different jurisdictions.

viii. *Limitation on Foreign Filings*: Certain countries have rules that limit non-residents from filing utility model applications or require them to file a corresponding patent application in their home country. This restriction on foreign filings can be a hurdle for international inventors and businesses who want to protect their innovations in those specific jurisdictions.

ix. *Potential for Overlapping Protection*: Sometimes, inventors may unintentionally get both utility model and patent protection for the same invention, resulting in overlapping rights. This overlapping can cause confusion and may pose additional burdens in handling the intellectual property portfolio, leading to unnecessary expenses.

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https://dashboard.lira.bc.edu/downloads/fad8b7a8-6d81-4bed-9626-a2fff8383329

[27] Utility Model Protection Throughout the World, Intellectual Property Owners Association, (Jul 18, 2023), https://ipo.org/wp-content/uploads/2013/03/Utility_Model_protection.pdf

[28] Carlos Correa, Jorge E. Viñuales, Intellectual Property Rights as Protected Investments: How Open are the Gates? Journal of International Economic Law, Volume 19, Issue 1, March 2016, Pages 91–120, (Jul 18, 2023), https://doi.org/10.1093/jiel/jgw005

 [ISSN 2581-5369]

VI. CONCLUSION

Although utility model law offers benefits like cost-effectiveness and faster protection, it also has drawbacks and limitations that inventors and businesses must carefully consider[29]. Like any form of intellectual property protection, inventors should carefully consider the pros and cons of utility models based on their needs, the nature of their inventions, and their market goals. Seeking guidance from intellectual property experts will help inventors make well-informed decisions to effectively protect their innovations and navigate the complexities of utility model law. Despite certain drawbacks, the utility model system provides more advantages to inventors and acts as a valuable mechanism for securing intellectual property rights and promoting continuous technological advancement.

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[29] Sajid Sheikh & Adithya Varath, BOOSTING INNOVATIVE CLIMATE IN INDIA VIA UTILITY MODEL REGIME, RFMLR RGNUL (2022) Available at: https://www.rfmlr.com/post/boosting-innovative-climate-in-india-via-utility-model-regime [Accessed 13 Nov. 2023].

 [ISSN 2581-5369]