

## UTILITY MODEL PATENT: A FAST AND POWERFUL TOOL FOR PROTECTING INVENTIONS IN CHINA

In **Chint vs. Schneider**, the Chinese court awarded an unprecedented sum of RMB 334 million (US\$ 53.4 million) damages in a patent infringement lawsuit. The patent in this case was a utility model patent, which is not examined on its substance under the Chinese Patent Law and is often overlooked by the foreign IP rights owners. Foreign applicants often apply for invention patents, rather than utility model patents in China. According to statistics from the State Intellectual Property Office (“SIPO”) of China, Chinese applicants account for 99.4 % of utility model patent applications in China.

This newsletter introduces the parallel filing rule under PRC Patent Law and illustrates the advantages of filing utility model patents in China.

### THE PARALLEL FILING RULE

The amended PRC Patent Law has new provisions allowing an applicant to file a utility model application and an invention patent application for the same subject matter on the same day. In fact, these new provisions are an exception to the previous prohibition of the double patenting rule.

Parallel filings of utility model patents and invention patents can effectively extend the duration of protection of the enforceable patent rights. Usually, a utility model will be granted first and the applicant is entitled to the patent rights after the grant of a utility model. When the invention patent is allowed, the applicant is required to abandon the utility model and choose the invention patent. As such, the applicant can enjoy both the advantages of fast issuance of the utility model patent and the longer term of protection of the invention patent.

However, please note that parallel filing cannot be applied to Patent Cooperation Treaty (“PCT”) applications entering into national phase in China even if the PCT international application and the Chinese utility model application are filed with SIPO on the same day. This is because it is uncertain whether the PCT application will enter into Chinese national phase. Further, the type of application (i.e. invention or utility model patent) cannot be determined at the time of filing the PCT application.

On the other hand, if an applicant files patent applications in China claiming priority through the Paris Convention, the applicant may utilize the parallel filing provision. Therefore,

the applicant should consider whether to file both utility model application and invention patent application together. If the applicant wishes to use the parallel filing provision, it is important to file both applications on the same date. If the two applications are filed on different dates, the earlier application will destroy the novelty of the latter application.

In practice, if an applicant files both utility model application and invention application together, it may obtain both patents without the need of abandoning the utility model patent if the scope of claims of the two patents is different. For example, if an applicant files an invention patent application and a utility model application with same set of claims, the granted claims of the two patents will likely be different. During the examination stage, the claims of the invention patent application will often be amended and narrowed. On the contrary, the original claims of the utility model application will be granted, provided that the application complies with formality issues. As a result, the applicant can keep both the granted invention patent and utility model patent.

### OTHER ADVANTAGES OF UTILITY MODEL PATENT

#### 1. Lower patentability standard

The patentability standard of utility model patent is lower than that of invention patent. According to the Guidelines for Patent Examination, examiners will only use one or two pieces of prior art to assess the inventiveness of the utility model application and will usually consider only the references in the same technical field of the utility model. On



the contrary, examiners usually cite more than two pieces of prior art to assess the inventiveness of the invention patent application and will consider references in similar / related technical fields during the examination process.

If an inventor encounters difficulty in obtaining invention patent due to an inventiveness issue, the applicant may consider filing a utility model application because the invention may satisfy the inventiveness standard of utility model and thus obtain protection for the invention.

## 2. Shorter timeframe and cost efficiency

A utility model patent can normally be granted within six months to one year after filing whereas an invention patent needs three years on average. This is because there is no substantive examination procedure for utility model applications. SIPO will conduct a preliminary examination in which formality and claims will be checked. Since there is no substantive examination procedure, the cost for filing utility model applications is also lower. These features make utility model a quick and cost-efficient way for products with short life cycles (e.g. electronic products) which require a fast product launch.

## ENFORCEMENT AND SCOPE OF UTILITY MODEL PATENT RIGHTS

To enforce his patent, the owner of utility model patent should obtain a technical appraisal report from the Chinese Patent Office before commencing any infringement proceedings. Apart from this, the patentee of invention patent and utility model patent enjoys the same patent rights, including the right to make, use, offer to sell, sell or import the patented product for production or business purposes.

## INVALIDATION OF UTILITY MODEL PATENT

The process of invalidating a utility model patent is costly and time consuming. It is normally done by submitting an invalidation request to the Patent Reexamination Board ("PRB"). The PRB will usually conduct an oral hearing to allow the requestor and the patentee to present their arguments

and then determine the validity of the utility model patent. In practice, it is not easy to invalidate a utility model patents on the ground of lack of inventiveness as the PRB may not consider prior art references which do not belong to the same technical field of the utility model patent.

We suggest that applicants include as many claims as possible when filing the utility model patent applications so as to allow for more flexibility in amending the claims during the invalidation proceedings.

## RECENT CASE RELATING TO THE ENFORCEMENT OF THE UTILITY MODEL PATENT

### *Ke Huizhong v. Quanzhou Zhuoxinda Auto Parts Co. Ltd.-*

Ke Huizhong ("Ke"), a Chinese citizen, filed a utility model patent infringement lawsuit before the Quanzhou Intermediate People's Court against Quanzhou Zhuoxinda Auto Parts Co. Ltd ("Zhuoxin"). In 2011, the Quanzhou Intermediate People's Court found in favour of the Plaintiff, awarding RMB 150,000 as damages and ordering the Defendant to cease the production and sale of any infringing products. Dissatisfied, the Plaintiff appealed to the Fujian Provincial Higher People's Court. On appeal, while the Court refused to order the Defendant to recall any infringing products already sold to the consumers, it agreed that the damages awarded by the lower court were inadequate.

Taking into account the surrounding circumstances of the case, the Fujian Provincial Higher People's Court raised the amount of damages to RMB 350,000. This case illustrates that Chinese courts are willing to consider various factors in assessing damages, such as the scale of operations of the Defendant, the nature and duration of the infringing acts, the approximate amount of unlawful profits earned by the Defendant as a result of the infringement, as well as any reasonable expenses incurred by the Plaintiff in relation to the lawsuit. Such an approach is believed to be more flexible in compensating patent owners and is welcome.

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