

# Is There a Need for a European Utility Model<sup>1</sup>? A View from the United Kingdom<sup>2</sup>

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## I. Introduction

The justification for, and role of, intellectual property (IP) law in the market place is currently undergoing a period of radical reassessment. Changing commercial pressures, as epitomised by the conclusion of the General Agreement of Trade and Tariffs (GATT)<sup>4</sup> and in particular the agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)<sup>5</sup>, have led to a realisation that the traditional justification supporting the grant of a legal monopoly over information may no longer be valid. As will be seen the concern over the provision of an appropriate justification for intellectual property rights (IPR) is for many, especially within the United Kingdom (UK), embodied in the discussions currently taking place over the European Commission's proposal to introduce a Community utility model system<sup>6</sup>.

In the past the grant of an IPR was seen primarily as the provision of a legal reward for the act and results of creative endeavour. The traditional justification for the right lying in the recognition that society should acknowledge the effort and work which has been utilised in the production of something new<sup>7</sup>. The grant of an IPR acts as society's reward for that creative endeavour.

1 a variety of differing names have been given to this secondary patent-type right, utility model, petty patent, short-term patent, certificat de utilite & Gebrauchsmuster, for the purposes of this article the broadly collective term "utility model" will be used. The use of "utility model" in preference to any of the other terms is supported by Article 1(2) of the Paris Convention for Industrial Property. The European Commission in its recent Green Paper on the subject, which will be discussed in this article, uses the collective term "utility model" protection.

2 The views expressed in this article are purely those of the author and should not be taken as representative of those of the UK as a whole nor of the Intellectual Property Institute. The reason why it is necessary for the UK to be singled out from other member states of the EU in respect of the European Commission's proposal to introduce Community-wide utility model protection is that the UK currently does not have such a system of protection and as a result there is great concern about its desirability and necessity.

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4 The Uruguay Round of GATT was concluded on 15th December 1993.

5 for a brief yet comprehensive evaluation of the effect of TRIPS see Blakeney *GATT TRIPS Agreement: Supplement* (1994) 11 EIPR.

6 COM (95) 370 final.

7 for examples of this see Hammond *The Legal Protection of Ideas* Osgoode Hall Law Journal Vol. 29 no. 1:93 1991; Hettinger *Justifying Intellectual Property* Philosophy and Public Affairs (1989) 31; Hughes *The Philosophy of Intellectual Property* The Georgetown Journal Vol. 77:287; Locke *Second Treatise on Government* Chp 5; such views are not, however, without criticism as can be seen in Nozick *Anarchy, State, and Utopia* (New York: Basic Books) 1974; Nelkin *Science as Intellectual Property* New York: Macmillan 1984; Posner *Problems in the Creation and Enforcement of Property rights* Economic Analysis of Law 3 ed.

Secondary to the reward rationale is the recognition that where something new had been created, it is only just and right to permit the creator of that work to control access to the information contained within it. The commercial importance of the right being underplayed because it was, and indeed still is, regarded as being a less palatable reason for permitting a legal monopoly than the reward for inventive endeavour rationale<sup>8</sup>.

Thus, in theoretical terms at least, the commercial role of IPR was seen coming second to the reward justification. With the emergence of an international market place, with its emphasis on acquiring and maintaining high profile market positions, the roles supporting the grant of IPR now appear to be reversed.

Whereas in the past there was at least a nodding acknowledgement that IPRs had their basis in rewarding creativity and not in the provision of a purely commercially focused right, there has now been a sea change. The rights are increasingly seen as having as their primary rationale, and function, the facilitation of commercial enterprise through the right to control access to certain types of information<sup>9</sup>.

Examples of this change can be seen in the growing acceptance that if a trade mark or patent is not used within a commercial environment then the holder of that right could lose his right to prevent others from using the same information, or at least be subject to the imposition of a compulsory licence<sup>10</sup>.

Obviously, it would not be in interest of society to allow just any expression of information to be protected by a legal monopoly. Nor would it be acceptable if such rights could be obtained without having to demonstrate that there is something of creative value which should be protected<sup>11</sup>. This emphasis on the creator demonstrating that he or she has produced something which society

8 *Ibid.*

9 an example of this can be seen in the growing trend amongst sports stars to register their name or image as a trade mark, "Cashing in on the Patently Obvious" *The Guardian* 30th August 1996. There is a strong argument for saying that British soccer stars such as, Paul Gascoigne, Ryan Giggs, or Alan Shearer, have done, nothing creative in producing the name which they have now registered as a trade mark. Nor have they done much in the way of creatively attaching that name to a product. The skill which they demonstrate on the soccer field is not of the kind readily identified as being the product of intellectual activity. There is, however, little doubt that sporting merchandise is big business and it is easy to understand the desire of the sports personalities to be able to control the use of their name or face. The question which remains is whether the personalities concerned can be said to have produced a product which can be justifiably held to be intellectual property in the traditional sense, as opposed being in possession of a property which is purely commercial in value but nonetheless in need of protection? The answer, given the relative ease with which these names have been registered, would appear to be yes.

10 section 46 of the UK Trade Marks Act 1994 states that the registration of a trade mark will be revoked if within five years of the registration the trade mark has not been put to "genuine use" in the United Kingdom; section 48 of the UK Patents Act states that a compulsory licence will be granted where the patented invention is capable of being commercially worked but it is not being so worked or not being worked to the fullest extent that is reasonably possible.

11 the use of the word 'value' in this context should not be taken to mean either that the creation must be of some definable merit, in the sense of a great artistic work, nor is it being used in its financial sense as requiring a monetary value to attach to the results of creative work prior to a IPR being granted. Rather it is used in the sense of society recognising an intrinsic value being inherent in the production of new ideas and the expression of them.

accepts as being worthy of protection means that, to a greater or lesser extent, the person seeking to obtain the right to control the information must demonstrate that he has a right to restrict access by fulfilling certain decreed criteria. This can be seen by reference to the existing forms of IPR.

In the context of copyright the value lies in demonstrating that the work is original in the sense of not having been copied. For trade marks the element of creative value rests on showing that the mechanism by which a product or service becomes identifiable to the public has the requisite capacity to distinguish. For a patent the requirement is that the information must be new and be the results of more than usual creative thought and application.

It is, however, now arguable that an IPR will be granted even where the creative input is very low provided that the applicant for a registered IPR<sup>12</sup> can show that there is a commercial market for his or her product. This would appear to be the case with the grant of a utility model right which often serves to provide protection for invented material of a lower order than can be protected by a patent.

Before looking at utility model protection it is important to first set out the principles lying behind the grant of a patent<sup>13</sup>. The reasons for this are two-fold.

Firstly, nearly all countries which have some form of utility model protection have aligned it to their existing patent system. The reason for this is that utility models are usually adopted to fill a gap in the provision of patent protection for certain types of innovation. This close alignment is in part due to the need to ensure that utility models do not undermine or depart too radically from the patent system. It would make little sense if a right designed to protect the results of lower inventive activity departed radically from the method and application of protection for the results of higher inventive activity.

Also the giving a dual administrative role to the patent office helps reduce the cost of acquiring a utility model (the reduced cost of acquiring a utility model right as compared to a patent is a key element in justifying the need for utility model protection). As a utility model is granted usually following a curtailed version of the patent application process<sup>14</sup> this means that lower costs are incurred by the granting office in respect of the administration of the application. This in turn means that the cost to the applicant is less than for a patent. If

12 since there are no legal formalities to be undergone in obtaining copyright protection, and the right has not been stated on a public register, there is arguably not the same public interest in ensuring that the right is used as opposed to merely stated.

13 As this article is concerned with assessing the usefulness, or otherwise, of utility model protection which is most commonly aligned with the patent system, it is not proposed to look in any detail at either copyright or trade mark protection.

14 in some countries, as will be shown later, there is no difference between the examination process for patents and utility models; in other countries, however, the formal examination process in respect of novelty and inventive step is either radically reduced or omitted totally thereby reducing the costs incurred.

there were too many differences in the procedures leading to the grant of a patent or utility model then it would necessitate a different granting process and this would have the effect of "upping" the cost to the granting office and thereby to the applicant.

Because of this traditional alignment between the two systems it is generally accepted that any discussion on how to most appropriately protect minor incremental innovation should focus on the patent and traditional utility model modes of protection. The provision of a system of protection drawn from copyright or design right principles is not normally thought appropriate or desirable<sup>15</sup>.

Secondly, it is the contention of the European Commission that one of the main justifications for a utility model right lies in its capacity to protect material of an inventive order lower than that which must be shown for a patent grant<sup>16</sup>. It is, therefore, necessary to understand where the failings in the patent system lie in order to see how utility model protection "plugs" any gap left behind. This is particularly important from the perspective of the United Kingdom, which at present does not have a system of utility model protection. The majority of reservations expressed about the desirability of adopting a UK utility model system centre around doubts as to whether there is such a significant gap in the provision of intellectual property protection to merit the introduction of a new system of protection<sup>17</sup>.

15 this does not mean that copyright and design right have been ignored as possible models for protecting minor incremental innovation. Both systems have been mooted by some as being more appropriate forms of protection for material which cannot demonstrate the degree of inventive step needed for the grant of a patent; see Chartered Institute of Patent Agents *Report and Proceedings of the Brocket Hall Symposium* CIPA 1994. This was also raised at the June 1995 meeting of the British Group of the AIPPI where many stated that they felt it might be more appropriate to look to a copyright form of protection rather than amending the existing patent system. The reason for this view is that within the UK there is doubt as to whether it is possible to find a level of inventive step which is lower than that required for a patent yet which exhibits a sufficient degree of inventivity to warrant the grant of a legal monopoly. This will be discussed in greater detail later in this Article. For a discussion of the interrelationship/overlap between the patent and copyright systems see Reichman *Legal Hybrids Between the Patent and Copyright Paradigms* Columbia Law Review Vol 94 p. 2431. With regard to the European Commission's Green Paper, following a review of the function and application of copyright protection however, it comes to the conclusion that any form of utility model protection should more properly be aligned to the patent systems, supra note 6 at 55. It is unlikely given that all existing utility model systems follow this presumption of an alignment with patents, that any change will take place if the Commission's proposals for a European utility model are adopted. The fact that this article focuses on a system of secondary protection based on patent precepts should not be taken as indicating that this is necessarily the only, or best way, of protecting minor incremental innovations.

16. supra note 6 at 60-62.

17. this is not to suggest that those countries currently using a form of utility model right are not equally concerned about the Commission's proposals. Their concern, however, centres more on the *form* any resulting Community right will take rather than on the question of the need for the right in the first place. No one existing system of protection is seen as being suitable for implementation across the EU, although the Max-Planck Institute has put forward a proposal based on the German Gebrauchsmuster. This has not been widely accepted, *Proposal of the Max-Planck Institute for a European Utility Model* IIC Vol 25 No 5/1994 700; for a discussion of the Max-Planck proposal see Chartered Institute of Patent Agents *Report and Proceedings of the Brocket Hall Symposium* 1994 and Llewelyn supra note 3 pp 50-82. It is likely therefore that all member states of the EU will experience a revision of some sort of their existing protection. In some cases this could entail a radical revision.

## II. The Rationale For a Patent Grant

The rationale supporting the grant of a patent is that the applicant must show that the invention is novel (not known anywhere in the world prior to the application being filed), that it is the result of an inventive step (the inventive move forward contained in the invention must not have been obvious to anyone working in that area) and that it has industrial applicability. Together these elements demonstrate that the applicant has created something which, but for him or her, would not otherwise exist. On fulfilment of these criteria society, as represented by the patent granting office<sup>18</sup>, accepts that a patent grant should take place<sup>19</sup>.

At its most basic level, the function of a patent is to permit the holder to control access to the composite of new information described in the patent specification. This function is often regarded as being the most important for those who use the patent system.

That a right to control is seen as an acceptable consequence of a patent grant can be justified on the basis that the creator of this "new" information has a better right to control the dissemination of the information than someone who has not been instrumental in its inception. In particular it is regarded as important that the creator should be able to ensure that the information contained within the new invention is not exploited by any other person without his or her consent.

That the applicant should provide new information within his or her patent application is crucial for the grant of a patent. If the information contained within the application can be found elsewhere then the applicant will lose any right he or she might have to control it. However, the requirement of the absolute novelty of the information contained within the patent application is tempered by an acknowledgement that in reality a considerable amount of innovating takes place within the context of the use of known material.

In the strictest sense, therefore, it is difficult to show that the invention is totally new. Usually the patent application will refer to a new combination of known materials or processes. The key to the grant of the right will, therefore, rest on whether the combination of known information is an obvious one, in which no right to control can arise, or whether it is unobvious in which case the applicant will be successful in his or her application. In these situations greater

<sup>18</sup> patent offices are usually government agencies which reward inventive activity by granting a legal monopoly *on behalf* of the People. In the UK this public interest role has been questioned recently with the government's proposal to privatise the Patent Office. To turn decisions over the grant of a patent into the hands of a private enterprise, which some believe will act from its own vested financial interests, is felt to strike at the very heart of the rationale for the grant of patent. There are some very serious questions about how, and with what controls, such a privatised patent office will operate.

<sup>19</sup> provided the invention does not fall within any of the universally recognised groups of excluded material

weight will be placed on the inventivity leading to the combination of that knowledge producing the novel form.

Equally, it is often the case that the most important commercial developments do not necessarily occur in respect of the provision of a radically different product or process. The incremental development of known and accepted products can often be the most valuable in the market place. The issue which arises here is whether the decision to develop the known information is an obvious one or not.

In every case it is a question of fact for the examiner to decide if the information in that form meets the accepted levels of novelty and inventive step.

This awareness that many inventions consist of the reconstitution of known information or the incremental development of an already successful product or process does not obviate the need for a certain degree of inventive step to be shown. There remains an onus on the patent applicant to show that the invention results from an *unobvious* use of that information<sup>20</sup>.

Two problems, however, are widely regarded as remaining in relying on the patent system as the sole mechanism of protection for inventions.

Firstly, not all commercially valuable products are the results of unobvious inventive steps. If a rigorous interpretation of a patentable inventive step were to be applied then there is a likelihood that a number of valuable developments, often incremental in nature which do not meet the strictures of patentability, would be lost. It would be extremely unlikely that time, effort and money would be expended on producing improved products via minor incremental developments, if those improvements were open to uncurbed copying once commercialised.

Secondly, the cost and time taken to obtain a full patent is not always within the grasp of those who produce commercially desirable inventions. Many inventors find the cost of acquiring a patent prohibitive and out of proportion to

<sup>20</sup> there are, however, growing indications that even within Europe differing concepts of inventive step exist. A good example of this can be seen in the two decisions given in 1995 in relation to *Biogen v. Medeva*. Biogen brought an action against Medeva for patent infringement on the basis of both its British and European patents for the manufacture of polypeptides displaying the Hepatitis B virus. Medeva countered by arguing that Biogen's patent did not demonstrate any inventive step. It was known that the route taken leading to the creation of the polypeptides was likely to result in the manufacture of the Hepatitis B virus. Equally there was a possibility that such a venture would fail. Either way pursuing the research would be extremely costly. The question of whether or not to pursue the research, therefore, was one based on a commercial decision. Medeva argued that the fact that Biogen chose to undertake that commercial risk was not sufficient to warrant a patent grant as it did not amount to an inventive step. Others knew of the likely outcome of the research but had chosen not to take the risk. Biogen's research was therefore obvious and as such should be regarded as unpatentable. The issue was heard separately at the UK Court of Appeal and by the European Patent Office with completely different results. The UK Court of Appeal upheld Medeva's argument and found the Biogen patent invalid for lack of inventive step. The European Patent Office, however, upheld the patent stating that a commercial decision to pursue a particular avenue of research could not be regarded as unobvious.

the amount they would expect to recoup through selling the product. Equally the time it can take to complete the full application procedure might be longer than the actual life span of the product concerned.

Both of these act as disincentives to innovate and to commercialise the results of that innovation. This in turn gives rise to a concern that commercially valuable innovations are being lost from the market place due to a lack of appropriate intellectual property protection. The economy suffers as a result and it is felt that there is a need to provide direct support and motivation for those involved in incremental innovation.

For some countries the problem has been dealt with by an internal restructuring of the patent system ensuring that a patent can be granted more quickly and for less cost than in the past, this is the case in the United Kingdom and in the United States of America<sup>21</sup>. Often these administrative changes have taken place alongside a slight but noticeable relaxing of the inventive step requirement allowing more incremental innovation to fall within the scope of patentability<sup>22</sup>.

For other countries it has either not been possible to refine the patent system or felt not desirable. Instead the problem has been addressed via the adoption of a supplementary form of protection to the patent, the utility model<sup>23</sup>.

This division in the way in which the problem of how to protect incremental innovation has been met has led to a divergence of practice across the EU. It has also led to a difference in reaction to the European Commission's proposals to introduce a European Utility Model.

For the majority of European Union member states there is acceptance of the validity of using such a system of protection. The questions which the proposals pose for them centre not on whether such protection should be introduced, but on the form and extent the any resulting protection should take.

In the UK<sup>24</sup> there is, in contrast, deep scepticism over the need to introduce any form of utility model protection. The belief which appears to predominate is that if there are inventions which deserve intellectual property protection but

21 both of which operate a fast track system which allows a full patent to be granted within twelve months; the issue of cost has not been directly targeted by these revisions but the current cost of obtaining a UK patent, £285, is generally regarded as a fair and reasonable price for a legal monopoly and well within the pockets of those who would wish to acquire protection over commercially valuable material. With regard to the question of inventive step, again the aim has been to make the interpretation of the concept as flexible as is possible without removing the concept altogether.

22 this will be discussed later.

23 as the next section will show this includes three quarters of the current members of the EU.

24 it is not known if the other EU member states without utility model protection, Luxembourg and Sweden, also have such severe reservations about the wisdom of introducing this supplementary right. The views expressed in this article as to the concerns being raised in the UK should not be taken as extending to Luxembourg or Sweden.

which are not at present patentable, then any changes should come about through a further internal review of the patent system and not be resolved by the introduction of a utility model.

Whatever the European Commission may have hoped to achieve by the publication of its Green Paper, one consequence has been the identification of a near total lack of consensus over the need for, and scope of, any supplementary form of protection to the patent system.

### III. Current Utility Model Protection within the European Union

Within the European Union, twelve<sup>25</sup> of the current fifteen member states<sup>26</sup> provide some form of secondary patent protection. At the simplest level, each of these can be defined as a short-term registered right granted over an invention which, for any of the reasons cited above, might not be regarded as patentable. There, however, any similarity between the existing systems of protection ends.

A closer examination of the twelve systems quickly shows that there is no consensus either as to the form of the right nor the scope of protection granted. The reason for this lack of consistency is that each right has developed, like the inventions it seeks to protect, incrementally. More importantly from the perspective of a European single market, every country has developed its own system of protection for "smaller" inventions as needed within that country.

At a very general level the existing systems can be placed into the following three categories:

1) those which offer protection which complements the patent system, has identical granting requirements yet which lasts for a shorter period of time (the duration of these rights varies between six years and fifteen years); the countries which use this form of utility model protection are Belgium, France and the Netherlands;

2) those which offer protection with different granting criteria (usually in respect of the degree of inventive step, if any, which must be shown), and is confined to protecting three dimensional objects; the countries which offer this form of utility model protection are Finland, Greece, Italy, Portugal and Spain;

3) finally, there are those countries which offer protection with different granting criteria along the lines stated immediately above, but which do not restrict protection to three dimensional forms; these countries are Austria, Denmark, Germany and Ireland.

<sup>25</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal and Spain.

<sup>26</sup> the three member states which do not provide any form of secondary patent protection are Luxembourg, Sweden and the United Kingdom.



There is, of course, a fourth category of country, those which do not offer any form of utility model protection, Luxembourg, Sweden and the United Kingdom.

The fact that these divergent practices have arisen can be seen as indicative of the fact that the need being addressed is primarily local in nature and not of cross-border significance despite the emergence of the single market. In respect of the most recent adoptees of utility model protection within the EU, Ireland, Denmark, Greece, Finland and Austria, a quick glance at the categorisation of each of these countries above appears to support this contention. The role of the utility model as a cross-border right with the concomitant need for conformity and reciprocity does not appear to have been high on the list of priorities when drafting utility model protection. One thing which can be agreed upon is that there is no consistency as to practice nor has there been any call for consistent practice, until now.

In 1993, as part of its policy of addressing any perceived inconsistencies as to intellectual property practice across the European Community<sup>27</sup>, the European Commission turned its attention to the provision of utility models within member states.

The fact that there are so many variants of utility model protection gave rise to an immediate concern that a lack of coherent practice could pose a potential threat to the implementation and future working of the single market. The initial question which concerned the Commission was whether these differences presented an actual problem which needed to be remedied or whether they were merely indicative of a territorially local right which might need little, if any amendment, due to its non-existent cross-border usage.

The result of the European Commission's initial deliberations was the publication in August 1995 of a Green Paper on "The Legal Protection of Utility Models in the Single Market"<sup>28</sup>.

#### **IV. The European Commission's Green Paper on Utility Model Protection**

It is important to bear in mind when looking at the proposals made by the Commission that they are intended to stimulate further debate. The Green Paper is not meant to act as a final position paper nor should it be taken as such. The view which the Green Paper reaches, which is that some form of harmonised Community Utility Model is both necessary and desirable, is therefore open to review following the responses which the paper is expected to generate.

<sup>27</sup> Other areas which have received the attention of the Commission include, with differing degrees of success, the term of copyright protection, protection for computer software, computer data bases, plant variety rights, trade marks, and the extension of patent protection to biotechnological inventions.

<sup>28</sup> *supra* note 6.

The main substantive objectives of the Paper are:

1) to ascertain if utility model protection is a necessary component of a modern intellectual property system; does it provide an incentive to both invent and market products which would otherwise not be commercialised? and

2) to identify if the lack of consistency of protection across the EU prohibits the holders of utility model certificates from fully exploiting their inventions; if the answer to this is yes, then does this act as a barrier, present or future, to the proper functioning of the single market?

Driving the Commission's decision to establish if harmonisation is needed are its obligations under the EU Treaty. Article 7a of the EU Treaty lays down the conditions for the functioning of the single market including the harmonisation of any laws which might pose an obstacle to the free movement of goods. The aim is to eradicate any national legal differences which might act as disincentives to commercialise new products or be anti-competitive in the market place. This obligation to remove any obstacles has to be tempered however by reference to Article 36 of the EC Treaty. This Article states that there is no automatic requirement to approximate divergent national laws if there is no evidence that they would pose an actual obstacle. The aim is simply to ensure that the differences in practice are not open to misuse thereby undermining the single market.

In particular the Commission is concerned to ensure that the needs of small to medium sized enterprises (SMEs), which might not be able to make full use of the patent system for any of the reasons cited above, are met by the use of a more appropriate form of protection. Utility models are seen as helping to build up the role SMEs play in the economic well-being of the European Union<sup>29</sup>.

It is the contention of the Commission, as stated within the Green Paper, that the existing differences in utility model protection constitute if not an actual then certainly a potential misuse of a market position within the single market:

"... the differences which exist have a direct adverse effect on trade within the Community, and on firm's capacity to treat the common market as a single setting in which to do business. The free movement of goods is obstructed and... this is an unavoidable consequence of the lack of harmonisation of the law."<sup>30</sup>

The Green Paper, therefore, presents the view that there is a need for some degree of harmonisation.

In response to this finding the Commission proposes that it take action to eradicate the differences in practice. The aim is to bring the laws relating to

<sup>29</sup> *ibid.* at 41.

<sup>30</sup> *ibid.* at 34.

utility model protection in all EU member states into line thereby ensuring that the same form of protection is available across the EU.

From the perspective of observers in the UK this finding that the differences in national practices are affecting both SMEs and the proper functioning of the single market has particular significance. It means that the Commission is of the opinion that without a form of utility model protection in place, the UK is placing its inventors at a distinct disadvantage in relation to their counter-parts in the majority of EU countries. As the responses of interested parties in the UK will show below this is not a view shared by all.

Supporting its finding that the single market is, at least potentially, being adversely affected by the divergent national practices are the results of a survey the Commission commissioned from the IFO Institute for Economic Research<sup>31</sup> in Munich.

It would be outside the scope of this article to analyse the full results of the IFO Institute survey. Instead only those results which are being used by the IFO Institute and the European Commission as evidence of a need for the UK to adopt of utility model protection will be discussed.

#### **a) The Findings of the IFO Institute<sup>32</sup>**

The survey was undertaken in five member states of the EU: France, Germany, Italy, Spain and the United Kingdom in 1994. As has already been stated, of these the UK is the only one not currently providing a form of utility model protection.

In total 3,793 questionnaires were sent out to businesses of all sizes and to individual inventors<sup>33</sup>. 679 companies responded, of which 46 were from France, 400 from Germany, 83 from Italy, 36 from Spain and 114 from the United Kingdom<sup>34</sup>.

The content of the questionnaires sent varied according to type of protection currently offered in the country to which it was sent. The primary difference

31 IFO Institute for Economic Research *The Economic Impact of the Legal Protection of Utility Models on Enterprises in the European Union* Munich 1994.

32 It should perhaps be stated that the IFO Institute Report is purely an economic evaluation of utility model protection. This obviously provides invaluable information as to the economic need for utility model protection, but it does not offer any analysis as to the legal basis which supports this type of protection (an issue which is of great importance to the United Kingdom) nor does it provide any practical assessment of the form the protection should take.

33 When compiling its subsequent report the IFO Institute additionally relied upon an earlier pilot study it had undertaken in 1993 covering the same countries with the exception of Italy. This survey included questioning patent attorneys.

34 The IFO Institute did not send out the same number of questionnaires to each country. It sent 490 to France, resulting in a 9% response rate; 1,472 to Germany, resulting in a 27% response rate; 472, to Italy resulting in an 18% response rate; 467, to Spain resulting in a 8% response rate and 892, to the United Kingdom resulting in a 12.78 response rate (rounded up to 13% by the IFO Institute). These figures can not be taken as indicating a particularly high response rate.

being that France, Germany, Italy and Spain were asked about the use of their existing utility model systems and whether any difficulties were encountered when attempting to obtain protection elsewhere in the EU. Whereas those sent to the UK made no reference to the use made of utility model protection in the UK, this obviously was not appropriate. Rather they asked firstly, if the respondents felt a form of utility model protection would be desirable and secondly if any problems had been encountered in obtaining or enforcing rights in other member states<sup>35</sup> (For the purposes of the subsequent argument the responses to these questions will be looked at in reverse order). The questions and the responses they elicited will now be looked at in more detail.

i) difficulties arising out of divergent practices

The question asked by the IFO Institute was:

"At present the laws governing utility models vary greatly from one EC country to another. Does this give rise to practical difficulties when seeking protection?" (This question can be found in all versions of the questionnaire. It is on the basis of these responses that the Commission is founding its argument that there needs to be Community-wide action).

21% of the total surveyed from all five member states, 679 companies, stated that they had experienced "great" difficulty when seeking protection. 28% had experienced "some" difficulty and 22% had experienced only "slight" difficulty. 30% said they "did not know".

These figures, taken collectively, demonstrates that there is, within varying degrees, a certain amount of difficulty experienced in seeking utility model protection. The Institute, indeed, interprets these figures as indicating that:

"[t]he heterogeneous utility model laws have had a detrimental effect on innovation protection in the single European market<sup>36</sup>".

The question which remains unanswered is the extent to which these responses can be seen as indicating a need for Community-wide reform. That the companies which responded had experienced difficulties of some kind is not in question. What is in question is whether the majority of respondents who had experienced "some" or "slight" difficulty, 50%, should be taken together with the 21%, who had experienced "great" difficulty. The inference being, if this is the reading to be given to the statistics, that this problem should be resolved irrespective of the *degree* of difficulty experienced. The alternative reading is that

<sup>35</sup> it is not proposed to look at the UK responses in full as to a considerable extent the questions set related to determining the size of company involved and its current, and prospective, use of the patent system. For a copy of the questionnaire, and those sent to the other participating countries, and a more thorough analysis of the responses see the IFO Institute Report *supra* note 31.

<sup>36</sup> *supra* note 31 at 42

the majority of respondents had experienced only minimal difficulty. This indicates that there is no need for any Community action to be taken. These alternative readings of the statistics are not addressed by the Commission.

A further reading of the figures again presents an alternative picture to that painted by the Commission. This is achieved by reversing the statistics.

If 21% have experienced great difficulty then 79% have not; equally 72% have not experienced some difficulty and 78% have not had even slight difficulty in obtaining utility model protection in other EU member states.

It is possible using these reverse figures to argue that the problem, which the Commission states as existing with the acquisition of utility model protection across the EU, is not as extensive as the statistics would appear at first to indicate. Certainly it is not possible to view the statistics as unequivocally showing that there is misuse of existing laws to the extent needed for the Commission to invoke Article 7 of EU Treaty.

A further factor can cast doubt on the validity of the Commission's reliance on these figures. It is not clear from the wording of the question whether the responses elicited relate to attempts to obtain foreign utility model protection or to attempts to obtain protection at home.

The responses from the UK were:

13% had experienced "great" difficulty; 22% had "some" difficulty; and 25% had experienced "slight" difficulty. 40% had no opinion on the subject.

From the perspective of interested parties in the UK the responses to this particular question are particularly important. If the Commission is convinced, as it appears to be, that there is a need for harmonisation in order to secure the proper functioning of the single market, then it is likely that any action it takes will require each member state to provide at least a minimum standard of utility model type protection<sup>37</sup>. This would mean that the UK would have to introduce a new system of protection and by so doing denote acceptance that there is a need for another form of intellectual property protection.

The Commission contends that the responses to the second key question posed by the IFO Institute demonstrate that there is sufficient acceptance of this need for utility model protection in the UK.

ii) UK interest in having utility model protection

The question asked was whether UK businesses:

"would be interested in a specific form of protection (e.g. utility model)

<sup>37</sup> this is, of course, dependent on a majority vote in favour of this action.

which compared with patents - makes less stringent requirements for protection; - does not involve an examination; - is cheaper, but affords protection for a shorter time?"

105 companies answered this question and they responded as follows: 53% were "greatly" interested and 7% had "little" interest; 19% responded that they viewed the economic value of utility model protection as "insignificant" and they were not very interested<sup>38</sup>.

The statistic of 53% of companies being "greatly interested" was read, perhaps not surprisingly, by the Commission as providing clear evidence of support from the UK business sector for the introduction of a form of utility model in the UK.

Indeed this is a fair conclusion to draw and adds support to the Commission's contention that there is a real need for the UK to bring its provision of intellectual property laws into conformity with other member states of the EU.

There is, however, an alternative reading which can be given to this statistic and this reading is significant for those who are unconvinced that the UK needs new form of intellectual property right.

The wording of the question explicitly asks if a system of protection which is easier to acquire and cheaper than a patent and which would not require the same degree of examination prior to grant would be of interest to businesses. It would be a very strange business indeed which would not find itself interested in a such system of protection. Yet despite this positive description of the proposed new right, 47% of those who responded did not express great enthusiasm for its introduction. This, it is argued, is a far more telling statistic than the one which the Commission chooses to rely upon.

If the right were as beneficial to industry as the Commission believes, and if experiences of existing systems have made British companies envious of the rights available in other EU member states, then it would be reasonable to expect that the responses to this question would be significantly higher than just over 50% of the 114 companies responding from the UK<sup>39</sup>. The fact that only 57 companies felt that they would be greatly interested in the adoption of such a right might better be taken as indicating that there is some, but not overwhelming, support for such a system.

If the figures were to be taken as indicating the results of a poll rather than a questionnaire, then it can be seen that of the 892 UK companies which were asked about utility model protection, only 6.73% responded favourably.

<sup>38</sup> *supra* note 31 at 47.

<sup>39</sup> in percentage terms, 6.73% of those who were "polled" indicated that they were in favour of adopting a form of utility model protection.

The question which this alternative interpretation of the figures begs is whether the degree of support exhibited is sufficient to warrant the introduction of a new system of intellectual property protection. This is a crucial question, especially given that if the Commission's proposals are carried through, the right would, to all intents and purposes, be unexamined and carry with it the same extent of protection as for a patent.

This alternative reading is not given within either the IFO Institute's report on the findings of the survey, nor in the Commission's Green Paper<sup>40</sup>. Whilst it could be argued that the fact that over half of those surveyed were greatly interested in a system of utility model protection it should also for the purpose of completeness have been stated that this is not indicative on its own of a significant demand in the UK for utility model protection.

The Commission read this lack of comprehensive support as indicative of interest tempered with reticence based on a lack of experience of the system at a national level. Which could be interpreted as meaning that the lack of a UK system of utility model protection made those responding wary of being overly enthusiastic.

In particular the Commission read the 53% statistic as pointing to interest generated by an awareness of the benefits of having a utility model system gained through observing its usage in other EU member states. Implicit in its reading is that companies in the UK would be more enthusiastic about having utility model protection once it was adopted in the UK and they did not merely have to observe its use elsewhere.

When drawing this conclusion from the UK responses the Commission does not refer to the responses from France in respect of the same question (no equivalent statistical analysis is given of the responses to the same question from the German, Italian and Spanish companies). Of the 46 French companies which returned the questionnaire, 41 companies responded to an identical question about the level of interest in utility model protection.

24% said that they had a "large" interest in utility model protection; 37% had only "small" interest and 15% viewed it as "unimportant"<sup>41</sup>.

It is again difficult, given these figures, to find support for the Commission's conclusion that the positive use and perception of utility model protection in other EU member states acts as an incentive for UK businesses to urge for its adoption in the UK.

40 the Green Paper equally fails to provide a full list of the questions which were used by the IFO Institute.

41 *supra* note 6 at 44.

It is true that the IFO study in its entirety does look at actual usage of utility model protection in the four relevant member states and it does find consistent and constant use, especially in Germany. But that use does not in itself indicate that the countries concerned view the utility model system as being more desirable than a revision of the patent system. Nor does it demonstrate that the utility model system is regarded as being of any great economic importance. The only hard information which can be relied upon are the statistics provided by the IFO Institute and these are only available in respect of France and the UK. Given the statistical evidence it is difficult to agree with the conclusion that there is unequivocal support for the view that the utility model is both a desired form of protection nor an important one.

It would have been useful if the IFO Institute had asked a supplementary question: "What would your reaction be if your competitors had a system of protection equivalent to a patent but which is unexamined, and is cheaper and quicker to acquire?". The level of positive responses, it is suggested, would have been somewhat different.

It is the contention of this author that the results of the IFO survey, and the interpretation given to them in the European Commission's Green Paper, do not provide sufficient support for the introduction of a utility model system within the UK.

This does not mean that there is no interest in the UK in a utility model system nor for a means of protecting the results of minor incremental innovation<sup>42</sup>. There should, however, be a more thorough assessment made of the views of industry before it is proven that a new system of intellectual property right needs to be introduced.

It is perhaps significant that the UK Government's Department of Trade and Industry (DTI) carried out its own survey of British small firms, the very companies which the Commission holds to be most in need of utility model protection, as to intellectual property needs<sup>43</sup>. This survey was undertaken in 1995 and elicited over 300 responses.

The same types of issues as have been identified above in respect of the cost, time and complexity involved in obtaining and enforcing intellectual property rights, were raised by the respondents, but there is one significant difference. Nowhere in the report is mention made of the need for utility model protection

<sup>42</sup> the main protagonist for the introduction of a form of utility model protection is the ex-President of the Chartered Institute of Patent Agents, Clifford Lees O.B.E. The most recent examples of his extremely persuasive arguments can be found in the *Report and Proceedings of the Bocket Hall Symposium 1994* and in his article *A Light in the Twilight Zone Patent World* November 1995 p. 30.

<sup>43</sup> Department of Trade and Industry *Use and Exploitation of Intellectual Property by Small Firms* DTI May 1995.



to resolve some of the problems raised by the companies. It is, therefore, perhaps not surprising that no mention is made of utility models in the responses.

What is of interest, however, is that the companies did not unprompted raise the issue themselves. One of the main contentions of the Commission is that UK businesses have observed and probably used existing forms of utility model protection in other EU member states. This in turn has whetted their appetite for its introduction in the UK.

If the Commission is correct in this assertion then it might have been reasonable to expect that those companies seen as benefiting from a utility model system would have raised the matter themselves especially when asked by their own government about problems with the existing provision of intellectual property protection<sup>44</sup>.

#### **b) The European Commission's Proposals for Harmonising European Utility Model Laws**

It is clear from the Green Paper that the Commission is satisfied that the evidence provided by the IFO Institute is sufficient to necessitate Community action of some kind.

"This investigation has found... that the variety of the forms taken by utility model protection had an adverse effect on the establishment and the functioning of the single market. The conclusion was that only a harmonisation of the different systems of protection would adequately meet the needs of the economy and satisfy the requirements of a common market"<sup>45</sup>. As the Green Paper is meant to act as a discussion document the Commission does not present only one proposed method of harmonisation but rather suggests four alternatives which interested parties have been asked to comment on. In respect of each method the general form of the right will remain the same. The form of utility model protection which the Commission favours is an unexamined registered right which could be the subject of a patent grant but which does not exhibit the same degree of inventive step. The right will be granted for an initial five year period and be renewable up to a maximum of ten years<sup>46</sup>. The unexamined nature of the right will reduce the cost and time taken in processing the application, this being counterbalanced by the shortened term of the right. It is also proposed that the right will carry with it the same extent of protection as for a patent<sup>47</sup>.

The Commission's proposals will not be looked at in any great detail, but

44 *ibid.* at pp. 4 and 24.

45 *supra* note 6 at 43

46 the right will be renewable initially for three years and then for a final two year period.

47 *supra* note 31 pp 54-74.

merely outlined to give an indication of the types of harmonisation which the Commission is thinking of pursuing.

i) A Directive Approximating all National Laws

This could take the form of a mere approximation of existing laws. Any country which does not at present offer such protection would be free to introduce such a system if they so wished.

This means that if the UK were to decide that it did not want utility model protection, it could be free to continue not to offer such protection.

It is possible, however, that any resulting directive will require that there must be absolute parity across the EU. If this were to be the case then the UK, regardless of its reservations about the need for utility model protection, might find itself placed in the position of having to introduce it if only in order to ensure consensus and meet its obligations.

ii) A Mutual Recognition of Rights

This would require all member states to recognise a utility model right granted in another EU member state and allow it to be enforced within their own jurisdiction. It is accepted by the Commission that this would cause administrative and jurisdictional problems.

iii) A Community Right

This would follow the same pattern as the Community Plant Variety Right and Community Trade Mark. It would permit a single grant of utility model protection to be valid in all member states of the EU.

iv) A Combination of 1 and 3

This is the Commission's preferred option.

If it is accepted that the Commission is right in concluding that there is a need for Community consensus in the provision of utility model protection then the next question is the form the protection will take and what will be the supporting rationale for this form.

As with the contention that there is a proven need in the UK for utility model protection, there is also a great deal of doubt in the UK as to whether the argument that the patent system fails to protect all invented material which deserves protection is correct.

## V. The Provision of an Appropriate Right

Because the Green Paper is primarily concerned with identifying the need, if any, for Community action the Commission only outlines the general perimeters of any resulting protection.

The right is seen as a patent-type right because it will protect a "technical effect"<sup>48</sup> rather than mere outward appearance. The right will differ from a patent in that whilst it is a registered right it will not be subject to any formal examination prior to grant<sup>49</sup>. Additionally it will protect the technical results of any inventive activity (it will not be confined to shapes or configurations as is currently the case in some countries)<sup>50</sup>, and will require an inventive step which will be "smaller" than that required for a patent<sup>51</sup>.

As with a patent the invention will have to be novel, but only to the extent that it must not previously have been known within the territory of the EU<sup>52</sup>. The right will last for a maximum of ten years<sup>53</sup>.

In all other respects the right will have the same granting procedures as for a patent, will have the same categories of excluded material, industrial applicability requirement and remedies. Because of this the right will be administered by national granting offices. If a Community right is introduced then the Commission proposes that it should be administered by the European Patent Office.

The Commission anticipates that a right formulated along these lines will eradicate national differences and provide the correct incentive to SMEs. The system will meet the economic and legal needs of SMEs, it will be cheaper and less time-consuming to obtain because of the reduced examination and the lowering of the inventive step level will allow non-patentable incremental innovation to be adequately protected.

## VI. Is There Sufficient Justification for Introducing Utility Model Protection?

For the UK, all the above begs the question as to whether the European Commission has proved its case for utility model protection. In particular has it satisfactorily shown that the need for utility model protection in the UK is such that the UK is failing in its commitment to SMEs by not providing such a system of protection?

48 *supra* note 6 at 55

49 *ibid.* at 70 *ff.*

50 *ibid.* at 64.

51 *ibid.* at 62.

52 *ibid.* at 69.

53 *ibid.* at 74.

The Commission is basing its argument on the supposition that there is a gap in existing protection which lets certain types of commercially valuable innovation fall through. This gap, unplugged as is perceived by the UK by the provision of a utility model, means that these types of inventions are vulnerable to unsanctioned copying. This in turn leads to a reduction in incremental innovation as inventors see no economic point in producing new or improved products if they can be copied without redress.

It is not denied that there are inventions which are not adequately protected. The question is the extent to which this is an actual problem? Is it so significant to justify the introduction of utility model protection in those jurisdictions which previously have not seen the necessity for it?

The answer in the UK is that the Commission has so far failed to provide sufficient evidence of this need to prove that it is justified. Additionally there is marked concern that even if a need were identified that it would not be possible to define a right which would provide protection for material which falls between a patent and that which has no inventive merit whatsoever and should remain freely available to all<sup>54</sup>.

Because it is taking as its starting point the fact that most EU member states already use a form of utility model the Commission does not consider the justification for the right. Within the UK, however, this issue of the provision of a suitable rationale supporting such a right has been keenly debated. The issue centres on whether the theoretical rationale for the right, that it will be cheaper, quicker to obtain and protect unpatentable incremental innovation, can be supported in practice.

#### i) The Rationale Supporting the Right

As has already been stated the Commission holds out three reasons why a utility model will solve the problems encountered by SMEs when attempting to obtain a patent. The right will be:

- a) cheaper than a patent
- b) quicker to obtain and
- c) provide protection for innovations of a lower inventive order than can be protected by a patent.

The Commission does not prioritise these three functions and it would be reasonable to conclude that it is expected that the right will give weight equally to all three.

<sup>54</sup> see the comments expressed at the Brocket Hall Symposium in 1994 *supra* note 15.

From the viewpoint of the United Kingdom it is questionable whether in practice it will be possible to provide a right which manages to achieve each of the above and be distinguishable from a patent. This it is argued is the main reason why the UK has such reservations about the adoption of a utility model right.

Each of the reasons for introducing utility model protection will be looked at in turn.

#### i) Cost

The main consequence of reducing the extent of examination prior to the grant of a utility model is that it will lower the cost of acquiring such protection. That this will be an effect of adopting a utility model is a fair conclusion to draw. But there are problems with relying upon this consequence as signifying that utility model protection will be any cheaper to acquire than an ordinary patent. For in its discussion of how the cost of acquiring protection will be reduced the Commission has failed to identify and discuss other expensive elements in the patent granting process which will not be alleviated by the introduction of utility model protection. These are primarily the cost of a patent agent and where a European-wide right is sought, the cost of translating the application into the requisite number of languages.

A FICPI survey undertaken in 1994 concluded that the cost of patent agents/attorneys and translation costs were the two greatest expenses incurred in obtaining patent protection<sup>55</sup>. Given that the same requirements as for a patent will be required of a utility model application bar the examination of the application, i.e. the application will have to consist of a description of the material being claimed possibly in the form of a full specification, it is not expected that many inventors will feel either confident or comfortable with drafting this themselves and will have recourse to the patent agent.

Equally given that the Commission views the protection granted by a utility model as being pan-European in nature it is to be expected that the rights will be used and enforced in countries other than that of the holder. In this case there will remain the equivalent need for the utility model to be translated into the appropriate languages.

The Commission does not address either of these.

Another consideration, and one which is specific to the UK, concerns the cost of acquiring a full patent. At present it is possible to obtain a UK patent for £285. This is not a considerable sum, and is well within the reach of all sizes of inventive concerns.

<sup>55</sup> see Joachim Beier *Actual Costs of Patenting in European and National Procedure - Results of a FICPI Study* IIC Vol 26 No 2 1995 213.

If utility model protection were to be significantly cheaper to obtain than a patent then just much cheaper could it be? There is a public interest argument for saying that if a monopoly right is to be granted than it must be at some cost to the subsequent holder. If a right can be obtained easily and too cheaply then the protection it bestows will become devalued. The system would become inundated with speculative applications which in turn will lead to the system becoming clogged up and that in turn will affect the speed with which a utility model can be granted.

#### ii) Time

The Commission states that, as with cost, the time taken to acquire a utility model, will be less than for a patent again due to the reduction in the examination requirement. The Commission envisages that a utility model will be granted within a year<sup>56</sup>. This might provide a significant difference in speed of grant for many EU member states. For the UK, however, to base a rationale for introducing a new intellectual property right on the issue of speed of grant does not make sense. A full UK patent can be acquired within twelve months. Where is the benefit from introducing a utility model system?

Both the issues relating to cost and time do not provide adequate rationales for the introduction of utility model protection in the UK. The differences which the utility model system allegedly will bring will not exist in practice.

This means that in order to support its introduction it must be possible to show that the utility model will provide protection for inventions which at present cannot be protected by a patent. It must, therefore, be possible, to make a distinction between the level of inventive step which is necessary for the grant of a patent and that which will be used for the grant of a utility model.

It is on the provision of this distinction that the justification for introducing the right will lie.

#### iii) Inventive Step

All that the Commission states in the Green Paper is that the inventive step will be "smaller than that for a patent"<sup>57</sup>.

In order to support the Commission's contention that it is possible in practice to distinguish a utility model from a patent it will be necessary to define a level of inventive step which is lower than that currently recognised and applied within the UK.

<sup>56</sup> *supra* note 6 at 57.

<sup>57</sup> *Ibid.* at 62.

It has not, however, proved to be easy in practice to provide such a definition. Attempts have been made in the past, most notably by the Chartered Institute of Patent Agents (CIPA) and the Max-Planck Institute. Neither suggestion has met with approval.

CIPA suggested adopting a definition which required that the invention is "not clearly lacking in inventive step"<sup>58</sup>.

The concern which the phraseology used by CIPA raises is that it might not be possible to make a precise determination of what is or is not clearly lacking in inventive step to justify the grant of a legal monopoly. Additionally there is a fear that as the concept of not clearly lacking was a basis for opposition under the old UK Patents Act 1949 the interpretation given to it in its new context might be coloured by previous interpretations.

The Max-Planck Institute proposed that the invention must have "an advantage of practical significance"<sup>59</sup>. This does not appear to be a particularly practical definition, how is "advantage" to be defined, or "practical significance" in a way which is meaningful to inventors, granting offices and lawyers? For this reason it has met with resistance<sup>60</sup>.

Neither the CIPA nor Max-Planck Institute definitions help provide a clear distinction as to the type of protectable material which would come under a patent and that which would be protected by a utility model. This is especially the case in an environment, such as that in the UK, where extremely low inventive activity is already regarded as being patentable<sup>61</sup> as the following two quotations show:

"... while some exercise of the inventive faculty is required, the quantum of invention necessary to support a patent is small<sup>62</sup>" and

"... the validity of a patent... may be established though the inventive step represent a very small advance<sup>63</sup>".

The Max-Planck definition shows it is possible to draw a theoretical distinction between the concept of inventive step in patent and that which might be adopted in respect of a utility model. The problem is not, however, the provision of a theoretical distinction but of a distinction which makes practical sense.

If there was sufficient evidence to show that a significant number of inventors were failing to obtain the appropriate form of protection for their inven-

58 CIPA *Second Tier Protection: Proposals and Discussion Paper* CIPA 1993.

59 *supra* note 17.

60 *Ibid.*

61 *Ibid.* See comments of the Controller of the UK Patent Office in *Report and Proceedings of the Brockton Hall Symposium* 1995.

62 *Terrell on the Law of Patents* Sweet and Maxwell 14th ed. p. 129.

63 *Ormrod LJ Killick v Pye* [1958] RPC 366 at 377.

tions then it would be possible to say that inventive activity of an order lower than that recognised for a patent does exist. But where there is only limited evidence, such as that which the Commission relies upon from the IFO Institute, then there is great reluctance to act on a speculative assumption that if the right exists then the need for it will become obvious through its use.

There is an underlying concern that placing a requirement that the invention should display some degree of inventive activity within the context of protecting minor incremental innovation is nothing more a façade for the provision of a right to commercially control basic information. The rationale for the grant of an intellectual property right must lie in the dissemination of new information in return for the legal monopoly. It is, however, possible to see utility model rights being granted over "inventions" of such low inventiveness that they might be said to exhibit no inventive step at all, but are merely the obvious results of improving known material and not traditionally (at least within the UK) regarded as being worthy of intellectual property protection.

This would give weight to the argument that the inventive step requirement is not necessary for utility model protection, as has been done in respect of the recently adopted Turkish utility model<sup>64</sup>, but even that is not without its difficulties.

If there were no concept of inventive step required for the grant of a utility model then exactly what is being rewarded by the grant of a legal monopoly? As was said in the introduction this raises questions as to the function of intellectual property rights.

Is utility model protection about protecting the results of actual determinable inventive activity or is it purely about protecting a market position where actual inventive development is perhaps negligible but nonetheless the result has commercial value?

## VII. Conclusion

The question of whether or not the UK should introduce a form of utility model protection is not a new one. It was argued during the discussions leading to the White Paper on Intellectual Property and Innovation in 1986<sup>65</sup> that the patent system failed to provide protection for all forms of innovative activity. The motion to introduce a form of secondary patent protection was eventually rejected however on the basis that the patent system could provide all necessary protection for inventions. But it is possible to argue that the world, and in particular the commercial world, has moved on since then.

<sup>64</sup> Legislative Decree No 551 on The Protection of Patent Rights 1995 Part XI Utility Model Certificates.

<sup>65</sup> Cmnd 9712.



The patent system, with its focus on protecting the results of inventive activity, could be said to be out of date with the need to protect any commercially valuable development irrespective of inventiveness. Perhaps now is the time to recognise that the commercial role of intellectual property right is, if not the paramount rationale for the grant of an IPR, then at least equivalent with the reward for new information rationale.

As the importance of the market place increases and as consumer pressure grows for newer, improved products, so too grows the need to produce these products. This in turn leads to reduced product life spans<sup>66</sup>. Consumer buying loyalties are increasingly affected by whim and capriciousness. This makes it imperative for the producers of goods to produce not only totally new products, but also variants of existing market leaders in order to keep their customers from looking elsewhere. Every week there are examples of market leaders which have been re-invented with a new taste, new look, improved performance or simply a new image all designed to reattract the consumer thereby ensuring a continuation of sales.

But does fear of losing a market position for want of intellectual property protection in itself justify the grant of a legal monopoly?

When attempting to reconcile the justification for intellectual property rights and the demands of the market place it is particularly important to bear in mind that the rights bestowed by the grant of an intellectual property right act as a constraint on other innovators working in the same field and also on those operating in the market place. As such, these rights should be granted only when it is in the public interest to do so.

It is questionable whether it is really in the public interest to permit an unexamined legal monopoly to be granted over material of dubious inventiveness. It is conceivable that if the inventive level adopted for utility model protection is too low then a new but obvious combination of basic information commonly used by all working in a given area could be controlled by one person or organisation. Because of the unexamined nature of the right any queries over the right to prevent others from using this basic information would only be resolved once an opposition to grant is heard or in the event of infringement proceedings. Will the alleged benefits which the Commission holds out as reasons for introducing utility model protection be enough to outweigh these potential consequences. Will it really benefit the market place and those working within it?

The public interest might be served by the introduction of a new right but only where it has been proved beyond a doubt that the need for such a right exists and that it is not merely papering over perceived deficiencies in the patent system which may, or may not, exist in practice.

<sup>66</sup> Japanese Institute of Intellectual Property *Questionnaire Relating to Legal Protection of the Fruits of R & D* 1991.

To justify the grant of an unexamined right purely on the basis that it resolves a problem with the patent system as the Commission appears to imply seems, to this observer at least, to be missing the point of the need for utility model protection. The utility model right should only be introduced if, despite the patent system doing its job properly, there is still a definable group of invented material for which a patent grant is not suitable. The utility model right should only be used when there is a clearly identifiable need which the patent system cannot, and should not, fulfil because to protect such material is not the function of a patent. The utility model would, therefore, have an acceptable rationale.

In order to allow someone to control access to information s/he must be able to show that s/he has a better right to do so than anyone else. For a patent grant this is satisfied by compliance with the rigid requirements for patentability. To allow a similar form of protection to arise without equivalent application procedures brings into question the desirability of permitting a right over so-called inventive material.

It is the view of this author that the utility model right as proposed by the European Commission calls into question the very basis upon which an intellectual property right is granted.

The issue is summed up by Okutan who stated, in respect of the provision of all forms of IPR, that:

"Obtaining the right level of intellectual property protection (IP) is a delicate issue. Whilst a lack of protection may be a deterrent for the proprietors of IPRs who are willing to invest in foreign markets, excessive protection may lead to an abusive exercise of the exclusive rights granted under IP legislation<sup>67</sup>".

Taking this statement, and applying it to the context of the European Union, it is argued that the introduction of an unexamined right over minor incremental innovations which exhibit no identifiable form of inventive activity could lead to an "abusive exercise of exclusive rights". This is not the purpose lying behind the grant of a utility model right, but it is a possible consequence and as such the Commission should tread warily before blithely imposing it across the EU.

<sup>67</sup> Okutan *Exhaustion of Intellectual Property Rights: A Non-Tariff Barrier to International Trade?* *Annales de la Faculte de Droit d'Istanbul XXX/No 46 March 1996* pg 110.