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The Protection of Utility Models in the Single Market

(presented by the Commission)

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Summary and questions

Legal protection of industrial property (patents, trademarks, design rights and utility models) in the single market has an important role to play: it has to promote innovative activity in the European Union, so as to ease the path from the initial idea to the successful translation of that idea into practice. The simpler and clearer such arrangements are for the user, the more they will facilitate innovation, providing effective protection for inventions. At the same time they ensure that competitors are kept informed of new developments by publication of the protected invention. This increases the competitiveness of European companies and helps to achieve the objectives of free movement of goods and undistorted competition.

A "utility model" is a registered right which confers exclusive protection for a technical invention. It resembles a patent in that the invention must be new - it must possess "novelty" - and must display a measure of inventive achievement - it must involve an "inventive step", though frequently the level of inventiveness required is not as great as it is in the case of patents. Unlike patents, utility models are granted without a prior search to establish novelty and inventive step. This means that protection can be obtained more rapidly and cheaply, but that the protection conferred is less secure. Utility model protection is at present entirely a matter of domestic law.

The Commission has been looking into whether the establishment and operation of a single market requires measures to be taken in respect of utility models at Community level, and if so what measures are needed to harmonize the law on utility models in the interests of the single market.

The need for action

Some form of utility model protection exists in France, Belgium, Portugal, Ireland, Italy, Spain, Germany, Denmark, Greece, the Netherlands, Finland and Austria. There are no comparable rights in the United Kingdom, in Sweden or in Luxembourg. A comparison of the national systems shows that there are wide differences between the requirements for utility model protection; the differences are such that as things stand it would not be practicable to apply those systems in a cross-border context.

No steps have so far been taken at Community level. This means that for inventions involving only a small inventive step no Community-wide protection is available; indeed no proper protection at all is available in the countries where utility models have not been legislated for. The Commission has accordingly studied the economic significance of utility model protection in order to establish whether these differences have a negative impact on the objectives of free movement of goods and undistorted competition.

The economic significance of utility model protection now and in future

In order to arrive at an estimate of the economic significance of utility model protection the Commission has considered the rate of utilization of the existing systems (looking at frequency, size of firm, and reasons for applying), and developments in innovative activity.

The first observation to be made is that utility models provide a very popular form of protection. There are roughly as many applicants for utility models as there are for patents. A comparison of the various national systems shows that greater use is made of systems which require only a small inventive step than is made of those where the inventive step required is the same as what would be needed for a full-scale patent. As the single market is consolidated we can expect an increase in demand for utility models and especially in cross-border applications.

An industry-by-industry breakdown of utility model applications in the European Union shows that the industries most often concerned are mechanical engineering, electrical engineering, and precision instruments and optics. Interest is even higher among small businesses and individual inventors than it is in big industry.

In a study of applications for utility models the main reasons cited for seeking this form of protection were as follows:

- quick, simple registration;
- less stringent requirements than for patents;
- low cost;
- temporary protection pending the grant of a patent.

The spectrum of reasons is thus very broad. The utility model is sometimes preferred where the applicant is not at all sure he will be able to market the invention, and therefore wants to keep his costs as low as possible. But it is also used for inventions which are particularly exposed to the danger of imitation and consequently of great importance to the performance and competitiveness of the applicant company. And the utility model is used where a patent would provide only inadequate protection or no protection at all, for example because it would take too long to obtain, or because the inventive step is too small. This means that whatever the size of the firm the perceived effects of a utility model are very positive: in the first place an improved market position and in the second place a direct increase in earnings.

An analysis of the perceived importance of inventions reveals that small businesses are particularly conscious of the need to intensify their innovative activity to stand up to increased competition. They feel that inventions involving small inventive steps or short periods of exploitation will grow in importance in future; this would bring an expansion in demand for protection which can best be met by utility models. Only a small proportion - no more than 10% - of those questioned in firms of all sizes and in all industries expected a fall in the proportion of such "petty" inventions in future.

In view of the results so far it is not surprising that manufacturers, inventors and patent lawyers all see a great economic need for a unified system of utility models in the European Union. A breakdown by size of firm shows that there is particularly strong interest among smaller businesses with 500 employees or less.

Effects on the common market

Member States are basically free to design utility model systems as they will, provided the measures they take are not a means of arbitrary discrimination or a disguised restriction on trade between Member States. At present, therefore, different rules may be enacted in different countries, and Member States may decide to do without utility model protection altogether.

An intellectual property right conferred by the law of a Member State provides protection only on the territory of that State. In the absence of any unification of the law, therefore, the holder of such a right can prevent third parties from importing protected goods which have been produced and marketed without his consent. Thus the intellectual property rights conferred by the Member States can of their nature be used to hinder the free movement of goods.

The differences between the systems of protection are outside the control of the right-holder and force him to avoid markets in which he cannot obtain equivalent protection for his invention. Given the economic significance of utility models, this erects barriers between markets inside the European Union. Thus the differences which exist have a direct adverse effect on trade within the Community, and on firms' capacity to treat the common market as a single setting in which to do business. The free movement of goods is obstructed, with practical disadvantages for those concerned.

If firms are to take advantage of the fundamental freedoms laid down in the EC Treaty, the intellectual property rules must allow fair competition between them. Given the differences which exist at present, companies or individual inventors wanting to exploit an invention in several States have to familiarize themselves with a number of different systems or take expensive advice in each of the Member States concerned.

The situation may be bearable in the case of big companies that can invest large sums of money in the promotion and protection of their inventions. For individual inventors and for small businesses the differences they have to deal with and the consequent need for legal advice are an administrative problem and often an insuperable cost factor. This restricts innovative activity on the part of such businesses and consequently distorts competition.

It is not surprising, then, that companies and individual inventors should complain that they encounter serious difficulties in the cross-border enforcement of utility model protection. The problems are growing with increasing export intensity.

Community objectives and economic need

In view of the great economic need the maintenance of the existing situation would not be desirable; it would run counter to the idea of a Europe which is drawing closer together. It would not allow the achievement of free movement of goods and undistorted competition.

To ensure that the single market becomes a reality and operates smoothly, the Commission must respond to the present and future economic need.¹ The development of innovative activity in the European Union, which has been marked by a trend towards smaller inventive steps, greater cost-sensitivity, shorter production and marketing cycles and a shorter lifetime for inventions, is generating increased demand for a form of protection that offers fast, simple and inexpensive protection for technical inventions in the European Union.

To remedy these shortcomings, measures are needed at Community level, with the following main objectives:

- protection to be provided for short-lived technical inventions,
- protection to be provided for technical inventions which involve only a small inventive step,
- protection to be obtainable rapidly,
- protection to be obtainable simply,
- protection to be inexpensive, and
- publication to be rapid, so that the public is informed quickly.

¹ This approach has already produced measures to protect new technologies, as in the case of biotechnology, and to adapt existing systems of protection to changing needs, as in the case of pharmaceuticals.

