The German Utility Model

The German Utility Model - a Strong Weapon!

Meissner Bolte

German and European Patent,
Trademark and Design Attorneys
Lawyers

www.mbp.de
Contents

What is a German Utility Model? 2
In a Nutshell: The German Utility Model - a Strong Weapon! 3
Favorable Legal Requirements for Utility Model Protection 4
Obtaining Protection: Quick and Cheap 5
Unique “Branch-Off”-System 6
Ideal Fallback Position / Ideal Complementary Protection 7
Tailor-made Enforcement 8
Shifting the Risks - Multiplying the Chances and Damages 9
Statistics 11
Contact Details 13
What is a German Utility Model?

German Utility Models are often known as “small patents”; with this diminutive term often meaning that the advantages of German Utility Models are ignored or are even unknown. In essence, German Utility Models can be used to protect inventions in the same way as, and provide rights identical to, a patent. The main difference between a German Utility Model and a patent is the registration process, since German Utility Models are registered without a patent office examiner ever looking at the substance of the Utility Model with regards to its validity. In addition, German Utility Models do only afford protection for apparatus and medical use claims and cannot be used for method claims. Last but not least, the term of protection is only 10 years, as calculated from the filing date; taking into account that most patents are not maintained until the maximum term of protection, however, this disadvantage is rarely a practical issue. As will be detailed in the following, the German Utility Model System provides unique features which far outweigh the right’s limited duration and the lack of protection for method claims.
In a Nutshell:
The German Utility Model - a Strong Weapon!

Favorable Prior Art Concept
The German Act on Utility Models follows a different “prior art” concept from both the German Patent Act and the European Patent Convention. In summary, only German national prior use and only pre-published written prior art are relevant. In addition, there is a novelty grace period of 6 months which is calculated from the priority date of the German Utility Model at issue. It is thus possible to rely on Utility Model protection in Germany, even when patent protection elsewhere in the world is impossible (e.g. China and the U.S., since both of these countries now follow the concept of “worldwide prior use”).

The Unique “Branch-Off”
One unique feature of the German Act on Utility Models is the so called “branch-off”. This “branch-off” means that the applicant of a pending German application or of a pending European or PCT patent application designating Germany, may – in an analogous manner to the filing of a divisional patent application – spin off one or more German Utility Models from said patent application. In this way, exclusive rights are immediately available for the owner of the branched-off Utility Model and the, very often, long time period until the parent patent application issues can be bridged.

Double and Triple Protection
The legal framework established by the German Act on Utility Models is almost unique in the world. Notably, the German legislator tolerates that one and the same invention is protected by a German patent and/or one or more German Utility Models. As such, an applicant may obtain double, triple or even additional protection for one invention, which is impossible in most other jurisdictions (e.g. like Japan and China) which force the applicant to choose between either patent or Utility Model protection.

Quick Protection
German Utility Models are registered without a patent office examiner ever looking into the substantive questions of validity of the Utility Model. In practice, registration can generally be achieved in a matter of a few weeks, and in some cases even a few days. Upon registration, German Utility Models provide exclusive rights, similar to those of a granted patent.

Low Cost Protection of Innovation
The official fees for obtaining Utility Model protection are rather low. In addition, no claim fees are levied by the German Patent and Trademark Office. Ultimately, it is noteworthy that “lack-of-unity”-objections are, in practice, non-existent.

Tailor-made Enforcement
The enforcement of German Utility Models provides the right-holder with the utmost flexibility. This is due to the fact that the owner of the Utility Model is not bound by the claims as registered. In court proceedings, within the limits of the disclosure of the application as-filed, any claim may be asserted.

Huge Damage Risks
Given the fact that multiple protection by means of separate and concurrent Utility Models is possible, and that each Utility Model is an independent right and thus provides an independent basis for damage claims, a huge financial risk is imposed upon potential infringers.
Favorable Legal Requirements for Utility Model Protection

“Valid or invalid?” Answering this question hinges on what exactly is comprised by the “prior art”. The German Act on Utility Models follows a different “prior art” concept from that of the German Patent Act and the European Patent Convention. This “prior art” concept is – even on a world-wide basis – extremely favourable for applicants:

Firstly, it must be emphasized that only acts of prior use which were carried out before the priority date AND in Germany are considered as “prior art”. This advantage is often highly relevant for international filers with a global network of subsidiaries. In this context, it is frequently observed that inadvertent (public) prior use occurs in those jurisdictions which do not have a well-established IP culture.

The German Utility Model is, in practice, the only possible fall-back position since both China (in 2009) and the USA (in 2013) adopted the concept of “worldwide prior use”.

Secondly, it is important to note that only written prior art is relevant; contrast this with the state of the art under German and European patent law, which comprises everything made available to the public by means of oral description, by use, or in any other manner.

Thirdly, there is a novelty grace period of 6 months. This grace period pre-supposes that the disclosure is based on the conception of the Applicant or his Predecessor in title. The grace period is calculated from the priority date of the German Utility Model at issue. Generally, a German Utility Model application claims the priority of an earlier German or foreign patent application; as such, this trigger point for the grace period has a huge practical impact.

Ultimately, with regard to earlier filed German Patent or Utility Model applications which publish after the priority date of the German Utility Model at issue, only the claims (and not the description) of these earlier applications are relevant with regard to validity. In practice, this “prior claim approach”, which differs from the “whole contents approach” of the German Patent Act and the European Patent Convention, is insignificant as a ground for cancellation.
Obtaining Protection: Quick and Cheap

A German Utility Model can be obtained within a few weeks, sometimes even within a few days of filing: this is because German Utility Models are registered without substantive examination. Provided, however, that the registered claims are valid: registration affords exclusive rights to the Applicant. This is, as will be realised, a tremendous threat to competitors. Of note, is that the Applicant of a German Utility Model – and also third parties – may request the German Patent and Trademark Office to perform a search of pertinent prior art. This search is available for a mere €250.

In addition, a huge financial investment is not required in order to obtain a German Utility Model. The German legislator originally envisaged that the German Utility Model would be the pertinent industrial property rights for single inventors and small enterprises. The official filing fees are: €30 for electronic, and €40 for paper applications. Moreover, the maintenance fees are quite affordable, in particular when compared with European patents. For the first three years of protection, no maintenance fees are levied at all. For years 4-6, a single fee of €210 is required; for years 7-8 this fee only €350 and for years 9-10 only €530 falls due.

From a practical point of view, it is noteworthy that the German Utility Model System neither includes claim fees nor a limitation on the number of claims which are filed. These two characteristics are, in particular, relevant for US Applicants used to a patent jurisdiction which does not acknowledge claims with multiple dependencies.

Of significant benefit to non-German Applicants is that a German Utility Model can be filed in any foreign language to secure a filing date, with a German translation being required within three months of filing to properly affect the registration.

Finally, it is of interest that in practice, the examiners of the German Patent and Trademark Office do not make objections to German Utility Models for a lack of unity (even though such a ground for objection exists). As a result, the filing of divisional applications can be obviated.
**Unique “Branch-Off”-System**

In Germany, Patent and Utility Model protection are cumulative rather than alternative. Thus, it is possible for an applicant to obtain for one invention both a German/European Patent and one, or even more, Utility Models. Most other jurisdictions which offer Utility Models lack this opportunity (e.g. China and Japan).

It is important to note that the opportunity for parallel protection not only exists during the 12-month priority term, but also thereafter. This arises from the unique “branch-off” feature of the German Utility Model System. This “branch-off” allows the Applicant of a German, European or PCT-application designating Germany to – in an analogous manner to a divisional patent application – spin-off from this application one or even more German Utility Models. This branched-off Utility Model then claims the priority of the parent patent application.

A “branch-off” Utility Model can be filed up until the end of the second month following the end of the month in which the parent patent application is finalized or opposition proceedings (when they exist) are settled. Additionally, the Utility Model must be filed at the latest by the end of the tenth year following the filing date of the parent patent application. In practice, the “branch-off” is recommendable once a positive search report is available for the parent patent application.

The main advantage associated with the “branch-off” is the fact that the Applicant may bridge the time between the filing of the parent patent application and its grant (which takes, on average, between 3 and 4 years). This is of particular relevance should an infringing product appear on the market, as this cannot be attacked by means of a pending patent application – as no exclusive rights emanate from mere applications. Furthermore, there is no statutory or case law limit to the number of “branch-offs” which may be filed. This means that the Applicant may file multiple branched-off utility models within the disclosure of the pending parent patent application, whereby each of these utility models ideally differs slightly regarding the set of claims. Such practice is a significant restriction on a competitors’ freedom to operate, since they must make certain that each of the branched-off utility models is either not infringed or that it is invalid.
In many respects, the German Utility Model provides the ideal fall-back position:

The German Utility Model should be firmly on the radar screen of every Applicant, especially when patent protection is no longer available, as a result of the absolute novelty test for patent protection prevailing in most jurisdictions. As mentioned above, the concept for prior art under the German Utility Model Act (only written prior art; only German prior use; 6 months grace period: effectively only pre-published prior art) is very advantageous for Applicants, and is more favourable than the prior art concept for patents in each of the most important jurisdictions (e.g. USA, Japan, China, South Korea & the UK).

In addition, the “branch-off” offers the Applicant with a tailor-made second chance. This second chance comes into play, when the Examiner of the pending parent patent application requires claim restrictions resulting from prior art which is only relevant to the Patent and which would not be relevant to a Utility Model (please note that the 6 months grace period is also available for branched-off Utility Models). Most importantly, this second chance is relevant with a view to “added subject matter” objections raised by the European Patent Office Examiner, since the German law applicable to German Utility Models differs significantly from the strict and rather formalistic approach of the European Patent Office.

In view of the fact that Patent and Utility Model protection are cumulative and not alternative, the German Utility Model is also the ideal complementary protection for inventions supplementing patent protection.
Tailor-made Enforcement

The German Utility Model System allows for tailor-made enforcement. This results from the German Federal Supreme Court holding that the owner of a Utility Model is not bound to enforce the claims as registered by the German Patent and Trademark Office. The German Federal Supreme Court expressly afforded the owner of Utility Model the option of incorporating features of the description into the asserted claim set.

This tailor-made enforcement provides a significant strategic advantage. By allowing an Applicant to tailor the claims of a “branch-off” Utility Model filing, it is possible to draft a case such that it reads directly on an accused product. This typically leaves the Defendant with only one defence – trying to assert that the claims are invalid. It is also important to realise that in German Utility Model cases, the Civil Court which is seized with the legal action may also decide upon the validity of the asserted Utility Model – which is contrary to German practice on Patent cases. The invalidity defence is, however, of limited effect if the claims have not only been tailored with a view to the accused product, but also with a view to the prior art presented by the Defendant at the beginning of the trial. In addition, the Utility Model owner may further weaken this defence, and further improve the enforcement position, if multiple utility models with a differing set of claims have been branched-off.
Shifting the Risks - Multiplying the Chances and Damages

In IP litigation cases the allocation of risk is, as a general principle, not balanced: If the IP owner loses the case, only money is lost (NOTE: litigation in Germany is by order of magnitude cheaper than in Anglo-American jurisdictions). If the alleged infringer loses the case, then the market is lost to the IP owner (in most cases irrevocably) along with the chance to offer the product. In addition, the alleged infringer is liable to pay damages. From an economic standpoint: it suffices for the owner of the Utility Model in dispute to prevail with one valid claim, whereas the alleged infringer must convince the Civil Court that each and every asserted claim is either not infringed or it is invalid. It must also be borne in mind that under the German Utility Model System, there are no limits on the number of filed Utility Models nor on the number of claims per utility model – thus enabling IP owners to tip the scales even further in their direction.

When considering the possible liability for damages, it is important to realise that each Utility Model is an independent right and thus an independent basis for damage claims. This leads to a huge financial risk for alleged infringers. Of course, the damage claim presupposes that the infringing party acted with fault (i.e. intentionally or negligently); this is, however, assumed to be the case in most Utility Model actions. Under the current case law, there is not only an obligation on every competitor to know all registered Utility Models, but there is a further obligation to challenge those Utility Models with cancellation requests when it is believed that they potentially cover accused products. In practice, however, this second obligation is generally ignored.
As in patent infringement cases, the Utility Model owner is free to calculate the damages which are incurred according to the following three methods:

- lost profits;
- reasonable royalties (so called “licence analogy method”); or
- surrender of the profit generated by the Infringer.

Since 2001, as a result of a decision from the German Federal Supreme Court, the third method (surrender of Infringer’s profits) has become very attractive and is generally the standard method of calculating damages. In this decision, the German Supreme Court limited the options of the Infringer to deduct overhead costs from the turnover generated with the accused products. In practice, the Infringer’s profits amount to between 10% and 50% of the turnover, depending upon the nature of the infringed Utility Model (e.g. basic invention or detail improvement).
### Comparison: Country of Origin of Applicants (2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Applications</th>
<th>%-tage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>11,641</td>
<td>75,2</td>
</tr>
<tr>
<td>Taiwan</td>
<td>964</td>
<td>6,2</td>
</tr>
<tr>
<td>U.S.</td>
<td>539</td>
<td>3,5</td>
</tr>
<tr>
<td>China</td>
<td>527</td>
<td>3,4</td>
</tr>
<tr>
<td>Austria</td>
<td>365</td>
<td>2,4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>258</td>
<td>1,7</td>
</tr>
<tr>
<td>Japan</td>
<td>113</td>
<td>0,7</td>
</tr>
</tbody>
</table>
Meissner Bolte
is represented at several locations in Europe

AUGSBURG
Depotstraße 5 ½
D-86199 Augsburg | Germany
Phone +49-(0)821-991780
Fax +49-(0)821-992164
E-Mail augsburg@mbp.de

BREMEN
Hollerallee 73
D-28209 Bremen | Germany
Phone +49-(0)421-348740
Fax +49-(0)421-342296
E-Mail mail@meibo.de

GERA
Geschwister-Scholl-Str. 15
D-07545 Gera | Germany
Phone +49-(0)365-77309600
Fax +49-(0)365-77309601
E-Mail mail@g.mbp.de

HAMBURG
Beselerstraße 6
D-22607 Hamburg | Germany
Phone +49-(0)40-89063600
Fax +49-(0)40-890636010
E-Mail mail@meibo.de

MUNICH
Widenmayerstraße 47
D-80538 Munich | Germany
Phone +49-(0)89-2121860
Fax +49-(0)89-21218670
E-Mail mail@meibo.de

NUREMBERG
Bankgasse 3
D-90402 Nuremberg | Germany
Phone +49-(0)911-2147250
Fax +49-(0)911-243686
E-Mail mail@nuernberg.mbp.de

OSNABRUECK
Rolandsmauer 9
D-49074 Osnabrueck | Germany
Phone +49-(0)541-350610
Fax +49-(0)541-3506110
E-Mail mail@meibo.de

SCHORNDORF
(near Stuttgart)
Ochsenberg 16
D-73614 Schorndorf | Germany
Phone +49-(0)7181-920770
Fax +49-(0)7181-920776
E-Mail mail@remspatent.de

ALICANTE
Paseo Explanada de
España No. 1,4-Izda
E-03002 Alicante | Spain
Phone +34-(0)965-143099
Fax +34-(0)965-145309
E-Mail mail@mbp.de

In co-operation with MB (UK) Ltd.

HALIFAX
Raw Holme, Midgehole Road
Hebden Bridge,
West Yorkshire
HX7 7AF | United Kingdom
Phone +44-(0)1422-844592
Fax +44-(0)1422-844944
E-Mail mail@uk.mbp.de
IP Protection for
Next Season’s Growth