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Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Directive approximating the legal arrangements for the protection of inventions by utility model'

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Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Directive approximating the legal arrangements for the protection of inventions by utility model` () (98/C 235/06)

On 13 January 1998 the Council decided to consult the Economic and Social Committee, under Article 100a of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 May 1998. The rapporteur was Mr Ataíde Ferreira.

At its 355th plenary session (meeting of 27 May 1998), the Economic and Social Committee adopted the following opinion by 102 votes to 2 with 3 abstentions.

1. Introduction

1.1. The present opinion concerns the Proposal for a European Parliament and Council directive approximating the legal arrangements for the protection of inventions by utility model, submitted by the Commission ().

1.2. The proposal follows upon the Green Paper: The protection of utility models in the single market () and the relevant ESC opinion ().

1.3. This is therefore a particularly painstaking legislative process, involving the different competent institutions and a number of other concerned organizations.

1.4. From the outset, the Committee would stress the importance of utility models for technological and industrial innovation, particularly for SMEs and, in this light, for EU development.

2. The Commission proposal - general comments

2.1. The Commission proposal is based firstly on a number of general assumptions, and secondly on a survey of actual utility model protection in several Member States.

2.2. The first of the general assumptions is connected with the idea that in this field, 'the intellectual property rights conferred by the Member States can ... be used to hinder the free movement of goods` (), and is echoed in Treaty Article 3(f) and (h), opening the way for the approximation of law which is called for in the proposal.

2.3. For this reason, the Commission has quite rightly selected Treaty Article 100a as the legal basis for the proposal.

2.4. The Commission also refers to the need to take action 'to make the free movement of goods resulting from minor technical inventions in the Community more transparent and prevent differences between national laws or the lack of such laws from causing distortions of competition` (), and to 'improve the legal environment for Community firms, engaged as they are in an ongoing process of innovation and adaptation, and thus enhance their competitiveness in the world market through the protection of their inventions by utility model - a device particularly attuned to serving the needs of SMEs` ().

2.5. On the basis of the survey mentioned in point 2.1 above, the Commission concludes that there is 'a real need for the protection of inventions by utility model in the Community ... patent protection being unsuited to certain types of invention such as minor technical inventions` ().

2.6. The Committee has already had occasion to comment on Commission studies and surveys on the subject, and maintains its reservations that they are not 'as totally reliable as their authors appear to claim` ().

2.7. In connection with the underlying assumption of this legislative process - in brief, that rules protecting intellectual property other than by patent are absolutely essential - the Committee would repeat the view expressed in its earlier opinion, to the effect that 'the lesson which must perhaps be drawn from the existence of these "short term" national patents is that the priority need in Europe is to make patent protection more efficient (more rapid and less costly), rather than create complementary protection (utility model) at the Community level` (). In this respect, the Committee would highlight the Commission's work in analyzing the patent protection system (). It should also be noted that the Commission is currently drawing up a communication on the Community patent.

2.8. Once again, the Committee would point out that this issue, of the need for arrangements which protect technical innovations, supplementary to patents for inventions, must be integrated into the EU's RTD policy strategy.

2.8.1. It is therefore important to draw the appropriate conclusions from the experience of the EU's main competitors, as the EU is lagging behind.

2.8.1.1. Examination of the US experience, where utility models are absent, would in fact point to 'the need to make the patent system more efficient by reducing its known drawbacks, such as the length of time taken to examine applications and grant patents, and the cost` ().

2.8.1.2. On the other hand, as the Committee emphasized in its earlier opinion, the Japanese experience shows that utility models must always possess a three-dimensional quality and be of a significantly shorter duration than patents (six years instead of twenty).

2.9. The Committee warns that moves for legislative approximation in this field must always be justified on their own merits and not by virtue of shortcomings or contradictions in the patent process: these must be corrected or removed within the framework of that process, as appears to be the Commission's aim in its green paper on the Community patent.

2.10. Independently valid arguments include the circumstances surrounding intellectual property protection, legislative safeguards against counterfeiting and, indirectly, the promotion of innovation and development at Community level, particularly given a world scene on which the production cycles and lifespans of inventions are becoming ever shorter.

2.11. The Committee also stresses that any proposals for harmonization must first ensure harmonization of timescales and procedures: otherwise, harmonization of more substantive aspects will prove impracticable.

3. The Commission proposal - the legislative option

3.1. In its green paper (), the Commission set out the various possible types of action in this area, and concluded by selecting four options:

3.1.1. bringing current national systems into line and introducing a protection system in countries where it does not currently exist;

3.1.2. mutual recognition - once alignment has been achieved - of the national protection offered by Member States;

3.1.3. adoption of a regulation establishing a Community protection system and ranking above national systems;

3.1.4. a combination of different possibilities with, in particular, a directive harmonizing national protection rights, and a regulation establishing a single protection system.

3.2. The Committee notes that the Commission has restricted the present initiative to the first of these objectives (see 3.1.1 above), concluding that 'harmonization will make it possible for equivalent national systems of utility model protection to coexist` and that 'a person applying for a utility model will be assured of finding an equivalent property right in the other Member States and will no longer come up against different sets of rules` (). The Committee would, however, highlight the need for such persons to file separate requests in each country in which they seek utility model protection for their invention.

3.3. The Committee believes that this objective cannot be met unless a system of mutual recognition of national protection by the Member States is consolidated at the same time. In the Committee's view, it is essential that the plan to harmonize national legislation should 'following effective harmonization, provide for a later stage of mutual recognition of national rights` ().

3.4. More generally, the Committee also wishes to underscore two basic ideas, already expressed in its earlier opinion on this question.

3.4.1. Firstly, there is 'the fact that some of the national systems, which the green paper lumps together under

the label of "utility model", are actually none other than patent systems "without examination" (of novelty or inventive step), and thus essentially "registration" (rather than merit assessment) patents, albeit of shorter duration than normal patents (e.g. in Belgium, the Netherlands and France)` (), while retaining eligibility conditions for inventions which are very close to those imposed for patent protection.

3.4.1.1. In this regard, the Committee would repeat that utility models should be clearly distinguished as a separate entity under the overall umbrella of industrial property rights, and must not represent a safety-valve to make up for any shortcomings (cost, delay) in the patent system.

3.4.2. Secondly, the Committee points out that the objectives of the present draft directive - to boost the single market and remove distortions of competition - cannot be achieved through measures of this kind: they depend on deeper and, essentially, broader legislative harmonization.

3.4.3. The Committee therefore emphasizes that any future measures in this field must satisfy a variety of essential conditions:

3.4.3.1. at the level of the protection conferred: utility models must be seen as the most appropriate procedural means of protecting simpler inventions;

3.4.3.2. at the procedural level: protection by means of utility model must be secured swiftly and economically, since the level of legal protection conferred is incompatible with lengthy and costly procedures;

3.4.3.3. at the level of legal certainty: the degree of protection must be clear as regards both counterfeiters and well-intentioned third parties.

4. The Commission proposal - specific comments

4.1. Article 1

The Commission begins by defining the utility model as 'the registered right which confers exclusive protection for technical inventions` (), and then lists the names under which it is known in various Member States.

4.1.1. The Committee would point out that what is apparently a single concept in fact covers widely varying realities. According to the Commission itself, these should be divided into three distinct groups: this alone illustrates the need for a full and clear definition of the applicable rules. The list under Article 1 should therefore only appear as an annex to help clarify the internal rules which are to be harmonized, and should not actually define the utility model itself.

4.1.2. The Committee also draws attention to the narrow scope of the definition given, and recommends that if the present wording of Article 1 is retained, the concepts of 'inventive step` and 'industrial application` should appear directly. These are the decisive elements, as acknowledged by the Commission in Article 3.

4.2. Article 4

The Committee considers the wording of Article 4(d) to be too broad and therefore believes that, in line with the rules adopted for the European patent, exclusions should be limited to computer programs as such.

4.3. Article 5

In connection with the 'novelty` requirement, the Committee acknowledges the Commission's efforts to attune this concept to that of 'state of the art` (absolute novelty) and to make it practicable by providing clear and precise conceptual descriptions.

4.4. Article 6

Concerning the 'inventive step` requirement (again in relation to 'state of the art`), the Committee notes the introduction of 'particular effectiveness` and 'practical or industrial advantage` as conditions for granting utility model status. It should be pointed out that the aim here is to protect inventions designed for major practical applications, chiefly in the fields of mechanical engineering, the electrical industry, precision engineering, optics and car manufacturing. The Commission should work out a way of formulating this requirement which could provide the best guarantee of legal certainty both for the applicant and for the third parties concerned.

4.4.1. The Committee therefore emphasizes that utility model protection must be subject to verification of three essential requirements:

4.4.1.1. the novelty requirement, in the sense of absolute novelty, compared with the state of the art;

4.4.1.2. the industrial application requirement, taken in its widest sense;

4.4.1.3. the inventive step requirement, seen from the standpoint of either particular effectiveness (ease of application or use), or of practical or industrial advantage.

4.5. Article 8

In the Committee's view, the proposed wording does not properly address the need to regulate the payment of fees for renewal of utility models as set out in Article 19.

4.6. Article 10

The Committee believes it essential that, in addition to indicating how utility model protection is acquired, an indication of duration should also be compulsory, if it is granted temporarily.

4.7. Article 12

The Committee fully endorses the specific safeguards imposed on applicants regarding disclosure of the invention, since this description enables the expert (skilled in the art) to assess the practical applicability of the invention, where appropriate (see Article 24).

4.8. Article 13

The Committee must point out that the opportunity to 'restrict the number of claims` () - recognized by the Commission itself as appropriate - is lost. The Committee also considers that the Commission should clarify whether or not the Member States are barred from restricting the possible number of claims by applicants, or whether the only way of fleshing out the vague concept applied in Article 13 - 'strictly necessary having regard to the nature of the invention` - is by means of third party opposition to 'excessive claims`.

4.9. Article 16

The Committee believes that although the search report is offered as an option to utility model applicants, the circumstances in which it may be requested should be clarified. The possibility of such reports being used only by the most economically powerful applicants must be avoided. Also, for the system to remain viable, it should be clarified that this option needs to be limited to exceptional cases.

4.9.1. At the same time, the Committee would argue that the Member States should legislate at national level to make search reports compulsory in the case of legal proceedings invoking the rights conferred by utility models, as this would be justified in such cases.

4.10. Articles 17 and 18

The Committee considers that since the question of priority rights and internal priority concerns the effects of an application rather than the application itself, it should be dealt with in a separate section and not in those on applications and the effects of the model.

4.10.1. This is in fact one of the most important effects of the draft directive, since it grants the applicant a priority right to file a utility model application relating to a single invention in one or several Member States.

4.11. Article 19

The proposed duration of protection appears excessive given the data the Commission provides on the life-cycle of inventions, particularly when this duration is viewed independently of the economic exploitation of the invention. It should however be borne in mind that harmonization would reduce the duration of protection in certain Member States.

4.11.1. This point may give particular grounds for concern, considering that the applicant may easily obtain two successive two-year renewals up to a total of 10 years. It might be advisable to oblige the Member States to increase renewal fees after the six-year period.

4.12. Article 20

The scope of the exclusive rights granted, and the legal limitations on them, seem appropriate, although allowing the Member States to impose further limitations might, to some extent, run counter to the intended aims of the draft directive.

4.13. Article 21

The legal precepts concerning Community exhaustion and international non-exhaustion of rights require no comment, since they are in accordance with Community legal precedent in this area.

4.14. Article 22

The Committee believes that the Commission should make it obligatory for Member States to deem a utility model ineffective, where a patent has been granted for the same invention.

4.14.1. This is the only way to ensure effective harmonization, since the consequences of this legislative

option extend beyond the question of dual protection (cf. the rules on priority, for example).

4.14.2. It would also seem proper to 'oblige` applicants to retain patent protection only, since the greater costs involved would be offset by the specific features of this type of protection, particularly in terms of legal certainty.

4.15. Article 23

Further to the previous point and for the reasons already set out, the Committee considers that the list of causes of lapse of a utility model should include supersedence by a patent on the same invention. Moreover, it believes that non-payment of fees should not be deemed a cause for lapse, but simply a failure to meet the conditions for granting a utility model. However, this being understood, the Committee recommends that renewal fees be added to the list of fees given in Article 8(2).

4.16. Article 24

While endorsing the principles underlying the proposed text, the Committees urges that the wording be amended, particularly with regard to the paragraphs identifying the grounds for requesting revocation of utility models.

4.17. Article 25

Regarding the deadline for transposition of the proposed directive, the Committee would point out that transposition must depend upon harmonization of patent rights, since this clearly lies at the core of the entire question.

5. Conclusions

5.1. Utility models are an appropriate means of protecting industrial property and as such, contribute to EU development insofar as they boost investment in research and development.

5.2. The coexistence of different national industrial property protection systems by using utility models could prejudice the achievement of free movement of goods and generate distortions of competition.

5.3. Utility models are the ideal mechanism to protect inventions which cannot be patented. As such they represent a legal instrument particularly well-suited to SMEs.

5.4. The Commission's initiative appears capable of achieving the aims it proposes, although some technical improvements might be made, as mentioned in the present opinion.

5.5. The present initiative should also be viewed in conjunction with initiatives to regulate protection through the patent system, in view of the similarities existing between the two systems in question.

Brussels, 27 May 1998.

The President

of the Economic and Social Committee

Tom JENKINS

() OJ C 36, 3.2.1998, p. 13.

() COM(97) 691 final; OJ C 36, 3.2.1998.

() COM(95) 370 final.

() OJ C 174 of 17.6.1996.

() COM(97) 691 final; OJ C 36, 3.2.1998, p. 3, point 3.

() COM(97) 691 final; OJ C 36, 3.2.1998, p. 4, point 6.

() OJ C 174 of 17.6.1996, p. 8, point 5.5.

() OJ C 174 of 17.6.1996, point 5.3.3.

() COM(97) 314 final - Green Paper on the Community patent and the patent system in Europe, and the relevant ESC opinion: OJ C 129, 27.4.1998.

() OJ C 174, 17.6.1996, p. 4, point 2.8.

() COM(95) 370 final, pp. vi et seq.

() COM(97) 691 final, OJ C 36, 3.2.1998, p. 6, point 10.

() OJ C 174, 17.6.1996, p. 11, point 6.11.

() OJ C 174, 17.6.1996, p. 7, point 5.3.1.

() COM(97) 691 final; OJ C 36, 3.2.1998, p. 32, 'Definitions`.

() COM(95) 370 final, p. 73, fourth paragraph of (g).