

# A Comparative Study of Systems of Utility Model Patent Search Report in Mainland China and Taiwan Region

Wei Zheng

## I. An overview

In the patent system of the civil law countries, the utility model patent, also known as the “petty invention”, is granted to protect petty inventions that are not highly inventive, but very useful. For example, in the patent systems in Germany and Japan<sup>1</sup> can be found provisions concerning utility model patent. After the patent system was launched in mainland China on 1 April 1985, the utility model patent is well received by the industry thanks to the adoption of the “preliminary examination” system to applications for the patent for utility model and the expedited patent grant, and the number of applications of the class is on a rise each year. The system for utility model patent was put in place in 1949 in the Taiwan region. In the early days, applications for the utility model patent were examined in the same way as that applications for the patent for invention are examined, namely, they were examined as to substance. The “substantive examination” system was changed into the “formalities examination” system after the new Patent Act came into force in July 2004.<sup>2</sup>

Although the “preliminary examination” system has been adopted for the examination and grant of the utility model patent since the patent system was put in place in mainland China, the system of search report pertaining to utility model patent<sup>3</sup> was implemented when the Patent Law was amended for the second time in 2000; the system of technical reevaluation report pertaining to utility model patent was started due to the change of “substantive examination” into the “formalities examination”. While the utility model patent systems across the Taiwan Strait are more or less the same, considerable differences do exist in specific practice.

This article is intended to compare, in detail, the systems of search report pertaining to utility model patent across the Taiwan Strait, and make recommendations on the issues emerging today.

## II. Comparison between the systems of search report pertaining to utility model patent across the Taiwan Strait

### (I) Law provisions

Articles 103-105 of the Patent Act of the Taiwan region are the provisions concerning the system of technical reevaluation report pertaining to utility model patent in the Taiwan region, and Article 57-2 of the Patent Law of mainland China and Rules 55 and 56 of the Implementing Regulations thereof are the provisions concerning the system of search report pertaining to utility model patent in mainland China, and its specific operational requirements of the search report system are set forth in Section 13, Chapter 7 of Part II of the Guidelines for Examination in the State Intellectual Property Office (SIPO) of mainland China. Besides, the two judicial interpretations<sup>4</sup> issued in 2001 by the Supreme People’s Court (SPC) of mainland China are also related to the search report pertaining to the utility model patent.

### (II) Those eligible to apply for search report

Provisions on who are eligible to apply for the search report are different in the mainland China and the Taiwan region. Under Article 103.1 of the current Patent Act of the Taiwan region, any person may, in respect of the industrial utility, novelty, inventiveness, detriment to novelty and first-to-file

doctrine, apply for obtaining a technical revaluation report pertaining to the proposed utility model. That is, the eligibility of requester is not limited. By contrast, Rule 55.1 of the Implementing Regulations of the Patent Law of mainland China provides that after the announcement of the decision to grant a patent for utility model, the patentee of the said utility model may request to obtain a search report pertaining to the utility model patent.

As the comparison shows, the provision of the Taiwan region is more reasonable since the “tradition” that the person formerly requesting substantive examination may be any member of the public is kept unchanged after the substantive examination of utility model patent was changed into formalities examination. In mainland China, the official explanation<sup>5</sup> for limiting the requesters to the utility model patentees is that “it is relatively appropriate to limit the requesters to the utility model patentees in order to prevent too many search reports from improperly increasing the workload of the SIPO”. This explanation is too far-fetched. Since it would “not cause too many search reports” even if every member of the public were eligible to request it. A search report purports to search the prior art before the date of filing of a patent application. It is all right for the Patent Office to “use one search report in respect of many patent applications”, and it is impossible to repeatedly make search reports. The above provision of mainland China results in “lack of transparency” to the public of the fact of whether and when a patentee requests a search report, and the patentee is not limited to the number of the times to request such search report. In practice, it is sometimes the case in which a requester requests search reports several times in order to obtain the one in his favour. But the Patent Act of the Taiwan region provides that “the Patent Authority shall publish in the Patent Gazette the facts that an application for a technical evaluation report regarding a proposed utility model as set forth in the preceding Paragraph is filed”; hence all the facts are open, accessible information. While technical revaluation reports pertaining to a utility model patent may be repeatedly prepared, when preparing the second technical revaluation report, one may find new open data or amendment to the patent description owing to the time difference. In case like this, the part on the data searched in the first technical revaluation report should no longer be evaluated, and the evaluation will be made of the data not searched or not assessed before. Take the determination of the amended description for example, the evaluation is based on the extent of patent

of the amended application. Except that, different determination would not be made in principle.

### (III) Contents of search report

Article 103.1 of the Patent Act of the Taiwan region provides that “After a utility model claimed in a patent application is published, any person may, with respect to the conditions set forth in Item 1 or Item 2, Paragraph One, or Paragraph Four of Article 94; Article 95; or Article 31 applicable *mutatis mutandis* under Article 108 of this Act, apply to the Patent Authority for obtaining a technical revaluation report pertaining to the proposed utility model”. That is, the search report covers the contents of industrial applicability, novelty, inventiveness, detriments to novelty, and first-to-file doctrine.

Under Article 56.2 of the Implementing Regulations of the Patent Law of mainland China, a search report pertaining to a utility model patent contains evaluation of novelty and inventiveness. Like substantive examination of an invention patent, an examiner is solely responsible for the search. Although the law provides that the novelty and inventiveness search should be made directed to all the claims of the utility model patent requested by a requester, however, in practice, if the subject matter claimed in the utility model patent has the following circumstances, the search may not be made:

- (1) provided for in Articles 5 or 25 of the Patent Law;
- (2) absence of applicability;
- (3) non-compliance with Rule 2.2 of the Implementing Regulations of the Patent Law; or
- (4) absence of clear and complete description of the subject matter of the patent in the description, so that a person skilled in the art cannot carry out the patent.

If a utility model patent lacks unity of invention among the subject matters, the applicant should be invited to pay the additional search fee. Where he/it fails to do so, the search should be made in relation to the subject matter claimed in the first claim of the utility model patent and any other subject matter having the unity of invention with it, and not to any subject matter having no unity of invention with it.

It needs to be noted that in mainland China, the practice of the past is that, when evaluating the inventiveness of a utility model patent, technical features causing no change in the shape, structure/composition or their combination were disregarded. For example, features of material or method are deemed not to exist.<sup>6</sup> However, in Chapter 6, Several Provisions Concerning the Examination of Patent for Utility Model in the Invalidity Proceedings, of Part IV of the Guidelines

for Examination as of 2006, it is expressly provided that “consideration shall be taken of all the technical features, including features of material or method”. Since the amended Guidelines for Examination come into force on 1 July 2006, whether the provisions concerning the examination of patent for utility model in the invalidation proceedings will cover the inventiveness examination of a search report is yet to be seen.

Besides, as is provided in Rule 56 of the Implementing Regulations of the Patent Law of mainland China, the SIPO needs to explain the reason only when it believes, upon search, that a utility model patent does not possess novelty or inventiveness.

#### (IV) Effect of search report

Under the current Patent Act of the Taiwan region, a technical reevaluation report pertaining to a utility model patent only serves as reference when a patentee makes a claim to his right, not an administrative disposal; the applicant for it cannot request administrative relief even if he is not satisfied with it.

The same view is also held in mainland China, that is, a search report should only serve as a piece of preliminary evidence of the validity of a utility model patent. It is only a “simple check-up” made by the patentee before he/it exercises the right; it is not an administrative decision because the process of preparation of a search report is different from the substantive examination of an invention patent in that a utility model patent search report is unilaterally prepared by the Patent Office without going through the “oral procedure” and without the participation of the utility model patentee in the process in which the conclusion is being drawn, and with the examination being made as to the novelty and inventiveness only. When a patentee disagrees to the conclusion drawn in a search report, he/it is not given the opportunity to make his/its observations, nor can he/it request reexamination or institute proceedings in the people’s court as he/it would do during the substantive examination. Now, in Chapter 7 of Part II of the newly-amended Guidelines for Examination as of 2006, the “mechanism of amendment or rectification” has been improved by changing the mechanism for the Patent Office to make the amendment on its own initiative only into that “to be initiated by the Patent Office on its own initiative” and “to be initiated at the request of a requester” and by clearly dividing “what are amendable” into the procedural and substantive errors. For this writer, a limited relief is thus made available to the patentee.<sup>7</sup>

As the practice in mainland China shows, the conclusion drawn in a search report is not necessarily a right one. That is, even if it is concluded in the report that a patent has no patentability, the patent is likely to be invalidated. This is not difficult to understand because the search report covers novelty and inventiveness only, without taking into consideration of any other patentability element. Even if it is concluded in the search report that the patent is not patentable, the conclusion would not be naturally accepted by the Patent Reexamination Board in the invalidation proceedings.

### III. Problems with utility model search report system in mainland China

It has been only two years since the current Patent Act of the Taiwan region came into effect on 1 July 2004. For the reason of limited time and for lack of statistic data, this article is not meant to assess the result of its implementation. However, the utility model search report system has been in place since July 2001 in mainland China, and some discrepancies do exist in practice as follows:

#### (I) Discrepancies between the law provisions and judicial interpretation.

Article 57.2 of the Patent Law of mainland China provides that “where any infringement relates to a patent for utility model, the people’s court or the administrative authority for patent affairs may ask the patentee to furnish a search report made by the Patent Administration Department under the State Council”; Rule 55.1 of the Implementing Regulations of the Patent Law provides that “after the announcement of the decision to grant a patent for utility model, the patentee of the said patent for utility model may request the Patent Administration Department under the State Council to make a search report pertaining to the utility model patent”. To adapt to the preceding provisions, the SPC of mainland China adopted, at its Adjudication Board Meeting No. 1180, on 19 June 2001, the Several Provisions of the Supreme People’s Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes, in which Article 8 provides that “any plaintiff brings action against an infringement of patent right for utility model shall produce the search report issued by the Patent Administrative Organ under the State Council when instituting the lawsuit”.

As shown in the preceding provisions, the wording of the Patent Law and its Implementing Regulations is that a search report “may be requested” to provide while the

wording of the judicial interpretation is that it “shall” be presented. Some scholars point out that the latter goes beyond the law provision, however, in practice; the various levels of courts having the jurisdiction over cases of patent disputes generally follow the judicial Interpretation as the required condition for accepting cases of the kind. For that matter, the Beijing Higher People’s Court once wrote to the SPC for directions. The Third Civil Tribunal of the SPC made a reply that a case should be put on docket and examined under Articles 108 and 111 of the Civil Procedure Law, and provision of a search report is not required for the case to be put on docket.<sup>8</sup> The reply from the Third Civil Tribunal of the SPC and the preceding judicial Interpretation are discrepant, which has put the courts of the lower level at a loss what to do, and renders the enforcement even less consistent. For example, a Province’s higher people’s court does not take the reply seriously. For it, the judicial Interpretation is adopted by the Adjudication Board of the SPC while the reply made by the Third Civil Tribunal of the SPC is an understanding of the matter by a department of the SPC. When the two are discrepant, the judicial Interpretation should certainly prevail. Accordingly, the Province’s higher people’s court strictly requires the court under it to stringently follow the provisions of the judicial Interpretation, and requires a search report as the necessary condition for putting a case on docket.

Fortunately, the legislators of mainland China have noticed the above discrepancy between “shall” and “may” in respect of the submission of a search report. In the Draft Amendment of the Patent Law of the People’s Republic of China (issued for comments) by the SIPO, Article 57.2 of the Patent Law was revised by changing “may” into “shall”, with an explanation made that “this is a burden of proof on the patentee for utility model and design when they sue another person for patent infringement”.<sup>9</sup>

By contrast, the view of the Taiwan region<sup>10</sup> is that the system of technical revaluation report pertaining to utility model patent is introduced to prevent the utility model patentees from abuse of their rights by taking advantage of the formalities examination system to do considerable harm to the technology application and development by third persons. When exercising his/its right, a utility model patentee should objectively assess the data; hence, he/it is required to provide the technical revaluation report pertaining to the utility model patent for the purpose not to restrict the rightholder’s right to sue, but to prevent the right from being abused.

Even if a patentee fails to present a technical revaluation report pertaining to a utility model patent, it does not mean that he/it may not bring a civil suit, nor is it mean that the court should not at all accept a case in which the technical revaluation report is not furnished. If the patent right in suit is to be invalidated, the patentee is likely to be liable for damages if he/it accuses someone of infringement in vain.

#### **(II) Over-emphasising the effect of technical revaluation report pertaining to utility model patent**

Article 9 of the Several Provisions of the Supreme People’s Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes provides that “Where the defendant files a request for invalidation of the patent right when making its or his defense in the case received by the people’s court of dispute as arising from the infringement of the patent right for utility model or design, the people’s court shall suspend the legal proceedings. However, under any one of the following circumstances, the legal proceedings may not be suspended:

(1) where no technical documentation is found in the search report produced by the plaintiff that is detrimental to the novelty or inventiveness of the patent for utility model;...”.

Since a utility model patent is granted without substantive examination of it. Therefore, one who is accused of infringement of the patent often makes his/its counterclaim by means of initiating the patent invalidation proceedings to challenge the validity of the patent right in suit and to have the patent infringement procedure suspended. However, the above SPC’s provision over-emphasises the effect of the technical revaluation report pertaining to utility model patent. Although the legal procedure may not be suspended, in practice, the courts at the various levels generally tend not to do so, by which they do a favour to the patentee in a disguised form and facilitate the right abuse. As mentioned above, a technical revaluation report pertaining to a utility model patent does not cover all the aspects of patentability of the patent, and it is made by the examiner alone. Since it is not an administrative decision, there have occurred the cases in which a few people try all means to exert influence on the conclusion drawn in the report. If a technical revaluation report is taken as a condition for not suspending the legal procedure, the patent legal procedure would not be kept under control by any means. The chances are that cases would often be closed before the PRB decides on the validity of the patent in suit. Worse still, under Article 47 of the Patent Law of mainland China any conclusion of judicial review made be-

for the invalidation decision is made is often not retroactive.

Likewise, in the Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Pre-trial Cessation of Acts of Patent Infringement, provisions over-emphasising the effect of technical revaluation report pertaining to utility model patent can also be found. This judicial Interpretation provides that the conclusion on the presence of patentability made in a utility model technical revaluation report is one of the important precondition for issuing a pre-trial injunction.

By contrast, Article 105 of the Taiwan Patent Act provides that "In case the patent right of a utility model is revoked, the patentee shall be liable for the damages sustained by any other persons from the exercising of such utility model patent right by said patentee prior to the revocation thereof".<sup>11</sup> As the comparison shows, the latter provision is more rational.

#### IV. Conclusion

The countries and regions establish their own utility model patent system to protect their pretty-inventions as a system supplementary to the system of invention patent applications. In most of them, applications filed for utility model patent are by far fewer than the invention patent applications. But things are just the opposite across the Taiwan straits. According to the statistics, in mainland China, the ratio between invention and utility model patent applications is 1 to 2.3, and that in the Taiwan region is 1:1.6. Mainland China has adopted the system of utility model search report at the inspiration of the Japanese technical revaluation system. We originally meant to reduce the "bubbles" of the number of patent applications with the help of this system. But, for various reasons, the number of applications for utility model patent are not greatly reduced. In the Taiwan region, the utility model technical revaluation report system has been adopted in response to the change in the formalities examination of applications for the utility model patent to regulate the applications and to repress right abuse. By contrast, the abuse of the patent right has not been referred to the level of legislature. For this matter, how to minimise the factors of uncertainty and insecurity of the patent right for utility model is one of the important issues to be addressed in the third amendment of the Patent Law of mainland China. ■

<sup>1</sup> The law for the protection of utility model was formulated in 1891 in Germany, under which the shape, structure and their combination of tools, articles of utility and articles associated with them are eligible for protection as utility model patent granted without going through the substantive examination and protected for three years. This law is regarded as the first of such laws. Following suit, the Japan formulated its utility model law in 1905.

<sup>2</sup> Li Mei, A Brand New Patent Act Has Been Launched, see the Taiwan Intellectual Property Quarterly, issue 51, P.36.

<sup>3</sup> The term "utility model patent search report" is used in mainland China, while the term of "technical revaluation report pertaining to utility model patent" is used in the Taiwan region. Still more patent terms are expressed differently in mainland China and the Taiwan region. For the convenience of discussion here, the two terms are not differentiated.

<sup>4</sup> The two judicial Interpretations are the Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Pre-trial Cessation of Acts of Patent Infringement (No. Fashi 20/2001) and the Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes (No. Fashi 21/2001).

<sup>5</sup> See A Detailed Explanation of the Amended Patent Law prepared by the Department of Legal Affairs of the SIPO, the Publishing House of the Intellectual Property, August 2001.

<sup>6</sup> See Mr. Zhang Changxing's article entitled Do a Good Job in the Work on Utility Model Patent Search Report to Promote Protection for Utility Model Patent at [http://www.sipo.gov.cn/sipo/ztxx/zlscydlywlwjt20031224\\_22857.htm](http://www.sipo.gov.cn/sipo/ztxx/zlscydlywlwjt20031224_22857.htm).

<sup>7</sup> In the rectification or amendment procedure, three people make a group for double check or review. The examiner doing the search should not make the group. This is similar to the administrative reconsideration procedure.

<sup>8</sup> See the SPC's Reply to the Report on Whether Provision of Search Report Is the Pre-condition for Instituting Proceedings against Infringement of Utility Model Patent (No. Minsanzhanzi 2/2001)

<sup>9</sup> Article 57.2 of the Draft Amendment to the Patent Law of the People's Republic of China (issued for comments) extended the system of search report to cover the patent for design.

<sup>10</sup> See Supra Note 4

<sup>11</sup> Of course, it is also pointed out in the Article that "if the exercise of the utility model patent by the patentee is carried out based on the contents of the technical evaluation report associated with said utility model, or with due care by the patentee, it shall be presumed that the patentee has done no fault in exercising the utility model patent right". But Article 47 of the Patent Law of mainland China provides that when the rightholder is in bad faith, it is retroactive. But, the so-called "bad faith" is not defined in detail, so it is difficult to adduce evidence.