

## QBPC Comments about DIPP Discussion Paper on Introduction of Utility Models in India

The case for introduction of a Utility Model Law in India seems to be based largely on anecdotal observations and the fact that many other countries have incorporated such protection into their IP regimes. In view of this, India should proceed cautiously and review as much empirical data and court case information from those countries as possible to ensure that there is truly a sound basis and real economic benefit before promulgating a new Utility Model Law. Also, since utility model law is typically directed to trivial improvements with little or no incremental investment cost, consideration should be given to the possibility that consumers may be better judges of the value of such improvements relative to other competitive products.

Another factor to consider is that the greater worldwide appreciation of the importance of patent protection for all areas of technology, and the rapid growth of technological development in emerging countries, such as China and India, has resulted in a tremendous increase in the number of patent application filings. This increase in patent filings is already stressing the workloads of the major Patent Offices of the world, including the Indian Patent Office, resulting in large backlogs in patent applications. The positive economic impact of strong patent protection has been proven time and time again in the major industrial countries of the world. It is also clear that delays in the grant of patents have extremely detrimental effects on the creation of jobs and economic growth. Thus, introducing yet another burden on the Indian Patent Office, may have the opposite effect of deterring economic growth and job creation in India.

Based on the positive economic impact of patent protection, the Indian Government may better serve its economy and create more jobs by shifting its focus from creating a new utility model law of dubious value and potential detrimental effect, to amending the existing Patent Law to provide much stronger protection for software inventions. The IT Industry is increasingly important to India (5-7% of GDP during most recent years) and a large part of the innovation there (which is also valuable to other places in the world) is in software, but India provides minimal, inadequate patent protection for software inventions. Adding protection for software patents to India's patent law not only would serve this very

important and growing domestic industry (employs only 7.5 mil of a 478 million labor force (<2%) while generating 3-4x that much of the GDP), but it would extend protection to ideas that would have value beyond the borders of India, unlike the proposed Utility Models. Software patents would be a better way to increase the share of Indian patents held by Indian inventors, and would be more likely to increase the worldwide value of intellectual property generated in India.

In spite of the foregoing, if the Indian government still elects to promulgate a new utility model law, it should be very narrow in scope, limited to simple mechanical devices. In the backdrop of a global demand for higher quality patents, it is critical, in recognition of the fact that utility models are inherently low in quality, to limit their scope to mechanical devices. Most inventions that arise out of the R&D activities of high tech companies are complex and of potential high value, and thus should go through a rigorous examination before any rights are granted. Thus, these high tech inventions are not conducive to utility model protection.

To be consistent with the “anti-ever greening” policy related to the patent law, the utility model right should be mutually exclusive from the patent right. The utility model application should not serve as the basis for filing a subsequent patent application and establishment of a priority date for a corresponding patent application. The filing of a utility model application should preclude the concurrent or subsequent filing of a patent application and vice versa. In view of this, the Utility Model Law should stand alone and not be included in the Patent Law or Design protection law.

The utility model law should not include protection for traditional knowledge, as the policy considerations and protection scheme is much different for traditional knowledge, than for the utility model law.

The registration process for a utility model application must strike a balance between the applicant’s desire for a simple, low cost and speedy process and the potential deleterious effect on product manufacturers, such as having to incur the expense of defending infringement charges for a utility model that should have never been registered in the first place. This also impacts consumers as it will result in unnecessary price increases for products. Thus, the utility model process should include as a minimum an initial prior art search and examination to

ascertain the novelty of the subject matter of the utility model. However, a fee schedule should be developed that makes the utility model registration process affordable for all stakeholders.

In view of the inherent lower quality of a utility model, stricter rules should generally apply. Commensurate with limiting the scope to mechanical devices, an absolute standard of novelty should be applied. There should be no grace period for prior disclosures by the applicant or other parties. Existing principles of patent exhaustion should also apply to utility models. The period of protection should not exceed three years from the filing of the utility model application. Assignment of the ownership of the utility model should generally be precluded, except in the case where all of the assets of the original owner of the utility model are sold to another entity that continues to manufacture products covered by the utility model.

Similarly, a reasonable balance must be struck in considering the enforcement regime for a utility model. It is advisable to make the enforcement procedure as low cost and expeditious as possible for both parties. In this regard, administrative proceedings tend to be less expensive than judicial proceedings. A simple enforcement process administered by the Indian Patent Office should be considered where both infringement and validity determinations can be made, but allowing an appeal of the Patent Office decision to the court. In the event a decision is made to designate the courts as the venue for enforcement, there should still be an administrative process administered by the Indian Patent Office to allow the accused infringer to challenge the validity of the utility model. The litigation process should provide for a mandatory stay of the court proceeding if the accused infringer challenges the validity of the utility model in the Indian Patent Office.

Likewise, the remedies for infringement of a utility model should reflect their inherent lower value. Injunctive relief should be precluded and damages should be determined based upon a defined statutory damage. The damage schedule should reflect the recognized nominal value of utility models based upon the minimal innovative contribution associated with them. Damages should not accrue until the accused infringer receives actual notice of infringement from the owner of the utility model.