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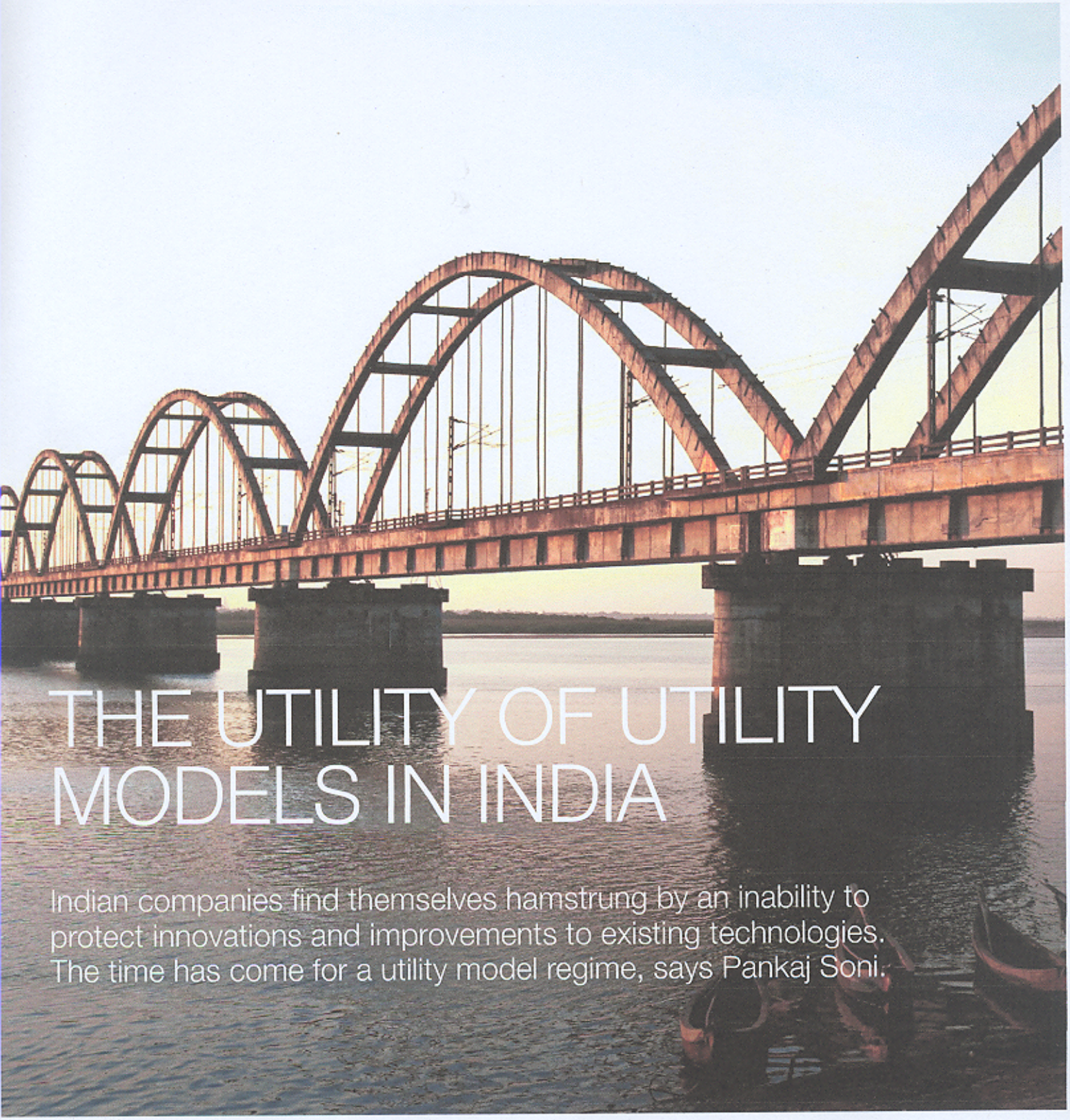
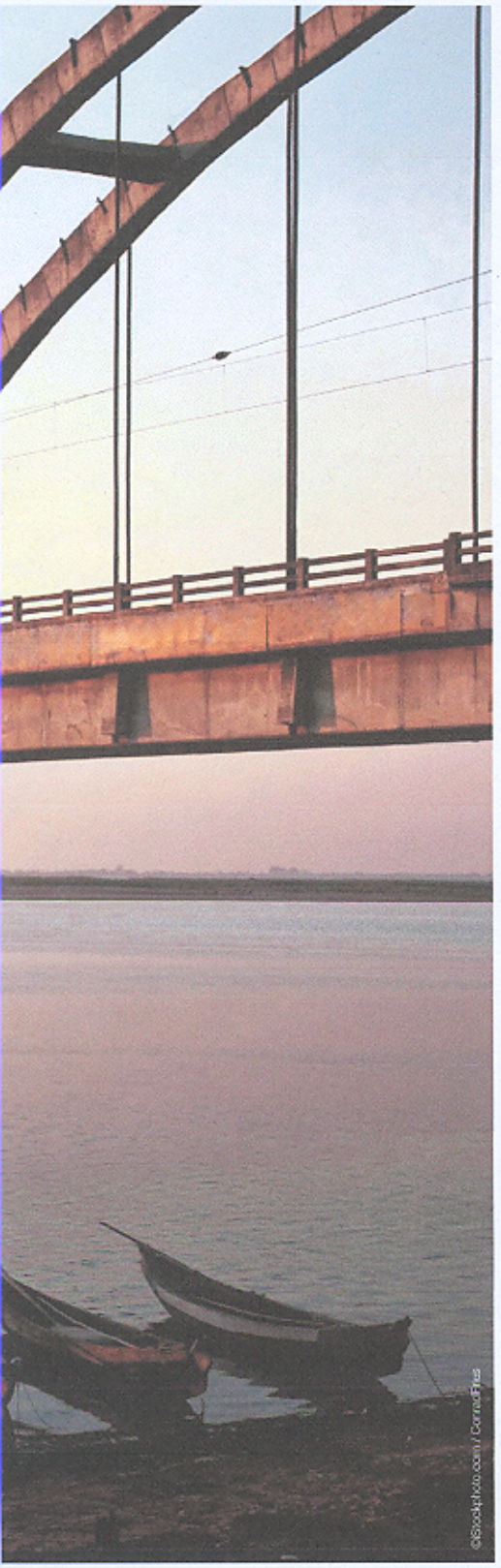


THE UTILITY OF UTILITY MODELS IN INDIA

Indian companies find themselves hamstrung by an inability to protect innovations and improvements to existing technologies. The time has come for a utility model regime, says Pankaj Soni.



India's entry into the global intellectual property regime was intended to open avenues for innovation to one of the youngest workforces in the world—innovation spurred by a system of protection, enforcement and revenue generation. And, it did. Patent filings by resident Indian entities between 2004 and 2010 almost doubled, from 3,630 to 7,044 applications. But the numbers also tell a different story—a story about how the domestic inventor is being left behind in this race for patent protection as multinational corporations lead the charge in obtaining coverage for their patents in India. While the filing numbers are up, Indian applicants accounted for only 20 percent of patent filings in 2009/10. Given this lack of utilisation of the patent regime by the domestic inventor, the million-dollar question is: what can India do to spur domestic innovation?

The issue here is not creating innovation, but sustaining it, and that is where the current patent regime has faltered. We all know that innovation is an integral part of life in India. One only has to wander the streets of India to see how ordinary people have crafted innovation into everyday things to make their life easier and better. Examples include a clay fridge working on the principle of evaporation to keep food fresh naturally for more than two days (*Mitticool*) and a scooter-powered flour mill invented to escape the vagaries of power cuts. However, because most of these inventions are only 'incrementally innovative', they are typically unfit for patent protection in India. As a result, the average innovator is unable to economically capitalise on the invention and create a revenue stream (via licensing, etc.) that will, in principle, allow them to invent further and transform their incremental innovative product into the next big thing. There simply is no system in place that rewards the small inventor with either the right protection and enforcement or the appropriate financial benefit for their invention.

India needs a utility model framework

To fill this gap, India needs a framework that will allow the *Jugaad* (locally-made motor vehicles that are used mostly in small villages as a means of low-cost transportation) inventor to create the next Tata Nano (the cheapest car in the world and a triumph of domestic innovation). A utility model system proffers a possible solution. Essentially a second-tier patent system, utility model protection is quick and inexpensive, and covers technical inventions that would not fulfil the strict patentability criteria. A well-drafted and well-implemented utility model system will create a platform that protects small/incremental innovation so that as inventors innovate, they gain confidence in being able to protect and enforce their innovation, which should in turn spur future innovation. Such a system will reward small and medium enterprises, which are the source of India's innovative workforce, with protection, enforcement and revenue-generating opportunities, while infusing into the industry know-how that can, and will, become the basis of future inventions.

But drafting a utility model law for India is no easy task. Procedural wrangling aside, the ideal law must take from the successes (and failures) of similar systems in other countries and adapt them to the environmental, cultural and socio-economic conditions unique to India. It must strike the right balance between rewarding innovation and maintaining public good by taking measures to obviate the monopolistic dominance inherent in a utility model system. An ideal system should also be convenient; provide a wide scope of protection; mandate a diminished inventive threshold; allow transmutable applications between patents and utility models; and offer speedy enforcement bolstered by a compulsory licensing provision. Finally, spreading awareness of utility model protection, not simply in urban centres but also in the giant rural hinterland, will be critical towards ensuring the success of such a system.

Convenience and scope

Any system meant to reward incremental innovation must be simple, fast, transparent and objective. Filing to grant should be completed expeditiously so that the inventor does not hesitate to commit their time and money to the process.

Ideally, the law should be non-preferential and should provide wide protection to incremental inventions without specifically excluding any particular device, technology or industry. This

is bound to be a hotly debated aspect, with discussions surrounding Section 3 of the Patents Act, 1970, which specifies non-patentable inventions in certain technological fields. However, it must be considered that Indian inventors dabble in small-scale manufacturing across a range of industries that are equally prone to innovation and, therefore, worthy of protection. Exclusions may be unnecessary, especially if the wide scope of protection can be balanced with provisions that do not contradict the basic tenets of the Patents Act. Germany and France have adopted such a wide scope of protection with relative success.

Diminished threshold

Irrespective of the scope of protection, the ultimate registrability of utility models should be based on diminished inventive threshold criteria, because the idea is to create a system that rewards innovation without getting tied down by the rigours of the patenting process. Several countries, including Germany, Japan and China, have a lower standard for inventiveness for utility models, while countries such as Russia, Mexico, Turkey, Bulgaria and Vietnam have no inventive step requirement for utility models. In India's case, evaluating only the novelty of the technical solution being provided by the invention will allow the inventor to protect inventions that may otherwise fail in the patent system. Properly implemented, a diminished inventive threshold can serve the purpose of being a stepping stone towards big innovation.

Reduced protection and transmutability

For the protection of utility models to be commensurate with the inventive threshold, protection should be granted for a short period as is done by prevailing systems in other countries. For example, Belgium, France and Netherlands offer protection for a period of six years from the filing date, while Germany, Brazil and China (and several others) allow protection for a period of 10 years. A diminished timeframe is reflective of the short lifecycle of an incremental invention and provides the domestic inventor with adequate assurances of immediate protection while allowing him the opportunity to further develop an invention that may be worthy of a full patent. In the context of patentable inventions, transmutability should be encouraged so that if a utility model application is filed before a patent application for the same invention, a subsequent patent application claiming priority from the utility application should be permitted under specific guidelines, and vice versa. This principle is being followed by Japan, Germany, Korea and China.

> "THE IDEA IS TO CREATE A SYSTEM THAT REWARDS INNOVATION WITHOUT GETTING TIED DOWN BY THE RIGOURS OF THE PATENTING PROCESS."

Eventually though, the inventor should be the master of his invention and, subject to the examination requirements, should have the freedom to decide if he wants to pursue a utility model application or a patent application, or both. Other jurisdictions are mixed in this aspect, with Germany allowing duplicate registrations and Japan, Korea and China prohibiting them.

Compulsory licensing

It is anticipated that a diminished threshold requirement will result in a large number of utility models being registered that may be used as monopolistic devices to block competing products offered by competitors. To counter such a move, one option is to include a compulsory licensing provision effective from the date of registration of the utility model. Under such a provision, a third party will have the legal right to obtain a licence to practise the invention, with the terms and fee structure of the licence being governed by specific guidelines.

Taking this a step further, there should also be a provision for compulsory licensing in enforcement of utility models. Without having to deal with issues of damages—actual or punitive—upon successfully establishing infringement, the inventor can be simply compensated based on a compulsory licence fee. As to future use of the invention, the infringer could have the option to continue using the invention based on the compulsory licensing fee calculated under specific guidelines.

Enforcement, enforcement, enforcement

Finally, one of the biggest challenges in implementing a utility model system in India will be in creating an efficient and effective framework for enforcement. Protection is only half the battle in spurring domestic innovation, because an inventor will find a utility model system beneficial only if they can be assured that the enforcement procedures are not cumbersome and time-consuming. The enforcement system should offer a fast-track resolution mechanism with assurances that the judicial body handling such cases is technically competent or has access to technical specialists. To counterbalance the potential abuse of enforcement proceedings by an inventor against their competitors, the system should require substantive examination of the utility model as a condition precedent to commencing enforcement proceedings.

The right step forward

India has slipped down the Global Innovation Index—from being 41st out of 125 economies in 2009 to being 62nd in 2011—which underscores the need to spur domestic innovation. Thus, distractions and detractions aside, a utility model system is the right step in that direction. The timing for creating such a system is also opportune, because as the world emerges from a recession, it will be the innovators that lead the charge into the next era of growth and prosperity. In the Indian context, it translates into the basic fact that our position as the global leader of tomorrow must be bolstered by the next generation of creators and inventors—here in India. ■

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