



International Chamber of Commerce

The world business organization

Policy statement

Proposal for a European Parliament and Council directive approximating the legal arrangements for the protection of inventions by utility model

Commission on Intellectual and Industrial Property, 21 October 1998

The International Chamber of Commerce (ICC) is the world business organization. It is the only representative body that speaks with authority on behalf of both large and small enterprises from all sectors in every parts of the world. Founded in 1919, it represents today thousands of member companies and associations from over 130 countries. ICC's purpose is to promote international trade, investment and the market economy system. It makes rules that govern the conduct of business (eg. Incoterms) across borders and provides essential services, foremost among them being the ICC International Court of Arbitration.

Business leaders and experts drawn from ICC membership establish the business stance on global issues of importance for business such as intellectual property. Since 1922, ICC policy in this field has been elaborated by its Commission on Intellectual and Industrial Property, which brings together leading intellectual property experts from business and private practice from all over the world. As the world business organization, ICC firmly believes that the protection of intellectual property stimulates international trade and investment, and encourages transfer of technology, which are both essential for economic growth.

ICC has always campaigned for the provision of strong world-wide cost-effective non-discriminatory intellectual property systems as being an essential requirement for the world business community. As part of this campaign, ICC has supported all efforts to harmonize national intellectual property laws because such harmonization is beneficial to world business by, for example, reducing the cost of obtaining intellectual property rights and then enforcing them against infringers.

The ICC campaign has been directed in particular towards the protection of innovative technology by patents and similar rights. This is because ICC firmly believes that companies that do innovate technology should be able to obtain and enforce quickly, cheaply and without aggravation the intellectual property rights protecting such technology. Most importantly, the potency of the rights so provided should, at the same time, always be commensurate with the contribution made by the innovation. Further, a third party wishing to commercialize its own technology must also be able to determine quickly, cheaply and without aggravation whether it is free to work that technology as far as intellectual property rights belonging to competitors are concerned.

In consequence, any intellectual property system must, if it is to be acceptable to world business, maintain a fair balance between these two factors. Any proposals for harmonizing national intellectual property laws in Europe or anywhere else will therefore be carefully scrutinised by ICC. If such harmonization would result in a country being required to introduce a completely new intellectual property right, ICC will consider most carefully whether such a right would be of overall benefit to the world business community.

In view of the above, ICC is naturally most interested in the European Commission's proposed Directive on utility models published late last year. Many of the submissions the Commission has already received, and will receive in the future, from non-governmental organizations will no doubt address the question whether the proposals are in the interest of European industry. Clearly, ICC as the world business organization cannot approach the subject from that angle; instead ICC will in the present policy statement consider whether the proposals are, on balance, in the interest of the world

International Chamber of Commerce

38 Cours Albert 1er, 75008 Paris, France

Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 29 42

E-mail icc@iccwbo.org Website www.iccwbo.org

business community. ICC has particularly studied the proposed Directive to see if the utility model system provided by the Directive, if adopted, satisfies the above-mentioned fair balance test. This test should aim to achieve a balance between the interests of the proprietor of a utility model, so that his or her innovation has a right commensurate with the contribution made by the innovation, against those of a competitor, so that it is free to work its own technology when this is sufficiently distinguished from the technology protected by the utility model. In addition, ICC has considered whether the introduction of a new intellectual property right in three EU countries (i.e. Luxembourg, Sweden and the UK) would be of overall benefit to the world business community.

In the draft Directive, the Commission is proposing a simple registration system for obtaining a intellectual property right for an innovation which, to be protectable, need not have any inventive step in the patent sense. Thus the right will be obtainable for any innovation which "exhibits either (a) particular effectiveness in terms of, for example, ease of application or use; or (b) a practical or industrial advantage" (Article 6 of the draft Directive). This means that the right will be obtainable for any innovation which is novel over the prior art and has some advantage over it even though the innovation may be completely obvious to the skilled person in the art. The application for the right will not be searched nor examined by the patent office receiving the application except for certain specific formal issues, and in particular it will not be examined to establish that the innovation is capable of protection. The draft Directive is silent on the potency of the right, once obtained, in each EU country, so it will presumably have, in the absence of express enforcement provisions in the Directive, the same effect as a patent in that country. For example, a right holder facing a competitor commercializing the same or similar technology may be able to stop the competitor from doing this through injunction (which could even be of a preliminary nature) and to extract damages from the competitor.

ICC believes that the harmonized utility model system proposed in the draft Directive does not provide the necessary fair balance between the innovator, on the one hand, and third parties on the other. The system as at present proposed is not therefore in the interests of the world business community. However, if the system were modified to increase the entry threshold for obtaining the right and/or reducing the potency of the right once obtained, ICC might be able to support a system so modified.

ICC will not be commenting at this stage on the detail of the system proposed in the draft Directive but will wish to do this later in the process of gaining adoption of the Directive.

Document n 450/878