13

Utility Models in Korea

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13.1 HISTORY OF UTILITY MODEL PROTECTION IN KOREA

Just after the liberation of Korea from Japanese colonial rule, the US Military Government enacted the Patent Act in 1946, which contained statutory provisions on utility models as well as patent protection. However, due to the Korean War and social unrest, utility model applications under the Patent Act of 1946 were extremely insignificant. The National Reconstruction Supreme Council, which was established as a result of General Park Chung-hee's coup, enacted the Utility Model Act on December 31, 1961, while planning the first 5-year economic development plan.

Until the mid-1980s, Korea's economy developed rapidly with an average annual GDP growth rate of 9.5 percent, which depended mostly on highly educated workers with Korean companies learning Western technologies and improving them to suit domestic manufacturing conditions. Naturally, companies and technicians with low technological standards preferred utility model protection to patents.

Rapid economic developments in Korea[1] have caused substantial changes in both the country's general economic structure and the role of IP law. In the mid-1980s, Korea experienced numerous labor disputes and such rapid wage increases that its economic structure had to shift from labor-intensive industries to technology-intensive ones. And with its aggregate R&D/GDP ratio increasing to more than 2.5 percent, indigenous R&D capabilities of Korea began to grow markedly.[2] In 1986, all the relevant statutes regarding intellectual property rights were amended to significantly strengthen their protection. Since then, while the number of patent applications increased rapidly, the growth rate of utility model filings began to decline. In order to facilitate utility model registration, in 1999 the Korean government introduced a non-examination advance registration system by amending the

[1] The GDP per capita of Korea increased from US$158 in 1960 to US$2,834 in 1986, when intellectual property laws were amended. The World Bank 2024.

[2] Kim et al. 2012, 372.

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Utility Model Act. The introduction of the advance registration system increased the number of utility model applications slightly, but after the abolition of the advance registration system in 2006, the trend of decreasing utility model applications accelerated.

13.2 STATUTORY RATIONALE

The Utility Model Act is designed to contribute to industrial development by protecting and encouraging the creation of practical devices and promoting the utilization thereof to promote the development of technology. The statutory rationale of utility model protection is exactly the same as that of patent protection with the only difference that the subject matter is a utility model device or a patentable invention.[3] Utility model devices are usually small inventions, that is, inventions that are one level lower than patented inventions. Until the mid-1980s, during the course of learning and improving Western technologies, domestic companies made some small inventions, that is, utility model devices which have been subject to legal protection under the Utility Model Act. The absence of utility model protection might have reduced incentives for domestic companies to engage in incremental innovations. In this sense, utility model protection allows developing economies to build up their indigenous innovative capacities. The statutory rationale for utility model protection is well supported by the statistical data showing that foreign applicants who filed the most utility model applications in Korea were Taiwanese companies in the 2000s and Chinese companies in the 2010s.

13.3 SUBJECT MATTER

A utility model right is granted for a device related to the shape or structure of an article or a combination of shape and structure of an article which is industrially practicable, novel, and nonobvious. Unlike the German Utility Model Act (see Chapter 6), the Korean statute protects only devices that are embodied in a specific form. Accordingly, a gaseous or liquid substance without a fixed shape, a new animal breed, a new plant, or a computer program as such is not subject to utility model protection in Korea. Likewise, a method that is not embodied in a specific form (such as a manufacturing method, usage method, or processing method) is also beyond protection. A manufacturing method may be described in the claims for utility model registration, and the utility model registration is not invalidated by the description of such a manufacturing method. However, it is not possible to claim the nonobviousness of a utility model based only on the manufacturing method described in the utility model claims.[4]

[3] The Utility Model Act, Section 1; the Patent Act, Section 1.

[4] Patent Ct., 2003He0915.

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13.4 SUBSTANTIVE REQUIREMENTS

To obtain a utility model registration, a device must be industrially practicable, novel, and nonobvious, which is equivalent to the requirement for patent registration.[5] The only difference is that the nonobviousness of utility model devices may be lower than that of patentable inventions. Although the level of nonobviousness is described differently under the statutory provisions, neither examiners nor judges know how to distinguish the level of nonobviousness of utility model devices from that of patentable inventions.

During the course of examining the novelty of a utility model device, patented or patentable inventions are also considered as prior art. Likewise, utility model devices act as prior art against patent applications. The Patent Act denies patentability of an invention if the invention is identical to a device described in the specification or drawings initially accompanying an application for registration of a utility model when the utility model application has been filed before the filing date of the patent application at issue.[6] In addition, when an invention for which a patent application is filed is identical to a device for which an application for registration of a utility model is filed, only the applicant who filed first is entitled to a registration. If they are filed on the same date, only the person agreed upon both by the patent applicant and the utility model applicant may obtain registration.[7] In any event, the number of utility model applications has recently decreased so much that utility models are rarely cited in patent applications and such first-to-file disputes today are rare.

13.5 PROCEDURE

The basic process for obtaining a utility model is the same as for patents. Utility model devices have a relatively short lifespan in the market. Due to the long examination period of 37 months in Korea, utility model applications began to decline in the mid-1990s. Looking at the patent examination period in foreign countries at that time, it took 19 months in the US, 24 months in Japan, and 24 months in Europe.[8] The government introduced an advance registration or quick registration system to protect utility models or small inventions at an early stage and promote commercialization of technologies by small and medium-sized companies. According to the advance registration system that took effect on July 1, 1999, the Korean Intellectual Property Office only examines whether an application for utility model registration has formal and basic details. If there is a utility model registration application, anyone can request a technical evaluation of the filed utility model

[5] The Utility Model Act, Section 4; the Patent Act, Section 29.
[6] The Patent Act, Section 29(4).
[7] The Patent Act, Section 36(3).
[8] Chang 2017, 109.

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device to the Commissioner of the Korean Intellectual Property Office.[9] The examiner at the Korean Intellectual Property Office examines whether or not the substantive requirements like novelty and nonobviousness for utility model registration are met as a result of technology evaluation, and then makes a decision to maintain or cancel the utility model registration.[10] In order for a utility model right holder or an exclusive licensee to assert or exercise their rights against an infringer, they must present a certified copy of the decision to maintain their utility model registration and give a warning to the alleged infringer.[11]

In the 2000s, the Korean Intellectual Property Office drastically increased the number of examiners and outsourced prior art searches to shorten the examination period by a third, taking 12.2 months as of 2021.[12] As the examination and processing period was dramatically shortened and the problem of misuse and abuse of utility model registration was raised, the previous examination-and-registration system was restored in 2006. Although the introduction of the advance registration system led to an increase in utility model applications in the short term, the number of applications started to decrease again from the fifth year after its introduction. After the abolition of the advance registration system, the number of applications began to decrease even more rapidly. Now there are debates as to whether the utility model system is still necessary or useful in Korea as there is no practical benefit to distinguish it from a patent in terms of registration requirements or examination period.[13] Since the government uses patent applications as the standard for research fund execution and evaluation, universities and public research institutes also prefer patent applications to utility model applications.[14]

The application fee for utility model registration is $16 (20,000 Korean Won) for online applications and $23 (30,000 Won) for paper applications. For applications written in a foreign language, the online application fee is $25 (32,000 Won) and the written application fee is $33 (42,000 Won). The utility model registration fee starts with $10 (12,000 Won) annually from the time of registration until the third year and increases to $20 (25,000 Won) annually from the fourth to sixth years, and $46 (600,000 Won) from the seventh to ninth years and $123 (160,000 Won) thereafter.[15] The cost of a patent attorney is typically less than $1,000 per case, so individual inventors can apply for utility model registration without much financial burden. That is why there are still some utility model applications.

It is also possible for a patent application (or its particular claims) to be converted to a utility model application. If a patent application for an invention is rejected by

[9] The Utility Model Act, Section 21.
[10] The Utility Model Act, Section 25.
[11] The Utility Model Act, Section 44.
[12] Korean Intellectual Property Office 2022, 38.
[13] Park and Noe 2013, 226.
[14] Chang 2017, 124.
[15] Korean Intellectual Property Office 2023.

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an examiner for failing the inventive step requirement and is then converted to a utility model application, registration may be obtained. An applicant for a patent may convert their patent application into an application for utility model registration within the extent of the descriptions in the specification or drawings initially attached to the patent application. A converted application may not be made, however, when 3 months have elapsed since a certified copy of the initial decision of rejection was served in connection with the patent application.[16] A conversion application in the opposite direction is also possible. In other words, a utility model applicant can convert their initial application into a patent application within the scope of the descriptions in the initial specification or drawings.[17] Once registration is done, a conversion is not allowed from a patent to utility model registration, nor from a utility model to a patent registration.

13.6 REGISTRATION

Until the 1980s, the number of utility model registrations in Korea outnumbered that of patents. Patent applications and registration increased more rapidly than utility model applications beginning in the mid-1980s. The number of patent applications exceeded that of utility models in 1989 and the number of patent registrations did in 1991, as shown in Figure 13.1. When the advance registration system disappeared in 2006, the number of utility model applications and registration began to decrease sharply. The number of utility model registration was merely 1817 in 2021, which is equivalent to just 1.2 percent of patent registration.[18]

Looking at the details of registration, it is worth noting that foreign utility model registrations are negligible compared to domestic ones. Out of the 413,229 utility models issued in 22 years from 2000 through 2021 in Korea, only 10,272 came from abroad, which is little more than 2 percent of the total. In case of patent registration, 23 percent were issued to foreign patentees in the same period. The rights to register varies significantly from country to country. While applicants from the United States, Japan, and Germany obtained an overwhelmingly large share of patent registrations, applicants from China and Taiwan obtained far more utility model registration than applicants from other countries.

While patents are used mostly by corporations, utility models are used more by individual applicants. For example, there were 145,882 patents issued in 2021, of which 85 percent were issued to corporations. In contrast, there were only 1,817 utility models issued in 2021, of which 50 percent were issued to individuals.

[16] The Utility Model Act, Section 10.
[17] The Patent Act, Section 53.
[18] The Korea Intellectual Property Office Statistics. www.kipo.go.kr/en/HtmlApp?c=97000&catmenu=ek07_03_01.

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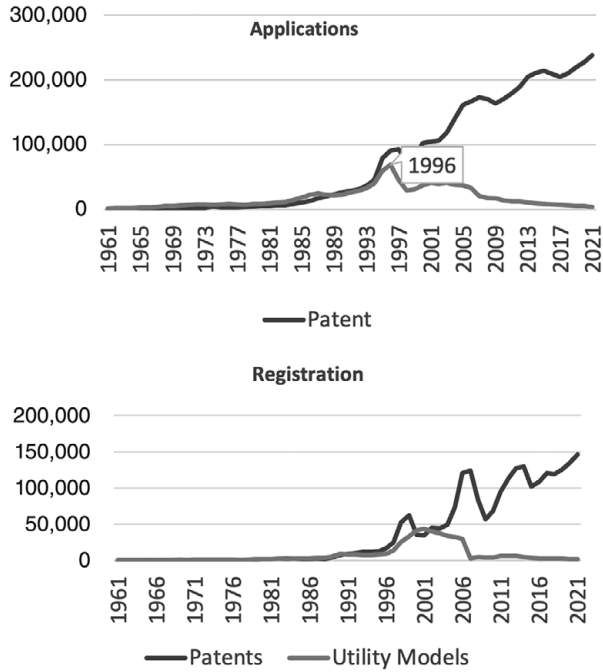


FIGURE 13.1 Korean patent versus utility model applications and registrations

13.7 INVALIDATION

The elements of inventive step are central in both infringement and invalidation actions, which are separated under a two-tier system in Korea. While infringement actions are brought to judicial courts, invalidation actions have to go through the IP Tribunal first. Like the Patent Act, the Utility Model Act of Korea only negates the effects of a utility model right through an invalidation trial at the IP Tribunal.[19] An appeal against the decision of the IP Tribunal must be filed with the Patent Court of Korea. Since the Patent Court is a court of appeal, it takes appeals not just from the IP Tribunal but also from the decisions of judicial courts on patent infringement.

The two-tier system has often led to time-consuming and high-cost dispute resolution processes.[20] For example, the courts have allowed the "publicly known or worked invention/device" defense even in infringement actions. Thus, even before the IP Tribunal's decision to invalidate a patent has become final and conclusive, judicial courts that tried infringement lawsuit have made findings as to whether there are grounds for invalidation. Reflecting on the lower courts' findings

[19] The Utility Model Act, Section 31.
[20] Supreme Ct., 99Hu2150.

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and decisions, the Supreme Court eventually held that, even before an IP Tribunal's decision to invalidate a patented invention is confirmed, if it is clear that the patent will be invalidated due to the lack of an inventive step, a claim for injunction against infringement or a claim for damages based on the patent right constitutes an abuse of right.[21] The same theory of abuse will certainly apply to utility model infringements even if there is no decision by the IP Tribunal on validity.

13.8 INFRINGEMENT

In case of infringement, remedies such as injunctions and damages are available to the owner of utility models, just as they are to the owner of a patent. Whereas injunctions are an equitable remedy in the United States, injunctions are automatically granted by courts in Korea when utility model infringement has been found. As an exception, the court may decline to grant an injunction when the owner of a utility model is found to have abused its rights. For example, when a utility model device clearly lacks novelty or nonobviousness, the courts can find that its owner has committed an abuse of rights by bringing a lawsuit to seek an injunction. Accordingly, the court will often deny an injunction in such cases.

Even if there is an infringement that has been proved with enough evidence, it has been difficult to prove the actual amount of damage caused by the infringement. Accordingly, the Utility Model Act provides that Section 128 of the Patent Act shall apply mutatis mutandis to the protection of the owners of utility model rights.[22] Several methods of calculating damages are suggested in Section 128 of the Patent Act: "Damage based on the amount of sales," "damage based on the infringer's profit," "damage equivalent to royalties," or "amount of damage subject to the discretion of the court." At the court of first instance, plaintiffs have claimed "damage based on the infringer's profit" in 66 percent of cases, and "damage equivalent to the royalties" in only 12.9 percent of cases. Despite the plaintiff's preference for "amount of damage based on the infringer's profit," the highest proportion (61.3 percent) of judicial decisions were made on the basis of the "amount of damage subject to the discretion of the court."[23] In relying on its discretion to calculate the amount of damages, courts usually take into account the infringer's sales, the infringer's profit, reasonable royalties or any other available factors. The court's preference for its discretion is understood as enabling the court to determine the most appropriate level of damages.

The amount of damages not only becomes an important variable in the value of intellectual property rights, but also significantly affects technological innovation in the long run. The level of damages awarded in courts of Korea is so low that there

[21] Supreme Ct., 2010Da95390.
[22] The Utility Model Act, Section 30.
[23] Choi 2016, 248.

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have been concerns that Korean intellectual property rights may be undervalued. With the low number of utility model registrations over the past decade, there are few litigations concerning utility model infringement. In 2021, there were 2,500 claims filed at the IP Tribunal, but only 43 concerned utility models. In the same year, while there were 853 cases alleging invalidity of patent rights and confirmation of the scope of rights at the IP Tribunal, only 23 utility model cases were filed.

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