



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 16, 2002

### **S. 1754** **Patent and Trademark Office Authorization Act of 2002**

*As passed by the Senate on June 26, 2002*

#### **SUMMARY**

S. 1754 would authorize the appropriation of funds for the Patent and Trademark Office (PTO) for 2003 through 2008 equal to the amount of fees collected by the agency during those years. The bill also would earmark up to \$50 million a year from gross funding in 2003 and 2004 for the development of a new computer system that would process patent and trademark applications.

CBO estimates that implementing S. 1754 would have a gross cost of \$784 million in 2003 and a cumulative gross cost of about \$6.2 billion over the 2003-2007 period, subject to appropriation actions consistent with this bill. Assuming that appropriation acts over the 2003-2007 period permit PTO to collect fees as authorized in current law, CBO estimates that the agency would collect a total of about \$6.9 billion in fees, bringing the estimated net effect of this bill to about -\$759 million during these years. There is a net negative impact (reduction in outlays) over the period because of a lag between fee collections and spending: some of the fees collected before the end of the period would be spent after 2007.

The bill would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. S. 1754 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 1754 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Net PTO Spending Under Current Law						
Estimated Budget Authority <sup>a</sup>	-27	0	0	0	0	0
Estimated Outlays	-93	283	90	0	0	0
Proposed Changes						
Gross PTO Spending						
Estimated Authorization Level	0	1,231	1,308	1,384	1,460	1,536
Estimated Outlays	0	784	1,148	1,343	1,411	1,474
Offsetting Collections						
Estimated Authorization Level <sup>b</sup>	0	-1,231	-1,308	-1,384	-1,460	-1,536
Estimated Outlays	0	-1,231	-1,308	-1,384	-1,460	-1,536
Net Changes						
Estimated Authorization Level	0	0	0	0	0	0
Estimated Outlays	0	-447	-160	-41	-49	-62
Net PTO Spending Under S. 1754						
Estimated Authorization Level <sup>a</sup>	-27	0	0	0	0	0
Estimated Outlays	-93	-164	-70	-41	-49	-62

a. The 2002 level is the estimated net amount appropriated for that year. The gross appropriation for 2002 is \$1,128 million, and CBO estimates that fees will total \$1,155 million.

b. These figures reflect CBO's estimate of fees to be collected by the PTO, subject to approval in appropriation acts.

## BASIS OF ESTIMATE

Under current law, the PTO is authorized to collect fees for a variety of activities, including the filing and processing of patent and trademark applications. These fees are collected to the extent authorized in annual appropriations acts, and they are recorded in the budget as offsets to the discretionary spending of the PTO. CBO estimates that the agency will collect a total of about \$1.2 billion in fees in 2002.

In general, these fee collections cover the PTO's operating expenses. However, the 2002 appropriation act for the PTO placed a limit on the amount of fee collections that the agency could spend. Of the estimated \$1.2 billion in fees that will be collected in 2002, the act allowed the PTO to spend \$844 million. (The Congress also allowed the agency to spend \$282 million from fees collected in prior fiscal years and \$1.5 million in supplemental

funding in response to the September 11th attacks, resulting in a gross appropriation for the PTO of \$1,128 million and an estimated net appropriation of -\$27 million for 2002.)

S. 1754 would authorize a gross appropriation for the PTO for 2003 through 2008 equal to the full amount of fees collected by the agency in those years. Between 2003 and 2007, CBO estimates that the annual amount collected by the agency each year would rise from about \$1.2 billion to about \$1.5 billion because of continued growth in the demand for PTO services. The bill also would earmark up to \$50 million a year from funding in 2003 and 2004 for a new computer system to process patent and trademark applications.

Assuming that the annual appropriation acts permit the PTO to collect fees and spend the amounts collected, CBO estimates that implementing this bill would result in gross spending by the PTO of a total of \$6.2 billion over the 2003-2007 period. Those amounts would be offset by an estimated \$6.9 billion in fees, bringing net PTO spending under the bill to a total of -\$759 million during this period. The bill has a net negative impact on outlays over the 2003-2007 period because of a lag between the fee collections and the spending. As a result, some fees collected during this period would be spent after 2007.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

#### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1754 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

#### **PREVIOUS CBO ESTIMATE**

On July 31, 2001, CBO transmitted a cost estimate for H.R. 2047, the Patent and Trademark Office Authorization Act of 2002, as ordered reported by the House Committee on the Judiciary on July 24, 2001. H.R. 2047 would authorize an appropriation for the PTO in 2002 equal to the amount of fees collected by the agency in that year. In contrast, S. 1754 would authorize such an appropriation each year during the 2003-2007 period.

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