



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 25, 1999

H.R. 1565 **Trademark Amendments Act of 1999**

As ordered reported by the House Committee on the Judiciary on May 26, 1999

H.R. 1565 would waive the sovereign immunity of the federal government and its contractors from liability for trademark infringement and dilution and would allow courts to issue injunctions against the federal government to cease activities that dilute or infringe on trademarks. (Dilution refers to activities using alternative symbols or logos that could be mistaken for an original trademark, thus lessening the market value of the original.) The bill also would permit trademark owners who believe the registration of another trademark would dilute the distinctive quality of their mark to petition the Patent and Trademark Office (PTO) to cancel the application before the trademark has been registered. Under current law, trademark owners must wait until another mark is registered and show that the other mark actually diluted the distinctive quality of their trademark. Finally, H.R. 1565 would make technical changes to trademark law and establish an association to preserve the authenticity of musical groups.

Based on information from the Department of Justice (DOJ) and the PTO, CBO estimates that defending the federal government in lawsuits involving trademark infringement or dilution and handling petitions to cancel registrations would cost less than \$500,000 a year. CBO cannot estimate the magnitude or timing of additional administrative costs that would result from waiving sovereign immunity; however, such costs would probably be insignificant. In most cases, such spending would be subject to appropriation of the necessary amounts. Waiving sovereign immunity also would increase payments of claims in lawsuits against the U.S. government. Because such payments are recorded as direct spending, pay-as-you-go procedures would apply. Based on information from DOJ and the American Intellectual Property Law Association, CBO expects that these costs probably would not be significant.

H.R. 1565 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not impose costs on state, local, or tribal governments.

The CBO staff contact is Mark Hadley. This estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.