



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 24, 2001

S. 407

Madrid Protocol Implementation Act

As ordered reported by the Senate Committee on the Judiciary on July 19, 2001

S. 407 would amend the Trademark Act of 1946 to facilitate the implementation of the Madrid Protocol, an international agreement that would allow companies to obtain trademark protection in several countries through a single application.

CBO estimates that enacting this bill would have no significant effect on the federal budget. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply. Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that are necessary for the ratification or implementation of international treaty obligations. CBO has determined that S. 407 would fit within that exclusion because it would implement the Madrid Protocol, an international agreement requiring ratification by the Senate.

S. 407 would take effect when the Madrid Protocol is ratified by the Senate, or one year after the bill's date of enactment, whichever comes later. For this estimate, CBO assumes that the bill will take effect at the beginning of 2003. Based on information from the Patent and Trademark Office (PTO), CBO expects that, in order to implement the bill, the PTO would need to upgrade certain computer systems so that the agency could better exchange information with the international trademark office that administers the Protocol. CBO estimates that the agency would incur net costs of less than \$500,000 for this purpose during the 2003-2004 period, subject to the availability of appropriated funds.

United States participation in the Madrid Protocol also could cause a rise in the number of trademark applications received by the PTO. The PTO's costs for processing such applications are fully funded by filing fees paid by the applicants. Those fees are collected and spent under authority provided in annual appropriation acts. Because the income from fees offsets the costs of processing applications, CBO estimates that an increase in the number of trademark applications would not have a significant net budgetary impact.

On March 13, 2001, CBO transmitted a cost estimate for H.R. 741, the Madrid Protocol Implementation Act, as ordered reported by the House Committee on the Judiciary on March 8, 2001. This bill is very similar to S. 407, except that H.R. 741 would take effect as soon as the Madrid Protocol is ratified by the Senate. For that estimate, CBO assumed that H.R. 741 would take effect in 2001. Therefore, CBO estimated that implementing the bill would increase the net costs of the PTO by less than \$500,000 per year during the 2001-2002 period, not the 2003-2004 period as under S. 407.

The CBO staff contact for this estimate is Ken Johnson. The estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.