

WIPO



MM/A/38/5

ORIGINAL: English

DATE: August 17, 2007

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

**SPECIAL UNION FOR THE INTERNATIONAL REGISTRATION OF MARKS
(MADRID UNION)**

ASSEMBLY

**Thirty-Eighth (17th Ordinary) Session
Geneva, September 24 to October 3, 2007**

MADRID UNION BUDGET FLEXIBILITY FORMULA

Document prepared by the International Bureau

I. INTRODUCTION

1. In 1989, the Assembly of the Madrid Union adopted the mechanism that is currently applied to adjust the Madrid Union budget to variations in the demand for services rendered under the Madrid system. That mechanism is based on a flexibility formula that takes into account increase or decrease in demand as compared to demand forecast in the budget for the biennium, and was applied for the first time in the context of the implementation of the Program and Budget for 1990-1991¹.

2. The initial formula provided for the adjustment (upwards or downwards) of one post in the budget of the Madrid Union for each variation of 731 international registrations and/or renewals recorded by the International Bureau.

3. The formula was revised in 1993, 2001 and 2003 to take due account of efficiency gains, changes in the composition of demand for the various services offered under the Madrid system and the increased complexity of certain tasks performed by the International Bureau in connection with those services (in particular, examination, classification and translation).

¹ See documents MM/A/XXI/1 and AB/XX/2.

4. The current formula (as revised in 2003) provides for the adjustment of one post for each variation of 525 international registrations and/or renewals recorded by the International Bureau and applies only to posts allocated directly to the operation of the International Trademark Registry.

Rationale and Operation of the Flexibility Formula

5. The flexibility formula operates as a simple adjustment mechanism which allows the International Bureau to react rapidly to significant changes in demand for services within a given budget exercise (i.e., a given biennium), without having to wait until a revised Program and Budget is approved. Thus, whenever there is a rapid increase in demand, the application of the formula serves to avoid the creation of backlogs.

6. The flexibility formula for the Madrid Union measures variations in demand in terms of registrations and/or renewals. However, the formula takes into account not only the work required in respect of the recording of registrations and renewals as such, but also the work done by the International Bureau when providing other services under the Madrid system, including those relating to the recording of subsequent designations, other modifications (changes in ownership, cancellations, renunciations, limitations of the list of goods and services, changes in the name or address of the holder or representative, corrections), decisions by designated Contracting Parties (grants of protection, refusals, extensions of time limits, final decisions, invalidations) and the issuing of extracts and certificates.

7. The flexibility formula provides for adjustments in the number of posts assigned to the administrative unit directly in charge of the administration of the International Trademark Registry (currently the International Registrations Department).

The Need to Adopt a New Flexibility Formula

8. The current flexibility formula has served its purpose for many years, providing for a reasonable increase in the number of posts whenever the workload increase exceeded the forecast and for an equivalent reduction of posts if the workload was lower than forecast². However, it is a relatively rigid mechanism in that it links demand only to posts. It does not, for example, allow the International Bureau to use other resources such as personnel under short-term contracts or outsourcing, to cope with additional demand. In the case of decreased demand, it may prove difficult for the administration to suppress existing posts before they become vacant.

9. Taking into account the need to provide for a more flexible approach in this area, a new methodology to calculate and apply the flexibility formula for the Madrid Union is proposed in the following paragraphs.

² See paragraph 33 of the External Auditor's report to the Assemblies of the Member States of WIPO for the 2004-2005 biennium.

II. NEW FLEXIBILITY FORMULA FOR THE MADRID UNION BUDGET

10. The new flexibility formula should continue to allow for adjustments of the Madrid Union budget (upwards or downwards) within a given budget exercise (biennium) based on variations in demand. However, instead of providing for adjustments in the number of posts, the new formula would provide for adjustments in the amount of financial resources allocated to the programs directly involved in the processing of the resulting workload. Those resources may be used either for personnel related expenditure (e.g., allocation of posts, recruitment of employees under short-term contracts or Special Service Agreements) or non-personnel expenditure (e.g., outsourcing contracts).

11. The new flexibility formula has been arrived at, based on the methodology described in the Annex to this document. As in the current formula, variations in demand are measured in terms of registrations and renewals as a means of representing the overall workload of the International Bureau under the Madrid system registration procedures (see paragraph 6, above). To calculate the required resources, the new formula takes into account not only the tasks that are specific to the administration of the International Trademark Registry, but also support tasks that are handled by common services within WIPO.

12. It is proposed that the new flexibility formula, based on the methodology described in the Annex, be applied as from the 2008/09 biennium. The formula shall provide for an adjustment (upwards or downwards) of the Madrid Union budget of an amount of 197,060 Swiss francs for each variation of 500 registrations and/or renewals recorded in the International Trademark Registry in the biennium as compared to the estimates made in the approved Program and Budget. That adjustment shall be allocated to the administration of the International Trademark Registry and support services at a ratio of 87.5% to 12.5%, respectively.

13. The Assembly is invited to take note of the methodology described in the Annex and approve the new flexibility formula for the budget of the Madrid Union proposed in paragraphs 10 to 12, above.

[Annex follows]

ANNEX

METHODOLOGY FOR THE CALCULATION OF THE FLEXIBILITY FORMULA FOR
THE MADRID UNIONIntroduction

1. The formula measures variations in demand in terms of registrations and renewals as a means of representing the overall workload of the International Bureau under the Madrid system registration procedures, including workload related to services other than registrations and renewals (such as, the processing of subsequent designations, grants of protection, refusals, extensions of time limits, final decisions, invalidations, cancellations, limitations, licenses, changes in ownership, changes in the name or address of the holder or representative, and the issuing of extracts and certificates).
2. The formula takes into account the amount of resources required to handle that workload, including the resources allocated to the administration of the International Trademark Registry and support services.
3. The values for the new flexibility formula are based on the estimated figures given in the proposed Program and Budget for 2008/09.

Estimated Demand for Services in 2008/09

4. The table below shows actual demand for 2006 and estimated demand for the years 2007 to 2009.

Madrid Operations	2006	2007	%	2008	%	2009	%
		estimates		estimates		estimates	
International Registrations	37,224	38,300	2.9%	38,800	1.3%	40,000	3.1%
Renewals	15,205	17,000	11.8%	19,000	11.8%	19,700	3.7%
Total Registrations and Renewals	52,429	55,300	5.5%	57,800	4.5%	59,700	3.3%
Subsequent Designations	10,978	11,000	0.2%	11,400	3.6%	11,900	4.4%
Decisions by Designated Contracting Parties	212,941	252,000	18.3%	290,000	15.1%	320,000	10.3%
Recorded Modifications	70,687	76,000	7.5%	82,000	7.9%	88,000	7.3%
Extracts from the International Register	2,233	3,000	34.3%	3,200	6.7%	3,350	4.7%
Information	11,930	13,000	9.0%	16,000	23.1%	20,000	25.0%
Total number of operations	361,198	410,300	13.6%	460,400	12.2%	502,950	9.2%

Estimated Fee Income for 2008/09

5. The table below shows the estimated number of registrations and renewals and the expected fee income.

Volumes	2008/09	Variation over 2006/07
Registrations + Renewals	117,500	9.07%
Fee Income ('000 Swiss francs)	94,000	7.71%
Average Fee (Swiss francs)	800	-1.25%

Resources Allocated in the Proposed Program and Budget for 2008/09

6. The resources required to handle the registration workload under the Madrid system comprise both: (i) personnel and non-personnel resources that are specific to the administration of the International Trademark Registry, allocated to Program 18 (Madrid, Hague and Lisbon Registration systems); and, (ii) a portion of the resources allocated to common services under other programs.

(a) International Trademark Registry within Program 18

7. Personnel resources serving the administration of the Madrid system represent 91% of personnel resources allocated to Program 18 ($47.266 \times 0.91 = 43.012$ million Swiss francs), the remainder corresponding to the administration of the Hague and Lisbon systems.

8. For the purposes of the flexibility formula, only the employees directly involved in registration activities (operations) are taken into account. They represent 80% of the total cost of personnel serving the administration of the Madrid system ($43.012 \times 0.80 = 34.410$ million Swiss francs).

9. Accordingly, the cost of personnel resources per registration/renewal under Program 18 is estimated at 292.85 Swiss francs (34.410 million Swiss francs/ $117,500$ registrations and/or renewals).

10. Non-personnel resources allocated to Madrid system registration activities (operations) under Program 18 include contractual services (e.g., outsourcing of scanning, data entry and translation tasks), operating expenses (such as mailing costs), equipment and supplies for an amount of 6.1 million Swiss francs.

11. Accordingly, the cost of non-personnel resources per registration/renewal under Program 18 is estimated at 51.91 Swiss francs (6.1 million Swiss francs/ $117,500$ registrations and/or renewals).

12. The overall amount of resources required to handle the registration workload under the Madrid system under Program 18, including both personnel and non-personnel resources is, therefore, estimated at 40.510 million Swiss francs ($34.410 + 6.100$). Consequently, the processing cost per registration/renewal under Program 18 is estimated at 344.76 Swiss francs ($292.85 + 51.91 = 344.76$).

(b) Common Services

13. Common services within WIPO give support to the Madrid system registration activities in areas such as finance checking, human resource management and procurement. Their contribution is estimated to represent 12.5% of the total resources allocated to handle the Madrid system registration activities (or some 5.8 million Swiss francs). This is the equivalent of 49.36 Swiss francs per registration/renewal (5.8 million Swiss francs/117,500 registrations and/or renewals).

Unit Cost per Transaction (Registration or Renewal)

14. The unit cost per registration/renewal under the Madrid system in 2008/09 is estimated at 394.12 Swiss francs. This figure is based on the cost of personnel and non-personnel resources directly involved in trademark registration activities under Program 18 (292.85 + 51.91 = 344.76 Swiss francs) plus support costs under common services (49.36 Swiss francs). As indicated above, Program 18 and support services are estimated to account for 87.5% and 12.5% of the unit cost, respectively.

15. For every 500 registrations and/or renewals the processing cost is therefore estimated at 197,060 Swiss francs (500 x 394.12).

The Flexibility Formula

16. Based on the above methodology, the flexibility formula would provide for an adjustment (upwards or downwards) of the Madrid Union budget of an amount of 197,060 Swiss francs for each variation of 500 registrations and/or renewals recorded by the International Bureau within the biennium.

17. The table below shows how the new flexibility formula would work in 2008/09.

Flexibility Formula for Madrid Union	2008/09	
Income per registration/renewal (Swiss francs)	800	
Cost per registration/renewal (Swiss francs)	394.12	
Increase/Decrease in registrations + renewals	500	
Increase/Decrease in income (Swiss francs)	400,000	
Increase/Decrease in resources (Swiss francs)	197,060	
allocated to:		Weight
Madrid Union Registry	172,428	87.5%
Common Services	24,632	12.5%

[End of Annex and of document]