



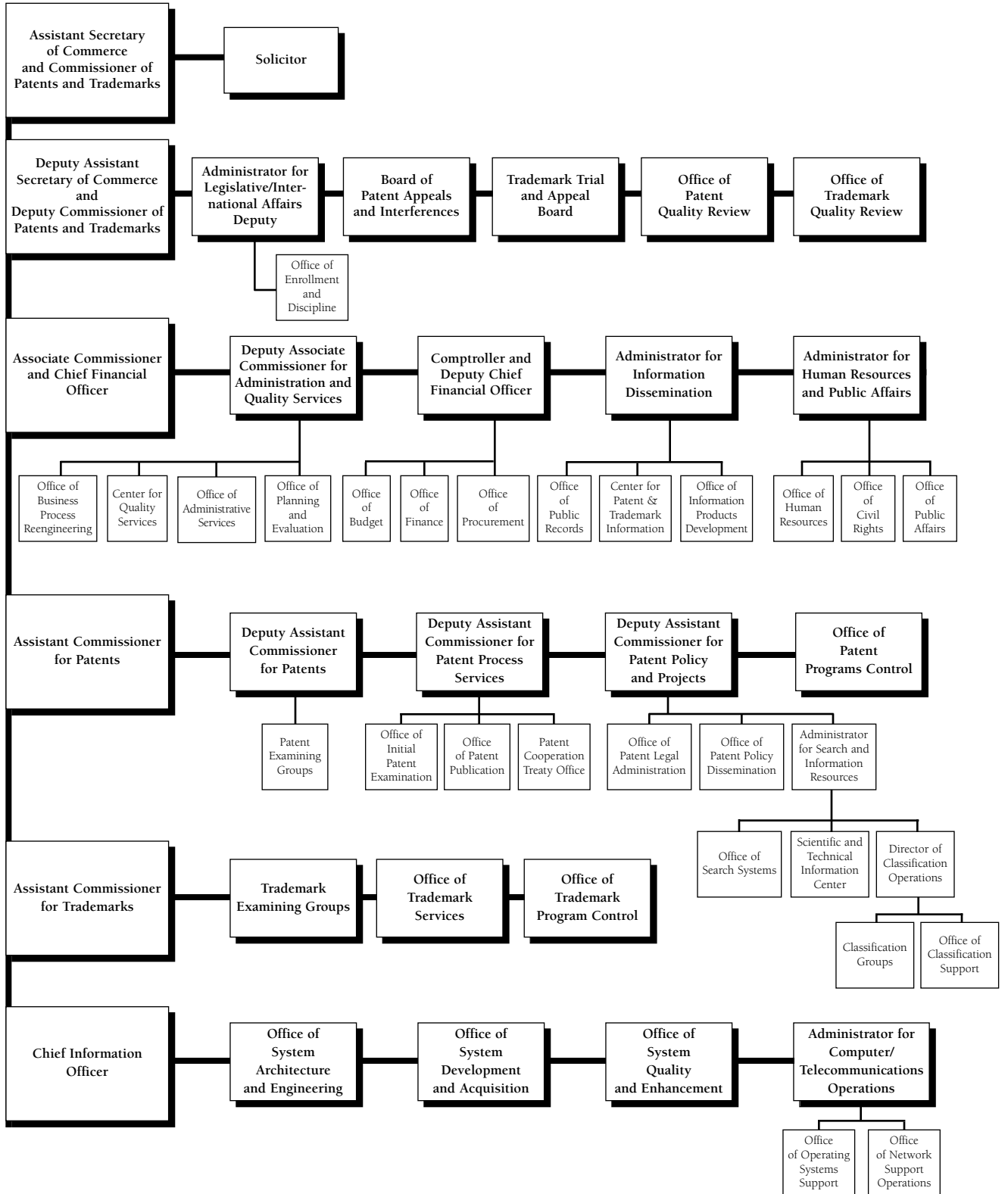
## SUPPLEMENTAL INFORMATION

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# U.S. PATENT AND TRADEMARK OFFICE ORGANIZATIONAL CHART



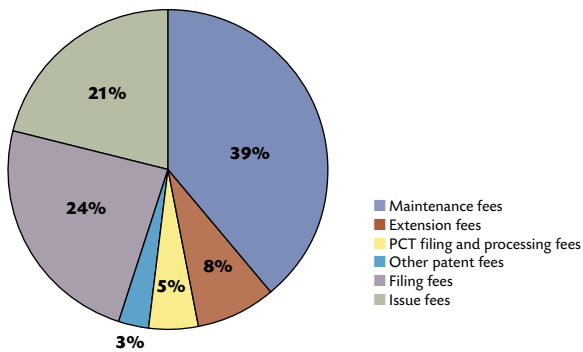


Patent and Trademark Office

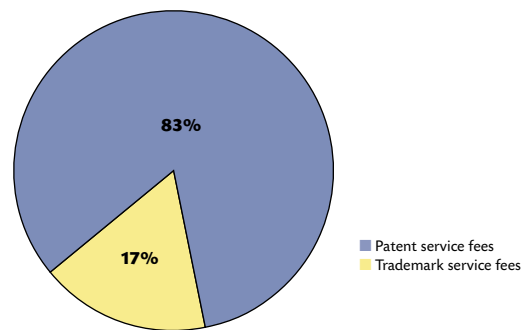
FY 1997 FEE COLLECTIONS BY CATEGORY, CASH BASIS (unaudited)

Patent Fee Collections	651,970,066	86.3%
Trademark Fee Collections	76,681,084	10.1%
Information Dissemination Fee Collections	26,859,056	3.6%
Total Fee Collections	755,510,206	100.0%

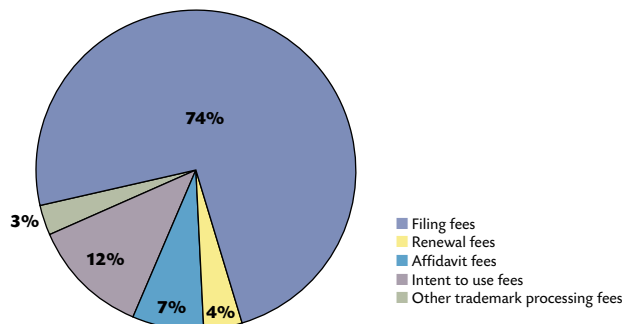
Patent Fee Collections



Information Dissemination Fee Collections



Trademark Fee Collections



## U.S. Department of Commerce Patent and Trademark Office

**EXPENSES BY PROGRAM (unaudited)**

For the Year Ended September 30, 1997

*(Dollars in Thousands)*

Expense Category	Patents	Trademarks	Information Dissemination	Total
<b>Direct Expenses</b>				
Personal Services and Benefits	\$262,991	\$31,766	\$ 9,589	\$304,346
Unfunded Personnel Benefits	16,659	3,045	694	20,398
Travel and Transportation	248	67	86	401
Rental, Communication and Utilities	60	71	502	633
Printing and Reproduction	31,137	1,913	815	33,865
Contractual Services	30,112	3,853	5,751	39,716
Training	1,376	153	92	1,621
Maintenance and Repairs	1,210	74	1,983	3,267
Supplies and Materials	5,446	387	656	6,489
Equipment not Capitalized	2,754	285	972	4,011
Insurance Claims and Indemnities	91	–	–	91
Other Services	–	–	23	23
<b>Subtotal Direct Expenses</b>	<b><u>352,084</u></b>	<b><u>41,614</u></b>	<b><u>21,163</u></b>	<b><u>414,861</u></b>
<b>Allocated Expenses</b>				
Intra-Entity Transfers	(961)	(294)	1,255	–
Rent	30,609	3,762	2,987	37,358
Depreciation	36,181	3,714	1,377	41,272
Telecommunications	3,473	475	176	4,124
Reproduction	627	87	125	839
Program Automation	39,707	2,871	1,371	43,949
Files Maintenance	1,127	145	1,446	2,718
Office of Enrollment and Discipline	2,180	–	–	2,180
<b>Subtotal Allocated Expenses</b>	<b><u>112,943</u></b>	<b><u>10,760</u></b>	<b><u>8,737</u></b>	<b><u>132,440</u></b>
<b>Allocated Indirect Expenses</b>				
Allocated Automation	34,118	4,399	1,799	40,316
Corporate	7,043	939	376	8,358
General and Administrative	54,126	10,437	5,828	70,391
<b>Subtotal Allocated Indirect Expenses</b>	<b><u>95,287</u></b>	<b><u>15,775</u></b>	<b><u>8,003</u></b>	<b><u>119,065</u></b>
<b>Total Expenses</b>	<b><u>\$560,314</u></b>	<b><u>\$68,149</u></b>	<b><u>\$37,903</u></b>	<b><u>\$666,366</u></b>



## FY 1997 TRADEMARK REENGINEERING PROJECTS

These projects, completed during 1997, are considered Phase I of Trademark reengineering:

- In March 1997, the file wrapper label was redesigned with on-site printing. Labels are now generated from stock supplies at lower cost, with improved legibility, including a printed bar code label. Processing time has been reduced at least a day, and delays for reprints have been eliminated.
- In March 1997, filing receipts were redesigned to include more data, which improves database quality by providing applicants more complete notice of data contents.
- In March 1997, a system was implemented for scanning the drawing page for marks scheduled for publication and registration. Under the new system, scanned copies rather than originals are sent to the Government Printing Office (GPO) subcontractor for printing in the Trademark Official Gazette. The change has improved the process of managing files, eliminating lost pages and extra work.
- Starting in July 1997, refunds for applications, petitions, and, post registration fees have been processed on-site within 24 to 72 hours of the request. The process change followed the implementation of the Revenue Accounting and Management (RAM) system to improve customer service and reduce processing delays. Additional information is provided to the customer to identify the reason for a refund, reducing the number of inquiries for explanations.
- In August 1997, a new system was implemented for generating printed bar code labels that include the notice of publication and notice of allowance date on files. Later, registration dates and numbers were added to the system. Labels are generated on site, saving process time by eliminating the hand stamping of dates on files, and improving accuracy and file management.

- Beginning November 1997, final agency decisions on petitions and Trademark Trial and Appeal Board decisions became available over the Internet, increasing public access to information.
- In October 1997, the Trademark business implemented PC-based TRAM data entry. Application papers are keyed as they are submitted, with coding and capture of data elements performed on line. The change in data capture is a first step toward creating an electronic file wrapper.

These projects will be completed in 1998:

- In 1998, the drawing page and application papers will be captured in a digital format by scanning as a step toward eliminating key entry of newly filed applications.
- In 1998, a system will be set up to capture full text and image for publication of the Trademark Official Gazette, with the capability for in-house printing of the Trademark registration certificate. The change will eliminate all manual preparation of drawings for publication. Delays for reprints of registration certificates will be eliminated.
- In 1998, following the conclusion of a pilot project, electronic filing will be expanded to include more forms and credit card payments.
- Rules and procedures manuals are now available in an electronic searchable format from all desktop PCs, improving access to information and increasing quality and performance efficiency.

## PATENT AND TRADEMARK LITIGATION

During FY 1997, the number of *ex parte* appeals taken from decisions of the Board of Patent Appeals and Interferences (BPAI), the Trademark Trial and Appeal Board (TTAB), and the number of civil actions filed against the Commissioner of Patents and Trademarks totaled 75. There were 14 *inter partes* cases taken to the Federal Circuit in FY 1997. Although there were several significant court decisions, most of the opinions entered by the Court of Appeals for the Federal Circuit and the district courts were not precedential. This section highlights some of the significant rulings of FY 1997.

### Supreme Court—Doctrine of Equivalents:

The PTO assisted the Department of Justice in filing an amicus brief on behalf of the United States in *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S.Ct. 1040 (1997). The brief set out the government's position on the doctrine of equivalents, consistent with its interest in assuring that patents provide a meaningful scope of protection but are also properly confined to the scope of the claimed invention.

The Court affirmed the viability of the doctrine of equivalents, noting that it should be applied on an element-by-element basis and limited by prosecution history estoppel. *Id.* at 1049. The Court noted that “prosecution history estoppel was tied to amendments made to avoid the prior art, or otherwise to address a specific concern—such as obviousness—that arguably would have rendered the claimed subject matter unpatentable.” *Id.* In its analysis, the Court specifically acknowledged the government's brief, stating “as the United States informs us, there are a variety of other reasons why the PTO may request a change in claim language ... [a]nd if the PTO has been requesting changes in claim language without the intent to limit equivalents or, indeed, with the expectation that language it required would in many cases allow for a range of equivalents, we should be extremely reluctant to upset the basic assumptions of the PTO without substantial reason for doing so.” *Id.* at 1050. The Court further noted that “claims do indeed serve both a defi-

nitional and a notice function, we think the better rule is to place the burden on the patent-holder to establish the reason for an amendment required during patent prosecution.” *Id.* at 1051. “Where no explanation is established, however, the court should presume that the PTO had a substantial reason related to patentability for including the limiting element added by amendment,” adding that in such cases “prosecution history estoppel would bar the application of the doctrine of equivalents as to that element.” *Id.*

### Standard of Review:

In *In re Zurko*, 111 F.3d 887, 42 USPQ2d 1476 (Fed. Cir. 1997), *reh'g in banc granted*, 116 F.3d 874 (Fed. Cir. 1997), the Federal Circuit reversed a decision of the BPAI, holding that its fact findings were clearly erroneous. 111 F.3d at 889, 42 USPQ2d at 1478. The court also suggested that an argument by the Commissioner concerning a more deferential standard of review for findings by the BPAI would be appropriate in a petition suggesting rehearing in banc, since the court had decided that clear error by the BPAI required reversal. *Id.* at 889 n.2, 42 USPQ2d at 1478 n.2. The PTO filed a petition and the court granted in banc review on the issue of whether the APA standard of review should be applied to PTO factual findings rather than the clearly erroneous standard currently applied by the court. Oral argument was heard on December 2, 1997. The case is pending awaiting a decision.

### Reexamination:

The Federal Circuit addressed the proper scope of reexamination proceedings in two cases this year, one further restricting the definition of “substantial new question of patentability” and one affirming the PTO's current use of obviousness-type double patenting rejections during reexamination.

The first case, *In re Portola Packaging Inc.*, 110 F.3d 786, 42 USPQ2d 1295 (Fed. Cir. 1997), involved a patent directed to a flexible bottle neck/cap combination. During original examination of the application, certain claims were rejected under § 102 over



Hunter and other claims were rejected under § 103 over Faulstich and two other references. After amendments, the rejections were overcome. Reexamination was granted based on a third-party request. The examiner rejected all claims as anticipated by a new reference to Von Hagel. In response, Portola canceled two claims, incorporated their subject-matter into remaining claims, and added further limitations. The examiner then rejected the remaining claims as obvious over the combination of Faulstich and Hunter. The BPAI affirmed, solely on the obviousness ground.

The Federal Circuit reversed. The court declined to consider the merits of the rejection, instead basing its decision on the conclusion that the PTO had exceeded the permissible scope of reexamination. *Id.* at 792 n.1, 42 USPQ2d at 1300 n.1. Relying on *In re Recreative Technologies Corp.*, 83 F.3d 1394, 38 USPQ2d 1776 (Fed. Cir. 1996), the court held that “a rejection made during reexamination does not raise a substantial new question of patentability if it is supported only by prior art previously considered by the PTO in relation to the same or broader claims.” *Portola*, 110 F.3d at 791, 42 USPQ2d at 1300. The rejection was held to be improper despite the fact that Portola amended its claims, since under 35 U.S.C. § 305 the scope of a patent claim may not be enlarged by amendment during reexamination. *Id.* at 791, 42 USPQ2d at 1299. The court reasoned: “It naturally follows then that when the original examiner examined the original claims in light of the cited prior art, the subject matter of the narrower, amended claims was necessarily considered in relation to the cited prior art.” *Id.* at 791, 42 USPQ2d at 1300. Thus, the BPAI should have terminated the reexamination once it became apparent that the sole remaining ground for rejection was based on previously considered references. *Id.*

PTO requested a rehearing in banc that was denied by the court. *In re Portola Packaging Inc.*, 122 F.3d 1473, 44 USPQ2d 1060 (Fed. Cir. 1997).

In another case, *In re Lonardo*, 119 F.3d 960, 43 USPQ2d 1262 (Fed. Cir. 1997), the court addressed the use of double patenting rejections during reexamination. Restorative Care owned two patents, an application to Lonardo, and an expired reissue patent, all directed to a therapeutic leg and foot device with an L-shaped restraint and a cut-out heel portion. The PTO declared reexamination based on a third party request citing new art. The examiner rejected the pending claims of both patents and the application on the ground of obviousness-type double patenting over the expired reissue patent. The BPAI affirmed the rejections.

The Federal Circuit affirmed, concluding that obviousness-type double patenting was properly raised during reexamination and that the BPAI did not err in its determination of double patenting. *Id.* at 968, 42 USPQ2d at 1268. The court noted: “Under section 303(a), the Commissioner has authority ‘[o]n his own initiative’ to consider a substantial new question of patentability over ‘patents and publications discovered by him.’” *Id.* at 966, 43 USPQ2d at 1266. “That provision of the statute is not specifically limited to prior art patents or printed publications.” *Id.* The court specifically declined to consider any other type of double patenting rejection that could possibly be raised. *Id.* at 967, 42 USPQ2d at 1267. Judge Newman dissented. *Id.* at 968, 42 USPQ2d at 1268.

#### **Claim Interpretation:**

In *In re Morris*, 127 F.3d 1048, 44 USPQ2d 1023 (Fed. Cir. 1997), the Federal Circuit addressed the proper methodology of claim construction to be applied during prosecution before the PTO. *Id.* at 1053, 44 USPQ2d at 1027. Morris argued that the Federal Circuit’s in banc decisions in *Markman v. Westview Instruments*, 52 F.3d 967, 34 USPQ2d 1321 (Fed. Cir. 1995)(in banc), *aff’d*, 116 S. Ct. 1384, 38 USPQ2d 1461 (1996), and *In re Donaldson*, 16 F.3d 1189, 29 USPQ2d 1845 (Fed. Cir. 1994)(in banc), require the PTO to construe claims during prosecution in the same

manner as courts are required to do during infringement proceedings. The Solicitor argued that past Federal Circuit decisions permit the PTO to give claim language its “broadest reasonable interpretation” during prosecution, citing *In re Zletz*, 893 F.2d 319, 13 USPQ2d 1320 (Fed. Cir. 1989), *In re Yamamoto*, 740 F.2d 1569, 222 USPQ 934 (Fed. Cir. 1984), and *Burlington Indus. v. Quigg*, 822 F.2d 1581, 3 USPQ2d 1436 (Fed. Cir. 1987). The court held: “The Solicitor is correct, and we reject appellants’ invitation to construe either of the cases cited by appellants so as to overrule, sub silentio, decades old case law.” *Morris*, 127 F.3d at 1054, 44 USPQ2d at 1027. The court further clarified that “as an initial matter, the PTO applies to the verbiage of the proposed claims the broadest reasonable meaning of the words in their ordinary usage as they would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in the applicant’s specification.” *Id.*

The court held that *Markman* did not apply in this situation because it would be “inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, operate under the assumption the patent is valid.” *Id.* at 1054, 44 USPQ2d at 1028. Additionally, because of the interactive nature of prosecution, the court noted: “Once the PTO has made an initial determination that specified claims are not patentable, ... the burden of production falls upon the applicant to establish entitlement to a patent.” *Id.* “This promotes the development of the written record before the PTO that provides the requisite written notice to the public as to what the applicant claims as the invention.” *Id.* Furthermore, the court noted that *Donaldson* “considered the question of how the PTO was required to interpret claims drafted pursuant to 35 U.S.C. § 112 ¶ 6.” *Id.* The court stated: “There is no comparable mandate in the patent statute that relates the claim scope of non-§ 112 ¶ 6 claims to

particular matter found in the specification.” *Id.* at 1055, 44 USPQ2d at 1028. Therefore, the ultimate question in the case becomes “whether the PTO’s interpretation of the disputed claim language is ‘reasonable.’” *Id.* On the merits, the court held that the PTO interpretation of “integral” to cover more than a unitary construction was reasonable. *Id.* at 1055, 44 USPQ2d at 1029.

### 35 U.S.C. § 135(b):

In *In re McGrew*, 120 F.3d 1236, 43 USPQ2d 1632 (Fed. Cir. 1997), the court addressed the issue of whether 35 U.S.C. § 135(b) could be the basis for a substantive rejection in *ex parte* prosecution. Section 135(b), which is normally applied in the interference context, provides that a claim “which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.” During prosecution, McGrew conceded that the claims at issue in his application were for “the same or substantially the same subject matter” as the claims of a patent to Takeuchi which issued more than one year before the claims were made by McGrew. *Id.* at 1238, 43 USPQ2d at 1634. McGrew relied on language from *In re Sasse*, 629 F.2d 675, 207 USPQ 107 (CCPA 1980), in which the court stated: “We agree that a procedural statutory bar arises proscribing the instigation of interferences after a specified interval. But we do not agree that a substantive bar is raised by § 135(b) in an *ex parte* context.” *Id.* at 1238, 43 USPQ2d at 1635 (emphasis original). The Federal Circuit held that the language in *Sasse* was dicta and, therefore, the BPAI properly declined to follow it. *Id.* The court further noted that if persons were allowed to “copy claims from issued patents beyond the time when an interference could be declared and obtain patents on them simply on the grounds that they are prior inventors and did not know about the patent in time to contest an interference, section 135(b) would not be effective as a statute of repose.” *Id.*



**Patent Term Extension:**

In *Hoechst-Roussel Pharmaceuticals Inc. v. Lehman*, 109 F.3d 756, 42 USPQ2d 1220 (Fed. Cir. 1997), the Federal Circuit upheld the PTO's interpretation of the term "claims" in 35 U.S.C. § 156, governing patent term extensions. The statute reads in relevant part: "The term of a patent which claims a product ... shall be extended in accordance with this section ... if the product has been subject to a regulatory review period before its commercial marketing or use."

Hoechst applied for a patent term extension for U.S. Patent No. 4,631,286 (the '286 patent) claiming the compounds 1-hydroxy-tacrine and a method of treating a patient in need of memory enhancement by administering an effective amount of that compound. The extension was based on Warner-Lambert's application for FDA approval of the drug COGNEX® having an active ingredient of tacrine hydrochloride, which when ingested breaks down into the compound claimed in the '286 patent. In an infringement litigation, Warner-Lambert conceded that COGNEX® infringed the '286 patent. The PTO denied Hoechst's application because (1) Hoechst was not involved in the regulatory approval process, and thus not a proper applicant; and (2) the '286 patent did not "claim" tacrine hydrochloride, the compound that was the subject of FDA approval.

Before the district court, Hoechst argued that a patent "claims" an FDA-approved product within the meaning of the statute if the FDA-approved product would infringe a claim of that patent. The Department of Justice argued on behalf of the Commissioner that the term "claims" should be given its common meaning in patent law. The district court granted summary judgment in favor of the Commissioner. Hoechst appealed.

The Federal Circuit affirmed, holding that the "concept of a claim is related to, but distinct from, the concept of infringement." *Id.* at 759, 42 USPQ2d at 1223. "Claims define the patent owner's property rights whereas infringement is the act of trespassing upon

those rights." *Id.* Here, Hoechst's infringement rights stem not from claiming the compound that was subject to FDA approval, but from the fact the approved compound metabolizes into the claimed compound. *Id.* Additionally, Hoechst failed to establish that Congress intended the term "claims" to have anything other than its plain meaning. *Id.* at 761, 42 USPQ2d at 1224. Therefore, the court held that the meaning of the term "claims" in section 156 should be given "its ordinary meaning from the patent law." *Id.* The court did not address the issue of whether Hoechst was a proper applicant for patent term extension. *Id.* at 761 n. 5, 42 USPQ2d at 1224 n.5.

**Trademarks:**

In *In re Hacot-Colombier*, 105 F.3d 616, 41 USPQ2d 1523 (Fed. Cir. 1997), the Federal Circuit addressed the PTO's rules governing amendments in applications seeking priority of a foreign registration under 37 C.F.R. §§ 2.51(a)(3) and 2.72(d), and material alteration under 37 C.F.R. § 2.72(a). The court noted that the central inquiry of the case was whether a mark was a "substantially exact representation" of another mark, which was a factual inquiry that would not be overturned unless clearly erroneous. 105 F.3d at 618, 41 USPQ2d at 1525. The court added that "it defers to the agency's reasonable statutory interpretation." *Id.* (citing *Eastman Kodak Co. v. Bell & Howell Document Management Prods.*, 994 F.2d 1569, 1571-72, 26 USPQ2d 1912, 1915-16 (Fed. Cir. 1993)). In *Eastman Kodak*, the Federal Circuit applied *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984) to a TTAB decision, reviewing the TTAB's interpretation of an ambiguous provision of the trademark statute under the reasonableness standard rather than under the de novo standard. *Hacot-Colombier*, 105 F.3d at 618, 41 USPQ2d at 1525. In this case, the court held that the TTAB's interpretation that Rule 2.72 includes "both a prohibition against material alterations and a requirement that any alteration conform to the foreign registration" deserved deference. *Id.* at 619, 41 USPQ2d at 1526. The TTAB's decision on the merits was affirmed. *Id.* at 621, 41 USPQ2d at 1527.

# GLOSSARY

## GLOSSARY OF OFFICE-SPECIFIC TERMS

**ALLOWANCE:** examiners determine whether a patent can be allowed by searching previous art, which includes previously issued U.S. and foreign patents and nonpatent literature to help determine whether the claimed invention complies with the patent statutes and court decisions.

**PATENT APPLICATION:** a request from a user for a patent to be granted by the United States Patent and Trademark Office.

**PATENT APPLICATION, DISPOSED (DISPOSAL):** patent examiner completes action on the application.

**PATENT APPLICATION, EXAMINED:** to determine the qualifications of patent applications requesting the granting of patents. To determine whether the invention is new, useful, and nonobvious to someone knowledgeable in the subject matter.

**PATENT APPLICATION, ISSUED (ISSUANCE):** patent application issued or granted as a patent.

**PATENT APPLICATION, WITHDRAWAL (ABANDONED):** to surrender one's claim or right to a request for a patent to be granted.

**PATENT PENDENCY:** average time in months from filing to either issuance or abandonment.

**TRADEMARK:** a word, phrase, symbol, design, or combination thereof that identifies and distinguishes the source of goods or services of one party from that of another.

**TRADEMARK APPLICATION:** application for Federal registration of a mark filed at the United States Patent and Trademark Office.

**TRADEMARK APPLICATION, ABANDONED:** termination of examination for failure to respond to an examination letter, because of a judicial decision, or by request of applicant.

**TRADEMARK APPLICATION, DISPOSED:** an application that is registered or abandoned.

**TRADEMARK APPLICATION, EXAMINED:** review of application for compliance with the Trademark Act.

**TRADEMARK APPLICATION, REGISTRATION:** issuance of a certificate of registration by the United States Patent and Trademark Office.

**TRADEMARK PENDENCY:** average time in months from filing an application to mailing the first examination letter, and average time in months from filing to registration, issuing a notice of allowance or abandonment.



## GLOSSARY OF BUDGET AND ACCOUNTING TERMS AND DEFINITIONS

**ACCOUNT:** something for which appropriations are made in an appropriations act. For spending that is not provided in an appropriations act, an account is an item for which there is a designated budget account identification number in the President's budget.

**ACCOUNTS PAYABLE:** amounts owed to an account other than your own for goods and services purchases. Such amounts include disbursements owed to others.

**ACCOUNTS RECEIVABLE:** amounts owed to an account for goods furnished and services rendered. Such amounts include reimbursements earned and refunds receivable.

**APPROPRIATION:** an act of Congress that allows Federal agencies to incur obligations and make payments from the Treasury for specified purposes. An appropriation is the most common means of providing budget authority and usually follows the passage of an authorized bill.

**AUTHORIZATION (AUTHORIZING LEGISLATION):** an act of Congress that establishes or continues a Federal program or agency either for a specified period of time or indefinitely, specifies its general goals and conduct, and usually sets a ceiling on the amount of budget authority that can be provided in an annual appropriation. An authorization for an agency or program usually is required before an appropriation for that same agency or program can be passed.

**BUDGET AUTHORITY:** the authority granted to a Federal agency in an appropriations bill to enter into commitments that result in immediate or future spending. Budget authority is not necessarily the amount of money an agency or department actually will spend during a fiscal year, but merely the upper limit on the amount of new spending commitments it can make. The three basic types of budget authority are appropriations, borrowing authority, and contract authority.

**BUDGET RECEIPTS:** amounts received by the Federal Government from the public that arise from:

- the exercise of governmental or sovereign power (consisting primarily of tax revenues, but also including receipts from premiums of compulsory social insurance programs, court fines, certain license fees, and the like);
- premiums from voluntary participants in Federal and social insurance programs (such as deposits by States for unemployment insurance and for social security for their employees) that are closely related to compulsory social insurance programs; and
- gifts and contributions.

Excluded from budget receipts are offsetting receipts, which are counted as deductions for budget authority and outlays rather than as budget receipts.

**CARRYOVER:** the unobligated amounts at the end of a fiscal year for unexpired accounts.

**CASH BASIS OF ACCOUNTING:** a method of accounting in which revenue is recognized at the time the payment is received and costs are considered incurred at the time the payment is made.

**COLLECTIONS:** any moneys received by the government. Depending upon the nature of the transaction, collections may be treated as budget receipts, offsetting receipts, refunds, or credits to a deposit fund.

**DEOBLIGATION:** a downward adjustment of previously recorded obligations. This may be attributed to cancellation of a project or contract, price revision, or corrections of amounts previously recorded as obligations.

**DEPOSIT FUNDS:** accounts established to facilitate the accounting for collections that are either (a) held in suspense temporarily and later refunded or paid

into some other fund of the government upon administrative or legal determination as to the proper disposition thereof or (b) held by the government as banker or agent for others and paid out at the discretion of the depositor.

**EXPENDED APPROPRIATION:** the amount of expenditures (outlays) during the current fiscal year net of refunds to the appropriation made from general funds, special funds, and trust funds.

**EXPENDITURE:** actual spending, generally interchangeable with outlays.

**FISCAL YEAR (FY):** any yearly accounting period. The fiscal year for the Federal Government begins October 1 and ends on September 30.

**INTRAGOVERNMENTAL REVOLVING FUND ACCOUNTS:** funds authorized by law to carry out a cycle of intragovernmental business-type operations. These funds are credited with offsetting collections from other agencies and accounts.

**LIABILITY:** accounts owed for items received, services rendered, expenses incurred, assets acquired, construction performed, and amounts received but not as yet earned.

**OBLIGATED BALANCE:** the amount of obligations already incurred for which payment has not yet been made. This balance can be carried forward indefinitely until the obligations are paid.

**OBLIGATIONS:** spending commitments by the Federal Government that will require outlays either immediately or in the future.

**OFFSETTING COLLECTIONS:** money received by the government as a result of business-type transactions with

the public (sale of goods and services) or as a result of a payment from one government account to another. If credited to an agency's expenditure account, the offsetting collection is usually available for spending by the agency.

**OFFSETTING RECEIPTS:** an offsetting collection that is deducted from budget authority and outlays when calculating total budget authority and outlays for the Federal Government. Offsetting receipts are generally not available for spending by an agency without further Congressional action.

**RECEIPT ACCOUNTS:** accounts established for recording collections deposited into the Treasury for appropriation by the Congress. These accounts may be classified by the Congress.

**REIMBURSEMENTS:** sums received by the government for commodities sold or services furnished either to the public or to other government accounts that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.

**UNEXPENDED BALANCE:** the amount of budget authority unspent and still available for conversion into outlays in the future; the sum of the obligated and unobligated balances.

**UNOBLIGATED BALANCE:** the portion of budget authority that has not yet been obligated. In 1-year accounts the unobligated balance expires (ceases to be available for obligation) at the end of the fiscal year. In multiple-year accounts, the unobligated balance may be carried forward and remain available for obligation for the period specified. In no-year accounts, the unobligated balance is carried forward indefinitely until specifically rescinded by law or until the purposes for which it was provided have been accomplished.