

DROPLETS, INC. v. ETRADE BANK, Appeal Nos. 2016-2504, 2602  
(Fed. Cir. April 19, 2018). Before Dyk, O'Malley and Wallach. Appealed from the PTAB.

## Background:

After Droplets sued ETRADE Bank for infringement, ETRADE Bank petitioned the PTAB for *inter partes* review of one of Droplets' patents at issue in the suit. The Board found all claims of the patent to be invalid as obvious. In reaching this determination, the Board found that (1) the patent failed to specifically claim priority to any of the prior applications other than its immediately preceding parent application, and (2) the patent's incorporation by reference of the immediately preceding parent application did not suffice as a priority claim to the other prior applications. Thus, the patent was not entitled to the earliest effective filing date in the chain of applications, and as a result a related PCT publication qualified as prior art.

Droplets appealed, and the USPTO Director intervened to defend the Board's decision.

## Issue/Holding:

Did the Board err in finding the priority claim deficient? No, affirmed.

## Discussion:

On appeal, the parties disputed the effective filing date of the patent at issue. This patent was the grandchild of a patent filed based on a provisional application upon whose filing date Droplets sought to rely. The specification of the patent at issue included a priority claim specifically referencing the immediately preceding parent application and incorporating it by reference, and additionally claimed priority to the provisional application and incorporated it by reference. The specification and application data sheet lacked any reference to the intervening applications filed between the provisional application and the immediately preceding parent application.

The Federal Circuit agreed with the Board's finding that, because the patent at issue contained a valid priority claim only to the immediately preceding parent application, the effective filing date of the patent at issue is the filing date of the immediately preceding parent application. Noting that a "specific reference" to each prior application in either the specification or on an application data sheet was required by each of 35 U.S.C. §120, 35 U.S.C. §119(e), and the version of 37 C.F.R. §1.78 in effect at the time the patent at issue was filed, the Federal Circuit further found that incorporation by reference of the immediately preceding parent application did not satisfy the "specific reference" requirement for the priority claim with respect to the other applications. The Federal Circuit stated that requiring the public to search through incorporated materials to find the priority claim would create uncertainty and be contrary to the purpose of the statutes.