

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Droplets, Inc. v. E*TRADE Bank

Droplets, Inc. v. E*TRADE Bank, 887 F.3d 1309 (Fed. Cir. 2018) · No. 2016-2504, 2016-2602 · Decided April 19, 2018

SUMMARY

The Federal Circuit held that a patent cannot satisfy the "specific reference" requirement of 35 U.S.C. § 120 through incorporation by reference; the patent must contain an explicit reference to each prior-filed application in the priority chain. Because the patent at issue only specifically referenced its immediate parent and not the earlier provisional application, its effective filing date was the parent's filing date, making an intervening international publication prior art that rendered all claims obvious. The court also dismissed the patent challenger's conditional cross-appeal as improper, as the challenger was not dissatisfied with the Board's final judgment of invalidity.

CASE DETAILS

COURT	United States Court of Appeals for the Federal Circuit
WRITING FOR THE COURT	O'Malley; Dyk; Wallach
JURISDICTION	Federal
DECIDED	April 19, 2018
DOCKET	2016-2504, 2016-2602
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the Patent Trial and Appeal Board's final written decision in IPR2015-00470, finding all claims of U.S. Patent No. 8,402,115 invalid as obvious.
STANDARD OF REVIEW	De novo on legal questions; no deference to the Board's legal conclusions.
PRECEDENTIAL VALUE	Published
PARTIES	Droplets, Inc. v. E*TRADE Bank, E*TRADE Financial Corporation, E*TRADE Securities, LLC, Scottrade Financial Services, Inc., Scottrade, Inc., TD Ameritrade Holding Corp., TD Ameritrade, Inc.

TOPICS

[patent law](#)[statutory interpretation](#)[appellate procedure](#)[standard of review](#)

PRACTICE AREAS

Patent Law

QUESTIONS PRESENTED

1. Whether the '115 Patent is entitled to the filing date of the '917 Provisional by virtue of incorporating the '838 Patent by reference, which in turn claims priority to the '917 Provisional.
2. Whether inter partes review violates Article III and the Seventh Amendment.
3. Whether the Director can delegate the institution decision to the Board.

HOLDINGS

1. The '115 Patent is not entitled to the filing date of the '917 Provisional because incorporation by reference cannot satisfy the 'specific reference' requirement of 35 U.S.C. § 120.
2. IPR proceedings do not violate Article III or the Seventh Amendment, as previously held in MCM Portfolio and other cases.
3. The Director may delegate the institution decision to the Board.

KEY QUOTATIONS

“We conclude that § 120’s ‘specific reference’ requirement does not contemplate incorporation by reference.”
(at 20)

“The ‘specific reference’ requirement in § 120 ‘mandates each [intermediate] application in the chain of priority to refer to the prior applications.’” (at 13)

“Because the '115 Patent contains a specific reference only to the '838 Patent, and not the earlier-filed '745 Patent or '917 Provisional, we affirm the Board’s decision finding all claims of the '115 Patent invalid as obvious.” (at 23)

FACTUAL BACKGROUND

The '115 Patent claims priority through a chain: from the '838 Patent (filed Nov. 24, 2003), which is a continuation of the '745 Patent (filed June 22, 2000), which claims priority to provisional application '917 (filed Sep. 14, 1999). The '115 Patent's specification includes a 'Claim of Priority' referencing the '838 Patent and a 'Cross Reference to Related Documents' referencing the '917 Provisional. The '115 Patent does not contain a specific reference to the '745 Patent or the '917 Provisional in the priority claim. The Board determined that the effective filing date is Nov. 24, 2003, making the Franco PCT (published March 2001) prior art, and found all claims obvious over that reference.

PROCEDURAL HISTORY

E*TRADE filed a petition for inter partes review of the '115 Patent. The Board instituted review and issued a final written decision finding all claims invalid as obvious. Droplets appealed, and the Director of the USPTO intervened. E*TRADE filed a conditional cross-appeal.

DISPOSITION

affirmed

CASES CITED

- Medtronic CoreValve, LLC v. Edwards Lifesciences Corp., 741 F.3d 1359 (Fed. Cir. 2014)
- Hewlett-Packard Co. v. Packard Press, Inc., 281 F.3d 1261 (Fed. Cir. 2002)
- Sampson v. Ampex Corp., 463 F.2d 1042 (2d Cir. 1972)
- Sticker Indus. Supply Corp. v. Blaw-Knox Co., 405 F.2d 90 (7th Cir. 1968)
- Hovlid v. Asari, 305 F.2d 747 (9th Cir. 1962)
- Encyclopaedia Britannica, Inc. v. Alpine Electronics of Am., Inc., 609 F.3d 1345 (Fed. Cir. 2010)
- Zenon Envtl., Inc. v. U.S. Filter Corp., 506 F.3d 1370 (Fed. Cir. 2007)
- Cook Biotech Inc. v. Acell, Inc., 460 F.3d 1365 (Fed. Cir. 2006)
- Advanced Display Sys., Inc. v. Kent State Univ., 212 F.3d 1272 (Fed. Cir. 2000)
- Harari v. Hollmer, 602 F.3d 1348 (Fed. Cir. 2010)
- Hollmer v. Harari, 681 F.3d 1351 (Fed. Cir. 2012)
- MCM Portfolio LLC v. Hewlett-Packard Co., 812 F.3d 1284 (Fed. Cir. 2015)
- Ethicon Endo-Surgery, Inc. v. Covidien LP, 812 F.3d 1023 (Fed. Cir. 2016)
- SkyHawke Techs., LLC v. Deca Int'l Corp., 828 F.3d 1373 (Fed. Cir. 2016)
- Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530 (Fed. Cir. 1983)
- Bailey v. Dart Container Corp. of Mich., 292 F.3d 1360 (Fed. Cir. 2002)
- TypeRight Keyboard Corp. v. Microsoft Corp., 374 F.3d 1151 (Fed. Cir. 2004)