

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

PROXENSE, LLC
Patent Owner

U.S. Patent No. 8,352,730
IPR Case Nos. IPR2024-00232 & IPR2024-01333

PATENT OWNER'S REPLY REGARDING ESTOPPEL

TABLE OF CONTENTS

I.	COLLATERAL ESTOPPEL DOES NOT APPLY	1
II.	THE BOARD IS ESTOPPED UNDER THE APA.....	2
III.	CONCLUSION	7

EXHIBIT LIST

No.	
2001	Claim Construction Order in <i>Proxense v. Samsung Electronics, Co., Ltd. et al.</i> , No. 6.21-CV-00210-ADA
2002	Memorandum In Support of Claim Construction Order in <i>Proxense v. Samsung Electronics, Co., Ltd. et al.</i>
2003	<i>Markman Transcript from Proxense v. Samsung Electronics, Co., Ltd. et al.</i>
2004	Claim Construction Order in <i>Proxense v., Google LLC</i> , No. 6:23-cv-00320-ADA
2005	Opening Claim Construction Brief in <i>Proxense v. Microsoft Corporation</i> , No. 6:23-cv-00319-ADA
2006	Responsive Claim Construction Brief in <i>Proxense v. Microsoft Corporation</i>
2007	Reply Claim Construction Brief in <i>Proxense v. Microsoft Corporation</i>
2008	Sur-reply Claim Construction Brief in <i>Proxense v. Microsoft Corporation</i>
2009	Case Schedule in <i>Proxense v., Google LLC</i>
2010	Order Denying Motion to Transfer in <i>Proxense v., Google LLC</i>
2011	Order from the Federal Circuit Regarding Mandamus Petition
2012	Order Denying Motion to Transfer in <i>Proxense v. Microsoft Corporation</i>
2013	Google’s Invalidity Contentions Cover Pleading
2014	<i>Intentionally Left Blank</i>
2015	Microsoft’s Amended Preliminary Invalidity Contentions
2016	Claim Construction Order in <i>Proxense v., Microsoft Corp.</i> , No. 6:23-cv-00320-ADA
2017	Opening Claim Construction Brief in <i>Proxense v. Google, LLC</i> , No. 6:23-cv- 00320-ADA
2018	Declaration of Troy Carrothers
2019	PCT Publication No. WO 99/56429 (“Scott”)
2020	Application No. 90/015,052, Response filed October 9, 2024
2021	Application No. 90/015,052, Non-Final Office Action mailed November 25, 2024
2022	Application No. 90/015,052, Order Granting Request for <i>Ex Parte</i> Reexamination, mailed August 2, 2022.

2023	Application No. 90/015,052, Request for <i>Ex Parte</i> Reexamination of U.S. Patent No. 8,353,730, received June 8, 2022.
2024	Application No. 90/015,052, Patent Owner Response, filed November 2, 2022.
2025	Application No. 90/015,052, Non-Final Office Action mailed September 12, 2024
2026	Application No. 90/015,052, Interview Agenda mailed December 6, 2024
2027	Application No. 90/015,052, <i>Ex Parte</i> Reexamination Interview Summary mailed December 17, 2024.
2028	Transaction Definition & Meaning - Merriam-Webster, https://www.merriam-webster.com/dictionary/transaction
2029	Stripe Statistics (2024): Revenue, Market Share & Growth Rate, https://capitaloneshopping.com/research/stripe-statistics/
2030	How Online Payment Processing Works PayPal US, https://www.paypal.com/us/brc/article/how-online-payments-processing-works
2031	How credit card processing works Stripe, https://stripe.com/en-de/resources/more/how-credit-card-transaction-processing-works-a-quick-guide
2032	How PayPal helps sellers process and accept credit card payments PayPal US, https://www.paypal.com/us/brc/article/how-paypal-works-for-sellers .
2033	Card authorization explained: How does it work? Stripe, https://stripe.com/resources/more/card-authorization-explained#what-is-card authorization .
2034	Definition of transaction PCMag, https://www.pcmag.com/encyclopedia/term/transaction
2035	Application No. 90/015,052, Final Office Action mailed March 3, 2025.

I. COLLATERAL ESTOPPEL DOES NOT APPLY

Collateral estoppel does not apply to Patent Owner's request for adverse judgment under 37 C.F.R. 42.73(b). Collateral estoppel, or issue preclusion, applies when "(1) the identical issue was previously adjudicated; (2) the issue was actually litigated; (3) the previous determination was necessary to the decision; and (4) the party being precluded from relitigating the issue was fully represented in the prior action.'" *Kroy IP Holdings, LLC v. Groupon, Inc.*, 127 F.4th 1376, 1380 (Fed. Cir. 2025). (quoting *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 249 (3d Cir. 2006)). With respect to the second factor, "[t]he requirement that the issue have been actually decided is generally satisfied if the parties to the original action disputed the issue ***and the trier of fact decided it.***" *In re Freeman*, 30 F.3d 1459, 1466 (Fed. Cir. 1994) (emphasis added) (citations omitted). Accordingly, under the doctrine of collateral estoppel, "***a judgment on the merits*** in a first suit precludes relitigation in a second suit of issues actually litigated and determined in the first suit." *Innovad Inc. v. Microsoft Corp.*, 260 F. 3d 1326, 1334 (Fed. Cir. 2001) (emphasis added) (citations omitted); *see also Abbott Labs v. Andrx Pharms, Inc.*, 473 F.3d 1196, 1203 (Fed. Cir. 2007) (noting the "importance of a final determination on the merits to application of collateral estoppel").

However, an adverse judgment under § 42.73(b) may be entered without litigation of the underlying merits of the patentability issues, such as when a Patent

Owner disclaims all challenged claims or fails to comply with procedural requirements. Because such judgments do not involve an actual adjudication of the merits, they fail to satisfy the “actually litigated and determined” requirement of collateral estoppel. In granting Patent Owner’s request for adverse judgment, the Board has made no final determinations on the merits regarding the validity of any claims. Therefore, collateral estoppel does not apply in these circumstances.

II. THE BOARD IS ESTOPPED UNDER THE APA

While the Board did not make a final determination on the merits, the Examiner did, in EPR 90/015,052 (EPR 052). If any determination has estoppel effect, it is the Examiner’s final determinations set forth in the Final Office Action mailed March 3, 2025, in EPR 052 (Ex. 2035). Patent Owner authorized the entry of the Examiner’s amendment, thereby accepting those final determinations. Furthermore, under the Administrative Procedure Act (APA), the Examiner’s final determination is binding on the Board in these proceedings. 5 U.S.C. §§ 551–559.

Specifically, the Examiner construed access message to be “a message/notification *indicating the user is allowed access, or* otherwise allowing access.” Ex. 2035, 5. “That is, an access message can be either: 1) ‘a message/notification indicating the user is allowed access’ OR 2) ‘otherwise allowing access.’” Ex. 2035, 27. Thus, the Examiner construed the claims to require that an access message *either* indicates access *or* allows access. Based on this

construction, the Examiner concluded “[c]ompleting a transaction or shipping/delivering products to the user/customer is *not required* for a message/notification indicating the user is allowed access to an application.” Ex. 2035, 28 (emphasis added). The Examiner then evaluated the web transaction shown in Fig. 17 of the Ludtke prior art reference, and the associated secure distribution relied upon as the basis for the Petition, and found:

Fig. 17 shows a similar example for a web transaction. The TPOCH first sends *a transaction confirmation* to the vendor and the user (i.e., a message *indicating the user is allowed access* to the product being purchased) before the item is shipped/delivered to the user (i.e., access is given). Here again, *that the vendor ships/delivers the product to the customer is not* precluded from the claim language, *nor required for an access message*. The product would not be shipped/delivered to the user if the TPOCH did not provide the message indicating the user is allowed access. Ludtke 29:29-30, ‘Secure distribution of physical (or electronic) content to the user is performed once the transaction is authorized.

...

Therefore, Examiner finds the TPOCH transaction confirmation is an access message in that it is a message/notification indicating the user is allowed access to an application.

Ex. 2035, 29-31 (emphasis added). The Examiner thus determined that Ludtke’s transaction confirmation is a message *indicating* the user is allowed access.

The Examiner also made a final determination that the claims *would be allowable* if amended to recite “receiving an access message *by an application* from the agent allowing the user to access the application.” Ex. 2035, 31 (emphasis in original). The Examiner’s amendment required the claims to expressly recite the

access message *at least allowing* access. Furthermore, the Examiner considered secure distribution, which the Petition relies upon as an access message. The Examiner made a final determination that secure distribution of a physical product is not an access message allowing access and that Ludtke fails to disclose an access message *allowing access*.

Apple argues “[t]he ’730 and ’954 claims are substantially identical.” Paper 32, at 2. But independent Claims 1, 12 and 22 of the 954 Patent recite an “access message from the trusted authority *indicating* that the trusted authority successfully authenticated the one or more codes and other data values to the third party *and allowing* the user access to an application.” Furthermore, independent claims 1 and 16 recite the access message is received “at an application,” further indicating the access message *allows access* in addition to indicating access. Accordingly, all the claims of the 954 Patent require the access message indicates access *and allows access*. The Examiner made the final determination that Ludtke fails to disclose an access message allowing access, which is directly relevant to the claims being considered under Grounds 1 and 2 in these proceedings (regarding the Ludtke reference). The Examiner’s final determinations are *directly applicable* to the challenged claims of the 954 Patent, which must be patentably distinct and patentable over the grounds of invalidity asserted in the Petition.

Furthermore, receiving “by an application” is the same as receiving “at an application.” As such, the Examiner effectively made a final determination that the addition of that limitation, *i.e.*, from claims 1 and 16 of the 954 Patent rendered the claims of the 730 Patent patentable over Ludtke.

The Board cannot overrule the Examiner. First, the Board ceded jurisdiction to the Examiner when instituting these proceedings despite the co-pending EPR 052 and without staying EPR 052. *See* IPR2024-00232, Paper 10, 38. Second, the Board lacks jurisdiction over EPR 052 absent the filing of a notice of appeal. *See* 37 C.F.R. 41.35. Additionally, the Board is bound by standards set forth in the APA and thus may not take actions that are arbitrary and capricious. *See In re Vivint*, 14 F.4th 1342, 1348 (Fed. Cir. 2021) (“We review the Board’s decisions under the standards set forth in the APA. Those standards require us to decide all relevant questions of law and to set aside agency actions that are arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.”) (quotations and citations omitted); *see also* 5 U.S.C. § 706. “Where an agency action departs from established precedent without a reasoned explanation, its decision will be vacated as arbitrary and capricious.” *Fred Beverages, Inc. v. Fred's Cap. Mgmt. Co.*, 605 F.3d 963, 967 (Fed. Cir. 2010) (holding Trademark Trial and Appeal Board acted arbitrarily by denying leave when there was no basis on which to distinguish the circumstances of

the present case from those in which leave was granted); *see also In re Vivint, Inc.*, 14 F.4th 1342, 1352 (Fed. Cir. 2021).

As noted above, the Examiner considered the web transaction, the vendor's role in completing the transaction, and the secure distribution of content. Additionally, the Examiner considered the role of the TPCCH as a transaction processing clearing house that "may access relevant account information to authorize transactions" and "perform[s] associated financial transactions, such as confirming sufficient funds to perform the transaction, and transfers to the vendor 125 the fees required to complete the transaction." *See* IPR2024-00232, Ex. 1011, 63 and 65. The Examiner's final determinations effectively foreclosed the possibility of a determination of unpatentability here, with respect to the challenged 954 Patent claims on the grounds asserted.

A reasoned explanation at this stage in the proceedings would likely require raising new grounds that Patent Owner would not have the opportunity to address. *See* U.S.C. §§ 554(b)(3); 554(c); 556(d). The Federal Circuit held as follows:

For a formal adjudication like the inter partes review considered here, the APA imposes particular requirements on the PTO. The agency must timely inform[] the patent owner of 'the matters of fact and law asserted, must provide all interested parties opportunity for the submission and consideration of facts and arguments and hearing and decision on notice, and must allow a party to submit rebuttal evidence as may be required for a full and true disclosure of the facts.

Dell Inc. v. Accelleron, LLC, 818 F. 3d 1293, 1301 (Fed. Cir. 2016) (citations and quotations omitted); *see also In re Stepan Co.*, 868 F.3d 1342 (Fed. Cir. 2017)

(faulting the PTAB for adopting a position that had not been presented during examination, thereby denying the applicant a fair opportunity to respond — an APA issue); *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064 (Fed. Cir. 2015); *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 851 F.3d 1270, 1274 (Fed. Cir. 2017); *see also Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018) (“patents are property for purposes of the Due Process Clause”).

Thus, the Board is bound in these proceedings by the precedent set by the Examiner.

III. CONCLUSION

In view of the foregoing, the Board has made no *judgment on the merits* necessary for collateral estoppel to apply, nor can the Board make any final determination other than finding the claims of the 954 Patent patentable over the grounds of invalidity asserted in the Petition.

Dated: May 15, 2025

Respectfully submitted by,

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CERTIFICATE OF SERVICE (37 C.F.R. § 42.6(e))

Pursuant to 37 C.F.R. § 42.6(e), the undersigned hereby certifies that Patent Owner Proxense, LLC's Patent Owner's Reply Regarding Estoppel was served on Petitioner by e-mailing copies to the following e-mail addresses as provided in Petitioner's Petition.

Dated: May 15, 2025

Respectfully submitted,

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