IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE LLC,
Petitioner,

v.

PROXENSE, LLC
Patent Owner

U.S. Patent No. 9,298,905 B1
IPR Case No.: 2024-00234

PROXENSE, LLC'S PRE-INSTIUTION SUR-REPLY

TABLE OF CONTENTS

I. INTRODUCTION 1
II. FINTIV FACTORS FAVOR DISCRETIONARY DENIAL 3
III. THE PETITION FAILS TO RAISE COMPELLING MERITS 6
IV. DISCRETIONARY DENIAL IS WARRANTED UNDER §325(d) 7
V. CONCLUSION 7

EXHIBIT LIST

No.	Exhibit Description
2001	Claim Construction Order in *Proxense v. Samsung Electronics, Co., Ltd. et al.,* No. 6.21-CV-00210-ADA
2002	Memorandum In Support of Claim Construction Order in *Proxense v. Samsung Electronics, Co., Ltd. et al.*
2003	*Intentionally Left Blank.*
2004	Claim Construction Order in *Proxense v., Google LLC,* No. 6:23-cv-00320-ADA
2005	Opening Claim Construction Brief in *Proxense v. Microsoft Corporation,* No. 6:23-cv-00319-ADA
2006	Responsive Claim Construction Brief in *Proxense v. Microsoft Corporation*
2007	Reply Claim Construction Brief in *Proxense v. Microsoft Corporation*
2008	Sur-reply Claim Construction Brief in *Proxense v. Microsoft Corporation*
2009	Case Schedule in *Proxense v., Google LLC*
2010	Order Denying Motion to Transfer in *Proxense v., Google LLC*
2011	Order from the Federal Circuit Regarding Mandamus Petition
2012	Order Denying Motion to Transfer in *Proxense v. Microsoft Corporation*
2013	Google's Invalidity Contentions Cover Pleading
2014	Email from William Atnipp, dated May 3, 2024
2015	Microsoft's Amended Preliminary Invalidity Contentions

I. INTRODUCTION

Petitioner filed three Petitions for *Inter Partes* Review[1] relying on the same primary reference as three pending *Ex Partes* Reexaminations[2] filed July 8, 2022. Despite the mandate in 35 U.S.C. § 305 that "[a]ll reexamination proceedings under this section, including any appeal to the Patent Trial and Appeal Board, ***will be conducted with special dispatch*** within the Office" (emphasis added), and the special priority required by MPEP § 2261 for reexamination proceedings "over all other cases except reexaminations or reissues involved in litigation," a first office action was issued in *only one* of the three reexaminations. The failure of all the Reexams to receive "special dispatch" and "priority" appears to be the result of the peculiar proceedings of the 053 Reexam, where the Examiner took an inconsistent position with the Board as described below; the backdrop of the 053 Reexam may be helpful to consider in the analysis of discretionary denial of the current Petition.

The Requests for each Reexam addressed the Board's prior construction of "third-party trusted authority" from three previous IPRs. Each Request noted the Board's construction of "third party trusted authority," summarized the Board's reasoning, and stated that Requestor "has applied this construction, in light of the Board's observations and analysis, to the prior art..."[3] On August 2, 2022, Orders granting reexamination were issued in each of the Reexams. In the 052 and 054 Reexams, the Orders asserted substantial new questions of patentability ("SNQs") consistent with the questions raised in the Requests. In response, Patent Owner filed nearly identical Statements to those Orders. But the Order issued in the '053 Reexam asserted SNQs

---

[1] IPR2024-00232, IPR2024-00233, and IPR2024-00234.
[2] Applications Nos. 90/015,052, 90/015,053, and 90/015,054 (the "052, 053, and 054 Reexams," collectively the "Reexams").
[3] 052 Reexam, Request filed June 8, 2022 at 35-36; 053 Reexam, Request filed June 8, 2022, at 30-31; and 054 Reexam, Request filed June 8, 2022, at 29-30.

different from those raised in the related Request. Patent Owner responded with a different Statement. Then, on November 20, 2023, a First Office Action was issued for the 053 Reexam that asserted rejections consistent with the SNQs raised in the Request. The Patent Owner filed a Response presenting arguments consistent with those asserted in the Statements previously filed in the 052 and 054 Reexams.

In its Response, the Patent Owner noted the Board's prior construction of "third-party trusted authority" and its reasoned application thereof to Lapsley by citing to the following statement by the Board\:

> "As the patent owner points out, the DPC appears to be what is being accessed, as the payee and payor, with the PIA, access a list of financial accounts from the DPC. (Citations omitted). Here, the DPC is the resource to be accessed, but it is a party to the transaction, rather than a third party."[4]

A Final Office Action was mailed on March 4, 2024. In it, the Examiner disregarded the Board's reasoned analysis, instead asserting that the PTAB merely "determined that petitioner 'has not explained sufficiently why Lapsley's DPC is a third-party trusted authority, what entities the DPC is a third-party relative to, or what application the user is being permitted to access in the asserted combination."[5] The Examiner then asserted, "Ludtke describes the transaction privacy clearinghouse (TPCH) as an interface between the buyer/user party and the vendor party, as an element that communicates with 'external' vendors as well as the user's transaction device, and provides a 'middleman' and 'intermediary' to shield certain user information from the plurality of vendors."[6] The Examiner ultimately concluded Lapsley's TPCH is a "third-party trusted authority" because, according to the Examiner, it is an "intermediary" / "an interface"

---

[4] *Samsung Electronics America, Inc. v. Proxense, LLC,* IPR2021-01147, Paper 12 at 24 (PTAB, February 28, 2022).
[5] Final Office Action*,* 053 Reexam, Page 24.
[6] Final Office Action*,* 053 Reexam, Page 24.

accessed by the buyer (payor) and vendor (payee) to access certain user information (i.e., financial accounts). But the Examiner's determination is at odds with the Board's reasoned application of its prior construction. Accordingly, Patent Owner filed a Notice of Appeal on May 4, 2024.

The Examiners of the 052 and 054 Reexams also appear to have issue with the Final Office Action issued in the 053 Reexam. If the other Examiners agreed, they would have issued consistent office actions as to meet the statutory mandate of "special dispatch" and give the "priority" required by the MPEP. This is especially likely given that the Primary Examiner of the 052 Reexam is a Conferee for the 053 Reexam. Yet, the other Examiners did not issue office actions at all – most likely to avoid issuing inconsistent actions. Consequently, the '052 and '054 Reexams have been pending for *almost two years* without a first office action.

Against this backdrop, the Board can properly evaluate discretionary denial.

II. FINTIV FACTORS FAVOR DISCRETIONARY DENIAL

Factor 1: The District Court has not granted a stay and there is no evidence it will grant one. Petitioner cites *Lone Star SCM Sys., Ltd. v. Zebra Techs. Corp.*[7] as evidence that a stay could be granted. But that case is inapposite. In *Lone Star*, the IPR was instituted ***before*** the *Markman* hearing, ***before*** discovery opened, and a final written decision was expected ***before*** the scheduled trial date. In the instant case, however, a *Markman* hearing ***has occurred***, discovery ***is open*** (and closing August 16, 2024), and a final written decision is expected ***well after*** the scheduled trial date[8]. Given the present facts, it is *extremely unlikely* a stay will be granted. This factor, therefore, undoubtedly favors discretionary denial.

[7] 6:21-cv-00842, Dkt. 85, (WDTX Jul. 31, 2023).
[8] Patent Owner Preliminary Response at 20-21

Factor 2: Trial in *Proxense v. Google*, is scheduled for the week of February 27, 2025[9] – well before the expected date of a final written decision. Applying the Court's "average time to trial" puts the trial around June or July of 2025. "Where the parties rely on time-to-trial statistics, the PTAB will also consider additional supporting factors such as the number of cases before the judge in the parallel litigation and the speed and availability of other case dispositions."[10] No such additional supporting factors have been provided here (nor do they exist), and there is no reason to disregard the Court's scheduled trial date. This factor, therefore, clearly favors discretionary denial.

Factor 3: The significant investment in parallel proceedings by the District Court, the Office, and the Parties favors discretionary denial. "This investment factor is related to the trial date factor, in that more work completed by the parties and court in the parallel proceeding tends to support the arguments that the parallel proceeding is more advanced, a stay may be less likely, and instituting would lead to duplicative costs."[11] The CRU and the Patent Owner have spent considerable effort prosecuting the '053 Reexam to the appeal stage – with Patent Owner's appeal brief due July 5, 2024. Furthermore, in the District Court, a *Markman* order has been issued and discovery will close on August 16, 2024, shortly after (potential) institution. Thus, substantial work has been completed by the District Court, the Office, and the Parties. As a result, instituting *inter partes* review would lead to duplicative costs. Also, given the Reexams are matters of public record, making the applicability of Ludtke readily known, Petitioner was not diligent in filing their Petitions, as they could have filed anytime in the six-month interval

[9] Exhibit 2009.
[10] USPTO Memorandum, Interim Procedure for Discretionary Denials in AIA Post Grant Proceedings with Parallel District Court Litigation ("Guidance Memo") (June 21, 2022), at 9.
[11] *Apple, Inc. v. Fintiv, Inc.,* IPR2020-00019, Paper 11 at 10 (PTAB March 20, 2020).

between being served and issuance of the First Office Action. Accordingly, this factor also favors denial.

Factor 4: The overlap between the issues raised in the 053 Reexam favors denial. "This factor evaluates 'concerns of inefficiency and the possibility of conflicting decisions' when substantially identical prior art is submitted in both the district court and the inter partes review proceedings."[12] At issue in the 053 Reexam, and the instant Petitions, is whether Ludtke's TPCH is a "third-party trusted authority". Accordingly, the risk of an inconsistent outcome is real – especially given that it appears a desire to avoid inconsistent actions has prevented the 052 and 054 Reexams from receiving their statutory mandated "special dispatch". A similar risk exists with respect to the pending litigation against Microsoft – in that Microsoft has also asserted that Ludtke discloses a "third-party trusted authority."[13]

The potential hazards of inconsistent results in the *Proxense v. Microsoft* civil action and the 053 Reexam cannot be mitigated with Petitioner's narrow stipulation , as Petitioner is not a party to the '053 Reexam nor the litigation against Microsoft.

Accordingly, this factor clearly favors discretionary denial.

Factor 5: "Although it is far from an unusual circumstance that a petitioner in *inter partes* review and a defendant in a parallel district court proceeding are the same, or where a district court is scheduled to go to trial before the Board's final decision would be due in a related *inter partes* review, this factor weighs in favor of discretionary denial."[14] While Petitioner may be a party to one litigation, it is not a party to the litigation against Microsoft – which also has

[12] *Sand revolution II, LLC v. Continental Intermodal Group – Trucking LLC,* IPR2019-01393, Paper 24 at 11 (PTAB June 16, 2020).

[13] Exhibit 2015

[14] *Sand revolution II, LLC v. Continental Intermodal Group – Trucking LLC,* IPR2019-01393, Paper 24 at 12-13 (PTAB June 16, 2020).

asserted that Ludtke renders obvious the patents at issue.[15] It is also not a party to the 053 Reexam – which has determined that Ludtke discloses a "third-party trusted authority." "Even when a petitioner is unrelated to a defendant, however, if the issues are the same as, or substantially similar to, those already or about to be litigated, or other circumstances weigh against redoing the work of another tribunal, the Board may, nonetheless, exercise the authority to deny institution."[16] Addressing Ludtke here would be duplicative of the 053 Reexam and/or the work to be undertaken in the co-pending litigation against Microsoft. This factor, accordingly, favors denial.

As *all factors favor denial*, discretionary denial under *Fintiv* is warranted.

III. THE PETITION FAILS TO RAISE COMPELLING MERITS

"[T]he compelling merits standard is a higher standard than the standard for institution set by statute."[17] Petitioner asserts that compelling merits are raised by merely noting "the Petition explains why the prior art reference Ludtke discloses a 'third-party trusted authority.'"[18] "Merely pointing to [an] analysis under the lower institution standard is insufficient to demonstrate that the Petition presents a compelling unpatentability challenge."[19]

The Final Office Action in the 053 Reexam, furthermore, demonstrates a lack of compelling merits. As noted at the beginning of this Reply, the Final Office Action is inconsistent with the Boards previous reasoned analysis. This contradiction has apparently not escaped the attention of the Examiners responsible for the 052 and 054 Reexams. Each has failed to adopt the conclusions of the Final Office Action in the 053 Reexam. This is telling

---

[15] Exhibit 2015

[16] *Apple, Inc. v. Fintiv, Inc.,* IPR2020-00019, Paper 11 at 14 (PTAB March 20, 2020).
[17] *Commscope Technologies LLC v. Dali Wireless, Inc,* IPR2022-01242, Paper 23 at 3 (PTAB Feb. 27, 2023).
[18] Pre-Institution Reply, at 4.
[19] *Commscope Technologies LLC v. Dali Wireless, Inc,* IPR2022-01242, Paper 23 at 5 (PTAB Feb. 27, 2023).

given that the Examiner for the 052 Reexam is a Conferee for the 053 Reexam. Accordingly, the fear of putting forth inconsistent actions apparently has prevented the other Examiners from providing the "special dispatch" mandated by statute.

Even assuming the other Examiners agree with the Final Office Action, that still undercuts the merits of the Petitions. Every independent claim of the patents at issue requires sending transaction device information including a device ID code to a "third-party trusted authority". The Final Office Action, however, asserts "Ludtke does not explicitly describe the 'transaction device information' provided to the TPCH."[20] As the Petition relies on Ludtke alone to invalidate all independent claims, the Final Office Action issued in the 053 Reexam indicates the Petitions lack merit.

IV. DISCRETIONARY DENIAL IS WARRANTED UNDER § 325(d)

Petitioner attempts to avoid discretionary denial by asserting a first office action has not been issued and new grounds have been presented. This is not true. Every independent claim of the patents at issue requires sending transaction device information including a device ID code to a "third-party trusted authority." A final office action evaluating the teachings of Ludtke has been issued in the 053 Reexam asserting "Ludtke does not explicitly describe the 'transaction device information' provided to the TPCH."[21] Accordingly, the Office has considered Ludtke as a single reference and found it deficient. The Petitions, therefore, do not raise grounds not previously considered by the Office.

V. CONCLUSION

Discretionary denial is warranted under *Fintiv* and §325(d). Patent Owner, however, requests the Board also deny institution on the merits of the Petitions.

---

[20] Final Office Action, 053 Reexam, Page 12.
[21] Final Office Action, 053 Reexam, Page 12.

Dated: May 27, 2024

Respectfully submitted,

By: /David L. Hecht/
David L Hecht Reg. No 61,618
Hecht Partners LLP
125 Park Avenue, 25th Floor
New York, NY 10017
Tel: 212-851-6821
E: dhecht@hechtpartners.com

Counsel for Patent Owner

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 Pre-Institution Sur-Reply was served on May 27, 2024 by e-mailing copies to the following e-mail address as provided in Petitioner's Petition:

Google-Proxense-IPRs@finnegan.com.

Dated: May 27, 2024

Respectfully submitted,

By: /David L. Hecht/
David L Hecht Reg. No 61,618
Hecht Partners LLP
125 Park Avenue, 25th Floor
New York, NY 10017
Tel: 212-851-6821
E: dhecht@hechtpartners.com

Counsel for Patent Owner

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that the page count for the foregoing Pre-Institution Sur-Reply (excluding the table of contents, certificate of service, word count, or exhibit list) totals 7 pages, which was the maximum allowed by the Board for this submission.

Dated: May 27, 2024

Respectfully submitted,

By: /David L. Hecht/
David L Hecht Reg. No 61,618
Hecht Partners LLP
125 Park Avenue, 25th Floor
New York, NY 10017
Tel: 212-851-6821
E: dhecht@hechtpartners.com

Counsel for Patent Owner