**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

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**BEFORE THE PATENT TRIAL AND APPEAL BOARD**

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APPLE INC,

Petitioner,

v.

PROXENSE, LLC

Patent Owner

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U.S. Patent No. 8,886,954

IPR2024-00233 & IPR2024-01334

# PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW UNDER 37 C.F.R. § 42.75

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# EXHIBIT LIST

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| 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 | *Markman Transcript from Proxense v. Samsung Electronics, Co., Ltd. et al.* |
| 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* |
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| 2009 | Case Schedule in *Proxense v., Google LLC* |
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| 2015 | Microsoft's Amended Preliminary Invalidity Contentions |
| 2016 | Claim Construction Order in *Proxense v., Microsoft Corp.*, No. 6:23-cv-00320-ADA |
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| 2018 | Declaration of Troy Carrothers |
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| 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 *Ex Parte* Reexamination, mailed August 2, 2022. |

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|---|---|
| 2023 | Application No. 90/015,052, Request for *Ex Parte* 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, *Ex Parte* 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 |
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| 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. |
| 2036 | Correspondence with the Board Regarding Final Office Action in Re-Examination 90/015052 - U.S. Patent No. 8,352,730 |
| 2037 | Order Staying Re-Examination 90/015052 |
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# I. INTRODUCTION

Proxense LLC ("Patent Owner") requests, pursuant to 37 C.F.R. § 42.75(d), Director Review of the Board's Final Written Decision that claims 1, 2-7, 10, 12, 13-19, and 22-27 of U.S. Patent No. 8,886,954 ("the 954 Patent") are unpatentable as obvious over Ludtke (U.S. Patent No. 7,188,110; Ex. 1005).

The Board's Final Written Decision violates the Administrative Procedure Act ("APA") by failing to provide a reasoned explanation for reaching an inconsistent result with a prior determination by the Office. Specifically, the Board disregarded a previous determination by the Central Reexamination Unit ("CRU") in co-pending Re-Examination 90/015,052 ("the 052 Re-Exam") concerning related U.S. Patent No. 8,352,730 ("the 730 Patent"). In that proceeding, the CRU determined substantially identical claims are patentable over Ludtke.

Rather than engaging with the CRU's determinations, the Board summarily dismissed them as "not an assessment on the merits" and "of no relevance." Paper 35, at 44. Moreover, the Board ignored the fact that Petitioner had notice of the CRU's determination and a full opportunity to address it.

Permitting the Board's decision to stand would result in two inconsistent results on substantially similar issues and the same underlying facts, thereby undermining the integrity and consistency of Office proceedings. For these reasons, the Director should grant review and reverse the Board's Final Written Decision.

## II. LEGAL STANDARD

Agency compliance with the APA is always at issue in an IPR, as the APA provides the standard by which the entire proceeding is evaluated.

> "We review the Board's decisions under the standards set forth in the APA… Our review under the APA is not limited to the four corners of a final agency action; we may also review 'preliminary, procedural, or intermediate agency actions or rulings' that are 'not directly reviewable' before a final action."

*In re Vivint,* 14 F.4th 1342, 1348 (Fed. Cir. 2021)

Under the APA, concurrent parallel Office proceedings cannot result in inconsistent results without a reasoned explanation.

> "Under the APA, we must set aside an agency action that is either an abuse of discretion or ***arbitrary and capricious***… Agency action that '***departs from established precedent*** without a reasoned explanation is ***arbitrary and capricious***."

*In re Vivint,* 14 F.4th at 1351-52 (emphasis added); *see also id.* at 1352-1355 (holding that the Office acted arbitrarily and capriciously when the CRU and PTAB in IPR proceedings applied the same law to the same facts and achieved inconsistent results).

> "Because the Board did not provide any reasoned explanation for the inconsistent result across the two reexaminations, we vacate and remand the Board's decision[.]"

*Vicor Corp. v. SynQor, Inc.,* 869 F.3d 1309, 1323 (Fed. Cir. 2017).

The introduction of new evidence during IPR proceedings is not only permissible—it is expected under the APA.

> "***There is, however, no blanket prohibition against the introduction of new evidence during an inter partes review proceeding.*** In fact, 'the introduction of new evidence in the course of the trial is to be expected in *inter partes review* trial proceedings and, ***as long as the opposing party is given notice of the evidence and an opportunity to respond to it, the introduction of such evidence is perfectly permissible under the APA***."

*Anacor Pharm., Inc. v. Iancu*, 889 F. 3d 1372, 1380 (Fed. Cir. 2018) (emphasis added).

When new evidence is offered, it must be considered, unless the opposing party was deprived of notice or the opportunity to respond. Failure to consider relevant evidence renders the agency's action arbitrary and capricious:

> "An ***agency's refusal to consider evidence*** bearing on the issue before it is, by definition, ***arbitrary and capricious within the meaning of APA***, which governs review of agency adjudications. That means that the ***agency must take account of all the evidence of record***, including that which detracts from the conclusion the agency ultimately reaches."

*Aqua Prods., Inc. v. Matal,* 872 F.3d 1290, 1325 (Fed. Cir. 2017) (en banc) (emphasis added).

# III. BACKGROUND

## A. Relationship to Other Proceedings

The present IPR is one of three sequentially filed IPRs against different members of the same patent family (i.e., IPR2024-00232, IPR2024-00233, and IPR2024-00234). After institution, the IPRs were administratively joined, and received a joint scheduling order, and a joint oral argument. *See* Paper 11.

## B. The Petition Parroted the 052 Re-Exam and Preliminary Briefing Raised the 052 Re-Exam

The Petition and the Request for Reexamination in the 052 Re-Exam presented substantially similar issues. *Compare* Paper 1 *with* Ex. 2035. While the Request for Re-Examination applied Ludtke (the primary reference) in *combination* with Okereke (U.S. Publication No. 2003/0196084), the CRU consistently applied Ludtke alone. *See* Exs. 2021, 2025, and 2035. In its preliminary briefing, Patent Owner raised concerns regarding inconsistent results between the IPRs and the 052 Re-Exam. Paper 9, at 1-3 and 5-7. The Board acknowledged that the 052 Re-Exam was a related matter (Paper 10, at 2-3), but did not otherwise address it in the Institution Decision.

## C. The Board Ceded Jurisdiction to the CRU

Despite acknowledging that the 052 Re-Exam was a related matter, the Board declined to stay the 052 Re-Exam after instituting IPR2024-00232. By permitting the 052 Re-Exam to continue after institution, the Board ceded jurisdiction to the

CRU, which was allowed to decide (and did decide) the applicability of Ludtke to the question of patentability.

### D. The CRU Determined Claims Substantially Identical to the Independent Claims of the 954 Patent Are Allowable over Ludtke

Following institution, the CRU issued a first Office Action in the 052 Re-Exam, presenting grounds of rejection over Ludtke that differed from those raised in the original Request. *Compare* Exs. 2025 and 2023. Nevertheless, the Office Action stated that the Patent Owner's arguments, as presented in Patent Owner's Statement, were unpersuasive. Ex. 2023 at 30-31. Patent Owner responded, after which the CRU issued a **subsequent non-final Office Action** asserting new grounds of rejection. Ex. 2021.

A subsequent interview between the CRU and Patent Owner led to a determination that "[w]ere the claims to recite the ***access message being sent to/received by the application***, which is supported by the 730 Patent at col. 5, lines 23-26, the ***claims would be allowable over Ludtke***." Ex. 2027, at 4. This key determination was reiterated in the subsequent Final Office Action. Ex. 2035, at 31 ("Lastly, as presented by the Examiner in the Interview Summary mailed December 17, 2024, the claims would be allowed if amended to recite: receiving an access message ***by an application*** from the agent allowing the user to access the application, wherein the application is selected from a group consisting of a casino machine, a

keyless lock, a garage door opener, an ATM machine, a hard drive, computer software, a web site and a file.").

In response, Patent Owner submitted an after-final amendment amending the claims as requested by the CRU. Notably, the amended limitation, "receiving an access message ***by an application,***" was identical to language already present in the independent claims of the 954 Patent ("receiving, ***at an application***, an access message").

### E. One Month Prior to Oral Arguments, Petitioner and Patent Owner Jointly Presented the CRU's Determination to the Board

On March 25, 2025, Petitioner and Patent Owner jointly submitted the CRU's Final Office Action and the proposed Examiner's Amendment to the Board. *See* Ex. 2036. In response, the Board stayed the 052 Re-Exam. *See* Ex. 2037. The stay was subsequently lifted after Patent Owner requested Adverse Judgement in IPR2024-00232 to allow entry of the CRU's amendment. *See* Ex. 2038. At that point, the Board no longer had jurisdiction over the 730 Patent, as the patent was no longer **involved in** an IPR proceeding before the Board. *See* 37 C.F.R. § 42.3(a) ("The Board may exercise exclusive jurisdiction within the Office over every ***involved application and patent*** during the proceeding, as the Board may order." (emphasis added)); and § 42.122(a) ("Where another matter ***involving the patent*** is before the Office, the Board may ***during the pendency of the inter partes review*** enter any

appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter." (emphasis added)).

### F. The Board Provided Petitioner Additional Briefing After Oral Argument

Prior to joint oral arguments in IPR2024-00232 and IPR2024-00233, Patent Owner requested adverse judgment in IPR2024-00232 to enable entry of the CRU's amendment. Ex. 2038. Patent Owner's request was not granted until after oral arguments. *Id.* At oral arguments, Patent Owner presented the CRU's final determination as a prior Office decision addressing the same issues as those presented with respect to the claims of the 954 Patent. *See* Paper 28 (Demonstratives), at 15-20. Following the joint oral arguments, Petitioner was granted additional briefing. *See* Paper 32.

## IV. ARGUMENT

### A. The Board Reached Results Inconsistent with the 052 Re-Exam

"Agency action that '***departs from established precedent*** without a reasoned explanation is ***arbitrary and capricious***." *In re Vivint,* 14 F.4th at 1352 (emphasis added); *see also id.* at 1352-1355 (holding that the Office acted arbitrarily and capriciously when the CRU and PTAB in IPR proceedings applied the same law to the same facts and achieved inconsistent results.); *Vicor,* 869 F.3d at 1323 (holding that "[b]ecause the Board did not provide any reasoned explanation for the inconsistent result across the two reexaminations, we vacate and remand the Board's

decision."). Accordingly, under the APA, concurrent parallel Office proceedings cannot result in inconsistent results without providing a reasoned explanation.

The facts here present the reverse of *In re Vivint*, where the CRU issued a decision contradicting the PTAB. However, that distinction is ultimately immaterial. Both IPR and *ex parte* re-examination are forms of post-grant review. In both proceedings, the deciding body—the PTAB in IPRs or the CRU in re-examination—considers the matter in the first instance. Moreover, decisions by both the CRU and PTAB are subject to intra-agency review. As the Supreme Court held in *United States v. Arthrex, Inc,* 594 US 1, 26-27 (2021): "In sum, we hold that 35 U.S.C. §6(c) is unenforceable as applied to the Director insofar as it prevents the Director from reviewing the decisions of the PTAB on his own… The Constitution therefore forbids the enforcement of statutory restrictions on the Director that insulate the decisions of APJs from his direction and supervision." While the PTAB may review adverse CRU determinations, it ultimately lacks the statutory authority to review CRU determinations that confirm patentability. *See* 35 U.S.C. § 6(b)(2) ("The Patent Trial and Appeal Board shall … review appeals of reexaminations pursuant to section 134(b)") and § 134(b) ("A patent owner in a reexamination may ***appeal from the final rejection of any claim*** by the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal." (emphasis added)). Accordingly, when the CRU determines that claims are patentable, that decision is

***binding precedent*** within the agency—one that the PTAB lacks authority to overturn.

Moreover, when the Board granted Patent Owner's request for Adverse Judgement in IPR2024-00232, it relinquished jurisdiction over the 730 Patent. *See* 37 C.F.R. §§ 42.3(a) and 42.122(a). As a result, at the time the Board issued its Final Written Decision, exclusive jurisdiction over the 730 Patent rested with the CRU.

Absent a reasoned explanation, the APA forbids the PTAB from issuing a final written decision inconsistent with a final determination of patentability by the CRU. The Board, however, did just that.

In the 052 Re-Exam, the CRU determined that claims reciting "***receiving by an application*** an access message from the agent ***allowing the user access to the application***" were patentable over Ludtke.[1] In contrast, the Board determined that claims reciting "***receiving, at an application, an access message*** from the trusted authority indicating that the trusted authority successfully authenticated the one or more codes and other data values sent to the third party and ***allowing the user access to the application***" were unpatentable over Ludtke.[2] Despite the substantive similarity between these claim limitations, the Board offered no reasoned explanation to justify its inconsistent result.

[1] The claims of the 730 Patent define an "agent" as a "third-party trusted authority." *See* 730 Patent, claim 1 ("an agent that is a third-party trusted authority").
[2] The claims of the 954 Patent define "third-party" and "trusted authority" as a "third-party trusted authority." *See* 954 Patent, claim 1 ("third party that operates a trusted authority").

Both sets of claims recite receiving an "access message" from a "third party trusted authority." Both claims also recite that the received access message performs the function of "allowing the user access to the application." The only difference between the claims is the preposition used to specify where the access message is received. Yet in both instances, it is the application that is receiving the access message. Accordingly, there is no meaningful difference between the claims

As there is no meaningful difference between the claims, the Board's determination of unpatentability over Ludtke is inconsistent with the CRU's prior determination of patentability.

**B. The Board Failed to Provide a Reasoned Explanation**

The Board acted arbitrary and capriciously by failing to provide a reasoned explanation for its inconsistent result. Rather, the Board dismissed the CRU's examination as "having no practical significance; hypothetical or academic." Paper 35, at 42. The Board did not consider or engage with any of the substantive arguments made to and considered by the CRU in ultimately reaching a different determination. Instead, the Board relied on a factually erroneous statement that the proposed amendments were withdrawn. Paper 35, at 44. This was **clear error**. *See e.g.*, *Vicor*, 869 F.3d at 1322; *Aqua Prods.,* 872 F.3d at 1325.

The Board dismissed CRU's examination by misquoting the CRU and misapplying the legal definition of "moot." The definition of "moot" in its entirety must be considered:

> "**moot** adj. (16c) 1. Archaic. Open to argument; debatable; MOOTABLE (1). 2. Having no practical significance; hypothetical or academic. 3. (Of a putative legal dispute) no longer involving a real, live controversy. • Whereas ***a legal question*** is not ripe if it has not yet developed into a live controversy, it ***is moot if the question has been resolved and has therefore passed the point of being a live controversy***. — **mootness**, n." MOOT, Black's Law Dictionary (12th ed. 2024) (emphasis added).

Accordingly, when the CRU stated in the Non-Final Office Action mailed November 25, 2024 (Ex. 2021) an "argument is moot in view of the updated rejections" the CRU was stating that the argument had been resolved and has therefore passed the point of being a live controversy because of the updated rejection.

This interpretation is confirmed by the MPEP. The November Non-Final Office Action was a second action on the merits. "Second or any subsequent actions on the merits ***shall be final***, ***except*** where the examiner introduces a new ground of rejection." MPEP § 706.07(a) (emphasis added). Accordingly, for the November Office Action to be "Non-Final" the Examiner had to be presenting new grounds of rejections.

Similarly, the Board mischaracterized the CRU's statements in the Non-Final Office Action mailed May 20, 2025. The CRU expressly acknowledged entry of the ***after-final*** amendments submitted on March 8, 2025. Ex. 3003, at 2. The CRU also stated that "the previous rejection over Ludtke is withdrawn." Ex. 3003, at 3. The Board dismissed entry of the amendment and withdrawal of the Ludtke rejections as "not an assessment on the merits" and "of no relevance." Paper 35, at 44.

This Board's dismissal contradicts the MPEP. The May 2025 Office Action was **a non-final office action** mailed after the Final Office Action. As set forth in MPEP § 706.07(e), "[o]nce a final rejection that is not premature has been entered in an application/reexamination proceeding, it should not be withdrawn at the applicant's or patent owner's request except on a showing under 37 CFR 1.116(b)." Under 1.116(b), an amendment after a final rejection may be entered that "compl[ies] with any requirement of form expressly set forth in a previous office action." In response to the Final Office Action, Patent Owner amended the claims as directed by the CRU – *i.e.,* to recite "***receiving by an application***."

Accordingly, the only permissible reason for withdrawing the final rejection over Ludtke was because the Patent Owner complied with the requirements that the CRU set forth to distinguish the claims over Ludtke. Therefore, the CRU withdrew the rejection because it determined the amended claims are patentable over Ludtke.

As set forth above, under the APA the Board to must provide a reasoned explanation when issuing a decision providing an inconsistent result with a concurrent parallel Office proceeding on substantially similar issues. Rather than doing so, the Board dismissed and mischaracterized the CRU's examination, offering no substantive engagement with the CRU's determinations, falling well short of the APA's standard for reasoned decision-making. Accordingly, the Board's Final Written Decision must be reversed.

**C. The Board's Procedural Statements are Inaccurate**

The Board improperly disregarded and dismissed Patent Owner's arguments concerning the controlling effect of the CRU's determinations under the APA, characterizing them as "untimely." Paper 35, at 44. But the Board had no liberty to disregard Patent Owner's arguments, unless the Petitioner was not given notice and the opportunity to respond. The Petitioner was given both.

As an initial matter, "[t]here is [] no blanket prohibition against the introduction of new evidence during an *inter partes* review." *Anacor Pharm., Inc.*, 889 F. 3d at 1380. Rather, "the introduction of new evidence in the course of the trial is to be expected in *inter partes* review." *Id.* Accordingly, it was permissible and expected for Patent Owner to introduce the Final Office Action issued in the 052 Re-Exam.

Once before the Board, any "refusal to consider evidence bearing on the issue before it is, by definition, arbitrary and capricious within the meaning of APA." *Aqua Prods., Inc.,* 872 F.3d at 1325. "That means that the [Board had to] take account of all the evidence of record, including that which detracts from the conclusion the [Board] ultimately reaches." *Id.*

The Board was obligated to ensure that Petitioner had both notice of the relevant evidence and an opportunity to respond. As the Federal Circuit recognized in *Anacor Pharm., Inc.*, 889 F.3d at 1380: "the introduction of new evidence in the course of the trial is to be expected in inter partes review trial proceedings and, as long as the opposing party is given notice of the evidence and an opportunity to respond to it, the introduction of such evidence is perfectly permissible under the APA."

Here, Petitioner clearly had adequate notice of the CRU's favorable determination of patentability presented in the Final Office Action. Indeed, Petitioner and Patent Owner jointly presented the evidence to the Board a month before oral arguments. Ex. 2036. Petitioner cannot lack notice of the very evidence it presented to the Board.

Furthermore, Petitioner had adequate opportunity to address the CRU's determination that substantially identical claims were patentable over Ludtke during oral arguments. If that was not enough, Petitioner was afforded extra briefing after

oral arguments. *See* Paper 32. Petitioner, accordingly, had both notice *and* opportunity to respond to the CRU's determinations put forth in the Final Office Action. *See Belden Inc. v. Berk-Tek LLC,* 805 F.3d 1064, 1081 (Fed. Cir. 2015) (stating a party can respond to new evidence by "disput[ing] the substance [of the evidence] at oral hearing before the Board" or "move for permission to submit a surreply responding to the [evidence]").

During oral arguments, Patent Owner also presented the CRU's final determination as a prior Office decision addressing the same issues as those presented with respect to the claims of the 954 Patent. *See* Paper 28 (Demonstratives), at 15-20. Patent Owner noted that the CRU's final determination created precedent under the APA. Paper 31, at 47-48, and Paper 33. Accordingly, Patent Owner raised the effect of the CRU's determination under the APA during oral arguments. Yet, the Petitioner chose not to address the CRU's determinations at oral argument or in the extra briefing provided by the Board.

As Petitioner had notice and opportunity to respond to the CRU's determination, the Board could not disregard Patent Owner's argument regarding the controlling effect of the CRU's determination under the APA.

## V. CONCLUSION

The Board's Final Written Decision violates the APA and severely threatens the integrity of the Office and thus must be reversed in its entirety.

Dated: July 2, 2025

Respectfully submitted by,

*/s/ David L. Hecht*

David L. Hecht
Reg. No. 61,618

dhecht@hechtpartners.com
HECHT PARTNERS LLP
125 Park Avenue, 25th Floor
New York, NY 10017
P: (212) 851-6821

*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 Request for Director Review was served on Petitioner by e-mailing copies to the e-mail addresses as provided in Petitioner's Petition.

Dated: July 2, 2025

Respectfully submitted by,

*/s/ David L. Hecht*
David L. Hecht
Reg. No. 61,618

dhecht@hechtpartners.com
HECHT PARTNERS LLP
125 Park Avenue, 25th Floor
New York, NY 10017
P: (212) 851-6821

*Counsel for Patent Owner*