

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DK CROWN HOLDINGS INC.,
Petitioner,

v.

DIOGENES LIMITED,
Patent Owner.

IPR2023-00266
Patent 10,970,969 B2

Before HYUN J. JUNG, ROBERT L. KINDER, and SEAN P. O'HANLON,
Administrative Patent Judges.

O'HANLON, *Administrative Patent Judge.*

DECISION
Granting Institution of *Inter Partes* Review
35 U.S.C. § 314

I. INTRODUCTION

A. Background

DK Crown Holdings Inc. (“Petitioner”) filed a Petition for *inter partes* review of claims 1, 2, 8, 9, 13–16, 20–27, 29, and 30 (“the challenged claims”) of U.S. Patent No. 10,970,969 B2 (Ex. 1001, “the ’969 patent”). Paper 1 (“Pet.”), 1. Diogenes Limited (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”).

Institution of an *inter partes* review is authorized by statute only when “the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a) (2018). A decision to institute may not institute on fewer than all claims challenged in the petition. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1354, 1359–60 (2018). If the PTAB institutes a trial, the PTAB will institute on all challenges raised in the petition. *See* 37 C.F.R. § 42.108(a) (“When instituting . . . review, the Board will authorize the review to proceed on all of the challenged claims and on all grounds of unpatentability asserted for each claim.”); Patent Trial and Appeal Board Consolidated Trial Practice Guide (“CTPG”) 64 (Nov. 2019) (“The Board will not institute on fewer than all claims or all challenges in a petition.”);¹ *AC Techs. S.A. v. Amazon.com, Inc.*, 912 F.3d 1358, 1364 (Fed. Cir. 2019) (“[I]f the Board institutes an IPR, it must . . . address all grounds of unpatentability raised by the petitioner.”).

¹ Available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>.

We have authority, acting on the designation of the Director, to determine whether to institute an *inter partes* review under 35 U.S.C. § 314 and 37 C.F.R. § 42.4(a). For the reasons set forth below, upon considering the Petition, Preliminary Response, and evidence of record, we conclude that the information presented shows that there is a reasonable likelihood that Petitioner would prevail in establishing the unpatentability of at least one of the challenged claims. Thus, we institute *inter partes* review of all challenged claims based on all asserted grounds.

B. Real Parties in Interest

Petitioner identifies itself, DraftKings Inc., Crown Gaming Inc., and SBTech (Global) Limited as real parties in interest. Pet. 3

Patent Owner identifies itself and Colossus (IOM) Limited as real parties in interest. Paper 3, 2.

C. Related Matters

The parties indicate that the '969 patent is the subject of the following district court proceeding:

Diogenes Limited v. DraftKings Inc., Case No. 21-cv-01695 (D. Del. filed December 1, 2021) (“the Delaware litigation”).

Pet. 4; Paper 3, 2. Patent Owner notes other petitions for *inter partes* review filed by Petitioner and challenging patents owned by Patent Owner.

Paper 3, 2.

D. The Challenged Patent

The '969 patent discloses a system for conducting a multi-leg wagering event. Ex. 1001, 8:30–42, 14:35–45. Figure 1 illustrates the system hardware and is reproduced below. *Id.* at 6:36–38.

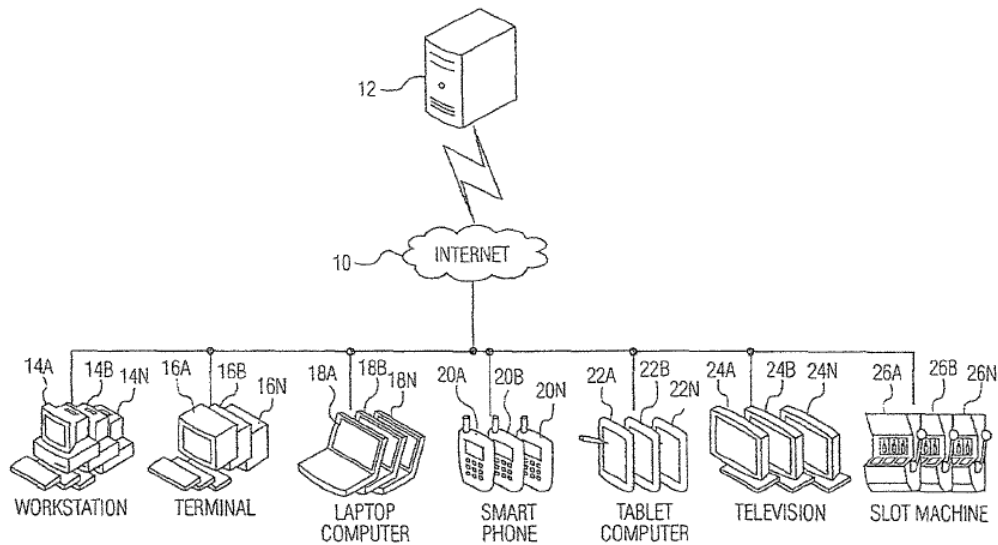


FIG. 1

Figure 1 shows the wagering system, including central server system 12 and wager input devices such as wagering stations 14 and wagering terminals 16. *Id.* at 6:39–47. The central server system controls the operation of the wagering system and allows players to enter wagers via the input devices. *Id.* at 8:56–59. The wagering event has multiple legs and the players input a selection for each leg. *Id.* at 6:55–7:38, 13:16–30. The player receives a printed or electronic ticket that represents the wager. *Id.* at 13:23–25. The system determines if the players' inputs for each of the legs are correct. *Id.* at 14:54–58. After a predetermined number of legs have been completed, the system sends a buy-out offer to players that have correct inputs for the completed legs of the wager. *Id.* at 14:59–15:12, 20:32–43. The buy-out

offer may be for the player's entire ticket or a portion thereof. *Id.* at 15:12–16. If a player accepts a full buy-out offer, the player receives the agreed-upon award and the player's participation in the wagering event ends. *Id.* at 15:21–26. If a player accepts a partial buy-out offer, the player's participation in the wagering event will continue, but the player's award will be reduced by the agreed-upon amount. *Id.* at 15:60–66.

E. The Challenged Claims

Petitioner challenges claims 1, 2, 8, 9, 13–16, 20–27, 29, and 30 of the '969 patent. Pet. 1, 11. Claims 1, 8, 15, and 21 are independent. Claim 1 is illustrative of the challenged claims and is reproduced below.²

1. A method of conducting a wagering event for one or more players, comprising:
 - causing a central server system to initiate a wagering event for one or more players, wherein the wagering event corresponds to a sporting event;
 - causing a wager corresponding to a player of the one or more players that is received by a wagering input device for the sporting event to be transmitted to the central server system;
 - causing the central server system to generate a cash out offer for the player based on the wager and progress of the sporting event, by:
 - monitoring progress of the sporting event, wherein the progress of the sporting event may comprise at least a current status,
 - identifying that the player's wager is active, and
 - determining an amount of the cash out offer; and

² The '969 patent claim language reproduced herein reflects the corrections made by the Certificate of Correction. *See* Ex. 1001, 58.

causing the central server system to transmit the cash out offer to the wagering input device, prompting the player to accept or reject the cash out offer.

Ex. 1001, 50:53–51:5.

F. Asserted Ground of Unpatentability

The Petition relies on the following prior art references:

Name	Reference	Exhibit
DeWaal	US 2008/0113765 A1, published May 15, 2008	1004
Schugar	US 2008/0311981 A1, published December 18, 2008	1005

Petitioner asserts the following ground of unpatentability:

Claim(s) Challenged	35 U.S.C. §	Reference(s)
1, 2, 8, 9, 13–16, 20–27, 29, 30	103	Schugar, DeWaal

Pet. 11. Petitioner submits a declaration of Dwight Crevelt (Ex. 1007, “Crevelt Declaration”) in support of its contentions. Patent Owner submits a declaration of Olaf Vancura, Ph.D. (Ex. 2001) in support of its preliminary contentions.

II. DISCRETIONARY DENIAL

Patent Owner argues that we should exercise discretion under 35 U.S.C. §§ 314(a), 325(d) to deny institution. For the reasons set forth below, we decline to do so.

A. Discretion Under 35 U.S.C. § 314(a)

Under 35 U.S.C. § 314(a), the Director has discretion to deny institution. In determining whether to exercise that discretion on behalf of

the Director, we are guided by the Board’s precedential decision in *NHK Spring Co., Ltd. v. Intri-Plex Technologies, Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (designated precedential).

In *NHK*, the Board found that the “advanced state of the district court proceeding” was a “factor that weighs in favor of denying” the petition under § 314(a). *NHK*, Paper 8 at 20. The Board determined that “[i]nstitution of an *inter partes* review under these circumstances would not be consistent with ‘an objective of the AIA . . . to provide an effective and efficient alternative to district court litigation.’” *Id.* (citing *Gen. Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 at 16–17 (designated precedential in relevant part)).

“[T]he Board’s cases addressing earlier trial dates as a basis for denial under *NHK* have sought to balance considerations such as system efficiency, fairness, and patent quality.” *Apple Inc. v. Fintiv Inc.*, IPR2020-00019, Paper 11 at 5 (PTAB Mar. 20, 2020) (designated precedential). *Fintiv* sets forth six non-exclusive factors for determining “whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding.” *Id.* at 6. These factors are reproduced below:

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;

5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board’s exercise of discretion, including the merits.

We discuss the parties’ arguments in the context of considering the above factors. In evaluating the factors, we take a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review. *Fintiv*, Paper 11 at 6. We are also guided by the Director’s Memorandum, *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation*, issued June 21, 2022 (“Guidance Memo”),³ which provides several clarifications concerning the application of the *Fintiv* factors. One such clarification instructs that “the PTAB will not discretionarily deny institution in view of parallel district court litigation where a petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB.” Guidance Memo 3; *see also id.* at 7–8. Thus, we will not exercise our discretion to deny institution if a petitioner makes a stipulation similar to that provided in *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 18–19 (PTAB Dec. 1, 2020) (designated precedential in relevant part).

Petitioner states that it “makes a *Sotera*-style stipulation not to pursue, in the co-pending proceeding district court proceeding, any argument that the Challenged Claims are invalid on any ground that was raised or could

³ Available at https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

have been reasonably raised in this IPR, should a Final Written Decision issue here.” Pet. 66.

Patent Owner argues that Petitioner’s stipulation is insufficient because it does not inform the Board whether Petitioner will rely on “product art” in the Delaware litigation. Prelim. Resp. 35–38.

Petitioner’s stipulation includes a caveat that it will apply only “should a Final Written Decision issue” in this proceeding. Pet. 66. However, the evidence of record indicates that Petitioner asserted to Patent Owner that the stipulation tolls upon *institution* of this proceeding. See Ex. 2010, 3. Petitioner also made such a clarifying statement specific to the Delaware litigation. See Ex. 1056, 1.

Accordingly, pursuant to the Guidance Memo and Patent Owner’s representation that its stipulation is binding upon institution, we decline to exercise discretion under 35 U.S.C. § 314(a) to deny institution.

B. Discretion Under 35 U.S.C. § 325(d)

Pursuant to 35 U.S.C. § 325(d), in determining whether to institute an *inter partes* review, “the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.”⁴ In evaluating whether to exercise our discretion to deny institution under § 325(d), we weigh the following non-exclusive factors:

- (a) the similarities and material differences between the asserted art and the prior art involved during examination;

⁴ The Board institutes trial on behalf of the Director. 37 C.F.R. § 42.4(a).

- (b) the cumulative nature of the asserted art and the prior art evaluated during examination;
- (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection;
- (d) the extent of the overlap between the arguments made during examination and the manner in which Petitioner relies on the prior art or Patent Owner distinguishes the prior art;
- (e) whether Petitioner has pointed out sufficiently how the Examiner erred in its evaluation of the asserted prior art; and
- (f) the extent to which additional evidence and facts presented in the Petition warrant reconsideration of the prior art or arguments.

Becton, Dickinson & Co. v. B. Braun Melsungen AG, IPR2017-01586, Paper 8 at 17–18 (PTAB Dec. 15, 2017) (designated precedential in relevant part). Although *Becton, Dickinson* involved prior art or arguments that were presented during examination of the patent application, the enumerated factors “should be read broadly . . . to apply to any situation in which a petition relies on the same or substantially the same art or arguments previously presented to the Office during a proceeding pertaining to the challenged patent.” *Advanced Bionics, LLC v. Med-El Elektromedizinische Geräte GMBH*, IPR2019-01469, Paper 6 at 10 (PTAB Feb. 13, 2020) (designated precedential). Factors (a), (b), and (d) relate to whether the art and arguments presented in the petition are the same or substantially the same as those previously presented to the Office. *Id.* Factors (c), (e), and (f) “relate to whether the petitioner has demonstrated a material error by the Office” in its prior consideration of that art or arguments. *Id.*

Thus, under § 325(d), the Board uses the following two-part framework: (1) whether the same or substantially the same

art previously was presented to the Office or whether the same or substantially the same arguments previously were presented to the Office; and (2) if either condition of [the] first part of the framework is satisfied, whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of [the] challenged claims.

Id. at 8.

Patent Owner notes that DeWaal was submitted to the Office via an information disclosure statement during prosecution of the application resulting in the '969 patent. Prelim. Resp. 34–35.

Petitioner concedes that the issued version of DeWaal was submitted to the Office during prosecution, but argues that Schugar was not previously considered by the Office. Pet. 67–68.

There is no dispute that the issued version of DeWaal was previously presented to the Office. Indeed, the '969 patent lists the patent (U.S. Patent No. 8,105,149 B2) in its references cited section. Ex. 1001, code (56). However, the Petition does not assert DeWaal alone; rather, the Petition's single challenge asserts DeWaal in combination with Schugar. *See* Pet. 11. Thus, the combination of references and unique arguments asserted in the Petition were not previously presented to the Office. Accordingly, we determine that denying the Petition under § 325(d) is unwarranted.

III. PATENTABILITY ANALYSIS

A. Principles of Law

“In an [*inter partes* review], the petitioner has the burden from the onset to show with particularity why the patent it challenges is unpatentable.” *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1363 (Fed.

Cir. 2016) (citing 35 U.S.C. § 312(a)(3) (requiring *inter partes* review petitions to identify “with particularity . . . the evidence that supports the grounds for the challenge to each claim”)). Petitioner bears the burden of persuasion to prove unpatentability of each challenged claim by a preponderance of the evidence. 35 U.S.C. § 316(e). This burden never shifts to Patent Owner. *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015). The Board may authorize an *inter partes* review if we determine that the information presented in the Petition and Patent Owner’s Preliminary Response shows that there is a reasonable likelihood that Petitioner will prevail with respect to at least one of the claims challenged in the petition. 35 U.S.C. § 314(a).

A patent claim is unpatentable under 35 U.S.C. § 103 if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which the subject matter pertains. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) when in evidence, any objective evidence of nonobviousness.⁵ *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

⁵ At this stage of the proceeding, the parties have not directed us to any such objective evidence.

B. Level of Ordinary Skill in the Art

The level of ordinary skill in the art is “a prism or lens” through which we view the prior art and the claimed invention. *Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001). The person of ordinary skill in the art is a hypothetical person presumed to have known the relevant art at the time of the invention. *In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995). In determining the level of ordinary skill in the art, we may consider certain factors, including: “(1) the educational level of the inventor; (2) type of problems encountered in the art; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; (5) sophistication of the technology; and (6) educational level of active workers in the field.” *Best Med. Int’l, Inc. v. Elekta Inc.*, 46 F.4th 1346, 1353 (Fed. Cir. 2022) (citations omitted). “The patent’s purpose can also be informative.” *Id.*

Petitioner contends that a person having ordinary skill in the art at the time of the invention (“POSITA”) would have had “a bachelor’s degree in electrical engineering, computer science, or a similar field; and at least two years of experience in the wager based gaming industry.” Pet. 15 (citing Ex. 1007 ¶ 28). Petitioner states that “[a] person with less education but more relevant practical experience may also meet this standard.” *Id.* (citing Ex. 1007 ¶ 28).

Patent Owner does not contest Petitioner’s proposed definition of the level of ordinary skill in the art. *See generally* Prelim. Resp. We note that Patent Owner’s declarant, Dr. Vancura, uses essentially the same definition as Petitioner. *See* Ex. 2001 ¶ 33.

Based on the arguments presented and the cited references, we find Petitioner’s definition of the level of ordinary skill reasonable and for purposes of this Decision, adopt it as our own.

C. Claim Construction

In an *inter partes* review, claims are construed using the same claim construction standard that would be used to construe the claims in a civil action under 35 U.S.C. § 282(b), including construing the claims in accordance with the ordinary and customary meaning of such claims as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent. 37 C.F.R. § 42.100(b). “[T]he ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention” and “after reading the entire patent.” *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313, 1321 (Fed. Cir. 2005) (en banc). In addition to the specification and prosecution history, we also consider use of the terms in other claims and extrinsic evidence including expert and inventor testimony, dictionaries, and learned treatises, although extrinsic evidence is less significant than the intrinsic record. *Id.* at 1312–17. Usually, the specification is dispositive, and it is the single best guide to the meaning of a disputed term. *Id.* at 1315. We also consider “[a]ny prior claim construction determination concerning a term of the claim in a civil action . . . that is timely made of record” in this proceeding. 37 C.F.R. § 42.100(b).

Neither party proposes construction of any claim term, instead asserting that the claim terms should be given “their plain and ordinary meaning.” Pet. 15; Prelim. Resp. 15.

For purposes of this Decision, and based on the record before us, we determine that no express construction of any term is necessary. We note that this determination does not preclude the parties from arguing their proposed constructions of the claims during trial. Indeed, the parties are hereby given notice that claim construction, in general, is an issue to be addressed at trial. A final determination as to claim construction will be made at the close of the proceeding, after any hearing, based on all the evidence of record.

D. Overview of the Asserted Prior Art

1. DeWaal

DeWaal discloses a gaming system that provides a bonus event to certain players. Ex. 1004, code (57). A player uses a gaming device to engage in a primary, or base, wagering game, such as video poker. *Id.* ¶ 64. Upon occurrence of a triggering event, a player is given the opportunity to participate in a bonus, or secondary, game. *Id.* ¶¶ 79–80, 109, 119. The triggering event may be, for example, exceeding a certain amount of game play or reaching a specified number of points in the primary game. *Id.* ¶ 110. Alternatively, a player may pay an entry fee to engage in the bonus game. *Id.* ¶ 118. The bonus game may be a multi-round bonus event. *Id.* ¶ 108. Participating players make selections for each leg of the multi-round event. *Id.* ¶ 119. Those players that make correct selections for each leg are eligible to receive all or a portion of an award. *Id.* Players advancing to a second or subsequent leg of the multi-round event may be presented with an additional award in exchange for quitting their play in the event. *Id.* ¶¶ 141–142.

2. Schugar

Schugar discloses a wagering game that allows a player to use its equity position to alter the game. Ex. 1005 ¶ 3. Schugar recognizes that, “[w]hen [a] player is playing a game in which the player can be ‘winning’ before the game is over, the player may wish to have a way to cash in on the winning state before completing the game.” *Id.* ¶ 77. For example, if a player has bet on a horse race and the player’s chosen horse is winning, the “player may find it attractive to be able to accumulate (or ‘bank’) a portion of a positive expectation situation for later redemption.” *Id.* Schugar refers to this positive expectation as a player’s “equity” in the game. *Id.* ¶ 89. The gaming system may allow the player to choose to bank some or all of the player’s equity. *Id.* ¶ 92.

E. Petitioner’s Challenge

Petitioner argues that the challenged claims would have been obvious in view of Schugar and DeWaal. Pet. 21–66. In support of its showing, Petitioner relies upon the Crevelt Declaration. *Id.* (citing Ex. 1007). We have reviewed Petitioner’s assertions and supporting evidence. For the reasons discussed below, and based on the record before us, we determine that Petitioner demonstrates a reasonable likelihood of prevailing in showing that at least one challenged claim would have been obvious in view of the combination of Schugar and DeWaal.

1. Independent Claim 1

Petitioner relies on Schugar to disclose a method of conducting a wagering event substantially as recited in claim 1, and relies on DeWaal to

teach using a central server to execute instructions for controlling the wagering event and communicating with players' gaming devices. Pet. 21–42.

a. The Preamble

Claim 1 recites “[a] method of conducting a wagering event for one or more players.” Ex. 1001, 50:53–54. Petitioner argues that Schugar discloses such a method. Pet. 26–27 (citing Ex. 1005 ¶¶ 72, 122, claim 1, Fig. 6; Ex. 1007 ¶¶ 84–85).

Patent Owner does not contest this aspect of the Petition. *See generally* Prelim. Resp.

Schugar discloses a wagering game that allows a player to use its equity position to alter the game. Ex. 1005 ¶ 3. The game can be used to bet on sporting events, in which one or more players can place wagers before and during the sporting event. *Id.* ¶ 72.

Accordingly, for the foregoing reasons and on this preliminary record, to the extent the preamble is limiting, Schugar supports Petitioner's contentions.

b. The Wagering Event Initiating Recitation

Claim 1 recites “causing a central server system to initiate a wagering event for one or more players, wherein the wagering event corresponds to a sporting event.” Ex. 1001, 50:55–57. Petitioner argues that Schugar initiates the wagering event that corresponds to a sporting event. Pet. 27–29 (citing Ex. 1005 ¶¶ 72, 106, 109, 123, claim 1, Fig. 6). Petitioner argues that DeWaal teaches the use of a central server to provide and initiate a wagering event. *Id.* at 29 (citing Ex. 1004 ¶¶ 10, 123, Fig. 3; Ex. 1007 ¶¶ 86–90).

Patent Owner does not contest this aspect of the Petition. *See generally* Prelim. Resp.

Schugar discloses that its system can be used to bet on a sporting event. Ex. 1005 ¶¶ 72, 122.

DeWaal discloses a gaming system in which players use gaming devices to place wagers. Ex. 1004 ¶¶ 2–3, 64. The gaming devices communicate with a central server/controller. *Id.* ¶ 84, Fig. 2B. The central server “can assist a gaming establishment or other entity in maintaining appropriate records, controlling gaming, reducing and preventing cheating or electronic or other errors, reducing or eliminating win-loss volatility and the like.” *Id.* ¶ 88.

Petitioner argues that Schugar uses a central server and local gaming machines, but “does not expressly describe the allocation of control/responsibility for executing the methods among the server and the client.” Pet. 27 (citing Ex. 1007 ¶¶ 71, 74). Petitioner argues that it would have been obvious to implement “Schugar’s method of conducting a sport wagering event on DeWaal’s system hardware and thin-client configuration such that DeWaal’s central server executes the computerized instructions for controlling Schugar’s wagering event and receives inputs or commands from a player via the gaming device clients.” *Id.* at 22–23 (citing Ex. 1004 ¶ 42; Ex. 1007 ¶ 80). Petitioner argues that an ordinarily skilled artisan would have combined the teachings of Schugar and DeWaal because “DeWaal explains that server control is advantageous for several reasons,” including allowing players to access the wagering platform using a variety of devices from anywhere via the Internet, enhancing player’s enjoyment through the use of a sophisticated and responsive display, and assisting the gaming

establishment in maintaining records, reducing or preventing cheating, reducing or eliminating data error, and hosting pari-mutuel betting. *Id.* at 24–26 (citing Ex. 1004 ¶¶ 88, 98; Ex. 1007 ¶¶ 69, 73–82, 95).

Patent Owner argues that the Petition fails to set forth adequate reason to combine the teachings of Schugar and DeWaal. Prelim. Resp. 16–28, 31–32. First, Patent Owner argues that the ’969 patent, the asserted references, and patents issued to its declarant describe differences between a bonus game and a primary game, noting differences in how a player gains entry into the games, how awards are offered, and the incentives provided by the games. *Id.* at 16–26. Patent Owner concludes, therefore, that an ordinarily skilled artisan “would have understood that ‘[b]onus games operate inherently differently from primary/base games.’” *Id.* at 25 (alteration in original) (citing Ex. 2001 ¶ 83). Patent Owner argues that an ordinarily skilled artisan would not look to DeWaal’s non-skill-based selection games to modify Schugar’s skill-based game. *Id.* at 26–28.

Patent Owner’s arguments do not address the rationale for combining the reference teachings as set forth in the Petition. Petitioner does not propose to modify Schugar’s games to incorporate features of DeWaal’s games. Rather, Petitioner proposes to implement “Schugar’s method of conducting a sport wagering event on DeWaal’s system hardware and thin-client configuration.” Pet. 22–23. Schugar’s system is designed for games hosted by a casino, and Schugar contemplates coordination between multiple casinos through the use of shared databases. *See, e.g.*, Ex. 1005 ¶¶ 19, 105. Schugar further discloses use of its system in pari-mutuel betting. *Id.* ¶ 126. Based on the current record, we find persuasive the evidence showing that using a centralized server is the most practical way to conduct such betting

arrangements and reduce the risk of cheating. *See* Pet. 25–26; Ex. 1007 ¶¶ 78–79; Ex. 1004 ¶ 88. Although Patent Owner’s declarant testifies, “I don’t view Schugar’s teachings as requiring hardware, such as a central server, that supports a pari-mutuel pool” (Ex. 2001 ¶ 102), we accord little weight to this conclusory assertion. *See* 37 C.F.R. § 42.65(a).

Next, Patent Owner argues that Petitioner improperly “relies on material not found in Schugar” by referencing U.S. Patent No. 7,909,694 (Ex. 1027, the “’694 patent”). Prelim. Resp. 31 (emphasis omitted). According to Patent Owner, “Petitioner is treating a statement not disclosed in Schugar as if it were disclosed in Schugar, merely because Schugar incorporates the larger ’694 patent document containing that statement by reference.” *Id.* (emphasis omitted).

Schugar incorporates by reference U.S. Patent Application No. 11/158,919, which issued as the ’694 patent. Ex. 1005 ¶ 1; Ex. 1027, codes (10), (21). Information incorporated by reference is as much a part of a patent’s specification as filed as if the text were repeated in the specification. *See Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1271, 1282 (Fed. Cir. 2000) (“Incorporation by reference provides a method for integrating material from various documents into a host document—a patent or printed publication in an anticipation determination—by citing such material in a manner that makes clear that the material is effectively part of the host document as if it were explicitly contained therein.”). Moreover, as noted above, Petitioner provides compelling reason to combine the teachings of the asserted references apart from Schugar’s incorporation of the ’694 patent.

Accordingly, for the foregoing reasons and on this preliminary record, Schugar and DeWaal support Petitioner's contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See, e.g.*, Pet. 24–26.

c. The Wager Transmitting Recitation

Claim 1 recites “causing a wager corresponding to a player of the one or more players that is received by a wagering input device for the sporting event to be transmitted to the central server system.” Ex. 1001, 50:58–61. Petitioner maps Schugar's electronic gaming apparatus to the recited wagering input device and argues that Schugar discloses receiving a wager placed by a player via the gaming apparatus. Pet. 29–31 (citing Ex. 1005 ¶¶ 7, 122, 126, claim 9, Fig. 6; Ex. 1007 ¶ 92). Petitioner argues that DeWaal also discloses a wagering input device, which transmits wagers to the central server “for tracking and wagering pool management purposes.” *Id.* at 31–32 (citing Ex. 1004 ¶¶ 57, 84, 94–96; Ex. 1007 ¶¶ 91–96).

Patent Owner does not contest this aspect of the Petition. *See generally* Prelim. Resp.

Schugar's method includes receiving a wager from a player. Ex. 1005 ¶ 7. DeWaal discloses a player inputting a wager via a gaming device. Ex. 1004 ¶ 57. DeWaal's “gaming network includes a real-time or on-line accounting and gaming information system operably coupled to the central server or controller.” *Id.* ¶ 94. The accounting and gaming information system “includes a player database for storing player profiles, a player

tracking module for tracking players and a credit system for providing automated casino transactions.” *Id.*

Accordingly, for the foregoing reasons and on this preliminary record, Schugar and DeWaal support Petitioner’s contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

d. The Cash Out Offer Recitation

Claim 1 recites “causing the central server system to generate a cash out offer for the player based on the wager and progress of the sporting event.” Ex. 1001, 50:62–64. Petitioner argues that Schugar discloses generating a cash out offer by allowing a player to choose to bank some or all of the player’s equity. Pet. 32–33 (citing Ex. 1005 ¶¶ 92, 127, claim 7). Petitioner argues that Schugar’s cash out offer is based on the wager because the player’s equity is based on the wager placed and the current game status. *Id.* at 33–34 (citing Ex. 1005 ¶¶ 54, 71, 90, 118, 120). Petitioner argues that DeWaal discloses that its central server generates cash out offers. *Id.* at 34 (citing Ex. 1004 ¶ 146; Ex. 1007 ¶¶ 97–106).

Patent Owner does not contest this aspect of the Petition. *See generally* Prelim. Resp.

Schugar discloses that a player has “equity” “[i]f the current game state has a positive expectation for the player.” Ex. 1005 ¶ 89. If a player has such equity, Schugar’s system “determines whether the player chooses to bank his or her positive expectation” by “allow[ing] the player to choose whether he wishes to bank some or all of his recent gains in expectation.”

Id. ¶ 92. Any such banked equity “can be used in a variety of ways,” including redeeming for cash (instantly or at a later time), buying a positive game state, or paying room, food, or beverage bills. *Id.* ¶ 83.

DeWaal similarly discloses its central server offering players an additional award to quit participation in the wagering event. Ex. 1004 ¶ 146.

Accordingly, for the foregoing reasons and on this preliminary record, Schugar and DeWaal support Petitioner’s contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

e. The Monitoring Recitation

Claim 1 recites that the server generates the cash out offer by “monitoring progress of the sporting event, wherein the progress of the sporting event may comprise at least a current status.” Ex. 1001, 50:65–67. Petitioner argues that Schugar records, and therefore monitors, event states. Pet. 34 (citing Ex. 1005 ¶¶ 87, 110). Petitioner argues that Schugar monitors a current status of a sporting event because a player’s equity is based on the current state of the game. *Id.* at 35 (citing Ex. 1005 ¶¶ 54, 92, 126–127; Ex. 1007 ¶ 109). Petitioner argues that DeWaal discloses that its central server monitors progress of the wagering event. *Id.* at 35–36 (citing Ex. 1004 ¶ 94; Ex. 1007 ¶¶ 107–111).

Patent Owner does not contest this aspect of the Petition. *See generally* Prelim. Resp.

As explained above, Schugar allows a player to bank all or a portion of the player’s equity, which is determined based on “the current game

state.” Ex. 1005 ¶¶ 89, 92. DeWaal’s “central server or controller monitors the activities and events occurring on the plurality of gaming devices.”

Ex. 1004 ¶ 94.

Accordingly, for the foregoing reasons and on this preliminary record, Schugar and DeWaal support Petitioner’s contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

f. The Identifying Recitation

Claim 1 recites that the server generates the cash out offer by “identifying that the player’s wager is active.” Ex. 1001, 51:1. Petitioner argues that Schugar discloses that the cash out offer is for a current bet in progress. Pet. 36–37 (citing Ex. 1005 ¶¶ 54, 57, 77, 120, 127, Fig. 1). Petitioner argues that DeWaal discloses that its central server determines whether a player’s wager is eligible as a precondition to providing a cash out offer. *Id.* at 37–40 (citing Ex. 1007 ¶¶ 113–115, 123, 130–131, 141, 144, Figs. 3, 7; Ex. 1007 ¶¶ 112–115).

As explained above, Schugar allows players having equity (that is, a positive expectation based on a current status of the game) to bank a portion of their equity. Ex. 1005 ¶¶ 89, 92.

Patent Owner argues that Petitioner’s reliance on Schugar improperly combines disclosures of multiple embodiments. Prelim. Resp. 29–31. Patent Owner argues that Petitioner’s reliance on features disclosed in both Figure 6, which Patent Owner describes as using equity, and Figure 1, which Patent Owner describes as not using equity, is improper because Petitioner

does not provide a reason to combine teachings from disparate embodiments. *Id.*

Schugar's Figure 1 is a flowchart illustrating a progression wagering game. Ex. 1005 ¶ 54. Notably, the player is offered the opportunity to make additional wagers during progression of the game. *Id.* ¶ 58. Schugar's Figure 6 illustrates one manner in which such additional wagers can be made; namely, by using a player's equity. *Id.* ¶¶ 121, 126. We see nothing improper in Petitioner's reliance on both of the processes illustrated in Figures 1 and 6. Based on the current record, the processes conveyed by these illustrations include interchangeable steps that are complementary.

Accordingly, for the foregoing reasons and on this preliminary record, Schugar supports Petitioner's contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

g. The Determining Recitation

Claim 1 recites that the server generates the cash out offer by “determining an amount of the cash out offer.” Ex. 1001, 51:2. Petitioner argues that Schugar calculates the amount of a player's expected value and provides the player the choice to bank some or all of the calculated value. Pet. 40 (citing Ex. 1005 ¶¶ 89–92, 120, 126). Petitioner argues that DeWaal discloses that its central server determines the amount of an award to offer a player. *Id.* at 40–41 (citing Ex. 1004 ¶¶ 146, 164, 170; Ex. 1007 ¶¶ 116–119).

Patent Owner argues that the Petition fails to explain adequately how Schugar determines the amount of a cash out offer. Prelim. Resp. 33–34. Patent Owner notes that the Petition relies on examples of determining the expected values of a bettor’s wagers, but argues that Schugar “never suggests that these values . . . are the cash out offers as Petitioner argues.” *Id.* at 33 (citing Ex. 1005 ¶¶ 120, 126).

Schugar discloses that, after calculating the amount of a player’s positive expectation, Schugar’s system “allows the player to choose whether he wishes to bank *some or all of his recent gains in expectation.*” Ex. 1005 ¶ 92 (emphasis added).

Accordingly, for the foregoing reasons and on this preliminary record, Schugar supports Petitioner’s contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

h. The Cash Out Offer Transmitting Recitation

Claim 1 recites “causing the central server system to transmit the cash out offer to the wagering input device, prompting the player to accept or reject the cash out offer.” Ex. 1001, 51:3–5. Petitioner argues that Schugar displays a pop-up window to the player to allow the player to bank equity. Pet. 41–42 (citing Ex. 1005 ¶¶ 71, 84, 92). Petitioner argues that DeWaal’s central server causes the player’s gaming device to display an offer in exchange for quitting a game. *Id.* at 42 (citing Ex. 1004 ¶¶ 42, 84, 146; Ex. 1007 ¶¶ 120–123).

Patent Owner does not contest this aspect of the Petition. *See generally* Prelim. Resp.

Schugar discloses that its system allows a player to bank equity by prompting the player with a pop-up window. Ex. 1005 ¶ 92.

DeWaal similarly discloses causing an offer to be displayed on a player's gaming device. Ex. 1004 ¶ 146.

Accordingly, for the foregoing reasons and on this preliminary record, Schugar and DeWaal support Petitioner's contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

i. Conclusion

Accordingly, at this stage of the proceeding, we determine that Petitioner has established a reasonable likelihood of prevailing on its assertion that claim 1 would have been obvious in view of the combination of Schugar and DeWaal.

2. *Independent Claim 8*

Independent claim 8 recites a system including a memory having programming instructions that, when executed, cause a processor to perform the steps recited in claim 1. Ex. 1001, 51:38–58. Petitioner relies on its showing made for claim 1, and additionally argues that DeWaal's central server includes a processor and a memory having program code for conducting a wagering game stored thereon. Pet. 45–48 (citing Ex. 1004 ¶¶ 84, 86, 98, 122; Fig. 2B; Ex. 1007 ¶¶ 133–136).

Patent Owner does not contest Petitioner's challenge to claim 8 apart from its arguments presented for claim 1. *See generally* Prelim. Resp.

On this preliminary record, the cited portions of DeWaal support Petitioner's contentions. Accordingly, at this stage of the proceeding, for the foregoing reasons and those set forth in § III.E.1 above, we determine that Petitioner has established a reasonable likelihood of prevailing on its assertion that claim 8 would have been obvious in view of the combination of Schugar and DeWaal.

3. Independent Claim 15

Claim 15 recites a non-transitory computer readable medium having instructions thereon that, when executed by a processor, cause the processor to perform the steps recited in claim 1. Ex. 1001, 52:19–40. Petitioner relies on its showing made for claims 1 and 8, and further argues that DeWaal's memory is a non-transitory computer readable medium. Pet. 50 (citing Ex. 1004 ¶¶ 84, 122; Ex. 1007 ¶¶ 136, 156).

Patent Owner does not contest Petitioner's challenge to claim 15 apart from its arguments presented for claim 1. *See generally* Prelim. Resp.

On this preliminary record, the cited portions of DeWaal support Petitioner's contentions. Accordingly, at this stage of the proceeding, for the foregoing reasons and those set forth in § III.E.1 above, we determine that Petitioner has established a reasonable likelihood of prevailing on its assertion that claim 15 would have been obvious in view of the combination of Schugar and DeWaal.

4. Independent Claim 21

Claim 21 recites a non-transitory computer readable medium having a computer program that, when executed by a processor, cause the processor to perform the steps recited in claim 1 and a few additional steps. Ex. 1001, 53:5–36. Claim 21 also recites the Wager Transmitting Recitation as two steps. *Id.* at 53:14–19. Petitioner relies on its showing made for claims 1 and 15 and makes additional arguments for the added steps as discussed below. Pet. 51–58. Patent Owner does not contest Petitioner’s challenge to claim 21 apart from its arguments presented for claim 1. *See generally* Prelim. Resp.

a. The Displaying Recitation

Claim 21 recites “causing the at least one wagering input device to display the cash out offer.” Ex. 1001, 53:29–30. Petitioner argues that Schugar displays a pop-up window to the player to allow the player to bank equity. Pet. 56 (citing Ex. 1005 ¶ 92, claim 7). Petitioner argues that DeWaal’s central server causes the player’s thin client gaming device to display games. *Id.* at 56–57 (citing Ex. 1004 ¶ 123; Ex. 1007 ¶¶ 186–187).

Schugar discloses that its system allows a player to bank equity by prompting the player with a pop-up window. Ex. 1005 ¶ 92.

DeWaal discloses that its gaming device may be a “thin client” that displays games and acts as a player interface, and the central server remotely controls the games. Ex. 1004 ¶¶ 42, 123.

Accordingly, for the foregoing reasons and on this preliminary record, Schugar and DeWaal support Petitioner’s contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person

having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

b. The Identifying Acceptance Recitation

Claim 21 recites “causing the at least one wagering input device to identify if the cash out offer has been accepted or rejected by the player.” Ex. 1001, 53:31–33. Petitioner argues that Schugar discloses that the player banks equity by pressing a button or providing other input via an electric input device. Pet. 57 (citing Ex. 1005 ¶¶ 92, 135; Ex. 1007 ¶¶ 188–189).

As noted above, Schugar discloses that its system allows a player to bank equity by prompting the player with a pop-up window. Ex. 1005 ¶ 92. Schugar discloses that the user can accept an offer to bank equity via an electronic input device. *Id.* ¶ 135.

Accordingly, for the foregoing reasons and on this preliminary record, Schugar supports Petitioner’s contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

c. The Communication Acceptance Recitation

Claim 21 recites “causing the at least one wagering input device to communicate the acceptance of the cash out offer to the at least one central server system.” Ex. 1001, 53:34–36. Petitioner argues that DeWaal discloses that the player enters input via the gaming device, which transmits

such input to the central server that remotely controls games. Pet. 58 (citing Ex. 1004 ¶¶ 42, 84, 92, 129, 135, 146, 190–192).⁶

DeWaal discloses that its thin client gaming device acts as a player interface, and the central server remotely controls the games. Ex. 1004 ¶¶ 42, 123. The central server allows players to input selections via the gaming device, which transmits the selections to the central server. *Id.* ¶ 129.

Accordingly, for the foregoing reasons and on this preliminary record, DeWaal supports Petitioner’s contentions. We determine that Petitioner sets forth reasoning with rational underpinning as to why a person having ordinary skill in the art would have combined the teachings of Schugar and DeWaal. *See* § III.E.1.b above.

d. Conclusion

Accordingly, at this stage of the proceeding, we determine that Petitioner has established a reasonable likelihood of prevailing on its assertion that claim 21 would have been obvious in view of the combination of Schugar and DeWaal.

IV. CONCLUSION

For the foregoing reasons, we determine that the information presented establishes a reasonable likelihood that Petitioner would prevail in showing that at least one of the challenged claims of the ’969 patent is

⁶ We treat Petitioner’s citation to Exhibit 1005 (Schugar) rather than to Exhibit 1004 (DeWaal) (*see* Pet. 58) as an obvious typographical error with the intended citation being to Exhibit 1004.

unpatentable. At this preliminary stage, we have not made a final determination with respect to the patentability of the challenged claims or any underlying factual and legal issues. *See TriVascular, Inc. v. Samuels*, 812 F.3d 1056, 1068 (Fed. Cir. 2016) (noting that “there is a significant difference between a petitioner’s burden to establish a ‘reasonable likelihood of success’ at institution, and actually proving invalidity by a preponderance of the evidence at trial”).

Accordingly, *inter partes* review is instituted as to all challenged claims and all proposed grounds of unpatentability. *See SAS*, 138 S. Ct. at 1359–60; *see also PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1360 (Fed. Cir. 2018) (interpreting the statute to require “a simple yes-or-no institution choice respecting a petition, embracing all challenges included in the petition”); CTPG 64 (“The Board will not institute on fewer than all claims or all challenges in a petition.”).

V. ORDER

Accordingly, it is:

ORDERED that pursuant to 35 U.S.C. § 314(a), an *inter partes* review of claims 1, 2, 8, 9, 13–16, 20–27, 29, and 30 of the ’969 patent is instituted with respect to all grounds set forth in the Petition; and

FURTHER ORDERED that, pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial, which commences on the entry date of this decision.

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Patent 10,970,969 B2

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