

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED
STATES PATENT AND TRADEMARK OFFICE

AVIAGAMES, INC.,
Petitioner,

v.

SKILLZ PLATFORM, INC.,
Patent Owner.

IPR2022-00530
Patent 9,479,602 B1

Before KATHERINE K. VIDAL, *Under Secretary of Commerce for
Intellectual Property and Director of the United States Patent and
Trademark Office.*

DECISION ON DIRECTOR REVIEW
Vacating the Decision Denying Institution and Remanding to the Patent
Trial and Appeal Board Panel for Further Proceedings

AviaGames, Inc. (“Petitioner”) filed a Petition to institute an *inter partes* review of claims 1–3, 7–12, and 16–21 of U.S. Patent 9,479,602 B1 on February 15, 2022 (Ex. 1001, “the ’602 patent”). Paper 1. Skillz Platform, Inc. (“Patent Owner”) filed a Preliminary Response on May 27, 2022. Paper 7. After receiving authorization from the Patent Trial and Appeal Board (“Board”), Petitioner filed a Reply (Paper 9) and Patent Owner filed a Sur-reply (Paper 10). On March 14, 2022, before the Patent Owner filed its Preliminary Response, the United States District Court for the Northern District of California issued a decision determining that most of the challenged claims of the ’602 patent were invalid as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Ex. 2011, 20 (identifying all challenged claims except claim 19)¹, 44.

On August 9, 2022, the Board issued a Decision denying institution of *inter partes* review. Paper 12 (“Decision”). In the Decision, the Board considered the factors set forth in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5–6 (PTAB Mar. 20, 2020) (precedential) (“*Fintiv*”) and exercised its discretion to deny institution under § 314(a) “largely because the claims of the challenged patent have been determined to be invalid [by the district court].” Decision 15–16. The Board explained that because a district court determined that the challenged claims were invalid under § 101, “the interests of efficiency and integrity of the system would be best served by invoking 35 U.S.C. § 314(a) to deny institution.” *Id.* at 15.

¹ The decision issued by the United States District Court for the Northern District of California indicates that claim 1 is representative of claims 10 and 19. Ex. 2011, 21. However, the decision appears to inadvertently fail to include claim 19 in the analysis of the group of claims including claim 1. *Id.*

On August 26, 2022, I ordered Director review of the Board's Decision. Paper 13.

Having reviewed the Decision, the relevant papers, and the relevant exhibits of record in this proceeding, I remand to the Board for a compelling merits determination consistent with the USPTO Memorandum, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation ("Guidance Memo") (June 21, 2022),² and my decision in *OpenSky Industries, LLC v. VLSI Technology LLC*, IPR2021-01064, Paper 102, 49–50 (PTAB Oct. 4, 2022) (precedential) ("*OpenSky*"). If the Board finds that the record prior to institution presented compelling merits, the Board will institute *inter partes* review of the challenged claims. If the Board finds the record prior to institution does not rise to this high standard, the Board will discretionarily deny institution.

Discussion

In this case, the Board conducted a *Fintiv* analysis in determining to exercise discretion to deny institution. Here, however, the district court's judgment of invalidity under 35 U.S.C. § 101, i.e., a statutory ground that could not have been raised before the Board, does not raise concerns of inefficient duplication of efforts or potentially inconsistent results between the Board and the district court. *Fintiv*, Paper 11 at 12–13. Furthermore, the challenged claims have not yet been cancelled and remain in force until the opportunity to appeal has been exhausted. By the time an appeal will have

² Available at http://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

concluded, Petitioner will be barred under 35 U.S.C. § 315(b) from bringing a new challenge in an IPR petition.

I balanced similar considerations in the Guidance Memo and in *OpenSky* by taking “a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review.” *Fintiv*, Paper 11 at 6. Here, I recognize there is a district court judgment pertaining to the validity of the challenged claims on a ground that could not have been raised in the IPR. In these circumstances, the Board shall not deny institution of an IPR in view of a district court judgment of invalidity if the record prior to institution meets the compelling merits standard. Guidance Memo 4–5. Indeed, as instructed in my Guidance Memo, compelling meritorious challenges will proceed even when district court litigation is proceeding in parallel. Guidance Memo at 4; *see also CommScope Tech. v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (PTAB Feb. 27, 2023) (precedential) (holding that if *Fintiv* factors 1–5 favor discretionary denial, the Board must consider whether the record prior to institution demonstrates compelling merits).

As the Guidance Memo and my precedential decision in *OpenSky* make clear, the compelling merits standard is a higher standard than the standard for institution set by statute.³ Guidance Memo, 4–5; *OpenSky* at

³ *See* 35 U.S.C. § 314(a) (2018) (authorizing institution of an IPR 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”); § 324(a) (authorizing institution of a PGR, including a CBM, only when “the information presented in the petition . . . , if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable”).

49. As I stated in *OpenSky*, “[a] challenge can only ‘plainly lead to a conclusion that one or more claims are unpatentable’ if it is highly likely that the petitioner would prevail with respect to at least one challenged claim.” *OpenSky* at 49 (also recognizing that a determination of compelling merits does not dictate the ultimate conclusion after trial, during which additional evidence may be adduced). Importantly, I also instructed that “the Board *shall* provide its reasoning in determining whether the merits are compelling.” *Id.* at 50 (emphasis added); *CommScope Tech.*, Paper 23 at 5–6. The compelling merits test seeks to strike a balance among the competing concerns of avoiding potentially conflicting outcomes, avoiding wasteful parallel proceedings, protecting against patent owner harassment, and strengthening the patent system by allowing the review of patents challenged with a sufficiently strong initial merits showing of unpatentability. The patent system and the public benefit from instituting challenges where there is a showing of unpatentability by compelling merits, but it is only a finding under this higher standard that would compel the Board to review claims for the public benefit when other considerations favor discretionary denial.

I am remanding for the Board to determine, within four weeks of the date of this Order, whether the record before the Board prior to institution presents a compelling, meritorious challenge. If the Board finds the record does not rise to this high standard, the Board will exercise discretion to deny institution. On the other hand, if the Board finds that the record prior to institution presents compelling merits, the Board will institute *inter partes* review of the challenged claims.

That said, should the district court’s invalidity judgment be upheld on appeal, the parallel proceedings at the Board would impose additional

burdens and costs on the parties, including the Patent Owner, and this tribunal. If the Board institutes an IPR after a compelling merits analysis, and if the invalidity judgment under 35 U.S.C. § 101 of the district court is affirmed in a final, non-appealable judgment by the Federal Circuit, this proceeding shall be terminated.

ORDER

Accordingly, based on the foregoing, it is:

ORDERED that the Decision denying institution (Paper 12) is vacated;

FURTHER ORDERED that this matter is remanded for the Board to determine, within four weeks of the date of this Order, whether the record before the Board prior to institution presents a compelling, meritorious challenge and, if so, to institute *inter partes* review of the challenged claims.

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