

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ACTIVISION BLIZZARD, INC.,
Petitioner,

v.

MILESTONE ENTERTAINMENT, LLC,
Patent Owner.

IPR2025-00712
Patent 11,393,279 B2

Before SCOTT A. DANIELS, JAMES A. TARTAL, and
SCOTT C. MOORE, *Administrative Patent Judges*.

TARTAL, *Administrative Patent Judge*.

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

I. INTRODUCTION

Activision Blizzard, Inc. (“Petitioner”)¹ filed a Petition to institute *inter partes* review of claims 1, 3–9, 13, 17, 18, 23, 25, 26, 28, and 29 (the “Challenged Claims”) of U.S. Patent No. 11,393,279 B2 (Ex. 1001, “the ’279 patent”). Paper 3 (“Pet.”). Milestone Entertainment, LLC (“Patent Owner”)² filed a Preliminary Response. Paper 10 (“Prelim. Resp.”).

We have authority to determine whether to institute an *inter partes* review. 35 U.S.C. § 314(b) (2018); 37 C.F.R. § 42.4(a) (2025). An *inter partes* review may not be instituted “unless . . . the information presented in the petition . . . 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). Upon institution of *inter partes* review, the review proceeds “on all of the challenged claims and on all grounds of unpatentability asserted for each claim.” 37 C.F.R. § 42.108(a). Based on our consideration of the Petition, the Preliminary Response, and the evidence of record, we conclude that the information demonstrates a reasonable likelihood that Petitioner would prevail in showing the unpatentability of at least one of the Challenged Claims. Accordingly, we institute an *inter partes* review as to the Challenged Claims of the ’279 patent on all grounds asserted in the Petition.

¹ Petitioner states that the “real party-in-interest is Activision Blizzard, Inc., which is a wholly-owned subsidiary of Microsoft Corporation.” Pet. 2.

² Patent Owner identifies no additional real parties in interest. Paper 4 (Patent Owner’s Mandatory Notices), 1.

II. BACKGROUND

A. *The '279 Patent*

The '279 patent, titled “System for Implementing Enhanced Gaming and Prizing Parameters in an Electronic Environment,” issued July 19, 2022, based on an application filed November 12, 2021, that asserts the benefit of a series of applications, the earliest of which was filed September 2, 2003. Ex. 1001, codes (22), (45), (54), (60). The '279 patent discloses a system “for effecting defined game play and prizing structure parameters in an electronic entertainment environment.” *Id.* at code (57).

The system may receive a number of mandated parameters that must be achieved by the system as a whole. *Id.* at 5:5–7. These parameters “form the boundary constraints or boundary conditions for the game.” *Id.* at 5:9–11. For example, mandated parameters “may consist of prize pay out and win rates, and may include such factors as the minimum payout amount, the maximum payout amount, a defined percentage payout, the number of prizes, and/or the form of prizes.” *Id.* at 5:11–15. Once the system receives the mandated parameters, it then “selects among dependent variable parameters to implement game play and prizing in a way that achieve[s] the mandated parameters.” *Id.* at 5:18–21. Examples of variable parameters include “the game selection itself” and “the game structure itself, such as in the use of decision points, numbers of levels of game play, and/or duration of game play.” *Id.* at 5:52–57.

The '279 patent describes that “[i]n certain games, the entertainment may be broadly divided into a first game play phase and a second prizing phase.” *Id.* at 7:5–7. “Game play in the first phase may be of any manner, whether predetermined, or where the player’s actions determine the game outcome, or a combination of the two, such as in a hybrid game.” *Id.*

at 7:10–7:13. “The game play in the second phase may then apply the prizing parameters such that the correct prizing payouts are achieved, irrespective of the results from the first phase of game play.” *Id.* at 7:13–16.

Figure 1, reproduced below, is “a diagrammatic block diagram of one implementation of the system.” *Id.* at 15:35–37.

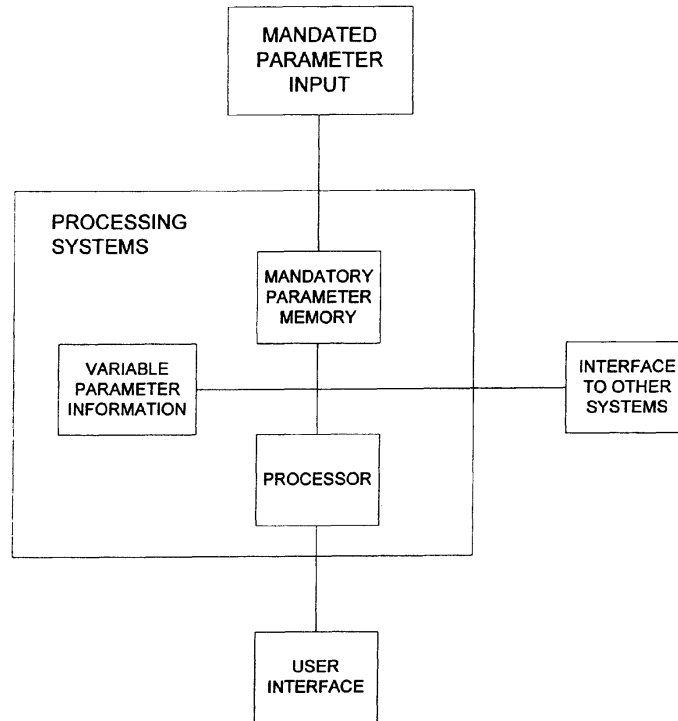


FIG. 1

Figure 1 shows inputs to and outputs from processing systems of the invention. *Id.* at 15:42–51. As shown, mandated parameters may be inputted to the processing system. *Id.* at 15:42–43. These mandated parameters are then stored within the processing system, such as in the mandated parameter memory. *Id.* at 15:43–45. “The processor receives and implements the mandated parameters by selecting among the possible variable parameters,” which are stored in variable parameter memory, for implementation. *Id.*

at 15:45–47. The output of the processor is then provided to the user via the user interface. *Id.* at 15:51–53.

As shown, for example, in Figure 18, the “processing system may interface to other systems as well.” *Id.* at 15:51–54. Figure 18 is reproduced below.

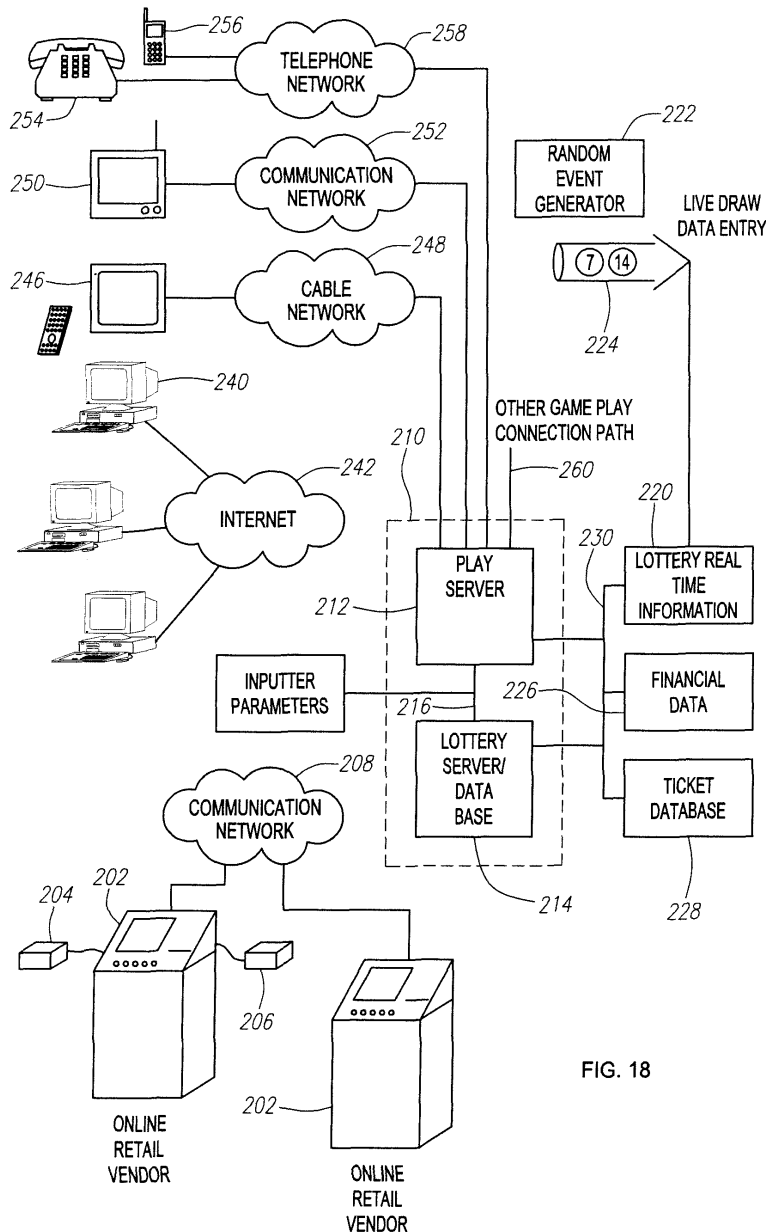


FIG. 18

Figure 18 “is a schematic and block diagram of one version of the system for implementing game play.” *Id.* at 30:10–12. The system includes, *inter alia*,

processing system 210 that may include play server 212 and lottery server 214. *Id.* at 30:31–34. Play server 212 may be, for example, a web server for hosting the website accessed by the player, and lottery server 214 may be a separate server or computer which interacts with the various vendor locations. *Id.* at 30:35–38. Processing system 210 may interface with lottery real time information memory 220, financial data memory 226, and ticket database 228 via bus 230. *Id.* at 30:54–65. The player may engage in electronic game play via computer 240, interactive TV system 246, wireless display enabled device 250, conventional wire line telephone 254, and wireless phone 256. *Id.* at 31:3–9, 31:26–29.

The disclosed system may contain in memory data elements including remote user registration information such as a player's citizenship information, email address, physical address, local bank account information, and social security number or other national identification number. *Id.* at 35:35–42, Fig. 20D. The system may also contain in memory payment information of the remote user, including the form of compensation, such as cash, airline miles, or further game play. *Id.* at 35:54–56, Fig. 20E. The system may also track data on game play, such as number of plays and user specific play to use “as inputs for a decision engine to optimize the prizing structure for a desired end goal, e.g., maximizing game play and therefore sales of game plays.” *Id.* at 44:55–65.

The system may also contain a prizing system, such as a multilevel prizing system in which, for example, “the user may play a first game, typically for a wager, and if they win, be given the option of playing a prize board or other prizing step,” and a player may be presented “with the opportunity to purchase, such as via the wager, a better prize level, such as a higher guaranteed prize.” *Id.* at 44:9–14, 44:23–26.

B. Illustrative Claim

Petitioner challenges claims 1, 3–9, 13, 17, 18, 23, 25, 26, 28, and 29 of the '279 patent. Pet. 1. Of these, claim 1 is independent. Ex. 1001, 45:44–46:25. Claim 1 is illustrative of the claimed subject matter and is reproduced below along with bracketed limitation identifiers referenced in the Petition:

1. A system for dynamically varying game play parameters in an electronic environment, over a communications network between multiple users of the system at multiple locations and a remote location including a play engine, the users utilizing communication devices, the communication devices having input capability and generate an output corresponding to the input, comprising:

[a] a processor,

[b] memory to:

[b.i] store mandated and programmable variable parameters for use in the course of game play,

[b.i.A] wherein, the mandated parameters represent parameters which must be achieved by the system as a whole, and the programmable variable parameters represent parameters characterizing at least one of: a game structure and a prizing structure,

[b.ii] record game play information regarding particular game play events, and

[b.iii] store player's club information, including at least

[b.iii.A] (i) player identification information, and

[b.iii.B] (ii) the amount of player points,

[c] a play engine coupled to the memory and operating with the processor to:

[c.i] implement a first set of programmable variable parameters to provide a first game play experience,

[c.ii] modify one or more programmable variable parameters to provide a second set of programmable variable parameters providing a second game play experience, wherein the first game play experience differs from the second game play experience, and

[c.iii] utilize the first and second programmable variable parameter sets to achieve the mandated parameters

through at least the first and second game play experiences,
[d] a decision engine coupled to the memory and operating with the processor to:
[d.i] (i) analyze game play as a function of the recorded information regarding particular game play events, and
[d.ii] (ii) determine the selection of the first or second programmable variable parameter sets utilizing the recorded game play information with predefined criteria including at least one of: a game structure and a prizing structure,
[e] a display system for displaying at least the player club points, and
[f] a system input for receiving player input.

Id.; Pet. 78–79.

C. *Related Proceedings*

Petitioner and Patent Owner identify as a related proceeding *Milestone Entertainment, LLC v. Activision Blizzard, Inc.*, No. 2:24-cv-04056-AB-MRW (C.D. Cal.). Pet. 2; Paper 4, 1. Petitioner also states that it has filed petitions for *inter partes* review challenging claims of “related family members” in IPR2025-00708 (U.S. Patent No. 8,529,336 B2), IPR2025-00709 (U.S. Patent No. 10,650,635 B2), IPR2025-00710 (U.S. Patent No. 10,825,294 B2), IPR2025-00711 (U.S. Patent No. 11,335,164 B2), and IPR2025-00713 (U.S. Patent No. 11,501,607 B2). Pet. 2.

D. Asserted Grounds of Unpatentability

Petitioner asserts that the Challenged Claims are unpatentable based on the following grounds:

Claim(s) Challenged	35 U.S.C. § ³	Reference(s)/Basis
1, 3–9, 13, 17, 18, 23, 25, 26, 28, 29	103(a)	Kelly ⁴
1, 3, 5–9, 13, 17, 18, 23, 25, 26, 28, 29	103(a)	Walker ⁵
4	103(a)	Walker, Schneier ⁶

Pet. 4–5. Petitioner relies on the Declaration of Mr. Dwight Crevelt, dated March 27, 2025, as support for its contentions. Ex. 1003.

III. ANALYSIS

A. Legal Standards

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); *see also* 35 U.S.C. § 312(a)(3) (requiring *inter partes* review petitions to identify

³ The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 285–88 (2011), revised 35 U.S.C. §§ 102, 103 effective March 16, 2013. Because the challenged patent has an effective filing date before March 16, 2013, we refer to the pre-AIA version of §§ 102 and 103.

⁴ Ex. 1005, US 8,172,683 B2, issued May 8, 2012, filed March 23, 2006 (“Kelly”). Petitioner refers to Kelly as “Kelly683” and asserts that Kelly qualifies as prior art under 35 U.S.C. §§ 102(a) and 102(e). Pet. 4 n.1.

⁵ Ex. 1006, US 2004/0002369 A1, published January 1, 2004, filed May 1, 2003 (“Walker”). Petitioner asserts that Walker qualifies as prior art under 35 U.S.C. §§ 102(a) and 102(e). Pet. vii, 5 n.2.

⁶ Ex. 1008, US 5,970,143, issued October 19, 1999, filed August 8, 1996 (“Schneier”). Petitioner refers to Schneier as “Schneier143” and asserts that Schneier qualifies as prior art under 35 U.S.C. §§ 102(a) and 102(e). Pet. vii, 5 n.3.

“with particularity . . . the evidence that supports the grounds for the challenge to each claim”); 37 C.F.R. § 42.104(b) (requiring a petition for *inter partes* review to identify how the challenged claim is to be construed and where each element of the claim is found in the prior art relied upon). *See also In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364, 1375–76 (Fed. Cir. 2016) (citing *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1379 (Fed. Cir. 2015)) (“[A] patent challenger has the burden of producing evidence to support a conclusion of unpatentability under § 102 or § 103, but a patentee bears the burden of establishing that its claimed invention is entitled to an earlier priority date than an asserted prior art reference.”). To prove unpatentability in an *inter partes* review, the petitioner must prove the prior-art status of the references on which its petition relies. 35 U.S.C. §§ 311(b) (petition must be based on “prior art consisting of patents or printed publications”), 312(a) (requiring petition to identify “with particularity” “the grounds on which the challenge to each claim is based” and “the evidence that supports the grounds for the challenge to each claim”), 316(e) (imposing on petitioner “the burden of proving a proposition of unpatentability by a preponderance of the evidence”).

One way in which a petitioner may fail to show that an asserted prior art reference is actually prior art is if that reference is antedated by the actions of the patent owner. “[W]hen a patent owner attempts to antedate an asserted prior art reference, the patent owner assumes a temporary burden of production.” *Parus Holdings, Inc. v. Google LLC*, 70 F.4th 1365, 1371 (Fed. Cir. 2023) (citing *Dynamic Drinkware*, 800 F.3d at 1378–79). “To antedate (or establish priority) of an invention, a party must show either an earlier reduction to practice, or an earlier conception followed by a diligent reduction to practice.” *Purdue Pharma L.P. v. Boehringer Ingelheim GmbH*,

237 F.3d 1359, 1365 (Fed. Cir. 2001). “The filing of a patent application serves as conception and constructive reduction to practice of the subject matter described in the application.” *Hyatt v. Boone*, 146 F.3d 1348, 1352 (Fed. Cir. 1998). In the circumstance when a party cannot show earlier reduction to practice and must rely on earlier conception followed by a diligent reduction to practice, “[r]easonable diligence must be shown throughout the entire critical period, which begins just prior to the competing reference’s effective date and ends on the date of the invention’s reduction to practice.” *Arctic Cat Inc. v. GEP Power Prods., Inc.*, 919 F.3d 1320, 1331 (Fed. Cir. 2019). The “diligence need not be perfectly continuous—only reasonably continuous.” *Id.* (emphasis omitted).

Petitioner’s asserted grounds of unpatentability are based on obviousness under 35 U.S.C. § 103. Section 103 forbids issuance of a patent if “the differences between the subject matter sought to be patented 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 said subject matter pertains.” 35 U.S.C. § 103(a) (2008); *see also KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (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 ordinary skill in the art; and (4) when available, objective evidence, such as

commercial success, long felt but unsolved needs, and failure of others.⁷
Graham v. John Deere Co., 383 U.S. 1, 17–18 (1966).

Additionally, the obviousness inquiry typically requires an analysis of “whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue.” *KSR*, 550 U.S. at 418 (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006) (requiring “articulated reasoning with some rational underpinning to support the legal conclusion of obviousness”)). Petitioner cannot satisfy its burden of proving obviousness by employing “mere conclusory statements,” but “must instead articulate specific reasoning, based on evidence of record, to support the legal conclusion of obviousness.” *In re Magnum Oil Tools*, 829 F.3d at 1380.

B. Level of Ordinary Skill in the Art

At this stage of the proceeding, there is no evidentiary dispute about the level of ordinary skill in the art.⁸ Based on the testimony of Mr. Crevelt, we determine that a person of ordinary skill in the art would have had at least a bachelor’s degree in computer science or computer engineering, with at least three years of experience in game development. Pet. 12 (citing Ex. 1003 ¶¶ 67–68). Additional experience could substitute for less education, and additional education could likewise substitute for less experience. *Id.* We determine that the level of ordinary skill in the art

⁷ Petitioner states that it is not aware of secondary considerations that affect the obviousness arguments it presents. Pet. 76. Patent Owner has not offered objective evidence of nonobviousness at this stage of the proceeding.

⁸ Patent Owner “disagrees with the proposed level of skill” but asserts that “under any level of skill a [person of ordinary skill in the art] would not understand the asserted Grounds to raise any unpatentability issues.” Prelim. Resp. 9. Thus, Patent Owner does not present evidence or arguments in its Preliminary Response related to the level of ordinary skill in the art.

adopted above is consistent with the level of technical understanding and competence reflected in the '279 patent Specification and the asserted prior art references, based on our review of the limited record.

C. Claim Construction

In an *inter partes* review, we apply the same claim construction standard as would be used by a district court to construe a claim in a civil action involving the validity or infringement of a patent. 37 C.F.R. § 42.100(b). Under that standard, claim terms are given their ordinary and customary meaning, as would have been understood by a person of ordinary skill in the art at the time of the invention, in light of the language of the claims, the specification, and the prosecution history of record. *Id.*; *see also Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–19 (Fed. Cir. 2005) (en banc); *Thorner v. Sony Comput. Entm't Am. LLC*, 669 F.3d 1362, 1365–66 (Fed. Cir. 2012). “The Board is required to construe ‘only those terms . . . that are in controversy, and only to the extent necessary to resolve the controversy.’” *Realtime Data, LLC v. Iancu*, 912 F.3d 1368, 1375 (Fed. Cir. 2019) (alteration in original) (quoting *Vivid Techs., Inc. v. Am. Sci. Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999)).

Petitioner argues that it is not necessary for us to provide an express construction for any claim term because the Petition “establishes the prior art meets each claim limitation under any reasonable construction.” Pet. 12. Patent Owner similarly submits that we “need not construe any terms at this stage, because under any reasonable construction of the claim terms, the prior art fails to disclose or suggest the claimed features.” Prelim. Resp. 9. At this stage of the proceeding, we do not need to expressly construe any claim terms to determine whether Petitioner showed a reasonable likelihood of prevailing as to its challenge of at least one challenged claim.

D. Alleged Obviousness Over Walker

Petitioner contends that the subject matter of claims 1, 3, 5–9, 13, 17, 18, 23, 25, 26, 28, and 29 of the '279 patent would have been obvious over Walker. Pet. 42–72. Petitioner relies on the testimony of Mr. Crevelt as support for its contentions. *See* Ex. 1003 ¶¶ 232–319. In opposition, the only argument Patent Owner advances at this stage is the assertion that Petitioner fails to show a reasonable likelihood of prevailing because the '279 patent “can be accorded a priority date corresponding to its date of invention, rather than its filing, which will in turn disqualify [Walker] as prior art.” Prelim. Resp. 15–20. Having considered the arguments and evidence before us on the current record, we determine that Petitioner has shown a reasonable likelihood of prevailing on its challenge of at least one of the Challenged Claims as obvious over Walker. We provide below a brief overview of the Walker and a discussion of the parties’ arguments at this stage.

1. Overview of Walker

Walker, titled “Method and Apparatus for Modifying a Game Based on Results of Game Plays,” describes a method and apparatus for modifying a game based on results of game plays. Ex. 1006, codes (54), (57). Walker is a U.S. Patent Application filed on May 1, 2003, published on January 1, 2004, that further refers back to a provisional application filed on May 6, 2002. *Id.* at codes (22), (43), (60).

In Walker, a first set of game results obtained over a plurality of game plays is evaluated to determine whether the results satisfy one or more predetermined criteria, such as whether a calculated standard deviation is within a desired standard deviation range. *Id.* at code (57). If the results do not meet the criteria, Walker discloses adjusting one or more parameters of

the game such that a second set of results is expected to satisfy the predetermined criteria. *Id.*; *see also id.* ¶¶ 22, 188.

A parameter of a game comprises a rule of the game that has an associated value and affects the result of a game play of the game (e.g., what prize is awarded for a game play of the game). *Id.* ¶ 28. In one example, a game parameter could be adjusted to allow a player a higher number of lives to increase the player's possibility that a novice or low-skill player will win a prize or achieve a high score. *Id.* Other examples of game parameter variables include parameters that affect the difficult of a game, a number of points awarded for an event achieved, a player's ability to score points, rules of a game, duration of a game, etc. *Id.* ¶¶ 155–166.

Figure 2, reproduced below, shows an example embodiment of system 200.

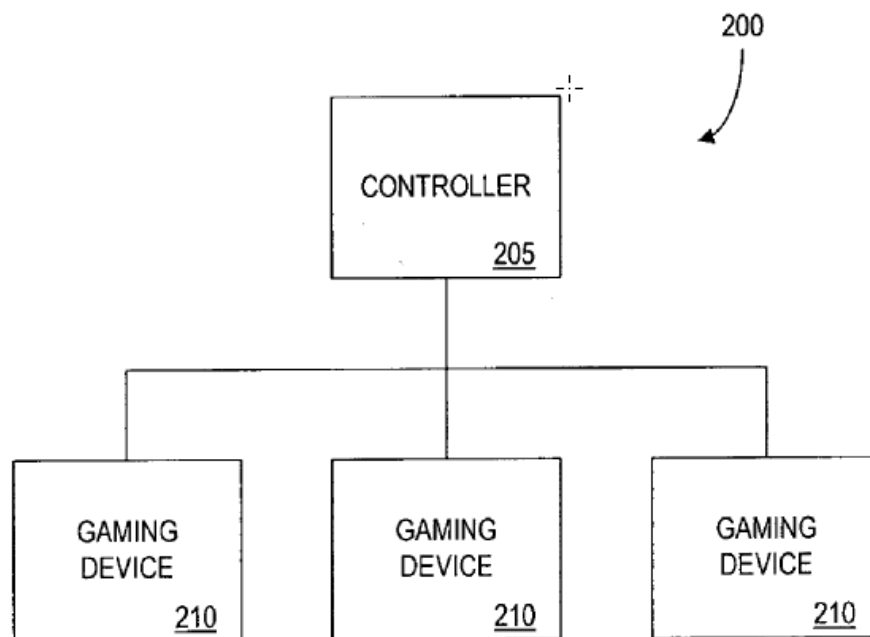


FIG. 2

Figure 2 is a block diagram of system 200 that includes controller 205 in one or two-way communication with gaming devices 210 via a network such as the Internet or another communications link. *Id.* ¶ 51.

Figure 3, reproduced below, shows an example of controller 205. *Id.*

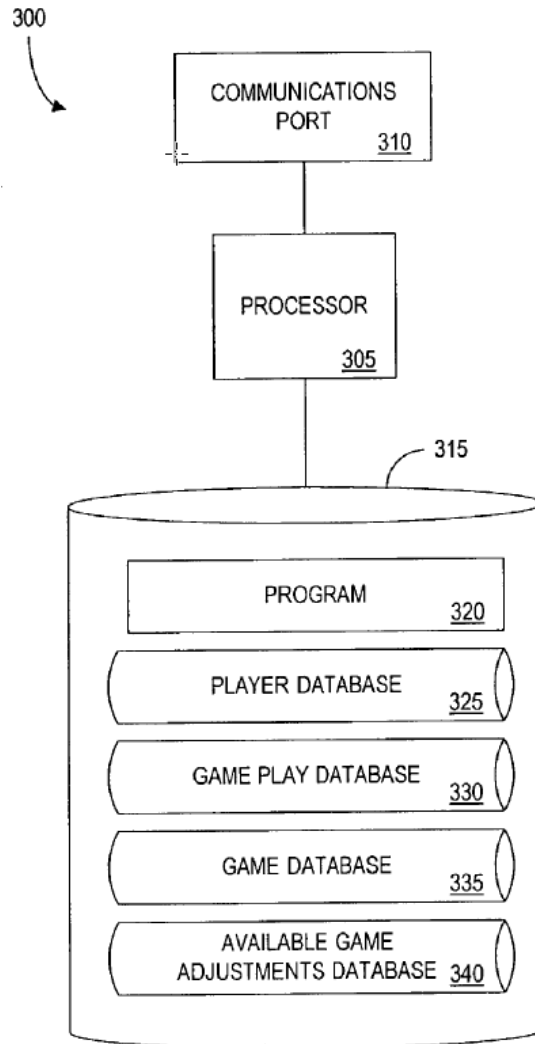


FIG. 3

Figure 3 depicts embodiment 300 of controller 205 comprising processor 305, communications port 310, and memory 315, which stores program 320 for controlling processor 305, player database 325, game play database 330, game database 335, and game adjustments database 340.

Id. ¶¶ 64–65, 67. Controller 205/300 may comprise a server computer

operable to communication with client devices, i.e., gaming devices 210, where controller 300 is operative to manage system 200 and execute the methods of the invention. *Id.* ¶ 62.

Walker discloses that exemplary methods of accepting payment by a payment system of gaming device 400 include: (1) “receiving hard currency” via a coin or bill acceptor; (2) “receiving alternate currency (e.g., a paper cashless gaming voucher, a coupon, a non-negotiable token)” via a bar code reader or other sensing means, and (3) “receiving a payment identifier (e.g., a credit card number, a debit card number, a player tracking card number) and debiting the account identified by the payment identifier. *Id.* ¶ 89. Walker further discloses that payment can be accepted by “determining that a player has performed a value-added activity.” *Id.*; *see also id.* ¶ 197 (describing using “money and other currencies” to pay the entry fee for a game play).

Player database 325 may include fields to house player information, including player identifier 505, player name 510, player contact information 515, financial account identifier 520, and skill level 525. *Id.* ¶ 98, Fig. 5. Game play database 330 records, *inter alia*, result achieved 360 during game play and the difficulty of the game played. *Id.* ¶¶ 110, 116, Fig. 6A. Game database 335 may include desired standard deviation 706 for a game and calculated standard deviation 712 of scores calculated at the last evaluation. *Id.* ¶ 141, Fig. 7A. Finally, game adjustments database 340 includes, *inter alia*, available adjustment 840 for a particular game and anticipated change in standard deviation 806 of results of game plays if the adjustment is made. *Id.* ¶ 177, Fig. 8. This variety of possible adjustments may be made by controller 205 to a particular game when, for example, controller 205 determines that one or more

predetermined criteria associated with the particular game has not been satisfied by a set of results for the game. *Id.* ¶ 178.

2. Prior Art Status of Walker

Petitioner asserts that Walker “is §§102(a) and (e) prior art.” Pet. 5 n.2. Patent Owner argues that Walker is not prior art to the ’279 patent. Prelim. Resp. 15–20.

As noted above, the ’279 patent issued July 19, 2022, based on an application filed November 12, 2021, that asserts the benefit of a series of applications, the earliest of which was filed September 2, 2003. Ex. 1001, codes (22), (45), (60). Petitioner asserts that the Challenged Claims of the ’279 patent “are entitled to an effective filing date of no earlier than September 2, 2003,” consistent with the date of the earliest application identified by the ’279 patent.⁹ *See* Pet. 6. For purposes of our analysis on the current record, in this Decision we apply September 2, 2003, as the priority date of the Challenged Claims.

Walker was filed on May 1, 2003, and refers back to a provisional application filed on May 6, 2002, but Walker was not published until January 1, 2004. Ex. 1006, codes (22), (43), (60). Thus, Petitioner fails to show on the current record how, under pre-AIA 35 U.S.C. § 102(a), Walker discloses an invention that was described in a printed publication in this country before the invention thereof by the Patent Owner, because Walker

⁹ Patent Owner, citing page 6 of the Petition, mistakenly argues that Petitioner contends that the effective date of the Challenged Claims is no earlier than September 1, 2004. Prelim. Resp. 16. The Petition identifies September 2, 2003, as the earliest effective filing date of the Challenged Claims, not September 1, 2004. *See* Pet. 6.

was published after the applied priority date of the Challenged Claims of the '279 patent.

Petitioner does, however, show on the current record that Walker, on its face, is prior art to the '279 patent under 35 U.S.C. § 102(e), because Walker discloses an invention that was described in an application for patent published under 35 U.S.C. § 122(b), by another filed in the United States before the invention by the Patent Owner. The filing date of Walker (May 1, 2003) and the filing date of the provisional application to which Walker claims priority (May 6, 2002), both precede the applied priority date of the '279 patent (September 2, 2003).

Patent Owner contends that although Walker “has an effective filing date of May 1, 2003,” Patent Owner “invented the claims of the [']279 [p]atent well prior to May 1, 2003.” Prelim. Resp. 16. Patent Owner provides images taken from an invention disclosure slide deck that Patent Owner asserts was provided by the inventors to their patent prosecutor on December 4, 2002. *Id.* at 16–18; Ex. 2006. Patent Owner submits that this slide deck describes a game named “Perfect 10,” which was described “extensively” in the '279 patent. Prelim. Resp. 16–19 (citing Ex. 1001, 39:40–53; 40:49–61; Ex. 2006). Patent Owner also asserts that “the patent prosecutor opened a new matter for this family of patents on December 10, 2002.” *Id.* at 16 (citing Ex. 2005). Patent Owner further states that “[w]ere institution granted, Patent Owner would show that the named inventors worked diligently thereafter to reduce the invention to practice before May 1, 2003.” *Id.* at 19.

According to Patent Owner, this record shows that Petitioner has failed to establish that Walker is prior art to the '279 patent. *Id.* We disagree. As explained above, Walker is § 102(e) prior art on its face. To remove

Walker as prior art under § 102(e), Patent Owner must show either that it reduced the invention to practice prior to Walker's effective date, or that it invented prior to Walker's effective date. In the case of the latter, Patent Owner must demonstrate conception prior to May 1, 2003, and reasonably continuous diligence throughout the entire critical period, which begins just prior to the Walker's effective date and ends on the date of the invention's actual or constructive reduction to practice.

Patent Owner provides evidence purporting to show that it conceived of the invention prior to May 1, 2003. Patent Owner, however, has not asserted that this evidence demonstrates actual reduction to practice, nor do we have sufficient evidence at this stage to make that determination. Further, Patent Owner's earliest possible constructive reduction to practice (September 2, 2003) does not pre-date Walker's effective date (May 1, 2003). At this stage of the proceeding, without Patent Owner's evidence of diligence, Patent Owner has not provided sufficient evidence to demonstrate that Petitioner fails to show a reasonable likelihood of prevailing in establishing that Walker is prior art.

3. Analysis of Independent Claim 1

Petitioner contends that Walker renders obvious the subject matter of independent claim 1. Pet. 32–63. Petitioner relies on the testimony of Mr. Crevelt in support of its contentions with respect to claim 1. Ex. 1003 ¶¶ 234–286. Further, according to Petitioner, “[n]o findings regarding motivation to combine or reasonable expectation of success are necessary with a single reference ground,” but Walker “teaches that the features of the embodiments are options that can be combined.” Pet. 42 n.6 (citing *Realtime Data, LLC v. Iancu*, 912 F.3d 1368, 1372–73 (Fed. Cir. 2019)). At this stage, Patent Owner does not contest Petitioner's proffered assertions about the

scope and content of Walker or the proposed combination of the prior art teachings directed to claim 1. *See* Prelim. Resp. 15–20.

4. Dependent claims 3, 5–9, 13, 17, 18, 23, 25, 26, 28, and 29

Petitioner contends that Walker in combination with Schneier renders obvious the subject matter of dependent claims 3, 5–9, 13, 17, 18, 23, 25, 26, 28, and 29 of the '279 patent. Pet. 63–72. At this stage of the proceeding, Patent Owner does not dispute Petitioner's contentions with respect to these claims apart from relying on the arguments contesting Walker's status as prior art. *See* Prelim. Resp. 15–20.

5. Determination of a Reasonable Likelihood of Prevailing

We determine on the current record that Petitioner sufficiently shows for purposes of institution that Walker is prior art to the '279 patent, as well as how each element of the system of independent claim 1 was taught or suggested by Walker. We have reviewed Petitioner's cited evidence, including the prior art and Mr. Crevelt's declaration, and find that Petitioner has shown a reasonable likelihood of prevailing on its assertion that claim 1 would have been obvious over Walker. At this stage of the proceeding, and because Petitioner meets the threshold for institution for claim 1 under this ground, we need not decide whether Petitioner's challenges to the dependent claims demonstrate the same. Those challenges, in our view, are best left for trial after full development of the record.

E. Alleged Obviousness Over Walker and Schneier

Petitioner contends that the subject matter of claim 4 would have been obvious over the combination of Walker and Schneier. Pet. 73–75. Petitioner relies on the testimony of Mr. Crevelt in support of Petitioner's contentions. *See* Ex. 1003 ¶¶ 220–330. In opposition, as with Petitioner's contentions based on Walker, alone, the only argument Patent Owner advances with

regard to the asserted combination of Walker and Schneier is that Petitioner fails to show a reasonable likelihood that Walker is prior art. Prelim.

Resp. 15–20. For the same reasons discussed above, we determine on the current record that the information provided by Petitioner shows a reasonable likelihood that Walker is prior art. We provide below a brief overview of Schneier and a discussion of Petitioner’s contentions with respect to claim 4.

1. Overview of Schneier

Schneier, titled “Remote-Auditing of Computer Generated Outcomes, Authenticated Billing and Access Control, and Software Metering System Using Cryptographic and Other Protocols,” relates generally to authentication of computer-generated game or test results, and issued on October 19, 1999. Ex. 1008, codes (45), (54), 1:13–14. Schneier discloses, among other things, “a system for enabling geographically dispersed tournaments for computer generated games in which players can participate from virtually any location where they have access to a game computer (e.g., at home).” *Id.* at 4:49–53. According to Schneier, an “Interactive Voice Response Unit (“IVRU”)” may be “associated with a telephone network and coupled to the central computer” using a “standard interface for access from a plurality of telephones,” thereby enabling “players to enroll in tournaments and/or to submit the outcomes of the games to the central computer” for certification. *Id.* at 11:34–40; Fig. 1A. Schneier also discloses that game credits can be earned during game play, and that players can use credits during game play to purchase items. *Id.* at 63:8–29, 63:37–38.

2. Dependent Claim 4

Claim 4 depends from claims 1 and 3, and additionally recites that “the player’s club information includes information on non-cash item is an image.” Ex. 1001, 46:31–33. According to Petitioner, Schneier “discloses ‘[e]xtra credits can be required to complete restricted stages of a game’ or ‘the player could be charged an additional credit for the use of a special weapon, access to a map of the dungeon, or hints on avoiding traps.’” Pet. 74 (citing Ex. 1008, 63:12–19). Petitioner reasons that “[e]ach purchase would need to be reflected in the display of the game through an image, so that the user could use that purchase to advance to another level,” and that the use of such non-cash images in Walker “would have tailored the experience to the user,” “would have required a mere change of programming” with a reasonable expectation of success. *Id.* at 74 (citing Ex. 1003 ¶¶ 329–330). Patent Owner does not dispute Petitioner’s contentions with respect to claim 4 apart from relying on the arguments contesting the prior art status of Walker. *See* Prelim. Resp. 15–20.

3. Determination of a Reasonable Likelihood of Prevailing

At this stage of the proceeding, and because Petitioner meets the threshold for institution for claim 1 based on alleged obviousness over Walker, we need not decide whether Petitioner’s challenge claim 4 based on Walker and Schneier demonstrates the same. This challenge, in our view, is best left for trial after full development of the record.

F. Alleged Obviousness Over Kelly

Petitioner contends that the subject matter of claims 1, 3–9, 13, 17, 18, 23, 25, 26, 28, and 29 of the ’279 patent would have been obvious over Kelly. Pet. 13–42. Petitioner relies on the testimony of Mr. Crevelt as support for its contentions. Ex. 1003 ¶¶ 94–231.

1. Overview of Kelly

Kelly discloses a prize redemption system and method for use with one or more game apparatuses. Ex. 1005, 4:12–13. Players may win “prize credits” by playing a game on the game apparatus, preferably in exchange for monetary input, and may then select a prize from a prize menu offered on the game apparatus. *Id.* at 4:14–16, 4:24–27. The number of prize credits are provided to the player based on an outcome of the game and optionally accumulated from previous games. *Id.* at 4:29–31.

The operator can provide cost and prize data and a desired level of profitability, and prize credit costs for prizes are automatically determined. *Id.* at 4:17–20; 5:5–19. For instance, the operator has the ability to adjust prizes and determine desired prize costs and win ratios. *Id.* at 5:4–5. The prize cost is determined in accordance with the operator’s desired amount of payout, which may include a global payout percentage value that is the operator’s desired percentage of the monetary income earned by the game apparatus that the operator wishes to provide back to players in the form of the prizes won using prize credits. *Id.* at 5:22–28. “An operator need only input desired prizes and a desired percentage of income that is to be paid back to players, and the system can automatically determine prize credit costs and win ratios for the entered prizes, which achieve the desired profitability of the game apparatus.” *Id.* at 5:58–62.

Figure 1 of Kelly is reproduced below.

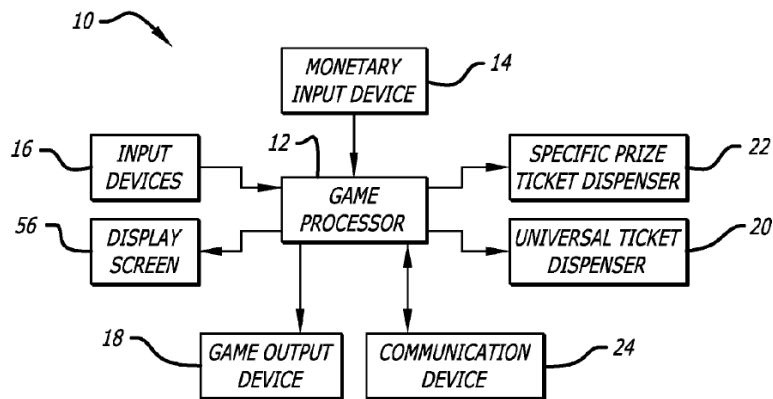


FIG. 1

Figure 1 is a diagrammatic illustration of a game apparatus. *Id.* at 7:20. Figure 1 shows that game unit 10 includes game processor 12, monetary input device 14, player input device(s) 16, game output device(s) 18, universal ticket dispenser 20, specific prize ticket dispenser 22, and communication device 24. *Id.* at 9:10–14. Game processor 12 implements (e.g., controls, influences, coordinates, monitors, calculates, and the like) the functions of game unit 10 during a game process and includes several input and output functions. *Id.* at 9:15–18. Game processor 12 controls the game apparatus by receiving inputs from a player, from other game apparatuses, from a server, from a progressive bonus apparatus, and from other sources. *Id.* at 9:18–22. Game processor 12 also controls output signals to update the game process when appropriate. *Id.* at 9:22–23.

In addition, game processor 12 controls a redemption system by calculating when prizes are awarded, calculating and updating prize lists and prize costs, and other functions. *Id.* at 9:23–27. Game processor 12 preferably includes a digital microprocessor or a similar controller device, and other electronic components, which are described in further detail with respect to FIG. 1a. *Id.* at 9:27–30.

Figure 1a is reproduced below.

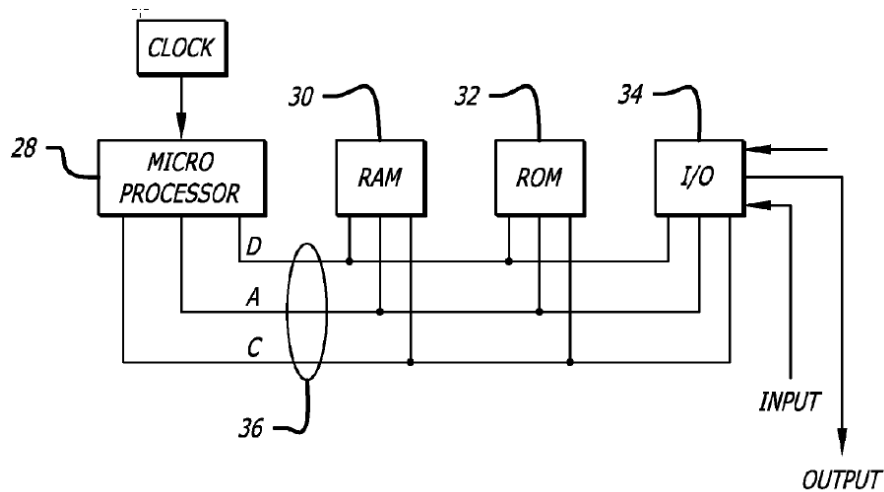


FIG. 1a

Figure 1a is a block diagram of a preferred game processor 12 of Figure 1. *Id.* at 15:34–35. Game processor 12 receives signals and commands from the player input devices 16 and translates/interprets those signals and commands so that the game process can be updated. *Id.* at 15:35–38. Game processor 12 preferably includes a microprocessor 28, random access memory (RAM) 30, read only memory (ROM) 32, and input/output (I/O) 34. *Id.* at 15:38–40. Besides the components of game processor 12, the control system can include operator-configurable controls to provide selectable game functions such as the amount the score is incremented for certain player actions or commands, the amount of prize credits awarded based on the score, the speed and/or difficulty of game play, the conditions required to add to the game score and/or receive universal or specific prize tickets, the conditions required for a player to win a progressive bonus award or enter a tournament, and the like. *Id.* at 16:13–21. These factors can affect the difficulty of the game and the amount of tickets/vouchers received by players. *Id.* at 16:21–23.

Figure 4 is shown below.

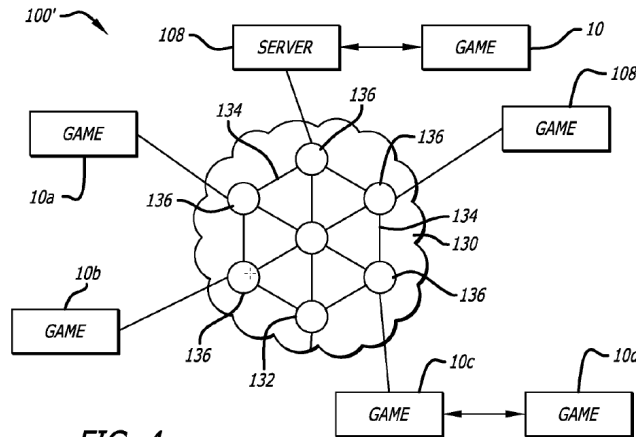


FIG. 4

Figure 4 shows networked game system 100 that includes a wide-area network, such as the Internet 130, and game units 10 coupled to the Internet 130 with a suitable communication device. *Id.* at 21:21–24, 21:41–43.

Figure 9a is shown below.

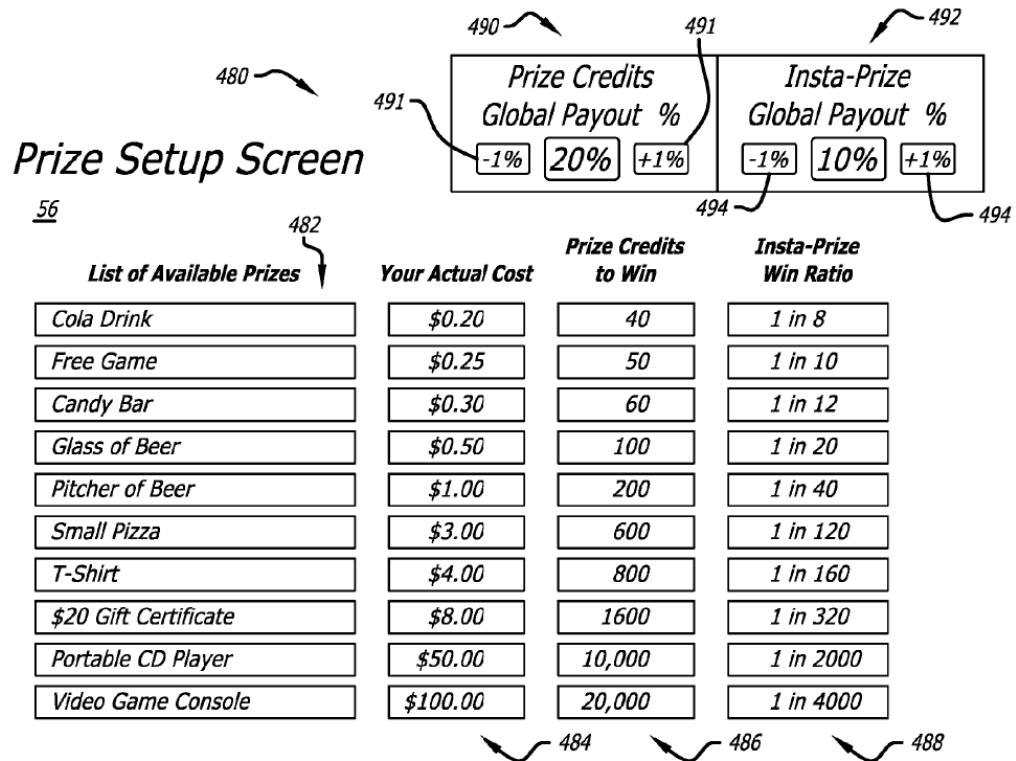


FIG. 9a

FIG. 9a is a diagram of an example of prize table 480 for use with the present invention that is displayed to the operator. *Id.* at 34:64–66. Prize table 480 includes list of available prizes 482; actual cost 484 of each prize in list 482; prize value 486 for each prize in list 482 in terms of prize credits or tickets; specific prize win percentage 488 for each prize in list 482, prize credit global payout percentage 490; and specific prize win percentage 492. *Id.* at 35:9–14. The operator can use this interface to adjust prize characteristics for that game unit and any linked game units. *Id.* at 35:1–2.

2. Independent Claim 1

Petitioner contends that Kelly renders obvious the subject matter of independent claim 1. Pet. 15–26. Petitioner relies on the testimony of Mr. Crevelt as support for its contentions. Ex. 1003 ¶¶ 94–193. With regard to limitations 1[b.iii] and 1[b.iii.B], Petitioner states that Kelly “does not expressly disclose *player’s club information or amount of player points*,” and asserts a person of ordinary skill “would have been motivated and [found it] obvious to implement these features.” Pet. 23 (citing Ex. 1003 ¶ 145). Similarly, with regard to limitation 1[e], Petitioner states that Kelly “does not expressly disclose that the output devices 18 display *at least the player club points*,” and argues that a person of ordinary skill “would have been motivated and found it obvious to implement.” *Id.* at 33 (citing Ex. 1003 ¶ 187).

Patent Owner argues that Kelly does not disclose elements of limitations 1[b.ii] and 1[d.i–ii]. In particular, Patent Owner argues that Petitioner’s reliance on button presses in Kelly as corresponding to “information regarding particular game play events” that is stored is unsupported by Kelly. Prelim. Resp. 10–11. Further, according to Patent Owner, there is no disclosure in Kelly of a “decision engine,” as required

by 1[d]. *Id.* Further, according to Patent Owner, Petitioner fails to show how Kelly discloses a decision engine “utilizing the recorded game play information” to “determine the selection of the first or second programmable variable parameter,” as required by 1[d.ii], because the game adjustments in Kelly relied upon by Petitioner are operator determined. *Id.* at 12–13.

Additionally, Patent Owner argues that Kelly does not disclose features of limitations 1[b.iii], 1[b.iii.B], and 1[e], and suggests that “Petitioner relies on Paulsen^[10] for those limitations,” but fails to provide reasons that would suggest or prompt “such a combination.”¹¹ *Id.* at 13–15 (citing Pet. 12).

3. Dependent claims 3–9, 13, 17, 18, 23, 25, 26, 28, and 29

Petitioner contends that Kelly renders obvious the subject matter of dependent claims 3–9, 13, 17, 18, 23, 25, 26, 28, and 29 of the ’279 patent. Pet. 35–42. At this stage of the proceeding, Patent Owner does not dispute Petitioner’s contentions with respect to these claims apart from relying on the arguments contesting the sufficiency of Petitioner’s showing with regard to the obviousness of claim 1 over Kelly. *See* Prelim. Resp. 10–15.

4. Determination of a Reasonable Likelihood of Prevailing

At this stage of the proceeding, and because Petitioner meets the threshold for institution for claim 1 based on alleged obviousness over Walker, we need not decide whether Petitioner’s challenges to the Challenged Claims based on Kelly demonstrate the same. Those challenges, in our view, are best left for trial after full development of the record.

¹⁰ Ex. 1007, US 2005/0153768 A1, published Jul. 14, 2005, filed Jan. 8, 2004 (“Paulsen”).

¹¹ We note that Petitioner relies on Paulsen as evidence of the knowledge of a person of ordinary skill in the art, but does not assert Paulsen in combination with Kelly as a ground of unpatentability. *See* Pet. 4–5, 13–14, 23–24, 33.

IV. CONCLUSION

For the foregoing reasons, the information presented in the Petition and accompanying evidence establishes a reasonable likelihood that Petitioner would prevail in showing the unpatentability of at least one of the Challenged Claims.

V. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *granted*; and

FURTHER ORDERED that *inter partes* review is instituted.

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