

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ACTIVISION BLIZZARD, INC.,
Petitioner,

v.

MILESTONE ENTERTAINMENT, LLC,
Patent Owner.

IPR2025-00713
Patent 11,501,607 B2

Before LINDA E. HORNER, JAMES A. TARTAL, and
SCOTT C. MOORE, *Administrative Patent Judges*.

HORNER, *Administrative Patent Judge*.

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

I. INTRODUCTION

Activision Blizzard, Inc. (“Petitioner”) filed a Petition to institute *inter partes* review of claims 1, 2, 4, 6, 7, 11, 15, and 19 of U.S. Patent No. 11,501,607 B2 (Ex. 1001, “the ’607 patent”). Paper 1 (“Pet.”). Milestone Entertainment, LLC (“Patent Owner”) filed a Preliminary Response. Paper 9 (“Prelim. Resp.”).

Under 35 U.S.C. § 314(a), an *inter partes* review may not be instituted unless the information presented in the petition and the preliminary response shows “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”

Upon consideration of the Petition and the Preliminary Response, and for the reasons explained below, we determine that Petitioner has not shown a reasonable likelihood that it would prevail with respect to at least one of the challenged claims. Thus, we deny the Petition.

A. *Real Parties in Interest*

Petitioner identifies Activision Blizzard, Inc., which is a wholly owned subsidiary of Microsoft Corporation, as the real party in interest for the Petitioner. Pet. 2. Patent Owner identifies Milestone Entertainment, LLC as the real party in interest for the Patent Owner. Paper 3 (Patent Owner’s Mandatory Notices), 1.

B. *Related Matters*

The parties identify the following related matter involving the ’607 patent: *Milestone Entertainment, LLC v. Activision Blizzard, Inc.*, No. 2:24-cv-04056-AB-MRW (C.D. Cal.). Pet. 2; Paper 3, 1.

Petitioner also identifies that it has challenged the following “related family members.” Pet. 2.

IPR2025-00713
Patent 11,501,607 B2

U.S. Patent No.	IPR
8,529,336	IPR2025-00708
10,650,635	IPR2025-00709
10,825,294	IPR2025-00710
11,335,164	IPR2025-00711
11,393,279	IPR2025-00712
11,501,607	IPR2025-00713

C. The '607 Patent

The '607 Patent is titled “Systems for Implementing Enhanced Gaming and Prizing Parameters in an Electronic Environment” and was issued November 15, 2022, based on an application filed May 16, 2022, that asserts the benefit of a series of provisional and nonprovisional applications, the earliest of which was filed September 1, 2004. Ex. 1001, codes (22), (45), (54), (63).

The '607 Patent discloses a system “for effecting user experience in an electronic game environment through use of virtual currency or vCoins.” Ex. 1001, Abst. “A vCoin will typically be a multiplier times the corresponding numeric monetary value, e.g.,[,] one dollar equals 500 vCoins.” *Id.* at 14:28–30. “vCoins may be acquired by purchase, or may be awarded in a non-cash purchase manner such as provided for a credit, an inducement or a promotion.” *Id.* at 14:38–40.

The system may receive a number of mandated parameters that must be achieved by the system as a whole. *Id.* at 5:24–26. These parameters “form the boundary constraints or boundary conditions for the game.” *Id.* at 5:28–30. 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 5:30–34. 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 5:37–40. 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 6:1–9.

The ’607 patent describes that “[i]n certain games, the entertainment may be broadly divided into a first game play phase and a second prizing phase.” Ex. 1001, 7:20–22. “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 7:25–28. “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 7:28–32.

Figure 1, reproduced below, is a diagrammatic block diagram of one implementation of the system. Ex. 1001, 16:7–9.

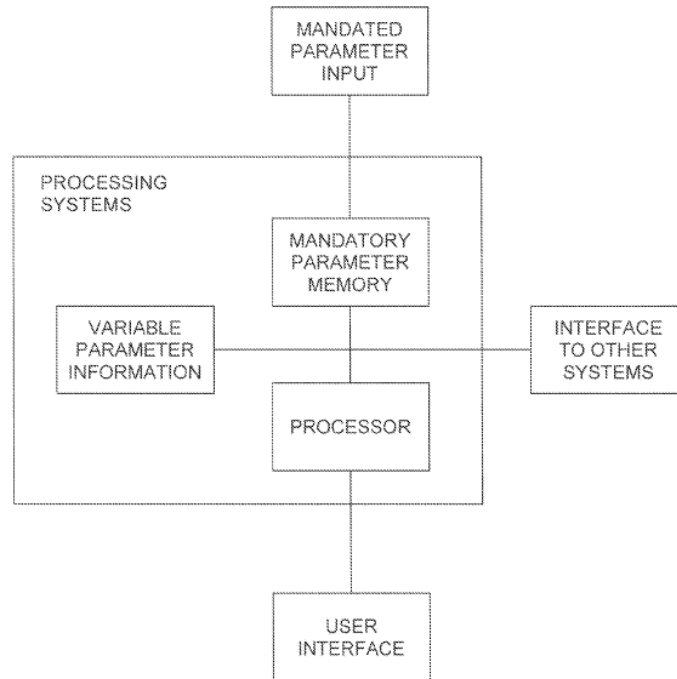


FIG. 1

Figure 1 shows inputs to and outputs from processing systems of the invention. Ex. 1001, 16:14–26. As shown, mandated parameters may be inputted to the processing system. *Id.* at 16:14–15. These mandated parameters are then stored within the processing system, such as in the mandated parameter memory. *Id.* at 16:15–17. 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 16:17–21. The output of the processor is then provided to the user via the user interface. *Id.* at 16:21–23.

As shown, for example, in Figure 18, the processing system may interface to other systems as well. Ex. 1001, 16:23–26. Figure 18 is reproduced below.

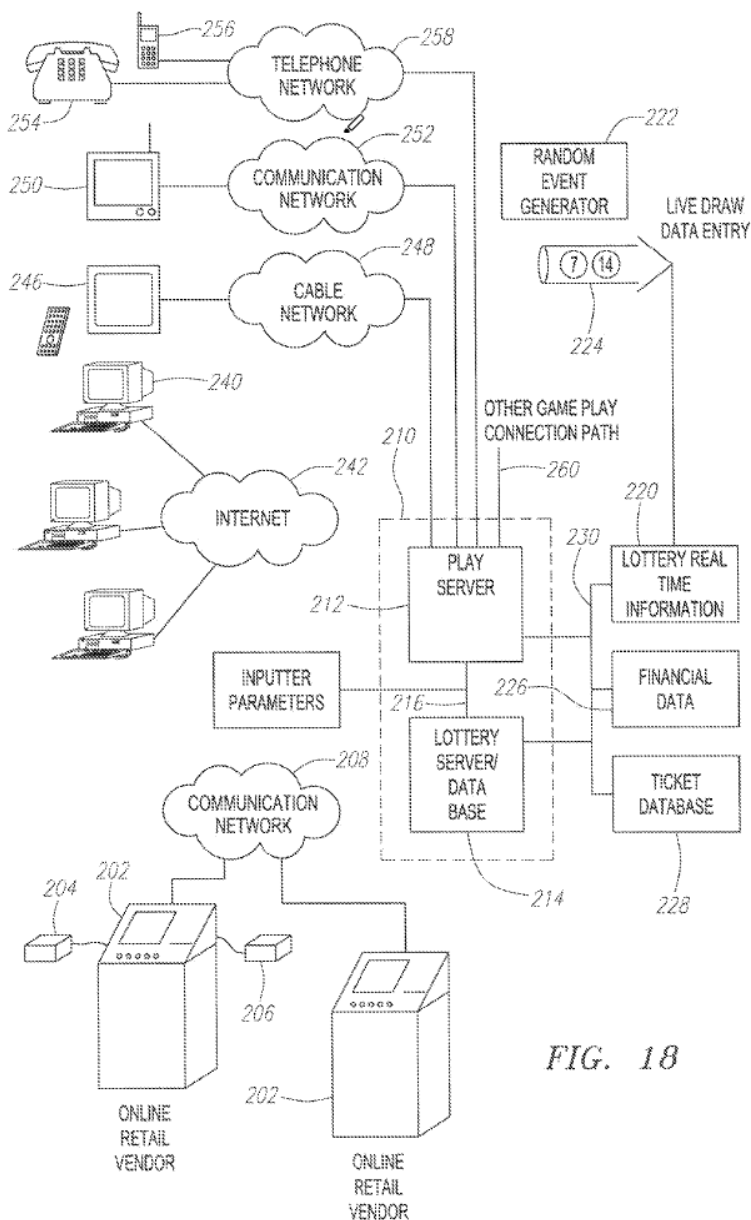


FIG. 18

Figure 18 is a schematic and block diagram of one version of the system for implementing game play. Ex. 1001, 30:48–49. The system

includes, *inter alia*, processing system 210 that may include play server 212 and lottery server 214. *Id.* at 31:3–4. 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 31:5–8. Processing system 210 may interact with lottery real time information memory 220, financial data memory 226, and ticket database 228 via bus 230. *Id.* at 31:24–35. 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 31:40–46, 31:62–65.

The 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. Ex. 1001, 36:4–20, 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 36:24–25, Fig. 20E. The system also stores a player's vCoin amounts. *Id.* at 46:46.

The system may also track data on game play, such as number of players 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 45:32–42.

The system also contains a prizing system, such as a multilevel prizing system in which a player is presented with the opportunity to purchase, such as via the wager, a better prize level, such as a higher guaranteed prize. Ex. 1001, 44:49–50, 44:65–67, Fig. 26.

D. Illustrative Claim

The Petition challenges claims 1, 2, 4, 6, 7, 11, 15, and 19. Pet. 1. Of these, claim 1 is independent. Ex. 1001, 47:14–60. Claim 1 is reproduced below along with bracketed limitation identifiers referenced in the Petition (*see* Pet. 76–77).

1. A system for electronic game play involving one or more remote users of a system in an electronic environment, the remote users utilizing electronic communication devices having display capabilities, the electronic communication devices having input capability and generate an output corresponding to the input, the electronic communication devices having storage to store information from a remote source, comprising:

[1.a] a server including memory to process and store:

[1.a.i] registration user information of the remote users,

[1.a.ii] game play information regarding particular game play events,

[1.a.iii] payment information of the remote users, and

[1.a.iv] mandated and variable parameters for use in the course of game play, wherein the mandated parameters represent parameters which must be achieved by the system as a whole, and the variable parameters represent parameters characterizing at least one of: a game structure and a prizing structure,

[1.b] a communication interface adapted to couple bi-directional communications between the one or more remote users utilizing electronic communication devices,

[1.c] a game processor coupled to memory generating game play information, the game processor providing at least:

[1.c.i] the game play information including game play with virtual money (vCoins),

[1.c.ii] the virtual money (vCoins) being acquired in response to a purchase utilizing the payment information of the users,

- [1.c.iii] the virtual money (vCoins) acquired in response to a purchase being subject to a multiplier,
- [1.c.iv] implementing a first variable parameters to provide a first game play experience, and
- [1.c.v] modifying the variable parameters to provide second variable parameters providing a second game play experience, where the first game play experience differs from the second game play experience,
- [1.d] memory storing account information which varies through game play,
- [1.e] a decision engine for performing game analytics on the game play and determine the selection of the first or second programmable variable parameters utilizing the recorded game play information with predefined criteria, and
- [1.f] a prizing system to award a win to the one or more remote users determined by a prizing structure.

Ex. 1001, 47:14–60.

E. Prior Art and Asserted Grounds

The Petition asserts that the challenged claims are unpatentable based on the following grounds (Pet. 4–5):

Claim(s) Challenged	35 U.S.C. §¹	Reference(s)/Basis
1, 2, 7, 11, 15, 19	103(a)	Kelly ²
4, 6	103(a)	Kelly, Paulsen ³

¹ 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 § 103.

² Ex. 1005, US 8,172,683 B2, issued May 8, 2012, filed March 23, 2006 (“Kelly”). Petitioner asserts that Kelly qualifies as prior art under 35 U.S.C. §§ 102(a) and 102(e). Pet. 4 n.1.

³ Ex. 1007, US 2005/0153768 A1, published July 14, 2005, filed January 8, 2004 (“Paulsen”). Petitioner asserts that Paulsen qualifies as prior art under 35 U.S.C. § 102(e). Pet. 5 n.2.

Claim(s) Challenged	35 U.S.C. § ¹	Reference(s)/Basis
1, 2, 4, 6, 7, 11, 15, 19	103(a)	Walker ⁴ , Schneier ⁵

Petitioner relies on the declaration testimony of Mr. Dwight Crevelt (Ex. 1003) in support of the asserted grounds.

Petitioner subsequently withdrew the third ground based on Walker and Schneier. *See* Paper 14 (Order granting motion to withdraw ground). Thus, our decision addresses only the grounds based on Kelly.

II. PATENTABILITY 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 “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).

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

⁴ 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. 5 n.3.

⁵ Ex. 1008, US 5,970,143, issued October 19, 1999, filed August 8, 1996 (“Schneier”). Petitioner asserts that Schneier qualifies as prior art under 35 U.S.C. §§ 102(a) and 102(e). Pet. 5 n.4.

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, 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 ordinary skill in the art; and (4) when available, objective evidence, such as commercial success, long felt but unsolved needs, and failure of others. *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 Int'l, Ltd.*, 829 F.3d 1364, 1380 (Fed. Cir. 2016).

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.⁶ Based on the testimony of Mr. Crevelt,

⁶ 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.

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. 16 (citing Ex. 1003 ¶¶ 102–103). 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 adopted above is consistent with the level of technical understanding and competence reflected in the '607 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)

Resp. 9–10. Thus, Patent Owner does not present evidence or arguments in its Preliminary Response related to the level of ordinary skill in the art.

(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. 17. 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. 10. 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. Ground 1: Alleged Obviousness Over Kelly

Petitioner contends that claims 1, 2, 7, 11, 15, and 19 of the '607 patent would have been obvious over Kelly. Pet. 17–37. Having considered the arguments and evidence before us, we determine that Petitioner has not shown a reasonable likelihood of prevailing on its challenge of at least one of the challenged claims under this asserted ground of unpatentability. We provide below a brief overview of the cited reference and a discussion of the significant issues raised by the parties.

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.

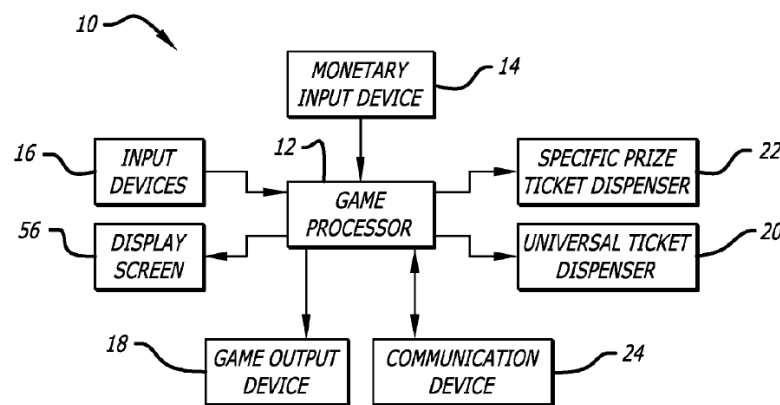


FIG. 1

Figure 1 is a diagrammatic illustration of a game apparatus. Ex. 1005, 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 Figure 1a. *Id.* at 9:27–30.

Figure 1a is reproduced below.

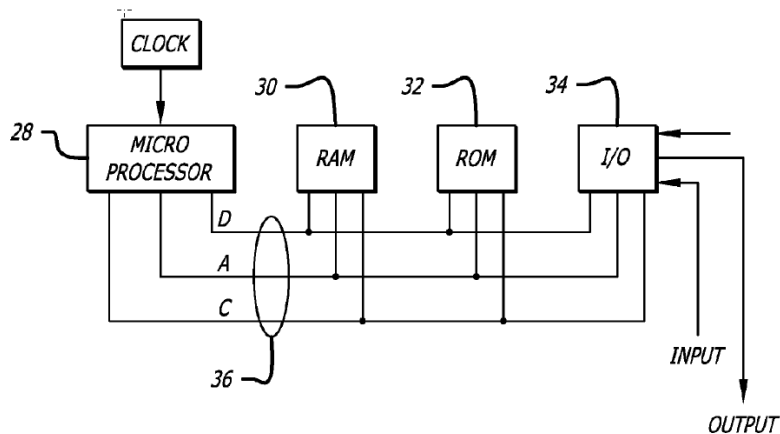


FIG. 1a

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.

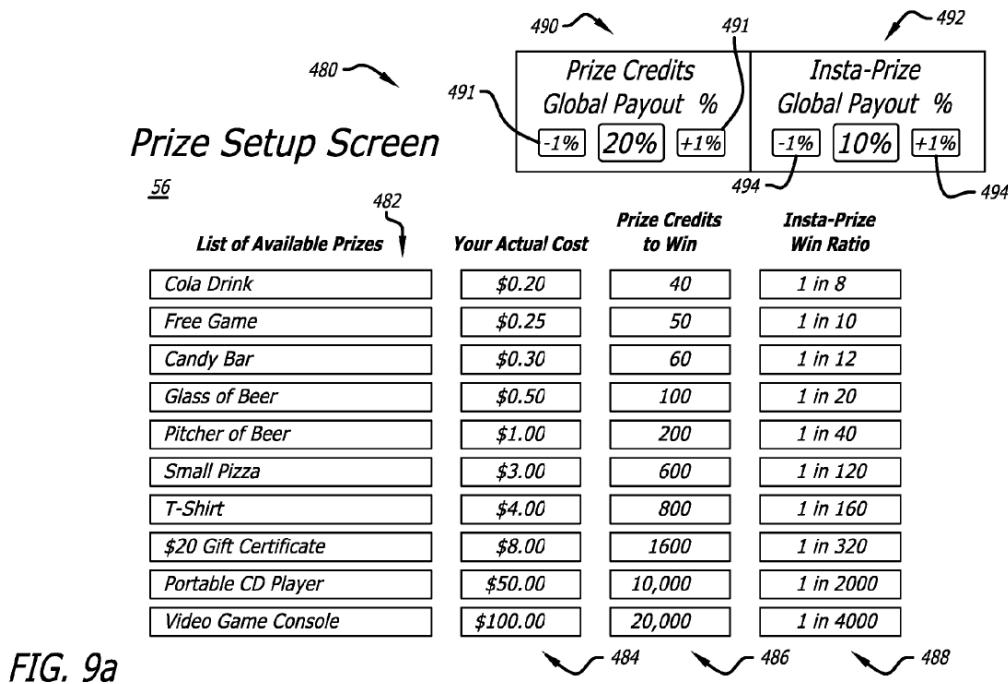


FIG. 9a

Figure 9a is a diagram of an example of prize table 480 for use with the present invention that is displayed to the operator. Ex. 1005, 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

a) Petitioner's contentions

Petitioner contends that Kelly renders obvious the subject matter of independent claim 1. Pet. 18–35. Specifically, Petitioner contends that the various embodiments of Kelly disclose each limitation in the challenged claim, and a person of ordinary skill would have combined those embodiments resulting in a system that renders obvious each limitation of the challenged claim. *Id.* at 17. Petitioner relies on the testimony of Mr. Crevelt in support of its contentions. Ex. 1003 ¶¶ 126–166.

b) Patent Owner's Contentions

Patent Owner contends that Petitioner's first ground has two deficiencies. Prelim. Resp. 10–12. According to Patent Owner, Kelly does not disclose a memory to store “game play information regarding particular game play events” (limitation [1.a.ii]) and does not disclose “a decision engine for performing game analytics on the game play” to “determine the selection of the first or second programmable variable parameters utilizing the recorded game play information with predefined criteria” (limitation [1.e]). *Id.*

c) Analysis

(1) “a server including memory to process and store . . . game play information regarding particular game play events” (limitation [1.a.ii])

With regard to limitation [1.a.ii], Petitioner submits Kelly discloses that the game play information provided by the game processor includes information on an initial game play event based on the user input. Pet. 22 (citing Ex. 1003 ¶ 136; Ex. 1005, 1:44–46, 9:62–66, 10:12–15, 46:32–37, 46:49–52).

Patent Owner argues that Petitioner is incorrect in its analysis because (1) there is no disclosure that Kelly stores user input (i.e., button presses, as alleged by Petitioner) in memory, or that Kelly's system analyzes these "user inputs" to determine the selection of appropriate game parameters, as required by limitation [1.e]; and (2) a person of ordinary skill would not regard button presses to be the claimed "game play events," which the '607 patent describes as providing information about game outcomes, programs or progress. Prelim. Resp. 11–12 (citing Ex. 1001, 18:7–9, 18:59–62, 40:41–44, 43:10–13, 44:37–38).

We agree with Patent Owner that Petitioner has failed to provide adequate evidence and analysis to show that Kelly discloses storing the identified user input in Kelly's system. For instance, the portion of Kelly relied upon in the Petition describes how user input provides a particular game command to game processor 12, and game processor 12 interprets and uses this input to influence game states and game events. Ex. 1005, 10:12–15. The portion of Kelly makes no mention of storing the user input.

Petitioner also cites generally to other portions of Kelly with insufficient explanation of their relevance. Pet. 22; Ex. 1003 ¶ 136 (citing 1:44–46, 9:62–66, 46:32–37, 46:49–52). These cited passages describe generally that a computer, on which games are played, includes a video screen and buttons, and that user input is provided to a game unit to influence game events and/or provide particular game commands to the computer. Ex. 1005, 1:44–46, 9:62–66, 46:32–37, 46:49–52. Petitioner fails to sufficiently show how any of these passages describes storing user input, such as button presses, in Kelly's system.

Further, Petitioner fails to provide analysis to show that this identified user input is used by a decision engine to determine selection of game

parameters. Instead, as discussed further below, Petitioner points to other game play information regarding particular game play events that it asserts is used by Kelly's game system to determine the selection of the first and second programmable variable parameters. Pet. 33–34.

For these reasons, Petitioner has not demonstrated a reasonable likelihood of prevailing on showing that Kelly renders obvious limitation [1.a.ii].

*(2) “a decision engine for performing game analytics on the game play and determine the selection of the first or second programmable variable parameters utilizing the recorded game play information with predetermined criteria”
(limitation [1.e])*

With regard to limitation [1.e], Petitioner submits that Kelly discloses a process for “providing statistical information” that corresponds to the claimed decision engine for performing game analytics on the game play. Pet. 33 (citing Ex. 1005, 32:27–33). Petitioner submits that the statistical information includes the “number of times the player has played,” “the time the player took to play a game, the number of times a player has participated in similar previous tournaments, and the like,” “the number of games played and the number of times the specific prize goal was hit,” and “the amount of times a particular game is played, the number of times that difference games are played, or by achieving a game-related goal.” Pet. 33–34 (citing Ex. 1005, 25:23–24, 32:27–33, 40:33–45, 56:49–51). Petitioner asserts that Kelly's game system uses this statistical information to optimize the prizing structure for a desired goal. Pet. 34 (citing Ex. 1005, 36:63–66).

As discussed above, Patent Owner argues that Petitioner has failed to show any disclosure of recording game play events in limitation [1.a.ii] and using such game play events to select variable parameters. Prelim. Resp. 13.

We agree with Patent Owner that Petitioner fails to show a reasonable likelihood of prevailing on this claim limitation because the game play events identified by Petitioner to satisfy limitation [1.a.ii] are not the same game play events that Petitioner cites in support of limitation [1.e]. Claim 1 requires in limitation [1.e] that the decision engine determines the selection of the first or second programmable variable parameters utilizing “*the recorded game play information,*” referring back to the recorded game play information introduced in limitation [1.a.ii]. Ex. 1001, 47:54–58 (emphasis added). Petitioner, however, fails to adequately explain how data, such as the number of times the player has played, is the game play information, i.e., button presses, that was allegedly stored by the server in limitation [1.a.ii].

Further, Petitioner’s assertion that Kelly’s game system uses the identified statistical information to optimize the prizing structure for a desired goal is not adequately supported in the Petition. Petitioner cites to portions of Kelly that describe tracking certain information in various contexts, but Petitioner has not shown how these teachings are related to the portion of Kelly that Petitioner cites for optimizing the prizing structure for a desired goal.

For instance, in the portions of Kelly relied on in the Petition for statistical information, Kelly describes that the system may store the number of times the player has played so that it can use this information as a condition before a player can participate in a credit game or a tournament. Ex. 1005, 25:16–26. Kelly also describes storing information such as, “the time the player took to play a game, the number of times a player has

participated in similar previous tournaments, and the like” in the tournament list to help determine a winner or provide statistical information for the operator of the tournament. Ex. 1005, 32:27–33. Kelly describes tracking “the number of games played and the number of times the specific prize goal was hit” in order to automatically adjust the hit ratio from an estimated hit ratio to the actual win frequency based on the players’ use of the game unit. Ex. 1005, 40:33–45. Finally, Kelly describes increasing the variety and/or number of specific prize credits based on “the amount of times a particular game is played, the number of times that difference games are played, or by achieving a game-related goal.” Ex. 1005, 56:49–52.

Petitioner relies, however, on a different portion of Kelly to describe modifying the prizing structure. Pet. 34 (citing Ex. 1005, 36:63–66) (asserting that the gaming system of Kelly uses “statistical information to optimize the prizing structure for a desired goal”). Petitioner has not adequately shown how the “statistical information” described at column 36, lines 63–66 of Kelly is the same statistical information identified in columns 25, 32, 40 and 56 of Kelly discussed above.

The cited portion in column 36 of Kelly describes a game that involves random selection of prizes. Kelly indicates, “[a]lternatively, the selection of a specific prize from the table 480 can be based on random and/or statistical determination.” Ex. 1005, 36:48–49. Table 480, shown in Figure 9a, provides a list of available prizes, which includes a video game console as the most valuable prize in the list. *Id.*, Fig. 9a. Kelly describes that individual ratio 488 indicates a chance of winning the particular listed prize when a specific prize goal is met. *Id.* at 36:50–52. The game unit draws a random number, and then checks the available prize list, starting with the most valuable prize, to determine whether that prize already has been won,

and, if so, it continues down the list to determine which prize remains available that can be awarded to the player. *Id.* at 36:53–61. Kelly describes that in one embodiment, this random determination of whether a particular prize is to be awarded can be “modified by statistical information to create a ‘best fit’ of prizes awarded according to the operator’s desired odds.” *Id.* at 36:63–66. Specifically, Kelly uses the operator’s desired odds of winning the available prize, in combination the number of prizes already awarded, as the statistical information to determine which prize to award,

For example, every 8,000 games, two video consoles are to be awarded. If it is randomly determined that a third video console is to be awarded within, e.g., the 3,000th game, then a different prize can be awarded so that the desired odds are better met. For example, the next most valuable prize in the list can be awarded instead of the video console, as long as awarding the next prize would fit the desired odds for that prize.

Id. at 37:1–9; Fig. 9a. Petitioner has failed to adequately explain where the “statistical information” discussed above from columns 25, 32, 40, and 56 of Kelly is used in the example described in column 36 to select between variable parameters based on stored game play events.

For these reasons, Petitioner has failed to demonstrate a reasonable likelihood of prevailing to show that Kelly renders obvious limitation [1.e].

3. Conclusion Regarding Claim 1

In view of the foregoing, Petitioner has not demonstrated a reasonable likelihood of establishing obviousness of claim 1 of the ’607 patent over Kelly.

4. Dependent Claims 2, 7, 11, 15, and 19

The Petition relies on the same deficiency in showing a reasonable likelihood of prevailing on the assertion that claim 1 (specifically,

limitations [1.a.ii] and [1.e]) is rendered obvious over Kelly as the basis for the remaining challenges to the dependent claims under this Ground.

Pet. 35–37 (to the extent any of these dependent claims add further limitations to the “game play information” or “decision engine,” Petitioner’s assertions rely on the same or similar disclosures in Kelly that we found deficient to show a reasonable likelihood of unpatentability). Thus, for the same reasons as those discussed above for claim 1, Petitioner likewise fails to meet the threshold for institution for dependent claims 2, 7, 11, 15 and 19 under Ground 1.

E. Ground 2: Alleged Obviousness Over Kelly and Paulsen

Petitioner contends that claims 4 and 6 of the ’607 patent would have been obvious over Kelly in view of Paulsen. Pet. 38–43. Having considered the arguments and evidence before us, we determine that Petitioner has not shown a reasonable likelihood of prevailing on its challenge of at least one of the challenged claims under this asserted ground of unpatentability.

Petitioner relies on Paulsen to teach a server that tracks player’s club information (i.e., player tracking cards and player tracking programs) (claim 4) and that such player’s club information includes information on non-cash amounts (i.e., player tracking points) (claim 6). Pet. 39–43. Petitioner does not rely on Paulsen to cure the above-noted deficiencies in the challenge to claim 1 over Kelly. *Id.* The Petition relies on the same deficiency in showing a reasonable likelihood of prevailing on the assertion that claim 1 is rendered obvious over Kelly as the basis for the challenges to dependent claims 4 and 6 under Ground 2. Thus, for reasons discussed above for claim 1, Petitioner likewise fails to meet the threshold for institution for dependent claims 4 and 6 under Ground 2.

III. CONCLUSION

For the foregoing reasons, the information presented in the Petition and accompanying evidence does not establish a reasonable likelihood that Petitioner would prevail in showing the unpatentability of at least one of the challenged claims.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *denied*.

IPR2025-00713
Patent 11,501,607 B2

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