

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ACTIVISION BLIZZARD, INC.

Petitioner

v.

MILESTONE ENTERTAINMENT, LLC

Patent Owner

Case No. IPR2025-00709

U.S. Patent No. 10,650,635

**PATENT OWNERS MILESTONE ENTERTAINMENT, LLC'S
PRELIMINARY RESPONSE TO PETITION FOR INTER PARTES
REVIEW OF U.S. PATENT NO. 10,650,635**

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I. INTRODUCTION

Patent Owner Milestone Entertainment, LLC (“PO” or “Patent Owner”) respectfully submits this Preliminary Response responding to the Petition for *inter partes* review (the “Petition”) filed by Activision Blizzard Inc. (“Petitioner” or “Activision”) against Claims 1-2, 4, 6, 8-10, 14-18, 21-23, 25, 27 and 29 (“the challenged claims”) of U.S. Patent No. 10,650,635 (“the 635 patent”). As discussed in detail below, Petitioner presents two grounds (each based on Schneier143 as the primary reference) and each suffers from numerous legal and substantive deficiencies, including a failure to demonstrate that the prior art, alone or in combination, meets each and every limitation and a failure to show that a person having ordinary skill in the art would have been motivated to make the combinations set forth in the grounds. The Petition thus fails to meet the requirements for institution and does not demonstrate a reasonable likelihood of prevailing in proving unpatentability of any of the challenged claims. Institution should be denied.

For at least these reasons, institution should be denied.

II. BACKGROUND

A. The 635 Patent

The 635 Patent claims recite inventive new systems for providing variable virtual currencies in electronic gaming. As the specification explains, an important advantage of virtual currencies over real currencies is that their acquisition may be subject to a “multiplier,” which raises or lowers the cash equivalent value of the

virtual currency. For example, at one time or under one set of game play conditions, \$1.00 in real currency may be used to obtain 500 units of virtual currency, but at other times, the same dollar may obtain 1000 units of virtual currency. 635 Patent (Ex1001) at 45:60-64.

One chief advance claimed by the 635 Patent is not simply that the currency is virtual; it is that their real cash value can be programmatically varied (the claimed “multiplier”) to maintain player interest in continuing game play, or some other set of mandated objectives. As the specifications explain, the multiplier amount “may vary based on factors, such as time, game or player status. For example, play during certain times may result in ‘double vCoins’”. *Id.* at 45:65-46:1. The system may also implement an “enhanced multiplier” to encourage game play “at times when other entertainment is available . . . as an inducement for the player to play the subject games,” *Id.* at 46:1-6, or increase the multiplier “where the real or perceived level of skill required is greater.” The claims of the 635 Patent recite this multiplier directly, and dependent claims recite the specific circumstances under which the multiplier will apply. For example, Claim 9 of the 635 Patent recites that the “multiplier is variable over time,” for example, to increase it during time periods where game play is expected to decline, and Claim 10 recites that the “multiplier is variable based on player status,” such as their frequency of play, or win rate.

Moreover, this dynamic variation in the value of virtual currencies is coupled in the claims with providing an opportunity to convert the virtual currency into a “non-cash good comprising an image” – *e.g.*, a graphical element representing a free pass or other item that “permits advancement to another level within the game,” and the ability to acquire virtual currency through both cash purchase and continued game play. *See, e.g.*, Ex1001, Claim 1. As such, these claims do not simply claim “virtual money” as Petitioners contend. *Pet.*, 6-7. Instead, they claim computerized gaming systems that dynamically alter the value of in-game currencies during game play and can be converted into game images that permit advancement within the game.

As the specification describes, this variable currency provides numerous benefits. First, it “provide[s] the player with the perception of a big win since the numbers are larger than any corresponding monetary amount.” Ex1001 at 46:41-47. In addition, “by being virtual and corresponding to electronic amounts, they may be altered or varied as desired” in order to achieve specific game play outcomes (*id.*), like increasing the frequency or length of play, which “leads to vastly expanded possibilities” for computer-based game play. *Id.*

B. Overview Of The References

1. Schneier143 (Ex1008)

Schneier143 describes, *inter alia*, a system for purchasing and utilizing game credits in an electronic gaming system. Ex1008 at 63:13-19. For example, Schneier143 discloses “[i]n an arcade-type embodiment, the player purchases ‘credits’ to enable game play. This enables players to call the central computer 12 and obtain codes for a specified number of game plays, as in an arcade environment.” Ex1008 at 62:50-53.

Schneier143 lacks any disclosure of virtual *currencies*; it concerns game credits, not a medium of exchange, and never discloses that its credits can be used as such. Moreover, as discussed in more detail below, Schneier143 does not disclose at least “conversion of the virtual money into a non-cash good comprising an image to permit advancement to another level within the game” as recited in independent Claim 1 of the 635 Patent.

2. Okita (Ex1009)

Okita describes a system which, *inter alia*, provides for virtual currencies in an electronic gaming environment. Unlike the Challenged Claims of the 635 Patent, Okita never discloses that purchase of Okita’s virtual currency can be subject to a multiplier, or that its virtual money can be converted “into a non-cash good comprising an image to permit advancement to another level within the game” as recited in independent Claim 1 of the 635 Patent.

III. PERSON HAVING ORDINARY SKILL IN THE ART (“POSITA”)

Petitioners contend that a person of ordinary skill in the art (“POSITA”) in 2004 “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. at 12. While Patent Owner disagrees with the proposed level of skill, under any level of skill a POSITA would not understand the asserted Grounds to raise any unpatentability issue. Patent Owner reserves its rights to propose a different level of skill should the Board grant institution.

IV. CLAIM CONSTRUCTION

The Board 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. Thus, no claims should be construed because the Board only construes the claims when necessary to resolve the underlying controversy. *ToyotaMotor Corp. v. Cellport Systems, Inc.*, IPR2015-00633, Paper 11 at 16 (Aug. 14, 2015) (citing *Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999)).

V. THE PETITION FAILS TO DEMONSTRATE A REASONABLE LIKELIHOOD OF PREVAILING IN ITS CHALLENGES TO CLAIMS 1-2, 4, 6, 8-10, 14-18, 21-23, 25, 27 AND 29

A. Ground 1 Does Not Establish A Reasonable Likelihood That Any Claim Is Unpatentable

1. Schneier143 Does Not Disclose Limitation 1[b.i-iv] (reciting “virtual money”)

Petitioner has failed to identify any disclosure in Schneier143 of the 635 Patent’s claimed “game play with virtual money” as recited in limitations 1[b.i-iv] of independent Claim 1, from which all Challenged Claims depend. Accordingly, it has failed to establish a reasonable likelihood that any asserted claim is unpatentable under this Ground.

Petitioner points to disclosures regarding Schneier143’s “credit” system, which support a “*pay-per-use* system for enabling video arcade type play on home game computers.” Pet. at 19; *see also id.* (citing Ex1008 at 70:53 (“Credits: Payment units used in a pay-per-use system.”)). However, Petitioner fails to establish that Schneier143’s “credits,” used to “pay-per-*use*” of a game, are “virtual money” as required by the claims. Schneier143’s “credits” are not a medium of exchange. For example, Petitioners point to no disclosure in Schneier that its “credits” can be used in “trad[e] for cash or other forms of games, prizes or non-cash goods or services,” or “exchanged for other valuable forms of goods or services,” as described by the 635 Patent. Ex1001 at 46:16-23. They are simply a way to pay for “use” of an electronic game. As such, Petitioners have failed to demonstrate not only limitation

[1.b], reciting “virtual money,” but also the subsequent limitations [1.b.i-iv], which recite that the virtual money can be acquired through “game play” and “cash purchase” [1.b.i, 1.b.ii] and that the virtual money acquired by cash purchase is “subject to a multiplier” [1.b.iii], and “conversion of the virtual money into a non-cash good comprising an image” permits “advancement to another level within the game” [1.b.iv].

All dependent claims depend from Claim 1. Accordingly, Petitioners have failed to demonstrate a reasonable likelihood that Claim 1, or any dependent claim, is unpatentable.

2. Schneier143 Does Not Disclose Limitation 1[b.iv] (reciting “conversion of the virtual money into a non-cash good comprising an image to permit advancement to another level within the game”)

Petitioner has also failed to identify any disclosure in Schneier143 of the 635 Patent’s recited capability to “conver[t] of the virtual money into a non-cash good comprising an image to permit advancement to another level within the game” as recited in limitation 1[b.iv] of independent Claim 1, from which all Challenged Claims depend. Accordingly, it has failed to establish a reasonable likelihood that any asserted claim is unpatentable under this Ground.

Petitioner never points to any disclosure in Schneier143 of an “image” that permits advancement to another level within the game, or any mechanism that would convert virtual money into a non-cash good comprising such an image. It cannot,

for there is none. Instead, it contends in conclusory fashion that such an image would be “needed” or “necessarily needed.” Pet. at 23 (“purchase would *need* to be reflected in the display of the game through an image,”); *id.* (“the game would *necessarily need to display an image*”); *id.* (“the game would *necessarily need* to display a special weapon”); *id.* (“game would also *necessarily need* to display the map”); *id.* (“the game would *necessarily need* to display the number of lives”). None of these “necessarily needed” elements would disclose an “image” that can be used to advance to another level within the game” in any event, and Petitioner’s aspirational argument that the required “image” *must* be there fails to demonstrate the disclosure of this limitation.

All dependent claims depend from Claim 1. Accordingly, Petitioners have failed to demonstrate a reasonable likelihood that Claim 1, or any dependent claim, is unpatentable.

B. Ground 2 Does Not Establish A Reasonable Likelihood That Any Claim Is Unpatentable

1. Neither Schneier143 nor Okita Discloses Limitation 1[b.iv] (reciting “conversion of the virtual money into a non-cash good comprising an image to permit advancement to another level within the game”)

As discussed above in connection with Ground 1, incorporated by reference here, Petitioner has failed to identify any disclosure in Schneier143 of the 635 Patent’s recited capability to “conver[t] of the virtual money into a non-cash good

comprising an image to permit advancement to another level within the game” as recited in limitation 1[b.iv] of independent Claim 1, from which all Challenged Claims depend. Okita does not remedy this deficiency. Petitioners point to no disclosure in Okita of any image that permits advancement to another level within the game, or any mechanism that would convert virtual money into a non-cash good comprising such an image. There is none. There is no concept in Okita of a purchase of non-cash good with virtual money, it being represented by an image, or even of game levels. Instead, Petitioner resorts to the same deficient aspirational argument that the required “image” *must* be there, as it contended for Ground 1. It fails to demonstrate the disclosure of this limitation for the same reasons here.

All dependent claims depend from Claim 1. Accordingly, Petitioners have failed to demonstrate a reasonable likelihood that Claim 1, or any dependent claim, is unpatentable.

2. Motivation To Combine

Although Schneier143/Okita, alone or in combination, do not disclose the limitations of Claim 1 (or any dependent claim), as described above, Petitioners have also failed to demonstrate any motivation to combine these references.

A showing of obviousness requires “more than a mere showing that the prior art includes separate references covering each separate limitation in a claim under examination.” *Shopkick Inc. v. Novitaz, Inc.*, IPR2015-00279, Paper 7 at 26 (May

29, 2015) (citing *Unigene Labs., Inc. v. Apotex, Inc.*, 655 F.3d 1352, 1360 (Fed. Cir. 2011)). “Rather, obviousness requires the additional showing that a person of ordinary skill at the time of the invention would have selected and combined those prior art elements in the normal course of research and development *to yield the claimed invention.*” *Id.* (emphasis added).

Petitioner, however, only offers the bare assertions that “a POSITA would have recognized that the virtual money conversion functionality taught by Okita would have improved the tournament or arcade-style games of Schneier143 by enhancing the user experience and promoting player engagement,” and that Okita’s virtual currency would have “encouraged players to engage in more game play.” Pet. at 46-47.

But Schneier143 provides no suggestion to do so and Petitioner points to no concern in Schneier143 regarding “promoting player engagement.” Rather, Schneier143’s disclosure identifies purported drawbacks in the prior art related to tournaments, such as certification of game outcomes in tournaments, and eliminating the need for a tournament director. *See, e.g.*, Ex1008 at 1:51-4:46. And Schneier143 purports to solve these identified considerations. Neither Petitioner nor Declarant ever explain why the satisfied needs for tournament play in Schneier143 would prompt a POSITA to modify the system to graft Okita on top of it. “To satisfy its burden of proving obviousness, a petitioner cannot employ mere conclusory

statements. The petitioner 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) (citing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007)). The factual inquiry into the reasons for combining references “must be thorough and searching, and [t]he need for specificity pervades.” *In re NuVasive, Inc.*, 842 F.3d 1376, 1381–82 (Fed. Cir. 2016). A determination of obviousness cannot be reached where the record lacks “explanation as to how or why the references would be combined to produce the claimed invention.” *TriVascular, Inc. v. Samuels*, 812 F.3d 1056, 1066 (Fed. Cir. 2016). Petitioner’s above-identified reasoning is insufficient to constitute a legally sufficient motivation to combine.

VI. CONCLUSION

For these reasons, Patent Owner respectfully requests that the Board deny the Petition for *inter partes* review.

Dated: July 17, 2025

Respectfully submitted.

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CERTIFICATION OF COMPLIANCE

Pursuant to 37 C.F.R. § 42.24(b)(1) and (d), the undersigned hereby certifies that the foregoing Patent Owner's Preliminary Response complies with the type-volume limitation 37 C.F.R. § 42.24(b)(1) permitting a response of up to 14,000 words because, exclusive of the exempted portions, the response contains 2,975 words, as identified by Microsoft Word's word-counting feature.

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CERTIFICATION OF SERVICE (37 C.F.R. §§ 42.6(e), 42.105(a))

The undersigned hereby certifies that on July 17, 2025, copies of the foregoing
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