

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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ACTIVISION BLIZZARD, INC.,  
Petitioner,

v.

MILESTONE ENTERTAINMENT, LLC,  
Patent Owner.

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IPR2025-00711  
Patent 11,335,164 B2

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

HORNER, *Administrative Patent Judge*.

DECISION  
Granting 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, 4–7, 9, 11–13, 15, 19, 23, 24, and 29 of U.S. Patent No. 11,335,164 B2 (Ex. 1001, “the ’164 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 shown a reasonable likelihood that it would prevail with respect to at least one of the challenged claims. Thus, we grant the Petition and institute an *inter partes* review of claims 1, 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29 of the ’164 patent.

### 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. 1–2. 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 ’164 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.

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 '164 Patent*

The '164 Patent is titled “Systems for Implementing Enhanced Gaming and Prizing Parameters in an Electronic Environment” and was issued May 17, 2022, based on an application filed November 8, 2021, 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 '164 Patent discloses a system “for effecting user experience in an electronic game environment through use of virtual currency or vCoins.” Ex. 1001, Abstr. “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 ’164 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.

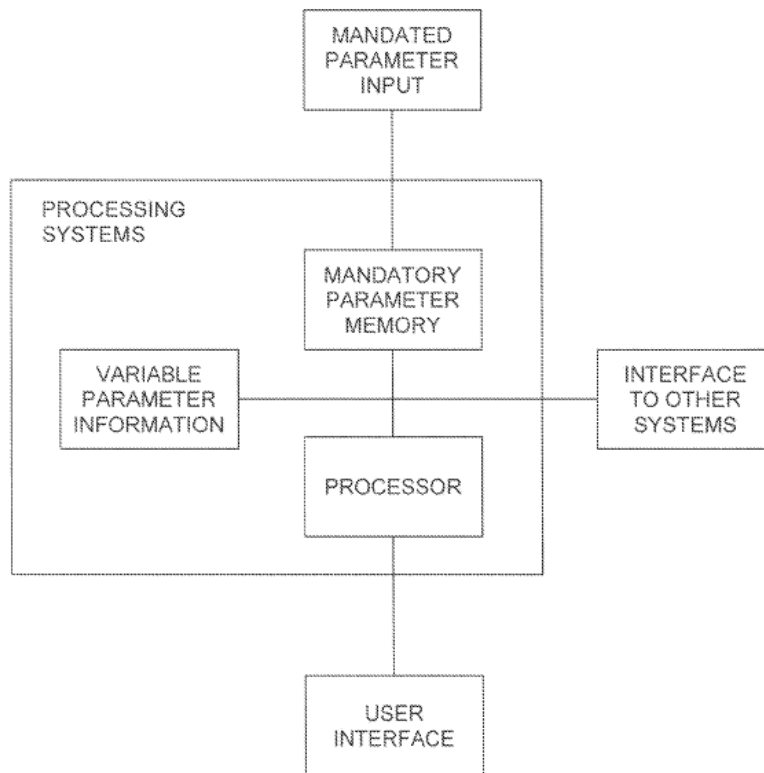


FIG. 1

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.

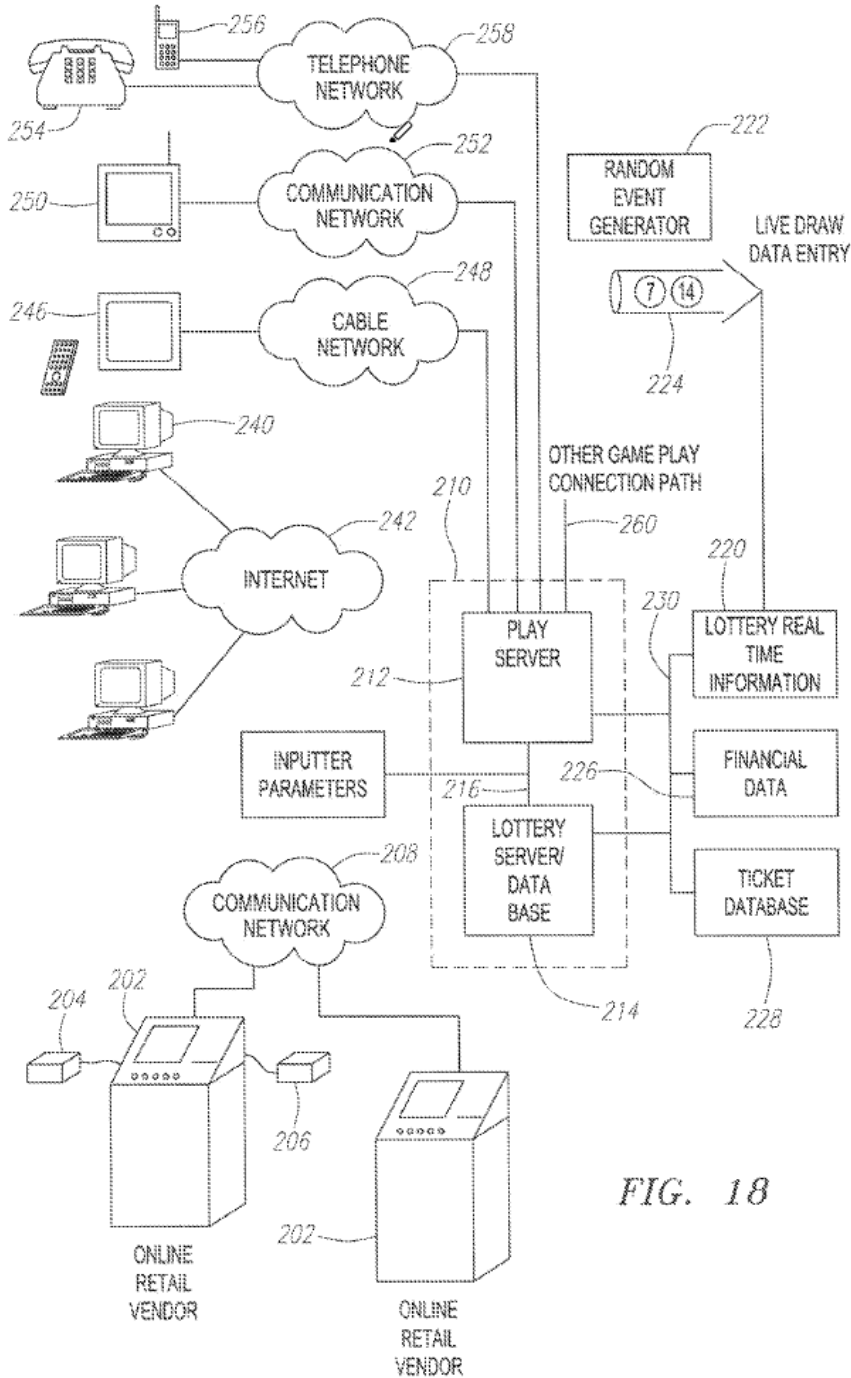


FIG. 18

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 46:49.

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, 44:52–53, 45:1–3, Fig. 26.

*D. Illustrative Claim*

The Petition challenges claims 1, 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29. Pet. 1. Of these, claim 1 is independent. Ex. 1001, 47:17–58. Claim 1 is reproduced below with the limitation identifiers referenced in the Petition (*see* Pet. 79–80).

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] payment information of the remote users, and
- [1.a.iii] 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 set of variable parameters to provide a first game play experience, and
- [1.c.v] modifying the variable parameters to provide second set of 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
- [1.f] a prizing system to award a win to the one or more remote users determined by a prizing structure.

Ex. 1001, 47:17–58.

*E. Prior Art and Asserted Grounds*

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

<b>Claim(s) Challenged</b>	<b>35 U.S.C. §<sup>1</sup></b>	<b>Reference(s)/Basis</b>
1, 2, 4–7, 9, 11–13, 15, 19, 23, 24, 29	103(a)	Kelly <sup>2</sup>
2, 4	103(a)	Kelly, Paulsen <sup>3</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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. 4 n.2.

Claim(s) Challenged	35 U.S.C. § <sup>1</sup>	Reference(s)/Basis
1, 2, 4–7, 9, 11–13, 15, 19, 23, 24, 29	103(a)	Walker <sup>4</sup> , Schneier <sup>5</sup>

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

## 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). *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

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<sup>4</sup> 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.

<sup>5</sup> 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.

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 the asserted prior art references actually are prior art is if those references are 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 1378–78). “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.*

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. *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.” *Magnum Oil*, 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.<sup>6</sup> 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 ¶¶ 100–103). 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 ’164 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);

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<sup>6</sup> 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.

*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. 13. 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. Ground 1: Alleged Obviousness Over Kelly*

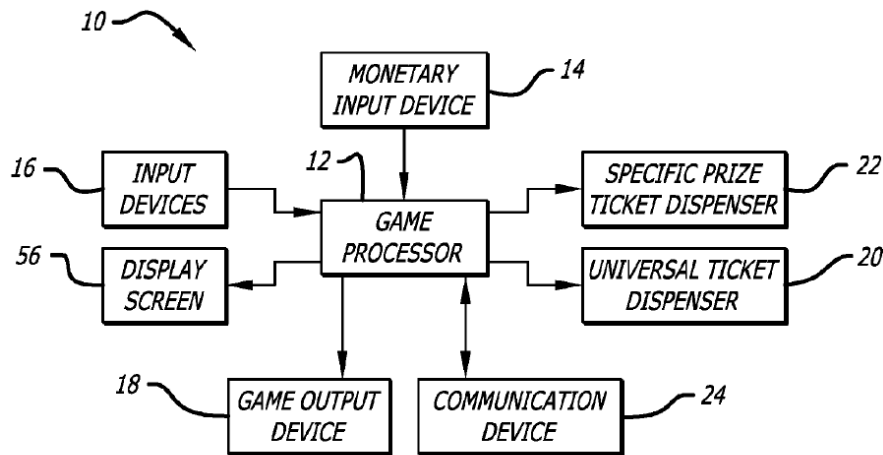
Petitioner contends that claims 1, 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29 of the '164 patent would have been obvious over Kelly. Pet. 13–36. Having considered the arguments and evidence before us, we determine based on the current record that Petitioner has shown a reasonable likelihood of prevailing 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 references and a discussion of the significant issues raised by the parties' arguments at this stage.

*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.



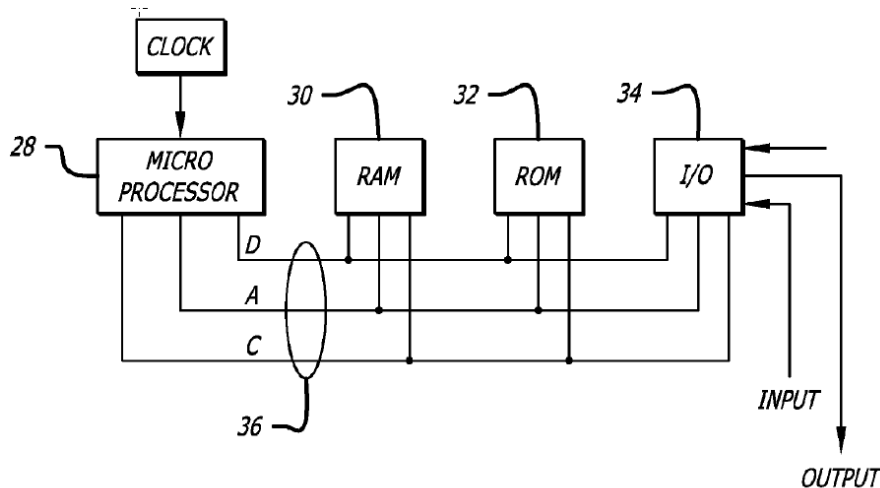
**FIG. 1**

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 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. Ex. 1005, 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.

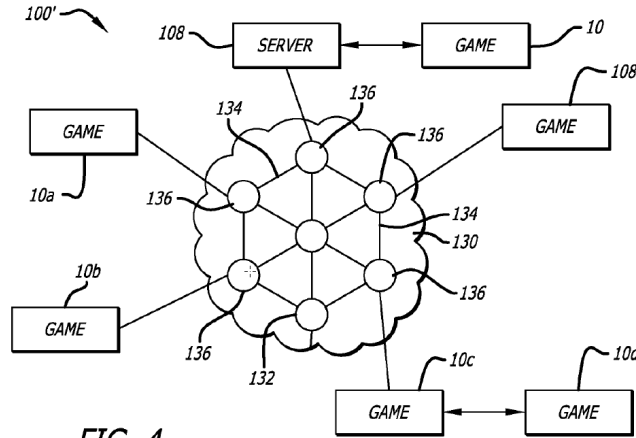


FIG. 4

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.

480

490

**Prize Credits**

Global Payout %

-1% 20% +1%

491

**Insta-Prize**

Global Payout %

-1% 10% +1%

492

494

56

482

List of Available Prizes	Your Actual Cost	Prize Credits to Win	Insta-Prize Win Ratio
Cola Drink	\$0.20	40	1 in 8
Free Game	\$0.25	50	1 in 10
Candy Bar	\$0.30	60	1 in 12
Glass of Beer	\$0.50	100	1 in 20
Pitcher of Beer	\$1.00	200	1 in 40
Small Pizza	\$3.00	600	1 in 120
T-Shirt	\$4.00	800	1 in 160
\$20 Gift Certificate	\$8.00	1600	1 in 320
Portable CD Player	\$50.00	10,000	1 in 2000
Video Game Console	\$100.00	20,000	1 in 4000

484 486 488

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. 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. 13–30. Specifically, Petitioner contends that the various embodiments of Kelly disclose each limitation in the challenged claims, and a person of ordinary skill would have had reason to combine those embodiments resulting in a system that renders obvious each limitation of the challenged claims. *Id.* at 13. Petitioner relies on the testimony of Mr. Crevelt in support of its contentions. Ex. 1003 ¶¶ 129–221.

### 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 game processor that provides “virtual money (vCoins) acquired in response to a purchase being subject to a multiplier” (limitation [1.c.iii]) and performs “modifying the variable parameters to provide a second set of variable parameters providing a second game play experience” (limitation [1.c.v]). *Id.*

*c) Preliminary Determinations*

*(1) Petitioner's Showing*

Petitioner has accounted for each element of the gaming system of independent claim 1 in its challenge to this claim as being obvious over Kelly. 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 challenge to claim 1 under this first Ground. We address below the contentions raised by Patent Owner in its Preliminary Response.

*(2) "a game processor . . . providing . . . the virtual money (vCoins) acquired in response to a purchase being subject to a multiplier" (limitation [1.c.iii])*

With regard to limitation [1.c.iii], Petitioner submits that Kelly discloses that "[e]ach game credit [*the virtual money (vCoins) acquired in response to a purchase*] is equal to a fixed monetary value, such as 25 cents [*being subject to a multiplier*]" and a person of ordinary skill would have understood from Kelly's disclosure that the "relationship between the game credit and the fixed monetary value is a multiplier." Pet. 25 (citing Ex. 1001, 14:26–32; Ex. 1005, 23:42–58, 52:59–60; Ex. 1003 ¶¶ 192–194).

Patent Owner submits that according to the '164 patent, "virtual currency purchases are not tied to a 'fixed monetary value'; they are subject to a 'multiplier,' where 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.'" Prelim. Resp. 12 (quoting Ex. 1001, 46:22–24). Patent Owner further submits that the system may also implement an "enhanced multiplier" to encourage game play or "where the

real or perceived level of skill required is greater.” *Id.* (quoting Ex. 1001, 46:22–29). Patent Owner contends that Kelly’s “‘fixed monetary value’ is the opposite of what this limitation requires.” *Id.*

The ’164 patent describes the vCoin will typically include a multiplier that may be fixed over time and over games or may vary based on various factors:

In yet another aspect, the games may be played either with real money, or may be played with virtual money, sometimes referred to as vCoins. A vCoin will typically be a multiplier times the corresponding numeric monetary value, e.g. one dollar equals 500 vCoins. The multiplier is typically an integer number, and is usually an amount of 100, 500 or 1000, though any amount may be used. The multiplier may be fixed over time and over games, or it may vary based on factors, such as time, game or player status. For example, play during certain times may result in ‘double vCoins’. The multiplier may change for different games, such as where the multiplier increases where the real or perceived level of skill required is greater. 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. A bonusing feature may include a vBonus, such as where a certain amount of vCoins are awarded, either as a result of game play or merely randomly. The vCoins may be traded for cash or other forms of games, prizes or non-cash goods or services.

Ex. 1001, 14:26–45; *see also id.* at 46:16–22 (describing that the multiplier may be fixed over time and over games or it may vary based on factors, such as time, game or player status). The ’164 patent also describes an enhanced multiplier embodiment in which the multiplier varies to induce play during certain times or increases where real or perceived level of skill required is greater. *Id.* at 46:23–29.

Claim 1 is not limited to an enhanced multiplier embodiment or any embodiment in which the multiplier varies. Rather, claim 1 recites that the

vCoins acquired in response to a purchase are “subject to a multiplier.” *Id.* at 47:45–46. The claim does not recite that the multiplier must vary based on any factors. And the ’164 patent supports an embodiment in which the multiplier is fixed over time and over games. Thus, we are not persuaded by Patent Owner’s argument that Petitioner has not established a reasonable likelihood of success based on its assertion that Kelly discloses a vCoin subject to a multiplier as recited in claim 1.

(3) *“a game processor . . . providing . . . modifying the variable parameters to provide a second set of variable parameters providing a second game play experience, where the first game play experience differs from the second game play experience” (limitation [1.c.v.]*

As to limitation [1.c.v], Petitioner contends that Kelly discloses modifying the variable parameters to provide a second game play experience that differs from the first game play experience, such as by adjusting the gaming structure to provide a more difficult game play or adjusting the prizing structure to provide prizes at different odds. Pet. 26–27 (citing Ex. 1001, 16:66–17:1; Ex. 1005, 9:15–18, 36:63–37:9 (modifying prizing structure), 38:63–39:7 (modifying gaming structure); Ex. 1003 ¶¶ 201–204).

Patent Owner submits that “it is not enough to disclose changing game variables” because this limitation “requires a ‘game processor’ – a piece of software – that can programmatically determine the selection of one set of game variables over another.” *Id.* at 10–11 (arguing that Kelly’s game adjustments are “operator determined”) (citing Ex. 1005, 16:13–21, 34:51–56, 34:66–35:8, 38:58–59).

Even if Patent Owner’s reading of how the gaming structure is modified in Kelly is correct, Patent Owner does not persuasively dispute

Petitioner's contention that the game processor modifies the prizing structure in Kelly. Pet. 26–27 (citing 9:15–18, 38:63–39:7); Ex. 1003 ¶ 203 (describing adjusting prizing structure to provide prizes at different odds). We find that Petitioner has set forth a reasonable likelihood that Kelly's game processor modifies the prizing structure.

Kelly discloses that game processor 12 implements the functions of game unit 10 during a game process and includes several input and output functions (Ex. 1005, 9:15–18), including:

The game processor controls the game apparatus by receiving inputs from a player, from other game apparatuses, from a server (described below), from a progressive bonus apparatus, and from other sources. The game processor also controls output signals to update the game process when appropriate. In addition, the game processor controls the redemption system of the present invention by calculating when prizes are awarded, calculating and updating prize lists and prize costs, and other functions, as described below.

Ex. 1005, 9:18–27.

As to the redemption system, Kelly discloses prize table 480 that is displayed to the operator. Ex. 1005, 34:64–65, Fig. 9a. In one embodiment, the operator can adjust prize characteristics for the game unit and any linked game units. *Id.* at 35:1–2. Kelly also discloses an alternative embodiment, however, in which selection of a specific prize from the table 480 can be based on random and/or statistical determination. *Id.* at 36:48–49. In this alternative embodiment, “random determination of whether a particular prize is to be awarded is also modified by statistical information to create a ‘best fit’ of prizes awarded according to the operator's desired odds.” *Id.* at 36:63–66.

Kelly provides an example in which two video consoles are to be awarded every 8,000 games, so if it is randomly determined that a third video console is to be awarded within, for example, the 3000th game, then a different prize, e.g., the next most valuable prize, can be awarded so that the desired odds are better met. *Id.* at 37:1–9. Thus, we find Petitioner has set forth sufficient evidence to show a reasonable likelihood that Kelly’s game processor can modify the variable parameters of the prizing structure to meet the mandated parameters of the desired odds, as called for in limitation [1.c.v].

### 3. Conclusion Regarding Claim 1

In view of the foregoing, Petitioner has demonstrated a reasonable likelihood of establishing obviousness of claim 1 of the ’164 patent over Kelly.

### 4. Dependent Claims 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29

Petitioner contends that Kelly discloses or suggests each limitation of claims 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29, which depend from claim 1. Pet. 30–36. 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 assertions for claim 1. *See* Prelim. Resp. 10–12 (presenting arguments only as to claim 1). Because we determine that Petitioner has demonstrated a reasonable likelihood of prevailing in its challenge to at least one claim of the ’164 patent, we institute *inter partes* review on all claims and grounds. *See* 37 C.F.R. § 42.108(a) (“When instituting . . . review, the Board will authorize the review to proceed on all of the challenged claims and on all grounds of unpatentability asserted for each claim.”). 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. Ground 2: Alleged Obviousness Over Kelly and Paulsen*

At this stage, Patent Owner does not dispute Ground 2 separately from Ground 1. Prelim. Resp. 10–12. Because we determine above that Petitioner has demonstrated a reasonable likelihood of prevailing in its challenge to at least one claim of the '164 patent, we institute *inter partes* review on all claims and grounds. At this stage of the proceeding, we need not decide whether Petitioner's additional challenge demonstrates the same.

*F. Ground 3: Alleged Obviousness Over Walker and Schneier*

Petitioner contends that claims 1, 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29 of the '164 patent would have been obvious over Walker and Schneier. Pet. 40–77. Having considered the arguments and evidence before us, we determine based on the current record that Petitioner has 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 references and a discussion of the significant issues raised by the parties' arguments at this stage.

*1. Overview of Walker*

Walker describes a method and apparatus for modifying a game based on results of game plays. Ex. 1006, code (54). 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.*, Abstr. 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.

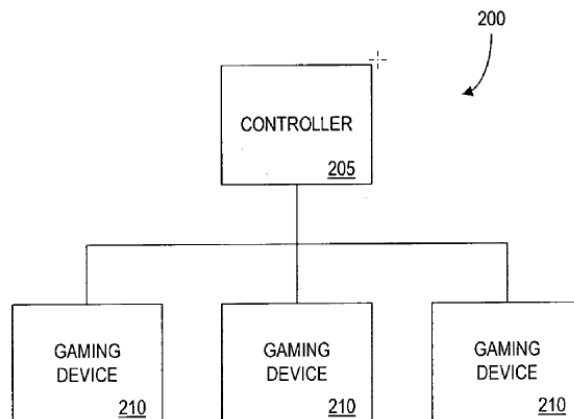


FIG. 2

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. Ex. 1006 ¶ 51.

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

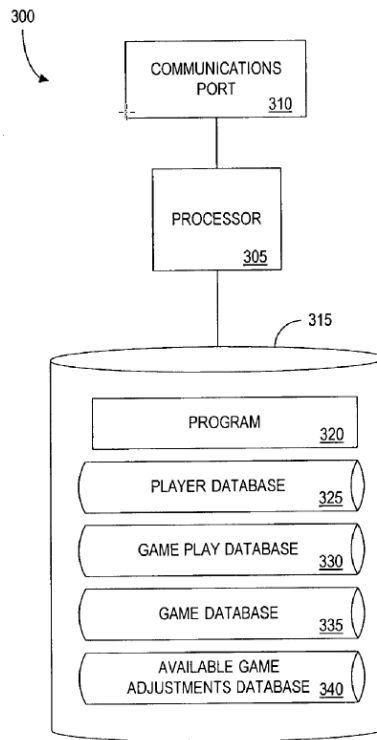


FIG. 3

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. Ex. 1006 ¶¶ 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. Ex. 1006 ¶ 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. Ex. 1006 ¶ 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. Overview of Schneier

Schneier relates generally to authentication of computer-generated game or test results. Ex. 1008, 1:13–14. Specifically, Schneier discloses game credits can be earned during game play. *Id.* at 63:23–29. Schneier also

discloses that players can use credits during game play to purchase items. *Id.* 63:12–19, 63:37–38, 63:8–11.

### *3. Analysis of Independent Claim 1*

#### *a) Petitioner's Contentions*

Petitioner contends that Walker in combination with Schneier renders obvious the subject matter of independent claim 1. Pet. 40–65. Specifically, Petitioner contends that Walker discloses each limitation in claim 1. *Id.* And for limitation [1.c.i], Petitioner further contends that “to the extent” it might be argued that Walker fails to expressly disclose the limitation, it would have been obvious in view of Schneier. *Id.* at 56–57; *see also id.* at 40–42 (discussing reason to combine and reasonable expectation of success). Petitioner relies on the testimony of Mr. Crevelt in support of its contentions. Ex. 1003 ¶¶ 270–329.

#### *b) Patent Owner's Contentions*

At this stage, Patent Owner does not contest Petitioner's proffered assertions about the scope and content of Walker and Schneier or the proposed combination of the prior art teachings. Rather, in its Preliminary Response, Patent Owner argues that Walker is not prior art to the '164 patent. Prelim. Resp. 13–18. Patent Owner contends that although Walker “has an effective filing date of May 1, 2003,” Patent Owner “invented the claims of the [']164 [p]atent well prior to May 1, 2003.” *Id.* at 13. Patent Owner provides images taken from an invention disclosure slide deck that Patent Owner asserts had been provided by the inventors to their patent prosecutor on December 4, 2002. *Id.* at 13–15; Ex. 2006. Patent Owner asserts that “the patent prosecutor opened a new matter for this family of patents on December 10, 2002.” *Id.* at 13 (citing Ex. 2005). Patent Owner

submits that this slide deck describes a game named “Perfect 10,” which was described “extensively” in the ’164 patent. *Id.* at 13, 15–16 (citing Ex. 1001, 40:9–23, 41:23–26; Ex. 2006). According to Patent Owner, this record shows that Petitioner has failed to establish that Walker is prior art to the ’164 patent. *Id.* at 17. Patent Owner further provides 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.*

*c) Preliminary Determinations*

*(1) Petitioner’s Showing*

Petitioner has accounted for each element of the gaming system of independent claim 1 in its challenge to this claim as being obvious over Walker in view of Schneier. 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 challenge to claim 1 under this first Ground. We address below the contention raised by Patent Owner in its Preliminary Response.

*(2) Walker as Prior Art*

Walker is prior art on its face. Walker was filed on May 1, 2003, and published on January 1, 2004, which pre-dates the earliest possible effective filing date of the ’164 patent of September 1, 2004. Thus, 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, and under 35 U.S.C. § 102(e), 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.

To remove Walker as prior art under §§ 102(a) and 102(e), Patent Owner must show either 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 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 1, 2004) does not pre-date Walker's effective date. Thus, at this stage, Patent Owner would need to show it invented prior to Walker's effective date through evidence of conception and reasonable diligence to remove Walker as prior art. At this stage of the proceeding, without Patent Owner's evidence of diligence, Patent Owner has not provided sufficient evidence to show that Petitioner fails to show a reasonable likelihood of prevailing in establishing that Walker is prior art.

This issue of whether Walker is prior art to the '164 patent will benefit from further development of the record during the trial proceeding.

4. *Conclusion Regarding Claim 1*

In view of the foregoing, Petitioner has demonstrated a reasonable likelihood of establishing obviousness of claim 1 of the '164 patent over Walker in combination with Schneier.

5. *Dependent claims 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29*

Petitioner contends that Walker in combination with Schneier renders obvious dependent claims 2, 4–7, 9, 11–13, 15, 19, 23, 24, and 29 of the '164 patent. Pet. 65–77. 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. 13–18. 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.

III. 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.

IV. 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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Patent 11,335,164 B2

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