

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte RAY SMITH and AMANDA TEARS SMITH

Appeal 2012-009025
Application 12/912,410
Technology Center 3700

Before: CHARLES N. GREENHUT, JILL D. HILL, and
BRANDON J. WARNER, *Administrative Patent Judges*.

GREENHUT, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF CASE

Appellants appeal under 35 U.S.C. § 134 from a rejection of claims 1–18. App. Br. 5. We have jurisdiction under 35 U.S.C. § 6(b). An oral hearing was held on November 4, 2014.

We affirm and designate this affirmance as a NEW GROUND OF REJECTION.

The claims are directed to a blackjack variation. Claim 1, reproduced below, is illustrative of the claimed subject matter:

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1. A method of conducting a wagering game comprising:
 - i) a dealer providing at least one deck of i) physical playing cards and shuffling the physical playing cards to form a random set of physical playing cards;
 - j) the dealer accepting at least one first wager from each participating player on a player game hand against a banker's/dealer's hand;
 - k) the dealer dealing only two cards from the random set of physical playing cards to each designated player and two cards to the banker/dealer such that the designated player and the banker/dealer receive the same number of exactly two random physical playing cards;
 - l) the dealer examining respective hands to determine in any hand has a Natural 0 count from totaling count from cards, defined as the first two random physical playing cards in a hand being a pair of 5's, 10's, jacks, queens or kings;
 - m) the dealer resolving any player versus dealer wagers between each individual player hand that has a Natural 0 count and between the dealer hand and all player hands where a Natural 0 is present in the dealer hand, while the dealer exposes only a single card to the players;
 - n) as between each player and the dealer where neither hand has a Natural 0, the dealer allowing each player to elect to take a maximum of one additional card or standing pat on the initial two card player hand, while still having seen only one dealer card;
 - o) the dealer/banker remaining pat within a first certain predetermined total counts and being required to take a single hit within a second predetermined total counts, where the first total counts range does not overlap the second total counts range;
 - p) after all possible additional random physical playing cards have been dealt, the dealer comparing a value of each designated player's hand to a final value of the banker's/dealer's hand wherein said value of the designated player's hand and the banker's/dealer's hand is in a range of zero to nine points based on a pre-established scoring system wherein aces count as one point, tens and face cards count as zero points and all other cards count as their face value and

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wherein a two-digit hand total is deemed to have a value corresponding to the one's digit of the two-digit total;

q) the dealer resolving the wagers based on whether the designated player's hand or the banker's/dealer's hand is nearest to a value of 0.

REJECTION

Claims 1–18 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Ans. 5.

OPINION

I. Claim grouping

Appellants argue all claims as a group. We select claim 1 as the representative claim, and claims 2–18 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii).

II. The Examiner's position and Appellants' response

The Examiner first (Ans. 6–7) analyzed the claims under the “machine-or-transformation test,” which is “a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101.” *Bilski v. Kappos*, 130 S.Ct. 3218, 3227 (2010); *see* Ans. 6–7. The Examiner determined that the claims do not contain sufficient recitations to satisfy the machine prong of the test. Ans. 6. Insofar as the machine prong is concerned, Appellants appear to concede that claim 1 does not satisfy this prong, as the only mention of a machine discussed by Appellants is of a “shuffling machine,” an element not required by claim 1. *See* App. Br. 13–14; *see also* App. Br. 19 (arguing that the claims pass the machine or transformation test even if machine factors are

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excluded). Appellants do not appear to contest the Examiner's specific determinations that the recitations of "physical playing cards," or a deck of such cards, are insufficient to satisfy the machine prong of the machine-or-transformation test. As such, the Examiner's position in this regard stands uncontroverted and we adopt it as our own.

The Examiner went on to discuss the transformation prong of the machine-or-transformation test and determined that the "dealing of cards only move[s] the cards from one place to another, the cards remain the same and do not transform into a different deck of cards." Ans. 7. Appellants take issue with the Examiner's determination in this regard and argue that the Examiner improperly focused on the *cards* as opposed to the *deck*. App. Br. 15–16. Appellants contend that the "shuffling" step of claim 1 transforms the deck into a "random set of cards" and that random set of cards is further transformed by being divided and distributed to the dealer and players, i.e., "dealing" in claim 1. App. Br. 23. The Examiner disagrees that the recitation of shuffling and dealing constitutes a transformation that satisfies the transformation prong of the machine-or-transformation test (Ans. 10–11) and this constitutes a major point of disagreement between Appellants and the Examiner. Reply Br. 8–10.

The Examiner additionally determined that the claims are directed to non-statutory subject matter because they constitute "an attempt to claim a new set of rules for playing a card game" and that "a set of rules qualifies as an abstract idea." Ans. 7–8. The Examiner applied the Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos* (Fed. Reg. Vol. 75, No. 143/Tuesday, July 27, 2010/Notices)

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(hereinafter “Interim Guidance”).¹ Ans. 8. “Human behavior,”² such as “following rules or instructions,” is listed among the examples of “statement[s] of a general concept” that the Interim Guidance categorizes as weighing against eligibility. Interim Guidance at pp. 1–2. The Examiner additionally cited the Manual of Patent Examining Procedure (“MPEP”)³ Section 2106, which has been subsequently (November 2013) revised to expressly state that the Office considers “a game defined as a set of rules” as not being directed to one of the statutory categories set forth in 35 U.S.C. § 101.

On October 30, 2014, Appellants faxed to the Board additional arguments in light of *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014). As our rules do not provide for additional briefing in this manner unless requested by the Board, we treated Appellants’ fax as a showing of good cause to “rely on a new argument based upon a recent relevant decision of either the Board or a Federal Court” under 37 C.F.R. § 41.47(e)(2) and heard Appellants’ arguments regarding *Alice, supra*, at the oral hearing conducted on November 4, 2014, at 9:00 a.m. See Order Granting Request to Present New Arguments of October 31, 2014.

Appellants have not set forth any arguments, in the briefs or at the oral hearing, disputing the Examiner’s determination that claim 1 is directed to a

¹ Available at http://www.uspto.gov/patents/law/exam/bilski_guidance_27jul2010.pdf.

² See, e.g., Dyk, J., concurring, *In re Bilski*, 545 F. 3d 943, 970–76 (Fed. Cir. 2008); Sotomayor, J., concurring, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S.Ct. 2347, 2360–61 (2014).

³ “While the MPEP does not have the force of law, it is entitled to judicial notice as an official interpretation of statutes or regulations as long as it is not in conflict therewith.” *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180 n.10 (Fed. Cir. 1995).

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set of rules, or disputing that a set of rules constitutes a patent-ineligible abstract idea. Rather, Appellants, applying the criteria discussed in the Interim Guidance, maintain that the randomized shuffling of claim 1 is a meaningful, particular, and observable *transformation* of the *deck* of cards, which renders the subject matter of claim 1 patent eligible. App. Br. 14–17.

III. Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 134 S.Ct. 2347 (2014)

The Interim Guidance applied by the Examiner was developed before the Supreme Court issued its decision in *Alice*, *supra*, further explaining the law in this area. The claims in *Alice* were directed to a “method of exchanging obligations as between parties.” *Alice*, 134 S.Ct. at 2352 n.2. In *Alice*, the Supreme Court discussed its decision in *Mayo Collaborative Services v. Prometheus Labs., Inc.*, 132 S.Ct. 1289 (2012) and explained:

In *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. —, 132 S.Ct. 1289, 182 L.Ed.2d 321 (2012), we set forth a framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts. First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. *Id.*, at —, 132 S.Ct., at 1296–1297. If so, we then ask, “[w]hat else is there in the claims before us?” *Id.*, at —, 132 S.Ct., at 1297. To answer that question, we consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application. *Id.*, at —, 132 S.Ct., at 1298, 1297. We have described step two of this analysis as a search for an “‘inventive concept’”—i.e., an element or combination of elements that is “sufficient to ensure that the patent in practice amounts to significantly more

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than a patent upon the [ineligible concept] itself.” *Id.*, at
——, 132 S.Ct., at 1294.

Alice, 134 S.Ct. at 2355.⁴ According to the discussion above, it first must be determined whether the claims at issue are directed to a patent-ineligible concept (such as an abstract idea) and, if so, it then must be determined whether there is something else in the claims that ensures that they are directed to significantly more than a patent-ineligible concept.

III-A. Step one: Are the claims at issue are directed to a patent-ineligible concept?

In *Alice*, the Supreme Court discussed its decision in *Bilski v. Kappos*, 130 S.Ct. 3218 (2010), and stated:

It follows from our prior cases, and *Bilski* in particular, that the claims at issue here are directed to an abstract idea. Petitioner’s claims involve a *method of exchanging financial obligations* between two parties using a third-party intermediary to mitigate settlement risk.

Alice, 134 S.Ct. at 2356 (emphasis added).

A wagering game is, effectively, a method of exchanging and resolving financial obligations based on probabilities created during the distribution of the cards. Thus, the “method of conducting a wagering game,” as recited in Appellants’ independent claim 1, is akin to the “method of exchanging financial obligations” discussed in *Alice*. The recited rules tell the players and the dealer what to do in response to a particular event or set of events. Thus, these rules are similar to an instruction to follow a

⁴ In a memo dated June 25, 2014, the USPTO provided guidance to examiners in applying *Alice*. See “Preliminary Examination Instructions in view of the Supreme Court Decision in *Alice Corporation Pty. Ltd. v. CLS Bank International, et. al.* available at http://www.uspto.gov/patents/announce/alice_pec_25jun2014.pdf.

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formula or an algorithm to conduct the game and resolve the parties' financial obligations. Like the presence of a formula or an algorithm, Appellants' recited rules do not render the claimed idea any less abstract. *See Alice*, 134 S.Ct. at 2356–59 (discussing cases involving formulas and algorithms). Physical cards may be used to help the players and the dealer effectuate the rules, but any randomly-distributed tokens or other similar items could do the same. Therefore, when read as a whole, we agree with the Examiner that independent claim 1 is directed to a set of rules for conducting a wagering game which, for the reasons discussed above, constitutes a patent-ineligible abstract idea. As noted in section II above, Appellants have not disputed the Examiner's determination that the claim is directed to a set of rules or that a set of rules constitutes a patent-ineligible abstract idea.

III-B. Step two: Is there something else in the claims that ensures that they are directed to significantly more than a patent-ineligible concept?

As we noted above, according to *Alice*, the question to be settled next is whether claim 1 recites an element, or combination of elements, that is enough to ensure that the claim is directed to significantly more than an abstract idea. Essentially, Appellants' contention that the “shuffling” and “dealing” aspects of claim 1 satisfy the transformation prong of the machine-or-transformation test amounts to a contention that those shuffling and dealing recitations ensure that claim 1 is directed to significantly more than an abstract idea. The debate between the Examiner and the Appellants as to whether shuffling a deck and dealing the cards of that deck constitute patent-eligible transformations is not one that needs to be resolved to decide this appeal because it is not on point.

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Claim 1 is *not directed* to a method of shuffling or a method of dealing. The claim is directed to a method of conducting a game. Even if shuffling and dealing might, themselves, be considered statutory processes, the machine-or-transformation test is not considered to be satisfied by the recitation of even a statutory transformation, when that transformation constitutes “insignificant [extra-]solution activity.” See *In re Bilski*, 545 F.3d 943, 957 (citations and quotations omitted). Rather, the “transformation must be central to the purpose of the claimed process.” *Id* at 962. The purpose of the claimed process before us is not the shuffling and dealing of cards; it is conducting the game. The Court’s decision in *Alice* is in accord with these principles.

Appellants do not dispute that shuffling and dealing cards are conventional in the gambling art. Oral Hearing Transcript at 7. Appellants’ contention that whether or not these are conventional steps is not relevant to a determination under § 101 (*id.*) is contrary to established precedent. See *Alice*, 134 S.Ct. at 2357–60. Simply appending conventional steps, specified in general terms, like “shuffling,” or “dealing [a certain number of cards],” which were known in the industry, is not enough to transform an abstract idea into a patent-eligible invention. See *id.* These recitations are similar to the recitation of a conventional “computer” discussed in *Alice*. The shuffling and dealing of cards amounts to nothing significantly more than instructions to a dealer and the players to apply the abstract idea of following the rules of the wagering game. Shuffling, dealing cards, wagering, and resolving wagers, as set forth in claim 1, taken individually or as an ordered combination, are merely necessary and conventional steps in playing a wagering card game. They constitute, pre- or post-, extra-solution activity, and do not add enough to the claims to transform the recited methods into

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patent-eligible subject matter. *Bilski v. Kappos*, 130 S.Ct. at 3230–31.

Patent eligibility should not “depend simply on the draftsman’s art.” See *Alice*, 134 S.Ct. at 2358–59 (quoting *Parker v. Flook*, 437 U.S. 584, 593 (1978)).

Conclusion

Although we have carefully considered all of Appellants’ arguments, and the recent Supreme Court decision in *Alice*, we remain in agreement with the Examiner that claim 1 is directed to non-statutory subject matter. As we have modified the Examiner’s reasoning somewhat in reaching this conclusion, we designate our affirmance of the Examiner’s rejection as a new ground of rejection pursuant to 37 C.F.R. § 41.50(b) so as to afford Appellants the procedural options associated therewith, and to ensure Appellants have a fair opportunity to respond.

DECISION

The Examiner’s rejection is affirmed. We designate our affirmance as entering a new ground of rejection pursuant to 37 C.F.R. § 41.50(b).

37 C.F.R. § 41.50(b) also provides that Appellants, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new grounds of rejection to avoid termination of the appeal as to the rejected claims:

(1) *Reopen prosecution*. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the Examiner, in which event the proceeding will be remanded to the Examiner. . . .

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(2) *Request rehearing.* Request that the proceeding be reheard under § 41.52 by the Board upon the same record. . . .

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED; 37 C.F.R. § 41.50(b)

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