

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

BALLY GAMING, INC., DBA BALLY TECHNOLOGIES,
Petitioner,

v.

NEW VISION GAMING & DEVELOPMENT, INC.
Patent Owner.

Case CBM2018-00006
Patent No. 7,451,987 B1

Before FRANCES L. IPPOLITO, KEVIN W. CHERRY, and
CHRISTOPHER G. PAULRAJ, *Administrative Patent Judges*.

IPPOLITO, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 318(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

Petitioner, Bally Gaming, Inc., DBA Bally Technologies, filed a Petition seeking a covered business method (“CBM”) patent review of claims 1–12 of U.S. Patent No. 7,451,987 B1 (Ex. 1001, “the ’987 patent”), pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”). Patent Owner, New Vision Gaming & Development, Inc., filed a Preliminary Response (Paper 6, “Prelim. Resp.”) opposing institution of a review. At the pre-institution stage, the parties disputed whether Petitioner had sufficient standing to request a CBM patent review at the time of filing the Petition. *See* Pet. 7–9; Prelim. Resp. 11. We authorized briefing by the parties to address Petitioner’s standing prior to institution. *See* Paper 10; Paper 13; Paper 18.

On June 22, 2018, we instituted a CBM patent review on the sole asserted ground that claims 1–12 of the ’987 patent are directed to non-statutory subject matter under 35 U.S.C. § 101 as set forth in the Petition. Paper 19 (“Dec.”). After institution of trial, Patent Owner filed a Patent Owner Response (Paper 28, “PO Resp.”) and Petitioner filed a Reply (Paper 35, “Reply”). With authorization, Patent Owner filed a Sur-Reply (Paper 39, “Sur.”).

Patent Owner also filed a Motion to Amend (Paper 27, “Mot. Amend”). Petitioner filed an Opposition to Patent Owner’s Motion to Amend (“Opp. Amend”), and Patent Owner filed a Reply to Petitioner’s Opposition (“Reply Amend”). Papers 30–31. Further, after authorization, Petitioner filed a Sur-Reply to Patent Owner’s Reply (Paper 36, “Sur. Amend”).

An oral hearing was held on March 19, 2019. Paper 46 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6. This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. In this Final Written Decision, after reviewing all relevant evidence and assertions, we determine that Petitioner has met its burden of showing, by a preponderance of the evidence, that claims 1–12 of the ’987 patent are unpatentable.

In addition, we deny Patent Owner’s Contingent Motion to Amend to replace claims 3–8 with substitute claims 13–18.

A. Related Matters

The parties represent that they are involved in a lawsuit alleging a breach of an existing patent license agreement in *New Vision Gaming & Development, Inc. v. Bally Gaming, Inc.*, 2:17-cv-1559 (D. Nev. June 2, 2017) (“Nevada Suit”). Pet. 7–9; *see* Paper 5, 2. Further, related U.S. Patent No. 7,325,806 B1 is the subject of a CBM patent review between the same parties in CBM2018-00005. *See* Paper 5, 2.

B. The ’987 Patent

The ’987 patent is directed generally to a method of playing a bonus wager in a card game. Ex. 1001, (54). The ’987 patent further describes the invention as “a bonus wager based on a bonus hand composed of a face up card from each hand of a group of hands of a base [card] game.” Ex. 1001, 2:51–53. Referring to Figures 1 and 3 (reproduced below), the ’987 patent teaches that on playing surfaces 10, 12, central dealer position 20 has a plurality of player hand locations 22, one for each player hand to be dealt. *Id.* at 3:41–51.

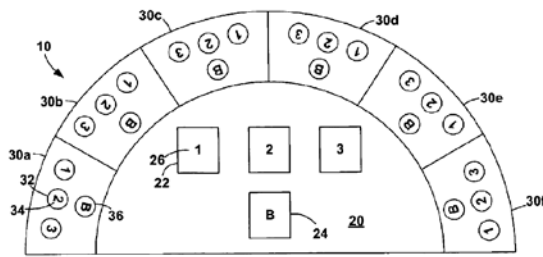


FIG. 1

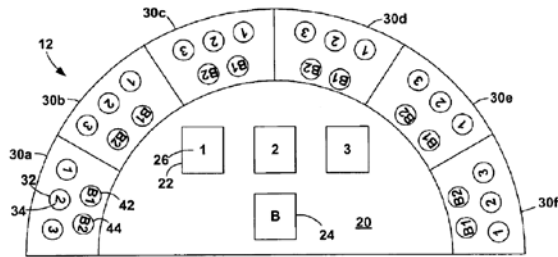


FIG. 3

Figures 1 and 3 show a table layout of a game with three player hands and one banker hand. *Id.* at 2:34–36, 38–40.

As shown in Figures 1 and 3, dealer position 20 has banker hand location 24 for the banker hand. *Id.* at 3:50–53. Symbols 26 at each player hand location 22 are the player hand identifiers, which are typically numerals running sequentially from “1”. *Id.* at 3:53–55. According to these figures, “[e]ach player position 30 includes a symbol 32 containing a player hand identifier 34 corresponding to each player hand location 22. Ex. 1001, 3:58–60. The ’987 patent provides that the example of Figure 1 has a single bonus wager symbol 36 for one bonus and the example of Figure 3 as two bonus wager symbols 42, 44 for two bonuses. Ex. 1001, 3:64–67.

To play the game, each player chooses the player hand or hands that she thinks will beat the banker hand in the base game. Ex. 1001, 4:1–3. Figure 2 is provided below to better illustrate the described game.

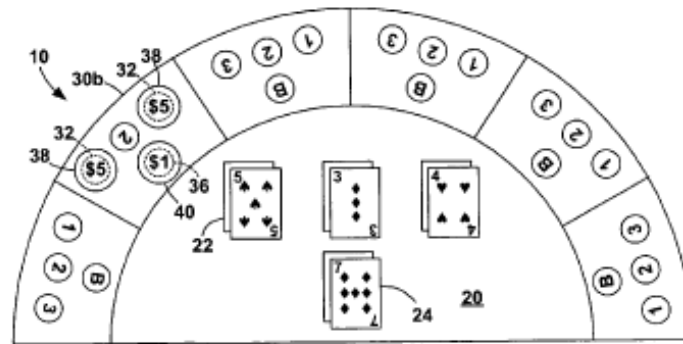


FIG. 2

Figure 2 shows a table layout of Figure 1 with a blackjack hand dealt. *Id.* at 2:37–38. In Figure 2, the selections are made by placing the amount to be wagered on the corresponding player hand identifier symbol 32 of the player position 30. *Id.* at 4:3–5. The wagered amount is indicated by any marker or markers that acceptably signify value, such as cash, chips, or credit vouchers. *Id.* at 5:2–7. In the example of Figure 2, the player at the second player position 30b (player 2) has placed a \$5 chip 38 on each identifier symbol 32 for player hands 1 and 3, wagering that player hands 1 and 3 will beat the dealer hand. Ex. 1001, 4:7–11.

To participate in a bonus wager, the player places the amount to be wagered on the appropriate bonus wager location. Ex. 1001, 4:15–18. After all wagers are placed, the dealer deals out the predetermined number of hands. *Id.* at 4:31–32. The bonus hand of the present invention is composed of at least one card from each player hand. Ex. 1001, 4:41–42. Optionally, the bonus hand is composed of at least one card from each player hand and the banker hand(s). Ex. 1001, 4:53–54. The bonus hand may be compared to a table of ranked hands to determine whether the bonus hand is a winning hand and the player placing a bonus wager is a winner. Ex. 1001, 5:5–7.

C. Illustrative Claim

Of the challenged claims 1–12, claim 1 is independent. Independent claim 1, reproduced below, is illustrative of the claimed subject matter:

1. A method of playing a game with at least one deck of cards, said game comprising the steps of:

(a) affording a player the opportunity to place a bonus wager;

(b) dealing out said cards to each of a plurality of hands;

(c) forming a bonus hand from at least one of said cards from each of a subset of said plurality of hands;

(d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank; and

(e) paying said winning player a payout.

Ex. 1001, 6:57–67.

D. Instituted Ground of Unpatentability

We instituted review on the sole asserted ground—that claims 1–12 of the '987 patent are unpatentable because these claims are directed to patent-ineligible subject matter under § 101. Dec. 33.

II. ANALYSIS

A. Claim Construction

Petitioner proposes constructions for the terms “wager,” “payout,” “card,” “deck of cards,” and “hand.” Pet. 21–22. For the purposes of this Decision, we determine that no express claim construction of any claim term is necessary. *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017 (only terms in controversy must be construed and only to the extent necessary to resolve the controversy)).

B. Forum Selection Clause

Before institution, Patent Owner argued that a forum selection clause in a settlement agreement (Ex. 2006¹, “Agreement”) between the parties, under which Petitioner was granted a license to the ’987 patent and U.S. Patent No. 7,325,806 B1 (“the ’806 patent”), requires all disputes be handled in the courts in the State of Nevada. Prelim. Resp. 7–8; Ex. 2006, 1. According to Patent Owner, Petitioner waived its opportunity to seek review by the Board because Section 13.f of the settlement agreement states:

“In the event of any dispute between any of the parties that cannot be resolved amicably, the parties agree and consent to the exclusive jurisdiction of an appropriate state or federal court located within the State of Nevada, Clark County, to resolve any such dispute.”

Ex. 2006, 7.

Based on the preliminary record, we observed that Patent Owner had not identified any controlling authority—such as by statute, rule, or binding precedent—that would require us to deny institution of a covered business method patent review based on contractual estoppel. Dec. 8–11. For example, section 18 of the America Invents Act (AIA) defines a CBM proceeding as following the standards and procedures of post-grant review with the exception of §§ 321(c), 325(b), 325(e)(2), 325(f). With respect to the procedures of post-grant review, we noted that chapter 32 provides requirements for, among other things, the contents of a petition (§ 322), the threshold showing required for institution of a post-grant review (§ 324), and the conduct of the post-grant review (§ 326). *Id.* We did not agree with

¹ Exhibit 2006 is a redacted public version of Exhibit 2005.

Patent Owner that any portion of chapter 32, § 18 of the AIA, or authority otherwise, explicitly provides for a contractual estoppel defense. *See id.*

In the post-institution briefing, neither party has added arguments or evidence to the record regarding this issue. We recognize, however, that the Federal Circuit in a recent non-precedential case affirmed a district court's grant of a preliminary injunction requiring a petitioner to withdraw its PTAB petitions in light of a forum selection clause. *Dodocase VR, Inc. v. MerchSource, LLC*, No. 2018-1724, 2019 WL 1758481, at *4 (Fed. Cir. Apr. 18, 2019) (non-precedential). But, unlike the facts and procedural posture of that case, we do not have before us any court order requiring the Petition in this proceeding to be withdrawn. The Board is neither bound by the party's Agreement, nor do we have independent jurisdiction to resolve any contractual dispute between the parties over the forum selection clause in that Agreement.

Thus, based on the complete record, we maintain our determination that Patent Owner has not established any alleged contractual estoppel arising from the forum selection clause bars this proceeding.

C. Covered Business Method Patent Review Standing

Under § 18(a)(1)(B) of the America Invents Act (AIA), “[a] person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person’s real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent.” AIA § 18(a)(1)(B) (emphasis added); *see also* 37 C.F.R. § 42.302(a).

Prior to institution, the parties disputed whether Petitioner had

sufficient standing to request a CBM patent review at the time of filing the Petition. *See* Pet. 7–8; Prelim. Resp. 11. Following supplemental briefing on this issue by the parties, we determined that the circumstances of the parties’ past relationship regarding allegations of infringement, the Agreement (Ex. 2006), and the parties’ current dispute of the same Agreement in district court were sufficient to establish that there was a substantial controversy between the parties sufficient to establish Petitioner’s CBM patent review standing under relevant case law. Dec. 11–19; *see* Papers 10, 13, 18.

More specifically, Petitioner’s standing under 37 C.F.R. § 42.302(a) is based on Patent Owner’s accusation that Bally breached the Agreement, i.e., the license dispute and the breach of contract action in the Nevada Suit. In the Nevada Suit, Petitioner responded to Patent Owner’s “complaint in part with an affirmative defense and counterclaim that the ’987 patent is invalid.” Pet. 7. In the Petitioner’s Reply to Patent Owner’s Preliminary Response, Petitioner argued that the Nevada Suit in federal district court already includes Petitioner’s declaratory judgment counterclaim for patent invalidity, which Patent Owner had not moved to dismiss. Paper 13, 3. Further, Petitioner asserted separately that it was charged with infringement at the time the Petition was filed in December 2017 because Petitioner did not renew the Agreement after the expiration of the initial term (on May 28, 2017) and a real and substantial controversy about infringement existed at the time of filing of the Petition. *Id.* at 4–5. Petitioner argued that the same dispute regarding infringement that had been resolved by the Agreement

arose again when the Agreement expired because Petitioner's post-expiration activities are not covered by the license. *Id.* (citing Ex. 1007, 1).

In its Preliminary Response, Patent Owner maintained that it has not charged Petitioner with infringement because the royalties from the Agreement "are not based on infringement but on the term and the use of a specific game." Prelim. Resp. 12. Patent Owner asserted it had not revoked the license to Petitioner and, thus, "[b]ecause Bally's products are covered by a license under the settlement agreement (Exhibit NVG2005), they do not infringe." Prelim. Resp. 13–15. Patent Owner further argued that the breach of contract action in the Nevada Suit is not an infringement suit. Prelim. Resp. 14–15.

On the preliminary record, we determined that Petitioner had established sufficiently that it has standing to bring a covered business method patent review. Dec. 14–19. Referring to *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), we determined that Petitioner's standing does not hinge on whether the Agreement has terminated or expired. Looking to the relationship between the parties, we found that the parties agree that the Agreement between the parties arose from Patent Owner's intent to enforce the '987 patent and the '806 patent against the Petitioner. Dec. 17–18 (citing Ex. 1024, 3; Paper 13, 5). Patent Owner acknowledged that prior to the Agreement, Patent Owner "accused Defendant [Bally] of using games subject to these Patents; and . . . Defendant asserted the Patents were invalid." Ex. 1024, 4. While those past events were allegedly resolved by the execution of the Agreement, we, nonetheless, took into consideration that the parties' past relationship gives

context for the current disputes between parties. In particular, there remained a dispute as to whether the Agreement and license to the '806 patent and the '987 patent is still in effect; whether Petitioner's products/activities infringe; and whether the patents are valid. *See* Prelim. Resp. 13–15; Paper 13, 3–5; Paper 18, 3–5. Thus, we determined that the current disputes between the parties are rooted in the original allegations of infringement that led to the signing of the Agreement in the first place. Dec. 17–19. Accordingly, taking into account the full relationship between the parties and the particular circumstances in this case, we determined that Patent Owner's statements and actions are sufficient to establish that there was a substantial controversy between the parties sufficient to establish standing under relevant case law. *Id.*

At this stage, the record in this proceeding has not changed regarding the parties' positions on this issue. For example, Patent Owner's Response and Sur-reply do not discuss standing. *See generally* PO Resp., Sur. Thus, based on the complete record, we maintain our determination that Petitioner has established standing to file a petition for a CBM patent review of the '987 patent based on the arguments and evidence discussed in the Decision on Institution.² *See* Dec. 13–19.

² In the Petition, Petitioner also asserts that it is not estopped from filing this Petition because neither Bally, nor any real party in interest or privy, has previously challenged the patentability of the claims of the '987 patent. Pet. 8–9. And Petitioner asserts that it is not barred from filing this petition under 37 C.F.R. § 42.302(c) because it has not filed a civil action challenging the validity of any claim of this patent, and its counterclaim of invalidity does not constitute a civil action challenging the validity of a claim of the '987 patent. *Id.*

D. Covered Business Method Patent Eligibility

Section 18(d)(1) of the AIA defines a covered business method patent as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” *See also* 37 C.F.R. § 42.301(a) (stating the same). To determine whether a patent is a covered business method patent, “§ 18(d)(1) directs us to examine the claims when deciding whether a patent is a [covered business method] patent.” *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016) (stating that “the claims at issue in the instant case have an express financial component in the form of a subsidy, or financial inducement, that encourages consumers to participate in the distribution of advertisements”); *Unwired Planet, LLC v. Google, Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016) (“CBM patents are limited to those with claims that are directed to methods and apparatuses of particular types and with particular uses ‘in the practice, administration, or management of a financial product or service.’”).

1. Used in the Practice, Administration, or Management of a Financial Product or Service

In the Decision on Institution, we determined that the ’987 patent is eligible for CBM review. Dec. 19–24. More particularly, we determined that the claimed method recited in claim 1 is expressly directed to the financial service of placing bonus wagers and paying winning players payouts based on a game of chance with a deck of cards. *See id.* at 20–21.

Patent Owner does not address whether the '987 patent “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” *See generally*, Prelim. Resp.; PO Resp.; Sur.

Based on the complete record, we determine that at least claim 1 of the '987 patent expressly recites a method for performing data processing or other operations used in the practice, administration, or management of a financial product or service. Claim 1 explicitly recites a method of playing a game that involves the placement of a “bonus wager” and “paying” a “winning player a payout.” Ex. 1001, claim 1. The disclosure of the '987 patent is consistent with our reading of the claim language. *See* Ex. 1001, 3:16–32, 4:5–7, 4:15–17, 4:23–31, 5:40–49. Additionally, the claimed method is not merely “incidental to” or “complementary to” a financial activity because the claims are expressly directed to the placement of a “bonus wager” and “paying” a “winning player a payout.” *See Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016). Therefore, we determine that at least one claim of the '987 patent is directed to “a method . . . for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1).

2. *Technological Invention*

Under AIA § 18(d)(1), “the term ‘covered business method patent’ . . . does not include patents for technological inventions.” Per 37 C.F.R. § 42.301(b), “[i]n determining whether a patent is for a technological invention,” we consider “whether [1] the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art,

and [2] solves a technical problem using a technical solution,” respectively, the first and second prongs of the technical invention exception.

In general, the Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756 (Aug. 14, 2012) (“TPG”), provides the following guidance with respect to claim content that typically does not exclude a patent from the category of a technological invention:

(a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.

(b) Reciting the use of known prior art technology to accomplish a process or method, even if the process or method is novel and non-obvious.

(c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

Id. at 48,763–64.

Based on the complete record, we determine that the ’987 patent does not recite any technological elements and is not directed to any technological invention. With regard to the first prong of § 42.301(b), we determine that the ’987 patent does not claim a technological feature that is novel and nonobvious over the prior art. The express language of the claims, such as claim 1, recites physical aspects such as cards and non-physical aspects such as the steps for players to play a card game and place a wager or receive a “payout,” or a “predetermined rank,” etc. Ex. 1001, claim 1. Moreover, the Specification contemplates a game played with physical playing cards on a physical table with a live dealer. *See e.g.*, Ex. 1001, 3:4–5:55. According to the ’987 patent, playing card games, use of bonus wagers, and ranking for

payout were known and conventional. Ex. 1001, 1:39–43 (“Another example of a bonus bet is disclosed in U.S. Pat. No. 6,402,147. The basic game is stud poker, where the player’s hand is compared to the banker’s hand. The player is also given the option of placing a bonus wager on the rank of the player’s hand.”); *id.* at 2:55–60 (“There are a number of such games in existence where the essence of the game, whether it based on poker, blackjack, baccarat, pai gow tiles, pai gow poker, or any other game, is that a player wagers on one or more of a group of hands that she hopes will beat a banker hand.”). Thus, according to the ’987 patent itself, these features are not novel or nonobvious technological features. Patent Owner does not address specifically whether the challenged claims are for a technological invention. *See generally* PO Resp.; Sur.

Given this determination, we need not reach the second prong of whether the claim solves a technical problem using a technical solution. Based on the foregoing, we determine that the ’987 patent is not exempt from CBM review based on a “technological invention” exception under 37 C.F.R. § 42.301(b).

3. *Conclusion—A Covered Business Method Patent*

A single claim is sufficient to institute a covered business method patent review because § 18(d)(1) of the AIA indicates a patent is eligible for review if the subject matter of at least one claim is directed to a covered business method. *See* 35 U.S.C. § 324(a); Final Rule, 77 Fed. Reg. at 48,736 (Response to Comment 8). In view of the foregoing, we determine that the ’987 patent is a covered business method patent under AIA § 18(d)(1).

E. Level of Ordinary Skill in the Art

Patent Owner asserts that the skilled artisan is someone with some high school education who has worked in the gaming industry. PO Resp. 16. Petitioner does not contest Patent Owner’s proposed level of ordinary skill in the art. Tr. 5:17–18:1.

Based on the complete record, we adopt and apply Patent Owner’s definition of the level of ordinary skill because we are satisfied that this definition comports with the level of skill necessary to understand and implement the teachings of the ’987 patent. *See* Ex. 1001, 1:22–25 (“The present invention relates to games for gambling, more specifically, to a bonus wager on a game where a player can wager on the hand composed of the face up cards of several hands.”); *see* Ex. 2007 ¶ 3.

F. Law of Patent-Eligible Subject Matter Under 35 U.S.C. § 101

An invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. However, the Supreme Court has long interpreted 35 U.S.C. § 101 to include implicit exceptions: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *E.g., Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014).

In determining whether a claim falls within an excluded category, we are guided by the Supreme Court’s two-step framework, described in *Mayo* and *Alice*. *Id.* at 217–18 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 75–77 (2012)). In accordance with that framework, we first determine what concept the claim is “directed to.” *See Alice*, 573 U.S. at 219 (“On their face, the claims before us are drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement

risk.”); *see also Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (“Claims 1 and 4 in petitioners’ application explain the basic concept of hedging, or protecting against risk.”).

Concepts determined to be abstract ideas, and thus patent ineligible, include certain methods of organizing human activity, such as fundamental economic practices (*Alice*, 573 U.S. at 219–20; *Bilski*, 561 U.S. at 611); mathematical formulas (*Parker v. Flook*, 437 U.S. 584, 594–95 (1978)); and mental processes (*Gottschalk v. Benson*, 409 U.S. 63, 69 (1972)). Concepts determined to be patent eligible include physical and chemical processes, such as “molding rubber products” (*Diamond v. Diehr*, 450 U.S. 175, 191 (1981)); “tanning, dyeing, making water-proof cloth, vulcanizing India rubber, smelting ores” (*id.* at 182 n.7 (quoting *Corning v. Burden*, 56 U.S. 252, 267–68 (1853))); and manufacturing flour (*Benson*, 409 U.S. at 69 (citing *Cochrane v. Deener*, 94 U.S. 780, 785 (1876))).

In *Diehr*, the claim at issue recited a mathematical formula, but the Supreme Court held that “[a] claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula.” *Diehr*, 450 U.S. at 176; *see also id.* at 191 (“We view respondents’ claims as nothing more than a process for molding rubber products and not as an attempt to patent a mathematical formula.”). Having said that, the Supreme Court also indicated that a claim “seeking patent protection for that formula in the abstract . . . is not accorded the protection of our patent laws, . . . and this principle cannot be circumvented by attempting to limit the use of the formula to a particular technological environment.” *Id.* (citing *Benson* and *Flook*); *see, e.g., id.* at 187 (“It is now

commonplace that an *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.”).

If the claim is “directed to” an abstract idea, we turn to the second step of the *Alice* and *Mayo* framework, where “we must examine the elements of the claim to determine whether it contains an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Alice*, 573 U.S. at 221 (quotation marks omitted). “A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Id.* (quoting *Mayo*, 566 U.S. at 77). “[M]erely requir[ing] generic computer implementation[] fail[s] to transform that abstract idea into a patent-eligible invention.” *Id.*

G. USPTO 2019 Revised Patent Subject Matter Eligibility Guidance

The PTO recently published revised guidance on the application of § 101. *See* 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) (“*Guidance*”). Under the *Guidance*, we first look to whether the claim recites:

- (1) any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human activity such as a fundamental economic practice, or mental processes); and
 - (2) additional elements that integrate the judicial exception into a practical application (see MPEP § 2106.05(a)–(c), (e)–(h)).
- See Guidance*, 84 Fed. Reg. at 51–55. Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical

application, do we then look to whether the claim:

(3) adds a specific limitation beyond the judicial exception that is not “well-understood, routine, conventional” in the field (*see* MPEP § 2106.05(d)); or

(4) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception.

See id. at 56.

H. Subject Matter Eligibility of Challenged Claims Under § 101

Petitioner asserts claims 1–12 of the ’987 patent recite patent ineligible subject matter under § 101. Patent Owner disagrees that the challenged claims are patent ineligible, and relies on the Declaration of John Feola (Exhibit 2007). We follow the framework set forth in the *Guidance* for our analysis.

1. Guidance Step 1

Under the *Guidance*, we first must determine “whether the claim is to a statutory category (Step 1).” *Guidance*, 84 Fed. Reg. at 53. Here, it is undisputed that the claims recite a statutory *process*, namely the process of playing a game with a deck of cards. *See* Ex. 1001, 6:61–8:13.

2. Guidance Step 2A, Prong 1: Whether Challenged Claims Recite an Abstract Idea

Under the next step in the *Guidance* (Step 2A, Prong 1), we must determine whether the claims recite limitations that fall within any of the recognized categories of abstract ideas. The *Guidance* identifies certain groupings of abstract ideas that have been recognized under the case law: mathematical concepts, certain methods of organizing human activity, such as fundamental economic principles or practices, and mental processes. *Guidance*, 84 Fed. Reg. at 52. As part of this inquiry, we must examine the

relevant limitations in the context of the claim language as a whole. *Alice*, 573 U.S. at 218 n.3. “The § 101 inquiry must focus on the language of the [a]sserted [c]laims themselves.” *Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1149 (Fed. Cir. 2016); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1345 (Fed. Cir. 2013) (admonishing that “the important inquiry for a § 101 analysis is to look to the claim”); *see also Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1346 (Fed. Cir. 2014) (“We focus here on whether the claims of the asserted patents fall within the excluded category of abstract ideas.”). “An abstract idea can generally be described at different levels of abstraction.” *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016). Yet our reviewing court has cautioned that characterizing claims at a “high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule.” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1337 (Fed. Cir. 2016).

a. Petitioner’s Contentions

Petitioner argues that the challenged claims³ are directed to the abstract idea of allowing bonus wagers in a wagering game. Pet. 24–26. Petitioner relies primarily on the Federal Circuit decision in *In re Smith*, 815

³ Petitioner treats independent claim 1 as representative and asserts that the “dependent claims add minor variations on the rules set out in independent claim 1, such as limiting the bonus hand to a poker hand, awarding a payout as a multiple of the bonus wager, and forming the bonus hand from cards that are dealt face up.” Pet. 24–25; *see also* Tr. 8:20–22 (“There is no dispute that Claim 1 of each of the challenged patents is representative of all the claims -- all the challenged claims.”).

F.3d 816 (Fed. Cir. 2016) (“*Smith*”), which according to Petitioner, held that rules for playing wagering-based card games are abstract. *Id.* at 25.

Petitioner acknowledges that in *Smith*, the Federal Circuit commented that claims directed to conducting a game using a new or original deck of cards could potentially survive step two of *Alice*. *See* Reply 8–9; Tr. 8:5–10.

However, Petitioner asserts that the claims of the ’987 patent “do not involve anything like a new or original deck of cards. Instead, they simply involve a bonus wager that suffers from the same defects as the claims in *Smith*—it is an abstract idea, because it is only ‘a set of rules for a game’ and is a *fundamental economic practice*.” Reply 9 (emphasis added).

Additionally, following our authorization, Petitioner submitted the Federal Circuit decision in *In re Marco Guldenaar Holding B.V.*, 911 F.3d 1157 (Fed. Cir. 2018) (“*Guldenaar*”). Paper 32; Paper 32; Exhibit 1038. The decision in *Guldenaar*, upholding the Board’s affirmance of a §101 rejection, issued on December 28, 2018, after Petitioner submitted its Reply to Patent Owner’s Response. At the oral hearing, Petitioner commented that *Guldenaar* calls into question the “dictum” in *Smith* because “*Guldenaar* on its facts involved a new set of dice -- a game -- rules for a game involving a new set of dice, not conventional dice.” Tr. 8:11–15.

b. Patent Owner’s Contentions

In its Patent Owner Response and Sur-reply to Petitioner’s Reply, Patent Owner does not directly address whether the challenged claims are directed to an abstract idea under *Alice* Step 1 or the *Guidance* Step 2A,

Prong 1. *See* Sur. 5–8 (addressing case-law and *Guidance* Step 2B).⁴ Patent Owner does, however, assert that *Smith* and the other cases relied upon by Petitioner are not controlling. *See* Sur. 6–8. Patent Owner argues that *Smith* is distinguishable because the decision does not address the applicable level of ordinary skill, evidence related to what is “well-understood, routine and conventional,”⁵ or evidence of the commercial significance of the invention. PO Resp. 19 (citing *Berkheimer v. HP*, 881 F.3d 1360 (Fed. Cir. 2018)). Patent Owner also asserts that, unlike the *Smith* claims, the steps recited in claim 1 of the ’987 patent of “(c) forming a bonus hand from one of said cards from each of a subset of said plurality of hands; (d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank” are significantly more than what was known in the art in 2004. PO Resp. 19 (citing Ex. 2011). Further, Patent Owner argues that *Smith* is an appeal from a patent examiner’s rejection and the Board’s affirmance of that rejection, which is different from the posture here where the patent examiner determined during prosecution that the

⁴ We note that the *Guidance* issued after both Patent Owner’s Response and Petitioner’s Reply had been submitted. Nonetheless, both parties were afforded an opportunity to request supplemental briefing to address the *Guidance*. Both parties declined to do so. *See* Paper 32, 3.

⁵ The *Guidance* advises that the “*Alice* Step 1” (*Guidance* Step 2A) analysis should exclude consideration of whether additional claim elements represent well-understood, routine, and conventional activity. *Guidance*, 84 Fed. Reg. at 55. “[R]evised Step 2A specifically excludes consideration of whether the additional elements represent well-understood, routine, conventional activity. Instead, analysis of well-understood, routine, conventional activity is done in Step 2B.” *Id.*

claims included allowable patent-eligible subject matter. PO Resp. 19–20. To the extent these arguments apply to our discussion of *Alice* Step 1 and *Guidance* Step 2A, Prong 1, we address these arguments in this section.

c. Discussion

For the reasons discussed below, we determine that the challenged claims recite a judicial exception recognized under the *Guidance* and in prior cases as an abstract idea.

Turning to claim 1, the following specific limitations recite the steps or *rules* for playing a bonus wagering game. Claim 1 recites a “method of playing game with at least one deck of cards” with the steps of “(a) affording a player the opportunity to *place a bonus wager*; (b) *dealing out said cards* to each of a plurality of hands; (c) *forming a bonus hand* from at least one of said cards from each of a subset of said plurality of hands; (d) *identifying said player as a winning player* if said player placed said bonus wager and said bonus hand has a predetermined rank; and (e) *paying said winning player a payout.*” Ex. 1001, 6:57–67 (emphasis added).

Dependent claims 2–12 recite additional features for gameplay, including which cards the bonus hand is formed from (claims 2, 4, 5, and 7–9), the makeup of the plurality of hands (claims 3 and 6), and how the bonus wager/payout is paid (claims 10–12). For example, claim 2 additionally recites “wherein said bonus hand is formed from cards that are dealt face up.” As another example, claim 3 recites “wherein said hands are player hands.” And, claim 10 recites “wherein said payout is a multiple of said bonus wager.” Thus, each of claims 1–12 recites instructions or rules for playing a wagering game.

Our reading of the challenged claims is consistent with the

Specification of the '987 patent. The Specification provides that the described invention is directed to a “method of playing a bonus wager” (Ex. 1001, Title), and “relates to games for gambling, more specifically, to a bonus wager on a game where a player can wager on the hand composed of the face up cards of several hands.” Ex. 1001, 1:25–28. Further, the Specification describes the mechanics of game play, which involve the house determination of

the *rules with which the game will be played*, including, for example, the base game, the number of player and banker hands, the number of bonus hands, the cards that are dealt face up, the cards used for the bonus hands, the rank of winning bonus hands, the type of bonus wager, and how winning bonus hands are paid.

Ex. 1001, 3:33–39 (emphasis added). Thus, consistent with our reading of the claims, the '987 patent describes the invention as a set of “rules” that are determined for how the bonus wagering game will be played.

With this in mind, we agree with Petitioner that the Federal Circuit has found similar methods of conducting a wagering game to constitute a fundamental economic practice under the first step of *Alice*. In *Smith*, the Applicants appealed an ex parte decision by the Board that affirmed the examiner’s rejection of pending claims under 35 U.S.C. § 101. Claim 1 at issue in *Smith* recited:

1. A method of conducting a wagering game comprising:
 - [a]) a dealer providing at least one deck of ... physical playing cards and shuffling the physical playing cards to form a random set of physical playing cards;
 - [b]) the dealer accepting at least one first wager from each participating player on a player game hand against a banker’s/dealer’s hand;

[c]) 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;

[d]) 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;

[e]) 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;

[f]) 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;

[g]) 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;

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

[i]) 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.

Smith, 815 F.3d at 817–818. Applying the first step of *Alice*, the Federal Circuit determined that

Applicants’ claims, directed to rules for conducting a wagering game, compare to other “fundamental economic practice[s]” found abstract by the Supreme Court. *See id.* As the Board reasoned here, “[a] wagering game is, effectively, a method of exchanging and resolving financial obligations based on probabilities created during the distribution of the cards.” J.A. 15. In *Alice*, the Supreme Court held that a method of exchanging financial obligations was drawn to an abstract idea. 134 S. Ct. at 2356–57. Likewise, in *Bilski*, the Court determined that a claim to a method of hedging risk was directed to an abstract idea. 561 U.S. at 611, 130 S. Ct. 3218. Here, Applicants’ claimed “method of conducting a wagering game” is drawn to an abstract idea much like *Alice*’s method of exchanging financial obligations and *Bilski*’s method of hedging risk.

Id. at 818–819 (emphasis added).

As in *Smith*, the claims of the ’987 patent are also drawn to rules and instructions for playing a wagering game, which is effectively a method of exchanging and resolving financial obligations (e.g., payout of bonus wagers) based on probabilities created during the distribution of cards. Thus, similar to the claims at issue in *Smith*, claims 1–12 of the ’987 patent recite a fundamental economic practice, which is one of certain methods of organizing human activity identified in the *Guidance*, and thus considered an abstract idea.

The Federal Circuit’s decision in *Guldenaar* further guides our analysis. In *Guldenaar*, the appellant appealed an ex parte decision by the Board affirming the examiner’s rejection of pending claims under 35 U.S.C. § 101. Claim 1 at issue in *Guldenaar* recited:

A method of playing a dice game comprising:

providing a set of dice, the set of dice comprising a first die, a second die, and a third die, wherein only a single face of the first die has a first die marking, wherein only two faces of the second die have an identical second die marking, and wherein only three faces of the third die have an identical third die marking;

placing at least one wager on at least one of the following: that the first die marking on the first die will appear face up, that the second die marking on the second die will appear face up, that the third die marking on the third die will appear face up, or any combination thereof;

rolling the set of dice; and

paying a payout amount if the at least one wager occurs.

Guldenaar, 911 F.3d at 1159.

The Federal Circuit Court began its analysis, under *Alice* Step 1, by comparing the claims with those in *Smith*. *Id.* at 1160 (Noting that “*In re Smith*, 815 F.3d 816 (Fed. Cir. 2016), is highly instructive in this case.”).

The Court found that

Appellant’s claimed “method of playing a dice game,” including placing wagers on whether certain die faces will appear face up, is, as with the claimed invention in *Smith*, directed to a method of conducting a wagering game, with the probabilities based on dice rather than on cards. Given the strong similarities to the ineligible claims in *Smith*, Appellant’s claims likewise are drawn to an abstract idea.

Id. The Federal Circuit noted that the Patent Office articulated a more refined characterization of the abstract idea as the *rules for playing games*, which is one type of method of organizing human activity. *Id.*

Like the claims at issue in *Guldenaar*, we find that the challenged claims of the ’987 patent also recite *rules for playing a game*, specifically rules for playing a wagering game, which the Federal Circuit has determined

is another method of organizing human activity that is patent-ineligible. *See id.* That being the case, we determine that the challenged claims recite *both* a fundamental economic practice and rules for playing games. We note that our determination is consistent with the *Guidance*, which identifies among the certain methods of organizing human activity both “fundamental economic principles or practices” and “managing personal behavior or relationships or interactions between people (including social activities, teaching, and following rules or instructions).” *Guidance*, 84 Fed. Reg. at 52 n. 13 (citing *Smith*).

In reaching these determinations, we have also considered Patent Owner’s arguments that *Smith* is distinguishable. *See* PO Resp. 19. First, Patent Owner asserts that *Smith* is distinguishable because that court did not review evidence regarding the level of ordinary skill in the art. PO Resp. 19 (“*Smith* did not address the skill level in the skilled artisan, as required after *Berkheimer*.”). Nonetheless, for *Alice* Step 1, our inquiry is the same as that performed by the Federal Circuit in *Smith*. That is, we consider whether the claims at issue are directed to a patent-ineligible concept such as an abstract idea. Patent Owner has not explained sufficiently, nor do we independently see, how any evidence or arguments regarding the level of ordinary skill in the art in this proceeding distinguishes the course of our analysis under *Alice* Step 1 from that performed in *Smith*. Moreover, as discussed above, the level of ordinary skill is not in dispute between the parties in this proceeding. Tr. 5:17–18:1. We have already adopted Patent Owner’s proposed level of skill. Thus, our discussion of the level of skill is limited to adopting the level of skill that Petitioner and Patent Owner have both agreed

to, which we determine is consistent with the disclosure of the '987 patent. As such, we are not persuaded that there is any meaningful difference in this regard between *Smith* and the instant proceeding that distinguishes *Smith*.

Second, Patent Owner has not explained sufficiently how evidence of the “commercial significance of the invention” distinguishes *Smith*.⁶ See PO Resp. 18–19. Patent Owner contends that its settlement agreement and license with Petitioner, and the successful implementation of games covered by the patent in many casinos demonstrate commercial success. *Id.* at 18 (citing Ex. 2004; Ex. 2005; Ex. 2007; Ex. 2011). Even assuming that the '987 patent is commercially successful or significant, as Patent Owner proposes, we are not persuaded this would render the claims of the '987 patent any less abstract under *Alice*, Step 1 (and *Guidance*, Step 2A, Prong 1). “Commercial success is not necessarily a proxy for an improvement in a technology nor does it necessarily indicate that claims were drawn to patent eligible subject matter.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1335 (Fed. Cir. 2015). As discussed, the challenged claims explicitly recite features that are rules/instructions for organizing human activities (i.e., fundamental economic practice and rules of playing a game). Patent Owner has not explained persuasively why the license agreement, settlement, and casino games mitigate or alter this reading of the express language and limitations recited in the challenged claims. See PO Resp. 19. Thus, we are not persuaded that we must read the claims differently due to any purported

⁶ Patent Owner also asserts that the “significance of the improvement found in the '987 patent over 2004 gaming technology is evident in the commercial success of the patent.” PO Resp. 18. We also address this argument in our discussion of *Alice* Step 2, *Guidance* Step 2B.

commercial success or that *Smith* is distinguishable on this basis.

Third, Patent Owner asserts that, unlike the *Smith* claims, the steps of “(c) forming a bonus hand from one of said cards from each of a subset of said plurality of hands” (“Step C”); and “(d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank” (Step D”), recited in claim 1, are significantly more than what was known in the art in 2004. PO Resp. 19 (citing Ex. 2011).

This argument is not persuasive. “Eligibility and novelty are separate inquiries.” *Two-Way Media Ltd. v. Comcast Cable Commc’ns, LLC*, 874 F.3d 1329, 1340 (Fed. Cir. 2017) (citing *Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1263 (Fed. Cir. 2016) for the holding that even assuming that a particular claimed feature was novel does not “avoid the problem of abstractness.”); *see also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1352 (Fed. Cir. 2014) (“[L]aws of nature, natural phenomena, and abstract ideas, no matter how ‘groundbreaking, innovative, or even brilliant’ . . . are outside what the statute means by ‘new and useful process, machine, manufacture, or composition of matter.’”) (citing 35 U.S.C. § 101; *Alice*, 573 U.S. at 221–22; *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S.Ct. 2107, 2116–17 (2013)). Thus, the alleged novelty of Step C and Step D do not persuade us to discount or ignore *Smith*’s controlling eligibility analysis.

Additionally, during the oral hearing, Patent Owner asserted that it did not agree that “Step C” of the challenged claims are directed to an abstract idea. *See* Tr. 14:18–16:14. Patent Owner appears to argue that Step C and

Step D of the challenged claims do not recite an abstract idea. *See id.*

To the extent that this argument has been advanced, we reiterate our determination that these steps recite *rules* for playing a bonus wagering game. Step C recites the rule for how the dealer and players *form the bonus hand* in the wagering game (i.e., rules for playing a game). Similarly, Step D recites the rule for how the winning player is identified in the activity of playing a wagering game. The disclosure of the Specification comports with our finding. *See Ex. 1001, 3:33–39* (“Before game play begins, the house determines the *rules* with which the game will be played, including . . . the cards used for the bonus hands, the rank of winning bonus hands, the type of bonus wager, and how winning bonus hands are paid.”) (emphasis added), 4:40–5:39.

Fourth, Patent Owner argues that *Smith* is distinguishable because it is an *ex parte* appeal decision, which is different from an issued patent where the patent examiner determined that the patent application recited allowable patent-eligible subject matter. PO Resp. 19–20; *see* Sur. 8. Patent Owner has not explained why this difference matters for the patent-eligibility inquiry that we must conduct here. *See id.* We decline to speculate on the basis for Patent Owner’s position. Rather, we observe that the § 101 inquiry is the same regardless of whether it is addressed in the context of examination, as in *Smith*, or in the context of a contested proceeding over an issued patent, as in the case here. Thus, we are not persuaded that *Smith* is distinguishable merely because our §101 inquiry arises in a CBM patent review of an issued patent.

In sum, we determine that the challenged claims, each considered as a whole, recite and are directed to rules for playing a bonus wagering game. Rules for games have been considered to be a type of method of organizing human activity that are abstract ideas. *Guldenaar*, 911 F.3d at 1160–61. In addition, as discussed, a wagering game is a fundamental economic practice. *Smith*, 815 F.3d at 818. Accordingly, we conclude the challenged claims recite a fundamental economic practice and rules for playing games (i.e., interactions between people), which are certain methods of organizing human activity that are identified in the *Guidance* as abstract ideas. *Guidance*, 84 Fed. Reg. at 52.

3. *Guidance Step 2A, Prong 2: Whether Challenged Claims Integrate the Abstract Idea into a Practical Application*

The Supreme Court has long distinguished between abstract ideas themselves (which are not patent eligible) and the integration of those abstract ideas into practical applications (which are patent eligible). *See, e.g., Alice*, 573 U.S. at 217 (explaining that “in applying the § 101 exception, we must distinguish between patents that claim the ‘buildin[g] block[s]’ of human ingenuity and those that integrate the building blocks into something more” (quoting *Mayo*, 566 U.S. at 89), and stating that *Mayo* “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”); *Mayo*, 566 U.S. at 80, 84 (noting that the Court in *Diehr* found “the overall process patent eligible because of the way the additional steps of the process integrated the equation into the process as a whole,” but the Court in *Benson* “held that simply implementing a

mathematical principle on a physical machine, namely a computer, was not a patentable application of that principle”); *Bilski*, 561 U.S. at 611 (“*Diehr* explained that while an abstract idea, law of nature, or mathematical formula could not be patented, ‘an *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.’” (quoting *Diehr*, 450 U.S. at 187) (emphasis in original)); *Diehr*, 450 U.S. at 187, 192 n.14 (explaining that the process in *Flook* was ineligible not because it contained a mathematical formula, but because it did not provide an application of the formula). The Federal Circuit likewise has distinguished between claims that are “directed to” a judicial exception (which require further analysis to determine their eligibility) and those that are not (which are therefore patent eligible). *See, e.g.*, MPEP § 2106.06(b) (summarizing *Enfish, McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), and other cases that found claims eligible as improvements to technology or computer functionality instead of abstract ideas).

In agreement with Supreme Court and Federal Circuit precedent, the *Guidance* provides that if a claim recites an abstract idea, it must be further analyzed to determine whether the recited judicial exception is integrated into a practical application. *Guidance*, 84 Fed. Reg. at 53. Specifically, under USPTO *Guidance* Step 2A, Prong 2, a claim reciting an abstract idea is not “directed to” the abstract idea if the “claim as a whole integrates the recited judicial exception into a practical application of that exception.” *Id.* Step 2A, Prong 2 is evaluated by “(a) [i]dentifying whether there are any additional elements recited in the claim beyond the judicial exception(s); and

(b) evaluating those additional elements individually and in combination to determine whether they integrate the exception into a practical application.” *Id.* at 54–55. “A claim that integrates a judicial exception into a practical application will apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.” *Id.* at 53.

According to the *Guidance*, the following non-exhaustive exemplary considerations are indicative that an additional element or combination of elements may be integrated into a practical application:

- 1) An additional element reflects an improvement in the functioning of a computer, or an improvement to other technology or technical field;
- 2) An additional element that applies or uses a judicial exception to effect a particular treatment or prophylaxis for a disease or medical condition;
- 3) An additional element implements a judicial exception with, or uses a judicial exception in conjunction with, a particular machine or manufacture that is integral to the claim;
- 4) An additional element effects a transformation or reduction of a particular article to a different state or thing;
- 5) An additional element applies or uses the judicial exception in some other meaningful way beyond generally linking the use of the judicial exception to a particular technological environment, such that the claim as a whole is more than a drafting effort designed to monopolize the exception;

Guidance, 84 Fed. Reg. at 55. The *Guidance* “uses the term ‘additional elements’ to refer to claim features, limitations, and/or steps that are recited in the claim beyond the identified judicial exception.” *Id.* at 55 n.24.

We determine that the challenged claims do not integrate the recited judicial exception (i.e., fundamental economic practice and managing interactions between people) into a practical application, as recognized by precedent. Claim 1 expressly recites a “method of a playing game with at least one deck of cards” with the steps of “(a) affording a player the opportunity to place a bonus wager”; “(b) dealing out said cards to each of a plurality of hands”; “(c) forming a bonus hand from at least one of said cards from each of a subset of said plurality of hands”; “(d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank”; and “(e) paying said winning player a payout.”

Ex. 1001, 6:57–67. These steps, individually and in combination, recite rules for “playing a *wagering* game with at least one deck of cards.”

Further, as discussed above, dependent claims 2–12 also recite *rules* for gameplay, including from which cards the bonus hand is formed (claims 2, 4, 5, and 7–9), the makeup of the plurality of hands (claims 3 and 6), and how the bonus wager/payout is paid (claims 10–12). Ex. 1001, 7:5–8:13. These elements, individually and in combination, add limitations to independent claim 1 that are also rules for playing a wagering game with a deck of cards. Thus, *all* of the limitations in claims 1–12 recite certain methods of organizing human activity (i.e., fundamental economic practice and managing interactions between people (following rules of playing a bonus wagering game)).

More specifically, we observe that the challenged claims do not recite an additional element beyond the recited rules that (1) applies or uses a judicial exception to effect a particular treatment or prophylaxis for a disease or medical condition;

(2) implements a judicial exception with, or uses a judicial exception in conjunction with, a particular *machine* or *manufacture* that is integral to the claim; or (3) effects a transformation or reduction of a particular article to a different state or thing (e.g., deck of cards are not transformed). *See Ex. 1001, 6:57–8:13.*

In addition, none of the recited limitations of the challenged claims (considered individually or in combination) reflect an improvement to the functioning of a computer/technology/technical field. As discussed, claim 1 recites steps for playing a wagering game with a *deck of cards*, but does not recite an improvement to a computer or specific technology. *Ex. 1001, 6:57–67.* Likewise, dependent claims 2–12 do not recite an improvement to a computer or specific technology. *See Ex. 1001, 7:5–8:13.* We do note that the '987 patent teaches that

[t]he term “card” is used in the present application to indicate a playing card, a playing tile, or any facsimile thereof. For example, a card can be a paper playing card, a physical playing tile, an image of a card or tile on a video display, an image of a card or tile on a scratch ticket, etc. Any representation of a playing card or tile is contemplated. A “deck of cards” refers to one or more complete decks of playing cards or a set of pai gow tiles.

Ex. 1001, 3:1–8. In this way, a deck of cards may be a physical deck of cards or a facsimile such as a card on a video display. Nonetheless, we are not persuaded that the physicality of the cards indicates any improvement to

a technology or technical field. The card deck, as claimed, is a generic deck of cards, which operates only as a tool for playing the wagering game. As noted in *Smith*, the use of a *standard* deck of cards in a wagering game is not sufficient to confer patent-eligibility. *Smith*, 815 F.3d. at 819.

The challenged claims also do not recite an additional element that applies or uses the judicial exception in some other meaningful way beyond generally linking the use of the judicial exception to a particular technological environment, such that the claim as a whole is more than a drafting effort designed to monopolize the exception. As discussed, the limitations of the challenged claims, considered individually or in combination, all constitute the rules for playing a bonus wagering game. Thus, the claims do not, as a whole, integrate the recited judicial exception into a practical application of that exception.

In sum, the challenged claims recite a set of rules for playing a bonus wagering game, which may be considered both a fundamental economic practice and managing interactions between people, and thereby an abstract idea under the *Guidance*. Further, for the foregoing reasons, we also find that the challenged claims do not integrate the abstract idea into a practical application under the *Guidance*. Thus, we conclude that the claims are directed to an abstract idea.

4. Guidance, Step 2B: Whether Challenged Claims Contain an Inventive Concept

Under the second step of the *Alice* inquiry, we must “scrutinize the claim elements more microscopically” for additional elements that might be understood to “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Elec. Power Grp., LLC v. Alstom S.A.*, 830

F.3d 1350, 1353–54 (Fed. Cir. 2016); *RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017) (“To save a patent at [*Alice*] step two, an inventive concept must be evident in the claims.”). That is, we determine whether the claims include an “inventive concept,” i.e., an element or combination of elements sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 573 U.S. at 221. “Abstract ideas, including a set of rules for a game, may be patent-eligible if they contain an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *In re Smith*, 815 F.3d at 819 (citing *Alice*, 134 S. Ct. at 2357). But appending purely conventional steps to an abstract idea does not supply a sufficiently inventive concept. *Alice*, 134 S. Ct. at 2357–58.

Consistent with the foregoing, under the *Guidance*, if a claim has been determined to recite a judicial exception under the *Guidance*, Step 2A, we must evaluate the additional elements individually and in combination under the *Guidance*, Step 2B, to determine whether they provide an inventive concept (i.e., whether the additional elements amount to significantly more than the exception itself).⁷ Per the *Guidance*, we must consider in Step 2B whether an additional element or combination of elements: (1) “[a]dds a specific limitation or combination of limitations that are not well-

⁷ The patent eligibility inquiry may contain underlying issues of fact. *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016). In particular, “[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.” *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018).

understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present”; or (2) “simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.”

Guidance, 84 Fed. Reg. at 56.

a. Petitioner’s Contentions

Petitioner contends that the ’987 patent teaches bonus wagers were well-known in the prior art and that there is nothing transformative about the underlying games on which the player wagers or the generic or standard cards with which the games are played. Pet. 27. Petitioner adds that the limitations of dependent claims 2–12 are likewise generic and non-inventive. Pet. 28 (“Forming the bonus hand from face-up cards (claims 2, 5, and 8); or from a combination of player and banker hands (claims 6 and 7) are merely additional conventional activities. The same is true for those dependent claims that specify how the payout is calculated and paid.”).

b. Patent Owner’s Contentions

Patent Owner presents several arguments, many of which we have addressed above. Patent Owner contends, for example, that Petitioner does not address the level of ordinary skill in the art, which Patent Owner contends is necessary to determine what would have been well-understood, routine and conventional to a skilled artisan. See PO Resp. 8 (“There is no evidence presented. Just vague attorney argument.”), 9 (“In order to determine if the claims are ‘well-understood, routine and conventional to a skilled artisan in the relevant field’ we need to determine who the ‘skilled artisan’ is. ‘[T]his is a question of fact’. *Berkheimer*. Bally presents no facts

nor any discussion of a skilled artisan.”), 10–11, 14–15. Patent Owner further argues that the challenged claims are significantly more than what existed at the time of the invention. *See* PO Resp. 16–18; *see* Sur. 5–6. Additionally, Patent Owner distinguishes *Smith* on the basis that this proceeding has evidence related to commercial success and what is well-understood, routine, and conventional by a skilled artisan. PO Resp. 18–20.

c. Discussion

Based on the complete record, we determine that Petitioner has provided sufficient evidence that the challenged claims recite well-understood, conventional, and routine activities. The '987 patent itself acknowledges that rules for bonus wagering and gameplay were well-known in the art. *See* Pet. 27–29. The '987 patent expressly states:

There are a number of such games in existence where the essence of the game, whether it based on poker, blackjack, baccarat, pai gow tiles, pai gow poker, or any other game, is that a player wagers on one or more of a group of hands that she hopes will beat a banker hand. Players do not control the hands, that is, no player hands are assigned to players. The dealer plays all of the hands according to rules that permit little or no discretion in how the hands are played. One such game for poker is disclosed in U.S. Pat. No. 5,839,731, Method and Apparatus for Playing a Casino Game. Another such game for blackjack is disclosed in U.S. patent application Ser. No. 10/867,019, Method of Playing a Blackjack-type Casino Card Game. Another such game for pai gow is disclosed in U.S. patent application Ser. No. 10/890,445, Method of Playing a Pai Gow-type Game

Ex. 1001, 2:55–3:3 (emphasis added). Further, the '987 patent acknowledges that games with bonus wagering and bonus bets were also well-known in the art. The '987 patent teaches that

Many casino table games offer bonus bets or jackpots where players may wager on occurrences that do not affect the outcome of the basic game. These types of bonus bets and jackpots are popular with players. An example of such a bonus bet is the game “21+3” disclosed in U.S. Pat. No. 6,012,719. The game is a standard blackjack game where the player is also given the option of placing a bonus wager on whether or not a three-card poker hand made of the player’s first two cards and the dealer’s face up card is of a certain rank. Another example of a bonus bet is disclosed in U.S. Pat. No. 6,402,147. The basic game is stud poker, where the player’s hand is compared to the banker’s hand. The player is also given the option of placing a bonus wager on the rank of the player’s hand.

Ex. 1001, 1:31–44 (emphasis added). In view of this disclosure, we determine that the ’987 patent expressly acknowledges that any allegedly inventive concepts involving (a) placing a bonus wager; (b) dealing out cards to each player; (c) forming the bonus hand; (d) identifying a winning player; and (e) paying the winning player, were merely well-understood, conventional, and routine steps for playing a card game.⁸

⁸ We note here that the Office has previously issued the Memorandum on Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*) (Apr. 19, 2018) (“*Berkheimer* Memo”). In the *Berkheimer* Memo, the Office instructs that “[i]n a step 2B analysis, an additional element (or combination of elements) is not well-understood, routine or conventional unless the examiner finds, and expressly supports a rejection in writing with, one or more of the following:” (1) a “citation to an express statement in the specification or to a statement made by an applicant during prosecution that demonstrates the well-understood, routine, conventional nature of the additional element(s)”; (2) a “citation to one or more of the court decisions discussed in MPEP § 2106.05(d)(II) as noting the well-understood, routine, conventional nature of the additional element(s)”; (3) a “citation to a publication that demonstrates the well-understood, routine, conventional nature of the additional element(s)”; and (4) a “statement that the examiner

Nonetheless, even if the foregoing statements in the '987 patent do not amount to such an admission, we further determine that the steps of “(c) forming a bonus hand from at least one of said cards from each of a subset of said plurality of hands” and “(d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank” cannot provide an inventive concept or add significantly more than the abstract idea itself to claim 1. *See* PO Resp. 19. According to Patent Owner, “[t]hese elements are significantly more than a skilled artisan would consider well-understood, routine, and conventional in 2004.” Sur. 5. Mr. Feola also testifies “[m]y invention has the ability to enhance[] games such as poker, blackjack, baccarat, pai gow tiles, and pai gow poker by allowing bonus bets based on combining dealer cards and player cards.” Ex. 2011 ¶ 3. We are unpersuaded by these contentions.

Even if we were to credit Mr. Feola’s testimony that his invention can enhance various casino games, each of the steps of claim 1, including Step C and Step D relied upon by Patent Owner to argue the claims add “significantly more” than just the abstract idea, are part of the rules of the wagering game using a generic deck of cards. *See* Ex. 1001, 6:60–7:4; 3:1–8. The wagering game claimed in *Smith*, reciting rules for a wagering game that use a *standard deck of cards*, was held to be an abstract idea. *Smith*, 815 F.3d 819.

is taking official notice of the well-understood, routine, conventional nature of the additional element(s).”) (emphasis added). The *Berkheimer* Memo is available at: <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF>.

Thus, Step C and Step D, as rules for gameplay, are themselves an integral part of the abstract idea. Any purported improvement or significance asserted by Patent Owner is, therefore, based only on the abstract ideas embodied by these claim steps (i.e., additional rules for allowing bonus wager in a wagering game). However, it is well-established that the abstract idea or the combination of abstract ideas (e.g., multiple rules) cannot supply the inventive concept for patent-eligibility. *See ChargePoint, Inc. v. SemaConnect, Inc.*, 920 F.3d 759, 774 (Fed. Cir. 2019) (citations omitted) (“[A] claimed invention’s use of the ineligible concept to which it is directed cannot supply the inventive concept that renders the invention ‘significantly more’ than that ineligible concept.”).

Patent Owner’s reliance on the Examiner’s reasons for allowance does not alter our determination. *See* Ex. 2008, 29. Patent Owner contends that the Examiner’s allowance of claims over the closest prior art during prosecution indicates that Step C and Step D of claim 1 were not well-understood, conventional, or routine in 2004. Sur. 5–6. In the Notice of Allowance, the Examiner stated that

Patentability has been found because the prior art fails to suggest or show the combination as set forth in the independent claim 1 including the formation of the bonus hand to be used for game play. This requirement is not seen or fairly suggested by the prior art of record.

The closest prior art of reference was Malcolm [U.S. Patent Pub. 2003/0122305 A1]. His teachings however fail to anticipate or render obvious applicant’s invention.

Ex. 2008, 29.

The foregoing statements in the Examiner’s reasons for allowance are directed to novelty and nonobviousness, not eligibility. But the fact that the

claims may be novel or nonobvious, thereby meeting the patentability requirements of § 102 and § 103, has no bearing on whether the challenged claims are patent-eligible under § 101. *Affinity Labs of Texas, LLC v. DirecTV, LLC*, 838 F.3d 1253, 1263 (Fed. Cir. 2016) (novelty “does not avoid the problem of abstractness”); *Genetic Techs. Ltd. v. Merial LLC*, 818 F.3d 1369, 1376 (Fed. Cir. 2016) (“[A] claim directed to a newly discovered law of nature (or natural phenomenon or abstract idea) cannot rely on the novelty of that discovery for the inventive concept necessary for patent eligibility.”); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1352 (Fed. Cir. 2014) (abstract ideas are unpatentable “no matter how ‘[g]roundbreaking, innovative, or even brilliant’” they may be). Further, Patent Owner’s reliance on the disclosure of the “Malcolm” reference (*see* PO Resp. 16–18) is inconsistent with the ’987 patent, which teaches that it was well-understood, routine, and conventional for standard games using standard card decks, such as blackjack, to include bonus wagering on bonus bets. *See* Ex. 1001, 1:31–44. In other words, including rules for playing a bonus wagering game with a deck of cards was a well-understood, routine, conventional practice in casino games. *See id.*

Further, we do not find that Petitioner’s alleged failure to address the level of ordinary skill in the art makes a substantive difference in this case. *See* PO Resp. 9. The Federal Circuit has held that “[t]he § 101 inquiry ‘may contain underlying factual issues.’” *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016) (quoting *Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1341 (Fed. Cir. 2013)). The Federal Circuit also has explained that “not every § 101

determination contains genuine disputes over the underlying facts material to the § 101 inquiry.” *Berkheimer*, 881 F.3d at 1368. Here, Petitioner has affirmatively agreed that Patent Owner’s proposed level of ordinary skill is correct. *See* Tr. 5:17–18:1. While there may be other disputes between the parties, there is no factual dispute regarding the level of ordinary skill in the art. Thus, we do not find that *Berkheimer* mandates that the Petitioner must provide an expert declaration or other evidence to address an undisputed skill level in this § 101 inquiry. *See* PO Resp. 9.

Further, as discussed, even if we credit the testimony of Patent Owner’s expert (*see* Exs. 2007, 2011) in the absence of expert testimony from Petitioner, the fact remains that each of the steps of claim 1, including Step C and Step D, are part of the rules of the wagering game using a generic deck of cards. *See* Ex. 1001, 6:60–7:4, 3:1–8. “It has been clear since *Alice* that a claimed invention’s use of the ineligible concept to which it is directed cannot supply the inventive concept that renders the invention ‘significantly more’ than that ineligible concept.” *BSG Tech LLC v. Buyseasons, Inc.*, 899 F.3d 1281, 1290 (Fed. Cir. 2018). In short, a claim’s inventive concept cannot be the abstract idea itself.

Next, we are not persuaded that the claims recite “significantly more” based on the purported commercial success of Patent Owner’s game. As mentioned, “[c]ommercial success is not necessarily a proxy for an improvement in a technology nor does it necessarily indicate that claims were drawn to patent eligible subject matter.” *Versata Dev. Grp., Inc.*, 793 F.3d at 1335. The challenged claims explicitly recite features that are certain methods of organizing human activity (i.e., fundamental economic

practice and managing interactions between people (following rules)). Based on the complete record, Patent Owner has not explained why the license agreement, settlement, and purported success of casino games should change our reading of the express limitations in the challenged claims. *See* PO Resp. 18.

Additionally, for the reasons discussed previously, we determine that *Smith* is binding and controlling case law. The procedural posture (i.e., *ex parte* appeal), evidentiary record, and issue date of the decision (*see* Sur. 6–8) do not materially distinguish *Smith* from the instant proceeding. *See supra* Section II.H.2.c.

We further determine that the limitations of dependent claims 2–12 are additional rules for allowing bonus wagers in a wagering game, which are themselves abstract ideas that cannot supply an inventive concept. Dependent claims 2, 4, 5, and 7–9 recite rules regarding how the bonus hand is formed. Dependent claims 3 and 6 recite rules regarding the plurality of hands. Dependent claims 10–12 recite rules regarding how the bonus wager/payout is paid. These limitations, viewed individually or in combination, are additional well-understood, routine, conventional activities for playing a card game (e.g., forming hands and paying winner). *See* Ex. 1001, 1:26–40. 2:52–67. Patent Owner does not address dependent claims 2–12 separately from claim 1. Thus, based on the complete record, we determine that the recited elements of claims 1–12 are nothing more than well-understood, routine, and conventional steps in playing a bonus wagering game.

III. CONCLUSION

Petitioner has met its burden of demonstrating by a preponderance of the evidence that claims 1–12 of the '987 patent are unpatentable under 35 U.S.C. § 101.

IV. CONTINGENT MOTION TO AMEND

In its Motion to Amend, Patent Owner requests that we cancel claims 3–8 of the '987 patent and replace them with proposed, substitute claims 13–18. Mot. Amend 3–6. This Motion is contingent on our determination that claims 3–8 are unpatentable under § 101. *Id.* at 7.

In reviewing a motion to amend, we consider whether the motion meets the statutory and regulatory requirements set forth in 35 U.S.C. § 326(d) and 37 C.F.R. § 42.221. *See Lectrosonics, Inc. v. Zaxcom, Inc.*, Case IPR2018-01129 (PTAB Feb. 25, 2019) (Paper 15) (precedential). That is, the patent owner must demonstrate the following: (1) the amendment responds to a ground of unpatentability involved in the trial; (2) the amendment does not seek to enlarge the scope of the claims of the patent or introduce new subject matter; (3) the amendment proposes a reasonable number of substitute claims; and (4) the proposed claims are supported in the original disclosure of the patent. *See* 35 U.S.C. § 326(d); 37 C.F.R. § 42.221; *see also Lectrosonics, Inc.*, slip op. at 4–8. The patent owner, however, “does not bear the burden of persuasion to demonstrate the patentability of [the proposed] substitute claims.” *Lectrosonics, Inc.*, slip op. at 4 (citing *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017); *Bosch Auto. Serv. Sols. LLC v. Iancu*, 878 F.3d 1027 (Fed. Cir. 2017)). “Rather, as a result of the current state of the law and [U.S. Patent and

Trademark Office] rules and guidance, the burden of persuasion will ordinarily lie with the petitioner to show that any proposed substitute claims are unpatentable by a preponderance of the evidence.” *Lectrosonics, Inc.*, slip op. at 4.

A. Reasonable Number of Substitute Claims

Initially, we determine that Patent Owner proposes a single substitute claim for each cancelled claim 3–8, and therefore meets this requirement. Mot. Amend 5–6. *See* 37 C.F.R. § 42.221(a)(3) (establishing a rebuttable presumption that one substitute claim is needed to replace each challenged claim). A table showing the proposed substitute claims and replaced original claims is as follows:

Original Claim	Substitute Claim
3	13
4	14
5	15
6	16
7	17
8	18

B. Proposed Substitute Independent Claims 13 and 16

In its Motion to Amend, Patent Owner requests that we cancel original claims 3 and 6, and replace these with proposed, substitute claims 13 and 16 respectively. Mot. Amend. 5. Claims 13 and 16 recite similar subject matter:

13. (Substitute for claim 3) The method of claim 1 wherein said hands are player hands, and the method further comprises

the steps of providing a video screen on which said plurality of player hands are displayed and providing a wager input mechanism through which said bonus wager is placed.

16. (Substitute for claim 6) The method of claim 1 wherein said hands are player hands and at least one banker hand, and the method further comprises the steps of providing a video screen on which said player hands and said at least one banker hand are displayed and providing a wager input mechanism through which said bonus wager is placed.

Mot. Amend 5.

Patent Owner asserts that proposed substitute claims 13 and 16 do not enlarge the scope of the originally issued claims 1–12, are supported by the specification, and are responsive to the grounds of unpatentability involved in the proceeding. *Id.* at 8–9. Given the similarity of the amendments, we discuss substitute claim 13 below as representative of the proposed amendments in both claims 13 and 16.

1. New Matter

In the Motion, Patent Owner asserts that these limitations are supported by the Specification of the '987 patent. Mot. Amend 8–9 (citing Ex. 1001, 6:3–41, Figs. 5–6). Patent Owner has not provided any citation to the original disclosure of U.S. Patent Application No. 11/776,613 (“the '613 Application”) from which the '987 patent issued. Nonetheless, we have included the '613 Application as Exhibit 3001 in this record.

Further, we observe that the cited sections of the '987 patent appear in the original disclosure of the '613 Application. The original disclosure includes Figures 5 and 6 below:

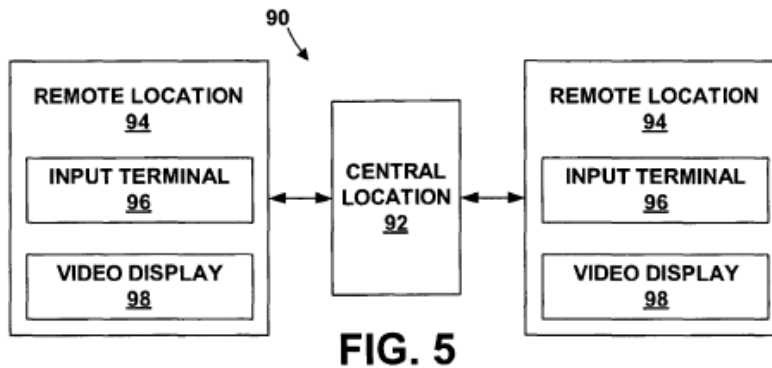


Figure 5 shows a block diagram of a keno-style system. Ex. 3001, 21.

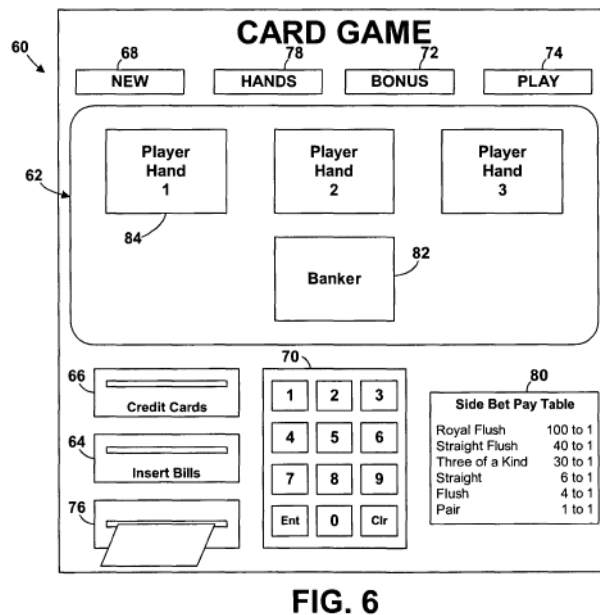


Fig. 6 shows a video screen implementing the game embodiment of Figure 1. *Id.* The '613 Application further teaches that

[w]ith individual machines, an example of which is shown in Fig. 6, implementing the embodiment of Fig. 1, each player has her own terminal 60. *An example is a video machine at a gaming establishment.* The banker hand 82 and player hands 84 are displayed on the player's video screen 62. *Prior to playing a game, the player inserts cash, a voucher, or a paper ticket, into a money reader 64 or swipes a credit card, debit card, or player card in a card reader 66.* The player presses the NEW button 68 and indicates the amount to wager for the game, typically by

entering an amount on the keypad 70. *The player begins a game by pressing the HANDS button 78 and entering the player hands on which the player wishes to wager using the keypad 70 or a touch screen 62. If the player wishes to play the bonus wager, she presses the BONUS button 72 and indicates the amount to wager.* The player presses the PLAY button 74 to deal the cards. If the player played the bonus wager, the rank of the bonus hand comprised of the face up cards of the player hands is compared to the table 80 of ranked hands for the bonus wager. If the bonus hand rank is in the table 80, the winning amount is credited to the player and may be printed on a voucher 76 for payment by a cashier or they may be paid in coins or other monetary tokens by the terminal itself. After the bonus wager is settled, the base game is completed and any winnings are paid out in the same fashion.

Id. ¶ 40 (emphasis added). Based on this disclosure, we determine that the amendments proposed in substitute claim 13 are supported by the '613 Application.

2. *Enlarging Claim Scope*

As stated in 35 U.S.C. § 316(d)(3), an “amendment . . . may not enlarge the scope of the claims of the patent.” *See also* 37 C.F.R. § 42.221(a)(2)(ii) (“A motion to amend may be denied where . . . [t]he amendment seeks to enlarge the scope of the claims of the patent.”). “A substitute claim will meet the requirements of § 42.221(a)(2)(i) and (ii) if it narrows the scope of at least one claim of the patent, for example, the challenged claim it replaces, in a way that is responsive to a ground of unpatentability involved in the trial.” *Lectrosonics, Inc.*, slip op. at 6–7.

We determine that this requirement has been satisfied because substitute claim 13 depends from original cancelled claim 1 and further narrows the scope of original cancelled claim 1 by reciting the “steps of

providing a video screen on which said plurality of player hands are displayed and providing a wager input mechanism through which said bonus wager is placed.” *See* Mot. Amend 5.

3. Responding to a Ground of Unpatentability

37 C.F.R. § 42.221(a)(2)(i) states that “[a] motion to amend may be denied where . . . [t]he amendment does not respond to a ground of unpatentability involved in the trial.”

In the Motion, Patent Owner does not provide a detailed explanation as to how the proposed amendments in substitute claim 13 respond to a ground of unpatentability. *See* Mot. Amend. 8. Patent Owner states:

The amendments add elements to claims 13 and 16 that are undisputedly physical in nature, eliminating any assertions that the claims are abstract matter.

Mot. Amend 9. Nevertheless, in Patent Owner’s Reply to Petitioner’s Opposition, Patent Owner provides responsive arguments that address § 101. Reply Amend 5–10.

In considering the motion, the entirety of the record is reviewed to determine whether a patent owner’s amendments respond to a ground of unpatentability involved in the trial. *Lectrosonics, Inc.*, slip op. 5–6. Based on the entirety of the record, including Patent Owner’s Reply, we determine that Patent Owner has sufficiently articulated its position for why the proposed amendment is responsive to the § 101 ground of unpatentability.

4. § 101 Eligibility of Proposed Substitute Claims 13 and 16

a. Guidance, Step 1

Under the *Guidance*, we first must determine “whether the claim is to a statutory category (Step 1).” *Guidance*, 84 Fed. Reg. at 53. Here, we

determine substitute claim 13 depends from original claim 1 and recites a statutory process, namely the process of playing a game with a deck of cards. *See* Mot. Amend 5.

b. Guidance Step 2A, Prong 1: Whether Challenged Claims Recite an Abstract Idea

As discussed above, under *Guidance* Step 2A, we determine whether the claims are directed to an abstract idea. Petitioner argues that the proposed amendment does not add anything or modify the abstract idea underlying the issued claims of the '987 patent. Opp. Amend 13.

Patent Owner responds that substitute claim 13 recites a “video screen” and a “wager input mechanism,” which are machines that do not fit into the three judicial exceptions listed in the *Guidance*. Reply Amend 6 (“[T]he claims do not cover a mathematical concept, nor certain methods of organizing human behavior, nor mental processes.”).

Based on the entirety of the record, we agree with Petitioner that substitute claim 13 continues to recite rules for playing a wagering game, which is the same abstract idea recited in original claim 1. This is because proposed substitute claim 13 depends from original claim 1 and necessarily includes all the limitations recited in claim 1. Thus, claim 13 expressly recites a “method of playing a game with at least one deck of cards” with the steps (i.e., rules) of

- (a) affording a player the opportunity to place a bonus wager;
- (b) dealing out said cards to each of a plurality of hands;
- (c) forming a bonus hand from at least one of said cards from each of a subset of said plurality of hands;

(d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank; and

(e) paying said winning player a payout.

Ex. 1001, 6:57–67. As discussed above with respect to original claim 1, these limitations recite a set of rules for playing a bonus wagering game, which is a method of organizing human activity that may be understood as both a fundamental economic practice and rules for playing games, and thus an abstract idea. *Smith*, 815 F.3d at 818; *Guldenaar*, 911 F.3d at 1160; *see also Guidance*, 84 Fed. Reg. at 52 (identifying managing personal behavior or relationships/interactions between people (including following rules) as a certain method of organizing human activity considered to be an abstract idea).

Further, the additional limitation “wherein said hands are player hands” recited in substitute claim 13 also appeared in original claim 3. This limitation, as discussed above, recites an additional rule for gameplay, specifically that the “plurality of hands” recited in original claim 1 are “player hands.” Mot. Amend 5. Thus, we consider this limitation to be another rule for playing a game that falls within certain methods of organizing human activity (i.e., fundamental economic practice and managing interactions between people (following rules)).

Having identified the abstract idea recited in substitute claim 13, we turn now to Step 2A, Prong 2 of *Guidance* to discuss in detail whether the additional limitations of a “video screen” and “wager input mechanism” integrate the judicial exception into a practical application.

c. Guidance Step 2A, Prong 2: Whether Challenged Claims Integrate the Abstract Idea into a Practical Application

Substitute claim 13 recites “the method further comprises the steps of providing a *video screen on which said plurality of player hands are displayed* and providing a *wager input mechanism through which said bonus wager is placed.*” Mot. Amend 5 (emphasis added).

Again, consistent with Supreme Court and Federal Circuit precedent, the *Guidance* provides that a claim reciting an abstract idea must be further analyzed to determine whether the recited judicial exception is integrated into a practical application of that exception. *Guidance*, 84 Fed. Reg. at 53. “A claim that integrates a judicial exception into a practical application will apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.” *Id.* at 53. However, “[m]erely includ[ing] instructions to implement an abstract idea on a computer” and “merely us[ing] a computer as a tool to perform an abstract idea” are not “practical applications” under Step 2A, Prong 2. *Id.* at 55.

Petitioner asserts that the substitute claims do not improve the functioning of a computer or an existing technological process because the substitute claims introduce generic physical components for a generic environment in which to carry out the abstract idea. Opp. Amend 14 (citing *TLI*, 823 F.3d at 611).

In its Reply, Patent Owner asserts that “the creation of the bonus hand with cards from other hands, represents an improvement to a device, such as a video poker type machine, providing an improved gaming experience on the device.” Reply Amend 8. Patent Owner further contends that the “wager input mechanism” is a special purpose device closely tied to the game outlined in the claim elements. Reply Amend 7 (citing Ex. 1001, 6:3, 6:21–23, Fig. 6. According to Patent Owner, “only a small subset of computing machines have ‘wager input mechanisms.’” Reply Amend 8 (citing Ex. 2013).

In considering Patent Owner’s arguments, we find instructive our reviewing Court’s guidance in *Enfish*, 822 F.3d 1327. In *Enfish*, the Federal Circuit articulated that *Alice*, Step 1, inquires “whether the focus of the claims is on the specific asserted improvement in computer capabilities (i.e., the self-referential table for a computer database) or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *Enfish*, 822 F.3d at 1335–36 (citing *Alice*, 573 U.S. at 217, 220–24). The Federal Circuit rejected a § 101 challenge because the claims “are directed to a specific improvement to the way computers operate, embodied in the self-referential table.” *Id.* at 1336. The Federal Circuit further commented that

we are not faced with a situation where general-purpose computer components are added post-hoc to a fundamental economic practice or mathematical equation. Rather, the claims are directed to a specific implementation of a solution to a problem in the software arts.

Id. at 1339; *see Elec. Power*, 830 F.3d at 1354 (characterizing the claims in *Enfish* as improving how computers carry out the “basic functions of storage and retrieval of data”).

Turning to substitute claim 13, we observe that the recited process is quite unlike the “self-referential table,” which was a “specific improvement to the way computers operate,” held to be not abstract in *Enfish*, 822 F.3d at 1336, and the “specific asserted improvement in computer animation, i.e., the automatic use of rules of a particular type” held to be not abstract in *McRO*, 837 F.3d at 1314. With regard to the “video screen,” substitute claim 13 only recites the step of “providing a video screen on which said plurality of player hands are displayed.” Substitute claim 13 does not recite any additional limitation regarding the video screen that would, for example, indicate a specific improvement to the way video screens operate, i.e., how video screens display information.

The Specification also does not teach any improvement to video screens. For example, Figure 6 of the '987 patent shows a video machine with video screen 62 with player hands 84 and banker hand 82. *See* Ex. 1001, 2:46–47. In describing the video screen, the '987 patent generally states “[t]he banker hand 82 and player hands 84 are displayed on the player’s video screen 62.” Ex. 1001, 6:19–20. Similarly, the '987 patent teaches, with regard to Figure 5, that “[a]s the game is being played, the hands are displayed on a video screen 98 or matrix of video screens visible to the players at the remote location 94 from information received from the central location 92.” *Id.* at 6:12–15. The '987 patent further contemplates that the game may be played using video poker-type machines, personal

computers, hand-held devices, slot machines, over an on-line computer network.” *Id.* at 2:18–24. Throughout these passages, and the entire Specification, the ’987 patent does not teach that the “video screen” is anything beyond a general purpose/generic component that displays content. Indeed, the ’987 patent does not suggest that the video screen is improved from a technical perspective, or that it would operate differently than it otherwise could. *ChargePoint*, 920 F.3d at 768 (“Notably, however, the specification never suggests that the charging station itself is improved from a technical perspective, or that it would operate differently than it otherwise could.”).

Moreover, we note that Patent Owner does not dispute that the “video screen on which said plurality of player hands are displayed” is a general purpose component. In response to the question of whether a video screen is well-known in the gaming industry, Patent Owner’s counsel answered, “I’m not going to argue on the video screen. I want to stick to the wager input mechanism.” Tr. 25:11–14; *see id.* at 46:23–47:1.

Additionally, we find that substitute claim 13 also does not recite a “wager input mechanism” that is a special purpose device. *See Reply Amend 7*. Substitute claim 13 recites “providing a wager input mechanism through which said bonus wager is placed.” Substitute claim 13 does not recite any additional limitation regarding the “wager input mechanism” other than that it allows the placement of the bonus wager.

Although the term “wager input mechanism” is not used in the Specification, the ’987 patent describes several possibilities for inputting wagers. Referring to Figure 5, the ’987 patent teaches that in keno-style

lottery system 90, a player makes her choice of player hands at remote location 94 by marking a slip of paper with the player hands she wishes to wager on, whether or not she wishes to play the bonus wager, and the wager amounts. Ex. 1001, 5:63–7:1. The player then “gives the slip to a clerk with the amount of the wager, who then *scans the slip into a terminal 96* that sends the choices to a central location 92.” *Id.* at 6:2–4 (emphasis added). The ’987 patent states that “[a]lternatively, *choices can be made from keys on a keyboard, keys on a key grid, or by boxes on a touch screen grid.*” *Id.* at 6:4–6 (emphasis added). Referring to Figure 6, the ’987 patent further teaches that each player has her own terminal 60 or video machine. *Id.* at 6:16–18. “Prior to playing a game, the player inserts cash, a voucher, or a paper ticket, into a *money reader 64 or swipes a credit card, debit card, or player card in a card reader 66.*” *Id.* at 6:20–23 (emphasis added). With the video machine, the “player presses the NEW button 68 and indicates the amount to wager for the game, typically by *entering an amount on the keypad 70.*” *Id.* at 6:23–25 (emphasis added). Additionally, “[i]f the player wishes to play the bonus wager, she presses the *BONUS button 72 and indicates the amount to wager.*” *Id.* at 6:28–30 (emphasis added). In sum, the ’987 patent describes scanners, keyboards, keys on a key grid, boxes on a touch screen, as well as money readers and card readers as wager input mechanisms for placing a bonus wager.

Patent Owner argues that keypads and keyboards are not wager input mechanisms because the “choices” described in columns 5 and 6 of the ’987 patent are not the same as wager input because no money is involved. *See* Tr. 27:14–22. Patent Owner contends that the player

[g]ives the [keno] slip to a terminal, which can be read or alternatively the choices – the choices being which ones are the keno game are being chosen could be entered into the keyboard. That puts a context around that alternatively choices. It's entering for a keno game which numbers you want to play on that card. That's not the wager input. And the wager input mechanism has to be the card player and the insert of the bills.

Id. at 39:22–40:4.

We disagree with Patent Owner. The '987 patent clearly describes the use of a keyboard or keypad as an alternative to scanning a slip of paper that contains the wager amount. Ex. 1001, 6:2–4. The '987 patent states that the player “gives the slip to a clerk *with the amount of the wager*, who then scans the slip into a terminal 96 that sends the choices to a central location 92.” *Id.* (emphasis added). The '987 patent further states that “[a]lternatively, *choices can be made from keys on a keyboard, keys on a key grid, or by boxes on a touch screen grid.*” *Id.* at 6:4–6 (emphasis added). The '987 patent does not distinguish between the types of choices that may be made on the slip of paper versus through a keyboard or keypad. Additionally, the '987 patent teaches that the player receives a receipt such as an indication on a private terminal, *indicating the hand or hands chosen for the game and if the bonus wager is played.* *Id.* at 6:8–12 (emphasis added). In other words, the receipt indicates the “choices” made by the player, including “if the bonus wager is played.” *See id.*

Further, we are not persuaded by Patent Owner that the '987 patent distinguishes wager input from wager amount. *See* Tr. 43:21–44:13. Patent Owner takes the position that the insertion of cash into the money reader or card into the card reader is the *input* of wagers and the keys on the keypad 70 are used to enter the wager *amount.* *Id.* The '987 patent does not provide

such a distinction between these terms. For example, the '987 patent teaches “[p]rior to playing a game, the player inserts cash, a voucher, or a paper ticket, into a money reader 64 or swipes a credit card, debit card, or player card in a card reader 66.” Ex. 1001, 6:20–23. The '987 patent does not refer to the money or card reader as receiving or inputting a wager. Instead, the term “wager” appears later when the player presses NEW button 68 or BONUS button 72 to indicate the amount to wager. *Id.* at 6:23–30.

Additionally, Patent Owner’s arguments at the oral hearing are contradicted by its position in its briefs. In Patent Owner’s briefs, it took the position that the paper slip scanner is a “wager input mechanism,” specifically “[t]he ‘wager input mechanism is found throughout the specification, for instance see the '987 patent in column 6, line 3 ‘. . . scans the slip into the terminal 96’” Reply Amend 7. That disclosure teaches that the slip of paper contains “the amount of the wager.” Ex. 1001, 5:65–6:4 (“[A] player typically makes her choice of player hands at a remote location 94 by *marking a slip of paper with the player hands she wishes to wager on, whether or not she wishes to play the bonus wager, and the wager amounts. She gives the slip to a clerk with the amount of the wager, who then scans the slip into a terminal 96 that sends the choices to a central location 92.*”) (emphasis added). In short, Patent Owner relies on the scanning of slips containing *wager amounts* as an example of a “wager input mechanism,” even though, arguably, no cash, credit card, or money has been inserted into the scanner. Thus, based on the complete record, we determine that the term “wager input mechanism” includes general purpose computer

components, such as a keyboard or keypad, which are generic computer tools for the input of the bonus wager.

Generic components such as the video screen and keyboard or keypad (i.e., wager input mechanism) do not integrate the judicial exception of substitute claim 13 in a practical application. As our reviewing court has observed, “after *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible.” *DDR*, 773 F.3d at 1256 (citing *Alice*, 573 U.S. at 223).

Moreover, even assuming the recited “wager input mechanism” may be limited to money/card readers, we are not persuaded the addition of a money/card reader integrates the abstract idea into a practical application. *See* Reply Amend 8–9. Patent Owner does not dispute that card/money readers are generic or general purpose computer components. *See generally* Reply Amend 8; *see* Tr. 26:13–20. Patent Owner contends, instead, that a general purpose computer did not have card/money readers. Tr. 26:7–12; Reply Amend 8 (“Only a small subset of computer machines have ‘wager input mechanisms.’”). However, substitute claim 13, a method claim, does not require the “wager input mechanism” to be part of a computer, processor, other computer component, or video gaming machine. Substitute claim 13 recites the step of “providing a wager input mechanism through which said bonus wager is placed,” which broadly covers providing a standalone generic card/money reader that is not necessarily part of a general purpose computer.

For the foregoing reasons, based on the complete record, we determine that additional elements (“video screen” and “wager input

mechanism”) of substitute claim 13, individually or in combination, are generic computer elements and are invoked merely as a tool for carrying out the rules of bonus wagering game. This is not sufficient to integrate the judicial exception into a practical application. *See Credit Acceptance Corp. v. Westlake Svcs.*, 859 F.3d 1044, 1055 (Fed. Cir. 2017) (The Federal Circuit finding abstract the claims for using a computer as a tool to process an application for financing a purchase).

Thus, based on our consideration of *Guidance*, Step 2A (Prongs 1 and 2), we determine that substitute claim 13 is directed to an abstract idea.

d. Guidance, Step 2B: Whether Challenged Claims Contain an Inventive Concept

Patent Owner argues that substitute claim 13 is significantly more than what was well-understood, routine, and conventional to a skilled artisan at the time of the invention based on arguments made in its Patent Owner’s Response to the Petition and in the Sur-Reply. Reply Amend 10. Setting aside whether Patent Owner may properly incorporate by reference arguments from its other briefs in this manner, we are not persuaded by Patent Owner’s arguments for the reasons discussed previously. *See supra* Section II.H.

Further, we reiterate that “[a]bstract ideas, including a set of rules for a game, may be patent-eligible if they contain an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *In re Smith*, 815 F.3d at 819 (citing *Alice*, 134 S. Ct. at 2357). But appending purely conventional steps to an abstract idea does not supply a sufficiently inventive concept. *Alice*, 134 S. Ct. at 2357–58. And, per the *Guidance*, we consider whether an additional element or combination of

elements: (1) “[a]dds a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present;” or (2) “simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.”

Guidance, 84 Fed. Reg. at 56.

Substitute claim 13 appends purely conventional steps of “providing a video screen on which said plurality of player hands are displayed and providing a wager input mechanism through which said bonus wager is placed.” Mot. Amend 5. Patent Owner concedes that displaying player hands on a video screen was well-known in the gaming industry at the time of the invention. Tr. 25:11–14, 42:23–47:1. Further, Patent Owner agreed at the oral hearing that every video poker machine in 2004 had a way to input money whether through credit card or cash. *Id.* at 45:18–46:1. As such, the dispute between the parties is focused on whether it was well-known, conventional, or routine for a video gambling machine to include a *card/money reader* as a particular type of “wager input mechanism.” *See id.* at 46:2–7. Patent Owner’s argument is based on a narrow reading of “wager input mechanism” that does not comport with the Specification, as discussed in detail above. “Wager input mechanism” includes keyboards, keypads, and touch screens in addition to card/money readers. There is no genuine dispute on this issue and we find that, these are conventional, well-known, and routine computer components that do not add significantly more to the claimed elements. *See Voter Verified, Inc. v. Election Sys. & Software LLC*,

887 F.3d 1376, 1386 (Fed. Cir. 2018) (noting that a keyboard is a standard computer component, which is “not sufficient to transform abstract claims into patent-eligible subject matter”). Moreover, substitute claim 13 is a method claim that does not recite a video gaming machine with a wager input mechanism. Mot. Amend 5. The substitute claim requires the step of providing a “wager input mechanism,” which is satisfied by providing a card/money reader that is not necessarily part of a video gaming machine or any other computer.

Accordingly, we determine that the additional limitations of substitute claim 13, viewed individually or in combination, recite well-understood, routine, conventional steps and components for playing a wagering game. The same applies to substitute claim 16, which is nearly identical to substitute claim 13 except that the video screen displays player hands and at least one banker hand. Mot. Amend 5.

C. Proposed Substitute Claims 14, 15, 17, and 18

Patent Owner asserts that proposed substitute claims 14, 15, 17, and 18 do not enlarge the scope of the originally issued claims 1–12, are supported by the specification, and are responsive to the grounds of unpatentability involved in the proceeding. Mot. Amend. 8–9. Based on the entirety of the record, we agree that Patent Owner has satisfied the procedural requirements under 35 U.S.C. § 326(d) and 37 C.F.R. § 42.221.

With regard to § 101 eligibility of proposed substitute claims 14, 15, 17, and 18, Patent Owner does not make additional arguments separate from those discussed above for substitute claims 13 and 16. Mot. Amend 6–9; Reply Amend 5–10. Further, the only proposed amendments amend original

claims 4 and 5 to depend from substitute claim 13, and original claims 7 and 8 to depend from claims 17 and 18. Mot. Amend 5. Therefore, we determine that the recited elements of substitute claims 14, 15, 17, and 18 are unpatentable by a preponderance of the evidence, under § 101, for the same reasons discussed for substitute claims 13 and 16.

V. CONCLUSION

Accordingly, Petitioner has met its burden of demonstrating that the '987 patent is a covered business method patent eligible for review. Petitioner has also met its burden of demonstrating by a preponderance of the evidence that claims 1–12 of the '987 patent are unpatentable under 35 U.S.C. § 101. Further, based on the entirety of the record, we determine that proposed substitute claims 13–18 are unpatentable by a preponderance of the evidence based on 35 U.S.C. § 101.

This is a Final Written Decision of the Board under 35 U.S.C. § 328(a). Parties to the proceeding seeking judicial review of this decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

VI. ORDER

For the reasons given, it is:

ORDERED that claims 1–12 of the '987 patent are unpatentable; and
FURTHER ORDERED that Patent Owner's Motion to Amend is denied.

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