

**In the Supreme Court of the United States**

  
**IN RE: TRADING TECHNOLOGIES  
INTERNATIONAL, INC.,**

*Petitioner.*

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**On Petition for Writ of Certiorari to the United  
States Court of Appeals for the Federal Circuit**

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**PETITION FOR WRIT OF CERTIORARI**

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**QUESTION PRESENTED**

Given that 35 U.S.C. § 100(b) sets forth that a patent eligible “process” includes a “new use of a known process, machine, manufacture, composition of matter, or material,” did the Federal Circuit err by holding that an indisputably new and non-obvious use (*i.e.*, game steps) of an existing manufacture (*i.e.*, playing cards) was patent ineligible under *Alice Corp. v. CLS Bank Int’l*, 134 S.Ct. 2347 (2014)?

**PARTIES TO THE PROCEEDINGS AND  
RULE 29.6 STATEMENT**

The parties to the proceeding include Petitioner, Trading Technologies International, Inc. (“TT”). TT does not have a parent company. No publicly-held company owns 10 percent or more or more of TT’s stock.

The Respondent is Michelle K. Lee, Director of the United States Patent and Trademark Office.

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## PETITION FOR A WRIT OF CERTIORARI

Petitioner TT respectfully submits this petition for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit.



## OPINIONS AND ORDERS BELOW

The judgment of the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) in *In re: Smith*, No. 15-1664 is available at 815 F.3d 816. It is set out at App.1a-8a. The decision on appeal issued by the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office (“USPTO”) is unreported and available at 2014 WL 6901427 (P.T.A.B. Dec. 4, 2014). It is set out at App.9a-18a.



## STATEMENT OF JURISDICTION

The Federal Circuit issued its opinion and order on March 10, 2016 and denied TT’s petition for rehearing *en banc* on July 1, 2016. (App.19a). TT invokes the jurisdiction of this Court under 28 U.S.C. § 1254(1).



## STATUTORY PROVISIONS INVOLVED

The relevant portions of the Patent Act, 35 U.S.C. § 100 *et seq.* are set out at App.21a-23a.



## STATEMENT

In *Alice*, this Court set forth a two-part test for determining whether a patent is eligible under 35 U.S.C. § 101, which makes eligible for patenting “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” Since *Alice*, despite this Court’s warning against applying the two-part test too broadly, a large number of patents have been challenged and invalidated.<sup>1</sup>

This Court’s intervention is now needed because the lower courts are applying the two-part test in a way that directly contradicts the definition of “process”

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<sup>1</sup> In just two years following this Court’s decision in *Alice* (as of June 2016), there were 247 district court decisions and 40 Federal Circuit decisions relating to Section 101 issues: a four-fold increase in just half the time since this Court’s decision in *Bilski v. Kappos*, 561 U.S. 593 (2010). Sachs, Robert R., *Two Years After Alice: A Survey of the Impact of a “Minor Case” (Part 1)*, available at <http://www.bilskiblog.com/blog/2016/06/two-years-after-alice-a-survey-of-the-impact-of-a-minor-case.html>. The invalidation rate under Section 101 during this time is also significantly increased as well: a 66% invalidation rate at district courts, and a 95% invalidation rate at the Federal Circuit. *Id.*

set forth in 35 U.S.C. § 100(b). Under 35 U.S.C. § 100(b), the term “process” is defined as a “process, art, or method and includes a new use of a known process, machine, manufacture, composition of matter, or material.” 35 U.S.C. § 100(b) (emphasis added). Specifically, in the present case, the Federal Circuit invalidated an indisputably new and non-obvious use (*i.e.*, game steps) of an existing manufacture (*i.e.*, playing cards). This directly contradicts Section 100(b).

The claims at issue here (claims 1-18) indisputably recite a novel and non-obvious game using known articles of manufacture: traditional playing cards. App.10a-13a. During prosecution, the USPTO found that Applicant overcame all of the rejections under 35 U.S.C. §§ 102 and 103. App.27a. Thus, the USPTO considered the claims to contain novel and non-obviousness subject matter. However, the claims at issue here were rejected under 35 U.S.C. § 101. (App. 25a-26a). Claims 20-21, which recite the same game steps as claim 1 on a “video gaming system,” were deemed patent eligible and thus allowed. (App.27a). Accordingly, it is undisputed that the claims are novel and non-obvious.

Independent claim 1, from which claims 2-18 depend, recites a detailed, nine step process for a new card game that is novel and non-obvious. App.2a-4a. Prior to the invention, this game did not exist using either physical or virtual cards. As such, the USPTO found the claims novel and non-obvious based on the claimed combination of game steps, not based on the recitation of new physical cards or of new video gaming hardware. (App.25a-26a). The PTAB affirmed the

§ 101 rejection of claims 1-18 and a panel of the Federal Circuit affirmed applying the *Alice* test.

New games, like the one set forth in independent claim 1, are the life-blood of the gaming industry. The gaming industry eco-system has been long dependent on patent protection in order to develop and commercialize new games and entertainment. The eco-system is quite simple yet effective: Small businesses and sole inventors create new games, they patent these innovations and then sell the patents to larger businesses. These large businesses have the distribution channels to commercialize these games.

If this Court does not intervene, the discrepancy between the lower courts' application of *Alice* and 35 U.S.C. § 100(b) will create a categorical ban against gaming patents and will have a negative impact on the industry. In fact, this is exactly what the USPTO has requested. At the Federal Circuit, when asked, "games as a whole, any kind of card games . . . none of those would be allowed now?" the USPTO responded, "[t]hat's correct your honor. In fact, the Government argued in *Bilski* that things like card games should not be eligible." Oral Argument at 13:33 *In Re Smith*, 815 F.3d 816 (Fed. Cir. 2016), <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2015-1664.mp3>.



## REASONS FOR GRANTING THE PETITION

This petition should be granted to settle whether the *Alice* "abstract idea" test should be extended to practices that were not preexisting. Indeed, a new

and non-obvious game that did not previously exist on conventional equipment is not an “abstract idea” under step one of the *Alice* test. As a practical matter, the Federal Circuit’s ruling here, which held that a new and non-obvious game that did not previously exist on conventional equipment is an “abstract idea” under step one of the *Alice* test does not comport with *Alice* and *Mayo* and effectively creates a categorical ban on patents directed to games performed with conventional equipment or materials. Petitioner respectfully submits that the conflict created by the Federal Circuit’s ruling needs to be settled to prevent further confusion in an already confusing area of the law.

**I. THIS COURT’S REVIEW IS NEEDED TO RESOLVE THE FEDERAL CIRCUIT’S MISAPPLICATION OF *ALICE* STEP ONE**

35 U.S.C. § 101 permits the grant of a patent to anyone who invents any “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof . . . .” 35 U.S.C. § 101. This Court has long ruled that there are implicit exceptions to Section 101—including laws of nature, natural phenomena, and abstract ideas—such that if a patent is directed to one of these exceptions, it is ineligible for patenting. *Alice*, 134 S.Ct. at 2354.

This Court set forth the two-part test for evaluating subject matter eligibility in *Alice*. First: are the claims directed to one of the exceptions, such as an abstract idea? If so, then second: do the claims contain “an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more” than the exception itself? *Id.* at 2355 (quoting *Mayo*, 132 S.Ct. at 1294) (internal quotations

omitted). An affirmative answer to both questions results in ineligible patent claims.

**A. The Federal Circuit Incorrectly Concluded that *Alice* Bars Patent Eligibility of a New and Non-Obvious Use of a Known Manufacture**

In *Alice*, this Court was focused on precluding claims from tying up pre-existing ideas (*e.g.*, fundamental economic practices); not new uses or processes. For instance, the test devised in *Mayo* operated to prevent claims from tying up “laws of nature” or preexisting truths. *Mayo*, 132 S.Ct. at 1302. This Court applied the *Mayo* test in *Alice* to prevent claims from tying up “longstanding,” “long prevalent” and “fundamental” practices, such as hedging or intermediated settlement, even though such practices were not “preexisting [ ] truth[s]” or natural phenomena, as in *Mayo*. *Alice*, 134 S.Ct. at 2356. This Court viewed such long known and fundamental practices as akin to preexisting truths or phenomena. The critical reason for this analogy was that such practices were previously known (*i.e.*, preexisting), and longstanding, prevalent, fundamental and basic building blocks of human ingenuity. *Id.* at 2355-57. A practice that is not a law of nature, truth or phenomena is brought into being by human ingenuity and does not exist until it is invented and known.

For instance, this Court explained that in *Bilski*, the claims would tie-up the preexisting fundamental economic practice of hedging. *Bilski*, 561 U.S. at 611. Risk hedging was indisputably “long prevalent in our system of commerce and taught in any introductory finance class” and this Court found that *Bilski* was not claiming a new way of hedging. *Id.* at 611-12.

Likewise, in *Alice*, the claims were found to preempt practicing intermediated settlement on an indisputably known “generic computer” using known “generic computer functions.” *Alice*, 134 S.Ct. at 2359. It was undisputed that intermediated settlement was a preexisting fundamental economic activity. *Id.* at 2356.

In sum, *Alice* step one rests on the claim tying up a preexisting (*i.e.*, known) and fundamental practice using merely conventional means (*e.g.*, conventional computers). Although some decisions from the Federal Circuit have been consistent on this point, *see, e.g., Planet Bingo, LLC v. VKGS LLC*, 576 Fed. Appx. 1005 (Fed. Cir. 2014) (finding ineligible claim merely directed to preexisting practice of managing bingo games using indisputably conventional computing functions); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014) (finding ineligible claim merely directed to preexisting practice of using advertising as currency performed using indisputably conventional computing steps and the Internet), the Federal Circuit decision here undermines that precedent by improperly broadening *Alice* step one to cover novel and non-obvious processes that make use of preexisting equipment, (App.4a-6a).

**B. The *Alice* Test Cannot Conflict with 35 U.S.C. § 100(b) to Bar Claims that Recite a Novel and Non-Obvious Game (a New Process) That Was Not Preexisting**

The Federal Circuit’s ruling conflicts with 35 U.S.C. § 100(b) and this Court’s controlling precedent to claims directed to performing a novel and non-obvious underlying practice that did not previously exist (here: steps of a new game) with known manufactures

(here: cards). The USPTO found the claimed combination of gaming steps was not preexisting, with conventional cards or otherwise. (App.27a). The Federal Circuit’s ruling is wrong because a practice (*e.g.*, a process) that did not previously exist does not qualify as an “abstract idea” under step one of the *Alice* test. *See* 35 U.S.C. § 100(b).

Under the statute, new processes that use conventional equipment or materials are clearly patent eligible subject matter. 35 U.S.C. § 100(b) (patent eligible processes include “a new use of a known process, machine, manufacture, composition of matter, or material.”) (emphasis added). This Court has never abrogated § 100(b). And *Alice* did nothing to change this. Indeed, to fail the first step of the *Alice* test, a claim needs to tie up an “abstract idea,” which for purposes of this test was defined to be a preexisting practice that serves as a fundamental “building block of human ingenuity,” such as a “longstanding” and “prevalent” economic practice. *Alice*, 134 S.Ct. at 2354, 2356.

Thus, in conflict with the statute and this Court’s reasoning in *Alice* and *Mayo*, the Federal Circuit has improperly extended *Alice* step one to claims that indisputably recite a new set of game steps that was not preexisting, let alone “fundamental.”<sup>2</sup> Importantly, the claims do not merely recite the preexisting concept of wagering or just specify that wagering be practiced with cards. Such a claim would implicate *Alice*. Rather,

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<sup>2</sup> The exact boundaries of “longstanding” and “prevalent” or what constitutes a “fundamental” and basic “building block of human ingenuity” are not at issue here because the claims do not even attempt to tie up a preexisting known practice.



the inventiveness of the claims is based on the previously unknown combination of game steps, not the cards. In fact, it is undisputed that the claimed combination of game steps is new: the USPTO found that the Applicant overcame all §§ 102 and 103 rejections based on the recited combination of such steps. (App.27a). As in *Diehr*, the novel and non-obvious features of the claims are the steps of the game and not the equipment on which the process is performed (here: cards).

The Federal Circuit did not explain how a new game could properly be analogized to a preexisting practice, such as the fundamental economic practices found to be “abstract ideas” in *Alice* and *Bilski*. See App.4a-6a. The known general practice of wagering is the only “abstract idea” of the sort implicated by *Alice* involved in the claims here. But the claims do not merely tie up wagering, nor do they claim the idea of wagering “of itself” nor do they merely apply wagering to conventional cards. Rather, the claims recite a particular new combination of game steps for wagering that did not previously exist.<sup>3</sup> Like *Diehr*, the invention here does not rest in the equipment

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<sup>3</sup> To argue that the claims are “directed to” the known concept of wagering would water down “directed to” to mean “related to.” This would render the first prong of the *Alice* test meaningless. As this Court acknowledged in *Alice*, “[a]t some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” *Alice*, 134 S.Ct. at 2354 (*quoting Mayo*, 132 S.Ct. at 1293). In reality, “directed to” means “to tie up or pre-empt” and requires that a claim recite the abstract idea “of itself” or merely requires applying it with conventional components (*e.g.*, a generic computer).

used (here: cards), but in the steps of the practice that uses that equipment (here: the game steps).

Because the claims recite a new and useful game (*i.e.*, an unconventional combination of steps) performed with conventional cards, as opposed to a known game performed with conventional cards, the claims are patent eligible under this Court's precedent in *Alice* and according to 35 U.S.C. § 100(b). The claims satisfy step one of the *Alice* test because they are not directed to and do not remotely preempt, generally or in a field (*e.g.*, with cards), any "abstract idea."

## **II. THIS COURT'S REVIEW IS NEEDED TO CORRECT THE IMPROPER CATEGORICAL BAN ON CLAIMS TO NEW GAMES PERFORMED WITH CONVENTIONAL EQUIPMENT OR MATERIALS**

By expanding the definition of "abstract idea" to a new combination of game steps, the Federal Circuit effectively created a categorical prohibition on claims to games that do not require a new hardware feature to implement the game. Such a categorical ban is contrary to the statute, which makes eligible for patenting "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof," 35 U.S.C. § 101, and defines the term "process" as "process, art, or method and includes a new use of a known process, machine, manufacture, composition of matter, or material." 35 U.S.C. § 100(b).

In conflict with both its current operation and its long history of granting gaming patents, in this appeal the USPTO supports a categorical ban on patents where the ingenuity lies in the steps of a

game (as opposed to new equipment). (App.7a). For instance, at oral argument, the USPTO was asked, “[i]t has been my impression that the USPTO has sort of adopted the position that games are in general not going to be patent eligible post *Bilski*, is that a correct position? Games as a whole, any kind of card games . . . none of those would be allowed now?” USPTO counsel answered, “[t]hat’s correct your honor. In fact, the Government argued in *Bilski* that things like card games should not be eligible.” Oral Argument at 13:33 *In Re Smith*, No. 2015-1664 (Dec. 10, 2015), <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2015-1664.mp3>. This categorical ban is an improper substantive policy decision by the USPTO, not merely a procedural decision as to the administration of the patent application process. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996). The impropriety of this position is shown by the fact that the USPTO has multiple art units and classifications for gaming related patents. For example, Class 463 for amusement games includes games defined by a rule or rules. *See* <http://www.uspto.gov/web/patents/classification/uspc463/defs463.htm> (“a game . . . defined by a rule or rules”).

Upholding such a ban will have devastating consequences for gaming—an industry so large that many universities offer technical degrees in gaming design.<sup>4</sup> Innovation in this industry has long been

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<sup>4</sup> *See, e.g.*, <http://ideate.cmu.edu/graduate-programs-research/entertainment-technology-center/> (Carnegie Mellon); <http://games.usc.edu/main/degree-programs/> (USC); <http://gamelab.mit.edu/about/> (MIT).

dependent on patents.<sup>5</sup> This case is also of exceptional importance because the Federal Circuit's logic may call into question claims directed to other new practices. Many patents are directed to new practices implemented using conventional equipment (*e.g.*, computers, physical components, etc.) where the alleged inventive aspect lies in the steps of the practice. This is true in all fields, such as chemistry, agriculture, manufacturing, medical devices, biotechnology, etc. No person invents whole cloth out of nothing—all inventions make use of preexisting materials at some level. Indeed, every “new” machine includes some known parts. In § 100(b), Congress specifically stated that processes making use of entirely conventional elements are patent eligible. 35 U.S.C. § 100(b).

Left uncorrected, the Federal Circuit's decision could be applied by the USPTO and courts to enforce an improper categorical ban against patents claiming new games or similar inventive practices using conventional equipment. Such a categorical ban is contrary to the statute, controlling precedent and the USPTO's own long history of granting patents on inventive practices using known equipment, including numerous game patents. The casino gaming area alone is a multi-billion dollar a year industry that depends directly on patents to incentivize innovation. The Federal Circuit decision threatens to stymie innovation in this significant field. This Court's review is needed to correct this error.

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<sup>5</sup> See, *e.g.*, <https://www.unlv.edu/news/release/proof-patent>; <https://www.unlv.edu/news/article/edge-gaming>.



**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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SEPTEMBER 29, 2016

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**OPINION OF THE FEDERAL CIRCUIT  
(MARCH 10, 2016)**

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UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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IN RE: RAY SMITH, AMANDA TEARS SMITH,  
*Appellants.*

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2015-1664

Appeal from the United States Patent  
and Trademark Office, Patent Trial  
and Appeal Board, in No. 12/912,410.

Before: MOORE, HUGHES, and  
STOLL, Circuit Judges.

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STOLL, Circuit Judge.

Ray and Amanda Tears Smith (collectively, “Applicants”) appeal the final decision of the Patent Trial and Appeal Board (“Board”) affirming the rejection of claims 1–18 of U.S. Patent Application No. 12/912,410 (“the ’410 patent application”) for claiming patent-ineligible subject matter under 35 U.S.C. § 101. Because the claims cover only the abstract idea of rules for playing a wagering game and use conventional steps of shuffling and dealing a standard deck of cards, we affirm.

## BACKGROUND

On October 26, 2010, Applicants filed the '410 patent application, titled "Blackjack Variation." According to the application, "[t]he present invention relates to a wagering game utilizing real or virtual standard playing cards." Joint Appendix ("J.A.") 258. Claim 1, which the Board analyzed as representative, recites:

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;



## App.3a

- [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.

J.A. 10–11. The examiner rejected claims 1–18 as directed to patent-ineligible subject matter under § 101, applying the machine-or-transformation test described in *Bilski v. Kappos*, 561 U.S. 593 (2010). The examiner concluded that the claims represented “an attempt to claim a new set of rules for playing a card game,” which “qualifies as an abstract idea.” J.A. 102. On appeal, the Board affirmed the rejection, applying the two-step test outlined in *Alice Corp. v. CLS Bank International*, 134 S.Ct. 2347 (2014), which had been decided in the interim. Applying step one, the Board determined that “independent claim 1 is directed to a set of rules for conducting a wagering game which . . . constitutes a patent-ineligible abstract idea.” J.A. 16. Applying the second step, the Board concluded that “shuffling and dealing cards are conventional in the gambling art,” and as such, “do not add enough to the claims” to render them patent eligible. J.A. 17.

Applicants appealed to this court, and we have jurisdiction pursuant to 28 U.S.C § 1295(a)(4)(A) and 35 U.S.C. § 141(a).

## DISCUSSION

We review de novo whether a claim is drawn to patent-ineligible subject matter. *In re Nuijten*, 500 F.3d 1346, 1352 (Fed. Cir. 2007). Section 101 defines

patent-eligible subject matter as “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. The Supreme Court has “long held that this provision contains an important implicit exception. Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S.Ct. 1289, 1293 (2012) (internal quotation marks, brackets, and citations omitted).

To determine whether an invention claims ineligible subject matter, we apply the now-familiar two-step test introduced in *Mayo, id.* at 1296–97, and further explained in *Alice*, 134 S.Ct. at 2355. First, we determine whether the claims at issue are directed to a patent-ineligible concept such as an abstract idea. *Id.* Second, we “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.” *Id.* at 2357 (quoting *Mayo*, 132 S. Ct. at 1294, 1298).

On the first step, we conclude 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. 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.

Moreover, our own cases have denied patentability of similar concepts as being directed towards ineligible subject matter. *See OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (finding offer-based price optimization abstract), *cert. denied*, 136 S.Ct. 701 (2015); *Planet Bingo, LLC v. VKGS LLC*, 576 F.App'x 1005, 1007–08 (Fed. Cir. 2014) (determining that methods of managing a game of bingo were abstract ideas). Thus, in light of these cases, we conclude that the rejected claims, describing a set of rules for a game, are drawn to an abstract idea.

Our inquiry, however, does not end there. 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." *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S.Ct. at 1294, 1298). But appending purely conventional steps to an abstract idea does not supply a sufficiently inventive concept. *Id.* at 2357–58. The claims here require shuffling and dealing "physical playing cards," which Applicants argue bring the claims within patent-eligible territory. J.A. 10–11. We disagree. Just as the recitation of computer implementation fell short in *Alice*, shuffling and dealing a standard deck of cards are "purely conventional" activities. *See Alice*, 134 S.Ct. at 2358–59. We therefore hold that the rejected claims do not have an "inventive concept"

sufficient to “transform” the claimed subject matter into a patent-eligible application of the abstract idea.

That is not to say that all inventions in the gaming arts would be foreclosed from patent protection under § 101. We could envisage, for example, claims directed to conducting a game using a new or original deck of cards potentially surviving step two of *Alice*. The Government acknowledged as much during oral argument. *See* Oral Argument at 14:59–15:31, *available at* <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2015-1664.mp3>.

Finally, we cannot address Applicants’ argument that the PTO’s 2014 Interim Guidance on Patent Subject Matter Eligibility (“Interim Eligibility Guidance”) exceeds the scope of § 101 and the Supreme Court’s *Alice* decision. Applicants’ challenge to the Guidelines is not properly before us in this appeal. *See* 35 U.S.C. § 141(a) (stating that an applicant “dissatisfied with the final decision” of the Board may appeal that decision to the Federal Circuit) (emphasis added). As the Interim Eligibility Guidance itself states, it “is not intended to create any right or benefit, substantive or procedural, enforceable by any party against the Office. Rejections will continue to be based upon the substantive law, and it is these rejections that are appealable.” Interim Eligibility Guidance, Vol. 79 Fed. Reg. 74618, 74619 (Dec. 16, 2014) (emphasis added). And even if the Applicants had properly challenged the Guidance, we have previously determined that such Guidance is “not binding on this Court.” *See In re Fisher*, 421 F.3d 1365, 1372 (Fed. Cir. 2005). Thus we decline to consider Applicants’ argument regarding the Interim Eligibility Guidance.

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We have considered Applicants' remaining arguments and find them unpersuasive. Because the rejected claims are drawn to the abstract idea of rules for a wagering game and lack an "inventive concept" sufficient to "transform" the claimed subject matter into a patent-eligible application of that idea, we affirm.

**AFFIRMED**

**DECISION ON APPEAL OF THE  
PATENT TRIAL AND APPEAL BOARD  
(DECEMBER 4, 2014)**

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UNITED STATES PATENT AND  
TRADEMARK OFFICE  
BEFORE THE PATENT TRIAL AND  
APPEAL BOARD

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*EX PARTE* RAY SMITH and AMANDA TEARS SMITH

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Appeal 2013-008893  
Application 13/272,416  
Technology Center 3700

Before: John C. KERINS, Edward A.  
BROWN, and Richard H. MARSCHALL,  
Administrative Patent Judges.

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KERINS, Administrative Patent Judge.

**STATEMENT OF CASE**

Appellants appeal under 35 U.S.C. § 134 from a rejection of claims 1-19 and 22. The Examiner indicates that claims 20 and 21 are allowed.<sup>1</sup> We have jurisdiction under 35 U.S.C. § 6(b).

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<sup>1</sup> Should there be further prosecution of this application (including any review for allowance), the Examiner may wish to review claims 20 and 21 for compliance under 35 U.S.C. § 101 in light of the USPTO's guidance on patent eligible subject matter. *See* 2014 Interim Guidance on Patent Subject Matter Eligibility, 79 Fed. Reg. 74,618 (Dec. 16, 2014); "Preliminary Examination Instruc-

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

**CLAIMED SUBJECT MATTER**

The claims are directed to a method of playing a wagering card game. Claim 1, reproduced below, is illustrative of the claimed subject matter:

1. A method of playing a wagering card game comprising:

a dealer controlling a set of physical playing cards within an electromechanical shuffling device comprising a processor that controls randomization of playing cards within the electromechanical shuffler;

the dealer accepting at least one wager at a player position on an underlying playing card game;

the electromechanical shuffling device randomizing the set of physical playing cards;

the dealer providing a first subset of exactly three random physical playing cards from the randomized set of physical playing cards to a player position;

the dealer providing a second subset of exactly three random physical playing cards

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tions in view of the Supreme Court Decision in *Alice Corporation Pty. Ltd. v. CLS Bank International, et al.*” Memorandum to the Patent Examining Corps, June 25, 2014; *see also* July 2015 Update on Subject Matter Eligibility, 80 Fed. Reg. 45,429 (July 30, 2015), and May 2016 Subject Matter Eligibility Update, 81 Fed. Reg. 27,381 (May 6, 2016).



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from the randomized physical set of playing cards to a dealer position;

the dealer accepting continuation of the underlying playing card game at each player position having made the at least one wager by accepting an additional raise wager or receiving no raise wager at a player position;

the dealer then reveals all physical playing cards at the player positions and all cards at the dealer position and the dealer evaluates each player hand against the dealer hand as follows:

player position hand having all three cards with a rank below a predetermined rank automatically loses;

a highest rank card from each player hand and the dealer hand plays a game of war as a first sub-game, with the highest rank winning;

a second highest rank card from each player hand and the dealer hand plays a game of war as a second sub-game, with the highest rank winning;

any ties void a sub-game;

if the dealer determines that a player position's two sub-games provide more wins against the dealer, the dealer resolves the at least one wager and any additional raise wager in favor of the player position based on the qualification of the dealer's hand;

## App.12a

if the dealer determines that a dealer position's two sub-games provide more wins against the player, the dealer resolves the at least one wager and any additional raise wager in favor of the dealer position; and

if the dealer determines that a player position's two sub-games provide a same number of wins against the dealer, the dealer will resolve the at least one wager and any additional raise wager on the basis of an unused third card in the player position hand and the dealer position hand as follows:

the dealer position's third card or the player position's third card with a predetermined relative rank of either the highest rank or the lowest rank is declared a winner;

ties between the dealer position's third card and the player position's third card are determined by a preset rule of at least one result selected from the group consisting of a) the at least one bet and any additional raise bet are a push; b) the at least one bet and any additional raise bet are won at the player position; c) the at least one bet and any additional raise bet are won at the dealer position; e) the at least one bet is a push and any additional raise bet is won by the dealer position; f) the at least one bet is a push and any additional raise bet is won at the player position; g) the at least one bet is won at the dealer position and any additional raise bet is a push; and h) the at

least one bet is won at the player position and any additional raise bet is a push.

## REJECTION

Claims 1-19 and 22 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Final Act. 3.

## OPINION

The issues joined between the Examiner and Appellants in this appeal involve whether the claimed subject matter is eligible or not under the “machine-or-transformation test,” which is “a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101.” *Bilski v. Kappos*, 130 S.Ct. 3218,3227 (2010); see Final Act. 3-5; Appeal Br. 12-43; Ans. 2-4; Reply Br. 4-8. The Examiner determined that the claims do not meet the machine-or-transformation test, and rejected claims 1-19 and 22 as being directed to patent-ineligible subject matter. Appellants argue to the contrary, maintaining that the claims are not directed to abstract ideas, and further meet the machine-or-transformation test.

Since the time of the briefing in this appeal, additional pertinent precedential decisions have issued from the United States Supreme Court and the United States Court of Appeals for the Federal Circuit. In particular, the Supreme Court decision in *Alice Corp. Pty. Ltd. v. CLS Bank Intl*, 134 S.Ct. 2347 (2014) announced that a two-step test for determining whether claimed subject matter is or is not eligible for patent protection. In short, and for the purposes of the subject matter of the claims on appeal, the two-

step test may be described as first determining whether a claim is directed to a patent-ineligible concept (such as an abstract idea) and, if so, then determining whether there is something else in the claim that ensures that it is directed to significantly more than a patent-ineligible concept.

The Federal Circuit, in a *de novo* review of an earlier decision by the Board affirming a rejection of game play claims as being patent ineligible, affirmed that Board decision. *In re Smith*, 815 F.3d 816 (Fed. Cir. 2016).<sup>2</sup> In so doing, the Federal Circuit concluded that claims directed to “rules for conducting a wagering game, compare to other ‘fundamental economic practice[s]’ found abstract by the Supreme Court,” and the 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. Ultimately, the Federal Circuit held that claims describing a set of rules for a game are to be regarded as an abstract idea. *Id.* at 819.

The Federal Circuit, following the *Alice* precedent, noted that claims drawn to abstract ideas such as a set of rules for a game, may be patent eligible if the claims involve an inventive concept sufficient to transform the claimed abstract idea into patent-eligible subject matter. *Id.* The Court cautioned that “appending purely conventional steps to an abstract idea does not supply a sufficiently inventive concept.” *Id.* Taking its lead from an argument that claim

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<sup>2</sup> The appellants in the Federal Circuit appeal are the same individuals named as inventors and Appellants in the present appeal.

limitations requiring the shuffling and dealing of physical playing cards render the claims patent-eligible, the Court found such steps to be “‘purely conventional’ activities,” much like the computer implementation aspects of the claims in *Alice*. *Id.* As a result, the Court held that “the rejected claims do not have an ‘inventive concept’ sufficient to ‘transform’ the claimed subject matter into a patent-eligible application of the abstract idea.” *Id.*

The claims involved in the present appeal are similarly directed to “a method of playing a wagering card game,” and largely involve recitations of sets of playing rules for a game, which the Federal Circuit, as discussed above, regards as abstract ideas. In accord with this precedent, we find the claims on appeal to be directed to patent-ineligible abstract ideas.

Turning to the issue as to whether the claims include a transformative inventive concept, we note that Appellants point to elements in each of claims 1 (and 22), 2, 3, and 4 that are argued to be non-abstract concepts.<sup>3</sup> Appeal Br. 12; Reply Br. 5-6. These elements differ at least to some degree from the basic shuffling and dealing of physical playing cards found in the

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<sup>3</sup> Appellants’ arguments with respect to these claim limitations are made in the context of whether the claims meet the machine-or-transformation test, and/or consideration of the limitations in view of USPTO guidelines promulgated after the *Bilski* decision. *Bilski v. Kappos*, 130 S.Ct. 3218 (2010). They additionally are presented in an attempt to refute the Examiner’s position that “how the cards are shuffled is ancillary to the claimed method,” and whether the shuffling is done by a person or an electromechanical device is of little importance. Ans. 3.

*Smith* decision to be purely conventional activities,<sup>4</sup> and we thus address them in turn and as a whole.

Appellants maintain that the inclusion in claims 1 and 22 of an electromechanical shuffling device comprising a processor that controls randomization of playing cards is “far more specific than merely generic electronic apparatus.” Appeal Br. 24. Notwithstanding, Appellants Specification evidences that such devices are conventional in the art, and are not seen as adding anything transformative. Spec. 15. As noted by the Examiner, “it is only important that the cards are indeed randomized.” Ans. 3.

Appellants further assert that the recitation in claim 2 that the electromechanical shuffler includes a card reading system to inform a processor of card content is not an abstract concept. Appeal Br. 12. Again, such an aspect of an electromechanical shuffler appears to be conventional. Spec. 15.

For claim 3, Appellants argue that the provision by the card shuffler of exactly three cards to each player position is not an abstract concept. Appeal Br. 12. Appellants, in responding to the position taken by the Examiner, further argue that this is “not part of incidental shuffling.” Reply Br. 5 (erroneously referring to claim 3 as claim 2). Appellants acknowledge that “a few machines are available on the commercial market that can be programmed to effect this step,” and that the dealing of the three cards to each player is a “step[] required for providing hands specific to

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<sup>4</sup> The claims on appeal in the Federal Circuit *Smith* case included dependent claims that called for the shuffling to be “automated shuffling.” See Appeal Brief, Claims Appendix, claims 4 and 10, in Application Serial Number 12/912,410.

the recited card game.” *Id.* This evidences that any necessary equipment is conventional, and the step of providing three cards to each position is nothing more than a step involved in executing the abstract set of rules claimed.

Appellants argue that claim 4 includes randomly withdrawing playing cards to form hands in a delivery tray, and seemingly argue that the random withdrawal is not conventional. Reply Br. 5-6 (erroneously referring to claim 4 as claim 3). However, that step, not unlike the step discussed above with respect to claim 3, is performed to effectuate an aspect of the set of rules that the claims are directed to. Further, Appellants acknowledge that the “shufflers wherein random cards are taken from the set and distributed in compartments from which they are later distributed,” are “disclosed in the specification and known in the art.” *Id.* at 5. As such, the subject matter of claim 4 also falls in the category of being conventional.

As a whole, these limitations in respective claims 1 (and 22), 2, 3, and 4 do not rise to the level of “hav[ing] an ‘inventive concept’ sufficient to ‘transform’ the claimed subject matter into a patent-eligible application of the abstract idea.” *In re Smith*, 815 F.3d at 819. They simply invoke known and conventional equipment to effect necessary steps for playing a wagering card game.

In view of the foregoing, we agree with the Examiner that claims 1–19 and 22 are directed to non-statutory subject matter. As we have employed reasoning different from that advanced by the Examiner, due to more recent precedential case law, we designate our affirmance of the Examiner’s rejection as a new ground of rejection pursuant to 37 C.F.R.

§ 41.50(b) so as to afford Appellants the procedural options associated therewith, and to ensure Appellants have a fair opportunity to respond.

### DECISION

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

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

- (1) Reopen prosecution. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the Examiner, in which event the proceeding will be remanded to the Examiner . . . .
- (2) Request rehearing. Request that the proceeding be reheard under § 41.59 by the Board upon the same record . . . .

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

AFFIRMED; 37 C.F.R. § 41.50(b)



**ORDER OF THE FEDERAL CIRCUIT DENYING  
PETITION FOR REHEARING EN BANC  
(JULY 1, 2016)**

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UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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IN RE: TRADING TECHNOLOGIES  
INTERNATIONAL, INC.,

*Appellant*

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2015-1664

Appeal from the United States Patent and  
Trademark Office, Patent Trial and Appeal Board  
in No. 12/912,410.

Before: PROST, Chief Judge, NEWMAN,  
LOURIE, DYK, MOORE, O'MALLEY,  
REYNA, WALLACH, TARANTO, CHEN,  
HUGHES, and STOLL, Circuit Judges.

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PER CURIAM

Appellant Trading Technologies International, Inc. filed a petition for rehearing en banc. The petition was first referred as a petition for rehearing to the panel that heard the appeal, and thereafter was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

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The petition for panel rehearing was denied.

The petition for rehearing en Banc is denied.

The mandate of the court will issue on July 8, 2016.

FOR THE COURT

/s/ Peter R. Marksteiner

Clerk of Court

Date July 1, 2016

## RELEVANT STATUTORY PROVISIONS

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- **35 U.S.C.A. § 100 Definitions**

When used in this title unless the context otherwise indicates—

- (a) The term “invention” means invention or discovery.
- (b) The term “process” means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.
- (c) The terms “United States” and “this country” mean the United States of America, its territories and possessions.
- (d) The word “patentee” includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.
- (e) The term “third-party requester” means a person requesting ex parte reexamination under section 302 who is not the patent owner.
- (f) The term “inventor” means the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention.
- (g) The terms “joint inventor” and “coinventor” mean any 1 of the individuals who invented or discovered the subject matter of a joint invention.
- (h) The term “joint research agreement” means a written contract, grant, or cooperative agreement entered into by 2 or more persons or

entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

(i)

(1) The term “effective filing date” for a claimed invention in a patent or application for patent means—

(A) if subparagraph (B) does not apply, the actual filing date of the patent or the application for the patent containing a claim to the invention; or

(B) the filing date of the earliest application for which the patent or application is entitled, as to such invention, to a right of priority under section 119, 365(a), 365(b), 386(a), or 386(b) or to the benefit of an earlier filing date under section 120, 121, 365(c), or 386(c).

(2) The effective filing date for a claimed invention in an application for reissue or reissued patent shall be determined by deeming the claim to the invention to have been contained in the patent for which reissue was sought.

(j) The term “claimed invention” means the subject matter defined by a claim in a patent or an application for a patent.

- **35 U.S.C.A. § 101 Inventions Patentable**

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improve-

## App.23a

ment thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

**USPTO OFFICE ACTION SUMMARY  
(DECEMBER 8, 2011)**

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{ Note: Translation of form. Only fields with content are included. Thus, some numbers will not be sequential }

**UNITED STATES PATENT AND  
TRADEMARK OFFICE**

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Application No.

12/912,410

Applicant(s)

SMITH ET AL.

Examiner

BENJAMIN LAYNO

Art Unit

3711

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

Extensions of time may be available under the provisions of 37 C.F.R. 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.

If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.

Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. *See* 37 C.F.R. 1.704(b).

### **Status**

- 1) Responsive to communication(s) filed on August 31, 2011.
- 2a) This action is FINAL.

### **Disposition of Claims**

- 5) Claim(s) 1-18, 20 and-21 is/are pending in the application.
- 6) Claim(s) 20 and 21 is/are allowed.
- 7) Claim(s) 1-18 is/are rejected.

### **DETAILED ACTION**

1. Applicant's arguments, filed 08/31/11, with respect to the 102 and 103 have been fully considered and are persuasive. The 102 and 103 rejections have been withdrawn.

#### **Claim Rejections – 35 U.S.C. § 101**

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3. Claims 1-18 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

4. The Applicant is referred to the 101 rejection in the last Office action mailed 06/09/11.

In response to Applicant's argument concerning that there is physical transformation in claimed invention, the step of shuffling physical playing cards does not transform the deck of playing cards to a different state or thing. It is the same deck of playing cards, just arguably playing cards moved to different positions in the deck. Also, the step of subdividing the deck of playing cards into segments of a smaller number of playing cards (three cards to each player and two cards to the dealer) to be provided by the dealer to individual player positions does not transform the deck of playing cards to a different state or thing. It is the same deck of cards, just arguable a deck spread out over a greater area.

In this Examiner's opinion, a set of rules qualifies as an abstract idea. Therefore, the Examiner maintains that Applicant's claimed method, although couched in terms of a few actual physical steps, is a clear attempt to claim an abstract idea in the form of a new set of rules for playing a card game. Since the claimed method requires no machine implementation, requires no transformation of a particular article and is seen as an attempt to receive patent protection for an abstract idea in the form of a new set of rules, the Examiner maintains that the claimed method is NOT patent eligible.



### Allowable Subject Matter

5. Claims 20 and 21 are allowed.

6. The following is an examiner's statement of reasons for allowance:

7. In claims 20 and 21 the recitation of "a video gaming system comprising: a processor, a video display and a player input controls clearly recite a machine, clearly avoids a 101 non-statutory rejection.

8. Also, none of the cited references alone or in combination teach the claimed "the processor examining respective hands to determine in any hand has a Natural 0 count from totaling count of the virtual cards, defined as the first two cards in a hand being a pair of 5's, 10's, jacks, queens or kings", "a Natural 0 is present in the dealer hand from totaling the virtual cards, while the dealer exposes only a single virtual card to the player input position, wherein the each player input position not having a Natural 0 loses the first wager against the dealer Natural 0", and "designating player's input position hand and the banker's/dealer's hand is in the range of zero to nine points based on a pre-established scoring system".

9. In the patent to Mkrtchyan, the eights, nines and tens cards are removed from the deck, thus it is not possible to form a pair of 10's in Mkrtchyan's game. Also, in Mkrtchyan's game, point values for each hand are obtained by subtracting the values of each card in the hand. Since the individual card values in Mkrtchyan's game are from 0 to 7 points, it is not possible obtain a hand point value of 8 or 9.

Any comments considered necessary by applicant must be submitted no later than the payment of the

issue fee and, to avoid processing delays, should preferably accompany the issue fee. Such submissions should be clearly labeled “Comments on Statement of Reasons for Allowance.”

10. THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 C.F.R. 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 C.F.R. 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to BENJAMIN LAYNO whose telephone number is (571) 272-4424. The examiner can normally be reached on Monday-Friday.

If attempts to reach the examiner by telephone are unsuccessful, the examiner’s supervisor, Eugene Kim can be reached on (571) 272-4463. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status infor-

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mation for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

Benjamin H. Layno  
Primary Examiner  
Art Unit 3711