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BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JOSEPH M. ASHER,
ASHWINI K. CHHABRA, and
HOWARD W. LUTNICK

Appeal 2013-000500
Application 10/651,537[1]
Technology Center 3600

Before HUBERT C. LORIN, BIBHU R. MOHANTY, and
BRUCE T. WIEDER, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

An oral hearing was held on Jan. 13, 2015.

STATEMENT OF THE CASE

Joseph M. Asher et al. (Appellants) seek our review under 35 U.S.C. § 134 of the final rejection of claims 1, 3–17, 19–33, and 35–51. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

[1] The Appellants identify Cantor Index, LLC as the real party in interest. App. Br. 3.

SUMMARY OF DECISION

We REVERSE and enter a NEW GROUND of rejection under 35 U.S.C. § 101 pursuant to our authority under 37 C.F.R. § 41.50(b).[2]

THE INVENTION

Claim 1, reproduced below, is illustrative of the subject matter on appeal.

> 1. A method for establishing a wager, comprising the steps of:
>
> after a prospective wagerer has entered into a transaction for goods, services or a financial transaction, receiving at a computer of a wagering system the value of the transaction, and in response, by action of the computer:
>
> offering the wagerer an opportunity to wager for a prize, the prize having a value derived from the value of the transaction; and
>
> receiving from the wagerer the wagerer's selection of a risk value for the wager;
>
> computing an odds value for the wager, the computing based at least in part upon the value of the prize and the risk value; and
>
> determining whether the wager is won based at least in part on the computed odds.

App. Br. 29.

[2] Our decision will make reference to the Appellants' Appeal Brief ("App. Br.," filed May 11, 2012) and Reply Brief ("Reply Br.," filed Oct. 9, 2012), and the Examiner's Answer ("Ans.," mailed Aug. 2, 2012) and Non-Final Office Action ("Non-Final Act.," May 3, 2011).

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Mindes	US 5,842,921	Dec. 1, 1998
Walker	US 6,190,256 B1	Feb. 20, 2001
Rossides	US 6,443,841 B1	Sep. 3, 2002

The following rejections are before us for review:

1. Claims 1, 3–7, 9–11, 16, 17, 19–23, 25–27, 32, 33, 35–39, 41–43, 48, and 49–51[3] are rejected under 35 U.S.C. § 103(a) as being unpatentable over Walker and Mindes.
2. Claims 8, 12–15, 24, 28–31, 40, and 44–47 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Walker, Mindes, and Rossides.

ISSUES

Did the Examiner err in rejecting claims 1, 3–7, 9–11, 16, 17, 19–23, 25–27, 32, 33, 35–39, 41–43, 48, and 49–51 under 35 U.S.C. § 103(a) as being unpatentable over Walker and Mindes?

[3] Claims 49–51 were added by the Amendment filed May 20, 2009, which appears to have been entered. However, they do not appear to be included in any of the statements of the rejections set forth in the Non-Final Action (to which the Answer refers). We presume they were intended to be included in the statement of the rejection that covers the claim from which they depend; that is, in the statement of the rejection that covers claim 33.

Did the Examiner err in rejecting claims 8, 12–15, 24, 28–31, 40, and 44–47 under 35 U.S.C. § 103(a) as being unpatentable over Walker, Mindes, and Rossides?

FINDINGS OF FACT

We rely on the Examiner's factual findings stated in the Answer. Additional findings of fact may appear in the Analysis below.

ANALYSIS

The rejection of claims 1, 3–7, 9–11, 16, 17, 19–23, 25–27, 32, 33, 35–39, 41–43, 48, and 49–51 under 35 U.S.C. § 103(a) as being unpatentable over Walker and Mindes.

Taking claim 1 as representative of the rejected claims, the Examiner takes the position Walker discloses all the claim limitations but for "*computing an odds value for the wager, the computing based at least in part upon the value of the prize and the risk value and determining whether the wager is won based at least in part on the computed odds*" (Non-Final Act. 7) for which Mindes is relied upon:

> Mindes discloses, computing an odds value for the wager, the computing based at least in part upon the value of the prize and the risk value (col. 2, lines 1-13 and col. 8, lines 60-63- shows computing the odds); and determining whether the wager is won based at least in part on the computed odds (col. 2, lines 3-7 and col. 8, line 64-col. 9, line 15 - when the odds are computed there are only two results possible: the bettor loses the entire amount of the bet, or wins a single known fixed amount.)

Non-Final Act. 7 (emphasis omitted). According to the Examiner, "[i]t would have been obvious to one skilled in the art at the time the invention to combine the teachings of Mindes with Walker because the computation of

an odds payout, the favorite, upon winning would receive a percentage of the amount paid if the underdog won." Non-Final Act. 7.

The Appellants argue, in part, that the passages in Mindes on which the Examiner relies to show that Mindes discloses the claim limitation "determining whether the wager is won based at least in part on the computed odds" does not in fact disclose it. The relied-upon passages are accurately reproduced on page 9 of the Appeal Brief.

> [Mindes] teaches only the conventional use of "odds," to adjust the payout to compensate for the different probabilities of the underlying random events. There is no apparent correspondence between the claim language, "determining ***whether*** the wager is won ***based at least in part on the computed odds***," and these excerpts from [Mindes '921].

App. Br. 10 (footnote omitted).

We agree with the Appellants. The relied-upon passages describe determining a payout based an amount wagered given a particular odds. The claim limitation "determining whether the wager is won based at least in part on the computed odds" calls for something different; that is, it calls for determining whether *the wager is won* based on the computed odds. Determining a payout based on an amount wagered given a particular odds as Mindes discloses does not equate to or lead one of ordinary skill to a process comprising "determining whether the wager is won based at least in part on the computed odds" as claimed. One gains no insight into whether a wager is won based at least in part on computed odds by determining, as Mindes discloses, a payout based on an amount wagered given a particular odds.

We have carefully reviewed the record, including the Examiner's reasoning in support of the rejection. However, we find that a prima facie case of obviousness for the subject matter claimed in claim 1 over the cited prior art combination has not been made out in the first instance based on a preponderance of the evidence. We reach the same conclusion for independent claims 17 and 33, which also include said argued-over claim limitation.

Accordingly, we do not sustain the rejection of claims 1, 17, and 33 and the claims 3–7, 9–11, 16, 19–23, 25–27, 32, 35–39, 41–43, 48, and 49–51 dependent thereon, respectively, under 35 U.S.C. § 103(a) as being unpatentable over Walker and Mindes.

The rejection of claims 8, 12–15, 24, 28–31, 40, and 44–47 under 35 U.S.C. § 103(a) as being unpatentable over Walker, Mindes, and Rossides.

The claims here rejected depend from claims 1, 17, or 33, respectively. "Dependent claims are nonobvious under section 103 if the independent claims from which they depend are nonobvious." *In re Fine*, 837 F.2d 1071, 1075 (Fed. Cir. 1988) (citations omitted).

Accordingly, we do not sustain the rejection of claims 8, 12–15, 24, 28–31, 40, and 44–47 under 35 U.S.C. § 103(a) as being unpatentable over Walker, Mindes, and Rossides.

NEW GROUND

Claims 1, 3–17, 19–33, and 35–51 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

We select claim 1 as representative of the claims being rejected.

The Supreme Court has long held that laws of nature, abstract ideas, and natural phenomena are excluded from patent protection. *See Mayo Collaborative Servs. v. Prometheus Labs., Inc*., 132 S. Ct. 1289, 1293 (2012); *Diamond v. Diehr*, 450 U.S. 175, 185 (1981). Yet although a law of nature or an abstract idea, by itself, is not patentable, a practical application of the law of nature or abstract idea may be deserving of patent protection. *See Mayo*, 132 S. Ct. at 1293–94.

In *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), the Court reiterated the framework, set forth previously in Mayo, "for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of [these] concepts." *Alice*, 134 S. Ct. at 2355 (citation omitted). The first step in this analysis is to "determine whether the claims at issue are directed to one of those patent-ineligible concepts." *Id.* (citation omitted). If so, in the second step, the elements of the claims "individually and 'as an ordered combination'" are considered to determine whether there are additional elements that "'transform the nature of the claim' into a patent-eligible application." *Id*. (quoting *Mayo*, 132 S. Ct. at 1297, 1298). Stated differently, the second step is a "search for an 'inventive concept' – i.e., an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.'" *Id*. (brackets in original) (*quoting Mayo*, 132 S. Ct. at 1294).

The Specification describes the invention as related "generally to wagering systems and more particularly to a system and method for

wagering the value of a financial transaction." Spec. 1:3–4. The Specification summarizes the invention via various embodiments. *Id.* at 3:1–24. The specific embodiment to which claim 1 is directed is described as

> a method for establishing a wager comprises determining a prize for a wager and determining a risk value for the wager. The method continues by determining odds associated with the wager, wherein the odds are based at least in part upon a value of the prize and the risk value. The method concludes by determining whether the wager is won as a function of the determined odds.

Id. at 3:2–7. Consistent with this description, claim 1 is drawn to "a method for establishing a wager."

Claim 1 recites a method that (a) receives a value for a transaction, be it for goods, services, or a financial transaction, after a prospective wagerer has entered into it; (b) offers the wagerer an opportunity to wager for a prize; (c) receives from the wagerer the wagerer's selection of a risk value for the wager; (d) computes an odds value for the wager; and (e) determines whether the wager is won based at least in part on the computed odds.

Claim 1 mentions the use of a computer but it is attached only to steps (a)–(d). A computer is not required for the last step, for determining whether the wager is won based at least in part on the computed odds. This step could be performed mentally. Even as to steps (a)–(d), the computer functions no differently than a conventional computer; that is, it makes a calculation. Claim 1 does require the prize to have "a value derived from the value of the transaction." However, the deriving of the value is left open — as is the value of the transaction. The claimed method reasonably broadly covers a transaction having no value and "derived" therefrom a prize also of

no or de minimis value. Claim 1 further requires a risk value. But this too could be zero. As for computing an odds value for the wager based on the value of the prize and the risk value, the claim does not spell out how this is calculated. Accordingly, the odds value could be 100%, thereby guaranteeing that the wager is always won, notwithstanding that the value of the prize and the risk value could be zero. Or the odds value could be 0%, in which case the wager is never won. In any case, from the wagerer's perspective, it is simply a gamble.

As reasonably broadly construed, claim 1 is drawn to the concept of gambling.

We find that the concept of gambling is a fundamental economic practice. Because we find that claim 1, as reasonably broadly construed, is directed to the concept of gambling, i.e., a fundamental economic practice, claim 1 is directed to a patent-ineligible abstract idea.

Turning to the second step outlined in *Alice*, we next consider whether there is an inventive concept, defined by an element or combination of elements in claim 1, which is significantly more than the abstract idea of gambling. We conclude here that there is no such inventive concept. We find that a set of calculations involving various values covering the range from 0 to 100, some of which are to performed via a nominal use of a general purpose computer, as claimed, does not amount to a patent-eligible application of the concept of gambling. At most it is an attempt to limit the use of the abstract idea of gambling to satisfy, for example, a "patron's wagering needs or desires" (Spec. 2:9–10). This does not add anything of significance to the abstract idea of gambling.

For the foregoing reasons, we find that claim 1 does not include additional inventive features such that the claim scope does not solely capture the abstract idea.

Therefore, claim 1 is rejected under 35 U.S.C. § 101. For the same reasons, we also reject claims 3–17, 19–33, and 35–51.

CONCLUSIONS

The rejection of claims 1, 3–7, 9–11, 16, 17, 19–23, 25–27, 32, 33, 35–39, 41–43, 48, and 49–51 under 35 U.S.C. § 103(a) as being unpatentable over Walker and Mindes is not sustained.

The rejection of claims 8, 12–15, 24, 28–31, 40, and 44–47 under 35 U.S.C. § 103(a) as being unpatentable over Walker, Mindes, and Rossides is not sustained.

We enter a new ground of rejection of claims 1, 3–17, 19–33, and 35–51 under 35 U.S.C. § 101 pursuant to our authority under 37 C.F.R. § 41.50(b).

DECISION

The decision of the Examiner to reject claims 1, 3–17, 19–33, and 35–51 is reversed.

A new ground of rejection of claims 1, 3–17, 19–33, and 35–51 under 35 U.S.C. § 101 is entered.

This decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b). 37 C.F.R. § 41.50(b) provides "[a] new ground of

rejection pursuant to this paragraph shall not be considered final for judicial review." 37 C.F.R. § 41.50(b) also provides that the Appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION:

> must exercise one of the following two options with respect to the new ground 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 § 41.52 by the Board upon the same record . . . .

REVERSED; 37 C.F.R. § 41.50(b)

llw