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EXAMINER
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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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*Ex parte* JOSEPH M. ASHER, KENNETH L. MILLER,  
and PETER CHRISTOPHER ROTONDO

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Appeal 2018-006589<sup>1</sup>  
Application 14/263,221<sup>2</sup>  
Technology Center 3700

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Before BIBHU R. MOHANTY, PHILIP J. HOFFMANN, and  
KENNETH G. SCHOPFER, *Administrative Patent Judges*.

SCHOPFER, *Administrative Patent Judge*.

DECISION ON APPEAL

This is an appeal under 35 U.S.C. § 134 from the rejection of  
claims 1–11. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

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<sup>1</sup> Our decision references the Appeal Brief filed Jan. 22, 2018 (“Appeal Br.”), the Reply Brief filed June 4, 2018 (“Reply Br.”), the Examiner’s Answer mailed Apr. 6, 2018 (“Ans.”), and the Final Office Action mailed Aug. 25, 2017 (“Final Act.”).

<sup>2</sup> According to Appellants, the real party in interest is Cantor Index, LLC. Appeal Br. 3.

## BACKGROUND

This application relates to means to account for the value of a sum (i.e., pool) of money or money equivalent wagered by or collected from one or more participants or gaming machines for the purpose of subsequent distribution of an amount of the pool as an award or prize to a participant that has reached or accomplished a defined goal in a contest; or means for determining or causing the distribution of the amount from the pool, including retaining an amount of the pool unless or until a defined goal is attained in a game, the retained amount being successively added to the award amount for that goal in a subsequent game or games until the goal is attained.

Spec. ¶ 2.

## CLAIMS

Claims 1 and 6 are the independent claims on appeal. Claim 1 is illustrative of the appealed claims and recites:

1. A method for wagering on a jackpot race event, comprising:

receiving, by a processor, an indication of a bet from a remote device over an electronic communication network, the indication of the bet comprising a first bet component and a second bet component, in which the first bet component is associated with a first race event and comprises a first bet amount, and in which the second bet component is associated with a second race event and comprises a second bet amount;

receiving, by the processor, electronic data indicative of race results over the electronic communication network;

determining, via the processor, whether the first bet component and the second bet components are winning bets based at least partially on the electronic data indicative of the race results;

in response to determining that the first bet component and the second bet component are winning bets, generating, via the processor, a particular number of electronic records in a memory

that are indicative of jackpot bets for the jackpot race event, in which the particular number is based at least in part upon the first bet amount and the second bet amount;

associating, via the processor, the electronic records indicative of the jackpot bets with the remote device; and

allocating, via the processor, the first bet amount to a common pari-mutuel pool for the first race event.

Appeal Br. 17.

## REJECTION

The Examiner rejects claims 1–11 under 35 U.S.C. § 101 as claiming ineligible subject matter.

## DISCUSSION

### *Standard for Patent Eligibility*

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. Pty. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014) (citation omitted).

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, 67 (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 187; *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 (citation 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.* (alterations in original) (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.*

The United States Patent and Trademark Office (USPTO) recently published revised guidance on the application of the *Alice* and *Mayo* framework. USPTO’s 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) (“Revised Guidance”). Under that guidance, we first look to whether the claim recites:

- (1) (*see* Revised Guidance Step 2A – Prong One) 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) (*see* Revised Guidance Step 2A – Prong Two) additional elements that integrate the judicial exception into a practical application (*see* MPEP §§ 2106.05(a)–(c), (e)–(h) (9th ed. 2019)).<sup>3</sup>

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 (*see* Revised Guidance Step 2B):

(3) adds a specific limitation beyond the judicial exception that are 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* Revised Guidance.

### *Analysis*

#### *Step 2A, Prong One*

The Examiner determines:

In the instant application, the claims, when analyzed as a whole, are held to be non-statutory because they are considered to be drawn to an abstract idea (i.e., certain methods of organizing human activity[;] i.e. managing a game such as bingo and/or game rules for determining bets for a jackpot race event) without any limitation(s) which qualify as “significantly more” than the abstract idea itself, but which are merely

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<sup>3</sup> We acknowledge that some of these considerations may be properly evaluated under Step 2 of *Alice* (Step 2B of Office guidance). Solely for purposes of maintaining consistent treatment within the Office, we evaluate it under Step 1 of *Alice* (Step 2A of Office guidance). *See* USPTO’s January 7, 2019 Revised Guidance, “2019 Revised Patent Subject Matter Eligibility Guidance.”

implemented/applied on general purpose computing devices in the art. Such an abstract idea being similar to the kind of ‘organizing human activity’ at issue in *Alice Corp.* Although the claims are not drawn to the same subject matter, the claims are similar in kind to the abstract ideas found in *Planet Bingo, LLC v. VKGS LLC*, 576 Fed. Appx. 1005 (Fed. Cir. 2014) and/or *In Re: Ray Smith*, No. 2015-1664 (Fed. Cir. 2016).

Final Act. 4. The Examiner determines that the claims “recite an abstract idea which includes (as found in at least claims 1 and 6), wagering on a jackpot race event.” *Id.*

We agree with the Examiner that the claims recite a judicial exception in the form of an abstract idea. Claim 1, for example, recites “[a] method for wagering on a jackpot race event” including steps for “receiving an indication of a bet” with first and second components associated with first and second race events, respectively; “receiving . . . data indicative of race results;” “determining . . . whether the first bet component and second bet component are winning bets;” “generating . . . a particular number of electronic records . . . indicative of jackpot bets;” “associating . . . records . . . with the remote device;” and “allocating . . . the first bet amount to a common pari-mutuel pool.” Appeal Br. 17. Each of these steps is part of a process for receiving wagers, receiving race results, determining winning wagers, and allocating bet amounts, and thus, each limitation provides a step for conducting a wagering event. We agree with the Examiner this concept of wagering is substantially similar to the concept of “rules for conducting a wagering game” in *In re Smith*, 815 F.3d at 818–19 (Fed. Cir. 2016), and methods and systems for managing a game of bingo in *Planet Bingo*, 576 F. App’x at 1008. Wagering is a commercial interaction, which is a method of

organizing human activity and, therefore, an abstract idea. *See* Revised Guidance, 84 Fed. Reg. at 52.

*Step 2A, Prong Two*

Having determined that the claims recite a judicial exception, we next consider whether there are additional elements in the claims that impose a meaningful limit on the judicial exceptions, i.e., whether additional elements integrate the judicial exception into a practical application. *See* Revised Guidance Step 2A–Prong Two. The Examiner determines that the claims are “without any limitation(s) which qualify as ‘significantly more’ than the abstract idea itself” and that “no element or combination of elements is sufficient to ensure any claim of the present application as a whole amounts to significantly more than one or more judicial exceptions.” Final Act. 4–5. We agree. We determine that each of the method steps in claim 1, for example, is integral to the abstract idea itself, i.e., each step recites no more than a particular rule for conducting a wagering game.

We acknowledge that the claim requires that the steps are performed by or via a “processor,” and that certain “electronic records” are created, for example, along with other technical devices. However, we find no indication in the record that attributes these elements to an improvement in computer technology or functionality, to implementing the abstract idea with a particular machine that is integral to the claim, which effects a transformation or reduction of a particular article to a different state or thing, which applies the abstract idea in some other meaningful way beyond linking the use of the abstract idea to a particular technological environment, or which otherwise indicates that the claimed invention integrates the

abstract idea into a “practical application,” as that phrase is used in the Revised Guidance.

*Step 2B*

Next, under the Revised Guidance, we determine whether the claim provides an inventive concept. Revised Guidance, 84 Fed. Reg. at 56. This involves a determination of the whether the claims recited additional elements that amount to significantly more than the judicial exception itself. *Id.* We agree with the Examiner that the claims here do not recite significantly more than the judicial exception such that the claims do not provide an inventive concept.

As noted, the Examiner finds that there are no elements or combination thereof that imposes meaningful limits on the abstract idea. Final Act. 5–6. The Examiner finds that the additional elements, including “utilization of a ‘processor’, ‘remote device’, ‘network’, ‘electronic data’, ‘memory’, ‘network interface’ or ‘electronic records’ used to apply the abstract idea merely implement[] the abstract idea at a high level of generality.” *Id.* at 5. The Examiner also finds that “the use of the computer in the claims adds nothing more than the ability to manage a bet.” *Id.* The Examiner determines:

Taking the physical elements individually and in combination, the computer-based components perform purely generic computer-based functions that are silent in regards to clearly indicating how a computer aids the method, the extent to which a computer to the performance of the method. As such, the significantly more required to overcome the 35 U.S.C. 101 hurdle and transform the claimed subject matter into a patent-eligible abstract idea is lacking.

*Id.* at 6.

We agree with the Examiner's determination and find that it is supported by the Specification. The Specification is titled "**CONDUCTING A JACKPOT RACE EVENT.**" Spec. 1. The Specification discloses embodiments with features for allocating bet components into jackpot race pools, which are allocated to winners of jackpot race events. *Id.* at ¶ 7. The Specification discloses that the methods allow for a jackpot race event to be held at the end of a racing day, such that the system can receive bets over a larger period of time. *Id.* at ¶ 8. The Specification discloses that this system spreads the load on a network throughout the day, freeing up network resources and increasing speed and efficiency. *Id.*

The Specification discloses that the betting system interface "may include any suitable interface between a customer . . . and betting system platform," including a physical interface, such as a track interface, or non-physical interfaces, such as through a telephone operator or other communication networks. Spec. ¶¶ 27, 28. Such communication network "may include any interconnection found on any communication network." *Id.* at ¶ 29. The Specification discloses that the "betting system platform" includes a processor that "may comprise any suitable processor that executes betting system software," such as a CPU and a memory that may be any suitable memory device including RAM, ROM, DRAM, etc. *Id.* at ¶ 34.

Based on this evidence, we agree with the Examiner that any hardware or software required by the claims are no more than generic components operating in their ordinary capacity. When considering the limitations of the claim individually or in combination, nothing in the claims

or Specification indicates that the additional limitations perform any function that is not well understood, routine, or unconventional.

*Appellants' Arguments*

Appellants argue that the claims do not merely organize human behavior or manage a game or game rules and “the claims recite specific computer operations that allow the computer to perform a function that conventional computers cannot perform.” Appeal Br. 8–9. We disagree. As discussed above, the claims and Specification provide no indication that the claims require a specialized or unconventional computer. At best, as indicated by Appellants, the claims require an automation of tasks using various computer components. But Appellants do not explain adequately why any such automation conveys patent eligibility here.

Appellants also argue that, unlike *Planet Bingo* and *In re Smith*, the claims recite significantly more than organizing human behavior. Appeal Br. 9. In particular, Appellants assert that the claims include features such as creating electronic records and allocating a bet to a pari-mutuel pool that “clearly result in an improvement to the functioning of the computer” by solving problems related to data overload. *Id.* at 9–10. However, we are not persuaded that the reduction in load on the computer represents an improvement to the computer itself here. The Specification indicates only that the data load on the network is reduced by receiving bets throughout the day or over a larger than usual period of time such that the load on network resources is spread out over time. Spec. ¶ 8. To the extent this is even reflected in the claims, taking bets over a longer period of time would be part of the recitation of the abstract idea itself, as discussed above in

Step 2A, prong one. We see no indication in the Specification or the claims of any improvement in the functioning of the computer itself.

Appellants next argue that the claims “recite rules that improve the technological process by allowing the automation of further tasks.” Appeal Br. 11 (emphasis omitted). Appellants assert that the Specification “teaches some of the improvements in computer performance by the claims.” *Id.* Specifically, Appellants highlight where the Specification refers to addressing problems related to “over consumption of network resources” and “receiv[ing] bets from bettors over a larger period of time” to spread the network load through the day. *Id.* (citing Spec. ¶ 8). As discussed above, we disagree that this represents an improvement in the functioning of the computer, as this merely reflects a portion of the abstract idea itself, i.e., the rules for the wagering game would provide the time at which bets may be placed.

Next, Appellants argue that “[t]he claims do not preempt all processes for achieving the intended result” because “the claimed recitations are very specific and do not cover all possible approaches.” Appeal Br. 13 (emphasis omitted). Although the Supreme Court has described “the concern that drives [the exclusion of abstract ideas from patent eligible subject matter] as one of pre-emption” (*Alice Corp.*, 573 U.S. at 216), characterizing preemption as a driving concern for patent eligibility is not the same as characterizing preemption as the sole test for patent eligibility. “The Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability” and “[f]or this reason, questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015)

(citing *Alice Corp.*, 573 U.S. at 216). “[P]reemption may signal patent ineligible subject matter, [but] the absence of complete preemption does not demonstrate patent eligibility.” *Id.*

Finally, Appellants argue that the lack of prior art rejections “indicate that the claimed subject matter allows the computer to perform a novel and non-obvious function that was not previously performable by computers.” Appeal Br. 14. Although the second step in the *Mayo/Alice* framework is termed a search for an “inventive concept,” the analysis is not an evaluation of novelty or non-obviousness, but rather, a search for “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.’” *Alice Corp.*, 573 U.S. at 217–18. A novel and non-obvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 566 U.S. at 90.

Based on the foregoing, we are not persuaded of error in the rejection of claim 1 as claiming ineligible subject matter. For the same reasons, we are not persuaded of error in the rejection of the remaining claims on the same ground. Accordingly, we sustain the rejection of claims 1–11.

#### CONCLUSION

We AFFIRM the rejection of claims 1–11.

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

AFFIRMED