

IN RE SMITH, Appeal No. 2015-1664 (Fed. Cir. March 10, 2016). Before Moore, Hughes and Stoll. Appealed from PTAB.

Background:

The Examiner rejected claims 1–18 under §101, applying the machine-or-transformation test described in *Bilski*, and 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." On appeal, the Board affirmed the rejection, applying the two-step test outlined in *Alice*, which had been decided in the interim. Applying the second step to representative claim 1, 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. Smith appealed the decision with a request for review of the 2014 Interim Guidance on Patent Subject Matter Eligibility.

Issues/Holdings:

Did the PTAB err in rejecting the claims under §101? Is the Interim Guidance reviewable? No, and No, affirmed.

Discussion:

The Federal Circuit found that Smith's application relates to a wagering game utilizing real or virtual standard playing cards. On the first step of the *Alice* analysis, the Federal Circuit held that Smith's claimed "method of conducting a wagering game" is drawn to an abstract idea much like the Supreme Court's findings of *Alice*'s method of exchanging financial obligations and *Bilski*'s method of hedging risk. The Federal Circuit further noted previous decisions finding similar concepts of offer-based price optimization (*OIP Techs., Inc. v. Amazon.com*) and managing a game of bingo (*Planet Bingo*) as abstract. Thus, the rejected claims, describing a set of rules for a game, were found to be drawn to an abstract idea.

Regarding the second step of the *Alice* analysis, the Federal Circuit indicated that adding purely conventional steps to an abstract idea does not supply a sufficiently inventive concept. The Federal Circuit found shuffling and dealing "physical playing cards" (*i.e.*, standard playing cards), which Smith argues bring the claims within patent eligible territory, was "purely conventional" activities. Thus, the rejected claims were held not to have an "inventive concept" sufficient to "transform" the claimed subject matter into a patent-eligible application of the abstract idea. Because the rejected claims are drawn to the abstract idea of rules for a wagering game that lack an "inventive concept" sufficient to "transform" the claimed subject matter, the §101 rejection was affirmed.

However, the Federal Circuit indicated that not all inventions in the gaming arts are foreclosed from patent protection under §101. For example, claims directed to conducting a game using a new or original deck of cards could potentially survive step two of *Alice*.

Finally, Smith's argument that the PTO's 2014 Interim Guidance exceeds the scope of §101 and the Supreme Court's *Alice* decision was not addressed because only rejections on the merits can be challenged.

Claim 1 of Smith's U.S. Application No. 12/912,410

1. A method of conducting a wagering game comprising:

[a]) a dealer providing at least one deck of . . .physical playing cards and shuffling the physical playing cards to form a random set of physical playing cards;

[b]) the dealer accepting at least one first wager from each participating player on a player game hand against a banker's/dealer's hand;

[c]) the dealer dealing only two cards from the random set of physical playing cards to each designated player and two cards to the banker/dealer such that the designated player and the banker/dealer receive the same number of exactly two random physical playing cards;

[d]) the dealer examining respective hands to determine in any hand has a Natural 0 count from totaling count from cards, defined as the first two random physical playing cards in a hand being a pair of 5's, 10's, jacks, queens or kings;

[e]) the dealer resolving any player versus dealer wagers between each individual player hand that has a Natural 0 count and between the dealer hand and all player hands where a Natural 0 is present in the dealer hand, while the dealer exposes only a single card to the players;

[f]) as between each player and the dealer where neither hand has a Natural 0, the dealer allowing each player to elect to take a maximum of one additional card or standing pat on the initial two card player hand, while still having seen only one dealer card;

[g]) the dealer/banker remaining pat within a first certain predetermined total counts and being required to take a single hit within a second predetermined total counts, where the first total counts range does not overlap the second total counts range;

[h]) after all possible additional random physical playing cards have been dealt, the dealer comparing a value of each designated player's hand to a final value of the banker's/dealer's hand wherein said value of the designated player's hand and the banker's/dealer's hand is in a range of zero to nine points based on a pre-established scoring system wherein aces count as one point, tens and face cards count as zero points and all other cards count as their face value and wherein a two-digit hand total is deemed to have a value corresponding to the one's digit of the two-digit total;

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