

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DK CROWN HOLDINGS INC.,
Petitioner

v.

DIOGENES LIMITED,
Patent Owner

IPR2023-00266

U.S. Patent No. 10,970,969

PATENT OWNER'S RESPONSE

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LISTING OF EXHIBITS

Exhibit No.	Description
EX-2001	Vancura Declaration
EX-2002	U.S. Patent 7,073,793 (“Vancura I”)
EX-2003	U.S. Patent 7,284,756 (“Vancura II”)
EX-2004	U.S. Patent 7,172,505 (“Vancura III”)
EX-2005	U.S. Patent 6,918,834 (“Vancura IV”)
EX-2006	U.S. Patent 6,645,071 (“Vancura V”)
EX-2007	U.S. Patent 6,033,307 (“Vancura VI”)
EX-2008	U.S. Patent 8,795,055 (“Vancura VII”)
EX-2009	U.S. Patent 8,496,524 (“Vancura VIII”)
EX-2010	Letter from J. Lynn to B. Biggs re Sotera Stipulation (Redacted)
EX-2011	U.S. Patent 6,726,562 (“Vancura IX”)
EX-2012	U.S. Patent 6,173,955 (“Vancura X”)
EX-2013	CV of Olaf Vancura, Ph. D
EX-2014	List of Relevant Patents with Olaf Vancura as Inventor/Co-Inventor
EX-2015	File History for Schugar
EX-2016	Second Declaration of Olaf Vancura
EX-2017	Deposition Transcript of Dwight E. Crevelt
EX-2018	How to Address Customer Loyalty in Online Betting Using Personalization, https://www.coveo.com/blog/address-customer-loyalty-with-personalization-in-online-betting/

Exhibit No.	Description
EX-2019	Online Sportsbook: A shift in player retention? https://gamingamerica.com/magazine/7296/online-sportsbook-a-shift-in-player-retention
EX-2020	How to increase customer retention in your online casino or sports betting site? https://medium.com/@thisisstevencruise/how-to-increase-customer-retention-in-your-online-casino-or-sports-betting-site-f1d61fdf2ce8
EX-2021	The Effectiveness of Casino Loyalty Programs - Their Influence on Satisfaction, Emotional Connections, Loyalty and Price Sensitivity https://repository.usfca.edu/cgi/viewcontent.cgi?article=1004&context=ml
EX-2022	Leveraging Loyalty Programs for Success in the Casino Space https://www.laneterralever.com/blog/casino-marketing-loyalty-programs#gref
EX-2023	An Exploratory Study of Casino Study of Casino Customer Loyalty Programs https://digitalscholarship.unlv.edu/cgi/viewcontent.cgi?article=2097&context=thesesdissertations ;
EX-2024	Loyalty programs have existed for decades, but they're starting to look different https://www.reviewjournal.com/business/casinos-gaming/loyalty-programs-have-existed-for-decades-but-theyre-starting-to-look-different-2595211/
EX-2025	BENEFITS OF AND CONSIDERATIONS IN IMPLEMENTING A CASINO LOYALTY PROGRAM FOR FOODSERVICE AND BEYOND https://tacitcorporation.com/benefits-of-and-considerations-in-implementing-a-casino-loyalty-program-for-foodservice-and-beyond/
EX-2026	Casino Players Club Programs Evolving into True Loyalty Programs https://loyalty360.org/content-gallery/daily-news/casino-players-club-programs-evolving-into-true-loyalty-programs
EX-2027	Reserved

Exhibit No.	Description
EX-2028	How To Hedge A Sports Bet https://www.thelines.com/betting/hedge/
EX-2029	Betting Terminology https://sportsbook.draftkings.com/help/glossary/betting-terminology
EX-2030	Guide To Sportsbook Cash Out Bets https://sportshandle.com/cash-out/#:~:text=A%20Cash%20Out%2C%20otherwise%20known,w in%20%E2%80%94%20before%20the%20competition%20ends.
EX-2031	User retention strategies for better mobile betting app engagement https://crustlab.com/blog/user-retention-staregies-better-mobile-betting-app-engagement/
EX-2032	How does DraftKings treat late stat changes and live scoring delays? (US) https://help.draftkings.com/hc/en-us/articles/4405224006931-How-does-DraftKings-treat-late-stat-changes-and-live-scoring-delays-US
EX-2033	https://en.wikipedia.org/wiki/Problem_of_points
EX-2034	Prevent Churn in Online Sports, https://www.datarobot.com/use-cases/prevent-churn-in-online-sports/
EX-2035	Beginner's Guide to Hedging: Definition and Example of Hedges in Finance https://www.investopedia.com/trading/hedging-beginners-guide/

I. INTRODUCTION

Patent Owner Diogenes Limited (“PO”) submits this response to the Petition for *Inter Partes* Review (“Petition”) of US 10,970,969 (“the ’969 patent”) (EX-1001), filed by DK Crown Holdings Inc. (f/k/a DraftKings, Inc.) (“Petitioner”) and the June 22, 2023 Institution Decision.

Petitioner’s single obviousness ground of U.S. Patent Application Publication No. 2008/0311981 (“Schugar”) (EX-1005) combined with U.S. Patent Application Publication No. 2008/0113765 (“DeWaal”) (EX-1004), suffers from a number of defects, including that (1) Schugar fails to disclose a “cash out” or “cash out offer” as claimed; (2) the combination of Schugar and DeWaal fails to disclose a central server system configured to generate a cash out offer for the player based on a wager and a progress of a sporting event by monitoring progress of the sporting event (e.g., at least a current status); and (3) Petitioner has provided insufficient motivation to combine Schugar with DeWaal’s hardware and server disclosure to arrive at the claimed limitations.

Thus, as set forth in more detail below, PO respectfully requests that the Board find that no claim of the ’969 patent is invalid.

II. TECHNOLOGY BACKGROUND

One of the biggest challenges in online betting is customer loyalty. EX-2018. On average, sportsbooks only succeed in persuading approximately half of their

customers to make more than two deposits. *Id.* Thereafter, only 3% of customers stay loyal to a company for more than a year, and 79% of customers switch betting companies at some point. *Id.* Online gaming services also generally experience a high churn rate (around 40% churn) in the first week of their deposits or just after submitting a registration form, i.e., even before placing their first bet. EX-2034. These are the customers who only make one bet and never come back. Players in the US are known to shop around for the best promotional offer rather than remaining loyal to a specific sportsbook, and player retention is crucial for online sportsbooks. EX-2019 (“Player retention is a crucial measure for an online sports betting platform — the higher the retention rate, the higher the revenue. According to recent research, a 5% increase in player retention can result in a 25% profit increase.”).

This problem was essentially non-existent in traditional, brick-and-mortar casinos. While customer retention is a concern for any business, the problem is amplified and particularly unique in the context of the internet where a user can change sportsbooks or become otherwise distracted with a few mouse clicks. EX-2020 (“With hundreds of online casinos to choose from, the gambler is spoiled with choice. Customer retention rate is one of the single most important metrics for a gaming company.”). Customer retention is a major issue within every online sports betting platform also due to extreme competition. EX-2034. Since sports and games

are unvarying across the various platforms, online sportsbooks struggle to differentiate themselves and offer a unique customer experience. *Id.* Conversely, brick-and-mortar casinos offer a wide variety of unique customer experiences, such as associated restaurants, luxury hotels, lounges, live music, events, non-gaming entertainment, and more.

Additionally, core strategies to address customer retention in a brick-and-mortar casino are less effective or nullified in the online sportsbook context. Typically, when a customer makes a trip to Las Vegas or Atlantic City to visit a casino, that customer is likely to purchase a few nights stay at a hotel associated with one of the casinos. Thereafter, a customer is incentivized to play only at that casino due to convenience and casino loyalty programs. The loyalty programs additionally provide an incentive for customers to return to that specific casino on their next trip by offering future hotel discounts. Loyalty programs typically provide a membership card that is swiped at all transactions casino games, restaurants, stores, and hotel stays. EX-2021. The programs then use this transactional data to offer discounts, incentives, and rewards. *Id.* Brick-and-mortar casinos employ customer loyalty programs as “key components of their marketing strategies.” *Id.*; EX-2022. In online sportsbooks, however, casino restaurants, stores, and hotels are eliminated. As such, online sportsbooks lose the stickability of having customers stay at the casino’s hotel. Additionally, online sportsbooks lose the flexibility of offering a

variety of complimentary rewards to customers, including “complimentary rewards such as meals, private jets, extravagant suites, and exclusive cruises.” EX-2023. While online sportsbooks can still offer free play through loyalty programs, this option is limited in attracting customers that may instead prefer discounted room rates or other rewards. EX-2022. Indeed, the casino industry has shifted to loyalty programs that primarily offer non-gaming rewards because those rewards offer other forms of entertainment to customers. EX-2024 (“Today, a growing number of resort loyalty programs have expanded beyond earning accruals or rewards solely at the slot machines or tables. Some may allow rewards to be spent on nongaming products and services while others allow members to earn loyalty points through those avenues, too.”); EX-2025 (“the real value lies in integrating all customer service offerings under one rewards program.”); EX-2026 (“casino patrons also place a high priority on free self-parking, complimentary access to casino events, early check-in/late check-out, and special bonuses and promotions based on tier levels achieved. When asked to rate the value of Players Club program partners, the establishments that came out on top are restaurants, hotels, gas stations, grocery stores, and other casinos.”). Additionally, while giving players free money, such as a free bet at the end of each week for maintaining a certain deposit amount, may work in the short term, it is typically not enough to keep customers engaged long term. EX-2019.

To solve the problem of consumer engagement and stickability in the online gaming industry, “there is a need for new products to generate and maintain consumer interest.” EX-1001, 1:51-52; EX-2016, ¶20-23.

A. Cash Out

Cash out is one such innovation that drives consumer engagement and works toward solving the stickability issue in the online sportsbook industry. As discussed below, the claimed “cash out” can be distinguished from other wagering strategies, such as ending a bet early and hedging.

1. Ending a Wager Early

There have previously been many attempts to find a way for players to end a game or bet early. This includes the problem of points discussed by PO’s expert (EX-1007, ¶¶30-35). But these prior attempts to end a bet early do not encompass cash out, let alone cash out in accordance with the ’969 patent.

First, the problem is a theorem of probability that concerns a game of chance with two players who have equal chances of winning each round. EX-2033. The players contribute equally to a prize pot and agree in advance that the first player to have won a certain number of rounds will collect the entire prize. The problem is: if that the game is interrupted by external circumstances before either player has achieved victory, how does one then divide the pot fairly? In other words, the problem of points considers how to fairly divide the pot if a game is ended early,

assuming (1) both players equally contributed to the pot; and (2) the players agree in advance that the first player to win a certain number of rounds collects the entire pot. EX-2016, ¶24-29.

2. Hedging a Wager

In the context of wagering, particularly wagering on a sporting event, hedging is a specific and advanced strategy used by sports bettors to either reduce the risk of a wager or to guarantee a profit of some kind from a wager. EX-2028. Hedging is a strategy that involves “placing wagers on the opposite side of your original bet.” *Id.* More specifically, “[h]edging a bet is a strategy in which a bettor will place a second wager against the original bet when they’re unsure that the outcome of a wager will be a win.” *Id.*

For example, bettors can use hedging to minimize their losses if they think their wager may lose. Alternatively, “if a bettor thinks they might win, they could decide to hedge a bet just to be safe and guarantee that they walk away as a winner.” *Id.* In this case, “the win will not be as large, but the additional wager is a way to create some kind of insurance if the original wager loses.” *Id.*

As Petitioner’s own website succinctly defines it, hedging is “[t]he act of betting on the opposite side of a current wager in order to minimize losses or guarantee a small profit.” EX-2029. Schugar paragraph [0126], among others, illustrates a perfect example of hedging because it puts the player into “a no-lose

situation” by allowing the player to take part of the wager placed on the Patriots (to win over the Giants) and place a bet on the Giants (to win over the Patriots). EX-1005, ¶[0126]; EX-2017, 30:10-31:17.

The rise of “in-play” betting, due in part to advances in the internet and computing, have led to the proliferation of online betting exchanges. EX-1007, ¶¶36-38. A betting exchange is a marketplace that allows bettors to hedge wedgers utilizing a “‘back’ (*i.e.*, bet that an outcome will occur) and ‘lay’ (*i.e.*, bet that an outcome will not occur) a wager on the outcome of an event.” *Id.* at ¶38.

In general, operators do not like when bettors utilize hedging to minimize their risk. EX-2017, 41:19-42:9. When a bettor hedges a wager, he/she “can place bets on both sides and automatically win.” *Id.* at 42:2-5. This “defeats the purpose of their betting system,” because it enables a bettor “to win, no matter which way the outcome goes.” *Id.* at 42:6-9. Paying out a bettor no matter the outcome of a wagering event is not desirable as operators are generally “there to make money.” *Id.* at 43:7-8. EX-2016, ¶30-33.

B. Multiplayer Collaboration on Wagers

Another innovation of the ’969 patent that works toward solving the stickability issue by driving consumer engagement are the claims directed toward multiplayer collaboration on wagers. In fact, interactivity between players is a key driver of engagement by users. EX-2031. The ’969 patent recognizes this:

For example, there is a need for new products that may allow groups of players to collaborate on wagers. Indeed, groups of players such as colleagues, friends, and families may wish to participate in a wager and wagering event together as a collaborative, team-building exercise, to pool resources, or for fun. Furthermore, players may have an interest in participating in a wagering event, but may find the prerequisites for joining the pool to be prohibitive. For example, a player may be reluctant to participate in a wagering event if the initial wager is too expensive (cost-prohibitive) or if the player believes that managing the wager throughout the wagering event would require too much time (time-prohibitive) or if the wager is too complex (resource-prohibitive). Accordingly, there is a need for new products to generate and maintain customer interest amongst participants who wish to collaborate on a wager.

III. OVERVIEW OF THE '969 PATENT

The '969 patent is generally directed to “a new betting product developed for a wide range of applications, including any event where betting may be utilized.” EX-1001, 5:30-33. Players may make selections in a number of different legs of an event, which “can include any of a variety of different discrete events,” such as, for example, innings of a baseball game, a set in tennis, one or more at bats by a

particular player, or two sequentially occurring football games. *Id.* at 34:26-28.

Winning players of each leg “have an opportunity to solely obtain and/or share in the proceeds of the stakes of all the other players ... and have the opportunity to win a prize,” such as “a Jackpot Pool (e.g., for all correct selections), potentially a Bonus Pool (e.g., for one additional outcome the following week, game, or event) and/or a possible Consolation Pool (e.g., for a subset of correct selections, or other pre-defined forms of partial correctness, such as, for example: did a horse place for consolation, rather than win for jackpot).” *Id.* at 34:35-53.

One unique aspect of the '969 patent's invention is that, at any time after the initiation of an event, any desired number of players who remain eligible for a prize “may be offered a ‘buy-out’ or an opportunity to sell their tickets (in whole or alternatively may be in part (i.e., a fractional amount) to the game operator or through the game operator (or alternatively directly) to a third party (e.g., one or more system operator(s), business entity or entities such as a merchant(s), one or more other persons, other player(s), etc.).” *Id.* at 35:15-23. For example, “the game operator (or any other entity) may offer the player a fractional amount of the potential Jackpot Pool to buy the ticket for the still pending game(s).” *Id.* at 35:24-26. This option provides the benefit of offering “the player the opportunity to cash in and avoid the risk of being eliminated on a later leg or the final event.” *Id.* at 35:27-28.

This unique buy-out feature provides additional decisions for the player, which creates added excitement and engagement during the legs—thus fulfilling the need in the gaming industry “for new products to generate and maintain consumer interest.” *Id.* at 1:51-52. The ’969 patent further discloses a continuous ability to trade or sell tickets back to the system operator, where the bet may be extremely time sensitive, and that the buy-out may occur during live play, which further serves to increase excitement. *Id.* at 23:9-12 (“It is further contemplated that the ability to trade or sell tickets back to the system operator may be continuous, and also in these circumstances, the bid may be extremely time sensitive”).

The ’969 patent also provides servers, networks, and wagering hardware, such as wagering input devices, as part of its invention that allow player interaction through online betting. *Id.* at 6:39-47. As shown in Figs. 1 and 2, the ’969 patent’s system “includes a network, including a system controller, for example, such as based on a central server system 12 being interconnected through the internet 10 to a plurality of wager input devices such as wagering stations 14, wagering terminals (including self-service wagering terminals) 16, and internet connected computing systems 18, smart phones 20, tablet computers 22 and televisions 24 each of which is representative of a plurality of each type of wager input device (e.g. wagering stations 14A-N).” *Id.*

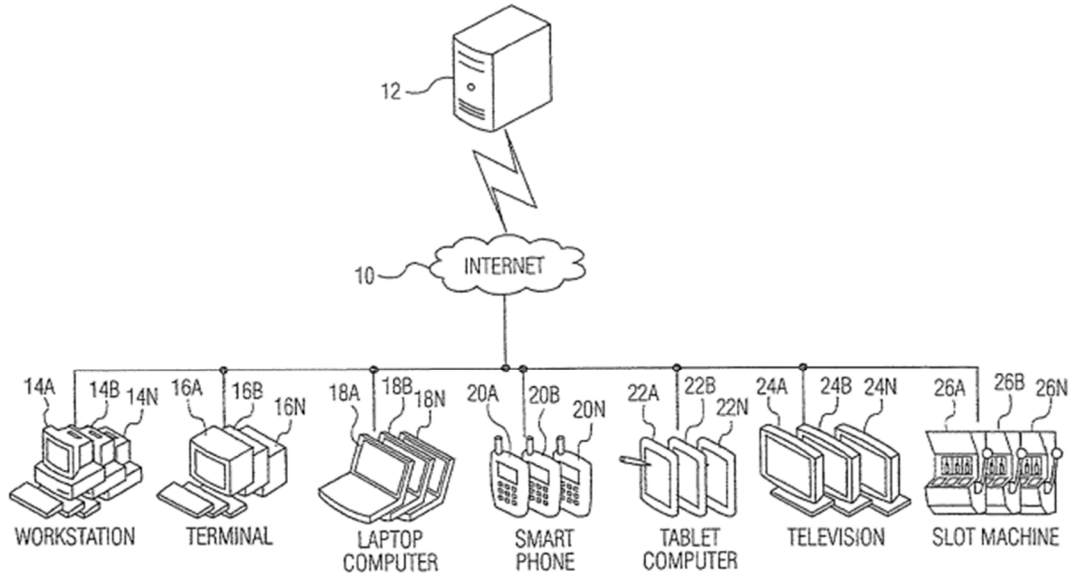


FIG. 1

Id. at FIG. 1.

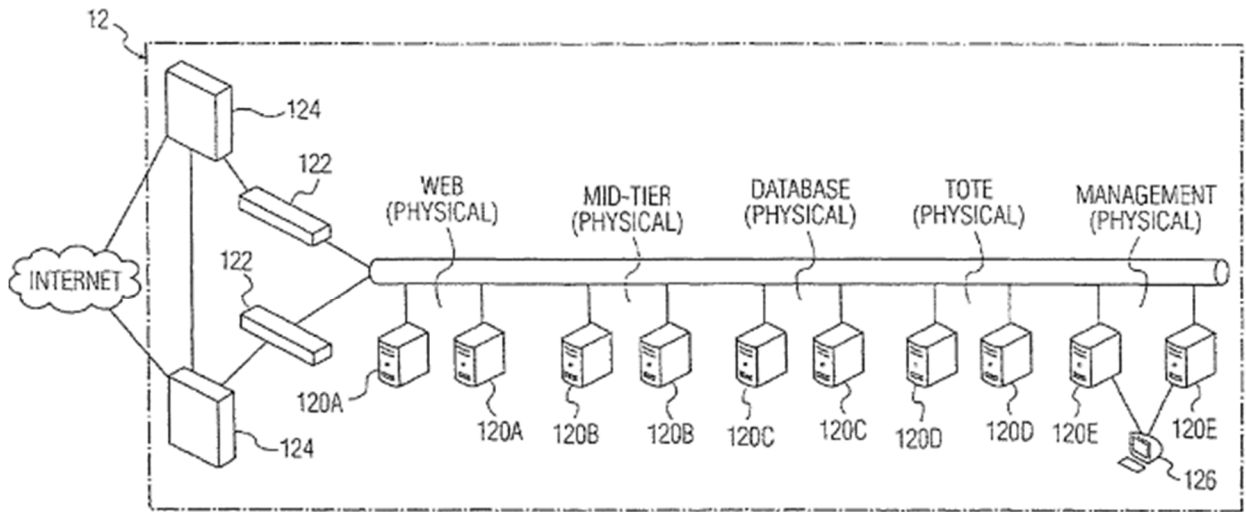
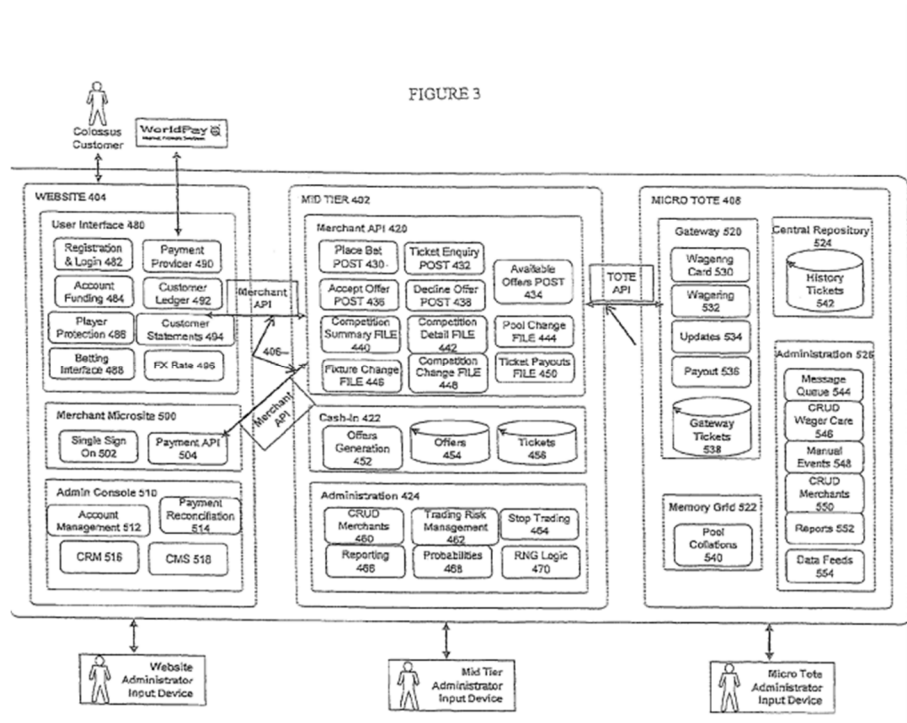


FIG. 2

Id. at FIG. 2.

Figure 3 further illustrates the process steps of the program and operation of the central server system 12 associated with the pool wagering system and represents an exemplary functional architecture of a program hosted or supported by the central server system 12. *Id.* at 9:63-64.



Id. at FIG. 3.

“The core program is represented by the center block identified as the “Mid Tier” program 402. The Mid Tier program 402 interacts with the respective customer and website administrator input programs in the left side block identified as the Website program 404, as well as the accounting programs in the right side block identified as the Micro Tote program 408. The Mid Tier program 402 communicates using an ‘Application Program Interface’ hereinafter ‘API,’ allowing bi-directional

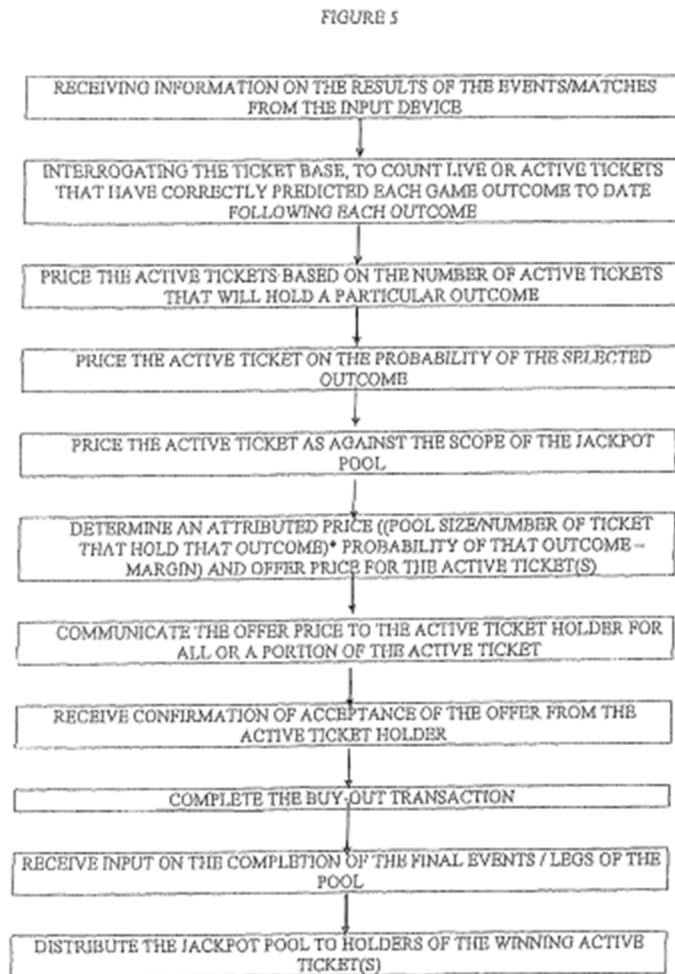
communication to, and through, the Mid Tier program 402, as represented by the Merchant API 406 as between the Website program 404 and the Mid Tier program 402, and the Tote API 410 as between the Micro Tote program 408 and the Mid Tier program 402, reference lines.” *Id.* at 9:65-10:11. “The Mid Tier program 402, as shown in FIG. 3, may include a Merchant API 420 program, a Cash-in 422 program and an Administration 424 program.” *Id.* at 10:12-14.

The wagering terminals and other wagering input devices “allow a player to place a wager on a series of (or separate discrete) sporting events” or other types of events. *Id.* at 13:16-18. In so doing, “the player would select the winners... for each particular sporting event.” *Id.* at 13:20-22. Thereafter, “the player would receive either a printed ticket or an electronic ticket representing the selections and the amount of the bet.” *Id.* at 13:23-25. “The controller or server system 12 would... determine any payout requirements... in the event of a successful selection of all of the events.” *Id.* at 11:25-30.

In accordance with the buy-out option, “[w]hen the player decides to end the game play, he can select the cash out button at which time the player may receive cash or other payout mechanisms such as tickets or credit slips redeemable by a cashier (or other suitable redemption system) or funding to the player's electronically recordable identification card or the player's online account.” *Id.* at 27:16-21. In one embodiment, “the player may be offered the option of cashing out a percentage

of the potential Jackpot Pool, for example by depressing the cash out button the players sells 10% or 25% of the potential Jackpot Pool for the amount offered on the display.” *Id.* at 27:5-9. An “authorized player or manager may then elect to cash out the ticket by selecting the ‘cash out’ icon” that is displayed. *Id.* at 43:44-46.

Figure 5 shows an exemplary logic of the software subroutine program of the central server system including the unique buy-out feature described above:



Id. at FIG. 5.

As shown, steps involve the central server receiving information on the wagering event, *e.g.*, sports matches, counting active tickets based on the number of winning players, pricing the active tickets, determining an attributed price and offer price for the ticket, and communicating the offer price to the active ticket holder. *See id.* at 24:24-46. Players who do not accept a buy-out proceed with the remainder of the game and hold the opportunity to win a jackpot if the player's ticket happens to be a winning ticket. *See id.* at 29:40-42. Likewise, players who partially buy-out will proceed with the game and hold the opportunity to win a portion of the jackpot should the player win. *See id.* at 17:11-19.

Additionally, if a player retains at least a portion of a ticket that is successful, the player is entitled to play a bonus game, where the player may make an additional selection and be eligible for an additional prize. *See id.* at 35:51-55. In certain examples, the player will be allowed one or more selections, "but will only win the fraction of the Bonus Pool that he holds in the winning ticket." *Id.* at 23:25-26. But, in other examples, "a player may be allowed to decouple a ticket," such that "the remaining parts of the ticket," such as the bonus pool, are unaffected. *Id.* at 23:27-35. In either case, the bonus game leading to the bonus pool and/or prize is triggered after the primary or base game has concluded, *i.e.*, after the player has obtained a "winning ticket," which is consistent with how a POSITA would understand a bonus game to work. *See* EX-2001, ¶101.

The claims of the '969 patent capture further unique features of a system including cash out. *See* EX-1001.

IV. SUMMARY OF REFERENCES IDENTIFIED BY PETITIONER

A. Schugar

The Petition relies on Schugar as its primary reference. Schugar is titled “Wagering Game That Allows Player to Alter Payouts Based on Equity Position” and published on December 18, 2008. The invention of Schugar “relates to casino games with a feature allowing a player to borrow money from the house.” EX-1005, ¶[0019]. More specifically, Schugar is directed to a wagering game that “allows a player to borrow money against the player's position in a game already in progress.” EX-1005, ¶[0020]; *see also* EX-2001, ¶¶70-79.

Schugar notes that when a player “is playing a game in which the player can be ‘winning’ before the game is over, the player may wish to have a way to cash in on the winning state before completing the game.” EX-1005, ¶[0077]. Schugar describes a “winning state” as an “equity state” in which “a player has a positive expectation based on his or her wagers and the game state.” *Id.* at ¶[0042].

Schugar teaches that the “player can ‘borrow’ against this state in order to make further wagers on the game with this borrowed money.” *Id.* The player “may find it attractive to be able to accumulate (or ‘bank’) a portion of a positive expectation situation for later redemption,” such that “even if the player ultimately

loses his or her wager, the player has not lost everything because the banking has been performed.” *Id.* at ¶[0077].

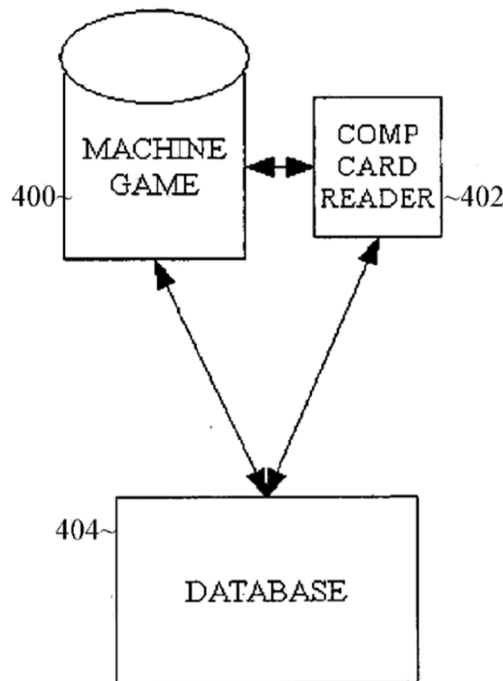
If a current game state has a positive expectation (or positive expected profit) for the player, the player can choose to bank his or her positive expectation. *Id.* at ¶[0092]. “This can be prompted by an automatic pop up window which allows the player to choose whether he wishes to bank some or all of his recent gains in expectation for later redemption (with a return of the game state to the prior or other position with lesser expected value than the current state).” *Id.*

The expected profit from a positive expectation that is banked for later use can be used in a variety of ways. *Id.* at ¶[0083]. In one example, it can be redeemed by the player for cash. *Id.* In another example, it may be used to purchase positive game states at a later time. *Id.* For example, a player can bank his or her positive expectation “for later retrieval when the player is playing a same or different game at a later point in time.” *Id.* at ¶[0093].

Schugar primarily focuses on banking a positive expectation, but does contemplate that a “player need not be in a positive expectation situation in order to utilize the method of cashing in value for a current wager in progress.” *Id.* at ¶[0120]. However, Schugar places limitations on what a player can do when cashing out of a wager with a negative expectation. The only disclosure of cashing out when a player has a negative expectation requires that it be done “in order to place a second wager.”

Id. More specifically, Schugar discloses that “even if the player is in a negative expectation situation, the player can still utilize the method described herein of cashing out a portion of a current bet in progress **in order to pay for an additional wager.**” *Id.* at ¶[0127]; EX-2017, 26:16-28:6.

Schugar teaches that its “banking process” as being implemented via a “machine game 400” associated with “comp card reader 402” and a “database 400” as depicted below:



Id. at ¶[0104]-[0105], FIG. 4. The machine game 400 “can be any wagering machine game, such as a slot machine, video poker machine, or machine game which plays any game which can have multiple states (e.g. games which a player can wager on a progression).” *Id.* at ¶[0104]. The comp card reader 402 allows a player to “use

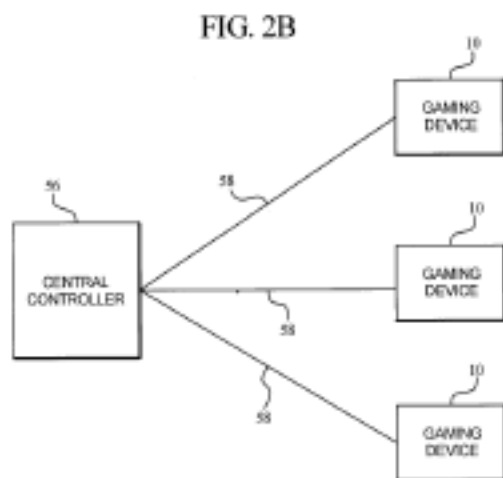
his or her comp card to identify the player.” *Id.* The database 404 “can be used to store values banked for later use” and “can be accessible by all games in an individual casino or a group of casinos.” *Id.* at ¶[0105].

B. DeWaal

The Petition relies on DeWaal as the secondary reference. DeWaal is titled “Gaming System and Method Providing Venue Wide Simultaneous Player Participation Based Bonus Game” and published on May 15, 2008. DeWaal is generally directed to “a multi-round bonus event to a plurality of players wherein each players’ input(s) determine, at least in part, an award, if any, provided to that player for the bonus event.” EX-1004, ¶[0009].

Petitioner relies on DeWaal primarily for its disclosure of a “central server [that] remotely controls any games... and the gaming device is utilized to display such games... and receive one or more inputs or commands from a player.” Petition, p. 20 (quoting EX-1004, ¶[0042]); *see* EX-2017, 91:17-92:11. More Specifically, Petitioner argues that “[a] POSITA could have implemented Schugar’s method of conducting a sport wagering event on DeWaal’s system hardware and thin-client configuration such that DeWaal’s central server executes the computerized instructions for controlling Schugar’s wagering event and receives inputs or commands from a player via the gaming device clients.” Petition, pp. 22-23 (internal citations omitted).

DeWaal discloses that in the “thin client” embodiment, “the central server remotely controls any games (or other suitable interfaces) and the gaming device is utilized to display such games (or suitable interfaces) and receive one or more inputs or commands from a player.” EX-1004, ¶[0042]. Figure 2B of DeWaal, depicted below, shows the general architecture of such system, which includes a plurality of gaming terminals in communication with a central controller.”



Id. at ¶[0032], FIG. 2B. As illustrated in FIG. 2B, “one or more of the gaming devices 10 are in communication with each other and/or at least one central server, central controller or remote host 56 through a data network or remote communication link 58.” *Id.* at ¶[0084]. The processor of each gaming device is designed to “transmit and receive events, messages, commands or any other suitable data or signal between the individual gaming device and the central server,” *Id.* The processor of the central server is designed to “transmit and receive events, messages,

commands or any other suitable data or signal between the central server and each of the individual gaming devices.” *Id.*

Other than the “data network or remote communication link 58” between each of the gaming devices 10 and the central controller 56, FIG. 2B of DeWaal does not show any other interfaces or any other type of communication link (e.g., with third party systems). EX-2017, 82:6-11.

V. CLAIM CONSTRUCTION

Petitioner’s expert stated during his deposition that the definition of “cash out” that he used in his declaration’s analysis was “providing funds to the player for his discretionary use.” EX-2017, 14:2-5.

This construction is consistent with the teachings of the ’969 Patent. EX-2016, ¶¶63-68. Specifically, the ’969 patent discloses that within a “Cash-In 422 program,” which “is responsible for determining when an offer to buy-out a ticket holder will be made, and the price that will be offered,” an “Offers Generation 452 routine... will generate a set of offers over *all of the tickets that are still potential winners.*” EX-1001, 10:56-61.

As acknowledged by Petitioner’s expert, potential winners include the players having a negative expectation at a current time, but who could still win as the event progresses. EX-2017, 24:10-25:4. Such players could also include those who have neutral expectations—those who are not expected to win or lose. EX-2016, ¶65.

Tickets that are likely to lose are still potential winners. EX-2017, 24:10-25:4. Thus, regardless of whether the player is currently expected to win or lose, the cash out system will generate an offer to all tickets that are still potential winners. EX-2016, ¶¶65-66.

Petitioner's expert could not recall the '969 patent placing any kind of restriction on cashing out in a losing situation, having a requirement to return to a prior game state, or any other conditions or limitations on the cashed-out funds. EX-2017, 15:16-16:7, 23:7-8, 30:7-9. This is because there are none. EX-2016, ¶67.

In other words, the claimed "cash out" requires providing, without any conditions or requirements that the player be in a particular game state, funds to the player for his discretionary use in exchange for ending a wager early. EX-2016, ¶69; *see* EX-2017, 14:2-5.

VI. PETITIONER HAS NOT SHOWN THAT ANY CLAIM OF THE '969 PATENT IS INVALID

Petitioner has failed to show that any claim of the '969 patent is invalid. The Petition relies on Schugar to meet the claimed method steps and functionalities of the '969 patent using DeWall only to fill the gap for the central server limitations. Petition, 21. Petitioner's combination fails for multiple reasons.

First, Schugar fails to disclose a "cash out" and a "cash out offer" in accordance with the '969 patent. Second, the combination of Schugar and DeWaal fails to disclose, teach or suggest, among other limitations, a central server system

configured to generate a cash out offer for the player based on a wager and a progress of a sporting event by monitoring progress of the sporting event (e.g., at least a current status). Third, Petitioner has provided insufficient motivation to combine Schugar and DeWaal and thus a POSITA would not look to one to modify the other.

A. Schugar Fails to Disclose “Cash Out” and “Cash Out Offer” As Claimed in All Challenged Claims

Petitioner has failed to show that Schugar discloses “generate a cash out offer for the player” because Schugar discloses restrictions on its ability to “bank,” while “cash out” and “cash out offer” as claimed are unrestricted. Petitioner argues Schugar discloses “generate a cash out offer for the player” because it discloses determining whether the player’s current game state has a “positive expectation for the player” (i.e., whether the player has positive “equity” in their wager) and then generating an “automatic pop up window which allows the player to choose whether he wishes to bank some or all of his recent gains in expectation for later redemption.” Petition, 32-33 (quoting EX-1005 ¶[0092]). But each alleged example of what Petitioner alleges is a “cash out” or “cash out offer” in Schugar (i.e., “banking,”) discloses a restriction, such as requiring a player to be in a particular state or by only contemplating non-discretionary use of the “banked” funds. *See e.g.*, EX-1005, ¶¶[0096], [0127].¹

¹ Other examples in Schugar of “banking” have similar restrictions. PO refers only to paragraphs [0096] and [0127] because these are the only paragraphs Petitioner

Indeed, paragraph [0092] upon which Petitioner relies requires a player to be in a “positive” expectation state, i.e., where a player is likely to win. EX-1005 ¶[0092]. The funds are also not distributed to the player for “discretionary use” as required by the claims of the ’969 patent. EX-2017, 14:2-5. In Schugar’s paragraph [0092], the funds may be banked “*for later redemption.*” Such a restriction does not allow full “discretionary use” as claimed. Additionally, paragraph [0096] of Schugar only allows a player to bank his or her “recent gains” for later use.

Petitioner also cites paragraph [0127] of Schugar, which recites that “[E]ven if the player is in a negative expectation situation, the player can still utilize the method described herein of cashing out a portion of a current bet in progress.” Petitioner appears to be implying that the method of paragraph [0096] may also be used in a negative expectation situation, but this nonsensical. Petitioner fails to explain how a player “bank” his or her “*recent gains*” in “positive equity” in a negative expectation situation. When a player is in a negative expectation, i.e., expected to lose, there are no “recent gains” and thus there is nothing for a player to bank. As such, Petitioner’s explanation is inadequate at best. The conflicting nature of paragraphs [0096], which refers to Schugar Figure 3, and [0127], which refers to

cites to for the “cash out” limitation, and Petitioner may not now rely on additional citations to Schugar to meet this limitation.

Schugar figure 6, demonstrates also that Petitioner has provided disclosures from multiple embodiments in Schugar without providing a motivation to combine.

In any event, Schugar paragraph [0127] also places a restriction on how the funds that are “banked” may be used – making it non-discretionary. Paragraph [0127] provides that a “player can still utilize the method described herein of cashing out a portion of a current bet in progress in *order to pay for an additional wager.*” EX-1005, [0127]. This is not providing funds for discretionary use. Instead, paying for an additional wager is considered hedging a wager, which is not cash out. Petition. p. 33; Section II.A.2.

Moreover, in either a positive or negative expectation as described in Schugar paragraphs [0096] and [0127], the amount a player may “bank” is not a “cash out offer” to the player. Instead, a player in Schugar receives “an automatic pop up window,” which then “allows *the player to choose* whether he wishes to bank some or all of his recent gains in expectation for later redemption.” EX-1005, [0096]. As such, it is the player, not the system that chooses the amount to “bank” in Schugar. This is contrast to the generated cash out offer of the ’969 patent. There, the system generates an offer for a specific amount to a player – the player does not choose how much he or she is allowed to “cash out.” *E.g.*, EX-1001, 15:6-9.

Petitioner’s reference to an “automatic pop up window which allows the player to choose whether he wishes to bank some or all of his recent gains in

expectation for later redemption” also misquotes Schugar, which explicitly recites that the automatic pop up window only gives the player the option to “choose whether he wishes to bank some or all of his recent gains in expectation for later redemption **(with a return of the game state to the prior or other position with lesser expected value than the current state)**.” EX-1005, ¶[0092]. In other words, Schugar requires the player *revert to a prior game state or other position with lesser expected value*. This type of conditional exchange is not the same as “cash out” as claimed or defined by Petitioner’s expert. EX-2016, ¶¶76-78, 106-07.

As such, in contrast to Schugar, the claimed “cash out offer” may be made to *“all of the tickets that are still potential winners”* and the funds received from cashing out are provided “to the player for his discretionary use.” EX-1001, 10:56-61; EX-2017, 14:2-5. As a result, Schugar’s restrictive banking fails to meet the claimed “cash out” and “cash out offer.” EX-2016, ¶95. Unrestricted cashing out as claimed is an innovative aspect of the ’969 patent because it increases engagement and stickability. *See* Section II.A.

The ’969 patent discloses that the Cash-In program 422 determines when to offer to buy-out a ticket holder. EX-1001, 10:53-56. When triggered by the offers generation 452 routine, the trading engine “generate[s] a set of offers over *all of the tickets that are still potential winners*.” *Id.* at 10:56-61.

As acknowledged by Petitioner’s expert, potential winners include the players having a negative expectation at a current time, but who could still win as the event progresses. EX-2017, 24:10-25:4. A POSITA would understand that such players could also include those who have neutral expectations—those who are not expected to win or lose. EX-2016, ¶96. Tickets that are likely to lose are still potential winners. EX-2017, 24:10-25:4.

Accordingly, the ’969 patent does not place any limitation or restriction on what type of wagering interest the player must have in order to receive the “cash out” offer or compensation, other than the player “remain eligible for prize” to receive compensation in exchange for said interest. A player remains eligible for a prize regardless of whether they are in a positive expectation state, a negative expectation state, or a neutral state. EX-2016, ¶98.

Further, the ’969 patent does not put any limitations and/or restrictions on what a player must do with his/her “cash out” compensation once received. *See* Section V. The compensation received by the player may be cash, other payout mechanisms such as tickets or credit slips redeemable by a cashier, or a funding of a player’s account that he/she can use for another wager or withdraw at any point in time. A player is not required to place an additional wager with the system with the proceeds of his/her cash out. EX-2016, ¶99.

Petitioner's expert could not recall the '969 patent placing any kind of restriction on cashing out in a losing situation, having a requirement to return to a prior game state, or any other conditions or limitations on the cashed-out funds. EX-2017, 15:16-16:7, 23:7-8, 30:7-9. This is because there are none. EX-2016, ¶100.

Petitioner does not rely on DeWaal to cure the deficiencies of Schugar and its failure to disclose "cash out" and "cash out offer" as claimed. Accordingly, the record shows that Schugar, even if combined with DeWaal, fails to disclose "cash out" and "cash out offer" as claimed and no claim of the '969 patent can be found invalid.

B. The Combination of Schugar and DeWaal Fails to Disclose, Teach or Suggest a Central Server System Capable of Monitoring a Current Status of a Sporting Event to Generate a Cash Out Offer

Limitations 1[d]-1[e] of Claim 1 recite "causing the central server system to generate a cash out offer for the player based on the wager and progress of the sporting event, by: monitoring progress of the sporting event, wherein the progress of the sporting event may comprise at least a current status." EX-1001, 50:62-67. Limitations 8[f]-8[g] of Claim 8, limitations 15[d]-15[e] of Claim 15, and limitations 21[e]-21[f] recite similar limitations. EX-1001, 51:49-53, 52:29-35, 53:20-22. Neither Schugar nor DeWaal contemplate any sort of data connections to components that are *external* to each of their respective systems, let alone a central server system with an interface/connection capable of receiving any information

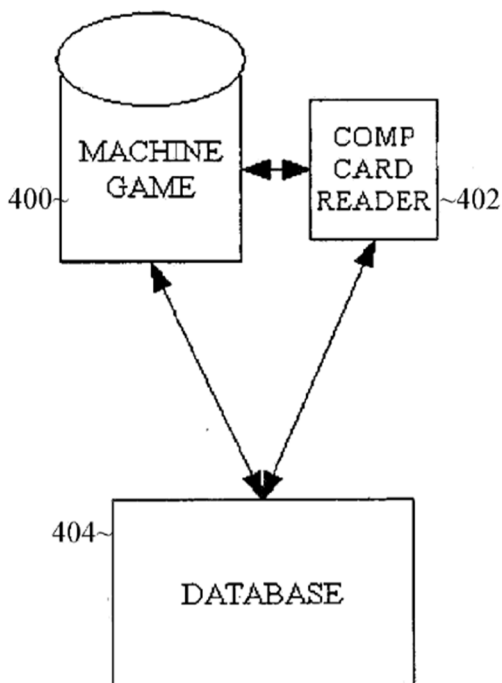
from third-party providers to allow for the monitoring the progress of a sporting event in order to generate a cash out offer. Accordingly, neither reference, alone or in combination, discloses, teaches or suggest, at least, limitations 1[d], 1[e], 8[f], 8[g], 15[d], 15[e], 21[e], and 21[f].

Petitioner acknowledges that “Schugar does not expressly describe the allocation of control/responsibility for executing the methods among the server and the client,” and points to DeWaal to cure these deficiencies. Petition, p. 22. Petitioner alleges that “a POSITA would have looked to DeWaal, which was such a prior art wagering system, to discover implementation details of a system that was ready for improvement by the addition of Schugar’s wagering game and cash out techniques.” *Id.*

Petitioner relies on the particular arrangement of hardware in DeWaal (i.e., a “thin-client configuration”) to argue that a POSITA “could have implemented Schugar’s method of conducting a sport wagering event on DeWaal’s system hardware and thin-client configuration such that DeWaal’s central server executes the computerized instructions for controlling Schugar’s wagering event and receives inputs or commands from a player via the gaming device clients.” Petition, pp. 22-23; *see* EX-1007, ¶[0080] and EX-1004, ¶[0042]. However, when looking at the hardware of both Schugar and DeWaal, it is clear that neither contemplates a system with a central server having the ability to monitor an “*external* ‘sporting event,’ like

‘horse racing’ or ‘football.’” EX-1007, ¶78 (quoting EX-1005 ¶[0109])(emphasis added); EX-2016, ¶¶110-13.

Schugar discloses that “[t]he embodiments described herein can also be used to bet on sporting events, either at intervals on individual games or series of games,” but does not explain how this could be implemented by a central server system. EX-1005, ¶[0072]; *see* Petition, 22 (“Schugar does not expressly describe the allocation of control/responsibility for executing the methods among the server and the client.”) FIG. 4 of Schugar is a “block diagram illustrating an exemplary set of components in order to implement...” its banking process:

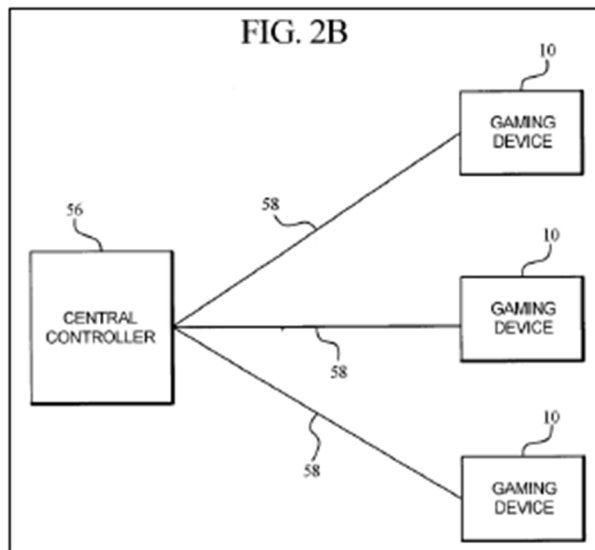


Id. at ¶[0103], FIG. 4. The system shown in FIG. 4 has three components: a “machine game 400” associated with “comp card reader 402” and a “database 400.” *Id.* at ¶¶[0103]-[0105].

The machine game 400 “can be any wagering machine game, such as a slot machine, video poker machine, or machine game which plays any game which can have multiple states (e.g. games which a player can wager on a progression).” *Id.* at ¶[0104]. The comp card reader 402 allows a player to “use his or her comp card to identify the player.” *Id.* The database 404 “can be used to store values banked for later use” and “can be accessible by all games in an individual casino or a group of casinos.” *Id.* at ¶[0105].

Aside from the connections between these three components, which are not described or defined, Schugar does not disclose, teach or suggest any other interfaces or any other type of communication with third party systems. EX-2016, ¶¶114-16

Similarly, DeWaal only contemplates this type of closed “intra-net” like system. EX-2016, ¶117. FIG. 2B of DeWaal is identified by Petitioner’s expert as “illustrat[ing] a primary embodiment of the general architecture” of DeWaal. EX-1007, ¶66. “FIG. 2B is a schematic block diagram illustrating a plurality of gaming terminals in communication with a central controller.”



EX-1004, ¶[0032], FIG. 2B. As shown in FIG. 2B, the primary embodiment of DeWaal includes three distinct components, “one or more of the gaming devices 10 [that] are in communication with each other and/or at least one central server, central controller or remote host 56 through a data network or remote communication link 58.” *Id.* at ¶[0084].

“In... a ‘thin client’ embodiment, the central server remotely controls any games (or other suitable interfaces) and the gaming device is utilized to display such games (or suitable interfaces) and receive one or more inputs or commands from a player.” *Id.* at ¶[0042]. The processor of each gaming device is designed to “transmit and receive events, messages, commands or any other suitable data or signal between the individual gaming device and the central server.” *Id.* at ¶[0084]. The processor of the central server is designed to “transmit and receive events, messages,

commands or any other suitable data or signal between the central server and each of the individual gaming devices.” *Id.*

In other words, DeWaal only contemplates communications to and from the central controller 56 and the plurality of gaming devices 10. EX-2017, 81:16-82:11. Even communications between different gaming devices 10 is routed through the central controller 56 via the data network or remote communication link 58. Aside from the data network or remote communication links 58 between the gaming devices 10 and the central controller 56, DeWaal does not suggest, teach, or disclose that the system depicted in FIG. 2B includes any other interfaces or any other type of communication with third party systems. EX-2016, ¶¶118-20. EX-2017, 82:6-11 (Answering “In this one embodiment, no” when asked, “Other than the data network or the links 58 between the devices and central controller, Figure 2B of DeWaal does not show any other interfaces, communications with third-party systems, does it?”).

DeWaal does disclose that “the data network” that connects the plurality of gaming devices “is an internet or intranet” and that “the operation of the gaming device can be viewed at the gaming device with at least one internet browser.” *Id.* at ¶[0098]. In this embodiment, “operation of the gaming device and accumulation of credits may be accomplished with only a connection to the central server or controller (the internet/intranet server) through a conventional phone or other data transmission line, digital subscriber line (DSL), T-1 line, coaxial cable, fiber optic

cable, or other suitable connection.” *Id.* DeWaal describes the advantages of this configuration, noting that “players may access an internet game page from any location where an internet connection and computer, or other internet facilitator is available.” *Id.*

While this type of remote access through a network connection such as the internet that a thin-client configuration can provide is certainly advantageous, it still only contemplates a data connection between the gaming devices (wherever they are located) and the central server or controller (whether it be on-site or off-site) as depicted in FIG. 2B. EX-2016, ¶¶121-22. Accordingly, even in a networked embodiment of the disclosed thin-client configuration, DeWaal does not disclose, teach or suggest any other interfaces or any other type of communication with third party systems.

A POSITA would have understood and continue to understand that for a central server system to monitor the progress of a sporting event, which Petitioner’s expert has acknowledged is “external” to the system, to generate a cash out offer for the player based on the wager and progress of the sporting event, the central controller must be configured to receive information about the sporting event. *See* EX-1007, ¶78. As explained by Petitioner’s expert, “[t]hat data must come from somewhere, and the only way you can get it is to input it, monitor it, record it from somewhere.” EX-2017, 99:9-12. Typically, operators receive information about

sporting events from third party providers. For example, Petitioner's own website states that it uses "live scoring information provided by trusted third-party stat providers." EX-2032.

Neither Schugar nor DeWaal contemplate any of this. The systems of Schugar and DeWaal only contemplate data connections between components that are *internal* to each of the respective systems. The central server systems of each have no interface/connection capable of receiving any information from third-party providers and are therefore not capable of monitoring progress of the sporting event.

Schugar's incorporation by reference of US. Patent No. 7,909,694 ("Schugar '694") (EX-1027), of which Schugar is a continuation-in-part does not cure these deficiencies. Petitioner alleges that through this incorporation by reference of Schugar '694 in its entirety, "Schugar teaches that 'any description of a component or embodiment herein also includes hardware, software, and configurations which already exist in the prior art and may be necessary to the operation of such component(s) or embodiment(s),' that 'the embodiments described herein can be applied to any type of gaming machine,' and that functionalities may be performed 'at a central server and served to local machines.'" Petition, 18 (quoting EX-1027, 10:48-55; EX-1005, ¶[0001]).

This section of Schugar '694 states that "any description of a component or embodiment herein also includes hardware, software, and configurations which

already exist in the prior art and may be necessary to the operation of such component(s) or embodiment(s).” EX-1027, 10:48-51. The embodiments described herein “can be applied to any type of gaming machine (e.g. class II, class III, etc.)” *Id.* at 10:51-53. “Random numbers can be generated instantly at the local level, or generated and stored at a central server and served to local machines.” *Id.* at 10:53-55.

In other words, the only “functionalities” mentioned in Schugar ’694 is the generation of random numbers from a random number generator (“RNG”) that can either be at the local level or at a central server and distributed to local machines. *See* EX-2017, 95:22-96:5 (“A POSITA would understand that this reference is referring to the -- Schugar could be implemented on any of the existing technologies that's out there and could be used to serve random number generators, if that environment allowed such activities.”). Like the hardware described in Schugar, this does not relate to any type of communications with a third party system.

Accordingly, Schugar and DeWaal both fail to disclose a central server system that is configured to generate a cash out offer for the player based on the wager and progress of the sporting event, by monitoring progress of the sporting event, wherein the progress of the sporting event may comprise at least a current status. As such, Schugar combined with DeWaal fails to disclose at least, limitations 1[d], 1[e], 8[f],

8[g], 15[d], 15[e], 21[e], and 21[f] and no claim of the '969 patent can be found invalid.

C. Petitioner Fails to Explain Why, Absent Hindsight, A POSITA Would Have Combined Schugar and DeWaal to Arrive at the Claims

Petitioner's ground is deficient because a POSITA would not have been motivated to combine Schugar and DeWaal and Petitioner's motivation to combine allegations are insufficient. In IPR proceedings, "expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight." 37 C.F.R. § 42.65(a). As discussed above, claims 1, 8, 15, and 21 of the '969 patent require a central server system capable of monitoring a current status of a sporting event to generate a cash out offer. Since both Schugar and DeWaal fail to disclose, teach, or suggest hardware capable of performing this function, Petitioner has failed to present any evidence (expert or otherwise) that prove that "a skilled artisan would have been motivated to combine prior art references" to arrive at the claims. *Eli Lilly & Co. v. Teva Pharms. Int'l GmbH*, 8 F.4th 1331, 1344 (Fed. Cir. 2021).

There is a "clear distinction in [Federal Circuit] case law between a patent challenger's burden to prove that a skilled artisan would have been motivated to combine prior art references and the additional requirement that the patent challenger also prove that the skilled artisan would have had a reasonable

expectation of successfully achieving the claimed invention from the combination.”

Id. So “[w]hen an obviousness determination relies on the combination of two or more references, there must be some suggestion or motivation to combine the references.” *Intelligent Bio-Sys., Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1368 (Fed. Cir. 2016).

To show a motivation to combine, Petitioner must prove why “the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed.” *In re Kotzab*, 217 F.3d 1365, 1371 (Fed. Cir. 2000). Petitioner must offer proof of “the specific understanding or principle within the knowledge of a skilled artisan that would have motivated one with no knowledge of [the] invention to make the combination in the manner claimed.” *Id.* As a result, conclusory statements, without supporting evidence, are not sufficient for Petitioner to demonstrate a motivation to combine. *See In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364, 1380 (Fed. Cir. 2016) (“To satisfy its burden of proving obviousness, a petitioner cannot employ mere conclusory statements.”). Instead, “there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007), 550 U.S. at 418 (“[I]t can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does.”).

The Federal Circuit has specifically held that expert testimony that the combination of references would yield something “more efficient, cheaper, or you wanted a system that had more features” to be inadequate because it “fails to explain why a person of ordinary skill in the art would have combined elements from specific references in the way the claimed invention does.” *ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1328 (Fed. Cir. 2012).

Conversely, the Federal Circuit has found sufficient motivation to combine requires a precise explanation of how to combine the references. *See Intel Corp. v. Qualcomm Inc.*, 21 F.4th 784, 794 (Fed. Cir. 2021). For example, the Court found a petitioner’s expert showed a motivation to combine when he walked through the thought process that would cause a POSITA to make each combinatorial decision and provided detailed annotated figures to show exactly how the references would be combined. *See id.*

Here, Petitioner provides a number of purported arguments in support of motivation to combine, but as shown below, they are nothing more than conclusory statements supported by generic reasoning (internal citations omitted):

- “[A] a POSITA would have looked to DeWaal, which was such a prior art wagering system, to discover implementation details of a system that was ready for improvement by the addition of Schugar’s wagering game and cash out techniques.” Petition, 22.

- “A POSITA could have implemented Schugar’s method of conducting a sport wagering event on DeWaal’s system hardware and thin-client configuration such that DeWaal’s central server executes the computerized instructions for controlling Schugar’s wagering event and receives inputs or commands from a player via the gaming device clients.” *Id.* at 22-23.
- “[A] POSITA would have had a reasonable expectation of success in implementing Schugar’s methods on DeWaal’s system in this way because Schugar states that ‘the embodiments described herein can be applied to any type of gaming machine.’” *Id.* at 23-24.
- “[A] POSITA would have known which of Schugar’s functions would be performed by the central server in the combination because DeWaal expressly teaches how to allocate wagering game operations between a central server and gaming machine client.” *Id.* at 24.
- “DeWaal explains that server control is advantageous for several reasons, which would have motivated a POSITA to make the combination.” *Id.*
- “These benefits of centralized control in a gaming system would have been particularly attractive to a POSITA implementing Schugar’s wagering events and methods because of the nature of Schugar’s

wagering events themselves. That is, a POSITA would have understood there is a great risk of data error and inconsistency in a sport wagering system if each individual client device independently monitors the sporting event and calculates and recalculates the ever-changing odds and payouts as the sporting event progresses.” *Id.* at 25.

- “Schugar’s teachings contemplate ‘pool’ and ‘parimutuel’ sports betting, and a POSITA would have understood that a centralized controller of such a pool or parimutuel bet was the most practical if not the necessary implementation because such betting arrangements require providing and sharing information, often in real time, amongst the plurality of participating bettors to determine awards, odds, and winners, which are tasks well-suited for a central controller.” *Id.* at 24-25.
- “A POSITA would have therefore found the combination of Schugar and DeWaal discussed herein to be obvious and would have expected success in implementing the combination.” *ID.* at 26.

The Petition’s only articulated motivations to combine are the above conclusory statements that a central server system like DeWaal’s would (i) offer faster, simpler, and more reliable monitoring of the sporting event and recalculation of odds, and (ii) a more practical if not necessary way of providing and sharing

information, often in real time, amongst the plurality of participating bettors to determine awards, odds, and winners. The Petition does not explain why a POSITA would know about, or care about, any of these purported motivations.

Further, the mere disclosure of the use of “pari-mutuel” odds in Schugar would not lead a POSITA to look to DeWaal to arrive at a system with a central server system that is configured to generate a cash out offer for the player based on the wager and progress of the sporting event by monitoring progress of the sporting event as presently claimed. EX-2016, ¶131. First, Schugar does not disclose any need for a system that can *implement* parimutuel wagering. *Id.*, ¶132. Rather, Schugar merely discloses that payout odds can be determined, for example after the event has ended, using parimutuel odds. *See id.*; EX-1005, ¶¶[0115], [0118], [0120], [0126], [0128]. Wagering systems can obtain odds, no matter how they are determined, from any number of sources, none of which require the design of an entirely new system. EX-2016, ¶133. There is no motivation in either Schuagr or DeWaal to develop a new system outside of what is disclosed in each reference. *Id.* Further, as described above, even if a POSITA looked to DeWaal’s thin-client configuration, 1) Schugar does not disclose the claimed “cash out”, and 2) DeWaal does not disclose key hardware components that would be needed to actually implement the claims. *See* Sections VI(A), VI(B). Because of these deficiencies, a POSITA would not be motivated to combine Schugar with DeWaal to arrive at the

claimed invention and Petitioner has failed to provide any explanation of how a POSITA would do so. EX-2016, ¶134.

Petitioner cannot rely on conclusory statements or blanket assertions of common sense to fill gaps and missing limitations from the prior art. *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1362–63 (Fed. Cir. 2016). Petitioner’s obviousness arguments “must be made with particularity, not opacity.” *Microsoft Corp. v. FG SRC, LLC*, 860 Fed. App’x 708, 713 (Fed. Cir. 2021).

Unfortunately, the Petition’s conclusory approach to the motivation to combine is directly at odds with the Federal Circuit’s express requirement that the “factual inquiry whether to combine references must be thorough and searching” and “must be based on objective evidence of record.” *In re Sang Su Lee*, 277 F.3d 1338, 1343 (Fed. Cir. 2002). Even a common-sense based motivation to combine must be “explained with sufficient reasoning.” *DSS Tech. Mgmt., Inc. v. Apple Inc.*, 885 F.3d 1367, 1374 (Fed. Cir. 2018); *see also Xerox Corp. v. Bytemark, Inc.*, IPR2022-00624, Paper 9 at 15-16 (PTAB Sept. 6, 2018) (precedential) (expert testimony entirely unsupported by underlying facts or data and “merely repeats, verbatim, the conclusory assertion for which it is offered to support”).

The Petition’s lack of any rational motivation to explain why a POSITA would make any of the proposed combinations is fatal to the sole ground. Accordingly, Petitioner’s motivation to combine is inadequate because it “bears no relation to the

specific combination of prior art elements” and it “also fails to explain why a person of ordinary skill in the art would have combined elements from specific references in the way the claimed invention does.” *ActiveVideo Networks*, 694 F.3d at 1328; *see also Xerox Corp.*, IPR2022-00624, Paper 12 at 5 (precedential) (Director Vidal affirming sue sponte the Board’s decision denying institution and that Petitioner’s expert “does not provide any technical detail, explanation, or statements supporting *why* the expert determines that the feature in question [in the prior art] was required or would have been obvious based on the prior art disclosure.” (emphasis original) (citing *In re Ethicon, Inc.*, 844 F.3d 1344, 1348, 1352 (Fed. Cir. 2017) and *TQ Delta, LLC v. Cisco Sys.*, 941 F.3d 1352, 1359 (Fed. Cir. 2019)).

Furthermore, Petitioner’s expert also asserts that “[t]he prior art would have expressly motivated a POSITA to implement Schugar’s wagering games/events in a centrally controlled server system as disclosed in DeWaal for several reasons.” EX-1007, ¶76. More specifically, Petitioner’s expert argues that because “DeWaal explicitly teaches that ‘[c]entral production or control can assist a gaming establishment or other entity in’ performing several essential functions of a gaming operator, such as ‘maintaining appropriate records, controlling gaming, reducing and preventing cheating or electronic or other errors, reducing or eliminating win-loss volatility and the like’” that a POSITA “would have been motivated to obtain these several expressly described benefits of centralized control in a wagering system in

implementing Schugar’s wagering events.” EX-1007, ¶76 (quoting EX-1004, ¶ [0088]).

However, when asked about these “essential functions” of a gaming operator, Petitioner’s expert acknowledged that aside from a need to maintain appropriate records, the remaining items are “directed to issues with having a centrally-controlled wagering system,” which Schugar does not disclose. EX-2017, 77:21-22. Indeed, these are only functions required by DeWaal, which are not relevant to Schugar’s system whatsoever. EX-2016, ¶136-38. Accordingly, because these benefits are associated with a system configuration that is not disclosed by Schugar, a POSITA would not look to DeWaal to implement Schugar’s wagering events.

Finally, Petitioner relies on the particular arrangement of hardware in DeWaal (i.e., a “thin-client configuration”) to argue that Schugar can be combined with DeWaal to arrive at a system that includes a central server system configured to “generate a cash out offer for the player based on the wager and progress of the sporting event, by: monitoring progress of the sporting event, wherein the progress of the sporting event may comprise at least a current status” as recited in claim 1 and similarly claimed in claims 8, 15, and 21. EX-1001, 50:62-67, 51:49-53, 52:29-35, 53:20-22.

However, as described above, DeWaal, does not disclose, teach, or even suggest a system with a central server having the ability to monitor an “*external*

‘sporting event,’ like ‘horse racing’ or ‘football’” or even any type of data interface with a third-party system. EX-1007, ¶78 (quoting EX-1005 ¶[0109])(emphasis added); EX-2016, ¶138-39.

As acknowledged by Petitioner’s expert, the data associated with a sporting event “must come from somewhere, and the only way you can get it is to input it, monitor it, record it from somewhere.” *Id.* at 94:14-18. Petitioner does not even attempt to explain the leap from a system with a central control that has no other connections other than to gaming devices that the central controller *itself controls* to a system that is configured to 1) interface with a third-party system providing data associated with a sporting event, 2) monitoring that data, and 3) generate a cash out offer based on the monitored data. Accordingly, since DeWaal does not even contemplate a key feature of claims 1, 8, 15, and 21 of the ’969 patent, a POSITA would not be motivated to combine Schugar with DeWaal to arrive at the claimed invention.

In summary, the Petition has failed to identify any “reason why a POSITA would have been motivated to combine” various elements of Schugar and DeWaal to arrive at the claimed invention. *Hamilton Beach Brands, Inc. v. freal Foods, LLC*, 908 F.3d 1328, 1342 (Fed. Cir. 2018). This is fatal to the single ground in the Petition. 37 C.F.R. § 42.65(a).

VII. CONCLUSION

For each of the foregoing reasons, the no claim of the '969 patent should be found invalid.

Dated: September 29, 2023

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I, Gianni Minutoli, certify that this paper complies with the type-volume limitation of 37 C.F.R. § 42.24 because it contains 10,042 words, excluding the parts of the paper exempted by 37 C.F.R. § 42.24(a).

Dated: September 29, 2023

/s/ Gianni Minutoli

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6, I hereby certify that on September 29, 2023 the foregoing Patent Owner Response was served via email on the following counsel of record for the Petitioner:

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