

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DK CROWN HOLDINGS INC. (FORMERLY DRAFTKINGS INC.), A
DELAWARE CORPORATION,
Petitioner,

v.

DIOGENES LIMITED,
Patent Owner.

IPR2023-00267
Attorney Docket No.: 087764.0109

**PETITION FOR *INTER PARTES* REVIEW OF
U.S. PATENT NO. 10,997,822**

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TABLE OF CONTENTS

I.	Introduction.....	1
II.	Mandatory Notices Under 37 C.F.R. 42.8(a)(1).....	3
	A. Real Party-in-Interest under 37 C.F.R. 42.8(b)(1)	3
	B. Related Matters under 37 C.F.R. 42.8(b)(2)	3
	C. Lead and Back-Up Counsel under 37 C.F.R. 42.8(b)(3)	4
	D. Service Information under 37 C.F.R. 42.8(b)(4).....	4
III.	Claim Listing	4
	A. Claim 1	4
	B. Claim 7	5
	C. Claim 15	5
	D. Claim 21	6
IV.	Requirements Under 37 C.F.R. 42.104	6
	A. Grounds for Standing	6
	B. Identification of Challenge and Statement of Precise Relief Requested	6
V.	The '822 Patent.....	7
	A. Embodiments of the '822 Patent	7
	B. Priority Claims	10
	C. Prosecution History	10
VI.	Level of Ordinary Skill in the Art	10
VII.	Claim Construction.....	10
VIII.	Summary of Prior Art	10
	A. DeWaal (EX[1004])	10

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

B.	Schugar (EX[1005])	13
C.	Scott (EX[1006])	15
D.	Analogous Prior Art	17
IX.	Grounds of Unpatentability	18
A.	Ground 1: Claims 1, 7, 15, 21 Are Anticipated by Scott.	19
1.	Claim 1	19
2.	Claim 7: “The system of claim 1, wherein the one or more operations further comprise: adjusting the designated amount for the value of the wager on the wagering event after the initial designated amount is received.”	30
3.	Claim 15.....	31
4.	Claim 21: “The non-transitory computer readable medium of claim 15, causing the central server system to adjust the designated amount for the value of the wager on the wagering event after the initial designated amount is received.”	33
B.	Ground 2: Claims 7, 15, 21 Are Rendered Obvious by Scott in view of Schugar.....	33
1.	Schugar Discloses Both a “Buy-Out Offer” <i>and</i> a “Partial Buy-Out Offer” to the Extent That is Required by Limitations 15[c]-15[f].....	34
2.	Schugar Discloses the Limitation of Claims 7 and 21: “Adjusting the Designated Amount for the Value of the Wager on the Wagering Event After the Initial Designated Amount Is Received”	35
3.	Motivation to Combine	36
C.	Grounds 3 & 4: Claims 1, 7, 15, 21 Are Anticipated by DeWaal or Rendered Obvious by DeWaal in view of the General Knowledge of a POSITA.	40
1.	Claim 1	40

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

2.	Claim 7: “The system of claim 1, wherein the one or more operations further comprise: adjusting the designated amount for the value of the wager on the wagering event after the initial designated amount is received.”	52
3.	Claim 15.....	52
4.	Claim 21: “The non-transitory computer readable medium of claim 15, causing the central server system to adjust the designated amount for the value of the wager on the wagering event after the initial designated amount is received.”	54
D.	Ground 5: Claims 7, 15, 21 Are Rendered Obvious by DeWaal in view of Schugar.....	54
1.	Schugar Discloses Both a “Buy-Out Offer” <i>and</i> a “Partial Buy-Out Offer”	55
2.	Schugar Discloses “Adjusting the Designated Amount for the Value of the Wager on the Wagering Event After the Initial Designated Amount Is Received”	55
3.	Motivation to Combine	55
X.	Secondary Considerations	61
XI.	Discretionary Denial is not Appropriate.....	61
A.	§ 314(a).....	61
B.	§ 325(d)	61
1.	Advanced Bionics: Step One	62
2.	Advanced Bionics: Step Two.....	63
XII.	Conclusion	66

PETITIONER’S EXHIBIT LIST

EX[No.]	Description of Documents
1001	U.S. Patent No. 10,997,822 (“the ’822 Patent”)
1002	Prosecution File History for the ’822 Patent
1003	File History for U.S. Patent No. 9,117,341
1004	U.S. Patent Application Publication No. 2008/0113765 A1 (“DeWaal”)
1005	U.S. Patent Application Publication No. 2008/0311981 A1 (“Schugar”)
1006	U.S. Patent Application Publication No. 2012/0309503 A1 (“Scott”)
1007	Declaration of Dwight Crevelt
1008	<i>Curriculum Vitae</i> of Dwight Crevelt
1009	Vishal Jain & Jyoti Moy Chatterjee, <i>Machine Learning with Health Care Perspective</i> (Springer 2020)
1010	Christiani Hugonii, <i>The Value of all Chances in Games of Fortune; Cards, Dice, Wagers, Lotteries, &C. Mathematically Demonstrated</i> (printed 1741)
1011	C.C. Heyde & E. Seneta, <i>Statisticians of the Centuries</i> (Springer 2001)
1012	Jui-Pin Cheng, <i>The Origin of Probability and The Problem of Points</i> (2000), https://sites.math.rutgers.edu/~cherlin/History/Papers2000/cheng.html
1013	Nicholas Hammond, <i>The Cambridge Companion to Pascal</i> (Cambridge University Press 2003)
1014	Prakash Gorroochurn, <i>Thirteen Correct Solutions to the “Problem of Points” and Their Histories</i> , THE MATHEMATICAL INTELLIGENCER (Springer 2014)
1015	Keith Devlin, <i>The Unfinished Game: Pascal, Fermat, and the Seventeenth-Century Letter that Made the World Modern</i> (Basic Books 2008)

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

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1016	Anders Hald, <i>A History of Probability and Statistics and Their Applications before 1750</i> (John Wiley & Sons 2003)
1017	Adam Prügel-Bennett, <i>The Probability Companion for Engineering and Computer Science</i> (Cambridge University Press 2019)
1018	Elizabeth A. Killick & Mark D. Griffiths, <i>In-Play Sports Betting: a Scoping Study</i> , 17 INT J MENT HEALTH ADDICTION 1456 (Apr. 16, 2018)
1019	<i>What is In-Play Betting: Live Betting Explained by William Hill</i> , WILLIAMHILL.COM (Apr. 20, 2021), https://news.williamhill.com/betting-guides/in-play-betting/
1020	Mark O’Haire, <i>The History of Betting</i> , TheSetPieces (2021), https://thesetpieces.com/latest-posts/the-history-of-betting/
1021	U.S. Patent No. 9,117,341 (“the ’341 Patent”)
1022	Chris Summers, <i>How Does a Betting Exchange Work?</i> , BBC News (Dec. 7, 2007)
1023	Landi, Gianluca, <i>Betting Exchange: The Sports Trading Revolution</i> (StreetLib 2017)
1024	Declaration of Bernard J. Marantelli, Australian Patent Application No. 2013333573 (Jun. 18, 2016)
1025	Vaughan Williams & Donald S. Siegal, <i>The Oxford Handbook of the Economics of Gambling</i> (Oxford University Press 2013)
1026	Mark Davies <i>et al.</i> , <i>Betfair.com: Five Technology Forces Revolutionize Worldwide Wagering</i> , 23 EUROPEAN MANAGEMENT JOURNAL 533 (Oct. 2005)
1027	U.S. Patent No. 7,909,694 (“Schugar ’694”)
1028	Betfair Trading Software, <i>About Bet Angel Software</i> (via The Wayback Machine dated Dec. 26, 2007)
1029	Green All Over Blog (Dec. 7, 2008)

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

EX[No.]	Description of Documents
1030	Dan Thomas, <i>Betfair's 'Cash Out' Trading Tool Used for the Millionth Time</i> , BETTFAIR (Sept. 13, 2011)
1031	Betfair Financial Statement (Jun. 29, 2011)
1032	Dan Thomas, <i>Cash Out Comes to Betfair Mobile</i> , Betfair (Dec. 19, 2011)
1033	Michael Taylor, <i>Cash In My Bet with William Hill</i> , WILLIAMHILL.COM (Dec. 18, 2012)
1034	Tal Grant <i>et al.</i> , <i>UK Gaming</i> , Credit Suisse (Aug. 14, 2017)
1035	James Conrey McMath, <i>Speculation and Gambling in Options, Futures and Stocks in Illinois</i> (Hawkins & Loomis 1921)
1036	LeRoy Gross, <i>The Conservative Investor's Guide to Trading Options</i> (Wiley 1999)
1037	Stuart Banner, <i>Speculation: A History of the Fine Line Between Gambling and Investing</i> (Oxford University Press 2017)
1038	E.V. Smalley, <i>Northern Pacific Railroad Book of Reference</i> (E. Wells Sackett & Rankin 1883)
1039	Wesley A. Sturges <i>et al.</i> , <i>Stock Option and Stock Purchase Plans</i> (U.S. Gov't Printing Office 1952)
1040	Michael C. Thomsett, <i>Getting Started in Options</i> (Wiley 2007)
1041	Lawrence G. McMillan, <i>McMillan on Options</i> (Wiley 2011)
1042	The Sports Trader, <i>The Diary of a Betdaq Trader</i> (Dec. 5, 2007)
1043	Betfair Community, <i>Football Forum</i> (Dec. 11, 2009), https://community.betfair.com/football/go/thread/view/94070/23545078/i-didnt-think-you-got-your-green-until-after-events-were-finished?post_id=421340998#421340998#flvWelcomeHeader

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

EX[No.]	Description of Documents
1044	Betfair Community, <i>Golf Forum</i> at 1 (Apr. 9, 2010), https://community.betfair.com/golf/go/thread/view/94086/23563950/ma-sters-day-2---in-running?liveView=0&pg=53
1045	Betfair Community, <i>General Betting Forum</i> (Dec. 10, 2010)
1046	Betfair Community, <i>General Betting Forum</i> at 3 (Jun. 8, 2011)
1047	U.S. Patent Application Publication No. 2001/0136566 A1 (“Acres”)
1048	Exhibit 338.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB
1049	Exhibit 341.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB
1050	Exhibit 439.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB
1051	Exhibit 516.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB
1052	Exhibit 716.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB
1053	Exhibit 779.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB
1054	Exhibit 822.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB
1055	Exhibit 969.A to Plaintiffs’ Initial Infringement Contentions, <i>Diogenes Limited v. DraftKings, Inc.</i> , C.A. No. 21-1695-MN-CJB

I. INTRODUCTION

Petitioner requests review of Claims 1, 7, 15, 21 (the “Challenged Claims”) of U.S. Patent No. 10,997,822 (the “’822 Patent”). The Challenged Claims are directed to a known method of conducting a wagering event and presenting a player with a buy-out offer prior to completion of the event. Although the Challenged Claims also recite other limitations, it is this pre-completion “buy-out offer” that the named inventor—Mr. Bernard J. Marantelli—held out as differentiating the alleged invention over the prior art. EX[1003] 86 (Dec. 18, 2014 Response to Office Action). But the concept of such a “buy-out offer” is as old as the theory of probability itself, while its use in online betting platforms began at least two decades ago. EX[1007] ¶¶30-39.

To the extent Patent Owner has further sought to distinguish the alleged invention from the prior art based on its provision of a “partial” cash out option, this concept is older than the named inventor himself. EX[1007] ¶¶40-43. It is no different than the partial exercise of an option to buy or sell stock at a particular price at some future date, which speculators have been doing since at least the 1800s. EX[1038] 318-320; EX[1039] 47-48. And the ability to exercise such an option, or cash out a wager, has been in use in online betting platforms for at least fifteen years (*i.e.*, five years before the earliest claimed priority date of the ’822 Patent). EX[1007] ¶41; EX[1028] 1, 3.

It is no surprise then that these same concepts, and their use in online betting

platforms, are disclosed in patents and printed publications (*i.e.*, prior art available under 35 U.S.C. §311(b)) from well before the earliest claimed priority date of the '822 Patent. For example, U.S. Patent Application Publication No. 2008/0113765 to DeWaal (“DeWaal”)—published May 15, 2008—discloses conducting “a multi-round bonus event [that] includes plurality of outcomes in each round,” and “offer[ing] each advancing player an award to quit the bonus event” (*i.e.*, a buy-out) prior to the completion of the event. EX[1004] ¶[0128], ¶[0141].

Similarly, U.S. Patent Application Publication No. 2008/0311981 to David Schugar (“Schugar”)—published December 18, 2008—discloses an instance in which a player “can be ‘winning’ before the game is over” and, therefore, “may wish to have a way to cash in on the winning state before completing the game.” EX[1005] ¶[0077]. As such, Schugar discloses a method of “cashing out a ***portion*** of a current bet in progress.”¹ *Id.* ¶[0127]. Schugar provides an example in which a player made a \$100 wager on a Yankee’s game and, by the fifth inning, the expected payout of that wager is \$132. *Id.* ¶[0120]. Schugar explains how, in that example, the player “may use \$1 of that amount and make a second wager,” which will result in \$1.52 (*i.e.*, the adjusted value of that dollar based on the new odds) being “subtracted from the original \$100 wager to result in a \$98.48 wager ***remaining*** on the Yankees.” *Id.*

¹ Here and after, emphasis added to quoted text unless otherwise noted.

In other words, methods of conducting a multi-outcome wagering event that comprises multiple legs and presenting a player with a buy-out offer and a partial buy-out offer prior to completion of all the legs have been disclosed in patents and printed publications since at least 2008—four years ***before*** the earliest claimed priority date of the '822 Patent. The Challenged Claims are therefore invalid and should be cancelled.

II. MANDATORY NOTICES UNDER 37 C.F.R. 42.8(A)(1)

A. Real Party-in-Interest under 37 C.F.R. 42.8(b)(1)

DK Crown Holdings Inc. (formerly DraftKings Inc.), a Delaware corporation (“DraftKings” or “Petitioner”) is the Petitioner. DK Crown Holdings Inc. (formerly DraftKings Inc.), a Delaware corporation is a wholly-owned subsidiary of DraftKings Inc., a Nevada corporation, which is a publicly traded company. Crown Gaming Inc. is also a wholly-owned subsidiary of DraftKings Inc., a Nevada corporation. SBTech (Global) Limited is a wholly-owned subsidiary of DK Crown Holdings Inc. (formerly DraftKings Inc.), a Delaware corporation.

No other parties exercised or could have exercised control over this Petition; no other parties funded or directed this Petition. See Office Patent Trial Practice Guide, 77 FED. REG. 48759, 48759-60.

B. Related Matters under 37 C.F.R. 42.8(b)(2)

Patent Owner has asserted the '822 Patent against Petitioner in a co-pending litigation, *Diogenes Limited et al. v. DraftKings Inc.*, Case No. 1-21-cv-01695,

District of Delaware.

C. Lead and Back-Up Counsel under 37 C.F.R. 42.8(b)(3)

Petitioner designates the following: Lead Counsel is Eliot D. Williams (Reg. No. 50,822) of Baker Botts L.L.P.; Back-up Counsel are G. Hopkins Guy III (Reg. No. 35,886), Jamie R. Lynn (Reg. No. 63,666), Thomas C. Martin (Reg. No. 57,677), Bradley S. Bowling (Reg. No. 52,641), and Andrew D. Wilson (Reg. No. 74,093), also of Baker Botts L.L.P. A Power of Attorney is filed concurrently herewith under 37 C.F.R. 42.10(b).

D. Service Information under 37 C.F.R. 42.8(b)(4)

Correspondence to lead and back-up counsel can be provided at the postal and electronic addresses above. Petitioner consents to service by electronic mail at:

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Jamie.Lynn@BakerBotts.com; Tommy.Martin@bakerbotts.com;
Brad.Bowling@bakerbotts.com; Andrew.Wilson@BakerBotts.com; and
DLDraftKingsvDiogenes@BakerBotts.com.

III. CLAIM LISTING

A. Claim 1

1[a]	A system for processing a payment for a wager in connection with a wagering event, the system comprising:
1[b]	a communications interface;
1[c]	a processor operatively coupled to the communications interface; and
1[d]	a memory having programming instructions stored thereon, which,

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

	when executed by the processor, performs one or more operations, comprising:
1[e]	receiving, over the communications interface, a designated amount for a value of the wager on the wagering event from a first input device,
1[f]	receiving, over the communications interface, a cash out offer from a second input device,
1[g]	identifying an acceptance of the cash out offer from the first input device prior to the end of the wagering event,
1[h]	processing the cash out offer, and
1[i]	transmitting, over the communications interface, a value of the cash out offer to the first input device.

B. Claim 7

7	The system of claim 1, wherein the one or more operations further comprise: adjusting the designated amount for the value of the wager on the wagering event after the initial designated amount is received.
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C. Claim 15

15[a]	A non-transitory computer readable medium having instructions stored thereon, which, when executed by a processor, performs one or more operations, comprising:
15[b]	causing a central server system to receive a designated amount for a value of the wager on the wagering event from a first input device;
15[c]	causing the central server system to receive one or more of a buy-out offer comprising the value of the wager or a partial buy-out offer comprising a portion the value of the wager from a second input device;
15[d]	causing the central server system to identify an acceptance of the one or more of the buy-out offer or the partial buy-out offer from the first input device prior to the end of the wagering event;

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

15[e]	causing the central server system to process the one or more of the buy-out offer or the partial buy-out offer; and
15[f]	causing the central server system to transmit at least a portion of the one or more of the value and the portion of the value to the first input device.

D. Claim 21

21	The non-transitory computer readable medium of claim 15, causing the central server system to adjust the designated amount for the value of the wager on the wagering event after the initial designated amount is received.
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IV. REQUIREMENTS UNDER 37 C.F.R. 42.104

A. Grounds for Standing

Petitioner certifies that the '822 Patent is eligible for *inter partes* review and that Petitioner meets the eligibility requirements set forth in 37 C.F.R. 42.104.

B. Identification of Challenge and Statement of Precise Relief Requested

Ground	'822 Patent Claims	Basis for Challenge
1	1, 7, 15, 21	Anticipated by Scott
2	7, 15, 21	Obvious over Scott in combination with Schugar
3	1, 7, 15, 21	Anticipated by DeWaal
4	1, 7, 15, 21	Obvious over DeWaal in view of the general knowledge of a POSITA
5	7, 15, 21	Obvious over DeWaal in combination with Schugar

V. THE '822 PATENT

The '822 Patent is directed to the well-known concept of offering players a “‘buy-out’ or opportunity to sell their tickets (in whole or alternatively ... in part (i.e., a fractional amount)” prior to the completion of a wagering event (i.e., the Problem of Points). EX[1001] 35:7-19; *see also* EX[1007] ¶¶30-35. The '822 Patent explains that such a “buy-out” may be performed by selling a player’s stake “to a third party (e.g., ... one or more other persons, other player(s), etc.),” just as was done in the early 2000s via betting exchanges. EX[1001] 35:21-23; *see also* EX[1007] ¶¶38-39. The '822 Patent also contemplates performing a “buy-out” by selling a player’s stake “to the game operator.” EX[1001] 2:33-48. This also was well-known at the time. *See, e.g., infra* §VIII.B, §VIII.C.

A. Embodiments of the '822 Patent²

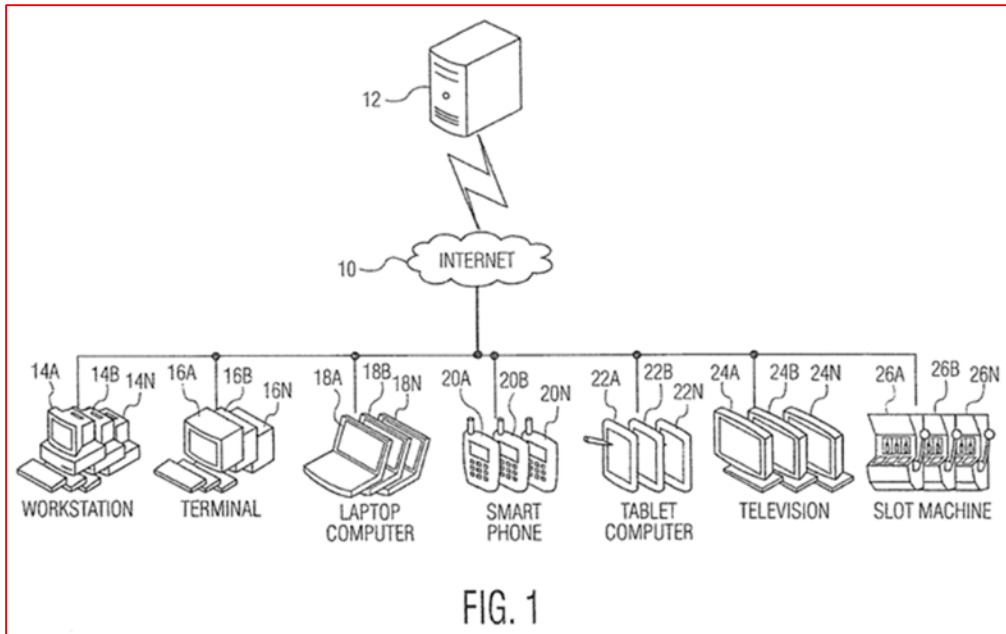
The '822 Patent describes a “wagering event” as “any event where betting may be utilized or even scenarios where play is just for fun, such as, and without limitation, any type of actual or virtual sporting event or any type of game.” EX[1001] 5:31-34. Examples of such wagering events include “sporting events” and “virtual and real” casino games, such as “jacks, poker, blackjack, Texas hold 'em, etc.,” “lotteries, racing, slot machines and other multi-leg/multi-events/multi-

² Nothing herein is an admission that the '822 Patent adequately describes or enables any claim.

outcome or divisible games.” *Id.* 5:37-48.

In certain embodiments, a player “may be allowed to decouple a ticket” from the wagering event by “accept[ing] a **full or partial buy-out** of only certain parts of a ticket” at the completion of a leg, “with the remaining parts of the ticket being unaffected, so that the player retains the entirety [sic] of these remaining parts of the ticket” until the completion of the last leg of the wagering event. *Id.* 23:27-35 (emphasis added); *see also id.* 35:8-13. Of course, the player also may reject the “full or partial buy-out” offer, in which case the wagering event simply continues as normal. *Id.* 23:22-35. Thus, a player has at least three options in responding to a “full or partial buy-out” offer in this embodiment: (1) accept the offer to fully buy-out, (2) accept the offer to partially buy-out, (3) or reject both offers. *Id.* 16:45-60.

The '822 Patent describes implementing this embodiment via a “wagering system hardware and network” that include wagering input devices 20N or gaming machines 26A and 26N, and a central server system 12 or system controller, each connected over network, as depicted below:



Id. 6:36-55, Figure 1. The '822 repeatedly acknowledges that this architecture and its various components were “known in the art” at the time. *See id.* 7:39-44 (“The wager stations 14 and wagering terminals 16 of FIG. 1 are depicted in an exemplary only embodiments, but as **known in the art** they may include a support structure, housing or cabinet which provides support for a plurality of displays, inputs, controls and other features of a conventional wager terminal.”), 9:54-56 (“These types of software programs having these functionalities are in place in various totalizer facilities and are thus **known in the art**.”), 13:34-37 (“The embodiments as generally illustrated in FIG. 1 may include, as **known in the art**, a display device which displays the betting options.”), 13:63-65 (“Any other suitable types of products or devices **commercially known** may also be utilized where desired and in accordance with the needs of a particular implementation), 26:51-53 (“The present disclosure may be implemented in various configurations for gaming machines or wager

terminals *known in the art*”).

B. Priority Claims

The '822 Patent was filed as Application No. 17/109,616 on December 2, 2020 and claims priority through a series of continuation and continuation-in-part applications to Application No. 13/605,813 filed September 6, 2012. EX[1001] (21)-(22), (63).

C. Prosecution History

The application leading to the '822 Patent issued without any prior art rejections. EX[1002] 1, 28-37.

VI. LEVEL OF ORDINARY SKILL IN THE ART

A person of ordinary skill in the art (“POSITA”) would be a person with a bachelor’s degree in electrical engineering, computer science, or a similar field; and at least two years of experience in the wager based gaming industry. EX[1007] ¶28. A person with less education but more relevant practical experience may also meet this standard. *Id.*

VII. CLAIM CONSTRUCTION

No terms of the '822 Patent require construction beyond their plain and ordinary meaning. EX[1007] ¶66.

VIII. SUMMARY OF PRIOR ART

A. DeWaal (EX[1004])

U.S. Patent Application Publication No. 2008/0113765 (*i.e.*, DeWaal),

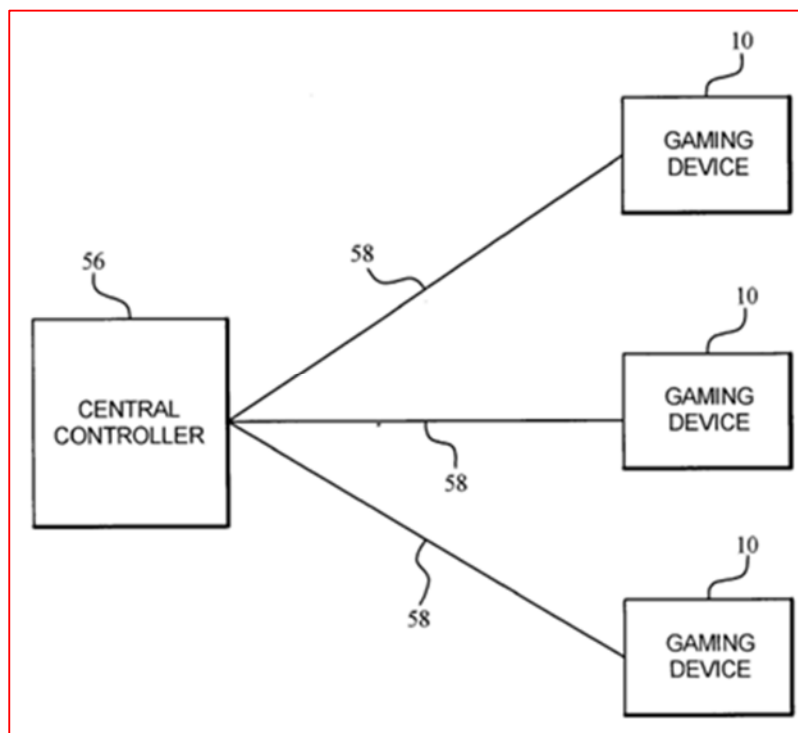
introduced *supra* at §I, is titled “Gaming System and Method Providing Venue Wide Simultaneous Player Participation Based Bonus Game” and published on May 15, 2008. See EX[1004]. It therefore qualifies as prior art under at least 35 U.S.C. §102(b). In fact, the U.S. Patent that issued from DeWaal—U.S. Patent No. 8,105,149—is incorporated by reference in the ’822 Patent. EX[1001] 25:64-67. In other words, DeWaal is also applicant admitted prior art.

DeWaal teaches a gaming system and method that “simultaneously provides 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]. DeWaal’s “multi-round bonus event” includes a “plurality of outcomes in each round,” and “players must pick a designated selection (i.e., a winning outcome) in each round to win all or a share of the award.” *Id.* ¶[0016], ¶[0128]. Players that pick the winning outcome in a round advance to a subsequent round, while players that fail to pick the winning outcome in a given round are eliminated from the bonus event. *Id.* ¶¶[0130]-[0131]. DeWaal “offers each advancing player an award to quit the bonus event” between each round. *Id.* ¶[0141]. “This offer and acceptance process continues for a designated number of rounds.” *Id.* ¶[0147].

Any player that accepts the “offer to quit” in exchange for the “additional award” between rounds is paid the award and is eliminated from the bonus event. EX[1004] ¶[0142]. On the other hand, “[i]f the player rejects the offer, the player

is advanced to the subsequent round.” *Id.* ¶[0162]; *see also id.* ¶[0159]. This process of determining which players advance or are eliminated while offering the advancing players the option of selling out or quitting in exchange for an additional award in each round “continues for a designated number of rounds until a final round,” in which “the central controller determines one or more winning players” of the bonus event. *Id.* ¶[0132]. Then, in the final round, “if one of the eligible players makes an input associated with the winning outcome, the central controller provides that player with the award.” *Id.* ¶[0133].

DeWaal teaches its cash-out process as being implemented via “one or more ... gaming devices 10 ... 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,” as depicted below:



EX[1004] ¶[0084], Figure 2B. DeWaal also teaches this process as being applicable to “any bonus or secondary game or sequence,” such as, for example, “reel/slot games, card games (e.g., poker, blackjack), lottery games, selection games, offer and acceptance games, wheel games, dice games, free spin games, competition games, skill games, perceived skill games or games that include one or more rounds of game play.” *Id.* ¶[0108].

B. Schugar (EX[1005])

U.S. Patent Application Publication No. 2008/0311981 (*i.e.*, Schugar), introduced *supra* at §I, is titled “Wagering Game That Allows Player To Alter Payouts Based on Equity Position” and published on December 18, 2008. *See* EX[1005]. It therefore qualifies as prior art at least under 35 U.S.C. §102(b).

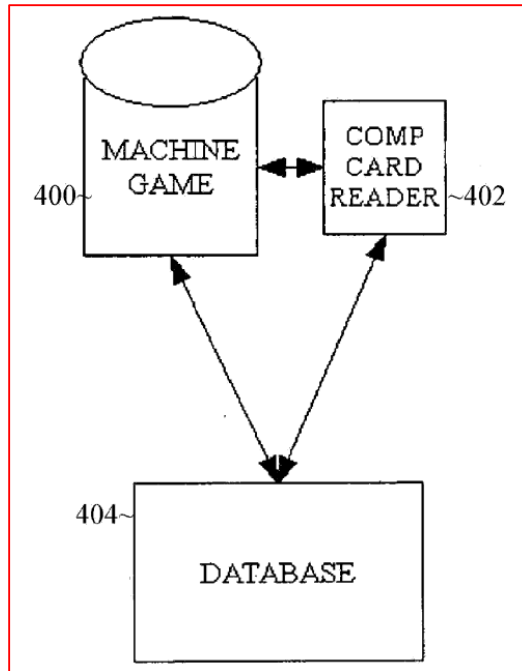
Schugar is directed to “a wagering game that allows a player to alter payouts based on an equity position the player has in the wagering game.” EX[1005] ¶[0003]. For example, Schugar teaches allowing players of multi-leg games to leverage equity concepts by “cash[ing] in on [a] winning state before completing the game.” *Id.* ¶[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.* ¶[0042].

In this regard, Schugar recognizes that “[a] player may find it attractive to be able to accumulate (or ‘bank’) a portion of a positive expectation situation for later redemption” so that “even if the player ultimately loses his or her wager, the player

has not lost everything because the banking has been performed.” EX[1005] ¶[0077]. “In this way,” as Schugar explains, “the player can continue to wager, but limit his losses by ensuring that some amount is still saved for later.” *Id.* ¶[0079]. Schugar, therefore, discloses a feature where a player is offered the ability of “cashing out a **portion** of a current bet in progress,” or to “bank” it for later and continue playing the multi-leg game with a reduced expected potential winning. *Id.* ¶[0079], ¶[0127]. “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.” *Id.* ¶[0092].

By offering players the ability to “cash[] out” a portion of their wager and keep playing with the remainder, Schugar allows players to put themselves in “a no-lose situation” so they “can relax and enjoy the game without worry.” EX[1005] ¶[0126]. The cash-out payment is made by the house, or operator, in Schugar. *Id.* at ¶[0023]. But in exchange for this early cash out, “the player may then also have to pay some type of ‘interest,’ commission, vigorish, etc., to the house.” *Id.* ¶[0023]. The result is that “[t]he house makes money” while “the player gets the peace of mind of the sure win.” *Id.* ¶[0078].

Schugar teaches its partial cash-out process as being implemented via a machine game 400 and a database 400 that is “accessible by all games in an individual casino or group of casinos,” as depicted below:

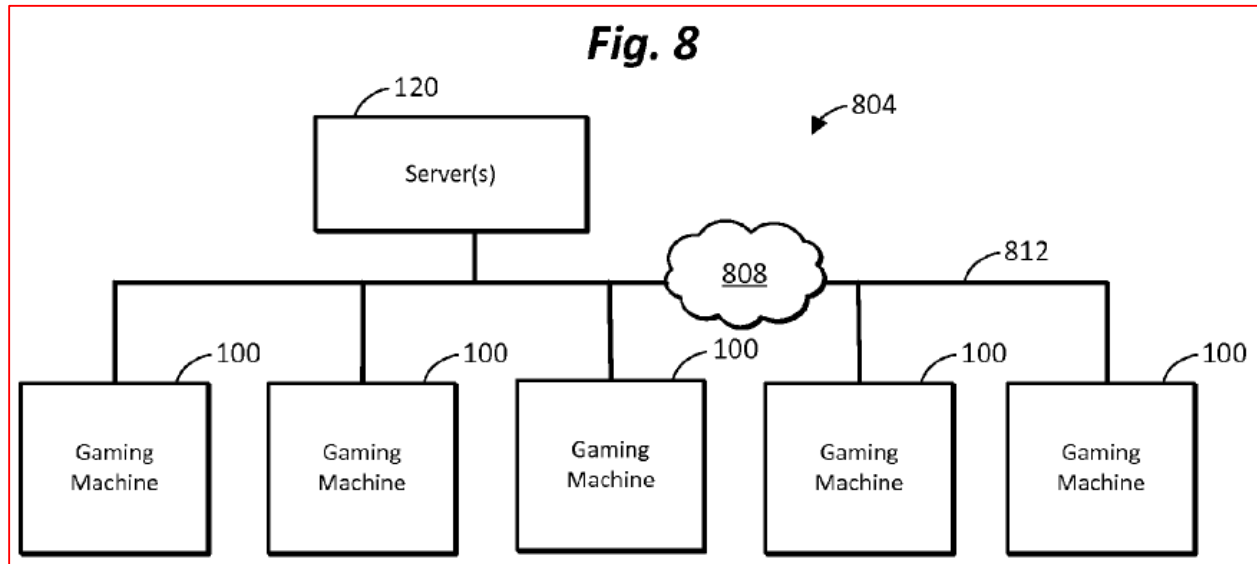


EX[1005] ¶¶[0104]-[0105], FIG. 4. The machine game 400 “can be any wagering machine game, such as a slot machine, video poker machine, or machine game which plays any game which can have multiple states (e.g. games which a player can wager on a progression),” such as “a sporting event, a gambling game (e.g., card game etc.), any event that bettors have placed wagers on in the prior art.” *Id.* ¶[0104], ¶[0122]; *see also id.* ¶[0075] (“[T]he methods described herein of using equity funds can also be used for any game that has variable states and is not over without an interval in between states.”).

C. Scott (EX[1006])

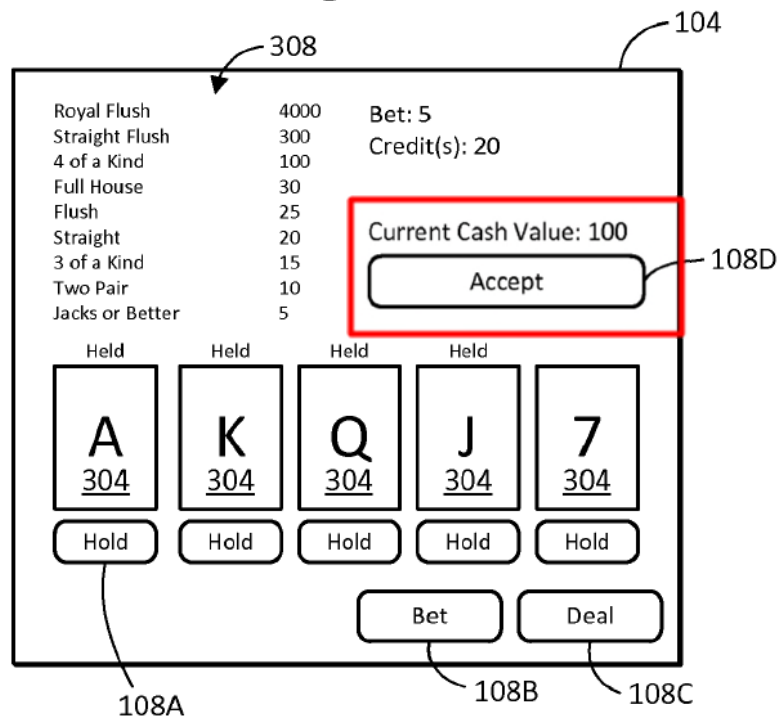
U.S. Patent Application Publication No. 2012/0309503 (“Scott”) published on December 6, 2012 from an application filed on March 14, 2012. EX[1006] (63). Scott therefore qualifies as prior art under at least 35 U.S.C. §102(e).

Scott teaches a “multiplayer gaming system for wagering games where non-final sets of indicia may be associated with an offer price for sale to other players,” as shown in Figure 8:



EX[1006] (57), Figure 8. Scott also discloses that a player’s live wager can be bought by and sold to the system operator or other players of the gaming system. For example, “If the player accepts the current cash value for his or her game symbols at decision step 432, the current cash value may be paid to the player at step 424.” *Id.* ¶[0079]. This is illustrated in Figure 3A below.

Fig. 3A



Id. Figure 3A.

Scott further discloses a “marketplace” for players to buy and sell interests in open wagers. A player “may decide that he or she is better off selling the hand to another player than to take the current cash value or attempt to achieve a winning outcome from the symbols.” EX[1006] ¶[0099]. For example, engaging a “sell” button or the like may cause the player’s wager to enter an “electronic marketplace for sets of symbols” and “solicit wagers or credits from other players who may purchase the symbols from the player.” *Id.*

D. Analogous Prior Art

The references relied upon in the following grounds—Scott, DeWaal, and Schugar—are analogous art because they are all directed to cashing out a wager

before the completion of a wagering event using a networked electronic betting system. *See supra* §VIII.A-VIII.C. DeWaal teaches a cash-out process and electronic betting system that are used to wager on multi-round bonus events, such as a “multi-round selection game [that] includes four rounds and ten outcomes per round.” EX[1004] ¶[0119]. This might be the case, for example, in a four-reel slot machine. *Id.* ¶[0069]. Schugar teaches a cash-out process and electronic betting system that are used to wager on games in a series, such as a four-quarter football game. EX[1005] ¶[0126]. And Scott teaches a cash-out process and electronic betting system that are used to wager on “one or more rounds of a game ... where one or more indicia may be added, removed, and/or replaced,” such as in a poker game that involves “dealing playing cards in stages.” EX[1006] ¶[0124]. The four-round bonus event taught by DeWaal, the four-quarter sporting event taught by Schugar, and the four-card deal contemplated by Scott naturally align with one another, as each allows for a player to cash out of their wager at each of the four different legs, or rounds, of the wagering event. EX[1007] ¶131, ¶174.

IX. GROUNDS OF UNPATENTABILITY

Claims 1, 7, 15, and 21 are anticipated by Scott and DeWaal. If it is determined that claims 15 and 21 require both a “buy-out offer” **and** a “partial buy-out offer,” those claims are rendered obvious by either Scott or DeWaal in view of Schugar. In addition, claims 7 and 21 are rendered obvious by either Scott or DeWaal in view of Schugar if it is determined that either Scott or DeWaal does not

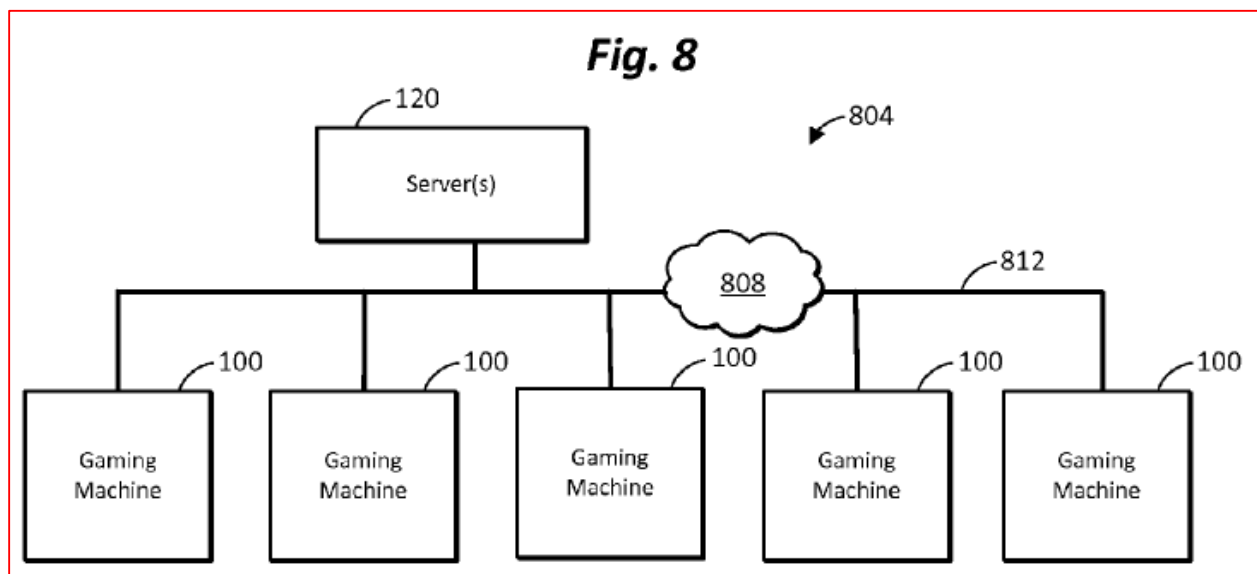
disclose “adjusting the designated amount for the value of the wager on the wagering event after the initial designated amount is received,” as recited in those claims.

A. Ground 1: Claims 1, 7, 15, 21 Are Anticipated by Scott.

1. Claim 1

- a) 1[a]: “A system for processing a payment for a wager in connection with a wagering event, the system comprising:”

Scott discloses this limitation because Scott discloses a “multiplayer **system** 804” that facilitates payments between players exchanging “non-final sets of indicia” in a wagering event. EX[1006] ¶[0116]. As depicted below, this “system” includes “one or more servers 120 in communication with one or more gaming machines 100.”



Id. ¶[1006], Figure 8; *see also id.* ¶[0036]. “For example, the multiplayer system 804 may communicate via wireless and/or wired communications.” *Id.* ¶[0118].

Scott explains that a first player may use the multiplayer system to play games, such as “video poker games, keno, slot-type games, and blackjack or other card, dice

or various other games now known or later developed,” as well as “video lottery, bingo and bingo-based games.” EX[1006] ¶[0049], ¶[0050]. As Scott explains, a first player may “wager monetary credits” and play such games, thereby making them “*wagering event[s]*.” *Id.*; see also *id.* ¶¶ [0074]

A POSITA would understand Scott’s “multiplayer system” is for “*processing a payment*” made by a second player for a first player’s wager (including their non-final set of game indicia) in the wagering game, i.e., wagering event. EX[1007] ¶92. “For example, a player playing a poker game at a gaming machine 100 may sell his or her partial hand through the multiplayer system 804.” EX[1006] ¶[0117]. And when that player elects to sell their wager, other players may submit offers for that player’s wager. *Id.* ¶[0139]. If the offer is accepted, then the central server 120 of the multiplayer system “transfer[s] payment” from the offering player to the accepting player. *Id.* ¶[0014]; see also *id.* ¶[0140] (“[T]okens, credits, funds or other consideration used to purchase the non-final set of indicia may be **transferred** from the second player to the first player”); *id.* claim 3. A POSITA would understand that “transfer[ring] payment,” such as “tokens, credits, funds or other consideration used to purchase the non-final set of indica,” corresponds to “*processing payment for a wager in connection with a wagering event.*” EX[1007] ¶93.

b) 1[b]: “*a communications interface;*”

Scott discloses this limitation because Scott discloses that “[t]he server may

have one or more ... **communication devices**” and “may utilize various communication mediums in operation” in order to “communicat[e] with one or more gaming machines.” EX[1006] ¶[0011], ¶[0116], ¶[0118]. Scott discloses that these communication devices allow the central server 120 to communicate with gaming machines 100 in the multiplayer system 804 via communication networks 808, such as “wireless or wired communications,” local area networks, wide area networks, or both, and/or the “Internet.” *Id.* ¶[0118]. Scott therefore limitation 1[b]. EX[1007] ¶¶94-95.

c) 1[c]: “a processor operatively coupled to the communications interface; and”

Scott discloses this limitation by expressly claiming a “multiplayer wagering game system comprising ... a server having **one or more processors**, memory devices, and **communication devices**,” and that the server is “configured to transmit” and to “receive” offers and acceptances to and from players’ gaming machines. EX[1006] claim 1. A POSITA would understand that the “processor” of Scott’s server must be “operatively coupled” to Scott’s communication devices to perform these actions. EX[1007] ¶97. Thus, a POSITA would understand that Scott discloses limitation 1[c]. EX[1007] ¶¶96-97.

d) 1[d]: “a memory having programming instructions stored thereon, which, when executed by the processor, performs one or more operations, comprising:”

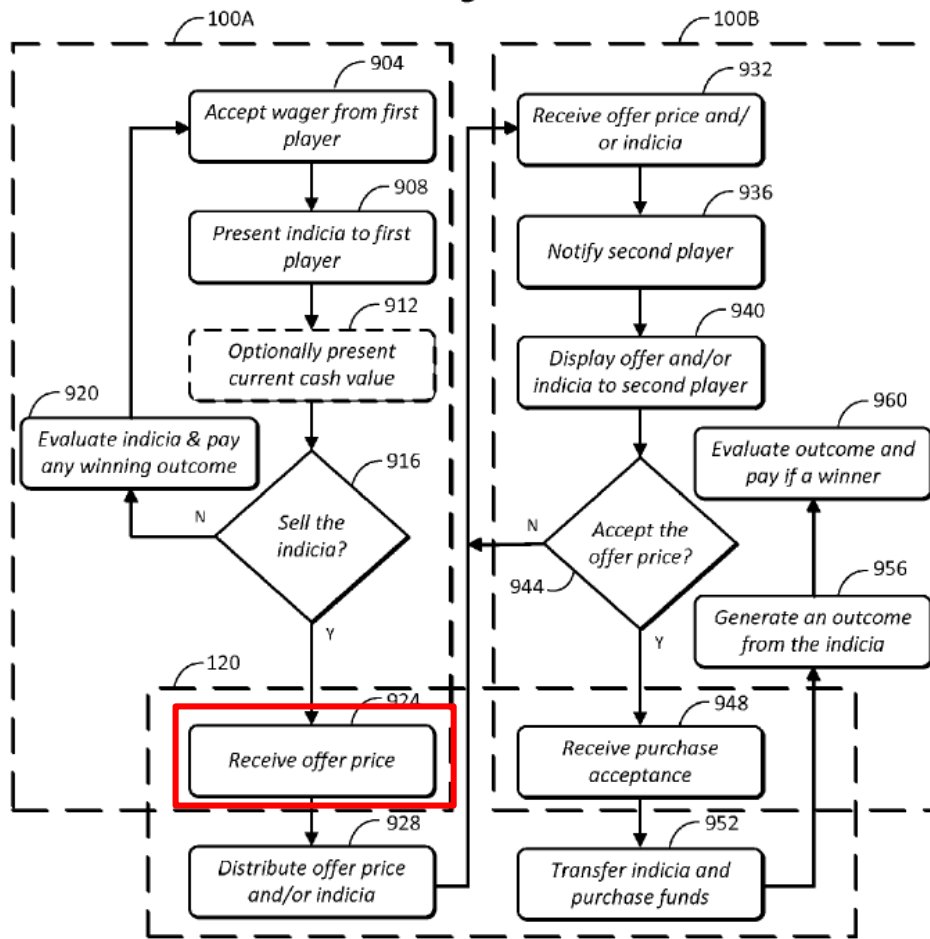
Scott discloses “a memory” by expressly teaching that the “server may have

one or more ... **memory devices**.” EX[1006] ¶[0011]. And as discussed above, Scott expressly claims a “multiplayer wagering game system comprising ... a server having **one or more processors**, memory devices, and **communication devices**,” and that the server is “configured to transmit” and to “receive” offers and acceptances to and from players’ gaming machines. *Id.* claim 1. These are function a POSITA would understand are implemented via programming or computer readable instructions stored in the memory and executed by the processor. EX[1007] ¶99. To be sure, Scott discloses that its “memory devices” may “store ... machine readable code to implement and/or operate” these functionalities. EX[1006] ¶[0055]. Scott therefore discloses limitation 1[d]. EX[1007] ¶¶98-99.

e) 1[e]: “*receiving, over the communications interface, a designated amount for a value of the wager on the wagering event from a first input device,*”

Scott discloses “*receiving ... a designated amount for a value of the wager on the wagering event*” because Scott discloses that, “[i]f the player decides to sell” their non-final set of indicia generated after initiating a wagering event on a first gaming machine, “then an offer price (i.e., purchase price) may be requested from the first player” and subsequently “transmitted by the first gaming machine 100A to the server 120. This **receipt by the server** 120 is shown by step 924 in FIG. 9.” EX[1006] ¶[0127]; *see also id.* claim 1 (reciting that the server “**receive[s] the offer price** through the one or more communication device.”).

Fig. 9



EX[1006] Figure 9; *see also id.* ¶[0122] (“[S]teps within box 120 may be performed by a server.”).

Since the “offer price” is the amount at which the first player is offering to sell their wager (including non-final set of indicia), a POSITA would understand that the “offer price” is both a “*designated amount*” and “*for a value of the wager on the wagering event.*” EX[1007] ¶102. Scott supports this correlation by explaining that “players will **set their offer price** based on the amount of a possible winning award that is attainable from the non-final set of indicia,” and that “the **offer price** will be **set** to the player’s desire.” EX[1006] ¶[0129], ¶[0128]. Therefore, the

server receiving the “offer price” in a wagering game correlates to “*receiving ... a designated amount for a value of the wager on the wagering event.*”

Scott discloses receiving this offer price “*over the communications interface ... from a first input device*” because Scott explicitly discloses how “the server may receive the offer price from the gaming machines ***through the one or more communication devices,***” where the gaming machine of the seller corresponds to the claimed “first input device” and the communication device corresponds to the claimed “communications interface.” *Id.* ¶[0011]. Thus, Scott discloses limitation 1[e]. EX[1007] ¶¶100-103.

f) 1[f]: “*receiving, over the communications interface, a cash out offer from a second input device,*”

Scott discloses “*receiving ... a cash out offer from a second input device*” because Scott discloses that the server may receive a counter-offer on a first player’s wager from a second player on a second gaming device, which corresponds to “*a second input device.*” *See, e.g.,* EX[1006] ¶[0132], ¶[0139], ¶[0140]. Specifically, continuing the above example, after the first player sets a desired offer price for their wager, the server distributes the offer price to “be received at the one or more second gaming machines 100B of the one or more second players (i.e., buying players.)” *Id.* ¶[0134]. The second player at the second gaming device can then accept the offer price, reject the offer price, or “counter the offer price” by “proposing his or her own different price or counter offer.” *Id.* ¶¶[0135]-[0139]. If the second

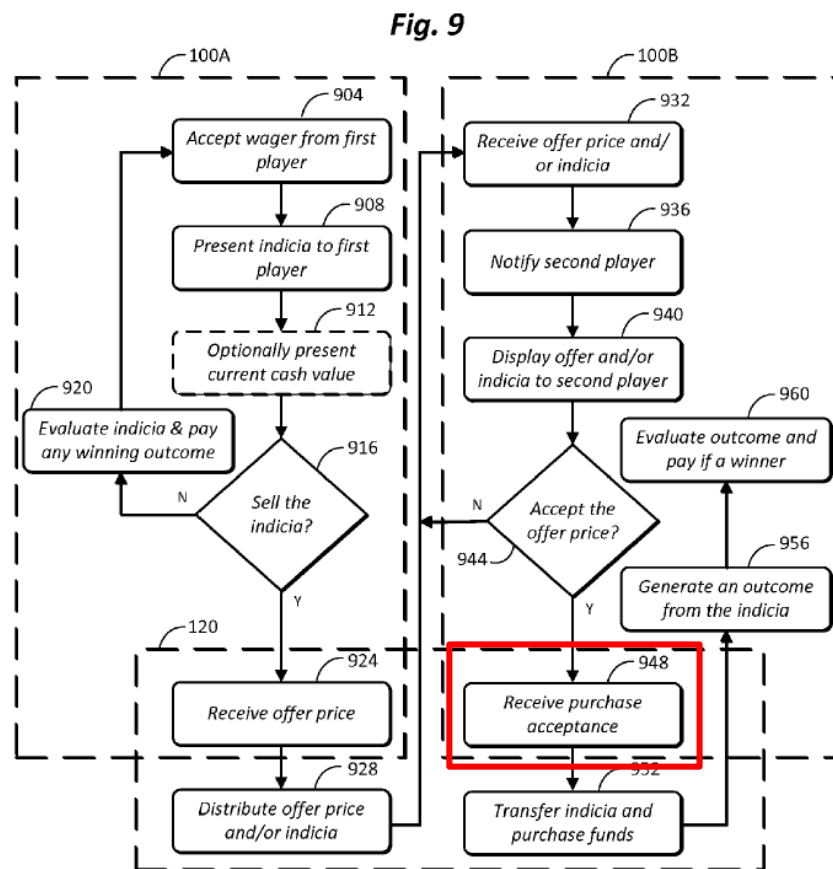
player proposes a counter-offer, the server may “**receive** [the] counter offer price from” the second gaming device so it may “transmit the counter offer price to the first player’s gaming machine” for the first player to accept. *Id.* ¶[0014]; *id.* claim 8.

A POSITA would understand that the received counter-offer corresponds to a “*cash out offer*” because it is an offer to take a designated amount in exchange for the first player “no longer be[ing] able to play the non-final set of indicia,” at which point the server will “transfer the non-final set of indicia from the first player to the second player.” *Id.* ¶[0140]; *see also* EX[1007] ¶106. In other words, Scott’s “counter offer” is a “*cash out offer*” because acceptance of that offer eliminates the first player’s entire interest in the wagering event.

A POSITA would understand that the server receives the counter-offer “*over the communications interface*” because the counter-offer must be communicated from the first player’s gaming machine to the second player’s gaming machine via the server. *Id.* ¶[0014]; EX[1007] ¶107. And as explained in §IX.A.1.b) and §IX.A.1.c) *supra* as to limitations 1[b] and 1[c], Scott discloses that the server communicates with player gaming devices via “communication devices” over various “communication mediums,” such as the Internet. Scott therefore discloses limitation 1[f]. EX[1007] ¶¶104-107.

- g) 1[g]: “*identifying an acceptance of the cash out offer from the first input device prior to the end of the wagering event,*”

Scott discloses “*identifying an acceptance of the cash out offer from the first input device*” because Scott discloses that its “server 120 may be configured to facilitate transmission of ... the acceptance ... of the counter offers,” regardless of whether the counter-offer accepted was initially proposed by the first or second player. EX[1006] ¶[0139]. That is why “counter offers may *continue* to be made between the players until a counter offer is accepted or declined.” *Id.* When a counter-offer is accepted, that “*acceptance* may then be transmitted to the server 120” and received as an “*acceptance* indicator,” as shown in step 948 of Figure 9:



Id. ¶[0140], Figure 9. A POSITA would understand that “receipt of the acceptance indicator by the server 120” correlates to the server “*identifying an acceptance*” of

the counter-offer (i.e., “*the cash out offer*”) because the “acceptance indicator” identifies that the selling (first) player accepted the counter-offer. EX[1007] ¶109.

Scott further discloses that the “*acceptance*” is “*from the first input device*” because Scott discloses that the selling (first) player’s gaming device determines whether the selling player has input the acceptance indicator into the gaming device, i.e., whether the gaming device has “received” the “player’s acceptance of an offer price.” *Id.* ¶[0140]. And as described in §IX.A.1.h) and §IX.A.1.i) as to limitations 1[h] and 1[i], that the server identifies the acceptance of the cash offer from the first input device is further confirmed by the server’s taking of specific actions in response to receiving the acceptance.

In addition, Scott discloses identifying the acceptance of the counter-offer “*prior to the end of the wagering event*” because Scott discloses cashing out a “non-final” wager, and how the buying (second) player may the continue the wagering event “*to a conclusion or final set of indicia* on the second gaming machine 100B.” *Id.* ¶[0140]-¶[0141]. Moreover, Scott discloses that a player that elects to “sell” their non-final wager will “suspend the current game” such that its wagering event would remain in its non-final state. *Id.* ¶[0099]. Thus, Scott discloses limitation 1[g]. EX[1007] ¶¶108-110.

h) 1[h]: “processing the cash out offer, and”

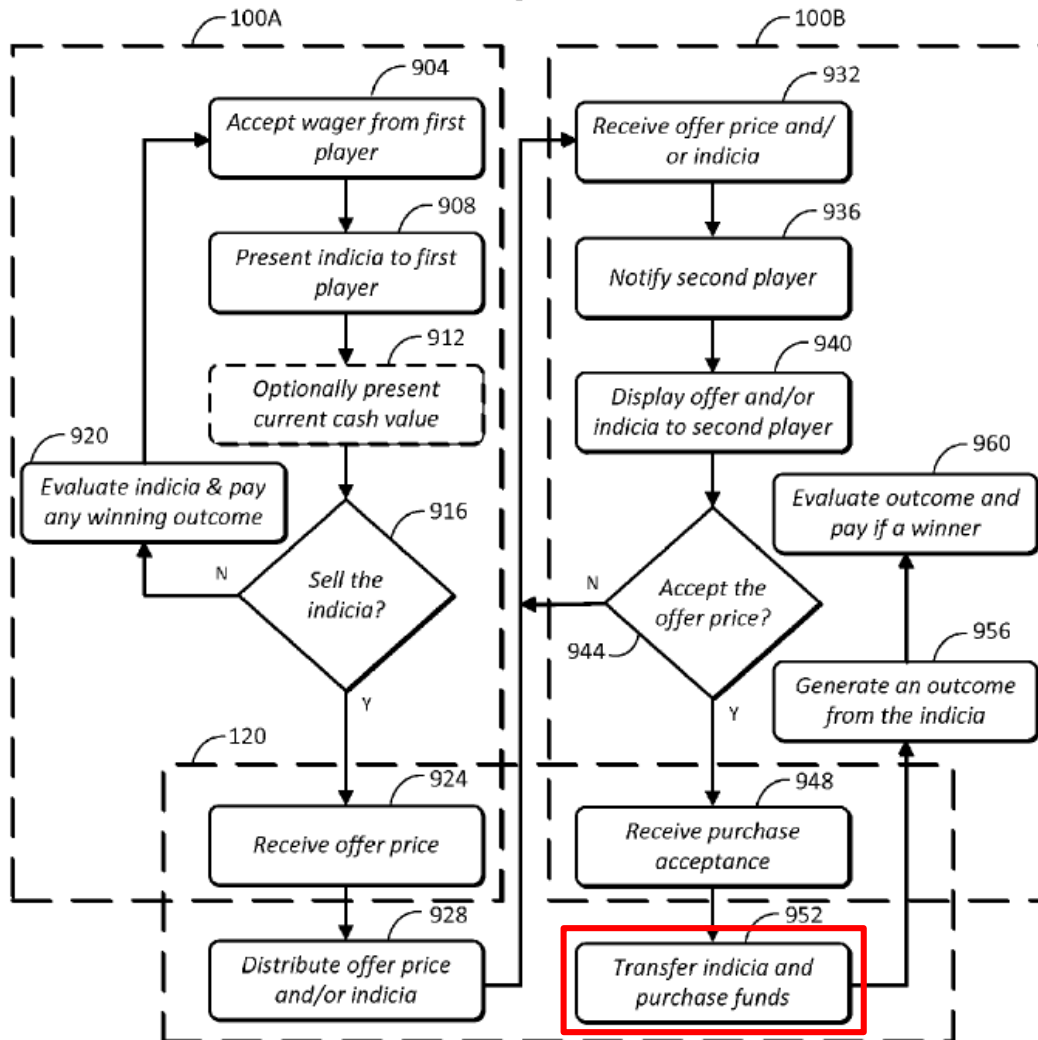
Scott discloses this limitation by transmitting a “message or notification ... to the first gaming machine 100A to notify the first player that his or her non-final set

of indicia has been purchased,” by transferring “the non-final set of indicia from the first player to the second player at a step 952,” by collecting “[a] transaction fee ... by the gaming establishment providing the multiplayer system,” and by transferring “the tokens, credits, funds or other consideration used to purchase the non-final set of indicia ... from the second player to the first player.” EX[1006] ¶[0140]. A POSITA would understand that the notification of purchase, the transferring of indicia, the collecting of the transaction fee, and the payment of consideration are all steps in finalizing the cash out offer, thus constituting “*processing*” of the cash out offer. EX[1007] ¶¶111-112. Thus, Scott discloses limitation 1[h]. *Id.*

- i) 1[i]: “*transmitting, over the communications interface, a value of the cash out offer to the first input device.*”

Scott discloses “*transmitting ... a value of the cash out offer to the first input device*” because Scott discloses how its “server may be further configured to ***transfer payment*** from the second player’s gaming machine to the first player ***after receipt of the offer acceptance.***” EX[1006] ¶[0014]. This is depicted in step 952 of Figure 9:

Fig. 9



Id. Figure 9.

The payment (e.g., tokens or credit, per *id.* ¶[0140]) is “a value of the cash out offer” because it is the value of the counter-offer that the selling player has accepted for their wager. The payment is transmitted “to the first input device” because it is transmitted “to the first player” using the first “gaming machine.” *Id.* ¶[0014]. And the transmission occurs “over the communications interface” because, as explained in §IX.A.1.b) and §IX.A.1.c) *supra* as to limitations 1[b] and 1[c], Scott

discloses that its server communicates with player gaming devices via “communication devices” over various “communication mediums,” such as the Internet. Thus, Scott discloses limitation 1[i]. EX[1007] ¶¶113-114.

2. Claim 7: “The system of claim 1, wherein the one or more operations further comprise: adjusting the designated amount for the value of the wager on the wagering event after the initial designated amount is received.”

Scott discloses “*adjusting the designated amounts for the value of the wager on the wagering event*” because Scott discloses that the initial offer price for the wager, which is “set” or designated “to the [first] player’s desire,” may be “*adjusted*” by the second player making a counter-offer. EX[1006] ¶[0128]; *see also* ¶[0139] (“second player may propose his or her own ***different price or counter offer***.”). A counter-offer, by definition, changes the amount of value that the first player will receive if the counter-offer is accepted, thus “*adjusting*” the value of the wager to confirm to the different price provided in the counter-offer.

Such a counter-offer can only be made after the server received the initial selling price designated by the first player. Accordingly, a POSITA would understand that the adjusting is “*after the initial designated amount is received*.” EX[1007] ¶116.

Additionally, Scott’s server may further adjust the designated amount for the value of the wager by collecting “a transaction fee.” EX[1006] ¶[0140]. And a POSITA would understand that the transaction fee must be subtracted from the value

amount that the selling player ultimately receives for the wager, thus “*adjusting*” the value of the wager. EX[1007] 117; *see also* EX[1006] ¶[1041] (“[T]he offer price is retained by the first player ***minus*** the transaction fee collected by the gaming establishment...It is noted that the transaction fee may be a predefined percentage of the offer price, a fixed fee, or other amount.”). This adjustment must also occur after the initial selling price was received by the server. EX[1007] ¶117. Thus, Scott discloses the limitations of claim 7. EX[1007] ¶¶115-117.

3. Claim 15

Claim 15 is directed to the same functionality as claim 1 except that it is recited as being performed by “a non-transitory computer readable medium having instructions stored thereon” instead of by “a memory,” and that “a central server system” performs its operations. A POSITA would understand that a “memory” is a “non-transitory computer readable medium” and that Scott’s server is a “central server system.” EX[1007] ¶¶118-119. Thus, Scott discloses limitation 15[a] for the same reasons it teaches limitations 1[a]-1[d], as set forth in §IX.A.1.a)-§IX.A.1.d) *supra*. *Id.* ¶118. Otherwise, limitations 15[b]-15[f] recite the same functionality as limitations 1[e]-1[i] and are taught by Scott for the same reasons set forth in §IX.A.1.e)-IX.A.1.i) *supra*. *Id.* ¶¶119-135.

Claim 15 differs from claim 1, however, in that claim 15 recites “one or more of a buy-out offer comprising the value of the wager or a partial buy-out offer comprising a portion the value of the wager,” rather than just a “cash-out

offer.” Scott nevertheless discloses this limitation because, when construed in the disjunctive such that the claim is satisfied by either “a buy-out offer” **or** “a partial buy-out offer,” Scott discloses both. For example, a POSITA would understand that Scott’s counter-offer, which is “received” by Scott’s server, correlates to the “*cash out offer*” recited in limitation 1[f] and the “*buy-out offer*” recited in claim 15 because both refer to the same concept of offering a player some consideration in exchange for quitting the wagering event. EX[1007] ¶121. The ’822 Patent supports this correlation by explaining that “the terms buy-out and cash-in as used herein have the same intended meaning.” EX[1001] 31:6-8.

A POSITA would also understand that Scott’s counter-offer may “*compris[e] the value of the wager*” because it comprises a counter-offer price that, although may be a different designated amount than the initial offer price, is the value of the wager. EX[1007] ¶122. Scott further teaches that the process of a player setting offer amounts is an endeavor “in **valuing** his or her indicia” (EX[1006] ¶[0139], ¶[0125]), so a POSITA would understand that Scott’s initial offer price and any counter-offers are all specified amounts that reflect the “*value of the wager.*” EX[1007] ¶122. Alternatively, a POSITA would understand that Scott’s counter-offer may “*compris[e] a portion the value of the wager*” because it is a counter-offer price that a POSITA would expect to be a lesser value than the initial offer price, thus making the counter-offer price “*a portion the value of the wager.*” EX[1007] ¶124. Scott therefore discloses each and every limitation of claim 15, including both a “buy-out

offer” **and** a “partial buy-out offer.” EX[1007] ¶¶121-124.

4. **Claim 21: “The non-transitory computer readable medium of claim 15, causing the central server system to adjust the designated amount for the value of the wager on the wagering event after the initial designated amount is received.”**

This claim is disclosed for the same reason as discussed in §IX.A.2 *supra* as to claim 7. EX[1007] ¶136.

B. Ground 2: Claims 7, 15, 21 Are Rendered Obvious by Scott in view of Schugar.³

If it is determined that “one or more of [a] buy-out offer comprising the value of the wager **or** [a] partial buy-out offer comprising a portion the value of the wager” in limitations 15[c]-15[f] is written in the conjunctive (*i.e.*, that this limitation requires both a “buy-out offer” **and** a “partial buy-out offer”), as Applicant argued during the prosecution of the ’822 Patent’s parent and the Examiner appeared to believe in allowing claims 15 and 21 (*see infra* §XI.B.2), claims 15 and 21 are rendered obvious by Scott in view of Schugar. Specifically, Schugar discloses both a “buy-out offer” **and** a “partial buy-out offer,” to the extent required by limitations 15[c]-15[f], as well as certain other limitations. EX[1007] ¶¶125-128, ¶170, ¶¶172-175.

For example, while Petitioner maintains that Scott discloses the limitations of

³ Though not addressed separately in this section, claims 1 and 7 also rendered obvious by DeWaal and Schugar for these same reasons to the extent it is determined that those claims also require both a “buy-out offer” **and** a “partial buy-out offer.”

claims 7 and 21 for the reasons set forth in §IX.A.2 and §IX.A.4 *supra*, these and other limitations also are disclosed in Schugar and can be relied upon to further demonstrate that the Challenged Claims are invalid as obvious over Scott in view of Schugar. EX[1007] ¶116, ¶¶176-188.

1. Schugar Discloses Both a “Buy-Out Offer” and a “Partial Buy-Out Offer” to the Extent That is Required by Limitations 15[c]-15[f]

If it is determined that “one or more of [a] buy-out offer comprising the value of the wager *or* [a] partial buy-out offer comprising a portion the value of the wager” in limitations 15[c]-15[f] is written in the conjunctive, Schugar discloses both. For example, Schugar discloses that, “[w]hen the 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]. In addition to *fully* “cash[ing] in” a bet and “surrender[ing]” it, “[t]he player can also bank *a portion* of the expected profit the player has earned for later use.” *Id.* ¶¶[0078]-[0079].

For example, in one disclosed embodiment where a player has placed a \$100 wager, “the house can take a portion of the player’s wager (such as 10%), so that the player now has \$90” wagered on the event, and “the taken portion can be stored for later redemption by the player” and “can be accumulated and dispersed to the player at a later time.” EX[1005] ¶[0079]. The banked portion “can be redeemed for cash instantly” or “redeemed for cash at a later time.” *Id.* ¶[0083]. In this way,

the player can “***continue to wager***, but limit his losses by ensuring that some amount is still saved for later.” *Id.* ¶[0079].

Schugar suggests that this technique is widely applicable to other wager types, such as “sporting events, either at intervals on individual games or series of games.” EX[1005] ¶[0072]. For example, Schugar discloses accepting a full or partial buy out in a seven-game series like the baseball World Series, or a four-quarter football game like the Patriots versus the Giants. *Id.* ¶[0072], ¶[0120], ¶[0126]. In the seven-game series, “[a]fter each game in the series ... payout odds for each team winning the series can change to reflect the current conditions (as described herein and/or known in the art) and players can make wagers during the series.” *Id.* ¶[0072]. And in four-quarter football game, a similar modification of payout odds is performed at halftime. *Id.* ¶[0120], ¶[0126].

2. Schugar Discloses the Limitation of Claims 7 and 21: “Adjusting the Designated Amount for the Value of the Wager on the Wagering Event After the Initial Designated Amount Is Received”

As set forth in §IX.A.1.f) and §IX.A.1.i) *supra* as to limitations 1[f]-1[i], when a player accepts the offer to cash in a portion of their bet after submitting their initial wager amount in Schugar, the system adjusts, *e.g.*, reduces, the amount wagered on the event to account for the portion of their wager that they have cashed out. For example, the system reduces/adjusts the player’s initial wager amount of \$100 by 10% (\$10) so that the player has \$90 remaining on the wagering event. EX[1005]

¶[0079]. Schugar also discloses an example in which the player “may use \$1 of that amount and make a second wager,” which will result in \$1.52 (*i.e.*, the adjusted value of that dollar based on the new odds) being “subtracted from the original \$100 wager to result in a \$98.48 wager remaining on the Yankees.” *Id.* ¶[0120].

A POSITA would understand that such a reduction is “*adjusting the designated amount for the value of the wager on the wagering event*” because a reduction of the initial wager amount is an adjustment of the initial wager amount. EX[1007] ¶176. A POSITA would also understand that such a reduction occurs “*after the initial designated amount is received*” at least because the player can only accept the offer to cash in a portion of the bet after the player has placed the initial bet. *Id.*

3. Motivation to Combine

A POSITA would have been motivated to add the ability to buy and sell only a portion of a wager (as disclosed by Schugar) to the electronic marketplace disclosed in Scott for several reasons. A POSITA would have been motivated to adjusting the designated amount for the value of the wager on the wagering event (as disclosed by Schugar) at each round of wagering in Scott for several reasons. First, Scott and Schugar are analogous art because both directed to directed to cashing out a wager before the completion of a wagering event using a networked electronic betting system, as discussed *supra* at §VIII.A, §VIII.C, §VIII.D. EX[1007] ¶131. And the multi-round wagering events taught by Scott naturally

align with the multi-quarter (*e.g.*, a football game) sporting events taught by Schugar. EX[1007] ¶131. Thus, a POSITA would have seen Schugar’s partial cash out as “highly advantageous” in view of Scott’s goal of “provid[ing] another avenue for players to be rewarded for playing a wagering game” and a “a new element to wagering games that is compatible with a wide variety of wagering games.” EX[1006] ¶[0009], ¶[0041]; EX[1007] ¶130.

Similarly, Schugar expressly describes why a POSITA would have been motivated to add its ability to “cash[] out a portion of a current bet in progress” to any suitable wagering system, and in particular wagering systems like Scott’s that are directed toward providing new and different ways for players to win awards. For example, Schugar recognizes that “[a] player may find it attractive to be able to accumulate (or ‘bank’) a portion of a positive expectation situation for later redemption” because “even if the player ultimately loses his or her wager, the player has not lost everything because the banking has been performed.” EX[1005] ¶[0077]. It also keeps players more engaged by being able to “continue to wager, but limit his [or her] losses by ensuring that some amount is still saved for later.” *Id.* ¶ [0079]. Indeed, the ability to cash out a portion of a current bet, as Schugar explains, allows players to place additional bets that can put them “in a no-lose situation” so that they “can relax and enjoy the game without worry.” Not only is such a feature beneficial for the player, but it also benefits the house.

In this regard, a POSITA also would have been motivated to provide

Schugar's partial cash-out feature as an option in Scott's multiplayer system, and in particular the electronic marketplace, to increase revenue to the casino operator through increasing commissions (i.e., transaction fees) while providing the player "peace of mind" of at least some "banked" profit. *See, e.g.*, EX[1005] ¶[0078]-¶[0079] ("For example, the house can let the surrender [sic] the wager for \$125. The house makes money on this proposition, and the player gets the peace of mind of the sure win. The player can also bank a portion of the expected profit the player has earned for later use.... In this way, the player can continue to wager, but limit his losses by ensuring that some amount is still saved for later."); EX[1007] ¶131. Specifically, a POSITA would understand that one of the primary methods for driving casino revenue was to increase the number of individual wagering transactions on which the casino can charge a commission. EX[1007] ¶132. While providing full cash-out as taught by Scott (and Schugar) provides one such opportunity for the operator to earn a transaction-based commission, many players may not wish to completely exit the wagering game of Scott. *Id.* Those same players, however, may have at least some desire to "bank" at least some portion of a wager while it is profitable (during what Schugar refers to as a "positive expectation" state). *Id.* Thus, a POSITA would have sought to capitalize on the desire of some players to only partially hedge their risk while still retaining some stake in Scott's wagering game by offering the ability of a partial cash-out option, where a buying player can purchase a portion of the wager and thus create an

additional type of transaction that the operator or house can charge a commission on and thereby increase revenue while also meeting player expectations and desires. *Id.*

A POSITA would make the proposed combination with a reasonable expectation success because, as discussed in §IX.A.3 as to claim 15, players of Scott may continue to make counter-offers, which necessarily “*compris[e] a portion the value of the wager.*” EX[1007] ¶124. In other words, Scott already discloses how to reduce the wager amount to a “*portion of the value of the wager*” when a party makes a counter-offer. *Id.* In the combined system, Scott’s “marketplace” could thus be used to transact in bargained-for *partial* stakes in live wager games while allowing the selling player to retain control of the game while “limit[ing] his [or her] losses” as taught by Schugar, without transferring full ownership and control of game play to the acquiror of a *full* stake in the wager as taught by Scott. EX[1005] ¶[0079].

In the event of a win in the underlying game, a POSITA would understand payout of the partial stakes transacted in the combined system to proceed according to Schugar’s teachings for reduced paytables. EX[1007] ¶126, 128. For example, Schugar teaches acceptance of a “10% buy-out offer on their original \$100 wager such that the original wager remains active, with a lower expected payout,” while the acquirer of the 10% interest in Scott’s marketplace is entitled to 10% of the win. EX[1005] ¶[0072]; EX[1007] ¶132.

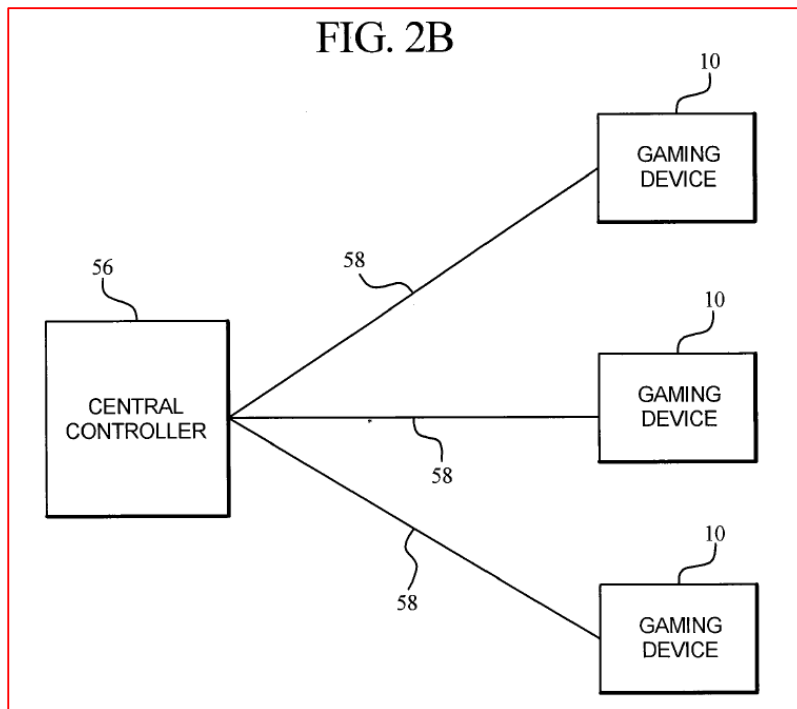
C. Grounds 3 & 4: Claims 1, 7, 15, 21 Are Anticipated by DeWaal or Rendered Obvious by DeWaal in view of the General Knowledge of a POSITA.

DeWaal anticipates claims 1, 7, 15, and 21. And to the extent it is determined that DeWaal does not disclose receiving a buy-out offer “from a second input device,” as recited in limitations 1[f] and 15[f], DeWaal renders these claims obvious in view of the general knowledge of a POSITA.

1. Claim 1

- a) 1[a]: “A system for processing a payment for a wager in connection with a wagering event, the system comprising:”

DeWaal discloses this limitation because DeWaal discloses “a gaming **system**” that processes payments by players for wagers in a multi-round bonus event and payments by the system for purchasing a player’s wager. EX[1004] ¶[0041]. This “system” includes a “central controller or remote host 56” and a plurality of “gaming devices 10” that communicate “through a data network or remote communication link 58,” as depicted below:

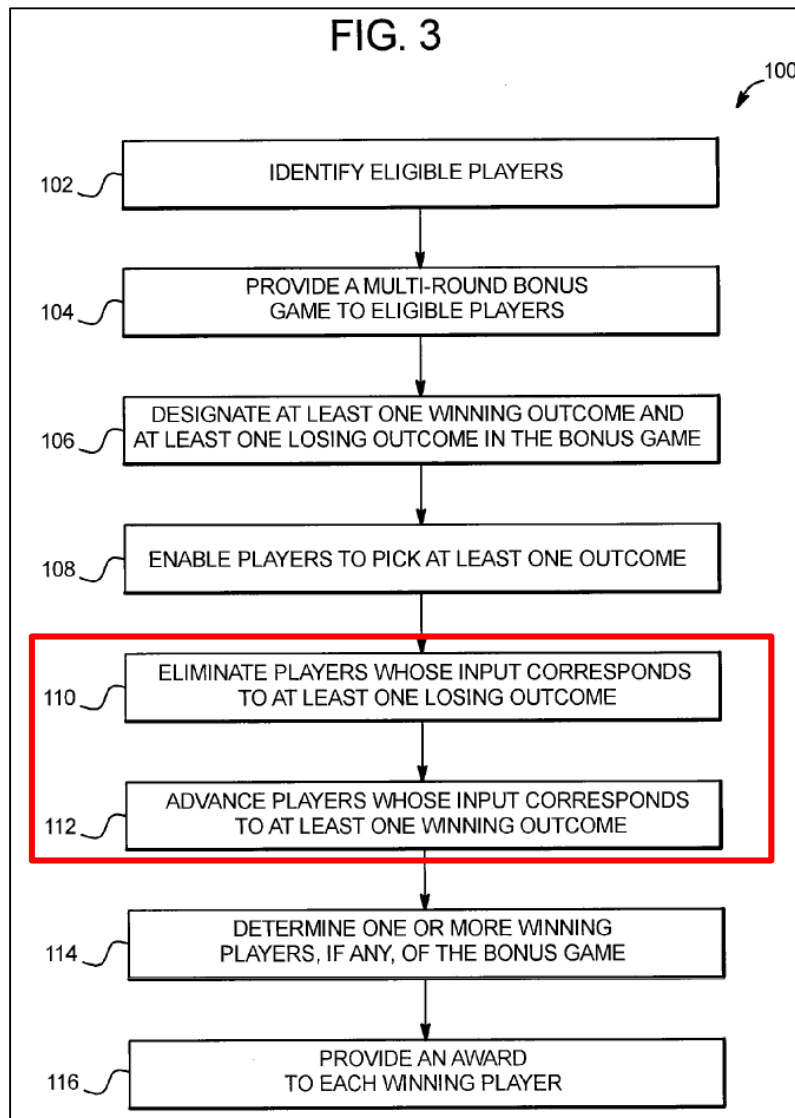


Id. ¶[0084], Figure 2B; *see also id.* FIGS. 11A-F. The elements of this “system” work together to “simultaneously provide[] a multi-round bonus event to a plurality of players.” *Id.* ¶[0009].

DeWaal explains that its gaming system is “*for processing a payment*” because DeWaal discloses “*a real-time or on-line accounting* and gaming information **system**” configured to track “any suitable information, such as any **amounts wagered**, average wagered amounts and/or the time these wagers were placed.” *Id.* ¶[0094]-¶[0096]; ¶[0118]. In other words, DeWaal’s “accounting ... system” processes payments by tracking and storing data associated with a player’s payments.

DeWaal also discloses that its “central controller determines which players are **eligible** for the bonus event in association with a separate wager.” EX[1004]

¶[0118]. To remain “eligible” to “win all or a share of an award associated with the bonus event,” a player “must ***pick a designated outcome*** (i.e., a winning outcome) in ***each round***.” *Id.* ¶[0119]; ¶[0143]. “[T]his process continues for ***each round*** until the central controller determines one or more winning players for the bonus event,” as depicted by the steps in the red box in Figure 3 below:



Id. ¶[0143], Figure 3 (annotated). Because “pick[ing] a designated outcome” requires making a wager, a POSITA would understand that determining eligibility

for each round of a bonus event requires “*processing a payment*” at each round. EX[1007] ¶¶141-143. Further, DeWaal discloses that “[i]f any of the players quit the bonus event, the central controller provides these players with the accumulated awards.” *Id.* A POSITA would understand that issuing an award to a player constitutes “*processing a payment.*” *Id.* ¶144.

DeWaal’s payment is made “*for a wager in connection with a wagering event*” because, as DeWaal explains, “[t]he separate wager comprises a side-wager or entry fee that ***enables a player to participate in the bonus event,***” i.e., the “*wagering event.*” EX[1004] ¶[0118]. DeWaal further explains that a player is “eliminated from the bonus event” if they accept the offer to quit. *Id.* ¶[0146]. So, a POSITA would understand that a player’s wager must be “*in connection with a wagering event.*” EX[1007] ¶143. Thus, DeWaal discloses limitation 1[a]. *Id.* ¶¶137-145.

b) 1[b]: “a communications interface;”

DeWaal discloses this limitation because DeWaal discloses that “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.***” EX[1004] ¶[0084]. A POSITA would understand that the “data network or remote communication link” is “*a communication interface*” because it provides a connection between the central server and the gaming devices and allows communication between the devices. EX[1007] ¶¶146-147.

- c) 1[c]: “a processor operatively coupled to the communications interface; and”

DeWaal discloses this limitation by expressly disclosing that “the central server, central controller or remote host is any suitable server or computing device which ***includes at least one processor.***” EX[1004] ¶[0084]. DeWaal further discloses that “***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***” over the network that interfaces between the server and the gaming devices. *Id.* Thus, a POSITA would understand that DeWaal’s processor must necessarily be “operatively coupled to” the data network, correlating to “*the communications interface,*” in order to transmit information over the data network. EX[1007] ¶148.

- d) 1[d]: “a memory having programming instructions stored thereon, which, when executed by the processor, performs one or more operations, comprising:”

DeWaal discloses “a memory” by expressly teaching that the central server/controller “includes at least one ***memory or storage device.***” EX[1004] ¶[0084]. DeWaal discloses the memory to “hav[e] programming instructions stored thereon” by disclosing that “the central server or controller is ***capable of storing ... program code*** or other similar data.” *Id.* ¶[0086]. And DeWaal discloses the program code “*when executed by the processor, performs one or more operations*” by disclosing that “the central controller is capable of ... ***utilizing***

program code or other data similar to the processor and memory device of the gaming device,” which means that “[t]he **memory devices stores program code and instructions, executable by the processor, to control the**” central server/controller in performing its functions, which are described in detail with respect to the limitations that follow. *Id.* ¶[0086], ¶[0046]; EX[1007] ¶149.

- e) 1[e]: “receiving, over the communications interface, a designated amount for a value of the wager on the wagering event from a first input device,”

DeWaal discloses “receiving, over the communications interface, a designated amount for a value of the wager on the wagering event” because DeWaal discloses that its accounting and tracking system is “operatively coupled to the central server or controller” and is configured to “**track[] any players gaming activity at the gaming device,**” including “any suitable information, such as **any amounts wagered,** average wagered amounts and/or the time these wagers were placed.” EX[1004] ¶[0094]-¶[0096]. When players enter a separate wager at a gaming device, the central server tracks the wager entered and “determines which players are eligible for the bonus event in association with [the] separate wager.” *Id.* ¶[0117], ¶ [0118]. A POSITA would understand that the amount wagered is entered at the gaming device and **transmitted** to the accounting and tracking module of the central server so that certain functions, such as tracking and eligibility determinations, may be performed. EX[1007] ¶152. Therefore, the central server must necessarily “receiv[e]” the amount wagered “over the communications

interface” of the gaming system. *Id.* ¶¶151-152.

DeWaal also discloses that the receiving is “*from a first input device*” because the amount wagered is received by the central server from a “gaming device includ[ing] at least one payment acceptor” and/or a touch screen interface. EX[1004] ¶¶0054, ¶¶0057, ¶¶0059, ¶¶0095, ¶¶0096. A POSITA would correlate the “gaming device” to the “*first input device*” because both devices allow a player to input their wager for a wagering game. EX[1007] ¶153. A POSITA would further understand that the amount wagered is “*a designated amount for a value of the wager*” because it is a specific amount that is designated or chosen by the player for the bonus game. *Id.*; see also EX[1004] ¶¶0187, ¶¶0059. Thus, DeWaal discloses limitation 1[e]. EX[1007] ¶¶150-154.

f) 1[f]: “*receiving, over the communications interface, a cash out offer from a second input device,*”

DeWaal discloses “*a cash out offer*” because DeWaal discloses “an offer and acceptance feature” that offers to a player winning a round of bonus event “to either ***quit the bonus event and keep the total award accumulated*** in the bonus event or continue the bonus event and play a subsequent round.” EX[1004] ¶¶0018; see also ¶¶0146 (“[i]n one embodiment ... [t]he central controller offers a portion of the award pool (or causes a portion of the award pool to be offered) to each player who picked the designated selection in one of the rounds. ***If a player accepts the offered portion of the award pool, the player is eliminated from the bonus event*** (i.e., the

player accepts the offered portion of the award pool *in exchange for* quitting the bonus event).”). Since accepting the offer eliminates the player from the bonus event, DeWaal’s offer to the player to accept an “award” and “quit” the bonus event before all rounds are complete is a “*cash out offer*,” consistent with what is disclosed in the ’822 Patent.

DeWaal discloses that the offer to quit is received “*from a second input device*” under two reasons. First, an appropriate message of DeWaal’s offer to quit the bonus event is transmitted to and displayed on “one or more *display devices* controlled by the processor” of the gaming device. *Id.* ¶[0052], ¶[0146]; *see also* FIGS. 11A-F, *see also* ¶[0084] (“the processor of each gaming device is designed to transmit ... events, messages, commands or other suitable data or signal between the individual gaming device and the central server”). The offer to quit is displayed on a separate user interface component that is used to identify the wager amount.⁴ Additionally, player may view/accept/reject their offer on multiple display devices, such as a remote display device. *Id.* ¶[0061], ¶[0053] (“at least one display device may be a mobile display device ... that enables play of at least a portion of the primary or secondary game at a location remote from the gaming device.”). A POSITA would

⁴ PO alleges infringement of this limitation based on a similar configuration where a web browser is mapped to the “second input device” and user selection of a “CASH OUT \$0.10” button on the web page is mapped to “receiving ... a cash out offer from a second input device.”

understand that a remote “display device” may correlate to “*a second input device*” while the “gaming device” correlates to “*a first input device*,” both of which may be used by the player to play the bonus event. *Id.* ¶[0053]. Under this correlation, a POSITA would understand that a player may offer to quit the bonus event on a remote display device, such that DeWaal’s cash out offer is received by the server “*from a second input device.*”

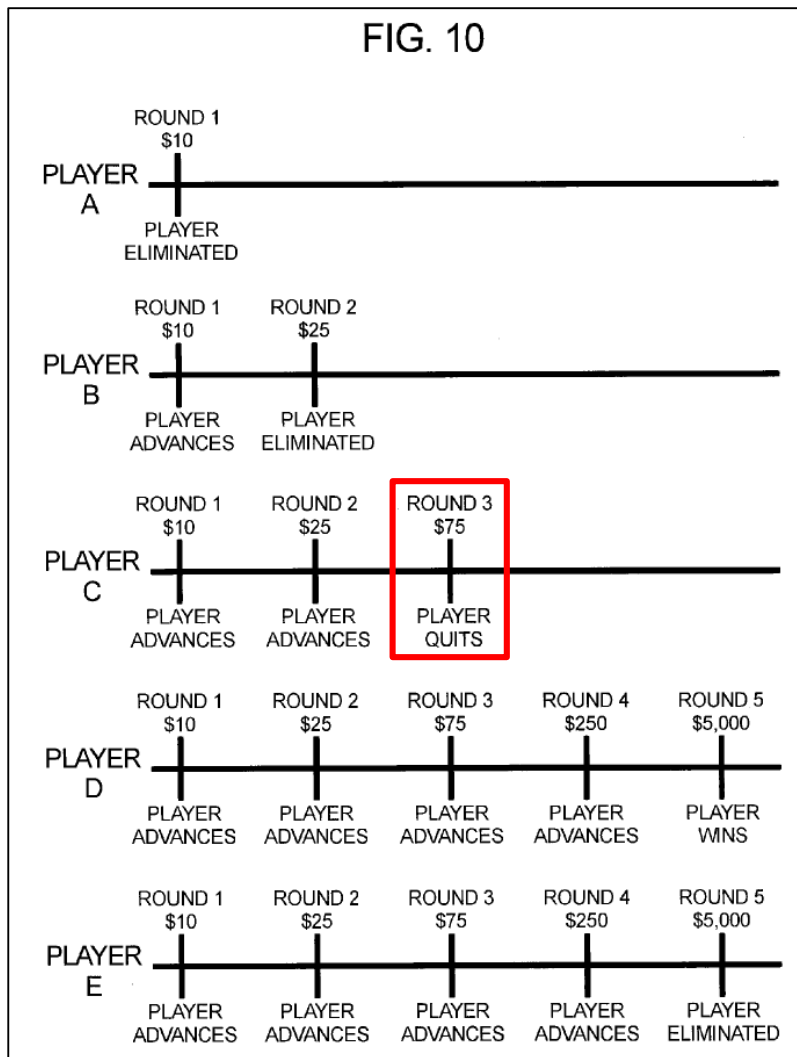
Second, DeWaal discloses that the central server “includes at least one processor,” which a POSITA would understand may include a collection of front-end and back-end processors. *Id.* ¶[0084]. DeWaal does not expressly describe which processor of the central server generates the offer to quit and which processor transmits that offer to the display devices. However, it would have been obvious to a POSITA to implement DeWaal’s central server as having a back-end processor for generating the offer to quit, the back-end processor transmitting that offer to a front-end processor for transmission to display devices. EX[1007] ¶159. A POSITA would have been motivated to implement this configuration, which was well-known at the time the claimed invention of the ’822 Patent was made, for many reasons. EX[1007] ¶¶160-161. In this well-known configuration, a POSITA would understand that the front-end processor of the server receives DeWaal’s offer to quit “*from a second input device*” (i.e., the back-end processor). *Id.*

DeWaal further discloses that the offer to quit is “*receiv[ed], over the communication interface*” because the central server receives the offer to quit over

the “data network” that provides connection between the central server and gaming devices. EX[1004] ¶[0084], EX[1007] ¶¶155-162.

- g) 1[g]: “*identifying an acceptance of the cash out offer from the first input device prior to the end of the wagering event,*”

DeWaal discloses “*identifying an acceptance of the cash out offer from the first input device*” because DeWaal discloses that “[t]he central controller receives a signal from gaming machines in the gaming system corresponding to an input from each player in each round.” EX[1004] ¶[0129]. If the received signal signifies that a player accepted the offer, “the central controller provides these players with the accumulated awards,” and “the player is eliminated from the bonus event,” as depicted below:



Id. ¶[0159], ¶[0146], Figure 10.

DeWaal’s central controller receives a signal input from a player’s gaming machine (i.e., “*from the first input device*”) and takes specific actions based on the signal received because, before it can know whether to distribute an award and eliminate a player, the central controller necessarily must “*identify[]*” whether the signal is “*an acceptance of the cash out offer.*” EX[1007] ¶165. As depicted in Figure 10 above, this identification occurs “*prior to the end of the wagering event*” because the central controller identified Player C “quit[ting]” (i.e., accepting the

offer) in “Round 3,” whereas the bonus even continued to “Round 5.” Thus, DeWaal discloses limitation 1[g]. EX[1007] ¶¶163-167.

h) 1[h]: “processing the cash out offer, and”

DeWaal discloses this limitation by disclosing that “the central controller may cause the display device to display an offer of \$10 to the advancing players” with an “appropriate message.” EX[1004] ¶[0146]. A POSITA would understand that displaying the offer to the player is a step in finalizing the offer, thus constituting “*processing the cash out offer.*” EX[1007] ¶168. Thus, DeWaal discloses limitation 1[h]. *Id.*

i) 1[i]: “transmitting, over the communications interface, a value of the cash out offer to the first input device.”

DeWaal discloses this limitation because DeWaal discloses an example where “[i]f any of the players quit the bonus event” after winning the first and second round, “the central controller provides these players with the accumulated awards associated with the first and second rounds.” EX[1004] ¶[0159], *see also* ¶[0142], ¶[0146]. The player may then redeem the accepted offer in credits, tokens, coins, etc. at the first input device. *Id.* ¶[0060]. Given that the central controller transmits an award amount accepted by the player (i.e., “*a value of the cash out offer*”) to the player’s gaming device (i.e., “*the first input device*”) via the data network (i.e., “*the communications interface*”), a POSITA would understand that DeWaal discloses “*transmitting, over the communications interface, a value of the*

cash out offer to the first input device.” EX[1007] ¶169. Thus, DeWaal discloses limitation 1[i]. *Id.*

2. Claim 7: “The system of claim 1, wherein the one or more operations further comprise: adjusting the designated amount for the value of the wager on the wagering event after the initial designated amount is received.”

DeWaal discloses the limitations of claim 7 because it discloses “offer[ing] each *advancing player* an additional award to quit the bonus event,” and that it may “*randomly generate awards* ... based on probability data.” EX[1004] ¶[0049], ¶[0141]. Such randomization is performed using a “random number generator (RNG), such as a true random number generator, a pseudo random number generator or other suitable randomization process.” *Id.* ¶[0049]. A POSITA would therefore understand that the amount or price of DeWaal’s award offer is adjusted each time a player advances from one round of a wagering event to the next (*i.e.*, “after the initial designated amount is received”). EX[1007] ¶170.

3. Claim 15

Claim 15 is directed to the same functionality as claim 1 except that it is recited as being performed by “a non-transitory computer readable medium having instructions stored thereon” instead of by “a memory,” and that “a central server system” performs its operations. A POSITA would understand that a “memory” is a “non-transitory computer readable medium” and that DeWaal’s central server/controller is a “central server system.” EX[1007] ¶¶189-190. Thus, DeWaal

discloses limitation 15[a] for the same reasons it teaches limitations 1[a]-1[d], as set forth in §IX.A.1.a)-§IX.A.1.d) *supra*. *Id.* ¶¶189. Otherwise, limitations 15[b]-15[f] recite the same functionality as limitations 1[e]-1[i] and are taught by DeWaal for the same reasons set forth in §IX.A.1.e)-IX.A.1.i) *supra*. *Id.* ¶¶190-198.

Claim 15 differs from claim 1, however, in that claim 15 recites “one or more of a buy-out offer comprising the value of the wager or a partial buy-out offer comprising a portion the value of the wager,” rather than just a “cash-out offer.” DeWaal nevertheless discloses this limitation because, when construed in the disjunctive such that the claim is satisfied by either “a buy-out offer” *or* “a partial buy-out offer,” DeWaal at least discloses a “buy-out offer.” For example, a POSITA would understand that DeWaal’s offer to quit, which is “received” by the central server, correlates to the “*cash out offer*” recited in limitation 1[f] and the “*buy-out offer*” recited in claim 15 because both refer to the same concept of offering a player consideration in exchange for quitting the wagering event. EX[1007] ¶191. The ’822 Patent supports this correlation by explaining that “the terms buy-out and cash-in as used herein have the same intended meaning.” EX[1001] 31:6-8.

In this regard, both Dewaal’s “remote display device” and “back-end processor” correspond to “*a second input device*,” as set forth in §IX.A.1.a) *supra* as to limitation 1[f]. Both provide a “*buy-out offer*” that comprises “*the value of the wager*” to a server, which the server “*receiv[es]*.” For the “remote display device”, DeWaal’s offer to quit is input by the player on that device as a monetary

value (*e.g.*, \$20), which reflects the current payout value for the player's wager. EX[1004] ¶[0146], ¶[0170]; EX[1007] ¶192. And for the "back-end processor," DeWaal's offer to quit is generated by the that processor as "award values associated with each round" of the bonus event and, therefore, also reflects the value of the player's wager after each round. EX[1004] ¶[0007], ¶[0144]; EX[1007] ¶193. Thus, DeWall also discloses limitation 15[c], to the extent that limitation is determined to be different from limitation 1[f] based on where the "offer" is being "receiv[ed]."

4. **Claim 21: "The non-transitory computer readable medium of claim 15, causing the central server system to adjust the designated amount for the value of the wager on the wagering event after the initial designated amount is received."**

This claim is disclosed for the same reason as discussed in §IX.C.2 *supra* as to claim 7. See EX[1007] ¶199.

D. Ground 5: Claims 7, 15, 21 Are Rendered Obvious by DeWaal in view of Schugar.

If it is determined that "one or more of [a] buy-out offer comprising the value of the wager *or* [a] partial buy-out offer comprising a portion the value of the wager" in limitations 15[c]-15[f] is written in the conjunctive (*i.e.*, that this limitation requires both a "buy-out offer" *and* a "partial buy-out offer"), as Applicant argued during the prosecution of the '822 Patent's parent and the Examiner appeared to believe in allowing claims 15 and 21 (*see infra* §XI.B.2), claims 15 and 21 are rendered obvious by Scott in view of Schugar. As discussed *supra* at §IX.B.1,

Schugar discloses both a “buy-out offer” ***and*** a “partial buy-out offer.”

And while Petitioner maintains that DeWaal discloses the limitations of claims 7 and 21 for the reasons set forth in §IX.C.2 and §IX.C.4 *supra*, these and other limitations also are disclosed in Schugar and can be relied upon to further demonstrate that the Challenged Claims are invalid as obvious over DeWaal in view of Schugar. EX[1007] ¶¶176-188.

1. Schugar Discloses Both a “Buy-Out Offer” *and* a “Partial Buy-Out Offer”

See supra §IX.B.1.

2. Schugar Discloses “Adjusting the Designated Amount for the Value of the Wager on the Wagering Event After the Initial Designated Amount Is Received”

See supra §IX.B.2.

3. Motivation to Combine

As an initial matter, DeWaal and Schugar are analogous art because both directed to directed to cashing out a wager before the completion of a wagering event using a networked electronic betting system. *See supra* §VIII.A, §VIII.B, §VIII.D; EX[1007] ¶127, ¶174. And the multi-round bonus events taught by DeWaal naturally align with the multi-game (*e.g.*, the World Series) and multi-quarter (*e.g.*, a football game) sporting events taught by Schugar. *Id.* Thus, a POSITA would have looked to Schugar to address the “continuing need to provide new and different gaming machines and gaming systems as well as ***new and different ways to provide awards to players including bonus awards***” described in DeWaal. EX[1004]

¶[0008].

In view of this continuing need, and Schugar’s explanation that “[a] player may find it **attractive** to be able to accumulate (or ‘bank’) **a portion** of a positive expectation situation for later redemption” (EX[1005] ¶[0077]), a POSITA would have been motivated to improve the system and method of DeWaal by including Schugar’s offer of a partial cash-out. EX[1007] ¶¶177-188. As Schugar explains, providing the additional option of a partial cash-out keeps players more engaged because it allows them to “continue to wager, but limit his [or her] losses by ensuring that some amount is still saved for later.” EX[1005] ¶[0079]. The ability to partially cash out a portion of a bet also allows players to place additional bets that can put them “in a no-lose situation” so that they “can relax and enjoy the game without worry.” *Id.* ¶[0106]. Not only is such a feature beneficial for the player, it also benefits the house—“[t]he house makes money ... and the player gets the peace of mind of a sure win.” *Id.* ¶[0078]. Thus, Schugar itself provides an express motivation to combine its partial cash-out with DeWaal’s betting system and method.

Specifically, a POSITA would have been motivated to modify DeWaal’s system and method for providing a bonus event, and in particular the offer and acceptance feature thereof, to add Schugar’s ability to partially cash out a portion of a wager and keep playing the wagering event but with a lower expectation/paytable. EX[1007] ¶178. For example, when DeWaal’s system provides the player with the

offer to fully quit in exchange for some value, a POSITA would expect the system to also present the alternative offer to partially quit or cash out and continuing playing the bonus event in exchange for a different (*e.g.*, reduced) pay table with “appropriate messaging” as described in DeWaal. *Id.* ¶[0182]; EX[1004] ¶[0146]. In the combination, DeWaal’s ability to fully cash out a player’s wager and eliminate them, and Schugar’s ability to partially cash out a player’s wager but allow them to keep playing, are alternatives that compliment, rather than interfere with, one another. EX[1007] ¶183.

The computerized instructions for providing such appropriate messaging, receiving user input in response to the partial buy-out offer, and sending the appropriate signals to DeWaal’s controller in response thereto would parallel and could be bundled with, the existing instructions for handling DeWaal’s offer to fully quit functionality. EX[1007] ¶182. The only new feature that would have to be added is to DeWaal’s server would be a method to reduce or change the partially cashing out player’s pay table to credit the amount of the wager that was cashed out, but as Schugar’s examples demonstrate, such a function involves only basic math that is well within the capabilities of a POSITA. *Id.*; *see also* EX[1005] ¶[0120] (“Therefore, \$1.52 can be subtracted from the \$100 original wager to result in a \$98.48 wager remaining on the Yankees.”). These are routine computer functionalities—“[n]o specialized or advanced computer programming skills would be required” to make the combination. EX[1007] ¶182. DeWaal provides

additional motivation in its discussion of how “enabl[ing] players to make inputs or choices that affect the award ... provides **increased excitement** and enjoyment for players because the players are provided with the ability to make inputs or choices in the bonus game that affect the outcome of the bonus game.” EX[1004] ¶[0012]. A POSITA would have therefore been motivated to add additional ways to increase excitement and enjoyment for players, including through the addition of Schugar’s partial buy-out option. EX[1007] ¶185. By contrast, a player might be discouraged from using or hesitant to use DeWaal’s full cash out feature because accepting the offer would remove the player from the bonus event and leave them worrying if they could have won more had they rejected the offer and remained in the bonus event. *Id.*

The limitations “wherein a player is presented with at least one of a buy-out offer and a partial buy-out offer prior to completion of all of the defined number of legs” and “adjusting the designated amount for the value of the wager on the wagering event” also would have been obvious because it is only a combination of prior art elements according to known methods to yield predictable results. EX[1007] ¶¶181-183. For example, a POSITA could have combined DeWaal’s offer to fully surrender or cash out a player’s wager and Schugar’s offer to cash out a portion of a players wager by simply adding standard machine readable and executable instructions to DeWaal’s controller and adding the ability to partially cash out to the graphical user interface of DeWaal’s gaming machine, as would be

known by a POSITA. *Id.* ¶182. The computer instructions to handle providing the partial cash out offer on the display of the gaming device, receive a user input in response to the offer, send a signal to the central controller from the gaming device indicating the player's choice in response to the offer would have paralleled those, and likely could be easily bundled with, the existing signals and methods in DeWaal for handling the full cash-out offer (*i.e.*, the offer to quit). *Id.* No specialized or advanced computer programming skills would be required. *Id.* The only new feature that would have to be added to DeWaal's controller would be a method to reduce the payable proportionate to the amount of the partial cash-out offer. *Id.* But as described in Schugar, such a function involves only basic math that is well within the level of skill of a POSITA in this case. *Id.*

In the combination proposed herein, DeWaal's full cash-out offer and Schugar's partial cash-out offer would not interfere or obstruct one another in any way and would perform the identical functions as they do individually. EX[1007] ¶183. Adding Schugar's ability for partially cashing out simply adds another choice or selection for the user to make, and DeWaal's system for providing a bonus event with an offer and acceptance feature would be compatible with Schugar's partial cash-out functionality. *Id.* Further, the results of the combination are entirely predictable and expected—the system would provide the option to fully cash out the players wager and end the player's participation in the bonus event, as described in DeWaal, as well provide the option to partially cash out the players

wager and continue participating in the bonus event, as described in Schugar. *Id.* In other words, the two options, while both related to the ability to capitalize on a player's equity position in the bonus event, largely operate independent of one another as separate options and choices for the user to make. *Id.*

Furthermore, a POSITA would have a reasonable expectation of success in adding Schugar's ability and offer to cash out a portion of the player's wager to DeWaal's offer and acceptance feature of the bonus event because both references teach that these techniques are useful and practicable in the same types of multi-round or multi-stage games. See EX[1004] ¶[0127] ("In different embodiments, the multi-round bonus event includes, but is not limited to, reel/slot games, card games, (e.g., poker, blackjack), lottery games, selection games, offer and acceptance games, wheel games, dice games, free spin games, competition games, skill games, perceived skill games or games that include one or more rounds of game play."); EX[1005] ¶[0075] ("In addition to applying the equity concepts described herein to the above-described games, the methods described herein of using equity funds can also be used for any game that has variable states and is not over without an interval between states."), ¶[0104] ("A 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)."). Further, just as each round of the bonus event in DeWaal is associated with a progressing potential award, each game state in Schugar "may have

a different expected return for the player based on the player's wagers and the current game state." EX[1005] ¶[0054]. A POSITA would have therefore found the combinations of DeWaal and Schugar discussed herein to be obvious.

X. SECONDARY CONSIDERATIONS

Petitioner is aware of no evidence of secondary considerations that would meaningfully rebut a finding of obviousness.

XI. DISCRETIONARY DENIAL IS NOT APPROPRIATE

A. § 314(a)

Petitioner makes a *Sotera*-style stipulation not to pursue, in the co-pending district court proceeding, any argument that the Challenged Claims are invalid on any ground that was raised or could have been reasonably raised in this IPR, should a Final Written Decision issue here. See Memorandum, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings With Parallel District Court Litigation at 3 (June 21, 2022).

B. § 325(d)

The factors considered under the two-step framework established in *Advanced Bionics* (IPR2019-01469, Paper 6 (PTAB Feb. 13, 2020) (designated precedential Mar. 24, 2020)) do not support discretionary denial of this Petition under 35 U.S.C. §325(d).

First, this Petition relies on the entirely new prior art of Scott as an anticipatory reference and the entirely new prior art of Schugar as the secondary

reference in an obviousness combination to meet nearly all of the limitations of the Challenged Claims. Both of these references disclose the “partial buy-out” limitation, which is the only limitation Patent Owner alleged to be novel over the art of record during the prosecution of one of the ’822 Patent’s parents—specifically, U.S. Patent No. 9,117,341 (the “’341 Patent”). The *Advanced Bionics* inquiry therefore fails at step one because no similar art or arguments were presented to the Examiner.

Second, even if the second step is reached, the Examiner erred by misinterpreting the claims to require both a “buy-out offer **and** partial buy-out offer,” as the Applicant had successfully argued during prosecution of the application leading to the ’341 Patent, despite the Applicant’s use of different claim language and inclusion of dependent claims in the ’822 Patent that contradict such an interpretation. See EX[1007] ¶63. Based on this flawed interpretation of the claims, the Examiner erred in its evaluation of the prior art.

1. Advanced Bionics: Step One

This Petition does not present “substantially the same art” or “substantially the same arguments previously presented to the Office.” See *Advanced Bionics*, Paper 6 at 7. Schugar, the primary reference presented in this Petition, was not cited or considered by the Examiner during prosecution and is not “substantially the same” as the prior art of record. Although U.S. Patent No. 8,105,149 (“DeWaal ’149”)—which issued from the same DeWaal publication that is a

primary reference here—was cited by Patent Owner during prosecution (EX[1002] 200), the Examiner did not rely on, cite to, or demonstrate consideration of DeWaal (or DeWaal '149) in any Office Action. “The fact that [the reference] was not the basis of rejection weighs strongly against exercising [the Board’s] discretion to deny institution.” *Intel Corp. v. Qualcomm Inc.*, IPR2019-00047, Paper 8 at 13 (P.T.A.B. July 9, 2019). Because the inquiry fails at step one, the Board need not consider step two.

2. Advanced Bionics: Step Two

Even if the Board considers step two, institution should be granted because the Examiner erred in evaluating the prior art of record in view of the claims. As background, during prosecution of the '341 Patent (*i.e.*, one of the '822 Patent’s parents)—Applicant unambiguously argued that the limitation of “at least one of a buy-out offer and [a] partial buy-out offer” require both of a “buy-out” offer and a “partial buy-out” offer. Applicant made this argument in response to the Examiner’s finding that U.S. Patent Application Publication to 2011/0136566 to Acres (“Acres”) “discloses a wagering event for one or more players, wherein a player is presented with *at least one of a buy-out and partial offer* prior to completion of the wagering event” and, more particularly, that “Acres discloses initiating *at least a buy-out offer* to an eligible player based on the anticipated expected outcome of the player during the course of the game.” EX[1003] 109 (Sept. 29, 2014 Non-Final Office Action). In other words, the Examiner interpreted the

limitation “at least one of a buy-out offer and [a] partial buy-out offer” as being written disjunctive, such that either a “buy-out offer” **or** a “partial buy-out offer” satisfied that limitation.

Applicant responded to the Examiner by arguing that “Claim 1, for example, recites a unique ability to offer **both** a buy-out offer and a partial buy-out offer to any number of players that are involved in a wagering event.” EX[1003] 86 (Dec. 18, 2014 Response to Office Action). Applicant then argued that “Acres fails to disclose or even contemplate the claimed capability to provide a ‘buy-out’ **and** ‘partial buy-out’ feature,” and that “Acres does not appear to disclose the claimed feature of a ‘partial buy-out’ **and** ‘buy-out’ that may be ***offered as alternatives to players.***” *Id.* 86, 87.

Based on Applicant’s argument that “at least one of a buy-out offer **and** [a] partial buy-out offer” is a conjunctive limitation (i.e., requiring both a “buy-out” offer **and** a “partial buy-out” offer), rather than a disjunctive limitation (i.e., requiring either a “buy-out” offer **or** a “partial buy-out” offer), the Examiner withdrew its anticipation rejection over Acres. EX[1003] 69 (Mar. 13, 2015 Office Action). No additional prior art rejections were made in any subsequent Office Action during the prosecution of the application leading to the ’341 Patent.

The same Examiner examined both the ’341 Patent and the ’822 Patent, and the Examiner’s error is demonstrated by the Examiner’s nonstatutory double patenting rejection issued during prosecution of the ’822 Patent. Specifically,

based on the Examiner's evaluation of the claims of the '822 Patent, the claims were rejected as being "not patentably distinct" from the claims of the '341 Patent. EX[1002] 46. That is notable because claim 1 of the '822 Patent only recites "generate a cash out offer" whereas claim 1 of the '341 Patent recites presenting/initiating "at least one of a buy-out offer and [a] partial buy-out offer," the latter of which the Examiner previously accepted as being conjunctive such that both a full buy-out offer and a partial buy-out offer were required during prosecution of the '341 Patent, as described above.

The new claim language in the '822 Patent, however, does not specify whether a full and/or partial "cash out offer" is required, yet the examiner appeared to interpret it the same as "at least one of a buy-out offer and partial buy out offer," *i.e.*, requiring both a full **and** partial cash out offer. This is notable because the Examiner's interpretation conflicts with new dependent claims submitted by the Applicant in the '822 Patent. For example, dependent claim 26 recites "wherein the cash out offer comprises at least one of or both of a full cash out offer or a partial cash out offer," which directly contradicts the Applicant's argument during prosecution of the '341 Patent that a "buy-out" or cash out was distinguishable from a "partial buy-out" or cash out. EX[1001] 54:7-9; EX[1007] ¶63-64.

Had the Examiner recognized that the Applicant's use of new claim language regarding the cash out offer in conjunction with new dependent claims conflicted with the Examiner's understanding that the term "cash out" had the same meaning

Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

as “at least one of a buy-out offer and [a] partial buy-out offer,” such that the term “cash out offer” does not require a “***partial*** cash out offer,” the Examiner could have made a prior art rejection over the Acres reference that the Examiner was already aware of as “clearly anticipating” the similar claims of the ’341 Patent. EX[1003] 109. Therefore, the Examiner erred in failing to make a prior art rejection during prosecution of the ’822 Patent based on prior art that disclosed at least a full cash out/buy out offer due to a flawed interpretation of the claims.

Accordingly, the Board should decline to exercise its discretion under 35 U.S.C. §325(d).

XII. CONCLUSION

Petitioner respectfully requests that IPR of claims 1, 7, 15, 21 of the ’822 Patent be instituted and that the Challenged Claims be cancelled.

Respectfully Submitted,

December 2, 2022

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Petition for *Inter Partes* Review of U.S. Patent No. 10,997,822

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CERTIFICATE OF SERVICE

In accordance with 37 C.F.R. §§42.6(e) and 42.105, the undersigned certifies that on December 2, 2022, a complete and entire copy of the **PETITION FOR *INTER PARTES* REVIEW OF U.S. PATENT NO. 10,997,822 UNDER 35 U.S.C. §§311-319 AND 37 C.F.R. §§42.100 *ET SEQ.*** (“Petition”) including exhibits and testimony relied upon were served on the Patent Owner at the correspondence address of record for the subject patent and counsel for Patent Owner in the District Court Litigation, as included below:

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CERTIFICATION UNDER 37 C.F.R. §42.24(d)

Pursuant to 37 C.F.R. §42.24(d), the undersigned hereby certifies that the word count under §42.24(a)(1) for the foregoing Petition for *Inter Partes* Review totals 13,677 words, within the 14,000 word limit allowed under §42.24(a)(1)(i).

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