

2020-1399, 2020-1400

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

NEW VISION GAMING & DEVELOPMENT, INC.,

Appellant

v.

SG GAMING, INC., FKA BALLY GAMING, INC.,

Appellee

ANDREI IANCU, UNDERSECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE,

Intervenor

Appeals from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in Nos. CBM2018-00005 and CBM2018-00006

**BRIEF FOR APPELLEE SG GAMING, INC.,
FKA BALLY GAMING, INC.**

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October 27, 2020

Representative Claim

1. A method of playing a game with at least one deck of cards, said game comprising the steps of:
 - (a) affording a player the opportunity to place a bonus wager;
 - (b) dealing out said cards to each of a plurality of hands;
 - (c) forming only one bonus hand from one of said cards from each of a subset of said plurality of hands;
 - (d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank; and
 - (e) paying said winning player a payout.

Appx450-451.

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF INTEREST

Case Number 2020-1399, 2020-1400

Short Case Caption New Vision Gaming v. SG Gaming, Inc.

Filing Party/Entity SG Gaming, Inc.

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box.** Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 10/27/2020

Signature: /s/Nathan K. Kelley

Name: Nathan K. Kelley

<p>1. Represented Entities. Fed. Cir. R. 47.4(a)(1).</p>	<p>2. Real Party in Interest. Fed. Cir. R. 47.4(a)(2).</p>	<p>3. Parent Corporations and Stockholders. Fed. Cir. R. 47.4(a)(3).</p>
<p>Provide the full names of all entities represented by undersigned counsel in this case.</p>	<p>Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities.</p> <p><input checked="" type="checkbox"/> None/Not Applicable</p>	<p>Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities.</p> <p><input type="checkbox"/> None/Not Applicable</p>
<p>SG Gaming, Inc., f/k/a Bally Gaming, Inc.</p>		<p>Scientific Games Corporation</p>

Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

None/Not Applicable Additional pages attached

Martin Gilmore, Perkins Coie LLP	Amisha Manek, Perkins Coie LLP	

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None/Not Applicable Additional pages attached

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

None/Not Applicable Additional pages attached

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TABLE OF ABBREVIATIONS AND CONVENTIONS

Amicus Br.	Corrected Brief of <i>Amicus Curiae</i> US Inventor
Agreement	SG Gaming’s and New Vision’s license agreement for the Challenged Patents with an Effective Date of May 28, 2014. Appx796.
AIA	Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (Sept. 16, 2011)
APJ	Administrative Patent Judge
BB##	The cited page(s) of Appellant’s Corrected opening brief filed on June 30, 2020. Doc. 29.
CBM	Covered business method review under the America Invents Act
Challenged Patents	U.S. Patent Nos. 7,325,806 and 7,451,987
IPR	Inter partes review
New Vision	Appellant New Vision Gaming & Development, Inc.
PTAB or Board	Patent Trial and Appeal Board
SG Gaming	Appellee SG Gaming, Inc. f/k/a Bally Gaming, Inc. In the proceedings below, SG Gaming was referred to as “Bally.”
The ’806 patent	U.S. Patent No. 7,325,806
The ’987 patent	U.S. Patent No. 7,451,987
USPTO	United States Patent and Trademark Office
(xx:yy)	Patent at column xx, line(s) yy

INTRODUCTION

New Vision’s opening brief fails to raise a single issue that is properly before this Court. These consolidated appeals are from PTAB decisions in two CBM reviews finding all claims of the Challenged Patents unpatentable under 35 U.S.C. § 101. Before the Board, New Vision resisted institution by unsuccessfully asserting a forum selection clause from a license agreement between the parties. After institution, New Vision resisted an adverse decision on eligibility by unsuccessfully arguing that its claims to a method of wagering on a card game recite an inventive concept and thus passed the *Alice* test at step two.

On the merits, the Board’s conclusion that New Vision’s claims describing rules of wagering on a card game are directed to an abstract idea is firmly grounded in this Court’s precedent. In this appeal, New Vision does not challenge the Board’s conclusion at step two that the claims lack an inventive concept that amounts to significantly more than the abstract idea itself. Instead, New Vision raises an entirely new theory about patent eligibility—that only long prevalent ideas can qualify as ineligible abstract ideas at step one of the *Alice* test. In addition to being demonstrably wrong, New Vision’s has forfeited this theory by not raising it before the Board. As a result, this Court should affirm the Board’s determination that the disputed claims are drawn to ineligible subject matter, which is the only determination properly before this Court.

The institution decisions here are not appealable. To the extent the Supreme Court left the door open to a potential challenge involving questions about statutory provisions unrelated to institution, New Vision's appeal does not raise such an exception. New Vision's institution challenge is weakened further because it raises only new issues before this Court. Its position before the PTAB was that a forum selection clause in the parties' Agreement contractually barred the CBM reviews, and the Board thus had no choice but to deny the petitions. New Vision now argues that the Board had *discretion* to deny the petitions but erred by abdicating its discretion and not considering the forum selection clause. New Vision has forfeited this argument. Furthermore, this argument misstates the institution decision because the Board expressly considered the forum selection clause in undertaking its discretionary analysis of whether to institute trial.

New Vision's two constitutional challenges should be rejected as forfeited. First, New Vision argues that a remand is proper here under this Court's decision in *Arthrex*. While this Court has excused forfeiture in many appeals raising the *Arthrex* issue, it has not excused forfeiture in cases where a party, like New Vision, could have raised the issue with the Board after the *Arthrex* decision issued but did not do so. When this Court issued its decision in *Arthrex*, the CBM reviews were still before the Board, and New Vision could easily have requested repaneling in view of the *Arthrex* decision. Because it did not do so, New Vision should not be

permitted to do so now on appeal. New Vision has likewise forfeited its due-process argument related to the nature of the USPTO's funding and how it evaluates APJ performance. New Vision admits that the USPTO itself could have solved its alleged due-process problem. In fact, New Vision is not seeking any relief from this Court that the USPTO itself could not provide. Its failure to raise its due process challenge with the Board in the first instance thus does not fit within the futility exception. New Vision has forfeited this argument like all its others.

STATEMENT OF THE ISSUES

1. Whether New Vision forfeited its argument that the PTAB erred at step one of the *Alice* test, and if not, whether New Vision is correct that abstractness at step one requires a subsidiary factual showing that a challenged claim is directed to an abstract idea only if it is "long prevalent."

2. Whether the PTAB's institution decisions in the CBM reviews below are foreclosed by the appeal bar of 35 U.S.C. § 314(d), and if not, whether New Vision forfeited its argument that the PTAB abdicated its discretion in denying the petitions by not considering a contractual forum selection clause and, if not, whether the PTAB erred in instituting trial in view of the forum selection clause.

3. Whether New Vision forfeited its *Arthrex* Appointments Clause challenge and, if not, whether the Final Written Decisions below should be vacated and the CBM reviews remanded.

4. Whether New Vision forfeited its Due Process challenge and, if not, whether the Board's practices and procedures for instituting and funding AIA post-grant reviews violate the Due Process Clause.

STATEMENT OF THE CASE

A. The patents

The '806 patent issued on February 5, 2008, based on an application filed on August 6, 2004. Appx444. The '806 patent discloses and claims a method of playing a game with a deck of cards in which a player has the opportunity to place a bonus wager on a hand composed of cards picked from a plurality of hands.

The '987 patent is a continuation of the '806 patent. The '987 patent issued on November 18, 2008, based on an application that was filed on July 12, 2007, as a continuation of the application that issued as the '806 patent. Appx2043. The '806 and '987 patents share a common specification.¹

¹ In addition to sharing a common specification, the claims of the '806 and '987 patents are nearly identical, as are the papers in the two CBM reviews. For ease of reference, SG Gaming will refer to the '806 patent and papers from CBM2018-0005.

The common specification explains that the game may be played on a table surface with a live dealer or using other conventional media, such as video poker machines, personal computers, hand-held devices, slot machines, or other interactive gaming or entertainment equipment. Appx450 (5:55-62). The patentees do not purport to have invented bonus wagers. Appx448 (1:20-40). Indeed, the Background of the Invention section notes that “[m]any casino table games offer bonus bets.” *Id.* (1:27-29).

Figure 4 shows an embodiment of the claimed invention:

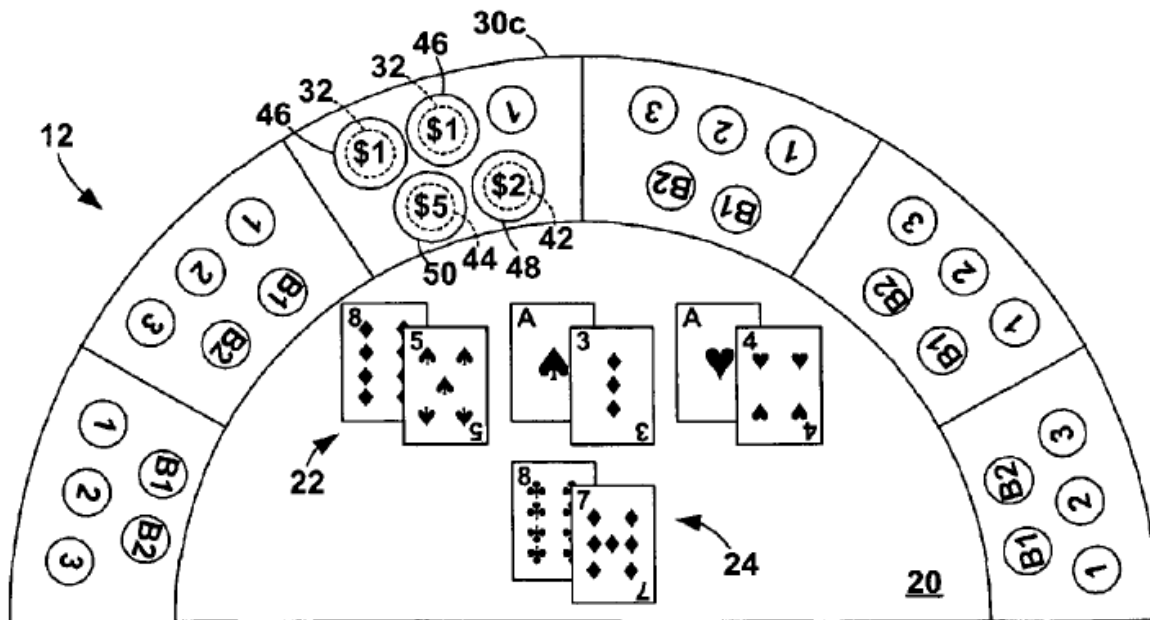


FIG. 4

Appx446.

In this embodiment, the base game is blackjack using a conventional deck of cards, with three player hands **22** and a banker hand **24**. Appx448 (2:38-39). To begin the game, each player (**30c** in Figure 4) places a wager in one or more of the positions marked 1, 2, and 3 corresponding to the player hand or hands that the player believes will beat the banker hand in the base game. Appx449 (3:65-4:2). “The wagered amount is indicated by any marker or markers that acceptably signify value, such as cash, chips, or credit vouchers.” *Id.* (4:2-4). To place a bonus wager, the player places the wager amount on the appropriate bonus wager location marked as B1 and B2. *Id.* (4:13-15). The bonus locations, B1 and B2, correspond to wagers that the respective bonus hand will be a winning hand. *Id.* (4:24-28).

After wagers are placed, the dealer deals out the predetermined number of hands. *Id.* at 4:29-30. In the embodiment of Figure 4, the dealer deals out three player hands and one banker hand. *Id.* (4:30-31). The bonus hand may be composed of at least one card from each player hand (*id.* (4:38-39)), at least one card from each player hand *and* the banker hand (*id.* (4:51-52)), or cards from fewer than all the player and banker hand(s) (*id.* (4:61-62)). When the cards are dealt face up, as in Figure 4, the bonus wagers can be settled before continuing with the base game. *Id.* (4:64-67). The bonus hand is compared to a table of

ranked hands to determine whether it is a winning hand, and the amount of winnings is determined by the rank of the bonus hand. Appx450 (5:3-4, 5:39-41).

The specification describes minor modifications, such as implementing the game using a keno-style lottery system in which the player indicates a bonus wager using a slip of paper (*id.* (5:63-6:1)) or makes a bonus wager on a computer terminal using a generic keyboard or touch screen (*id.* (6:3-6)). Similarly, another embodiment involves playing the game on a video machine rather than with a live dealer. *Id.* (6:18-19). “Prior to playing a game, the player inserts cash, a voucher, or a paper ticket, into a money reader 64 or swipes a credit card, debit card, or player card in a card reader 66.” *Id.* (6:21-23). Rather than positioning a bet on a table, the player inputs a wager by pressing the NEW button; initiates the game by pressing the HANDS button; places a bonus wager using the BONUS button; and uses the PLAY button to deal the cards. *Id.* at 6:24-32.

The '806 patent has 12 claims. Claim 1 is the sole independent claim and is representative of the claimed subject matter in both appeals:

1. A method of playing a game with at least one deck of cards, said game comprising the steps of:
 - (a) affording a player the opportunity to place a bonus wager;
 - (b) dealing out said cards to each of a plurality of hands;
 - (c) forming only one bonus hand from one of said cards from each of a subset of said plurality of hands;
 - (d) identifying said player as a winning player if said player placed said bonus wager and said bonus hand has a predetermined rank; and
 - (e) paying said winning player a payout.

Appx450-451. Dependent claims 2-12 present additional rules for playing the game, as well as items such as a banker and a pot for wagers (Appx451), but New Vision's opening brief does not discuss the dependent claims.

The '987 patent has 12 claims that are nearly identical to the claims of the '806 patent. Appx2049-2050. Claim 1 of the '987 patent differs only in that its step (c) recites "a bonus hand from at least one" of the cards from the other hands (Appx2049 (6:62)) rather than "only one bonus hand from one" of the cards from the other hands (Appx450 (6:66)). That difference is irrelevant to this appeal.

B. The parties' dispute

SG Gaming and New Vision entered into a license agreement for the Challenged Patents with an Effective Date of May 28, 2014 ("Agreement"). Appx796. The Agreement had an "Initial Term" of three years from the Effective Date and provided for automatic renewal unless the Agreement was terminated. Appx797, § 3. Accordingly, the Initial Term of the Agreement ended on May 28, 2017, subject to possible automatic renewal. Either party could terminate the Agreement by providing three months' notice prior to the termination of the Initial Term or a subsequent renewal term. *Id.*

The Agreement had the following choice of law and forum provision:

Governing Law and Forum. This Agreement shall be construed and enforced in accordance with the laws of the State of Nevada, without giving effect to the principles of conflicts of laws. This Agreement

shall be deemed to be a contract made and entered into in the State of Nevada. In the event of any dispute between any of the parties that cannot be resolved amicably, the parties agree and consent to the exclusive jurisdiction of an appropriate state or federal court located within the State of Nevada, Clark County, to resolve any such dispute.

Appx802, § 13.f.

Over time, SG Gaming came to believe that its games did not embody the claims of the Challenged Patents. Furthermore, following the Supreme Court decision in *Alice* and subsequent decisions, SG Gaming came to believe that the Challenged Patents were invalid for lack of patent eligible subject matter. On February 8, 2017, SG Gaming sent a letter providing timely notice of termination (*i.e.*, with more than three months' notice), stating that SG Gaming would not renew the Agreement after the expiration of the Initial Term. Appx494. The letter also stated that SG Gaming had stopped making payments under the Agreement because its games did not fall within the scope of the claims of the Challenged Patents. *Id.*

On June 2, 2017, New Vision filed a complaint against SG Gaming in the U.S. District Court for the District of Nevada for breach of contract and related claims. Appx455. New Vision sent a copy of the complaint to SG Gaming with a letter dated June 7, 2017, which, among other things, demanded that SG Gaming make payments to New Vision pursuant to the Agreement. Appx495.

On August 3, 2017, SG Gaming sent a letter stating that its termination of the Agreement was based in part on the invalidity of the Challenged Patents. Appx506. SG Gaming cited decisions concerning § 101 including *Alice Corp. Pty. Ltd. v. CLS Bank International*, 573 U.S. 208, 218 (2014), and *In re Smith*, 815 F.3d 816 (Fed. Cir. 2016). The letter also cited a prior art reference and urged that the parties settle their dispute. *Id.*

C. The CBM reviews

On December 15, 2017, SG Gaming filed the petitions for the CBM reviews below. Appx402, Appx2002. The sole ground advanced in the petitions was that all claims (claims 1-12) of the Challenged Patents are unpatentable under § 101. Appx430. SG Gaming believed that the forum selection clause (Appx802, § 13.f) did not bar SG Gaming from pursuing CBM reviews below because it applied to disputes relating to the Agreement, not to disputes about the validity of the Challenged Patents, and because the Agreement had terminated at the end of its Initial Term on May 28, 2017.

New Vision filed preliminary responses arguing, among other things, that the forum selection clause barred SG Gaming from pursuing CBM reviews. Appx727.

The Board instituted trial on June 22, 2018. Appx86, Appx206. Regarding the forum selection clause, the Board distinguished *Dodocase VR, Inc. v.*

MerchSource, LLC, 17-cv-07088-EDL (N.D. Cal., Mar. 26, 2018), which New Vision had cited. Appx93-95. The Board noted that *Dodocase* involved a situation where the patent owner had obtained an order from a District Court directing the defendant/petitioner to withdraw its PTAB petition, but New Vision had not done so. Appx94-95. The Board also found that New Vision had not identified any controlling authority that would require denial of institution based on New Vision's argument that the forum selection clause contractually bars or estops SG Gaming from pursuing CBM reviews. Appx95-96.

Regarding patent eligibility, the Board found it more likely than not that all claims of the Challenged Patents are unpatentable under § 101. Appx109-119. At *Alice* step one, the Board agreed with SG Gaming "that the challenged claims are directed to the abstract idea of allowing bonus wagers in a wagering game." Appx112. The Board found New Vision's claims to be similar to claims found to be directed to an abstract idea in *In re Smith*. Appx113-115. At *Alice* step two, the Board found that the claimed elements, viewed individually or as an ordered combination, did not transform the claims into patent-eligible subject matter. Appx116-118. It further found the steps recited in the challenged claims to be conventional activities in casino table games. *Id.* New Vision did not request rehearing of the institution decisions.

New Vision filed patent owner responses and motions to amend. Appx1139; Appx2737; Appx1126; Appx2724. The only topic discussed in New Vision's patent owner responses was *Alice* step two. Appx1139-1159. There was no discussion of *Alice* step one other than to accept for purposes of argument that the claims of the Challenged Patents are directed to the abstract idea of "allowing bonus wagers in a wagering game." Appx1151. New Vision's motions to amend proposed substitute claims for some dependent claims that involved adding limitations for a "video screen" on which hands are displayed and a "wager input mechanism." Appx1130-1131.

On June 19, 2019, the Board issued its final written decisions concluding that all claims of the Challenged Patents are unpatentable over § 101 and denying New Vision's motions to amend its patents. Appx1; Appx121. Analyzing the challenged claims under the *Alice* two-step framework, Federal Circuit precedent, and the USPTO's January 2019 guidance on subject matter eligibility under § 101, the Board found the challenged claims drawn to an abstract idea because they recite rules and instructions for playing a wagering game, "effectively a method of exchanging and resolving financial obligations" and a "method of organizing human activity." Appx24-27. The Board rejected New Vision's argument that the Challenged Patents' purported commercial success conferred patent eligibility. Appx29. The Board also rejected New Vision's argument that the panel must

consider the alleged novelty of certain limitations. Appx30. At step one (Step 2A, Prong 2, of the guidance), the Board additionally found that the claims—in particular the use of a deck of cards— “do not integrate the abstract idea into a practical application” (Appx32-37), and do not “reflect an improvement to the functioning of a computer/technology/technical field” (Appx35-37).

At *Alice* step two, the Board concluded “the challenged claims recite well-understood, conventional, and routine activities.” Appx39. The Challenged Patents themselves acknowledge that games with bonus wagering were well-known in the art. Appx40 (citing Appx444 (1:27–40)). The testimony of New Vision’s inventor that the purported invention “enhance[d] various casino games” did not convince the Board of the inventiveness of the challenged claims. Appx42; Appx44-46.

The Board maintained its original determination about the forum selection clause, but it discussed the issue again because the *Dodocase* district court decision had been reviewed at that point by this Court. Appx6-8 (discussing *Dodocase VR, Inc. v. MerchSource, LLC*, No. 2018-1724, 2019 WL 1758481, at *4 (Fed. Cir. Apr. 18, 2019) (non-precedential)). This Court had affirmed the district court, and the Board again distinguished *Dodocase* because it involved a court order directing the withdrawal of a petition. Appx7. The Board also rejected New Vision’s arguments about SG Gaming’s standing to bring CBM challenges against the

challenged patents (Appx8-11), and the CBM eligibility of the Challenged Patents (Appx11-15).

New Vision requested rehearing based on the forum selection clause, CBM review jurisdiction, and patent eligibility. Appx1938.

Regarding § 101, New Vision noted that “the Patent Owner’s Response and Sur-Reply focus solely on Step 2B” of the USPTO’s January 2019 patent eligibility guidance (Appx1947)— *i.e.*, whether New Vision’s claim 1 embodied an inventive concept by reciting elements that amount to significantly more than the abstract idea. New Vision briefly mentioned the abstract idea to criticize the Board for stating that idea differently than the parties’ agreed statement of the abstract idea. Appx1947-1948. The remainder of the discussion was directed to Step 2B (*i.e.*, *Alice* step two), with New Vision arguing that the elements of claim 1 were not well-understood, routine, and conventional, and attempting to distinguish case law cited by the Board and SG Gaming. Appx1949-1954.

The Board denied rehearing. Appx68-85. After noting that New Vision’s arguments about whether the forum selection clause barred institution were untimely (Appx70-71), it addressed them “in the interest of maintaining a complete record” (Appx71). The Board again distinguished *Dodocase* and other decisions cited by New Vision because they involved circumstances in which a district court, which was empowered to adjudicate forum selection clauses, did so. Appx72-76.

The Board disagreed with New Vision’s argument that the petition should have been denied “outright” because New Vision had not cited any authority supporting that proposition. Appx76.

With respect to § 101, the Board explained that “the issue at the heart of the patent eligibility dispute between the parties is whether the challenged claims recited significantly more than the rules for playing a bonus wagering game” Appx78. As to that issue, the Board maintained its earlier analysis while addressing additional precedent that New Vision had raised. Appx80-82. And the Board addressed New Vision’s argument that the bonus-hand limitations amounted to “significantly more” than the abstract idea. The Board reiterated its earlier analysis based on this Court’s decision in *Smith* that the limitations cited by New Vision were merely part of the rules of playing a wagering game with a standard deck of cards. Appx83-84.

SUMMARY OF ARGUMENT

The claims of the Challenged Patents are ineligible under § 101 because (1) they are directed to an abstract idea describing rules for playing a wagering game, and (2) their steps describe only well-known, routine, and conventional activities. New Vision’s argument for eligibility at the Board was based solely on *Alice* step two—*i.e.*, that its claims embody an inventive concept and not well-known, routine, and conventional activities. New Vision now advances a different

argument based on *Alice* step one—*i.e.*, that its claims are not directed to an abstract idea because only subject matter that is “long prevalent” can be an abstract idea. New Vision has forfeited that argument by not raising it below. Even if considered, New Vision’s tardy eligibility argument is contrary to well-established precedent, which holds that novelty and innovation are not considered as part of the *Alice* step one inquiry. Nor does New Vision’s theory make sense. An idea does not become abstract over time. Whether a claim recites well-known components can be relevant to eligibility of course, but that relevance is at step two, where the inquiry is whether the claim includes an inventive concept *beyond* the abstract idea to which it is directed.

New Vision’s additional challenges, just like its step-one eligibility arguments, are not properly before this Court. Institution decisions are not appealable, and the institution decisions here are no exception. Like the question decided by the Supreme Court in *Thryv, Inc v. Click-To-Call Technologies, LP*, the Board's decision regarding the forum selection clause is closely tied to the application and interpretation of statutes related to the institution decision, and New Vision does not assert that the Board acted outside of its statutory authority. This case thus stands in contrast to *SAS Institute v. Iancu*, where the Supreme Court reviewed a decision to institute on fewer than all challenged claims because the Board had exceeded its statutory authority. The Board did not exceed its

authority when it instituted these CBM reviews, and New Vision does not argue otherwise. This appeal involves only an ordinary dispute about the application of institution-related statutes, none of which support New Vision's theory. While New Vision argues that a "broad" reading of *Thryv* "would effectively displace APA judicial review," that argument fails because the APA does not offer an independent path to appeal where appeal is otherwise foreclosed by the statute.

Even worse for New Vision is that it has forfeited its arguments about the forum selection clause by not raising them with the Board. Although New Vision faults the Board for supposedly abdicating its discretionary authority, New Vision never argued that enforcing the forum selection clause was a matter of discretion. New Vision is also wrong that the Board did not consider discretion during institution, as the Board expressly considered the forum selection clause in undertaking its analysis of whether to institute trial under 35 U.S.C. § 324(a). New Vision also argues that the Board improperly required it to prove that the CBM reviews were not subject to "contractual estoppel" as a substantive legal standard. But the Board used that term merely to observe that New Vision failed to provide any authority to support its position that the forum selection clause barred the CBM reviews. The cases cited by New Vision all involved situations where a district court empowered to enforce a forum selection clause had issued an order to do so.

New Vision has also forfeited its Appointments Clause challenge. The Board issued its rehearing decision approximately three weeks after this Court's decision in *Arthrex, Inc. v. Smith & Nephew, Inc.* New Vision could have cured any asserted Appointments Clause problem during that time by requesting a new panel for its CBM reviews, but it did not. If the Court reaches New Vision's *Arthrex* challenge, SG Gaming requests that the appeal be stayed pending the Supreme Court's review of *Arthrex* following its grant of *certiorari*.

New Vision has likewise forfeited its due process challenge, which it raised for the first time on appeal. New Vision admits that the USPTO practices on which its due process challenge is based could have been rectified by the USPTO or the Board, yet New Vision did not ask the Board to do so in the proceedings below. Those facts distinguish this case from *Arthrex*, in which this Court excused the challenger's failure to raise its constitutional challenge at the Board because the USPTO and the Board could not rectify the constitutional problem.

For similar reasons, this Court should strike the due process arguments in New Vision's opening brief because they are based entirely on information outside the administrative record. Those new materials constitute a one-sided showing that this Court should not consider for the first time on appeal. Bedrock administrative law principles prevent this Court from weighing factual showings on appeal that were not considered in the first instance by the agency. Nor should it fall on SG

Gaming's shoulders to muster its own new materials to counter what New Vision has produced. This appeal from an eligibility decision about a card game is not the time or place to raise a fact-intensive due process challenge in the first instance.

Should this Court reach New Vision's due process challenge, it is meritless. New Vision fails to explain how the APJ incentive system produces a bias one way or the other. Instead, it speculates only that APJ are motivated to grant petitions to create downstream work. But New Vision has not shown that APJs are motivated by a perceived scarcity of future work, nor has New Vision demonstrated how the APJ incentive system actually works in the case of AIA trials. Indeed, New Vision's argument about a purported structural bias in favor of institution decisions does not raise any due process problem. An institution decision merely subjects patent claims to review during the trial phase of a PTAB proceeding in which the patent owner receives due process. New Vision's theory about the USPTO's funding model is equally unsound. New Vision fails to adequately discuss the statutory appropriation requirements as well as precedent finding similar agency funding models acceptable. Regardless, the USPTO knows best its own personnel and funding schemes, and SG Gaming defers to its response to New Vision's structural bias theory.

ARGUMENT

I. Standard of Review

Subject-matter eligibility under 35 U.S.C. § 101 is a question of law reviewed de novo. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018). Eligibility may sometimes turn on underlying questions of fact, such as whether a claim element or combination is well-understood, routine, and conventional under *Alice* step two. *Id.* at 1368. The appeal does not involve such a dispute.

The other issues discussed in New Vision’s opening brief were not raised in the CBM reviews, are not properly on review before this Court, and therefore are not subject to a standard of review.

II. New Vision’s Card-Game Claims Are Ineligible

A. The PTAB Properly Applied Binding Eligibility Precedent

Under the familiar two-step test for determining patent eligibility, a claim must first be analyzed to determine whether it is directed to an ineligible concept, *e.g.*, an abstract idea. *Alice*, 573 U.S. at 218. That first step considers the “focus” of claim and its “character as a whole.” *Elec. Power Grp. v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335-36 (Fed. Cir. 2016)); *see also Internet Pats. Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015).

If a claim is directed to an abstract idea, it is ineligible unless it includes an “inventive concept” at step two. *Alice*, 573 U.S. at 217. The inventive-concept requirement asks whether the claim contains “significantly more” than “the ineligible concept itself.” *Id.* at 218 (alteration and quotation omitted). The recitation of well-understood, routine, and conventional activity is not an inventive concept sufficient to transform a claim, at step two, into something significantly more than the ineligible concept itself. *See Rapid Litig. Mgmt. Ltd. v. CellzDirect, Inc.*, 827 F.3d 1042, 1047 (Fed. Cir. 2016).

The Board properly applied that two-step test here, concluding that New Vision’s claims do not satisfy § 101.

1. *Alice* step one: “allowing bonus wagers” is an abstract idea.

The Board considered claim 1 as reciting the steps or rules “for playing a bonus wagering game.” Appx22. That is consistent with how New Vision characterizes its invention before this Court. *See* BB6 (explaining the patents at issue are directed to a “bonus feature for a card game”). The Board unsurprisingly found that claim 1 is thus directed to an abstract idea because it recites rules for playing a wagering game, which relates to a method of organizing human activity and an economic practice. Appx26-27; Appx31; Appx78.

The Board’s step-one analysis is well supported by this Court’s decision in *In re Smith*, which also involved claims for a wagering game using real or virtual

standard playing cards. 815 F.3d at 817-18. As this Court explained, a “method of conducting a wagering game is drawn to an abstract idea much like *Alice*’s method of exchanging financial obligations and *Bilski*’s method of hedging risk.” *Id.* at 819 (internal quotations marks omitted). *See also In re Marco Guldenaar Holding B.V.*, 911 F.3d 1157, 1160 (Fed. Cir. 2018) (concluding that claims to a method of wagering on a dice game are similar to the card-game claims in *Smith* and equally abstract). Indeed, it is difficult to imagine a serious argument that claim 1 is not directed to an abstract idea, especially considering the similarity between the claims in *Smith* and those at issue here. Not surprisingly, New Vision did not make a step-one argument before the Board. *See* Appx1145-1158 (New Vision’s patent owner response arguing only about step two); Appx1947 (New Vision’s rehearing request stating that “the Patent Owner’s Response and Sur-Reply focus solely on Step 2B” of the USPTO’s January 2019 patent eligibility guidance); Appx1898 (New Vision counsel conceding at the oral hearing that New Vision was making a step-one challenge only as to its amended claims).

2. *Alice* step two: the challenged claims have no inventive concept

Representative claim 1 adds almost nothing to the abstract bonus-wagering concept. Bets are made, cards are dealt, the “bonus hand” is formed, and winnings are paid. Appx450-451 (6:61-7:4). There can be no dispute that those betting, dealing, and payout steps are well-known, routine, and conventional. The

specification acknowledges that rules for bonus wagering and gameplay were known in the art:

There are a number of such games in existence where the essence of the game, whether it based on poker, blackjack, baccarat, pai gow tiles, pai gow poker, or any other game, is that a player wagers on one or more of a group of hands that she hopes will beat a banker hand.

Appx448 (2:52-57). The specification also describes known games with bonus wagering and bonus bets.

Many casino table games offer bonus bets or jackpots where players may wager on occurrences that do not affect the outcome of the basic game. These types of bonus bets and jackpots are popular with players.

Appx448 (1:27-30). While this Court in *Smith* left open the possibility that a game involving a “new or original deck of cards” might survive *Alice* step two, that possibility does not apply here. *Smith*, 815 F.3d at 819.

Finally, the added limitations in New Vision’s proposed substitute claims, a video screen and a wager input mechanism (Appx1130), likewise fall short at step two. New Vision did not argue either feature was new or amounted to an inventive concept, but instead appears to have added those limitations with the belief that the presence of such hardware would survive the USPTO’s current eligibility guidelines. Appx1657-1663. The Board properly rejected that theory. Precedent is clear that the mere presence of conventional structure does not automatically render claims patent eligible. *See, e.g., Alice*, 573 U.S. at 223 (explaining that the

recitation of a generic computer or the limitation of a particular technological environment is not sufficient to render a claim patent eligible).

B. New Vision has forfeited the only eligibility argument it raises on appeal

This Court need not reconsider the Board’s sound eligibility analysis. On appeal, New Vision raises a new eligibility argument based on the incorrect notion that “*Mayo/Alice* Step 1 should find an ‘abstract idea’ only where the relevant limitation is ‘long prevalent.’” BB68. New Vision has forfeited its new eligibility argument by not raising it first with the Board. “[A]ppellate courts do not consider a party’s new theories, lodged first on appeal.” *Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997). New Vision’s only eligibility argument on appeal relates to a supposed error by the Board in its step-one analysis. BB69-70. But New Vision made no such argument before the Board, and it cannot do so for the first time on appeal. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1296 (Fed. Cir. 2009) (“If a party fails to raise an argument before the trial court, or presents only a skeletal or undeveloped argument to the trial court, . . . we may deem that argument waived on appeal[.]”); *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1294 n.3 (Fed. Cir. 2015) (finding waiver in IPR appeal where argument was raised in “a few scattered sentences at the oral hearing”).

Before the Board, New Vision consistently focused its eligibility arguments on *Alice* step two and the question of whether the claims contain an inventive concept beyond the abstract idea; New Vision never argued that its claims were not directed to an abstract idea in the first place. Its Patent Owner Response jumped straight to step two without challenging SG Gaming’s step-one analysis. *See* Appx1145. Its sur-reply maintained that focus. Appx1810-1814. And just so there was no doubt, New Vision’s counsel was asked about its eligibility theory at the oral hearing and he confirmed it was limited to step two. Appx1898. The Board confirmed as much in its final written decision, Appx21 (observing that New Vision had not directly addressed “whether the challenged claims are directed to an abstract idea” in its filings). New Vision’s rehearing request confirmed that “the Patent Owner’s Response and Sur-Reply focus solely on Step 2B” of the USPTO’s January 2019 patent eligibility guidance. Appx1947. The Board’s decision denying rehearing explained that “the issue at the heart of the patent eligibility dispute between the parties with whether the challenged claims recite significantly more than the rules for playing a bonus wagering game[.]” Appx78.

New Vision’s new step-one argument cites to its CBM filings (BR69, citing Appx1151-1152; Appx1157; Appx1811; Appx 1814), but those parts of the record were aimed at the step-two, inventive-concept inquiry, not at the step-one, abstract-idea inquiry. *See* Appx1151-1152 (arguing that limitations beyond the abstract

idea are relevant to the “inventive concept step”); Appx1157 (discussing the need to consider evidence “related to what is ‘well-understood, routine, and conventional,’” and distinguishing *Smith* by arguing that limitations (c) and (d) in claim 1 “are significantly more than what was known in the art in 2004”); Appx1811 (asserting the claims recited more than what was “well-understood, routine, and conventional in 2004”); Appx1813-1814 (arguing that the purported “inventive concept” in *Smith* was only shuffling and dealing, while claim 1 requires “significantly more” than what was known in 2004). Whether the claim covers significantly more than well-understood, routine, and conventional activity is a step-two inquiry. *See Rapid Litig.*, 827 F.3d at 1047.

Having effectively conceded before the Board that claim 1 fails at *Alice* step one by not disputing the issue, New Vision cannot raise a new step-one argument now.

C. New Vision’s novel step-one argument is inconsistent with precedent and logic

If this Court were to consider New Vision’s new step-one argument, it would not save New Vision’s claims. One of the sharpest critiques of the Supreme Court’s recent eligibility jurisprudence is that it mingles concepts of novelty and eligibility, but even that critique recognizes that the novelty framework applies at step two—*i.e.*, the inventive concept question. *See Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 927 F.3d 1333, 1344 (Fed. Cir. 2019) (Chen, J.,

concurring with denial of rehearing *en banc*) (observing that the Supreme Court’s “inventive concept/point of novelty framework” “is a more far-reaching, aggressive version of the judicial exceptions”); *id.* at 1373 (O’Malley, J., dissenting from denial of rehearing *en banc*) (discussing the inventive concept requirement and the need for Congress “to clarify that concepts of novelty and ‘invention’ are to be assessed via application of other provisions of the Patent Act ...”). New Vision now goes over the top and argues that, beyond the inventive concept at step two, the question of whether a claim is directed to an abstract idea at *step one* is a question of novelty. Under New Vision’s theory, ineligibility would be relegated to a sub-set of inventions that otherwise lack novelty.

That argument improperly recasts settled eligibility precedent. New Vision asserts that “abstractness rests on the length and scope of use,” both of which it says are factual questions. BB67 (internal quotes omitted). Under New Vision’s allegedly “proper view” of *Alice*, step one “should find an abstract idea *only where the relevant limitation is long prevalent.*” BB68 (emphasis added; internal quotes omitted). The Board’s error, according to New Vision, was not analyzing the claims with the “requisite precision,” and not considering, as a factual matter, whether the bonus-hand limitation of step (c) was “long prevalent.” BB70, 72. According to New Vision, those supposed errors relate to *Alice* step one. BB70.

New Vision’s theory is foreclosed by both precedent and logic. Well before its recent eligibility decisions, the Supreme Court was clear that the *novelty* of a patent-ineligible concept is irrelevant. In *O’Reilly v. Morse*, the Supreme Court found Morse’s claims invalid despite that his invention was novel. 56 U.S. 62, 111-113 (1853). *See also Parker v. Flook*, 437 U.S. 584, 591 (1978) (“[T]he novelty of the mathematical algorithm is not a determining factor at all.”).

Novelty is irrelevant to abstractness still today. *See Synopsis, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151 (Fed. Cir. 2016) (“[A] claim for a *new* abstract idea is still an abstract idea.”); *Intellectual Venture I LLC v. Symantec Corp.*, 838 F.3d 1307, 1315 (Fed. Cir. 2016) (rejecting the argument that novelty is inconsistent with ineligibility). New Vision *admits* its view of step one “seemingly conflict[s]” with precedent. BB68-69 (citing *Trading Techs. Int’l Inc. v. IBG LLC*, 921 F.3d 1378, 1385 (Fed. Cir. 2019); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354-55 (Fed. Cir. 2014)).

As support for its theory that abstractness only emerges over time as an idea ages, New Vision asserts, “*Alice* is clear that, if an idea is ‘innovative,’ it is not ‘abstract’ in the *Mayo/Alice* sense.” BB69. It provides no citation to *Alice* for that proposition, nor could it. The Supreme Court’s opinion in *Alice* does not distinguish innovative ideas from abstract ideas. *Alice* does not use the word “innovative” at all, though it does explain that monopolizing an abstract idea

“might tend to impede innovation” 573 U.S. at 216 (quoting *Mayo Collaborative Servs. v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289, 1923 (2012)). While New Vision argues that “[t]he Supreme Court took pains to support its conclusions about the ‘fundamental’ and ‘long prevalent’ nature of the invention” in *Alice* (BB68 n.16), it would have been painless for the Court to simply state a holding that *abstract* equates with *longstanding* if that is what it meant.

Relying on its unique view of the law, New Vision faults the Board for not evaluating whether the “bonus hand” concept was longstanding or prevalent when conducting its step-one analysis. BB69. New Vision’s theory seems to be that the idea of a bonus hand is not abstract now but might become so in the future. That theory distorts the proper role of a prior-art inquiry during step two, which is to analyze the elements of the claim for the presence of an inventive concept *beyond the abstract idea*. See *Rapid Litig.*, 827 F.3d at 1047. It simply makes no sense to say that an idea is abstract only if it is old.

New Vision further suggests that both *Smith* and *Guldenaar* were wrongly decided. BB71 (“*Smith* lays out no analysis based on the reasoning or facts of *Alice*”); *id.* at 72 (“*Guldenaar*, likewise, fails to draw any reasoning from *Alice*.”). New Vision may disagree with this Court’s analysis and application of *Alice* in those opinions, but it is wrong to say that this Court did not follow the

Supreme Court’s decision in those cases. *See Smith*, 815 F.3d at 818-19 (laying out an analysis based on the reasoning and facts of *Alice*); *Guldenaar*, 911 F.3d at 1160 (drawing reasoning from *Alice*).

New Vision likewise misstates the Board’s application of *Smith* and *Guldenaar*. The Board did not read those cases to hold that “any and all methods directed to any game are abstract and therefor[e] *per se* patent-ineligible.” BB70-71. Instead, the Board considered the claims in *Smith* and the claims here before concluding that the latter “are also drawn to rules and instructions for playing a wagering game, which is effectively a method of exchanging and resolving financial obligations” Appx26; Appx146. The Board also compared the claims in *Guldenaar* to the challenged claims and found that they were alike in that both recited “*rules for playing a game*, specifically rules for playing a wagering game, which the Federal Circuit has determined is another method of organizing human activity that is patent-ineligible.” Appx27; Appx147-148 (emphasis in original). If the Board believed there was a bright line rule that “all methods directed to any game are abstract” (BB71), it would not have needed to compare the claims at issue to those in *Smith* and *Guldenaar*.

Finally, New Vision does not make any separate argument about the patentability of its proposed substitute claims. BB73. Its argument that they are eligible because step (c) is new is the same forfeited argument it makes about

representative claim 1, where step (c) is recited. New Vision’s additional statement that “[t]he proposed amendments obviate any further problem under the ‘machine-or-transformation’ test” (BB73), is not a developed argument that merits a detailed response. Suffice it to say that the addition of generic computer components in the proposed substitute claims does not transform the abstract idea into a patent-eligible invention. *E.g.*, *Alice*, 573 U.S. at 225-26. Moreover, the argument New Vision hints at makes little sense because the machine-or-transformation test is not by itself dispositive of patent eligibility. *Bilski v. Kappos*, 561 U.S. 593, 604-05 (2010).

III. The PTAB’s Institution Decision With Respect To The Forum Selection Clause Should Not Be Disturbed

A. The PTAB’s institution decision is not appealable

New Vision’s argument regarding the forum selection clause is foreclosed by the Supreme Court’s holding in *Thryv, Inc v. Click-To-Call Technologies, LP*, 140 S.Ct. 1367 (2020), which interpreted 35 U.S.C. § 314(d) (providing that institution decisions “shall be final and nonappealable”); § 314(d) is the IPR analog to 35 U.S.C. § 324(d), which applies to CBM reviews. In *Thryv*, the patent owner challenged the Board’s decision to institute trial by arguing that the petition was untimely under the one-year limit of 35 U.S.C. § 315(b). The Court reasoned that the § 315(b) time-bar is “integral to, indeed a condition on, institution,” such that a timeliness challenge “raises ‘an *ordinary dispute about the application of*’ an

institution-related statute.” *Id.* at 1373 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139 (2016)) (emphasis added); *see also id.* (stating that the Court was hewing to *Cuozzo*’s holding that § 314(d) bars review of matters “closely tied to the application and interpretation of statutes related to” the institution decision).

The Court’s holding in *Thryv* contrasts with its decision in *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348 (2018), where it held that the Board’s decision to institute on fewer than all challenged claims was reviewable. Appeal was permitted in *SAS* because the question was whether the agency had, in *Cuozzo*’s terms, “act[ed] outside its statutory limits.” *Id.* at 1359. Because the issue on appeal was whether the USPTO “exceeded [its] statutory authority,” § 314(d) did not apply. *Id.*

New Vision’s appeal is like that foreclosed in *Thryv*, and unlike the appeal permitted in *SAS*. New Vision does not argue that institution of these CBM reviews was outside of the USPTO’s statutory authority. Indeed, New Vision’s theory now seems to be that the Board had discretion whether to institute but failed to exercise that discretion. BB58-60. If, as New Vision admits, the Board could have instituted the CBM reviews under the governing statutes, then the Board did not exceed its statutory authority in doing so, which was the basis the Supreme Court identified in *SAS* for avoiding the appeal bar of § 314(d). 138 S. Ct. at 1359.

The Court's holding in *Thryv* applies with equal force to New Vision's argument about the forum selection clause. The Board's decision here to institute trial was "closely related" to the various institution-related statutes that it explained lack any basis for a denial on the grounds argued by New Vision. Appx95 (citing §§ 321(c), 325(b), 325(e)(2), and 325(f)). The Board's decision about the lack of a statutory basis for denial on forum selection grounds was thus the resolution of "an ordinary dispute about the application of ... institution-related statute[s]." *Thryv*, 140 S. Ct. at 1373 (internal quotes and citation omitted).

Realizing that the *Thryv* decision forecloses raising the forum selection clause in this appeal, New Vision argues that a broad reading of *Thryv* "would effectively displace APA judicial review," which it says is not permissible without congressional action. BB63. This Court has already rejected the argument that the APA provides an avenue of review when appeal would otherwise be foreclosed. *See HP Inc. v. MPHJ Tech. Inv., LLC*, 817 F.3d 1339, 1347 (Fed. Cir. 2016) (explaining that permitting an APA challenge to an institution decision "would eviscerate" the appeal bar). Furthermore, New Vision is misreading the Supreme Court's reference to the APA in both *SAS* and *Cuozzo*. BB64. In *SAS*, the Court was simply noting that permitting review in those limited circumstances where the Board exceeds its statutory authority is "consistent" with the APA. *SAS*, 138 S. Ct. at 1359. *Cuozzo* similarly cited the APA *within* its discussion of the "shenanigans"

exception that applies when the Board exceeds its authority. 136 S. Ct. at 2142. Finally, if one reads these Supreme Court decisions to open the door to an APA challenge, New Vision has not alleged any problem with the Board's analysis of the forum selection clause in violation of the APA. New Vision's theory is that the Board should have exercised discretion to deny SG Gaming's CBM review petitions. BB58. That is not an argument that the Board exceeded its authority.

B. New Vision's arguments based on the Board's discretionary authority and the Administrative Procedure Act were not raised below

If this Court were to conclude that the Board's institution decision is appealable, this Court should not consider New Vision's arguments because they were not made below and are otherwise not persuasive. Before the Board, New Vision argued that the forum selection clause barred SG Gaming from pursuing the CBM reviews below and that the Board should not have instituted trial. Appx740-742; Appx1070-1073. Now on appeal, New Vision advances a new theory regarding the forum selection clause—namely, that the Board abdicated its discretionary authority under § 314(d) by instituting trial without accounting for the forum selection clause and acted arbitrarily and capriciously under 5 U.S.C. § 706(2)(A). BB58-63. These arguments were not made below and therefore were forfeited by New Vision. They should not be considered for the first time on appeal. *See Sage Prods.*, 126 F.3d at 1426 (explaining that appellate courts do not

consider new arguments on appeal); *Fresenius*, 582 F.3d at 1296 (“If a party fails to raise an argument before the trial court, or presents only a skeletal or undeveloped argument to the trial court, we may deem that argument waived on appeal[.]”); *MCM Portfolio*, 812 F.3d at 1294 n.3 (finding waiver in IPR appeal where argument was raised in “a few scattered sentences at the oral hearing”).

Forfeiture is particularly appropriate here because New Vision is faulting the Board for considering the forum-selection issue exactly as New Vision argued it below. For example, New Vision says that “the proper legal analysis should have been whether the existence of the forum selection clause was a sufficient reason for the PTAB to exercise its discretion and not institute the CBM review.” BB60. However, New Vision told the Board the forum selection clause “prevents” it from considering disputes between the parties. Appx741. It asserted that “all disputes must be brought before the Nevada courts” *Id.* Even in its rehearing motion after the final written decision, New Vision continued to assert that the forum selection clause “prohibits this CBM.” Appx1942. New Vision’s consistent argument that CBM review was prohibited and that the Board was prevented from instituting is not an argument in favor of a discretionary analysis that weighs the forum selection clause against other factors. Yet that is precisely the error New Vision attributes to the Board. BB60 (“At no point in the decision does the PTAB weigh this consideration against any other.”). Having told the Board that it was

prevented from instituting these CBM reviews, New Vision should not be able to argue now that the Board's error was a failure to engage in a discretionary weighing of factors.

C. If considered, New Vision's arguments based on the Board's discretionary authority and the Administrative Procedure Act are not persuasive

Regardless of the foregoing, New Vision's new arguments are not persuasive. New Vision attempts to circumvent the holding of *Thryv* by invoking the Administrative Procedure Act and arguing that the Board's institution decision was arbitrary and capricious under 5 U.S.C. § 706(2)(A). BB58-64. Specifically, New Vision argues that the Board "abdicated its discretionary authority" by not considering the forum selection clause as part of its discretionary analysis. BB26, 58-60. New Vision mischaracterizes the institution decision. The Board expressly considered the forum selection clause in undertaking its discretionary analysis of whether to institute trial under 35 U.S.C. § 324(a): "Based on the current record, we are not persuaded that institution should be denied on the basis of 35 U.S.C. § 324(a) because a federal district court could possibly enforce the forum selection clause against Petitioner." Appx94. In addition, the Board found that New Vision had not identified any other authority "such as by statute, rule, or binding precedent" that would require denial of institution because the forum selection clause barred the CBM reviews. Appx95-96. Thus, New Vision's assertion that

the Board abdicated its discretionary authority is nothing more than dissatisfaction with the exercise of the Board’s discretion, not “shenanigans” that might allow an appeal of the institution decision.

In arguing that the Board abdicated its discretion, New Vision asserts that the Board applied an incorrect legal standard by requiring New Vision to identify a “contractual estoppel defense.” BB60. That argument again miscasts the Board’s decision. The Board did not use the term “contractual estoppel” to describe a substantive legal standard that New Vision had to meet. Rather, the Board used that term to describe New Vision’s argument that the forum selection clause—a contractual provision—barred SG Gaming from pursuing CBM review at the Board. Appx93-96; Appx6-8; Appx71-76. The Board thus merely used the term “estoppel” as a synonym for “bar.” *See* Appx94 (characterizing the dispute as whether “the Agreement contractually *estops or bars* Petitioner from seeking” CBM review) (emphasis added); Appx95 (referring to “a *contractual bar/estoppel* defense”) (emphasis added); Appx215 (referring to New Vision’s failure to identify authority providing “support for a *contractual bar/estoppel defense*”) (emphasis added).

The remainder of New Vision’s argument about the forum selection clause raises case law that the Board considered and rejected in the course of its institution decision. The Board correctly found *Dodocase* off point because the

patent owner in *Dodocase* obtained a court order directing the petitioner to withdraw its PTAB petitions, something New Vision did not attempt. Appx7; Appx72. That distinction is critical because the decision did not hold that the Board was obligated or empowered to consider the forum selection clause in that case. Rather, *Dodocase* required the patent owner to withdraw its PTAB petitions after obtaining relief from a district court, which was empowered to consider the forum selection clause and grant the requested relief.

New Vision also cites *M/S Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1 (1972), to argue that forum selection clauses that are *prima facie* valid should be enforced unless they are unreasonable. BB61-62. Here again, the Board correctly observed below that *Bremen* involved a situation where the forum selection clause was raised at the district court, which *was* empowered to consider it. Appx74-75. “Thus, [the Board was] not persuaded that the *Bremen* decision’s discussion of the district court’s review and enforcement of contractual obligations applies in a CBM review where Patent Owner has not shown that the panel has comparable authority to resolve contract disputes.” Appx75.

In addition, SG Gaming is aware of two Board decisions and a district court decision that support SG Gaming’s position and are contrary to New Vision’s position (Appx863-64): *Dot Hill Sys. Corp. v. Crossroads Sys. Inc.*, IPR2015-00822, Paper 18 at 7-8 (PTAB Sept. 17, 2015) (the Board held that it did not have

authority to consider contractual estoppel based on a no-challenge clause in a litigation-related settlement agreement to prevent institution of an IPR) (Appx980); *Esselte Corp. v. Dymo*, IPR2015-00779, Paper 13 at 6-7 (PTAB Aug. 28, 2015) (the Board held that it did not have statutory authority to consider a contractual bar based on a forum selection provision to decline proceeding with an IPR) (Appx995); *Callaway Golf Co. v. Kappos*, 802 F. Supp. 2d 678, 686-88 (E.D. Va. 2011) (holding that a forum selection provision could not prevent inter partes reexamination from proceeding because of the strong public policy of ensuring that patents are valid).

IV. New Vision Forfeited Both of its Constitutional Challenges

A. New Vision forfeited its *Arthrex* argument by not raising it at the PTAB

As New Vision's brief states, the underlying CBMs were pending at the PTAB when *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), *cert. granted*, No. 19-1458, 2020 WL 6037208 (U.S. Oct. 13, 2020), was decided on October 31, 2019. BB65-66. The PTAB's rehearing decisions were issued on November 20, 2019, approximately three weeks *after* the *Arthrex* decision. BB3. New Vision could have requested repaneling during that three-week period, but it did not. It is no answer that the period for requesting rehearing had passed and New Vision's earlier request was already pending when *Arthrex* issued. The PTAB's rules specifically provide that it "may determine a proper

course of conduct in a proceeding for any situation not specifically covered [by the rules]” 37 C.F.R. § 42.5(a). *See also id.* § 42.5(c)(3) (“A late action will be excused on a showing of good cause or upon a Board decision that consideration on the merits would be in the interests of justice.”); Intervenor USPTO Director’s Response to Appellee’s Motion for Consideration of Appellant’s Arthrex Remand Request Prior to Additional Briefing and to Strike, Doc. 50 at 1 (explaining that New Vision “could have, but did not, seek specific relief under *Arthrex* from the Board”). New Vision has thus forfeited its *Arthrex* challenge, and this Court should decline to remand these CBM reviews.

While this Court excused forfeiture in the *Arthrex* decision itself, it did so for reasons that do not apply here. In *Arthrex*, this Court remedied what it concluded was a constitutional problem with the appointment of PTAB APJs by severing the restriction on removal of APJs provided by Title 5 via 35 U.S.C. § 3(c). 941 F.3d at 1338. In reaching that holding, the Court rejected the argument that *Arthrex* had forfeited the issue by not timely raising it before the Board. *Id.* at 1339-40. Excusing *Arthrex*’s failure to raise the issue earlier, this Court distinguished *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008), where it previously found forfeiture on similar facts. *DBC* involved an earlier Appointments Clause challenge to the APJ appointment scheme where this Court declined to consider the constitutional issue because *DBC* had not raised it first with the Board. *Id.* at

1379. *DBC* was different, this Court explained in *Arthrex*, because the Board could have cured the alleged defect by reassigning the appeal to a panel of properly appointed APJs. *Arthrex*, 941 F.3d at 1339 (citing *DBC*, 545 F.3d at 1379). The same was not possible in *Arthrex* because the constitutional flaw applied to *all* APJs, not just to some APJs as in *DBC*. *Id.* at 1340 (“In contrast, here ... [t]he Board was not capable of correcting the constitutional infirmity”). The *Arthrex* Court then remanded the IPR, requiring that it be reheard by new panel of APJs operating under the then-corrected removal scheme. *Id.*

New Vision is in the same position in which *DBC* found itself, and in which this Court found forfeiture²: the PTAB could have cured the constitutional defect in its earlier pre-*Arthrex* final written decisions by reassigning the CBMs to a new panel. Like *DBC*, New Vision is seeking relief from this Court that the Board could have provided if it had asked. Like *DBC*, New Vision has thus forfeited its *Arthrex* challenge and this Court should decline to remand these CBMs. If this Court nevertheless concludes that it is appropriate to reach New Vision’s *Arthrex*

² *DBC* and *Arthrex* used different terms, “waiver” and “forfeiture,” respectively, for the same conduct—*i.e.*, the failure to timely raise an issue. “Forfeiture” is the more accurate term. See *Hamer v. Neighborhood Hous. Servs. of Chi.*, 138 S. Ct. 13, 17 n.1 (2017) (explaining that while the terms are often used interchangeably, forfeiture “is the failure to make the timely assertion of a right”).

challenge, SG Gaming requests that the appeal be stayed pending the Supreme Court's review of *Arthrex* following its grant of *certiorari*.

B. New Vision also has forfeited its argument that the USPTO funding and PTAB labor processes present due process problems

New Vision's due process argument concerns asserted problems with practices and procedures only the USPTO or Board could have rectified. In New Vision's words:

The unconstitutionality of the PTAB institution process is a product of PTO regulations and implementation. The Court need not invalidate any statute. A solution does not require this Court to legislate from the bench. Rather, the PTO on its own accord can fix the problem of impermissible structural bias.

BB56-57. Any remedy for New Vision's asserted problems would involve creating and/or revising detailed agency practices and procedures, activities not within the province of this Court. Such issues should not be explored for the first time on appeal.

New Vision did not have to wait to raise its asserted due process issue because the procedural means existed for New Vision to raise the issue at the Board. When filing its petition, New Vision could have asked for one panel to make the institution decision and a different panel to decide the trial, if instituted. Alternatively, per 35 U.S.C. § 314(a), New Vision could have asked the Director to make the institution decision himself if it thought the Board was biased. New Vision could have asked the Director to change APJ production requirements, or it

could have commented during the USPTO's fee setting processes, as the public is permitted to do. New Vision did not do, or try to do, any of those things, even though its position is that the asserted problem is within the agency's power to solve. As New Vision tells this Court: "The PTO Can Fix the Constitutional Problem." BB56. As with its *Arthrex* challenge, New Vision has forfeited its due process challenge, and this Court should not consider it for the first time on appeal.

New Vision's forfeiture of this issue is again unlike the forfeiture this Court excused in *Arthrex* because the remedy it seeks—changes in USPTO practice—does not require action by this Court. Nor is there any reason why the USPTO cannot consider an issue in the first instance merely because it involves a constitutional question. *See Riggin v. Off. of Senate Fair Emp. Prac.*, 61 F.3d 1563, 1569-70 (Fed. Cir. 1995) (explaining that an agency may consider a constitutional issue that does not require it to question its own statutory authority or to disregard Congressional instructions). New Vision's cited authority is not to the contrary. *See* BB57. *Califano v. Sanders*, 430 U.S. 99, 109 (1977), includes a general statement that constitutional questions are unsuited for resolution in administrative hearing procedures, but that was in connection with the Court commenting on the importance of judicial review in a case where a constitutional challenge *had* been made to the Social Security Administration. New Vision also cites *ZTE (USA) Inc. v. Fundamental Innovation Sys. Int'l LLC*, IPR2018-00425

paper 52, slip op. at 29, 2019 WL 2866003 at *12 (PTAB Jul. 2, 2019), but that was a pre-*Arthrex* Appointments Clause challenge raised before the Board, which could not have remedied the issue itself.

The differences between this appeal and *Arthrex* highlight another problem with New Vision's presentation of its due process challenge and related materials for the first time on appeal. In *Arthrex*, this Court decided the Appointments Clause issue by reviewing and interpreting statutes (*e.g.*, Title 5, 35 U.S.C. §§ 3, 6, 141(c), 318, 319) and rules (*e.g.*, 37 C.F.R. §§ 42.51, 42.62(a), and 42.70) concerning the powers, responsibilities, and employment protections of APJs. *Arthrex*, 941 F.3d at 1328. In contrast, New Vision's due process challenge is not based on the interpretation of statutes or rules. Rather, New Vision asks this Court to serve as the trier of fact for complex arguments based on new materials from outside the administrative record of these CBM reviews. This Court's function is not to serve in that capacity. *Golden Bridge Tech., Inc. v. Nokia, Inc.*, 527 F.3d 1318, 1323 (Fed. Cir. 2008) (explaining that appellate courts "do not find facts"). *See Homeland Housewares, LLC v. Whirlpool Corp.*, 865 F.3d 1372, 1382 (Fed. Cir. 2017) (Newman, J., dissenting) (explaining that the role of the Federal Circuit in the post-grant review process is the traditional appellate function and limited to "the record made below").

C. The Court should strike portions of New Vision’s brief that rely on materials outside the administrative record in support of new arguments

While SG Gaming maintains that New Vision’s due process argument about the USPTO’s budget and labor processes has been forfeited, it would also be appropriate for this Court to strike the portions of New Vision’s opening brief that rely extensively on new materials outside of the administrative record.³ New Vision has belatedly transformed this dispute over a method of wagering on a card game into a sweeping and fact-intensive exploration of the USPTO’s budget and labor processes. The timing, nature, and extent of New Vision’s due process challenge are extreme departures from normal appellate briefing. Core administrative law principles preclude that exercise, and this Court should not consider such issues for the first time on appeal.

SG Gaming respectfully asks this Court to strike the portions of New Vision’s brief that rely on new materials not raised before the USPTO in the first instance. None of those materials—which accounted for more than 1,200 pages New Vision added to the designated materials for the joint appendix—come from

³ SG Gaming moved for the same relief prior to briefing, and this Court denied the motion and directed SG Gaming to raise the issue in this brief. Order, Doc. 61 at 2 (Sept. 2, 2020).

the records in the CBM reviews on now on appeal.⁴ Instead, the new materials include documents apparently relating to third-party US Inventor's FOIA request, documents about the USPTO's fiscal year 2020 budget, the USPTO's 2021 budget justification provided to Congress, and PTAB trial statistics from April 2020. In short, they are documents that were not in the record, not plausibly relevant to the issues the PTAB considered, and, in the case of many of them, dated well *after* the PTAB made its institution decisions in these CBM reviews, which are what New Vision is challenging.

When a court is called upon to review agency action, “the focal point for judicial review should be the administrative record already in existence, not some new record made initially in the reviewing court.” *Camp v. Pitts*, 411 U.S. 138, 142 (1973). And Title 35 makes clear that this Court's review of PTAB decisions is no exception. 35 U.S.C. § 144 (specifying that this Court “shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office”). Striking new material is an appropriate and effective mechanism to police that rule, whether the appeal is from the USPTO or a district

⁴ The new materials are everything in the joint appendix at page 3600 and higher. New Vision has filed a motion asking this Court to take judicial notice of the new materials, unilaterally added to the designated materials for the joint appendix by New Vision (Doc. 36-1), and SG Gaming has opposed that motion (Doc. 43). That motion has been deferred to the merits panel. Doc. 61.

court. *See In re Mark Indus.*, 751 F.2d 1219, 1224 n.3 (Fed. Cir. 1984) (striking declarations submitted on appeal because they were not before the district court); *Am. Standard Inc. v. Pfizer Inc.*, 828 F.2d 734, 746 (Fed. Cir. 1987) (striking portions of appellee’s brief for including information not before the district court); *In re Ziegler*, 833 F.2d 1024, (Fed. Cir. 1987) (citing 35 U.S.C. § 144 and striking the reply brief for containing material outside the agency record). Furthermore, regardless of whether the new materials New Vision seeks to add were before the agency in some other way, they were not part of the record in these CBM reviews. *See BASF Wyandotte Corp. v. Polychrome Corp.*, 586 F.2d 238, 239-40 (C.C.P.A. 1978) (striking information from the designated materials that was “in possession of the PTO” because it was not in the material before the Board).

Beyond the new materials, SG Gaming respectfully asks this Court to strike New Vision’s due process argument that it did not raise below and relies entirely on the new materials. *Sentry Prot. Prods., Inc. v. Eagle Mfg. Co.*, 400 F.3d 910, 912 (Fed. Cir. 2005) (granting motion to strike arguments in appellee’s brief about an invalidity defense not reached by the district court and noting “we do not normally decide significant issues for the first time on appeal”). Specifically, SG Gaming asks this Court to strike the following sections of New Vision’s opening brief: Section II.D of the Statement Of The Case And Factual Background (“The PTAB’s Adjudicatory Process, Fee Structure, and Compensation Structure,”

(BB13-22)), the portion of the Summary Of The Argument that discusses the due process argument (BB25-26), and Section II of the Argument (“The CBM Decisions Should Be Vacated Because The AIA Institution Process Is Unconstitutional,” ((BB29-57))).

D. New Vision’s due process challenge is meritless

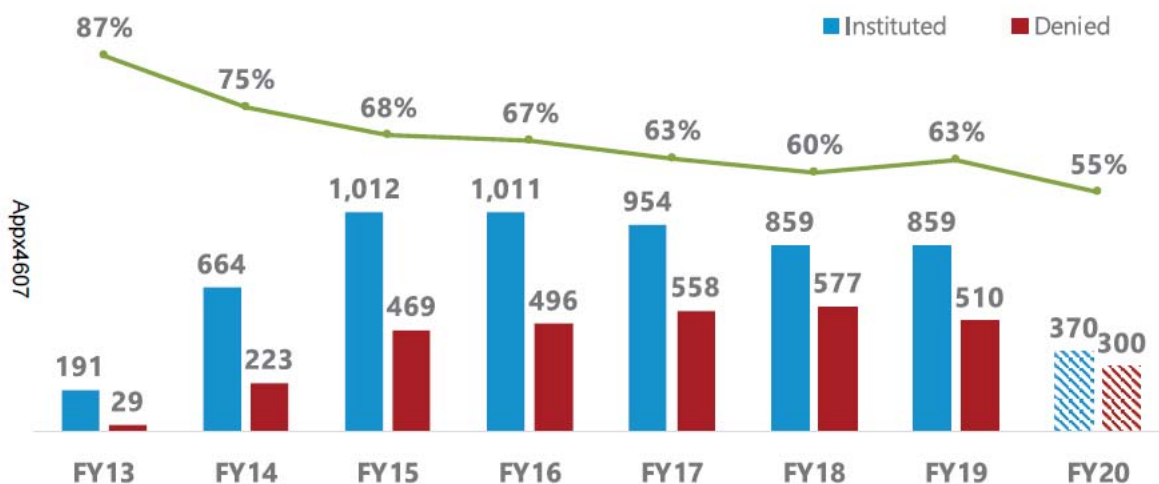
The USPTO has intervened in these appeals, and it is in the best position to respond to New Vision’s ponderous, fact-intensive due process challenge. Should this Court reach the merits of New Vision’s challenge, SG Gaming defers to the USPTO with respect to facts and arguments presented in response to New Vision’s due process challenge. To be clear, SG Gaming disagrees with and opposes New Vision’s due process challenge, which is premised on an incomplete, and likely inaccurate, picture of the internal workings of the USPTO. While SG Gaming defers to the USPTO’s defense of its budget and labor processes, even a cursory consideration of New Vision’s theory reveals its flaws.

New Vision’s structural bias theory is premised on both the APJ incentive structure and the USPTO funding model. BB13-22; BB29-57. It has proven neither premise, nor does either make sense. New Vision has not demonstrated that the APJ incentive structure leads to more granted petitions. It discusses the decisional units (“DUs”) that APJs earn when performing their jobs (BB20), without showing how those DUs create bias one way or the other when it comes to

institution. New Vision does not explain how DUs are accrued in the case of AIA trials. Instead, it simply concludes there is a bias in favor of institution because that will “lead[] to more opportunities” to earn DU’s and “increase[] the likelihood that the APJ will receive a positive review, possible salary increase, and possible bonus.” BB40. That conclusion assumes what New Vision has not shown—*i.e.*, that: (1) there is a scarcity of opportunities to earn DUs; and (2) DUs earned for post-institution AIA trial work are easier to earn than DUs from alternative work the APJ would perform if the petition were not granted. The empirical data cited by New Vision show the opposite.

New Vision cites the following USPTO chart, which shows the number of petitions filed and instituted in PTAB trials as of April 30, 2020 (BB14, citing Appx4607):

Institution Rates (FY13 to FY20: Oct. 1, 2012 to Apr. 30, 2020)



Institution rate for each fiscal year is calculated by dividing petitions instituted by decisions on institution (i.e., petitions instituted plus petitions denied). The outcomes of decisions on institution responsive to requests for rehearing are excluded.

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Appx4607.⁵ This chart shows that, since fiscal year 2015, the total number of PTAB petitions instituted for trial has declined. *Id.* It also shows that, since the

⁵ *Amicus curiae*, US Inventor, similarly makes a supposedly data-driven argument that fails. It refers to an “October Effect” that it says demonstrates institution decisions are less favorable to patentees in October than in September. *Amicus Br.* at 5. It makes that argument by classifying a decision as “favorable to the patentee” when it leads to a final written decision “affirming at least some claims.” *Amicus Br.* at 3-4.

Classifying a *mixed* final written decision as favorable to a patentee and then using data based on the number of such supposedly favorable decisions to demonstrate a “Questionable Institution Ratio” is nonsense. Institution is proper when “the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a). *See also* 35 U.S.C. § 324(a) (institution is proper when “it is more likely than not that at least 1 of the claims challenged in the

(footnote continued on next page)

inception of PTAB trials, the percentage of granted petitions has declined in an almost unbroken fashion from 87% to 55%.⁶ *Id.* In fact, while New Vision refers to the problems APJs would face with a hypothetical 25% reduction in the institution rate (BB42-43), the data show an actual reduction *greater* than that over time. Appx4607.

New Vision’s funding-model theory is equally suspect. Its theory is based entirely on a supposed bias produced by a potential to influence less than \$23 million (BB37) of the USPTO’s annual \$3 billion budget (Appx4529). The bulk of the USPTO’s fees is no doubt collected from patent applicants, as is the bulk of the PTAB’s fees. The only logical structural bias in the system—which SG Gaming does not assert exists—would be in favor of patent applicants and owners, not petitioners. New Vision ignores that if the USPTO cancels a patent following an AIA trial, it will lose the maintenance fees it would otherwise receive *for doing no*

petition is unpatentable”). A final written decision that confirms the *unpatentability* of at least one claim of the patent also confirms the accuracy of the institution decision, and it is doubtful that many patentees would consider such a decision “favorable.” Beyond that definitional error, there may be additional flaws in US Inventor’s data analysis, as at least one observer has catalogued. *See* RPX, *Data Analysis: Amicus Brief on Alleged PTAB Institution Bias Rests on Shaky Foundation* (Oct. 22, 2020), <https://www.rpxcorp.com/intelligence/blog/data-analysis-amicus-brief-on-alleged-ptab-institution-bias-rests-on-shaky-foundation/>.

⁶ The USPTO has since published this chart with complete data for fiscal year 2020 showing an institution rate for the full year of 56% with 648 total institutions. *See* Patent Trial and Appeal Board, *Trial Statistics IPR, PGR, CBM*, at 6 (Sept. 2020), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf.

work at all. Regardless, New Vision fails to appropriately distinguish the logic of *Delaware Riverkeeper Network v. FERC*, 895 F.3d 102 (D.C. Cir. 2018). New Vision argues that FERC relies on a congressional appropriation while the USPTO “sets its own fees.” BB54. But like FERC, the USPTO’s budget is also set by Congress, and collected fees can only be spent to the extent of that budget. 35 U.S.C. § 42(c)(1). The D.C. Circuit further rejected the argument that a long-term incentive to increase FERC’s appropriation would create bias because similar theoretical concerns existed in an earlier funding model approved by the Supreme Court. *Delaware Riverkeeper*, 895 F.3d at 112.

Finally, New Vision’s argument about a purported structural bias favoring institution fails to identify any due process problem for an additional and independent reason: an institution decision does not adjudicate patentability; rather, an institution decision merely allows a PTAB proceeding to continue to the trial phase, where patentability is decided by the Board. New Vision does not assert that the trial phase of PTAB proceedings implicates any due process issues.

CONCLUSION

For the foregoing reasons, SG Gaming respectfully requests that the Court affirm the decisions of the PTAB.

Dated: October 27, 2020

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Circuit Rule 32(a). The brief contains 12,189 words, excluding the portions exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft® Word 2016 and 14-point Times New Roman type.

Dated: October 27, 2020

/s/Nathan K. Kelley

Nathan K. Kelley