

# Gaming Biz-Northeast

*Casino Industry News and Commentary*

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*An exclusive interview with two of Santa's Elves*

## Does your casino want new holiday games?

It's the time of year when many consumer publications devote space to holiday gift giving for the whole family. As a trade publication, Gaming Biz-Northeast instead is interviewing a husband-wife team that formed a company which makes games for the casino industry.

These days many casino suppliers are major corporate entities; names like Bally Technologies, AC Coin & Slot, WMS and International Game Technology (IGT) are well-known names in the casino industry. What's less well known is that some major corporate casino providers, in turn, have smaller companies developing games for them. Such is the case with Precedent Gaming, Inc. of Scituate, Mass., a small business with just four staffers. Speaking in Christmas terms, Precedent and its owners, Kathy and Kent Jackson could be considered heads of one of Santa's workshops.

Kent, 66, an Ohio native, is director of marketing and operations at Precedent Gaming, Inc., the company they operate in Scituate, Mass. His wife, Kathy, is 56 and was born in Worcester, Mass.

As much of their work is behind the scenes, GBN verified Precedent's track record with WMS Gaming. According to Michael Blankstein: "Yes – they have sold or licensed some game concepts and associated patents to WMS and WMS has a good working relationship with the Jacksons. Gaming Biz-Northeast received similar confirmation from IGT where Michael Cantor said: "Yes, they sold us some patents and applications. I believe we have purchased game method patents/apps, but would have to review. Not sure why they would not want to disclose their relationship with us. We do have a good relationship with them..."

**GAMING BIZ-NORTHEAST:** What did you do prior to getting involved with casino game design?

**KENT JACKSON:** "We started our careers as designers in advertising and marketing. In 1976 we were fortunate enough to take a trip to London where we saw and minimally played slot machines in Piccadilly Square storefronts. We lost a few pence of course.

"We've always been fascinated with gaming and on our next trip to Europe, we visited the Casino Estoril in Portugal. There in 1978 we found some three-reel mechanical slots, but most of the play consisted of roulette and baccarat. We bet very little and lost again.

“My wife Kathy, our principal game designer, finally found a creative outlet in the toy and game industry by inventing a over a dozen games in the 1990's, some of which are still out there today and for which we still receive royalty checks.



**GAMING BIZ-NORTHEAST:** But it's a big leap from children's toys to adult betting machines. What prompted the transition?

**KENT JACKSON:** Living near Boston in 1999, the new casino Foxwoods was about a two-hour drive so we decided to make a day of it. We had a great time, won a few bucks and then I heard a career-changing phrase from Kathy: ‘This is fun, but I could put a whole lot more gameplay in those machines!’

“I didn't have to say, ‘Go for it’ because I knew she was going to anyway.”

**GAMING BIZ-NORTHEAST:** But casino games of any sort are complex structures, it's not like a child's Chutes and Ladders or even Monopoly.

**KENT JACKSON:** “Intense study of existing games, game rules, odds theory and practice, gaming history and player research became an obsession for both of us. Soon game concepts started to develop. Our experience as advertising designers and presenters really came into being and we felt ready to show our creations. So with high hopes Kathy proceeded to the first G2E (Global Gaming Expo) in 2001 with her gameplay on a CD disk.

**GAMING BIZ-NORTHEAST:** What happened then? Were you embraced or shunned for not being industry heavy hitters?

**KATHY JACKSON:** “In the early days of G2E there was much camaraderie and openness. When asked if they would be willing to look at some new and fresh gaming concepts, most all executives said yes. We had no patents and no NDAs and no game orders after that first show. We learned sometime afterward that one of the concepts that we showed was going to be coming out as a company's game in a year or so. Our tough lesson learned was that you can be one of the best game designers in the world, but without patents and NDAs you'll never make a dollar from your ideas.”



**GAMING BIZ-NORTHEAST:** Was that coincidence or was your game concept stolen by this company?

**KATHY JACKSON:** “We have our suspicions, but

our attorney told us that, as a new company, to drop it because they were concerned we would get a reputation of being a litigious newcomer to other prospective game buyers. It turned out to be good advice at the time.

“We luckily found a prominent gaming patent attorney and a world-renowned mathematician who have made all of the difference for us. The next year when we attended G2E we were prepared. Gaming executives who we had met the year before were still open to reviewing our new game concepts and we were protected by at least a provisional patent. Also a few agreed to take a few of our games in for review and testing. That was a major turning point for us. We realized that major game manufacturers took us seriously so we doubled our efforts to research and produce.”

**GAMING BIZ-NORTHEAST:** Why are patent attorneys and mathematicians important?

**KENT JACKSON:** “Gaming patent attorneys are a specialty group who don't need to waste a lot of time researching the nuances, history, gameplay and Gaming Commission's rules and regulations in the industry. Most companies won't look a game idea without at least a provisional patent in place. They are terrified of lawsuits claiming that an outside party thinks it developed something that the gaming manufacturer is already working on. Parallel development is a real concern, especially in this industry. The company with the earliest patent submission date wins the argument though. An NDA (Non-Disclosure Agreement) only says that you will not divulge each other's information. It helps, but is much weaker in court. Besides, a company wants to think that your concept will pass strict patenting scrutiny and issue.”

**KATHY JACKSON:** “Two years ago I submitted a patent application for a particular slot play method. One week after the submission to the USPTO, a different patent application published from one of the giants in the industry. The concept was exactly the same as mine, so much so that I had to abandon the idea. Months of work and fees were lost, but there was no point to battle when the other party had the earlier date!”

**KENT JACKSON:** We incorporated Precedent Gaming in 2003 and were off and running.

**KATHY JACKSON:** “We then sold several more games before hitting a dry spell. Having games rejected that you've put your heart into is disheartening and expensive in terms of time and math/patenting/legal costs. The e-mail or phone call that starts: ‘We've decided to pass on...’ can put you in a funk for a week. Conversely the call, ‘We hear you have interesting games to review’ perks you right back up again.”

**KENT JACKSON:** “And that's the way it was when we heard from IGT (International Game Technology of Reno, Nevada– manufacturers of Wheel of Fortune, Multi-Strike Poker, Indiana Jones, Etc.), who has become a great client. Due to NDAs and contracts I can't get into details.

“One thing I can say is this is not a business of instant gratification. By the time a game is reviewed, tested, programmed, exterior art developed and approved by state gaming

commissions, four or five years can pass. We've also had game concepts that were rejected two or three years ago suddenly come into vogue and be purchased. The public's changing tastes and a company's marketing objectives can have enormous influence.

“A case in point – a game patent that we licensed to WMS gaming about 6 years ago – made its appearance at G2E 2009 in Las Vegas. It was well received and will make it to many Northeastern casino floors early in 2010. Our patent has been worked into four new games called: *Gems, Gems, Gems*, *Samurai Master*, *Silver Sword* and *St. Petersburg*. A couple more under a different patent of ours will show up later in 2010.”

**GAMING BIZ-NORTHEAST:** Gaming mathematics was mentioned earlier. How and why is that important in the development process?

**KENT JACKSON:** “Gaming math is also important because it indicates whether a game will make or lose money for a manufacturer or a casino. Obviously a game that mathematically is shown to lose money will never make it to a casino floor. We've seen where in-house mathematicians have checked the math on a game and the company will then send the game out to an independent mathematician for a second opinion. We are dealing with an industry controlled by very specific math. The casino will want to know if the hold will be 2.75 percent or 2.74 percent. Of course if your math proves to work and your game is intriguing, you're in the sweet spot.”

**KATHY JACKSON:** “The huge advantage of having well known mathematicians and attorneys is that manufacturers are much more likely to trust them and thus your company and your game patents.”

**GAMING BIZ-NORTHEAST:** Do you use game testers?

**KENT JACKSON:** “Sometimes we use casino savvy family and friends. The casino manufacturers do extensive research, testing and often focus groups when they take a game in for review.”

**GAMING BIZ-NORTHEAST:** Lawyers are expensive. Do you farm out all your patent work?

**KENT JACKSON:** “We now spend 75 percent of our time in the US Patent Office researching patents. There are a huge number of gaming patents and it is getting much harder to find an opening. But, there still holes out there that one can take advantage of with ingenuity and creativity.”

**GAMING BIZ-NORTHEAST:** It seems like an incredible amount of work. Is it a labor of love or financially a worthwhile endeavor?

**KENT JACKSON:** “In good years it can be well into six figures, but like fashion or show biz, there can be down years too. And there are always on-going legal costs (both patenting and contractual) as well as travel costs. After four or five years our games are just starting to get out to casino floors. We are told that more will follow later this year.”

**GAMING BIZ-NORTHEAST:** What are some of the present and future challenges for Precedent Gaming?

**KENT JACKSON:** “We find that in-house game development departments can often be our biggest competition: ‘Not Developed Here’ pervades. We have to show truly innovative ideas in order to compete. On the other hand, the in-house staff can become stale by being in the same routine every day. The challenge keeps us sharp and makes our job fun.

“Speaking of creativity, there are many new developments in gaming: cash in/cash out, open source, wireless schemes, networked jackpots, etc. They're all terrific and make playing more interesting and convenient, but the number one factor that keeps the players coming back to the tables is great game play. Precedent Gaming is dedicated to providing exactly that. We produce innovative ideas with patents for video poker, slots, betting methods, jackpot payout configurations and card games for both table and electronic machines.”

**GAMING BIZ-NORTHEAST:** Given the current major recession, what are some of the present and future challenges for Precedent Gaming?

**KENT JACKSON:** “We view the future of gaming as a great industry coming out of a slump and look forward to new challenges.”