
The scope of patentable subject matter has continued to generate fierce debate even after Congress created the Federal Circuit in 1982 to promote uniformity and predictability in the nation’s patent laws.1 Section 101 of the Patent Act of 1952 (Section 101) defines patentable subject matter as “any new and useful process, machine, manufacture, or composition of matter.”2 In 1972, the Supreme Court explained in Gottschalk v. Benson that “[t]he transformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.”3 In 2008, the Federal Circuit held that Benson’s “machine-or-transformation test,” was “the sole test governing § 101 analyses.”4 Last Term, in Bilski v. Kappos,5 the Supreme Court rejected both the Federal Circuit’s “machine-or-transformation” holding and the suggestion of an alternative categorical ban on business method patents.6 Instead, the Court denied Bilski’s application on the

3. 409 U.S. 63, 70 (1972) (citation omitted).
5. 130 S. Ct. 3218 (2010).
6. Id. at 3227 (holding that the “machine-or-transformation test” is not the sole test); id. at 3228 (holding that the language of Section 101 precludes a categorical business method ban).
finding that it was an unpatentable abstract idea.⁷ Although the Court purported to decide the case narrowly to avoid “impos[ing] limitations on the Patent Act that are inconsistent with the Act’s text,”⁸ the Court’s interpretation of Section 101 all but guarantees increased uncertainty in an already convoluted area of patent law because it denies the Federal Circuit the ability to create a clear and predictable patentable subject matter standard and encourages the Federal Circuit to experiment with the doctrine through case-by-case analysis.

In the initial patent application Bernard Bilski and Rand Warsaw filed on April 10, 1997 they described “how buyers and sellers of commodities in the energy market can protect, or hedge, against the risk of price changes.”⁹ Bilski’s invention required only three steps: first, selling commodities to consumers at a fixed rate based on historical averages and corresponding to the risk position of the consumers; second, identifying market participants for that commodity having a counter-risk position to the consumers; and third, initiating a series of transactions between the commodity seller and the market participants at a second fixed rate that balances the risk position of the series of consumer transactions.¹⁰ Bilski’s application focused on using this process in energy markets.¹¹ The patent examiner rejected Bilski’s application, stating that because it was not limited to a practical application of the abstract idea of hedging risk, it was not directed to the technological arts.¹² In 2006, the Board of Patent Appeals and Interferences affirmed the rejection, concluding that Bilski’s application “involved

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⁷ Id. at 3229–30 (“Rather than adopting categorical rules that might have wide-ranging and unforeseen impacts, the Court resolves this case narrowly on the basis of this Court’s decisions in Benson, Flook, and Diehr, which show that petitioners’ claims are not patentable processes because they are attempts to patent abstract ideas.”).

⁸ Id. at 3231.

⁹ Id. at 3223.

¹⁰ Id. at 3223–24.

¹¹ Id. at 3224.

¹² Id. (Bilski’s application was rejected at the Patent and Trademark Office (PTO) because it “is not implemented on a specific apparatus and merely manipulates [an] abstract idea and solves a purely mathematical problem without any limitation to a practical application, therefore, the invention is not directed to the technological arts.” (quoting Ex parte Bilski, No. 2002-2257 WL 5738364, at *1 (B.P.A.I. Sept. 26, 2006)).
only mental steps that do not transform physical matter and was directed to an abstract idea.”

In 2008, the United States Court of Appeals for the Federal Circuit heard the case en banc and affirmed. The majority opinion rejected the “useful, concrete and tangible result” test that had governed patentable subject matter since State Street Bank in 1998. The court held that, “[a] claimed process is surely patent eligible under Section 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.” According to the court, this “machine-or-transformation test” was “the sole test governing § 101 analyses” of patentable processes. Applying the machine-or-transformation test, the court held that Bilski’s method claimed nonpatentable subject matter. The Federal Circuit hearing also produced four other opinions, but only one judge concluded that the application claimed only patentable subject matter.

The Supreme Court affirmed the judgment in an opinion by Justice Kennedy. Justice Kennedy’s opinion purported to defend the plain meaning of Section 101 from efforts to restrict the reach of the patent laws by reading new limitations into the statute. He began with Section 101’s definition of patentable subject matter as including “any new and useful process, machine, manufacture, or composition of matter,” and relied on

14. Id.
17. Id. at 954.
18. Id. at 955–56.
19. Id. at 966.
21. See Bilski, 545 F.3d at 997 (Newman, J., dissenting).
22. Bilski, 130 S. Ct. at 3231.
23. Justice Kennedy delivered the opinion of the Court, except for Parts II.B.2 and II.C.2 of his opinion. Chief Justice Roberts, and Justices Thomas and Alito joined the opinion in full, and Justice Scalia joined the opinion except for Parts II.B.2 and II.C.2.
24. Id. at 3231 (“Today, the Court once again declines to impose limitations on the Patent Act that are inconsistent with the Act’s text.”).
Diamond v. Chakrabarty to read those subject matter categories broadly. Although he recognized that Supreme Court precedent established the machine-or-transformation test as “a useful and important clue,” he held that it “is not the sole test for deciding whether an invention is a patent-eligible ‘process.’” Justice Kennedy explained that adopting the machine-or-transformation test as the sole test would “read into the patent laws limitations and conditions which the legislature has not expressed,” and would ignore the “ordinary meaning” of the word “process,” thus violating two important principles of statutory interpretation. Because Congress defined the word “process” without any additional limitations, and because the ordinary meaning of the word would not require satisfaction of the machine-or-transformation test, the Court refused to treat it as a term of art and rejected the Federal Circuit’s imposition of a rigid subject matter limitation into the text of Section 101’s definition of patentable subject matter.

The Court similarly refused to accept a categorical business method exception proposed by some amici. The Court held

27. Bilski, 130 S. Ct. at 3225 (“In choosing such expansive terms [in Section 101] . . . modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.”).
28. Id. at 3227. Although Justice Kennedy recognized that Court precedent made the machine-or-transformation test “the clue” to patentable subject matter, he pointed out that this same precedent “assumes that a valid process patent may issue even if it does not meet [the machine-or-transformation test].” Id. (citing Parker v. Flook, 437 U.S. 584, 588 n. 9 (1978); Gottschalk v. Benson, 409 U.S. 63, 70 (1972)).
29. Id. at 3226 (citing Diamond v. Diehr, 450 U.S. 175, 182 (1981)).
30. Id. at 3226.
31. Id.
32. Id. at 3225 (“Section 100(b) defines ‘process’ as ‘process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.” (quoting 35 U.S.C. § 100(b) (2006))).
33. Id. at 3226 (“This Court is unaware of any ‘ordinary . . . meaning’ of ‘process, art or method’ that would require these terms to be tied to a machine or to transform an article.”).
34. E.g., Brief for Computer & Commc’ns Industry Ass’n as Amici Curiae Supporting Respondent at 23–24, Bilski v. Kappos, 130 S. Ct. 3218 (2010) (No. 08-964) (authored by Brian Kahin, Daniel L. Johnson, and Glenn B. Manishin) (“In the absence of a compelling case that Congress intended to abolish it, re-establishing the exclusion of business methods from patent-eligible subject matter would easily resolve this case.”).
that the language of Section 101 “precludes the broad contention that the term ‘process’ categorically excludes business methods.”35 In addition to relying on the absence of a “business method” limitation in the language of Section 101, the Court also reasoned that 35 U.S.C. § 273 explicitly recognized the patentability of business methods because it creates a “prior use defense” against their enforcement.36 “A conclusion that business methods are not patentable in any circumstances would render Section 273 meaningless.”37 Finding that the text of Section 101 was clear and unambiguous, the Court refused to recognize a business methods exception.

Despite Justice Kennedy’s fierce advocacy of the plain meaning of the statute, his majority opinion acknowledged and reaffirmed a limited set of patentable subject matter exceptions.38 He explained that “[a]ny suggestion in this Court’s case law that the Patent Act’s terms deviate from their ordinary meaning has only been an explanation for the exceptions for laws of nature, physical phenomena, and abstract ideas.”39 Although these exceptions do not appear in the text of Section 101, Justice Kennedy justified them as consistent with the meaning of Section 101 as a whole,40 as supported by long-standing precedent,41 and as potentially outside the power granted to Congress by the Intellectual Property Clause of the Constitution.42 He refused, however, to extend such reasoning to the machine-or-transformation test or to a categorical business methods exclusion.43

35. Bilski, 130 S. Ct. at 3228.
36. Id.
37. Id.
38. Id. at 3225 (There are only “three specific exceptions to § 101’s broad patentability principles: ‘laws of nature, physical phenomena, and abstract ideas.’” (quoting Diamond v. Chakrabarty, 447 U.S. 303, 309 (1980))).
39. Id. at 3226.
40. See id. at 3225 (The exceptions for laws of nature, physical phenomena, and abstract ideas are “consistent with the notion that a patentable process must be ‘new and useful.’”).
41. Id. (“[T]hese exceptions have defined the reach of the statute . . . going back 150 years.”).
42. See, e.g., U.S. CONST. Art. I, § 8, cl. 8; Bilski, 130 S. Ct. at 3225 (“The concepts covered by these exceptions are ‘part of the storehouse of knowledge of all men . . . free to all men and reserved exclusively to none.’” (quoting Funk Bros. Seed Co. v. Kalo Inoculant Co., 333 U.S. 127, 130 (1948))).
43. Bilski, 130 S. Ct. at 3226 (“[T]he existence of these well-established exceptions [does not give] the Judiciary carte blanche to impose other limitations that are inconsistent with the test and the statute’s purpose and design.”).
Although the Court was eager to reject new categorical limitations on patentable subject matter, it decided the case on the basis of a nonstatutory, but well-known, exception to patentable subject matter: the abstract idea exception.\footnote{Id. at 3229–30.} The Court held that the Bilski application claimed “the basic concept of hedging, or protecting against risk.”\footnote{Id. at 3231 (quoting In re Bilski, 545 F.3d 943, 1013 (Fed. Cir. 2008) (en banc) (Rader, J., dissenting), aff’d sub nom Bilski v. Kappos, 130 S. Ct. 3218 (2010)).} Justice Kennedy explained that the concept of hedging is a fundamental and “long prevalent” economic practice\footnote{Id. at 3231.} and that it “is an unpatentable abstract idea, just like the algorithms at issue in Benson and Flook.”\footnote{Id.; see Parker v. Flook, 437 U.S. 584 (1978); Gottschalk v. Benson, 409 U.S. 63 (1972).} He concluded that “[a]llowing petitioners to patent risk hedging would pre-empt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.”\footnote{Bilski, 130 S. Ct. at 3231.} The Court then held that Bilski’s focus on hedging in the commodities and energy markets did not sufficiently distinguish the claim from one covering the abstract idea of hedging risk.\footnote{Id. (“[T]he claims add even less to the underlying abstract principle than the invention in Flook did . . . .”).} Because the Court concluded that all of the claims in the Bilski application were directed to the unpatentable abstract idea of hedging risk, it affirmed the rejection of the Bilski application under Section 101.\footnote{Id. (“The patent application here can be rejected under our precedents on the unpatentability of abstract ideas.”).}

Justice Stevens concurred in the judgment,\footnote{Justice Stevens was joined by Justices Ginsburg, Breyer, and Sotomayor.} but wrote a lengthy opinion criticizing the majority and suggesting an alternate holding. Justice Stevens agreed with the majority that the machine-or-transformation test “is not the exclusive test”\footnote{Id. at 3231–32 (Stevens, J., concurring in the judgment).} and that the Bilski claims “seek to patent an abstract idea.”\footnote{Id. at 3235.} However, he would have decided the case on broader grounds by imposing a categorical restriction on business method patents.\footnote{Id. at 3232 (“For centuries, it was considered well established that a series of steps for conducting business was not, in itself, patentable.”).} Because he found that Section 101’s definition of process was circular, he concluded that the text of Section 101 “does
not on its face convey the scope of patentable processes.” 55
Contrary to the Court, he would have rejected the common
meaning of the word “process” in favor of the way the word
has “traditionally been understood in the context of patent
law.” 56 Relying in part on an originalist analysis, 57 Justice Stev-
ens concluded that Congress did not have the power to pro-
tect business method patents under the Constitution and had
never intended patentable subject matter to extend to business
method patents. 58 Rather, Congress intended the judiciary to be
the guardian of patentability. 59 Justice Stevens would have ex-
ercised this discretion to hold that “a claim that merely de-
scribes a method of doing business” is not patentable. 60

Justice Stevens also criticized the majority’s imprecise explica-
tion of the abstract ideas test. Contrary to Justice Kennedy’s char-
acterization of the invention, Justice Stevens argued that Bilski did
not claim an abstract principle. 61 Instead, he argued, Bilski’s
claims limited the idea of hedging to “specific applications” in the
particular field of energy and “as a means of enabling suppliers
and consumers to minimize the risks resulting from fluctua-
tions in demand during specified periods.” 62 Justice Stevens accused
the majority of “[d]iscount[ing] the applicant’s] limitation of what
sorts of data to use and how to analyze those data as mere ‘token
postsolution components’” 63 and “essentially assert[ing] its con-
clusion that [Bilski’s] application claims an abstract idea.” 64 He
argued that the Court “artificially limit[ed] petitioners’ claims to
hedging, and then conclude[d] that hedging is an abstract idea
rather than a term that describes a category of processes including
petitioners claims.” 65 In addition, he pointed out that the majority

55. Id. at 3237–39.
56. Id. at 3234.
57. See id. at 3239–46.
58. Id. at 3249 (“[N]either the Patent Clause, nor early patent law, nor the cur-
rent § 101 contemplated or was publicly understood to mean that [business
method] innovations are patentable.”).
59. Id. at 3245 (Since the 1793 Patent Act, “the whole [of patentability analysis]
was turned over to the judiciary, to be matured into a system, under which every
one might know when his actions were safe and lawful.”).
60. Id. at 3232.
61. Id. at 3235.
62. Id. at 3233.
63. Id. at 3235.
64. Id. at 3236.
65. Id. at 3235.
sometimes confused the issue of subject matter with the separate requirement of novelty.66

Justice Breyer wrote a separate concurrence to emphasize the Court’s unanimous consensus that the machine-or-transformation test is not the sole test for patentable subject matter but is an important clue:68 He opined that most business methods are probably not patentable.69

The Court was correct to resist adding a new categorical exception to Section 101 because doing so would have risked unintended hindrance of technological development and increased confusion among primary actors seeking patent protection.71 Because Bilski’s application could easily be rejected under existing abstract idea precedent,72 there was no reason to adopt a broad new rule with uncertain consequences.

By using the abstract ideas test, the Court also avoided introducing yet another significant judicial gloss on the text of Section 101. Although a nuanced judicial gloss on the pat-

66. Id. at 3236.
67. Justice Breyer was joined in relevant part by Justice Scalia.
68. Id. at 3257–59 (Breyer, J., concurring in the judgment).
69. Id. at 3257.
70. See Gruner, supra note 1, at 426 (Patentable subject matter rules limited to “historical modes of innovation may exclude and fail to encourage new dimensions of advances reflecting the latest design approaches and technological insights.”).
71. See, e.g., Shubha Ghosh, Patents and the Regulatory State: Rethinking the Patent Bargain Metaphor After Eldred, 19 BERKELEY TECH. L.J. 1315, 1371 (2004) (“From the perspective of the assurance game, the treatment of patentable subject matter as an issue of regulation rather than as property is justified.”); Gruner, supra note 1, at 426 (“Patentable subject matter standards should . . . be articulated in terms of objective standards that courts, the PTO, patent applicants, and potential patent infringers can apply consistently.”).
72. See, e.g., Ex parte Bilski, No. 2002-2257 WL 5738364, at *20 (B.P.A.I. Sept. 26, 2006) (“The steps of ‘initiating a series of transactions’ and the step of ‘identifying market participants’ merely describe steps or goals in the plan, and do not recite how those steps are implemented in some physical way: the steps remain disembodied. Because the steps cover (‘preempt’) any and every possible way of performing the steps of the plan . . . we conclude that the claim is so broad that it is directed to the ‘abstract idea’ itself, rather than a practical implementation of the concept.”); see also Robert A. Kreiss, Patent Protection for Computer Programs and Mathematical Algorithms: The Constitutional Limitations on Patentable Subject Matter, 29 N.M. L. REV. 31, 61 (1999) (“[One] constitutional constraint [on patentable subject matter] is that a work must involve a useful application of knowledge. For example, laws of nature, natural phenomena, and abstract ideas are not patentable. To have an invention, one must create a practical application of laws of nature, natural phenomena, or ideas.”).
entability of business methods could potentially be employed as a powerful filter against counterproductive patent grants, a clear and unambiguous rule is preferable so that parties involved in innovation can adapt to the requirements of patentability. Justice Stevens’ “mere business method” test is no more concrete than the abstract ideas test. Moreover, were courts actively to apply such a judicial gloss as a strong filter, the negative impact of its unpredictability would be magnified by focusing greater importance in patent law on the patentable subject matter requirement. Fortunately, it is unnecessary to rely so heavily on Section 101 to filter out undeserving business method patents because these patents are likely to fail on alternative grounds, such as novelty and obviousness. Although the Court’s decision failed to articulate a clear and predictable boundary line for patentable subject matter under Section 101, by resolving the case according to settled doctrine, the Court avoided further complicating its Section 101 jurisprudence.

Nevertheless, the Court regrettably failed both to articulate a clear abstract ideas test and to apply its abstract ideas precedent in a straightforward manner. Justice Stevens correctly criticized the majority for failing to explain how Bilski’s application claimed an abstract idea and for basing its conclusion on a mis-

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73. See, e.g., Gruner, supra note 1, at 361 (“In an administrative context, patent applicants will look to these new standards [of patentable subject matter] to shape their patent claims for intangible inventions so as to include the features necessary to qualify for patents.”); id. at 362 (arguing that clarity in the bounds of patentable subject matter helps businesses and individuals shape and plan private actions); see also Jeffrey I. Ryen, Note, The Return of the Walter Test: Patentability of Claims Containing Mathematical Algorithms After In re Grams, 76 CORNELL L. REV. 962, 983 (1991) (noting that after the Abele decision, applicants flooded the PTO with patent applications for algorithm inventions).

74. See, e.g., Brief for Prometheus Laboratories Inc. as Amicus Curiae Supporting Neither Party at 8, Bilski v. Kappos, 130 S. Ct. 3218 (2010) (No. 08-964) (authored by Richard P. Bress) (“First, attempts to apply §101 as a sweeping filter risk eliminating many broad swaths of genuinely innovative processes for which patent incentives are crucial. Second, a broad role for §101 is not necessary because many troubling business methods are likely to fail other substantive requirements of patentability, such as novelty and non-obviousness.”); Stefania Fusco, In re Bilski: A Conversation with Judge Randall Rader and a First Look at the BPAI’s Cases, 20 ALB. L.J. SCI. & TECH. 123, 144–45 (2010) (contending that there is no need to screen out overly broad patents using a stringent subject matter filter because novelty and other requirements of patentability are more than adequate.) Gruner, supra note 1, at 366 (arguing that extending the boundaries of patentable subject matter does not lower the standards of patentability for business methods, it just shifts the analysis from subject matter to novelty, utility, obviousness, and definiteness).
characterization of Bilski’s claims. And as Justice Stevens observed, the Court’s strained analysis might send a false signal to lower courts that Bilski modifies the standard for what constitutes an abstract idea. Justice Kennedy’s difficulty, however, is understandable. Because all inventions are based on abstract principles or laws of nature, and because patent claims are necessarily abstract formulations of those inventions, the line between claiming an abstract idea and claiming an application of an abstract idea is necessarily murky. Yet it is still the Court’s responsibility to clearly delineate the boundaries of patentable subject matter. In Bilski, the Court failed to live up to this responsibility. To compound the problem, Justice Kennedy effectively precluded the Federal Circuit from articulating any categorical rule that would provide true clarity, and instead invited the Federal Circuit to address these issues in a case-by-case manner.

Bilski is just the latest example of how Supreme Court review of Federal Circuit patent jurisprudence can produce uncertainty and convolution that directly contradicts Congress’s aim in creating the Federal Circuit. Congress created the Federal Circuit in 1982 to provide nationwide uniformity to the patent laws and to improve the Patent and Trademark Office’s administration of them by relieving the Supreme Court, which was already “operating at full capacity,” of some of the many complex and “unsettled controversies in the law.” The existence of differences among the federal courts of appeals in interpreting the patent laws had caused a great deal of forum

75. Bilski, 130 S. Ct. at 3235 (Stevens, J., concurring in the judgment).
76. See id. (“One might think that the Court’s analysis means that any process that utilizes an abstract idea is itself an unpatentable, abstract idea. But we have never suggested any such rule.”).
78. See, e.g., id. at 1424 (“[P]henomena of nature, mental processes and abstract intellectual concepts are difficult to define.”); Gruner, supra note 1, at 424 (“Patentable subject matter standards are difficult to define because future innovations are hard to predict.”).
80. See Peterson, supra note 1, at 201 n.5 (quoting S. Rep. No. 97-275, at 3 (1981)).
shopping. By creating a nonspecialized court with special expertise, Congress hoped to solve these problems without creating institutional bias or “tunnel-vision.” Although not termed a specialized court, the Federal Circuit still spends over fifty percent of its time deciding issues of patent law.

The relationship between the Federal Circuit and the Supreme Court has shifted dramatically since the Federal Circuit’s inception. The first decade or so of the Federal Circuit’s existence was a period of extreme Supreme Court deference in issues of patent law, which in some cases even bordered on abdication. In the almost fifteen years since the Supreme Court’s decision in Markman v. Westview Instruments, Inc.,

81. E.g., SECTION OF ANTITRUST LAW, AMERICAN BAR ASSOCIATION, REPORT ON THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT 9 (2002) [hereinafter “ABA”] (arguing that the overcrowded Supreme Court docket left “virtually no opportunity to provide national uniformity in many complex areas of the law,” especially in patent law); id. at 20 (stating that Congress had a clear goal to “achieve uniformity in the interpretation and development of patent law”); Peterson, supra note 1, at 204 (“The Commission’s findings also confirmed that uncertainty in the law led to forum shopping among the circuits, with the most intense forum shopping occurring in the area of patent law.”).

82. E.g., ABA, supra note 81, at 15 (noting that Congress created a nonspecialized court with a varied docket to avoid the institutional bias of a specialized court); Peterson, supra note 1, at 207 (“The Federal Courts Improvement Act of 1982 did not create a ‘specialized court,’ as was made explicitly clear by the Federal Circuit’s jurisdictional statutes, the Act’s legislative history, and the emphatic declarations of two Chief Judges of the Federal Circuit.”).

83. See, e.g., ABA, supra note 81, at 10, 14 (explaining that Congress was concerned that specialized courts would have tunnel vision and an increased risk of capture by special interest groups); Peterson, supra note 1, at 204 (same).

84. Peterson, supra note 1, at 225–26 (“[T]he Federal Circuit spends over 50% of its time in the area of patent law.”).

85. See, e.g., Arthur J. Gadja & Dr. Lawrence P. Cogswell, III, The Federal Circuit and the Supreme Court, 55 AM. U. L. REV. 821, 821–22 (2006) (noting that between 2004 and 2006 the Supreme Court granted certiorari to the Federal Circuit in four patent cases, the same number granted during the first twelve years of the Federal Circuit’s existence, whereas grants of petitions of certiorari were constant); Peterson, supra note 1, at 201 (“The early part of the Federal Circuit’s life may be viewed as its ‘honeymoon’ period with the Supreme Court. The Supreme Court rarely reviewed patent decisions from the Federal Circuit, and those it did review were generally given extreme deference.”).

86. See Peterson, supra note 1, at 210 (noting that the Supreme Court sat “quietly by as the new Federal Circuit ambitiously went to work, overturning many existing Supreme Court decisions on patent law”).

however, this deference has given way to increased scrutiny.\textsuperscript{88} This increased scrutiny has coincided with a decrease in the Federal Circuit’s patent expertise and an increase in its political and professional diversity.\textsuperscript{89} During the period of deference, the Federal Circuit presided over a broad expansion of patent rights.\textsuperscript{90} The decrease in deference coincided with a slowing in this expansion, and even in a contraction of patent rights.\textsuperscript{91} \textit{Bilski} is just one more link in this dual transition.

Like each important patent case decided by the Supreme Court, \textit{Bilski} is part of an ongoing dialogue between the Court and the Federal Circuit. One commentator has described the current period of closer Supreme Court scrutiny as “the third wave” in this ongoing dialogue.\textsuperscript{92} In each decision, the Supreme

\textsuperscript{88} See, e.g., Gajarsa & Cogswell, \textit{supra} note 85, at 821–22 (explaining that \textit{Markman} represented the Supreme Court’s first review of a case involving the substantive essentials of patent law and was a turning point in Supreme Court review of patent law); \textit{id.} at 843 (“There appears to have been a recent increase . . . in the frequency of Supreme Court review of [Federal Circuit] decisions . . . .”); Peterson, \textit{supra} note 1, at 201 (same). The increase in the frequency of Supreme Court review of Federal Circuit decisions identified by Judge Gajarsa continued in 2006, during which “the Supreme Court’s greater interest in issues of patent law—at a time when its docket of cases continue[d] to shrink—was a major theme of the Federal Circuit’s published patent law decisions issued [that year].” Gregory A. Castanias et al., \textit{Survey of the Federal Circuit’s Patent Law Decisions in 2006: A New Chapter in the Ongoing Dialogue with the Supreme Court}, 56 Am. U. L. Rev. 793, 796 (2007). The Supreme Court’s frequent calls for the views of the Solicitor General in patent cases “provide[s] further confirmation of the exponential leap in the Supreme Court’s interest in the development of the U.S. patent laws.” \textit{id.} at 813–14.

\textsuperscript{89} Peterson, \textit{supra} note 1, at 225 (“The Federal Circuit’s patent expertise has . . . become diluted due to subsequent appointments . . . [and their] backgrounds . . . are generally more diverse than [before] . . . .”)

\textsuperscript{90} See Fusco, \textit{supra} note 74, at 133–34 (arguing that Chakrabarty and Diehr are “indicative of the general attitude prevailing in the 1980s that favored an ever‐expanding understanding of the scope of patent protection”).


\textsuperscript{92} Castanias et al., \textit{supra} note 88, at 798 (“As 2006 ends, we appear to be in the midst of a ‘third wave’ in the ongoing dialogue between the Supreme Court and the Federal Circuit over the content of U.S. patent law—a wave marked by more aggressive Supreme Court review of the substance of patent law and patent pro-
Court sends certain messages to the Federal Circuit and the patent bar. The Federal Circuit responds by tailoring its decisions to address the Court’s concerns. The Federal Circuit has thus begun to pay close attention to Supreme Court precedent, and even to overturn some of its own precedents in the process. In fact, the Federal Circuit may have taken Bilski en banc in response to the Supreme Court’s concerns with its Section 101 jurisprudence, and also to address the general criticism of State Street. Although the Federal Circuit’s decision in Bilski paid “detailed attention to numerous Supreme Court precedents,” it misapplied those precedents by making the machine-or-transformation test into a rigid categorical rule. The Court would have preferred that the Federal Circuit refine the formu-

93. See Darin Snyder & Mark Davies, The Federal Circuit and the Supreme Court (Circa 2009), 19 Fed. Cir. B.J. 1, 1 (2010) (arguing that the Federal Circuit is paying close attention to the Supreme Court).

94. See, e.g., Castanias et al., supra note 88, at 853 (The decision to grant certiorari in KSR prompted the Federal Circuit to defend its “motivation-teaching-suggestion” test in several of its 2006 decisions, and “engage in a remarkable conversation with the Supreme Court . . . on this issue.”); Fusco, supra note 74, at 137 (arguing that the Federal Circuit responded to the grant of certiorari in KSR with two decisions that limited patent rights).

95. Snyder & Davies, supra note 93, at 1 (arguing that the Federal Circuit is now “paying extraordinarily close attention to Supreme Court precedent” and even revising critical aspects of Federal Circuit law in light of it).

96. Id. at 2 (citing cases overturning Federal Circuit precedent in favor of Supreme Court precedent).

97. See Fusco, supra note 74, at 143 (suggesting that the Federal Circuit reheard Bilski en banc because the Supreme Court was displeased with Section 101 jurisprudence and was being more restrictive of patent grants).

98. Id. at 146 (indicating that in the Federal Circuit’s decision in Bilski the court tried to “revert[] to older, more stringent, standards” because the Federal Circuit perceived the Supreme Court’s dissatisfaction with the system); see State St. Bank & Trust Co. v. Signature Fin. Grp., Inc., 149 F.3d 1368 (Fed. Cir. 1998).

99. See, e.g., Fusco, supra note 74, at 145 (stating that certiorari in Bilski was thought to be unlikely because the Federal Circuit was “once again applying the Supreme Court’s law to the letter” “[even though] the Supreme Court’s tests were failures”); Snyder & Davies, supra note 93, at 7 (asserting that the Federal Circuit’s Bilski opinion paid “detailed attention to numerous Supreme Court precedents,” and purported to adopt the Supreme Court’s test).

100. Snyder & Davies, supra note 93, at 11 (arguing that the Federal Circuit’s Bilski decision failed to follow Supreme Court precedent because it “convert[ed] a ‘helpful insight’ into a ‘rigid and mechanical test’”).
ation of patent laws on a case-by-case basis. This approach would allow the Federal Circuit flexibility to deal with emerging technological achievements, but is not without its problems.

The Court’s decision in Bilski will likely produce protracted uncertainty regarding the limits of patentable subject matter because it fails to give clear guidance to lower courts and seemingly inhibits the Federal Circuit from doing so. Justice Kennedy failed to articulate a clear abstract ideas test, and provided no coherent explanation for why the Bilski application claimed an abstract idea. And although the Court purported to leave open the option of the Federal Circuit creating a categorical rule, the authorities to which it directed lower courts—the Court’s abstract ideas precedents, and the text and purposes of the Patent Act—do not lend themselves well to the development of clear rules. Furthermore the language of the Court’s opinion and its rejection of the bright-line rules that the Federal Circuit had adopted in Bilski send a forceful signal to the Federal Circuit that it should prefer flexible standards to rigid criteria. Not only should patentable subject matter policy not be left to the unfet-

101. Id. at 3 (asserting that the Supreme Court before 1992 “largely approved of the Federal Circuit’s case-by-case approach,” such as in Warner-Jenkinson, where the Court explained that the Federal Circuit would refine the formulation for equivalents in the orderly course of case-by-case differentiation and refinement through its special expertise).

102. Id. at 13 (concluding that “[o]ver time, the common law approach will provide guidance for inventors that best promote innovation” as the Federal Circuit makes context-specific judgments about true innovation case-by-case).

103. See supra text accompanying notes 75–79.

104. Bilski v. Kappos, 130 S. Ct. 3218, 3231 (2010) (“In disapproving an exclusive machine-or-transformation test, we by no means foreclose the Federal Circuit’s development of other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text.”).

105. Id.; see also id. at 3229 (“In searching for a limiting principle, this Court’s precedents on the unpatentability of abstract ideas provide useful tools.”).

106. See A. Samuel Oddi, Regeneration in American Patent Law: Statutory Subject Matter, 46 IDEA 491, 497 (2006) (arguing that patentable subject matter categories “constitute terms without further definition, thus requiring the courts to provide definitions in essentially a common law manner virtually unrestrained by statutory language and rules of statutory construction”); cf. Ryen, supra note 73, at 981 (“[T]he Grams court left the ultimate determination of whether a claim is nonstatutory to the subjective discretion of the PTO and the courts. In so doing, the Grams court implied that this analysis should be conducted on a case-by-case basis.”).

107. See supra note 101; see also Bilski, 130 S. Ct. at 3228 (emphasizing that the patentability requirements serve a critical role in adjusting the tension between stimulating innovation and impeding progress, but “[n]othing in this opinion should be read to take a position on where that balance ought to be struck”).
tered discretion of the courts,108 but such ad hoc development of
discretionary standards is especially problematic because it cre-
ates neither predictability nor uniformity.109 Recent history sug-
gests this is no idle concern. Unsurprisingly, increased Supreme
Court review of Federal Circuit patent cases has led to greater
uncertainty as the Federal Circuit takes fewer cases en banc.110 In
all likelihood, *Bilski* will only magnify this problem.

In the interest of the uniformity and predictability envi-
ioned by Congress in creating the Federal Circuit, the Court in
*Bilski* should have clearly articulated an abstract ideas test for
patentable subject matter.111 Instead, it consigned the issue to
the vagaries of discretionary case-by-case analysis. The Court
in *Bilski* took a laudable step towards clarity by rejecting the
Federal Circuit’s substantial innovation in its patentable subject
matter jurisprudence. However, by sending the Federal Circuit
the signal that it should develop the doctrine on an ad hoc ba-
sis and with a strong preference for standards over rules, the
Court unnecessarily inserted greater uncertainty into the al-
ready convoluted patentable subject matter jurisprudence.

*Jad Mills*

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108. Ghosh, *supra* note 71, at 1367 (“The problem is that the authors are assum-
ing that patent policy is a matter for the courts rather than for legislative and ad-
ministrative bodies.”).

109. See Ryen, *supra* note 73, at 981 (arguing that a discretionary patentable sub-
ject matter standard implies that the analysis should be conducted on a “case-by-
case basis” and thus leaves the determination “within the reviewing body’s sole
discretion”); *id*. at 982 (predicting that a discretionary standard for statutory pat-
entable subject matter will “probably result in uncertain and inconsistent deci-
sions in the PTO because the decision ‘will be left to the subjective discretion of
each examiner’”); cf. Reichman, *supra* note 79, at 2444 (arguing that ad hoc efforts
to expand protection “strain the international intellectual property system to the
breaking point”); *id*. at 2518–19 (asserting that, instead of gradual development,
“[a]n integrated, more empirically based approach is needed to . . . stabilize [our]
discredited intellectual property system “”).

Court’s much more muscular review of the Federal Circuit’s patent cases . . . the
relative paucity of en banc decisions in 2006 is understandable.”).

111. Cf. Ryen, *supra* note 73, at 982 (“[T]he Grams court should have provided
lower courts and the PTO with a more concrete and objective standard for analyz-
ing claims containing mathematical algorithms.”).