

to the electorate.⁹⁵ But judicial review of executive action in other areas of the law⁹⁶ has found a balance — if not perfect, at least functional — between deference to executive expertise and court-imposed fidelity to the public. Allowing a form of gentle, very deferent judicial review of prosecutorial charging decisions to determine the decisions' harmony with legislative purposes could likewise benefit the public by avoiding the problems of “not ‘prototypical’”⁹⁷ prosecutions set out above. Further, this form of judicial review would give judges a tool to weed out such prosecutions early in the process, rather than resorting to the void-for-vagueness doctrine after the costs of trial have already been spent. Until such a change in the law, however, review as it was done in *Skilling* will languish as a post hoc remedy for a problem that judges should be able to prevent before it begins.

D. Patent

Patent-Eligible Subject Matter. — Of the four categories of patent-eligible subject matter under section 101 of the Patent Act¹ — process, machine, manufacture, and composition of matter — the first has proved the most difficult for courts to define. Several requirements have been proposed — that a “process” must not be an abstract idea;² that it must be tied to a particular machine or else transform an article into a different state or thing (the “machine-or-transformation” (MOT) test);³ and that it must not be a method of doing business.⁴ Last Term, in *Bilski v. Kappos*,⁵ the Supreme Court held that a process claim for a method of hedging risk was an unpatentable “abstract idea” but stressed that there is no categorical exception for business methods under the Patent Act, nor is the MOT test the exclusive test for patent eligibility of process claims. The Court made a wise policy decision

⁹⁵ See, e.g., *Inmates of Attica Corr. Facility v. Rockefeller*, 477 F.2d 375, 379–81 (2d Cir. 1973).

⁹⁶ See, e.g., *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

⁹⁷ *Skilling*, 130 S. Ct. at 2934 (quoting Brief for United States at 49, *Skilling*, 130 S. Ct. 2896 (No. 08-1394)).

¹ Patent Act of 1952, 35 U.S.C. §§ 1–376 (2006). Section 101 of the Patent Act provides: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” *Id.* § 101. Section 100(b) of the Act further explains that “[t]he term ‘process’ means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.” *Id.* § 100(b).

² See, e.g., *Parker v. Flook*, 437 U.S. 584, 589 (1978).

³ See *Diamond v. Diehr*, 450 U.S. 175, 184 (1981) (“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.” (quoting *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972)) (internal quotation marks omitted)); *In re Bilski*, 545 F.3d 943, 954–55 (Fed. Cir. 2008) (en banc).

⁴ See, e.g., *Bilski*, 545 F.3d at 998 (Mayer, J., dissenting); Alan Devlin & Neel Sukhatme, *Self-Realizing Inventions and the Utilitarian Foundation of Patent Law*, 51 WM. & MARY L. REV. 897, 927–36 (2009).

⁵ 130 S. Ct. 3218 (2010).

not to risk foreclosing property rights in Information Age inventions such as lifesaving medical diagnostic techniques or technologies that happen to facilitate business. However, by relying too heavily on the novelty and nonobviousness requirements of the Act while failing to provide any meaningful guidance as to what constitutes an “abstract idea,” *Bilski* left behind very little of the patent-eligibility requirement as a threshold inquiry. The outcome may be an increase in litigation over nontechnological business method patents that threaten to stifle entrepreneurship.

On April 10, 1997, Bernard Bilski and Rand Warsaw filed a patent application claiming a method of hedging risk for those who buy and sell commodities that are subject to demand fluctuations.⁶ In their specification, the applicants stated that their process addressed a problem “not currently managed in energy markets” — that of consumption risk, or “the need to use more or less energy than planned due to the weather.”⁷ Claim 1 was drawn to the general process of initiating transactions between a commodity provider and a set of consumers “at a fixed rate based upon historical averages” and then initiating transactions between the commodity provider and another set of market participants “having a counter-risk position” at a second fixed rate.⁸ The remaining claims limited the method to the energy market and recommended a mathematical equation and several statistical approaches to determine levels of risk based on historical weather patterns.⁹

The patent examiner rejected the application, concluding that the invention was “not implemented on a specific apparatus and merely manipulate[d] [an] abstract idea and solve[d] a purely mathematical problem without any limitation to a practical application.”¹⁰ The Board of Patent Appeals and Interferences affirmed on different grounds. The Board clarified that recitation of a machine is not necessary so long as there is a transformation of physical subject matter into a different state or thing, but held that the invention failed this requirement since it transformed only “non-physical financial risks and legal liabilities.”¹¹

The Federal Circuit, sitting en banc, affirmed.¹² In an opinion by Chief Judge Michel, the court explained that the meaning of “process”

⁶ *Bilski*, 545 F.3d at 949.

⁷ *Ex parte Bilski*, No. 2002-2257, 2006 WL 5738364, at *1 (B.P.A.I. Sept. 26, 2006).

⁸ *Bilski*, 545 F.3d at 949 (citing U.S. Patent Application No. 08/833,892 (filed Apr. 10, 1997)).

⁹ *Bilski*, 130 S. Ct. at 3224.

¹⁰ *Bilski*, 2006 WL 5738364, at *1 (second alteration in original).

¹¹ *Id.* at *18. As a separate ground for rejection, the Board found that the claimed process was directed to an abstract idea. *Id.* at *20.

¹² *Bilski*, 545 F.3d at 966.

in section 101 is narrower than its ordinary meaning and excludes fundamental principles such as “laws of nature, natural phenomena, [or] abstract ideas.”¹³ The court then discussed the Supreme Court’s decision in *Diamond v. Diehr*,¹⁴ which held that a process for curing synthetic rubber was patent-eligible even though it involved use of a computer that applied a mathematical algorithm (an “abstract idea”) in order to calculate when the curing would be complete.¹⁵ Chief Judge Michel interpreted *Diehr* as distinguishing “between those claims that ‘seek to pre-empt the use of’ a fundamental principle, on the one hand, and claims that seek only to foreclose others from using a particular ‘application’ of that fundamental principle, on the other.”¹⁶ He then held that the “definitive test” for determining whether a process is a patent-eligible *application* of a fundamental principle is whether “(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.”¹⁷ The court therefore rejected¹⁸ the test it had articulated in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*,¹⁹ which had lowered the bar for all statutory subject matter, process or not, to include anything that “produces a ‘useful, concrete, and tangible result.’”²⁰ Finally, the court held that the applicants’ process was unpatentable under the exclusive MOT test²¹ because it was not tied to a machine and transformed neither a physical substance nor anything representative of a physical substance.²²

Concurring, Judge Dyk offered a different justification for the MOT test. He contended that section 101 should be interpreted in light of its British common law roots and argued that the definition of “process” has never included “methods for organizing human activity” that do not somehow involve one of the other three categories of statutory subject matter — manufactures, machines, or compositions of matter.²³

The decision produced three dissents. Judge Newman wrote the first, urging the court not to restrict the definition of “process” and

¹³ *Id.* at 952 (alteration in original) (quoting *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)) (internal quotation marks omitted).

¹⁴ 450 U.S. 175 (1981).

¹⁵ *See Bilski*, 545 F.3d at 952.

¹⁶ *Id.* at 953 (quoting *Diehr*, 450 U.S. at 187).

¹⁷ *Id.* at 954 (citing *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972)).

¹⁸ *Id.* at 959–60, 960 n.19.

¹⁹ 149 F.3d 1368 (Fed. Cir. 1998).

²⁰ *Id.* at 1375 (quoting *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994)).

²¹ *See Bilski*, 545 F.3d at 964 (describing the MOT test as “the only applicable test” for the patent-eligibility of process claims).

²² *Id.* at 963–64.

²³ *Id.* at 972–74 (Dyk, J., concurring).

thus risk excluding innovations of the Information Age.²⁴ Alone in thinking the applicants' process was not an abstract idea, she would have remanded for a determination of whether it met the other requirements of patentability, which, she explained, were adequate to weed out unduly broad claims.²⁵ Judge Mayer would have held that Claim 1 was not patent-eligible because it was directed to a method of conducting business.²⁶ Finally, Judge Rader criticized the majority for "invent[ing] several circuitous and unnecessary tests" and would have held that the claimed process was not patent-eligible simply because it was an abstract idea.²⁷

The Supreme Court affirmed.²⁸ Writing for the Court, Justice Kennedy²⁹ interpreted the words of the Patent Act according to "their ordinary, contemporary, common meaning"³⁰ and declined to "read into the patent laws limitations and conditions which the legislature has not expressed."³¹ He affirmed that "[i]n choosing such expansive terms [for the four categories of statutory subject matter in section 101] . . . modified by the comprehensive 'any,' Congress plainly contemplated that the patent laws would be given wide scope."³² He acknowledged, however, that the Court's own precedents designate three specific exceptions to section 101's definition of patent-eligible subject matter: "laws of nature, physical phenomena, and abstract ideas."³³ Justice Kennedy explained that although these exceptions "are not required by the statutory text," they nonetheless "have defined the reach of the statute as a matter of statutory *stare decisis* going back 150 years."³⁴

With these guiding principles in mind, the Court considered the MOT test and the business methods exception and rejected both. As to the first, the Court held that the ordinary meaning of "process" could not support a requirement that the process be tied to a machine or transform an article into a different state or thing.³⁵ The Court

²⁴ See *id.* at 976, 991–92 (Newman, J., dissenting).

²⁵ See *id.* at 995–97.

²⁶ *Id.* at 998 (Mayer, J., dissenting). Judge Mayer advocated for a technological arts standard for patentability and defined a technological "process" as one that "applies laws of nature to new ends," *id.* at 1009, rather than one whose "inventive concept is the application of principles drawn . . . from disciplines such as business, law, sociology, or psychology," *id.* at 1010.

²⁷ *Id.* at 1015 (Rader, J., dissenting).

²⁸ *Bilski*, 130 S. Ct. at 3231.

²⁹ Justice Kennedy was joined by Chief Justice Roberts and Justices Thomas and Alito in full; Justice Scalia joined except as to Parts II.B.2 and II.C.2.

³⁰ *Bilski*, 130 S. Ct. at 3226 (quoting *Diamond v. Diehr*, 450 U.S. 175, 182 (1981)) (internal quotation mark omitted).

³¹ *Id.* (quoting *Diehr*, 450 U.S. at 182) (internal quotation mark omitted).

³² *Id.* at 3225 (omission in original) (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)) (internal quotation marks omitted).

³³ *Id.* (quoting *Chakrabarty*, 447 U.S. at 309) (internal quotation marks omitted).

³⁴ *Id.* (citing *Le Roy v. Tatham*, 55 U.S. (14 How.) 156, 174–75 (1853)).

³⁵ *Id.* at 3226.

concluded that the MOT test is “a useful and important clue, an investigative tool, for determining whether *some* claimed inventions”³⁶ are patentable as processes, but it is “not the sole test.”³⁷ In a part of the opinion not joined by Justice Scalia (and hence garnering only four votes), Justice Kennedy provided further justification: a categorical rule might exclude unforeseen inventions and stifle innovation.³⁸ Echoing Judge Newman’s dissent, he explained that the MOT test might be adequate for determining patent-eligibility of Industrial Age-type processes, but that he doubted its adequacy for inventions of the Information Age.³⁹ Specifically, the test “would create uncertainty as to the patentability of software, advanced diagnostic medical techniques, and inventions based on linear programming, data compression, and the manipulation of digital signals.”⁴⁰

As to the business methods exception, the Court concluded that as a textual matter, “process” under section 101 “may include at least some methods of doing business.”⁴¹ The majority interpreted section 273 of the Patent Act, which allows an alleged infringer to assert a defense of prior use only in the case of a patent on “a method of doing or conducting business,”⁴² to mean that federal law “explicitly contemplates the existence of at least some business method patents.”⁴³ The Court also worried about the potentially far-reaching impact of a categorical exclusion for business methods, which are difficult to define precisely.⁴⁴

Finally, the majority turned to the applicants’ claim and determined that even though it was not outside section 101 based on the two rejected approaches, it was still unpatentable because it was an abstract idea.⁴⁵ The Court stressed that “[h]edging is a fundamental economic practice long prevalent in our system of commerce and taught in any introductory finance class.”⁴⁶ According to the majority,

³⁶ *Id.* at 3227 (emphasis added).

³⁷ *Id.*

³⁸ *See id.* (plurality opinion).

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.* at 3228 (majority opinion).

⁴² *See id.* (quoting 35 U.S.C. § 273(a)(3) (2006)) (internal quotation marks omitted).

⁴³ *Id.* In another section of the opinion not joined by Justice Scalia, Justice Kennedy acknowledged that “some business method patents raise special problems in terms of vagueness and suspect validity” and admonished that setting too low a bar could cause patent examiners and courts to “be flooded with claims that would put a chill on creative endeavor and dynamic change.” *Id.* at 3229 (plurality opinion).

⁴⁴ *Id.* (majority opinion) (citing Bronwyn H. Hall, *Business and Financial Method Patents, Innovation, and Policy*, 56 SCOT. J. POL. ECON. 443, 445 (2009)).

⁴⁵ *Id.* at 3229–30.

⁴⁶ *Id.* at 3231 (quoting *In re Bilski*, 545 F.3d 943, 1013 (Fed. Cir. 2008) (en banc) (Rader, J., dissenting)) (internal quotation marks omitted).

the applicants' claim was similar to the unpatentable algorithms at issue in *Gottschalk v. Benson*⁴⁷ and *Parker v. Flook*⁴⁸ but unlike the rubber-curing process that the *Diehr* Court had held was a patentable *application* of a law of nature.⁴⁹ Allowing a patent on the concept of hedging would “effectively grant a monopoly over an abstract idea” because it “would pre-empt use of this approach in all fields.”⁵⁰ The Court concluded that the remaining claims, which provided examples of how hedging could be used in the energy market, fared no better because “*Flook* established that limiting an abstract idea to one field of use or adding token postsolution components did not make the concept patentable.”⁵¹

Justice Stevens concurred in the judgment.⁵² He agreed that the MOT test is only “a critical clue” and not the exclusive test for patent-eligibility, but he would have held that the applicants' process was unpatentable because it was a business method.⁵³ He criticized the majority opinion for reading the words of the Patent Act “as lay speakers use those terms, and not as they have traditionally been understood in the context of patent law.”⁵⁴ Justice Stevens marshaled evidence that British and American courts have long rejected business method patents and argued that Congress enacted the Patent Act of 1952 against this backdrop.⁵⁵ Further, he contended that business method patents do not further the constitutional purpose of the patent power, which requires a balance between encouraging innovation and avoiding harmful monopolies.⁵⁶ According to Justice Stevens, business method patents actually stifle innovation, and they are unnecessary in any case because “the competitive marketplace” provides sufficient incentives for companies to develop more efficient ways of conducting business.⁵⁷

Justice Breyer concurred in the judgment, joining Justice Stevens's opinion in full but writing separately⁵⁸ to emphasize the commonalities of the majority and concurring opinions. According to Justice Breyer, all nine Justices agreed that (1) phenomena of nature, mental processes, and abstract intellectual concepts are not patentable;⁵⁹

⁴⁷ 409 U.S. 63 (1972).

⁴⁸ 437 U.S. 584 (1978).

⁴⁹ *Bilski*, 130 S. Ct. at 3230–31.

⁵⁰ *Id.* at 3231.

⁵¹ *Id.*

⁵² Justice Stevens was joined by Justices Ginsburg, Breyer, and Sotomayor.

⁵³ *Id.* at 3232 (Stevens, J., concurring).

⁵⁴ *Bilski*, 130 S. Ct. at 3234.

⁵⁵ *See id.* at 3239–50.

⁵⁶ *See id.* at 3252–55.

⁵⁷ *See id.* at 3254 (quoting Dan L. Burk & Mark L. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1618 (2003)).

⁵⁸ Justice Breyer was joined by Justice Scalia as to Part II.

⁵⁹ *Bilski*, 130 S. Ct. at 3258 (Breyer, J., concurring).

(2) the MOT test is an important clue to the patentability of processes although it is not the “exclusive test”;⁶⁰ and (3) to the extent the Federal Circuit rejected the *State Street* “useful, concrete, and tangible result” test, “nothing in [*Bilski*] should be taken as disapproving of that determination.”⁶¹

By all appearances, *Bilski* was an exercise in judicial minimalism: the Court rejected bright-line tests, declined to define “abstract idea,” and even failed to make any clear pronouncements about the Federal Circuit’s rejection of the *State Street* “useful, concrete, and tangible result” approach. But in reality, the majority’s purportedly textualist approach⁶² reflected a *policy* decision to defend broad property rights in ideas and leave the hard work of patentability determinations to the novelty and nonobviousness inquiries of sections 102 and 103. The first policy choice was a wise one: an exclusive MOT test *could* “create uncertainty”⁶³ as to the patentability of important Information Age inventions that depend upon the inducement of limited monopoly. However, given that the Court failed to replace the MOT test with any workable framework for distinguishing an abstract idea from a patentable application of an idea, the majority’s decision to reject the business methods exclusion may have negative consequences. *Bilski* will make it difficult for patent examiners to reject novel, nonobvious business method patents that do not further the constitutional aim of “promot[ing] the Progress of . . . useful Arts.”⁶⁴

The Court was right to reject an exclusive MOT test — not only because text and precedent do not support an exclusive test, but also because whether a given invention is tied to a machine or transforms a physical article does not necessarily correspond to whether patent protection for that invention would further the constitutional goal of promoting progress. The Patent Clause of the Constitution operates instrumentally, calling for a balance between the ex post costs of short-term monopoly and the benefits of higher ex ante incentives to innovate. In other words, courts’ objective should be to “weed[] out those inventions which would not be disclosed or devised but for the in-

⁶⁰ *Id.* at 3258–59.

⁶¹ *Id.* at 3259.

⁶² Although the Court professed it was interpreting the word “process” according to its common meaning and not reading limitations into the statute, it relied on the “abstract ideas” exception — which is nowhere in section 101 or the common definition of “process” — to reach its result. *See id.* at 3238 (Stevens, J., concurring). The majority also “accept[ed] a role” for the MOT test as an important “clue” though not as the exclusive test. *See id.* The only justification provided for either consideration was precedent, not text.

⁶³ *See id.* at 3227 (plurality opinion).

⁶⁴ U.S. CONST. art. I, § 8, cl. 8.

ducement of a patent.”⁶⁵ Such inventions tend to be costly to create, uncertain to succeed, and cheap to reproduce once disseminated.⁶⁶

Bilski rightly declined to cast doubt on the patentability of certain categories of invention that, economic theory suggests, would be promoted by legal monopoly. Medical diagnostic tests in particular are the type of lifesaving invention that society should want the patent laws to encourage, yet they might not pass muster under the MOT test. The reason is that the real innovation of a new diagnostic tool is often discovery of a very simple correlation between some measurable substance in the human body and a known medical condition — for example, the correlation between elevated protein levels in a body fluid sample and a particular disease.⁶⁷ Thus, diagnostic tools generally are not tied to a machine and transform matter only via the insignificant data-gathering step of taking a blood sample.⁶⁸ But these medical breakthroughs may need the incentive of patent protection because they require large investments of time and money, they cannot rely on trade secret protection (since the tests require clinical studies to gain acceptance in the medical community), and they are extremely easy to replicate after the fact, making it difficult for researchers to recoup sunk costs.⁶⁹ By rejecting an exclusive MOT test, *Bilski* may solidify incentives for the development of diagnostic tools and other important types of technological advance.⁷⁰

The Court erred, however, by failing to replace the MOT test with a framework capable of excluding from patentability purely nontech-

⁶⁵ *Graham v. John Deere Co.*, 383 U.S. 1, 11 (1966).

⁶⁶ *See, e.g.*, ADAM B. JAFFE & JOSH LERNER, *INNOVATION AND ITS DISCONTENTS* 41–43 (2006).

⁶⁷ *See* Brief of Amici Curiae Biotechnology Industry Organization et al. Supporting Neither Party at 15–19, *Bilski*, 130 S. Ct. 3218 (No. 08-964), 2009 WL 2418478, at *15–19 [hereinafter BIO Brief].

⁶⁸ *See id.* at 15–16. In *Metabolite Laboratories, Inc. v. Laboratory Corp. of America Holdings*, 370 F.3d 1354 (Fed. Cir. 2004), the Federal Circuit held valid and infringed a patent on a correlation between elevated homocysteine levels and a particular vitamin deficiency. However, a three-Justice dissent from dismissal of certiorari indicated that there is strong disagreement with the *Metabolite* outcome on the Court. *See* *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 135–36 (2006) (Breyer, J., dissenting from dismissal of certiorari).

⁶⁹ *See* BIO Brief, *supra* note 67, at 10–13.

⁷⁰ Ironically, though, the Court recently vacated *Prometheus Laboratories, Inc. v. Mayo Collaborative Services*, 581 F.3d 1336 (Fed. Cir. 2009), which had held that a “test” step involving physical transformation of a blood sample made a diagnostic tool statutory subject matter, and remanded “for further consideration in light of [*Bilski*].” *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 130 S. Ct. 3543, 3543 (2010). The Court may have objected simply to *Prometheus*’s treatment of the MOT test as the exclusive test. An argument can be made, however, that *Mayo* signals that the patentability of medical diagnostic tools is at least as uncertain under *Bilski*’s abstraction-application analysis as under an exclusive MOT test. *But see In re Bilski*, 545 F.3d 943, 1014 (Fed. Cir. 2008) (en banc) (Rader, J., dissenting) (arguing, under the abstraction-application rubric, that although a biological correlation may be a phenomenon of nature, application of the knowledge of that phenomenon to test blood for a dangerous condition is a human invention).

nological methods of organizing human activity. To be sure, the majority was right to point out that a categorical business methods exclusion might rule out “technologies for conducting a business more efficiently”⁷¹ that easily pass the MOT test — for example, a mechanical cash register. But *State Street* ushered in a host of heavily litigated patents on nontechnological methods of business and social activity that probably do not need the incentive of limited monopoly.⁷² Examples include Amazon.com’s one-click online shopping tool⁷³ and a method of playing a bowling game that eliminates the multiplier effect of consecutive strikes.⁷⁴ Such methods would likely flourish in the absence of patent protection because they “frequently involve little or no investment in research and development,” meaning that the “rewards [of a monopoly] are grossly disproportionate to the costs of innovation.”⁷⁵ The majority may have believed it was declining to read limitations into section 101, but in reality it may have expanded patent-eligible subject matter beyond a level that would satisfy the constitutional command of promoting progress.⁷⁶

Apart from policy considerations, *Bilski* will bring more confusion to patent-eligibility doctrine. First and most notably, despite describing the patentable subject matter question as a threshold inquiry, the majority’s analysis of the applicants’ claim relied too much on the novelty and nonobviousness requirements of sections 102 and 103. In concluding that the applicants claimed an abstract idea, the Court explained that “[h]edging is a *fundamental* economic practice *long prevalent* in our system of commerce,”⁷⁷ and the random analysis techniques suggested were “*well-known*.”⁷⁸ And the Court twice defended the low

⁷¹ *Bilski*, 130 S. Ct. at 3228.

⁷² See, e.g., *Bilski*, 545 F.3d at 992 (Newman, J., dissenting) (“The PTO reports that in Class 705, the examination classification associated with ‘business methods’ . . . , there were . . . over 40,000 applications filed since FY 98 when [*State Street*] was decided. . . . [O]ver 15,000 patents classified in Class 705 have issued.”).

⁷³ See *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 73 F. Supp. 2d 1228 (W.D. Wash. 1999) (granting preliminary injunction against competitor’s use of rival one-click system), *vacated*, 239 F.3d 1343 (Fed. Cir. 2001).

⁷⁴ See U.S. Patent No. 6,142,880 (filed Feb. 24, 1999).

⁷⁵ *Bilski*, 545 F.3d at 1006 (Mayer, J., dissenting).

⁷⁶ Although the Court has never barred business method patents across the board, the best evidence that they were not generally considered patentable before the Federal Circuit’s decision in *State Street* is that there was a giant influx of business method applications post-1998.

⁷⁷ *Bilski*, 130 S. Ct. at 3231 (emphases added) (quoting *Bilski*, 545 F.3d at 1013 (Rader, J., dissenting)) (internal quotation mark omitted); see also *id.* at 3236 (Stevens, J., concurring) (“[T]he fact that hedging is ‘long prevalent in our system of commerce’ cannot justify the Court’s conclusion, as ‘the proper construction of § 101 . . . does not involve the familiar issu[e] of novelty’ that arises under § 102.” (omission and second alteration in original) (citation omitted)).

⁷⁸ *Id.* at 3231 (majority opinion) (emphasis added). The Court explicitly stated that concerns about lowering the bar for process claims “can be met by making sure the claim meets the requirements of § 101.” *Id.* at 3226. Presumably, the Court was referring to section 101’s require-

bar it set for patent-eligibility by emphasizing that the section 101 inquiry is “only a threshold test” and that any claimed invention must also be novel, nonobvious, and fully and particularly described before a patent will issue.⁷⁹ This reliance on the other requirements of patentability is problematic because there may be some novel, nonobvious processes that are still unpatentable abstract ideas⁸⁰ and for which patent protection would hinder rather than promote progress. Consider, for example, Zipcar’s method of membership-based car-sharing,⁸¹ a way of cooking chicken pot pie, or a new dance move.

Second, the Court may have muddied the waters with respect to the abstraction-application distinction created by *Flook* and *Diehr*. The Court highlighted the conflict between the *Flook* rule that field-of-use limitations do not make an abstract idea patentable and the *Diehr* holding that the patent-eligibility of a claim embodying an abstract idea is a question of the scope of preemption — that is, would the claim, if granted, exclude any and all use of the principle? Once the majority’s analysis is stripped of considerations of novelty and nonobviousness, the only real rationale it provides for deeming the applicants’ claim “abstract” is that a patent, if granted, “would pre-empt use of [the concept of hedging] in all fields.”⁸² But in the very next paragraph, the Court rejected the remaining claims (which defined the market as the energy market and the risk as weather-related consumption risk) because they merely “limit[ed] an abstract idea to one field of use.”⁸³ Because there is no clear distinction between a limitation that makes an abstract idea into a patentable application and a mere field-of-use limitation, the abstract idea exception will be very difficult for courts to apply consistently.

At least prior to *Bilski*, methods such as membership-based car-sharing or dance moves would have failed the MOT test. Now it is unclear to both courts and litigants whether these methods will fail

ment that a new and useful process must still meet the other “conditions and requirements of this title,” 35 U.S.C. § 101 (2006) — that is, the novelty, nonobviousness, and written description requirements.

⁷⁹ *Bilski*, 130 S. Ct. at 3225 (citing 35 U.S.C. §§ 102–03, 112); see also *id.* at 3229 (plurality opinion).

⁸⁰ See *id.* at 3238 n.5 (Stevens, J., concurring) (“[T]he requirements of novelty, nonobviousness, and particular description [cannot] pick up the slack. A great deal of human activity was at some time novel and nonobvious.” (citation omitted)).

⁸¹ A patent is currently pending on Zipcar’s web reservation system, “Z3D Knowledge Center.” See Press Release, Zipcar, Zipcar, World’s Leading Car Sharing Service, Races Ahead with New Reservation Technology and Fleet Optimization System (Mar. 12, 2007) (on file with the Harvard Law School Library), available at <http://zipcar.mediaroom.com/index.php?s=43&item=64>.

⁸² *Bilski*, 130 S. Ct. at 3231.

⁸³ *Id.*

Bilski's vague abstraction-application distinction. Although the Court emphasized that the MOT test is still "a useful and important clue," it did not actually *apply* the MOT test to the applicants' hedging claim — thus signaling that the test might not be applicable to processes of organizing human activity.

Courts ought to balance broad property rights that encourage otherwise too-risky innovation against the stifling of entrepreneurship and the creation of an overbearingly litigious society. The *Bilski* Court was right to reject the MOT test and thus further the constitutional purpose of encouraging innovation in areas like medical diagnostic techniques. However, the Court was wrong to open the door wide to business method claims that *fail* the MOT test and are directed solely to nontechnological methods of organizing human activity — methods that are relatively costless to conceive and sufficiently incentivized without patent protection. By rejecting both rules at once, without clarifying what constitutes an "abstract idea," *Bilski* will usher in a great deal of litigation over dubious process patents "rang[ing] from the somewhat ridiculous to the truly absurd."⁸⁴

E. Review of Administrative Action

National Labor Relations Act — Agency Jurisdiction. — Under the framework created in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*,¹ administrative agencies are usually given substantial deference in interpreting the organic statutes that authorize their operations. The National Labor Relations Board (NLRB or Board) is one such agency and is charged with interpreting and enforcing federal labor law. Last Term, in *New Process Steel, L.P. v. NLRB*,² the Supreme Court held that a two-member delegee group of the NLRB had no jurisdiction to adjudicate labor disputes.³ The Court never addressed the *Chevron* framework. Although the Court may have meant that the Board's interpretation was unreasonable, *Chevron*'s absence and relevant precedent suggest that the *Chevron* framework may not apply to certain agency interpretations of the agency's own jurisdiction, especially when the issue is whether an agency (or its delegee group) is properly constituted. Such a "*Chevron* Step Zero" inquiry is well justified because *Chevron*'s rationales are particularly inapplicable in such cases.

The National Labor Relations Act⁴ (NLRA) prohibits various unfair labor practices; it also created the NLRB, an administrative agen-

⁸⁴ *In re Bilski*, 545 F.3d 943, 1004 (Fed. Cir. 2008) (en banc) (Mayer, J., dissenting).

¹ 467 U.S. 837 (1984).

² 130 S. Ct. 2635 (2010).

³ *See id.* at 2644–45.

⁴ 29 U.S.C. §§ 151–169 (2006).