

The Common Law of Patentable Subject Matter

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Abstract

In *Bilski v. Kappos*, the Supreme Court ruled in a 5-to-4 decision that methods of doing business are patentable. More importantly, however, is that in doing so, the majority rejected the notion that courts may independently determine the limits of patentable subject matter, and instead claimed that courts may not impose limitations on broad text of Section 101 of the Patent Act. Meanwhile, the Federal Circuit is currently reviewing a district court decision that held—contrary to conventional wisdom and practice—that genetic material is not patentable subject matter. How should the courts set limits on what is patentable, and what do these limits—or lack thereof—mean for society?

This Article argues that the Supreme Court was wrong in *Bilski*, and that the proper interpretation of Section 101 of the Patent Act is as an invitation to common law making on patentable subject matter, similar to the antitrust statutes. This article performs a thorough comparison of Section 101 to the Sherman Act and other antitrust statutes as well as relevant case law, and concludes that while the case for interpreting Section 101 as a delegation to the judiciary is somewhat weaker than the case for doing so under the antitrust acts, it is nevertheless the correct interpretation.

This Article further argues that if the Supreme Court does not revisit its decision on how to interpret Section 101, then Congress should explicitly delegate to the courts the duty to determine the limits of patentable subject matter based on cost benefit analysis. Congress should do this because the broad, virtually unbounded patentable subject matter limits in place post-*Bilski* are bad for social welfare. It is simply the case that there are some areas of innovation for which the patent grant is not needed to incentivize socially-optimal levels of invention. Some areas of innovation have adequate incentives to invent without patentability. Such incentives may include lead-time advantages, first mover advantages, reputation enhancements, or the availability of copyright, trademark, or trade secret protection. When patents are granted where they are not needed, society loses out in the forms of higher consumer costs, less follow-on or competing innovation, increased costs to administer the patent system, and increased costs to businesses from patent cases.

Accordingly, courts should determine what types of subject matter are patentable using a simple utilitarian calculation. Patentability of a certain types of innovation should be determined by weighing the estimated increased invention from patentability against the estimated costs to society from higher prices, less competing invention, and increased administrative and business costs. An alternative option would be to task an administrative agency with determining what types of subject matter should be patentable, but given risks of industry capture of agencies or simply lack of rulemaking due to conflicting industry priorities, the courts are probably best-suited to determine patentable subject matter, and thus should do so under Section 101 of the Patent Act.

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