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QUESTIONS PRESENTED

- I. Whether the restriction of competitors' right to duplicate an unpatented article after it has passed into the public domain imposed by §559.94, Florida Statutes, clashes with the objectives of the federal patent laws and is therefore repugnant to the United States Constitution.
  
- II. Whether the State of Florida may restrict competitors' right to duplicate an unpatented article after it has passed into the public domain under any legally cognizable commercial tort theory.

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STATEMENT OF THE CASE AND OF THE FACTS

Appellee THUNDERCRAFT BOATS, INC. (hereinafter "Appellee" or "THUNDERCRAFT"), accepts the Statement of the Case and of the Facts of Appellant BONITO BOATS, INC. (hereinafter "Appellant" or "BONITO"). In addition, THUNDERCRAFT adds the following facts from the record below. In 1975, BONITO developed "an original hull design for a fiberglass recreational boat" which it subsequently began to manufacture and market under the trade name Bonito Boat Model "5VBR." R.1 ¶5. A broad interstate market developed for the "5VBR" which continues to expand. R.1 ¶5. No part of BONITO's Boat Model "5VBR" was patented.

A boat hull design is patentable provided it meets the substantive requirements of the federal patent laws. See generally 35 U.S.C. §§101-103, 171 (1952 and 1984 Supp.). The design of a boat hull is not subject to the federal copyright laws, however, because it does not comprise a "writing." See generally 35 U.S.C. §§101, 102 (1976).

For purposes of this appeal only THUNDERCRAFT assumes as true BONITO's allegation that THUNDERCRAFT used the direct molding process to duplicate the hull of Bonito Boat Model "5VBR," as alleged in the complaint. It cannot be overemphasized that this simple allegation contains all the ultimate facts underlying both statutory counts of the complaint. The complaint does not purport to state a cause of action for traditional common law unfair competition, palming off, confusion of source, or the like. Similarly, there is no allegation in the complaint that THUNDERCRAFT failed to label or to separately identify its

boat from the BONITO "5VBR." R.1-3. Nor is there an issue of whether BONITO's reputation for quality or integrity suffered as a result of THUNDERCRAFT's duplication. R.1-3. The pure legal question squarely before this Court is the power of the Florida legislature, consistent with the United States Constitution, to prohibit one method of duplication of an unpatented boat hull after it passes into the public domain.

None of the facts which appear in BONITO's statement of facts concerning the boat manufacturing process is part of the record on appeal. Initial Brief at 4-5. In order to expedite the appeal of this important matter, however, and solely for purposes of its resolution, THUNDERCRAFT assumes that BONITO's description of the boat manufacturing process is accurate. In addition to the nature of the boat manufacturing process, it is also important to note that no boat manufacturer, trade association, or any other entity has ever attempted to introduce "anti-splash" legislation similar or equivalent to §559.94, Florida Statutes, in either house of Congress.

The only legislative history of §559.94, Florida Statutes, that THUNDERCRAFT could locate was a tape recording of the Transportation Committee of the Florida House of Representatives considering the bill. The Appendix to this Answer Brief contains a transcription of this Committee's action on the legislation. Undersigned counsel has conferred with counsel for BONITO and is authorized to represent to this Court that opposing counsel has reviewed the tape recording and has no objection to the accuracy of the transcript contained in the Appendix. This sparse

legislative history has no indication that the legislature made any attempt to balance competing state and federal interests in enacting the Florida anti-splash statute.

The constitutionality of the civil theft statute, §812.014, Florida Statutes, is not directly at issue in this appeal. BONITO's observation that THUNDERCRAFT's constitutional challenge to this statutory provision is based on its application to the facts is correct. Initial Brief at 2, n. 2. If this Court affirms the District Court of Appeal's conclusion that Florida may not constitutionally prohibit the duplication of an article in commerce, it follows a fortiori that no otherwise valid statute can be utilized to achieve the unconstitutional result. THUNDERCRAFT's challenge of the civil theft statute stands or falls on this Court's resolution of §559.94, Florida Statutes. See infra at 24-26.



## SUMMARY OF ARGUMENT

### I.

Section 559.94, Florida Statutes, imposes a direct restriction on the right of competitors to duplicate an unpatented article in commerce after it passes into the public domain. This regulation encroaches on one of the most important policy goals embodied in the federal patent scheme -- that of preserving free competition in the area of articles or mechanical configurations that do not qualify for patent protection. Since the Florida anti-splash statute clashes with this fundamental policy of the patent laws, it is unconstitutional as a matter of federal constitutional law.

The constitutionality of §559.94, Florida Statutes, is controlled by four decisions of the United States Supreme Court which address this topic. Chronologically they are Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964), Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964), Goldstein v. California, 412 U.S. 546, 93 S.Ct. 2303, 37 L.Ed.2d 163 (1973), and Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974). The Florida anti-splash statute outlaws but one form of duplication. There is no indication in any of these Supreme Court cases, however, that the States are free to pick and choose among "approved" types of copying of unpatented articles once they pass into the public domain. To the contrary, such a result is inconsistent with the rule of law enunciated and refined in Sears, Compco, Goldstein, and Kewanee. The fact that

the marine industry is important in this State cannot validate an otherwise unconstitutional enactment.

## II.

Section 559.94, Florida Statutes, prohibits, without more, the use of the direct molding process to duplicate an unpatented boat hull, a functional article, after it passes into the public domain. It does not purport to address such issues as palming off, mislabeling, confusion as to the source of the hulls, or any other type of recognized deceptive trade practices that the States are free to regulate. Indeed, Appellant has not even alleged that Appellee has engaged in any such conduct in marketing its boat hulls. The Sears/Compco doctrine operates to preclude the States from regulating the copying of an unpatented article in the public domain, either directly or indirectly. Regardless, there is no legally cognizable state common law cause of action that provides a manufacturer the right to protect patent-like intellectual property rights.

## ARGUMENT

I. THE STATE OF FLORIDA CANNOT, CONSISTENT WITH THE UNITED STATES CONSTITUTION, RESTRICT THE RIGHT OF COMPETITORS TO DUPLICATE UNPATENTED ARTICLES IN COMMERCE AFTER THEY PASS INTO THE PUBLIC DOMAIN .

A. Section 559.94, Florida Statutes, Limits the Duplication of Unpatented Boat Hulls in the Public Domain in Contravention of the Underlying Policies of the Federal Constitutional and Statutory Patent Scheme.

Section 559.94, Florida Statutes, provides enhanced state protection to an unpatented article in the public domain that is inconsistent with the overriding policy of free competition embodied in the federal patent laws. The dispositive authority of this appeal are two companion cases decided by the United States Supreme Court in 1964 -- Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964) and Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964). There have only been two other United States Supreme Court cases that have dealt with a State's power to regulate in this manner in the field covered by the patent clause of the United States Constitution -- Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974), and Goldstein v. California, 412 U.S. 546, 93 S.Ct. 2303, 37 L.Ed.2d 163 (1973). These latter two cases are helpful but not determinative as neither case involved the precise factual situation found in either Sears, Compco, or the case at bar. Nevertheless, a correct reading of these latter two opinions confirms the unconstitutionality of Florida's attempt to outlaw a method of duplication of an unpatented article after it passes into the public domain.

Sears and Compco both held that a party cannot be liable for copying and marketing an unpatented article in the public domain. Sears, 376 U.S. at 227, 84 S.Ct. at 786, 11 L.Ed.2d at 664; Compco, 376 U.S. at 238, 84 S.Ct. at 782, 11 L.Ed.2d at 672. The Sears and Compco decisions established the primacy of free competition and held that forbidding the copying of unpatented articles interferes with the federal policy of allowing free access to articles after they pass into the public domain. Sears, 376 U.S. at 230, 84 S.Ct. at 788, 11 L.Ed.2d at 666; Compco, 376 U.S. at 237, 84 S.Ct. at 782, 11 L.Ed.2d at 672. In emphasizing the importance of the policy of free competition, the Sears opinion cited Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 59 S.Ct. 109, 83 L.Ed. 73 (1938), which in turn was related to Justice Brandeis' dissent in International News Service v. Associated Press, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211 (1918) ("INS"). A review of these key citations underscores the nature of the free enterprise system and the reasons that the States may not regulate the copying of unpatented articles after they pass into the public domain. Justice Brandeis' dissent in INS eloquently summarizes the virtues, and indeed purpose, of free competition:

He who follows the pioneer into a new market, or who engages in the manufacture of an article newly introduced by another seeks profits due largely to the labor and expense of the first adventurer; but the law sanctions, indeed encourages, the pursuit.

248 U.S. at 259, 39 S.Ct. at 79, 63 L.Ed. at 229 (Brandeis, J., dissenting opinion). In Kellogg, Justice Brandeis incorporated

the philosophy of his INS dissent into the majority opinion in a passage that bears remarkable similiarity to the case at bar:

Kellogg Company is undoubtedly sharing in the goodwill of the article known as "Shredded Wheat"; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all - and in the free exercise of which the consuming public is deeply interested.

305 U.S. at 122, 59 S.Ct. at 115, 83 L.Ed. at 80. This overriding concern with free competition is the very heart of the Sears and Compco decisions.

The facts of Sears and Compco are virtually indistinguishable from the instant case and the policies implicated in those cases are the same policies at issue here. Sears and Compco both involved tangible articles or mechanical configurations that could have been patented if they had met the substantive requirements of the federal patent laws. In Sears, the Stiffel Company invented a pole lamp and actually secured a design and mechanical patent on it. Sears copied the lamp in every detail and marketed it even more successfully than Stiffel, to its enormous economic loss. The Sears Court held the patents invalid and then faced the issue of whether Sears' conduct of notoriously copying and marketing the pole lamp constituted unfair competition under Illinois law. The Supreme Court held that since the patents were invalid, copying and marketing the pole lamp could not, as a matter of federal law, constitute unfair competition. In Compco, too, a prior patent on the configuration of a fluorescent light fixture was invalidated. The Supreme Court held that when an

article in the public domain is unprotected by a patent, free competition must be left unfettered.

Sears and Compco, then, stand for the simple proposition that the duplication of an unpatented article after it passes into the public domain cannot be prohibited, even under the guise of a State's unfair competition laws. Such articles "may be imitated with impunity," Fisher Stoves, Inc. v. All Nighter Stove Works, Inc., 626 F.2d 193, 195 (1st Cir. 1980) (citations omitted), or, adopting the Supreme Court's language, "can be copied at will." Compco, 376 U.S. at 238, 84 S.Ct. at 782, 11 L.Ed.2d at 672 (1964). The conceptual basis of these decisions is preemption of state regulation by the federal constitutional and statutory framework governing patents:

Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws.

Sears, 376 U.S. at 231, 84 S.Ct. at 789, 11 L.Ed.2d at 667.

Florida's effort to restrict the duplication of Appellant's boat hull after it passes into the public domain falls squarely within the Sears/Compco doctrine. The products at issue in Sears and Compco, like BONITO's "5VBR" boat hull, were functional articles or configurations that were not patented, the types of things to which patent laws are intended to apply. As in the case at bar, the articles in Sears and Compco did not constitute writings. The federal copyright laws and policies were not implicated there and are not implicated here. Neither Sears nor Compco involved palming off, mislabeling, confusion as to origin

of the product or any other traditional deceptive trade practices. These issues similarly are absent from the case at bar. The Florida anti-splash statute thus purports to accomplish the same result as the lower courts in Sears and Compco employed the Illinois state law of unfair competition to achieve. In all three cases, the States prohibited or restricted the right of competitors to duplicate an unpatented article in commerce after it had passed into the public domain. This regulation necessarily clashes with the policy objectives of the federal patent scheme and is therefore unconstitutional under the Supremacy Clause of the United States Constitution.

B. Sears and Compco are Dispositive Despite Refinements in their Analysis by the only Two Subsequent United States Supreme Court Cases on Point.

Sears and Compco remain the dispositive authority for the instant appeal. Although two later Supreme Court decisions refined the pre-emption analysis, neither Goldstein v. California nor Kewanee Oil Co. v. Bicron Corp. diluted the Sears/Compco doctrine's application to the factual scenario involved in the case at bar. Goldstein is helpful to this appeal primarily in its analytical framework. At issue in that case was the constitutionality of a California statute that imposed criminal penalties for the duplication of recorded musical performances, which was dubbed "piracy." Thus, the federal copyright laws, rather than the patent laws were implicated. The then-existing copyright act did not expressly deal with record piracy. The Supreme Court concluded that Congress' silence freed the states to regulate in the area. The Court accordingly upheld the

California legislation. In reaching this decision, however, the Court was careful to distinguish "writings" subject to federal copyright laws from "articles" which were still directly governed by the patent laws. Indeed, the Court expressly reaffirmed the holdings of Sears and Compco at the conclusion of its opinion. 412 U.S. at 571, 93 S.Ct. at 2317, 37 L.Ed.2d at 182.

It is extremely significant that the Supreme Court's careful distinction in Goldstein between "mechanical configurations" and "writings" was again couched in terms of the patent laws' underlying policy of free competition:

In regard to mechanical configurations, Congress had balanced the need to encourage innovation and originality of invention against the need to insure competition in the sale of identical or substantially identical products. The standards established for granting federal patent protection to machines thus indicated not only which articles in this particular category Congress wished to protect, but which configurations it wished to remain free. The application of state law in these cases to prevent the copying of articles which did not meet the requirements for federal protection disturbed the careful balance which Congress had drawn and thereby necessarily gave way under the Supremacy Clause of the Constitution. No comparable conflict between state law and federal law arises in the case of recordings of musical performances. In regard to this category of "Writings," Congress has drawn no balance; rather, it has left the area unattended, and no reason exists why the State should not be free to act.

412 U.S. at 569-70, 93 S.Ct. at 2316, 37 L.Ed.2d at 181 (footnote omitted; emphasis added). This passage, with its heavy emphasis on the States' constitutional inability to disturb the competitive balance of the federal patent laws, is the recurrent theme in all cases in this area.

Aside from its ringing endorsement of the Sears/Compco doctrine within its proper sphere, Goldstein is of extremely



limited value in resolving this appeal. By its express terms the case had no effect on the application of the Sears/Compco doctrine to unpatented articles in the public domain. Moreover, the viability of even its limited holding is doubtful. In the wake of Goldstein, Congress enacted the 1976 Copyright Act. The United States Eleventh Circuit Court of Appeals, paradoxically construing Florida's tape piracy statute, subsequently held that the 1976 Act overruled Goldstein. Crow v. Wainwright, 720 F.2d 1224 (11th Cir. 1983), cert. denied, \_\_\_\_\_ U.S. \_\_\_\_\_, 105 S.Ct. 89, 83 L.Ed.2d 35 (1984). In reaching its result, the court held that the legislative history of the new copyright act "clearly evidences congress' intent to overrule by statute cases such as Goldstein v. California, 412 U.S. 546, 93 S.Ct. 2303, 37 L.Ed.2d 163 (1973) (holding that the Copyright Act of 1909 preempts only state laws conflicting or interfering with its provisions)." 720 F.2d at 1225. (emphasis in original).

Thus, Goldstein v. California cannot be cited in support of the proposition that the States may constitutionally outlaw a specific method of duplication of an article in the public domain. Yet this very legal conclusion is necessary to sustain the validity of Florida's anti-splash legislation. The decision merely authorized the States to prohibit the duplication of a "writing," an artistic performance, under existing federal copyright law. Conceptually, however, the decision did not affect the States' absence of power to directly regulate any method of copying an article in the public domain. Indeed, Goldstein could have acknowledged the existence of such power in

only one way--by upholding a State's prohibition on the copying of the configuration and design of the plastic cassette, the article by which the pirated performance (the "writing") was marketed. Of course, this was not even arguably involved in Goldstein. It is apparent, then, that Goldstein's importance to the resolution of the issues raised in this appeal is its reaffirmation of Sears and Compco and its manifestation of the primary policies implemented by the patent laws -- the encouragement of invention and the utmost freedom of competition in the sale of identical or substantially identical articles in commerce.

The overriding policy of free competition also explains the last Supreme Court case in this area, Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974). Properly applied, this fundamental policy of the patent laws demonstrates the unconstitutionality of §559.94, Florida Statutes. Again, the subject matter involved in Kewanee was quite different from the type of issue raised in Sears, Compco, and the case at bar. The question before the Court in Kewanee was "whether state trade secret protection is pre-empted by operation of the federal patent laws." The difference between trade secret laws and §559.94, Florida Statutes, is one of kind not of degree. This difference prevents Kewanee's use as precedent for the broad principle that States are permitted limited intrusion into the patent realm.

Trade secret protection can only arise in a private context before an article is placed in the public domain. This protection operates only against that limited number of insiders who

gained exposure to the secret during private course of dealings with its owner or exploiter. Trade secret laws, however, do not purport to give the owner or exploiter the right to restrain the total universe of competitors from copying the secret once it is placed in the public domain. Kewanee went no further than holding that neither the federal patent laws nor their underlying policies mandate that the holder of a trade secret must be subjected to the risk of diversion by insiders with whom he deals. Section 559.94, Florida Statutes, in contrast, operates to impede the right of all competitors to duplicate an unpatented article in the public domain. Pursuant to the Sears/Compco doctrine, the patent laws place the risk of copying or duplicating an unpatented article on the person who markets it after the product is introduced into the public domain. Under the federal statutory scheme, only a patent can eliminate this inherent risk of competition, and then but for a limited time.

When viewed in this pragmatic light, Kewanee obviously cannot be read as permitting the States to enact legislation that prohibits all competitors from using one (or presumably more) methods of copying unpatented articles in the public domain. Trade secret regulation simply stands on a different footing than State regulation of the copying of such articles imposed against the world. "No Supreme Court case . . . limits the effect of the Sears-Compco doctrine with respect to factual situations similar to those at issue in the Sears and Compco cases." Litton

Systems, Inc. v. Whirlpool Corp., 728 F.2d 1423, 1448 (Fed. Cir. 1984)

Thus, at the outset, the Kewanee analysis on which Appellant relies is inapposite to the attempted validation of Florida's intrusion into the area governed by federal patent law. Nevertheless, the full consideration of all elements of the Kewanee analysis still results in the conclusion that §559.94, Florida Statutes, is unconstitutional. In refining the opinions in Sears and Compco, the Kewanee Court formulated and applied a two-step analysis to determine whether the federal patent laws pre-empt related State regulation under the Supremacy Clause of the United States Constitution. The first step of the analysis adopted by the Court was the threshold inquiry whether the patent laws expressly deal with the potentially inconsistent state regulation. 416 U.S. at 480, 94 S.Ct. at 1885, 40 L.Ed.2d at 325. If not, the Supreme Court defined the next step as a determination whether the questioned state regulation "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." 416 U.S. at 479, 94 S.Ct. at 1885, 40 L.Ed.2d at 324, citing, Hines v. Davidowitz, 312 U.S. 52, 67, 61 S.Ct. 399, 404, 85 L.Ed. 581 (1941). The Supreme Court then proceeded to delineate three underlying policies of the federal patent laws that had to be analyzed in order to determine whether the state protection is "of a kind that clashes with the objectives of the federal patent laws." See Sears, 376 U.S. at 231, 84 S.Ct. at 789, 11 L.Ed.2d at 666. These policies were: 1) free competition; 2) promotion of invention; and

3) ultimate full disclosure of the details of the novel article. Following an extensive analysis, the Court found no conflict between any of the underlying policies of the patent laws and Ohio's trade secret laws. Thus, the state regulation was not pre-empted.

Because of the nature of trade secrets, the Supreme Court's extensive comparative analysis in Kewanee concentrated on only one of the three policy considerations of the patent laws. The Court fully discussed only the patent laws' objective of full disclosure, the quid pro quo for the right to exclude. The relatively lengthy consideration of this policy is potentially misleading; it can obscure the importance of the threshold question and the policy of free competition that is so central to the patent laws as elements of the analysis promulgated by Kewanee. A cursory or superficial examination of Kewanee would seem to indicate that the policies of encouragement of invention and ultimate full disclosure to the public are the exclusive or most important objectives of the patent laws. BONITO has apparently fallen into this trap, as its analysis of §559.94, Florida Statutes, omits the threshold issue. More significant, BONITO does not attempt the impossible task of reconciling the anti-splash statute with the fundamental patent objective of preserving free competition.<sup>1/</sup> If either omission is factored in

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<sup>1/</sup> BONITO is not alone in misperceiving the interplay of all three policies as well as the threshold question in Kewanee. The United States Federal Circuit Court of Appeals adopted the very same incomplete analysis in Interpart Corp. v. Italia, 777 F.2d 678, 684-85 (Fed. Cir. 1985). See infra at pp. 20-22.

the Kewanee analysis, however, the pre-emption of Florida's anti-splash statute becomes clear.

The Court in Kewanee had little trouble disposing of the threshold question. It observed merely that the patent laws do not "explicitly endorse or forbid the operation of trade secret law." 416 U.S. at 480, 94 S.Ct. at 1885, 40 L.Ed.2d at 324. In the case at bar, in contrast, the very essence of the patent laws is regulation of copying of articles in the public domain. It is only when federal law is silent on a subject that it becomes necessary to analyze whether state laws stands as an obstacle to the objectives of the federal law. See Michigan Cannery & Freezers Ass'n, Inc, v. Agricultural Mkt. & Barg. Bd., 467 U.S. 461, 104 S.Ct. 2518, 81 L.Ed.2d 399 (1984). Thus, in the instant case, there is no need even to embark on the extensive policy analysis, which constitutes the second step of the analytical process adopted in Kewanee. Since the federal patent laws expressly regulate the copying of articles in the public domain, which is the identical subject matter of §559.94, Florida Statutes, the inquiry ends at the threshold with a finding of pre-emption.

Proceeding with Kewanee's comparative analysis of policies yields the same result. The policy of preserving free competition once again is determinative. In Kewanee the Supreme Court's treatment of this policy objective of the patent laws was short to the point of simplicity. In two sentences, the Court found no conflict with this policy goal:

[T]he policy that matter once in the pulic domain must remain in the public domain is not incompatible with the existence of trade secret protection. By definition, a trade secret has not been placed in the public domain.

416 U.S. at 484, 94 S.Ct. at 1887, 40 L.Ed.2d at 327 (footnote omitted). Precisely the opposite is true with the Florida anti-splash statute. Section 559.94, Florida Statutes, protects unpatented items in the public domain in direct contravention of the patent laws and deprives the consuming public of an apparently efficient form of duplication. By prohibiting the use of this one technologically advanced method of copying, the legislature necessarily makes it more difficult for the public to share in the use and enjoyment of an article in the public domain. The Florida anti-splash statute obviously "clashes" with the fundamental objective of free competition expressed in the federal patent laws. In Kewanee, the Supreme Court stressed that it found no impermissible conflict between trade secret protection and each of the three policies underlying the patent laws. There is no need, then, to proceed with analyzing the Florida statute's impact on the remaining policy considerations. Accordingly, §559.94, Florida Statutes, cannot withstand constitutional scrutiny after undertaking the full comparative analysis adopted by Kewanee.

The inconsistency of Florida's anti-splash statute with the underlying policy of free competition cannot be mitigated by the time-worn rationalization that it encourages invention and innovation. Section 559.94, Florida Statutes, may very well operate to spur the expenditure of resources necessary to develop

advanced boat hulls. The fact remains, however, that the legislature opted to implement this policy by regulating the copying of articles after they passed into the public domain, thereby undermining the preservation of free competition. Stated differently, these two policies of the patent laws are inter-related. As the Supreme Court held in Sears, the federal patent system serves "to promote invention while at the same time preserving free competition." 376 U.S. at 230-31, 84 S.Ct. at 788, 11 L.Ed.2d at 666 (emphasis added). It is the province of Congress, not the States, to balance these competing interests. Any regulation by the States that clashes with one of these two policy objectives must necessarily impinge on the other and disturb the careful balance Congress has chosen. See Goldstein v. California, 412 U.S. at 569-70, 93 S.Ct. at 2316, 37 L.Ed.2d 181.

BONITO's argument that §559.94, Florida Statutes, is constitutionally valid because it outlaws only one type of duplication is misguided. This attempt to support the constitutionality of the anti-splash statute by downplaying the degree of the State's encroachment on federal powers is unsupportable. Either an article in the public domain is fully protected by patent or it may be copied "with impunity." The United States Supreme Court has never ruled that the States may selectively enact barriers against some methods of copying articles in the public domain. To the contrary, the Court has implied, if not directly held, that all forms of copying such unpatented products are permissible:



To forbid copying would interfere with the federal policy, found in Art. I, §8, cl. 8 of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain. . . . [Day-Brite's light fixture is] in the public domain and can be copied in every detail by whoever pleases.

Compco, 376 U.S. at 237-38, 84 S.Ct. at 782, 11 L.Ed.2d at 672 (emphasis added). Neither Sears, Compco, Goldstein nor Kewanee even intimate that the States may second guess Congress and pick and choose what forms of reverse engineering they may withdraw from the public domain. The United States Constitution simply renders the States powerless to make this policy value judgment in the realm of articles that have passed into the public domain.

Nor does the importance of the marine industry in Florida validate an otherwise unconstitutional legislative enactment. Laudable ends do not justify unconstitutional means. Under the federal constitutional system, Congress has the exclusive power to prohibit duplication of articles in the public domain by the direct molding process. The marine industry should therefore redirect its protectionist efforts to that legislative body rather than to the various States. Alternatively, individual manufacturers are free to protect their investments in researching and developing boat hulls by the patent process itself.

The recent case of Interpart Corp. v. Italia, 777 F.2d 678 (Fed. Cir. 1985), is not entitled to the overwhelming significance that BONITO suggests. The decision is not binding on this Court. Moreover, its legal reasoning is inconsistent with the controlling precedent of the United States Supreme Court, as the Fifth District Court of Appeal correctly noted.

The decision therefore has at best limited persuasive authority here.

There can be no dispute that the only higher authority that is binding on the Florida Supreme Court is a decision of the United States Supreme Court. State v. Dwyer, 332 So.2d 333, 336 (Fla. 1976). The decisions of inferior federal courts are merely persuasive authority, provided they are well reasoned. E.g., Roche v. State, 462 So.2d 1096, 1099 (Fla. 1985). BONITO's implication that a decision of the Federal Circuit is entitled to greater deference is simply misplaced. The Federal Circuit was created to provide expertise and uniformity in patent decisions. To this end, it has exclusive jurisdiction in all patent cases. 28 U.S.C. §1295(a) (1986 Supp.). However, this intermediate appellate court also possesses ancillary jurisdiction to entertain certain related matters. Compare 28 U.S.C. §1295(a) (1986 Supp.) with 28 U.S.C. §1338(b) (1976). That portion of the Interpart case which addressed the constitutionality of the similar California statute arose from the court's ancillary jurisdiction. The Federal Circuit has no more expertise in areas of federal constitutional law than any other intermediate court of appeals. In short, this Court is not bound to follow the Interpart ruling; its precedential value is not enhanced as a decision of the Federal Circuit.

In addition, Interpart's flawed analysis regarding the constitutionality of the California direct molding statute vitiates its usefulness as even persuasive authority. The Federal Circuit misread Kewanee as emphasizing the policy goals

of encouragement of invention and ultimate public disclosure only. Accordingly, the thrust of Interpart's cursory analysis is that the purpose of the California statute was consistent with the federal objective of encouraging invention. 777 F.2d at 684-85. The opinion is totally devoid of any analysis of the statute's effect on the federal policy of free competition. Id. The reasoning similarly glosses over the threshold question of whether the patent laws expressly cover the subject of copying an article in the public domain. The end result is that the incomplete and inaccurate analysis led the Interpart court to reach a result inconsistent with the Sears/Compco/Kewanee trilogy. The Fifth District Court of Appeal correctly rejected Interpart's application to the case at bar. The Interpart decision illustrates yet again that the policy consideration of free competition given effect in Sears, Compco, Goldstein and Kewanee is the determinative factor of this appeal.

In summary, the federal patent laws' establishment of the primacy of free competition is the touchstone that invalidates §559.94, Florida Statutes. Sears and Compco explicitly reiterated the policy goals of the patent laws, including free competition. These landmark cases stand for the principle that the States have no power to prevent the copying or duplication of an article once it passes into the public domain. Neither Goldstein nor Kewanee involved the right of the universe of competitors to copy a tangible article in commerce like a pole lamp, a light fixture, or a boat hull. Neither case, therefore, is directly applicable to resolving the constitutionality of

Florida's anti-splash statute. Indeed, recognizing the distinction of the factual contexts, both Goldstein and Kewanee expressly reaffirmed the Sears/Compco doctrine while limiting its effect in different contexts. The greater significance of the latter two cases is their refinement of the pre-emption analysis promulgated in Sears and Compco. Goldstein reaffirmed the policy of unfettered competition pursuant to the federal patent scheme. It further indicated that the States could not disturb the careful balance of objectives of the patent laws drawn by Congress. Kewanee established a two-part analysis that takes into account the coverage and operation of the patent laws as well as the fundamental policy of free competition. When the Kewanee analysis incorporates these critical factors, the unconstitutionality of §559.94, Florida Statutes, is readily apparent.

II. THE STATE OF FLORIDA'S RESTRICTION OF THE RIGHT OF COMPETITORS TO DUPLICATE UNPATENTED ARTICLES THAT HAVE PASSED INTO THE PUBLIC DOMAIN IS UNCONSTITUTIONAL IRRESPECTIVE OF LABELS.

BONITO's pervasive attempts to characterize §559.94, Florida Statutes, as a statutory remedy for "predatory trade practices" or a species of unfair competition does not save the legislation's inherent unconstitutionality. Under the analysis of Sears, Compco, and Kewanee, copying or duplication of articles in the public domain cannot constitutionally constitute a separate state tort. When an article in the public domain is unprotected by a patent, state law "may not forbid others to copy that article" because federal policy requires "free access to copy whatever the federal patent and copyright laws leave in the public domain." Compco, 376 U.S. at 237, 84 S.Ct. at 782, 11 L.Ed.2d at 672. The fact that the original maker of the article spent substantial sums of money to design and market it is irrelevant to the constitutionality of the State's regulation of its duplication once it is placed in the public domain. Anytime a new but unpatented article is put into the marketplace, a competitor will have the advantage of being able to copy it. In almost all cases, the originator will devote more resources to the article's development than that necessary for a competitor to duplicate it. Originators vehemently protest the so-called unfairness or predation that seems to result. When viewed from the originator's perspective, it may very well seem unfair when a competitor copies a functional article. But when viewed from the objective standpoint of the free enterprise system, this conduct is hardly unfair. To the contrary, it constitutes the essence of

vigorous competition. The conduct about which BONITO, the Stiffel Company and Day-Brite complain is nothing more than the risk they assumed when they decided to enter the marketplace with new articles.

The Sears/Compco doctrine circumscribes the State's power to ban the duplication of an unpatented article in the public domain, no matter how the State achieves the result. In both Sears and Compco, the Supreme Court refused to permit the States to extend the common law of unfair competition to impede the free competition guaranteed by the federal patent scheme. In the words of the Court:

Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws.

Sears, 376 U.S. at 231, 84 S.Ct. at 789, 11 L.Ed.2d at 667. In other words, the States cannot indirectly inhibit the copying of an unpatented article in the public domain any more than they can directly forbid its duplication. Neither "unfair competition," "misappropriation," nor "civil theft" are available to protect a manufacturer by choking off the type of competition encouraged by federal law and policy. The Sears Court laid to rest BONITO's argument that §559.94, Florida Statutes, creates a tort-like remedy authorized by the State's undoubted police power. In commenting on the effect of the Supremacy Clause, the Supreme Court held:

When state law touches upon the area of these federal statutes, it is "familiar doctrine" that the federal policy "may not be set at naught, or its benefits denied" by the state law. Sola Elec. Co. v. Jefferson

Elec. Co. 317 U.S. 173, 176, 87 L.Ed. 165, 168, 63 S.Ct. 172 (1942). This is true, of course, even if the state law is enacted in the exercise of otherwise undoubted state power.

Sears, 376 U.S. at 229, 84 S.Ct. at 787, 11 L.Ed.2d at 665 (emphasis added). Accordingly, Sears and Compco themselves are sufficient to dispose of BONITO's attempt to justify Florida's anti-splash statute as a valid exercise of the State's police power.

Furthermore, §559.94, Florida Statutes, cannot be categorized in any of the areas of regulation that Sears and Compco impliedly left open for state regulation. Those areas included palming off, mislabeling, confusion as to the origin of the product and the like. Sears, 376 U.S. at 232, 84 S.Ct. at 780, 11 L.Ed.2d at 667; Compco, 376 U.S. at 238, 84 S.Ct. at 782, 11 L.Ed.2d at 672-73. It is undisputed that none of these classic deceptive trade practices are involved in the instant case. BONITO is therefore reduced to arguing that §559.94, Florida Statutes, is a form of common law unfair competition or the nebulous tort of "misappropriation" which Florida is independently empowered to regulate. Examination of the theories underlying these commercial torts reveals that they are incapable of sustaining the validity of the anti-splash statute. These remedies are nothing more than a mere guise for accomplishing indirectly the constitutionally impermissible goal of banning the duplication of an unpatented article after it enters the public domain.

The formulation of the common law of unfair competition in Florida is precisely defined. As BONITO concedes, the gist of

the cause of action is "palming off." E.g., B.H. Bunn Co. v. AAA Replacement Parts Co., 451 F.2d 1254 (5th Cir. 1971) (Florida law). Florida's anti-splash statute is oblivious to confusion of the public over the identity of the manufacturer of a particular boat hull, which is the essence of unfair competition. Rather, it prohibits the copying of a functional design without anything more; it imposes strict liability for the mere act of duplicating in a forbidden manner. Thus, §559.94, Florida Statutes, cannot be upheld on the ground that it is included in the genre of unfair competition.

A decision involving the duplication of fiberglass boat hulls, but which predated Sears and Compco, is still helpful in illustrating the unavailability of a State's common law of unfair competition to prevent the copying of articles in the public domain. O'Day Corp. v. Talman Corp., 310 F.2d 623 (1st Cir. 1962). The facts of the O'Day case and the case at bar are almost identical. O'Day manufactured fiberglass boats. It hired a leading specialist in the sailing field to design a hull for a planing sailboat. The planing sailboat was marketed and was an outstanding commercial success. Id. at 624. No patent was obtained by O'Day. Talman Corporation purchased one of the planing boats manufactured by O'Day, and, using a process that must have at least resembled the direct molding process, copied its hull. Id. at 624 n.3. Talman Bigelow, the principal officer of Talman Corporation, had been O'Day's Sales Manager, but had not entered into a non-compete agreement with O'Day. The Talman Corporation made some alterations to the boat, none of which were



of any consequence to the planing, or functional, characteristics of the hull. Id. at 625. O'Day filed an action for common law unfair competition under the laws of Rhode Island. Like the case at bar, the hulls were plainly marked so that no buyer could be confused as to the source. The court acknowledged the tremendous investment of time and money expended by O'Day in developing and marketing the hull. Id. The First Circuit nonetheless held that there could be no action for unfair competition under state law, since the hull was not patented. The reasoning used by the O'Day court applies with equal force to the case at bar:

This case seems to us a clear illustration of the general rule that there can be no infringement of a non-patentable or non-copyrightable design. "Unfair competition" requires something affirmative; it does not automatically pick up what these other rights omit.

Id. at 625 (citations omitted). This closely analogous case confirms the incongruity between unfair competition and the mere copying of an article in the public domain.

BONITO's attempt to validate the anti-splash statute as a statutory version of the tort of "misappropriation" is even more farfetched. In the first place, THUNDERCRAFT has been unable to locate any Florida case that has recognized such a cause of action. More fundamental, there are insuperable barriers to ever stating a cause of action for misappropriating the "investment and cost of design borne by the [original] producer." Initial Brief at 27. The basic flaw in this theory is the impossibility of defining a property right that can be protected by the State. The underlying premise of a "misappropriation" is the existence of some property capable of being appropriated. Section 559.94,

Florida Statutes, forbids the copying of a boat hull after the manufacturer parts with its title; the manufacturer therefore has no property interest in the tangible hull itself. The only other conceivable property that could be "misappropriated" is the manufacturer's intangible interest in its investment in research and development costs and the manufacturing process. But this intangible property right is precisely the sphere of the federal patent laws. The analysis comes full circle, then. Sears and Compco pre-empt any state law that purports to regulate this type of intangible property interest. See Columbia Broadcasting System, Inc. v. DeCosta, 377 F.2d 315 (1st Cir.), cert. denied, 389 U.S. 1007, 88 S.Ct. 565 19 L.Ed.2d 603 (1967).

International News Service v. Associated Press, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed 211 (1918), and its progeny do not define a legally cognizable property right capable of circumventing the Sears/Compco doctrine. Appellant relies on this case to define such a property right as the essential element of its proposed cause of action for misappropriation. The INS decision is of extremely doubtful validity, however, particularly in the area of state regulation of articles after they pass into the public domain. Although it did not expressly overrule INS, Kellogg Co. v. National Biscuit Co. undermined its authority by adopting Justice Brandeis' dissent as the majority position. In turn, both Sears and Compco cited Kellogg with approval. Sears, 376 U.S. at 231, 84 S.Ct. at 789, 11 L.Ed.2d at 667; Compco, 376 U.S. at 238, 84 S.Ct. at 782, 11 L.Ed.2d at 673. Kewanee went so far as to cite not the majority opinion of INS, but only Justice

Brandeis' famous dissent. 416 U.S. at 481, 94 S.Ct. at 1886, 40 L.Ed.2d at 325. This procedural development casts serious doubt on the continuing efficacy of INS in the wake of Sears and Compco.<sup>2/</sup> Indeed, if INS is still valid, its rationale could be used to emasculate the Sears/Compco doctrine. Accordingly, there is convincing authority that Sears and Compco overruled this early twentieth century case to the extent that it applies to subject matter within the federal patent and copyright power. Columbia Broadcasting System, Inc. v. DeCosta, 377 F.2d 315 (1st Cir.), cert. denied, 389 U.S. 1007, 88 S.Ct. 565, 19 L.Ed.2d 603 (1967). By no stretch of imagination or leap of logic can INS be interpreted or utilized as a source of constitutional power of the States that qualifies the Sears/Compco doctrine.

There is no independent source of constitutional power that overrides the Sears/Compco doctrine and justifies the Florida anti-splash legislation's restriction on competitors' rights to copy unpatented articles in the public domain. No deceptive trade practice is present in the case at bar. Moreover, the Sears and Compco decisions themselves repudiate the power of the States to accomplish indirectly what they cannot constitutionally achieve directly. There is no commercial tort theory capable of

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<sup>2/</sup> Another intervening development in the federal court system further questions the validity of INS. The INS case was decided under the auspices of Swift v. Tyson, 41 U.S. (16 Pet.) 1, 10 L.Ed. 865 (1842), which allowed federal courts to develop and apply substantive rules of decision in commercial areas when exercising diversity of citizenship jurisdiction. In Erie Railroad Co. v. Tompkins, 304 U.S. 64, 58 S.Ct. 817, 82 L.Ed. 1188 (1938), the Supreme Court effectively abolished this type of general federal common law. Federal courts since then apply the substantive law of the forum state in diversity cases.

providing a legally cognizable claim for mere duplication of an article in the public domain in any event. Section 559.94, Florida Statutes, is unconstitutional as a matter of federal constitutional law irrespective of the desire of the State to regulate what it perceives to be predatory or pernicious conduct. The area is exclusively reserved to Congress.

CONCLUSION

Section 559.94, Florida Statutes, unconstitutionally restricts the ability of a competitor to duplicate an unpatented article after it has passed into the public domain. The statute is irreconcilable with the policy objective of free competition that is embodied by the federal constitutional and statutory scheme governing patents. Florida's anti-splash statute cannot be otherwise validated by denominating it as a form of unfair competition or other tort. The Circuit Court and the District Court of Appeal were both correct in their rulings that the Sears/Compro doctrine renders §559.94, Florida Statutes, unconstitutional as a matter of federal law. The final order of the Circuit Court dismissing the action with prejudice and affirmed by the Fifth District Court of Appeal should likewise be affirmed by this Court.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by mail this 18th day of August, 1986 to JOHN SCHOENE, ESQUIRE, Baker & Hostetler, 1300 Barnett Plaza, Post Office Box 112, Orlando, Florida 32802; and to TOMAS M. RUSSELL, ESQUIRE and JOHN A. HELLER, ESQUIRE, Sidley & Austin, One First National Plaza, Chicago, Illinois 60603.

  
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