SUPREME COURT OF FLORIDA
STATE OF FLORIDA

BONITO BOATS, INC.,

Defendants/Appellant,

vs.

THUNDER CRAFT BOATS, INC.,

Plaintiff/Appellee.

_____/

CASE NO. 68,829

INITIAL BRIEF OF APPELLANT

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On Appeal from the Fifth District Court of Appeal
State of Florida

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QUESTIONS PRESENTED

I. Whether Section 559.94, Florida Statutes, falls within the State of Florida's general power and authority to regulate in the area of unfair competition and predatory trade practices.

II. Whether Section 559.94, Florida Statutes, conflicts with the full purposes, policies and objectives of the patent laws.

III. Whether predatory trade practices similar to those proscribed by Section 559.94, Florida Statutes, may be regulated by the states notwithstanding Sears/Compco.

STATEMENT OF THE CASE

On or after July 1, 1983, Defendant-Appellee, Thundercraft Boats, Inc. (hereinafter "Appellee"), began unlawfully misappropriating the property of Plaintiff-Appellant, Bonito Boats, Inc. (hereinafter "Appellant"), by duplicating Appellant's original boat design by use of the direct molding process in direct violation of Section 559.94, Florida Statutes (hereinafter "Section 559.94"). Despite demand by Appellant that Appellee cease this unfair and predatory trade practice, Appellee continued its offending conduct. On December 21, 1984, Appellant filed a Complaint against Appellee alleging that Appellee had unlawfully duplicated its Bonito Boat Model 5VBR in violation of Section 559.94 and Section 812.014, Florida Statutes.

Appellee filed a Motion to Dismiss the Complaint on the grounds that Section 559.94, Florida Statutes, and Section 812.014, Florida Statutes,[1] are unconstitutional due to preemption by the federal patent laws, citing as authority Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964), and Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964) (hereinafter referred to collectively as "Sears/Compco"). In an Order dated March 1, 1985, the trial court granted Appellee's Motion to

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[1] Copies of the statutes are attached hereto as Appellant's Exhibits "1" and "2."

Dismiss on the ground that Section 559.94 was unconstitutional, citing both the above cases, and dismissed Appellant's entire Complaint with prejudice.[2]

Appellant filed a Notice of Appeal to the Fifth District Court of Appeal on March 19, 1985. After oral argument on February 12, 1986, the Fifth District, in an opinion filed April 24, 1986, affirmed the trial court's finding that §559.94, Fla. Stat., is unconstitutional. A dissenting opinion was filed by Judge Orfinger. See Bonito Boats, Inc. v. Thundercraft Boats, Inc., 11 F.L.W. 971 (Fla. 5th D.C.A. April 24, 1986). This appeal has followed pursuant to the court's jurisdiction under Fla. R. App. P. 9.3030(a)(1)(A)(ii).

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[2] Neither of the courts below reached the issue of the constitutionality of Section 812.014, however, it appears that Appellee's grounds for attacking the constitutionality of Section 812.014 involves the "application" of the statute to the specific facts alleged in the Complaint rather than "facial" constitutional challenge, as in the case of Section 559.94. Both grounds give rise to the same preemption issues and both are equally without merit.

STATEMENT OF THE FACTS

In 1976, Plaintiff-Appellant Bonito Boats, Inc. developed an original hull design for a fiberglass recreational boat and began marketing and manufacturing the boat under the trade name Bonito Boat Model 5VBR. Appellant spent a substantial amount of time and money in the research, engineering and design of Model 5VBR. Initially, it prepared a master set of engineering drawings from which a hardwood hull mold was prepared. Once this hardwood hull mold was perfected and fully completed, Appellant made a fiberglass mold from which the actual hulls for the boats were made. This is a very costly and time consuming process.

Beginning in or after, July, 1983, Defendant-Appellee, Thundercraft Boats, Inc., unlawfully duplicated Bonito Boat Model 5VBR. Appellee did not copy one of Appellant's hulls by taking the appropriate measurements from one of Appellant's boats, creating and perfecting its own master hardwood mold and then making a master fiberglass mold for the actual production of the hulls. This would be lawful, and Appellant would not object.

Rather, Appellee took a short cut and unlawfully duplicated the hull design through a "direct molding process." This is a process whereby one of Appellant's Model 5VBR was used by Appellee to make a fiberglass mold from which an exact copy of the hull could be manufactured by Appellee. The effect of Appellee's creating its hull mold in this fashion is that

Appellee was spared the expense and time of designing, perfecting and creating the original master hull mold by its "appropriating" that which had been perfected and created by Appellant.

The statute which prohibits this practice, and which was challenged by Appellee and held unconstitutional by the trial court, was enacted by the Florida legislature in 1983 as a very narrow, limited prohibition of one process by which a boat manufacturer may copy the hull design of another manufacturer. Specifically, the statute only prohibits the use of the "direct molding process," a process whereby an "original manufactured vessel hull or component part of a vessel" is used as a "plug" to create a master mold, which is then used to manufacture an exact duplicate of the original hull or component part. Significantly, as is discussed below, the statute does not proscribe any other method of copying another's hull design.

The statute is commonly called an "anti-splash" statute, since the duplicate mold is made by "splashing" the outer surface of the original manufactured vessel hull with a fiberglass material, thus creating a shell, which is then used as a mold for building a duplicate final product. When the original manufactured vessel hull is removed after splashing, an exact copy of the original master mold used in manufacturing the boat hull is created, and the duplicator is spared the time and expense of designing and creating the original master mold from scratch.

The import of this practice is better understood if one examines the customary method of producing recreational boats. Most recreational boats are now made from fiberglass and resins in a molding process. The process begins with research and engineering drawings which lead to the development of a full scale hardwood male mold of the boat hull configuration, referred to as a "plug." The plug is carefully hand-built and finished. A fiberglass and resin skin is then fabricated over the plug and, when hardened in a curing process, the plug is removed. The inside of the fiberglass wrap-around, now a rigid mold itself, forms the master female mold for building the actual vessel hull.

In the actual mass-manufacturing process the female mold receives a spray coat of "gel" which becomes the outer skin of the finished product. Next, layers of fiberglass and resin are applied over the gel coat and chemically bonded together. Interior bracing, flooring, etc. are added. A deck mold, also fiberglass and produced in the same manner from a plug, is used to make the top half of the boat, which is then fastened to the hull to complete the process. The development and design costs associated with this process are substantial and must be recouped from long term sales of the product.

Section 559.94 does not prohibit the copying of the original manufactured hull as such and the creating of one's own master mold as discussed above. It only prohibits the copying of the original manufactured hull by use of the direct molding process. Thus, the statute does not prevent Appellant or any

other manufacturer from using a "reverse engineering" process to obtain an exact copy of the hull, i.e. beginning with the original hull, through taking measurements, photographs, etc., and working backward in an effort to re-create the result obtained by the original designers. Such a reverse engineering process may be more costly, but it is considered to be a fair allowance, since the original manufacturer expends a great deal of time, labor, and money in order to create the original boat product.

Appellant does not claim any patent rights in its hull or object to Appellee's "fairly" copying its hull design and manufacturing and selling an identical boat. Appellant is not attempting to restrict competition or assert "patent-type rights." Rather Appellant simply is objecting to the unfair competition, predatory trade practices and misappropriation of its property rights by Appellee's use of the direct molding process outlawed by Section 559.94.

SUMMARY OF ARGUMENT

I.

Section 559.94 lies squarely within the ambit of regulation of unfair competition, predatory trade practices and misappropriation of property rights. This has traditionally been the general province of the states, except in limited situations where the federal government has sought to preempt the field. The Supreme Court, in its decisions following Sears/Compco, and other courts in interpreting the scope of Sears/Compco, have clarified the very limited scope of federal preemption. It is now well settled that the only limitation on the states is that in regulating in the area of patents they do not conflict with the operation of the patent laws. Not only does section 559.94 not conflict with the patent laws, it has no effect on them. Rather, it is a part of the broad regulatory authority left to the states to combat a host of improper commercial trade practices in areas such as unfair competition, misappropriation, non-functional product designs with secondary meaning, copyright, trademark, labels, and trade dress.

II.

Section 559.94 is wholly different in application and effect from the law struck down in Sears/Compco. The law at issue in Sears/Compco prohibited all copying of another's product irrespective of the patentability of the product -- it was, in

effect, a state patent law. Section 559.94, on the other hand, permits Appellee to copy Appellant's product in every detail -- it only restricts one method of copying, the direct molding process, which the Florida legislature has denominated a predatory trade practice.

Section 559.94 is also clearly constitutional because it does not conflict with the objectives and policies of the patent laws. Like the patent laws, Section 559.94 encourages innovation and invention in the field of fiberglass boat design and promotes the objective of disclosure of information to the public.

III.

The majority opinion of the Fifth District Court of Appeal in this case is in error, as a matter of law. The majority of the appellate panel below, failed to analyze Section 559.94 in light of the relevant Supreme Court decision handed down after to Sears/Compco. Contrary to the decision of the court below, states have full authority to regulate predatory trade practices under the law of unfair competition, including the manner or method in which items are duplicated by competitors.

The essence of Section 559.94 is that in view of the considerable investment required to design and develop an original fiberglass boat, it is an unfair, inequitable and predatory trade practice for an unscrupulous competitor, who has invested

nothing, to appropriate the property of the original manufacturer by using its boat hull as a plug in route to copying the original at a fraction of the cost expended by the originator. In other words, one should not be allowed to reap where it has not sown through resort to misappropriation. This misappropriation doctrine has long been a part of the common law of unfair competition, and more recently has been given statutory form by state legislatures.

ARGUMENT

I. SECTION 559.94 LIES WITHIN THE STATE'S GENERAL POWER AND AUTHORITY TO REGULATE IN THE AREA OF UNFAIR COMPETITION AND PREDATORY TRADE PRACTICES.

A. Section 559.94 Is Presumed Constitutional.

Section 559.94 is one of literally hundreds of statutes enacted by state legislatures around the country to combat various aspects of unfair competition, predatory trade practices and misappropriation of property rights. This is an area which traditionally has been the general province of the states, except in those very few limited situations where the federal government has sought to preempt the field pursuant to the powers of the Supremacy Clause of the Constitution of the United States. Thus, the simple question before this court is whether Section 559.94 falls within that narrow area of substantive rights which the federal government has sought to preempt and is thus unconstitutional. The answer is a clear, resounding NO.

As a threshold matter, any doubts as to the validity of the statute must be resolved in favor of its constitutionality. As stated by the Florida Supreme Court:

> This court is committed to the proposition that it has a duty, if reasonably possible and consistent with constitutional rights, to resolve all doubts as to the validity of a statute in favor of its constitutionality and to construe it so as not to conflict with the Constitution.

State v. Gale Distributors, Inc., 349 So.2d 150, 153 (Fla. 1977).

With specific regard to the consideration of whether a state statute violates the Supremacy Clause, the underlying, initial assumption is that Congress did not attempt to displace state law. Maryland v. Louisiana, 451 U.S. 725 (1981). Where preemption is at issue, it is incumbent upon the legislature and the court to determine whether the state law is repugnant to the underlying policy and objectives of the federal regulation and thus whether there is actual conflict between the federal and state regulation. Michigan Canners & Freezers Association, Inc. v. Agricultural Marketing & Bargaining Board, ____ U.S. ____, 104 S. Ct. 2518 (1984). Moreover, the scope of the preemption principles must be limited to the narrowest possible subject matter. Ray v. Atlantic Richfield Co., 435 U.S. 151 (1978).

B. Section 559.94 And Similar State Regulation Are Not Preempted By The Rule of Sears/Compco.

In the area of unfair competition, misappropriation and predatory trade practices, which is the focus of Section 559.94, the issue of preemption by federal copyright laws and the patent laws was addressed by the United States Supreme Court in two 1964 decisions, Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225,

232-233 (1964) and Compco Corp. v. Day-Brite Lighting, 376 U.S. 234, 239 (1964) (referred to collectively as Sears/Compco).[3]

The effect of those two decisions, as made clear by subsequent decisions of United States Supreme Court and other courts, was to define a very narrow area of preemption created by the federal patent laws and copyright laws. The states' rights to regulate generally in the area of unfair competition, predatory trade practices and misappropriation were not affected. As one commentator has stated:

> Patent and copyright policy do not require that copying be permitted under conditions which amount to unfair competition simply because the originator either failed to obtain or was not entitled to federal recognition. The Court's concern [in Sears/Compco] for the superiority of federal law did not compel it to ignore state (and federal) policy against unfair competition. The two concepts are not mutually exclusive. They have coexisted quite harmoniously in the past and can continue to function in tandem in futuro.

Callmann, Unfair Competition, §15.07 at 20.

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[3] The power of the State to regulate unfair competition and predatory trade practices arises in both the context of application of the common law and legislative action. As a result, issues of preemption involve the implementation of the common law of unfair competition as in Sears/Compco and the enforcement of regulatory statutes as in Kewanee Oil Co. v. Bicron Corp., 416 U.S. 480 (1974), Goldstein v. State of California, 412 U.S. 546 (1973), Interpart Corporation v. Italia, 777 F.2d 678 (Fed. Cir. 1985), Metro Kane Imports, Ltd. v. Rowoco, Inc., 618 F. Supp. 273 (S.D.N.Y. 1985), and the case at bar.

Efforts by some courts and litigants to read the doctrine of Sears/Compco as preempting all state regulations which touch on the area of patents and copyrights were put to rest by the Supreme Court in two subsequent decisions, Goldstein v. State of California, 412 U.S. 546 (1973) and Kewanee Oil Co. v. Bicron Corp., 416 U.S. 480 (1974).

In Goldstein, the Supreme Court held that the grant of power to Congress under Article I, Section 8, Clause 8 of the Constitution was not exclusive and that, at least in the case of writings, the States were free to regulate trade practices within their borders by the passage of appropriate legislation. The Court specifically upheld a California penal statute imposing criminal sanctions for "record" or "tape piracy," rejecting the argument that the penal statute was preempted under the Sears and Compco cases.

A year later the Kewanee case presented the issue of whether Ohio's trade secret laws were preempted by operation of the federal patent law. In route to deciding that states were free to act in the area of trade secret protection, the Supreme Court stated:

> Just as the states may exercise regulatory power over writings so may the states regulate with respect to discoveries. States may hold diverse viewpoints in protecting intellectual property relating to invention as they do in protecting the intellectual property relating to the subject matter of a copyright. The only limitation on the states is that in regulating the area of patents and copyrights they do not conflict with

> the operation of the laws in this area passed by Congress ....

Id. at 479. (Emphasis added.) Thus, state laws which touch on the area of patents and copyrights are valid so long as they do not "clash with the objectives of the federal patent laws," id. at 480, citing Sears, supra, 376 U.S. at 231, a determination of which requires an examination of the objectives of both the federal patent law and the relevant state law. In other words, Kewanee made clear that a state may, without violating the dictates of the federal patent law, exercise regulatory power over commercial practices when the objectives of the concurrent state laws run parallel to, or do not impermissibly conflict with, the federal patent policies.

C. Under The Rule Of Kewanee, Section 559.94 Is Clearly Constitutional.

The extensive comparative analysis of the patent laws and Ohio trade secret laws found in Kewanee, supra, 416 U.S. at 480-92, provides the necessary framework for analysis of the issues raised in the case at bar. There the Court found that the primary objective of the constitutional grant of power to Congress "to legislate in the area of intellectual property was to promote 'the Progress of Science and the Useful Arts.'" Id. at 480. Such is accomplished by the patent laws by the offer a complete monopoly for a limited period as an incentive to those who "risk the often enormous costs in terms of time, research and development" in order to formulate a patentable item or idea.

Ibid. Society is the ultimate beneficiary through the introduction of "new products and processes of manufacture" which hopefully lead to "better lives for our citizens." Ibid.

The public's interest in disclosure is also served by the patent laws because they require full disclosure of the nature of the protected invention, and, upon the expiration of the statutory period of 17 years, the knowledge passes into the public domain.

The objectives of trade secret protection, on the other hand, are the "maintenance of standards of commercial ethics and encouragement of invention." Ibid. Even though the subject of a trade secret may not meet the requisite standards which qualify it for patent protection, it does not undermine "'the value of the discovery to the one who makes it, or advantage the competitor who by unfair means . . . obtains the desired knowledge without himself paying the price in labor, money, or machines expended by the discoverer.'" Id. at 482, quoting, A. O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531, at 539 (6th Cir. 1934).

After comparing the objectives of patent law and state trade secret law, the Kewanee Court considered the interaction of the two systems which protect intellectual property to determine whether trade secret law constituted "'too great an encroachment on the federal patent system to be tolerated.'" Ibid., quoting Sears, supra, 376 U.S. at 232. The Court concluded that the federal policy of encouraging invention and innovation was not

disturbed by trade secret law, which is just an alternative form of incentive aimed at accomplishing the same goals; that trade secret protection does not infringe upon the public's access to that which is in the public domain because, by definition, a trade secret is not a part of the public domain; and finally, that on balance the public's interest in disclosure would not be undermined by the protection of trade secrets.

In summary, the Supreme Court in Kewanee recognized that:

> Trade secret law provides far weaker protection in many respects than patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g. independent creation or reverse engineering, patent law operates "against the world," forbidding any use of the invention for whatever purpose for a significant length of time .... Where patent law acts as a barrier, trade secret law functions relatively as a sieve.

Id. at 489-490. (Footnote omitted). Based on these considerations the Supreme Court held that trade secret law was not preempted by federal patent law, because each has "its particular role to play, and the operation of one does not take away from the need for the other." Id. at 493. An identical role is played by Section 559.94. As such it is constitutional.

II. THE KEWANEE ANALYSIS APPLIED TO SECTION 559.94 DEMONSTRATES THAT SECTION 559.94 DOES NOT CONFLICT WITH THE FULL PURPOSES, POLICIES AND OBJECTIVES OF THE PATENT LAWS.

In the present case the court must, as did the Florida legislature, determine whether, using the Kewanee analytical framework, Section 559.94 conflicts with the operation of the federal patent laws or, in other words, if Section 559.94 constitutes "too great an encroachment on the federal patent system to be tolerated." Sears, supra 376 U.S. at 232. Clearly it does not. Section 559.94 has no impact or encroachment on the operation of the patent system; though it attempts to accomplish similar goals, its application is wholly distinct.

A. Section 559.94 Is Not A Blanket Prohibition Of Copying Unpatented Articles Like The Law Struck Down In Sears.

The Illinois state law at issue in Sears barred completely a competitor's ability to copy and market another's unpatented article. Clearly such a law cannot co-exist with the federal patent system because, in effect, it would grant a patent under state law for an unlimited period of time, while dispensing completely with the "rigorous statutory tests for the issuance of a patent." Kewanee, supra, 416 U.S. at 477.

On the other hand, Section 559.94, permits a competitor to copy another's original manufactured hull in every detail. It only prohibits a specific method of copying which the legislature has determined to be a predatory trade practice.

B. Just Like Trade Secret Law, Section 559.94 Promotes The Purposes And Objectives Of The Patent Laws.

The Florida legislature has recognized that the development of original designs for fiberglass boats is a costly undertaking, but, it is one which is critical to the continued growth of the boating industry which has a key role in the Florida economy. Section 559.94 merely affords a limited amount of protection, acting as an incentive to those willing to risk the often enormous costs in terms of investment, time, research and development in order to produce improved and innovative boat designs. These are the same purposes and objectives of the federal patent laws. The Florida legislature has determined that boat manufacturers will be less willing to invest in research and development if unscrupulous competitors are left to free employ the direct molding process in copying the original design of another at a fraction of the originator's cost.

C. The Operation Of Section 559.94 Does Not Interfere With The Patent Policy Of Disclosure To The Public.

In return for a limited exclusive right, patent law requires an inventor to disclose the knowledge of the invention, which then inures to the public after the expiration of the statutory period of 17 years. This "disclosure" objective of the patent laws was the most "difficult for the Court to reconcile with trade secret law" in Kewanee, supra, 416 U.S. at 484, primarily because a trade secret might be withheld from the

public domain indefinitely rather than for a finite period as in the case of patents. Nevertheless, the Kewanee Court concluded that since a trade secret by definition is not part of the public domain, the disclosure objective of the patent laws would not be undermined.

But this court need not go as far as the Kewanee Court because Section 559.94 poses no similar threat to the disclosure objective. Knowledge of an original innovative boat design inures to the public as soon as the first new model of boat is placed on the market. Section 559.94 requires only that an imitator refrain from using the direct molding process as a means of manufacturing an exact copy.[4]

Use of the Kewanee analytical framework demonstrates that Section 559.94 is not at odds with the policies of patent law. In fact, the same can be said for Section 559.94 as was said by the Kewanee Court about trade secret law:

> Certainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention. In

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[4] In fact, the statute does not even restrict copying by the direct molding process in all situations. It only applies where the imitator is creating the mold for the purposes of manufacturing a copy for sale. Thus, it seems it was designed only to reach competitive manufacturers, not the public at large who may wish to create a duplicate hull for their own purposes.

Further, Section 559.94 does not appear to prohibit use of the direct molding process for purposes of study, research, testing, etc. for the purpose of development of modified or improved versions of the "original manufactured boat hull."

> this respect the two systems are not and never would be in conflict.

416 U.S. at 484. (Emphasis added.) Therefore, under the clear authority of the Supreme Court itself in Kewanee, Section 559.94 lies squarely within the realm of reserved power which permits the states to regulate unfair and predatory commercial trade practices.

III. THE COURTS BELOW ERRED IN HOLDING SECTION 559.94 UNCONSTITUTIONAL BECAUSE THE RATIONALE OF SEARS/COMPCO DOES NOT PRECLUDE STATES FROM REGULATING IN THE AREA OF UNFAIR COMPETITION AND PREDATORY TRADE PRACTICES.

A. The Appellate Court Below Clearly Erred, As A Matter Of Law, In Its Ruling That "Federal Law [Does Not Authorize] A State To Limit The Manner In Which An Unpatented Item May Be Duplicated."

Inexplicably, appellate the court below failed to address the Kewanee case and its approach to the question of whether the Section 559.94 is "preempted" by the Sears/Compco cases. The legal analysis found in majority's decision below is contained in a single paragraph:

> We are aware that (as Bonito argues) Section 559.94, Florida Statutes, prohibits only one form of copying, i.e., using the "direct molding process," yet permits detailed copying using other methods of duplication. However, neither Sears, nor Compco, nor any other Supreme Court opinion holds that federal law authorizes a state to limit the manner in which an unpatented item may be duplicated. [Footnote omitted.] If state law may not forbid others from copying an unpatented article, then state law may not forbid a particular method of copying.

Bonito Boats, supra, 11 F.L.W. at 971. (Emphasis added.) The majority's analysis, however, is simply legally and factually wrong. Goldstein and, more on point, Kewanee, are two Supreme Court cases which fully affirm the authority of the states to regulate the manner or method in which the products of another are duplicated. In Kewanee the Supreme Court specifically acknowledged that in some instances "trade secret law protects items which would not be proper subjects for consideration for patent protection under 35 U.S.C. §101." Kewanee, supra, 416 U.S. at 482. (Emphasis added.) Nonetheless, the State of Ohio's authority to enforce its trade secret laws was left intact by the Kewanee decision. By the same reasoning found in Kewanee, the State of Florida has full authority to enact Section 559.94 to regulate in the area of unfair competition and predatory trade practices.

B. The Court Below Erred In Not Using The Kewanee Analysis To Assess The Constitutionality Of Section 559.94.

The Kewanee case and its analytical framework, which is directly applicable to the case at bar, was not mentioned in the majority decision of the Fifth District Court of Appeal. From all appearances, the majority of the appellate court below attempted to determine the constitutionality of Section 559.94 by analyzing the Sears/Compco cases in a vacuum, with no reference to later court decisions. This was clearly the wrong approach which led the lower court to an erroneous determination that

Section 559.94 is unconstitutional. Indeed, the essence of the Kewanee case is the Supreme Court's comparative examination "of the objectives of both the patent and trade secret laws" to determine whether the Ohio trade secrets laws "clashed" with the federal law. The same type of analysis is necessary in the case at bar. (See Part II, supra.)

In the case of Interpart Corp. v. Italia, 777 F.2d 678, 684-85 (Fed. Cir. 1985), the Federal Circuit employed the Kewanee approach to analyze constitutionally of a similar "California Plug Molding Statute," California Business and Professional Code §17300 (West Supp. 1985) (hereinafter referred to as the ("California Plug Molding Statute"). The California Plug Molding Statute,[5] is almost identical to Section 559.94, in that it

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[5] California Business and Professional Code §17300:

> Unlawful acts; duplication for sale; sale
>
> (a) It shall be unlawful for any person to duplicate for the purpose of sale any manufactured item made by another without the permission of that other person using the direct molding process described in subdivision (b) [sic, (c)].
>
> (b) It shall be unlawful for any person to sell an item duplicated in violation of subdivision (a).
>
> (c) The direct molding processes subject to this section is any direct molding process in which the original manufactured item was itself used as a plug for the making of the mold which is used to manufacture the duplicate item.
>
> (d) The provisions of this section shall apply
>
> (Footnote Continued)

outlaws duplication of another's product through use of the original product as a pattern or "plug" in a direct molding process. The California statute, however, is broader in scope; it applies to the duplication of "any manufactured item," not just "any manufactured vessel hull or component part" as provided by Section 559.94.

The Interpart court, after citing the Sears and Kewanee cases, applied the teachings of Kewanee in comparing the purposes, objectives and operation of the patent law and the California Plug Molding Statute. As to the patent law, it stated:

> The patent law, in order to promote the useful arts, grants to inventors the right, limited in time, to exclude others from making, using, or selling their patented inventions.

Id. at p. 684. As for the California Plug Molding Statute, it found:

> The statute prevents unscrupulous competitors from obtaining a product and using it as the "plug" for making a mold. The statute does not prohibit copying the design of the product in any other way; the latter, if in the public domain, is free for anyone to make, use, or sell.
>
> * * *

(Footnote Continued)
only to items duplicated using a mold made on or after January 1, 1979.

Similar laws are also in effect in Michigan and Tennessee, Michigan Compiled Laws Annotated, §§445.621-445.624; and Tennessee Code Annotated, §47-15-115.

> The California law does not "clash" with the federal patent law; the two laws have different objectives. Absent an existing patent right, we see nothing in the federal patent statutes that conflicts with California's desire to prevent a particular type of competition which it considers unfair.

Id. at 684-85.

The Interpart court, unlike the court below, correctly recognized the import of the distinction between Sears/Compco and the California Plug Molding Statute, i.e., the law struck down in Sears/Compco, in effect, attempted to establish a state patent law, while the California Plug Molding Statute is a less restrictive regulation of business practices which permits duplication in every detail. The California Plug Molding Statute, after all, only prohibits the resort to the direct molding process, a single process of duplication which the California legislature "considers unfair." Ibid. On this point the Interpart court observed the following:

> It is clear from the face of the statute [§17300] that it does not give the creator of the product the right to exclude others from making, using, or selling the product as does the patent law. The statute does not preclude one from photographing, measuring, or in any way utilizing the concept of the design of the product. It does not preclude copying the product by hand, by using sophisticated machinery, or by any method other than the direct molding process.

Id. at pp. 684-85. It therefore follows that the rationale of Sears/Compco is not applicable to the California Plug Molding Statute or Section 559.94, because competitors are not excluded from copying each others products. In point of fact, they are

permitted with impunity. Therefore, the California statute at issue in Interpart and Section 559.94 at issue here, reflect legitimate state regulatory purposes which do not conflict with any federal law.[6]

Interpart is not the only reported case involving plug molding statutes. In the recent case of Metro Kane Imports, Inc. v. Rowoco, Inc., 618 F. Supp. 273 (D.C.N.Y. 1985), the plaintiff was granted injunctive relief based upon the defendant's violations of California Plug Molding Statute and similar statutes enacted in the states of Michigan and Tennessee. Mich. Comp. Laws Ann. §§445.621 - 445.624 (West); Tenn. Code Ann. §97-15-115, supra. Based upon this message from the federal courts, Section 559.94 is a valid exercise of regulatory power on behalf of the State of Florida.

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6 Interpart is an opinion of the Federal Circuit on a question of federal law. Moreover, pursuant to 28 U.S.C. §1295, the Federal Circuit has assumed jurisdiction previously exercised by the United States Court of Customs and Patent Appeals and, therefore, has exclusive jurisdiction over all final decisions of United States District Courts in "cases involving patents." Interpart, supra, 777 F.2d at 680-81. Thus, by virtue of the Federal Circuit's expertise in the area of patent law, Appellant suggests to the court that Interpart should be viewed as persuasive precedent entitled to great weight.

C. Contrary To The Majority Opinion Of The Fifth District Court Of Appeal, States Retain Full Authority To Regulate Commercial Practices Which Are Outside The Realm Of Patent Law.

It appears that the majority of the court below misconstrued the operation of the patent laws and their relationship to a host of other regulatory powers and protections which remain within the provinces of both federal and state authorities.

The essence of patent law is the right to exclude an item from the public domain for a limited period of time; nothing more, nothing less. The operation of the patent law, however, does not necessarily limit the remaining authority of both the state and federal government to regulate other aspects of the commercial environment. As was stated by the United States Court of Customs and Patent Appeals in the post-Sears/Compco case of Mine Safety Appliances Co. v. Electric Storage Buttey, 405 F.2d 901, 902 n.2 (C.C.P.A. 1969):

> Patent laws function only to keep things out of the public domain temporarily. They have nothing to do with putting things into it. They say nothing about right to copy or right to use, they speak only in terms of right to exclude. "Public domain," moreover, is a question-begging legal concept. Whether or not things are in or out of the public domain and free or not free to be copied may depend on all sorts of legal concepts including patent law, anti-monopoly policy and statutes, the law of unfair competition [emphasis added here], copyright law, and the law of trademarks and trademark registration.

Thus, even after Sears/Compco, the law is clear that States retain the power to regulate predatory commercial

practices which rise to the level of unfair competition, as well as practices which run counter to the state law of trademarks, antitrust, etc.

Unfair competition, a species of common law tort, may come in many forms. In Goldstein it was record and tape piracy. In Kewanee it was the unseemly ethics involved in the breach of trade secrets. In both of these cases the States of California and Ohio saw fit to pass legislation to combat a recognized evil.

In the State of Florida, the common law of unfair competition, as a species of fraud or deceit, addresses the passing off of goods of one manufacturer or dealer for those of another. See, Junior Food Stores of West Fla., Inc. v. Jr. Food Stores, Inc., 226 So.2d 393 (Fla. 1969); Luckie v. McCall Mfg. Co., 153 So.2d 311 (Fla. 1st D.C.A. 1963). As for Section 559.94, it protects against the inherent unfairness of permitting one to "reap where he has not sown." International News Service v. Associated Press, 248 U.S. 215 (1918). Use of the direct molding process permits the unscrupulous to "misappropriate" the investment and cost of design borne by the producer of the "original manufactured vessel hull or component part." The unlawful nature of such "misappropriation" has long been recognized in the law, having first been addressed by the Supreme Court in International News Service, supra. See also, Synercom Technology v. University Computing Co., 474 F. Supp. 37

(N.D. Tex. 1979);[7] Grove Press v. Collector's Publication, 264 F. Supp. 603 (C.D. Cal. 1967).

Section 559.94, therefore, is based upon the commercial ethics underlying the "misappropriation doctrine" as found in the common law of torts. Such commercial ethics are not substantially different from those protected by the law of trade secrets addressed by the Supreme Court in Kewanee.

In light of Kewanee, it cannot be questioned that the states retain broad authority to regulate unfair competition and predatory trade practices. The Kewanee Court was loud and clear on this point when it stated "[s]tates may hold diverse viewpoints in protecting intellectual property relating to invention

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[7] The Synercom case set forth the "misappropriation doctrine" as enforced under the law of the State of Texas as follows:

> The courts of Texas have embraced the [misappropriation] doctrine. See Southwestern Broadcast Co. v. Oil Center Broadcast Co., 210 S.W. 2d 230 (Tex. Civ. App. - El Paso 1947, writ ref'd n. r. e.); Gilmore v. Sammons, 269 S.W. 861 (Tex. Civ. App. - Dallas 1925, writ ref'd). In its typical formulation, the doctrine of misappropriation is said to require proof of three elements: "(i) the creation of plaintiff's product through extensive time, labor skill and money, (ii) the defendant's use of that product in competition with the plaintiff, thereby gaining a special advantage in that competition (i.e., a 'free ride') because defendant is burdened with little or none or the expense incurred by the plaintiff, and (iii) commercial damage to the plaintiff." Dannay, The Sears-Compco Doctrine Today: Trademarks and Unfair Competition, 67 Trademark Review 132 (1976).

Synercom, supra, 474 F. Supp. at 39.

...." 416 U.S. at 479. Section 559.94 is one such "viewpoint" duly enacted by the Florida legislature to combat an obvious evil in the marketplace.

CONCLUSION

The Florida legislature has made a determination that the boating industry within this State would suffer substantial harm if a certain predatory business practice, the "direct molding process," is not regulated. In due deference, the courts must indulge in the presumption of legislative validity, especially where the compelling nature of the need is clearly shown where and the statute is properly and rationally designed to effectuate the legislative intent.

The Supreme Court in Kewanee made clear that the law of Sears/Compco does not restrict the ability of a state to regulate in this area of predatory trade practices and unfair competition, so long as the objectives of the federal patent and copyright laws are not compromised. Not only does Section 559.94 not compromise the federal patent policies, it is consistent with them. Section 559.94 permits the "proper" and "fair" copying of another design, in every detail. It does not give any patent-type protection to the design. It merely prohibits one discrete method of copying the design as an incentive to ensure that some boat manufacturers will be willing to invest in improved boat designs. This was recognized by the Federal Circuit in Interpart after an examination of a similar, yet broader, California Plug Molding Statute in light of teachings of the Kewanee case.

The advantage inuring to the public is obvious. Section 559.94 merely provides "another form of incentive to

invention." Kewanee, supra. Based on the foregoing, the decision of the Fifth District Court of Appeal affirming the trial court's Order dismissing Appellant's Complaint should be reversed and remanded for further proceedings.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Brief of Appellant has been furnished to: HAL K. LITCHFORD, ESQ., Davis, Litchford, Downing & Christopher, One South Orange Avenue, Suite 500, Orlando, Florida 32802, this 16th day of June, 1986, by hand delivery.

John Schoene

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