

PREEMPTION OF DIRECT MOLDING STATUTES: *BONITO BOATS v. THUNDER CRAFT BOATS*

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INTRODUCTION

Bringing a product into the commercial market is often an expensive and risky venture. Research and development require the investment of time, money, and effort. Sometimes the inventor is rewarded with a patent. If he fails to obtain one, however, a competitor may copy the product exactly, and then manufacture and market it. Even worse, a competitor may buy the original manufacturer's product and use that very copy to create a mold for mass production of an identical product. This process is called either direct molding or plug molding. A competitor using direct molding may even be able to undersell the original manufacturer because there is no need for the competitor to recover research and development costs. Federal patent law provides some protection from such copying for utilitarian or functional designs. Yet, this protection is inadequate because the novelty and nonobviousness requirements of patent law are difficult to meet. Moreover, such designs cannot be protected by state trade secret or unfair competition laws because often the form is both dictated by function and readily discernable. Some states, therefore, provide another option: legislation prohibiting copying by direct molding regardless of a product's patentability.

These statutes afford protection for products that cannot be protected under the federal patent system. Yet, the exclusion of certain products from patent protection is as important to the federal system as the inclusion of other products. Thus, some conflict exists between the federal and state laws.

In general, when a state law conflicts with federal law, the state law is preempted.¹ Therefore, the crucial question with respect to direct molding is whether a state's direct molding statute conflicts with federal patent law to such an extent that it undermines the federal scheme. In

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1. *Pacific Gas & Elec. Co. v. State Energy Resources Conservation & Dev. Comm'n*, 461 U.S. 190 (1983). If a state law is preempted by federal law, an attempt to enforce the state law is an unconstitutional violation of the Supremacy Clause. See *infra* note 14 and accompanying text.

Interpart Corp. v. Italia,² the Federal Circuit held that a California direct molding statute was not preempted by federal patent law. Two years later, the Florida Supreme Court held a substantially similar Florida statute unconstitutional in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*³ The United States Supreme Court resolved this conflict, unanimously affirming the holding in *Bonito Boats*.⁴ In the process, the Court clarified the extent to which patent law preempts state legislation, and sounded the death knell for state direct molding statutes.

I. LEGAL HISTORY OF FEDERAL PREEMPTION

A. Preemption Generally

Many states had patent and copyright laws that fell into disuse soon after the United States Constitution was adopted.⁵ Nevertheless, the protection of intellectual property continued to depend on state common law in many areas, including trade secrets, trademark infringement questions, unfair competition, palming-off cases, and certain copyright matters. Federal courts could obtain jurisdiction over such cases through diversity jurisdiction. Under the doctrine of *Swift v. Tyson*,⁶ a federal court could develop and apply rules of general common law independent of the common law of the particular state in which the matter arose. The Judiciary Act of 1789 required federal courts to apply the "laws of the several states" as the substantive law in diversity cases.⁷ Yet, in *Swift*, the Supreme Court interpreted the Judiciary Act to encompass only the statutory law of the states.⁸

In 1938, the Supreme Court overruled *Swift* with its decision in *Erie Railroad Co. v. Tompkins*,⁹ holding that the laws of the states include both statutory laws and the decisions of state courts. Upon this finding, the Court concluded that there is no general federal common law.

2. 777 F.2d 678 (Fed. Cir. 1985).

3. 515 So. 2d 220 (Fla. 1987), *aff'd*, 109 S.Ct. 971 (1989).

4. 109 S.Ct. 971 (1989).

5. R. CHOATE, W. FRANCIS & R. COLLINS, *CASES AND MATERIALS ON PATENT LAW* 954 (3d ed. 1987).

6. 41 U.S. (16 Pet.) 1 (1842).

7. Judiciary Act of 1789, ch. 20, § 34, 1 Stat. 73, 92.

8. 41 U.S. at 18 ("The laws of a state are more usually understood to mean the rules and enactments promulgated by the legislative authority thereof, or long-established local customs having the force of laws.")

9. 304 U.S. 64 (1938).

*Clearfield Trust Co. v. United States*¹⁰ established a corollary to *Erie*: "When a matter is within the scope of powers of the federal government, the federal courts can, in the absence of a controlling federal statute, "fashion the governing rule of law according to their own standards," and should do so when a uniform federal rule is desired.¹¹ The Court thereby established a principle for applying specific federal common law in instances where the statute serving as the basis for federal jurisdiction does not address the specific question in issue.

In *Wallis v. Pan American Petroleum Corp.*,¹² the Supreme Court articulated the minimum qualification for the application of federal common law to preempt state law. A significant conflict must exist between some federal policy or interest and state law.¹³ It is not enough that Congress has enacted some legislation in the particular field, or that Congress could enact more. If a conflict does develop between state and federal law, however, the Supremacy Clause requires subordination of the state interest to the federal interest.¹⁴ Thus, even in the absence of controlling federal legislation, where there is a conflict between federal policy and state law, the federal courts may determine whether a federal common law rule should be constructed, based on such considerations as the need for a uniform rule and the feasibility of creating a workable judicial rule.

More recently, the Supreme Court stated that there are three ways in which Congress may preempt state regulation: (1) by expressly displacing state law; (2) by enacting a regulation with which the state regulation in fact conflicts; or (3) by enacting a system of regulations so comprehensive as to displace all state regulation: even if they do not conflict with any specific federal regulation (by "occupying the field").¹⁵ Traditionally, the Court has required a strong showing that Congress intended to preempt by occupying the field.

10. 318 U.S. 365 (1943).

11. *Id.* at 367.

12. 384 U.S. 63 (1966).

13. *Id.* at 68.

14. U.S. CONST. art. VI, § 2 (the "Supremacy Clause") states:

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every state shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

Id.

15. *Pacific Gas & Elec. Co. v. State Energy Resources Conservation & Dev. Comm'n.*, 461 U.S. 190, 203-04 (1983).

The usual test for preemption by occupying the field ("total preemption") is derived from *Rice v. Sante Fe Elevator Corp.*¹⁶ The *Rice* test calls for total preemption in three situations: (1) the scheme of federal regulation is so pervasive as to make reasonable the inference that Congress left no room to supplement it; (2) the act of Congress touches a field in which the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state laws on the same subject; or (3) the object sought to be obtained by the federal law and the character of obligations imposed by it reveal a purpose to preempt.¹⁷ Note the consequence of total preemption: Since there is no federal regulation with which the state law directly conflicts, regulation is carried out on an ad hoc basis by the courts in deciding whether a state regulation is preempted.¹⁸

B. The Extent of Preemption by Federal Patent Laws

The Supreme Court has examined the boundaries of federal preemption in a number of intellectual property cases. In *Kellogg Co. v. National Biscuit Co.*,¹⁹ the Court forcefully applied the principle that once a patent has expired its benefits are to be freely enjoyed by the public. The case arose when National Biscuit sought to enjoin Kellogg from unfairly competing in the manufacture and sale of shredded wheat breakfast food.²⁰ Both companies used the name "shredded wheat," and both produced biscuits in pillow-shaped form. Having been refused federal trademark protection, National Biscuit claimed a common law right to the exclusive use of the name "shredded wheat." Yet, National Biscuit's patents had expired on the processes and machines used to make the cereal. The Court concluded that Kellogg had the right to make the product and to use the name recognized by the public, "shredded

16. 331 U.S. 218 (1947).

17. *Id.*

18. Whether the failure of the federal government to regulate on a specific point should be construed as allowing state regulation or as barring state regulation is a recurrent issue in total preemption cases. In *Napier v. Atlantic Coast Line R.R. Co.*, 272 U.S. 605 (1926) (railroad safety equipment) and *Castle v. Hayes Freight Lines, Inc.*, 348 U.S. 61 (1954) (suspension of right to use highways for violation of state truck weight limits), the Court found preemption on the basis of unexercised Interstate Commerce Commission ("ICC") authority. However, in *Southern Pac. Co. v. Arizona ex rel. Sullivan*, 325 U.S. 761 (1945) (railroads) and *Bibb v. Navajo Freight Lines, Inc.*, 359 U.S. 520 (1959) (trucks), the court did not find preemption based on unexercised ICC authority. However, in both of the latter cases, the statute at issue was invalidated for other reasons.

19. 305 U.S. 111 (1938).

20. *Id.*

wheat."²¹ Hence, under the Court's reasoning in *Kellogg*, any common law right to a trade name is preempted by federal patent law.

Almost thirty years later, the Court decided the leading case of *Sears, Roebuck & Co. v. Stiffel Co.*²² *Sears* concerned whether a state unfair competition law can prohibit or impose liability for the copying of an article which is protected neither by a patent nor by a copyright. The dispute arose when Sears copied Stiffel's pole lamps. Although Stiffel's design patent was invalid, the Seventh Circuit Court of Appeals affirmed a verdict for Stiffel due to the likelihood of confusion between Sears and Stiffel lamps because under Illinois law there was no need to show that Sears had been palming off its lamps as Stiffel lamps.²³

The Supreme Court held such an application of state unfair competition law to be unconstitutional. A state cannot extend the life of a patent beyond its expiration date, or grant a patent on an article that lacks the level of invention required for federal patents.²⁴ An attempt to do so would conflict with federal patent laws and therefore fail under the Supremacy Clause. A state may require that goods, whether patented or unpatented, be labeled, or that other precautionary steps be taken to prevent customers from being misled. The state may not, however, prohibit the copying of an article itself, or award damages for such copying.

Decided on the same day as *Sears, Compco Corp. v. Day-Brite Lighting, Inc.*²⁵ presents a virtually identical fact pattern. Both Compco and Day-Brite manufactured fluorescent lighting fixtures. Day-Brite had obtained a design patent on its product, and its trademark had even acquired secondary meaning with the public. Compco copied Day-

21. *Id.* at 121. "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." *Id.* at 122.

22. 376 U.S. 225 (1964).

23. *Stiffel Co. v. Sears, Roebuck & Co.*, 313 F.2d 115, 118 (7th Cir. 1963), *rev'd*, 376 U.S. 225 (1964).

24. 376 U.S. 225. The Court stated:

Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents. To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time. 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.

Id. at 232-33.

25. 376 U.S. 234 (1964).

Brite's distinctive design. The design patent was held invalid, but the Seventh Circuit affirmed Compcó's liability under Illinois unfair competition laws.²⁶ The Supreme Court reversed the judgment, and noted that an unpatented article could not be protected against copying consistently with federal patent law even though the item had acquired secondary meaning in the minds of consumers.²⁷ Implicit in *Sears and Compcó* is the recognition that Congress, in crafting the patent law, decided not only what should be protected, but also what should remain free to be copied. This is an "either/or" approach: Either the item is protected by a patent or it is in the public domain.

C. Subsequent Supreme Court Cases

In several subsequent cases, the Court refined the "either/or" approach of *Sears and Compcó*. *Lear, Inc. v. Adkins*²⁸ arose when Adkins, an employee of Lear, applied for a patent for an improved gyroscope, and licensed Lear to manufacture and use the invention while the patent was pending. After two years, Lear stopped making royalty payments, convinced that Adkins' invention would not receive a patent. A patent finally issued in 1960, however, and Adkins sued in California state court for back payments. Lear asserted the affirmative defense of patent invalidity for lack of novelty. The Supreme Court focused on whether federal patent policy barred Adkins from asserting the state doctrine of licensee estoppel to prevent Lear from challenging the patent.

The Court held that federal patent law did preempt the state common law doctrine because there is a public interest in full and free competition in the use of ideas which are in the public domain.²⁹ Licensees are often the only individuals with enough economic incentive to challenge

26. *Day-Brite Lighting, Inc. v. Compcó Corp.*, 311 F.2d 26 (7th Cir. 1962), *rev'd*, 376 U.S. 234 (1964).

27. 376 U.S. at 238. However, the Court also stated:

As we have said in *Sears*, while the federal patent laws prevent a State from prohibiting the copying and selling of unpatented articles, they do not stand in the way of state law, statutory or decisional, which requires those who make and sell copies to take precautions to identify their products as their own. A State of course has power to impose liability upon those who, knowing that the public is relying upon an original manufacturer's reputation for quality and integrity, deceive the public by palming off their copies as the original.

Id. at 238-39.

28. 395 U.S. 653 (1969).

29. *Id.*

patentability.³⁰ Therefore, Lear need not pay royalties accruing after the issue date of the patent if it could prove the patent to be invalid. However, Lear did have to pay royalties for the period before the patent issued since at that point there was basically a license of a trade secret and not of a patent.

In *Goldstein v. California*,³¹ the Court examined the constitutionality of a California record piracy law. The state law withstood a challenge of preemption by the Copyright Act of 1909.³² The Court first noted that the U.S. Constitution authorizes Congress to enact the copyright laws, but does not vest that authority exclusively in the federal government.³³ Congress had recognized that mechanical recordings did not fall within the definition of protected "writings" under the 1909 Act. The Court distinguished *Sears and Compco*, stating that in regard to mechanical configurations Congress had balanced the need to encourage innovation and originality of invention against the need to ensure competition in the sale of identical or substantially identical products.³⁴ The application of state law in these cases disturbs this careful balance. With respect to recordings of musical performances, Congress had drawn no balance in the 1909 Copyright Act. Since Congress had left this area unattended, no comparable conflict existed, and states were free to act.³⁵

The Supreme Court, in 1974, upheld a challenged Ohio trade secret law with its decision in *Kewanee Oil Co. v. Bicron Corp.*³⁶ Trade secret laws do not clash with the patent law's objective to promote technical innovations through public disclosure. The Court found that trade secrets can be classified into three categories: those known not to be patentable, those of doubtful patentability, and those believed to be

30. *Id.* at 672. The Court said:

Adkins' position would permit inventors to negotiate all important licenses during the lengthy period while their applications were still pending at the Patent Office, thereby disabling entirely all those who have the strongest incentive to show that a patent is worthless. While the equities supporting Adkins' position are somewhat more appealing than those supporting the typical licensor, we cannot say that there is enough of a difference to justify such a substantial impairment of overriding federal policy.

Id. at 672-73.

31. 412 U.S. 546 (1973).

32. Copyright Act of 1909, ch. 320, 35 Stat. 1075 (1909) (current version at 17 U.S.C. §§ 101 *et seq.* (1988)).

33. 412 U.S. at 557-58.

34. *Id.* at 569-70.

35. *Id.* at 558. Musical recordings are protected by the current Copyright Act, 17 U.S.C. §§ 101 *et seq.* (1988), overruling the result in *Goldstein*, but not its import.

36. 416 U.S. 470 (1974).

patentable.³⁷ Preempting state trade secret laws would only encourage inventors to attempt to patent trade secrets of doubtful patentability. Items of believed patentability are already sent to the Patent and Trademark Office ("PTO") in most cases due to the advantages of patent protection in a world of increased reverse engineering. And items known not to be patentable are not sent to the PTO in any event. The Court did not believe that the gain from encouraging the few inventors who doubted the patentability of their patentable inventions outweighed the harm to society and patent policy from the loss of trade secret protection.³⁸ Thus, if the trade secret law were preempted, few additional worthy applications would enter the PTO. On the other hand, items known to be unpatentable then would lack all protection, discouraging invention contrary to the goals of patent law. Therefore, the Court concluded "neither complete nor partial pre-emption of state trade secret law is justified."³⁹

In *Aronson v. Quick Point Pencil Co.*,⁴⁰ the Supreme Court held enforceable a contract to pay licence royalties to the inventor of an unpatented keyholder. Aronson had filed an application for a patent on a new form of keyholder. The design was simple and could be copied readily. Aronson negotiated a contract that gave Quick Point the exclusive right to manufacture and sell the keyholder. No patent ever issued, yet sales were brisk and competition appeared. Quick Point sued to have the contract nullified on the ground that any underlying state law which might otherwise make the contract enforceable was preempted by federal patent law. The Court disagreed. Only the contracting party was restricted, while the public was still free to copy the product. The contract was considered even less offensive to patent law than was trade secret law, since no secrecy surrounded the licensed keyholder.⁴¹

D. Direct Molding Statutes

In 1978, California enacted legislation prohibiting the duplication and sale of products by the direct molding process.⁴² Similar statutes have

37. *Id.* at 484. See also *Painton & Co. v. Bourns, Inc.*, 442 F.2d 216, 224 (2d Cir. 1971) (noting three classes of trade secrets).

38. 416 U.S. at 489.

39. *Id.* at 492.

40. 440 U.S. 257 (1979).

41. See *id.*

42. CAL. BUS. & PROF. CODE § 17300 (West 1987). The California statute, entitled "Unlawful acts; duplication for sale; sale" provides:

- (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 (c).

been enacted in at least eleven other states including Florida.⁴³ These statutes create a new intellectual property right and provide a powerful cause of action.⁴⁴ In general, they all prohibit the manufacture or sale of products made from a direct mold of a competitor's product. The California statute upheld in *Interpart*⁴⁵ proscribes the direct molding of any article.⁴⁶ The Florida statute at issue in *Bonito Boats*⁴⁷ is more limited in scope, prohibiting only the copying of boat hulls through direct molding.⁴⁸ Only a handful of reported cases have applied the direct molding statutes.

The Federal Circuit's decision in *Interpart* is the first reported decision addressing the constitutionality under the Supremacy Clause of a direct molding statute. *Interpart* produces and distributes automobile rear view mirrors in the automobile after-market throughout the United States. *Italia* sells rear view mirrors made by *Vitaloni* in the same after-market. *Interpart* admitted that it copied *Vitaloni*'s mirrors, claiming the right to do so.⁴⁹ *Interpart* filed a declaratory judgment action in 1980 in the Central District of California. *Italia* obtained a design patent in 1982 and sued for patent infringement and unfair competition in the Northern District of Illinois. The two actions were consolidated in the Central District of California.⁵⁰ No trial occurred; instead, the district court conducted several trial-like hearings and made a number of findings of fact and conclusions of law, mostly similar to those submitted by *Interpart*.

(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 [sic] 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.

Id.

43. See FLA. STAT. § 559.94 (1987); IND. CODE §§ 24-4-8-1 *et seq.* (1988); KAN. STAT. ANN. § 50-802 (1988 Supp.); LA. REV. STAT. ANN. § 51: 462.1 (West 1987); MD. COM. LAW CODE ANN. § 11-1001 (1989 Cum. Supp.); MICH. COMP. LAWS §§ 445.621 *et seq.* (West 1989); MISS. CODE ANN. § 59-21-41 (1988 Cum. Supp.); MO. REV. STAT. § 306.900 (1986); N.C. GEN. STAT. §§ 75A-27 *et seq.* (1989); TENN. CODE ANN. § 47-50-111 (1988); WIS. STAT. ANN. § 134.34 (West 1989).

44. Sganga, *Direct Molding Statutes: Potent Weapons, but are they Constitutional?*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 70, 70 (1989).

45. *Interpart Corp. v. Italia*, 777 F.2d 678 (Fed. Cir. 1985).

46. CAL. BUS. & PROF. CODE § 17300, *supra* note 42.

47. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 515 So. 2d 220 (Fla. 1987), *aff'd*, 109 S.Ct. 971 (1989).

48. FLA. STAT. § 559.94 (1987). See *infra* note 71.

49. 777 F.2d at 680.

50. See FED. R. CIV. P. 42(a).

Vitaloni filed two separate appeals, both ultimately heard by the Federal Circuit.

After determining that the law of the Ninth Circuit would control the question of preemption, the Federal Circuit examined, among other issues, the question of whether federal patent law preempts the California direct molding statute.⁵¹ The standard for preemption was whether the law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."⁵² Judge Rich, writing for the Federal Circuit, explained that the patent laws only allow a competitor to exclude others from making, using, or selling their patented inventions. The California statute, on the other hand, only proscribes the specific use of the product for a plug. It does not, in the opinion of the court, give the creator of the product the right to "exclude" others.⁵³

This crucial distinction drawn by the court—that the statute allowed competitors to copy an item using other methods—led the court to uphold the statute.⁵⁴ The statute merely prevents "unscrupulous competitors" from using a method which California "considers unfair."⁵⁵ Having adopted as precedent the decisions of the Court of Customs and Patent Appeals ("CCPA"), the Federal Circuit noted that the CCPA had never recognized a right to copy or a right to use, only the right to exclude.⁵⁶ California may prevent a particular type of competition which it considers unfair, such as direct molding, because such a law has different objectives than federal patent law and so does not "clash" with federal patent law.⁵⁷

Federal district court decisions have been in accord with *Interpart*. In *Metro Kane Imports, Ltd. v. Rowoco, Inc.*,⁵⁸ the plaintiff made claims

51. 777 F.2d at 680.

52. *Id.* at 684 (citing *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 474 (1973)).

53. *Id.* at 685.

54. *Id.* Judge Rich considered it important that:

[t]he 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. This is clear from a review of the [district court] record which includes much material bearing on the constitutionality of the statute.

Id.

55. *Id.*

56. See *Mine Safety Appliances v. Electric Storage Battery*, 405 F.2d 901, 902 n.2 (C.C.P.A. 1969).

57. *Interpart*, 777 F.2d at 685.

58. 618 F. Supp. 273 (S.D.N.Y. 1985).

under the Trademark Act of 1946,⁵⁹ New York unfair competition law, and the direct molding statutes of California, Tennessee, and Michigan. The court accepted as *res judicata* that the manufacture of an orange juicer made by direct mold from a competitor's product was in violation of California's direct molding statute.⁶⁰ The court in *Metro Kane* found evidence establishing independent violations of Tennessee and Michigan direct molding laws. Similarly, in *Brahma, Inc. v. Joe Yeargain, Inc.*,⁶¹ a case involving molded camper shells for pick-up trucks, the court implicitly accepted the constitutionality of California's direct molding statute in finding that a *prima facie* violation of that statute had been established.⁶²

State courts have had few opportunities to interpret direct molding statutes. The first decided state case, *Summerford Racing, Inc. v. Shadow Boat, Inc.*,⁶³ involved Tennessee's direct molding statute. Plaintiff sued defendant for utilizing parts of its "Laser" boat. Defendant challenged the constitutionality of the statute. However, the trial court ignored this issue as did the court of appeals.⁶⁴

A California court of appeals heard the plea of a jeweler in *Gladstone v. Hillel*.⁶⁵ Gladstone crafted unique, limited edition jewelry. Upon each piece, he placed a copyright notice although he never registered his work. Hillel copied Gladstone's designs using the direct molding technique. The court addressed federal preemption of the California direct molding statute under section 301 of the Copyright Act of 1976.⁶⁶ The

59. Lanham Act, ch. 540, 60 Stat. 427 (1946) (current version at 15 U.S.C. §§ 1051 *et seq.* (1988)).

60. 618 F. Supp. at 277.

61. 665 F. Supp. 1447 (N.D. Cal. 1987).

62. The court summarized the legislative history behind the California direct molding statute. The bill was endorsed by a manufacturer of fiberglass spas. Competitors were notorious for purchasing finished products which cost \$20,000 to \$40,000 to develop, and using them as a form for casting their own molds. The bill's sponsor argued that competitors could market identical products at a cost of \$1,000 to \$3,000. *Id.* at 1451.

63. No. 86-122, slip op. at 1 (Tenn. Ct. App. Nov. 21, 1986).

64. *Id.*

65. 203 Cal. App. 3d 977, 250 Cal. Rptr. 372 (1988).

66. 17 U.S.C. § 301(a) (1988). Section 301(a), entitled "Preemption with respect to other laws" provides:

On or after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right in any such work under the common law or statutes of any State.

Copyright Act was implicated because artistic jewelry comes within the subject matter of copyright. Preemption occurs when the legal or equitable rights that a state statute conveys are equivalent to any of the exclusive rights within the general scope of copyright. Yet, rather than analyzing California's direct molding statute, the court merely noted that the *Interpart* court had already held that the statute was not preempted.⁶⁷ A more reasoned analysis finally came from the Florida courts in the *Bonito Boats* case.⁶⁸

II. *BONITO BOATS v. THUNDER CRAFT BOATS*

A. *Facts*

Bonito Boats, a Florida corporation, designed an original hull for a fiberglass recreational boat in 1976.⁶⁹ It marketed the product under the trade name Bonito Boat Model 5VBR ("the hull"). The hull required the preparation of a complete set of engineering drawings. These drawings were used to craft a male hardwood hull mold. From the male mold, a fiberglass female mold was produced which was used to construct finished boats to be offered for sale. A broad interstate market developed for the 5VBR boat. Yet, no patent application was filed to protect either the utilitarian or the design aspects of the hull, or the manufacturing process by which finished boats were produced.⁷⁰

After Bonito's hull had been on the market for over six years, the Florida legislature enacted a direct molding statute designed specifically to protect boat manufacturers.⁷¹ The statute made it unlawful for any

67. The court did not seem to recognize that there may be a relevant distinction between copyright and patent law for preemption purposes. The court simply stated, "The question of federal preemption of section 17300 [of the California Business and Professional Code] was recently considered in [*Interpart*]." 250 Cal. Rptr. at 378.

68. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 487 So. 2d 395 (Fla. Dist. Ct. App. 1986), *aff'd*, 515 So. 2d 220 (Fla. 1987), *aff'd*, 109 S.Ct. 971 (1989).

69. *Bonito Boats*, 109 S.Ct. at 974. Bonito Boats claimed that the hull was the end product of a substantial investment of their time, money, and effort.

70. *Id.*

71. FLA. STAT. § 559.94 (1987). Section 559.94, entitled "Duplication of vessel parts; action for injunctive relief against illegal duplication or against sale of illegally duplicated vessel parts" provides:

(1) As used in this section, the term:

(a) "Direct molding process" means any direct molding process in which the original manufactured vessel hull or component part of a vessel is itself used as a plug for the making of the mold, which mold is then used to manufacture a duplicate item.

(b) "Mold" means a matrix or form in which a substance or material is shaped.

(c) "Plug" means a device or model used to make a mold for the purpose

person to use the direct molding process to duplicate any manufactured vessel hull without permission for the purpose of sale. The statute also made it unlawful to sell such a duplicated hull knowingly. Damages, injunctive relief, and attorney's fees were made available to a person who suffered injury from a violation of the statute. However, the statute did not give manufacturers the right to exclude others from making, using, or selling their vessel parts, such as is provided by the patent law. Nor did the statute bar competitors from manufacturing or marketing identical copies. It merely barred one method of copying and only when that method was used for commercial purposes. The state allowed direct molding as a method of copying if the copies were produced for research, testing, or personal use rather than for sale.

Thunder Craft copied the hull for commercial purposes. To make the copy, Thunder Craft chose the one means of duplication prohibited by Florida statute, the direct molding process. Indeed, Thunder Craft bought a Bonito hull and used it as the male mold. The female mold was created by "splashing" fiberglass on the surface of the hull.⁷² Thunder Craft then used this mold to produce identical copies which were marketed as its own under the name "Capri." Thunder Craft thereby cut its development costs to almost nothing. Bonito informed Thunder Craft that its actions violated section 559.94, but the copying persisted.

B. Treatment in the Florida Courts

Bonito filed suit in the Florida courts on December 21, 1984. Thunder Craft moved for and was granted dismissal on the ground that

of exact duplication.

(2) It is unlawful for any person to use the direct molding process to duplicate for the purpose of sale any manufactured vessel hull or component part of a vessel made by another without the written permission of that other person.

(3) It is unlawful for any person to knowingly sell a vessel hull or component part of a vessel duplicated in violation of subsection (2).

(4) Any person who suffers injury or damage as the result of a violation of the provisions of this section may bring an action in circuit court for an injunction prohibiting such violations. In addition, such person shall be entitled to actual damages incurred as a result of such violation and to reasonable attorney's fees and costs.

(5) The provisions of this section apply to vessel hulls or component parts of vessels duplicated through the use of molds made on or after July 1, 1983.

Id.

72. For this reason the direct molding process is also known as "splashing."

federal patent law preempts the Florida statute.⁷³ The circuit judge noted that the hull is in the public domain just as any article which is unpatentable or on which the patent has expired. Therefore, federal patent law, in light of *Sears and Compco*, permits duplication of the hull by any means. To forbid copying would interfere with the federal policy of allowing free access to public domain items, regardless of the copier's motives.

Bonito appealed to Florida's Fifth District Court of Appeal. That court affirmed the trial court's decision.⁷⁴ The court went on to state that *Interpart* was not consistent with *Sears and Compco*.⁷⁵ Judge Orfinger dissented.⁷⁶ Because the statute merely prohibits a specific method of copying rather than copying per se, Orfinger gave great weight to the Federal Circuit's opinion in *Interpart* which found no conflict between direct molding statutes and federal patent law.⁷⁷ He noted that *Sears and Compco* involved statutes which prohibited all forms of copying and in effect created state patent laws.⁷⁸

Bonito then appealed to the Florida Supreme Court. In a 4-3 split, the state's supreme court affirmed the invalidation of the statute.⁷⁹ The majority reiterated that *Sears and Compco* stand for the proposition that once an article is introduced into the public domain, only a patent can eliminate the inherent risk of competition, and then only for a limited time.⁸⁰ The majority distinguished subsequent U.S. Supreme Court decisions cited by Bonito. *Goldstein v. California* was distinguished because it implicated federal copyright laws.⁸¹ Similarly, *Kewanee Oil v. Bicron Corp.* dealt only with state trade secret protection.⁸² The court evidently believed that each field of intellectual property law must be viewed as an independent federal preemption problem.

The Florida Supreme Court also criticized the *Interpart* decision, calling the opinion a "misapplication of the *Sears/Compco* doctrine."⁸³ The majority acknowledged that direct molding allows one to capitalize upon the fruits of another's labor, but argued that this fact does not make

73. See *Bonito Boats*, 109 S.Ct. at 974.

74. *Bonito Boats*, 487 So. 2d 395 (Fla. Dist. Ct. App. 1986).

75. 487 So. 2d at 396.

76. *Id.* (Orfinger, J., dissenting).

77. *Id.* at 397.

78. *Id.*

79. *Bonito Boats*, 515 So. 2d 220 (Fla. 1987).

80. *Id.* at 222.

81. See *supra* notes 31-35 and accompanying text.

82. See *supra* notes 36-39 and accompanying text.

83. *Bonito Boats*, 515 So. 2d at 223.

a competitor "unscrupulous" with respect to patent law.⁸⁴ Indeed, the cost efficiency of direct molding was the sole reason for the enactment of the Florida statute. There was no indication that section 559.94 was passed to prevent mislabelling or deceptive trade practices. Yet, such deceptive practices appear to be the only justification for state action allowed under *Sears* and *Compco*.

In dissent, three justices put forward substantially the same rationale as the dissenting judge from the appellate court.⁸⁵ First, the dissent distinguished *Sears* and *Compco* because those cases involved state statutes which prohibited all forms of copying of unpatented items. Such total prohibition put the statutes in conflict with federal patent law. Second, and in further contrast with the majority, the dissent found *Interpart* to be highly persuasive, both because the California statute was substantially similar to Florida's,⁸⁶ and because the Federal Circuit is the exclusive court for patent appeals. Third, the dissent pointed out that the court had a duty to resolve all doubt as to a statute's validity in favor of constitutionality. The sharp division within the state's highest court and its deviation from the Federal Circuit caused the U.S. Supreme Court to grant *certiorari* on appeal by Bonito.

C. Treatment by the U.S. Supreme Court

The Supreme Court heard Bonito's appeal in December 1988. Bonito argued that the state direct molding statute could exist in harmony with federal patent law.⁸⁷ First, it asserted that the statute did not provide the equivalent of patent protection. Second, it argued that the statute represents the legitimate exercise of Florida's power to regulate unfair business competition.

84. *Id.* The Court elaborated:

The suggestion that it is "unfair" for one to copy the work of another through the process of making a mold has already been taken into consideration by the federal patent laws which maintain the balance between protecting inventions and the desirability of free competition. Art. I, section 8 of the United States Constitution empowered Congress to establish laws with respect to inventions and the states are precluded from second-guessing these laws by placing unauthorized restrictions upon their implementation.

Id.

85. *Id.* at 223 (Shaw, J. dissenting, in an opinion joined by McDonald, C.J., and Overton, J.).

86. Compare CAL. BUS. & PROF. CODE § 17300 (West 1987), *supra* note 42 with FLA. STAT. § 559.94 (1987), *supra* note 71.

87. See *Court Hears Argument on Patent Law Preemption of Plug Molding Statutes*, 37 Pat. Trademark & Copyright J. (BNA) 163 (Dec. 8, 1988).

During oral argument, Justice O'Connor asked if Bonito could have protected the boat design with a patent or a copyright, and if so, whether the Florida statute would grant Bonito rights in perpetuity, rights in conflict with patent and copyright law.⁸⁸ Bonito responded that protection and preemption under copyright law were not properly before the Court. In any event, the hull design would not have qualified for copyright protection due to its utilitarian nature. Also, federal copyright law would not preempt the Florida statute because the statute does not prohibit copying per se, but only the use of a single unfair process.⁸⁹ Bonito added that certain state statutes that grant rights for intellectual property in perpetuity have been upheld, citing the record piracy statute at issue in *Goldstein*. Justice Stevens asked whether plug molding would still be forbidden as unfair competition even if the statute were invalidated, and Bonito responded that common law would still prohibit plug molding but that the statute makes this area of the law clearer.⁹⁰

The Court issued a unanimous opinion affirming the invalidation of the Florida statute.⁹¹ In sum, the Court held that the efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions such as the hull. The Florida statute offered patent-like protection for ideas deemed unprotected under the federal patent scheme. As such, the statute conflicted with a strong federal policy favoring free competition in ideas which do not merit patent protection. The Court dismissed the fact that the Florida statute did not restrict all means of reproduction. Restriction of even a single form of reverse engineering (such as direct molding) conflicts with the federal patent scheme.

This holding effectively overruled the decision of the Federal Circuit in *Interpart*. The Court reiterated that states have the power to adopt rules to promote intellectual creation within their jurisdictions where Congress has left the field free of regulation. However, Congress has specifically considered the need for additional protection of industrial designs, and has declined to act. Since the Florida statute enters a field of regulation which the patent laws have reserved to Congress, it is preempted by the Supremacy Clause. The following is a summary of the Supreme Court's reasoning.

88. *Id.*

89. *Id.*

90. *Id.* This conclusion does not make sense. In *Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938), the Court recognized that state common law is part of state law; thus, if federal law governs a field, it should make no difference whether the state law to be preempted is statutory or common law.

91. *Bonito Boats*, 109 S.Ct. at 971.

I. The Efficient Operation of the Federal Patent Scheme Requires Free Trade of Designs in the Public Domain

Justice O'Connor, writing for the Court, began her opinion, after reciting the facts and procedural history, with a discourse on the history of patent law in America. "The Patent Clause⁹² itself reflects a balance between the need to encourage innovation and the desire to avoid monopolies which stifle competition without benefiting society. The Patent Act of 1790 required that an invention be "not before known or used."⁹³ In addition to novelty, the Act required that the device be "sufficiently useful and important."⁹⁴ Justice O'Connor further noted that Thomas Jefferson, a founder of America's patent system, viewed a grant of patent rights in an idea already disclosed to the public as akin to *ex post facto* laws.⁹⁵

Today's patent statute closely resembles that of 1790. Indeed, 35 U.S.C. § 102(a) and (b) work together to exclude objects of public knowledge from consideration for patent protection.⁹⁶ The public sale in interstate commerce of unpatented articles has acted as a complete bar to federal protection of the ideas embodied in such articles. To illustrate this point, the Court cited the 1829 case of *Pennock v. Dialogue*,⁹⁷ a case applying the patent law of 1800. Justice O'Connor stated that *Pennock* made clear that "the federal patent scheme creates a limited opportunity to obtain a property right in an idea. Once an inventor has decided to lift the veil of secrecy from his work, he must choose between the protection of a federal patent, or the dedication of his idea to the public at large."⁹⁸

The Court concluded that disclosure of innovations is the ultimate

92. U.S. CONST. art. I, § 8, cl. 8 ("Patent Clause") (Congress shall have the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

93. Patent Act of 1790, ch. 7, 1 Stat. 109, 110 (1790) (repealed 1793).

94. *Id.*

95. 109 S.Ct. at 976.

96. 35 U.S.C § 102 (1988). The section provides in part:

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

Id.

97. 27 U.S. (2 Pet.) 1 (1829).

98. 109 S.Ct. at 977.

goal of the federal patent system. In return for disclosure the government gives the inventor a temporary legal monopoly. Yet, a patent monopoly is only attractive to the inventor if unpatented designs and innovations may be freely exploited.⁹⁹ After all, an inventor would prefer to protect his ideas from exploitation without having to meet requirements of novelty, utility, and disclosure. Hence, the free exploitation of ideas is the rule to which the protection of a federal patent must be the only exception.

State protection of designs already in the public domain "may conflict with the very purpose of the patent laws by decreasing the range of ideas available as the building blocks of further innovation."¹⁰⁰ If states were allowed to protect what Congress chooses not to, federal law would be meaningless. Hence, federal patent laws must determine both what is protected and what is not. It follows that state regulations must yield to the extent that they clash with the balance struck by Congress.

The Court then discussed the implications of cases such as *Sears*, *Compco*, and *Kewanee* for state regulation, admitting that the preemptive sweep of those decisions has been the subject of "heated scholarly and judicial debate."¹⁰¹ Justice O'Connor admitted that the broadest reading of *Sears* and *Compco* suggests that the states are completely prohibited from offering any form of protection to patentable articles or processes.¹⁰² This reading would disable the states from regulating the deceptive simulation of trade dress or the tortious appropriation of private information. However, Justice O'Connor argued that this broad interpretation is inappropriate. *Sears* plainly allows states to protect businesses from misleading advertising and packaging. And both *Sears* and *Compco* implicitly recognize that state regulation of potentially patentable subject matter is not necessarily preempted by federal patent

99. *Id.* The Court stated:

The attractiveness of such a bargain, and its effectiveness in inducing creative effort and disclosure of the results of that effort, depend almost entirely on a backdrop of free competition in the exploitation of unpatented designs and innovations. The novelty and nonobviousness requirements of patentability embody a congressional understanding, implicit in the Patent Clause itself, that free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception. Moreover, the ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure.

Id. at 977-78.

100. *Id.* at 978.

101. *Id.* at 979.

102. *Id.*

laws. This point was made more explicitly in *Kewanee* when the Court concluded that the nature and degree of state trade secret protection did not conflict with the federal policy of encouragement, both of innovation and of disclosure. In sum, the precedents stand for the proposition that what is in the public domain must remain there.¹⁰³ Hence, when a state law substantially interferes with the enjoyment of unpatented utilitarian or design concepts in the public domain, the state regulation impermissibly has contravened the ultimate goal of federal patent law. The Court believed that the Florida statute stepped over the line of acceptable state protection and into the exclusive federal arena of patent law.

2. *The Florida Direct Molding Statute Granted Patent-Like Protection*

The Court concluded that section 559.94 did not acceptably prohibit unfair competition, but instead endowed the original boat hull manufacturer with rights similar to those accorded a federal patentee.¹⁰⁴ To reach that conclusion, the Court defined what constitutes an acceptable prohibition of unfair competition. The law of unfair competition has its roots in the common law tort of deceit. This tort is designed to protect the consumer, not the producer.¹⁰⁵ Unfair competition law has been limited to protection against copying of nonfunctional aspects of consumer products which have acquired secondary meaning designating their source.¹⁰⁶ The design idea may still be exploited.

103. *Id.* at 980. The Court stated:

Both the novelty and the nonobviousness requirements of the federal patent law are grounded in the notion that concepts within the public grasp, or those so obvious that they readily could be, are the tools of creation available to all. They provide the baseline of free competition upon which the patent system's incentive to creative effort depends.

Id.

104. *Id.* at 981. A patent is a "grant to the patentee . . . for the term of seventeen years . . . of the right to exclude others from making, using, or selling the invention throughout the United States." 35 U.S.C. § 154 (1988).

105. 109 S.Ct. at 981.

106. *Id.* In the words of Judge Learned Hand:

[T]he plaintiff has the right not to lose his customers through false representations that those are his wares which in fact are not, but he may not monopolize any design or pattern, however trifling. The defendant, on the other hand, may copy plaintiff's goods slavishly down to the minutest detail: but he may not represent himself as the plaintiff in their sale.

Id. (quoting *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 301 (2d Cir. 1917)).

The Florida statute's purpose was to prevent the exploitation of the design idea. It accomplished that end by granting the original hull manufacturer the right to exclude others from "making" and "selling" copies made by the direct molding process.¹⁰⁷ Such rights are substantially similar to the rights of a patentee to exclude others from making, using, and selling his patented invention.¹⁰⁸ Furthermore, the Florida statute granted such rights for an unlimited number of years without regard to the merit of the invention or design. Protection could attach to items in the public domain, items for which patent protection had been turned down, or items for which patent protection had expired. The Court held that the Florida statute conflicted with the federal policy "that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent."¹⁰⁹

The Court also noted that the Florida statute protected design ideas in much the same way as a "product-by-process" patent.¹¹⁰ Such patents include claims in which a product is defined at least in part in terms of the method or process by which it is made.¹¹¹ If an end product is patentable, a patent in an underlying process may also protect the resulting product. Florida would grant boat hull manufacturers substantial control over the use of the most efficient process for making a product without regard to the novelty or nonobviousness of either the end product or the process by which it is created. As such, the Florida statute granted protection too similar to patent protection to be tolerated.

3. Restriction of Only One Method of Reproduction Does Not Eliminate the Conflict With the Federal Patent Scheme

The Florida statute conflicted with federal patent law, even though it only banned the use of a single means of reproducing a public domain design, for several reasons. First, section 559.94 prohibited the public from using a method of reverse engineering, direct molding. The Court considered the right to prohibit reverse engineering to be outside the limits of unfair competition law, and clearly to be one of the rights of a patentee. Similarly, the Court distinguished trade secret protection as

107. FLA. STAT. § 559.94, *supra* note 71.

108. Compare 35 U.S.C. § 154 (1988), *supra* note 104 with FLA. STAT. § 559.94 (1987), *supra* note 71.

109. 109 S.Ct. at 982 (quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 668 (1969)).

110. *Id.* at 981 n.

111. U.S. PATENT AND TRADEMARK OFFICE MANUAL OF PATENT EXAMINING PROCEDURE § 706.03(e) (5th rev. ed. 1986); see D. CHISUM, PATENTS § 8.05, at 8-67 (1988).

being most effective at the development stage, before a product is marketed and susceptible to reverse engineering. The Court also noted that reverse engineering of boat hulls could lead to advances in boat hull technology.¹¹² More importantly, if a state can prohibit reverse engineering through direct molding of boat hulls, nothing will later prevent the state from outlawing other forms of reverse engineering in other fields.¹¹³

Second, the Court believed that the potential for reverse engineering by competitors provides inventors with the incentive to meet the requirements for patentability. The Florida statute eroded this competitive incentive. The developer of a boat hull in Florida would have known from the start that he could protect his design regardless of its patentability. Thus, there would be no need to go to the extra trouble or expense of applying for a patent. Indeed, even the most "mundane and obvious changes" would garner protection.¹¹⁴ If all fifty states established similar protections for preferred industries without requiring any sort of substantial creative effort, the patent system would have great difficulty in fulfilling "its mission of promoting progress in the useful arts."¹¹⁵

Third, the Court argued that the prohibition of even a single method of reproduction could lead to serious administrative problems. The patent system requires notice to be placed on the article as well as a compilation of the claims of the patentee to be placed in a central location. This provides the public with a method of ascertaining its rights with respect to an article. Indeed, the public is allowed to rely on a lack

112. 109 S.Ct. at 982. The Court stated:

The duplication of boat hulls and their component parts may be an essential part of innovation in the field of aquadynamic design. Variations as to size and combination of various elements may lead to significant advances in the field. Reverse engineering of chemical and mechanical articles in the public domain often leads to significant advances in technology.

Id.

113. *Id.* The Court stated:

If Florida may prohibit this particular method of study and recomposition of an unpatented article, we fail to see the principle that would prohibit a State from banning the use of chromatography in the reconstitution of unpatented chemical compounds, or the use of robotics in the duplication of machinery in the public domain.

Id.

114. *Id.* at 983.

115. *Id.*

of notice in exploiting patented designs.¹¹⁶ The Florida statute required no such notice. It blurred the clear line between public and private intellectual property established by federal law. The need for uniformity, therefore, also drove the Supreme Court to invalidate the Florida statute.¹¹⁷

Fourth, the Court characterized the Florida statute as neither a trade secret law nor an unfair competition law. The statute did not intend to prevent consumer confusion at all. Instead, it was aimed directly at the promotion of intellectual creation through restriction of the public's ability to exploit ideas in the public domain. The Court believed that the statute raised the "specter of state-created monopolies in a host of useful shapes and processes for which patent protection has been denied or is otherwise unobtainable."¹¹⁸

The Court declared that patent laws are clearly in the class of federal regulation "so pervasive as to make reasonable the inference that Congress left no room for the states to supplement it."¹¹⁹ Indeed, Congress has refined the patent laws for 200 years. And in that time, it has considered extending various forms of limited protection to industrial design either by reforming the copyright laws or by relaxing restrictions on the availability of design patents. Nevertheless, Congress has "explicitly" refused to alter the patent protection presently afforded.¹²⁰

III. ANALYSIS AND PRACTICAL IMPLICATIONS

The Supreme Court's unanimous opinion has surely sounded the death knell for direct molding statutes. Yet, at first blush, direct molding statutes appear to be very fair and equitable. Copying without

116. *See Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987) ("Having sold the product unmarked, [the patentee] could hardly maintain entitlement to damages for its use by a purchaser uninformed that such use would violate [the] patent.").

117. *Bonito Boats*, 109 S.Ct. at 983. The Court stated:

[National uniformity in patent law] is frustrated by the Florida scheme, which renders the status of the design and utilitarian "ideas" embodied in the boat hulls it protects uncertain. Given the inherently ephemeral nature of property in ideas, and the great power such property has to cause harm to the competitive policies which underlay the federal patent laws, the demarcation of broad zones of public and private right is "the type of regulation that demands a uniform national rule."

Id. at 983-84 (quoting *Ray v. Atlantic Richfield Co.*, 435 U.S. 151, 179 (1978)).

118. *Id.* at 986.

119. *Id.* (quoting *Rice v. Sante Fe Elevator Corp.*, 331 U.S. 218, 230 (1947)).

120. *Id.* *See also* REPORT OF THE PRESIDENT'S COMMISSION ON THE PATENT SYSTEM, S. DOC. NO. 5, 90th Cong., 1st Sess., 20-21 (1967).

permission is wrong because a copier is truly reaping what he has not sown. Therefore, in the absence of federal government protection, why should states not be allowed to prohibit this form of direct copying?

A. Analysis of the Court's Opinion

The Court's opinion in *Bonito Boats* is subject to criticism on a number of points. First, the Court emphasized the fact that Bonito had not sought to obtain a patent on its hull, but deemphasized a pivotal fact in the case: Thunder Craft was not attempting to create or improve boat hulls. It was not using the Bonito hull as a "tool of creation." It was simply attempting to cut into Bonito's successful business. Therefore, the Court's description of direct molding as a form of "reverse engineering" sounds hollow. Engineering utilizes measurement and calculation. The record shows that as soon as Thunder Craft had made the mold of Bonito's hull, it simply began producing identical copies. If Thunder Craft had been using this process to research the Bonito hull, such activity would have been permitted under the Florida statute. The statute only prohibited the use of direct molding for commercial purposes. Florida had left open the right for competitors to use direct molding for research.

Second, and most important, the Court failed to deal adequately with *Interpart*, upon which Bonito had placed heavy reliance. The Supreme Court found the Federal Circuit's reasoning in *Interpart* "defective."¹²¹ The Court criticized what it perceived to be the Federal Circuit's view that direct molding statutes merely regulate "the use of chattels."¹²² The purpose of these statutes, according to the Court, is to protect intellectual property from public exploitation.¹²³ Since this protection attaches regardless of the patentability of an idea, these statutes protect ideas and not merely the chattel in which they are embodied. The Court also asserted that the Federal Circuit's acceptance that direct molding is "unscrupulous" serves to legitimize state policy judgment which the states are not allowed to make.¹²⁴ Federal patent law simply allows direct molding of unpatented designs. Therefore, the states are not free to regulate certain competitive behavior even though they find it reprehensible. Additionally, the Court had trouble with *Interpart's*

121. 109 S.Ct. at 984.

122. *Id.* The "chattel" at issue in *Bonito Boats* was the boat hull.

123. *Id.* ("It is difficult to conceive of a more effective method of creating substantial property rights in an intellectual creation than to eliminate the most efficient method for its exploitation.")

124. *Id.*

proposition that the patent laws say nothing about the right to copy or the right to use. The federal patent laws have long created a right to copy and to use the ideas of an expired patent.¹²⁵ Finally, the Court was troubled by the Federal Circuit's departure from the implications of its own precedents.¹²⁶

However, these criticisms fail to address the single strongest argument in the *Interpart* decision; that is, direct molding statutes, including the Florida statute, are distinguishable from the Illinois statute involved in *Sears* and *Compco* in a very important and fundamental way. The Illinois law, in the guise of guarding against unfair competition, afforded the equivalent of patent protection by prohibiting all methods of copying thereby creating a state-approved monopoly. The Florida statute, like the California statute in *Interpart*, only prohibited one method of copying. Original products would have remained in the public domain, free for all to copy by readily available means. In fact, the decision in *Interpart* had relied on precisely this distinction, that direct molding statutes confer a right which is both different from the right to exclude granted by federal patent law and inoffensive to federal patent law.¹²⁷

Nevertheless, both the Supreme Court and the Florida courts ignored this distinction, and read *Sears/Compco* as holding that an article is either fully protected or it may be copied "in any manner." This is an extension of the language of *Sears* and *Compco*, however, which say only that an unpatented article may be copied "in every detail."¹²⁸ Justice Shaw, writing for the dissent in the Florida Supreme Court, noted this distinction.¹²⁹ Indeed, a leading treatise on the law of unfair competition argues that this is a critical distinction, and that direct molding statutes should be treated like trade secret laws and should not be preempted.¹³⁰

125. See, e.g., *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1939).

126. 109 S.Ct. at 985. See *Power Controls Corp. v. Hybrinetics, Inc.*, 806 F.2d 234 (Fed. Cir. 1986) (action for unfair competition cannot be based on functional design); *Gemveto Jewelry Co. v. Jeff Cooper Inc.*, 800 F.2d 256 (Fed. Cir. 1986) (jewelry designs cannot be protected by unfair competition laws).

127. 777 F.2d at 678; see *supra* notes 51-57 and accompanying text.

128. See *Sears*, 376 U.S. at 225; *Compco*, 376 U.S. at 238 ("[An unpatented design] can be copied in every detail by whoever [sic] pleases.").

129. *Bonito Boats*, 515 So. 2d 220, 223 (Shaw, J., dissenting).

130. 2 R. CALLMANN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 15.10.50 (L. Altman 4th ed. Cumm. Supp. 1989). The treatise states:

The important difference between the federal patent laws and the state molding statutes, which was missed by the U.S. Supreme [Court is that] the patent laws prevent competition in the patented inventions altogether; whereas the molding statutes do not prevent anyone from competing in the manufacture and sale of any product, provided they go to the trouble and ex pense [sic] of creating their own tooling. In this respect the molding statutes are like the trade secret laws, which are not preempted . . . because neither the molding

Both trade secret law and direct molding statutes regulate methods of production without regulating the products themselves. Rather than debate the significance of the prohibition of only one method, the Court flatly asserted that the statute "substantially impedes the public use of otherwise unprotected design and utilitarian ideas,"¹³¹ and that the administrative problems caused by the prohibition of even a single method of copying would be too large.¹³²

While the Court may be criticized for failing to acknowledge that it was extending the doctrine of *Sears/Compco*, the Court surely is correct that the patent system will run more efficiently if substantially unrestricted trade is maintained in publically known, unpatented design and utilitarian concepts. Ideas should not float in and out of the public domain. The fact that no minimum standards of novelty or nonobviousness had to be met for protection under the Florida statute, coupled with the perpetual rights provided under the statute, actually made the Florida scheme more attractive than the federal patent system to inventors since the most efficient way to copy a boat hull is by direct molding. The increased competition with the federal system would decrease the number of inventors seeking patent protection. And while Florida's statute would only have eliminated those seeking design patents on boats, other direct molding statutes offered protection for any design.

Moreover, federal patent law has traditionally been viewed by the Court as a totally preemptive field. The Court found that the statute bore a lesser analogy to trade secret law and unfair competition law than to patent law. Once the Court found that Florida had granted patent-like protection, it had little choice but to invalidate the statute. To do otherwise would buck against too much of what had gone before. Furthermore, the rigid "either/or" approach derived from *Sears/Compco* makes the patent system both easier to administer and easier for the public to understand and exploit, due to notice requirements and a centralized depository. The need for national uniformity made total preemption necessary.

Finally, if the Court had upheld the Florida statute, no principle would exist to prevent a state from protecting its home industries in the guise of unfair competition laws. Thus, if Florida were allowed to assuage one problem, a Pandora's Box might be opened. The Court noted two

statutes nor the trade secret laws dictate what product a competitor can make, but only how he can go about making it.

Id. (emphasis deleted).

131. 109 S.Ct. at 981.

132. *Id.* at 983.

examples: nothing would prevent a state from prohibiting the use of chromatography in the reconstitution of unpatented chemical compounds or the use of robotics in the duplication of machinery in the public domain. The Court has prevented the states from establishing laws which might be in the interests of certain individual constituents, but which would drive up the cost of competition. Indeed, the Court has ensured that the federal patent policy continues to operate in the national interest.

Nevertheless, the Court's reasoning is weak when it claims that Congress has chosen not to increase the availability of protection to utilitarian designs. The Court's support for this proposition is a 1967 Report to the President by a special commission.¹³³ It is perhaps more accurate to say that Congress simply has not acted yet. The long felt need for design protection legislation, in view of the limited protection offered by design patents, was articulated in 1981 by Judge Rich of the Federal Circuit in *In re Nalbandian*,¹³⁴ when he stated:

The now-pending [federal design protection] legislation is substantially the same bill introduced in 1957, after the refining process of *24 years of legislative consideration*. It is time to pass it and get the impossible issue of obviousness in design patentability cases off the backs of the courts and the Patent and Trademark Office.¹³⁵

The fact that this legislation has languished in Congress should not logically compel one to believe that Congress has chosen not to extend protection.

B. Implications of the Bonito Boats Decision

Several implications follow from the *Bonito Boats* decision. First, every direct molding statute in the country is unenforceable. Presently, twelve states have direct molding statutes.¹³⁶ Little distinction exists among them. Only three states apply the direct molding prohibition to all manufactured items: California, Michigan, and Tennessee. The remaining nine statutes apply only to vessels and their components. The Court did not attach any significance to this distinction. Even if the prohibition's scope matters, all twelve statutes are invalid since the

133. REPORT OF THE PRESIDENT'S COMMISSION ON THE PATENT SYSTEM, *supra* note 120.

134. *In re Nalbandian*, 661 F.2d 1214 (C.C.P.A. 1981).

135. *Id.* at 1219 (Rich, J., concurring) (emphasis in original).

136. See *supra* notes 42-43 and accompanying text.

Florida statute was narrowly constructed; the broader statutes are even more repugnant to the federal patent scheme.

Second, states are severely limited in their ability to protect an industry in the guise of unfair competition laws. The Supreme Court reasserted the right of states to adopt rules for the "promotion of intellectual creation within their own jurisdictions."¹³⁷ States may protect originality and creativity where "Congress determines that neither federal protection nor freedom from restraint is required by the national interest."¹³⁸ This is true even when the subject matter involved is patentable. For example, states may enact unfair competition laws aimed at preventing consumer confusion, and trade secret laws aimed at preventing industrial espionage. This does not provide much comfort for Bonito Boats, however, because direct molding now is an acceptable form of competition. Yet, this fact might prompt the next boat manufacturer to utilize the patent system already in place.

Of course, although the Supremacy Clause of the Constitution is implicated in the decision, it is federal legislation which preempts the direct molding statutes. Thus, this unanimous opinion may prompt Congress to pass federal design legislation presently before it.¹³⁹ In its present embodiment, the design legislation would grant a ten year term of copyright-like protection to industrial designs which are original, not dictated solely by utilitarian function, and not commonplace. Concern over the legislation has been voiced by the insurance industry, however, which believes that the cost of auto replacement parts would skyrocket as a result of the potential exclusivity to be afforded to auto manufacturers.¹⁴⁰ Perhaps this problem can be overcome, however, if an exception is made for the auto industry.

137. *Bonito Boats*, 109 S.Ct. at 985.

138. *Id.* (quoting *Goldstein v. California*, 412 U.S. 546, 559 (1979)); accord *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974); *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979).

139. H.R. 3499, 101st Cong., 1st Sess. (1989). In substance, the bill provides for protection of utilitarian designs for a term of ten years. However, the design must be original and uncommon (*id.* at § 2), must not be dictated solely by utilitarian function (*id.*), must be registered within a year of publication (*id.* at § 9), and must have notice placed on it in order to recover damages or lost profits (*id.* at §§ 6-7). The bill also provides for liability for infringement by those knowingly importing or making a copyrighted article for sale or for use in trade (*id.* at § 8(a)(1)), and liability for sale or distribution of such articles if the seller or distributor induces the manufacturer or importer to infringe or otherwise colludes with an infringer, or refuses to cease his activity and reveal his source when requested to do so by the owner of the copyright (*id.* at § 8(a)(2)).

140. *See, e.g.*, 33 Pat. Trademark & Copyright J. (BNA) 618 (Apr. 9, 1987) (reporting March 26, 1987 hearing of the Senate Subcommittee on Patents, Copyrights, and Trademarks); 36 Pat. Trademark & Copyright J. (BNA) 242 (June 30, 1988) (discussing testimony on design protection legislation before a House panel).

CONCLUSION

The Supreme Court reached the correct conclusion in the *Bonito Boats* case. Direct molding statutes should be invalid in light of federal patent laws. *Bonito Boats* sought to have the Court strike a new balance between free and open competition and the stimulation of innovation, such that greater protection would be provided for innovators than Congress intends. Congress is the proper forum for making such a determination. Moreover, Congress is the only forum in which the question of additional design protection can be handled on a national scale. A patchwork of inconsistent state laws cannot effectively deal with the issue, as the Framers of the Constitution realized in creating a federal patent system in the first place.

The Court's opinion would have been stronger given a more compelling set of facts. *Thunder Craft* simply was not using direct molding as a form of reverse engineering. Nevertheless, the Court's basic rationales are sound, namely that: (1) the patent system will run more efficiently if substantially unrestricted trade is maintained in publically known, unpatented design and utilitarian concepts; (2) the Florida scheme competed with the federal patent system; and (3) if the Florida statute were upheld, no principle would exist to prevent a state from protecting its home industries in the guise of unfair competition laws. The Court has stopped a dangerous trend by reinforcing the "either/or" approach of *Sears and Compco*. Despite the apparent unfairness of direct molding, the benefits of a uniform national system makes it tolerable.