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BACK TO OPEN SEASON ON AMERICAN PRODUCT INGENUITY: *BONITO BOATS, INC. v. THUNDER CRAFT, INC.*

ALEX DEVIENCE, JR.*

In February, 1989, the United States Supreme Court issued its opinion in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*¹ and held unconstitutional a Florida legislative statute² which prevented unscrupulous copying of a competitor's product by utilization of a device which has become generally known as "direct-molding."³ In so holding, the Supreme Court reconfirmed its holdings in *Sears, Roebuck & Co. v. Stiffel Co.*⁴ and *Compco Corp. v. Day-Brite Lighting Inc.*,⁵ that any state regulation of intellectual property that clashes with the balance between the public right and private monopoly preempts the federal patent laws and is unconstitutional.⁶ This article explores the legal history and economic basis on which numerous state legislatures adopted anti-direct molding statutes.⁷ In addition, it examines the decision of the Court of Appeals for the Federal Circuit in *Interpart Corp. v. Imos Italia, et al.*⁸ which up-

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1. The author of this article was on the briefs and on the argument in *Interpart Corp. v. Imos Italia, Vitaloni, S.p.A. and Torino Industries, Ltd.* in the Circuit Court for Federal Appeals, Washington, D.C. and was lead trial counsel in the trial of the matter in Federal District Court for the Central District, Los Angeles, California, No. CV 80-4403, Judge Mariana R. Pfaelzer presiding. Prof. Devience appeared, amicus, before the United States Supreme Court in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 109 S. Ct. 971 (1989).

2. FLA. STAT. ANN. § 559.94(1)(a) (West 1987).

3. The Court held that the supremacy clause of the United States Constitution preempted the Florida statute. *Bonito Boats*, 109 S. Ct. at 986.

4. 376 U.S. 225 (1964).

5. 376 U.S. 234 (1964).

6. *Bonito Boats*, 109 S. Ct. at 986.

7. In addition to Florida, other states that have adopted anti-direct molding statutes include: CAL. BUS. & PROF. CODE §§ 17300-17301 (West 1987); IND. CODE §§ 24-4-8-1 to - 7 (1988); KAN. STAT. ANN. § 50-802 (Supp. 1986); LA. REV. STAT. ANN. § 51:462 (West 1987); MD. COMM. LAW CODE ANN. § 11-1001 (Supp. 1987); MICH. COMP. LAWS § 445.621-24 (Supp. 1988); MISS. CODE ANN. § 59-21-41 (Supp. 1987); MO. ANN. STAT. § 306.900 (Vernon Supp. 1988); N.C. GEN. STAT. § 75A-29 (1988); TENN. CODE ANN. §§ 47-50-111, 47-50-113 (1984); WIS. STAT. ANN. § 134.34 (West Supp. 1987).

8. 777 F.2d 678, 228 U.S.P.Q. (BNA) 124 (Fed. Cir. 1985).

held the application of the California anti-direct molding statute⁹ in the duplication of unpatented automobile rear view mirrors. Finally, the article will analyze, under the *Bonito Boats* opinion, the extent to which states can now regulate intellectual property rights without preempting U.S. patent laws.¹⁰

LEGISLATIVE EFFORTS

In 1978 the California legislature enacted the Duplication of Manufactured Parts Act ("Act").¹¹ The California statute is typical of those in other states.¹² The legislative history reflects that the Act was proposed out of concern that duplication by competitors of an original product through a direct molding process would "destroy any incentive of manufacturers to develop new and improved designs."¹³ Direct molding was defined as a process whereby an original manufactured item is used as a "plug" for the making of a mold which, in turn, is used to produce identical items.¹⁴ The legislative history notes that the opprobrious use of direct molding enables a manufacturer to avoid the costly steps of independently producing a mold and promoting a new product, and to thereby undersell the original manufacturer.¹⁵

The Act reflected the express intent of the California legislature to prevent only the unscrupulous imitation of manufactured items which allowed a competitor to search the marketplace to find a product highly receptive to the buying public and then duplicate that product using it as a mold. The effect of a competitor's use of direct molding would be to bypass research, development, design and promotion costs, time and expenses. The Act did not prohibit the fair copying of manufactured items by such means as reverse

9. CAL. BUS. & PROF. CODE § 17300(a) (West 1985).

10. The Constitution gives Congress the power to: "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;" U.S. CONST. art. I, § 8, cl. 8; *see also* 35 U.S.C. § 102(a).

11. CAL. BUS. & PROF. CODE §§ 17300-301 (West 1985).

12. *See supra* note 7 for other states that have enacted anti-direct molding statutes.

13. CAL. BUS. & PROF. CODE. § 17300 (West 1985).

14. *Id.*

15. *Id.* Section 17300 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).

...
(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.

CAL. BUS. & PROF. CODE § 17300 (West Supp. 1985).

engineering, measuring and independent creation of molds, or any other method of copying. The legislature merely intended to prohibit the duplicators of such items from competing unfairly by appropriating the research development and marketing of an original item by using it as the plug for the mold for making the copied product.¹⁶

JUDICIAL RESPONSE

In 1980, a suit was filed in the United States District Court for the Central District of California entitled *Interpart Corp. v. Imos Italia, Vitaloni, S.p.A. and Torino Industries, Ltd.*¹⁷ seeking a determination of the rights of the plaintiff to copy unpatented products in the United States by the defendants.¹⁸ The defendant, Vitaloni, S.p.A., was a company located in Turin, Italy, which, since 1926, designed and manufactured high quality state of the art automobile rear view mirrors installed on such noted motor vehicles as Ferrari, Lamborghini and numerous other similar automobiles.¹⁹ In 1977 Torino Industries, Ltd. of Chicago, Illinois, was formed to sell the Vitaloni automobile products in the United States and, specifically, in the Southern California market.²⁰ To do so, Vitaloni developed a product line of five rear view mirrors and engaged in an extensive promotion campaign. The defendant spent approximately two million dollars to create, design and introduce its product line.²¹ As a result, Vitaloni introduced its products in California with great success.

By 1980, the plaintiff, Interpart Corp., was engaged in advertising and selling replicas of the entire Vitaloni product line, securing the mirrors from Taiwan manufacturers.²² In its counterpetition against Interpart Corp., the defendants charged the plaintiffs with violation of the California anti-direct molding statute as well as violation of the Unfair Competition provisions of the Lanham Act.²³ Plaintiff's defense was that, under *Sears, Roebuck & Co. v. Stiffel Co.*,²⁴ it had an absolute right to copy any product which was not protected under a duly issued U.S. patent.²⁵

16. CAL. BUS. & PROF. CODE § 17300(a) comment (West Supp. 1985).

17. *Interpart Corp. v. Imos Italia, Vitaloni, S.p.A.*, No. 80-4403 (Cent. D. Cal. filed July, 1984) (Findings of Fact, para. 14 and Conclusions of Law No. 2 & 3).

18. *Id.* at Findings of Fact, para. 1.

19. *Id.* at para. 5, 7.

20. *Id.*

21. *Id.*

22. *Id.*

23. Lanham Act, 13 § 43(a), 15 U.S.C. § 1125(a) (1982).

24. 376 U.S. 225 (1964).

25. *Interpart Corp. v. Imos Italia, S.p.A.*, No. 80-4403 (Cent. D. Cal. filed July, 1984) (Findings of Fact, para. 14 and Conclusions of Law No. 2 & 3).

The district court judge, described as a case of first impression, rejected the defendant's (counter-plaintiff) claim of Lanham Act violations and held that even if confusion caused by "palming off" was demonstrated,²⁶ the defendants had failed to show improper activity relative to Interpart's manufacture, distribution or sale of the admitted copied mirrors.²⁷ Further, the court held that federal law preempted the California anti-direct molding statute and that ". . . the mere copying of the Vitaloni mirrors is legal under federal law".²⁸

On appeal, the Court of Appeals for the Federal Circuit reversed the trial court.²⁹ The court's opinion upheld the constitutionality of the California anti-direct molding statute as it related to the replication of the Vitaloni products.³⁰ The court focused not on the copying of the product which the anti-direct molding statute did not prevent, but on the method of competition Interpart utilized in replicating the product. The Federal Circuit stated:

The statute prevents unscrupulous competitors from obtaining a product and using it as a '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 The patent laws 'say nothing about the right to copy or the right to use, they speak only in terms of the right to exclude.'³¹

Indeed, the California statute did not preclude any competitor from utilizing the unpatented design of the Vitaloni product, but merely prohibited "unscrupulous competitors" from latching on to a successfully selling product and appropriating the design, marketing and creativity of the designer.

In reaching its decision, the Court of Appeals queried whether the California statute constituted an obstacle to the accomplishment and execution of the purposes and objectives of Congress under the U.S. patent laws if the function of patent law is to grant to inventors the right to exclude others from making, selling or using their patented inventions.³² The Appeals Court opined:

The California plug molding statute, to the contrary, proscribes use of the product itself for a pattern or 'plug' in a direct molding process. In that process, the product is entirely coated with a mold-forming sub-

26. *Id.* The court referred to improper trade dress activity as "dirty trick[s]." *Id.*

27. *Id.*

28. *Id.* at Conclusions of Law, para. 13, (citing *Sears, Roebuck & Co. v. Stifel, Co.*, 376 U.S. 225 (1964) and *Compco v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1968)).

29. *Interpart Corp.*, 777 F.2d at 684.

30. *Id.* at 684-86.

31. *Id.* at 685 (quoting *Mine Safety Appliances v. Electric Storage Battery*, 405 F.2d 901, 902 n. 2 (C.C.P.A. 1969)).

32. *Id.* at 684.

stance that sets and which is then removed from the product and used as the mold for making numerous replicas of the product.³³

The court, in specifically pointing out the unlawful conduct, noted that the direct molding process is "substantially less expensive than developing a mold from scratch, something the original product manufacturer has to do."³⁴

Since, in the court's view, the California statute prevents only unscrupulous competition, no federal preemption occurred. Because the statute does not preclude photographing, measuring, or utilizing the concept of the design of the product, and does not preclude copying the product by hand, by use of sophisticated machinery, or by any method other than the direct molding process, the statute does not conflict with federal law.³⁵

Subsequent to *Interpart Corp. v. Imos Italia*, at least fifteen states³⁶ adopted some form of the California statute. Florida enacted a more restricted act limiting the application of direct molding only to boat hulls. The statute declared that 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."³⁷

In 1984, Bonito Boats, Inc. filed an action in a Florida state court against Thunder Craft Boats, Inc. for using the direct molding process to duplicate a Bonito fiberglass hull in violation of the statute.³⁸ The trial court granted the defendant's Motion to Dismiss accepting its argument that under the United States Supreme Court's decisions in *Sears, Roebuck & Co. v. Stiffel Co.*³⁹ and *Compco Corp. v. Day-Brite Lighting, Inc.*,⁴⁰ the Florida statute conflicted with federal patent law and was therefore invalid under the supremacy clause of the federal Constitution.⁴¹

On appeal, the Florida Supreme Court agreed with the lower court's conclusion that the Florida statute impermissibly interfered with the scheme established under the federal patent laws.⁴² Also

33. *Id.*

34. *Id.*

35. *Id.* at 684-85. The court added that it was also clear from a review of the record which included much material bearing on the constitutionality of the statute that there was no conflict with federal law.

36. *See supra* note 7.

37. FLA. STAT. ANN. § 559.94(1)(a) (West 1987).

38. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 487 So. 2d 395 (Fla. 5th D.C.A. 1986).

39. 376 U.S. 225 (1964).

40. 376 U.S. 234 (1964).

41. U.S. CONST. art. VI, cl. 2.

42. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 515 So. 2d 220 (Fla. 1987).

finding *Sears* and *Compco* controlling, the court held that, "[w]hen an article is introduced into the public domain, only a patent can eliminate the inherent risk of competition and then but for a limited time."⁴³

The United States Supreme Court granted certiorari to resolve the conflict between the Florida court decision in *Bonito Boats* and the Federal Circuit Court's decision in *Interpart v. Imos Italia*.⁴⁴ On March 21, 1989, the Supreme Court affirmed the Florida Supreme Court's decision and rejected the reasoning of the majority opinion in *Interpart*.⁴⁵

The Court held that the United States Constitution gives Congress the sole power to regulate the rights, and use of those rights, granted to authors and inventors.⁴⁶ Pursuant to its constitutional authority, Congress enacted the Patent Act of 1970 allowing a grant of a limited monopoly for a specific period of time to inventions and discoveries "sufficiently useful and important" to merit the right of exclusion.⁴⁷ In holding the Florida anti-direct molding statute preempted by federal law, the Court placed almost sole reliance on its prior decision in two cases, *Sears* and *Compco*.

In *Sears*,⁴⁸ the United States Supreme Court determined that any design or utilitarian idea submitted into the public domain without a patent right occupied the same position as any product under an expired patent.⁴⁹ The *Sears* case involved a pole lamp originally designed by Stiffel Co., who had secured both design and mechanical patents on the lamp. Sears admittedly purchased and replicated the Stiffel product and sold it at a retail price approximately equal to Stiffel's cost of manufacturing the product.⁵⁰ Stiffel brought an action against Sears for infringement of its patents and unfair competition under Illinois law.⁵¹ The federal district court found that Stiffel's patents were invalid due to anticipation in prior art but enjoined Sears from further sales of the replicated lamps based on a specific finding of consumer confusion under the Illinois Law of Unfair Competition.⁵² The court stated that the Illi-

43. *Id.* at 222.

44. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 109 S. Ct. 971 (1989).

45. *Id.*

46. *Id.*

47. Patent Act of 1790, 1 Stat. 109, 110 (1790) (current version at 35 U.S.C. § 101 (1988)).

48. *Sears*, 376 U.S. 225 (1964) (Justice Black wrote for the majority).

49. *Id.* at 231.

50. *Stiffel Co. v. Sears, Roebuck & Co.*, 313 F.2d 115, 117 (7th Cir. 1963) (Sears admitted use of the Deca poles in 1953 and 1954 and there was evidence of their published illustrations, sketches and descriptions more than one year prior to the Stiffel patent application).

51. *Sears*, 376 U.S. at 226.

52. *Id.*

nois law prohibited product simulation even though there was no evidence that the defendant took some further action to induce confusion as to source.⁵³

The Supreme Court reversed the district court, finding that the unlimited protection against copying which Illinois law accorded an unpatentable item whose design had been fully disclosed through patent sales, conflicted with the federal policy embodied in the public laws.⁵⁴ Because the patents that Stiffel held on the pole lamp were invalid, the Court further found that Stiffel was not entitled to the protection of either a mechanical or a design patent.⁵⁵ The Court commented that:

An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so. What Sears did was to copy Stiffel's design and sell lamps almost identical to those sold by Stiffel. This it had every right to do under the federal patent laws.⁵⁶

The Court reached a similar conclusion in *Compco*. The district court, under the same Illinois statute at issue in *Sears*, issued an injunction against the copying of an unpatentable fluorescent lighting system which was freely available to the public.⁵⁷ The Supreme Court, however, determined that the injunction interfered with Congress' constitutional mandate to regulate patent and copyright law.⁵⁸

Recognizing that these two earlier decisions were not generally well accepted by American business, Justice O'Connor writing for the unanimous *Bonito Boats* Court opined:

The preemptive sweep of our decisions in *Sears* and *Compco* has been the subject of heated scholarly and judicial debate [citations omitted]. Read at their highest level of generality, the two decisions could be taken to stand for the proposition that the States are completely disabled from offering any form of protection to articles or processes which fall within the broad scope of patentable subject matter. Since the potentially patentable includes 'anything under the sun that is made by man,' the broadest reading of *Sears* would prohibit the States from regulating the deceptive simulation of trade dress or the tortious appropriation of private information.⁵⁹

That extrapolation, said the Court, is too broad and inappropriate.⁶⁰ As the Court noted, *Sears* clearly permitted the states to "protect businesses in the use of their trademarks, labels, or dis-

53. *Id.* at 227.

54. *Id.* at 231-32.

55. *Id.* at 231.

56. *Id.*

57. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

58. *Id.* at 237.

59. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 109 S. Ct. 971, 979 (1989).

60. *Id.*

tinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods.’”⁶¹ Even though trade dress could become the subject matter of design patents, that does not prevent the states from placing “limited regulations on the circumstances in which such designs are used in order to prevent consumer confusion as to source.”⁶² The Court added that implicit in *Sears* is a “recognition that all state regulation of potentially patentable but unpatented subject matter is not ipso facto preempted by the federal patent laws.”⁶³

The Court acknowledged that states can protect trade secrets, ostensibly extending its exceptions under *Sears* and *Compco* to trade dress and tortious appropriation of private information.⁶⁴ The reasoning of *Sears* and *Compco* resulted from “[t]he conclusion that the efficient operation of a federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions.”⁶⁵

What the Court found objectionable in *Sears* and *Compco* was a state law that offered patent-like protection to an unpatentable or unpatented product which had been placed in public commerce.⁶⁶ The Court expressed its concern that to allow state legislatures to create patent-like rights would interfere with free competition in the creative effort, contravene the goal of public disclosure and use, and redirect efforts to meet the standard of patentability Congress has developed over the last two hundred years.⁶⁷

The United States Supreme Court, in *Bonito Boats*, failed to recognize that the gravamen of anti-direct molding statutes is not to prevent copying of an unpatentable or unpatented product but to protect the ethical integrity of the manufacturers’ efforts through creation, design, failure, redesign and original tools and dies; efforts which can be accomplished only at great expense and risk, generally defined in American business as “sweat equity”. The problem extends even further. The unscrupulous competitor patiently lurks in the marketplace to determine the market’s reception of an unpatented or unpatentable product then, upon conscious selection, takes the highest quality, best-accepted product and transmutes it by direct molding alchemy into an inferior knock-off and introduces it into an unsuspecting buying market at a substantially reduced

61. *Id.* (citing *Sears, Roebuck & Co. v. Stiffel Co.*, 516 U.S. 225, 232 (1964)).

62. *Id.*

63. *Id.*

64. *Id.* at 980.

65. *Id.*

66. *Id.*

67. *Id.* at 980-81.

price. The Court did not take into account the economic loss occasioned by such unscrupulous conduct generally occasioned by foreign manufacturers. It is not the copying of the product that is challenged but the opprobrious economic appropriation of the creation and design encompassed in the final product which is challenged by the anti-direct molding statutes. Copying is acceptable but a manufacturer who does not expend something to develop the product and merely confiscates the economic efforts of competitors' original thoughts and risk, engages in what is simply unscrupulous competition.

The Supreme Court also overlooked numerous decisions which allow states to protect legitimate business interests and the economic consequences of business products, and in the process, allow states to weather the *Sears* and *Compco* restrictions. As early as 1918, the United States Supreme Court refused to adopt the position that since news was not subject to United States copyright laws it was in the public domain and could be used for any purpose. In *International News Service v. Associated Press*,⁶⁸ the Supreme Court held:

The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant . . . is a very different matter. In doing this, defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant, in appropriating it and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant and the competition because of the fact that it is not burdened by any part of the expense by gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business.⁶⁹

Neither the language nor the reasoning of the *International News* case was disturbed or, for that matter, even mentioned in either *Sears* or *Compco*. Subsequent decisions of the Court have not only upheld restrictions on the conduct of one who seeks to profit from the labor of others but have determined that state laws

68. 248 U.S. 215 (1918).

69. *Id.* at 239-40.

designed to prohibit unfair competition are valid and enforceable.⁷⁰ The *Bonito Boats* Court failed to recognize that it is the competitor's taking of a completed product developed at great expense to its originator of labor, skill and money and, without incurring any similar expenses, selling it as a knock-off product at a significantly lower price than the original product which constitutes the wrong and the unfair competition the direct molding statute attempts to prevent.

The concept of prohibiting the misappropriation of the work of another, the fundamental objective of intellectual property law, is not novel to state statutes adopted to prevent the direct molding process of copying. In a decision prior to the enactment of California's anti-direct molding statute, a Federal District Court in the Ninth Circuit held in *Grove Press, Inc. v. Collectors Publication, Inc.*⁷¹ that the plaintiff was entitled to a preliminary injunction against a defendant who reproduced plaintiff's published version of a rare book ("Grove book") by means of an offset lithography process even though the contents of plaintiff's book were in the public domain.⁷² In granting the preliminary injunction, the court stated that the defendant's method of copying plaintiff's materials:

involves photographing the pages of the Grove edition and using the said photographs for the reproduction of volumes in book form By use of such photographs of the Grove edition Defendants saved the cost of typesetting and can print and sell their books, which are photographic copies of Plaintiff's books, at substantially less than it would cost if Defendants were to set type themselves.⁷³

By photographing plaintiff's books' contents the defendant saved \$26,000.00 in typesetting expenses.

In reaching its decision, the court distinguished the *Sears and Compco* cases stating:

70. See, e.g., Illinois Trade Secrets Act, ILL. REV. STAT. ch. 140, para. 351 (1990). Paragraph 352, §§ 2(b)(1) and (2)(A) define "misappropriation" of trade secret and use of "improper means" to acquire knowledge of a trade secret. Under § 2(d) of the Uniform Trade Secrets Act, a "trade secret" is defined as "information, including but not limited to . . . pattern . . . process." The Act has been adopted in 28 states including Illinois. State trade secret laws have been upheld by the United States Supreme Court. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). California law imposes criminal sanctions for violations of its trade secret act. CAL. PENAL CODE § 653 h (Deering 1985); see also *Haeger Potteries v. Gilner Potteries*, 123 F. Supp. 261 (S.D. Cal. 1954). The California statute prohibits copying of sound tapes and was upheld in *Goldstein v. California*, 412 U.S. 546 (1973); see also R. CALLMANN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS & MONOPOLIES* § 15.10.50 (4th ed. 1981). For federal law application, see *Lanham Act* § 43(a), 15 U.S.C.A. § 1125 (1982); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210 (8th Cir. 1976).

71. 264 F. Supp. 603 (C.D. Cal. 1967).

72. *Id.* at 605.

73. *Id.*

The words in an uncopyrightable book are in the public domain and may be copied by anyone without infringing any copyright. Such copying, alone, does not constitute unfair competition. . . . Unfair appropriation of the property of a competitor is unfair competition and redressable in a situation of this kind despite the holdings in *Sears* . . . and *Compco Corp.*⁷⁴

The court then reasoned that the defendant was more than merely copying the plaintiff's work. Because the plaintiff had expended substantial sums in setting type and engraving plates, the court determined it would constitute unfair competition for the defendants to appropriate the value and benefit of such expenditure to themselves by photographing and reproducing the plaintiff's book through the offset-lithography process, thereby cutting their own costs and obtaining an unfair competitive advantage.⁷⁵

Interestingly, the *Grove Press* decision also involved a "second edition" published by the same defendant and an exact duplicate of the *Grove* book. As to the second edition, the district court held that since the *Grove* edition is not copyrightable, the defendants were free to copy, "so long as the method of copying does not constitute unfair competition."⁷⁶ Because the defendants had prepared the second edition for publication by setting their own type instead of using the offset-lithography process, the district court held that their conduct did not constitute unfair competition.⁷⁷

Perhaps the Florida Supreme Court, as well as the federal appeals court, have had difficulty in this area because they have missed the important distinction between patent laws and direct molding statutes. While the former obtains its objective through exclusion, the latter speaks only to a particular method employed to achieve an admittedly lawful result. In this respect, direct molding statutes are correctly analyzed like trade secret laws and other similar prohibitions against unfair competition which have long been held not to "clash" with the patent laws or to run afoul of the *Sears-Compco* doctrine. The Florida direct molding statute, like the California act upheld in *Interpart*, does not dictate what products a competitor can make, only how it can go about it.

74. *Id.* at 606.

75. *Id.* at 606-07.

76. *Id.* at 607.

77. *Id.* at 606. The decision in *Grove Press*, although published some fifteen years later, was contrary to the previously considered leading opinion on the subject set forth by Judge Learned Hand in *G. Ricordi & Co. v. Haendler*, 194 F.2d 914 (2d Cir. 1952). However, rather than attempting to reconcile the two opinions and commenting on this area of law, a highly respected treatise on the law of unfair competition succinctly observed, "The [*Interpart*] decision, when read together with the *Grove Press* case, may be enough to suggest that Judge Learned Hand's preemption ruling in *Ricordi* case is wrong after all." 2 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES* § 15.10.50 (4th ed. 1981).

In *Kewanee Oil Co. v. Bicron Corp.*,⁷⁸ the United States Supreme Court upheld a state trade secret law recognizing that such a law protected items which would not otherwise be patentable.⁷⁹ In considering whether the trade secret law was preempted by federal patent law, the United States Supreme Court compared the objectives of both the federal patent laws and state laws and concluded that abolishing trade secret laws would not further the objectives of patent law and that patent laws do not require that states "refrain from action to prevent industrial espionage."⁸⁰ Further, trade secret laws have an independent value of their own which would "prompt the independent innovator to proceed with the discovery and exploitation of his invention."⁸¹ Echoing its concern with the opprobrious conduct categorized as "privacy" in *International News Service v. Associated Press*, the United States Supreme Court further stated in *Kewanee*:

Trade secret law provides far weaker protection in many respects than the 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.⁸²

A California statute prohibiting tape piracy survived a *Sears* challenge in *Goldstein v. California*.⁸³ There, the United States Supreme Court upheld the constitutionality of a California statute prohibiting copying under the concept that a state has a right to regulate against unfair competition.⁸⁴ In determining that California's tape piracy statute was not preempted by federal law under the doctrine of *Sears — Compco* and that the state statute prohibited one method of recording but did not otherwise prohibit or withdraw material from the public domain, the Court held that "[n]o restraint has been placed on the use of an idea or concept; rather, petitioners and other individuals remain free to record the same compositions in precisely the same manner and with the same personnel as appeared on the original recording."⁸⁵

The Court in *Goldstein* touched upon the cornerstone of *Sears* and *Compco* that the Court overlooked in *Bonito Boats*. The patent laws seek to protect ideas and concepts by removing them from the public domain. The statute struck down in *Sears* likewise operated

78. 416 U.S. 470 (1974).

79. *Id.* at 492.

80. *Id.* at 487.

81. *Id.* at 485.

82. *Id.* at 489-90 (footnote omitted).

83. 412 U.S. 546 (1973).

84. *Id.* at 571.

85. *Id.*

to bar others from copying the idea and concept of the lamp designed by Stiffel.⁸⁶ In *Bonito Boats*, the Florida legislature did nothing to restrict the copying of the product designed by Bonito Boats, but simply determined that the act of duplicating an original mold in the process of direct molding was an act of unfair competition no different than the pirating of the recorded work of another prohibited in *Goldstein*.⁸⁷

In *Aronson v. Quick Point Pencil Co.*,⁸⁸ a contract to pay royalties for the right to sell an article which was unpatentable was upheld. The United States Supreme Court enforced the contract under a state law holding that the state law was not inconsistent with the objectives of the patent laws because anyone could copy the article; the only restriction was on the right to sell the product manufactured by Quick Point.⁸⁹ Returning again to the thrust of *Sears* and *Compco*, the Court stated, "[A] state may not forbid the copying of an idea in the public domain which does not meet the requirements for federal patent protection."⁹⁰

The Florida anti-direct molding statute at issue in *Bonito Boats* did not prohibit the copying of an unpatented article. In this respect it follows precisely the *Sears — Compco* doctrine. However, as stated in *International News, Grove Press, Goldstein, Kewanee*, and *Aronson*, where the method of copying infringes on a valid business interest, a form of misappropriation occurs. The "misappropriation of a business interest" found in *International News* was the "privacy" by way of interrupting a channel of communication of a product that was not copyrighted, that is, the method of copying was legally unacceptable.⁹¹ In *Kewanee*, the acquisition by "insiders" of a trade secret prohibited the copying of an unpatented product, that is, the exposure of the trade secret allowing subsequent copying was prohibited, not the actual copying.⁹² And again, in *Aronson* the Supreme Court held that enforcement of a contract which prohibited the sale of an unpatented article did not conflict with the patent laws because anyone could copy the article.⁹³ *Grove Press* reflects precisely the legal principle involved in protecting against direct molding. Similarly, the direct molding statute of Florida rejected by the Supreme Court did not prohibit the copying of a competitor's product but prevented only an opprobrious

86. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 109 S. Ct. 971 (1989).

87. See FLA. STAT. ANN. § 559.94(1)(a) (West 1987).

88. 440 U.S. 257 (1979).

89. *Id.* at 264.

90. *Id.*

91. *International News Serv. v. Associated Press*, 248 U.S. 215 (1918).

92. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974).

93. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979).

method of copying that the legislature determined should not be tolerated under any principle of law or economics.

The United States Supreme Court has recognized the need for economic incentive in business product development. In *Zacchini v. Scripps-Howard Broadcasting Co.*,⁹⁴ plaintiff's fifteen second "human cannonball" act, in which he was shot from a cannon into a net some 200 feet away, was, without his consent, video taped in its entirety at an Ohio County Fair by a reporter of the defendant broadcasting company and shown on a television news program later in the same day.⁹⁵ Plaintiff brought a suit for damages in state court alleging that the defendant unlawfully appropriated his "professional property."⁹⁶ The Ohio Supreme Court's decision held that, absent any intent to injure or appropriate for some non-privileged purpose, there was a constitutional privilege to include in news casts matters of public interest that would otherwise be protected by the right of publicity.⁹⁷ The United States Supreme Court reversed and held that the first and fourteenth amendments do not immunize the news media when they broadcast a performer's entire act without his consent.⁹⁸ The Court further noted that the broadcast posed a substantial threat to the economic value of the plaintiff's performance.⁹⁹ In the Court's opinion, if the public could see the act for free on television, it would be less willing to pay to see it at the fair.¹⁰⁰ The news broadcast went to the heart of plaintiff's ability to earn a living as an entertainer. The Court emphatically stated:

[T]his act is the product of petitioner's own talents and energy, the end result of much time, effort and expense. Much of its economic value lies in the 'right of exclusive control over the publicity given to his performance'¹⁰¹ The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors. 'Science and useful Arts.' Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.¹⁰²

In *Capitol Records, Inc. v. Erickson*,¹⁰³ the plaintiff expended approximately \$25,000.00 to produce a record album. Defendant ac-

94. 433 U.S. 562 (1977).

95. *Id.* at 563-64.

96. *Id.* at 564.

97. *Id.* at 565.

98. *Id.* at 575.

99. *Id.*

100. *Id.*

101. *Id.*

102. *Id.* at 576 (quoting *Mazer v. Stein*, 347 U.S. 201, 219 (1954)).

103. 2 Cal. App. 3d 526, 82 Cal. Rptr. 798 (1969), *cert. denied*, 398 U.S. 960 (1970).

quired one of the plaintiff's records and, direct from the recording itself, produced tape cartridges bearing the same title and a label stating that there was no relationship between the defendant and the original recording company. The trial court granted the plaintiff a preliminary injunction. On appeal, the defendant relied on the *Sears* and *Compco* decisions in attempting to reverse the lower court's order. Considering *Sears* and *Compco*, the California Appeals Court stated:

[S]tate law, statutory or decisional, may in appropriate circumstances, grant relief where deceptive or fraudulent practices are shown, such as a palming off of one's goods as those of another It is equally clear that the right of an author or proprietor of an unpublished work to common law protection and the application of state law of unfair competition in that field remains unaffected by these decisions or the principles as set forth in these opinions. . . . Acutally, what was here done was not to copy some articles or goods made and sold by another but rather the appropriation of the very product itself¹⁰⁴ Unfair appropriation of the valuable efforts of another may be unfair competition. Thus, piracy of news acquired by another fairly and at substantial cost is actionable.¹⁰⁵

CONCLUSION

The laws of unscrupulous misappropriation of research as developed by the Supreme Court and federal and state courts prior to the *Bonito Boats* decision uniformly infer that unfair appropriation of the valuable creative efforts of another may well be unfair competition. In light of *Sears* and *Compco*, it is clear that the concept and design of one's product is not protected against use by another if it is unpatentable or nonpatented. However, the appropriation of the product itself as a master or form for use as a mold is beyond the doctrine of *Sears* and *Compco*. The technology to allow exact replication by inexpensive process was then not yet viable nor the legal basis of either decision. The Florida anti-direct molding statute did not attempt to control the copying of an unpatented product. It attempted to control only the fabrication of a mold from the competitor's product to avoid the unscrupulous competitor's sale at a lower cost of an identical product achieved by taking away from the original manufacturer his creativity, design and sweat. The focus can not be on the concept of preemption of federal patent law. Those entrepreneurs, designers and inventors that create, make, recreate, redesign and then remake an untold number of times a product which results in success must be protected from wrongful appropriation of their "products' design." A competitor who lurks

104. *Id.* at 536, 82 Cal. Rptr. at 804.

105. *Id.* at 537, 82 Cal. Rptr. at 805 (quoting 47 CAL. JUD.2d, TRADEMARKS § 33).

in the shadows of another's business success and pirates the intangible aspect of ingenuity and sweat and then competes with the product originator by offering the product at a substantially reduced price secured solely by avoiding development or research costs competes on an unfair basis. This critical economic aspect, overlooked by the U.S. Supreme Court in *Bonito Boats v. Thunder Craft Boats, Inc.*, jeopardizes the ingenuity of American craftsmen by exposing them to unscrupulous copiers who now have essentially free rein to not only copy a product but use the product itself as a mold.

Perhaps the critical aspect which concerned the Court with regard to state anti-direct molding statutes was the virtual right-in-perpetuity grant to product design protection which would result if *Interpart v. Imos Italia* was affirmed. If that is so, an effective state response would be to make protection under an anti-direct molding statute effective for a limited period of time, perhaps six years, which would allow the original manufacturer marketing time to recoup research, development and production costs. During this restricted period, any copying of the product could occur except where the original manufacturer can affirmatively show: (a) the direct molding process was in fact utilized, (b) a period of six years from the date of first sale of the original product had not expired, and (c) as a possible measure of damages, the actual amount of research, development and production costs incurred in developing the original product. Implementing appropriate limitations on the perpetuity aspect of design protection statutes properly responds to the concerns of the Court and provides American manufacturers with state protection against unscrupulous competitors.