

## LEGAL PROTECTION OF IDEAS

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Most of us who teach law to undergraduates find that our courses are already too fully packed with important and demanding material to allow the time necessary for an extensive treatment of the law relating to ideas. Nevertheless, there are few of us who are not called upon from time to time to delve into this area of the law and to express our opinions with respect to the legal merit or lack of merit of someone else's idea. Requests for opinions in these matters come not only from our more imaginative and enterprising students, but also from colleagues on the faculty and from many others. For this reason, it seems appropriate to discuss here some of the legal theories on which the claimants<sup>1</sup> of ideas have relied in seeking legal protection.

In general, these theories are familiar to all persons who have been trained in the law even though there may be times when their outlines become somewhat indistinct in our minds. Much of the difficulty in this area of the law appears to arise from the fact that there is a considerable amount of similarity and overlapping among the various legal theories on which idea claimants have sought legal relief. Because of this, it appears to be desirable to consider separately each of the more important of these theories.

Statutory Protection. Of first importance in affording legal protection to the originators of ideas are two major bodies of statute law, the one relating to patents<sup>2</sup>

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<sup>1</sup>"Claimants" is used in the broad sense to include not only those who conceive useful ideas, but also those who conceive original ways of expressing ideas, those who acquire the rights of such persons by assignment or otherwise, and anyone else who may assert special rights with respect to ideas.

<sup>2</sup>35 U.S.C. (1952).

and the other relating to copyrights,<sup>3</sup> both enacted by Congress pursuant to authority vested in it by the Federal Constitution.<sup>4</sup>

Patents. It is sometimes said that an idea, no matter how brilliant, is not patentable.<sup>5</sup> All this means is that an abstract idea, standing alone, does not furnish an adequate basis for the grant of a patent. However, if the idea can be applied in physical form and displays the exercise of invention, and if the inventor can satisfy the requirements of priority, novelty, and utility, as well as the other requirements of substance and procedure expressed in the patent laws, the inventor is entitled to the protection of these laws. In general, this gives him the right to exclude others from making, using, or vending the subject of his invention for a period of seventeen years from the time the patent is granted.

Perhaps the most important requisite for the grant of a valid patent is invention. Although it is generally agreed that this requirement relates mainly to the quality of the mental effort which goes into the making of an advance, it has not been clear just what degree of quality is necessary to establish invention. Prior to 1952, the Supreme Court held that invention called for a display of genius.<sup>6</sup> In Jungersen v. Ostby & Barton Co., it held invalid for lack of invention a very complicated process for making cheap jewelry without flaws, despite the fact that the whole industry had been searching for centuries for just such an advance. With great persistence, the Patent Office has disregarded the Supreme Court and has applied a standard which requires very little in the way of quality of mental effort. In Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.<sup>7</sup> the Supreme Court found it necessary to declare invalid a cashier's counter equipped with a three-sided rack which, when pushed or pulled, moves

<sup>3</sup>17 U.S.C. (1952).

<sup>4</sup>"The Congress shall have power...to promote the progress of science and the useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Const., Art. 1, Sec. 8, cl. 8.

<sup>5</sup>Fowler v. City of New York, 121 Fed. 747 (2d Cir. 1903); Martin v. Wyeth, 193 F. 2d 58 (4th Cir. 1958).

<sup>6</sup>Cuno Engineering Corp. v. Automatic Devices Corp., 314 U.S. 84, 91 (1941).

<sup>7</sup>335 U.S. 560 (1949).

<sup>8</sup>340 U.S. 147 (1950).

groceries deposited in it by a customer to the checking clerk and leaves them there when it is pushed back to repeat the process. In a concurring opinion in this case, Justice Douglas reviewed the cases in which the courts had found it necessary to declare patents invalid and concluded that the Patent Office had "placed a host of gadgets under the armor of patents."<sup>9</sup> Congress appears to have attempted to steer a middle course by providing in negative language in the 1952 Patent Laws that, "A patent and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which the subject matter pertains."<sup>10</sup>

It should be observed that nowhere else in the law of ideas is there any requirement of invention even though there are situations in which the courts require originality, novelty, or concreteness, or some combination of these. Viewing the world of ideas which can be applied to physical matter, it is the requirement of invention, more than any other, which separates ideas which are patentable from those which are not.

Until a patent is issued, a patentable idea, as such, generally is entitled to neither more nor less legal protection than other types of ideas.<sup>11</sup> So, unless otherwise indicated, it may be assumed that the principles hereinafter discussed have as much application to patentable ideas for which patents have not been granted as they have to ideas which are not patentable.

Copyrights. The interests protected by the copyright statutes are quite different from those protected by the patent statutes. The copyright statutes give no right to exclude others from copying and using ideas. All they give is the right to bar others from copying owner's original manner of expressing an idea. In Affiliated Enterprises, Inc. v. Gruber,<sup>12</sup> the claimant conceived an advertising plan for motion picture theaters called "Bank Night." He described the plan in a booklet which he copyrighted and distributed among theaters to whom he issued licenses to use his plan. Later, the defendant described the same plan in a booklet which he also copyrighted and distributed

<sup>9</sup> Id. at 156.

<sup>10</sup> 35 U.S.C. Sec. 103 (1952).

<sup>11</sup> Gayler v. Wilder, 51 U.S. (10 How.) 477 (1850).

<sup>12</sup> 86 F. 2d 958 (1st Cir. 1936).

among theaters to whom he issued licenses to use the plan under a different name. The claimant sued, alleging that his copyright had been infringed. The court dismissed the complaint on the ground that the protection afforded by the copyright statutes does not extend to the ideas expressed in a copyrighted work. The court explained that a person is free not only to adopt the ideas expressed in another's work, but also to describe them in a work of his own, provided only that he does not copy the description of the ideas set forth in the original work or describe them in such a way as to deceive the public.

All that one need show to be entitled to the protection of the copyright statutes is that he has expressed some idea or ideas in an original way in some recognizable form and that he has complied with the relatively painless requirements of the copyright statutes. This usually consists of publishing the work with due notice of copyright, filing the necessary registration certificate, depositing the necessary copies of the work in the Copyright Office, and paying a small fee. This entitles the copyright holder to exclude others from copying his work for a period of twenty-eight years which is renewable during the last year for an additional twenty-eight years.<sup>13</sup>

Undoubtedly, the requirements for copyright protection are far easier to satisfy than the requirements for patent protection. The basic requirement - originality - is satisfied if the work is the result of independent effort; that is, if it has not been copied from someone else's work. There is no need to show invention; copyright protection is available without reference to the quality of the mental effort evidenced by the work. Priority is not required; protection may be available even though someone else has already expressed the same idea in the same way, provided the earlier work was not copied. Finally, the work need not be novel and it need not be useful.

Design Patents. If a work is not only original so as to satisfy the basic requirement of the copyright statutes but also an ornamental design for an article of manufacture and satisfies the general requirements of the patent laws, its creator may obtain protection not only under the copyright statutes but also under the patent laws.<sup>14</sup> For example, it has been held proper to grant design patent protection, in addition to copyright protection, to the creator of a

<sup>13</sup> Although the period has varied from time to time, there is a curious custom of fixing it at some multiple of seven. Ball, Copyright and Literary Property, 31 (1944).

<sup>14</sup> 35 U.S.C. Sec. 171 (1952)

design of a statuette which was intended to be used as the base of an electric lamp.<sup>15</sup>

Common Law Right of Literary Property. Closely related to the statutory copyright is the common law right in literary property,<sup>16</sup> often referred to as the common law copyright or literary property.<sup>17</sup> The common law copyright, like the statutory copyright, is concerned primarily with protecting a person in his interest in excluding others from copying his original manner of expressing an idea, rather than in excluding others from copying or using the ideas expressed.

In contrast with the statutory copyright, however, the common law copyright is the right to exclude others from publishing an original expression of an idea for the first time.<sup>18</sup> It gives no protection against others copying and publishing the work after it has been first published. In fact the common law copyright normally is destroyed by the first publication whereas the statutory copyright normally does not come into existence until a work has been published.<sup>19</sup> Thus, the very act which brings a statutory copyright into existence is usually the act which terminates the common law copyright. As a general rule, unless the copyright statute is complied with by attaching the due notice of copyright at the time of the first publication, the owner of a work loses not only his common law right of literary property but also his right to obtain protection under the statutes.<sup>20</sup>

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<sup>15</sup>Mazer v. Stein, 347 U.S. 201 (1954).

<sup>16</sup>This right is recognized and preserved by the copyright statutes. 17 U.S.C. Sec. 2 (1952).

<sup>17</sup>Generally, literary property refers to rights in writings, regardless of whether they arise from the copyright statute. However, the term is usually used to refer to rights which arise apart from statute and will be used in this sense in this paper.

<sup>18</sup>17 U.S.C. Sec. 2 (1952) Fashion Originators Guild of American v. F. T. C., 114 F. 2d 80 (2d Cir. 1940).

<sup>19</sup>17 U.S.C. Sec. 10 (1952). But see 17 U.S.C. Sec. 12, relating to work not reproduced for sale.

<sup>20</sup>This is not so, if the omission is accidental. 17 U.S.C. Sec. 21 (1952).

To have the effect of destroying the common law right of literary property, a publication must be general. Where material protected by the common law of literary property is communicated only to a definitely selected group for a limited purpose, only a limited publication occurs and this does not result in destroying the right.<sup>21</sup> Thus, a person would not lose his right of literary property in a book merely by sending it to persons in his field with a request for their reaction to it.<sup>22</sup> Nor would a professor lose his rights in his lectures merely by delivering the lectures to his classes.<sup>23</sup>

It is fundamental that no amount of publication, either general or limited, and no amount of exploitation will destroy rights acquired under the patent or copyright statutes. However, it is important to notice that the concept of a limited publication which does not destroy the common law right of literary property has no application to other ideas which are not protected by statute. As a general rule, rights not arising from statute or the common law principles relating to literary property are destroyed by being communicated to others even though communicated to a limited number and for a limited purpose.

In Bristol v. Equitable Life Assur. Soc.<sup>24</sup> it appeared that the plaintiff, in the hope of obtaining employment as an officer of the defendant insurance company, revealed a complicated plan for selling insurance. Although the defendant did not employ the plaintiff, it did adopt his plan to its great advantage. Plaintiff brought an action to recover for the use of the plan. In sustaining a demurrer to the complaint, the court stated, "Ideas of this sort, in their relation to property, may be likened to the interest which a person may obtain in bees and birds, and fish running in streams, on his own premises, which are conspicuous instances of naturae feræ. If the claimant keeps them on his own premises, they become his qualified property, and absolutely his so long as they do not escape. But if he permits them to go, he cannot follow them."

Although this statement of the law is sound as a general rule and as applied to the facts before the court, there are several well-recognized exceptions to this general rule, as will appear from the following discussion.

<sup>21</sup>American Tobacco Co. v. Werckmeister, 207 U.S. 284 (1907).

<sup>22</sup>Hirshon v. United Artists Corp., F. 2d 640 (Cir. D. C. 1957)..

<sup>23</sup>Ball, Law of Copyright and Literary Property 480-81 (1944); See Tompkins v. Halleck, 133 Mass. 32 (1882).

<sup>24</sup>52 Hun. 161, 5 N.Y. Supp. 131 (1889), aff'd 132 N.Y. 264, 30 N.E. 506 (1892).

Communications Made in Confidence. For example, a person may be granted relief against the unauthorized use or disclosure of his secret communicated by him under circumstances where in it appears that both parties understand and agree that the idea is being communicated in trust and confidence and is not to be disclosed to a third party or used except for the benefit of the person revealing it. The need for protection under this principle is most obvious in the case of trade secrets which must be revealed to employees in order to be useful, but it is not limited to persons in the relationship of employer and employee. Moreover, although the mutual understanding between the parties that the idea is being communicated in confidence may be based on some contract, such as a contract of employment, it is not essential that the confidence arise from a contract either express or implied.<sup>25</sup> However, an idea is not revealed in confidence so as to be entitled to protection under this principle if it is thrust upon a recipient leaving him no choice as to whether or not he will receive the idea in confidence. To be bound, he must manifest his assent to receive the idea in confidence.

The right to insist that the recipient shall not use or disclose the idea does not arise solely from the fact that its disclosure is made in trust and confidence. It also must appear that the idea was secret. Secrecy is a relative term, but it may be said that merely revealing an idea to employees for their use, or to others who are in effect pledged to hold it in confidence, does not destroy the secrecy of the idea. On the other hand, if the idea is commonly known to others in the same industry it cannot furnish a basis for protection merely because it was communicated in confidence. Although it has been stated that to be entitled to protection the secret must represent some considerable degree of independent effort or thought,<sup>26</sup> it has never been required that the idea display invention or that it be original.

Once a case is brought within the principle under discussion, relief is granted against the recipient using or revealing the idea on the theory that such conduct would amount to an abuse of confidence.<sup>27</sup> Relief also may be granted against one who wrongfully acquires access to the idea; e.g., by fraud or by inducing another to violate a confidence. However, the principle being considered affords no protection against the use of the idea by one who acquires it other than in confidence and without resorting to any improper means.

<sup>25</sup> Schreyer v. Casco Products Corp., 190 F. 2d 921 (2d Cir. 1951).

<sup>26</sup> Smith v. Dravo Corp., 203 F. 2d 369 (7th Cir. 1953).

<sup>27</sup> E. I. DuPont DeNemours Powder Co. v. Masland, 244 U.S. 100 (1917).

Unfair Competition. Occasionally, idea claimants seek relief on the ground of unfair competition. They are most likely to do so when they have barely missed protection on some other ground, as where an idea is not patentable for lack of invention, where the protection of the copyright statutes has been lost because of a failure to comply with the requirement regarding notice, or where the secrecy required for protection under the principles relating to confidential communications has not been maintained.

Although there have been suggestions that unfair competition may furnish a basis for recovery in idea cases wherein none of the other theories described furnishes a basis for relief, in general, the courts have been unwilling to extend to boundaries of unfair competition to afford any special relief to the claimants of ideas. Occasionally, in deciding an idea case, a court will talk the language of unfair competition, even though relief might have been granted on some other basis. In these cases the courts appear to be thinking of unfair competition in the broad sense which would encompass all types of business torts. When the courts use the term "unfair competition" in the narrow and technical sense, the need for showing either palming off or confusion of source is likely to prove a stumbling block to the idea claimant.

Tort. When a claimant seeks relief based on a right which does not arise from any alleged contract, the relief, if any, to which he is entitled, must be based on the law of torts. Of course, this might include any of the non-contract theories discussed herein as well as any theories which might be recognized by the courts in the future. Thus, it would include infringement of patents, copyrights, and literary property, as well as other wrongful appropriation of property in ideas, and it would include the violation of a confidence and other wrongful conduct by which an idea claimant's rights might be violated. Occasionally, a court is content to speak of tort liability in broad terms without clearly indicating the precise nature of the wrong which it has in mind. This may have the advantage of focusing attention on the defendant's conduct and making it clear that the basis of recovery, if any, is non-contract. However it should not be understood to imply that there is some broad tort theory which offers a haven for all idea claimants without the need for establishing some right under a more specific theory.

Property. Among the reasons sometimes urged for granting or denying relief in idea cases is that the claimant does or does not have "property" in his idea. Although the presence or absence of property may be vital in some cases, as where the term "property" is used in a statute, in many of the cases wherein a conclusion is reached by a court on the basis of the presence or absence of property. Possibly this is what Justice



Holmes had in mind when he said in a case in which the plaintiff sought to enjoin the defendant from revealing a trade secret, "The word property as applied to...trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not, the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore the starting point...is not property...but the fact that the defendant stood in confidential relations with the plaintiffs."<sup>28</sup>

Nevertheless, concluding that there is, or is not, property in an idea in a given case may render it easier for the court to reach a proper result. For example, in a case wherein the defendant's conduct appears to be morally wrongful, and therefore tortious, if the court is convinced that the defendant has appropriated the claimant's property in an idea. Perhaps the most important consequence of the use of the term "property" in idea cases is that it implies that there are certain minimum requirements which should be satisfied if relief is to be granted in some types of cases, thus protecting the court from a flood of litigation. This will be found to be true in several of the situations which are yet to be discussed.

Transferring Rights in Ideas. Up to this point the discussion has proceeded primarily on the assumption that the claimant would exploit his idea by using it himself. However, many idea claimants find it to their advantage to transfer all or part of their rights in their ideas to others. Determining the rights of a claimant who has undertaken to transfer his interest in an idea to someone else is one of the most common, and at the same time, one of the most important, problems in the law of ideas. It will be the principal subject of the remaining discussion.

If the claimant's rights are protected by the patent or copyright statutes, it is a relatively simple matter to transfer such rights by assignment or license. This is true because of the fact that the free publication of such ideas does not limit the statutory protection and all negotiations between the parties may safely be free and open.

However, if an idea is not protected by statute, any attempt to negotiate all or part of the rights arising from it involves considerable risk because of the general rule that whatever rights a person may have in an idea may be lost by their being published. The difficulty of the negotiations in these cases is evidenced by the fact that they give rise to the bulk of the litigation not based on the patent laws.

Although these cases vary considerably among themselves, they have a common theme. The defendant likes and uses the

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<sup>28</sup>Id. at 102.

raising the prices to be charged to retailers while leaving unchanged the prices to be charged to the consumers.

Except from the standpoint of analysis, it appears to make little difference whether an express contract is unilateral or bilateral. In either case, the important question will be whether the discloser's promise should be enforced. It does not appear that a claimant who entered a bilateral contract has ever been sued for failure to carry out his promise to disclose a generally described idea. Although it may be noted that where the contract is bilateral it comes into existence prior to the time that the idea is disclosed, whereas when it is unilateral it does not come into existence until the instant the idea is revealed, the important thing is that in neither case is the idea revealed before the contract comes into existence.

Although the opinions of the courts in cases of this kind sometimes become involved, the basic problem is a relatively simple one. The court need answer only three questions. Did the claimant reveal an idea of the type bargained for by the defendant as the price of his promise? If so, did the defendant use it? If so, did the defendant pay for it? The last question has never given the courts any difficulty. The second question rarely does.

It is the first question upon which the outcome of the case is likely to hinge and to which the courts usually devote most of their attention. Did the claimant reveal an idea of the type for which the defendant agreed to pay? If so, the defendant must pay, for the claimant has performed the act called for and their remains nothing more for him to do. If not, the defendant's promise is unenforceable for lack of failure of consideration.

On rare occasions, a claimant uses language which makes it relatively easy to determine whether or not the defendant received an idea of the type he bargained for. For example, in Elfenbein v. Luckenbach Terminals, Inc.<sup>31</sup> the claimant wrote the defendant that it was making a needless expenditure of about \$1,400 annually which could be eliminated legally and that he would furnish the information for doing so for a fee of 50% of the first year's savings if the idea were used. When the defendant agreed, the claimant disclosed a plan for amending the defendant's certificate of Incorporation by changing its par value stock to no-par value. When put into effect the plan resulted in the precise saving described. In sustaining a judgment for the claimant, the court found it necessary to devote only a few lines to the question of whether the defendant had received the type of idea the claimant had described.

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<sup>31</sup>111 N. J. L. 68, 166 Atl. 91 (1933).

idea revealed to him by the claimant in an effort to sell it but refuses to pay for the use of it. Although the pleadings of some of the claimants in these cases are exceedingly prolix, it is always found that a claimant is pinning his hopes on one or more of three broad theories. The first is express contract, the second is implied in fact contract, and the third is non-contract.

**Express Contract.** The claimant who has been well-advised and careful in his efforts to reap the harvest of his ideas by transferring his rights in them to another for a consideration is most likely to proceed on the theory of an express contract. This is likely to arise in either of two ways with the claimant taking the initiative in either case.

In the first place, the claimant offers to disclose an idea which he describes in terms designed to whet the defendant's appetite for it, provided the defendant will agree in advance of the disclosure that if the idea is disclosed and he uses it, he will compensate the claimant in some way, not infrequently by paying him a share of the gain resulting from the use of the idea. In this case the claimant will allege a unilateral express contract based on a promise for an act, the act being the claimant's disclosure of the idea. For example, in High v. Trade Union Courier Publishing Corporation<sup>29</sup>, the claimant offered to disclose an idea which would enable the defendant to obtain a refund of telephone excise taxes it had been paying and would exempt it from the payment of such taxes in the future, provided the defendant would agree in advance to pay him 35% of all refunds and future savings which resulted from the disclosure. After the defendant had expressed approval, the claimant performed the act bargained for as the price of the defendant's promise by disclosing the existence of provisions of the Internal Revenue Code allowing an exemption from the payment of taxes on telephone service to the operator of a newspaper or public press and providing for the obtaining of refunds of taxes unnecessarily paid.

The second way in which an express contract for the sale of an idea is likely to arise is similar to the first, except that the resulting contract is bilateral in that the claimant promises to disclose a generally described idea in return for the discloser's promise to pay for it if he uses it. Thus, in Soule v. Bon Ami Co.<sup>30</sup> the claimant promised to impart a valuable method of increasing the profits arising from the sale of the defendant's product in return for the defendant's promise to pay the claimant one half of the profits accruing from the use of the idea. The claimant carried out his promise by revealing a plan for increasing the profits of the defendant by

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<sup>29</sup> 69 N. Y. S. 2d 526 (Sup. Ct. 1946).

<sup>30</sup> 235 N. Y. 609, 139 N. E. 754 (1923).

However, in most cases wherein the claimant has proceeded on the theory of an express contract the language used by the claimant in describing his idea prior to disclosure has been exceedingly general. But despite the lack of clear description, no court has ever supposed that a defendant bargained for merely a pig in a poke. Regardless of the language used the court will always assume that the defendant had some reasonable standards in mind and was not bargaining for just any idea. Starting with this assumption, a court almost always will carefully scrutinize the words used by the parties and the surrounding circumstances for clues as to their intentions, with special attention being paid to the reasonable expectations of the defendant.

In Masline v. New York, N. H. & H. R.R.,<sup>32</sup> a leading case of this kind, the claimant based his action on the defendant's promise to pay him five per cent of the receipts derived from the use of "information of value in the operation of (defendant's) railroad." The information communicated was the selling of advertising space for the displaying of advertisements on the defendant's railway stations, depots, rights of way, cars, and fences. Shortly after the disclosure the claimant applied the ideas and made a considerable profit by doing so, but refused to compensate the claimant. The latter sued on the theory of an express contract. When the defendant demurred, the court approached the problem by asking: "What should the defendant look for? What should it be entitled to learn in return for the consideration of five per cent?" In reaching the conclusion that the defendant had bargained at least for an idea which was novel, the court stated, "When the representative of the defendant met the plaintiff and made the agreement, they were entitled to assume that...it would be a statement of something which they did not know and which was not generally known in the railway world." The court took judicial notice of the fact that the idea of selling advertising space was common knowledge and sustained the demurrer.

The court's insistence upon novelty in the Masline case and in similar cases has led some to believe that there is an absolute requirement of novelty where a claimant proceeds on the theory of an express contract. The fact is, however, that novelty is required only on the basis of what the court finds to be the reasonable understanding of the parties. Although the court is not likely to require a defendant to pay for the disclosure of an idea which is not novel, at least in the sense of being new to him, it is misleading to assume that novelty is an absolute requirement in these cases. This is so because it may have the effect of directing attention away from the understanding of the parties, which is its true foundation. This is evidenced by the fact that even where novelty is stated to be a requirement its meaning depends upon the facts of the case. Thus, in the Masline case the court insisted upon novelty

<sup>32</sup>95 Conn. 702, 112 Atl. 91 (1933).

in the sense of being "not generally known to the railway world," whereas in Brunner v. Stix, Baer & Fuller Co.<sup>33</sup> the scheme for increasing department store charge accounts was found to be novel even though it was already familiar to the owners of another department store in the same city. That the reasonable understanding of the parties is the basis for requiring novelty in cases where it is insisted upon is also evidenced by the fact that occasionally a court will deny altogether the need for novelty. Thus, in High v. Trade Union Courier Pub. Corp.<sup>34</sup> previously mentioned, the court, referring to the idea of obtaining an exemption from a telephone tax based on a provision of the Internal Revenue Code, which must have been known throughout the entire newspaper industry, stated, "While the idea disclosed may be common or even open to public knowledge, yet such disclosure if protected by contract, is sufficient consideration for the promise to pay."

Implied in Fact Contract. In most of the cases in which a claimant has sued to recover from one to whom he disclosed an idea while trying to market it, he has alleged a cause of action based on an implied in fact contract.

As is true where an express contract is relied upon, where a claimant relies upon an implied in fact contract, the court will conclude that the defendant is bound only if it finds that the parties have manifest a mutual intent that the defendant would pay for the idea if he used it. Basically, the required proof is the same as where an express contract is relied upon except that instead of proving words of promise by the defendant, the claimant must furnish proof from which the defendant's promise may be inferred.<sup>35</sup>

Occasionally, the defendant's promise may be inferred from the fact that he requested the claimant to disclose an idea. In this type of case, the analysis is likely to be much the same as that just described in the typical express contract case. That is, the principal problem will be whether the idea disclosed was the kind of idea for which the defendant bargained as the price of his promise, in this case the promise being implied rather than express. In American Mint Corp. v. Ex-Lax Inc.<sup>36</sup> the claimant alleged that, at the defendant's request, it had disclosed to the defendant some ideas for the manufacture and marketing of candy. The ideas were used by the defendant but it refused to pay the defendant anything. The lower court

<sup>33</sup>352 Mo. 1225, 181 S. W. 2d 643 (1944).

<sup>34</sup>69 N. Y. S. 2d 526 (Sup. Ct. 1946).

<sup>35</sup>Kurlan v. Columbia Broadcasting System, 40 Cal. 2d 799, 256 P. 2d 962 (1953).

<sup>36</sup>263 App. Div. 89, 31 N. Y. S. 2d 708 (1941).

dismissed the complaint, but the appellate court held that, assuming the facts alleged to be true, the defendant had received what it bargained for and was liable on an implied in fact contract based on the implied understanding of the parties. Implied contracts for the sale of ideas do not often arise in this way.

In most of the cases wherein a claimant proceeds on the basis of an implied in fact contract, it appears that the claimant has taken the initiative in submitting an idea to the defendant and that the latter has used the idea but has refused to compensate the claimant. In these cases the defendant's promise must be inferred either from the fact that he used the idea, or from other conduct on his part, after the idea was disclosed to him.

Typical of these cases is the familiar case of Liggett & Myers Tobacco Co. v. Meyer,<sup>37</sup> in which the claimant, without having been solicited, sent the defendant a letter in which he stated: "I am submitting an original advertising scheme to be used in the way of billboard advertising. The idea consists of this: Two gentlemen, well groomed, in working clothes or hunting togs, apparently engaged in conversation, one extending to the other a package of cigarettes, saying, 'Have one of these,' and the other replying, 'No thanks. I smoke Chesterfields.'" Several years later the defendant entered upon an advertising campaign which appeared to be based on the idea submitted by the claimant. The claimant sued, alleging that this constituted an implied acceptance of the offer contained in his letter. A judgment in his favor for \$9,000 was affirmed on appeal.

Of course, in order to support a recovery in cases of this kind, it must appear that the claimant disclosed the idea with the expectation that he would be compensated if it were used and that the defendant was aware of this when he used the idea. In the case just mentioned above, the claimant had closed his letter of submission, "I trust that this idea will be of sufficient value as to merit a reasonable charge therefor." However, whether the claimant has clearly stated his expectation of being compensated or merely has left it to inference is of no consequence so long as the defendant understood the claimant's purpose in disclosing the idea. In either case the contract is said to be implied, since it is the manner in which the defendant manifests his assent and the fact that no express promise is given by the defendant which categorizes the transaction.

Although, in the typical case where an implied in fact contract is alleged, just as where the usual express contract is alleged, the theory is that the defendant has manifested

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<sup>37</sup>101 Ind. App. 420, 194 N.E. 206 (1935).

his assent to pay for the use of the idea, the major problem faced in one type of case usually is quite different from that faced in the other.

As we have seen, in most of the cases wherein a claimant relies on the usual type of express contract, the major problem is to determine what kind of an idea was bargained for by the defendant. If the claimant disclosed an idea of the type the defendant bargained for, the latter is bound, otherwise not.

Where the usual type of implied contract based on an unsolicited submission is considered, this is no problem. By the very nature of the transaction, the kind of idea being bargained for is known to the defendant, as well as to the claimant, before any contract can possibly arise. Where the usual type of implied in fact contract is being considered the primary question is whether the idea revealed is of such a nature that a promise to pay for its use is supported by consideration despite the fact that the defendant's implied promise is given after the idea has been disclosed.

Determining whether the idea is of such a nature that a promise to pay for its use is supported by consideration despite the fact that the defendant's implied promise is made after the disclosure of the idea is simply a matter of determining whether the idea is of such a nature that the claimant's special rights in it survive the disclosure made in an effort to market it. If the idea is not of such a nature that the claimant's special rights survive the disclosure, the claimant has no right to bar the defendant from using the idea and, consequently, the claimant would not be suffering a detriment by permitting the defendant to do so.

This naturally leads to the question of how the courts determine whether an idea is of such nature that the claimant's special rights survive an unsolicited disclosure made in an effort to market it. In Liggett & Myers Tobacco Co. v. Meyer<sup>38</sup> mentioned above, the court raised this question and then answered it in these words, "Certainly the thing offered by the (claimant) must be such that he has a property right therein which he can sell." In Williamson v. New York Central R. R. Co.<sup>39</sup> the court considered a motion to strike out a cause of action alleging an implied in fact contract based on an unsolicited submission of an idea for an exhibition of a miniature railroad at the New York World's Fair, to the defendant, who, having acknowledged the submission, used the idea, but refused to pay for it. In granting the defendant's motion, the court stated, "An implied (in fact) contract...does not arise...because an abstract idea may not be made the subject of a property right."

<sup>38</sup>Id. at 430, 194 N.E. at 210.

<sup>39</sup>258 App. Div. 226, 16 N. Y. S. 2d 217 (1939).

"Property", then, appears to be the key. However, this does not explain when the courts will conclude that an idea is of such a nature that the claimant's special rights in it constitute sufficient property to survive an unsolicited disclosure without a covering contract.

There are some cases concerning which there has never been any doubt. For example, the courts never question that a claimant has sufficient property in an idea to the extent that his rights are based on the patent or copyright statutes. It also seems clear that, prior to the time that a patent is granted, a claimant's rights in a patentable idea, constitute sufficient property to survive an unsolicited disclosure made while he is trying to market it. Under similar circumstances, a claimant's rights in common law literary property are sufficient to survive disclosure.

If the idea does not fall into any of these categories, the court will insist upon the idea satisfying two basic requirements which were first asserted in Liggett & Myers Tobacco Co. v. Meyer<sup>40</sup> in these words, "While we recognize that an abstract idea as such may not be the subject of property, yet when it takes upon itself a concrete form which we find in the instant case, it is our opinion that it then becomes property subject to sale. Of course, it must be novel... one cannot claim a right in the multiplication table." "Novelty" and "concreteness", then, are the essentials if an ordinary idea is to yield a claimant sufficient property to survive an unsolicited disclosure in an attempt to market it.

However, stating that novelty and concreteness are required does not solve the problem of determining whether they are present in a given case. This was recognized by the court in Plus Promotions v. RCA Manufacturing Co.<sup>41</sup> wherein it was stated, "It only opens the inquiry: What standards determine whether an idea is novel, whether its concrete? Since these are matters of degree it is not to be expected that the authorities would afford a very precise measure. However, by charting a few of the most relevant precedents, we can more readily determine whether the complaint herein falls within or without the area of protection for the originators of business ideas." Most courts have been content to proceed in this way, applying the terms "novelty" and "concreteness" without attempting to define them.

In general, it may be said that "novel" means "new" or "not known." Not known, by whom? At the very least, the idea must be one which is not already known to the defendant himself.

<sup>40</sup>101 Ind. App. 420, 430, 194 N. E. 206, 210 (1935).

<sup>41</sup>49 F. Supp. 116 (S.D. N.Y. 1943).



However, the mere fact that an idea is new to the defendant is not, of itself, sufficient to establish its novelty for the purpose of being considered. On the other hand, no court has ever required that the idea be one which is not known to anyone but the claimant. The requirement lies somewhere between these extremes. Perhaps it would be sound to assume that a court will find an idea to be novel if it is new enough to be valuable to the defendant and sufficiently unknown in the community from which it arises to justify the assumption that the defendant will not soon learn of it in the ordinary course of events.

In cases in which a claimant seeks to establish that he has property in an ordinary idea, which is neither patentable or literary property, "concreteness" may be more difficult to establish than is novelty. Some courts appear to require a great deal to satisfy this requirement. In Alberts v. Remington Rand, Inc.<sup>4</sup>, the claimant sought to recover on the theory of an implied in fact contract on the basis of a written suggestion that the defendant make a chart or graph of the directions in which the hair on each individual's face grows and issue the resulting graphs to its customers and prospective customers as an aid in the sale and use of the defendant's razors. The court denied relief on the ground that the idea had not been reduced to concrete form. It appears that most courts are more liberal in being willing to find concreteness and are usually satisfied if an idea has been explained and demonstrated with sufficient clarity and completeness that very little further thought is required to enable the recipient to put it to the practical use for which it was intended.

Returning for a moment to express contracts, it will be recalled that in the usual case where an express contract is found, it arises either prior to disclosure or simultaneously with the making of the disclosure; and the principal problem is likely to be to determine whether the defendant learned an idea of the type he had bargained for. Occasionally, an express comes into existence after the idea has been revealed. In these cases the analysis appears to be much the same as that which applies where an implied in fact contract is alleged to have resulted following an unsolicited submission. That is, even assuming that following an unsolicited submission, a defendant expressly agrees that he will pay if he sees an idea, the enforceability of his promise will depend upon whether or not there was consideration for his promise, and the presence or absence of consideration will depend upon whether the claimant had sufficient property in the idea to bar the defendant using it without the claimant's consent.<sup>43</sup>

<sup>2</sup>175 Misc. 486, 23 N. Y. S. 2d 892 (1942).

<sup>3</sup>Engel v. Fields, Ltd., 5 App. Div. 2d 874, 171 N. Y. S. 2d 416 (1958).

Non-Contractual Bases for Recovery Following Negotiations.

When an idea claimant, in attempting to negotiate the sale of his rights, discloses his idea, but is unable to prove either an express or an implied in fact contract by the disclosure to pay for the use of the idea, his right to recover hinges on whether or not he can establish some non-contractual basis for recovery. Such actions may be referred to by many different names. In some of these cases the name used to refer to the action will indicate only the form of the remedy by which the claimant is seeking to vindicate his rights. This is true, for example, when an action is referred to by any of the many names in which an action may be brought on the theory of quasi-contract or contract implied in law. In considering these cases, one does well to keep in mind that, regardless of the names used in referring to these actions, they are fundamentally actions in tort, and that the choice of the form of remedy tells little, if anything, about the nature of the substantive rights which the claimant alleges have been violated.

As the earlier discussion brought out, there are several different substantive bases on which a person may be under an obligation not to use an idea claimed by another even though he is not under any actual contract to that effect. In these situations, the obligations are said to be imposed by law. Thus, the law may impose an obligation not to infringe a patent, a copyright, or common law literary property or to use an idea disclosed in a mutually understood spirit of trust and confidence. A violation of the claimant's rights in these circumstances obviously is tortious and furnishes a basis for relief without the need for his proving the existence of any contract.

The conclusion that a claimant need not show any contract in order to recover against one who has violated his rights arising in any of the above situations is not altered by the fact that these rights have been violated following a disclosure which was made while the claimant was attempting to negotiate a contract for their transfer.

For example, in Schreyer v. Casco Products Corp.<sup>44</sup> the claimant had an idea for what he thought was a patentable steam iron. During the course of negotiations looking toward the manufacture and sale of iron by the defendant under a license from the claimant, the latter revealed the idea to the defendant. After negotiations had failed, the defendant used the idea without the claimant's approval. Later a patent was issued to the claimant who sued for its infringement and also for the use of his idea during the period prior to the issuance of the patent. The court held that the patent was invalid, so there could be no infringement. However, it allowed him to recover for the use of the idea for the period starting with the disclosure and ending with the time when the defendant would have

<sup>44</sup>190 F. 2d 921 (2d Cir. 1951).

been able to start manufacturing if it had not been the beneficiary of the pre-patenting disclosure. The court reasoned that although there was no agreement to hold the idea in confidence, and not to use it if negotiations for a license failed, confidential relaxation between the parties was created by the disclosure and this restricted the right of the defendant to use the ideas to the purposes for which the disclosures were made.

In Healey v. R. H. Macy & Co.<sup>45</sup> the claimant originated an advertising program which included "A Macy Christmas means Happy New Year" and a number of other clever and original slogans. He submitted his work to the defendant department store with an expression of his hope that he would be paid if his work were used. Claiming it did not require the claimant's consent to do so, the defendant used the slogans in its advertising shortly thereafter and refused to compensate the claimant. The latter sued on the theory that the defendant had appropriated his common law literary property and a judgment in his favor was affirmed on appeal.

Similar to the Macy case, in that it involved a slogan, is the case of How J. Ryan & Associates Inc. v. Century Brewing Co.<sup>46</sup> wherein a number of advertising agencies were invited by the defendant to submit proposed advertising programs to aid it in selecting an advertising agency. The claimant submitted a program featuring the slogan, "The Beer of the Century." The defendant liked and used the slogan but hired another agency. Instead of suing on the theory that the defendant had appropriated its common law literary property, the claimant brought an action on the theory of a contract implied in law for the fair value of its service. A judgment for \$7,500 in the claimant's favor was affirmed on appeal.

A patentable idea, rather than literary property, was involved in Matarese v. Moore-McCormack Lines, Inc.<sup>47</sup> In this case the claimant proceeded all the way to trial on the basis of an alleged express contract to pay for the use of an idea for loading and unloading cargo. However, at the trial it became evident that the person with whom the claimant had dealt was not authorized to act as agent for the defendant for the purpose of making the alleged contract. The claimant was permitted to amend his complaint to allege a cause of action in quasi-contract on the theory that the defendant had been unjustly enriched at the expense of the claimant and the trial proceeded

<sup>45</sup>277 N. Y. 681, 14 N. E. 2d 388 (1938).

<sup>46</sup>185 Wash. 600, 55 P. 2d 1053 (1936).

<sup>47</sup>158 F. 2d 631 (2d Cir. 1946).

on that basis. A judgment for \$40,000 in favor of the claimant was affirmed on appeal.

A claimant also succeeded on a non-contract basis in the case of American TPC Corp. v. Strauss Stores Corp.<sup>48</sup> wherein it appeared that the claimant had conceived a plan for marketing separately a chemical to be added to gasoline by the consumer. In the hope of inducing the defendant to purchase the chemical from it, the claimant disclosed its idea. When negotiations failed the defendant used the idea and marketed the chemical itself, beating the claimant to the market. The claimant sued on the theory that the defendant has wrongfully appropriated its idea. The defendant moved for summary judgment. In denying the motion, the court stressed the fact the complaint had alleged that the defendant had induced the disclosure of the idea by pretending to be interested in entering a contract with the claimant, emphasizing the wrongful means of obtaining the disclosure, rather than the nature of the idea itself.

The foregoing cases are typical of those in which recovery has been allowed on a non-contract basis following negotiations of one kind or another. At first glance, one might easily conclude that they show that a claimant who makes an unsolicited submission is entitled to recover on a non-contract basis whenever he would have been entitled to recover on the theory of an implied in fact contract except for his inability to establish the defendant's implied promise to pay for the use of an idea, and that an inability to prove the defendant's assent will never stand in the way of recovery. This conclusion would not be wholly warranted on the basis of these cases.

It is true that the Macy case supports the conclusion that lack of assent makes no difference insofar as a claimant is relying on an unsolicited submission of literary property and that the Matarese appears to support the same conclusion in cases wherein the claimant has disclosed a patentable idea. However, these cases do not tend to show that the lack of the defendant's assent is of no consequence in cases wherein the submission does not involve either a patentable idea or literary property. In the Casco case, where the idea involved did not fit into either of these categories, the lack of the defendant's assent appears to have been offset by the fact that the idea had been disclosed in confidence. In the Strauss case the court made it clear that it did not consider that it was dealing with the ordinary case involving a voluntary submission when it stated, "What they are liable for...is the deceitful manner of obtaining the results of plaintiff's research."<sup>49</sup>

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<sup>48</sup> 206 Misc. 1017, 136 N.Y.S. 2d 76 (1954) aff'd 285 App. Div. 1132, 140 N.Y.S. 2d 884 (1955)

<sup>49</sup> Ibid.

Although the cases discussed above do not support the proposition that a claimant is entitled to recover on a non-contract basis following an unsolicited submission of an idea which is not patentable or literary property whenever he would have been entitled to recover on the theory of an implied in fact contract except for his inability to prove the defendant's assent, there are a number of cases which do appear to support the proposition and lead to the conclusion that it represents the prevailing view at the present time.

Some of the support is found in cases wherein recovery on the basis of an unsolicited submission has been allowed on the theory of an implied in fact contract. It will be recalled that in these cases it is reasoned that the presence of consideration to support the defendant's implied promise depends on whether the idea submitted is of such a nature that the claimant's special rights in it survive the disclosure so as to constitute property. If the claimant's rights constitute property sufficient to survive the disclosure, a priori, they must also be sufficient to furnish a basis for recovery on a non-contract basis whenever the defendant uses the idea without giving his assent to pay for such use.

Also lending support to the proposition are those cases wherein the defendant's assent is assumed to be lacking and the courts, in denying relief to the claimants on the basis of unsolicited submissions of ideas which are neither patentable nor literary property, offer as their reason the fact that the ideas in question lack novelty or concreteness or both. Typical of these cases is Thomas v. R. J. Reynolds Tobacco Co.<sup>50</sup> in which the claimant submitted an unsolicited idea for an advertising campaign based on the fact that Camels are slower burning. After concluding that the claimant had not been able to prove an actual contract, the court raised the question whether he might recover on a non-contract theory. In answering, the court stated, "Not only must the idea...be concrete in form but it must be novel." Finding that the idea in question did not satisfy these requirements, the court granted the defendant's motion for judgment on the record. However, by its reasoning, the court clearly implied that, had the idea been novel and concrete, the lack of the defendant's assent would not have stood in the way of recovery on a non-contract basis.

Finally, there are several recent cases which appear to give more direct support to the proposition that a claimant is entitled to recovery on a non-contract theory on the basis of an unsolicited submission of an idea which is neither patentable nor literary property whenever he would have been entitled to recover on the theory of an implied in fact contract except for his inability to prove the defendant's assent.

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<sup>50</sup> 350 Pa. 262, 38 A. 2d 61 (1944).

The first of these cases is Stanley v. Columbia Broadcasting System<sup>51</sup> in which the claimant sought to recover on the basis of a voluntary submission of an idea for a radio program. In affirming a judgment for \$35,000 in his favor the court on appeal stated, "(I)t may be stated that the right of an originator of an idea to recover from one who uses or infringes it seems to depend upon whether or not the idea was novel and reduced to concrete form prior to its appropriation by the defendant, and, where the idea was disclosed by the originator to the appropriator, whether such disclosure took place under circumstances indicating that compensation was expected if the idea was used. Where these prerequisites exist, recovery may be had upon a theory of contract implied in fact or in law." This case would be direct support for the proposition being considered if one considers only what the court said. However, there were facts in the case which might have justified placing the outcome on the ground that common law literary property had been appropriated, and the court itself recognized that there were present facts which would have supported a judgment on the theory of an implied in fact contract. Consequently, the statements of the court appear to be only dicta.

Somewhat along the same lines as the Stanley case above in that it involved ideas for a radio program is the case of Hamilton Nat. Bank v. Belt,<sup>52</sup> in which the claimant, seeking a market and unsolicited, mailed his defendant ideas for a radio program based on the use of high school talent and assemblies. After the negotiations had terminated, the defendant made use of the ideas which the claimant had disclosed to it, and put on the program. The plaintiff sued on the theory that the defendant had wrongfully appropriated his ideas. In upholding a judgment for \$3,300 in favor of the claimant, the court stated, "The problems presented here are new in this jurisdiction; but consideration of cases decided by other courts leads us to conclude that a person has such a property right in his own idea as enables him to recover damages for its appropriation or use by another when the idea is original, concrete, useful, and is disclosed under circumstances which, reasonably construed, clearly indicate that compensation is contemplated if it is accepted and used." This case appears to give greater support to the proposition being considered than does the Stanley case because this case clearly would not have supported recovery on the theory of an implied in fact contract because negotiations had been broken off prior to the time the idea was used. It has argued that this case might have been decided on the ground of common law literary property. Support for this argument might

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<sup>51</sup> 35 Cal. 2d 653, 221 P. 2d 73 (1950).

<sup>52</sup> 210 F. 2d 706 (Cir. D.C. 1953).

is found in the fact that one of the requirements for protection stated by the court are that idea be "original" rather than that it be "novel", but this argument is rebutted by the fact that elsewhere in the opinion the court clearly indicates that "novelty" rather than "originality" is the concept which it has in mind and by the further fact that the court emphasizes that protection is being given to the ideas for the program rather than for any script or for the manner of expressing the ideas. Accordingly, the support given to the proposition by this case appears to be more than mere dicta.

Perhaps the case which, on its facts, most clearly supports the proposition that a claimant is entitled to recover on a non-contract theory on the basis of an unsolicited submission of an idea which is neither patentable or literary property whenever he would have been entitled to recover on the theory of an implied in fact contract except for his inability to prove the defendant's assent is *Galanis v. Proctor & Gamble Corp.*<sup>53</sup> In this case, Mrs. Galanis, without having been solicited, wrote to the defendant, "I have an idea which I would like to sell to you for a new kind of laundry soap." She then described a soap to which bluing had been added. The defendant answered expressing its appreciation of her friendliness, but stated that it had already considered such a product and implied that they had no further interest in it. There was no other communication between the parties. Shortly thereafter the defendant placed on the market a product which it called "Blue Cheer" which appeared to utilize the idea submitted by Mrs. Galanis. She sued for \$1,000,000 alleging that the defendant had wrongfully appropriated her idea. The defendant moved for a summary judgment. In denying the defendant's motion, the court conceded that there had been no dealings between the parties which might have created a confidential relationship and that the idea was not protected by patent, copyright, or contract. It held, however, that Mrs. Galanis was entitled to recover if she could establish "(1) that the idea was novel, (2) that the idea was concrete, and (3) that the idea was actually appropriated by the defendant in the development of the product which it put out."

Since the Galanis case goes about as far as any case ever has gone in affording protection to the claimant of an idea it takes us to the frontier of the law of ideas which seems to be a good point at which to bring this discussion to a close. In closing, it may be well to remind the reader that his paper has been limited to a discussion of the principal legal theories in which claimants have sought to protect their interests in ideas. Little attention has been paid to the many practical

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<sup>3</sup> 153 F. Supp. 34 (S.D. N.Y. 1957).

problems which one is likely to confront when he seeks legal protection for his ideas. Doubtless, practical considerations often defeat rights which are on a sound foundation from the theoretical standpoint. However, in the field of ideas, as in many other fields, the solution of practical problems often depends upon a sound theoretical analysis. It is hoped that this paper may be helpful in refreshing your recollection with respect to the theoretical aspects of the matter, the next time that you are called upon to give your opinion with respect to the legal merit or lack of merit of an idea.