

# New Trade Secret Treatise Addresses Idea Protection



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IDEAS ARE NOT “FREE AS AIR” in California courts. To the contrary, California provides broad protection of ideas. Idea theft claims are commonplace throughout industry in California. While most idea law disputes originally arose in the entertainment industry, idea law disputes run rampant in the high tech and biotech industries, and in virtually every other business sector in the California economy.

The IP Section’s new trade secret treatise devotes an entire chapter to idea law protection. Topics include:

- ▶ Thorough treatment of the predominate idea claim known as an “implied-in-fact contract.”
- ▶ Comparison of implied-in-fact contracts with claims for trade secret misappropriation, breach of express contract, and contracts implied in law.

- ▶ Viable defenses to idea theft claims
- ▶ Practical business tips to avoid having your ideas stolen and to prevent against assertion of idea claims against your company

The following excerpt provides an overview of this new book chapter on “Protecting Ideas With Implied-in-Fact Contracts.”

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## INTRODUCTION

Some say that ideas are as “free as air.” Juries say otherwise. Juries have found that protectable ideas can have tremendous value:

- ▶ Mattel and MGA battled over the ideas for the name, concept, prototypes and preliminary drawings for the Bratz female fashion dolls, resulting in a \$100 million jury verdict in Mattel’s favor in the 2008 trial phase of the copyright and conversion claims.
- ▶ A jury found that Fisher-Price misappropriated ideas for a backpack component to its Rescue Heroes action figure toys, and awarded the concept-developing plaintiff \$1.7 million as unpaid royalties.
- ▶ A jury awarded \$30 million to two marketing executives who claimed that Taco Bell Corp. used their idea for a talking Chihuahua advertising campaign (“Yo quiero Taco Bell”).
- ▶ A jury awarded \$240 million to All Pro Sports Camp Inc., who claimed

Disney used its idea for the Wide World of Sports complex at Disney World.

- ▶ A jury awarded \$8.2 million to a man who said his lawyers stole his idea for a golf-themed restaurant.
- ▶ A jury found 20th Century Fox liable for \$19 million for the ideas for what became the film “Jingle All the Way” starring Arnold Schwarzenegger, finding that Fox used ideas from a high school biology teacher’s script in making the film.
- ▶ A jury found that Walt Disney Co. stole ideas to create Radio Disney after it backed out of a contract, and awarded the plaintiff \$20 million. After the verdict was dismissed and a new trial ordered, a different jury awarded the plaintiff \$9.5 million.
- ▶ A jury awarded \$7.3 million to a man who claimed MCA and Universal City Studios stole the ideas in his screenplay to create the television series “Northern Exposure.”

Idea protection takes many forms as shown by the examples above. This chapter addresses idea protection in California under principles of contracts implied-in-fact.

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## LEGAL PRINCIPLES FOR CONTRACTS IMPLIED-IN-FACT

Claims of contracts implied-in-fact arise most frequently in the entertain-

ment area (“that movie was my idea” or “that television show was my idea”). Contracts implied-in-fact exist in all industries, though, including technology, advertising, and consumer products.

### Elements of Proof of an Implied-In-Fact Contract

California law recognizes legal protection for “ideas” under a contract implied-in-fact in the following circumstances:

- (1) the plaintiff disclosed the idea making it accessible to the recipient;
- (2) the recipient voluntarily accepted the disclosure knowing the conditions on which it was tendered (*i.e.*, the recipient must have had the ability to reject the disclosure if the conditions were unacceptable);
- (3) the recipient used the work; and
- (4) the plaintiff can prove damages in the form of the reasonable value of the work.

Proof of these elements demonstrates a viable claim for breach of contract implied-in-fact. *Desny v. Wilder*, 46 Cal.2d 715 (1956); *Donahue v. Ziv Television Programs, Inc.*, 245 Cal.App.2d 593, 609 (1966).

In the seminal California idea case, *Desny v. Wilder*, the court stated the principles of a contract implied-in-fact:

[I]n the absence of an express contract, when the service is requested and rendered the law does not hesitate to infer or imply a promise to compensate for it. The person who can and does convey a valuable idea to a producer who commercially solicits the service or who voluntarily accepts it knowing that it is tendered for a price should likewise be entitled to recover.... [T]he idea purveyor can-

not prevail in an action to recover compensation for an abstract idea unless (a) before or after disclosure he has obtained an express promise to pay, or (b) the circumstances preceding and attending disclosure, together with the conduct of the offeree acting with knowledge of the circumstances, show a promise of the type usually referred to as ‘implied’ or ‘implied-in-fact.’

*Desny*, 46 Cal.2d at 733–38. In *Desny*, the court held that “the law itself, to prevent fraud and unjust enrichment, will imply a promise to compensate.” *Id.* at 739.

If the defendant *requested* that the plaintiff disclose an idea, most courts will find that such request or solicitation implies a promise to pay for the idea if the defendant uses it. In *Yadkoe v. Fields*, 66 Cal.App.2d 150 (1944), defendant W.C. Fields wrote to the plaintiff regarding a proposed submission of ideas for jokes for a radio show:

[I]f you would like to submit a couple of scripts *gratis* and I am able to use them, who knows, both parties being willing, we might enter into a contract. My reason for injecting the vile word “*gratis*” is that we get so many letters from folks who if we even answer in the negative, immediately bring suit for plagiarism. Whilst we have never had to pay off, they sometimes become irritating no end.

*Id.* at 154. Ironically, W.C. Fields ran into the precise situation he tried to avoid. Despite the use of the word “*gratis*,” the court permitted recovery by plaintiff on an implied contract theory, holding that the requested disclosure, followed by use of the ideas, supported an implied contract claim.

### Unsolicited Submissions

Under California law, even an unsolicited submission voluntarily received

by the defendant can result in an implied contract. *See Desny*, 46 Cal. 2d at 738–39. The California view in effect regards failure to reject as a negative form of solicitation. In essence, the person to whom an idea is disclosed has an affirmative duty to act to avoid an inference that he promises to pay for the idea if used.

However, a California appellate court found that an implied-in-fact contract was not created when a plaintiff, based upon information contained in a writer’s market guide, sent an unsolicited script to an agent for a film company. *Grosso v. Miramax Film Corp.*, No. B193872, 2007 WL 2585053 (Cal. App. Ct. Sep. 10, 2007). The court stated that the excerpt from the writer’s guide was not a solicitation from the defendant to the general public accompanied by a promise to pay. The court noted that the plaintiff simply had mailed off his script after reading in the guide that the agent accepted unsolicited material, he had never received a response from the agent, and he never had any communications with either the agent or the film company. *Id.* at \*9.

### Concreteness Requirement

Ideas subject to protection under California law must have sufficient “concreteness” to constitute protectable property. Copyright law only protects the author’s expression of ideas and not the ideas themselves. Similarly, implied-in-fact contract law requires “concreteness” of ideas rather than abstract concepts. The court in *Yadkoe* explained: “While we recognize that an abstract idea as such may not be the subject of a property right, yet, when it takes upon itself the concrete form which we find in the instant case, it is our opinion that it then becomes a property right subject to sale.” *Yadkoe*, 66 Cal.App.2d at 159. In *Yadkoe*, where the plaintiff submitted jokes for use by the defendant entertainer, the court found the material suf-

ficiently concrete to warrant recovery by the plaintiff.

### Novelty Not Required

California courts have eliminated “novelty” from the requirements for implied-in-fact contracts. One court explained that the courts should not arbitrarily inject a novelty requirement into an implied-in-fact contract but, instead, should permit the parties to contract with each other as they see fit. *Chandler v. Roach*, 156 Cal.App.2d 435, 443 (1957). In another case, the court stated: “Whether novelty, therefore, is relevant to attempted recovery under an implied contract theory is a question of law. And California has answered that question of law. The answer is ‘no.’” *Haglund v. Dow Chemical Co.*, 218 U.S.P.Q. 55, 62 (E.D. Cal. 1982).

### DEMONSTRATING USE OF AN IDEA

Establishing that the defendant copied from the plaintiff is a universally recognized prerequisite to recovery in idea cases. The court in *Whitfield v. Lear*, 751 F.2d 90 (1984) described the use requirement as follows:

We conclude that the communications in question and the allegation of custom in the industry are sufficient to withstand a motion for summary judgment on this point.... The correspondence between the parties, brief as it was, has some of the attributes of bargaining.... To support recovery on an implied-in-fact contract, he must show not only access but also that the appellees actually used his ideas by demonstrating “some substantial similarity” between the ideas and themes of the two programs.

*Id.* at 93–94.

Courts look to many factors to deter-

mine whether substantial similarity exists between works of a plaintiff and a defendant. In *Weitzenkorn v. Lesser*, 40 Cal.2d 778 (1953), the California Supreme Court compared the form and manner of expression of the works, their basic dramatic core, existence of a similar moral message, the combination of characters, the locale, the use of a myth as an element, whether such items as the combination of characters, locale or mythical element were used for the same purpose, and the divergence in characterizations, description, and events. *Id.* at 791–92.

In *Desny v. Wilder*, 46 Cal.2d. 715 (1956), the court reversed summary judgment on grounds that substantial fact issues existed regarding defendants’ alleged use of plaintiff’s ideas. Desny contended that the defendants used his synopsis and composition in making a motion picture photoplay. Desny had presented Paramount with ideas for a photoplay regarding a real life incident from the 1920’s involving a man’s entrapment in an underground cave. Factors the court considered in evaluating use of Desny’s ideas included similarities in selection of historical data, as well as similarities of fictional material. The court recited more than a dozen similarities between Desny’s synopsis and Paramount’s photoplay regarding events, locations, character development and storyline. As a result, the court held that determination of defendants’ use of Desny’s ideas could not be made at summary judgment.

In *Minniear v. Tors*, 266 Cal.App.2d 495, 505 (1968), through a number of striking similarities in basic plot ideas, themes, sequences, and dramatic “gimmicks” in the Sea Hunt TV series, the plaintiff proved sufficient use to submit the facts to a jury.

The case of *Teich v. Gen. Mills, Inc.*, 170 Cal.App.2d 791 (1959), presents an example of a court rejecting a claim that the defendant used the plaintiff’s idea. In

*Teich*, the plaintiff submitted an idea for a sun-picture kit (for inclusion in children’s cereal boxes) to one of defendant’s employees in California. The employee (along with several others) met with plaintiff, discussed the idea, and admitted at trial that, had defendant used the idea, it would have been obligated to pay plaintiff. However, the court found sufficient evidence (correspondence and testimony) to support the defense that the sun-picture kit included in the cereals was developed by another company and proposed to the defendant’s Minneapolis head office, which had no contact with the California employees who knew of plaintiff’s idea. The evidence of independent development defeated the implied contract claim. Accordingly, the appellate court upheld the trial court’s post-trial ruling for defendant (despite the jury’s award of \$35,000 to plaintiff).

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### DEFENSE OF INDEPENDENT DEVELOPMENT

In practice, defendants most frequently challenge idea claims on grounds of independent development. Independent development constitutes a complete defense to an idea claim. *Teich v. Gen. Mills, Inc.*, 170 Cal.App.2d 791, 802-03 (1959). In *Teich*, the court noted that a plaintiff’s showing of access and similarity raises an inference of copying. *Id.* at 797. The appellate court further noted, though, that the trial court properly ruled that the defendant overcame that inference with satisfactory proof of independent creation. *Id.* at 802–03. In the *Teich* case, a third party performed the independent creation. More commonly in idea cases, though, the defendant relies on proof of its own independent development of the claimed ideas.

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The complete chapter on “Protecting Ideas With Implied-in-Fact Contracts”

addresses the following additional issues: *For more information about the trade secret treatise or to order online, please visit [www.ipsection.org](http://www.ipsection.org).*

▶▶ Distinctions between trade secret and idea claims

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▶▶ Summary judgment in idea cases

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▶▶ Comparison with other types of contracts including express contracts and contracts implied-in-law

▶▶ Defense of failure to prove basic elements of the claim

▶▶ Additional defenses

▶▶ Remedies—what is an idea worth? ■

**The IP Section of the State Bar of California proudly announced publication of its new practice guide “*Trade Secret Litigation and Protection in California (Second Edition 2009)*.” This 2009 twenty-five chapter treatise provides a comprehensive review and analysis of California trade secret law.**

**Twenty six lawyers from across the State of California contributed to this new edition. Lawyers from industry and law firms explain the fundamentals and intricacies of California trade secret law. The treatise addresses more than 500 legal authorities governing trade secret practice in California, and it contains the full text of the new CACI jury instructions for trade secret cases. The treatise serves as a resource for anyone working with trade secrets prior to or during litigation.**