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# The Role of Novelty in a California Idea Submission Case

**William O. Knox\***

## I. INTRODUCTION

In California, a claim for breach of an implied-in-fact contract arising out of one party's submission of an idea to another party raises many intriguing issues. One of the most interesting issues revolves around whether there is, or should be, any requirement that the submitted idea be novel in order to support a claim; i.e., the idea be one that is not already generally known or in use or, at least, is not known to the recipient or in its trade. This issue cannot be easily understood and requires clarification based on California Supreme Court and Court of Appeal opinions dating back to the 1950s.

## II. HYPOTHETICAL SCENARIO TYPICAL TO AN IDEA SUBMISSION CASE

For purposes of this analysis, the following hypothetical scenario is instructive:

Assume that an individual with a passing acquaintance to a managerial employee of a corporate entity approaches that manager with an idea which he represents, both verbally and in writing, to be unique and original.

Upon the disclosure of the idea, the manager realizes that the purportedly "unique and original" idea is actually neither, because the concept is either a generally known and used concept or is one that was already being discussed in-house within the company.

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Thereafter, the company informs the individual that it will not be pursuing his idea. However, the company continues to pursue its own concept or decides to pursue a similar project encompassing the same generally known and used concept. The individual collects press releases and other information regarding the company's plans for what he views as the project he had proposed. After almost two years of research, development and production, the company brings its project to market. Immediately thereafter, the individual sues the company under California law, claiming that it breached an implied-in-fact contract with him.

### III. PLAINTIFF'S BURDEN OF PROOF UNDER CALIFORNIA LAW

In an action for breach of the alleged implied-in-fact contract under California law, the plaintiff has the burden of establishing, by a preponderance of the evidence, all of the facts necessary to prove each of the following:

- 1) That the plaintiff submitted an idea to the company, which the company received.
- 2) That before submitting his idea to the company, the plaintiff clearly conditioned his disclosure upon the company's agreement to pay for those of his ideas that the company used, if any.
- 3) That the company knew, or should have known, this condition upon which the disclosure was being made before the disclosure was made.
- 4) That the company voluntarily accepted the submission on the plaintiff's terms and thereby impliedly agreed to pay him the reasonable value of any of his ideas it used.
- 5) That in producing the project, the company actually used plaintiff's ideas; that is, that the project was based substantially upon the plaintiff's ideas rather than on the company's own idea(s) or those from any other source(s).
- 6) That plaintiff's ideas that were used by the company had value.<sup>1</sup>

The reader should note that in setting forth the elements for a breach of implied-in-fact contract claim under California law, there is no mention of any required minimal characteristics for the idea to be protectable by contract. As this article will show, however, that does not mean that such required characteristics do not, or should not, exist.

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<sup>1</sup> See *Mann v. Columbia Pictures, Inc.*, 180 Cal. Rptr. 522, 533 n.6 (Cal. Ct. App. 1982).

#### IV. THE CALIFORNIA SUPREME COURT'S ANALYSIS OF THE ROLE OF NOVELTY IN AN IDEA SUBMISSION CASE

To begin an analysis of the role of novelty in an idea submission case, one must consider first the California Supreme Court's decision in *Stanley v. Columbia Broadcasting System, Inc.*<sup>2</sup>

In *Stanley*, the court stated as follows:

As a general observation from the cases, it may be stated that the right of the 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.<sup>3</sup>

After noting the defendant's concession that the plaintiff's idea was in concrete form, the majority dealt with the requirement of novelty by stating that "[t]he next question to be discussed is whether or not plaintiff's idea as such was so new and novel as to be worthy of protection."<sup>4</sup> In so stating, the majority of the court acknowledged that novelty plays an important role in idea submission cases.

It is, however, the dissent of Justice Traynor in *Stanley* that must be reviewed to determine the role of novelty in an idea submission case. Justice Traynor dissented in *Stanley* because, contrary to the majority, he believed that the plaintiff's idea was not novel as a matter of law. In his dissent, Justice Traynor provided an exegesis on California law concerning the protection of ideas by contract, whether novel or not. Regarding express contracts, he stated: "Even though the idea disclosed may be 'widely known and generally understood' . . . , it may be protected by an express contract providing that it will be paid for regardless of its lack of novelty."<sup>5</sup>

In discussing implied contracts, Justice Traynor stated as follows:

An implied-in-fact contract differs from an express contract only in that the promise is not expressed in language but implied from the promisor's conduct. *It is not a reasonable assumption, however, in the absence of an express promise, or unequivocal conduct from which one can be implied, that one would obligate himself to pay for an idea that he would otherwise be free to use.* Even an express contract to pay for 'valuable information' to be submitted by the plaintiff does

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<sup>2</sup> 221 P.2d 73 (Cal. 1950).

<sup>3</sup> *Id.* at 75 (citations omitted).

<sup>4</sup> *Id.* at 79.

<sup>5</sup> *Id.* at 85 (citations omitted).

not carry the implication of a promise to pay if it is found upon disclosure to be common knowledge. *If the idea is not novel, the evidence must establish that the promisor agreed expressly or impliedly to pay for the idea whether or not it was novel.*<sup>6</sup>

Thus, both the majority opinion and Justice Traynor's dissenting opinion in *Stanley* indicate that novelty is a required element in an idea submission case asserting a claim for breach of an implied-in-fact contract. Moreover, both opinions make clear that the plaintiff bears the burden of proving (1) that by either express contractual language or *unequivocal* conduct, the defendant agreed to pay for the idea even if it is not novel or, in the alternative, (2) that the plaintiff's idea was, in fact, novel.

In 1956, the California Supreme Court recognized that various principles first enunciated in Justice Traynor's *Stanley* dissent "are accepted as the law of California."<sup>7</sup> Specifically, the Court in *Desny* quoted the portion of Justice Traynor's dissent wherein he stated that "[e]ven though the idea disclosed may be 'widely known and generally understood,' it may be protected by an express contract providing that it will be paid for regardless of its lack of novelty."<sup>8</sup> Given the *Desny* court's adoption of Justice Traynor's *Stanley* dissent, a non-novel idea should only be protected where there is an express contract or where the unequivocal conduct of the recipient of the idea makes it clear that—even with full knowledge of the commonplace nature of the idea—he or she nevertheless agrees to pay if the idea is used.

This central position of novelty in an idea submission case is further supported by the California Supreme Court's decisions in *Kurlan v. Columbia Broadcasting System, Inc.*<sup>9</sup> and *Weitzenkorn v. Lesser*,<sup>10</sup> which were both decided on the same day.

In *Kurlan*, the plaintiff claimed to have "conceived, originated and devised a new and original radio program idea and original untitled radio program" in connection with which he "originated new program techniques and methods of radio presentation, including a new radio production format."<sup>11</sup> The plaintiff also alleged that he "created a new and original radio program which he submitted to the defendants in return for their promise, express or implied, to pay 'the reasonable

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<sup>6</sup> *Id.* at 85-86 (citations omitted) (emphasis added).

<sup>7</sup> *Desny v. Wilder*, 299 P.2d 257, 266 (Cal. 1956) (citing *Weitzenkorn v. Lesser*, 256 P.2d 947, 957-58 (Cal. 1953)).

<sup>8</sup> *Desny*, 299 P.2d at 266.

<sup>9</sup> 256 P.2d 962 (Cal. 1953).

<sup>10</sup> 256 P.2d 947 (Cal. 1953).

<sup>11</sup> 256 P.2d at 965.

value thereof' if they used it."<sup>12</sup> In reversing the trial court's judgment sustaining the general demurrer of defendants, the court observed that "[t]he pleading allows Kurlan to present evidence, if there be such, tending to prove a promise, express or implied in fact, to pay for the use of his program whether or not it is original."<sup>13</sup>

By its holding, the Court placed the burden of proof on the plaintiff as to whether the alleged promise to pay for use of the plaintiff's idea was unconditional. According to the court, "[t]he terms of the contract and the content of the programs present *questions of fact for the jury as to the contractual provisions, access, similarity, and copying.*"<sup>14</sup>

Similarly, in *Weitzenkorn*, the court stated:

It is conceivable, even though improbable, that *Weitzenkorn* might be able to introduce evidence tending to show that the parties entered into an express contract whereby Lesser and Lesser Productions agreed to pay for her production regardless of its protectability and no matter how slight or commonplace the portion which they used. Such evidence, together with comparison of the productions, would present questions of fact for the jury as to the terms of the contract, access, similarity and copying.<sup>15</sup>

The court continued:

The only distinction between an implied-in-fact contract and an express contract is that, in the former, the promise is not expressed in words but is implied from the promisor's conduct. Under the theory of a contract implied-in-fact, the required proof is essentially the same as under the first count upon express contract, with the exception that conduct from which the promise may be implied must be proved.<sup>16</sup>

Based on the aforementioned cases, it is clear that a plaintiff in a breach of implied-in-fact contract case bears the burden of proving that the defendant agreed, either expressly or by its unequivocal conduct, to pay for the use of the plaintiff's idea, regardless of whether or not the idea was novel.

If the plaintiff cannot meet this burden, however, he still has the opportunity to persuade the jury that his idea actually is novel.<sup>17</sup> As a practical matter, allocating this burden to the plaintiff is appropriate because, before the plaintiff's actual disclosure, the defendant has no

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<sup>12</sup> *Id.* at 969-70.

<sup>13</sup> *Id.* at 970.

<sup>14</sup> *Id.* (emphasis added).

<sup>15</sup> *Weitzenkorn*, 256 P.2d at 958.

<sup>16</sup> *Id.* at 794; *accord* *Chandler v. Roach*, 319 P.2d 776, 781 (Cal. Ct. App. 1957) ("In our opinion, the terms of the contract were for the jury to decide.")

<sup>17</sup> *Stanley*, 221 P.2d at 86 ("If the idea is not novel, the evidence must establish that the promisor agreed expressly or impliedly to pay for the idea whether or not it was novel.")

idea as to what it is really being offered. Without such protection, a defendant, such as in the above hypothetical, could be held liable even though the idea was not novel and, in fact, was an idea it was pursuing on its own. Under such circumstances, the plaintiff might receive a windfall from the defendant without any agreement, express or implied, by the defendant to pay for a non-novel idea.

#### V. THE LONG-LASTING CONFUSION CREATED BY THE COURT OF APPEAL LEADING TO THE EXCLUSION OF NOVELTY AS AN ELEMENT OF PLAINTIFF'S CAUSE OF ACTION

Notwithstanding the foregoing California Supreme Court authorities, the requirements for the plaintiff to prove his case have become diluted in California due to the Court of Appeal, Second Appellate District's decision in *Chandler*.<sup>18</sup> In *Chandler*, the Court of Appeal reversed a judgment for the defendants.<sup>19</sup> The court found that certain jury instructions submitted by defendants and given to the jury by the trial court were prejudicially erroneous.<sup>20</sup> One of the instructions at issue provided, in pertinent part, "If you find that Mr. Chandler's idea of a public defender television series possessed novelty when submitted to Mr. Roach, then, provided the idea also meets the requirement of concreteness, the basis would exist for implying a contract to pay for the idea."<sup>21</sup>

In concluding that the aforementioned jury instruction was prejudicially erroneous, the appellate court found "no reason to impose blindly and automatically upon the implied-in-fact contract the elements which may be necessary to establish a property right."<sup>22</sup> The court's opinion further stated that "[t]here is nothing unreasonable in the assumption that a producer would obligate himself to pay for the disclosure of an idea which he would otherwise be legally free to use, but which in fact, he would be unable to use but for the disclosure."<sup>23</sup> Taken together, these two statements have seemingly eliminated the novelty element from the implied-in-fact contract claim.

However, *Chandler* is diametrically opposed to Justice Traynor's statement in *Stanley* that "[i]t is not a reasonable assumption . . . in the absence of an express promise, or unequivocal conduct from which one can be implied, that one would obligate himself to pay for an idea that

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<sup>18</sup> *Chandler v. Roach*, 319 P.2d 776, 781 (Cal. Ct. App. 1957).

<sup>19</sup> *Id.* at 783.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 779.

<sup>22</sup> *Id.* at 783.

<sup>23</sup> *Id.* at 781.

he would otherwise be free to use.”<sup>24</sup> Thus, despite their long history of use as precedents in the courts of California, *Chandler* and its progeny should be disapproved to the extent that they hold that novelty plays no role in connection with a breach of implied-in-fact contract claim, except with respect to the assertion of independent creation by a defendant. Such reasoning should be rejected because (1) the Court of Appeal in *Chandler* lacked the authority as an inferior court to overrule or otherwise modify the California Supreme Court’s decisions in *Stanley*, *Weitzenkorn*, *Kurlan*, and *Desny* because, where there is a conflict between decisions of the Supreme Court and a Court of Appeal, a lower court must disregard the Court of Appeal decision and accept the Supreme Court decisions as controlling,<sup>25</sup> and (2) as more fully discussed below, there was no reason for such a broad holding in *Chandler*.

A careful analysis of its underlying facts reveals that *Chandler* is akin to either (1) an express contract case or (2) the situation described by Justice Traynor in *Stanley* wherein a party’s unequivocal conduct establishes an obligation to pay regardless of the idea’s lack of novelty. *Chandler* was introduced to defendant Roach by an agent. After *Chandler* prepared a script at Roach’s request, the parties circulated attorney-prepared drafts of a written contract, which at the least amounted to unequivocal conduct waiving the novelty requirement, if not the establishment, of an express rather than implied contract.<sup>26</sup> Thus, the court’s decision in *Chandler* should be limited to situations where the necessity of novelty was waived by either the parties’ entry into an express agreement following the provision of an actual script to defendant or the unequivocal post-disclosure conduct of the parties. This is so because

[t]he doctrine of precedent, or stare decisis, extends only to the ratio decidendi of a decision, not to supplementary or explanatory comments which might be included in an opinion. To determine the precedential value of a statement in an opinion, the language of that statement must be compared with the facts of the case and the issues

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<sup>24</sup> *Stanley*, 221 P.2d at 85.

<sup>25</sup> See *Auto Equity Sales, Inc. v. Superior Court of Santa Clara County*, 369 P.2d 937, 939-40 (Cal. 1962).

<sup>26</sup> *Chandler*, 319 P.2d at 778; see also *Blaustein v. Burton*, 88 Cal. Rptr. 319, 325 (Cal. Ct. App. 1970) (reversing summary judgment for defendants on the basis of uncontroverted evidence that after disclosure on the “idea,” counsel for certain of the defendants had informed plaintiff that “under any conditions . . . there would be a reward for [plaintiffs’] contribution to the project”).



raised. Only statements necessary to the decision are binding precedents; explanatory observations are not binding precedent.<sup>27</sup>

A limited reading of *Chandler* is the proper one and is consistent with Justice Traynor's dissent in *Stanley*, and the principles extant in *Kurlan* and *Weitzenkorn*.<sup>28</sup>

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<sup>27</sup> *W. Landscape Constr. v. Bank of Am. Nat'l Trust and Sav. Ass'n*, 67 Cal. Rptr. 2d 868, 870 (Cal. Ct. App. 1997); see also *Brown v. Kelly Broad. Co.*, 771 P.2d 406, 420 (Cal. 1989) (quoting prior Court of Appeal authority for the proposition that "the language of an opinion must be construed with reference to the facts presented by the case, and the positive authority of a decision is coextensive only with such facts") (citations omitted)).

<sup>28</sup> In Ronald Caswell, Comment, *A Comparison and Critique of Idea Protection in California, New York and Great Britain*, 14 LOY. L.A. INT'L & COMP. L. REV. 717, 737-38 (July 1992), the commentator asserts as follows:

Although California appellate court decisions set precedent only for courts below them, the California Supreme Court arguably adheres to this approach. The parties in *Chandler* and *Ziv* both appealed, and each time the California Supreme Court denied the petitions for rehearing. While this is not dispositive, it gives added significance to the appellate decisions. It suggests that the California Supreme Court approves of these decisions, because twice it has had the opportunity to clarify the law and has declined to do so.

This assertion goes too far. To assert that decisions of the California Supreme Court may be overruled by the court's denial of petitions to it in other cases involving the same potential legal issues is a dangerous proposition, especially without any analysis of the factual and procedural postures of the cases or analysis of the actual issues on which the California Supreme Court was petitioned by the parties. As noted above, in *Chandler*, the facts are such that when properly read, the case fits within the dictates of prior California Supreme Court opinions. Further, the issues on which the parties might have sought review by the California Supreme Court are not set forth in the court's denial. As regards *Donahue v. Ziv Television Programs, Inc.*, 54 Cal. Rptr. 130 (Cal. Ct. App. 1966), the procedural posture was such that a new trial for the defendant company was affirmed by the Court of Appeal and, therefore, the California Supreme Court might have regarded the issues on which it was petitioned not to be ripe for its review until after the retrial. Further, the facts in *Donahue* were similar to those in *Chandler* because there was post-disclosure conduct from which one could conclude that the party's unequivocal conduct established an obligation to pay regardless of the idea's lack of novelty. Moreover, the Court of Appeal in *Donahue* specifically noted that "[a]lthough underwater photography was by no means novel in 1955, the idea of a television series featuring such photography, together with use of diving equipment in an adventure series could be found to have been original." *Id.* at 134. Thus, the California Supreme Court may have denied the petition because the facts of the case would not support a reversal even if it were to hold that novelty was a required element of the plaintiffs' case. It is this uncertainty regarding the basis for the Court's denial of a petition for review that gives rise to the general rule that denial of a petition is not to be taken as an expression of approval of the propositions of law discussed in the appellate court's opinion. See, e.g., *People v. Triggs*, 506 P.2d 232, 236 (Cal. 1973), overruled on other grounds by 587 P.2d 706 (Cal. 1978); *People v. Davis*, 81 P. 718, 720 (Cal. 1905); CAL. CIV. PROC. § 28 advisory committee's comment.

## VI. CALIFORNIA SHOULD BE BROUGHT INTO LINE WITH OTHER JURISDICTIONS

Of those jurisdictions that have considered the issue, a majority require a showing of novelty in order to enforce an implied-in-fact contract to pay for the submission of an idea.<sup>29</sup>

*Murray* is particularly interesting to entertainment industry entities. The plaintiff alleged that those involved in the production and broadcast of *The Cosby Show* had used an idea which he had submitted to NBC in the form of a two page proposal.<sup>30</sup> The plaintiff's idea was to produce a television series featuring Bill Cosby as the father of a

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<sup>29</sup> See, e.g., *Murray v. Nat'l Broad. Co.*, 844 F.2d 988 (2d Cir. 1988), *cert. denied*, 488 U.S. 955 (1988) (noting that there can be no viable breach of implied-in-fact contract claim for a non-novel idea); *Ball v. Hershey Foods Corp.*, 842 F. Supp. 44 (D. Conn. 1993), *aff'd mem.* 14 F.3d 591 (2d Cir. 1993) (holding that, based on a clear consensus of courts that have considered the issue, Connecticut law would require an idea to be novel and concrete as elements for claim of breach of implied-in-fact contract); *Smith v. Recrion Corp.*, 541 P.2d 663, 665 (Nev. 1975) (stating that "[g]enerally, abstract ideas will not be protected without a showing of 'concreteness' and 'novelty'" in a case asserting claims for, *inter alia*, breach of express contract and breach of implied contract); *Burgess v. Coca-Cola Co.*, 536 S.E.2d 764, 768 (Ga. Ct. App. 2000) ("To survive summary judgment on a claim for wrongful appropriation of . . . an unpatented or unpatentable idea or product, a plaintiff must adduce some evidence from which a jury may infer the existence of each of these essential elements: (1) the idea must be novel; (2) the disclosure of the idea must be made in confidence; (3) the idea must be adopted and made use of by the defendant; and (4) the idea must be sufficiently concrete in its development to be usable.") (internal quotations omitted) (citations omitted); *Tate v. Scanlan Int'l, Inc.*, 403 N.W.2d 666, 671 (Minn. Ct. App. 1987) ("In order for an abstract idea to be the subject of an express or implied contract or to be otherwise protected by the law, it must be novel and concrete."); *Johnson v. Benjamin Moore & Co.*, 788 A.2d 906, 915 (N.J. Super. Ct. App. Div. 2002) (holding that the trial judge correctly relied on a prior Law Division opinion in listing novelty as a prerequisite for relief in New Jersey); *Garrido v. Burger King Corp.*, 558 So. 2d 79 (Fla. Dist. Ct. App. 1990) (finding that under Florida law, novelty is a required element in a breach of implied contract action filed by an advertising agency asserting that Burger King used its idea for an advertisement); *Downey v. Gen. Foods Corp.*, 286 N.E.2d 257, 259 (N.Y. 1972) (stating that "when one submits an idea to another, no promise to pay for its use may be implied, and no asserted agreement enforced, if the elements of novelty and originality are absent, since the property right in an idea is based upon these two elements"); *Ed Graham Prods., Inc. v. Nat'l Broad. Co., Inc.*, 347 N.Y.S.2d 766, 769 (N.Y. Sup. Ct. 1973) (stating that ideas that are not novel "are in the public domain and may freely be used by anyone with impunity"); Lionel S. Sobel, *The Law of Ideas, Revisited*, 1 UCLA ENT. L. REV. 9, 57 (1994) (stating that the novelty requirement for protection by implied contract is the law in most states whose courts have considered the issue). *But see* *Reeves v. Alyeska Pipeline Servs. Co.*, 926 P.2d 1130, 1141 (Alaska 1996) (discussing the California Supreme Court's preference for the California approach as articulated in *Chandler* over the New York approach, and holding that novelty is not a required element in an implied-in-fact contract claim); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 460 (6th Cir. 2001) (concluding that "the district court erred in finding that Michigan law requires novelty in a contract-based claim"); MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 16.08[B] at 16-58 to 16-66 (1978).

<sup>30</sup> *Murray*, 844 F.2d at 989-90.

closely-knit black family with a wife and five children.<sup>31</sup> The show was to be set in a “contemporary urban setting” and “combine humor with serious situations in a manner similar to the old *Dick Van Dyke Show*.”<sup>32</sup> Four years after NBC advised the plaintiff that it was not interested in pursuing his proposal, *The Cosby Show* began a successful run on NBC starring Bill Cosby.<sup>33</sup> The Second Circuit affirmed the district court’s dismissal of plaintiff’s case on summary judgment and held:

Our review of New York intellectual property law leads us to the inescapable conclusion that the district court did not err in deciding that there was no material issue of fact as to the novelty of plaintiff’s proposal. In our judgment, the basic premise underlying the concept of novelty under New York law is that special protection is afforded only to truly innovative ideas while allowing the free use of ideas that are ‘merely clever or useful adaption[s] of existing knowledge.’ In this case, the record indicates that plaintiff’s idea for a situation comedy featuring the non-stereotypical portrayal of a black family simply was not uniquely plaintiff’s creation.<sup>34</sup>

In 1993, the Court of Appeals of New York further discussed the issue of novelty in idea submission cases. In *Apfel v. Prudential-Bache Securities, Inc.*,<sup>35</sup> the court noted that novelty is not required in all cases involving disclosure of ideas.<sup>36</sup> The court then discussed the difference between the facts involved in cases like *Downey v. General Foods Corp.*,<sup>37</sup> where a “buyer and seller contract for *disclosure* of the idea with payment based on use, but no separate postdisclosure contract for *use* of the idea [having] been made,” and those involved in the case then before it.<sup>38</sup> Regarding the *Downey* situation, the Court noted:

Such transactions pose two problems for the courts. On the one hand, how can sellers prove that the buyer obtained the idea from them, and nowhere else, and that the buyer’s use of it thus constitutes misappropriation of property? Unlike tangible property, an idea lacks title and boundaries and cannot be rendered exclusive by the acts of the one who first thinks it. On the other hand, there is no equity in enforcing a seemingly valid contract when, in fact, it turns out upon disclosure that the buyer already possessed the idea. In such instances, the disclosure, though freely bargained for, is manifestly without value. A showing of novelty, at least novelty as to the

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<sup>31</sup> *Id.* at 990.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 989.

<sup>34</sup> *Id.* at 995 (citations omitted).

<sup>35</sup> 616 N.E.2d 470 (N.Y. 1993).

<sup>36</sup> *Id.* at 477.

<sup>37</sup> 286 N.E.2d 257 (N.Y. 1972).

<sup>38</sup> *Apfel*, 616 N.E.2d at 477-78.

buyer, addresses these two concerns. Novelty can then serve to establish both the attributes of ownership necessary for a property-based claim and the value of the consideration—the disclosure—necessary for contract-based claims.<sup>39</sup>

The Court found that the *Apfel* case presented a different factual situation, in which the concerns regarding a *Downey*-type fact pattern did not exist. The Court stated:

Defendant does not claim that it was aware of the idea before plaintiffs disclosed it but, rather, concedes that the idea came from them. When a seller's claim arises from a contract to use an idea entered into *after* the disclosure of the idea, the question is not whether the buyer misappropriated property from the seller, but whether the idea had value to the buyer and thus constitutes valid consideration. In such a case, the buyer knows what he or she is buying and has agreed that the idea has value, and the Court will not ordinarily go behind that determination. The lack of novelty, in and of itself, does not demonstrate a lack of value. To the contrary, the buyer may reap benefits from such a contract in a number of ways—for instance by not having to expend resources pursuing the idea through other channels or by having a profit-making idea implemented sooner rather than later. The law of contracts would have to be substantially rewritten were we to allow buyers of fully disclosed ideas to disregard their obligation to pay simply because an idea could have been obtained from some other source or in some other way.<sup>40</sup>

Following *Apfel*, many decisions of the trial and intermediate appellate courts of New York have reiterated the novelty requirement. In *Oasis Music, Inc. v. 900 U.S.A., Inc.*,<sup>41</sup> the court granted summary judgment for the defendants and dismissed the complaint alleging breach of contract, breach of confidential and fiduciary relationship, breach of implied covenant of good faith and fair dealing, misappropriation of idea, unjust enrichment, and fraudulent misrepresentation in connection with the plaintiff's idea for an interactive telephone game.<sup>42</sup> The court found that evidence submitted by the defendants demonstrated that plaintiff's ideas lacked the requisite novelty.<sup>43</sup> Specifically, the court found that defendants' evidence showed that at the time plaintiff submitted its idea to the defendants, non-trivia-based interactive games already existed, the concept of sound effects was already introduced and operating in interactive games, and that plaintiff failed to demonstrate its skip logic idea "was a novel idea and not a mere adaptation or

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<sup>39</sup> *Id.* at 478.

<sup>40</sup> *Id.* (citation omitted).

<sup>41</sup> 614 N.Y.S.2d 878 (N.Y. Sup. Ct. 1994).

<sup>42</sup> *Id.* at 880.

<sup>43</sup> *Id.* at 884.

natural progression of the concept of linear plot sequence which was in existence at the time of its proposal."<sup>44</sup>

Likewise, in *Marraccini v. Bertelsmann Music Group, Inc.*,<sup>45</sup> the Appellate Division of the Supreme Court of New York affirmed the trial court's grant of defendants' motions to dismiss the complaint for failure to state a cause of action.<sup>46</sup> The plaintiff alleged that she had met with an officer of defendant, Bertelsmann Music Group, Inc. ("BMG"), to discuss her idea for a new cable music channel to market artists and have them promote music and merchandise in connection with home shopping.<sup>47</sup> The plaintiff further alleged that the defendant expressed interest in the idea, which led her to prepare and submit a written proposal nine months later.<sup>48</sup> The plaintiff claimed that before submitting the written proposal, she had entered into an oral contract with BMG requiring confidentiality and compensation should her proposal be used.<sup>49</sup> BMG allegedly expressed continuing interest in plaintiff's idea, "explaining that it had 'been in [the] process of aggressively looking at the cable industry and the home shopping business as potential areas of expansion for [BMG].'"<sup>50</sup> Thereafter, BMG announced a joint venture with a co-defendant company to form a music video cable television channel with a home shopping element.<sup>51</sup> Defendants, however, later announced that they were not going to proceed with the joint venture.<sup>52</sup>

Affirming the trial court's dismissal of the complaint, the appellate division held:

[T]he documentary evidence indisputably indicates that the concept for a music video cable television channel, with the marketing of associated merchandise by means of home shopping, was an idea preexisting in the public domain prior to 1992 and that plaintiff's proposal was a creative variation on this theme. Accordingly, Supreme Court's reliance upon *Downey* was in all respects proper.<sup>53</sup>

Thus, the law of New York, as set forth in *Apfel* and cases following it, is consistent with the law of California, as it should be, pursuant to *Stanley* and its progeny prior to the misdirection of *Chandler*. Specifically, a plaintiff is *not* required to prove novelty only where there is

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<sup>44</sup> *Id.* at 883.

<sup>45</sup> 644 N.Y.S.2d 875 (N.Y. App. Div. 1996).

<sup>46</sup> *Id.* at 876.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> *Id.* at 877 (citations omitted).

(1) a pre-disclosure contract expressly waiving novelty, (2) a post-disclosure contract entered into after the buyer has had time to evaluate the idea,<sup>54</sup> or (3) unequivocal conduct by the parties from which an express waiver can be implied.

By admitting that an error was made in *Chandler* and in the Court of Appeal decisions that followed it, California would (1) recognize the primacy of California Supreme Court decisions over Court of Appeal decisions, (2) properly apply the doctrine of *stare decisis* reinstating the principles of *Stanley*, *Kurlan* and *Weitzenkorn*, and (3) rejoin the majority view regarding the role of novelty in idea submission cases. After over 40 years, this certainly is a justified and worthwhile goal.

In fact, in an unpublished opinion affirmed by the Ninth Circuit, the United States District Court for the Central District of California, the Judge Wm. Matthew Byrne, Jr. ignored the long existing problems created by *Chandler* and recognized the continuing viability of novelty as an element in an idea submission case.<sup>55</sup> In his Order Granting Defendants' Motion for Summary Judgment, Judge Byrne stated:

In order for plaintiff to demonstrate sufficient similarities between the two works, the ideas allegedly used by defendants must also be novel. The California Supreme Court has held that novelty is required in implied-in-fact contract cases, unless it can be inferred from "unequivocal conduct" that the recipient of the idea agreed to pay for it even if the idea was not novel.<sup>56</sup>

It is appropriate to require a plaintiff to bear the burden of proving either that his idea is novel or that the recipient waived the novelty requirement by express agreement or unequivocal conduct. Before disclosure, only the disclosing party knows what idea will be disclosed and whether or not it is novel. On the other hand, the recipient has very little or no information. At this point, prior to disclosure, the disclosing party may make his deal with the recipient party.

As in *Chandler* and *Apfel*, if the recipient remains interested in the idea—whether it be novel or not—after its disclosure, there will likely be a course of conduct between the parties that the plaintiff can use to establish the unequivocal conduct required to show the recipient's waiver of the novelty requirement.

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<sup>54</sup> This coincides with the facts of *Apfel* where there was a post-disclosure contract and actual payment under its terms for a period of more than two years. See *Apfel*, 616 N.E.2d at 476.

<sup>55</sup> See *Green v. Schwarzenegger*, CV 93-5893-WMB, 1995 U.S. Dist. LEXIS 14031 (C.D. Cal. July 11, 1995), *aff'd*, 1997 U.S. App. LEXIS 3921 (9th Cir. Feb. 28, 1997).

<sup>56</sup> *Green*, 1995 U.S. Dist. LEXIS 14031, at \*37 (citing *Stanley*, 221 P.2d at 85).

## VII. APPLICATION OF THE LAW TO THE HYPOTHETICAL

In applying the law of *Stanley*, *Kurlan* and *Weitzenkorn* to the hypothetical proposed at the beginning of this article, it is evident that the discloser's own representations have arguably destroyed any possibility for him to prove either an express contract or an implied contract whereby the parties, by their "unequivocal conduct," have waived novelty as a requirement. In fact, the individual who disclosed his idea seems to have affirmatively made novelty a term of the parties' implied contract or a condition precedent to the recipient's obligation to pay for use of the disclosed idea.

However, if the parties thereafter engage in post-disclosure communications and activities as in *Chandler* and *Apfel*, a question of fact may arise regarding waiver of the novelty requirement by such conduct. Such a factual situation may be handled through appropriate jury instructions regarding the necessity of "unequivocal" conduct to effectuate a waiver of the novelty requirement and, thus, may level the playing field between plaintiffs and defendants.

## VIII. CONCLUSION

The courts of California should now recognize the continuing vitality of *Stanley* and its California Supreme Court progeny while rejecting the misstep caused by the *Chandler* decision. Therefore, absent an express agreement or "unequivocal conduct" waiving novelty, novelty should once again become an element for the plaintiff to prove in a breach of implied-in-fact contract case. Such a change would bring the law regarding idea-based claims into conformity in the entertainment centers where they most frequently arise: namely, New York and California. In so doing, both idea disclosers and recipients would have some additional security in their dealings, and the doors may open a little wider in favor of disclosers since recipients would have more defined protections against claims based on the mere disclosure of a non-novel idea.