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Something Borrowed, Something New: The Changing Role of Novelty in Idea Protection Law

Mary LaFrance*

*Einstein, he said, nothing's original
Find something new, That's easy for him to say
Took his whole life explaining his theory*
—Lyrics from “We’ve Heard It All Before,” by British
pop band 10cc.¹

I. INTRODUCTION

Ideas that do not qualify for legal protection, it is well settled, are free to the world once they have been disclosed.² Yet states vary considerably in the scope of, and prerequisites for, legal protection granted to ideas. Variations in state approaches to idea protection are well documented.³ The states most often highlighted for their contrasting approaches are New York and California.⁴ Idea

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¹ 10CC, *We've Heard It All Before*, on TEN OUT OF 10 (Warner Brothers 1982).

² See, e.g., *Int'l News Serv. v. Associated Press*, 248 U.S. 215, 250 (1918); *Desny v. Wilder*, 299 P.2d 257 (Cal. 1956); *Bristol v. Equitable Life Assurance Soc'y*, 30 N.E. 506, 507 (N.Y. 1892); 4 MELVILLE B. NIMMER & RAYMOND NIMMER, NIMMER ON COPYRIGHT § 16.01 (1987) [hereinafter NIMMER ON COPYRIGHT] (stating the general rule that “ideas are ‘free as air’” unless they qualify under one of several common-law theories of legal protection); Melville B. Nimmer, *The Law of Ideas*, 27 S. CAL. L. REV. 119 (1954) (same). In addition to the common-law idea protection doctrines discussed in this Article, ideas may qualify for protection under patent law, copyright law, trade secret law, or trademark law, depending on the form in which the particular ideas are embodied.

³ See, e.g., 4 NIMMER ON COPYRIGHT, *supra* note 2, §§ 16.01-16.08; Lionel S. Sobel, *The Law of Ideas, Revisited*, 1 UCLA ENT. L. REV. 9 (1994); 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, 721 (1992).

⁴ See, e.g., Camilla M. Jackson, “I’ve Got This Great Idea for a Movie!” *A Comparison of the Laws in California and New York that Protect Idea Submissions*, 21 COLUM.-VLA J.L. &

protection doctrine in these two jurisdictions differs primarily in the role played by the concept of “novelty.” There is no one authoritative definition of novelty in this context;⁵ indeed, courts typically use the term without defining it. As discussed below, the function of the novelty requirement is to establish that the idea has value and that the defendant actually used the plaintiff’s idea and benefited from it.⁶

Under California law, if an idea is disclosed pursuant to an express contract, or a contract implied in fact, novelty is not required for the disclosure of that idea to constitute valid consideration for the contract.⁷ By contrast, New York requires some form of novelty as a prerequisite to all forms of idea protection other than post-disclosure contracts.⁸ In recent years, the New York courts have modified the novelty requirement for pre-disclosure contracts, requiring only that the idea be novel *to the buyer*.⁹ For an idea to be protected under unjust enrichment/quasi-contract,¹⁰ however, the idea must be novel in the general or absolute sense—in other words, unknown not only to the buyer but also to the public in general.¹¹

The relevance of novelty in the contractual protection of ideas has been widely debated.¹² Yet the leading novelty case in New Jersey, *Flemming v. Ronson Corp.*,¹³ has received relatively little attention since it was decided in 1969. Recently, in *Johnson v. Benjamin Moore & Co.*,¹⁴ the New Jersey Appellate Division demonstrated a willingness to adopt a stringent novelty standard. Due to a fortuitous turn of

ARTS 47 (1996).

⁵ See, e.g., 4 NIMMER ON COPYRIGHT, *supra* note 2, § 16.08. In contrast, novelty in federal patent law has a specific and stringent definition. See 35 U.S.C. § 102 (2003).

⁶ See generally MICHAEL A. EPSTEIN, MODERN INTELLECTUAL PROPERTY LAW 265-73 (1992).

⁷ Caswell, *supra* note 3, at 727-37; see, e.g., *Donahue v. Ziv Television Programs, Inc.*, 54 Cal. Rptr. 130 (Ct. App. 1966) (noting that an idea that is not novel “may be valuable to the person to whom it is disclosed simply because the disclosure takes place at the right time”).

⁸ Caswell, *supra* note 3, at 738-50; see *supra* notes 5-7 and accompanying text.

⁹ See *infra* notes 48-50 and accompanying text.

¹⁰ For a fuller discussion of quasi-contract based on unjust enrichment, see *infra* note 56.

¹¹ Caswell, *supra* note 3, at 746-47, 749-50; see *infra* note 17 and accompanying text.

¹² See, e.g., 4 NIMMER ON COPYRIGHT, *supra* note 2, § 16.08; Jo Bailey Brown, *Liability in Submission of Idea Cases*, 29 J. PAT. & TRADEMARK OFF. SOC’Y 161 (1947); George H. Lee, *Submission of Ideas—A Possible Solution*, 29 J. PAT. & TRADEMARK OFF. SOC’Y 895 (1947).

¹³ 107 N.J. Super. 311, 258 A.2d 153 (Law Div. 1969), *aff’d*, 114 N.J. Super. 221, 275 A.2d 759 (App. Div. 1971).

¹⁴ 347 N.J. Super. 71, 788 A.2d 906 (App. Div.), *cert. granted and summarily remanded*, 172 N.J. 176, 796 A.2d 893 (2002).

events, however, *Johnson* has since been remanded, and no longer represents controlling law. Hence, the New Jersey courts have an opportunity to reconsider the direction taken by *Johnson*, and carve out a more thoughtful approach to determining the validity of contracts for the use of ideas.

Part II of this Article examines the significant changes in New York's application of the novelty standard to idea protection contracts during the past decade. Part III discusses the evolution of idea protection law in New Jersey. An evaluation of the New York and New Jersey case law reveals significant flaws in the arguments for treating novelty as an essential element of a contract for the use of an idea. Furthermore, it suggests that New Jersey should reconsider its most recent application of the novelty standard to idea protection contracts.

II. NEW YORK IDEA PROTECTION LAW

Under New York law, and generally throughout the United States, if an idea, trade secret, or system is disclosed without contract protection, "it must follow the law of ideas, and become the acquisition of whoever receives it."¹⁵ In the absence of express agreements, idea submitters have proceeded under a number of theories in New York, some of them overlapping. The courts have not always clearly differentiated these theories.

As a threshold matter, New York courts have generally required an idea to be reduced to "concrete" form before applying any theory of protection other than an express pre-disclosure contract. Thus, they have declined to find an implied contract to compensate for the use of an idea, regardless of novelty, where the disclosure involved an abstract idea that was not protected "by an express contract prior to disclosure."¹⁶

A second, very important threshold requirement that applies to all theories of idea protection in New York, with the notable exception of *post-disclosure* contracts, is the requirement that the idea be "novel."¹⁷ Because non-novel ideas "are in the public domain and

¹⁵ *Bristol v. Equitable Life Assurance Soc'y*, 30 N.E. 506, 507 (N.Y. 1892).

¹⁶ *Williamson v. N.Y. Cent. R.R. Co.*, 16 N.Y.S.2d 217, 217-18 (App. Div. 1939) (per curiam); *accord Stone v. Liggett & Myers Tobacco Co.*, 23 N.Y.S.2d 210, 212 (App. Div. 1940); *Alberts v. Remington Rand, Inc.*, 23 N.Y.S.2d 892, 894 (Sup. Ct. 1940).

¹⁷ *See, e.g., Nadel v. Play-By-Play Toys & Novelties, Inc.*, 208 F.3d 368 (2d Cir. 2000); *Apfel v. Prudential-Bache Sec. Inc.*, 616 N.E.2d 1095 (N.Y. 1993); *Downey v. Gen. Foods Corp.*, 286 N.E.2d 257 (N.Y. 1972); *Soule v. Bon Ami Co.*, 139 N.E. 754 (N.Y. 1923) (mem.); *Robinson v. Viacom Int'l, Inc.*, 663 N.Y.S.2d 817 (App. Div.

may freely be used by anyone with impunity,' . . . [a]n idea which is a variation on a basic theme will not support a finding of novelty."¹⁸ Similarly, "[i]mprovement of standard technique or quality, the judicious use of existing means, or the mixture of known ingredients in somewhat different proportions . . . partake more of the nature of elaboration and renovation than of innovation."¹⁹

The explicit exception for post-disclosure contracts is a relatively recent development. Prior to the 1993 decision in *Apfel v. Prudential Bache-Securities Inc.*,²⁰ New York law was widely, though perhaps not accurately, understood to require absolute novelty under all theories of idea protection, including express and implied-in-fact contracts.²¹ In *Apfel*, however, the New York Court of Appeals rejected this rule, and announced a somewhat reduced role for novelty in the contractual protection of ideas.²² In doing so, it relied almost entirely on the 1930 case of *Keller v. American Chain Co.*²³

Keller was an unlikely source for a revolution in New York's idea protection laws. Since it issued in 1930, state and federal courts

1997) (mem.); *Marraccini v. Bertelsmann Music Group, Inc.*, 644 N.Y.S.2d 875 (App. Div. 1996); *Surplus Equip., Inc. v. Xerox Corp.*, 502 N.Y.S.2d 491 (App. Div. 1986); *Oasis Music, Inc. v. 900 U.S.A., Inc.*, 614 N.Y.S.2d 878 (Sup. Ct. 1994).

¹⁸ *Oasis Music*, 614 N.Y.S.2d at 881-82 (quoting *Ed Graham Prods., Inc. v. Nat'l Broad. Co.*, 347 N.Y.S.2d 766, 769 (Sup. Ct. 1973)).

¹⁹ *Id.* (quoting *Educ. Sales Programs, Inc. v. Dreyfus Corp.*, 317 N.Y.S.2d 840, 844 (Sup. Ct. 1970)).

²⁰ 616 N.E.2d 1095 (N.Y. 1993).

²¹ See, e.g., *Murray v. Nat'l Broad. Co.*, 844 F.2d 988 (2d Cir. 1988); *Downey*, 286 N.E.2d 257; *Soule*, 139 N.E. 754. However, there was some contrary authority with respect to contractual idea protection. See, e.g., *Krisel v. Duran*, 258 F. Supp. 845, 860 (S.D.N.Y. 1966) (stating that under New York law even a non-novel idea may be protected by contract); *High v. Trade Union Courier Publ'g Corp.*, 69 N.Y.S.2d 526, 529 (Sup. Ct. 1946), *aff'd*, 89 N.Y.S.2d 527 (App. Div. 1949). In *Miller v. Universal Pictures Co.*, 180 N.E.2d 248 (N.Y. 1961), Judge Burke wrote in dissent:

The fundamental law is that where there is an agreement . . . the parties to the contract must remain faithful to its terms whether or not the disclosure is novel or original. . . . 'There is nothing unreasonable in the assumption that a producer would obligate himself to pay for the disclosure of an idea . . . which in fact, he would be unable to use but for the disclosure. . . . [T]he test for a property right, applied in common law copyright cases, is that the work be new, novel and in concrete form. . . . [T]his property right test [is] not a part of any traditional contract action. . . . The reason for the requirement in common law copyright was that to have a remedy good against the world, a property right must be shown. This reason for the test is missing in an action on a contract.'

Id. at 250 (emphasis and some paragraph structure omitted) (quoting *Chandler v. Roach*, 319 P.2d 776, 781 (Cal. Ct. App. 1957)).

²² See *Apfel*, 616 N.E.2d at 1097.

²³ 174 N.E. 74 (N.Y. 1930).

wrestling with New York's idea protection doctrine cited it sporadically over a sixty-year period. Yet *Keller* had articulated narrowing interpretations of the two leading cases on which prior New York decisions had relied, *Soule v. Bon Ami Co.*,²⁴ and *Masline v. New York, New Haven & Hartford R.R. Co.*²⁵ In each of those cases, the *Keller* court noted, "the plaintiffs' imparted information was nothing new, being an idea open and apparent to everyone, and well known for years."²⁶ In contrast, the plaintiff in *Keller* expended significant effort to acquire his information, which he then disclosed to the defendant in exchange for the defendant's promise to pay a share of the profits. The defendant in turn made a profit from using the plaintiff's information. Citing precedents establishing "[t]hat information may be a valuable consideration for a promise to pay for it,"²⁷ the *Keller* court concluded that the plaintiff's information benefited the defendant and therefore, as a matter of law, constituted sufficient consideration for the defendant's promise to pay.²⁸

However, the *Keller* court's conclusion on the sufficiency of the plaintiff's information as consideration for a contract proved to be dictum. The court ultimately ruled against the plaintiff, finding a pre-existing duty to disclose this information to the defendant.²⁹

In the years between *Keller* and *Apfel*, the New York courts interpreted *Keller's* dictum on idea protection inconsistently. Some courts cited it to support a novelty requirement,³⁰ while others cited it for the opposite proposition.³¹ Still other courts cited it for the more limited proposition that information may be consideration for a contract, while finding support for a novelty requirement in other case law.³² Other New York courts simply ignored *Keller*, and held that

²⁴ 139 N.E. 754 (N.Y. 1923) (mem.), *aff'g* 195 N.Y.S. 574 (App. Div. 1922).

²⁵ 112 A. 639 (Conn. 1921).

²⁶ *Keller*, 174 N.E. at 74. The court also noted that the affirmance in *Soule* was based on the plaintiff's failure "to prove profits as the basis for his recovery." *Id.*

²⁷ *Id.* at 75 (citing, *inter alia*, *Green v. Brooks*, 22 P. 849 (Cal. 1889); *Haskins v. Ryan*, 78 A. 566 (N.J. 1908); *Bristol*, 30 N.E. 506; *Cobb v. Cowdery*, 40 Vt. 25 (1867)).

²⁸ *Id.*

²⁹ *Id.* ("The difficulty in the plaintiff's case is that his information, although by its nature a sufficient consideration for a contract, failed to be such because of the relation which the plaintiff bore to the defendant.")

³⁰ *Shapiro v. Press Publ'g Co.*, 255 N.Y.S. 899, 899 (App. Div. 1932) (citing *Keller* for the proposition that a "plan or idea, if novel and of value, was sufficient consideration" for a promise to pay).

³¹ *High*, 69 N.Y.S. at 529 ("[A]n idea, if valuable, may be the subject of contract. 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.")

³² *Singer v. Karron*, 294 N.Y.S. 566, 569 (Mun. Ct. 1937) (citing *Shapiro* and *Soule*

novelty was a prerequisite even to contractual idea protection.³³

Apfel derived yet another meaning from *Keller's* dictum. The plaintiff in *Apfel* disclosed an idea to the defendant pursuant to a confidentiality agreement. After the disclosure, the defendant entered into a separate post-disclosure contract to pay for the use of the idea. The defendant failed to deliver on its promise to pay, and asserted that the contract was unenforceable because the idea was not absolutely or generally novel, as required by *Soule* and *Downey v. General Foods Corp.*³⁴

The *Apfel* court rejected the argument that *Soule* and *Downey* had established absolute or general novelty as an essential element of a contract-based idea protection claim.³⁵ Instead, the court concluded that these cases recognized novelty merely as an element of proof:

While our cases have discussed novelty as an element of an idea seller's claim, it is not a discrete supplemental requirement, but simply part of plaintiff's proof of either a proprietary interest in a claim based on a property theory or the validity of the consideration in a claim based on a contract theory.³⁶

The court distinguished *Downey*, which had rejected a plaintiff's idea protection claims under both property and contract theories, on the ground that the defendant in *Downey* had possession of the plaintiff's idea before the plaintiff disclosed it. In the view of the *Apfel* court, this finding established that the idea in *Downey* "could have no value to defendant and could not supply consideration for any agreement between the parties."³⁷

Apfel also distinguished *Soule*. While conceding that the appellate division in that case had rejected the plaintiff's contract claim on the ground that "the bargain lacked consideration because the idea was not novel,"³⁸ the court of appeals noted that its own affirmance of the case had rested on different grounds, namely, that the "plaintiff had failed to show that profits resulted from the

for the proposition that "the information must be new or novel and valuable, or thought to be so").

³³ *E.g.*, *Downey*, 286 N.E.2d at 259 ("[W]hen 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 on these two elements.") (citing, *inter alia*, *Soule*, 195 N.Y.S. at 575).

³⁴ 286 N.E.2d 257 (N.Y. 1972).

³⁵ *Apfel*, 616 N.E.2d at 1097.

³⁶ *Id.* (citing 4 NIMMER ON COPYRIGHT, *supra* note 2, ch. 16).

³⁷ *Id.*

³⁸ *Id.*

disclosure.”³⁹ Having distinguished *Downey* and *Soule*, the *Apfel* court explicitly rejected the argument that novelty was a requirement of every idea protection claim, citing only *Keller*, a pre-disclosure contract case, for support.⁴⁰

Clarifying its position, the court of appeals divided contract-based idea protection claims into two categories: those in which the parties entered into the putative contract prior to the plaintiff’s disclosure of the idea to the defendant, and those in which the parties entered their contract after this disclosure. The court noted that:

Downey, *Soule* and cases in that line of decisions involve a distinct factual pattern: the buyer and seller contract for *disclosure* of the idea with payment based on use, but no separate postdisclosure contract for *use* of the idea has been made. Thus, they present the issue of whether the idea the buyer was using was, in fact, the seller’s.⁴¹

Novelty, the court concluded, was important only to contract cases in which the buyer entered the contract before the seller had disclosed the idea. Thus, while retaining a novelty requirement for pre-disclosure contracts, *Apfel* dispensed with novelty altogether as a requirement for post-disclosure contracts. The court justified this distinction on the ground that pre-disclosure contracts are fraught with greater dangers for idea recipients:

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 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.

There are no such concerns in a transaction such as the one before us. Defendant does not claim that it was aware of the idea

³⁹ *Id.*

⁴⁰ *Apfel*, 616 N.E.2d at 1097.

⁴¹ *Id.* at 1098.

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.⁴²

Thus, the court of appeals in *Apfel* clearly intended to eliminate any novelty requirement for post-disclosure contracts. However, it did more than that. While it retained novelty as a requirement for pre-disclosure contracts, the court also lowered the threshold for novelty. Rather than requiring an idea to be novel to the world, it required the idea to be novel only to the buyer.⁴³ Consistent with its narrow interpretations of *Soule* and *Downey*, the *Apfel* court implicitly held that an idea can be sufficiently novel to serve as consideration for a pre-disclosure contract so long as the buyer is not already in possession of that same idea. The existence of that state of affairs, of course, would not be apparent until after the disclosure had already taken place. Thus, under the *Apfel* approach, at the time the parties enter the pre-disclosure contract, neither of them will know for certain whether that contract will prove to be enforceable.

On authority of *Apfel*, the Second Circuit revised its previous interpretation of New York law in *Nadel v. Play-By-Play Toys & Novelties, Inc.*⁴⁴ The Second Circuit read *Apfel*'s oblique reference to

⁴² *Id.* at 1098 (internal citation omitted).

⁴³ *Id.* Thus, novelty, as it applies to patent law, would not be required. *Accord* *Softel, Inc. v. Dragon Med. & Sci. Communications, Inc.*, 118 F.3d 955, 969 (2d Cir. 1997).

⁴⁴ 208 F.3d 368 (2d Cir. 2000). The Second Circuit abrogated the interpretation of New York law it had adopted in *Murray v. National Broadcasting Co.*, 844 F.2d 988 (2d Cir. 1988), where it held that absolute novelty was a prerequisite to all theories of idea protection in New York, including express contracts.

“novelty as to the buyer”⁴⁵ as a clear articulation of a new legal standard for pre-disclosure contracts under New York law. The *Nadel* court reasoned that “[w]hile an idea may be unoriginal or non-novel in a general sense, it may have substantial value to a particular buyer who is unaware of it and therefore willing to enter into contract to acquire and exploit it.”⁴⁶ Thus, *Nadel* concluded that “[f]or contract-based claims in submission-of-idea cases, a showing of novelty to the buyer will supply sufficient consideration to support a contract.”⁴⁷

Therefore, under current New York law, while novelty is required for all theories of idea protection other than post-disclosure contracts, the degree of novelty differs depending on the theory the plaintiff advances. Where the plaintiff pleads express or implied-in-fact contract, it is only necessary that the idea be novel *to the buyer*.⁴⁸ In contrast, for a quasi-contract/unjust enrichment claim, or a claim of misappropriation arising from a breach of a confidential relationship, the idea must be absolutely novel; it is not sufficient that it is unknown only to the recipient of the disclosure.⁴⁹ These rules were summarized by the Second Circuit in *Nadel* as follows:

In sum, we find that New York law in submission-of-idea cases is governed by the following principles: Contract-based claims require only a showing that the disclosed idea was novel to the buyer in order to find consideration. Such claims involve a fact-specific inquiry that focuses on the perspective of the particular buyer. By contrast, misappropriation claims require that the idea at issue be original and novel in absolute terms. This is so because unoriginal, known ideas have no value as property and the law does not protect against the use of that which is free and available to all. Finally, an idea may be so unoriginal or lacking in novelty generally that, as a matter of law, the buyer is deemed to have knowledge of the idea. In such cases, neither a property-based nor a contract-based claim for uncompensated use of the idea may lie.⁵⁰

⁴⁵ *Apfel*, 616 N.E.2d at 1098.

⁴⁶ *Nadel*, 208 F.3d at 377. The Second Circuit acknowledged that two post-*Apfel* contract cases decided in the New York courts appeared to apply the general novelty standard rather than the novelty-to-the-buyer standard, but it was not persuaded that those cases eroded the precedential authority of *Apfel*. *Id.* at 379-80 (discussing *Marraccini*, 644 N.Y.S.2d 875; *Oasis Music*, 614 N.Y.S.2d 878).

⁴⁷ *Id.* at 376.

⁴⁸ *Id.* at 375-76 (citing *Apfel*, 616 N.E.2d at 1097-98). *Nadel* notes that novelty to the buyer is a fact-specific inquiry. *Id.* at 378-80.

⁴⁹ *Id.*

⁵⁰ *Id.* at 380 (footnote omitted); see also *Nadel v. Play By Play Toys & Novelties, Inc.*, 34 F. Supp. 2d 180, 184 n.1 (S.D.N.Y. 1999) (distinguishing post-disclosure contracts as not requiring novelty), *aff'd*, 208 F.3d 368 (2d Cir. 2000); *Apfel*, 616 N.E.2d at

Missing from *Nadel's* discussion of novelty, however, is any acknowledgment that *Apfel* characterized novelty, even novelty to the buyer, as a type of circumstantial evidence rather than a doctrinal requirement. Although the Second Circuit adopted the novelty-to-the-buyer standard for contract-based idea protection claims, it strongly implied that novelty was an essential element of these claims. Thus, a low degree of novelty could not be overcome by other evidence that the defendant copied and profited from the idea.

There are other, more fundamental problems with both the *Nadel* and *Apfel* holdings. The law is well-settled that an idea, once disclosed without legal protection, is free for the recipient to use.⁵¹ In the typical scenario in which one party offers to sell an idea to another, the first step is to enter into a confidentiality agreement requiring the recipient to refrain from using or disclosing the idea without the seller's consent. By retaining the novelty-to-the-buyer requirement for pre-disclosure contracts, New York's approach virtually ensures that the parties to a pre-disclosure contract cannot know at the time of contracting whether their agreement will be enforceable. The parties do not know whether a court, in hindsight, might subsequently rule the contract invalid for lack of consideration.⁵² This lack of predictability interferes with the ability of the parties to bargain successfully, thus hampering the market for all ideas other than those rare ideas that the seller perceives as unquestionably novel to the buyer. Moreover, this unpredictability is a trap for the unwary, since a seller's perceptions about his or her own ideas are likely to be somewhat biased in favor of novelty.

A second problem becomes apparent when New York's novelty requirement for pre-disclosure contracts is combined with *Apfel's* elimination of that requirement for post-disclosure contracts. A non-novel idea disclosed pursuant to a pre-disclosure contract is unprotected. The rule that an idea, once disclosed without legal protection, is free for the taking, is a specific application of the general rule that past consideration is insufficient for a valid

1097-98 (similar); *accord* *Khreativity Unlimited v. Mattel, Inc.*, 101 F. Supp. 2d 177, 185 (S.D.N.Y.) (noting that "[a]fter *Nadel*, the general novelty cases are no longer controlling for contract-based claims," but holding that general novelty is still an essential element of an unjust enrichment claim), *aff'd*, 242 F.3d 366 (2d Cir. 2000), *cert. denied*, 534 U.S. 822 (2001).

⁵¹ See *supra* note 2 and accompanying text.

⁵² The dangers of 20/20 hindsight are well illustrated in the analogous setting of federal patent law, where courts have struggled to determine, years after an invention was conceived, whether, at the time of the invention, the idea was too "obvious" to be patentable. See, e.g., *Graham v. John Deere Co.*, 383 U.S. 1, 35-36 (1966).

contract.⁵³ In other words, if an idea seller blurts out his or her idea, and the recipient subsequently promises to pay for the use of that idea, under general contract principles the promise to pay is unenforceable. If a non-novel⁵⁴ idea is disclosed pursuant to a pre-disclosure contract, under New York law it is as though the idea had simply been blurted out, because the contract is invalid due to the absence of consideration.⁵⁵ Because the non-novel idea has been disclosed pursuant to an unenforceable promise to pay, that idea enjoys no legal protection and the recipient may freely use it without the seller's consent. Hence, any attempt to form a post-disclosure contract to pay for the use of that idea would be unavailing. Although novelty is not required for such a contract to be enforceable, the idea has been disclosed before any contract was formed. Thus, the post-disclosure contract is unenforceable because it is based on past consideration. Nothing in the *Apfel* opinion indicates that the court intended to override this longstanding common-law rule, or even that it realized that such an outcome would be the effect of its holding.

III. NEW JERSEY IDEA PROTECTION LAW

New Jersey idea protection law is sparse.⁵⁶ An early New Jersey

⁵³ In general, a promise made in exchange for past consideration is invalid. *See, e.g.,* Gellert v. Dick, 13 N.E.2d 603 (N.Y. 1938); 4 NIMMER ON COPYRIGHT, *supra* note 2, § 16.04 (applying this principle to ideas that are disclosed prior to entering a contract). There are rare exceptions to this principle. *See, e.g.,* Desny v. Wilder, 299 P.2d 257 (Cal. 1956).

⁵⁴ That is, non-novel to the buyer. *See supra* note 43 and accompanying text.

⁵⁵ *See Nadel*, 208 F.3d at 375 (quoting *Apfel*).

⁵⁶ New Jersey law recognizes claims by idea submitters (whether or not employees) under several doctrines: express and implied-in-fact contracts, quasi-contracts (also called unjust enrichment or contract implied in law), and misappropriation through breach of a confidential relationship. In contrast, there are no New Jersey cases recognizing a claim for conversion based on the use of an idea. The authorities discussing this point, however, refer only to "abstract ideas, incapable of material embodiment," and thus leave open the possibility that a more "concrete" idea might be the subject of a conversion claim. *See In re Elsinore Shore Assocs.*, 102 B.R. 958, 969 (Bankr. D.N.J. 1989) (citing *Flemming v. Ronson Corp.*, 107 N.J. Super. 311, 315, 258 A.2d 153, 156 (Law Div. 1969), *aff'd*, 114 N.J. Super. 221, 275 A.2d 759 (App. Div. 1971); *McGhan v. Ebersol*, 608 F. Supp. 277, 284 (S.D.N.Y. 1985) (applying New York law)).

New Jersey law also recognizes a quasi-contract (or implied-in-law contract) claim for the use of an idea, based on unjust enrichment. A successful quasi-contract claim requires "that defendant received a benefit from plaintiff which it is unjust for [defendant] to retain without compensation, and that plaintiff, in conferring the benefit, expected remuneration." *Kopin v. Orange Prods., Inc.*, 297 N.J. Super. 353, 367, 688 A.2d 130, 137 (App. Div. 1997) (quoting *Cohen v. Home Ins. Co.*, 230 N.J. Super 72, 82, 552 A.2d 654, 659 (App. Div. 1989)). The New Jersey Supreme Court

case, however, rejected a novelty requirement in the case of express contracts. In a 1933 decision, *Elfenbein v. Luckenback Terminals, Inc.*,⁵⁷ the New Jersey Court of Errors and Appeals upheld a pre-disclosure contract in which the defendant corporation agreed to pay the plaintiff a specified percentage of any cost savings resulting from the plaintiff's idea disclosure. The plaintiff in that case disclosed an idea for reducing the defendant's taxes. The defendant used the idea, profited from it, and then refused to pay, arguing that the idea involved a legal strategy that could be derived from reading the relevant statutes.⁵⁸ Although the disclosure consisted of publicly available information, the court found that the disclosure was valid consideration.⁵⁹

In the seventy years since *Elfenbein* was decided, state and federal courts construing New Jersey's common law of idea protection have

has stated that:

[A] quasi-contractual obligation is wholly unlike an express or implied-in-fact contract in that it is "imposed by the law for the purpose of bringing about justice without reference to the intention of the parties."

Like the equitable doctrine of restitution, the key element of a quasi-contract claim is that one party has been unjustly enriched at the expense of another. Recovery under both doctrines is typically measured by the amount the defendant has benefited from the plaintiff's performance.

Wanaque Borough Sewerage Auth. v. Township of W. Milford, 144 N.J. 564, 574-75, 677 A.2d 747, 752-53 (1996) (quoting *St. Paul Fire & Marine Ins. Co. v. Indem. Ins. Co.*, 32 N.J. 17, 22, 158 A.2d 825, 827 (1960)).

Recovery in quasi-contract is permitted "even though the parties' words and actions are insufficient to manifest an intent to agree to the proffered terms [of a contract]." *Weichert Co. Realtors v. Ryan*, 128 N.J. 427, 437, 608 A.2d 280, 285 (1992). Courts may therefore impose restitution under quasi-contract for misappropriation of an idea under the following conditions:

[W]here a person communicates a novel idea to another with the intention that the latter may use the idea and compensate him for such use, the other party is liable for such use and must pay compensation if he actually appropriates the idea and employs it in connection with his own activities. A plaintiff is required to establish as a prerequisite to relief that (1) the idea was novel; (2) it was made in confidence; and (3) it was adopted and made use of.

Flemming, 107 N.J. Super. at 317, 258 A.2d at 156-57 (citations omitted); see also *In re Elsinore Shore*, 102 B.R. 958; *Kopin*, 297 N.J. Super. at 367, 688 A.2d at 137.

New Jersey law treats quantum meruit as a form of quasi-contract which allows the plaintiff to recover the reasonable value of services rendered. *Kopin*, 297 N.J. Super. at 367-69, 688 A.2d at 137-38 (citing *Matarese v. Moore-McCormack Lines, Inc.*, 158 F.2d 631, 633-35 (2d Cir. 1946)).

⁵⁷ 111 N.J.L. 67, 166 A. 91 (1933).

⁵⁸ *Id.* at 71-72, 166 A. at 93.

⁵⁹ *Id.* at 72, 166 A. at 93.

utterly ignored the decision. Interestingly, however, courts construing California's common law, under which novelty is *not* required in the case of express and implied contracts, have cited *Elfenbein* favorably.⁶⁰

More than thirty-five years passed after *Elfenbein* before the New Jersey courts revisited the law of idea protection. A trial court decided New Jersey's leading case on recovery for unauthorized use of an idea, *Flemming v. Ronson Corp.*,⁶¹ some twenty-four years before *Apfel*. Nevertheless, *Flemming* has received considerably less attention than *Apfel* from courts and commentators, probably because idea protection cases are far less common in New Jersey than in New York. *Flemming* addressed claims based on both express contract and quasi-contract/unjust enrichment. The court found no express contract, because the defendant had never promised to pay for the idea. Instead, the court found that a mere "invitation to Flemming to submit details for evaluation, coupled with an undertaking to contact him for further arrangements should the proposal be of interest, as well as an assurance that all materials submitted would be returned if the submission was not accepted," was not enough to create an express contract, even if the defendant accepted and used the plaintiff's idea.⁶² Because the court found no meeting of the minds, and therefore no possibility of contract formation, it simply did not reach the question of whether novelty was a prerequisite to an enforceable contract for the use of an idea.

Instead, *Flemming* addressed novelty only in the context of the plaintiff's claim for unjust enrichment under quasi-contract.⁶³ The

⁶⁰ See, e.g., *Desny v. Wilder*, 299 P.2d 257, 270 (Cal. 1956); *Blaustein v. Burton*, 9 Cal. App. 3d 161, 182 (1970).

⁶¹ 107 N.J. Super. 311, 258 A.2d 153 (Law Div. 1969). A much older federal case dealing with facts arising in New Jersey strongly implied that novelty is a condition to recovering for the use of an idea that was disclosed in confidence. See *Smoley v. N.J. Zinc Co.*, 24 F. Supp. 294, 300 (D.N.J. 1938), *aff'd*, 106 F.2d 314 (3d Cir. 1939). However, *Smoley* did not rely on any New Jersey case law, and instead followed the pre-*Erie* practice of applying general "federal common law." See *Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938) (overturning prior law which permitted federal courts in diversity cases to override state common law in order to establish a uniform federal common law). *Flemming* acknowledges this case but treats novelty as probative rather than substantive. *Flemming*, 107 N.J. Super. at 317, 258 A.2d at 157.

⁶² *Flemming*, 107 N.J. Super. at 315, 258 A.2d at 155. The court explained that "[t]he minds of the parties never met." *Id.* In addition, because the defendant sent the plaintiff a post-submission letter stating "[w]e have received your submission and find that we are not interested in it at the present time," *id.* at 314, 258 A.2d at 155, the court stated that "[t]he law will not imply a promise on the part of a person against his own express declaration," *id.* at 315, 258 A.2d at 156.

⁶³ Where there has been an unsolicited submission of an idea, . . . the question which arises is whether, on the facts presented, the recipient

court found it unnecessary to decide whether “a mere abstract idea, incapable of material embodiment,” could be the subject of a claim for conversion or misappropriation, because *Flemming’s* idea was “concrete and usable” in that it could be transformed into a physical product.⁶⁴ The court, however, had greater difficulty with the question whether novelty is a prerequisite to *any* theory of recovery for the use of an idea. In a rather ambiguous discussion of the role of novelty in idea protection cases, *Flemming* stopped short of expressly requiring novelty as a substantive prerequisite for idea protection, while acknowledging the importance of novelty as a probative factor in determining whether the defendant in fact copied the plaintiff’s idea. This discussion of novelty, however, is entirely in the context of quasi-contract:

It has been held that where a person communicates a novel idea to another with the intention that the latter may use the idea and compensate him for such use, the other party is liable for such use and must pay compensation if he actually appropriates the idea and employs it in connection with his own activities. A plaintiff is required to establish as a prerequisite to relief that (1) the idea was novel; (2) it was made in confidence, and (3) it was adopted and made use of. Although novelty has been considered significant in these and other cases, this element is more important for its evidentiary value than for substantive quality. In other words, where the issue is whether one’s idea has in fact been used by another, similarities between the submission and the ultimate product may justify the factual inference that one was copied from the other. If the concept submitted is unique, or if there are many points of likeness, the inference is strengthened. On the other hand, a lack of novelty or the existence of many dissimilar features will support a denial that the idea was used by the recipient.⁶⁵

is liable, if at all, by reason of a quasi-contractual obligation based on the doctrine of unjust enrichment. An idea, as distinguished from the copyrighted contents of a book or a patented device or process, is accorded no protection in the law unless it is acquired and used in such circumstances that the law will imply a contractual or fiduciary relationship between the parties. Generally, one who receives a benefit which it is unjust for him to retain ought to make restitution or pay the value of the benefit to the party entitled thereto.

Id. at 315-16, 258 A.2d at 156.

⁶⁴ *Id.* at 316-17, 258 A.2d at 156.

⁶⁵ *Id.* at 317-18; 258 A.2d at 156-57 (internal citations omitted) (citing *Indus. v. A.E. Peterson Mfg. Co.*, 165 F. Supp. 523 (S.D. Cal. 1958); *Matarese*, 158 F.2d 631; *Mitchell Novelty Co. v. United Mfg. Co.*, 199 F.2d 462 (7th Cir. 1952); *De Filippis v. Chrysler Corp.*, 53 F. Supp. 977 (S.D.N.Y. 1944), *aff’d*, 159 F.2d 478 (2d Cir.), *cert. denied*, 331 U.S. 848 (1947); *Official Airlines Schedule Info. Serv., Inc. v. E. Air Lines*,

On this basis, the court narrowed its statement of the issue “to a determination of *whether [the defendant] actually copied or used Fleming’s idea, or was aided by it in developing its own product.*”⁶⁶ By framing the issue in this way, the court made clear that it was treating novelty as a probative factor, rather than as a substantive element of the plaintiff’s claim.

On the facts, *Flemming* found only a “superficial resemblance” between the plaintiff’s idea and the defendant’s product.⁶⁷ Furthermore, the court found that the ideas common to both products were merely “a different application of a long-established principle.”⁶⁸ Accordingly, these ideas were “not so novel as to create the inference that defendant utilized or copied plaintiff’s idea,” as opposed to deriving a similar idea from public domain sources.⁶⁹

Thus, *Flemming* indicates that novelty is an important factor in evaluating a plaintiff’s claim for recovery for the use of an idea. Yet it also suggests that its importance derives from its probative value, rather than from any absolute principle that would override the freedom of contract and require courts to second-guess the decisions of the contracting parties. It appears, then, that *Flemming* did not embrace a *per se* rule that lack of novelty is fatal to an idea protection claim. Nor did it indicate whether novelty should play a different role—or, indeed, any role at all—when a plaintiff’s claim is based on contract rather than quasi-contract.

Flemming’s rationale for requiring novelty in the context of a quasi-contract claim is not necessarily persuasive in the context of a true contract claim. A federal court decision construing *Flemming* some thirty years later noted that a quasi-contract claim is based on tort law rather than contract law.⁷⁰ Because the defendant in such a case has not expressed a promise to pay, either verbally or by its actions, no contract is formed, and the obligation to pay must be imposed, if at all, by law. This rationale compels a court to determine whether circumstances exist that warrant imposing an obligation on a party who has not assented to it.⁷¹ In effect, when such circumstances

Inc., 333 F.2d 672 (5th Cir. 1964); *Stevens v. Cont’l Can Co.*, 308 F.2d 100 (6th Cir. 1962); *Smoley*, 24 F. Supp. 294; *Lueddecke v. Chevrolet Motors Co.*, 70 F.2d 345 (8th Cir. 1934); *Int’l Indus., Inc. v. Warren Petroleum Corp.*, 99 F. Supp. 907 (D.C. Del. 1951), *aff’d*, 248 F.2d 696 (3d Cir. 1957), *cert. dismissed*, 355 U.S. 943 (1958)).

⁶⁶ *Id.* at 318, 258 A.2d at 157 (emphasis added).

⁶⁷ *Id.*

⁶⁸ *Flemming*, 107 N.J. Super. at 318, 258 A.2d at 157.

⁶⁹ *Id.* at 319, 258 A.2d at 158.

⁷⁰ *Duffy v. Charles Schwab & Co.*, 123 F. Supp. 2d 802, 808 (D.N.J. 2000).

⁷¹ Although not explicitly stated in [*Flemming*], the court’s opinion

are found to exist, there is a “constructive” promise to pay. As explained in *Flemming*:

Where there has been an unsolicited submission of an idea, . . . the question which arises is whether, on the facts presented, the recipient is liable, if at all, by reason of a quasi-contractual obligation based on the doctrine of unjust enrichment. An idea, as distinguished from the copyrighted contents of a book or a patented device or process, is accorded no protection in the law unless it is acquired and used in such circumstances that the law will imply a contractual or fiduciary relationship between the parties. Generally, one who receives a benefit which it is unjust for him to retain ought to make restitution or pay the value of the benefit to the party entitled thereto.⁷²

The requirement of novelty, therefore, may be viewed as a substitute for the express or implied-in-fact assent that would be needed for a true contract to be formed. In quasi-contract, novelty may be necessary to serve as a proxy for the missing element of assent. By contrast, in a true contract situation, the defendant assents to the plaintiff's conditions, either by word or action. Thus, there is no need for the law to find a proxy for the defendant's assent. In a true contract, therefore, because assent is present, novelty is not needed.

Flemming's suggestion that novelty might have an evidentiary rather than a substantive function in idea protection claims was an intriguing development in the law of idea protection, and one to which courts and commentators do not give significant attention. Giving novelty an evidentiary role in contract cases, rather than treating it as an element of the cause of action, recognizes that novelty—or any other characteristic of the disclosed idea—is not needed as a substitute for the assent that creates a contract. Assent

indicates that the cause of action recognized therein is not based upon contract law, but on tort law. Thus, whether a party misappropriates another's confidential idea or some other type of property, the law will imply an obligation that the party pay the other restitution for its improper use of that property. In rendering its holding, the [*Flemming*] court stated the test for determining whether the law will imply an obligation to pay for a confidentially submitted idea: When “a person communicates a novel idea to another with the intention that the latter may use the idea and compensate him for such use, the other party is liable for such use and must pay compensation if . . . (1) the idea was novel; (2) it was made in confidence [to the defendant], and (3) it was adopted and made use of [by the defendant in connection with his own activities].”

Id. (citations omitted).

⁷² *Flemming*, 107 N.J. Super. at 315-16, 258 A.2d at 156.

continues to be essential, regardless of novelty. Just as novelty, by itself, does not prove that the defendant entered a contract, so the absence of novelty should not, by itself, disprove the existence of a contract. In contract claims, novelty should be, at most, persuasive evidence that the defendant derived a benefit from the plaintiff's disclosure.

Thus, although the evidentiary role of novelty was articulated by the *Flemming* court in the quasi-contract context, that approach seems to be at least equally appropriate in the context of true contract claims. Treating novelty as evidence of assent, rather than as an additional substantive element, respects the traditional freedom-of-contract rule under which courts will not scrutinize the consideration to which two parties have voluntarily and knowingly agreed.⁷³ Treating novelty as evidence of contract formation also respects the concern that a plaintiff who discloses an idea that the defendant already possesses might later assert the existence of an implied-in-fact contract to harass the defendant into an unwarranted settlement. Where an idea is not very novel, it is reasonable to believe that a defendant already had access to that idea, or a very similar one, at the time of the plaintiff's disclosure, and it is unlikely that the defendant would have agreed to pay a substantial sum for disclosure of that idea. By contrast, when a plaintiff discloses a highly unusual idea to a defendant, and the defendant subsequently profits by using a similar idea, a factfinder is more likely to infer that the defendant actually benefited from the plaintiff's disclosure despite the defendant's self-serving assertions of independent creation.⁷⁴

One might draw an analogy to the evidentiary role played by substantial similarity in copyright law.⁷⁵ That standard has two functions: one substantive, one evidentiary.⁷⁶ Its substantive role is to

⁷³ See, e.g., *Apfel v. Prudential-Bache Sec. Inc.*, 81 N.Y.2d 470, 475-78 (1993); see also *GLS Dev., Inc. v. Wal-Mart Stores, Inc.*, 944 F. Supp. 1384, 1395 (N.D. Ill. 1996).

⁷⁴ Courts which find that a defendant did not in fact use or benefit from the plaintiff's idea frequently point out the other avenues through which the defendant might have had, or in fact did have, access to the same idea from other sources. See, e.g., *Burgess v. Coca-Cola Co.*, 536 S.E.2d 764, 767-68 (Ga. Ct. App. 2000) (finding that the idea of a marketing campaign using anthropomorphic polar bears was non-novel because it was available to defendant from sources other than plaintiff's idea submission, and granting summary judgment for defendant on the grounds of independent creation).

⁷⁵ Although there is no settled definition for "substantial similarity," it is uniformly acknowledged that two works of authorship need not be literally identical to be substantially similar, but they must have more in common than a mere similarity of abstract ideas. See, e.g., 4 NIMMER ON COPYRIGHT, *supra* note 2, § 13.03[A][1].

⁷⁶ See 4 *id.* § 13.01[B]; Alan Latman, "Probative Similarity" as Proof of Copying:

establish a threshold test of what type and amount of copying constitutes infringement of copyrighted expression, as opposed to de minimis copying of expression or the mere copying of ideas.⁷⁷ In its evidentiary role, however, substantial similarity is one element of the two-element circumstantial test for whether a defendant's work was copied from the plaintiff, or whether the similarities between the works are insubstantial enough that they might be attributable to coincidence or mere similarity of ideas.⁷⁸ Under this circumstantial test, a plaintiff need not offer direct proof of copying by the defendant, but may instead offer indirect or circumstantial proof of copying by demonstrating that the two works are "substantially similar" and that the defendant had access to the plaintiff's work.⁷⁹

Contract-based idea protection claims suffer from the same general type of evidentiary problem as copyright claims. Just as there may be no direct evidence of copying, so it may also be difficult to determine, through direct evidence, whether a defendant in fact promised to provide certain compensation to a plaintiff in return for a particular idea disclosure. A reasonable finder of fact, however, would ask whether a reasonable person in the defendant's position would have offered to pay the amount the plaintiff asserted in exchange for disclosure of the idea that the plaintiff in fact provided. If a plaintiff contends that a defendant agreed to pay a flat sum—for example, one million dollars—in exchange for disclosing an idea that is not especially novel, the factfinder is likely to be unpersuaded. By contrast, if the plaintiff claims only that the defendant agreed to pay the reasonable value of the idea or a percentage of the profits derived therefrom, the factfinder might find that the idea's relative lack of novelty does not make the existence of the contract quite so improbable, since the defendant would suffer little or no out-of-pocket loss if the idea proved to be useless or unprofitable.⁸⁰

Toward Dispelling Some Myths in Copyright Infringement, 90 COLUM. L. REV. 1187 (1990); see also, e.g., *Ringold v. Black Entm't Television*, 126 F.3d 70, 74 (2d Cir. 1997); *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946); *Castle Rock Entm't v. Carol Publ'g Group*, 955 F. Supp. 260, 264 (S.D.N.Y. 1997), *aff'd*, 150 F.3d 132 (2d Cir. 1998); *Runstadler Studios, Inc. v. MCM Ltd. P'ship*, 768 F. Supp. 1292, 1296 (N.D. Ill. 1991).

⁷⁷ See 4 NIMMER ON COPYRIGHT, *supra* note 2, § 13.03[A]; *Ringold*, 126 F.3d at 74; *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131, 139-40 (2d Cir. 1992).

⁷⁸ See, e.g., *Laureyssens*, 964 F.2d at 139-40; *Castle Rock Entm't*, 955 F. Supp. at 264. In this evidentiary context, some commentators prefer the term "probative similarity." See Latman, *supra* note 76, at 1190 (describing the requisite level of similarity as "one that under all the circumstances justifies an inference of copying").

⁷⁹ See, e.g., *Castle Rock Entm't*, 955 F. Supp. at 264.

⁸⁰ In another analogy to copyright law, one might compare the importance of

After *Flemming* was affirmed in 1971, the court's unusual approach to the novelty question was almost completely ignored, in New Jersey and elsewhere, for more than thirty years.⁸¹ In 2001, *Flemming* received a new, and somewhat questionable, gloss from the New Jersey Appellate Division in *Johnson v. Benjamin Moore & Co.*⁸² In contrast to *Flemming*, which addressed novelty in the context of a quasi-contract claim, the central issue in *Johnson* involved a challenge to the validity of an express written pre-disclosure contract in which the defendant agreed to pay the plaintiff "a reasonable compensation based on current industry standards" for the use of the plaintiff's idea.⁸³ The sole basis for challenging the contract was the idea's alleged lack of novelty. The trial court held that the plaintiff's idea lacked novelty as a matter of law, and that, under *Flemming*, the express pre-disclosure contract was unenforceable.⁸⁴ The appellate division affirmed on the ground that *Flemming* required novelty as a prerequisite to relief.⁸⁵

In *Johnson*, the appellate division adopted the approach of the New York court in *Apfel*,⁸⁶ holding that novelty is a prerequisite to an enforceable pre-disclosure contract for the use of an idea, even though it is not a prerequisite to an enforceable post-disclosure

novelty as evidence of an enforceable contract to the importance of originality in determining whether a derivative work deserves copyright protection. If the derivative work is not sufficiently distinguishable from the underlying work(s) on which it is based, its putative copyright owner might be able to pursue unwarranted claims of infringement against parties who did not in fact copy the derivative work, but only the underlying work(s) on which it was based. *Gracen v. Bradford Exch.*, 698 F.2d 300, 304-05 (7th Cir. 1983).

⁸¹ *In re Elsinore Shore* is the only reported decision acknowledging *Flemming's* view of novelty as a probative factor in idea protection cases. *In re Elsinore Shore*, 102 B.R. at 969-71. In that case, which adopted the *Flemming* approach, the court rejected claims for misappropriation and breach of implied contract because the idea submitted was "not so unique as to preclude a finding" of independent creation by the recipient, and because the "dissimilarities" between the idea submitted and the idea used were "obvious." *Id.* at 976. When *Apfel* was decided twenty-four years later, the New York court did not acknowledge, much less analyze, the New Jersey approach, and instead applied the standard of novelty to the buyer to pre-disclosure contracts, while rejecting a novelty requirement for post-disclosure contracts. In contrast to *Apfel*, which involved a true contract claim, *Flemming's* view of novelty as predominantly probative rather than substantive was articulated in the context of a quasi-contract claim.

⁸² 347 N.J. Super. 71, 788 A.2d 906 (App. Div.), *cert. granted and summarily remanded*, 172 N.J. 176, 796 A.2d 893 (2002).

⁸³ *Id.* at 79, 788 A.2d at 910.

⁸⁴ *Id.* at 77-78, 788 A.2d at 910.

⁸⁵ *Id.* at 84, 788 A.2d at 915.

⁸⁶ *Apfel*, 616 N.E.2d at 1098.

contract.⁸⁷ *Johnson* also endorsed the interpretations of *Apfel* by federal courts in *Nadel v. Play By Play Toys & Novelties, Inc.*⁸⁸ and *AEB & Assocs. Design Group, Inc. v. Tonka Corp.*,⁸⁹ both of which were non-contract cases.⁹⁰ The *Johnson* court held that, based on New York precedent, “general novelty” would no longer be required in cases involving contract-based claims for the use of ideas; at most, novelty to the buyer would be required.⁹¹ However, it agreed with *Nadel* that some ideas may be so lacking in novelty that they may be deemed, as a matter of law, to be non-novel even to the buyer.⁹² The court also acknowledged that the standard of novelty to the buyer was a lower standard than the novelty standard of federal patent law.⁹³

Although *Johnson* noted that both *Flemming* and *Apfel* supported a novelty requirement, the court did not acknowledge that *Flemming*'s discussion of novelty was limited to the context of quasi-contract claims.⁹⁴ Nor did it acknowledge that both *Flemming* and *Apfel* implicitly treated novelty as primarily probative rather than substantive.⁹⁵ Accordingly, the appellate division held that, in the absence of novelty, the pre-disclosure contract in *Johnson* was unenforceable because the parties did not execute a separate post-disclosure agreement.⁹⁶

As discussed below, to the extent that *Johnson* covers new ground in the law of idea protection, its subsequent remand by the New Jersey Supreme Court means that it cannot be relied on as an authoritative statement of New Jersey law. As a result, the role of novelty in New Jersey's idea protection doctrine remains unsettled.

Although *Johnson* attempted a thorough explication of the New Jersey law of idea protection, that case is no longer authoritative to the extent that it goes beyond the rules articulated in *Flemming*.

⁸⁷ *Johnson*, 347 N.J. Super. at 85-87, 788 A.2d at 915-16.

⁸⁸ 34 F. Supp. 2d 180, 182-88 (S.D.N.Y. 1999), *aff'd in part and vacated in part*, 208 F.3d 368 (2d Cir. 2000).

⁸⁹ 853 F. Supp. 724, 727-36 (S.D.N.Y. 1994).

⁹⁰ *Johnson*, 347 N.J. Super. at 90-91, 788 A.2d at 918-19.

⁹¹ *Id.* at 91, 788 A.2d at 919.

⁹² *Id.*

⁹³ *Id.* at 89-90, 788 A.2d at 918.

⁹⁴ *Id.* at 83-87, 788 A.2d at 914-16 (stating simply that *Flemming* “list[ed] novelty as a prerequisite for relief in this State”).

⁹⁵ *Id.* at 83-84, 788 A.2d at 914 (rejecting the argument that *Flemming* treated novelty as evidentiary rather than as essential to “determining whether an agreement to pay should be implied”); *id.* at 85, 788 A.2d at 915 (describing *Apfel* as holding that “a written contract for sale of non-novel ideas is not enforceable without a post-disclosure agreement”).

⁹⁶ *Johnson*, 347 N.J. Super. at 85, 788 A.2d at 915.

Johnson was summarily remanded by the New Jersey Supreme Court after the plaintiff received a patent on the very idea which the appellate division had held to be insufficiently novel as a matter of law.⁹⁷ Thus, as an indication of current New Jersey law, *Flemming* must be viewed as a far stronger authority than *Johnson* on those points of law that are discussed in both cases.

The appellate division's opinion in *Johnson* added three points of law that went beyond the holdings in *Flemming* and thus are questionable in light of the *Johnson* remand: (1) the holding that novelty in idea submission cases is a question of law;⁹⁸ (2) the explicit adoption of the New York rule articulated in *Apfel*, *Nadel*, and *AEB*, which requires some degree of novelty as a prerequisite to all forms of idea protection other than post-disclosure contracts;⁹⁹ and (3) the explicit adoption of the *Nadel* rule that some ideas are so lacking in originality that they cannot be protected under either misappropriation law or pre-disclosure contracts, even though the lesser standard of novelty to the buyer is the novelty standard that is otherwise applicable to pre-disclosure contracts.¹⁰⁰ Because these three holdings in *Johnson* are now questionable, the only aspects of *Johnson* that can currently be relied on as controlling law in New Jersey are those which were previously articulated in *Flemming*.

Johnson's now-uncertain holding that the novelty of an idea is a question of law was based on a federal district court's attempt to forecast New Jersey law in *Duffy v. Charles Schwab & Co.*¹⁰¹ The *Duffy* opinion relied heavily on *Flemming*. It read the latter case as imposing absolute novelty as a legal prerequisite to recovery for misappropriation of an idea based on quasi-contract/unjust enrichment, but not as a prerequisite to a contract claim.¹⁰² *Duffy*, however, viewed novelty as an essential element of consideration, and thus treated novelty to the buyer as a substantive element of an implied-in-fact contract claim rather than as a probative factor.¹⁰³

⁹⁷ *Johnson*, 172 N.J. at 176, 796 A.2d at 893.

⁹⁸ *Johnson*, 347 N.J. Super. at 94, 788 A.2d at 921.

⁹⁹ *Id.* at 90-91, 788 A.2d at 918-19. This stands in contrast to *Flemming*, which adopted the novelty requirement for quasi-contract claims but did not discuss its application to true contract claims.

¹⁰⁰ *Id.* at 91 (also citing *Khreativity Unlimited v. Mattel, Inc.*, 101 F. Supp. 2d 177, 185 (S.D.N.Y.), *aff'd*, 242 F.3d 366 (2d Cir. 2000), *cert. denied*, 534 U.S. 822 (2001)).

¹⁰¹ 123 F. Supp. 2d 802, 808 (D.N.J. 2000) (cited in *Johnson*, 347 N.J. Super. at 94, 788 A.2d at 920).

¹⁰² *Id.* at 807-08, 817-18 (also relying on *Nadel* and other New York cases on idea protection).

¹⁰³ *Id.* at 818.

The *Duffy* court acknowledged that *Flemming* did not decide whether novelty is a question of law or fact, and that factual analysis would certainly be a part of the novelty determination in most cases.¹⁰⁴ It concluded, however, that, while underlying factual determinations might be relevant to the ultimate question of novelty, New Jersey courts would treat the ultimate question as one of law.¹⁰⁵ In reaching this conclusion, the court in *Duffy* drew an analogy to federal patent cases holding that obviousness is a question of law even though some cases might require the resolution of factual issues before the ultimate legal question could be decided.¹⁰⁶ The court acknowledged, however, that rulings from other jurisdictions on this question were mixed.¹⁰⁷ It did not cite any New Jersey case law, apparently because no New Jersey court had yet ruled on the question. Nonetheless, the *Johnson* court adopted this rule in its short-lived opinion.

The Second Circuit has read *Flemming* somewhat differently than the *Duffy* court. In *Bergin v. Century 21 Real Estate Corp.*,¹⁰⁸ the Second Circuit upheld the rejection of a plaintiff's quasi-contract claim. The court reasoned that the plaintiff's idea for an advertising campaign was insufficiently novel to be either "novel to the buyer" or "original in an absolute sense" because it was "a mere variation" on the defendant's past advertising campaigns.¹⁰⁹ Like the courts in *Duffy* and *Johnson*, the *Bergin* court treated novelty as a question of law.¹¹⁰ Unlike those courts, however, the Second Circuit read *Flemming* as authority for treating novelty in a quasi-contract case as evidentiary rather than substantive:

Under New Jersey law, a plaintiff seeking relief in quasi-contract for alleged misappropriation of an idea "is required to establish as a prerequisite for relief that: (1) the idea was novel; (2) it was made in confidence; and (3) it was adopted and made use of." Novelty under this standard "*is more important for its evidentiary*

¹⁰⁴ *Id.* at 808.

¹⁰⁵ *Id.* at 809. The court also found support in *Bergin v. Century 21 Real Estate Corp.*, No. 98 Civ. 8075 (JGK), 2000 WL 223833, at *9 (S.D.N.Y. Feb. 25, 2000), *aff'd*, No. 00-7381, 2000 WL 1678777 (2d Cir. Nov. 8, 2000) (unpublished), another federal district court decision which held that novelty was a question of law in New Jersey. *Duffy*, 123 F. Supp. 2d at 809.

¹⁰⁶ *Duffy*, 123 F. Supp. 2d at 808.

¹⁰⁷ *Id.*

¹⁰⁸ *Bergin*, 2000 WL 1678777, at *3.

¹⁰⁹ The court also upheld the district court's finding that the alleged agreement between the parties was too vague to constitute an enforceable implied-in-fact contract. *Id.* at *2.

¹¹⁰ *Id.* at *3.

value than for substantive quality." Thus, the more novel the plaintiff's idea and the closer its resemblance to the defendant's finished product, the stronger the inference that the defendant copied it. Summary judgment is appropriate where the defendant knew of the idea or the idea was "[a] matter[] in the domain of public knowledge" before the plaintiff disclosed it to the defendant.¹¹¹

Treating novelty as evidence of copying, however, rather than as an essential element of the prima facie case, is arguably inconsistent with treating novelty as a question of law. Even in patent law, where novelty is a substantive and rigorous requirement for patentability, and is subject to a detailed statutory definition,¹¹² the determination of novelty is considered a question of fact.¹¹³ In idea protection law, where the concept of novelty is much less well-defined, it seems self-evident that if novelty is merely indirect evidence that the disclosed idea had value to the putative buyer, then different gradations of novelty should be recognized, since different ideas will have different values to different buyers.

IV. CONCLUSIONS

Imposing a novelty requirement for contractual protection of ideas treats novelty as an essential element of consideration. In contrast, imposing a novelty requirement in cases of quasi-contract treats novelty as a substitute for assent rather than consideration. Prior to the *Johnson* decision, the New Jersey courts appeared willing to limit the novelty requirement to non-contractual claims. In *Johnson*, however, the Appellate Division appeared to embrace the concept of novelty as an essential element of consideration.

With *Johnson's* remand, its gloss on idea protection law is suspended. This presents the New Jersey courts with an opportunity to reconsider the wisdom of following the New York approach to idea protection contracts.

As noted earlier, California's approach to idea protection contracts provides a classic counterpoint to New York's approach.¹¹⁴ In recent years, other states have embraced the more liberal

¹¹¹ *Id.* (citations omitted) (emphasis added) (quoting *Flemming*, 107 N.J. Super. at 319, 258 A.2d at 158).

¹¹² 35 U.S.C. § 102 (2003).

¹¹³ *Trindec Indus., Inc. v. Top-U.S.A. Corp.*, 295 F.3d 1292, 1294 (Fed. Cir. 2002). Treating novelty as a question of fact in patent law is arguably inconsistent with treating obviousness as a question of law in such cases. See *supra* text accompanying note 106.

¹¹⁴ See *supra* notes 7-8 and accompanying text.

California approach. The Michigan Court of Appeals, for example, acknowledged in *Sarver v. Detroit Edison Co.*,¹¹⁵ a case involving an employee suggestion plan, that while a plaintiff's idea may not be unique or novel, "to the extent that plaintiff seeks compensation for formulating, drafting, and submitting her idea pursuant to defendant's employee suggestion program, rather than for the idea itself[,] she has stated a breach of contract claim."¹¹⁶ The Sixth Circuit subsequently interpreted *Sarver* as rejecting a novelty requirement for contract-based idea protection claims under Michigan law.¹¹⁷

A recent case in Alaska also appears to embrace the more liberal approach. In *Reeves v. Alyeska Pipeline Service Co.*,¹¹⁸ the Supreme Court of Alaska rejected novelty as a prerequisite for an implied-in-fact contract,¹¹⁹ although it declined to decide whether novelty was a prerequisite for an express contract.¹²⁰ The plaintiff in that case argued that his services in disclosing an idea were sufficient consideration to support a contract where the idea recipient had agreed, in exchange for the disclosure, to involve the plaintiff in the resulting venture. Because the plaintiff framed his claim as a breach of contract to pay for services rather than as an idea, the court found it unnecessary to resolve the question whether a non-novel idea could be consideration for an express contract.¹²¹ On the plaintiff's claim for breach of an implied-in-fact contract, the court adopted the California approach and rejected New York's novelty requirement as modified by *Apfel*.¹²²

We prefer the California approach. An idea may be valuable to the recipient merely because of its timing or the manner in which it is presented. In *Chandler v. Roach*, the court stated that "the fact that the [recipient of the idea] may later determine, with a little thinking, that he could have had the same ideas and could thereby have saved considerable money for himself, is no defense against the claim of the [idea person]. This is so even though the material to be purchased is abstract and unprotected material."

¹¹⁵ 571 N.W.2d 759 (Mich. Ct. App. 1997).

¹¹⁶ *Id.* at 763.

¹¹⁷ *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001), *cert. denied*, 534 U.S. 1114 (2002).

¹¹⁸ 926 P.2d 1130 (Alaska 1996).

¹¹⁹ *Id.* at 1141-42.

¹²⁰ *Id.* at 1137 n.7.

¹²¹ *Id.* The notion of idea disclosure as a service is also endorsed by the leading treatise on copyright law. See 4 NIMMER ON COPYRIGHT, *supra* note 2, § 16.04[A].

¹²² *Reeves*, 926 P.2d at 1141.

Implied-in-fact contracts are closely related to express contracts. Each requires the parties to form an intent to enter into a contract. It is ordinarily not the court's role to evaluate the adequacy of the consideration agreed upon by the parties. The bargain should be left in the hands of the parties. If parties voluntarily choose to bargain for an individual's services in disclosing or developing a non-novel or unoriginal idea, they have the power to do so. The *Desny* court analogized the services of a writer to the services of a doctor or lawyer and determined there was little difference; each may provide a product that is not novel or original. It held that it would not impose an additional requirement of novelty on the work. Although Reeves is not a writer, his ideas are entitled to no less protection than those of writers, doctors, or lawyers. Therefore, Reeves should be given the opportunity to prove the existence of an implied-in-fact contract for disclosure of his idea.¹²³

The *Reeves* court's analogy to writers, doctors, and lawyers is enlightening. The same reasoning extends to other professionals, such as accountants. All of these professionals provide advice or information to their clients based on the express or implied understanding that the clients will pay for their services. Rarely will the advice or information be "novel" in an absolute sense. It may also not be "novel to the buyer," who may already have the idea in a raw form but who nonetheless wants the security of knowing that a person with expertise in the field agrees that the idea is sound. It is routine for the clients of such professionals to agree in advance to pay for the professional's services, either explicitly or implicitly, and the amount promised may bear little or no relationship to the novelty of the information or advice that is provided. Both parties recognize that the payment is for professional services rather than for property.

The leading treatise in copyright law has also endorsed the idea that pre-disclosure idea protection contracts are contracts for services rather than property, so that the novelty or other merits of the idea

¹²³ *Id.* at 1141-42 (citations omitted). The passage from *Desny* to which the court refers states:

The lawyer or doctor who applies specialized knowledge to a state of facts and gives advice for a fee is selling and conveying an idea. In doing that he is rendering a service. The lawyer and doctor have no property rights in their ideas, as such, but they do not ordinarily convey them without solicitation by client or patient.

Desny v. Wilder, 299 P.2d 257, 266 (Cal. 1956). On appeal after remand in *Reeves*, the Alaska Supreme Court reaffirmed its approval of the California approach. *Reeves v. Alyeska Pipeline Serv. Co.*, 56 P.3d 660, 665-66 (Alaska 2002) (citing *Landsbergh v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193, 1196-97 (9th Cir. 1986)).

itself should not determine the enforceability of the contract. Critiquing one of the leading cases applying the novelty requirement to an express contract for the disclosure of an idea, the Nimmer treatise observes:

The court's decision here would appear to be unsound, because it seems to ignore the fact that defendant had promised to pay for the idea without conditioning such promise upon plaintiff's producing an idea that would be regarded as "property." The better view is to find consideration for defendant's promise to pay not in the "property" to be furnished by plaintiff, but rather in plaintiff's services in disclosing his idea regardless of whether or not the idea itself constitutes "property." Even if the idea furnished by plaintiff is not original or novel with him and even if the idea would have been accessible to defendant by means other than plaintiff's disclosure, still if in return for plaintiff's disclosure defendant promises to pay if he uses the idea and plaintiff does in fact disclose his idea, then such disclosure should constitute a valid and binding consideration.¹²⁴

The New Jersey courts now have an opportunity to reevaluate the role of novelty in idea protection contracts. In doing so, they may find that *Johnson* gave inadequate consideration to the state's own well-reasoned precedents, *Elfenbein* and *Flemming*, which deserve more study than they have thus far received.

Treating novelty as an important probative factor rather than as an essential element of the contract claim would be consistent with both *Flemming* and *Elfenbein*, as well as with the more moderate approach to novelty that was broached by the New York Court of Appeals in *Apfel*. Under these precedents, courts can respect the freedom of parties to contract with one another under conditions of uncertainty—that is, without knowing the value of the idea which is going to be disclosed. Parties can incorporate that uncertainty into their contract terms by specifying appropriate conditions for payment. For example, the parties could specify that the buyer will pay only the "reasonable value" of the idea, or will pay a percentage of the profits from the use of the idea only if the buyer is not already in possession of that idea, or will pay a designated sum for the service of disclosure regardless of the novelty of the idea. In those cases where the parties dispute whether or not the defendant actually used and profited from the plaintiff's idea, this Article's proposed analogy to copyright law would allow the idea's novelty to serve as evidence of

¹²⁴ 4 NIMMER ON COPYRIGHT, *supra* note 2, § 16.04[A] (footnote omitted) (critiquing *Masline v. N.Y., New Haven & Hartford R.R. Co.*, 112 A. 639 (Conn. 1921)).

the idea's value or of the buyer's possession of the same idea at the time of the disclosure, without superseding the intent of the parties at the time of contracting.

