

## Compensation for Unsolicited Disclosure of Business Ideas - Noahson v. Gunther Brewing Co.

Lewis Noonberg

Follow this and additional works at: <http://digitalcommons.law.umaryland.edu/mlr>



Part of the [Intellectual Property Commons](#)

---

### Recommended Citation

Lewis Noonberg, *Compensation for Unsolicited Disclosure of Business Ideas - Noahson v. Gunther Brewing Co.*, 21 Md. L. Rev. 139 (1961)  
Available at: <http://digitalcommons.law.umaryland.edu/mlr/vol21/iss2/6>

This Casenotes and Comments is brought to you for free and open access by the Academic Journals at DigitalCommons@UM Carey Law. It has been accepted for inclusion in Maryland Law Review by an authorized administrator of DigitalCommons@UM Carey Law. For more information, please contact [smccarty@law.umaryland.edu](mailto:smccarty@law.umaryland.edu).

## Compensation For Unsolicited Disclosure Of Business Ideas

*Noahson v. Gunther Brewing Co.*<sup>1</sup>

Plaintiff filed a declaration in the Superior Court of Baltimore City seeking recovery from the defendant for the wrongful conversion of an idea. The plaintiff introduced in evidence a copy of a letter which he had sent to a local sports announcer in care of the defendant. His letter stated:

"I want to say a word about your commercials. I think they are terrific, and whoever writes them up has done a marvelous job!

I had an idea that I thought I would pass on to you, and perhaps you could play around with it.

I believe that you have an opportunity for a new theme for Gunther in:

### THE G RUN

The G Run means the Gunther Run. It means a big run on Gunther Beer. The trick of it is, that is you take the letters from the words, 'The G Run' you scramble them up and you have the word Gunther.

Can you do anything with it? I thought I would present it to you."<sup>2</sup>

This suggestion was used by defendant in its advertising program, and then plaintiff brought suit for compensation. The defendant demurred to the plaintiff's declaration, and the court was called upon to determine the sole question of whether or not the declaration stated a good cause of action. The Superior Court held that it did not and sustained the demurrer without leave to amend. In the memorandum opinion Judge Foster said, "The facts pleaded do not permit the slightest intimation that the idea was released in confidence or that the defendant was guilty of any wrong in obtaining it."<sup>3</sup> The court indicated that in order to have a property right in something as intangible as an idea, four criteria must be

<sup>1</sup> Daily Record, July 6, 1960 (Md. 1960).

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

satisfied, namely those stated by the Court of Appeals for the District of Columbia in *Hamilton Nat. Bank v. Belt*.<sup>4</sup> In the *Hamilton* case the court said, "a person has such a property right . . . when the idea is original, concrete, useful, and is disclosed in circumstances which, reasonably construed, clearly indicate that compensation is contemplated if it is accepted and used."<sup>5</sup> The Superior Court held as a matter of law that the requirement of expectation of compensation could in no way be inferred from the plaintiff's allegations. However, the court by implication did recognize that there would have been a cause of action if the element of expected compensation were present.

Since recognition of property rights in an idea is a relatively new development in the law, it is difficult to ascribe any majority-minority view. An analysis of the cases would seem to indicate that in a majority of jurisdictions today, the older rule that there can be no property right in an idea is still predominant.<sup>6</sup> However, the modern tendency favors recognition of these rights if the above criteria, or other similar criteria, have been satisfied. There are no previous Maryland cases directly in point.<sup>7</sup>

The subject matter here concerns ideas which have not been copyrighted<sup>8</sup> and which are incapable of being patented because they cannot be reduced to concrete form.<sup>9</sup> The scope of this note concerns advertising slogans and/or business suggestions, presented by individuals or agencies not in competition with the defendant, which have recently received protection both in the law and equity courts under the aegis of literary property.<sup>10</sup> The public policy problem in this area involves a weighing of the public interest in the "promulgation of new ideas and

---

<sup>4</sup> 210 F. 2d 706 (D.C. Cir. 1953).

<sup>5</sup> *Id.*, 708.

<sup>6</sup> 170 A.L.R. 449 (1947).

<sup>7</sup> In *Robertson v. Berry*, 50 Md. 591 (1879), a publisher was held to have a property right in the title of his work.

<sup>8</sup> Copyright law seems to say that it is not the idea that is protected, but the manner of expression. *Dellar v. Samuel Goldwyn Inc.*, 150 F. 2d 612 (2nd Cir. 1945).

<sup>9</sup> One of the leading cases concerning a patentable idea is *Matarese v. Moore-McCormack Lines*, 158 F. 2d 631 (2nd Cir. 1946).

<sup>10</sup> *J. A. Healey v. R. H. Macy & Company*, 277 N.Y. 681, 14 N.E. 2d 388 (1938) (where plaintiff's plan for Christmas advertising campaign included use of the slogan, "A Macy Christmas Means A Happy New Year"); *Jenkins v. News Syndicate Co., Inc.*, 128 Misc. 284, 219 N.Y.S. 196 (1926).

new expressions of old ones, and the author's interest in being assured of some profit [from] his work."<sup>11</sup>

In discussing the law relating to ideas, it would be well to note generally that the area had been deemed settled until the past thirty years. From that time to the present, the law has been in a state of flux. Originally, no property right in an idea was recognized. In 1892, in one of the earliest cases on the subject, the New York Court of Appeals in *Bristol v. Equitable Life Assur. Soc. of United States*,<sup>12</sup> dealt with the problem of an inventor who, in order to induce a person to employ him, divulged in confidence a system of advertising which the defendant company subsequently used without giving compensation. The court, despite the confidential nature of the plaintiff's disclosure, held that without an agreement for compensation the originator cannot recover, his property in it being lost by the disclosure. Then, in 1906, the Court of Chancery of New Jersey stated that an idea cannot be property because "it lacks that dominium, that capability of being applied by its originator to his own use which is the essential characteristic of property."<sup>13</sup> In the same opinion the court declared, "it has never, in the absence of contract or statute, been held . . . that mere ideas are capable of legal ownership and protection."<sup>14</sup> A slight shift in emphasis is seen in 1917 when Justice Holmes stated that property in ideas is but "an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith."<sup>15</sup> Mr. Justice Holmes implied that if there is any protection given to ideas, it is not on the basis of any property right, but on the basis of inequities which the law will not allow to stand. The courts adhered to the basic theme that ideas were as free as air.<sup>16</sup> The reason usually given for refusing to recognize property in ideas stem from the view that a property right must be connected with some corporeal thing.<sup>17</sup> Further, the courts were hesitant because of the practical difficulty of deter-

<sup>11</sup> Yankwich, *Legal Protection of Ideas — A Judge's Approach*, 43 Va. L. Rev. 375, 377 (1957).

<sup>12</sup> 132 N.Y. 264, 30 N.E. 506 (1892).

<sup>13</sup> *Haskins v. Ryan*, 71 N.J. Eq. 575, 64 A. 436, 438 (1906).

<sup>14</sup> *Id.*, 438.

<sup>15</sup> *E. I. Dupont de Nemours v. Masland*, 244 U.S. 100, 102 (1917).

<sup>16</sup> *Fendler v. Morosco*, 253 N.Y. 281, 171 N.E. 56, 58 (1930).

<sup>17</sup> This conservative point of view is reflected in *McCLINTOCK, EQUITY* (2nd ed. 1948) § 153, 408, where it is stated that "mere ideas are not property which equity will protect even if they have economic value; even when embodied in an invention or design. . . ."

mining whether the plaintiff originated the idea, and if so, whether the defendant appropriated it or originated it independently.<sup>18</sup>

One of the major shifts in emphasis came in 1935 from the Supreme Court of Indiana in *Liggett and Meyer Tobacco Co. v. Meyer*,<sup>19</sup> where the court upheld the property right of the plaintiff in an unsolicited business idea which the defendant used extensively in advertising its product, even though the idea submitted was changed slightly by the defendant when used by him.<sup>20</sup> In 1936, the Supreme Court of Washington protected the property right in the slogan "The Beer of the Century," which was offered by an advertising agency after solicitation by the defendant.<sup>21</sup> Giving expression to this new trend, the court said:

"While we recognize that an abstract idea as such may not be the subject of a property right, yet, when it takes upon itself the concrete form which we find in the instant case, it is our opinion that it then becomes a property right. . . . Of course, it must be something novel and new. . . ."<sup>22</sup>

Thus a change in the law can be observed, toward the position that there is something to protect in an idea despite its incorporeal quality. Two recent cases which the Baltimore court cited show the rationale behind the change of policy.

The case most heavily relied upon by Judge Foster was *Hamilton Nat. Bank v. Belt*.<sup>23</sup> There the plaintiff had presented to the defendant an idea for a radio program which would feature talented youngsters from local schools. The defendant contracted to hire the plaintiff as producer, subject to approval of the program by school authorities. The approval was not granted, and the contract was terminated. Later approval was given, but the defendant hired someone else. The court awarded greater compensation than that stipulated in the contract, protecting the

---

<sup>18</sup> *Ibid.* In accord, *Lueddecke v. Chevrolet Motor Corp. et al.*, 70 F. 2d 345 (8th Cir. 1934) (scheme to eliminate chassis sag); *Moore v. Ford Motor Co.*, 43 F. 2d 685 (2nd Cir. 1930) (method of financing installment buying of autos). See also *McRae, Disclosure of Specific Types of Ideas: Misappropriation*, 9 *Cleveland-Marshall L. Rev.* 29 (1960).

<sup>19</sup> 101 Ind. App. 420, 194 N.E. 206 (1935).

<sup>20</sup> See Note, *Property Rights in Business Schemes*, 44 *Yale L. J.* 1269 (1935).

<sup>21</sup> *How J. Ryan and Associates v. Century Brewing Ass'n*, 185 Wash. 600, 55 P. 2d 1053 (1936).

<sup>22</sup> *Id.*, 1054.

<sup>23</sup> 210 F. 2d 706 (D.C. Cir. 1953).

format of the plaintiff's idea on the basis of the four criteria mentioned above. Judge Foster, in the *Gunther* case, emphasized that:

"The practical result of finding that the plaintiff has stated a good cause of action by merely alleging that he had disclosed an original, concrete, useful idea to the defendant without advising in some manner that he expected compensation therefore, would open an area for a flood of baseless claims. . . . Business firms are entitled to know at the outset, when an idea or suggestion is presented, whether or not they are to be charged with appropriating it, if they should at some future time employ it."<sup>24</sup>

In *Galanis v. Proctor and Gamble Corporation*,<sup>25</sup> a housewife wrote defendant praising their product, Tide Soap, and suggesting they add a granulated bluing to their product. She also suggested that the product be called "Blue." The defendant replied that the soap she proposed would only be suitable for laundry and dishes and therefore would be commercially valueless. Subsequently, the defendant produced a soap called "Blue Cheer," and the plaintiff sued for wrongful appropriation of her idea. The District Court for the Southern District of New York dismissed the defendant's motion for summary judgment and said that the criteria mentioned in the *Hamilton* case would govern the retrial of this case. Although only the first three criteria were mentioned by this court, Judge Foster in his opinion assumed that the requirement of expectation of compensation was already satisfied because the plaintiff, in her original letter, stated that she had an idea she wanted to sell.

It seems that the courts, by giving protection to unpatentable ideas, are trying to effectuate the intent of the parties while also weighing the natural rights or equities found in the particular case. The result of this increased emphasis on the subjective element is a more flexible pattern of decisions; and while perhaps some of the certainty has been destroyed, it has been replaced by more equitable decisions based on all the circumstances of the particular case.

To illustrate the internal structure of this newer approach, one begins with an individual who has originated

<sup>24</sup> *Noahson v. Gunther Brewing Co.*, Daily Record, July 6, 1960 (Md. 1955).

<sup>25</sup> 153 F. Supp. 34 (S.D. N.Y. 1957).

an unpatentable business idea. This idea, to use a contract analogy, serves as the originator's consideration. The courts often refer to this as the plaintiff's offer. This idea is submitted to the defendant company who in turn uses it without compensating the originator. Nothing else considered, the equities favor the plaintiff because the defendant used something that the plaintiff presented upon expectation of compensation. This basic core is subject to several other circumstances which can and often do shift the equities in favor of the defendant. The first way to shift the equities is to say that the idea was not really worth anything, for example, that it was not novel, original, or useful. This, then, is a failure of consideration, or is an offer which is not capable of being accepted, depending on which contract theory one follows.<sup>26</sup> This sentiment was expressed in *Matarese v. Moore-McCormack Lines*,<sup>27</sup> where the Court of Appeals for the Second Circuit stated:

"Courts have justly been assiduous in defeating attempts to delve into the pockets of business firms through spurious claims for compensation for the use of ideas. Thus to be rejected are attempts made by telephoning or writing vague general ideas to business corporations and then seizing upon some later general similarity between their products and the notions propounded as a basis for damages."<sup>28</sup>

Another way to shift the equities in favor of the defendant is seen in the case at bar. Assuming that the idea is original, concrete, and useful, it must also be disclosed under circumstances which, reasonably construed, clearly show to the defendant that compensation is expected by the plaintiff. If this expectation is not indicated, it does not seem unreasonable for the defendant to use the idea without giving compensation, since all rights to an idea are admittedly given up at the moment of disclosure unless a request is then made for compensation.<sup>29</sup> To allow

---

<sup>26</sup> Courts often award compensation on the basis of contract or quasi contract, rather than in tort for conversion. For a breakdown of cases along these lines, see Nimmer, *Law of Ideas*, 27 S. Cal. L. Rev. 119 (1954). For a thorough study of California law, where there is heavy traffic in the idea business, see Kaplan, *Implied Contract and the Law of Literary Property*, 42 Cal. L. Rev. 28 (1954).

<sup>27</sup> 158 F. 2d 631, 634 (2nd Cir. 1946).

<sup>28</sup> *Ibid.*

<sup>29</sup> *Supra*, n. 24.

the plaintiff to claim compensation after the idea is originally disclosed would put an undue burden on the defendant-recipient for use of what were originally friendly suggestions.

A good illustration of a court looking to the equities of the particular case is seen in *Galanis v. Proctor and Gamble*.<sup>30</sup> The court there said that the plaintiff's idea was not protected by contract, patent, or copyright. It also said that by the voluntary disclosure of an idea, the person disclosing it loses all exclusive rights. The court added, however, that even "if plaintiff has no property right in an idea, and . . . no contract for the sale or use . . . the defendant may be held liable in quantum meruit on the theory of unjust enrichment, where defendant utilized a concrete and novel idea submitted by the plaintiff."<sup>31</sup> Certainly here the court was intent on protecting the plaintiff's interest regardless of the lack of either a prior contract, patent, or copyright.

It is interesting to note that in many of the cases cited, where judgment was in favor of the plaintiff, the court was more concerned with protecting the plaintiff than in protecting property rights in an idea. Thus it seems that the trend in many jurisdictions is that if an idea is really valuable and novel, and the defendant knows or should have known that compensation is expected if it is used, and the defendant does use it without paying the plaintiff, the courts will more than likely award the plaintiff damages on one or more of the many contract, tort, or equitable doctrines, rather than adhering solely to protection of property rights in an idea.

LEWIS NOONBERG

---

<sup>30</sup> *Supra*, n. 25, 38.

<sup>31</sup> *Id.*, 38.