By Scott H. Carr

The "reality" of idea theft

It is often said that ideas are the foundation upon which our country is based. Yet, surprisingly, ideas are left largely unprotected in the law, thus allowing unscrupulous individuals and corporations to profit from the theft of someone else's idea. Such theft of ideas runs rampant in Hollywood today and is no more prevalent than in the area of reality television. The reason that idea theft occurs so often in the reality television genre is because, more often than not, the perpetrators get away with it. They do so by expressly and/or impliedly playing on the well-founded fears of Hollywood talent that pursuit of legal action may result in their being "blackballed" in the industry. As a result, most litigation in this area goes unpursued despite the merits of the claim.

When individuals demonstrate the courage to take on those who have improperly used their ideas for profit, such action is usually met with myriad defenses seeking to justify their conduct, including but not limited to the following: (1) nobody can prove they stole the idea; (2) the idea is too generic; and (3) the idea has no protection under the law, and is pre-empted by federal copyright law.

The *Desny* rule

In California, however, all is not bleak. A body of law has developed which provides certain protections for the "idea guy" who submits his idea to an individual or corporation only to see that idea developed and produced without providing the creator just compensation. In *Desny v. Wilder* (1956) 46 Cal.2d 715 [299 P.2d 257], the California Supreme Court wrestled with the problem of how to protect someone who submits an idea, and is shut out when the idea blossoms into financial success. Prior to the *Desny* decision, few protections were recognized for the submission ideas in California. Rather, in most cases, only the expression of ideas could be protected (through copyright infringement claims). Any claim for copyright infringement, however, was (and is) subject to the exclusive jurisdiction of the federal courts. Thus, prior to *Desny*, California state courts provided little redress for either the submission of an idea which is used without compensation to the creator, or the expression of an idea which is wrongfully used by others.

In *Desny*, the plaintiff developed an idea for a movie script surrounding the true life story of Floyd Collins, a boy who was trapped in a deep cave. Desny described his idea in detail to the secretary for Hollywood producer Billy Wilder, where he made it clear to her that if the story idea was used by Wilder, Desny would have to be paid a "reasonable value" for the story. He was assured by the secretary that if "Billy Wilder of Paramount uses the story, naturally we will pay you for it." Wilder subsequently developed a photoplay which paralleled the story of Floyd Collins. Yet, plaintiff was not paid for the use of his creation. The court determined that the theft of an idea which is submitted for future development is governed by simple principles of contract. More specifically, they determined that an implied in fact contract is established "if the idea purveyor has clearly conditioned his offer to convey the idea upon an obligation to pay for it if it is used by the offeree and the offeree, knowing the condition before he knows the idea, voluntarily accepts his disclosure (necessarily on the specified basis) and finds it valuable and uses it..." recovery will be allowed. (*Id.* at 270.)

Simply put, the *Desny* rule allows for an action based upon an implied in fact contract to be brought where an individual discloses his idea with the understanding, either express or implied, that if he discloses the idea, he will be compensated for its use. If that idea is then used for monetary gain, an action in damages will lie. Since the court's original pronouncement in 1956, the rule has undergone several refinements, most of which further the protections granted to the idea purveyor. In *Chandler v. Roach* (1957) 156 Cal.App.2d 435 [319 P.2d 776], the court determined that the *Desny* rule applied to material, regardless of whether that material is otherwise subject to copyright protection. The court also stated that the assent element necessary to establish the implied in fact contract can be "manifested by his acceptance of the idea or materials submitted under the circumstances, if part of which is that it is reasonably understood that a professional author expects payment of the reasonable value of the idea or material, if used, so that the conduct of the producer in accepting it implies a promise to fulfil those reasonable expectations." (*Id.* at 441.) In *Donahue v. Ziv Television Programs, Inc.* (1966) 245 Cal.App.2d 593 [54 Cal.Rptr 130], the court concluded that an idea which can be the subject matter of a contract need not be novel or concrete. Rather, it need only be proven that the idea was conveyed on the condition that the author would be paid if the idea were used, and that the idea was in fact used. In *Blaustein v. Burton* (1970) 9 Cal.App.3d 161 [88 Cal.Rptr. 319], the court extended the holding of *Donahue* and determined that the subject matter of the contract may relate to a new use of existing material. Thus, even though the Shakespeare work, The Taming of the Shrew, was certainly not new or novel, the idea to base a film on that work, along with casting and shooting suggestions was protected if used by the party to whom the idea was pitched.

Gunther-Wahl

Until recently, many practitioners had believed that based upon the language set forth in *Desny* and its progeny, an idea must be "clearly conditioned" upon payment. In other words, it had been argued that unless there was an express statement such as "you will pay me money if I disclose my idea to you," no action would lie for breach of implied contract. Such an argument has been laid to rest by the decision in *Gunther-Wahl Productions, Inc. v. Mattel* (2002) 104 Cal.App.4th 27 [128 Cal.Rptr.2d 50]. In

Gunther-Wahl, it was conceded by the plaintiffs that there was no express statement that the idea would be disclosed only if money were paid. Rather, the factual situation in *Gunther-Wahl* was the more commonly-accepted practice of someone being invited to pitch their idea, but the issue of compensation not being discussed in advance of the disclosure. The *Gunther-Wahl* court concluded that each of the circumstances under which the disclosure was made, including the fact that the plaintiff was invited to make the pitch, are all considerations in determining the existence of an implied in fact contract. In fact, the *Gunther-Wahl* court goes so far as to suggest that where a party is invited to make a pitch, "such a request mandates a finding of implied in fact contract for compensation for use, if any, of the pitched materials." (*Id.* at 43.) While the *Gunther-Wahl* court may not be conclusive in such a pronouncement, it certainly makes clear that an invitation to pitch (as opposed to an unsolicited pitch) is a significant factor to be considered in the establishment of an implied in fact contract where the words establishing that the disclosure of the idea is "clearly conditioned" upon payment are not spoken.

In addition, the argument that claims for breach of implied contract brought under *Desny* are pre-empted by federal copyright laws has been rejected in a recent 9th Circuit Court of Appeal decision. In *Grosso v. Miramax* (2004) 383 F.3d 965, the Court determined that a *Desny* claim is not pre-empted by the copyright act. In so holding, the *Grosso* court determined that the rights protected by a *Desny* claim are not equivalent to the rights protected by copyright by virtue of the implied promise to pay which exists in a *Desny* action. As the court stated, "the contract claim turns not upon the existence of a [copyright] . . . but upon the implied promise to pay the reasonable value of the material disclosed." (*Id.* at 968.) Consequently, *Grosso* affirms the right to bring a *Desny* claim in state court unfettered by federal copyright laws.[1]

Whose "reality" is it?

The following illustration should provide some assistance to understanding the law of idea theft. Simon Howell while sitting by his pool one day listening to his daughter sing thought it would be a great idea to develop a reality show competition where people sang songs and the public chose who was the best singer. Howell then sent a letter to every production company he could locate which said simply, "I have a great idea for a new reality show; contact me if you are interested." The next day Simon received a call from "Reality R Us" Productions who asked Simon to come to their offices and discuss his idea with them. At the outset of the meeting, Simon said, "You're just going to love this idea; we're all going to make a lot of money on it." With that, Simon disclosed his idea to "Reality R Us." After initially expressing interest, "Reality R Us" later passed on the idea. Six months later, Simon learned that "Reality R Us" was producing a show called "American Star," which eventually was a huge financial success for "Reality R Us."

Under *Desny* and its progeny, Simon may very well have a significant claim against "Reality R Us." Even though the parties did not specifically discuss compensation prior to the disclosure, the circumstances surrounding the disclosure, including the invitation by "Reality R Us" to Simon to make the pitch, could very well be substantial evidence sufficient to establish an implied in fact contract. As to the issue of breach, factors such as the timing of the pitch in relation to the development of the show, prior activity by

the defendant with respect to the development of the show, if any, and other evidence that the defendant may have to establish "independent creation" are all factors to be considered in determining whether a breach has occurred. Thus, where, as here, the idea which has been disclosed may be considered by some to be generic, it is the totality of circumstances surrounding the use of that idea which will determine the success of the case.

Finally, in assessing potential damages, the law allows for recovery of the reasonable value of the ideas used by the defendant. In determining such reasonable value, one can anticipate that the defendants will argue that the plaintiff's damages should be based on the market value of the idea, or what a production company would pay for that idea. Such a myopic view as to the scope of damages available has been called into question by at least one court (*Donahue v. United Artists Corporation* (1969) 2 Cal.App.3d 794 [83 Cal.Rptr. 131].), and simply finds no support in the law. Rather, the reasonable value should be established by expert testimony and/or those with significant experience in the field who can place a value on the idea based upon the value "of the use to the defendant." (*Id.* at 804.)

Fortunately, California law is at the forefront of protecting ideas when they are submitted to others who wrongfully use them. While this area of the law is ever evolving, it appears as though the trend is towards allowing greater protection to the purveyor of ideas to the detriment of those who have wrongfully profited from the theft of those ideas. The proliferation of reality television shows has led to an increase in the number of idea theft cases filed, thus providing additional opportunities for refinement of the law of idea theft.

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Endnote:

[1]All practitioners must be mindful that where written materials are involved, a potential action may involve copyright, idea theft, and/or both. While this article deals solely with issues relating to idea theft, a thorough analysis of all potential cases must be made to decide what appropriate claims should be pursued.