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# COMPANY LIABILITY FOR USE OF AN IDEA

BY MERL E. SCEALES\*

A daily procedure followed by many companies is the examination of ideas submitted by "idea men," who are independent of company employment. These ideas touch upon many facets of company activities, *e.g.*, products, processes, machines, advertising and marketing. Many of these ideas are of little value. Some may be too expensive or impractical for commercial exploitation; others may already be available to the consumer in a better form. Although relatively few ideas ever rise to a level of commercial significance, most companies are anxious to receive outside ideas; for such ideas may prove to be the impetus toward new products, processes or schemes.

When received these ideas are usually evaluated by a special department, having the specific responsibility of investigating them with a view toward all phases of the company's activities and capabilities. Some of the factors that should be considered before an idea is accepted are: (1) the adaptability of the idea to the company's marketing organization and tooling program; (2) the investment required to complete the development of the idea and commercialization of the product; (3) whether patents of other products will be infringed; and (4) whether patent protection can be obtained to protect the proposed idea against imitation.

Basic legal problems as to company liability will arise when an idea is submitted by an outside idea man. This liability is connected with the law of trade secrets.<sup>1</sup> It is the purpose of this Article to analyze the law of trade secrets as it applies to such ideas by discussing the elements necessary to establish liability and the means a company can employ to avoid such liability.

A company's liability to an idea man, either for using his suggestion without permission and remuneration, or disclosing it to unauthorized persons, is based on a breach of express, implied or quasi-contract,<sup>2</sup> unjust enrichment,<sup>3</sup> or the appropriation of a trade secret.<sup>4</sup>

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1. See RESTATEMENT, TORTS § 757, comment b (1939), which provides in part: A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving, a pattern for a machine or other device, or a list of customers. . . . A trade secret is a process or device for continuous use in the operation of a business.

2. *Van Rensselaer v. General Motors Corp.*, 223 F. Supp. 323 (E.D. Mich. 1962), *aff'd*, 324 F.2d 354 (6th Cir. 1963).

There is authority to the contrary, which refutes the implied or quasi-contractual

Jurisdiction in these cases is generally obtained by the federal courts either through diversity of citizenship or as a result of a federal patent suit in which the breach of confidential relationship is raised as one of the causes of action.<sup>5</sup>

ELEMENTS REQUIRED TO ESTABLISH LIABILITY FOR  
WRONGFUL APPROPRIATION OF AN IDEA

Three elements must be established before relief for an alleged misappropriation of an idea may be obtained: (1) the disclosed idea must be novel (2) it must have been disclosed in confidence and (3) the defendant must have adopted and made use of this idea.<sup>6</sup>

*Novelty of the Idea*

The courts deny the plaintiff recovery where the idea is commonly known, easily obtainable through an inspection of a product on the market or of such an obvious nature that recovery would be inequitable. In *Cohen v. LaFayette Nat'l Bank*,<sup>7</sup> defendant-bank planned to erect a one story building. The plaintiff then conceived and communicated to the bank an idea, whereby a second story should be added and leased by defendant to a brokerage firm. Subsequently, the defendant utilized this idea without compensating the plaintiff. A suit was brought by Cohen to recover for the value of the idea. The court in barring recovery stated: "There is no property right in an idea which is not novel."<sup>8</sup>

In *Soule v. Bon Ami Co.*,<sup>9</sup> the plaintiff entered into a contract in which

relationship between the idea man and the company. See *Moore v. Ford Motor Co.*, 28 F.2d 529 (S.D.N.Y. 1928), *aff'd*, 43 F.2d 685 (2d Cir. 1930), wherein the plaintiff alleged that the Ford weekly purchase plan was taken from a letter and material he had sent to Ford. The court held that even though the suggestion may have led Ford to adopt the installment purchase plan, plaintiff could not recover since he had not taken any direct action to protect himself by an express contract. In *J. Irizarry y Puente v. President & Fellows of Harvard College*, 248 F.2d 799 (1st Cir. 1957), the court held that no implied contractual or fiduciary relationship can be established if an unsolicited plaintiff discloses and describes his entire idea in an initial letter to the defendant. See also *Speedry Chem. Prod. v. Carter's Ink Co.*, 306 F.2d 328 (2d Cir. 1962).

3. *E.g.*, *Liggett & Meyers Tobacco Co.*, 101 Ind. App. 420, 194 N.E. 206 (1935).

4. *E.g.*, *Allen-Fualley Co. v. Shellman Prod. Co.*, 31 F.2d 293 (N.D. Ill. 1929), *aff'd*, 36 F.2d 623 (7th Cir. 1930).

5. *Van Rensselaer v. General Motors Corp.*, 223 F. Supp. 323 (E.D. Mich. 1962), *aff'd*, 324 F.2d 354 (6th Cir. 1963); *Reynolds v. White Mach. Works*, 167 F.2d 78 (4th Cir. 1948).

6. *Mitchell Novelty Co. v. United Mfg. Co.*, 94 F. Supp. 612 (N.D. Ill. 1950), *aff'd*, 199 F.2d 462 (7th Cir. 1952); see *Boop v. Ford Motor Co.*, 177 F. Supp. 552 (S.D. Ind. 1959), *aff'd*, 278 F.2d 197 (7th Cir. 1960).

7. 27 Misc. 2d 717, 208 N.Y.S.2d 501 (Sup. Ct. 1960).

8. *Id.* at 718, 208 N.Y.S.2d at 503.

9. 201 App. Div. 794, 195 N.Y. Supp. 574 (1922), *aff'd*, 235 N.Y. 609, 139 N.E. 754 (Ct. App. 1923).

he was to receive money from the Bon Ami Company as consideration for suggesting how the company could increase its profits. The plaintiff recommended that the company raise its prices. Although the company increased its profits after raising its prices, the court held that the plaintiff could not recover since his suggestion lacked originality.

Similarly, in *Masline v. New York, N.H. & H.R.R.*,<sup>10</sup> the court held that although railroads had never sold the space on their station walls, fences, depot and cars for advertising, such a suggestion did not exhibit the novelty and originality necessary to entitle its author to claim a property right. It is of interest to note that in *Soule* and *Masline* the courts held for the defendant despite the presence in each case of an express contract to compensate the plaintiff for the transmitted information if used by the defendant.

In *Lueddecke v. Chevrolet Motor Co.*,<sup>11</sup> the plaintiff sued on an alleged implied contract to recover the reasonable value of an idea he allegedly furnished to Chevrolet Motor Company. Plaintiff originally wrote defendant concerning a defect in the Chevrolet automobile for which he had a cure. In later correspondence, plaintiff indicated how the defect could be corrected. The court found that the correspondence did not amount to an implied promise by Chevrolet Motor Company to pay for the idea. Nonetheless, the *Lueddecke* court specially noted that the suggested idea lacked the novelty and usefulness required to permit the plaintiff to assert a property right.<sup>12</sup>

The novelty requirement has not been projected to the extent that the idea must be patentable. To the contrary, no patentable invention need be present. Illustrative of this proposition is *Allen-Qualley Co. v. Shellmar Prod. Co.*<sup>13</sup> Here the plaintiff attempted to interest the defendant in manufacturing candy wrappers with its secret machine. After plaintiff's disclosure defendant's counsel conducted a patentability search to determine whether there was an outstanding patent and, if not, whether the plaintiff's machine was patentable.<sup>14</sup> Defendant's counsel discovered that the machine was covered by an unexpired patent issued to another inventor. Upon purchase of the outstanding patent, the defendant began manufacturing candy wrappers with a machine similar to the one originally suggested without compensating the plaintiff. The court enjoined the defendant from future production of the wrappers and com-

10. 95 Conn. 702, 112 Atl. 639 (1921).

11. 70 F.2d 345 (8th Cir. 1934).

12. *Id.* at 348; see also *Van Renssalaer v. General Motors Corp.*, 324 F.2d 354 (6th Cir. 1963), *affirming*, 223 F. Supp. 223 (E.D. Mich. 1962); *Stevens v. Continental Can Co.*, 308 F.2d 100 (6th Cir. 1962); *Smoley v. New Jersey Zinc Co.*, 106 F.2d 314 (3rd Cir. 1939).

13. 36 F.2d 623 (7th Cir. 1930), *affirming*, 31 F.2d 293 (N.D. Ill. 1929).

14. Such searches are customary and usually necessary to ascertain whether the idea is worth purchasing.

pelled it to assign to the plaintiff the patent rights it had acquired. The court reached this conclusion even though the plaintiff could not have obtained a patent on its machine.

In the famous case of *Booth v. Stutz Motor Car Co.*,<sup>15</sup> Booth disclosed in confidence to Stutz officials his plans for the design of an automobile. The evidence indicated that Stutz had used some of Booth's plans in producing a new car without remunerating Booth. Booth, in his action for damages against Stutz, alleged two causes of action, patent infringement and wrongful appropriation of his plans. The district court dismissed both counts. The court of appeals held that Booth's reissue patent was invalid. This court, however, reversed the dismissal of the count alleging wrongful appropriation. Despite the lack of patentability in the Booth design, the court remanded the case deciding that Booth had established his right to damages for wrongful appropriation of his property. Thus the court has used its power to award general equitable relief even though the idea was not patentable.<sup>16</sup> The *Shellmar Prod. Co.* and *Booth* courts have circumscribed the novelty requirement of submitted ideas to the extent that the idea need not be patentable to be protected. This result is reached on the ground that the user should not benefit from knowledge of an idea obtained without compensating the idea man.<sup>17</sup> To be justifiable, however, such a result must be predicated on the fulfillment of two conditions: the idea must have been offered in confidence<sup>18</sup> and it must not have been previously made available to the public by the submitter.<sup>19</sup>

Furthermore, lack of novelty may not be a defense even where the product is already on the market. In *Smith v. Dravo Corp.*,<sup>20</sup> the plaintiff, attempting to induce defendant to purchase its business, disclosed secret information on a container already on the market. When negotiations for the

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15. 56 F.2d 962 (7th Cir. 1932).

16. *Id.* at 968-69; see *Saco-Lowell Shops v. Reynolds*, 141 F.2d 587, 598 (4th Cir. 1944). *But cf.* *Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), wherein the cause of action was based on state law which gave a remedy for copying resulting in confusion as to the source of manufacture. It was held, however, that a manufacturer whose design and mechanical patents were invalid for want of invention could not under a state unfair competition law obtain an injunction against or damages for the copying of its product, since such use of state law conflicts with the federal government's power to grant patents. An unpatented article being in the public domain may be freely copied since federal law preempted the field from state action.

It is worthy to note that the doctrine of the *Stiffel* case has been held inapplicable in a case involving a breach of confidential relationship. *Servo Corp. v. General Elec. Co.*, 337 F.2d 716 (4th Cir. 1964) (distinguishing *Stiffel*).

17. *A. O. Smith Corp. v. Petroleum Iron Works Co.*, 73 F.2d 538 (6th Cir. 1934).

18. See notes 26-28 and accompanying text *infra*.

19. *E.g.*, if a man publishes an article in which his idea is described or has a patent issued covering the idea, he can no longer sell the bare idea. See *McCarthy v. City of New York*, 106 F. Supp. 1009 (E.D.N.Y. 1952).

20. 203 F.2d 369 (7th Cir. 1953).

purchase of the business failed, the defendant announced production of a similar container. Plaintiff's action for injunctive relief and damages based on a breach of confidential relationship was rejected by the district court because the container lacked novelty. The court noted that there was no novelty since anyone could observe the containers on the open market and then lawfully copy them. The court of appeals, in reversing, discarded the fact that at least a hundred of plaintiff's products had been sold and that the construction of the containers could have been obtained by a careful inspection of the article. The defendant had not obtained its information in this manner; it had secured the information directly from the plaintiffs. Although it was lawful for a party to examine an article on the market and then build a similar product, "the mere fact that such lawful acquisition is available does not mean that he may, through a breach of confidence, gain the information [from the idea man] in usable form and escape the efforts of inspection and analysis."<sup>21</sup>

Consequently, a recipient of an idea may not be secure against liability by singly relying on a lack of novelty in an idea where the idea has not been patented or where the idea may be obtained by inspection of a product on the market.<sup>22</sup> If the idea is received *in confidence* from the submitter and the recipient markets it, the recipient's lack of novelty argument will fail.

#### *Confidential Submission of the Idea*

To sustain recovery against the recipient of an idea it is necessary that the idea be submitted to the recipient *in confidence*. In *Canfield v. Blaw-Knox Co.*,<sup>23</sup> the court had to decide whether the defendant manufactured and sold concrete agitators embodying an invention confidentially disclosed to it by the plaintiff-inventor. In 1929, defendant sold a central mix system to the plaintiff's employer. Plaintiff was employed as an engineer. The agitator supplied with the system caused considerable trouble. Plaintiff, having designed an agitator free of defects, applied for a patent. After plaintiff filed his application, defendant allegedly inquired about his invention, received the information in confidence and then manufactured and sold agitators embodying plaintiff's idea. The court denied recovery holding that the patent application drawings were submitted by plaintiff on his own initiative with the hope of inducing defendant to purchase the rights under the application. This followed

21. *Id.* at 375.

22. The proper test is not whether the defendant *could have* obtained the design through inspection, but how *did* the defendant learn of plaintiff's design. *Id.* at 374. See *American Gage & Mfg. Co. v. Maasdam*, 245 F.2d 62 (6th Cir. 1957); *Franke v. Wiltschek*, 209 F.2d 493 (2d Cir. 1953).

23. 98 F.2d 805 (3d Cir. 1938). See *Rosenthal v. Celanese Corp.*, 135 F.2d 405 (2d Cir. 1943); *Picard v. United Aircraft Corp.*, 128 F.2d 632 (2d Cir. 1942).

since the evidence indicated that the defendant did not request the submission of plaintiff's idea, and that the defendant had neither expressly nor impliedly promised to treat the disclosure as one made in confidence. Consequently, there was no trust relationship established between the parties.

A confidential relationship between the parties was established in *Hoeltke v. C. M. Kemp Mfg. Co.*<sup>24</sup> After discovering a deficiency in defendant's gas burner, plaintiff designed a safety valve to cure the defect. Having been notified about plaintiff's safety device, defendant's representative, without looking at the device or permitting the plaintiff to describe it, advised the plaintiff to file a patent application. Plaintiff filed the application and sent a copy of his drawing and specifications to the defendant. Although the defendant rejected the device for lack of novelty, it unsuccessfully attempted to purchase plaintiff's patent. Soon thereafter defendant began manufacturing and selling a safety device, claiming to have perfected it prior to receiving plaintiff's device. Defendant filed application for a patent on this device. The Patent Office declared an interference between plaintiff's application and that of the defendant. After the interference proceedings were decided in plaintiff's favor, a patent was duly issued to him. Plaintiff then initiated an action against the defendant, *inter alia*, for an accounting of profits with respect to infringing devices sold prior to the grant of his patent. The action was based on the breach of confidential relationship existing between the parties as a result of plaintiff's disclosure to defendant. The court granted recovery even though there was no express agreement between the parties to hold the information as confidential. The court noted that under the facts such an agreement was necessarily implied and that the one breaching the confidence would be held liable since equity would not permit unjust enrichment.<sup>25</sup>

As can be readily seen, these cases turn on the factual determination of whether a confidential relationship does exist. Each case must be adjudicated on its own merits. Nonetheless, *Canfield* and *Hoeltke* indicate that the establishment of a confidential relationship is a prerequisite to recovery for misappropriation of an idea obtained from an outside idea man.

#### *Adoption and Use of the Idea*

Lastly, it must be shown that the idea was adopted and used by the one who has allegedly appropriated it.

In breach of confidential relationship cases it is not necessary that a company officer be involved in the transactions leading to company liability.<sup>26</sup>

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24. 80 F.2d 912 (4th Cir. 1935), *cert. denied*, 298 U.S. 673 (1936).

25. *Id.* at 923.

26. In an action for breach of an express contract it is necessary to show that the agent had authority to bind the principal before company liability can be imposed under doctrine of respondent superior. The authorized agent is normally a company officer.

Thus, a non-officer employee can make the company liable by profitably using an outside suggestion. In *Materesse v. Moore-McCormick Lines, Inc.*,<sup>27</sup> the plaintiff was a part time longshoreman who had devised a new machine for unloading coal at the defendant's docks. He showed the machine to the defendant's stevedore superintendent. The superintendent liked the machine, agreed to pay royalties for its use and put some of the machines into operation. The installation of these machines saved the company a large amount of money. Two years later, plaintiff still had not received any payment for his idea. In a suit brought against the company, the plaintiff was awarded \$40,000 even though the superintendent was not a corporate official and had no contractual authority.

In order to subject a company to liability for the use of an idea submitted in confidence, there is no requirement that the company use the idea in the exact form in which it is received. Liability may be found even though modification and improvements are made on the idea submitted.<sup>28</sup>

However, a company can avoid liability by proving that its research department conceived the idea prior to the receipt of the outside idea man's suggestion. In *Heyman v. Ar. Winarich, Inc.*,<sup>29</sup> the defendant's chemist testified that he had developed the product alleged to have been submitted to defendant. The court denied recovery to the plaintiff because the defendant's chemist had received no information concerning plaintiff's suggestion. However, in *Ackermans v. General Motors Corp.*,<sup>30</sup> the fact that one of defendant's employees involved in the development of the idea saw plaintiff's specifications and drawing was sufficient evidence to preclude defendant's contention of independent development of the idea. Hence, the proof of independent development must be clear, satisfactory and beyond a reasonable doubt.<sup>31</sup>

#### RELIEF GRANTED WHEN LIABILITY FOUND

The nature of the idea is an important factor in determining the relief to be granted against the one who has appropriated it. If the idea is novel the idea man may sue in equity for an injunction restraining its further use and for an accounting of profits derived from past use.<sup>32</sup> The idea man may maintain an action at law for damages caused by the appropriator's breach

27. 158 F.2d 631 (2d Cir. 1946).

28. See generally RESTATEMENT, TORTS § 757 (1939).

29. 325 F.2d 584 (2d Cir. 1963).

30. 202 F.2d 642 (4th Cir. 1953).

31. See *Hoeltke v. Kemp Mfg. Co.*, 80 F.2d 913, 923 (4th Cir. 1935) (defendant failed to meet burden of persuasion).

32. *Allen-Fualey Co. v. Shellman Prods. Co.*, 31 F.2d 293 (N.D. Ill. 1929), *aff'd*, 36 F.2d 623 (7th Cir. 1930). See generally RESTATEMENT, TORTS § 757, comment b (1939).

of the confidential relationship.<sup>33</sup> If the damages are not ascertainable by reference to profits realized by the defendant, the plaintiff will recover the reasonable value of the idea utilized by the defendant.<sup>34</sup>

Although injunctive relief is the standard remedy in cases where protection of a trade secret is sought,<sup>35</sup> this form of equitable relief will vary with the circumstances of each case. The *Dravo Corp.* case serves as a typical illustration. The court enjoined further production and sale of the containers incorporating plaintiff's design. Nonetheless, the court noted that it was not necessary for the equipment to be destroyed; it could be adapted for other purposes. The injunctive relief was restricted to the benefits flowing from the breach of the confidential relationship. Hence, the defendant was permitted to continue in the container business. In addition to this limited injunctive relief the court allowed plaintiff to recover the loss suffered to its investment and the profits realized by the defendant as a result of the use of plaintiff's design.<sup>36</sup> Thus, it appears that relief will take the form of a perpetual injunction with damages for the reasonable value of the idea or for the profits realized.

#### MEANS OF PROTECTING COMPANIES FROM LIABILITY

Many dangers and uncertainties arise where an outside idea is submitted. Once a confidential relationship between an idea man and a company is established, the protection afforded an idea man may exceed the protection given a patentee under the patent laws. In such a situation the idea man is protected even if the submitted idea is unpatentable or already in the public domain. Moreover, a company may be liable for use of its own idea if it cannot clearly prove that the idea originated within the company prior to the submission of the outside idea. Furthermore, the duration of protection afforded an idea man is not governed by the seventeen year patent limitation. In view of these dangers and uncertainties, preventive measures should be employed.

As a preventive measure there is no substitute for maintaining adequate records of company activities. Detailed records should be kept of all ideas company employees have for new products, machines, processes, or advertising schemes. This is done to convincingly establish that the idea originated within the company and that it was not copied from an outside idea man.

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33. See *Kelly-Koett Mfg. Co. v. McEven*, 130 F.2d 488 (6th Cir. 1942), *cert. denied*, 318 U.S. 762 (1942); *Kinnear-Weed Corp. v. Humble Oil & Ref. Co.*, 150 Supp. 143 (E.D. Tex. 1956), *aff'd*, 259 F.2d 398 (5th Cir. 1958). One of the most complete discussions on the matter of relief in confidential relationship cases can be found in *Franko v. Wiltschek*, 209 F.2d 493 (2d Cir. 1953).

34. *Servo Corp. v. General Elec. Co.*, 337 F.2d 716 (4th Cir. 1964).

35. Marcuse, *The Protection of Trade Secrets: Theory and Practice*, 36 CONN. B.J. 348, 366 (1962).

36. *Smith v. Dravo Corp.*, 203 F.2d 369 (7th Cir. 1953).

Such records should show the date and facts substantiating the conception and subsequent action taken on the idea. Dated and witnessed sketches, drawings and models are invaluable as supporting evidence of the company's independent development of the particular idea.

In addition to keeping adequate records no one within the company should unintentionally enter into contracts or confidential relationships. The formation of any such relationship can be avoided by requiring the idea man to submit the idea in concrete form<sup>37</sup> accompanied by a release or waiver of any confidential relationship. To be in concrete form the idea should be submitted in writing and should be more than a mere recognition of the problem. When a release form is used liability will only be imposed where a valid patent has been infringed or where there has been a formal written agreement. Consequently, releases are used by all major companies. Some companies send a booklet with the release explaining the policy of the company in detail with respect to the handling of outside ideas.<sup>38</sup> It is good policy for a company to return all the information to the submitter in an initial letter without examining the material submitted. In this initial letter a policy booklet or

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37. *John W. Shaw Advertising, Inc. v. Ford Motor Co.*, 112 F. Supp. 121 (N.D. Ill. 1953).

38. One such company policy booklet states the following conditions of submission of ideas:

(1) No confidential relationship is to be established by such submission or implied from consideration of the submitted material, and the material is not to be considered to be submitted "in confidence"; (2) The Company makes no commitment that the idea or material submitted shall be kept secret; (3) The Company does not agree to pay any compensation whatsoever for its use of business, technical, or other ideas which have not been patented. The Company shall have the option, however, at any time to purchase from the submitter, for the sum of \$100, the unlimited right to use any such unpatented ideas submitted pursuant to the conditions hereof; provided, however, that if any such unpatented idea is subsequently covered by the claims of a patent, the foregoing option shall not apply to any rights under the claims of such patent but shall apply to the right to use such idea prior to the issuance of such patent; (4) The reception and consideration by the Company of any submitted disclosure of a patentable idea shall not in any way impair the Company's right to contest the validity of any patent that may have been or may thereafter be obtained on it. The submitter's sole remedy if he believes the Company to be infringing such patent shall be the enforcement by him under the patent laws of the United States of such exclusive rights as he may possess by virtue of his patent; (5) The Company will give each submitted idea only such consideration as in the judgment of the Company it merits; (6) The Company shall be under no obligation to return any material submitted; (7) The Company shall be under no obligation to reveal Company activities related to the subject matter of a submitted idea; (8) If the Company decides not to offer compensation for a submitted idea, it assumes no obligation to give reasons for its decision—or to take any other action than to communicate its decision to the submitter; (9) Entering into negotiations for the purchase of any ideas submitted, or the making of any offer for their purchase, shall not in any way prejudice the Company, nor shall this be deemed an admission of the novelty of the ideas, or of priority or originality on the part of the person submitting them or any other person; (10) The foregoing conditions may not be modified or waived except in writing signed by an officer of the Company, or by the Manager of its Patent Services Department.

letter should be included, requesting the submitter to resubmit the idea after signing a release. Instead of this procedure a separate file could be maintained where ideas submitted without releases are kept until a release is executed by a submitter.<sup>39</sup>

The courts have recognized the rights of companies to deal "at arm's length" with the outside idea man. In the landmark case of *Hisel v. Chrysler Corp.*,<sup>40</sup> the plaintiff alleged that upon Chrysler's invitation he confidentially disclosed to it an idea relating to the manner of placing and guarding license plates on automobiles. The plaintiff, in submitting his idea to Chrysler, signed an agreement containing the following provisions :

2. No obligation of any kind is assumed by, nor may be implied against, the Chrysler Corporation, unless or until a formal written contract has been entered into, and then the obligation shall be only such as is expressed in the formal written contract.
3. I do not hereby give Chrysler Corporation any rights under any patents I now have or may later obtain covering my suggestion, but I do hereby, in consideration of its examining my suggestion, release it from any liability in connection with my suggestion or liability because of use of any portion thereof, except such liability as may accrue under valid patents now or hereafter issued. I am agreeable to these conditions and ask you to consider my suggestions under them.<sup>41</sup>

The court granted defendant's motion for summary judgment stating that the plaintiff understood the policy of the Chrysler Corporation, since the agreement he signed was unambiguous in its terms. Therefore, the parties were dealing at arm's length and the court refused to find an implied contract or a quasi-contract based on a confidential relationship. Even though it could have been shown that Chrysler was using plaintiff's idea, plaintiff was denied recovery since Chrysler had not agreed to pay anything for the idea.

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39. One company booklet instructs company personnel as follows:

Sometimes written ideas will pop out of an envelope received in one of the many [Company] offices throughout the country. The envelope and material together with a notation of the date received and the name of the employee who receives it, should be forwarded immediately to the Outside Ideas Department . . . . Do not read more than is necessary to determine the nature of the communication. Do not discuss with anyone anything you have read. Do not consider the value of the idea. Do not even acknowledge the letter, unless particular circumstances make personal acknowledgement imperative. In such case, keep the letter to the brief point that the material is being forwarded to the Outside Ideas Department. . . . By all means, don't comment on the merits of the idea. A copy of any such letter should be forwarded to the Outside Ideas Department. The Outside Ideas Department will keep the submitter's sealed and segregated in a special locked file, completely insulated from other Company personnel until agreement is reached with the submitter as to the conditions under which the Company will consider the idea.

40. 94 F. Supp. 996 (W.D. Mo. 1951).

41. *Id.* at 999.

Since the agreement in the *Hisel* case appeared to be decisive in the holding that the parties were dealing at "arm's length," the terms of the Chrysler agreement should appear in company release forms. However, the evidence in the *Hisel* case indicated that there was no novelty in the idea suggested. It is submitted that this influenced the court's decision more than is evident in the opinion.

*Houser v. Snap-On Tools Corp.*,<sup>42</sup> illustrates that care must be exercised in drafting release agreements. In *Houser* there was a release agreement containing three conditions signed by the plaintiff. Two conditions were identical to condition two in the Chrysler agreement. The third condition provided that "this preliminary disclosure arrangement in no way extends to nor affects the rights provided under the patent laws of the United States except as such may be embodied in a formal written contract between the parties."<sup>43</sup> Although the court held for the defendant, it noted that condition three did not seem to indicate that the submitter waived all rights other than those based upon the patent laws.<sup>44</sup> The court was troubled by the effect of such a waiver where an idea man submits his idea believing he will receive remuneration if the recipient appropriates the idea to its use. It would seem that if the idea were novel and not independently developed by the recipient the Snap-On Tool Corporation release would not be sufficient to preclude recovery by the idea man. The *Houser* court indicated that it would not permit a company to expropriate the disclosure of the idea to its own benefit in such a situation. One company has attempted to eliminate this problem by including in the release a provision that the company has an option to purchase the idea for \$100.<sup>45</sup>

On the other hand, there are numerous cases which hold that the recipient of an idea cannot be held liable for its use if there is an express release by the idea man. In *Zaiden v. Borg Warner Corp.*,<sup>46</sup> the plaintiff signed an agreement which stated that it was "particularly understood that no confidential relationship shall be deemed to exist between myself [idea man] and said corporation because of my having made such disclosure."<sup>47</sup> In denying the plaintiff recovery the court commented that the effect of the release negated the possibility of the existence of any confidential relationship.<sup>48</sup> It is of interest to note, however, that in *Hisel* and *Zaiden* the ideas were not novel or

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42. 202 F. Supp. 181 (D.C. Md. 1962).

43. *Id.* at 184.

44. *Ibid.*

45. See note 38 *supra*.

46. 228 F. Supp. 669 (E.D. Pa. 1964).

47. *Ibid.*

48. *Id.* at 671. See *Van Rensselaer v. General Motors Corp.*, 223 F. Supp. 323, 331 (E.D. Mich. 1962) (non-novel idea plus release).

original with the submitters. Where a company uses a novel idea submitted by an outside idea man, it is doubtful that the courts would allow the company to unjustly enrich itself even though the parties have dealt at arm's length under an express agreement. It would seem that the elements of fair dealing should dictate the idea man's recovery. The idea man has submitted his suggestion in quest of remuneration. If a company appropriates the novel suggestion, it should be precluded from claiming that the parties dealt at arm's length. Sound public policy would seem to demand the striking down of the unconscionable agreement.

The release of confidential relationship form should also be drawn to protect the rights of the submitter. Certainly the recipient of an idea should act on it promptly; delay may affect the outcome of a liability action.<sup>49</sup> The release form should provide that the submitter has no obligation to await a decision from the recipient of the idea so that he can act independent of the recipient. Furthermore, the release form should provide that the submitter is under no obligation to enter into any agreement with the recipient company. As an added precaution the release form itself should explain why the company requires execution of the release of confidential relationship.

To further protect his rights, the submitter of an unpatented idea should be advised to file an application for a patent. A witnessed description and, if possible, a working sample of the submitter's idea should be made. It is important to apprise the submitter of his rights since any court decision may depend on whether the submitter was properly advised. Even though the parties are dealing at arm's length the court might strike down the agreement as unconscionable and therefore against public policy.

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49. See *Hoeltke v. C. M. Kemp Mfg. Co.*, 80 F.2d 913 (4th Cir. 1935) ( a two week delay in responding to submitter's letter troubled the court).

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