Enter into agreements to prevent idea theft

By Bart A. Lazar

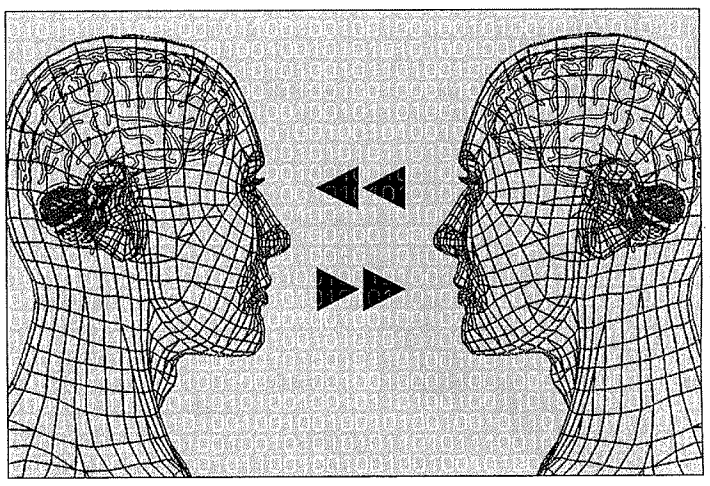
MARKETING AND THE LAW

If Mary Poppins had been in the ad business she might have said, "A great idea is a thing of beauty and a joy forever." Creative people are paid well for their ideas—new products, product names or concepts for advertising campaigns. These are all valuable commodities in the advertising and marketing world, and ideas are constantly being developed and disclosed. Yet how does one protect ideas? On the flip side, marketers and agencies often receive unsolicited (or solicited) ideas from individuals or companies. How does one avoid, or at least reduce the risk, of getting sued for allegedly using an idea improperly?

The best way to protect an idea or to limit one's exposure to a claim of idea theft is to use an agreement. Those submitting ideas should try to get the recipient to enter into a nondisclosure agreement. The terms of the agreement could require a payment if the idea is used or that the idea belongs to the disclosing party unless the parties enter into a subsequent agreement relating to its use. Those who are in the position of receiving ideas can either not accept unsolicited ideas at all, enter into written agreements that specify what compensation the discloser will be entitled to if the idea is used or leave things up to chance. One thing is certain, leaving things to chance is more risky than the other alternatives because there is no objective writing—signed by the parties—for a court to look to. Without an agreement, a judge or jury is left to try to piece together what happened on the basis of the statements of the parties, e-mails and other correspondence, all of which are subjective and likely to give only one side's version of events. In a court, an agreement should trump all other communications between the parties regarding the same subject.

Two recent cases involving allegations of idea theft in the advertising industry demonstrate why it is dangerous to disclose or receive ideas without having an agreement in place.

At the end of last year, a beer vendor known as "Bob the Beerman" at Colorado Rockies' games was shut out in his attempt to get compensation related to his disclosure of his idea for a Coors' advertising campaign featuring a fast-talking, wisecracking beer vendor. Bob presented his idea to a Coors promotion agency, but the Golden, Colo.-based brewer never entered into any agreement with him. Later, ad agency Foote Cone & Belding Worldwide based in New York created a national advertising campaign for Molson Coors Brewing Co. featuring a variety of beer vendors interacting with spectators in a humorous way. After the campaign broke, Bob alleged that there was confusion among spectators as to whether Bob had licensed Coors or whether Bob had actually stolen his character from the Coors commercials. As a result, Bob sued Coors, claiming Coors and FCB had stolen his idea.



The court ultimately found that Bob did not have an idea theft claim against Coors. Coors was able to demonstrate that the basic idea of using a funny and colorful beer-vending character to promote beer products was not, in fact, novel. Therefore, there was nothing in the idea that Coors could have misappropriated. One problem with Bob's case was that he did not get Coors or the agency to which he originally disclosed his idea to enter into an agreement prior to his disclosure, which would have defined his rights, or create a better and more substantive paper trail to put more "meat on the bones" of his idea. Coors, on the other hand, may have won in litigation but probably would have spent a great deal in legal fees defending Bob's claim. The expense may have been avoided, however, if it had refused to listen to the idea or, alternatively, entered into a form of unsolicited idea submission agreement by which Bob expressly acknowledged that Coors may have used, considered or been currently using or considering a similar idea to the one that would be disclosed. While such an agreement probably could not prevent the initiation of litigation, it could have weakened Bob's case to the point at which he may have given more thought to pursuing it, or put Bob at a greater risk of having a court force him to pay Coors its attorney fees.

On the other side of the spectrum is a recent Taco Bell case in which two cartoonists sued Irvine, Calif.-based Taco Bell Corp. for theft of the crazy Chihuahua dog advertising idea. The court ultimately found that the men had met with Taco Bell on several occasions promoting the idea and the discussions were fairly detailed even to the point of discussing compensation. Taco Bell's position was that its Chihuahua advertisements were created by New York-based TBWA\Chiat\Day who had no knowledge of the discussions between the cartoonists and Taco Bell. Ultimately, the court found that the plaintiffs had presented sufficient evidence to go to trial on the issue of whether an oral or implied-in-fact contract was entered into by Taco Bell to pay for the idea if the idea was used. After the trial, the jury awarded the plaintiffs $30 million in damages and $11.8 million in interest.

These cases hold many lessons. One is that there are many reasons why it might appear, based on circumstances, that an idea is being used when the opposite may be true. One person's "new idea" is another person's idea in development or still another's "been there, done that." One danger in presenting ideas without a contract is that the idea may be used, and it will be impossible to prove that the idea was novel or that there was an understanding on the recipient's part that it would pay if the idea was used.

One danger in accepting unsolicited or solicited ideas without an agreement is that large business enterprises often do not know what is going on throughout the organization. Ideas could be in development in one part of the organization, or be developed by an agency at the same time the same idea is being pitched to the company. Knowing the dangers and using agreements should reduce the risk. ■

Bart A. Lazar is a partner who specializes in counseling, business transactions and litigation in intellectual property, advertising and promotions, privacy, Internet and related matters for Chicago-based Seyfarth Shaw LLP. He can be reached by e-mail at BLazar@seyfarth.com or news@ama.org.