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Expert Analysis

Litigating Idea Misappropriation Claims Under New York Law

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With the continued growth of venture capital and angel investments flooding new technologies, and the ease with which concepts can be exchanged or taken through the click of a button, claims centering around purported idea theft loom larger than ever. One such claim, trade secret misappropriation, has a deep body of precedent and has also been the subject of attempts at national standardization, first through the Uniform Trade Secrets Act (adopted in some form by every state other than New York and Massachusetts) and then with the recently-enacted federal Defend Trade Secrets Act. However, it is important to bear in mind that, at least in New York, other related misappropriation claims remain available as well—claims which are not as well-defined and therefore potentially trickier to litigate.

One such claim is "idea misappropriation." Under this claim, two requirements relating to the protectability of the idea are in play: "novelty" and "concreteness." *Turner v. Temptu*, 586 Fed App'x 718 (2d Cir. 2014).

Sounds like it may be easier to advance than a trade secret claim, right?

And at the pleading stage, you may be correct. Obtaining dismissal of an idea misappropriation claim—even a baseless one—can be challenging, as such claims are highly fact-intensive. For example, in the case of *Theodore F. Schroeder et al. v. Brian S. Cohen et al.*, we litigated both trade secret and idea misappropriation claims relating to purportedly stolen website ideas underlying social media sensation Pinterest.com before the Commercial Division in New York County, eventually obtaining a grant of full summary judgment for our clients—a professional angel investor who made early investments in Pinterest and an angel investing consortium to which he belongs. Despite the ultimate lack of any merit to Mr. Schroeder's claims, on our motion to dismiss the court had found that Mr. Schroeder's allegations of theft were enough to keep his misappropriation and other related claims alive—noting generally that the complaint alleged the requisite idea novelty and concreteness. See

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Schroeder v. Pinterest, 133 A.D.3d 12, 30 (1st Dep't 2015).

However, the requirements of idea misappropriation nonetheless have real teeth, and an idea misappropriation claim will not survive summary judgment without proper showings of novelty and concreteness rooted in the evidence.

First, if the factual evidence shows that the idea a plaintiff claims was misappropriated was already in use in the industry at the time it was (potentially) stolen anyhow, the claim will not survive. See *McGhan v. Ebersol*, 608 F. Supp. 277, 286 (S.D.N.Y. 1985). Protectable ideas must reflect "genuine novelty and invention," and cannot be mere variations on a theme, improvements of existing standard techniques, or mixtures of known ingredients in somewhat different proportions. See *Oasis Music v. 900 U.S.A.*, 614 N.Y.S.2d 878, 882 (Sup. Ct. 1994) (internal quotation omitted). In *Schroeder*, for example, the court noted in particular that a combination of pre-existing ideas was insufficient to prove novelty—as this was "more of the nature of elaboration and renovation than innovation." *Schroeder v. Cohen*, No. 652183/2013, 2017 WL 5668423, at *16 (N.Y. Sup. Nov. 27, 2017) (internal quotation omitted).

Here, the idea misappropriation claim bears a distinct similarity to the requirements of trade secret claims: Trade secrets must also constitute materials which are not in the public domain. See *Schroeder v. Pinterest*, 133 A.D.3d 12, 28-29, 30 (1st Dep't 2015); *Schroeder*, 2017 WL 5668423, at *13. Thus, in either event a plaintiff is required to claim ownership of something which is not already being done in its industry and which it has not already itself made available to the public.

Second, the idea must be described concretely throughout the litigation. Moreover, the plaintiff's disclosure of the idea to the defendant who purportedly misappropriated it must have been sufficiently concrete and detailed that "there is no doubt as to what is disclosed" and that the idea "could be utilized without any substantial further development or research on the part of the recipient." *Epstein v. Dennison Mfg. Co.*, 314 F. Supp. 116, 126 (S.D.N.Y. 1969). Where the ideas at issue are "malleable" or "not reduced to concrete form," they cannot be protected. *Educ. Sales Programs v. Dreyfus*, 65 Misc.2d 412, 417 (N.Y. Sup. Ct. 1970) (internal quotation omitted). In *Schroeder*, the court noted that "plaintiffs' arguments regarding concreteness are speculative, as it is dubious that a user would be able to copy the design of a website from plaintiffs' allegedly unique ideas, which consist of generic and vague industry concepts." *Schroeder*, 2017 WL 5668423, at *16 n. 23.

Note that this requirement is similar to the need in trade secret claims to define your trade secrets with particularity. In trade secret cases, courts have similarly held that "vague and indefinite" descriptions of the purported trade secrets will not suffice to meet the claim's requirements. See *Big Vision Private Ltd. v. E.I. DuPont De Nemours & Co.*, 1 F. Supp. 3d 224, 256-59 (S.D.N.Y. 2014). Thus, in *Schroeder* the court likewise found that summary judgment was appropriate where "plaintiffs [had] failed to describe their trade secret with sufficient specificity" and "the components of the trade secret formula var[ied] throughout the record." 2017 WL 5668423, at *13.

Further, even if the ideas at issue are both novel and concrete, defendants may nonetheless succeed on a summary judgment motion where they can establish the independent generation of the idea at issue within their own business. See *Downey v. General Foods*, 31 N.Y.2d 56 (1972). This defense likewise applies in trade secret matters. *Kewanee Oil Co. v. Bicron*, 416 U.S. 470, 476 (1974).

So how different are idea misappropriation claims for trade secrets ones, then, really? Notwithstanding the parallels between their

elements on those of trade secrets claims, they remain meaningfully different for a variety of reasons. For one thing, idea misappropriation claims are not recognized in as many jurisdictions and have less case law developing them—thus providing more room for creativity on the part of an enterprising plaintiff where the claim is available, like in New York. In addition, idea misappropriation does not rely on the trade secret requirements articulated in either the Restatement of Torts or the Uniform Trade Secrets Act, which present additional hurdles such as the demonstration of concrete steps taken to maintain the secrecy of one's trade secrets, express consideration of the ease with which the trade secret could be ascertained, and the need to demonstrate that one's trade secret has value. The lack of any need to touch upon these factors may make a plaintiff's life somewhat easier in the idea misappropriation regime.

Given these potential advantages to the plaintiff in idea misappropriation litigation, we expect such claims to continue to proliferate where New York plaintiffs believe their proprietary content has been stolen. As such, we have identified some best practices for parties to consider when litigating these claims, regardless of which side of the "v." you may fall on.

(1) Zero in on what ideas are actually at issue. If you're asserting idea misappropriation, take great pains to be consistent and specific as to what your proprietary ideas are. On the other hand, if you're opposing the claims, be sure to examine what supposedly protectable ideas your plaintiff has actually identified and challenge your plaintiff on their inability to define them properly. The importance of attention to this effort was made abundantly clear in our *Schroeder* case, where the court remarked repeatedly that plaintiffs had been unable to consistently identify the concepts at issue—for example, stating in its idea misappropriation analysis that "it is unclear what ideas were allegedly misappropriated." 2017 WL 5668423, at *16.

It behooves any good litigator to take great care to dissect the idea misappropriation elements in as much detail as possible to ensure her client the best likelihood of success.

(2) Always consider the possibility that the ideas at issue may be in the public domain. Even though the confidentiality of each idea at issue may not be one of the recited elements or idea misappropriation, novelty is. And courts have made clear that if something is already available in the industry, it simply cannot be the source of an idea misappropriation claim.

(3) Make sure you have a qualified industry expert who is ready to boil the ocean. Consistent with the above, good historic evidence of prior art during the relevant time period is paramount to proving or disproving "novelty."

Ultimately, though there is relatively less case law on idea misappropriation claims, it does not mean that they will be kept alive without proper evidence. Idea misappropriation claims have real elements with real evidentiary thresholds, and where they can't be met the claim will not survive. Thus, it behooves any good litigator to take great care to dissect the idea misappropriation elements in as much detail as possible to ensure her client the best likelihood of success.