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New York Narrows the Scope of Employee "Invention Assignment" Provisions

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On September 15, New York enacted Labor Law Section 203-f, limiting the enforceability of invention assignment provisions in employment agreements. Under the new law, employers do not have rights to any employee inventions created on the employee's own time and without the use of employer resources or trade secrets. Such assignments are now considered void as against public policy.

Employers can still require employees to assign inventions that, "at the time of conception or reduction to practice," either (1) relate to the employer's business, or the employer's actual or "demonstrably anticipated" research or development, or (2) result from any work performed by the employee for the employer. The statute does not define the term "demonstrably anticipated," but we expect that the employer will need to show its intention to conduct research or development in an area logically connected to an invention at issue. Therefore, employers should develop a robust system to document this intent.

The New York law leaves open what constitutes an employee's "own time," as well as an employer's "equipment, supplies, [and] facilities," particularly in this age of hybrid workplaces that often blurs the lines between employees' personal and professional lives. This could be an issue particularly in academia, where scientist-employees often perform work outside of the employer's facilities.

Section 203-f explicitly excludes inventions developed using employer's "trade secrets" from being covered but fails to include other potentially protectable types of confidential and/or proprietary information. In New York, unlike most jurisdictions, protections for trade secrets are determined under common law, not statute, and have historically been defined more narrowly.

Section 203-f does not create a private right of action and therefore claims brought under this statute cannot stand alone. It remains to be seen whether New York courts will utilize their discretionary authority, as they have with other overly broad restrictive covenants, to modify overbroad invention assignment provisions under this new law, as opposed to invalidating agreements altogether. New York's new law is similar to the laws of several other states, including California, Illinois, Delaware, Kansas, Minnesota, New Jersey, North Carolina, and Washington, but few courts have interpreted these statutes to date.

In light of Section 203-f, we recommend that New York employers:

- Revise employment agreements, employee handbooks, and any similar agreements and documents to reference Section 203-f and ensure that the language of invention assignment provisions complies with the

statute;

- Include clear and robust severability language in employment agreements to help ensure that overbroad invention assignment provisions do not invalidate the entire agreement;

- If applicable, appropriately label employer equipment, supplies, and demarcate work time from employees' own time, particularly when employees work remotely;

- Clearly define and protect employer trade secrets as well as actual and anticipated research and development to capture ownership of employee inventions with robust confidentiality agreements and practices;

- Take special measures to limit third party access to confidential information, track employee access to such information, and ensure that, upon termination, employees return all confidential information, and are aware of ongoing obligations related to maintaining confidentiality of employer information; and

- Implement an employee invention disclosure policy requiring employees to disclose relevant inventions during the term of their employment, if such a policy is not in place already.

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