Alert

October 16, 2023

COZEN O'CONNOR

New Law in New York Prohibits Certain Employee Invention Assignment Agreements

On September 15, 2023, a new law was signed in New York that prohibits employers from requiring that employees assign certain intellectual property rights to their employer. This new law impacts policies and practices that have been in place for years and requires employers to review (and potentially modify) their policies and form agreements to avoid violating New York law.

WHAT?

New York Governor Kathy Hochul signed into law Section 203-F of the New York Labor Law, which prohibits employers from requiring an employee to "assign, or offer to assign, any of his or her rights in an invention to his or her employer . . . that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information[.]" By definition, any employee invention that was not developed entirely on the employee's own time and/or without using the employer's equipment, supplies, facilities, or trade secret information is not subject to this new prohibition.

The intent of the law is to balance the desire to protect employees from overbroad attempts to force employees to bargain away creative exercise with the desire to protect employers from seeing their investment of time and resources be used by an employee for personal gain. To that end, Section 203-F expressly carves out those inventions that still may be subject to assignment:

i. Inventions that "relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer[.]"

ii. Inventions that "result from any work performed by the employee for the employer."

Thus, even if the invention was created on the employee's own time and without using the employer's equipment, supplies, facilities, or trade secret information, the employer can still require assignment of the invention rights if the invention relates to the employer's business at the time of conception or reduction to practice, or is the result of work performed by the employee for the employer.

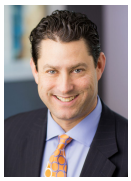
The term "invention" is not defined in the new law but presumably is meant to include intellectual property rights broadly. Moreover, while Section 203-F refers to an "employment agreement," the new law's scope would likely cover similar provisions in handbooks, policies, and other documents intended to require certain assignments by employees. Section 203-F does not, however, require any affirmative action on the part of employers (i.e., particular notice or disclaimers) but rather just renders offending provisions to be against New York public policy and unenforceable.

WHEN?

Section 203-F became effective immediately upon signing by Governor Hochul, i.e., on September 15, 2023.

HOW ENFORCED?

Section 203-F does not create an express private right of action but will be enforced by the New York State Department of Labor. In addition to any penalties or other available remedies, the New York Labor Law also provides for certain criminal liability of certain individuals who knowingly permit a corporate employer to violate the Labor Law.



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Related Practice Areas

- Intellectual Property
- Labor & Employment
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NOW WHAT?

While there is no express statement of retroactivity in Section 203-F, the language suggests that all provisions that violate this new law cannot be enforced as of September 15, 2023, regardless of the source of the provision and when the provision arose. Consequently, employers should identify those employment agreements, employee handbooks, and policies that include an intellectual property or invention assignment provision to:

i. modify any such provision to comport with this new New York law, and
ii. determine whether there are other means to protect the company's legitimate business interests that would not run afoul of the new law.

As always, New York Labor Law Section 203-F should also be analyzed in conjunction with applicable federal law and the laws of other states in which the employer may be operating.