

New York Passes Law Restricting Scope of Employee IP Assignment Agreements

On the heels of increasing federal and state activity with respect to employee restrictive covenants, which we reported on [here](#) and [here](#), on September 15, 2023, Governor Hochul signed [S5640/A6829](#), which renders unenforceable the application of assignment provisions with respect to certain inventions in employment agreements. Below, we address some initial questions with respect to this new Section 203-f of the New York Labor Law.

WHAT TYPES OF AGREEMENTS DOES THE LAW RENDER UNENFORCEABLE?

The law generally renders unenforceable any provision in an “employment agreement” requiring an employee to assign, or offer to assign, to the employer any of the employee’s rights in an invention that “the employee developed entirely on his or her own time without using the employer’s equipment, supplies, facilities, or trade secret information.” Notably, companies will no longer be able to use employee assignment agreements to take ownership of all inventions of broadly mandated employees or as a prophylactic mechanism to protect against the misappropriation of trade secrets by employees in fields such as software development where the use of employer trade secrets may be difficult to identify and prove.

DOES THE LAW INCLUDE ANY EXCEPTIONS?

Yes. Section 203-f(1) does not render unenforceable assignment of inventions that either:

- “(a) 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; or
- (b) result from any work performed by the employee for the employer.”

While it is often difficult to distinguish between business-related inventions and unrelated ones, or to identify and trace the use of employer trade secrets in employee inventions developed outside the scope of employment, the law does permit employers to require assignment of all inventions that relate to the employer’s business regardless of whether use of the employer’s trade secrets can be proved.

WHEN IS THE LAW EFFECTIVE?

The law took effect immediately on September 15, 2023.

WHAT ARE THE CONSEQUENCES OF VIOLATING THE LAW?

Invention assignment provisions that violate the law are against the public policy of New York and unenforceable. Section 203-f(2).

DOES THE LAW APPLY TO EXISTING INVENTION ASSIGNMENT PROVISIONS?

Yes. Any existing invention assignment agreements will be unenforceable to the extent they purport to assign an invention that is no longer assignable under the new law.

MUST EMPLOYERS PROVIDE NOTICE TO THEIR EMPLOYEES?

The law is silent regarding notice to employees of the law's requirements or the exclusion of specified intellectual property from the scope of assignment. Other states with similar laws require written notice to the employee of which types of inventions are excluded from the invention assignment provision under the respective state law. While not required, providing written notice to employees can serve to highlight that any inventions developed by an employee who uses a company's trade secret information, and any inventions that relate to the business of the company, remain subject to an enforceable assignment provision.

WHAT STEPS CAN EMPLOYERS TAKE?

- Please reach out to a member of the Intellectual Property Group or Executive Compensation and Benefits Group to advise on compliance with New York's new employee invention assignment law while still capturing the broadest scope of employee inventions.
- Consider including in future employee assignment agreements a provision requiring disclosure of all inventions developed during the term of their employment, in order to anticipate potential disputes over IP ownership. A company can thereafter establish a review process to identify and examine employee inventions that may fall under the restrictions imposed on employee invention assignment provisions under the new law.
- Consider reviewing employee confidentiality agreements to ensure that the duration of confidentiality obligations concerning the use of trade secrets extends after the employee's term of employment—ideally indefinitely while the trade secrets retain such status under applicable law. Where an employee invention assignment provision only applies to those inventions created by an employee during the course of his or her employment, an indefinite confidentiality term provides a backstop against use of a company's trade secret information in the creation of IP after the term of employment.

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