

Inevitably, some employers attempted to push the envelope, with agreements purporting to claim employer ownership of inventions made by their employees in their garages over the weekend, even when those inventions bore no relationship to the employer's business or the employee's job function. Employees were willing to sign such agreements out of fear that they would lose a job opportunity if they declined, and the assumption that the requirement was unlikely to create a problem.

New Jersey recently joined a handful of other states that draw a statutory line between the types of inventions that an employer can capture and those it cannot. New Jersey Statute §34:1B-265(a) became effective on April 1, and reads in part:

(1) Any provision in an employment contract between an employee and employer, which provides that the employee shall assign or offer to assign any of the employee's rights to an invention to that employer, shall not apply to an invention that the employee develops entirely on the employee's own time, and without using the employer's equipment, supplies, facilities or information, including any trade secret information, except for those inventions that:

(a) relate to the employer's business or actual or demonstrably anticipated research or development; or

(b) result from any work performed by the employee on behalf of the employer.

(2) To the extent any provision in an employment contract applies, or intends to apply, to an employee invention subject to this subsection, the provision shall be deemed against the public policy of this State and shall be unenforceable.

The new statute goes on to state that to the extent a provision in an employment agreement applies or intends to apply to an invention subject to the new statute, it is deemed against public policy and unenforceable. N.J. Stat. §34:1B-265(a)(2). It also states that: "No employer shall require a provision made void and unenforceable by this act as a condition of employment or continued employment." *Id.* §34:1B-265(b). But the statute recites no penalties for an employer violating the statute, other than the unlawful provision being unenforceable. The New Jersey statute also permits employment agreements to require employees to disclose all inventions to allow the employer to review "any issues that may arise." *Id.*

The experience of other states may provide clues as to what to expect with the new statute. Take, for example, the provision of the New Jersey statute which excuses employees from assigning an invention where (among other things) the employee didn't use the employer's "equipment." One might imagine this provision relates to the use of lathes, milling machines and the like in a factory or lab. But if you expect "equipment" to be construed narrowly, think again.

In *Iconix v. Tokuda*, 457 F. Supp. 2d 969 (N.D. Cal. 2006), the "equipment" was a laptop computer owned by the company and used by the defendant. The employee explained that because he did not have a laptop of his own, he stored things like photos, video games, music and personal finance information on his company laptop. He asserted that his bosses were aware of his personal use of the laptop and even encouraged him to have it with him at all times, never objecting to his use of the laptop for personal purposes. But under the California statute, Cal. Lab. Code §2870, the computer was deemed to be "equipment" so as to negate the employee's argument that he had no duty to assign. If a laptop qualifies as "equipment," what about a phone?

Although New Jersey's newly enacted statute is similar to statutes in other states, there are some noticeable differences as well. For example, the aforesaid California statute and several other state statutes allow an employer to demand an assignment if the employee used the employer's "trade secret information." The New Jersey statute, in contrast, allows the employer to make such a claim for an assignment if the employee used the employer's "information, including any trade secret information" It seems inevitable that an employer in New Jersey will take the position that "information, including any trade secret information" necessarily encompasses information that is *not* trade secret information. If so, the courts will have to decide how far the term "information" can be stretched. For example, does "employer's ... information" include information in the possession of the employer which is known by or at least ascertainable to the general public?

The New Jersey statute departs from the California statute in at least one other way. The California statute excludes from its coverage inventions that “[r]elate *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.” Cal. Lab. Code §2870(a)(1). Conception and reduction to practice are well-developed concepts in patent law, and they relate to definable moments that may be days, weeks or months apart from each other. The California statute thus places temporal limits on the scope of this exception. In contrast, the New Jersey version does not expressly impose such temporal limits. Could an employee’s invention become subject to an assignment to the employer if the employer’s “business or actual or demonstrably anticipated research or development” does not relate to the invention until years after the invention was created?

New Jersey passed up other opportunities to expressly adopt limitations contained in other states’ statutes. For example, under Minnesota and Washington state statutes, an employee may be required to assign an invention that “relates ... *directly*” to the employer’s business or anticipated research-and-development activities. Minn. Stat. §181.78(1); Rev. Code Wash. § 49.44.140(1). The New Jersey version omits the word “directly.”

Some of the differences between New Jersey’s and other state statutes benefit the employee. Employees are explicitly saddled with the burden of proving entitlement to the exemption in Illinois, *see* 765 Ill. Comp. Stat. 1060/2, and North Carolina, *see* N.C. Gen. Stat. § 66-57.1. The New Jersey statute is silent as to burden of proof.

Going forward, New Jersey companies that use employment agreements to require assignment of inventions (which often deal with related issues, such as confidentiality) will be well advised to review their existing agreements and determine if changes are needed for new employees and even existing employees.

In business, hardly anyone likes surprises. We may all get fooled by something or other the next time April 1 rolls around. But so long as inventors and their employers have adjusted to New Jersey’s new statute, there should be fewer surprises on both sides of the table.

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