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# A BILL FOR AN ACT

RELATING TO INGENUITY CORPORATION CHARTER.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The Hawaii Revised Statutes is amended by  
2 adding a new chapter to be appropriately designated and to read  
3 as follows:

4   **"CHAPTER**

5                                       **HAWAII INGENUITY CORPORATION CHARTER**

6           § -1 The legislature finds and declares that:

7           (1) It is an essential function of government to enhance  
8                 and protect the quality of public education for Hawaii  
9                 residents;

10          (2) Inventors and other creators of intellectual property  
11                 are an important engine of economic growth;

12          (3) Intellectual property is one of the only remaining  
13                 sources of competitive advantage in the global  
14                 economy;

15          (4) Teaching innovation techniques in our schools is a  
16                 wise investment in the State's future prosperity;

17          (5) Hawaii needs to attract inventors to protect and  
18                 develop its economy. Protecting labor and

1 environmental standards in Hawaii depends upon  
2 increasing or at least maintaining labor and  
3 environmental standards nationally and globally;

4 (6) Whether working independently or employed by  
5 corporations, the vast majority of inventors do not  
6 have the collective representation, institutional  
7 strength, or financial resources necessary to exercise  
8 and enforce their property rights; and

9 (7) Hawaii has the opportunity to become a center for  
10 protecting the fruits of American ingenuity so that  
11 inventors can fully exercise their constitutional  
12 intellectual property rights and, in turn, these  
13 rights can be used to forge an anchor for good jobs in  
14 a manner that enhances labor and environmental  
15 practices nationally and internationally.

16 § -2 **Definitions.** As used in this chapter, unless it  
17 otherwise clearly appears from the context:

18 "Board" means the board of directors of the corporation.

19 "Corporation" means the Hawaii ingenuity corporation.

20 § -3 **Establishment; purpose.** (a) There is established  
21 the Hawaii ingenuity corporation, which shall be a private, for

1 profit, non-stock, membership corporation created by the State  
2 to:

- 3 (1) Hold and use intellectual and other property;
- 4 (2) Create benefits for inventors nationally, labor unions  
5 nationally, and public education in Hawaii to promote  
6 the teaching of innovation and its application for the  
7 common good;
- 8 (3) Create and maintain businesses operating at  
9 International Labor Organization work standards and  
10 United Nations environmental standards, providing  
11 innovation education, employment opportunities, and  
12 economic development for Hawaii;
- 13 (4) Raise global labor and environmental standards and  
14 build Hawaii's role as an inventor-friendly state;
- 15 (5) Engage in any lawful business that operates upon  
16 International Labor Organization labor and United  
17 Nations environmental standards and sell, lease, or  
18 license goods and services only to business entities  
19 meeting International Labor Organization labor  
20 standards and United Nations environmental standards;
- 21 (6) Enable inventors, labor unions, the American Ingenuity  
22 Alliance, and public educators to create a business



1           entity that owns and licenses intellectual and other  
2           property;

3           (7) Attract inventors to Hawaii;

4           (8) Enable the corporation to negotiate with other  
5           corporations on behalf of all the constituency groups  
6           on issues of licensing intellectual property, labor,  
7           and environmental standards; and

8           (9) Permit the corporation to collectively bargain and  
9           declare that exercising such power on behalf of  
10          inventors and labor organizations is an exception to  
11          all state anti-trust and anti-competitive practice  
12          rules.

13          (b) This chapter shall not supersede any existing labor  
14          laws of the State. If there is any conflict between the two,  
15          the labor law shall prevail.

16          (c) Contribution, allocation, or distribution by the  
17          corporation of its property or assets to any nonprofit  
18          institution shall be deductible from the corporation's income to  
19          the same extent as it would from the income of any other for-  
20          profit company.

21          **§ -4 General powers of the corporation.** The corporation  
22          shall have the power to do any lawful acts or things reasonably

1 necessary or desirable for carrying out the above-stated  
2 purposes and for protecting the lawful rights and interests of  
3 its members in connection therewith.

4       **§ -5 Disposition of assets.** Upon its dissolution, assets  
5 may be allocated amongst the members pro rata, with one-third  
6 going to inventor members as a group; one-third to union members  
7 as a group, and the remaining one-third to be divided equally  
8 between the Hawaii State Teachers' Association and the  
9 University of Hawaii Professional Assembly for allocation by  
10 them to programs teaching innovation.

11       **§ -6 Duration.** This corporate charter is perpetual  
12 unless rescinded by a two-thirds vote of both houses of the  
13 legislature.

14       **§ -7 Membership classes and qualifications.** (a) There  
15 shall be five classes of corporation members:

- 16       (1) Educator members;
- 17       (2) Inventor members;
- 18       (3) Labor union members;
- 19       (4) Investor members; and
- 20       (5) A managing member - the American Ingenuity Alliance.

21       (b) Qualifications for class membership are as follows:

- 22       (1) There shall be two educator members representing:



- 1 (A) The Hawaii State Teachers' Association; and
- 2 (B) The University of Hawaii Professional Assembly;
- 3 (2) An inventor member is any person who licenses to the
- 4 corporation any intellectual property on which the
- 5 person holds a patent, trademark, trade name, or
- 6 copyright;
- 7 (3) A labor union member is a member of any labor
- 8 organization (as defined by United States or Hawaii
- 9 law) that enters into a contract with the corporation
- 10 and one or more inventor members for their mutual
- 11 benefit, including any local, state, regional,
- 12 national, or amalgamated body;
- 13 (4) An investor member is any person or entity that
- 14 invests real, tangible, or intangible assets in the
- 15 corporation, other than intellectual property, by
- 16 contracting with the corporation; and
- 17 (5) A managing member is a Hawaii non-profit corporation,
- 18 determined by the legislature to have the ability and
- 19 resources to bring together all the corporation member
- 20 classes to carry out the purposes of this chapter.
- 21 The initial managing member shall be the American
- 22 Ingenuity Alliance. The legislature hereby determines



1           that the American Ingenuity Alliance has the ability  
2           and resources to bring together all the corporation  
3           member classes to carry out the purposes of the  
4           corporation.

5           **§ -8 Rights and obligations of member classes.** (a) The  
6 two educator members shall:

7           (1) Each appoint one member of the board. The appointment  
8           process for each position shall be determined by each  
9           respective organization;

10          (2) Be entitled to a one-third share of the profits  
11          derived from inventor or labor union contracts managed  
12          by the corporation after expenses incurred by the  
13          corporation, including managing member and corporation  
14          management fees, costs, and investor return payments,  
15          which share shall be divided equally between the two  
16          educator members;

17          (3) Have the fiduciary obligation to oversee the  
18          disbursement of the one-third share of the  
19          corporation's profits allocated to the educator  
20          members, which funds shall be used to promote teaching  
21          and learning innovation for the common good; and



- 1           (4) Have memberships that shall only expire by act of the  
2           legislature.
- 3           (b) Inventor members shall:
- 4           (1) Have no voting rights in the corporation, other than  
5           those granted by the Professional Inventors Alliance  
6           or the Living Inventors Hall of Fame;
- 7           (2) Be represented on the board by three inventor members.  
8           The Professional Inventors Alliance and the Living  
9           Inventors Hall of Fame shall each appoint one member  
10          to serve a term as a director of the board. The  
11          American Ingenuity Alliance shall appoint one member.  
12          The appointment process for each position shall be  
13          determined by each organization, respectively;
- 14          (3) Not include the Professional Inventors Alliance nor  
15          the Living Inventors Hall of Fame;
- 16          (4) Enter into one or more contracts with and managed by  
17          the corporation;
- 18          (5) Be entitled to a one-third share of the profits  
19          derived from contracts after expenses incurred by the  
20          corporation, including managing member and corporation  
21          management fees, costs, and investor return payments;  
22          and





- 1           (6) Have membership that shall expire at the termination
- 2                   of a member's contract. If a member is engaged in
- 3                   several contracts, the membership shall expire at the
- 4                   end of the last contract.
  
- 5           (c) Labor union members shall:
- 6                   (1) Have no voting rights in the corporation, other than
- 7                           those granted by the American Federation of Labor
- 8                           Congress of Industrial Organizations or the Change to
- 9                           Win Coalition;
  
- 10                  (2) Be represented on the board by three labor union
- 11                           members. The American Federation of Labor Congress of
- 12                           Industrial Organizations and the Change to Win
- 13                           Coalition shall each appoint one member to serve on
- 14                           the board. The American Ingenuity Alliance shall
- 15                           appoint one member;
  
- 16                  (3) Not include the American Federation of Labor Congress
- 17                           of Industrial Organizations or the Change to Win
- 18                           Coalition;
  
- 19                  (4) Enter into one or more contracts with and managed by
- 20                           the corporation;
  
- 21                  (5) Be entitled to a one-third share of the profits
- 22                           derived from contracts after expenses incurred by the

1 corporation, including managing member and corporation  
2 management fees, costs, and investor return payments;  
3 and

4 (6) Have membership that shall expire at the termination  
5 of a member's contract. If a member is engaged in  
6 several contracts, membership shall expire at the end  
7 of the last member contract.

8 (d) Investor members shall:

9 (1) Have no voting rights in the corporation;

10 (2) Enter into one or more contracts with and managed by  
11 the corporation to provide capital for the corporation  
12 or any of its members;

13 (3) Be entitled to investor return payments enumerated in  
14 a member contract in exchange for investing capital in  
15 the corporation or any of its members' contracts.

16 Investor return payments shall be paid out of contract  
17 returns after management fees and costs and before  
18 calculating profits to be allocated to the inventor,  
19 labor union, and educator members; and

20 (4) Have membership that shall expire at the termination  
21 of a member's contract. If a member is engaged in



1 several contracts, the membership shall expire at the  
2 end of the last member contract.

3 (e) Managing members shall:

4 (1) Appoint three members to the board of directors:

5 (A) A representative of a labor organization;

6 (B) An inventor or representative of an inventor's  
7 organization; and

8 (C) A representative of the American Ingenuity

9 Alliance, who shall serve as the board chair;

10 (2) Be removed and replaced by a majority vote of both  
11 houses of the legislature;

12 (3) Seek and find members and opportunities for members to  
13 contract with one another; and

14 (4) Interpret the meaning of the corporation contracts  
15 when there is any dispute between members who are  
16 engaged in a member contract. Appeal from any  
17 interpretation may be made to the entire board of  
18 directors. The directors may overturn the managing  
19 member's decision by a majority of the votes of the  
20 board of directors.

21 **§ -9 Membership meetings.** (a) There shall be an annual  
22 membership meeting held on the second Wednesday in March, or at



1 any other time determined by the board of directors, so long as  
2 one is held approximately every twelve months.

3 (b) Members shall receive notice not less than ten, nor  
4 more than ninety, days in advance of the meeting by any means  
5 that provides a written record.

6 (c) The board of directors shall create the means to  
7 permit members to participate from a distance by electronic or  
8 other means.

9 (d) The chair of the board of directors and the chief  
10 executive officer shall present an annual report to the members  
11 on the corporation's affairs, including a financial report and  
12 description of the number and nature of the board's member  
13 contracts, including a description of how the contracts meet the  
14 board's purposes.

15 (e) Special meetings of the members may be called by the  
16 chair of the board of directors or three directors at any time  
17 or shall be called by the chair of the board of directors upon a  
18 petition signed by at least fifty per cent of any class of  
19 members or twenty five per cent of all members.

20 **§ -10 Member's right to sue.** Members shall have the  
21 right to sue the board of directors for failure to conduct the  
22 business for charter purposes or in the best interests of the



1 members. The right to sue, however, shall only be available  
2 after the member has first exhausted an internal appeal process  
3 created by the board of directors and overseen by a neutral  
4 outside party; provided that the board of directors has created  
5 this process. The Hawaii courts shall give the deference to  
6 this internal process that they would give any state agency  
7 administrative tribunal.

8       **§ -11 The board of directors.** There shall be nine board  
9 of director members chosen by various constituencies pursuant to  
10 this chapter. The directors shall be appointed in the following  
11 numbers by the following organizations:

- 12       (1) One member by the Hawaii State Teachers' Association;  
13       (2) One member by the University of Hawaii Professional  
14       Assembly;  
15       (3) One member by the American Federation of Labor  
16       Congress of Industrial Organizations;  
17       (4) One member by the Change to Win Coalition;  
18       (5) One member by the Professional Inventors Alliance;  
19       (6) One member by the members of the Living Inventors Hall  
20       of Fame; and  
21       (7) Three members by the American Ingenuity Alliance, of  
22       which:



- 1 (A) One member shall represent a labor organization;
- 2 (B) One member shall be an inventor or represent an
- 3 inventor's organization; and
- 4 (C) One member shall represent the American Ingenuity
- 5 Alliance, who shall serve as the chair of the
- 6 board of directors.

7 **§ -12 Terms of office.** (a) Each director shall be

8 appointed for a term of five years by the director's

9 constituency as provided in this chapter. To stagger the board

10 terms, the initial terms shall be as follows:

- 11 (1) For two-year terms: the directors appointed
- 12 respectively by the Hawaii State Teacher's Association
- 13 and the Change to Win Coalition;
- 14 (2) For three-year terms: the directors appointed
- 15 respectively by the Professional Inventors Alliance,
- 16 American Federation of Labor Congress of Industrial
- 17 Organizations, and the University of Hawaii
- 18 Professional Assembly;
- 19 (3) For four-year terms: the director appointed by the
- 20 Living Inventors Hall of Fame; and
- 21 (4) For five-year terms: the directors appointed by the
- 22 American Ingenuity Alliance.



1 (b) A director of the board may be recalled at any time  
2 without cause by formal action by the body appointing the  
3 director and replaced by another director to serve out the  
4 remainder of the former director's term. A director may serve  
5 any number of terms and may be removed from office for cause by  
6 a vote of a majority of the remaining directors then in office.

7 **§ -13 Duties of the board of directors.** The board of  
8 directors shall:

- 9 (1) Elect all other officers, including a president and  
10 chief executive officer, a secretary, a treasurer, and  
11 one or more vice-presidents. These officers may but  
12 need not be directors. Staff officers shall be  
13 elected each year at the board of director's annual  
14 meeting;
- 15 (2) Hire, fire, evaluate, and determine compensation for  
16 the chief executive officer;
- 17 (3) Determine policy for the corporation;
- 18 (4) Review corporation member contracts to ensure that  
19 they comply with the corporation's purpose, which may  
20 include creating criteria for contract evaluation and  
21 delegation of the contract review function to staff;
- 22 (5) Hold an annual membership meeting;



1 (6) Operate the corporation to fulfill the purposes of  
2 this charter and serve as fiduciaries in the best  
3 interests of all the members; and

4 (7) Create and amend the corporation's bylaws to further  
5 the purposes of this charter.

6 **§ -14 Board meetings.** (a) The board shall meet monthly,  
7 on the second Tuesday of the month, unless rescheduled by the  
8 chair of the board.

9 (b) Meetings may be held in any location convenient to the  
10 board of directors or in multiple locations. Directors may  
11 participate in the meeting by any electronic or other method  
12 that allows each director to speak, hear, and be heard by all  
13 the others.

14 (c) Notice of regular board of directors meetings shall be  
15 sent no less than seventy-two hours and no more than thirty days  
16 before a meeting. Notice of meetings may be given by any medium  
17 that produces a written record.

18 (d) Notice of any meeting may be waived by directors if a  
19 waiver is signed before, at, or after a meeting.

20 (e) Unanimous board of directors action may be taken  
21 without a meeting; provided that all directors sign the  
22 resolution noting their agreement.



1 (f) Notice of special board of directors meetings shall be  
2 sent no less than twenty-four hours and no more than thirty days  
3 before a meeting. Notice of meetings may be given by any medium  
4 that produces a written record.

5 (g) Special meetings of the board of directors may be  
6 called at any time by the chair, or by a notice signed by three  
7 directors.

8 (h) Special meetings of the board of directors or  
9 corporation members shall be called by the chair upon a petition  
10 signed by at least twenty per cent of any class of members or  
11 ten per cent of all members.

12 **§ -15 Board member compensation.** The board of directors  
13 shall not be paid more than the average annual compensation for  
14 the members of University of Hawaii Professional Assembly, plus  
15 actual expenses incurred in carrying out the member's duties.

16 **§ -16 Executive committee.** The board of directors may  
17 delegate its duties to an executive committee made up of its  
18 officers. The executive committee may also act on behalf of the  
19 board of directors when action is needed between meetings,  
20 subject to authorization or rescission at the following board of  
21 directors meeting.



1           **§ -17 Officers.** (a) The officers of the board shall be  
2 elected by the board at its annual meeting. The chief executive  
3 officer may be hired on a contract exceeding one year if the  
4 board of directors so chooses.

5           (b) The chief executive officer shall ensure that the  
6 corporation's management shall charge no more than reasonable  
7 fees and costs to the corporation and member contracts. The  
8 fees and costs shall be disclosed timely to contracting members.  
9 The chief executive officer shall provide the monthly reports to  
10 the board of directors and annual reports to the members and  
11 shall have the authority to hire staff and consultants as  
12 necessary to carry out the purpose and business of the  
13 corporation.

14           The chief executive officer shall organize transactions in  
15 which one or more members contract with outside parties for the  
16 mutual benefit of the contracting members and manage the  
17 business and assets of the corporation in the interest of all  
18 members. The chief executive officer shall negotiate and  
19 administer contracts on behalf of members.

20           The chief executive officer shall also prepare an annual  
21 report on the corporation to the legislature. The board of  
22 directors and the treasurer shall review the report. The chief



1 executive officer and the treasurer shall sign a statement  
2 taking fiduciary responsibility for the veracity of the  
3 statements in the annual report to the legislature.

4 (c) The board shall designate a first vice-president to  
5 take over the duties of the president whenever the president is  
6 unavailable to chair a meeting or is otherwise incapacitated or  
7 unreachable. The board may designate other vice-presidents with  
8 whatever duties the board chooses to assign.

9 (d) The secretary shall maintain all books and records of  
10 the corporation and shall be responsible for all required legal  
11 filings. The secretary or the president shall have the  
12 authority to sign contracts on behalf of the corporation. The  
13 secretary shall maintain accurate records of the current  
14 membership status of all current and past members. The  
15 secretary shall maintain records of the board members' staggered  
16 terms of office and provide notice to the board of directors  
17 ninety days before each annual meeting of the board member terms  
18 that shall expire at that annual meeting.

19 (e) The treasurer shall maintain and oversee the financial  
20 records of the corporation. The treasurer shall make a  
21 financial report at every regular meeting of the board of  
22 directors and at the membership annual meeting. The treasurer



1 shall prepare the financial report included in the annual report  
2 to the legislature.

3       **§ -18 Amendments.** Amendments to this charter shall only  
4 be made by an Act of the legislature. However, the board of  
5 directors may create and amend bylaws to further elaborate the  
6 corporation's corporate structure and processes, so long as the  
7 bylaws do not conflict with the charter's purposes."

8       SECTION 2. This Act shall take effect on July 1, 2006.



HB3261, SD1

**Report Title:**

Hawaii Ingenuity Corporation Charter

**Description:**

Establishes the Hawaii Ingenuity Corporation Charter. (SD1)

