
A BILL FOR AN ACT

RELATING TO LIMITED LIABILITY COMPANIES.

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

- 1 SECTION 1. The legislature finds that:
- 2 (1) Intellectual property is an essential source of
- 3 competitive advantage in a global economy;
- 4 (2) Inventors and other creators of intellectual property
- 5 are an important engine of sustainable economic
- 6 growth;
- 7 (3) Whether working independently or employed by
- 8 corporations, the vast majority of inventors and other
- 9 creators of intellectual property have neither the
- 10 collective representation, institutional strength, nor
- 11 the financial resources necessary to exercise and
- 12 enforce their property rights;
- 13 (4) Hawaii needs to attract inventors and build its
- 14 reputation as a center of innovation to diversify and
- 15 strengthen its economy;
- 16 (5) Protecting labor and environmental standards in Hawaii
- 17 depends, in part, upon strengthening labor and

1 environmental standards both nationally and
2 internationally;

3 (6) The right conferred by the grant of a patent is the
4 right to exclude others from making, using, offering
5 for sale, or selling the invention in the United
6 States or importing the invention into the United
7 States; and

8 (7) This right to exclude can serve a public interest.

9 The purpose of this Act is to require limited liability
10 companies that opt to be designated a public purpose company by
11 the director of commerce and consumer affairs to exercise the
12 right to exclude conferred by any patent for public purposes.

13 SECTION 2. Chapter 428, Hawaii Revised Statutes, is
14 amended by adding a new section to be appropriately designated
15 and to read as follows:

16 "§428- Public purpose company designation; use of the
17 right to exclude; reporting. (a) Any limited liability company
18 organized under this chapter may opt to be designated a public
19 purpose company by the director. Designation as a public
20 purpose company is irrevocable.

21 (1) A public purpose company means a limited liability
22 company that:

- 1 (A) Is organized under this chapter for a business
2 purpose;
- 3 (B) Significantly furthers the accomplishment of one
4 or more charitable or educational purposes within
5 the meaning of Section 170(c)(2)(B) of the
6 Internal Revenue Code of 1986, 26 United States
7 Code section 170(c)(2)(B);
- 8 (C) Was formed only for the accomplishment of
9 charitable or educational purposes;
- 10 (D) Does not have as a significant purpose the
11 production of income or the appreciation of
12 property; provided that the fact that a company
13 produces significant income or capital
14 appreciation shall not, in the absence of other
15 factors, be conclusive evidence that a
16 significant purpose of the company is the
17 production of income or the appreciation of
18 property; and
- 19 (E) Was not formed and is not operated to accomplish
20 any political or legislative purposes within the
21 meaning of Section 170(c)(2)(D) of the Internal

1 Revenue Code of 1986, 26 United States Code
2 section 170(c)(2)(D).

3 (2) A limited liability company designated a public
4 purpose company by the director shall use the right to
5 exclude conferred by any and all patents in which it
6 has an interest through assignment or license for the
7 purpose of:

8 (A) Creating and retaining good jobs within the State
9 as well as throughout the United States;

10 (B) Strengthening labor rights nationally and
11 internationally; provided that for purposes of
12 this paragraph, "labor rights" means the four
13 basic rights set forth in Article 23 of the
14 Universal Declaration of Human Rights, as adopted
15 and proclaimed by the General Assembly of the
16 United Nations on December 10, 1948; and

17 (C) Enhancing environmental protection nationally and
18 internationally.

19 (b) In addition to any other reporting requirement, each
20 limited liability company designated a public purpose company
21 shall file with the director an annual statement of the purposes
22 for which the company used the right to exclude.

1 (c) The director shall include a list of all public
2 purpose companies in the state on the department's website and
3 in the department's annual report."

4 SECTION 3. This Act does not affect rights and duties that
5 matured, penalties that were incurred, and proceedings that were
6 begun, before its effective date.

7 SECTION 4. New statutory material is underscored.

8 SECTION 5. This Act shall take effect on July 1, 2050.

Report Title:

Limited Liability Company; Patents

Description:

Creates an optional "public purpose company" designation for LLCs. Requires an LLC with a public purpose company designation to exercise its right to exclude conferred by any patent it has an interest in for a public purpose. Establishes reporting requirements. Effective 7/1/2050. (SD2)