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A BILL FOR AN ACT

RELATING TO TECHNOLOGY TRANSFER AT THE UNIVERSITY OF HAWAII.

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

1           SECTION 1. The legislature finds that it is a matter of  
2 statewide concern to support the contributions by the University  
3 of Hawaii to the economic health and diversification of the  
4 State. The legislature further finds that the timely and  
5 efficient commercialization of intellectual property created by  
6 basic and applied research at the university greatly benefits  
7 the public and the State.

8           Through prior legislation, the legislature has authorized  
9 and provided funding to support efforts by state agencies to  
10 promote entrepreneurial development, research commercialization,  
11 and access to startup investment capital. These efforts  
12 include, for example, the HI Growth Initiative, the venture  
13 accelerator funding program, and other projects sponsored by the  
14 Hawaii strategic development corporation. The University of  
15 Hawaii can play a vital and complementary role in this  
16 initiative.

17           The legislature finds that the board of regents of the  
18 University of Hawaii has established a regulatory framework and

1 compliance program to balance the unique benefits and ethical  
2 issues specific to university research and technology transfer  
3 and to assure compliance with applicable external regulations.  
4 The university framework and compliance program incorporates  
5 long-standing ethical research principles and technology  
6 transfer regulations currently used by the United States federal  
7 government.

8       The board periodically reviews and updates its policies and  
9 procedures to reflect the best practices currently in place at  
10 several of the university's peer institutions. In this manner,  
11 the university strives to remain compliant with federal  
12 regulation and be competitive for external research funding  
13 opportunities. By updating its research and commercialization  
14 policies and guidelines, the university is able to attract  
15 innovative faculty.

16       The purposes of this Act are to clarify and modernize the  
17 application of state ethics principles set forth in the state  
18 ethics code to technology transfer activities sponsored by the  
19 University of Hawaii, and thereby facilitate the university's  
20 contribution to research commercialization and economic  
21 development for the State.

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1 SECTION 2. Chapter 84, Hawaii Revised Statutes, is amended  
2 by adding a new section to be appropriately designated and to  
3 read as follows:

4 "§84- University of Hawaii technology transfer  
5 activities. (a) Sections 84-12, 84-13, 84-14 through 84-16,  
6 inclusive, and section 84-18 of this chapter shall not apply to  
7 technology transfer activities sponsored by the University, so  
8 long as such technology transfer activities comply with the  
9 regulatory framework and research compliance program and  
10 policies approved by the University of Hawaii board of regents.

11 (b) The board of regents of the University of Hawaii shall  
12 submit a written report to the legislature no later than twenty  
13 days prior to the convening of each regular session during an  
14 odd-numbered year regarding:

15 (1) The development and implementation of its regulatory  
16 framework and compliance program that reflect ethical  
17 research principles and technology transfer  
18 regulations used by the United States federal  
19 government; and

20 (2) The technology transfer activities of the University  
21 of Hawaii and their status.

22 (c) As used in this section, "technology transfer  
23 activities" means the process of transferring scientific

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1 findings from the public sector to the private sector for the  
2 purpose of commercial development and application for personal  
3 or financial gain. Technology transfer activities may include  
4 creating joint ventures, limited partnerships, or other  
5 corporate forms, allocating equity shares, partnership  
6 interests, or other forms of participation, identifying new  
7 technologies, protecting technologies through patents and  
8 copyrights, forming development and commercialization  
9 strategies, arrangements or projects, and other related  
10 activities."

11 SECTION 3. New statutory material is underscored.

12 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: \_\_\_\_\_

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BY REQUEST

JAN 25 2016

# H.B. NO. 2411

**Report Title:**

State Ethics Code; University of Hawaii; Technology Transfer Activities

**Description:**

Clarifies that certain sections of the State Ethics Code shall not apply to technology transfer activities. Requires such activities to comply with the regulatory framework and research compliance program approved by the Board of Regents. Requires written status report to the Legislature every two years.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

JUSTIFICATION SHEET

DEPARTMENT: University of Hawaii

TITLE: A BILL FOR AN ACT RELATING TO TECHNOLOGY TRANSFER AT THE UNIVERSITY OF HAWAII.

PURPOSE: Facilitates technology transfer activities sponsored by the University of Hawaii by exempting such activities from certain sections of the State Ethics Code; provided that such activities comport with a regulatory framework and compliance program and policies used by the United States federal government.

MEANS: Add a new section to chapter 84, Hawaii Revised Statutes.

JUSTIFICATION: The University of Hawaii is the sole public institution of higher education in the State. With its wide array of graduate programs and professional schools, the University is also the primary public institution in the State conducting sponsored research and, where appropriate, commercializing research products through licensing of patents, providing administrative support to faculty, and entering into business transactions with private entities.

This commercialization (often called "technology transfer") is designed to strengthen economies by getting new ideas, inventions, and processes developed in universities--most often with federal funding support--to the private sector as quickly as possible. This technology transfer occurs throughout the nation at other universities.

Many states have conflict of interest laws that hinder timely and efficient

commercialization. These laws, for example, may forbid equity participation in startup companies by state institutions, or they may limit direct involvement by faculty in new business ventures, or may broadly prohibit use of public property--such as university equipment, facilities or support personnel--for business purposes. In order to remain competitive for research funding and to strengthen their local economy, several other states have enacted specific exemptions to their ethics laws, or have created some form of "safe harbor" from specific sections of their respective ethics code, or have established parallel, but exempt institutions for their university researchers.

The purposes of this Act are to clarify and modernize the application of state ethics principles set forth in the state ethics code to technology transfer activities sponsored by the University of Hawaii, and thereby facilitate the university's contribution to research commercialization and economic development for the State.

The proposed amendment would facilitate technology transfer activities where specific benefits to the State, the University, or the public are likely to result by exempting the activities from certain limiting provisions of the State Ethics Code. Of particular concern are the current provisions in the Ethics Code that prohibit the use of state resources for private business purposes, or restrict the use of confidential information, or limit employment. In a collaborative "public/private" partnership for technology transfer, the use of state resources or non-public information may simultaneously create public benefits to the State, commercial benefits to the private company, and institutional and other economic benefits to the University.

Impact on the public: The public would benefit if the University could more effectively and efficiently transfer the results of its research to the economy through collaborative arrangements with commercial entities.

Impact on the department and other agencies: The University would be better able to collaborate in other research commercialization or venture funding programs sponsored by other state agencies such as the Department of Business, Economic Development and Tourism. The State Ethics Commission would be examining technology transfer activities under contemporary standards.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: UOH-900, UOH-800, UOH-700, UOH-210, UOH-100.

OTHER AFFECTED  
AGENCIES: State Ethics Commission.

EFFECTIVE DATE: Upon approval.