
A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII RESEARCH.

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 promote economic health and diversify
3 workforce opportunities in the State. The legislature further
4 finds that the University of Hawaii is the sole public
5 institution of higher education for this State and transforming
6 ideas and concepts arising from basic and applied research
7 conducted at the university into commercially viable and
8 sustainable products and businesses will contribute to economic
9 health and workforce diversification. Commercialization of
10 intellectual property created at or by the university thus
11 achieves a public purpose and benefits the State.

12 In the past, the legislature has authorized and provided
13 public funds to support efforts by state agencies to promote
14 entrepreneurial development, support research commercialization,
15 or provide access to startup investment capital. These state
16 efforts include, for example, the HI growth initiative, the



1 venture accelerator funding programs, and other projects
2 sponsored by the Hawaii strategic development corporation.

3 Because a core function of the university is to conduct
4 basic and applied research, the legislature further finds that
5 the university is uniquely positioned to identify promising
6 innovations and new discoveries arising from university
7 research. For inventions that show commercial potential, the
8 university can bring to bear the educational resources from its
9 various professional schools such as business, law, and
10 engineering, to provide focused instruction, expert mentorship,
11 practical guidance, and advanced training in business
12 development. A systematic program of support in the early
13 stages of commercialization is essential to assure viable
14 businesses and sustainable employment opportunities. Education
15 and instruction are integral components of the university's core
16 mission, and applying university resources to support the
17 commercialization of inventions and concepts is a proper use of
18 public resources.

19 The legislature further finds that an impediment to the
20 effective transformation of university innovation into
21 commercial products and viable businesses is the lack of clear



1 and express legal authority to frame and support the
2 university's technology transfer programs. Lack of express
3 statutory authority for these commercialization and technology
4 transfer activities sponsored by the university creates business
5 uncertainty that deters private interests from fully engaging in
6 collaborative efforts promoted by the university. Lack of clear
7 authority for the program may also deter university faculty or
8 students from seeking and actively participating in the program.

9 The purpose of this Act is to provide express statutory
10 authority to enable and facilitate the deployment of university
11 educational and instructional resources, university managerial
12 and fiscal resources, and university personnel to promote
13 economic health and diversify workforce opportunities in the
14 State through the commercialization of inventions and
15 discoveries generated by or at the university. The legislature
16 finds there is a public benefit when university resources are
17 used for such purposes, and other state laws, including the
18 state ethics code, shall be construed, on balance, to effectuate
19 the intent and public purposes of this Act.



1 SECTION 2. Chapter 304A, Hawaii Revised Statutes, is
2 amended by adding to part IV a new subpart to be appropriately
3 designated and to read as follows:

4 " . INNOVATION AND COMMERCIALIZATION INITIATIVE
5 §304A- Innovation and commercialization initiative;
6 establishment. There is established within the University of
7 Hawaii an innovation and commercialization initiative program
8 under the direction of the vice president for research and
9 innovation.

10 §304A- Innovation and commercialization initiative;
11 implementation. The university may promote, sponsor, and
12 participate in the transformation of the products of its
13 research and instructional activities into viable economic
14 enterprises, and may create, finance, and participate in
15 organizations that contribute to economic development and
16 workforce diversification in the State using university research
17 and university personnel. The university may without
18 limitation:

- 19 (1) Adopt policies and management procedures to carry out
20 the purposes of the innovation and commercialization
21 initiative program;



- 1 (2) Contribute equity, loan funds, or participate directly
2 or indirectly to finance concepts or proposals that
3 are likely to lead to viable businesses, economic
4 development, or workforce opportunities based on
5 university research;
- 6 (3) Enter into contracts and other appropriate
7 arrangements with start-up ventures, to provide loans,
8 initial and expansion capital, and other forms of
9 financial assistance;
- 10 (4) Solicit, evaluate, and assist in the preparation,
11 drafting, and refinement of business plans and
12 proposals;
- 13 (5) Provide advice, instruction, training, and technical
14 and marketing assistance, to support and promote the
15 enterprises in which the university invests;
- 16 (6) Develop, coordinate, and deliver instruction,
17 training, and outreach programs to build and maintain
18 the capacity to sustain these economic enterprises;
- 19 (7) Implement specialized programs designed to encourage
20 the development of new products, businesses, and
21 markets;



- 1 (8) Prepare, publish, and distribute technical studies,
2 reports, bulletins, and other materials consistent
3 with customary standards of university publication,
4 subject to the maintenance and respect for
5 confidentiality of client proprietary information;
- 6 (9) Organize, sponsor, and participate in conferences,
7 workshops, seminars, and other educational activity
8 relating to the formation and financial viability of
9 businesses that use university research products or
10 university personnel;
- 11 (10) Provide and pay for advisory or consulting services
12 and technical, managerial, and marketing assistance,
13 support, and promotion to carry out the purposes of
14 this subpart;
- 15 (11) Acquire, hold, and sell qualified securities;
- 16 (12) Consent, subject to the provisions of any contract
17 with noteholders or bondholders, whenever the
18 university deems it necessary or desirable in the
19 fulfillment of the purposes of this subpart, to the
20 modification, with respect to rate of interest, time
21 of payment of any installment of principal or



1 interest, or any other terms, of any contract or
2 agreement of any kind to which the university is a
3 party;

4 (13) With the assistance of an appropriate foundation or
5 development entity, accept donations, grants,
6 bequests, and devises of money, property, service, or
7 other things of value that may be received from the
8 United States or any agency thereof, any governmental
9 agency, or any public or private institution, person,
10 firm, or corporation, to be held, used, or applied for
11 any or all of the purposes in support of the program;

12 (14) Invest any funds held in reserves or sinking funds, or
13 any funds not required for immediate disbursement, in
14 such investments as may be lawful for fiduciaries in
15 the State;

16 (15) Acquire real property, or an interest therein, by
17 purchase or foreclosure, where that acquisition is
18 necessary or appropriate to protect or secure any
19 investment or loan in which the university has an
20 interest; sell, transfer, and convey the property to a
21 buyer and, if the sale, transfer, or conveyance cannot



- 1 be effected with reasonable promptness or at a
2 reasonable price, to lease the property;
- 3 (16) Consistent with the purposes of the program, acquire,
4 own, hold, dispose of, and encumber personal property
5 of any nature, or any interest therein, either
6 directly or through intermediate entities formed or
7 established specifically for such purposes;
- 8 (17) Enter into agreements or other transactions with any
9 federal, state, or county agency to implement the
10 purposes of this subpart;
- 11 (18) Contract with other entities, public or private, for
12 the provision of all or a portion of the services
13 necessary for the management and operation of the
14 program. The university may use all appropriations,
15 grants, contractual reimbursements, and all other
16 funds made available for the purposes of the program
17 to pay for the proper general expenses of the program;
- 18 (19) Appear in its own behalf before state, county, or
19 federal agencies on matters relating to the program;
- 20 (20) Establish a risk management program appropriate to the
21 activities of the innovation and commercialization



1 initiative program, which may include, among other
2 components, purchase of insurance, participation in
3 the State's risk management program, or retention and
4 management of risks;

5 (21) Appoint advisory committees as deemed necessary;
6 provided that any advisory committee established
7 pursuant to this section shall not be deemed a "board"
8 subject to chapter 92; and

9 (22) Exercise any other powers of a corporation organized
10 under the laws of the State not inconsistent with the
11 purpose and intent of the program.

12 **§304A- University innovation and commercialization**

13 **initiative special fund.** (a) There is established the
14 university innovation and commercialization initiative special
15 fund into which shall be deposited and not be considered part of
16 the general fund all funds consistent with the purposes of this
17 subpart that are:

- 18 (1) Appropriated by the legislature;
- 19 (2) Received as repayments of loans;
- 20 (3) Earned on investments;
- 21 (4) Received pursuant to a venture agreement;



1 (5) Received as royalties;

2 (6) Received as premiums or fees charged by the
3 university; or

4 (7) Otherwise received by the innovation and
5 commercialization initiative program.

6 (b) Revenues deposited into the special fund may be
7 expended by the university for all costs and expenses associated
8 with the operation of the innovation and commercialization
9 initiative program without regard to chapters 76, 78, 89, 102,
10 103, and 103D. Revenues not expended as provided in this
11 section may be transferred to other university funds to be
12 expended for the general benefit of the university.

13 **§304A- Confidentiality of trade secrets; disclosure of**
14 **financial information.** Any documents or data made or received
15 by the university under this subpart, to the extent that the
16 material or data consist of trade secrets or confidential
17 commercial or financial information that may be withheld from
18 public disclosure under chapter 92F, shall not be publicly
19 disclosed; provided that, if the university purchases a
20 qualified security, the non-confidential commercial and
21 financial information regarding that security shall be a public



1 record of the university. The board of regents, or any
2 subcommittee of the board, may hold an executive session as
3 provided in section 92-4 to discuss trade secrets or
4 confidential commercial or financial information that may be
5 withheld under chapter 92F.

6 **§304A- Limitation on liability.** (a) The university
7 shall not assume or otherwise promise to answer for the debt,
8 contract, or liability of any other person or a private entity.

9 (b) Notwithstanding chapters 661 and 662, or any other law
10 to the contrary, nothing in this subpart shall create an
11 obligation, debt, claim, cause of action, claim for relief,
12 charge, or any other liability of any kind whatsoever in favor
13 of any person or entity, without regard to whether that person
14 or entity receives any benefits under this subpart, against the
15 State or its officers and employees. The State and its officers
16 and employees shall not be liable for the results of any
17 investment, purchase of securities, loan, or other assistance
18 provided pursuant to this subpart. Nothing in this subpart
19 shall be construed as authorizing any claim against the
20 university in excess of any note, loan, or other specific



1 indebtedness incurred by the university or in excess of any
2 insurance policy acquired for the university or its employees.

3 **§304A- Preservation of governmental immunity; full faith**
4 **and credit.** No contract, agreement, or statement made by the
5 university pursuant to this subpart shall constitute an express
6 or implied waiver by the university of its governmental or
7 sovereign immunity as a public agency of the State, nor shall
8 such contracts, agreements, or statements constitute an express
9 or implied acceptance of liabilities in excess of liabilities
10 allowable under applicable governmental immunity laws. No
11 activity conducted by the university or agreement entered into
12 pursuant to this subpart shall be deemed a pledge of the full
13 faith and credit of the State.

14 **§304A- Cooperation with the University of Hawaii by**
15 **state agencies.** Every state agency may render services to the
16 university upon its request.

17 **§304A- Construction of subpart.** Other state laws,
18 including without limitation the state ethics code, shall be
19 applied and construed on balance in recognition of the public
20 benefits created and state interests advanced by university
21 activities conducted pursuant to this subpart.



1 **§304A- Biennial report.** No later than twenty days prior
2 to the convening of each regular session during an odd numbered
3 year, the University of Hawaii shall submit a report to the
4 legislature concerning:

- 5 (1) All funds deposited into the university innovation and
6 commercialization initiative special fund and a
7 detailed description of the use of those funds; and
8 (2) Coordinated efforts between the innovation and
9 commercialization initiative program and other state
10 agencies, including the high technology development
11 corporation, the Hawaii strategic development
12 corporation, and the Hawaii state energy office to
13 move the State's innovation goals forward, and to more
14 efficiently and effectively utilize resources to
15 achieve these outcomes."

16 SECTION 4. This Act, upon its approval, shall take effect
17 on July 1, 2038.



Report Title:

University of Hawaii; Innovation and Commercialization
Initiative Program

Description:

Establishes the Innovation and Commercialization Initiative Program to expressly give the University of Hawaii the legal authority to create, promote, and participate in new economic enterprises and expand workforce opportunities based on inventions and discoveries generated by or at the University. Creates Special Fund. (HB1156 HD1)

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