



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Higher Education  
Thursday, February 2, 2017 at 2:00 p.m.

by

Vassilis L. Syrmos, Vice President for Research and Innovation  
University of Hawai'i System

### HB 425 – RELATING TO TECHNOLOGY TRANSFER AT THE UNIVERSITY OF HAWAII

Chair Woodson, Vice Chair Hashem and members of the committee:

The University of Hawai'i (UH) supports this measure.

One of the University of Hawai'i's (UH) strategic directions is to grow the portfolio of sponsored research done at the University and to promote innovation and workforce diversification in the state's economy. One critical phase of innovation is the ability to commercialize research ideas generated on campus. The phase is often known as "technology transfer" and is designed to strengthen economies by getting new ideas, inventions and processes developed in universities to the private sector as quickly as possible. Technology transfer occurs throughout the nation at other universities and it is vital for UH to be able to support its faculty and student researchers in these activities.

The purpose of this bill is to adapt the application of the Hawai'i State Ethics Code to reflect current day realities of technology transfer activities and UH's unique mission as the state's largest research enterprise. If too stringently applied, certain requirements of the state ethics code will inhibit the efficient and effective commercialization of research generated at UH.

There is uncertainty in the application of the Ethics Code to UH-sponsored technology transfer activities because the same text of the Ethics Code must also be uniformly applied to cover a wide range of circumstances within state government. Compounding this uncertainty is that at one time, the Ethics Commission may have been liberal in permitting these technology transfer activities. At other periods of time, the Ethics Commission may have been more cautious.

The purpose of this measure is to provide clear guidance to UH and its individual and private sector collaborators by exempting technology transfer activities from selected provisions of the State Ethics Code.

Thank you for the opportunity to testify.



# HAWAII STATE ETHICS COMMISSION

State of Hawaii • Bishop Square, 1001 Bishop Street, ASB Tower 970 • Honolulu, Hawaii 96813

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Committee: Committee on Higher Education  
Bill Number: H.B. 425  
Hearing Date/Time: Thursday, February 2, 2017, 2:00 p.m.  
Re: Testimony of the Hawaii State Ethics Commission **OPPOSING**  
H.B. 425, Relating to Technology Transfer at the University of  
Hawaii

Dear Chair Woodson and Committee Members:

The Hawaii State Ethics Commission (“Commission”) **opposes** H.B. 425, which seeks to exempt technology transfer activities from the scope of the Ethics Code, Hawaii Revised Statutes (“HRS”) chapter 84.

In short, the Ethics Commission fully supports the University’s efforts to take advantage of its employees’ outstanding research; as the saying goes, a rising tide lifts all boats, and the University and its employees ought to be encouraged to promote (and profit from) their many accomplishments. So long as the University establishes safeguards to ensure that the University’s interests are adequately protected, these activities are already permitted by the Ethics Code.<sup>1</sup>

However, the Commission opposes any efforts to exempt University employees and/or broad categories of activities from the Ethics Code itself. These exemptions contravene Hawaii’s constitutional mandate that public officers and employees exhibit

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<sup>1</sup> Indeed, more than twenty years ago, the Commission issued an Advisory Opinion stating:

[W]hen the State of Hawaii stood to benefit from arrangements in which an employee acquired a financial interest subject to his official action, or took official action directly affecting that interest, or assisted or represented a business on a matter in which the employee had participated or would participate, or assisted or represented that business before the agency of which he or she was an employee, the conflicts of interests law did not per se prohibit such arrangements, so long as the State’s interest was adequately protected.

See Hawaii State Ethics Commission, Advisory Opinion No. 1992-2 at 5-6, available at <http://files.hawaii.gov/ethics/advice/AO1992-2.pdf>. The Commission reviewed several technology transfer proposals and concluded that they satisfied the Ethics Code because, among other things, they were subject to “strict oversight and review by appropriate State authorities for the purpose of insuring that [University employees’] official action would be directed toward the stated goals of the proposal.” Id. at 8.

The Legislature intended that Advisory Opinions “be a source of reference for all persons concerned and contribute to a proper understanding of the code. These opinions should reflect the practical operation of the code and begin to develop a body of ‘case law’ on ethics.” Conf. Comm. Rep. No. 16, in 1967 House Journal, at 856.

the highest standards of ethical conduct.<sup>2</sup> This bill would set a dangerous precedent, as individual agencies or programs may seek to carve out exceptions to the Ethics Code (thus taking a strong regulatory framework to promote integrity in state government and weakening it through a series of exceptions).

This bill sends a message that certain state officials are too important to be bound by ethics laws. Recent national events, however, demonstrate the importance of ensuring that all government officials – at all levels of government – be held to uniform, fair, and reasonable ethical rules.

The Commission is aware of several other measures relating to technology transfer at the University of Hawaii, including H.B. 166 and H.B. 1156; the Commission has offered comments on those measures to the Committee on Economic Development and Business, but the Commission does not oppose those measures.

Thank you for considering the Commission's testimony on H.B. 425.

Very truly yours,

Daniel Gluck  
Executive Director and General Counsel

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<sup>2</sup> Hawaii Constitution, Art. XIV.

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EST. 1988

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HVCA

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HAWAII VENTURE CAPITAL ASSOCIATION

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Testimony Presented Before the  
**House Committee on Higher Education**  
February 2, 2017 at 2:00 pm

By  
**Melialani James**  
President  
Hawaii Venture Capital Association (HVCA)

In Consideration of  
**HB 425 – Relating to technology transfer at the University of Hawaii**

Chair Woodson, Vice Chair Hashem and members of the Committee:

The Hawaii Venture Capital Association (HVCA) respectfully submits testimony in **support** of HB 425 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.

Since its founding in 1988, the Hawaii Venture Capital Association (HVCA) has stood as a nexus for entrepreneurs, capital foundation, and networking opportunities in Hawaii. Fostering entrepreneurship through education and exposure to prime members of our business community continues to be our goal as we strive to grow a vibrant and successful venture community.

UH has a significant amount of academic research that has viable commercial potential. Successful commercialization contributes directly to the State's economy, its academic and business reputation and to creating diverse, well-paying jobs and careers. In an effort to continue the momentum of building this innovation economy in Hawaii, the application of state ethics principles must be clarified and modernized to comport with the best practices of technology transfer programs at other universities to retain talent and innovation in Hawaii.

HVCA is committed to working with XLR8UH, and will actively connect newly formed companies to its wide network in order to maintain competitiveness and grow the industry. We fully agree on the relevance and importance of HB425.

Thank you for the opportunity to offer our testimony on this bill.



**Testimony to the House Committee on Higher Education**

**February 2, 2017**

**2:00 p.m.**

**Conference Room 309**

**RE: RELATING TO TECHNOLOGY TRANSFER AT THE UNIVERSITY OF HAWAII –  
HOUSE BILL 425**

Chair Woodson, Vice Chair Hashem and Members of the Committee:

My name is Gary Kai and I am the Executive Director of the Hawaii Business Roundtable. The Hawaii Business Roundtable fully supports House Bill 425, relating to Technology Transfer at the University of Hawaii. The bill clarifies that certain sections of the State Ethics Code shall not apply to technology transfer arrangements supported by the University of Hawaii.

The Hawaii Business Roundtable strongly believes that a strong research and innovation sector led by the University of Hawaii can be a large and important magnet for new money and new fields of job growth in Hawai'i. The ability to transfer research into commercial opportunities is a key to that growth. It is a vital component of the creation of jobs in the local economies of many universities across the country and we believe it can be done here in Hawaii. We continue to support our innovation sector and its role in the growth of our economy.

We realize that there must be a well-articulated policy to insure the balance between the partnership arrangements and the benefits to the public. We are confident that the University of Hawaii's Board of Regents will be able to develop a compliance program that will comply with applicable regulations.

This legislation is one very good example of growing our Research and Innovation Economy which is critical for the future of our young people. It provides them with the choice to live and work in their island home -- and the opportunity to come home after gaining experience on the mainland or abroad. Furthermore, it helps to improve the quality of their lives and the lives of all who live here.

Thank you very much for the opportunity to testify.

Gary K. Kai, Executive Director  
Hawaii Business Roundtable



House Higher Education Committee  
Chair Justin Woodson, Vice Chair Mark Hashem

Wednesday 02/02/2017 at 2:00 PM in Room 309  
HB425 – Relating to Technology Transfer at the University of Hawaii

TESTIMONY — COMMENTS  
Corie Tanida, Executive Director, Common Cause Hawaii

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Dear Chair Woodson, Vice Chair Hashem, and members of the House Higher Education Committee:

**Common Cause Hawaii** has comments on HB425 which would exempt technology transfer activities sponsored by the University of Hawaii from certain provisions of the State Ethics Code.

During the 1978 Constitutional Convention, the people of Hawaii directed the state to create the State Ethics Code to ensure that the people's faith that our government officials and employees "exhibit the highest standards of ethical conduct".<sup>1</sup> While we recognize the need to be able to innovate and capitalize on research, we question the need to create such a broad exemption.

Thank you for the opportunity to offer comments on HB425.

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<sup>1</sup> Hawaii State Constitution. Article XIV. <http://lrbhawaii.org/con/conart14.html>



Testimony Presented Before the  
**House Committee on Higher Education**  
February 2, 2017 at 2:00 pm

By  
**Omar Sultan**  
Managing Partner  
XLR8UH

In Consideration of  
**HB 425 – RELATING TO TECHNOLOGY TRANSFER AT THE UNIVERSITY OF  
HAWAII**

Chair Woodson, Vice Chair Hashem and members of the Committee:

XLR8UH respectfully submits testimony in support of HB 425 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.

By clearly allowing University employees to ethically pursue commercialization of innovative research, our innovation economy will continue to grow. We have seen first hand through our program that commercialization efforts lead to job creation, diversification of workforce opportunities and economic growth.

With its undeniable strengths in ocean sciences, energy research, sustainable agriculture and astronomy; and its growing strength in cybersecurity and health sciences – the University of Hawaii has a significant amount of academic research that has viable commercial potential. Successful commercialization contributes directly to the State's economy, its academic and business reputation and to creating diverse, well-paying jobs and careers

In order to continue the momentum of building this innovation economy in Hawaii, the application of state ethics principles must be modernized to comport with the best practices of technology transfer programs at other universities. This will ultimately benefit Hawaii's innovation economy by retaining and attracting innovative research talent to the islands.

One of the first of its kind in the nation, XLR8UH is a public-private partnership with University of Hawaii through the Office of the Vice President for Research and Innovation and Honolulu-based Sultan Ventures, a local venture accelerator. Although just over 2 years old, XLR8UH is already a multiple award winning, venture accelerator program, nationally recognized by the

Small Business Association in 2015 and 2016 and the Economic Development Association in 2016 under the Department of Commerce Regional Innovation Strategies i6 Challenge, that makes small, targeted, high-impact investments to support startup creation, innovation and help turn technology into jobs.

We urge you to pass this legislation so that Hawaii can take its rightful place as a birthplace of innovation and provider of 21st century careers and jobs. We encourage you to visit both XLR8UH and Sultan Ventures and see first hand the entrepreneurial efforts underway in our state.

Thank you for the opportunity to provide testimony on this matter.



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, January 31, 2017 4:12 PM  
**To:** HEDtestimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for HB425 on Feb 2, 2017 14:00PM\*

**HB425**

Submitted on: 1/31/2017

Testimony for HED on Feb 2, 2017 14:00PM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Chamber of Commerce HAWAII  
*The Voice of Business*

**LATE**

**Testimony to the House Committee on Higher Education  
Thursday, February 2, 2017 at 2:00 P.M.  
Conference Room 309, State Capitol**

**RE: HOUSE BILL 425 RELATING TO TECHNOLOGY TRANSFER AT THE  
UNIVERSITY OF HAWAII**

Chair Woodson, Vice Chair Hashem, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 425 makes certain sections of the State Code of Ethics inapplicable to technology transfer activities sponsored by University of Hawaii if the activities comply with the regulatory framework and research compliance program approved by the Board of Regents; requires the Board of Regents to submit written status reports.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports HB 425 as it would help expedite the commercialization of research from the University of Hawaii to provide information that would strengthen the local economy. This bill helps remedy many obstacles that currently exist from broad conflict of interest, fair treatment, and employment restrictions. Clarifying the State Ethics Code would prevent the deterrence of an efficient technology transfer.

Thank you for the opportunity to testify.

**LATE**



Testimony Presented Before the  
**House Committee on Higher Education**  
February 2, 2017 at 2:00 pm

By  
**Tarik Sultan**  
Managing Partner  
Sultan Ventures

In Consideration of  
**HB 425 – RELATING TO TECHNOLOGY TRANSFER AT THE UNIVERSITY OF HAWAII**

Chair Woodson, Vice Chair Hashem and members of the Committee:

Sultan Ventures respectfully submits testimony in **support** of HB 425 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.

Sultan Ventures is a Hawaii-based boutique venture firm focusing on early stage startups and investments. As a startup catalyst, we provide pivotal resources via our powerful network of experts and investors. We work closely with innovative startups, and run the XLR8UH program in partnership with the University of Hawaii (UH), providing the hands-on expertise and access to capital needed to accelerate growth, as well as with investors, performing the diligence necessary to make strategic investment decisions.

We believe that by clearly allowing UH employees to ethically pursue commercialization of innovative research, our innovation economy will continue to grow. Through our work with the XLR8UH program, we see the impact that commercialization efforts can have on economic growth in our community.

Commercialization of innovative products will drive our innovation economy forward, leading to job creation, diversification of workforce opportunities, and further economic growth. It is essential that the application of state ethics principles to UH must be clarified and modernized to comport with the best practices of technology transfer programs at other universities for UH to remain competitive in the market. These efforts will continue to drive innovative research and entrepreneurial development throughout the university. We fully support this effort to continue the momentum of building this innovation economy and to retain talent and innovation in Hawaii.

We urge you to pass this legislation so that Hawaii can take its rightful place as a birthplace of innovation and provider of 21st century careers and jobs. We encourage you to visit both XLR8UH and Sultan Ventures and see first hand the entrepreneurial efforts underway in our state.

Thank you for the opportunity to provide testimony on this bill.

**LATE**

State of Hawaii  
2017 State Legislature  
February 2, 2017

To: House Committee on Higher Education : Chair, House Representatives Justin H. Woodson  
& Vice Chair, House Representatives Mark J. Hashem:

Subject: Written Testimony on H.B. No. 425, Relating to Technology Transfer at University of  
Hawaii: By Russell Honma, APEC Master Plan Author, APEC Hawaii:

Aloha !

It gives me pleasure to testify today at your House Committee on Higher Education for H.B. No  
425. For the record my name is: Russell Honma, Author of the APEC Master Plan, APEC  
Hawaii. First and foremost, I do support this measure on H.B. No. 425 relating on 'Technology  
Transfer Activities at University of Hawaii (UH)

Whereas I just want to say few things regarding the State Code of Ethics on 'Technology  
Transfer Agreement' so that the University of Hawaii (UH) gets registered and obtain it's U.S.  
Patients Rights for licensing and copyrights. These rights must be under the Technology Transfer  
Agreements so that UH does 'not' lose out on the licensing, commissions, fees and infringements  
copyrights.

As you know in the past the University of Hawaii Systems has invested so much time and  
monies into the Research & Development (R&D) Programs & Projects. Whereas, 'Trade Secrets'  
obtain by the UH R&D Programs has been either given away free or been stolen without having  
proper legal documents such as 'Technology Transfer Agreements'. Therefore, I highly  
recommend that those measures are addresses properly under the 'rule of law' for the University  
of Hawaii - Technology Transfer Agreement. Whereas, U.S. State Department may require a  
Technology Transfer License to conduct International Business between the 'Shipper &  
Consignee'.

If you have any questions please contact me at:Russellhonma@[yahoo.com](mailto:Russellhonma@yahoo.com) or call at:(808) 265-  
5261.

Best wishes & Mahalo !

Very truly yours,

Russell Honma  
APEC Master Plan Author  
APEC Hawaii

c/o: United States Trade Representatives - Trade Delegate on  
APEC Master Plan  
Sent from my iPhone

