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

12 In the past, the legislature has authorized and provided
13 public funds to support efforts by other state agencies to
14 promote entrepreneurial development, support research
15 commercialization, or provide access to startup investment
16 capital. These state efforts include, for example, the HI
17 Growth Initiative, the venture accelerator funding programs, and



1 other projects sponsored by the Hawaii strategic development
2 corporation.

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

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



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

9 The purpose of this Act is to provide the University of
10 Hawaii with express statutory authority to enable and facilitate
11 the deployment of university educational and instructional
12 resources, university managerial and fiscal resources, and
13 university personnel to promote the economic health and
14 diversification of workforce opportunities of the State through
15 the commercialization of inventions and discoveries generated by
16 or at the university. The legislature finds there is a public
17 benefit where university resources are used for those purposes.

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

21 " . INNOVATION AND COMMERCIALIZATION INITIATIVE



1 **§304A-A Definitions.** As used in this subpart, unless the
2 context otherwise requires:

3 "Program" means the innovation and commercialization
4 initiative program established under section 304A-B.

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

10 **§304A-C 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 of the State using university research
17 and university personnel. The university, without limitation
18 may:

- 19 (1) Adopt policies and management procedures to carry out
20 the purposes of the 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 publications,
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 investments as may be lawful for fiduciaries in the
15 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 those 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 on 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-D Confidentiality of trade secrets; disclosure of**
 13 **financial information.** Any documents or data made or received
 14 by the university under this subpart, to the extent that the
 15 material or data consist of trade secrets or confidential
 16 commercial or financial information that may be withheld from
 17 public disclosure under chapter 92F, shall not be publicly
 18 disclosed; provided that, if the university purchases a
 19 qualified security, the nonconfidential commercial and financial
 20 information regarding that security shall be a public record of
 21 the university. The board of regents, or any subcommittee of



1 the board, may hold an executive meeting as provided in section
2 92-4, to discuss trade secrets or confidential commercial or
3 financial information that may be withheld under chapter 92F.

4 **§304A-E Limitation on liability.** (a) The university
5 shall not assume or otherwise promise to answer for the debt,
6 contract, or liability of any other person or a private entity.

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



1 **§304A-F Preservation of governmental immunity; full faith**
2 **and credit.** No contract, agreement, or statement made by the
3 university pursuant to this subpart shall constitute an express
4 or implied waiver by the university of its governmental or
5 sovereign immunity as a public agency of the State, nor shall
6 the contracts, agreements, or statements constitute an express
7 or implied acceptance of liabilities in excess of liabilities
8 allowable under applicable governmental immunity laws. No
9 activity conducted by the university or agreement entered into
10 pursuant to this subpart shall be deemed a pledge of the full
11 faith and credit of the State.

12 **§304A-G Cooperation with the university by state agencies.**
13 Every state agency may render services to the university upon
14 the request of the university.

15 **§304A-H Biennial report.** No later than twenty days prior
16 to the convening of each regular session during an odd-numbered
17 year, the University of Hawaii shall submit an annual report to
18 the legislature concerning:

- 19 (1) All funds deposited into the university innovation and
20 commercialization initiative special fund established



1 by section 304A- and a detailed description of the
 2 use of those funds; and
 3 (2) Coordinated efforts between the program and other
 4 state agencies, including the high technology
 5 development corporation, the Hawaii strategic
 6 development corporation, and the Hawaii state energy
 7 office to move the State's innovation goals forward
 8 and to more efficiently and effectively utilize
 9 resources to achieve these outcomes."

10 SECTION 3. Chapter 304A, Hawaii Revised Statutes, is
 11 amended by adding a new section to be added to part V, subpart
 12 C, to be appropriately designated and to read as follows:

13 "§304A- University innovation and commercialization
 14 initiative special fund. (a) There is established the
 15 university innovation and commercialization initiative special
 16 fund into which shall be deposited, and not be considered part
 17 of the general fund, all funds consistent with the purposes of
 18 this subpart that are:

- 19 (1) Appropriated by the legislature;
- 20 (2) Received as repayments of loans;
- 21 (3) Earned on investments;



1 (4) Received pursuant to a venture agreement;

2 (5) Received as royalties;

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

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

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

14 SECTION 4. In codifying the new sections added by section
15 2 of this Act, the revisor of statutes shall substitute
16 appropriate section numbers for the letters used in designating
17 the new sections in this Act.

18 SECTION 5. New statutory material is underscored.

19 SECTION 6. This Act shall take effect on July 1, 2038.



Report Title:

University of Hawaii; Innovation and Commercialization
Initiative Program

Description:

Authorizes the University of Hawaii to create, promote, and participate in new economic enterprises and expand workforce opportunities based on inventions and discoveries generated by or at the University by establishing the Innovation and Commercialization Initiative Program. Creates the University innovation and commercialization initiative special fund.

(HB166 HD1)

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