



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education and Technology
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HB 1312 – RELATING TO INTELLECTUAL PROPERTY

Chair Takayama, Vice Chair DeCoite, and members of the House Committee on Higher Education and Technology:

Thank you for the opportunity to testify on HB 1312 in support of the intent, but opposing the measure as written with comments. Our comments refer specifically to the part of the bill that affects the College of Tropical Agriculture and Human Resources (CTAHR).

This bill requires that any contract used to fill a faculty position in CTAHR for any intellectual property (IP) created by a faculty member be required to make a good faith effort to license or sell that intellectual property to a farmer or agricultural producer having its principal place of business in Hawai'i.

CTAHR is a diverse college that engages in a range of research with the potential to produce IP. Some of the IP is not agriculturally oriented such as nutraceuticals, pharmaceuticals, fashion and food preserving equipment. This bill appears to be oriented toward CTAHR's plant breeding programs, which produce new varieties of edible and non-edible crops. The problems we see with the bill are the following:

1. As mentioned above, when some of our IP is not related to agriculture, requiring it be offered to farmers or agriculture producers is problematic. The term agriculture producer is not defined in the bill, but we take it to mean a business that grows or processes agricultural crops.
2. Considering our plant and animal breeding programs:
 - a. If we develop something based on private funding, we are usually required by the research contract to provide that material under pre-determined conditions. This bill could remove that opportunity from CTAHR's research portfolio.
 - b. We have produced plant varieties that are specific to the Hawai'i environment as they perform best here. We will often maintain that IP within CTAHR and make it part of our seed lab so we can sell the seed and maintain control over

- the production of quality seed for Hawai'i agriculturalists. This bill would require that we not be allowed to do that.
- c. Licensing can be expensive as it may require a Patent or a Plant Variety Protection (PVP) so that the entity to which we sell the license has exclusive rights for that material. Any royalty returned via the license first goes to pay for the PVP or Patent, then an insufficient royalty stream is returned to the research program to help maintain continued variety development.
 - d. This bill presumes that the faculty member owns the IP and can control its disposition. This control is in fact defined by UH Executive Policy, EP 12.205, <https://www.hawaii.edu/policy/docs/temp/ep12.205.pdf> and applicable provisions of the UHPA collective bargaining agreement (Article XI, starting on page 9). Therefore, the situation is not as simple as this bill would suggest. The invention/discovery must be disclosed before ownership rights are evaluated and determined, and the University has an institutional interest in the disposition of IP created using University resources.
3. Generally, the "employment contract" takes the form of an "appointment letter" that does not fully contain all the terms and conditions. The existing practice of issuing faculty appointment letters would have to be modified just for CTAHR faculty. Showing whether or not "good faith efforts" were made would be subject to reasonable disagreements, thus rendering the "enforceability" of this contractual condition problematic.

It becomes clear that while the bill's intent is worthy, there are technical problems when using a contract of employment for CTAHR faculty as a mechanism to achieve this goal, as it will create unintended consequences. We are happy to discuss with the committee other potential options to address the intent of this bill. CTAHR has expressed on a number of occasions in the past 4 years that our intent is to breed plant varieties for the state of Hawai'i.

Therefore, we support the intent of HB 1312, but oppose the measure as written.