

Education

How UH Hopes To Turn Research Into Business Startups

A new innovation program approved by the Legislature is aimed at encouraging faculty and staff to act as entrepreneurs.

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By Stewart Yerton    / May 24, 2017

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In a move designed to strengthen the University of Hawaii's position as a hub for economic development, the state is on the verge of adopting a program designed to help commercialize intellectual property created at UH.

[House Bill 847](#), which is now awaiting Gov. David Ige's signature, would establish the University Innovation and Commercialization Initiative Program along with a special fund to be administered by UH. The bill would let university faculty, staff and students create startups using capital from a new fund in which UH could invest money.

The bill would amend [UH's governing statute](#) to give the institution broad powers to turn innovative research into businesses.

In general, the university could create, finance and participate in businesses that contribute to economic development using UH research and personnel.

Specifically, that includes contributing equity, entering into contracts, buying securities, acquiring real estate and other activities.



Vassilis Syrmos, UH's vice president for research innovation, says the bill will allow the university to partner with faculty, staff and students to grow the economy.

The measure and a related bill have raised some concerns about conflicts between the government operating openly for the benefit of the public and the needs of startup enterprises to keep trade secrets private.

But criticism, presented in testimony, has been sparse.

The legislation calls UH “uniquely positioned to identify promising innovations and new discoveries arising from university research.” The idea is to use resources from the university’s various professional programs such as business, law, and engineering to nurture inventions with commercial potential.

Currently, UH supports companies created using UH technology, says Vassilis Syrmos, UH's vice president for research and innovation. But the university must do so through contractual relationships with the companies,

he said. Most of these companies operate under a business accelerator called [XLR8UH](#).

The bill, Syrmos said, would allow UH to form joint ventures and other business entities with the startups. The innovation fund could pool public money and private dollars to jumpstart the companies.

The university “would not specifically invest in companies but invest in a fund that invests in companies,” Syrmos said.

The bill has been hailed by business groups. The [Hawaii Business Roundtable](#), a private group of senior business executives that supports economic development, says the measure can help UH become a magnet for new money and jobs.

“We concur with the Legislature that the commercialization of the intellectual property created by basic and applied research conducted at the University of Hawaii, holds great promise to contribute to the creation of jobs and economic growth,” Gary Kai, the Business Roundtable’s executive director, wrote in testimony submitted on the bill.

The High Tech Development Corp., Hawaii Venture Capital Association, and Hawaii Chamber of Commerce also testified in support of the measure. Still, Kai said the bill is just one more piece of a puzzle.

“It’s all about developing an entire ecosystem,” Kai said. “And it’s not going to happen overnight.”

The innovation program and fund are similar to a program and fund already in place.

The [Hawaii Strategic Development Corporation](#) already administers something known as the HI Growth Initiative. One of the initiative’s components is commercializing UH intellectual property using its UPSIDE venture fund, which receives money from the state and the private [UH](#)

[Foundation](#). Also involved in the initiative is the Honolulu-based private venture accelerator, [Blue Startups](#), which provides capital to startups.

Among the companies funded by the UPSIDE fund is KinetiCor, which is developing technology to stabilize MRI images, and Ala Wai Pharma, an influenza drug developer.

Syrmos said the new program and fund are different because only the UH Foundation, and not the university, can invest in the existing UPSIDE fund.

A related bill, [House Bill 425](#), would further open the door to allowing UH faculty to become entrepreneurs. The bill would waive certain provisions of the state ethics code as it relates to technology transfer activities involving UH technology.

Normally, the state [Code of Ethics](#) prevents state employees from engaging in certain activities or using state resources — like offices, equipment and staff — to operate cottage businesses. Instead, the activities would be governed by a regulatory framework established by the UH Board of Regents.

By contrast, the innovation program is encouraging university employees to act as entrepreneurs.

Daniel Gluck, executive director and general counsel of the State Ethics Commission, said the bill provides adequate safeguards to prevent abuse.

“As a practical matter, I am not terribly concerned about abuses from an ethical standpoint,” he said.

Although the bill describes the Board of Regents policies governing the activities as a “regulatory framework,” the framework is spelled out by internal policies and procedures, Syrmos said, and not by administrative rules, which are adopted through a public process and which carry the force of law.



Cory Lum/Civil Beat

Daniel Gluck of the state Ethics Commission said he is not overly concerned about the risk of abuse.

Some aspects of House Bill 847 dealing with access to information have raised concerns.

Hawaii's open records law, the Uniform Information Practices Act, generally says government information is public information; however,

the law carves out exceptions for things like trade secrets or confidential business information. The government can withhold such information if the public requests it.

Another law, called the Sunshine Law, says government boards generally must operate in public, but creates exceptions to that general rule; boards can go behind closed doors to discuss things like legal or personnel matters, for example.

The bill would expand those exceptions by letting the board or board subcommittee go into private executive session to discuss trade secrets or confidential business information. The [Hawaii Office of Information Practices](#), which administers the open records and open meetings laws, has testified that it has no problem with the change.

"It would simply allow the board to protect the information from disclosure at a public meeting to an extent consistent with existing UIPA protections," OIP's director, Cheryl Kakazu Park, testified.

But Stirling Morita, president of the Society of Professional Journalists' Hawaii Chapter, said the bill goes too far. He said the Legislature should not

expand the Board of Regents' right to meet in private and that the Sunshine Law and the open records law should not be linked.

"I don't have a problem with trade secrets; I have a problem with the blanket exception the board is given," he said. "OIP can say whatever the hell they want. I don't care."

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