

AMENDED IN SENATE JUNE 20, 2006

AMENDED IN ASSEMBLY APRIL 26, 2006

AMENDED IN ASSEMBLY APRIL 19, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2721**

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**Introduced by Assembly Member Mullin**

February 24, 2006

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An act to add Chapter 12.5 (commencing with Section 14990) to Part 5.5 of Division 3 of Title 2 of the Government Code, relating to intellectual property.

LEGISLATIVE COUNSEL'S DIGEST

AB 2721, as amended, Mullin. Office of Intellectual Property.

Existing law permits various state agencies to enter into contracts and agreements, create liabilities, and develop, own, and control the use of intellectual property developed by the state.

This bill would establish the Office of Intellectual Property in the Business, Transportation and Housing Agency. The agency would be responsible for tracking intellectual property generated by state employees and by state funded research, ~~develop~~ *developing* a database to track intellectual property, ~~establish~~ *establishing* and ~~update~~ *updating* guidelines for use by state agencies in administering their intellectual property, ~~develop~~ *developing* an outreach campaign informing state agencies of their rights and abilities concerning intellectual property, and ~~develop~~ *developing* sample invention assignment agreements and sample language for licenses or terms-of-use agreements for use by state agencies. The bill would

define terms that apply to the function of the agency, and would make findings and declarations regarding intellectual property.

This bill would require that intellectual property policies, established on and after January 1, 2008, meet certain requirements regarding rights and uses of the research or invention. It would also require that state agencies or departments submit an annual report regarding royalties earned pursuant to the ~~agency~~ *agency's* or department's contracts, grants, or agreements to the office.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Chapter 12.5 (commencing with Section 14990)  
2 is added to Part 5.5 of Division 3 of Title 2 of the Government  
3 Code, to read:

4  
5 CHAPTER 12.5. OFFICE OF INTELLECTUAL PROPERTY

6  
7 14990. The Legislature finds and declares all of the  
8 following:

9 (a) The state is home to many of the world's top research  
10 universities, national laboratories, and leading-edge high  
11 technology companies that generate significant intellectual  
12 property.

13 (b) It is in the interest of the state to ensure that the results of  
14 state-funded research are promptly developed and protected, *and*  
15 *where appropriate, to make the research available in the public*  
16 *domain.*

17 (c) The commercialization of technology developed with the  
18 investment of taxpayer dollars in the form of contracts, grants,  
19 and agreements could generate public benefit, including, but not  
20 limited to, state revenues, favorable pricing, revenue sharing, and  
21 reinvestment into research.

22 (d) It is in the interest of the state to facilitate, promote, and  
23 enhance technology transfer programs that will facilitate the  
24 transfer of technology into the marketplace for the public benefit.

25 (e) The Legislature supports the use of efficient models to  
26 develop and streamline infrastructures, policies, and processes  
27 for the management of intellectual property developed under

1 state funding in order to stimulate economic development in the  
2 state *while, at the same time, minimizing costs of administering*  
3 *policies in this area.*

4 (f) People of the state should derive a substantial public  
5 benefit from *state investment in research, including the*  
6 *development of new technologies*, the commercialization of the  
7 *product of state-funded research and the jobs created from these*  
8 *types of research. It is*

9 (g) *It is* the intent of the Legislature that the rights of state  
10 agencies to track and manage intellectual property created with  
11 any state funds, ~~including the right to stand in the shoes of the~~  
12 ~~holder of the intellectual property~~ *march-in rights*, as specified,  
13 shall be interpreted so as to promote the benefit to the public.

14 14990.1. The Office of Intellectual Property is hereby  
15 established in the Business, Transportation and Housing Agency,  
16 *and is authorized to enforce the guidelines specified in this*  
17 *chapter and any research agreement the office may develop.*

18 14990.2. Unless the context otherwise requires, the  
19 definitions in this section govern the construction of this chapter:

20 (a) “Agency” means Business, Transportation and Housing  
21 Agency.

22 (b) “Computer programs” means those programs that are  
23 automatically protected by copyright law, and may be made  
24 available to research communities or the public through *means*  
25 *that include, but need not be limited to*, open source licensing or  
26 dedication to the public domain. If further investments are  
27 needed to refine the program to make it more useful, proprietary  
28 licensing may be appropriate.

29 (c) “Databases” means compilations of data, typically  
30 generated from research, sometimes from one source, but often  
31 combined from many sources.

32 (d) “Intellectual property” means intangible assets that are  
33 subject to statutory protection under applicable patent, copyright,  
34 and trademark law. Intellectual property includes, but is not  
35 limited to, inventions, industrial designs, identifying marks and  
36 symbols, electronic publications, *trade secrets*, and literary,  
37 musical, artistic, photographic, and film works.

38 (e) “*Net revenue*” means *gross royalties and license fees.*

39 (e)

40 (f) “Office” means the Office of Intellectual Property.

1     ~~(f)~~

2     (g) “Patentable inventions” means discoveries *that are, or may*  
3 *be, patentable and* that advance science and enable new useful  
4 applications, notably including therapeutics and diagnostic tools  
5 or products, and discoveries that enable new useful applications  
6 ~~that are or may be patentable~~. These discoveries are often  
7 patented and licensed in a manner that will promote the  
8 development and availability of products embodying the  
9 invention.

10    ~~(g)~~

11    (h) “Research articles” means publishable scientific articles  
12 protected by copyright law.

13    ~~(h)~~

14    (i) “Research tools” means inventions that broadly facilitate  
15 subsequent research, including both methods, such as Polymerase  
16 Chain Reaction (PCR), a technique for amplifying DNA to  
17 facilitate cloning and sequencing, and products, such as specific  
18 cell lines, such as embryonic stem cells, DNA clones, or  
19 antibodies.

20     14990.3. The Office of Intellectual Property shall perform,  
21 but is not limited to, all of the following functions:

22     (a) Track intellectual property generated by state employees  
23 and state-funded research.

24     (b) Develop a database that includes, but is not limited to,  
25 tracking intellectual property by category of protection, date of  
26 creation, owner of intellectual property, grantee, state agency or  
27 granting entity, sources of funding, and *status of* licensing  
28 ~~agreements~~, *including invention utilization updates*.

29     (c) Establish and periodically update guidelines for use by  
30 state agencies in administering ~~their~~ intellectual property,  
31 including, but not limited to, the following guidelines:

32     (1) Policies concerning ~~the criteria for determining which~~  
33 ~~products will be treated as~~ *uniform contract terms for*  
34 *management of state-funded* intellectual property.

35     (2) Policies concerning the criteria for determining which  
36 products should be placed into the public domain.

37     (3) Factors that state agencies should consider when deciding  
38 whether to sell an intellectual property or license it to others.

39     (d) Develop an outreach campaign informing state agencies of  
40 their rights and abilities concerning intellectual property.

1 (e) Develop sample invention assignment agreements that  
2 state agencies can consider if they believe it is necessary to  
3 secure the rights to potentially patentable items created by their  
4 employees on work time using state resources.

5 (f) Develop sample language for licenses or terms-of-use  
6 agreements that state agencies can use to limit the use of their  
7 intellectual property by others to only appropriate purposes.

8 14990.4. (a) This section shall apply to intellectual property  
9 policies established on and after January 1, 2008.

10 (b) Intellectual property contracts, grants, and agreements  
11 entered into by a state agency shall meet the following criteria:

12 (1) Permit grantees to own intellectual property rights from  
13 state-funded research, ~~provided except where~~ a state agency ~~can~~  
14 ~~decide~~ *determines* that, in appropriate cases, the intellectual  
15 property rights shall be dedicated to the public domain, *provided*  
16 *that a state agency can utilize a process established under*  
17 *paragraph (1) of subdivision (c) of Section 14990.3 to specify*  
18 *that intellectual property rights shall be dedicated to the public*  
19 *domain.*

20 (2) Require that grantees, including institutions, individuals, or  
21 both, provide a plan describing how intellectual property will be  
22 managed for the benefit ~~to California~~ *of California and the*  
23 *advancement of science.*

24 (3) Require that grantees, including institutions, individuals, or  
25 both, make research tools developed with any state funds widely  
26 available to other ~~researchers~~ *nonprofit research institutions for*  
27 *their own research purposes, to the extent that resources exist to*  
28 *supply the research tool and the research tool is being used in*  
29 *accordance with existing federal laws governing research tools.*

30 (4) Require diligent efforts by grantees to develop state-funded  
31 intellectual property subject to the federal Patent Act into  
32 applications and products that benefit the public, *except where a*  
33 *state agency determines that, in appropriate cases, the*  
34 *intellectual property rights shall be dedicated to the public*  
35 *domain.*

36 (5) Reserve the right to use the intellectual property by, or on  
37 behalf of, the state for research or noncommercial purposes.

38 14990.5. (a) This section shall apply to intellectual property  
39 policies established on and after January 1, 2008.

1 (b) With respect to any subject invention in which a grantee  
2 has acquired title under this chapter, the state agency under  
3 whose funding agreement the subject invention was made shall  
4 have the right, in accordance with procedures specified in  
5 regulations adopted pursuant to this chapter, provided that these  
6 regulations shall promote, and not hinder, the availability of the  
7 state's rights under this subdivision, to require the contractor, an  
8 assignee, or exclusive licensee of a subject invention to grant a  
9 nonexclusive, partially exclusive, or exclusive license in any  
10 field of use to a responsible applicant or applicants, upon terms  
11 that are reasonable under the circumstances.

12 (c) If the contractor, assignee, or exclusive licensee refuses the  
13 request, the state agency may grant the license itself,  
14 notwithstanding the contract, grant, or agreement, if the state  
15 agency determines that action is necessary based upon one or  
16 more of the following factors:

17 (1) The contractor or assignee has not taken, or is not expected  
18 to take, within a reasonable time, effective steps to achieve  
19 practical application of the subject invention in that field of use.

20 (2) To alleviate health or safety needs that are not reasonably  
21 satisfied by the contractor, assignee, or their licensees.

22 (3) To meet requirements for public use specified by state  
23 regulations, and these requirements are not reasonably satisfied  
24 by the contractor, assignee, or licensees.

25 (d) *The state agency shall give to the grantee or licensee*  
26 *notice of its determination and the basis on which it was made.*  
27 *The state agency shall not exercise its rights described in this*  
28 *section if the grantee or licensee takes diligent action promptly to*  
29 *cure the deficiency and that deficiency is cured sooner than 60*  
30 *days from receipt of notice, except that a longer period may be*  
31 *mutually agreed upon by the state agency and licensee. A state*  
32 *agency may exercise its rights at any time in the event of a public*  
33 *health or safety emergency.*

34 14990.6. (a) This section shall apply to intellectual property  
35 policies established on and after January 1, 2008.

36 (b) ~~State~~ *For state-funded patented inventions where state*  
37 *funding is not minimal, state agencies and state grantees,*  
38 *contractors, assignees, and licensees shall grant exclusive*  
39 *licenses involving state-funded patented inventions, where the*  
40 *state funding is not minimal, relevant to for therapies and*

1 diagnostics only to organizations with plans to provide access to  
2 resultant therapies and diagnostics for uninsured California  
3 patients. In addition, these licensees will agree to provide to  
4 patients whose therapies and diagnostics will be purchased in  
5 California by public funds the therapies and diagnostics at a cost  
6 not to exceed the federal Medicaid price. The state agency may  
7 make access plans available for review by the Office of  
8 Intellectual Property annually.

9 14990.7. (a) Every contract, grant, or agreement for research  
10 funded by a grant from a state agency shall require that, if a  
11 revenue stream develops from ~~research or as a product of the~~  
12 ~~research~~ *a state-funded patented invention*, the state agency shall  
13 receive a royalty from that revenue, provided that the royalty is  
14 proportional to the state investment and payable on net revenue.

15 (b) When royalties are limited by application of the federal  
16 Bayh-Dole Act, all revenue derived from royalties shall be  
17 deposited into a fund within the granting state agency. The  
18 revenue shall be reinvested into the research program funded by  
19 the grant, ~~or~~ *invested into further research, or invested into*  
20 education in the area researched.

21 (c) State agencies or departments shall submit an annual report  
22 regarding these royalties to the Office of Intellectual Property.

23 14990.8. This chapter shall not apply to intellectual property  
24 agreements governed by the California Stem Cell Research and  
25 Cures Bond Act (Chapter 3 (commencing with Section  
26 125290.10) of Part 5 of Division 106 of the Health and Safety  
27 Code).