



MEMORANDUM

TO: Members of the ICOC

FROM: C. Scott Tocher, Counsel to the Chair

RE: **Agenda Item 15:** Consideration of Proposed Amendments to the Intellectual Property Regulations – Additional Amendments To Revenue Sharing and Reporting Requirements

DATE: July 16, 2012

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Executive Summary

Last month the Intellectual Property and Industry Subcommittee met to consider amendments to CIRM’s Intellectual Property (“IP”) regulations. Those amendments were recommended to the ICOC and are discussed in a companion memorandum to this agenda item. The proposed amendments discussed below are in addition to those considered by the IP subcommittee. The purpose of this agenda item is to obtain ICOC consent to initiate a rulemaking with the Office of Administrative Law (“OAL”) to accomplish both sets of changes to the IP regulations. Consistent with prior rulemakings, the ICOC will review final language after public comment has been sought.

I. Regulatory Amendments

A. Section 100600 – Scope of IP Regulations

When CIRM’s IP regulations are amended, the amendments apply to all Grants awarded after the effective date of the new regulations. The question arises, however, about how such amendments will affect existing active grants. Currently, amendments will apply retroactively to existing grants at the start date of the Grant’s next budget period, with an important exception. Amendments to licensing, access and revenue sharing requirements (sections 100606, 100607 and 100608, respectively) do not apply to active Grants. This exception is based on the notion that amendments that directly alter financial implications of the regulations should only apply on a going forward basis.

In the context of the Loan Administration Policy, staff has discovered instances where a loan recipient might be receptive to amendments to key provisions of the Policy.

Accordingly, the Policy now allows amendments to key provisions to be applied retroactively to existing loans upon mutual agreement of CIRM and the loan recipient. Staff proposes the same flexibility be integrated into the IP regulations, as well, and thus proposes section 100600 be amended to apply IP amendments to the areas described above on a going forward basis unless CIRM and existing Grantees “agree the amendments shall apply to existing Grants.”

Staff believes the proposed language strengthens staff’s hand to apply important policy calibrations to a broader number of potential grantees and recommends the ICOC direct staff to initiate the rulemaking process to obtain additional public comment.

B. Section 100602 – License Reporting

Part of staff’s ongoing responsibility is to gauge the effectiveness of CIRM’s IP regulations and assess our Grantees’ efforts to exploit CIRM technology. A primary tool at CIRM’s disposal is the ability to gain visibility into various license and other agreements conveying rights between our Grantees and third parties to CIRM-funded technologies. Currently, while Grantees are required to notify CIRM on an annual basis when such agreements are entered into, Grantees are not required to provide CIRM with copies of such documents. Nevertheless, CIRM staff has enjoyed cooperation from some CIRM grantees in seeking further information about such agreements and in some cases Grantees have voluntarily shared the agreements with CIRM.

To address this lack of visibility and to make clearer CIRM’s requirements going forward, staff proposes amendments to section 100602 to require provision of such agreements within 60 days of their execution. CIRM will hold the documents in confidence in accordance with Proposition 71.

C. Section 100608 – Revenue Sharing.

In addition to the proposed amendments outlined in the companion memorandum to this agenda item, staff proposes additional language be added to section 100608 to address two issues. (This language is highlighted in yellow.)

First, the amendments approved by the IP subcommittee create new obligations on third party “commercializing entities.” Staff proposes the revenue sharing requirements ensure that third party licensees (who may ultimately be “commercializing entities”) of CIRM-funded technologies have an affirmative obligation to CIRM and the State to abide by these revenue sharing obligations when they apply to the third party licensees. (See proposed subdivision (c).) Staff also proposes to clarify the revenue sharing obligations of Section 100608 by indicating that the revenues due under the regulations are payable to the State Treasurer’s Office, Division of Cash Management. (See proposed subdivision (d).)

II. Recommendation

Staff recommends the ICOC approve the proposed language to initiate the formal amendment process.