Senate Bill 531

Sponsored by Senator SHIELDS, Representative FREDERICK (at the request of Sam Pardue, CEO and founder of Indow Windows)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced.**

Creates Oregon Intellectual Property Protection Corporation. Specifies composition of and qualifications for board of directors and powers of corporation. Specifies laws to which corporation is subject and from which corporation is exempt.

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Establishes Oregon Intellectual Property Protection Fund. Continuously appropriates moneys in fund to corporation for purposes set forth in Act. Permits board of directors of corporation to invest moneys in fund subject to certain restrictions. Subjects fund to audit by Secretary of State.

Permits board of directors of corporation to establish program under which corporation accepts and pools contributions of moneys from Oregon businesses for purpose of providing legal defense and litigation assistance to protect intellectual property rights of Oregon businesses from infringement.

1 A BILL FOR AN ACT

- Relating to protecting the intellectual property rights of Oregon businesses; and appropriating money.
- 4 Be It Enacted by the People of the State of Oregon:
 - SECTION 1. (1) As used in sections 1 to 11 of this 2013 Act:
- 6 (a) "Oregon business" means a business in which:
- 7 (A) All or a majority of the owners, shareholders, directors or managers are residents 8 of this state;
 - (B) All or a majority of the operations are conducted within this state or all or a majority of the revenues are derived from operations within this state;
 - (C) All or a majority of the employees are residents of this state;
 - (D) The headquarters or main office is located in this state; or
- 13 (E) The laws that govern the formation and operation of the business are the laws of this
 14 state.
 - (b) "Public corporation" means an entity that the State of Oregon creates to carry out a public purpose, mission or service by participating in activities in which a private enterprise may also participate in the ordinary course of the private enterprise's business.
 - (2) The Oregon Intellectual Property Protection Corporation is created as an independent public corporation with the purposes and powers set forth in section 2 of this 2013 Act. The Governor shall appoint, subject to Senate confirmation under Article III, section 4, of the Oregon Constitution, a board of five directors, as follows:
 - (a) One director who represents a small business, as defined by the United States Small Business Administration in 13 C.F.R. part 121, as in effect as of the effective date of this 2013 Act, that is an Oregon business and that depends on intellectual property for a significant portion of the small business's revenue, capital or other assets;
 - (b) One director who represents a large Oregon business that depends on intellectual property for a significant portion of the Oregon business's revenue, capital or other assets;

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- (c) One director who is a member of the Oregon State Bar and has extensive experience in filing registration and other applications for intellectual property protection or in licensing intellectual property to or from other entities;
- (d) One director who is a member of the Oregon State Bar and has extensive experience in litigating infringements of intellectual property rights; and
 - (e) One director who represents the public.

- (3) A director of the corporation may not have any pecuniary interest, other than an incidental interest that the director discloses and makes a matter of public record at the time the Governor appoints the director, in any corporation or business entity other than the Oregon Intellectual Property Protection Corporation that, during the director's term of office, will likely benefit, financially or otherwise, from the Oregon Intellectual Property Protection Corporation's operations.
- (4) A director's term of office is four years, but a director serves at the pleasure of the Governor. The Governor shall appoint a successor before a director's term expires or a replacement for the remainder of a director's term of office if the director's position is vacant for any reason. The Governor's appointment of a successor or replacement is immediately effective but is subject to Senate confirmation under Article III, section 4, of the Oregon Constitution. A director is eligible for reappointment.
 - (5) A director is entitled to compensation and expenses as provided in ORS 292.495.
- (6) The board of directors shall select a director as chairperson and another director as vice chairperson, for terms and with duties and powers the board considers necessary to perform the functions of chairperson and vice chairperson. A majority of the members of the board constitutes a quorum for transacting business.
- (7) The board of directors shall meet at least once every three months at a time and place the board designates or at other times and places the chairperson or a majority of the board specifies.
- (8) The board of directors shall establish policies for operating the Oregon Intellectual Property Protection Corporation that are consistent with applicable provisions of law.
- (9) Not later than April 15 of each year, the board of directors shall file with the Governor and the Legislative Assembly a report that describes the operations and activities of the corporation during the preceding year.
- (10) The board of directors shall appoint a president and the officers the board deems necessary to administer and manage the corporation. The president shall direct the corporation's affairs subject to the board's oversight and supervision.
- SECTION 2. (1) The Oregon Intellectual Property Protection Corporation is a governmental entity that performs governmental functions and exercises governmental powers, but is not a unit of local or municipal government or a state agency for purposes of state statutes or constitutional provisions. The corporation shall carry out the purposes set forth in subsection (2) of this section and has the powers, rights and privileges that sections 1 to 11 of this 2013 Act expressly confer on the corporation or that are otherwise implied by law or are incident to expressly conferred powers, rights and privileges.
- (2) The purposes of the Oregon Intellectual Property Protection Corporation, in carrying out the corporation's mission as a public corporation, are:
- (a) To serve the people of the State of Oregon by assisting Oregon businesses in protecting the businesses' intellectual property rights from infringement;

- (b) To promote research and development within the State of Oregon of new inventions, technologies, devices and other useful arts that create and expand markets for Oregon products, promote employment and contribute to a robust Oregon economy;
- (c) To manage and invest the corporation's funds and other assets, or funds and assets committed to the corporation's care, prudently and with consideration for the long-term social and economic consequences of the corporation's management and investment activities;
- (d) To maintain public accountability and responsible stewardship of public and private funds; and
- (e) To operate in such a way as to ensure the corporation's continued viability and vitality within the marketplace.
- (3) In order to carry out the purposes set forth in subsection (2) of this section, the Oregon Intellectual Property Protection Corporation has the power to:
- (a) Acquire or license intellectual property rights and directly enforce the intellectual property rights the corporation has acquired or licensed in the corporation's own name;
- (b) Sell, license, sublicense or otherwise dispose of intellectual property rights that the corporation has acquired or licensed, while ensuring that with the disposition the corporation realizes the highest possible income or rate of return that:
- (A) Is consistent with the corporation's public purpose to consider the long-term social and economic consequences of managing and investing the corporation's funds and other assets; and
- (B) Respects the competitive interests and other interests of Oregon businesses from which the corporation has acquired or licensed the intellectual property rights;
- (c) Serve as a broker or clearinghouse on behalf of Oregon businesses and entities that intend to acquire or license intellectual property rights from Oregon businesses;
- (d) Provide funding, expertise and other services to Oregon businesses to assist the businesses in enforcing and defending the businesses' intellectual property rights against infringement or unauthorized use;
- (e) Enter into partnerships, joint ventures or other business arrangements with any public or private entity;
- (f) Employ or enter into contracts with intellectual property experts, attorneys, consultants and other knowledgeable persons;
- (g) Sue or be sued in the corporation's own name by any public or private entity in any local, state or federal forum;
- (h) Acquire, purchase, receive, hold, own, control, lease, rent, manage, operate, use, improve, develop, construct, equip, furnish, lend, sell, convey, exchange or otherwise dispose of real and personal property of any description or nature;
- (i) Solicit and receive gifts and donations for the benefit of the corporation and, subject to the terms of the gift or donation, retain, invest and use the gift or donation;
- (j) Acquire, receive, hold, keep, pledge, control, convey, manage, use, lend, expend and invest all funds, appropriations, gifts, bequests, securities and revenue from any source;
- (k) Borrow money in amounts, for times and on terms that the corporation's board of directors deems appropriate;
- (L) Purchase insurance, operate a self-insurance program or otherwise arrange for equivalent insurance of any nature;
 - (m) Indemnify and defend the corporation's directors, officers, agents or employees;

- (n) Adopt, amend and repeal bylaws, administrative rules, orders and policies and otherwise administer and manage the corporation's affairs;
- (o) Perform any other act that in the judgment of the corporation's board of directors is necessary or appropriate to carry out the corporation's purposes; and
- (p) Exercise the powers set forth in this subsection notwithstanding that by exercising the powers the corporation engages in activities that state or federal antitrust laws may deem anticompetitive.
- SECTION 3. (1) Except as otherwise provided by law, the provisions of ORS 279.835 to 279.855 and 283.085 to 283.092 and ORS chapters 240, 276, 279A, 279B, 279C, 282, 283, 291, 292 and 293 do not apply to the Oregon Intellectual Property Protection Corporation.
- (2) The Oregon Intellectual Property Protection Corporation may contract with any state agency to perform duties, functions and powers imposed by law or otherwise committed to or conferred on the corporation.
- (3) Notwithstanding subsection (1) of this section, the provisions of ORS 293.240, 293.260, 293.262 and 293.505 (2) apply to the directors, officers, employees and accounts of the Oregon Intellectual Property Protection Corporation and any subsidiary corporation the Oregon Intellectual Property Protection Corporation forms or acquires to the same extent that the provisions apply to a state agency.
- (4) Notwithstanding subsection (1) of this section, the provisions of ORS 279A.100 apply to the directors, officers and employees of the Oregon Intellectual Property Protection Corporation.
- (5)(a) Except as provided in paragraph (b) of this subsection, the provisions of ORS 30.260 to 30.460, 200.005 to 200.025, 200.045 to 200.090, 236.605 to 236.640, 243.650 to 243.782, 297.040, 307.090 and 307.112 and ORS chapters 35, 190, 192, 244 and 295 apply to the Oregon Intellectual Property Protection Corporation under the same terms as they apply to public bodies other than the state of Oregon.
- (b) Documents, records, technologies, devices, apparatuses or any other materials that constitute intellectual property that the Oregon Intellectual Property Protection Corporation has acquired or licensed from another person are not public records and are exempt from disclosure under ORS chapter 192.
- SECTION 4. (1) The Oregon Intellectual Property Protection Fund is established, separate and distinct from the General Fund. Interest, income, dividends or profits earned on moneys in the Oregon Intellectual Property Protection Fund must be credited to the fund and are continuously appropriated in accordance with subsection (2) of this section.
- (2) Except for moneys otherwise designated by statute, the Oregon Intellectual Property Protection Corporation shall pay all fees, assessments, proceeds and any other moneys the corporation receives to the State Treasury and to the credit of the fund. All moneys in the fund are continuously appropriated to the corporation for the purposes set forth in sections 1 to 11 of this 2013 Act.
- (3) Subject to the terms of a particular gift or donation, the Oregon Intellectual Property Protection Corporation may invest the moneys in the fund in accordance with standards set forth in section 5 of this 2013 Act.
- (4) The Oregon Intellectual Property Protection Corporation may establish accounts and subaccounts within the fund if the corporation's board of directors determines that accounts or subaccounts are necessary. The board may credit any account or subaccount within the

fund with interest, income, dividends or profits. The board shall keep a record of the moneys deposited into the fund and shall indicate by separate cumulative accounts and subaccounts the sources from which the moneys are derived and the activity or program against which each withdrawal is charged.

SECTION 5. (1) The board of directors of the Oregon Intellectual Property Protection Corporation may invest the moneys in the Oregon Intellectual Property Protection Fund and shall manage the investments the board makes as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws that govern the fund. The board may contract with or delegate authority to another person to invest the moneys or manage the investments, provided that the board requires the other person to invest the moneys or manage the investments in accordance with the provisions of this section.

- (2) For the purposes of this section, investing the moneys of the fund or managing the investments the board of directors makes as a prudent investor would do means that the board or the person with which the board contracts or to which the board delegates authority shall exercise reasonable care, skill and caution in the context of each investment and shall manage each investment as part of an overall investment strategy that incorporates risk and return objectives that are reasonably suited to the board's goals and subject to requirements imposed by law.
- (3) The board of directors and any person with which the board contracts or to which the board delegates authority to invest the moneys of the fund or manage the investments has a duty to diversify the investments unless under the circumstances diversification is not prudent. In addition to the duty to diversify investments, the board or the person:
- (a) Has the fiduciary duties of loyalty and impartiality with respect to the interests of the Oregon Intellectual Property Protection Corporation;
- (b) Shall act with prudence in deciding whether and how to delegate authority and in selecting and supervising agents; and
- (c) Shall incur only costs that are reasonable in amount and appropriate to the investment responsibilities imposed by law.
- (4)(a) Except as provided in paragraph (b) of this subsection, a member of the board of directors or a person with which the board has contracted or to which the board has delegated authority to invest moneys and manage investments, within three business days after becoming aware that an investment decision or other matter that is pending before the board might lead to a private pecuniary benefit or detriment to the member, the person, a relative of the member or person or to a business with which the member, the person or the relative is associated, shall notify the board in writing that the member's or person's action, decision or recommendation may constitute an actual or potential conflict of interest.
- (b) The requirement under paragraph (a) of this subsection for a member of the board of directors to notify the board of a potential conflict of interest does not apply if the member's pecuniary benefit or detriment arises out of:
- (A) An interest or membership in a particular business, industry, occupation or class the member must have in order to be a member of the board;
- (B) An action the member would take in the member's official capacity as a board member that would affect to the same degree a class that consists of all residents of this state or a smaller class that consists of an industry, occupation or other group with which

the member, a relative of the member or a business with which the member is associated;
or

- (C) Membership in, or membership on the board of directors of, a nonprofit corporation that is tax exempt under section 501(c) of the Internal Revenue Code.
- (5) A member of the board of directors of the Oregon Intellectual Property Protection Corporation shall resolve an actual or potential conflict of interest described in this section in accordance with the procedure set forth in ORS 244.120.
- SECTION 6. (1) The Oregon Intellectual Property Protection Fund is a trust fund exclusively for the uses and purposes declared in sections 1 to 11 of this 2013 Act, except that this provision does not amend or impair the force or effect of any law of this state that specifically authorizes the Oregon Intellectual Property Protection Corporation to invest moneys from the fund.
- (2) Subject to the right of the State of Oregon to direct legislatively the disposition of any surplus that exceeds reserves or that is necessary to assure the corporation's fiscal soundness for current operations and future capital needs, the State of Oregon declares that the state does not have a proprietary interest in the fund.
- SECTION 7. (1) The Oregon Intellectual Property Protection Corporation shall set aside a portion of the interest and other income the corporation receives from investing moneys from the Oregon Intellectual Property Protection Fund in an amount the corporation considers necessary to maintain one or more reserve accounts. The corporation shall maintain and use the reserve accounts to offset gains and losses of invested capital.
- (2) The corporation may amortize gains and losses of capital the corporation invests whenever the corporation determines that amortization is preferable to offsetting the gain or loss with moneys from a reserve account described in subsection (1) of this section.
- SECTION 8. (1)(a) The Secretary of State shall conduct an annual audit of the Oregon Intellectual Property Protection Corporation and the Oregon Intellectual Property Protection Fund in accordance with ORS 297.210. As part of the audit, the Secretary of State shall contract with a firm qualified to audit accounts of the type that the corporation maintains.
- (b) The firm that conducts the audit required under paragraph (a) of this subsection must be familiar with the accounting standards that apply to the reserves under review and shall maintain errors and omissions insurance with limits that the Secretary of State prescribes.
- (c) The Secretary of State shall determine the scope of the audit required under paragraph (a) of this subsection, which must include, but is not limited to:
- (A) Reviewing the sources and uses of the moneys in the Oregon Intellectual Property Protection Fund;
 - (B) Reconciling changes in reserve values from the prior year;
 - (C) Examining the development of reserve inadequacies or redundancies over time;
- (D) Assessing the future financial viability of the Oregon Intellectual Property Protection Fund; and
- (E) Evaluating losses and loss adjustment expense reserves in accordance with standards developed for reasonably comparable operating and investment funds.
- (d) The corporation shall cooperate with the auditing firm in all respects and shall permit the firm full access to all information the firm deems necessary for a true and complete audit. Documents, records, technologies, devices, apparatuses or any other materials pro-

vided to the auditing firm that constitute intellectual property that the corporation has acquired or licensed from another person are not public records and are exempt from disclosure under ORS chapter 192.

- (e) The auditing firm shall conduct the audit required under paragraph (a) of this subsection using generally accepted accounting principles.
- (f) The corporation shall pay the cost of the audit required under paragraph (a) of this subsection.
- (2) The Secretary of State shall issue an annual report to the Governor, the President of the Senate and the Speaker of the House of Representatives on the results of the audit. The report of the audit is available for public inspection in accordance with the Secretary of State's established rules and procedures that govern public disclosure of audit documents.
- (3) This section does not preclude the corporation from conducting an internal audit or an independent audit of the corporation's operations or of the Oregon Intellectual Property Protection Fund whenever the corporation's board of directors deems an audit necessary or prudent.
- SECTION 9. The board of directors of the Oregon Intellectual Property Protection Corporation shall report to the Secretary of State by March 15 of each year:
- (1) The total amount of assets in the Oregon Intellectual Property Protection Fund as of December 31 of the prior year;
 - (2) The reserves and surplus moneys the board established for the fund;
 - (3) Any funds in addition to the funds described in subsection (2) of this section; and
- (4) The total amount of investment gain the fund generated during the prior year ending on December 31.

SECTION 10. Not later than the 90th day after the Secretary of State completes and delivers to the appropriate authority an audit under section 8 of this 2013 Act, the Oregon Intellectual Property Protection Corporation or any subsidiary corporation the Oregon Intellectual Property Protection Corporation formed or acquired shall notify the Secretary of State in writing of the measures the corporation or the subsidiary has taken or proposes to take, if any, to respond to the recommendations of the audit report. The Secretary of State may extend the 90-day period for good cause.

SECTION 11. (1)(a) The board of directors of the Oregon Intellectual Property Protection Corporation may establish a program under which the corporation accepts and pools contributions of moneys from Oregon businesses for the purpose of providing legal defense and litigation assistance to protect the intellectual property rights of Oregon businesses from infringement. The board shall establish a separate account within the Oregon Intellectual Property Protection Fund to receive and hold the moneys that Oregon businesses contribute under the terms of the program. The moneys in the account are continuously appropriated to the corporation for the purposes set forth in this section.

(b)(A) The board by rule may establish requirements that an Oregon business must meet to contribute moneys for the purpose of funding a program the board establishes under this subsection and to receive benefits through the program.

- (B) Requirements for an Oregon business to contribute moneys to a program the board establishes under this subsection must include:
- (i) That the Oregon business joins the program as a member with a specified term of membership;

- (ii) That the Oregon business contributes moneys to the fund in amounts that the board determines are necessary to pay the expenses of administering the program and to ensure the viability and continued operation of the program;
- (iii) That the Oregon business executes a contract with the corporation with terms and conditions that require the Oregon business to abide by the program's requirements and rules; and
- (iv) That the Oregon business indemnifies the corporation and the fund against all claims and losses that arise out of and are attributable to the Oregon business's willfully, intentionally or negligently infringing another person's intellectual property rights or bringing a false or frivolous claim for another person's infringement of the Oregon business's intellectual property rights.
- (C) Subject to the requirements set forth in rules the board adopts under subparagraph (A) of this paragraph, options the board may consider for accepting contributions from Oregon businesses for a program the board establishes under this subsection include:
- (i) Allowing different levels of required contributions and categories of membership based on the Oregon business's size, capitalization, revenue, number of employees or other criteria the board specifies by rule;
 - (ii) Allowing Oregon businesses to contribute securities or cash equivalents to the fund;
- (iii) Establishing ongoing or regular contributions to the fund over time periods the board specifies by rule;
- (iv) Permitting an Oregon business to make contributions to the fund in installments or by means of periodic payments; or
- (v) Other options the board deems appropriate that are consistent with the board's obligation to ensure the viability and continued operation of the program and to pay the expenses of administering the program.
- (2)(a) The board of directors, before establishing a program under subsection (1) of this section, shall specify by rule how many Oregon businesses must participate in the program and the amount of contributions that the Oregon businesses must make to the Oregon Intellectual Property Protection Fund to ensure the viability and continued operation of the program and to pay the expenses the board will incur in administering the program. The board may specify a time period within which or a date by which the board must receive applications for membership and agreements under which applicants pledge contributions to the fund.
- (b) If the board does not receive pledge agreements or contributions that are sufficient to meet the requirement set forth in paragraph (a) of this subsection within the time period or by the deadline the board specifies, the board shall decline to establish the program described in subsection (1) of this section, shall withdraw from any pledge agreements with any Oregon businesses that have entered into a pledge agreement with the board and shall return any contributions that the board received from an Oregon business for the purpose specified in subsection (1) of this section.
- (3)(a) The board of directors by rule shall specify conditions under which and procedures by which an Oregon business may apply for monetary assistance through the program described in subsection (1) of this section. The board may specify a cap on the moneys an Oregon business may receive through the program, may describe restrictions on, or criteria that will govern, the type of case or legal action for which the board will pay expenses and

may specify other terms and conditions under which an Oregon business may receive moneys and other benefits through the program described in subsection (1) of this section as a consequence of the Oregon business's membership in and contributions to the program.

- (b) The board shall adopt rules that specify whether and to what extent the Oregon Intellectual Property Protection Corporation will benefit from a successful defense of an Oregon business's intellectual property rights that the corporation undertakes or contracts to have undertaken on the Oregon business's behalf or for which the board pays expenses under the program described in subsection (1) of this section. The rules shall specify the proportion, formula or other method that will determine the extent, if any, to which the corporation will have a share in any recovery that results from successfully defending an Oregon business's intellectual property rights from infringement.
- (c) The board shall adopt rules under this subsection only after consulting with Oregon businesses from which the board has accepted applications for membership and received contributions to the program described in subsection (1) of this section.
- (4)(a) For the purposes of the Insurance Code, with respect to the program described in subsection (1) of this section, the Oregon Intellectual Property Protection Corporation is not an insurer and implementing the program does not constitute transacting insurance. The activities of the corporation and the board of directors in implementing the program are not subject to the provisions of the Insurance Code.
- (b) The board may obtain insurance for the purpose of reducing risk to the program or the account described in subsection (1) of this section in such amounts and under such terms as the board deems appropriate.
- (5) The board of directors may delegate to an officer or employee of the Oregon Intellectual Property Protection Corporation, subject to the board's continuing oversight and supervision, any duty, function or responsibility identified in this section as a duty, function or responsibility of the board.