

TO: House Committees on Health Care
House Committee on Commerce and Economic Development
House Committee on Ways and Means
Senate Committee on Health and Welfare
Senate Committee on Economic Development, Housing and General
Affairs
Senate Committee on Finance

FROM: William Griffin, Chief Assistant Attorney General WEG by LPG

RE: Act No. 144, Section 21 – Health Information and Intellectual Property

DATE: October 3, 2014

Section 21 of Act No. 144 directed the Attorney General's Office (AGO) to consult with Vermont Information Technology Leaders, Inc. (VITL) and report to the General Assembly on "the need for intellectual property protection with respect to Vermont's Health Information Exchange and other health information technology initiatives." VITL is the legal entity responsible for operating "the exclusive statewide health information exchange network for Vermont." 18 V.S.A. § 9352.

Section 21 also directed the AGO to report on "the potential for receiving patent, copyright, or trademark protection for health information technology functions, the estimated costs of obtaining intellectual property protection, and projected revenues to the state from protecting intellectual property assets or licensing protected interests to third parties."

The AGO consulted with VITL to obtain information on the intellectual property that supports the health information exchange network. VITL informed the AGO that they rely on Medicity, Inc. – an Aetna affiliate – for the intellectual property needed to support the exchange network. VITL's website states that "The Vermont Health Information Exchange (VHIE) infrastructure is provided and hosted by Medicity."

The AGO requested and VITL produced a copy of the Master Licensing Agreement that governs the services and software that Medicity provides to VITL. VITL redacted some parts of the Licensing Agreement, but the document that VITL produced is reasonably complete and is sufficient for purposes of the review required by Section 21. The Agreement runs from 2011 through 2016.

Among other terms the VITL/Medicity Licensing Agreement provides that:

- VITL “shall have no rights to use the Licensed Software outside the scope of the License.” Section 3.1.
- Except as authorized in the License: “[VITL] has no right to transfer, sublicense, or otherwise distribute the Licensed Software ... to any third party.” Section 3.1.3.
- VITL may grant sublicenses to health care providers in the exchange network. Section 3.2.
- “[A]ny copyrights, patent rights, trade secrets, trademarks, and other intellectual property in or to Licensed Software are the exclusive property of Medicity.” Section 3.4.
- VITL owns “all copyrights, trade secrets, patent rights ... in any software created solely by [VITL]” for the purpose of interfacing with licensed software. Section 3.5.
- “If [VITL and Medicity] desire to conduct a joint development project for the development and/or customization of computer software, such joint development project shall be governed by a separate joint development agreement mutually agreed to by [VITL and Medicity].” Section 8.1.

These terms minimize VITL’s property interests in the software that supports the health information exchange network. It appears that VITL’s only significant property interest is the sublicensing authority established by Section 3.2 of the Licensing Agreement. VITL is authorized to grant sublicenses to certain health care providers or “Community Participants” as defined by the Agreement. Even this right is diminished by the conditions listed in Section 3.2, including a condition that rights may not be sublicensed to “any direct competitor of Medicity.”

Section 3.5 does grant VITL intellectual property rights “in any software created solely by” VITL. However, VITL can use this Client Work Product “solely in connection with the use of the Licensed Software,” and that use must be “in accordance with the terms of

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the VITL/Medicity Agreement].” Also, as a practical matter, VITL informed the AGO that no such software has been created.

Finally, although Section 8.1 suggests that VITL and Medicity might enter into a joint venture to develop software at some point in the future, VITL informed the AGO that there is no joint venture under way and that no joint venture is contemplated.

The AG’s Office also made some inquiries to determine whether the State of Vermont itself might own marketable interests in health information technology. The response was that State agencies typically use -- but do not create -- computer software. We were informed that the occasional piece of software that a State agency might develop would be designed to meet the unique needs of that agency and so would not generally be marketable to others.

In summary, the AGO has not identified any health information intellectual property assets that are owned by VITL or by the State of Vermont. As noted above, VITL is the legal entity responsible for the statewide health information network. The General Assembly may want to ask VITL to submit a proposal for acquiring intellectual property assets that it could sell or license to third parties. Licensing fees earned by VITL would not be revenues to the State, but might lessen VITL’s dependence on state revenues for its operations.

Please let me know if you have related questions or need additional information.

Thank you.