

TESTIMONY OF MURRAY G. SAGSVEEN  
CHIEF OF STAFF AND DIRECTOR OF LEGAL SERVICES  
NORTH DAKOTA UNIVERSITY SYSTEM  
BEFORE THE HIGHER EDUCATION FUNDING COMMITTEE  
JULY 22, 2014 – BISMARCK, ND

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CHAIRMAN SANFORD, VICE CHAIR KREBSBACH, AND COMMITTEE MEMBERS:

My name is Murray Sagsveen, and I am the Chief of Staff and Director of Legal Services for the North Dakota University System. Thank you for this opportunity to update you about certain developments relating to State Board of Higher Education policy 611.2 concerning intellectual property.

Section 15-10-17(9) of the North Dakota Century Code empowers the State Board of Higher Education (SBHE) to:

[a]dopt rules promoting research, encouraging development of intellectual property and other inventions and discoveries by university system employees, and protecting and marketing the inventions and discoveries. The rules must govern ownership or transfer of ownership rights and distribution of income that may be derived from an invention or discovery resulting from research or employment in the university system. The rules may provide for transfer of ownership rights or distribution of income to a private, nonprofit entity created for the support of the university system or one of its institutions.

The SBHE adopted the current version of Policy 611.2 in 2002. (A copy is attached.)

Over the past several years, various stakeholders have been expressing increased interest in updating this policy. The SBHE was presented a proposed draft in late 2013, but the issue was tabled pending further input by interested parties.

Interim Chancellor Larry Skogen recently convened a new task force to review Policy 611.2, to also review the work that led up to the 2013 proposal, and to recommend appropriate amendments to the SBHE before the end of 2014. The task force is made up of faculty, administrators, a student, and a private business owner:

- Dr. Kelly Rusch, Ph.D., P.E., Vice President, Office for Research and Creative Activity, NDSU (Co-Chair)
- Michael F. Moore, CLP, Associate VP, IP Commercialization and Economic Development, UND (Co-Chair)
- Mikhail Bobylev, Ph.D., Assistant Professor, Department of Chemistry, Minot State University
- Jason Jenkins, J.D., Assistant General Counsel – Patent Attorney, UND
- Val Kettner, J.D., Associate Vice President for Sponsored Programs Administration, NDSU
- John J. Miller, Export Control Officer, UND
- Eric J. Murphy, Ph.D., Associate Professor, School of Medicine and Health Sciences, UND (also faculty advisor to the State Board of Higher Education)
- Erin Nyren-Erickson, Student, NDSU (Associated with HQC Biosciences, Inc.)
- Murray G. Sagsveen, J.D., NDUS Chief of Staff (former general counsel of an international publishing company)
- Chad Ulven, Ph.D., Associate Professor, Department of Mechanical Engineering, NDSU

The task force held its inaugural meeting in Fargo on July 11. The task force was engaged and animated, and under competent leadership has charted a course that will encompass an extensive review of the historic underpinnings of the policy, a critical evaluation of the 2013 proposal, and continued vibrant discussion. The task force appears ready, willing, and able to tackle the difficult task of meeting the Chancellor's ambitious goal of a firm recommendation to the SBHE by the end of this calendar year.

The North Dakota University System takes very seriously the Legislature's entrustment to the SBHE of responsibility for intellectual property management at the various institutions within the System. We look forward to working with the Board to ensure that its relevant policies inure to the benefit of our students, faculty, and staff, that the policies foster and facilitate collaborations with our valued private sector partners, and that the research and creative activities of the University System continue to be a source of pride for all North Dakotans.

Please contact me, at your convenience, if you have any questions about this task force or Policy 611.2 – direct line is 701-328-1499 and email is [Murray.Sagsveen@NDUS.edu](mailto:Murray.Sagsveen@NDUS.edu).

Thank you.



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### SBHE Policies

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**SUBJECT:** 600s: Personnel **EFFECTIVE:** June 20, 2002

**Section:** 611.2 Employee Responsibility and Activities: Intellectual Property

#### 1. General Principles.

The primary purposes of this policy are to encourage and promote research and scholarship based on the traditional principles of the academic profession. These products may constitute Intellectual Property that could be of financial benefit to the individuals involved and the Institution. This policy establishes guidelines to support faculty, staff, and students, in identifying, protecting and administering Intellectual Property and defining the rights and responsibilities of all involved. This policy governs unless a policy on specific Intellectual Property provides a different rule.

#### 2. Definitions.

- a. "Author": Person who creates a Copyrightable Work.
- b. "Copyrightable Work or Work": An original Work of authorship which has been fixed in any tangible medium of expression from which it can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, such as books, journals, software, computer programs, musical work, dramatic works, videos, multimedia products, sound recordings, pictorial and graphical works, etc. A Work may be the product of a single Author or a group of Authors who have collaborated on a project. A Work is created by an Author.
- c. "Creator": Either an inventor in the context of an Invention, or an Author in the context of a Copyrightable Work.
- d. "Institution": The individual colleges and universities and the North Dakota University System.
- e. "Intellectual Property": Collectively, all forms of property created by the mind including, but not limited to, Inventions, Copyrightable Work, Trademarks, and Tangible Research Property.

- f. "Invention": A process, method, discovery, device, plant, composition of matter, or other Invention that reasonably appears to qualify for protection under the United States patent law (including, but not limited to, utility patent, plant patent, design patent, certificate of Plant Variety Protection, etc.), whether or not actually patentable. An Invention may be the product of a single inventor or a group of inventors who have collaborated on a project.
- g. "Mediated Courseware": Teaching aids created and/or deployed electronically. Mediated Courseware may incorporate text, graphics, video, and audio elements. Examples of such materials include, but are not limited to, hypertext modules, simulation software, web sites, and databases containing numbers, images, or text.
- h. "Significant Use of University System or Institution Resources": Significant Use of Institution Resources means an Author's use of other employees' time or Institution facilities or equipment that appreciably increases the Institution's costs beyond those normally incurred in support of an employee in the Institution. Significant Use does not include the normal use of Institution employees, facilities, or equipment commonly available to faculty, staff, or the public, such as libraries, Internet access, office space, office equipment, computers, and/or office supplies. Unless otherwise agreed, Significant Use also does not include the use of Institutional developmental leave time, so long as it does not appreciably increase the Institution's costs beyond those normally incurred in support of an employee of the Institution.
- i. "Tangible Research Property": Tangible items produced in the course of research including, but not limited to, such items as biological materials, engineering drawings, integrated circuit chips, computer databases, prototype devices, circuit diagrams, and equipment. Individual items of Tangible Research Property may be associated with one or more intangible properties, such as Inventions, Copyrightable Work, and Trademarks. An item of Tangible Research Property may be the product of a single Creator or a group of individuals who have collaborated on the project.
- j. "Trademark" (including Service Mark): A distinctive word, design, or graphic symbol, or combination word and design, that distinguishes and identifies the goods and services of one party from those of another, such as names or symbols used in conjunction with plant varieties or computer programs, or the Institutional names, logos, or derivatives thereof.
- k. "Work For Hire": Defined pursuant to Federal Copyright Law which includes a Work prepared by an employee within the scope of employment or a Work created pursuant to a written agreement identifying the Work as a Work for Hire.

### 3. General Patent Policy.

- a. The North Dakota State Board of Higher Education encourages the faculty, staff, and others associated with the Institutions under its jurisdiction to seek patents on Inventions as a method of bringing recognition and remuneration to all parties involved. Each Institution shall establish a "patent review procedure" to define the Institution's processing of such Inventions or discoveries, consistent with Board policy. The inventor(s) shall submit to the Institution the conception and/or reduction to practice of all potentially patentable discoveries prior to public "enabling" disclosure.
- b. A patentable discovery may arise from the development of a new and useful process, device or apparatus, article of manufacture, composition of matter (including chemical compounds, microorganisms, and the like), plant, or related improvement, or a new use for a known material or device. A public "enabling" disclosure is one which will enable others in the same or a related field to fully understand and practice the Invention. The Institutional "patent review procedure" shall assure provision of guidelines to the inventor(s) in defining what constitutes a public "enabling" disclosure.
- c. The Institution shall have the right of first refusal to the title of all patentable discoveries derived with the use of facilities, gifts, grants, or contract funds through the university, subject to restrictions arising from the overriding obligations of the Institution pursuant to gifts, grants, contracts, or other agreements with outside organizations. The inventor(s) shall provide all necessary declarations, assignments, or other documents as may be necessary in the course of Invention evaluation, patent prosecution, or protection of patent rights to assure that title in such Inventions shall be held by the Institution or other parties as may be appropriate under the circumstances.
- d. The Institution shall have six months in which to assess the technical and commercial viability and patentability of the discovery in accordance with Institutional procedures. If the Institution judges the discovery not to be patentable, or decides not to pursue a patent, and in the absence of overriding obligations to outside sponsors of the discovery, all rights will revert to the inventor. In no instance, and regardless of ownership of the patent, may the Institution's name be used in connection with the marketing of the Invention.
  - 1. Subject to restrictions arising from overriding obligations of the Institution pursuant to gifts, grants, contracts, or other agreements with outside organizations, the Institution agrees, for and in consideration of the assignment of patent rights, to pay annually to the named

inventor(s), or to the inventor(s)' heirs, successors, or assigns, a minimum of 30 percent of the net royalties and fees received by the Institution. Net royalties are defined as gross royalties and fees less the expenses incurred by the Institution in conducting the research and in procuring, protecting, preserving, maintaining, and licensing the patent and related property rights, and such other costs, taxes, or reimbursements as may be necessary or required by law.

2. When there are two or more inventors, each inventor shall share equally in the inventor's share of royalties, unless all inventors have agreed in writing to a different distribution of such share. The Institution will have final authority over any agreement purporting to share rights and/or royalties between participating parties.
3. In addition to the inventor(s) share, the net royalties shall be disbursed by negotiated agreement with allocations to the originating department, the originating college/school, and the Institution. In the disposition of any net royalty income accruing to Institutional parties, other than the inventor(s), support of research shall receive first consideration. The "patent review procedure" shall outline the negotiation and distribution mechanism at each Institution.
4. The provisions of this section apply to plant variety protection unless inconsistent with Institution policy.

#### 4. General Copyright Policy.

- a. Except as otherwise explicitly provided under this policy or applicable law, an employee who creates a Work retains copyright ownership of the Work. If there has been Significant Use of University System or Institutional Resources, the provisions of section 4b of this policy shall apply.
- b. If there has been Significant Use of Institutional Resources, as defined in section 2 of this policy, to create a Copyrightable Work, the ownership of which is vested in the individual employee, the Institution shall be reimbursed out of the royalties, in accord with an agreement between the employee and the Institution, up to that amount that constitutes the Institution's Significant Use. The Institution shall be reimbursed for the Significant Use of any facilities, personnel or resources, except those considered part of the normal academic environment including library facilities.
- c. If employees are employed or commissioned by the Institution or agencies of the Institution for the creation of Work, or if by prior agreement they are assigned to produce or develop Work in the course of their regular duties, and if such Work is deemed appropriate for copyright, it must be reported to the Institution pursuant to its copyright review procedure. In such instances the Institution shall have the first option to secure copyright in the name of the Institution. Should the Institution decide, in writing, it would not be appropriate to secure copyright, the employee then may proceed to personally secure the copyright.
- d. Royalties received as a result of copyright ownership by the Institution will be disbursed at least 30 percent to the employee(s) and the remainder pursuant to the copyright review procedure.

#### 5. Mediated Courseware.

- a. Self-initiated Mediated Courseware. When employees develop Mediated Courseware without specific direction by the Institution, unless otherwise agreed, the ownership of the courseware shall remain with the employee. Normally, no royalty, rent or other consideration shall be paid to the employee when that Mediated Courseware is used for instruction at the Institution and such Mediated Courseware shall not be used or modified without the consent of the employee. While the Creator is under Institutional employment, the Mediated Courseware shall not be sold, leased, rented or otherwise used in a manner that competes in a substantial way with the for-credit offering of the employee's own Institution unless that transaction has received the approval of the chief academic officer of the Institution. The Institution shall have a perpetual, non-exclusive royalty-free right to use such courseware for archival research purposes. Should approval be granted to offer the course outside of the Institution, the provisions of section 4b of this policy shall apply.
- b. Institution-directed Mediated Courseware. When the Institution directs in an employment contract the creation of a specific Mediated Courseware, the resulting Mediated Courseware belongs to the Institution and the Institution shall have the right to revise it and decide who will utilize the Mediated Courseware in instruction. The Institution may specifically agree to share revenues and control rights with the employee.
- c. Institutions shall develop procedures for reporting the development of Institution-directed Mediated Courseware to the appropriate administrator at the Institution.

#### 6. Copyrightable Software.

Unless a separate written agreement provides otherwise, software created by employees within the scope of their employment and not covered under Mediated Courseware in section 5 of this policy shall be treated as a Work for Hire, owned by the Institution and commercialized pursuant to the General Patent Policy, with the employee(s) getting a minimum of 30 percent of the net royalties and fees.

#### 7. Student Work.

a. The ownership of copyrights in student Work is governed by the following:

1. Copyright ownership of student Work that is performed in whole or in part by the student with financial support in the form of wages, salaries, stipend, or grants from funds administered by the Institution shall be determined in accordance with the terms of the support agreement, or in the absence of such terms, shall become the property of the Institution.
2. Copyright ownership of student Work generated by research performed in whole or in part utilizing equipment or facilities provided by the Institution under conditions that impose copyright restrictions shall be determined in accordance with such restrictions.
3. Students will own the copyrights to their Work not within the provisions of (1) and (2) above; however, a student must, as a condition to a degree award, grant royalty-free permission to the Institution to reproduce and publicly distribute, including by electronic means, copies of the student's Work.
4. Where there is Significant Use of Institution Resources, copyright ownership shall be determined under section 4b of this policy.

b. Ownership of student Inventions shall be governed by the Patent Policy in section 3 of this policy.

#### 8. General Trademark Policy

Each Institution may develop a Trademark policy that provides for the protection of the Trademarks and Service Marks of the Institution.

#### 9. Institutional Procedures. Each Institution shall adopt procedures implementing this policy that include:

- a. Procedures for required disclosure of Intellectual Property;
- b. Procedures for review, evaluation, and protection of Intellectual Property;
- c. Rules governing distribution of net royalties or fees;
- d. A process for resolving disputes; and
- e. A process for informing faculty, staff, and students of the rights and responsibilities of Intellectual Property.

#### 10. Transfer of Rights

- a. Institutions may assign or transfer ownership rights in Intellectual Property to independent foundations created for the purpose of obtaining or administering and marketing Institution Intellectual Property, receiving gifts, or supporting or promoting the Institution or Institution research.
- b. It is the responsibility of employees to ensure that the terms of their consulting agreements with third parties do not conflict with their commitments to the Institution. Each employee shall make the nature of the employee's obligations to the Institution clear to any third party for whom the employee expects to consult. Specifically, the scope of the consulting services must be distinguished from the scope of research commitments to the Institution.

#### **History:**

Replaces the current 611.2. New policy. SBHE Minutes, April 24-25, 1989, page 5812.  
Amendment SBHE Minutes, June 20-21, 2002.



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