

Navigating the Maze of Software Licensing

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Many people are surprised to learn that they generally do not “buy” software, but rather a license to use software according to the terms established by the software publisher. Publishers typically outline these terms in a legal document known as the End User License Agreement (EULA). EULAs can be lengthy, complex legal documents and, as such, many end users do not take the time to read and understand all of the terms of the EULAs for the software loaded on their computers. This all too often leads to using the software in ways not allowed by the EULA, a practice known as *software piracy*.

Isn't software piracy much like a “white lie?” After all, what's the harm with a little software piracy at home or in the office? Software piracy is illegal and is punishable under US copyright laws, resulting in fines of up to \$150,000 for each title used illegally. In addition, the government can criminally prosecute for copyright infringement. If convicted, violators can be fined up to \$250,000 or given a jail term of up to five years, or both.

Read the EULA

The first step in reducing the risk of software piracy to both you and your business is to read and understand the EULA. You might be pleasantly surprised at some of the provisions contained in the EULA. For example, users of Microsoft Office 2007 Home and Student edition will find that, according to the EULA for that application, the licensor can install the software on up to three computers, instead of the usual “one-plus-a-backup” scenario. On the other hand, you might find that the license is more restrictive than you had previously understood; again, using Microsoft Office 2007 Home and Student edition as the example, the EULA specifically prohibits you from using the software in “commercial, non-profit, or revenue-generating business activities.” Doing so would constitute a violation of the EULA and potentially subject you to the civil and criminal prosecutions outlined above. Certainly, reading and understanding the EULA is critical to ensuring compliance.

Consider How You License Software

At work, choosing how you license software can make a significant difference in both the total cost of ownership of software and the complexity required to comply with the license. For instance, Microsoft offers three avenues for licensing most of its titles: 1) Original Equipment Manufacturer (OEM) licenses, 2) Retail or Fully Packaged Product (FPP) licenses, and 3) Volume Licensing. OEM licenses are those that are typically pre-installed on a computer. While the least expensive to acquire, OEM licenses are the generally the most restrictive. For instance, you are not allowed to transfer an OEM license from one computer to another, even if you remove it from the original computer.

Retail licenses cost more than OEM licenses and offer greater flexibility. Users are typically allowed to transfer retail licenses from one computer to another, but information technology managers face the challenge of ensuring that the number of installations of a retail license does not exceed the maximum allowed by the EULA.

Volume licensing is often the best choice for organizations with as few as five computers. Under a volume licensing agreement, organizations often experience long-term cost savings compared to other licensing arrangements. Further, the nature of the volume license agreement eases complying with EULAs. Added benefits under volume licensing can include automatic upgrades, employee at-home use of corporate software, and training opportunities. For many businesses, volume licensing represents the simplest and most-cost effective way of managing software licenses.

Summary

Software licensing is not a trivial matter. In addition to ensuring that those in your organization have the tools they need to get the job done in the most effective and efficient manner, those charged with overseeing this area must ensure compliance with a complex maze of legal issues. By reading and understanding each application's EULA and by giving due consideration to volume licensing arrangements, you can minimize the risk of noncompliance, while helping to ensure your team has the right tools to get the job done.

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