

Software Licensing

July 2007

Many businesses are inadvertently breaking the law, and many businesses spend more money on software than they need to.

To help your business avoid both of these problems, our E-Business Advisers discuss the issue of Software Licensing:

1. What are the issues?

When you buy software, either in a box from a shop or computer dealer, or if you download it from the web, you don't actually own the software: you've merely bought a licence to use the software.

The licensing agreement sets out how you can use it, whereabouts you can legally install it, and sometimes, how long the licence is valid for.

Normally, most licences are valid for only one computer.

If you buy a single licence version of the software, and install it on more than one computer, it is likely that you will be breaking the terms of the licence - and hence breaking the law. You could be sued and made to purchase legal copies of the software.

You could buy multiple copies, one for each of your computers, but that could incur unnecessary costs. The software industry often offers an alternative - "volume licensing".

This is where you buy a single copy, with a licence which allows you to install the software

on a specified number of computers, perfectly legally.

The costs are likely to significantly lower than buying multiple copies of the software.

"Volume" tends to imply large numbers - in fact, many software vendors (e.g. Microsoft) will consider as few as a 5 user licence to be a "volume sale".

For the common programs such as Microsoft Office or AutoCad etc, many small and medium sized firms are quite likely to have this number of users of those programs.

2. Understanding Licence Agreements

There are actually three main types of software licences:

1/ one licence per PC

This is where each PC has its own separately licensed copy of each piece of software, or you have taken advantage of the "volume" licensing discussed earlier.

2/ "concurrent" licensing

This is where, (on a local area network), there may be e.g. 10 PC's in the firm that could access the software (which is normally held on a server). The licence however only allows e.g. 5 concurrent users. The sixth person trying to login to the software would be told there were insufficient licences to allow this. Several accounting software packages act like this.

Fact Sheet

3/ site or enterprise licensing

This tends to sometimes be used by larger firms in which there may be several thousand PC's. There are two variants - one allows a slight over usage in terms of number of PC's with the software on, whilst still remaining compliant with the licence, the other requires much stricter auditing to know exactly how many PC's have the software on.

2. Any other ways of minimising costs?

One very good tip is:

“Purchase all the licenses you need - but only the licenses you need”

For example, if your accounting package is only rarely accessed by some staff - do you need to pay out for a concurrent licence for them to have access it on their machine at all times? Could they occasionally use a co-workers PC?

The authors have also often found that in smaller firms, different departments have gone out and bought their own pieces of software - paying full cost for them, and causing a lack of internal consistency within the firm.

3. Any other issues?

Although it is vital that you keep your software legal, there are some questions that you should ask yourself:

- Are you buying more software than you really need to?
- Do your software licences require that you purchase one copy per user, (or could you use

volume discounts from that particular software firm)?

- Are you sure which staff really need to use particular software products in their jobs?
- Could you share software over your network and save costs?
- Have you been buying software for people who don't actually use it?

If you can't answer these questions, it's quite likely that you're either operating your software illegally - or you're spending too much.

We suggest that you also read the “Software Piracy & FAST Fact Sheet” in this series too, to minimise your risk from illegal use of software.

4. Useful Links

www.fast.org.uk - Federation Against Software Theft web site, detailing best practice in how your firm can comply with software copyright law.

www.microsoft.com/uk/licensing - Microsoft's UK web site that discusses volume licensing (“Open Licence”) and allows sales - starting from 5 users

Disclaimer: we have no commercial links with this organisation or its products, and its appearance in this fact sheet is not an endorsement.