

Tech Talk: How to properly license software for your business

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Proper software licensing is a discipline unto itself. No one wants to use illegal software, often referred to as pirated software, but in many business environments, it's quite common to find improper software licensing that, in effect, makes that business guilty of software piracy.

How does this happen? More often than not, quite innocently. And it might even be argued, that it happens as a result of the software companies' often complex license requirements. Let's take the very simple example of the operating system you receive with a new computer. If you purchase that computer from one of the major manufacturers like Dell, Hewlett-Packard or Lenovo, to name a few, it will come with a version of Microsoft Windows. For this example, let's say you purchase a new business desktop computer with Microsoft Windows 7 Professional pre-installed and configured by the manufacturer. This is what's called an OEM, or Original Equipment Manufacturer, license.

Did you know this license is physically tied to the computer hardware? In other words, when it's time to replace that computer, or if that computer fails, you are not legally allowed to use that software on another computer. Perhaps an even better illustration of this is with a productivity application like Microsoft Word. If the same computer also comes from the manufacturer with Microsoft Word pre-installed and licensed, that too is an OEM license. If you stop using that computer at some point and transfer it to a co-worker, Microsoft Word must remain on that computer and your co-worker now has the legal right to use the software. You may not load that same copy of Microsoft Word onto your new computer; you must obtain a new, legal license.

Many people do not understand this subtle, but important issue. Often, when I audit a business' software compliance, it's not uncommon to find scenarios like the one I outlined above. In many respects, I blame the software companies for causing this problem to begin with, by making it so easy to install the software on multiple computers. They've created the problem they work so hard to combat, but at the same time, they also have implemented increasing controls to prevent this from happening. If you have ever had to "activate" your new software, that process is specifically designed to alert the manufacturer to whether or not you are loading the same copy of the software on multiple computers.

While I am using Microsoft as an example for this column, this issue applied to numerous other software manufacturers and the concepts I am describing are fundamentally the same.

With more specific software, like an accounting package or manufacturing system, these software manufacturers will often build in very specific licensing compliance tools that make it nearly impossible to install the software on more computers than you are licensed for, but for more mainstream software, that's not always the case.

So, what can you do to properly license your business software for the number of users or computers that need access to it?

The answer depends on the individual company, but simply put, you want to invest in a company, rather than computer by computer, license. In Microsoft parlance, this is what is known as an Open License.

These types of software licenses are based on the total number of individuals or computers that need to use the software and will often be valid for a period of years. In some cases, these licenses may include additional benefits such as free upgrades, manufacturer support or the golden jewel of company licenses, home use rights. Home use rights allow you to install your company licensed software on your personal home computer, to allow you to work more readily at home. Depending on your perspective, this may or may not be a good thing, but it's often looked at as a real benefit.

One important thing to keep in mind is that it will always be less expensive to license your software with the computer at the time of purchase. These OEM licenses are almost universally the least expensive type of license, but they are also the most restrictive and, in the long run, may not be as inexpensive as they seem up front.

Companywide licenses will provide the most flexibility and benefits, but at an initial premium, so it's good practice to do a thorough evaluation of which licensing model will best serve your company.

Also be sure to see if the software company offers a terms license, almost like a lease or rental license, where you may be able purchase the company license over a period of years by spreading the payments out over the annual license term. Whichever route you choose, please just be sure to properly license your software.

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