

A Newsletter by Budd Larner, P.C.

Issues in Software License Agreements & Negotiations

By Peter John Frazza, Esq.

At a recent three-day software licensing and negotiating seminar that I conducted, numerous issues were discussed in great detail. At the end of the seminar, attendees asked me to prepare a "Top 10 List" for their future reference. It is thus my great pleasure to present Peter Frazza's "Unabashed Top 10 Software Licensing Issues List," which had to be increased to a "Top 12 List."

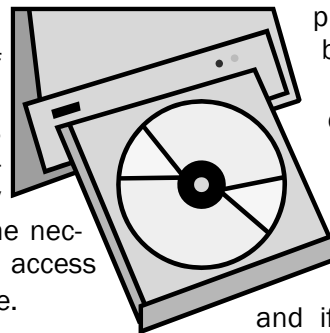
1. The "Licensee" must be defined very carefully.
2. The permissible Scope of Use provision must be broad enough to cover all aspects of how your company transacts business in its ordinary course, including allowing the necessary third parties to use, access and benefit from the software.
3. Insist that Addenda not be used. If modifications must be made to the base agreement (and I strongly suggest that all companies use their own form software license agreement) then incorporate those changes into the base agreement.
4. Procure all necessary Representations and Warranties, which includes a Representation and Warranty that there is no disabling device in the software.
5. Make sure that all Maintenance and Support obligations of the Licensor are spelled out in detail in the software license agreement.
6. Make sure that the Indemnification provision is broad enough to provide your com-

pany with complete indemnification for all intellectual property claims and all claims relating to bodily injury.

7. Make sure that the Limitation of Liability provision is not applicable to (a) breaches of the Confidentiality provision, (b) breaches of the representation that the software has no disabling device, and (c) the Indemnification provision.
8. Include an Internal Dispute Resolution provision which must be utilized before either party can commence an arbitration or litigation procedure.
9. Make sure that the software license agreement is very clear as to how and when such agreement can be terminated, and if you have a perpetual license, that termination does not affect your perpetual grant.
10. Include as many definitions for key terms as possible.
11. Make sure that the audit provision is fair and equitable.
12. Make sure that, if necessary, the software license agreement addresses partitioning the computers and servers; dual processing and the number of instances that are allowed.

If you thoroughly address and discuss the above twelve issues, they will necessarily lead to the other important issues that also need to be addressed. ■

This Top 10 List will lead to other important issues when drafting or negotiating software licensing agreements.



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