



SOFTWARE LICENSE AGREEMENT CHECKLIST – WHAT TO LOOK FOR WHEN PURCHASING SOFTWARE

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Information technology costs have become a significant budget item for many companies, including the cost of licensing software, either off-the-shelf applications or custom-developed code. Before signing any software license agreement, the licensee should consider a variety of issues. The following is a suggested list of “Top Ten” items to consider when purchasing a software license:

- 1) What type of license is being granted (e.g., is it transferable? exclusive? perpetual)?
- 2) What does the license fee include (e.g., how many users or locations)?
- 3) When are license payments required to be made (up-front upon signing, upon installation, etc.)?
- 4) What services are being provided in addition to the software license (e.g., installation, training)?
- 5) Are software maintenance and support services covered by the license agreement or by a separate agreement?
- 6) Is the software vendor offering any warranties?
- 7) Are the vendor’s damages limited (therefore putting the customer at higher risk)?
- 8) Is there a source code escrow (protecting the customer if the vendor goes out of business or does not support the software)?
- 9) Are there restrictions on copying, modifying and reverse-engineering (including a backup copy)?
- 10) Are there specific industry considerations (e.g., HIPAA in the health care industry)?

The acquisition of software for any business can be exciting, productive and also daunting. Software licenses are complex, and many issues should be considered before making such an investment in time, resources and security. A complete analysis of the licensee’s business and information needs is part of any software acquisition process.

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