



# Commercial Software Licensing

CHAPTER 6:

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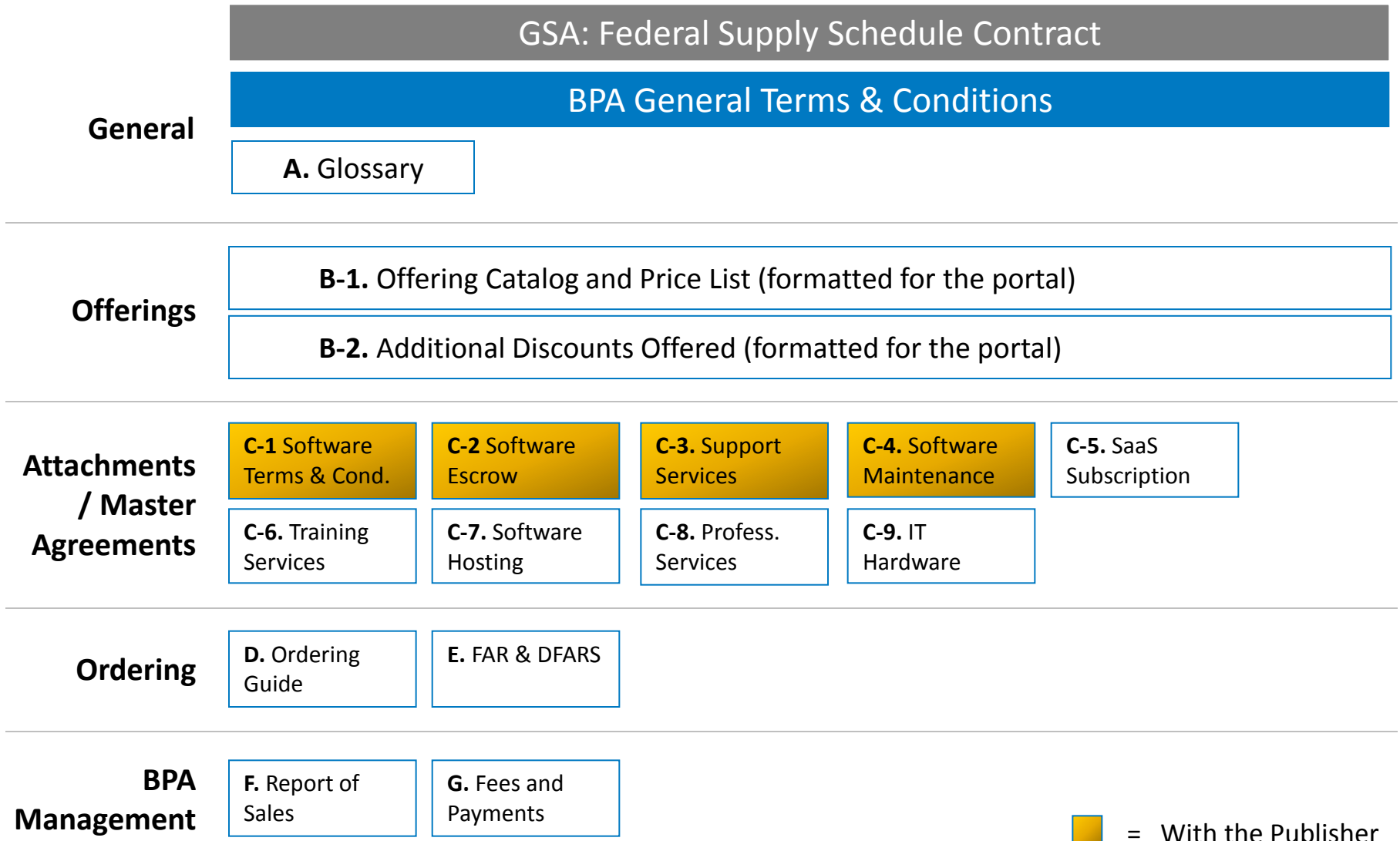
## Contract Terms & Conditions

Prepared by DoD ESI | January 2013

- Government contracts must comply with FAR and DFARS. They include terms and conditions (Ts & Cs) from GSA, BPAs, and Orders.
- BPAs can not change GSA terms, but can enhance them.
- ESI has created a BPA template designed specifically for buying commercial software and related services.
- Software source code escrow and its importance to buyers.
- ESI has identified the Ts & Cs that cause the most discussion with Publishers—from both the Publisher’s perspective as well as the Government’s perspective.
  - *Specific “hot button” Ts & Cs are identified according to source – GSA, BPA, or Order.*
- Important to understand which Ts & Cs should be negotiated directly with Publishers vs. with Resellers.



# Contract Structure Diagram



# Overview of Key Contract Terms & Conditions

## GSA

- FAR 52.212 Contract Terms and Conditions – Commercial Items.
- 52.212-4 (d) Disputes.
- 52.212-4 (g) Invoice.
- 52.212-4 (h) Patent Indemnity.
- 52.212-4 (i) Payment.
- 52.212-4 (j) Risk of Loss.
- 52.212-4 (l) & (m) Termination.
- 52.212-4 (o) Warranty.
- 52.212-4 (p) Limitation of Liability.
- 52.212-4 (r) Compliance with Laws.
- 52.212-4 (s) Order of Precedence.
- 552.238-78 Scope of Contract.
- C-FSS-370 Contractor Tasks/Special Requirements.
- I-FSS-600.
- Contract Price Lists.
- Confidentiality.
- No Oral Modification (NOM).
- Severability.
- Choice of Laws (COL).



## BPA Level

### General Ts & Cs

- Introduction.
- Funds Obligation.
- Authorized Users.
- Term and Survival.
- BPA Organization.
- Product and Service Offerings.
- Pricing Terms.
- Product and Pricing Data.
- Ordering.
- Contractor BPA Management.
- Termination – Surviving Provisions.
- Relationship Of The Parties.
- General Provisions.

### Master EULA

- License Assignment and Transfer.
- Post-termination Restrictions/Reuse.
- Audit.
- IP Rights and Data Ownership.
- Functionality Protection.
- Source Code Escrow.



# Overview of Key Contract Terms & Conditions

## Ordering Document

### Ordering Document Ts and Cs

- License Grant And Type.
- License Unit Of Measure.
- Product Or Service Warranty.
- IP Rights.
- Third-Party/Open-Source Software.
- Quantity.
- Price.



# Hot Buttons for Publishers

Addressed at the GSA Level

## Limitation of Liability

- Publishers want to limit their liability to customers for various potential causes of action—usually limited to the value of license and services fees.
- Key issues include IP infringement, breach of warranty, and injury to customer persons or property.
- LOL is covered in GSA contracts with FAR 52.212-4(p).

## Termination

- Publishers seek to define the effects of termination on continued use of their IP, other customer rights, and Publisher duties.
- The government seeks to restrict these effects.
- Termination is covered in GSA contracts by FAR 52.212-4(l) and (m).



# Hot Buttons for Publishers (cont.)

Addressed at the GSA Level

## Payment

- Publishers view payment as a material element of a contract and non-payment as a material breach.
- Payment is covered in GSA contracts by FAR 52.212-4(i), including the duty to continue despite non-payment.
- Publishers' perceptions may fly in the face of their duties to continue performance despite disputes or late payments.

## Confidentiality

- Customers seek to protect proprietary processes, trade secrets, and other confidential information from showing up in Publisher applications or otherwise being disclosed to customer competitors.
- Confidentiality is covered loosely in GSA contracts by reference to "applicable law" in FAR Part 3.104 and is referenced in the BPA Attachment C-1, Master EULA.





# Hot Buttons for Publishers

Addressed at the GSA, BPA, & Order Level

## Indemnification

- Publishers usually seek not only LOL, but also mutual indemnification against IP infringements and personal or property damages.
- Patent Indemnity is covered in GSA contracts by FAR 52.212-4(h).
- Other types of indemnification probably violate anti-deficiency laws prohibiting uncertain government obligations & are therefore stricken from GSA contracts.
- Standard commercial indemnifications also usually contain a “control of defense” provision, that also violates law found in 28USC516.

## Intellectual Property

- IP is the lifeblood of the Publishers’ business.
- Publishers take extraordinary measures to protect existing IP and usually demand ownership of derivative works.
- Derivative works discussion—GSA takes the position IP is a task order issue, governed by U.S. copyright law.
- The BPA Attachment C-1, Master EULA, also addresses IP.



# Hot Buttons for the Government

## Addressed at the GSA & BPA Level

### Order of Precedence

- GSA addresses this in FAR 52.212(s).\*
- Generally the order of precedence is GSA, BPA, then order terms as set forth in the BPA.\*\*
- Enhancements to terms may be added in an ordering document, provided that they are agreed to in writing.

### Termination & Survivor Provisions

- Upon termination, certain contract provision survive the termination.
- This is addressed in GSA contracts by FAR 52.212-4 (l) and (m).
- Also addressed in BPA General Terms & Conditions.

### Transferability

- The government seeks to transfer licenses across DoD organizations without additional fees.
- Publishers limit transfer rights.
- The government is beginning to use the commercial definitions of enterprise and transferability across affiliates.
- See BPA Attachment C-!, Master EULA.



## \*The Order of Precedence – FAR 52.212-4(s)

- (s) *Order of precedence.* Any inconsistencies in this solicitation or contract shall be resolved by giving precedence in the following order:
  - (1) *The schedule of supplies/services.*
  - (2) *The Assignments, Disputes, Payments, Invoice, Other Compliances, and Compliance with Laws Unique to Government Contracts paragraphs of this clause.*
  - (3) *The clause at 52.212-5 (compliance with laws).*
  - (4) *Addenda to this solicitation or contract, including any license agreements for computer software.*
  - (5) *Solicitation provisions if this is a solicitation.*
  - (6) *Other paragraphs of this clause.*
  - (7) *The Standard Form 1449.*
  - (8) *Other documents, exhibits, and attachments.*
  - (9) *The specification.*



## **\*\*ESI BPA Order of Precedence – Para. 5**

### **– Order of Precedence**

- **The Order of Precedence for resolving any inconsistency between this Agreement and the GSA contract terms shall be as specified in the GSA contract's Commercial Item clause, FAR 52.212-4.**
- **The provisions of FAR 52.212-4 specified in FAR 12.302, as required by Federal law, shall prevail over any terms of the commercial license.**
- **In the event of any inconsistency between the general terms and conditions of this Agreement and the terms and conditions of any Attachment to this Agreement, the general terms and conditions shall take precedence over the terms and conditions of any Attachment, unless the parties specifically agree in writing that a term or condition of an Attachment has precedence over the corresponding term or condition in the general terms and conditions of the BPA.**
- **All orders placed against this BPA shall incorporate the terms and conditions of this BPA, including all Attachments. In the event of a conflict between an ordering document (including the Contractor's license, support, maintenance, or services agreements) and this BPA, the BPA and its Attachments shall take precedence over the Order unless the parties specifically agree in writing that a term or condition of an Order has precedence over the corresponding term or condition in the general terms and conditions of the BPA or its Attachments.**



# Order of Precedence Example

- This clause was found in a Publisher EULA:
- “ 10.2 Termination and Effect of Termination. The parties may terminate this agreement upon 10 days written notice for any material breach including failure of Licensee to timely pay license fees to Licensor. Upon termination, Licensee will immediately cease using all Licensor materials and return same to Licensor.”
- How would you address this clause in a dispute with the contractor (Licensor) about termination? What would you do if you received a termination notice?



# Hot Buttons for the Government

## Addressed at the BPA Level

### Post-Termination Restrictions on Reuse

- Some Publishers attempt to preclude the government from buying competing products upon termination.
- Addressed in BPA Attachment C-1, Master EULA.

### Audit

- Publishers reserve the right to audit customer systems to validate user counts.
- The government will only provide internal records of user counts.
- See BPA Attachment C-1, Master EULA.

### End of Life—Functionality Protection

- Publishers often discontinue or re-bundle products.
- The government should be protected against these tactics.
- See BPA Attachment C-1, Master EULA.



# Hot Buttons for the Government (cont.)

Addressed at the BPA Level

## Third-Party/Open-Source Code

- Third-party software and open-source software is permitted, but must be disclosed.
- The government must be protected against any infringement claims.
- See BPA Attachment C-1, Master EULA.

## Source Code Escrow

- The government should have protection against loss of support for mission-critical software when Publishers go out of business or encounter other significant disruptions (*e.g. an acquisition*).
- The government can use the commercial practice of escrowing source code with a third party, to be released if certain events occur.
- See BPA Attachment C-1, Master EULA and see Chapter 13, Source Code Escrow, for additional details.



# Hot Buttons for the Government

## Addressed at the BPA & Order Level

### Pricing

- BPA Attachment B-1 contains the catalog and pricing for covered items.
- BPA General Terms and Conditions provide for additional discounting beyond B-1, and prohibit Contractors from charging prices higher than B-1.
- What is Most Favored Nation pricing ? <http://www.sacattorneys.com/legalblog/oracle-stung-by-most-favored-nations-clause/>
- Actual prices are entered at order time.

### License Grants

- The government requires the broadest possible grant-of-use.
- Licenses should not be restricted to specific programs or locations, but allow for unlimited use and third party use.
- Developer or test licenses are available in the BPA, Attachment C-1, Master EULA.
- License terms should include secondary use rights  
(*e.g. home or laptop use – typically applicable to Shrink-wrap applications*).
- Actual license grant occurs at order time.

### Beware the Asterisk \*

- Whether at BPA or order time, KOs and SPMs should be aware of asterisks referring to obscure or so-called “fine-print” terms.





# Publisher vs. Reseller Obligations

## When KOs and SPMs Should Deal With Publishers

### GSA

- LOL for IP infringements & warranties.
- IP indemnifications.

### BPA

- IP ownership.
- Priority of license over click-wrap terms.
- Transferability of licenses.
- Warranties.
- Although the Reseller might provide maintenance & support, only the Publisher can provide code fixes.
- Escrow Agreement terms.

### Order

- License grants.
- SLA for third level support.
- Escrow Agreement.



# Common Terms in Software Licensing

Term	Definition	Applicability
License	A set of rights granted by a Publisher to use Publisher's software.	Apply to all.
Maintenance	A set of services Publisher can sell to Customer for the on-going development and delivery of software fixes and product upgrades.	If Maintenance & Support apply, then Assurances do not.
Support	A set of Publisher services for receiving reports of software malfunctions, analyzing cause, creating fixes and delivering them to Customer within agreed upon time frames.	If Maintenance & Support apply, then Assurances do not.
Warranty	The contractual duty of Publisher to correct product defects, usually limited to certain kinds of defects and for a specific time period.	Apply to all.
Assurance 1 ( <i>DoD Software Assurance Initiative</i> )	Software assurance relates to "the level of confidence that software functions as intended and is free of vulnerabilities, either intentionally or unintentionally designed or inserted as part of the software" ( <i>as described by DoD Software Assurance Initiative</i> ).	If Assurances apply, then Maintenance & Support do not.
Assurance 2 ( <i>Microsoft</i> )	New software versions, deployment planning services, 24x7 phone and web support, end-user training, unique desktop technologies and more.	If Assurances apply, then Maintenance & Support do not.
SLAs Service Level Agreements	Usually structured as a combination of conditions and performance, for example, all reported high priority performance issues will be addressed within 4 hours.	Individually established.



# BPAs & Orders

## The Core of License Contracts

Contract Vehicle	Reseller	Publisher	Comments
<b>BPA General Sacs</b>	✓		
<b>BPA MSA Att. C-1</b>		✓	MSA = scrubbed EULA + GSA Fail Chart + ESI Key Terms
<b>BPA Maintenance Att. C-3</b>		✓	
<b>BPA Support Att. C-4</b>		✓	
<b>BPA SaaS Att. C-5</b>		✓	
<b>Delivery Order</b>	✓		Not a license grant
<b>License Grant</b>		✓	Grant = Order



Discuss the relationships among GSA, BPA, and Order document terms and conditions (Ts and Cs).

Describe an example of a GSA term that is enhanced in a BPA.

Discuss Source Code Escrow practices, the reasons behind them, and the importance of them to government software buyers and users.

Select one or more “hot button” Ts and Cs for Publishers, and discuss why Publishers have issues with them. Focus on Publishers’ goals and objectives and how they perceive these Ts and Cs.

Do the same thing for Government “hot button” Ts and Cs and Government goals and objectives.

Discuss why certain Ts and Cs should be negotiated with Publishers vs. with Resellers.

