Legally Speaking-Understanding Software Licensing Agreements

Norman Desmarais

Providence College

Follow this and additional works at: https://docs.lib.purdue.edu/atg

Part of the Library and Information Science Commons

Recommended Citation

Desmarais, Norman (1996) "Legally Speaking-Understanding Software Licensing Agreements," Against the Grain: Vol. 8: Iss. 6, Article 21.

DOI: https://doi.org/10.7771/2380-176X.2184

This document has been made available through Purdue e-Pubs, a service of the Purdue University Libraries. Please contact epubs@purdue.edu for additional information.
Legally Speaking

Understanding Software License Agreements

by Norman Desmarais (Acquisitions Librarian, Providence College, Providence, RI 02918) <normd@sequent1.providence.edu> phone: 401-865-2241; fax: 401-865-2823.

Hey everybody! Well, Glen Secor — Sob — is retiring as Column Editor for Legally Speaking. I would like to publicly thank him for all of his hard work! Just think — your name could be here if you would just write and volunteer to edit this column. You don’t have to be a lawyer (but it’s fine if you are); you just have to have an opinion! The phone and Internet lines are open! (803) 953-8020 or (803) 723-3535 or <strauchk@ogfc.edu>. And in the meantime, we have this great contrib from Norm Desmarais who Jack Montgomery unearthed as a recent AALL conference.

Virtually all software comes with a license for use, unlike books which one purchases and then owns. The software license grants the licensee permission to use a product under specified circumstances. It does not mean that one owns the product. Rather, it is more comparable to leasing the product, as the producer retains the rights of ownership.

Grolier Electronic Publishing, Inc., one of the pioneers in electronic publishing, clearly states in the first paragraph of its license agreement: “You own the compact disc on which the Software is recorded, but GEP and its co-licensors retain full and complete title to the Software on that disc and the accompanying documentation.” In a way, this is comparable to a print publisher telling a buyer that he or she owns the paper the book is printed on and the publisher retains ownership of the ink and the patterns that ink makes on the page.

Sometimes producers will place the license on the packaging to make it clearly visible before opening. The act of opening the package then constitutes agreement to the terms of the license. My favorite example is the producer who put the license inside the box and placed a note on the outside effectively saying that, by opening the package, the purchaser agrees to the terms of the license contained inside. Microsoft has taken a different approach to activating the license terms for its Microsoft Encarta 97 Encyclopedia by putting it at the point of installation: “By installing, copying or otherwise using the Software Product, you agree to be bound by the terms…”

Conditions

A producer can place almost any restrictions on the use of a product that he can get a buyer to agree to. Most software is designed for use on a single workstation by a single user. Grolier spells out its terms more clearly than most agreements; so let’s take another look at its restrictions for the single-user version of its Multimedia Encyclopedia:

“Except as provided for in this license, you may not copy, modify, network, rent, lease, or otherwise distribute the Software; nor can you make the Software available by “bulletin boards,” online services, remote dial-in, or network or telecommunications links of any kind; nor can you create derivative works based upon the Software in whole or in part. You may not electronically transmit or remotely operate the Software by any means, nor may you use the Software over any type of network.”

However, the problems begin to arise when we consider networking. All parties in an agreement often do not share the same definition of terms; so the first task is to clarify the terms. Sometimes, producers adopt license agreements from other producers or take a license for a floppy disk product to apply to a CD-ROM. While this may save attorneys’ fees, it does not necessarily do what the producer wants or provide adequate protection in case of infringement.

In the days of CD-ROM’s infancy, one publisher asked me to review his license agreement and comment on it. I told him I could not provide legal advice as I was not an attorney; but I could comment as a potential customer and in my capacity of editor of CD-ROM Librarian. According to my reading of the agreement that he “borrowed” from another product, a consumer could use his title only on a single computer, contrary to his intention to allow access via a network.

The first condition that producers place on their products is to limit use to the members of an organization or to particular persons within an organization. Here, we encounter the first term that needs to be clarified. Who is a user? Is it the total potential population of a campus or of a city? We know that only a limited number of a total population will actually use any given product or service. Does the user population equal the total number of workstations connected to the network?

This brings us to a second condition which restricts use to a certain number of users or network nodes. Does this cover the total number of workstations actually or potentially connected to a network? There are often more stations than actual users at any given time. What about the connections in student dorms? Even though the rooms may have a network connection for every student, not every student will have a computer. The number of students connected to the network can fluctuate from semester to semester or upon receipt of computers as birthdays or Christmas gifts. What about low-use items? Are these priced for total potential use or by actual or anticipated levels of use? The concept of the concurrent user, which we’ll discuss later, is becoming the generally-accepted model for pricing and licensing network software.

That brings us to a third type of condition: restriction by location. Products that permit access over a local area network (LAN) are usually restricted to a single building. This raises the question of what constitutes the physical network. Often, the interpretation of a LAN, WAN (wide area network), or Intranet may overlap in interpretation.

Sometimes, a site license may offer the best alternative for networking a product or using it on multiple stations throughout an institution. But what constitutes a site? Is it a single building? A single location? An entire campus? Does the license extend to users accessing a product from home or from a remote location off campus rather than from an office or a dorm? Is it right for a user who generally has access to be denied access because he or she has temporarily moved to a different location? What about campus... continued on page 45

http://www.against-the-grain.com>
Licensed titles by concurrent user allows librarians to mount low-use items on a network along with high-use items. They just need to purchase a different level of license to meet anticipated demand. Producers following this model usually have price points at which the price increases. For example, a license for 2-4 concurrent users will cost one price, and increment for 5-8 users, and so on. Sometimes, producers may specify a number of concurrent users included in the price and charge a specified figure for each additional user.

Heavy users of software titles, particularly those available on CD-ROM, should calculate the break-even point to determine whether it’s cheaper for them to lease tapes for mounting on a server. In this case, they should not just consider the dollar amount but also the benefits of faster access and increased reliability.

The important thing to remember is that license fees are arbitrary and therefore can be negotiated. They are set by the publisher or producer based on an assessment of what the market will bear. However, buyers or subscribers need to understand that the price of a product does not only consist of the raw materials, e.g. $1.50 per disc. It also includes some overhead on the publisher’s part, such as the hardware, software, and professional and technical expertise required to produce a title. It includes authoring, editing, mastering, production, packaging, marketing costs, publisher software licenses, technical support, etc. Buyers often forget that publishers may be constrained by their own license agreements that they must pass on to clients. For example, producers of search engines, such as Dataview, charge a specified fee for every CD-ROM disc. Some companies charge this fee based on the total number of discs produced while others base it on actual sales.

**Metering**

When mounting a database on a network, network administrator continued on page 46

---

The essential acquisition

**INPUT CULTURE**

Books • Periodicals
Audio & video cassettes • CD ROM • Software

Responsiveness • Agility • Access • Affordability

Input Culture, Inc. is small enough to provide individual service, agile enough to link up quickly with a diverse group of suppliers, smart enough to include research as one of its regular services—and large enough to offer competitive pricing. We can accommodate the requirements of large institutional systems as well as the unusual individual request. Timely delivery and superior packaging are standard. Give us a call—or send a wish list for a pro forma invoice.

Input Culture, Inc. • P.O. Box 67 • Trumansburg, NY 14886 USA
Telephone: (U.S. & Canada) 800-876-9971; 607-546-8576
Fax: 607-546-2219 • E-Mail: Compuserve 73612,242
Internet 73612.242@compuserve.com

<http://www.against-the-grain.com>

December 1996-January 1997 / Against the Grain 45
system (often DOS & Windows) must work in conjunction with MSCDEX, the network operating system, the network redirector, a memory manager, etc. Demands of bloated software can exceed available RAM or run into conflicts with some of the other system components.

As librarians try to reconcile price increases with stagnating or decreasing budgets, they also need to realize what they have at the end of the license term. Do they get to keep the product or must they return it? Do they have to destroy the product or can the Reference Department keep it for instructional purposes or for a backup? Will non-renewal create gaps in the collection? Sometimes, a publisher may offer a “maintenance fee” option for continued use of an outdated product. For example, ABC Clio offers such an option for its databases, America: History and Life and Historical Abstracts. Such an option allows librarians to stretch their budgets by deferring purchases to a time when they can afford them or by purchasing expensive items on a two or three year cycle.

While most library schools teach little in the line of acquisitions librarianship, requirements for skills and training continue to increase. Not only do acquisitions librarians need subject specialization and language skills to supplement their business skills, they may soon need a legal background or a J.D. degree to deal with copyright issues and licensing agreements.

Cases of Note

including the same volume numbers and pagination. The printed version is recognized as the official Florida reporter and includes the text of decisions plus case synopsis, syllabi, digest key numbers, index digests, and tables of statutes. West has the right to subject the synopsis, syllabi, key number digest classifications, index digest, table of statutes constructed, and arrangement of cases to copyright. While West copyrights the Southern Reporter, it did not, however, copyright the Florida Cases. “Parallel citation” in a published case is the citation to the first page of another publisher’s version of the same case. “Star pagination” is a feature whereby a published case includes not only the parallel citation, but also throughout the case includes the internal page breaks from another publisher’s version of the case. Oasis plans to publish Florida court decisions on CD-ROM, having both parallel citation and star pagination to Florida Cases, which is the same as Southern Reporter. While it intends to use bound volumes of Florida Cases to obtain the information, Oasis does not intend to use the digest material authored by West. West concedes that use of parallel citation is fair use under the Copyright Act, but objects to Oasis’ planned use of star pagination to the Florida Cases/Southern Reporter. West does not argue it has a copyrightable interest in the internal page numbers per se, but asserts a copyright interest in the arrangement of cases in the reporters that extends to pagination. Oasis maintains that pagination does not represent any arrangement, but is instead a mere system or process not subject to copyright protection. To qualify as a copyrightable compilation, a work must embody (1) the collection and assembly of pre-existing material, facts, or data; (2) the selection, coordination, or arrangement of those materials; and (3) the creation, by virtue of the particular selection, coordination, or arrangement of an original work of authorship. Feist Publications v. Rural Telephone Service Co., 499 U.S. 340, 59 LW 4251 (1991). The dispute here focuses on “originality.”

In West Publishing Co. v. Mead Data Central Inc., 799 F.2d 1219 (1986), the Eighth Circuit found internal pagination as part of West’s arrangement was copyrightable and disallowed Mead’s use of West’s internal citations in its LEXIS computer research product. Oasis argues that Feist overruled Mad in that Feist rejected the “sweat-of-the-brow” standard for copyright protection holding that to be eligible for copyright protection the selection and arrangement of compiled facts must be sufficiently original. Under Feist, however, “the requisite level of creativity is extremely low.” Contrary to Oasis’s assertions, Mead did not utilize the sweat-of-the-brow standard. Instead, it applied essentially the same creativity standard discussed and applied in Feist, considering the “originality and intellectual creation requirements” of the arrangements. West uses the same decision-making process today and its arrangement is followed by no other publisher. Therefore, Oasis’s duplication of West’s arrangement would merely be copying and not a transformation. Moreover, Oasis intends for the use of its product to become widespread and, if this were to occur, it would most likely adversely affect the potential market of the original. These factors establish that Oasis’s proposed star pagination is not a fair use of West’s arrangement. (64 USLW 46).


In a Memorandum Order issued on August 5, 1996, the United States District Court for the Southern District of New York denied the motion of the defendant, West Publishing Company, to dismiss plaintiff-intervenor HyperLaw Inc.’s complaint for failure to state an actual case or controversy. Specifically, the Court found that there was a factual dispute between HyperLaw and the defendant as a result of HyperLaw’s alleged intent to produce a CD-ROM product using certain features found on West’s products, and that as a result, HyperLaw had a reasonable apprehension of future suit by West over that same product.

The testimony at the hearing and the documentary submissions demonstrated that: (1) HyperLaw was aware of the fact that West had sued a number of small publishers over their use of star pagination and other West features; (2) West had its librarian and its outside counsel contact HyperLaw on numerous occasions to request a copy of HyperLaw’s CD-ROM product and, (3) HyperLaw was aware that West had made similar requests of other legal publishing companies that it later sued. Also, HyperLaw asserted that a senior executive and attorney for West approached Alan Sugarman, owner and CEO of HyperLaw, at a convention and stated that “Sugarman was aiding and abetting infringement of West copyrights due to Sugarman’s comments on the Internet about West’s settlement of another copyright case”; and finally, Sugarman was told by an attorney for the defendant that his firm wins all of its lawsuits for West. As a result, the court then found that when considered together, the facts presented at hearing were more than sufficient to support HyperLaw’s claim that it was reasonable to fear the possibility of suit by West.