What every business needs to know about software licensing and compliance.
Welcome

This guide was developed for businesses of all sizes as a guide to software licensing and compliance. In it you will find valuable information on how to protect your organization against software piracy and learn about the benefits of software management. In addition, this booklet will assist you in determining the right Microsoft® software licensing solution to best fit the specific needs of your organization.
Illegally copying software, whether intentional or not, is risky business that can put your company in jeopardy. Conversely, properly managing software will be beneficial to your company in a number of ways. See below for the risks associated with software license non-compliance and the benefits of properly-managed software:

**Non-Compliance Risks**

- **Legal costs and fines**
  Abuse of software licenses can result in financial penalties and legal costs. Additionally, company executives can be held individually liable, both criminally and civilly, for any copyright infringement that occurs within the organization.

- **Damaged reputation**
  Abusing software licenses can damage your company’s reputation.

- **Viruses that can harm computers and networks**
  Unauthorized software can contain viruses with the potential to damage both individual computers and entire networks. Viruses can and do cause irretrievable data loss, which would be devastating to most companies.

- **Ineligibility for technical support or product upgrades**
  When using unlicensed software, you are not eligible for technical support from the software publisher. If you have a technical issue in need of resolution, oftentimes a work-stopping issue, you are on your own. In addition, product upgrades—less expensive upgrades of existing products—are not available to you.

- **Software compatibility issues**
  Unlicensed software may cause incompatibility between programs that would normally function together seamlessly.

- **Lost time**
  Legal costs and fines, damaged reputation, computer viruses, ineligibility for technical support and software compatibility issues all equate to lost time which means lost opportunities to your business.

**Software Management Benefits**

- **Saves money**
  Good software asset management can help you determine what software you need—and which programs you don’t. It can also help you take advantage of volume license discounts offered by many software publishers and determine how to most efficiently deploy software across your organization.

- **Manage technological change**
  Software management can help your company identify its software needs, avoid obsolescence, and ensure proper technology to help meet business goals to stay ahead of the competition.

- **Alleviate communication and data transfer problems**
  In organizations where technology has proliferated without controls, many different software platforms and versions may exist, contributing to communication problems. Managing software can help address and resolve these issues, improving workflow and efficiencies.

- **Justify investments in technology**
  Managing software can help organizations understand the value they receive from their software investment as well as identify parts of the organization that may be in need of software upgrades or new software programs.

- **Growth and Development**
  The high-tech industry is one of the strongest segments of our economy. Protection of the industry’s intellectual property will allow the software industry to grow and prosper, encouraging ongoing research and development to continuously improve products, thereby contributing even more to the health of the economy.
Contrary to what most people think, piracy and license non-compliance extend much further than mere casual copying of software. While this may be the most common form of piracy—it's not the only one. Below you'll find a list of the types of piracy and non-compliance you should be aware of in order to properly protect your company.

Please visit the How to Tell Web site at www.microsoft.com/piracy/howtotell.asp for additional information.

**End User Copying**
End user copying is unlicensed copying by individuals or businesses. In the case of volume licenses, this means underreporting the number of software installations. While this most common form of piracy may seem harmless, it is illegal and simply wrong.

**Hard-Disk Loading**
Practiced by dishonest computer System Builders, hard-disk loading occurs when PCs are sold with illicit software pre-installed. Dealers use one legally acquired copy illegally for installation on many machines. Disks and documentation are often missing or incomplete. See http://www.microsoft.com/piracy/howtotell/ for more information.

**Counterfeiting**
Counterfeiting is software piracy on a grand scale, in which software and its packaging are illegally duplicated—often by organized crime rings—then redistributed as imitation legal product. Be on the lookout for prices that seem “too good to be true”, suspicious-looking packaging, and software that is missing disks or documentation.

**Mischanneling**
“Mischanneling” software is software distributed under special discount licenses—either to high-volume customers, computer manufacturers, or academic or government institutions—that is then redistributed to others who do not hold or qualify for these licenses. Be on the lookout for packaging marked as “Academic Price”, “Not For Resale”, or “Not For Retail or OEM Distribution”. For Academic qualification please see http://www.microsoft.com/education/license/eligible.asp, for Government qualification, please see http://www.microsoft.com/business/licensing/government/default.asp.

**Internet Piracy**
Internet piracy refers to the use of the Internet for illegally copying or distributing unauthorized software. In these cases the Internet is the medium for advertising, offering, acquiring, or distributing pirated software. See the Web site at http://www.microsoft.com/piracy/basics/what/ip.asp for more information and tips on how to safely shop for software over the Internet.
Curious as to whether your company is at risk for using unlicensed or pirated software? Answer the following questions to help assess your risk.

NOTE: If your organization has ever purchased software that seemed like an incredible bargain, or purchased software via the Internet, without correct documentation and proof of license, this may increase your risk.

1. Do you know how many PCs, laptops, and servers your company currently has in use?

2. Do you have a software license for all software products installed on your PCs, laptops, and servers?

3. Are you confident that no company employees have made unauthorized copies of software?

4. Did you acquire all the software installed on your PCs, laptops and servers from reputable sources?

5. Does your company have a written policy for copying software and/or purchasing software licenses?

If you answered “no” to any of these questions, or if you are unsure about any of your answers, you need to evaluate your software situation in greater detail. Please see www.microsoft.com/piracy/samguide for further information and help in managing your software assets.
Perform a software inventory by doing the following:

1. Establish the number of PCs, laptops and servers your company has in use and the type of software installed on each machine.
2. Compare this information against the number of legal software licenses your company owns.
3. Account for any license deficiencies and purchase resulting licenses to bring your organization into compliance.

Depending on the size of your organization, and the condition of your records, this may be quite simple, or it can take a bit of effort. In either case, establishing this initial inventory is critical to effective software management and will help your organization on a go-forward basis.

For a free Microsoft software inventory tool, please see www.microsoft.com/piracy/MSIA. For a listing of other available tools, please see www.microsoft.com/piracy/samguide/tools/sit.asp.

Establishing software policies and procedures:

While the number of policies and procedures your organization needs will vary depending on company size, scope, and culture, at a minimum they should cover the following:

**Software use and copyright policy:**

Your company should have a clear and enforceable policy on copyrighted software which addresses your company’s adherence to software license agreements and employees’ responsibilities to follow the software procedures set by management.

**Procurement policies and procedures:**

Your company should have written policies covering how employees request software, responsibility for software acquisitions, approved software vendors, software installation procedures, personal software policies and disposition of software assets.

For more information, please see the Software Asset Management Guide, located at www.microsoft.com/piracy/samguide/soft_man/ongo/establish.asp.
Software Licensing

A software license grants you the legal right to run a software program. For each software program you use, you need a license granted to you and documented in the license agreement.

Microsoft offers many licensing programs designed to meet the differing needs of customers. The software licenses that accompany these programs will vary. Below you will find a summary of the license programs currently in existence. Please see http://www.microsoft.com/piracy/licenseguide/default.asp for further information on these programs including the documentation you’ll need to retain to verify license compliance.

Retail Product

Sold in single-unit quantities at retail outlets and by Microsoft resellers, Retail Product is fully-packaged and typically includes media (CDs or disks) and documentation. It is ideal for low-volume software needs, such as companies with fewer than 5 PCs.

OEM Software (preinstalled on new PCs)

When you purchase a new PC, it should come pre-installed with an operating system and may also have application software pre-installed. This software is referred to as Original Equipment Manufacturer (OEM) software. These OEMs have license agreements with Microsoft allowing them to bundle certain software with the PCs they sell. As a purchaser of the PC, the Microsoft license has been included with the price of the PC.

When purchasing new PCs, you should ensure that the accompanying license(s) are valid. Please see www.microsoft.com/piracy/howtotell for more information.

Academic and Government Product

Special academic and government pricing is available to qualified entities under numerous Microsoft Licensing Programs. Please see www.microsoft.com/education/license/eligible.asp for academic eligibility details and http://www.microsoft.com/business/licensing/government/default.asp for government eligibility details and programs.

Volume Licensing Programs

Microsoft’s volume licensing programs are designed to save businesses time and money by offering easy management of software licenses and purchases. These programs are beneficial for companies in need of as few as 5 licenses. See below for the various volume licensing options. Please see www.microsoft.com/business/licensing for more details on each volume licensing program and additional licensing resources.

Open License Program

Best for customers needing as few as 5 licenses, the Open License Program is a great way to save on genuine Microsoft products. Under the Open License Program, you determine the number of software products you wish to license, place an order with a participating Microsoft reseller, and obtain the licenses you need. After the initial 5 license minimum purchase requirement, any single purchase qualifies for the Open License discount. You may then install the software from media ordered directly from Microsoft.

Select License Program

Best for customers with 500 PCs or more and mixed requirements for Microsoft product, the Microsoft Select License Program is available through Microsoft authorized Large Account Resellers (LARs). Under the Select License Program, customers receive volume discounts based on a two-year forecast of products required. There are three product “pools” (applications, systems, servers) available for forecast under Select, and point values associated with each product within the pool.

Enterprise Agreement

The Enterprise Agreement is designed for customers with 250 or more PCs who want to standardize on certain Microsoft products and have the ability to centrally purchase and track software.

As an Enterprise Agreement business, you make a three-year commitment to standardize on certain Microsoft software products across your enterprise. The price is based upon the number of desktops within a defined enterprise and is divided into three equal annual payments over the three-year term.

Note: Full versions of Microsoft Operating Systems are not available via Microsoft’s volume licensing programs—only Operating System Upgrades. You must acquire full version Operating System product via the OEM or retail channel.
If your company’s workstations are networked, you will utilize a network server and the workstations on the network will access that server’s software to perform certain functions such as file and print sharing. In order to legally access this server software, a client access license or CAL may be required. A CAL is not a software product; rather it is a license that gives a user the right to access the services of the server.

In addition to CALs, Microsoft has recently implemented a “per-processor” licensing model that is available for certain products. Under this new model, a customer acquires a Processor License for each processor running their server software, which includes access for an unlimited number of users to connect to the network. Customers do not then need to purchase separate CALs.

Due to the technical nature of server products, CAL and per-processor licensing can be a complicated area. Answer the following simple questions to help determine your need for CALs or per-processor licenses.

1. Are your company’s workstations networked?

2. If so, is your company using any of the following Microsoft Server products?

- BackOffice® Server
- BizTalk™ Server
- Commerce Server
- Content Management Server
- Exchange Server
- Host Integration Server
- Internet Security and Acceleration Server
- Mobile Information Server
- Proxy Server
- SharePoint® Portal Server
- Site Server
- Small Business Server
- SNA Server
- SQL Server
- Systems Management Server
- Windows® 2000 Server or Windows® NT Server (including Terminal Services)

If you answered YES to the above questions or for more information on each of these products and the corresponding CAL and per-processor licensing obligations and options, please see:

Resource Guide

For more information regarding software licensing and anti-counterfeiting features, check out these resources.

Information on Licensing Options: www.microsoft.com/business/licensing

Microsoft Anti-Piracy Hotline: 1-800-RU-LEGIT

Microsoft Anti-Piracy E-mail: piracy@microsoft.com

Microsoft Anti-Piracy Web Site: www.microsoft.com/piracy

Resources for Resellers: www.microsoft.com/partner

To Find a Reseller: www.shop.microsoft.com/helpdesk/reseller.asp
