1.6: Example of a Data System Software License Agreement

A data system software license agreement can be difficult to comprehend. This document intends to help demystify the language. Definitions and explanations are provided throughout this sample license agreement to help you understand how it works.

A software license agreement, or end-user license agreement (EULA), is a contract between the owner or publisher of the software and the customer. Software agreements are typically made when a customer is using a COTS system. Once the customer decides to buy and use the software, the agreement (developed by the software publisher) is given to the customer to sign. The agreement generally describes how the software can be used, the software publisher’s terms and conditions, and the rights of both parties. Often, an agreement details the customer’s rights to modify the software or may contain warranty information. Some software publishers will even create specialized license agreements for large companies or government agencies.

The sample license agreement below contains many of the most common features of user agreements. Notes have been provided throughout the document to help define the terms and explain the different parts.

**END-USER SOFTWARE LICENSE AGREEMENT**

THIS AGREEMENT is made as of this [date] ("Effective Date") by and between [Name of First Party], a [type of organization], with offices at [First Party’s address] ("LICENSOR"), and [Name of Second Party], a [type of organization], with offices at [Second Party’s address] ("LICENSEE") (collectively, the “PARTIES”).

Agreements use different terms to describe the customer and software publisher. For example, in this agreement the customer is referred to as the “licensee” and the publisher is the “licensor.” Other agreements use terms such as “end-user” and “vendor” or “customer” and “publisher.”

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WITNESSETH

WHEREAS, LICENSOR is the owner of, or has acquired rights to, certain Software and Documentation as defined in Exhibit A attached hereto (the “Licensed Software”);

WHEREAS, LICENSEE desires to use such Licensed Software; and

WHEREAS, LICENSOR desires to grant to LICENSEE and LICENSEE desires to obtain from LICENSOR a nonexclusive license to use the Software and related Documentation solely in accordance with the terms and on the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the promises and agreements set forth herein, the parties, each intending to be legally bound hereby, do promise and agree as follows.

1. DEFINITIONS

Most agreements contain a “definitions” section to define any specialized words or phrases that may be used.

A. “Designated Equipment” shall mean the hardware products identified on Exhibit “A” with which the Software is licensed for use.

B. “Documentation” shall mean all manuals, user documentation, and other related materials pertaining to the Software which are furnished to LICENSEE by LICENSOR in connection with the Software.

C. “License Fee” shall mean the amount of [payment].

D. “Software” shall mean the computer programs in machine readable object code form listed in Exhibit “A” attached hereto and any subsequent error corrections or updates supplied to LICENSEE by LICENSOR pursuant to this Agreement. Exhibit “A” may be amended from time to time by the parties in writing.

2. LICENSE GRANT

LICENSOR hereby grants to LICENSEE a nonexclusive right and license to use the Software on the number of primary systems of Designated Equipment identified on Schedule A hereto for a period of [number] years from the Effective Date of this Agreement (the “License Term”). The Software shall be used only on such primary systems if they are operating properly. If any primary system is down, the Software may be used on a backup system for that primary system.

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3. DELIVERY

A. LICENSOR shall deliver to LICENSEE a master copy of the Software licensed hereunder in object code form, suitable for reproduction, in electronic files only.

B. LICENSOR shall also deliver to LICENSEE [number] of copies of the applicable Documentation for the Software. The Documentation can, if so desired, be delivered electronically to the LICENSEE.

4. MODIFICATIONS

A. Error Corrections and Updates. LICENSOR will provide LICENSEE with error corrections, bug fixes, patches, or other updates to the Software licensed hereunder in object code form to the extent available in accordance with LICENSOR’s release schedule for a period of [number] year(s) from the date of shipment.

B. Other Modifications. LICENSEE may, from time to time, request that LICENSOR incorporate certain features, enhancements, or modifications into the Software. LICENSOR may, in its sole discretion, undertake to incorporate such changes and distribute the Software so modified to all or any of LICENSOR’s licensees.

C. Title to Modifications. All such error corrections, bug fixes, patches, updates or other modifications shall be the sole property of LICENSOR.

5. COPIES

A. Printed Matter. Except as specifically set forth herein, no Software or Documentation which is provided by LICENSOR pursuant to this Agreement in human readable form, such as written or printed documents, shall be copied in whole or in part by LICENSEE without LICENSOR’s prior written agreement. Additional copies of printed
materials may be obtained from LICENSOR at the charges then in effect.

B. Machine Readable Matter. Except as specifically set forth herein, any Software provided in machine readable form may not be copied by LICENSEE in whole or in part, except for LICENSEE's backup or archive purposes. LICENSEE agrees to maintain appropriate records of the number and location of all copies of the Software and make such records available upon LICENSOR's request. LICENSEE further agrees to reproduce all copyright and other proprietary notices on all copies of the Software in the same form and manner that such copyright and other proprietary notices are originally included on the Software.

6. LICENSE FEES AND PAYMENT

A. License Fee. In consideration of the licenses granted herein, LICENSEE shall pay the License Fee or other consideration for the Software and Documentation as set forth herein. All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind. Checks shall be made payable to LICENSOR and shall be forwarded to the LICENSOR at the above address.

B. Taxes and Other Charges. LICENSEE shall be responsible for paying all (i) sales, use, excise, value-added, or other tax or governmental charges imposed on the licensing or use of the Software or Documentation hereunder; (ii) freight, insurance, and installation charges; and (iii) import or export duties or like charges.

7. PROTECTION OF SOFTWARE

A. Proprietary Notices. LICENSEE agrees to respect and not to remove, obliterate, or cancel from view any copyright; trademark; confidentiality; or other proprietary notice, mark, or legend appearing on any of the Software or output generated by the Software, and to reproduce and include same on each copy of the Software.

B. No Reverse Engineering. LICENSEE agrees not to modify, reverse engineer, disassemble, or decompile the Software, or any portion thereof.
C. Ownership. LICENSEE further acknowledges that all copies of the Software in any form provided by LICENSOR or made by LICENSEE are the sole property of LICENSOR and/or its suppliers. LICENSEE shall not have any right, title, or interest to any such Software or copies thereof except as provided in this Agreement, and further shall secure and protect all Software and Documentation consistent with maintenance of LICENSOR’s proprietary rights therein.

8. CONFIDENTIALITY

Confidentiality sections have language to prevent disclosure of information for both the customer (licensee) and/or the publisher (licensor). It is important to make sure there is language in the agreement that describes how the publisher (licensor) ensures any data stored in the system is kept secure and confidential. This language is in the “Confidentiality” section or in a separate “Privacy” section.

If the data being housed are medical or educational records, agreements have separate sections to cover specialized privacy areas such as HIPAA or FERPA regulations.

A. Acknowledgement. LICENSEE hereby acknowledges and agrees the Software and Documentation constitute and contain valuable proprietary products and trade secrets of LICENSOR and/or its suppliers, embodying substantial creative efforts and confidential information, ideas, and expressions. Accordingly, LICENSEE agrees to treat (and take precautions to ensure that its employees treat) the Software and Documentation as confidential in accordance with the confidentiality requirements and conditions set forth below.

B. Maintenance of Confidential Information. Each party agrees to keep confidential all confidential information disclosed by the other party in accordance herewith, and to protect the confidentiality thereof in the same manner it protects the confidentiality of similar information and data of its own (at all times exercising at least a reasonable degree of care in the protection of confidential information); provided, however, that neither party shall have any such obligation with respect to use of disclosure to others not parties to this Agreement of such confidential information as can be established to (1) have been known publicly; (2) have been known generally in the industry before communication by the disclosing party to the recipient; (3) have become known publicly, without fault on the part of the recipient, subsequent to disclosure by the disclosing party; (4) have been known otherwise by the recipient before communication by the disclosing party; or (5) have been received by the recipient without any obligation of confidentiality from a source (other than the disclosing party) lawfully having possession of such information.

C. Injunctive Relief. LICENSEE acknowledges that the unauthorized use, transfer, or disclosure of the Software and Documentation or copies thereof will (1) substantially diminish the value to LICENSOR
of the trade secrets and other proprietary interests that are the subject of this Agreement; (2) render LICENSOR’s remedy at law for such unauthorized use, disclosure, or transfer inadequate; and (3) cause irreparable injury in a short period of time. If LICENSEE breaches any of its obligations with respect to the use or confidentiality of the Software or Documentation, LICENSOR shall be entitled to equitable relief to protect its interests therein, including, but not limited to, preliminary and permanent injunctive relief.

D. Survival. LICENSEE’s obligations under this Section will survive the termination of this Agreement or of any license granted under this Agreement for whatever reason.

Survival clauses appear in many software license agreements. A survival clause states the customer (or licensee) agrees to abide by a specific portion of the agreement even if the remainder of the agreement is no longer active. For example, a customer agrees to maintain confidentiality even if he/she is no longer using the software.

9. WARRANTIES, SUPERIOR RIGHTS

Warranty statements are very common in software license agreements, but they can vary widely in their specific terms. Some common items listed in a warranty statement include—

- General terms, such as the length of time for which the software warranty is in place
- Exclusions from warranty – listing issues or items that may not be covered
- Warranty procedures – steps to follow to receive support assistance

A.Ownership. Except for any rights as set forth herein, LICENSOR represents its belief that it is the owner of the entire right, title, and interest in and to Software, and that it has the sole right to grant licenses there under, and that it has not knowingly granted licenses there under to any other entity that would restrict rights granted hereunder except as stated herein.

B. Government Rights. LICENSEE understands that the Software may have been developed under a funding agreement with the Government of the United States of America and, if so, that the Government may have certain rights relative thereto. This Agreement is explicitly made subject to the Government rights under any such agreement and any applicable law or regulation, if any. To the extent that there is a conflict between any such agreement, applicable law or regulation and this Agreement, the terms of such Government agreement, applicable law or regulation shall prevail. Distribution of the Software to any government agency by LICENSEE shall not be subject to the payments set forth above.

C. Limited Warranty. LICENSOR represents and warrants to LICENSEE that the Software, when properly installed by LICENSEE and used with the Designated Equipment, will perform substantially as described in LICENSOR’s then current Documentation for such Software for a period of ninety (90) days from the date of shipment.
D. Limitations. Notwithstanding warranty provisions set forth herein, all of LICENSOR's obligations with respect to such warranties shall be contingent on LICENSEE's use of the Software in accordance with this Agreement and in accordance with LICENSOR's instructions as provided by LICENSOR in the Documentation, as such instructions may be amended, supplemented, or modified by LICENSOR from time to time. LICENSOR shall have no warranty obligations with respect to any failures of the Software which are the result of accident, abuse, misapplication, extreme power surge, or extreme electromagnetic field.

E. LICENSEE's Sole Remedy. LICENSOR's entire liability and LICENSEE's exclusive remedy shall be, at LICENSOR's option, either (1) return of the price paid; or (2) repair or replacement of the Software upon its return to LICENSOR; provided LICENSOR receives written notice from LICENSEE during the warranty period of a breach of warranty. Any replacement Software will be warranted for the remainder of the original warranty period or thirty (30) days, whichever is longer.

F. Disclaimer of Warranties. LICENSOR DOES NOT REPRESENT OR WARRANT THAT ALL ERRORS IN THE SOFTWARE AND DOCUMENTATION WILL BE CORRECTED. THE WARRANTIES STATED IN THIS SECTION ARE THE SOLE AND THE EXCLUSIVE WARRANTIES OFFERED BY LICENSOR. THERE ARE NO OTHER WARRANTIES RESPECTING THE SOFTWARE AND DOCUMENTATION OR SERVICES PROVIDED HEREUNDER, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF DESIGN, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE, EVEN IF LICENSOR HAS BEEN INFORMED OF SUCH PURPOSE. NO AGENT OF LICENSOR IS AUTHORIZED TO ALTER OR EXCEED THE WARRANTY OBLIGATIONS OF LICENSOR AS SET FORTH HEREIN.

G. Limitation of Liability. LICENSEE ACKNOWLEDGES AND AGREES THAT THE CONSIDERATION WHICH LICENSOR IS CHARGING HEREUNDER DOES NOT INCLUDE ANY CONSIDERATION FOR ASSUMPTION BY LICENSOR OF THE RISK OF LICENSEE'S CONSEQUENTIAL OR INCIDENTAL DAMAGES WHICH MAY ARISE IN CONNECTION WITH LICENSEE'S USE OF THE SOFTWARE AND DOCUMENTATION. ACCORDINGLY, LICENSEE AGREES THAT LICENSOR SHALL NOT BE RESPONSIBLE TO LICENSEE FOR ANY LOSS-OF-PROFIT, INDIRECT, INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE LICENSING OR USE OF THE SOFTWARE OR DOCUMENTATION. Any provision herein to the contrary notwithstanding, the maximum liability of LICENSOR to any person, firm, or corporation whatsoever arising out of or in the connection with any license, use or other employment of any Software delivered to LICENSEE hereunder, whether such liability arises from any claim based on breach or repudiation of contract, warranty, tort or otherwise, shall in no case exceed the actual price paid to LICENSOR by LICENSEE for the Software whose license, use, or other employment gives rise to the liability. The essential purpose of this provision is to limit the potential liability of LICENSOR arising out of this Agreement. The parties acknowledge that the limitations set forth in this Section are integral to the amount of consideration levied in connection with the license of the Software and Documentation and any services rendered hereunder and that, were LICENSOR to assume any further liability other than as set forth herein, such consideration would of necessity be set substantially higher.

10. INDEMNIFICATION

A. LICENSOR shall indemnify, hold harmless and defend LICENSEE against any action brought against LICENSEE to the extent that such action is based on a claim that the unmodified Software, when used
in accordance with this Agreement, infringes a United States copyright and LICENSOR shall pay all costs, settlements and damages finally awarded; provided, that LICENSEE promptly notifies institution in writing of any claim, gives LICENSOR sole control of the defense and settlement thereof and provides all reasonable assistance in connection therewith. If any Software is finally adjudged to so infringe, or in LICENSOR's opinion is likely to become the subject of such a claim, LICENSOR shall, at its option, either (1) procure for LICENSEE the right to continue using the Software; (2) modify or replace the Software to make it noninfringing; or (3) refund the fee paid, less reasonable depreciation, upon return of the Software. LICENSOR shall have no liability regarding any claim arising out of (a) use of other than a current, unaltered release of the Software unless the infringing portion is also in the then current, unaltered release; (b) use of the Software in combination with non-LICENSEE software, data or equipment if the infringement was caused by such use or combination; (c) any modification or derivation of the Software not specifically authorized in writing by LICENSOR; or (d) use of third party software. THE FOREGOING STATES THE ENTIRE LIABILITY OF LICENSOR AND THE EXCLUSIVE REMEDY FOR LICENSEE RELATING TO INFRINGEMENT OR CLAIMS OF INFRINGEMENT OF ANY COPYRIGHT OR OTHER PROPRIETARY RIGHT BY THE SOFTWARE.

B. Except for the foregoing infringement claims, LICENSEE shall indemnify and hold harmless LICENSOR, its officers, agents, and employees from and against any claims, demands, or causes of action whatsoever, including without limitation those arising on account of LICENSEE's modification or enhancement of the Software or otherwise caused by, or arising out of, or resulting from, the exercise or practice of the license granted hereunder by LICENSEE, its sub-licensees, if any, its subsidiaries or their officers, employees, agents or representatives.

11. GOVERNMENT CONTRACTS

If the Software or Documentation to be furnished hereunder are to be used in the performance of a government contract or subcontract, the software shall be provided on a "restricted rights" basis only; and LICENSEE shall place a legend, in addition to applicable copyright notices, in the form provided under the governmental regulations. LICENSOR shall not be subject to any flow down provisions required by the governmental customer unless agreed to by LICENSOR in writing.
12. TERMINATION

Either party may terminate this Agreement on thirty (30) days written notice to the other party in the event of a breach of any provision of this Agreement by the other party, provided that, during the thirty (30) days period, the breaching party fails to cure such breach.

13. POST TERMINATION RIGHTS

A. Not less than thirty (30) days prior to the expiration of this Agreement or immediately upon termination thereof, LICENSEE shall provide LICENSOR with a complete schedule of all inventory of Licensed Product then on-hand (the "Inventory").

B. Upon expiration or termination of this Agreement, except for reason of a breach of LICENSEE's duty to comply with the quality control or legal notice marking requirements, LICENSEE shall be entitled, for three (3) months (the "Sell-Off Period") and on a nonexclusive basis, to continue to sell such inventory. Such sales shall be made subject to all the provisions of this Agreement including the payment of a Royalty which shall be due within thirty (30) days after the close of the Sell-Off period. At the conclusion of the Sell-Off Period, LICENSOR may require that the LICENSEE either destroy any product still on hand or, alternatively, purchase it from LICENSEE at a price equal to 50% of LICENSEE's Net Selling Price.

C. Upon the expiration or termination of this Agreement, all rights granted to LICENSEE under this Agreement shall forthwith terminate and immediately revert to LICENSOR, and LICENSEE shall discontinue all use of the Property and the like.

D. Upon expiration or termination of this Agreement, LICENSOR may require that the LICENSEE transmit to LICENSOR, at no cost, all material relating to the Property including all artwork, color separations, prototypes, molds, tooling and the like, and any market studies or other tests conducted by LICENSEE with respect to the Property.

13. INFRINGEMENTS

A. LICENSOR shall have the right, in its sole discretion, to prosecute lawsuits against third persons for infringement of LICENSOR's rights in the property. If LICENSOR does not institute an infringement suit within ninety (90) days after LICENSEE's written request that it do so, LICENSEE may institute and prosecute such lawsuit.

B. Any lawsuit shall be prosecuted solely at the expense of the party bringing suit and all sums recovered shall be retained by the party commencing such action.
C. The parties agree to fully cooperate with the other party in the prosecution of any such suit. The party bringing suit shall reimburse the other party for the expenses incurred as a result of such cooperation.

14. INDEMNITY

A. LICENSEE agrees to defend, indemnify, and hold LICENSOR, its officers, directors, agents and employees, harmless against all costs, expenses and losses (including reasonable attorneys' fees and costs) incurred through claims of third parties against LICENSOR based on the manufacture or sale of the Licensed Product including, but not limited to, actions founded on product liability.

B. LICENSOR agrees to defend, indemnify and hold LICENSEE, its officers, directors, agents and employees, harmless against all costs, expenses and losses (including reasonable attorneys' fees and costs) incurred through claims of third parties against LICENSEE based on a breach by LICENSOR of any representation and warranty made in this Agreement.

15. INSURANCE

LICENSEE shall, throughout the Term of the Agreement, obtain and maintain at its own cost and expense from a qualified insurance company licensed to do business in New York with a Best Rating of B+ or better, standard Product Liability Insurance naming LICENSOR, its officers, directors, employees, agents, and shareholders as an additional insured. Such policy shall provide protection against all claims, demands and causes of action arising out of any defects or failure to perform, alleged or otherwise, of the Licensed Product or any material used in connection therewith or any use thereof. The amount of coverage shall be as reasonably required by LICENSOR. The policy shall provide for ten (10) day notice to LICENSOR from the insurer by Registered or Certified Mail, return receipt requested, in the event of any modification, cancellation or termination thereof. LICENSEE agrees to furnish LICENSOR a certificate of insurance evidencing same within thirty (30) days after execution of this Agreement and, in no event, shall LICENSEE manufacture, distribute or sell the Licensed Product prior to receipt by LICENSOR of such evidence of insurance.
16. FORCE MAJEURE

Neither party shall be liable for any loss or delay resulting from any force majeure event, including acts of God, fire, natural disaster, terrorism, labor stoppage, war or military hostilities, nor inability of carriers to make scheduled deliveries, and any payment or delivery date shall be extended to the extent of any delay resulting from any force majeure event.

17. NOTICES

A. Any notice required to be given pursuant to this Agreement shall be in writing and mailed by certified or registered mail with return receipt requested or delivered by a national overnight express service.

B. Either party may change the address to which notice or payment is to be sent by written notice to the other party pursuant to the provisions of this paragraph.

18. JURISDICTION AND DISPUTES

A. This Agreement shall be governed by the laws of [State].

B. All disputes hereunder shall be resolved in the applicable state or federal courts of [State]. The parties consent to the jurisdiction of such courts, agree to accept service of process by mail, and waive any jurisdictional or venue defenses otherwise available.

19. AGREEMENT BINDING ON SUCCESSORS

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, administrators, successors, and assigns.

20. WAIVER

No waiver by either party of any default shall be deemed as a waiver of any prior or subsequent default of the same or other provisions of this Agreement.
21. SEVERABILITY

If any provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other provision and such invalid provision shall be deemed to be severed from the Agreement.

This example explains if a section of the agreement becomes invalid or irrelevant, it is taken out of the agreement and the remaining sections are still in effect.

22. ASSIGNABILITY

The license granted hereunder is personal to LICENSEE and may not be assigned by any act of LICENSEE or by operation of law unless in connection with a transfer of substantially all the assets of LICENSEE or with the consent of LICENSOR.

Assignability is also called “third-party transfer” in some agreements. This section details when/if the customer can transfer the software to another user.

23. INTEGRATION

This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto and specifically referring to this Agreement. This Agreement shall take precedence over any other documents that may be in conflict therewith.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

This last section states changes to the agreement are done in writing and signed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

LICENSOR

LICENSEE

Other Common Software License Agreement Items

Privacy. Most current software agreements, particularly when involving cloud storage, will have a privacy statement to explain how customer data will be secured and kept confidential. Systems handling data for records such as medical or educational typically have an additional statement covering regulations such as HIPAA and FERPA.

Geographic Restrictions. Some software may only be licensed for use in specific regions.

Export Restrictions. Some technologies such as high-level encryption may not be exported, and license agreements may reflect the limitation.