



## Glossary

**Application Software.** Software designed to achieve a specific business process or application (*such as word processing, spreadsheets, presentations, Web access, accounting, inventory management, etc.*), as opposed to operating system software that simply empowers the computer hardware to function.

**ASP (Application Service Provider).** An ASP is an external resource that provides computing services to individuals or companies at a set cost per month or cost per transaction. The ASP operates and maintains the software and the hardware on which the applications run. ASPs can vary in type, ranging from providing a single specialized application to a broad range of enterprise computing capabilities.

**Assurance.** Software assurance relates to the level of confidence that software will function as intended and be free of vulnerabilities, either intentionally or unintentionally designed or inserted as part of the software.

**Authorized Users.** A unit of measure by which software can be licensed. An Authorized User is a unique person who is permitted to use the software. Authorization is unique to an authorized user. It may not be shared, nor, generally, reassigned other than for the permanent transfer of the Authorized User entitlement to another person.

**Bandwidth.** Bandwidth is a measure of the volume of data that can be transmitted or received via a device or network in a given period of time, typically expressed as some multiple of bits per second. (*e.g. Ethernet is 10 Megabits/second, while the Wireless 802.11 g standard is 54 Megabits/second.*)

**Benchmarking.** The practice of providing real-time data on the market price for products and services modeled to the type, quantity and quality of the service or product under consideration. It provides insight into whether the terms, conditions and service level agreements under consideration are market-standard.

**Best Value.** A qualitative measure that factors price and performance into the decision process. "Best value" means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement. A Best Value Toolkit including a Best Value Roadmap is available at [www.esi.mil/bestvaluetoolkit](http://www.esi.mil/bestvaluetoolkit)

**BPA (Blanket Purchase Agreement).** A Blanket Purchase Agreement is a process for simplifying the filling a recurring need for supplies and services, while leveraging buying power by taking advantage of quantity discounts, saving administrative time, and reducing paperwork. DoD ESI offers a BPA Toolkit for KOs and SPMs involved with software purchases.

**Bug.** An error or flaw in a software program that prevents it from accomplishing the desired function, or that provides an incorrect output. The impacts of software bugs, and of the software fixes or patches needed to remedy them, are important considerations in software licensing.

**Channel Conflict.** This business pressure exerted on various sales channels—direct sales vs. resellers vs. distributors vs. system integrators—is based on how a Publisher offers sales compensation and manages sales practices, discounts, and competition among those channels.

**Click-wrap License.** A term derived from the license-agreement screen that requires a user to click the “Agree” button before being able to access and use newly acquired software. It is commonly used in consumer applications with shrink-wrapped software or software purchased via the Internet. However, when the customer is a corporation or other large entity, there is often a negotiated written license agreement stating that it precludes the license terms associated with the on-screen click-through process.

**Cloud Computing.** This is both a conceptual and structural approach to providing powerful, cost-effective access to a variety of computing solutions—typically via the Internet or other network—independent of devices or resources available at the user’s location. The hardware and processing power resides in the “Cloud” which can be a publicly accessible resource, a privately controlled resource, or a hybrid combination of the two. Cloud computing flourishes based on its flexibility to ramp up to varying levels of IT processing demands quickly. The use of “virtualization” technology to allocate hardware and software resources is an important enabler of Cloud Computing. The [National Institute of Standards and Technology \(NIST\)](#) has established a definition of Cloud Computing based on five essential characteristics, three service models, and four deployment models.

**CMDB (Configuration Management Database).** A comprehensive inventory of IT assets within an organization—the ultimate objective of an IT Asset Management program.

**Commercial Software License.** This contractual arrangement defines the terms and conditions under which a Publisher provides the use of its copyrighted proprietary software to a customer.

**Concurrent User.** A software license that is based on the number of simultaneous users accessing the program. It typically deals with software running in the server where users connect via the network. For example, in a five-user concurrent use license, after five users are logged on to the program, the sixth user is prohibited. When any one of the first five log out, the next person can log in. Concurrent licensing can be managed by the application itself or via independent software metering tools.

**Confidentiality.** Generally refers to all written or oral information disclosed by one party to the other marked or referred to as “confidential” or with a similar legend. Disclosure of such information is subject to restrictions and obligations.

**COTS. (Commercial-Off-The-Shelf)** solutions, as opposed to custom-developed solutions, are typically readily available and ready for use as purchased. COTS software is frequently prepackaged (*shrink-wrapped*) and fully functional without need for custom programming additions or system integration.

**Database.** A collection of information (*data*) stored in an organized manner that allows a user to access it in meaningful ways. Enterprise database software is a classification of software that functions as the foundation of a corporate or organizational management system.

**Database Software.** An important category of software used to organize and store information that is used by application software, middleware, and enterprise system software.

**Delivery Model.** This is the process by which software functionality is made available to the end users. It can include purchased software running on in-house hardware, or running in an external hosted environment. Or it can include software accessed on a pay-as-you-go basis from an Application Service Provider, a Managed Service Provider or through a public, private, or hybrid Cloud Computing solution.

**Derivative Works.** Software programming that is a contribution of original material to a preexisting software so as to recast, transform or adapt the preexisting software.

**Dispute Resolution.** Dispute resolution is the process of resolving disputes between parties. Methods of dispute resolution include: lawsuits (litigation), arbitration, collaborative law, mediation, conciliation, many types of negotiation, and facilitation.

**Distributor.** A type of reseller in the software distribution chain that typically provides commercial software “as is” to other parties in the chain, unlike system integrators or VARs that also manage the installation process or add extra value.

**DoD ESI (*Department of Defense Enterprise Software Initiative*).** DoD ESI is an official DoD initiative sponsored by the DoD Chief Information Officer (CIO) to save time and money on commercial software, IT hardware, and services across the entire department.

**Duration.** The period of time during which something continues, endures, or remains valid.

**Ecosystem.** In the context of the software industry, this includes the software publishers, various levels of their software reseller partners (*distributors, system integrators, etc.*), their hardware, software, or hosting partners, industry analysts, and software customers.

**Enterprise.** The organization served by an information technology system. It can be a private commercial entity, a governmental body, or military organization or other institution. Enterprise software supports the overall IT operation of an organization, as opposed to application software that typically supports just isolated specialized functions.

**Enterprise License.** An agreement to license the entire population of an entity (employees, on-site contractors, off-site contractors) accessing a software or service for a specified period of time for a specified value. Consolidated contracts are often confused with ELAs. Consolidated contracts generally are limited by the number eligible to use the software or service.

**EULA (*End User License Agreement*).** A comprehensive license agreement between the government and a Publisher or Reseller that spells out the terms under which the buyer is authorized to use the Software Publisher’s product. Also know as a Software License Agreement or a Product Use Rights Agreement.

**Express Warranty.** An agreement between the contract seller (dealer, manufacturer or independent company) and the buyer of a product to provide repair or replacement for covered components of the product for some specified time period. An express warranty is a seller's promise or guarantee that a buyer relies on when they purchase an item. Under the federal Magnuson-Moss Warranty Act, a company must provide a written express warranty if a product is sold for more than \$15.

**FAR.** The Federal Acquisition Regulation (FAR) is the primary regulation used by all Federal Executive agencies in their acquisition of supplies and services with appropriated funds. It is issued under Title 48 of the Code of Federal Regulations. There is also a **DFARS** Defense Federal Acquisition Regulation Supplement specification that is used by the DoD as an addendum to the contractor requirements of FAR, specifically for defense applications.

**Fiduciary.** To hold in trust, for another party, or to have financial responsibility to another party, as in the CEO of a Software Publisher having a *fiduciary responsibility* to the shareholders of the company.

**Fitness for a Particular Purpose.** An implied warranty when the seller knows or has reason to know that the buyer will be using the goods he is buying for a certain purpose. If the seller knows the purpose for which the goods are to be used, the seller impliedly warrants that the goods being sold are suitable for that specific purpose.

**Fixed Price.** A contract with a set dollar amount for creating specific deliverables in a defined period of time.

**General Provisions.** Laws or regulations that apply to all contracts of certain type.

**Geography.** A potential license restriction on where use of the software may be to a physical location.

**Governing Law.** Laws can vary from jurisdiction to jurisdiction (state to state, country to country or between state law and federal law). Governing Law is a contract term designating which state's (or country's) laws will be used to decide contract disputes. Usually, in commercial contracts, the governing law is designated to be the laws of the state where the seller is headquartered. Governing law also means the specified state has jurisdiction (legal power over the parties and the controversy) as well as venue (the location where the case will be heard). Federal contract law says that disputes involving federal contracts are subject to FAR. See FAR 52.212-4(d). If a dispute involving a federal contract needs to be referred to a court of law for resolution, federal law will be applied and jurisdiction and venue are with federal district court.

**GNU GPL.** The terms of this General Public License—the most frequently used license format for open source software—were developed as a result of the GNU Project (*an effort to develop the GNU operating system as a “free software” version of a complete Unix-like operating system*). The GPL addresses the freedom to run, adapt, improve, and redistribute software, based on providing complete and open access to the source code.

**Hardware.** The term hardware applies to the broad range of physical equipment—such as computers, servers, communications networking, infrastructure, etc.—that serves as the engine of an IT system.

**Hosting.** The process of one party providing a computing function for the benefit of another party. One example is a software hosting company that will run and maintain a software application on their own hardware, but provide outside organizations with access to use the program.

**IaaS (Infrastructure as a Service).** This shared-services approach is one of the three service models of Cloud Computing. It mirrors the shared-resource concept of Software as a Service, but focuses on the provision of on-demand hardware resources—such as servers, CPU processing power, memory, storage space, and network equipment.

**Industry Analyst (or System Analyst).** An individual experienced in the information technology ecosystem, who can inform customers on how to deal with the technologies and suppliers needed to solve their complex information processing needs.

**Infrastructure.** The interconnected resources on which an IT system operates—including computers, networks, routers, data storage systems, and their attendant operating systems and utility software programs.

**Integration Clause.** A clause in a written contract that declares that contract to be the complete and final agreement between the parties. It is often placed at or towards the end of the contract.

**Intellectual Property (IP).** A “creation of the mind”, such as a software program, an invention, an artistic or literary work, a revolutionary process, etc.

**ITIL (IT Infrastructure Library).** A comprehensive set of disciplines and processes for orderly management of IT assets and services within an organization.

**KPI (Key Performance Indicator).** A measurement of performance. For example, Software Publishers use growth in revenues and profits, the share price for company stock, and earnings per share as KPIs of company performance.

**Legacy System or Application.** A long-established hardware or software capability that still has utility for a current use, despite not utilizing the latest technology. Legacy systems often persist because they would require a large capital investment and/or a significant disruption in organizational operations in order to upgrade or change them.

**License.** A set of rights granted by a Publisher to a buyer for use of the Publisher’s software.

**License Grant.** Generally a contractual provision that allows a licensee to engage in specifically enumerated activities that, but for the grant, would violate the licensor's intellectual property rights.

**License Pricing Model.** The metrics by which software selling prices are established. For example, the price can be based on the number of individuals in the user population or the maximum number of users at any given point in time, by the number of computers (CPUs) on which the software is installed, by subscription (*a lump sum payment for a fixed period of use*), or for use throughout an entire enterprise.

**Limitation of Liability.** A clause that permits contracting parties to reduce or eliminate the potential for direct, consequential, special, incidental and indirect damages should there be a breach of contract. In some cases, a cap on damages may be used.

**Limited Source Justification and Approval.** This special purchasing situation allows for purchases where only one source is deemed acceptable (*e.g. due to the unique or specialized nature of the requirement, or where an urgency and compelling need exists and following the ordering procedures would result in unacceptable delays*). It requires special approval of an appropriately documented request following particular guidelines.

**Maintenance (i.e. Software Maintenance).** A set of services a Publisher can sell to a Customer for the on-going development and delivery of software bug fixes and product upgrades.

**Merchantability.** The quality of reasonably fit for the ordinary purposes for which such products are manufactured and sold.

**Middleware.** Software that connects applications using different data structures or architectures.

**MSP (Managed Service Provider).** An MSP administers the delivery of network-based services and computing applications to end users on a contract basis. While an Application Service Provider (ASP) typically provides access to centrally hosted and managed software applications, an MSP can also provide a broader scope of products and services such as an industry-specific database accessible through the software, or other networking and communications capabilities.

**Named User.** An exclusive licensure of rights assigned to a single named software user. The user will be named in the license agreement. Named user licenses can be composed of "single seat licensures," more commonly known as "volume license accounts". The named user license is issued for known user names or a list of email addresses in some cases.

**Object Code (as opposed to "Source Code").** The machine-readable-only format of a software program that is licensed to an individual or organization to run on their computer(s) in order to accomplish a specific function or application.

**Open Source Initiative.** According to its Web site, *"The Open Source Initiative (OSI) is a California public benefit corporation, with 501(c)3 tax-exempt status, founded in 1998. The OSI are the stewards of the [Open Source Definition \(OSD\)](#) and the community-recognized body for reviewing and approving licenses as OSD-conformant."*

**Open-Source Software.** As a practical definition, open source software provides open access to source code, and the freedom to modify it or create derivative works, without imposing technical restrictions on subsequent users. A complete technical description of the term is found on the [Open Source Initiative](#) Web site at <http://opensource.org/docs/osd>.

**Operating System.** The fundamental programming that enables computer hardware to function, in order to execute application or utility software programs.

**Order of Precedence.** A sequential hierarchy of nominal importance of items or enforceability of terms and conditions.

**Ownership and Use Rights.** An Ownership and Use Rights clause can apply to three items: 1. Data ownership, and 2. Ownership of Intellectual property (IP) plus its derivative works, and 3. Use rights in the licensed software.

- 1.1. Data. Typically, the data entered, generated or accessed in a system belongs to the system user, meaning the Government in our case. The Government should never give up ownership rights to its data, regardless of where the data resides. The Government should ensure that this clause gives the Government the right to receive all of its data in a specified format upon reasonable notice to the

Publisher, Reseller or Hosting provider, depending on the structure of the EULA and who is managing the software. See the ESI Software Buyer's Checklist for more information. Please note that this topic is extremely important in Cloud or SaaS agreements since data is often outside the custody and control of the Government in those agreements.

- 1.2. IP and derivative works. The Ownership and Use Rights clause should clearly state that each party retains ownership of the IP it owns before the agreement is created – the IP each brings to the contractual relationship. The potential controversy arises with the creation of works derived from that IP. The default position of the law is that a copyright holder owns the works derived from the copyrighted IP. That means that derivative works of licensed software belong to the Publisher unless the agreement states otherwise. The Government needs to determine whether it might need to own derivative works because of confidentiality or other reasons. If it does, the Government should make sure this clause clearly defines what constitutes a derivative work of that type and who owns it. A claim of ownership might increase the price of the license. If the Government does not need ownership, it should negotiate a clause that allows for worldwide, royalty free, perpetual use of the derivative work.
- 1.3. License Use Rights. Although the Ownership and Use Rights clause is often limited to Data and IP, it might also be the place where authorized uses of the software are found. Sometimes authorized uses are found in a separate clause called Authorized Uses, Permitted Uses, or Use Rights. Regardless of the specific title or location of the clause, its purpose is to specify the uses of the software authorized by the Publisher. It might be beneficial for the Government to draft these rights as broadly as possible; for example, “the Government is authorized to use the software for all lawful purposes necessary for the execution of its mission. The Government will not reverse engineer or resell the software. The Government will not copy or distribute the software other than for the lawful purposes set forth herein”. If specific rights are listed in the EULA, the Government must ensure all required uses are included.

**PaaS (Platform as a Service).** A shared-resource concept where a hosting company invests, manages, and maintains the computing hardware, software, and development tools needed to create new applications, providing access to those resources on a pay-as-you-go basis. It differs from the other major service models of Cloud Computing in that it provides application development resources beyond the dedicated applications software of SaaS and the raw hardware solutions of IaaS.

**Parties.** Person(s) or groups of persons that compose a single entity which can be identified as one for the purposes of the law.

**Permitted Use.** The extent of the manner in which software may be used.

**Perpetual License.** This type of license provides the user with the right to retain and use electronic files of the original program, and any appropriately acquired updates, indefinitely.

**Privity.** A relationship between persons who successively have a legal interest in the same right or property or an interest in a transaction, contract, or legal action to which one is not a party arising out of a relationship to one of the parties.

**Processor Based License.** When acquiring a Processor Based License, the unit of use is defined as a CPU or computer processor. Usually the unit price for a Processor Based License will be higher than for named or concurrent users since a single processor can serve a large number of people – and it will be less than a Site or Enterprise unit of use since they usually have computing power comprised of more than a single processor. In a Processor Based License, the software is licensed for use on a specified number of processors - so the quantity of units is the number of processors that are permitted to interact with the software. This quantity of units (processors) is multiplied by the unit price (price per processor) to calculate the extended (total) price. Processor Based Licenses can be used with any software, but they are most commonly associated with data base licenses.

The Government needs to be aware that Virtualization can impact the unit count of processors. Processor Based Licenses might require the number of units to be the number of VIRTUAL processors that CAN BE created, not the number of actual physical ones. Please see the definition of Virtualization for a better understanding of the difference between virtual and physical processors.

**Product Entitlement.** Software license agreements (EULAs) are usually accompanied by Maintenance and Support Agreements. Maintenance is the mechanism by which Publishers do two things – to provide fixes created to correct software defects or bugs – and to provide functional enhancements to the software.

Functional enhancements can come in several forms or be called by different names. Sometimes they are called enhancements, updates, upgrades, new releases, or new versions of the software. It is important for the Maintenance Agreement to define those terms. (NOTE: See those terms in this glossary for more information about the standard definitions).

Equally important is to make sure the Government's entitlement to those enhancements - called Product Entitlement - is clearly specified in the Maintenance Agreement. The full scope of Product Entitlement means the Maintenance Agreement specifies which types of enhancements are included, when entitlement to them begins, the conditions under which they can be received (e.g., only while Maintenance is fully paid up or availability regardless of payment status), and how they are to be received (automatically pushed by the Publisher or only upon request by the Government). One of the more controversial aspects of Product Entitlement is whether a new version or new release of the software is included as a category of enhancement in the Maintenance Agreement. The Government must be sure to clearly define all of these terms and to be very specific about whether new releases or new versions of the software are included or excluded under the Maintenance Agreement.

**Relationship of the Parties.** The relationship of the parties to a contract is usually that of independent companies (or individuals). The requirement for a clause expressing the nature of this relationship stems from a series of lawsuits in the 1980s and 1990s filed by independent contractors seeking to be classified as employees so they could receive company benefits, including payment of certain taxes (e.g., the employer portion of social security and other taxes). The IRS has issued a number of rules and guidelines for determining whether parties have an employer – employee relationship or an independent contractor relationship. This clause protects the Government against a claim for an employment relationship, although the Government should be aware of the factors that could cause a court to find that kind of relationship despite a well drafted clause to the contrary.

**Release Event.** A contractually specified condition under which software source code held in escrow by an independent third party can be released to the software customer.

**Remedies.** A contract remedy is the action or compensation one party can receive due to damages incurred when the other party breaches the contract. Remedies are designed to be commensurate with the damages caused by the breach. Sometimes remedies can be specified in the contract. For example, a breach of warranty might entitle the non-breaching party to return the product for a full refund. Absent extenuating circumstances, the parties do not need to go outside of the contract to resolve the breach. Sometimes a contract can specify what are known as liquidated damages when a breach occurs. This is a highly specialized area of the law requiring advice of legal counsel. In other cases, the contract is silent about the expected damages due to a breach or the remedies available to a party damaged by the actions or inactions of the other party. In these cases, the damages and the remedy for them must be determined by the dispute resolution mechanism, whether that is the one specified in FAR, or by an arbitrator or mediator, or by a judge.

**Requirements.** A comprehensive document explaining the functions and/or capabilities that the customer needs the system/software to perform. It is typically attached to an RFP.

**Reseller.** A middleman in the software sales and distribution channel. A reseller who packages a Publisher's software with some added value of their own (*hardware, software, or implementation service, etc.*) is known as a Value-Added Reseller (VAR).

**Revenue Recognition.** The terms under which revenue from a multi-component sale is recognized and accrued to the Publisher's ledger sheet—especially when certain components, such as maintenance or service are not delivered immediately. These terms can affect how a Publisher sales representative views the value of such a multi-component transaction.

**Risk Analysis.** A process that occurs in business and project management that involves gathering data and synthesizing information to develop an understanding of the risk of a particular enterprise. Data analyzed will include identifying assets and threats, prioritizing the related vulnerabilities, and identifying appropriate measures and protections.

**SaaS (Software as a Service).** This cloud computing service model is an increasingly popular method of application software use that provides pay-for-use access to the functionality of software hosted and maintained by the provider on a centrally located server. Access is typically controlled through a secure Internet connection and Web browser. SaaS frees the user from the administrative details of having to acquire, install, maintain, and update the program on their own IT hardware.

**SAM (Software Asset Management).** A methodology that allows for a complete and accurate inventory of software assets. Software can also be accounted for under IT Asset Management (ITAM).

**Sarbanes-Oxley.** The Sarbanes-Oxley Act of 2002 is a Federal statute governing auditing accountability.

**Self-Audit.** A software audit is the Publisher's way of ensuring that a software customer is not exceeding the usage limitations of a Software License Agreement. The Publisher prefers to conduct the audit with Publisher personnel and tools. In DoD applications, particularly those closed to outside personnel, the government can

construct the license agreement so that internal personnel can conduct a self-audit under pre-established processes and methods, and report the results to senior management who will certify to the Publisher that the audit was conducted properly and accurately.

**Service Level Agreement.** A collection of terms related to a software services contract, usually structured as a combination of conditions and performance. *(For example: “All reported high priority performance issues will be addressed within 4 hours.”)*

**Severability.** Severability is a standard contract term that allows for a defective or unenforceable clause, as determined by a court, to be severed from the contract. This prevents the agreement from failing of its purpose or the entire agreement being declared unenforceable because of the severed clause. Many jurisdictions also allow a court to amend a defective clause to make it enforceable.

**Shrink-wrap Software.** Prepackaged, self-sufficient software that is ready to implement without requiring customized programming or system integration. It is frequently sold through standard retail channels—storefront, Internet, or tele-sales.

**Site License.** A Site is a unit of use (See Units of Use in this Glossary) defined as a particular location or site in an organization – for example, a military base, a Government facility or even a building within a base or facility. A Site, like an Enterprise, is a unique unit of use because it always has a quantity of one. Therefore, the unit price and the extended (total) price are the same.

Because of the following potential issues, the use of Site licenses is discouraged. When licensing for a Site, the Government must exercise extreme caution to fully and clearly define the site to make sure all permitted USERS and USES are accounted for. Additionally, the Government must be sure to include a clause that provides for the license to move with a change in Site due to a BRAC (Base Relocation and Consolidation) or other change of location. It is advisable to include a clause permitting transferability of licenses to avoid losing licenses due to an inadequately or poorly defined Site or poorly drafted relocation provisions. The Government should also be wary of Site licenses that claim to cover the entire Site regardless of user count (or that promise counting will not be required). Although the original intent of Site and Enterprise licenses was to avoid counting the number of users (see the NOTE below), the model for both is often subject to abuse by Publishers. The EULA should be very clear that counting either is, or is not, required – and if counting is required, the timing for counting should be clearly specified (at the beginning, after X months or years of use, or at both points in time).

The history of units of use includes the development of large-scale units of use (Enterprise and Site) as alternatives to big discounts on units of use that are user based (e.g., named users) – especially where the user population is extremely large. As an example, if software has a list price of \$4,000 per user and there are 100,000 users, the total list price would be \$400 million. If a reasonable price for the value received by the customer is \$100 million, an alternative to a 75% discount would be to establish an Enterprise license with a price of \$100 million. Under this arrangement, all users in the Enterprise are authorized to use the software.

Site licenses were originally created to accommodate large organizations who wanted to start the license relationship with a subset of their Enterprise. For example, the corporation with 100,000 users might start with a site license for one of their large factories or a large distribution center or for the corporate headquarters. Again, the concept was for all users at the Site to be authorized users of the software. In both

Enterprise and Site license scenarios, Publishers would obtain an informal user count before calculating a final total price as a means of estimating the overall value of the license. Publishers would also estimate whether the corporation was growing, stagnant or shrinking when trying to establish the value of the license to the customer. Finally, Publishers would also provide for additional license fees if acquisitions occurred or for potential transfer of use rights to business units that might be spun off as stand-alone companies if divestitures occurred. Many of these practices evolved over time as Publishers experienced pressure for more revenue. Enterprise and Site licenses became subject to further scrutiny to find revenue opportunities.

**SLA (Software License Agreement).** This contract between the software end user and the Publisher (*i.e. the owner of the Intellectual Property rights of the software*) spells out the rights and responsibilities of each party and the terms and conditions under which the end user can use that software—whether acquired as an outright purchase or on a subscription basis.

**SmartBUY.** The GSA’s SmartBUY program combines software requirements at the Federal level to act as one customer, reduce costs, and eliminate redundant software purchases. DoD ESI serves as the implementation agent for SmartBUY throughout the DoD to aggregate requirements for Federal-wide purchases.

**Software.** Computer programming-language files consisting of operating systems, utilities, and applications that enable the computer hardware to function and produce results.

**Software Publisher.** The company that holds the rights to the software program—whether developed by them or acquired from another individual or organization—that reproduces and distributes the software and supporting documentation, and that updates the source code for that software to fix bugs or provide upgrades.

**SOP 97-2.** A standard for Software Revenue Recognition established by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants.

**Source Code** (*as opposed to “Object Code”*). Computer program commands consisting of specific instructions, functions, and routines that are presented in a human readable format. All machine-readable object code is translated from source code written in specified programming languages.

**Source Code Escrow.** Using an independent third party to hold the Publisher’s Intellectual Property (*source code*) in reserve, until a “release event” qualifies the software purchaser to receive that property. (*See “Release Event.”*) In the context of a proprietary software purchase, Source Code Escrow is an important protection against the loss of continued software availability for modification in the event of problems within the Publisher organization.

**Subscription License.** A type of software license that enables you to “pay as you go”, instead of making a full outright purchase. It typically involves a fee for a rated volume of usage or a designated time period, whether that is a monthly, quarterly, or annual basis.

**Support.** A set of Publisher services for receiving reports of software malfunctions, analyzing their causes, creating fixes and delivering them to Customers within agreed upon time frames.

**System Integrator.** An individual or organization that takes responsibility for assembling a collection of hardware, software and infrastructure into a functioning information processing system.

**TCO (Total Cost of Ownership).** This is a concept for evaluating the true value of an IT investment by taking into account all the costs related to its acquisition and use—hardware, software, implementation, maintenance, training, special license conditions or support services, etc.

**Term.** An expression, word, or phrase that has a fixed and known meaning in a contract or a specified period of time.

**Term License.** Permits the use of licensed software for a predefined period.

**Termination.** Occurs when either party pursuant to a power created by agreement or law puts an end to the contract otherwise than for its breach. On "termination" all obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

**Times of Conflict.** An organized and often prolonged conflict that is carried out by states or non-state actors. It is generally characterized by extreme violence, social disruption and an attempt at economic destruction. War should be understood as an actual, intentional and widespread armed conflict between political communities, and therefore is defined as a form of (collective) political violence or intervention.

**T&M (Time & Materials).** A type of contract by which an estimate of time and price is provided for the defined task, but where all time is reimbursed at the agreed-upon rates.

**Ts & Cs. (Terms and Conditions)** under which a software contract is established. They include requirements and expectations on both the part of the seller and the buyer.

**Transferability.** The technical ability to relocate a software program, residing and running on one computer or hardware platform, from that system to another environment. Also, the legal ability to reassign the license rights to use that software, from one owner to another.

**Unit of Use.** Every EULA specifies a method of determining the total price for the license. In most cases, a unit of use is defined along with a unit price for each unit of use. Once a unit of use and unit price are established, the desired quantity of units licensed can be specified and an extended (or total) price can be calculated (the unit price multiplied by the number of units). Some of the more common units of use are named users, concurrent users, processors, site, and enterprise. (NOTE: for more detailed information about each of these terms, please see the definitions in this Glossary). Named users and concurrent users are essentially user based – or people based – units of use. The processor unit of use is based on a physical or virtual computer processor as a basis for counting. Site and Enterprise units of use are somewhat unique in that the unit of use is a physical location or a defined business unit (or Government agency) and the number of units is always one (unless multiple individual sites or enterprises are licensed in the same EULA).

**Utility.** A specialized type of software program that helps manage specific aspects of system resources to help IT systems function more efficiently. Utility program functions include encryption, virus protection, file compression, data backup and recovery, drivers for peripheral communications, and more.

**VAR (Value Added Reseller).** A company that packages a product or service of their own along with a software Publisher's products, to provide added value.

**Virtualization.** A process of subdividing or reallocating the capabilities of a single resource—server, network, memory device, storage system, etc.—into multiple, functionally independent operating versions.

**Virtual Machine.** Multiple “virtual” machines can be created within a single computer housing by using a layer of software—called a virtual machine manager or hypervisor—to segment the functionality of the hardware resources into several independent environments. Each virtual machine environment can run its own unique operating system and applications, unaffected by any of the other virtual machines set up within the same unit.

**VSOE (Vendor-Specific Objective Evidence).** This is a generally accepted accounting practice that allows a company to recognize revenue from a multi-item sale based on evidence that specific components of the sale have been delivered satisfactorily.

**Warranty.** The contractual duty of a Publisher to correct product defects, usually limited to certain kinds of defects and for a specific time period.

## Acronyms and Abbreviations

**ASP** Application Service Provider

**BPA** Blanket Purchase Agreement

**BPR** Business Process Reengineering

**CEO** Chief Executive Officer

**CMDB** Configuration Management Database

**COO** Chief Operating Officer

**COTS** Commercial Off-the-Shelf

**CPU** Central Processing Unit

**CTO** Chief Technology Officer

**DCAA** Defense Contract Audit Agency

**DFARS** Defense Federal Acquisition Regulation  
Supplement

**EPS** Earnings Per Share

**ERP** Enterprise Resource Planning

**ESI** Enterprise Software Initiative

**EULA** End User License Agreement

**FFP** Firm Fixed Price

**FAR** Federal Acquisition Regulation

**GPL** General Public License

**GSA** General Services Administration

**IaaS** Infrastructure as a Service

**IDIQ** Indefinite Delivery/Indefinite Quantity

**IP** Intellectual Property

**IT** Information Technology

**ITIL** IT Infrastructure Library

**KO** Contracting Officer

**KPI** Key Performance Indicator

**LOL** Limitation of Liability

**MSP** Managed Service Provider

**OOB** Out-Of-the-Box

**OS** Operating System

**OSD** Office of the Secretary of Defense

**PaaS** Platform as a Service

**P/E** Price/Earnings Ratio

**P&L** Profit and Loss

**QASP** Quality Assurance Surveillance Plan

**RICE** Reports, Interfaces, Customizations,  
Enhancements

**ROA** Return on Assets

**ROS** Return on Sales

**ROI** Return on Investment

**SaaS** Software as a Service

**SAM** Software Asset Management

**SLA** Service Level Agreement

**SOO** Statement of Objectives

**SOW** Scope of Work

**SOX** Sarbanes-Oxley Act

**SPM** Software Product Manager

**Ts & Cs** Terms and Conditions

**T&M** Time & Materials

**TCO** Total Cost of Ownership

**VAR** Value Added Reseller

**VSOE** Vendor Specific Objective Evidence