

The State of Kansas Information Technology Executive Council

Information Technology Policy #1100 Revision #1

- 1.0 TITLE: Software Use and Licensing
- 1.1 EFFECTIVE DATE: October 26, 2000
REVISED: January 24, 2008
- 1.2 TYPE OF ACTION: Update
- 2.0 PURPOSE: To recognize requirements established by copyright laws and common licensing agreements for use and copying of software and documentation. To also provide guidance for commonly encountered situations in this area.
- 2.1 Legal Disclaimer - The information contained in this policy is for general guidance to support the policy. The application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations, there may be omissions or inaccuracies in information contained in this policy. Accordingly, the information in this policy is provided with the understanding that the authors and publishers are not herein engaged in rendering legal advice and services. As such, the information should not be used as a substitute for consultation with professional legal advisers. **Before implementing this policy, or pursuing any of this material, always consult your entity's counsel.**
- 3.0 ORGANIZATIONS AFFECTED: All Branches, Boards, Commissions, Departments, Divisions, and Agencies, of state government, hereafter referred to as entities.
- 4.0 REFERENCES:
- 4.1 K.S.A. 2006 Supp. 75-7203 authorizes the Information Technology Executive Council (ITEC) to adopt information resource policies and procedures and provide direction and coordination for the application of the state's information technology resources for all state agencies.
- 4.2 United States Copyright Act (Title 17 United States Code)
- 4.3 United States Patent Law (Title 35 United States Code)
- 4.4 United States Trademark Law (Title 15 United States Code)
- 4.5 State of Kansas ITEC Policy 1500 -- Ownership of Software Code and Related Intellectual Property
- 5.0 DEFINITIONS / BACKGROUND:
- 5.1 License – The owner of a copyright owns the exclusive right to reproduce, modify (create “derivative works”), distribute, perform, and display the item in which the owner holds the copyright. Patent and trademark owners have similar rights. The owner of a copyright may authorize others to do these rights, usually through the granting of a license. Licenses may include signed paper contractual documents; pre-printed materials enclosed with the item (“shrink-wrap licenses”); and displayed materials (“click-thru boxes”).
- 5.2 Fair Use – Generally, the use of a copyrighted work, including limited reproduction of excerpted material for purposes such as criticism, comment, news reporting, teaching, scholarship, or research, is not an infringement of copyright. However, there are specific tests which must be met for a use to be recognized as a Fair Use, and this topic has been the subject of significant litigation in recent years.

- 5.3 Ownership – Owning a copyrighted item does not give the possessor rights in the copyrighted work. Possession of a material object that embodies the copyrighted work does not of itself convey any rights in the actual copyright. Oftentimes, the copyright owner reserves all rights of ownership, and only provides specifically delineated usage rights through a license. Similar protections apply to patents and trademarks.
- 5.4 Strict Liability – Copyright infringement is a violation of both civil and criminal law. Infringement is not mitigated by a claim of ignorance. Just like "I didn't know I was going that fast," won't quash a speeding ticket, a claim that you didn't understand or didn't think what you did was a copyright violation will not protect against infringement charges.
- 5.5 Exceptions – The U.S. Copyright Act does permit limited exceptions. For example, Congress amended the Copyright Act in 1980 to allow the licensee of a copyrighted computer program to make a single copy of that item so it could be loaded and run on a computer. Congress also provided for backup or archival copies of software. The owner of a copyright may provide for more liberal uses through the license agreement.

6.0 POLICY:

6.1 ALL entity-used software shall be properly licensed if the entity is not the copyright owner.

6.1.1 GUIDANCE - Open Source software is subject to unique license agreements such as the General Public License. In contrast to proprietary software whose source code is owned by the entity or a contractor, open source software is built upon the principle that the user of the software should be able to use, share, modify and/or enhance source code, and that the source code is not the proprietary property of the entity or contractor. Examples of open source software include Apache, the Linux operating system, Firefox, Mozilla, and OpenOffice. If an entity is considering the purchase of a license to open source software or the use of open source software, consult your entity legal counsel for the specific models that may be appropriate.

6.2 ALL entity-used software shall be protected against loss and unauthorized copying.

6.2.1 GUIDANCE - Where entity used software is critical to the entity's mission, and the entity does not own the copyright on the software, employing software escrow services should be considered. See Attachment A for information about software escrow services.

6.3 ALL entities, employees and users of licensed software shall honor applicable law & license agreements.

7.0 PROCEDURES:

7.1 Entities shall maintain software inventories to support licensing compliance and asset management issues.

8.0 RESPONSIBILITIES:

8.1 Heads of entities are responsible for establishing procedures to ensure their organization's compliance with the requirements of this policy. **Before implementing this policy, or pursuing any of this material, always consult your entity's counsel.**

8.2 The Chief Information Technology Officer, Executive Branch, is responsible for the maintenance of this policy.

9.0 CANCELLATION: Previous versions

Information Technology Policy #1100 Revision #1 Attachment A

SOURCE CODE ESCROW PROVISIONS (See Section 6.2.1)

ASSUMPTIONS

- A. A Contractor and the State have or will enter into a License Agreement regarding certain proprietary material (usually software but see below) of Contractor.
- B. The Contractor desires to avoid disclosure of its proprietary material except under certain limited circumstances.
- C. The availability of the Contractor's proprietary material is critical to the State in the conduct of its business and, therefore, the State needs to guarantee access to the proprietary material.
- D. Contractor and the State agree to establish a contractual arrangement with a disinterested third party (the "Escrow Agent") to provide for escrow services. The State will prefer to contract with an Escrow Agent that does not have a pre-existing contract with the Contractor for matters other than escrow services.
- E. The Escrow Agreement shall be supplementary to the licensing of the proprietary software and subcontractor proprietary software as provided by 11 U.S.C. section 365(n) of the U.S. Bankruptcy Code. If the contract between the Contractor and the State, the Escrow Agreement or the license of the proprietary software or subcontractor proprietary software is rejected by the Contractor or Subcontractor as a debtor in possession or a trustee or by any other person or entity under the U.S. Bankruptcy Code, the State may elect to retain its rights as provided in 11 U.S.C. section 365(n). The source code and documentation deposited under this escrow agreement are an "embodiment" of "intellectual property" as those terms are used in 11 U.S.C. section 365(n).

MATERIALS

Materials covered under the Escrow Agreement may include, but shall not be limited to: a copy of the source code in machine-readable form for any programs, technical documentation, file layouts, record layouts, flowcharts, coding annotations, and any other information that would help a programmer understand how the system works. The source code escrow must contain all of the materials that would be necessary for a skilled programmer or analyst to maintain the software without the help of any other person or the need to refer to any other materials. Therefore, it is important that the material to be included be exhaustive in its scope and description as it will not be likely it can be augmented should a deficiency become apparent. Further, the names and addresses of the software developers must also be included in the source code escrow.

DEPOSITS

Once the Escrow Agreement is signed by the parties, the Contractor will deliver the materials ("Deposit Materials") to the Escrow Agent for safekeeping.

Before delivery of the materials to the Escrow Agent, the Contractor will label all the Deposit Materials clearly. Additionally, Contractor will list each item that is labeled, describe the type of media and the quantity involved. That list shall be signed by Contractor and delivered to the Escrow Agent and copied to the State.

Contractor shall transfer to the Escrow Agent the title to the media upon which the Deposit Materials are written or stored. However, this transfer shall not include the ownership of the intellectual property recorded on the media or any related copyrights, patents, trademarks or trade secrets.

The Escrow Agent shall have the right to make copies of the Deposit Materials to perform its duties under the Escrow Agreement.

Contractor shall update the Deposit Materials within sixty (60) days of each release of a new version or release of the product subject to the License Agreement. Such updates will be added to the existing deposit(s). All Deposit Materials updated shall be listed, and the list shall be signed by Contractor and provided to the Escrow Agent and the State.

The Escrow Agent shall maintain the Deposit Materials in a secure, environmentally safe, locked facility accessible only to authorized Escrow Agent employees. The facility shall be maintained in such a way as to preclude damage to or deterioration of the Deposit Materials.

The escrow facility chosen shall be reputable and reasonably accessible to the State (i.e., not in a foreign country, and preferably within the mid-western portion of the USA). The escrow facility chosen shall have an established verification process in place to insure the authenticity, continuing maintenance, and accuracy of the Deposit Materials.

RELEASE OF DEPOSIT MATERIALS

Filing for Release. If the State believes in good faith that a Release Condition has occurred, the State may provide to the Escrow Agent written notice of the occurrence of the Release Condition and a request for the release of the Deposit Materials. On receipt of such notice, the Escrow Agent shall provide a copy of the notice to Contractor by Certified Mail.

Contrary Instructions. From the date the Escrow Agent mails to Contractor the State's notice requesting release of the Deposit Materials, Contractor shall have ten (10) business days to deliver to the Escrow Agent contrary instructions ("Contrary Instructions"). Contrary Instructions shall mean the written representation by Contractor that a Release Condition has not occurred or has been cured. Upon receipt of Contrary Instructions, the Escrow Agent shall send a copy of the Contrary Instructions to the State by Certified Mail. Additionally, the Escrow Agent shall continue to store the Deposit Materials without release pending (a) joint instructions from Contractor and the State; (b) resolution of the dispute; or (c) order of a court.

Release of Deposit Materials. If the Escrow Agent does not receive Contrary Instructions from the Contractor, the Escrow Agent shall release the Deposit Materials to the State. The Escrow Agreement will terminate upon the release of the Deposit Materials held by the Escrow Agent.

Right to Use Following Release. Unless otherwise provided in the License Agreement, upon release of the Deposit Materials in accordance with this "Release of Deposit Materials" section, the State shall have the right to use the Deposit Materials for the sole purpose of continuing the benefits afforded to the State by the License Agreement. To this end, the State shall be deemed to have received with the Deposit Materials a perpetual, non-revocable, non-exclusive, royalty-free license to use all Deposit Materials. The State shall maintain the confidentiality of the released Deposit Materials.

Release Conditions shall mean the existence of any one or more of the following circumstances, uncorrected for more than thirty (30) days:

- Contractor's failure to carry out support, maintenance or similar obligations imposed on it pursuant to the License Agreement;
- Contractor's assignment directly or indirectly (whether by merger, acquisition or otherwise) of support, maintenance or similar obligations imposed on it pursuant to the License Agreement to another company considered by the State, in its sole discretion, to be unsatisfactory;
- Entry of an order for relief for Contractor under Title 11 of the U.S. Bankruptcy Code or any similar proceeding initiated under the law of any other country, province, state, or comparable relevant jurisdiction;
- The making by Contractor of a general assignment for the benefit of creditors;
- The appointment of a general receiver or trustee in bankruptcy of Contractor's business or property;
- Action by Contractor under any state insolvency or similar law for the purpose of its bankruptcy, reorganization, dissolution or liquidation; or
- Contractor's failure to continue to do business in the ordinary course; or

- In the case of a sole proprietor, the death of the Contractor.

Notwithstanding the Release of Deposit Materials procedure set forth above, in no event shall any Release Condition require the prior approval of the Contractor.

OTHER PROVISIONS

Termination

If the Escrow Agreement is terminated by the Contractor, the Contractor shall pay all fees due the Escrow Agent and shall promptly notify the State that the agreement has been terminated. The Escrow Agent shall also notify the State of any termination of the agreement by Contractor.

Third Party Verification

The State reserves the right to secure an independent third party, separate from the Escrow Agent, to perform periodic audits of the Deposit Materials. This is to ensure the authenticity, continuing maintenance, and accuracy of the Deposit Materials.

Degradation

The parties to the Escrow Agreement acknowledge the Deposit Materials recorded on the media will be subject to degradation over time. The Escrow Agent shall bear no liability for such degradation except due to the Escrow Agent's direct negligence in care of the media. To mitigate this degradation, Contractor shall deliver to the Escrow Agent a new copy of the Deposit Materials on new media at least once every three (3) years.

Governing Law

The Escrow Agreement shall be governed by and construed in accordance with the procedural and substantive laws of the State of Kansas.

Jurisdiction

The parties shall bring any and all legal proceedings arising under this Contract in the State of Kansas, District Court of Shawnee County. The United States District Court for the State of Kansas sitting in Topeka, Shawnee County, Kansas, shall be the venue for any federal action or proceeding arising hereunder in which the State is a party. The Eleventh Amendment of the United States Constitution is an inherent and incumbent protection with the State and need not be reserved, but prudence requires the State to reiterate that nothing related to any of the agreements or contracts discussed herein shall be deemed a waiver of the Eleventh Amendment. Contractor shall be responsible for all the State's reasonable attorney's fees, costs and expenses related to Contractor's negligence or breach of Contractor's obligations under the Contract. Contractor waives all defenses of lack of personal jurisdiction and forum non conveniens. Process may be served on Contractor in the manner authorized by applicable law or court rule.