

The End of Software Licensing

By [Allen Bernard](#)

April 4, 2005: The success of open source software will, eventually, lead to the end of proprietary software licensing as we know it.

Apache, Linux, Mozilla/Firefox, OpenOffice, Ingres, JBoss, CollabNet, MySQL; these and many other open source projects all are common names in the IT industry today and they all share something in common: no licensing fees.

As the success of these projects continue to percolate through the industry, it is becoming clear that selling software and then charging maintenance and support fees on top of the initial licensing fee, is slowly becoming an outdated business model.

"It's really kind of the story of open source moving up the software stack, said Jeff Bates, VP of Editorial and Operations for VA Software, the owners of the open source collaboration site Sourceforge.net.

"That exerts a whole new set of pressures on the traditional software vendors so they have to change their tactics to deal with this new threat. And it's not a traditional company threat in which you cut your pricing and still be able to compete in that area."

Eventually, licensing fees, like the high cost of hardware just a few years ago, will become a thing of the past. And like hardware today, source code will be viewed as the commodity it is becoming, said Bates.

Companies built around open source code like Red Hat and SUSE Linux have shown the way and other companies such as SugarCRM, TigerCRM, MedSphere, a healthcare vertical, and Compiere, an open source ERP/CRM vendor, are using the same model to go after the business market.

Already there are signs that the major ISVs that have dominated the enterprise software landscape for years are taking heed of these new business models and laying the groundwork for the inevitable.

Sun recently released v.10 of its flagship Solaris platform under its modified open source license that does not include initial licensing fees. Its StarOffice project (which it donated to the open source world a few years ago and is the basis for OpenOffice), is emerging as a challenger to Microsoft's dominance of the PC office productivity space. There are 40 million copies of OpenOffice running today.

Computer Associates donated its Ingres r3 database to the open source community in September, 2004 and even Microsoft is getting into the game, albeit slowly, with its Shared Source Initiative, said Bates.

Of course, this doesn't mean software is going to be free. No one believes support and maintenance fees are going to disappear. In fact, quite the opposite. Support and maintenance fees may go up as licensing fees disappear and ISVs profit margins begin to shrink, said Sam Greenblatt, senior vice president and senior technical advisor at Computer Associates.

"Yes. Absolutely," said Greenblatt. "You're going to shift the economics from the initial license fee to support. Red Hat has proved to us that capability."

Also, few companies will abandon their supported ERP installs, for example, for an unsupported open source alternative just to avoid paying licensing fees, said Bill Vass, Sun's CIO.

The market most likely to benefit initially from open source business initiatives is the SMB space; typically a market in which the big ISVs, SAP, Oracle, Siebel, etc., have had limited success.

Even so, Vass predicts all of Sun's software will, at some point in the future, be open-sourced. The business model Sun is after is one based, to a degree, on Red Hat's success. "It's market share and mind share and developer share, those are the things we are looking at," said Vass.

Also, by opening up their code, they expect to get great returns.

Unlike proprietary software, which is developed by a cloistered team of in-house professionals, open source software has so many eyes looking at it, at least in theory, that innovations, security and usability are all enhanced much more rapidly.

And those enhancements come back to Sun free of charge, and are incorporated into the next release of the supported version of the product. And, in the end, this benefits users and ISVs alike, he said.

"Everything we've got will be open source code is my prediction," said Vass. "I think it will open up the market much more. You'll have all sorts of innovation because the code is open that you don't have today. One of the huge successes of Linux is the amount of innovation that has occurred."

Of course, like everything, there is a caveat. It will probably take five to 10 years for this trend to become old news. And, even then, not all source code will be free of licensing costs. But, it's a safe bet that these and other IT executives are making that, eventually, most of their more common applications will either be open sourced by the vendor or have an open source alternative available.

"The value of proprietary licensing; its decline began several years ago at this point and it's just going to continue on through as time goes on, as people find value outside of the traditional software market," said VA's Bates.