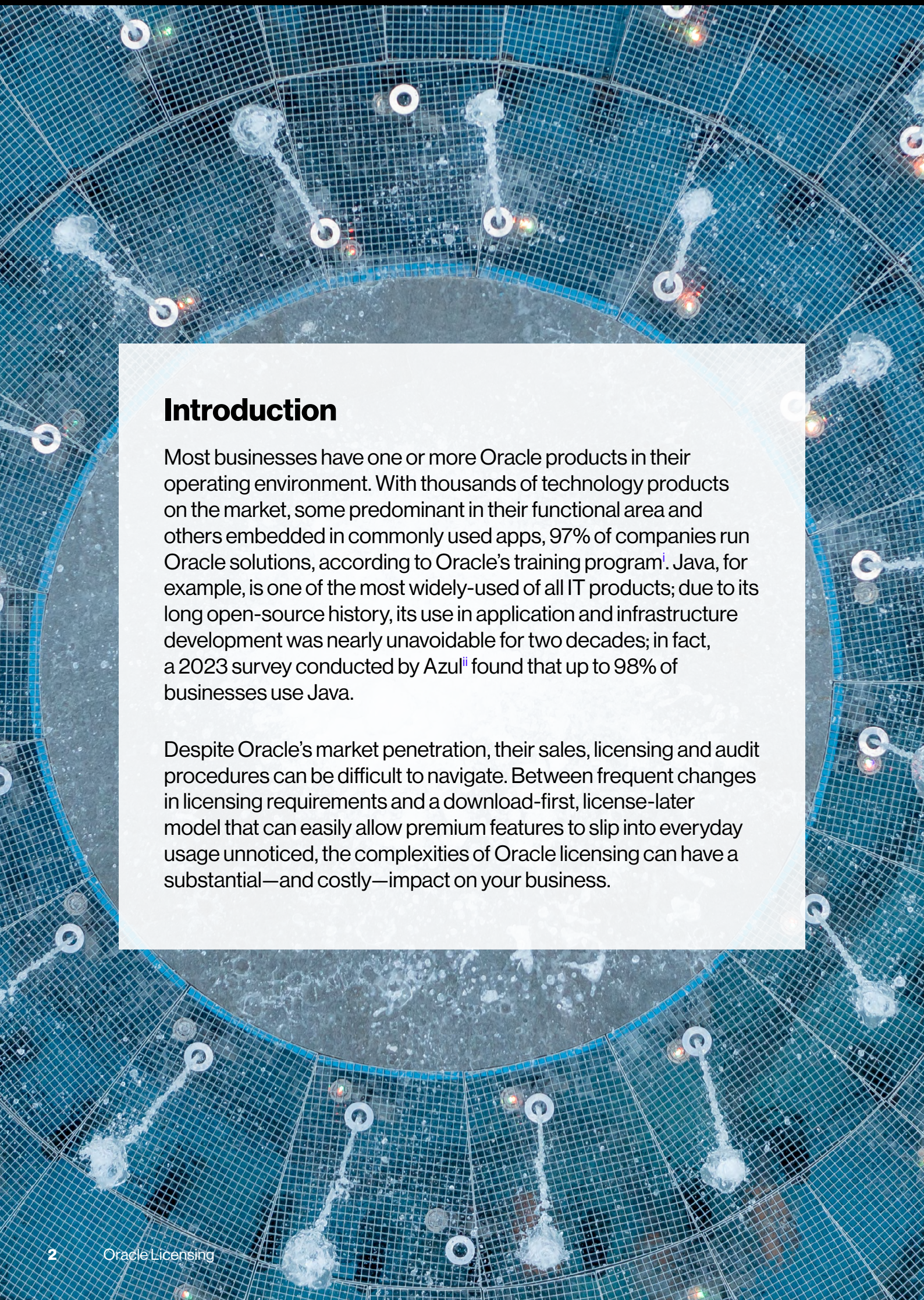
software one

Oracle Licensing

Navigating Changes that Impact Your Bottom Line



Introduction

Most businesses have one or more Oracle products in their operating environment. With thousands of technology products on the market, some predominant in their functional area and others embedded in commonly used apps, 97% of companies run Oracle solutions, according to Oracle's training program[i]. Java, for example, is one of the most widely-used of all IT products; due to its long open-source history, its use in application and infrastructure development was nearly unavoidable for two decades; in fact, a 2023 survey conducted by Azul[ii] found that up to 98% of businesses use Java.

Despite Oracle's market penetration, their sales, licensing and audit procedures can be difficult to navigate. Between frequent changes in licensing requirements and a download-first, license-later model that can easily allow premium features to slip into everyday usage unnoticed, the complexities of Oracle licensing can have a substantial—and costly—impact on your business.

Hitting Java's Moving Targets

The evolution of Oracle's Java licensing[iii] has left many organizations with cost increases in the millions per year. In fact, some bills have seen up to a 30-fold incease. Java had historically been free, but in 2019, Oracle began charging on a per-processor basis for licensing and sunsetting free versions. Initially, many businesses found the new licensing and 6-month release cycle worth paying for in exchange for long-term continuity and near-universal usability. In subsequent years, Oracle continued to alter licensing requirements, accelerating end-of-version support for free versions, introducing security risks for those who chose not to upgrade to licensed versions, requiring Java users to take on per-processor licenses.

Then, in January 2023, per-processor pricing was eliminated. Java licensing costs would from this point forward be determined not by number of processors, but by an organization's entire headcount [1], even in cases where actual utilization was limited to a small fraction of operations. It's no surprise that Azul's survey[iv] found that 82% of respondents were worried about costs after Oracle's January 2023 implementation of headcount-based licensing, and 72% were actively looking for ways to get Java out of their environments.

Enterprises are now left to determine whether they have the time, capacity, and workforce to navigate modernization across their applications and infrastructure; run outdated free Java versions without support; risk getting caught in an expensive audit; or pay new licensing costs.

The situation is further complicated by ambiguity around third-party applications' Java licensing. Many companies are confused about whether or not they're responsible for Java permissions in any given application. The only sure way to determine accountability—and therefore cost—is to review the licensing agreement of every application in your environment to find out whether its licensing includes Java via a royalty or ISV agreement.

1 Officially, "headcount" means all employees, contractors, and anyone else who touches your business operations, but customers tell us that Oracle typically uses a company's published employee count in public filings to determine costs. Oracle Java SE Subscription Global Price List

Complications in the Oracle Cloud

Though Oracle Fusion Cloud pricing models have been relatively consistent across recent years, we find these contracts to be extremely complex, requiring deep knowledge and strategy in negotiations. However, because Fusion Cloud has less market saturation, contracts are typically more easily negotiated in the customer's favor.

Users should be aware that Fusion Cloud contracts have recently expanded offerings for necessary transitions as cloud usage and practices shift across the industry. These new offerings include options to run Oracle products on AWS and Google Cloud instances to accommodate broad adoption of multi-cloud operations, for example.

Taking Care of Critical Functions

The Oracle landscape also includes enterprise resource planning (ERP) and database solutions that are essential for many enterprises. In general, licensing for products like Oracle Database and JD Edwards are stable and manageable, though the download-first, license-later model has the potential to generate surprise billing, particularly for those in roles where licensing isn't top-of-mind. These users are prone to accidentally enacting unlicensed features.

In such cases, organizations are typically best served by careful proactive management of usage and contracts to avoid surprise retroactive billing, since migration to an alternative ERP or database is typically an enormous, multi-year undertaking.

The Cost of Getting Caught

Many mid-size or larger organizations have some amount of Java installed without proper licensing or deployed in a third-party app without royalty coverage. Oracle tracks Java downloads meticulously[v], so they already have full visibility into non-compliant use. Oracle audits are not just a possibility; they are a foregone conclusion.

Further, customers report that Oracle's data requests during audits are extensive, sometimes creating confusion and exposing audited companies to a variety of vulnerabilities. Without a detailed understanding of agreement terms, many teams find themselves overwhelmed, scrambling to determine what data to provide and what to withhold.

Noncompliance findings impact almost all audited organizations, and can result in backdated charges in the millions of dollars, extending back as far as 2019.

The best prevention for Oracle audit woes is to know as much as possible about your Java usage and licensing terms at all times. Practices like proactive self-auditing can help you prepare for possible noncompliance findings and provide you with a deeper understanding of your Java usage going forward. Working with a partner like SoftwareOne, who brings extensive Oracle expertise and Oracle-identical audit procedures into the process, can help you stay informed and bring you back into compliance before Oracle forces your hand.

Knowledge is the Best Prevention

Knowledge of your Oracle landscape is your best ally in the fight to optimize licenses and prevent surprise costs. SoftwareOne's Oracle Advisory service brings an experienced team of Oracle experts to the table, with the knowledge to help you understand all the nuances of your licensing requirements and bring your environment back into compliance. Learn more about our publisher advisory services today.

i. Oracle Certification Program | Oracle United Kingdom
ii. https://www.azul.com/blog/java-is-still-full-of-surprises-after-28-years/
iii. https://www.oracle.com/java/technologies/javase/jdk-faqs.html
iv. https://www.azul.com/blog/java-is-still-full-of-surprises-after-28-years/
v. Java Downloads | Oracle

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