

CASE STUDY

HOW A CANADIAN HEALTH INSURER REDUCED THEIR ORACLE AUDIT BILL BY 70% AFTER NEGOTIATIONS HAD TURNED HOSTILE

INTRODUCTION

When this organization originally received the audit notice from Oracle, they had contacted LicenseFortress for assistance but decided to navigate the audit independently with the help of their internal law department. They recognized they had some compliance issues, planned to make things right with Oracle, and pay a reasonable fee. However, Oracle's negotiation strategy is to perform the audit, tell the customer that it owes exorbitant back-license fees, bargain to reach a lower but still high price, negotiate to include an upgrade and/or a longer-term contract, and close the deal. However, this customer pivoted when Oracle attempted to run its audit playbook.

CUSTOMER CHALLENGES

- Large Audit Bill
- Hostile Negotiations
- VMware Exception
- Contractual Obligations

ABOUT THE CUSTOMER

This insurance provider offers individual, group, and government plans to over 1 million people and has been an Oracle® customer for many years. The insurer's IT infrastructure was complex and included Oracle databases, Oracle Fusion Middleware, WebLogic® servers, and a virtualized VMware® environment, including numerous VMware clusters.

ORACLE'S AUDITING STRATEGY

AUDIT

Oracle stated that the insurer owed \$400-500 million in unpaid license fees. After several months of negotiations, the insurer realized it was not going to be able to negotiate a reasonable settlement with Oracle independently.

BARGAIN

Oracle offered the insurer a price of \$10 million to settle the audit and make the insurer compliant. Oracle also introduced the VMware exception clause into the contract, positioning the clause as an advantage for the insurer.

CLOSE

The relationships between the insurer and Oracle started to turn hostile as the insurer was unwilling to pay the \$10 million. Instead, the insurer engaged LicenseFortress to represent its interests and continue negotiations going forward.

MORE ABOUT THE VMWARE EXCEPTION

The VMware exception is a series of contract amendments allowing customers to use Oracle on VMware but with restrictions. Oracle typically requires storage isolation outside VMware, network isolation outside VMware, and sometimes management isolation (e.g., a dedicated vCenter just for Oracle). Complying with the isolation and/or having separate business processes for Oracle/non-Oracle components can drive up the customer's operational and capital expenses. If management isolation is required, the customer must incur a capital expense for an additional VMware license, spend time and money patching additional environments, lose the benefits of a single pane of glass management view, and so on. This also limits the customer's flexibility. Are those network and storage isolations possible in Software-Defined Data Centers (SDDCs) or hybrid clouds? If you agree to use VMware clusters for licensing boundaries, do you give up your rights to the 10-day rule? These are all the questions that a customer needs to ask before committing to the VMware exception.

SOLUTION

LicenseFortress first reviewed the Oracle contract and discussed some of the subtleties that had huge implications on how the contract was interpreted. While the insurer's law firm consisted of excellent lawyers, they had little experience dealing with the nuances of Oracle's contracts and audit policies. This is how LicenseFortress is different.

The pillars of the LicenseFortress approach combine:

- A team of world-class IT technologists who understand Oracle contracts
- Real-time software asset management technology built specifically for Oracle
- Working in collaboration with the law firm Beeman and Muchmore LLC

Once the contract review was completed, LicenseFortress performed a complete audit of the insurer's IT infrastructure and determined that it owed \$700,000 in back-license fees. The difference is, when it comes to licensing on VMware clusters, Oracle's policy is that running Oracle on those nodes. So, according to Oracle, if you have five nodes running in a cluster and Oracle is running on only one node, you still pay Oracle licenses for five. Following this policy can add up if you have multiple, complex VMware clusters.

RESULTS

At this point in the audit, negotiations have been ongoing for 18 months, and both sides were eager to reach an agreement. Early in the process, the customer made a few missteps acting in good faith and exposed additional compliance issues not covered in the original scope of the audit. As a result, the customer had to concede on some negotiation points, including the VMware exception. LicenseFortress rarely recommends customers accept these amendments, as it can potentially create issues for organizations with growing and evolving business needs – however, in this case, it was a strategic compromise to move towards a resolution. LicenseFortress reduced the \$10 million audit bill to \$3 million – a savings of 70 percent. Had LicenseFortress been brought in earlier in the audit discussions, an additional \$2.3 million in fees could have been mitigated or a 93 percent savings. This project cost the customer approximately \$72,000, generating 9,722% ROI.

Once the audit was complete and negotiations finalized, the LicenseFortress team performed a compliance and optimization review. LicenseFortress identified how the insurer was currently

recommended new approaches to optimize the value of its licenses. By recommending technology changes, LicenseFortress identified several opportunities to cut costs and save the insurer millions.

THE CUSTOMER TODAY

Today, this insurance provider is protected under the ArxPlatform, which continuously monitors its systems and utilization of Oracle licenses to ensure compliance as per contract. Every day, the solution checks for compliance, and if there is a problem—such as someone moving Oracle to an unlicensed host—LicenseFortress alerts the insurer to take action. Within 24 hours, the insurer is back in compliance.

As an ArxProtect customer, the insurer is also protected against future audits. ArxProtect provides customers with the confidence that their ongoing Oracle licensing is efficient, compliant, and guaranteed. So, if Oracle charges the insurer any fees resulting from following LicenseFortress' advice, LicenseFortress will pay the bill.

CUSTOMER BENEFITS



70%

AUDIT SAVINGS



\$2.3M

**ADDT'L POTENTIAL
SAVINGS**



9,722%

ROI

MEET BEEMAN & MUCHMORE

Art Beeman and Joel Muchmore have been working in software licensing – particularly with Oracle software licensing –for a number of years. They were the lead counsel for the Mars v. Oracle matter, which is, to date, the only publicly filed complaint in which a licensee challenged Oracle’s deeply unpopular auditing and licensing practices. Over the years, they have defended scores of other licensees against highly contentious Oracle audits to great success. They’ve seen the script and know where it’s going, and with that knowledge, they can predict the future to some degree. Beeman & Muchmore are thought leaders on the true vanguard of where software licensing has been and where it’s going.

ABOUT LICENSEFORTRESS

LicenseFortress was developed in 2014 by VLSS’s Founder & Chief Architect, Dean Bolton. VLSS has spent over 13 years specializing in Oracle and VMware technologies. LicenseFortress was born after VMware approached VLSS about a predicament many of its customers faced when trying to license Oracle on VMware. Oracle’s aggressive auditing tactics shed light on the dire situation that most companies face when using Oracle’s products, especially in a cloud environment. While some companies have been deterred from using Oracle, we believe it is a powerful tool for your business when deployed correctly. That’s where LicenseFortress helps you take control of your license investment while removing the threat of being out of compliance.



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ANONYMITY STATEMENT

This case study is based on a customer of LicenseFortress. LicenseFortress takes steps to properly safeguard sensitive and personal information by removing all direct identifiers – e.g., name, location, CSI numbers, etc. This step is taken to protect the identity of our customers.