



Intraware SubscribeNet®

## Software Export Compliance

Intraware SubscribeNet is a web-based delivery and support solution that enables software publishers to easily deliver, track and manage the software they distribute to their global customers.

This leading Electronic Software Delivery and Management (ESDM) solution dramatically lowers support and operational costs while increasing customer satisfaction and renewal rates.

### COMPLEXITIES OF EXPORT COMPLIANCE

U.S. export laws regulate exports of all software, not just software that contains encryption. That's why software publishers, especially those who are expanding into foreign markets, need an efficient and low cost way to deliver their computer software and updates, while staying current and complying with United States export laws and regulations.

Enterprise software companies such as Documentum Inc., Hyperion Solutions Corporation, PeopleSoft Inc., Sun Microsystems Inc., and many smaller software publishers, rely on the Intraware SubscribeNet service to deliver their software globally and to manage the legal complexities associated with software export.

The Intraware SubscribeNet service is the leading Electronic Software Delivery and Management (ESDM) solution, and more than 40% of all downloads via this service occur outside of the United States. The SubscribeNet service has a proven record of helping software companies comply with laws regulating software export, reduce customer support and operational expenses, accelerate revenue recognition and create closer, more profitable relationships with customers. The SubscribeNet solution can be rapidly implemented and seamlessly integrated with any software company's web site, satisfying the increasing demand for electronic delivery of applications and updates to streamline the software fulfillment and management process.

### PENALTIES FOR VIOLATION OF SOFTWARE EXPORT LAWS

The laws governing export of computer software are complicated, and the penalties for violations are steep. Export violations are considered a strict liability offense, which means that all mistakes, even innocent ones, are subject to penalty.

Criminal penalties include fines of up to \$1 million dollars or 5 times the value of the export, whichever is greater, and can include jail time of up to 5 years. Administrative penalties can include fines of up to \$100,000 dollars per violation and revocation of export privileges. Recent examples of penalties cited on the Bureau of Industry and Security (BIS)\* web site include:

- \$135,000 civil penalty imposed on a subsidiary of a Fortune 500 company, to resolve allegations that the company exported automated fingerprint identification system, associated fingerprint identification software and encryption software to numerous destinations in violation of U.S. export control laws (July 2002).
- \$95,000 civil penalty imposed on a San Diego, California based software company, to settle allegations that the company exported encryption software to South Korea in violation of U.S. export control laws (February 2002).

### BUREAU OF INDUSTRY AND SECURITY APPROVAL

The Intraware SubscribeNet service includes a proprietary automated access control system that screens end-user and location eligibility for every download of software from its servers. The BIS reviewed this system and confirmed that it complies with Sections 734.2(b)(9)(ii) and (iii) of the Export Administration Regulations in satisfaction of government software export regulations.

### AUTOMATED HIGH-SPEED SCREENING

The effectiveness of SubscribeNet's access control system is derived from its multi-tiered screening process. When an end-user attempts to download a product, the access control system is automatically enabled and, depending on the encryption level and Export Control Classification Number (ECCN) of the software (provided by the software vendor and stored in Intraware's database), the system:

- Screens all the available data relating to the end-user to determine whether the customer is a foreign government, where the customer is located and whether the end-user or customer name appears on a master list of prohibited parties.
- Updates a master list daily to insure the information in the SubscribeNet database is the most current available.

\* Formerly the Bureau of Export Administration (BXA)

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While software manufacturers still need to screen their customers at point of sale against prohibited party lists, the Intraware SubscribeNet service's multiple screening measures serve as extra protection. If any of the data contained in the SubscribeNet database indicates that the download should be denied—for example, the SubscribeNet reverse DNS lookup determines that an end-user claims to be in Indiana when they are actually in Iraq—the system will not allow the end-user to access the software. This is an important and additional security layer for the software vendor.

### BI-ANNUAL REPORTING REQUIREMENTS

Vendors using the Intraware SubscribeNet service can transfer responsibility to Intraware as the Exporter of Record and offload the BIS required bi-annual reporting requirement (which can be especially burdensome for companies selling products with varying encryption levels), for all software delivered via the SubscribeNet service.

The SubscribeNet service's export compliance system captures all the relevant reporting information and generates a report automatically. The report then goes through a review process to check for completeness and accuracy prior to being submitted to the BIS. Intraware's system also automatically maintains a record of all foreign software deliveries for five years, a BIS requirement.

### SUMMARY

The Intraware SubscribeNet service is a global web-based delivery and support solution that enables software publishers to easily deliver, track and manage the software they distribute to their global customers while reducing legal risk, enhancing compliance with the laws regulating export of computer software and improving their relationships with customers. It also allows software vendors to reduce the record keeping and shipping costs associated with physical distribution across national borders and closer to home.

FEATURES	BENEFITS
<b>Electronic Software Delivery, tracking and management</b>	Reduces record keeping and shipping costs associated with physical distribution across national borders
<b>Automated, multi-tiered system checks end-user data for each download</b>	Provides fast and thorough screening of all end-users and every download
<b>Triple checking of customer location including reverse DNS lookup</b>	Guards against end-users who provide false information
<b>Prohibited parties list updated daily</b>	Minimizes risk of download by end-users recently added to the BIS prohibited list
<b>Bi-annual reporting for all foreign downloads of 5D002 (high-encryption) products</b>	Reduces administrative costs, record keeping and report preparation
<b>Flexible architecture</b>	Integrates easily with any software vendor CRM system, and allows Intraware to accommodate changes to export regulations and processes
<b>BIS confirmation of system compliance</b>	Provides additional security that software exports won't violate the law
<b>Data warehouse with standardized and ad hoc reporting of all transactions via secure extranet</b>	Allows on-demand creation of multiple business reports to track, monitor and better understand customer activity

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