

Program Guide to the
Microsoft Independent Software
Vendor Royalty License and
Distribution Agreement



Microsoft ISV Royalty Licensing Program Guide

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Program Guide: Microsoft ISV Royalty Licensing

Introduction

The Microsoft Independent Software Vendor Royalty (ISV Royalty) Licensing Program offers Independent Software Vendors (ISVs) a way to license Microsoft Products (“Products”) and integrate them into a Unified Solution. ISVs then replicate the business solution and distribute a fully licensed solution to their end users (“users”). The ISV Royalty Program is not a reseller program, but is a program that grants ISVs the rights to license Products as part of a Unified Solution.

Integrating Microsoft Products

An ISV can integrate eligible Products into their Unified Solution by including one or more Products along with the ISV’s software for their Unified Solution and by distributing through either:

- ▶ Copying onto the physical media which is labeled and packaged as the ISV’s Unified Solution.

or

- ▶ Preinstalling, by the ISV, on a computer system for distribution as part of the ISV’s Unified Solution.

For example, an ISV develops an application that depends on a database. If you are an ISV in the Microsoft ISV Royalty Licensing Program and your solution adds primary and significant functionality to the Products involved, you can include Microsoft SQL Server database software as part of your Unified Solution and distribute the fully licensed solution to your users.

ISV Royalty Licensing Program Benefits

The following are some of the many benefits of participating in the ISV Royalty Licensing Program:

- ▶ **Ability to deliver a total solution.** Offer a single resource for your users and avoid software deployment delays. Plus, your customers benefit from having just one source to obtain a complete solution, including the Products and licenses.
- ▶ **Potential revenue increases.** You can redistribute Microsoft licenses and Embedded Maintenance upgrade coverage with your Unified Solution to provide an additional revenue stream for potential profit.
- ▶ **Potential cost reductions.** Participation in the ISV Royalty Licensing Program may help you cut costs for goods sold by allowing you to preconfigure your installation with Products. You may be able to reduce installation, configuration, update, and support costs.
- ▶ **Extended Product life cycle.** After Microsoft releases a new version of a Product, you can sell the previous version of most products as integrated in your value-added business solution for up to 48 additional months. See [page 7](#) for details.
- ▶ **User demonstrations.** You can demonstrate your Unified Solution to prospective customers if you keep the demonstration copies.
- ▶ **Free trial of Unified Solution.** You can offer a trial of your Unified Solution to prospective customers for up to 120 consecutive days beginning on the date you acquire the Master Copy of the Product.
- ▶ **Wide selection of Products.** You have access to a wide range of Microsoft server applications and some desktop PC applications as identified in the ISV Royalty Product List. You can also get the most current version of Products that includes the most updated features.
- ▶ **Downgrade rights.** If you have acquired a later version of the Product you can offer your customers an earlier version of the Product, as long as the earlier version is still supported by Microsoft and other requirements are met as detailed on page 7.
- ▶ **Worldwide distribution.** You can distribute your Unified Solution to users in any part of the world where distribution is allowed.
- ▶ **Opportunities with academic users.** You can offer licenses with special academic pricing to qualified academic users.

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Program Eligibility and Requirements

Eligibility for the ISV Royalty Licensing Program

The Microsoft ISV Royalty Licensing Program is a worldwide software licensing program for Microsoft solutions partners that qualify as an ISV.

To participate in the ISV Royalty Licensing Program, you must develop a software Unified Solution that adds primary and significant functionality to the Product(s) so that your solution is not primarily a substitute for the Product. A Unified Solution is the software product that you license to your users that includes one or more Products and may include third-party software.

You must also be a member of the Microsoft Partner Network (MPN) at any competency level to enroll in the ISV Royalty program. For more information on MPN, visit the MPN website at <https://mspartner.microsoft.com/>.

Program Requirements

The following are the requirements for participating in the ISV Royalty Licensing Program.

- ▶ **Develop a Unified Solution.**
Develop a value-added Unified Solution that uses Microsoft Products and adds primary and significant functionality to those Products, and distribute the Unified Solution in a tangible media format. For the most recent ISV Royalty Product List, contact your distributor or use the Document Search at www.microsoftvolumelicensing.com/userights/.
- ▶ **Sign a Microsoft Business and Services Agreement.**
Link your organization's existing standard Microsoft Business and Services Agreement (MBSA) to the ISV Royalty Agreement or sign a new standard MBSA if you don't already have one.
- ▶ **Comply with the Microsoft license terms.**
Incorporate any applicable Microsoft license terms into the End Customer Agreement for the Unified Solution.
- ▶ **Provide technical support.**
You are responsible for providing technical product support to your users for the Products included in the Unified Solution.
- ▶ **Abide by the correct use of Microsoft's copyright notice, trademarks, and antipiracy obligations.**
Microsoft ISV Royalty Licensing Program partners and affiliates must follow the requirements for preventing the piracy of Products. You must also comply with Microsoft trademark and logo use requirements and pass-through copyright and similar notices. For more information on piracy, visit Microsoft's piracy website at www.microsoft.com/piracy/.
- ▶ **Provide monthly reporting on software licenses.**
Submit either a monthly royalty report and payment or zero royalty report for all Products that you and your affiliates distributed to your users.
- ▶ **Agree to participate in Microsoft ISV Royalty Licensing Program audits.**
Microsoft and/or its designees may review your records and facilities (including the data centers) to verify compliance and conduct on-location audits if needed.
- ▶ **Comply with the export requirements.**
You need to comply with all applicable export laws. We also recommend that you obtain legal advice regarding the export laws applicable to your business. For informational purposes only, Microsoft has an exporting website on export requirements and other information, including U.S. export regulations, product Export Control Classification Numbers (ECCNs), and export-restricted products at www.microsoft.com/exporting/.

Pricing

To find out the price you are charged for each Product offered through the ISV Royalty Licensing Program, please contact your ISV Royalty Program distributor.

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Royalty Reporting

As a Microsoft ISV Royalty Licensing partner, you must submit consolidated monthly royalty reports to your distributor for all licenses that are distributed in the Unified Solution to your users during the preceding month. If you did not distribute any Products to your users, you must submit a zero royalty report. Your distributor will provide you with details on the format and procedure for submitting the reports and will report to Microsoft on your behalf each month.

To comply with the ISV Royalty Agreement (2013 version only), any end customer who generates more than U.S. \$8,000 (or the equivalent in the applicable currency as of the effective date) per month in revenue to Microsoft must be reported under a separate End Customer Enrollment. For any earlier agreement versions, the individual reporting threshold remains at \$1,000.

An authorized representative of your organization must certify that the monthly royalty report is accurate and complete. If you do not submit a report by the due date each month, then your organization is not compliant with the agreement.

Invoicing

Your distributor uses the information contained in the monthly royalty report to invoice you, in the applicable currency, for the royalties you owe. The distributor then pays Microsoft on your behalf. Your distributor invoices you for the number of units reported in your monthly report multiplied by the distributor's price for each license reported. You are responsible for submitting your payment to the distributor by the agreed on date.

Enrolling in the ISV Royalty Licensing Program

Agreement Structure

The Microsoft Volume Licensing agreement structure makes it easy to negotiate the terms and conditions of multiple agreements. An ISV Royalty Licensing Agreement has two components: the ISV Royalty License and Distribution Agreement and the MBSA.

- ▶ **ISV Royalty License and Distribution Agreement.** This agreement enrolls your organization in the Volume Licensing program.
- ▶ **Microsoft Business and Services Agreement.** The MBSA is a perpetual agreement between a customer and Microsoft. It contains high-level terms and conditions that are applicable to all agreements signed under it, such as use and ownership and confidentiality. It must be signed either with or prior to the effective date for the ISV Royalty License and Distribution Agreement.

Agreement Term

- ▶ The agreement's term is three years.
- ▶ If you want to continue in the ISV Royalty Licensing Program after the three-year term expires, you need to re-enroll by signing a new ISV Royalty License and Distribution Agreement.

How to Enroll

ISV Royalty Licensing agreements are offered via authorized ISV Royalty distributors. Distributors are experts in Microsoft licensing, operations, and support services, and they offer a dedicated resource to support ISVs' product and service needs. Work with an authorized Microsoft ISV Royalty Licensing Program distributor to complete the ISV Royalty License and Distribution Agreement. To find available authorized distributors by country, visit pinpoint.microsoft.com.

To enroll in the ISV Royalty Licensing Program, follow these steps:

1. Complete the Microsoft ISV Royalty License and Distribution Agreement and MBSA if you do not already have one in place. For more information, contact your distributor.
 - ▶ ISVs with an existing standard MBSA via another Microsoft Volume Licensing Agreement (for example, with an Enterprise Agreement, Microsoft Products and Services Agreement, Select Plus*, Open Value, or Services Provider License Agreement

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[SPLA]) should work with their distributor to provide their MBSA number and link the MBSA to their ISV Royalty License and Distribution Agreement.

2. Submit these documents with the signed Signature Form to your distributor.
3. After Microsoft has received your signed Microsoft ISV Royalty License and Distribution Agreement, you will receive a welcome letter that contains an agreement number. Details on how to obtain media and product keys are listed further in this guide.

*Effective July 1, 2016, in markets where the MPSA is available, Microsoft will stop accepting new orders and Software Assurance renewals through existing commercial Select Plus agreements at your next agreement anniversary date. This retirement does not apply to government and academic Select Plus agreements. More information is at www.microsoft.com/selectfaq.

Participating in the ISV Royalty Licensing Program

After successfully enrolling in the program, the following are key steps for participating in the ISV Royalty Licensing Program:

- ▶ Obtain master copies of Products from your distributor.
- ▶ Integrate the Products into your software application to create a Unified Solution.
- ▶ Ensure that the required Microsoft license terms are incorporated into your customer agreements and are agreed on by your users.
- ▶ Sell/distribute and report on licenses for the Unified Solution and Embedded Maintenance distributed to your users.

Licensing

All server Products offered in the ISV Royalty Licensing Program are licensed per Server/Client Access License (CAL) ,per Processor, or per Core. All Microsoft desktop Products offered through the ISV Royalty License and Distribution Agreement are licensed per Server/CAL. For more information on the licensing mode for a particular Product, refer to the Microsoft license terms.

There are two types of licenses offered in the ISV Royalty Licensing Program:

ISV License

This default license type gives the ISVs the ability to integrate and license Microsoft Products as part of their Unified Solution. By using this license, the ISV's end customers can take advantage of the full use capabilities of the underlying Microsoft Products with applications other than the Unified Solution as long as the Products are still licensed and used for the ISV's Unified Solution.

ISV Run-Time License

Licenses for Microsoft SQL Server and Microsoft BizTalk Server through the ISV Royalty Program are offered with additional restricted use rights. With these restricted use rights, the ISV users:

- ▶ Can use the Microsoft Products only with the Unified Solution with which they were acquired.
- ▶ Cannot use the Microsoft products to run any other application or to develop new applications in any other context independent of the Unified Solution with which it was acquired.

Microsoft End User License Terms (or End User License Agreements (“EULA”))

Microsoft End User license terms are a set of rules that define how your users must install and use a particular Product. Each Product has unique Microsoft End User license terms associated with it. For example, the licenses reflected in the Microsoft SQL Server Run-time license terms restrict users from using the product to run applications other than the ISV's application, to develop new applications, or to create new databases or tables (unless the ISV's application requires that a new database or table be created).

You must incorporate the appropriate Microsoft End User license terms for the specific Product that you have included in your Unified Solution into the End User License Agreement for the Unified Solution. For example, if your Unified Solution includes Microsoft Visio drawing and diagramming software and Microsoft SQL Server, you must ensure that the use rights contained in the Microsoft End User

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license terms for Microsoft Visio and Microsoft SQL Server are included in the End User License Agreement for your own software application before distributing it to your users.

Product license terms are available through your distributor.

License Grant

Under the terms of the ISV Royalty License and Distribution Agreement, you can license Products as part of your Unified Solution. Microsoft licenses the Products to you, not the user. You become the legal licensor of the entire Unified Solution to the user, including the Products that are part of your Unified Solution so that the user is bound to the Microsoft license terms.

Product Availability

The ISV Royalty Licensing Program offers you access to a wide selection of Products as published in the [Product List](#). The Product List also includes specific conditions or limitations for using particular Products. The following is a list of some of the most popular Products.

- ▶ Microsoft SQL Server
- ▶ Microsoft Dynamics CRM
- ▶ Microsoft BizTalk Server
- ▶ Microsoft Exchange Server
- ▶ Microsoft Office Microsoft Office Project Server
- ▶ Microsoft Office SharePoint Server

Please note that the Windows Client and Windows Server operating systems are not offered in this program.

Downgrade Rights

An ISV may downgrade to a prior version as long as the following requirements are met:

- ▶ Report and pay the royalty for:
 - the version of the Product as included in the present Product List, or
 - the version of the product that is still within the extended distribution period.
- ▶ You will be invoiced the price of the reported version as indicated in the price list even if you are downgrading to a prior version. Downgrade rights does not mean that you will be paying the prior version prices.
- ▶ You must license the solution under the terms and conditions of the current version that has to be reported. You cannot license the solution under the terms and conditions of the prior version to which you are downgrading. You can find the most recent Product list to determine the current versions under the ISVR program and what products are within the extended distribution period at www.microsoftvolumelicensing.com/userights/DocumentSearch.aspx?Mode=3&DocumentTypeId=5.
- ▶ Microsoft support must remain in effect for the prior version of the Product. You can check the products with active support at <https://support.microsoft.com/gp/lifeselect>.
- ▶ You can order the media (disk kit) for the old version if the disk kit is available in the price list and in stock. If the disk kit for older media is not available in the price list or is not in stock, Microsoft is not obligated to provide a disk kit for older versions.

Extended Distribution

You can sell licenses for the previous version of a Product as integrated in your Unified Solution for up to 48 additional months after Microsoft removes the Product from the Product List. This helps you plan for regular upgrades, and provides assurance for users that the ISV solution they purchased will not become quickly outdated. There are some exceptions, which can be found in the Product List. The Products with exceptions have 24 months of extended distribution period from the time the product is removed from the Product List.

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Embedded Maintenance

You can give your users the option to upgrade to future Product versions for an annual fee with "Embedded Maintenance." The right to upgrade is limited to new Product versions released during the Embedded Maintenance coverage period. Distribution rights for the Unified Solution apply to Embedded Maintenance for the Unified Solution as well as to the Products within the Unified Solution. Coverage must be renewed annually during the agreement's term without lapse or the right to upgrade is voided.

Licenses must be enrolled in Embedded Maintenance when the license is originally acquired. Customers that want to upgrade licenses that were not enrolled in Embedded Maintenance at license acquisition must purchase a new license.

Embedded Maintenance can be acquired:

- ▶ When your end user acquires the Unified Solution or an upgrade to the Unified Solution.
- ▶ As an annual renewal of coverage without a lapse in coverage.
- ▶ Only for the Product in the Unified Solution; you cannot sell Embedded Maintenance for a Product alone.

Royalties for Embedded Maintenance

Royalties are due for Embedded Maintenance at the time the license is enrolled. Embedded Maintenance (both new and renewals) is reported to your distributor on the monthly royalty report along with all other license redistributions.

Delivering Your Solution

After Microsoft approves the signed ISV Royalty License and Distribution Agreement, you can begin distributing Products as outlined in the agreement.

Media Ordering and Fulfillment

You may order the product software media kit for replication from your authorized distributor.

Product Key Activation

Some Products require Volume License Keys (VLKs) to complete installation.

The product key is assigned to a company or organization and must be used for desktop PC or administrator installations of Products. To obtain an ISV Volume License Key, and for a list of products that require VLKs, please contact your distributor.

Delivery Requirements

- ▶ The ISV Royalty Licensing Program allows you to distribute Products and Embedded Maintenance as part of a Unified Solution, not as stand-alone products.
- ▶ You are not allowed to lease or rent Products without a separate agreement with Microsoft.
- ▶ Integrating Products with your Unified Solution must include the entire Product, not just a portion of the Product. Based on your Unified Solution's functionality, certain features might not be used (for example, development tools), but the entire Product must be integrated.
- ▶ While you are allowed to create technically accurate documentation for the Unified Solution based on the information contained in the help files, you cannot modify the help files contained in the Product. This is to ensure that the users receive the complete Microsoft software package and a consistent user experience no matter where or whom they acquire it from.
- ▶ Microsoft does not allow any features to be disabled so that users receive fully functional Products. In addition, disabling certain features can affect other parts of the Product that would be detrimental to the software. However, you can configure the Products in accordance with its software documentation.

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Delivering Software Services

If you would like to provide your Unified Solutions as software services, you need to sign a Microsoft Services Provider License Agreement (SPLA). You can find details about the SPLA at www.microsoft.com/licensing/licensing-options/spla-program.aspx.

Worldwide Distribution

The ISV Royalty Licensing Program allows for worldwide distribution of the Unified Solution, subject to U.S. export laws and subject to certain agreement provisions. Because Microsoft does not exercise control over who you distribute the Unified Solution to, you are required to have agreements with all third-party business entities that you directly provide the Unified Solution to for distribution (and not for sublicense), directly or indirectly, to users.

Additional Resources

ISV Royalty Licensing Program

For information on the ISV Royalty Licensing Program
www.microsoft.com/licensing/licensing-options/isv-program.aspx

Microsoft Partner Network

For details about the requirements, benefits, and resources in the Microsoft Partner Network
<https://mspartner.microsoft.com/>

Microsoft Pinpoint

Find an ISV Royalty distributor
pinpoint.microsoft.com/companies/search?ftgc=449&WT.mc_id=Global_CP_DeepLink_MS_WWLP_2SR_AuthISVDist

Partner Support Community – Online Forum (login required)

For ISVs looking for programmatic support on the ISV Royalty Program. (Choose “ISV Royalty Program” as Topic)
partnersupport.microsoft.com/en-us/mpnpartnmem/forum/mpnpartpq?tab=Threads

Partner University

Review the ISV learning path and other training for Microsoft partners.
<https://mspartner.microsoft.com/en/us/Pages/Training/Training-overview.aspx>

Microsoft Volume Licensing

For information on what software licensing can do for your organization
www.microsoft.com/licensing/default.aspx

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Glossary

Affiliates

A legal entity that owns, is owned, or is commonly owned by or with a party to the agreement. Own means holding or controlling greater than 50 percent of the shares, interests, or assets of a legal entity.

Agreement Number

The unique number Microsoft assigns to the ISV after Microsoft has received the customer's ISV Royalty License and Distribution Agreement.

Client Access License (CAL)

A license required for devices or users accessing certain Products.

Customer

The ISV entity that has signed the agreement signature form and the company's affiliates that have been granted rights under the agreement.

Distributor

A Microsoft authorized Independent Software Vendor distributor of Products. Distributors are only available with the ISV Royalty Program Indirect Channel.

End User Agreement

The agreement between the customer and a user under which the customer provides the Unified Solution to the user.

Effective Date

The date on which the term of a licensing agreement commences—typically the date on which Microsoft accepts the agreement.

Embedded Maintenance

For any underlying Product distributed, the customer's right to upgrade to the latest version of that Product that the customer makes available to the user as part of the Unified Solution during the covered period.

Integrate

Including one or more Products along with the customer's software (and any third-party software) comprising the Unified Solution either copied onto physical media (for example, CD-ROM) that are labeled and packaged as the customer's Unified Solution or preinstalled by the customer on a computer system for distribution to a user as part of the Unified Solution.

ISV

Independent Software Vendor—an entity that develops commercial software solutions.

Products

Microsoft's computer software programs and any other items listed on the ISV Royalty product list on the effective date of the agreement or subsequently added to the ISV Royalty product list. Distinct version numbers identify distinct Products.

Master Copy

A copy of a Product and any related software documentation that Microsoft has released for distribution to the customer.

Microsoft license terms

The Microsoft user Product use rights for each Product.

Media

Materials such as a floppy disk or CD-ROM disc for a Product.

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Microsoft

Microsoft Corporation or the contracting Microsoft affiliate that executes Microsoft Volume Licensing agreements.

ISV Royalty Product List

The statement published quarterly by Microsoft, which identifies the Products available under a Microsoft Volume Licensing program and any Product-specific conditions or limitations on acquiring licenses for the Product. Products must be listed on the ISV Royalty Product List to be eligible for distribution through the ISV Royalty Licensing Program.

Royalty Run-time License

Allows a customer to use the Products only with the ISV's Unified Solution. The user is restricted from using this software to run other applications or to develop new applications or in any other context independent of the application with which it was obtained.

Unified Solution

The software product that the customer licenses to users that includes one or more Products, adds significant and primary functionality to the Products, and may include software that the customer acquires from third parties.

Usage Country

The country into which a customer distributes the license.

User/End User

An individual or entity that directly or indirectly acquires from the customer a Unified Solution for its own use and without the right to resell or redistribute it.

Zero Royalty

This means you did not distribute to its users any of the Products as a part of a Unified Solution during the reporting period.