

Microsoft Azure Customer Solution

Licensing guidance

Summary

This article is intended to provide clarity on the Azure Customer Solution (formally known as the Hosting Exception) provided in the Azure Product Terms. This article is not designed to introduce new or supplement existing terms but rather provide insight into this topic and the intent of the Azure Customer Solution.

Contents

Summary.....	1
Microsoft intent.....	1
Azure Customer Solution provisions.....	2
Exceptions	3
Example scenarios	3
Selling a solution vs. selling Azure services	4
Frequently asked questions	4

Microsoft intent

If an entity wants to resell Microsoft Azure services, they should evaluate the Cloud Solution Provider (CSP) program. The Azure Customer Solution in the Azure Product Terms allows an entity who purchases Microsoft Azure through a volume licensing agreement to build a solution on Microsoft Azure and sell that solution to their customers.

The Azure Customer Solution in the Product Terms is intended for customers like Independent Software Vendors (ISVs) who purchase and consume Azure Services to develop and deliver a Software as a Service (SaaS) application that meets the definition of a “Customer Solution” as defined in the Product Terms.

At a high level, you can consider three main scenarios for offers built with Azure. However, each scenario needs to be evaluated closely and may not fit into one of the following predefined scenario:

- 1) **Entity selling Azure only**—evaluation of the CSP program
- 2) **Entity providing a SaaS powered by Azure**—the Azure Customer Solution in the Enterprise Agreement (EA) or Microsoft Customer Agreement
- 3) **Entity doing something else** (Infrastructure as a Service [IaaS], reselling Azure on the EA, bundling Azure services without added value, etc.)—this is likely not allowed under the Azure product terms applicable to volume licensing programs. Discuss with your Microsoft account team to determine the right model to help you take these types of offers to market with Microsoft products.

Azure Customer Solution provisions

DISCLAIMER: For the current terms and conditions that are applicable and Microsoft’s licensing rules, please refer to the Product Terms [here](#).

Azure Customer Solution

Use Rights and Conditions for Use

Customer may create and maintain a **Customer Solution**. Despite anything to the contrary in the Customer’s licensing agreement, Customer may permit third parties to access and use the **Microsoft Azure Services** solely in connection with the use of that **Customer Solution**.

Customer is responsible for ensuring that third parties who access, use, or distribute the Customer Solution comply with these terms, and the terms and conditions of Customer’s licensing agreement, and all applicable laws.

Customer Solution means any application that the Customer makes available to its end users consisting of Customer’s applications and the Microsoft Azure Services, whereby Customer’s application adds primary and significant functionality and is not primarily a substitute for the Microsoft Azure Services. Customer applications that only provide billing, license management,

and/or infrastructure services (e.g., virtual machines, containers, storage, or management for such infrastructure services) do not constitute “primary and significant functionality.”

Exceptions

Certain Microsoft Azure Services may have alternatives to the Azure Customer Solution clause. It is your responsibility to review all terms and conditions applicable to the individual services in question.

You can do so by visiting the Product Terms [here](#).

Example scenarios

Each scenario is unique, and you should evaluate your solution based on the Product Terms. Here are some example scenarios and whether they would be allowed under the Azure Customer Solution clause.

Scenario	Allowed under Azure Customer Solution clause?
Travel Company has an online reservation system deployed in Azure that's used by unaffiliated third parties (i.e., other travel companies) for the end customers of the Travel Company and end customers of the Travel Company's unaffiliated third parties.	Yes
Managed Service Provider adds a user interface (UI) to its Azure instance and claims the UI is a hosted solution.	No
Infrastructure provider uses its own Azure tenant to provide managed infrastructure services to a third party or its end customers.	No
Reseller sells pure Azure Services to a customer.	No
On-premises hoster offers an IaaS and/or SaaS solution to its end customers and wants to use Microsoft Azure Services licensed under the hoster's internal-use commercial licensing agreement to provide security on the servers.	Yes

Selling a solution vs. selling Azure services

The right way for an entity to contract depends on if they are selling a solution built on Microsoft Azure, or re-selling Microsoft Azure services.

Selling a solution that is built on Azure	Selling Azure services
<p>The following are indicators that a customer solution is being sold:</p> <ul style="list-style-type: none">• Azure costs make up a minority of the cost charged to the end customer• Individual meters and meter prices aren't exposed to the end customer• Individual Azure services are used to host solutions that serve multiple end customers e.g. a virtual machine hosts an application serving multiple customers <p>Purchase on Enterprise Agreement or Microsoft Customer Agreement</p> <p>The Azure Customer Solution allows the creation and maintenance of a customer solution that <u>adds primary and significant functionality to Microsoft Azure Services</u> and is not primarily a substitute for Microsoft Azure services.</p>	<p>Providing valuable services to customers, which includes selling Azure services.</p> <p>Common Scenarios include re-sale with:</p> <ul style="list-style-type: none">• Managed Services• Cost Optimization• Enhanced Support <p>Become a Cloud Solution Provider (CSP)</p> <p>The entity should become a CSP where they can sell Microsoft Azure to end customers in conjunction with providing value-add services and support.</p>

Frequently asked questions

1. What if I'm unsure whether my solution adds "primary and significant functionality"?

Your solution that runs on Azure should unequivocally be adding primary and significant functionality. If there is any ambiguity, your solution likely does not meet this requirement and should be closely evaluated.

2. Are there Azure Services that are not covered by the Azure Customer Solution?

Yes. Services purchased as a Microsoft Azure Services Plan (except Azure Stack Hub) are not covered. You cannot license the use of Azure Virtual Desktop for your Customer Solution through any means other than the Azure Virtual Desktop per user access license which is specifically for Azure Virtual Desktop Customer Solutions. For example, you may not use Azure Virtual Desktop licensed through a Microsoft 365 User Subscription Licenses. [\[View related Product Terms.\]](#)

3. I am a Software Development Company (SDC) and also want to resell Azure to customers. What should I do?

SDC partners who want to resell Azure should evaluate the [Cloud Solution Provider \(CSP\) program](#).

4. I have a Managed Services business designed to drive customers to Azure and I'll configure, manage, and/or support the end customer's Azure environment. What is the right way for me to go to market in this fashion?

The [Cloud Solution Provider \(CSP\) program](#) allows you to provide the full Managed Services to your customer.

5. What is the difference between a Managed Services provider and a Software Development Company (SDC) running a Customer Solution on Azure?

A Managed Services provider does not provide a finished application; it manages an end customer's cloud environment on their behalf.

An SDC running an Azure Customer Solution is a customer that has created a net-new SaaS application running on Azure. The end customer is purchasing the whole solution versus the underlying services standalone, which is required for the application to run.

6. Can I host other Microsoft products that run on Azure under the Azure Customer Solution?

The Azure Customer Solution clause only applies to Azure Services. Please review the applicable service-specific terms for other Microsoft products in the Product Terms to confirm whether any hosting use rights exist.

7. I built a portal (i.e., a management console) to run on Azure. Does that qualify for the Azure Customer Solution?

It depends on whether the “portal” meets the Azure Customer Solution criteria:

- Adds primary and significant functionality to the Azure Services, and
- Is not primarily a substitute for the Azure Services, and
- Does not solely provide billing, license management, and/or infrastructure services (e.g., virtual machines, containers, storage, or management for such infrastructure services).

8. I provide hosted IAAS and/or SAAS solutions from my datacenter for my end customers and would like to use Microsoft Defender for Cloud licensed under my Enterprise Agreement or Microsoft Customer Agreement to protect those servers. Is this acceptable?

Provided Microsoft Defender for Cloud is defined as a Microsoft Azure Services (pursuant to the Product Terms), and you are compliant with the Azure Customer Solution obligation to combine primary and significant functionality with Microsoft Azure Services (e.g., Microsoft Defender for Cloud in this example), you may use the eligible license obtained under your Enterprise Agreement pursuant to the Product Terms. Since the Microsoft Defender for Cloud is only a minor component to the larger solution the provider is offering, this scenario could be considered primary and significant functionality.

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