

# Broadcom's brutal contract termination and imposition of prohibitive licensing terms will decimate Cloud Infrastructure

*Cloud services essential to public and private sector, including local government, hospitals and universities as well as businesses, could go offline in 2 weeks*

BRUSSELS, BELGIUM, March 19, 2024 /EINPresswire.com/ -- Today, CISPE calls upon regulators,



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*Francisco Mingorance,  
secretary general of CISPE.*

legislators and courts across Europe to swiftly scrutinise the actions of Broadcom in unilaterally cancelling license terms for essential virtualisation software.

- Broadcom, a US technology giant, has unilaterally cancelled all licenses for VMware software following its acquisition of the company last year.
- Cloud services vendors and customers are left in limbo, without clarity as to how, when, or if they will be able to license VMware software from 1st April 2024.
- Customers have reported price hikes of as much as twelve-times, even if they are invited to relicense VMWare software.

Cloud customers, including public sector bodies, large European businesses, SMEs and start-ups are all threatened by egregious and unwarranted new contract terms and price increases. CISPE is calling for, at minimum, an immediate pause to contract terminations and the ability of customers to exit the multi-year contract imposed by Broadcom as soon as viable alternatives become available.

Several CISPE members have stated that without the ability to license and use VMware products they will quickly go bankrupt and out of business. Some state that over 75% of their revenues depend on VMware software virtualisation technologies. End customers, ranging from large national champions and public sector services to SMEs and start-ups, report that they will not be able to deliver some or all of their online services if this licensing issue is not resolved. In some cases, these include vital medical services. Ultimately, citizens will be deprived of everyday, cost-effective cloud services and Europe's digital ambitions will be severely damaged.

CISPE members, Europe's leading cloud infrastructure service providers, report that in many cases termination notices have been received late if at all, giving just a few weeks' notice. Hundreds of products have been removed with no notice, and the remaining ones re-bundled through new contract terms, without any technical modifications or software developments in ways that unfairly increase costs for customers. In addition, vendors are unsure if they will even be invited to participate in Broadcom's new partner programmes. Those that are invited feel pressured into accepting unfair licensing terms by the short deadlines imposed to sign. New terms include minimum commitments amounting to tens of millions of Euros over three-year periods. Costs for licences have increased by a factor of twelve (i.e. 1,200 per cent) in some cases.

"At a time when our members are moving to support the requirements for switching and portability between cloud services outlined in the Data Act, Broadcom is holding the sector to ransom by leveraging VMWare's dominance of the virtualisation sector to enforce unfair licence terms and extract unfair rents from European cloud customers," commented Francisco Mingorance, secretary general of CISPE. "These changes harm European customers and cloud service providers, increasing costs and reducing choice."

As market leader in the cloud virtualisation sector (VMWare held almost 45% of the virtualisation market in 2023) and the only viable option in some specific cloud sector applications which must be certified by software or service providers. Broadcom should be regarded as a Gatekeeper under the terms of the DMA and its actions should be seen as those of a dominant player as it forces 'take it or leave it' terms on customers. CISPE calls on regulators to swiftly examine Broadcom's actions and call it to account.

"As well as inflicting financial damage on the European digital economy, these actions will decimate Europe's independent cloud infrastructure sector and further reduce the diversity of choice for customers. Dominant software providers, in any sector from productivity software to virtualisation, must not be allowed to wield life or death power over Europe's digital ecosystems," Mingorance added.

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