



# European Cloud Competition Observatory

Second Report on Broadcom

May 2025



The European Cloud Competition Observatory (ECCO) was established as part of CISPE's agreement with Microsoft to resolve CISPE's competition complaints. ECCO is an independent monitoring body composed of CISPE members, with the support—acting as observers—of European customer organizations such as Cigref (France) and Beltug (Belgium). It operates independently under the auspices of CISPE.

### **Mandate and Scope**

ECCO's initial role is to assess and report on Microsoft's progress in fulfilling the commitments outlined in the Memorandum of Understanding (MoU) signed between CISPE and Microsoft in July 2024. Guided by CISPE and European customer organizations, ECCO will also monitor the behaviour of other software companies, including Broadcom/VMware, whose practices may limit cloud choice for European customers.

This report offers a comprehensive assessment of Microsoft's progress toward fulfilling the MoU. To enhance clarity, ECCO has implemented a Red/Amber/Green (RAG) status rating for each issue evaluated:

- **Green** – On track: significant and sufficient progress is being made to end unfair software licensing practices.
- **Amber** – Some concerns exist but corrective actions have been proposed.
- **Red** – Critical: insufficient progress has been made as of the report date.

# Broadcom's ongoing unfair software licensing practices

**Overall Status = RED**

Since the publication of the first ECCO report in February 2025, the majority of CISPE members have entered into new licensing agreements with Broadcom. However, these agreements were often signed under significant pressure, influenced by a lack alternatives, abrupt contract terminations, and financial incentives such as rebates for longer-term commitments.

Consequently, while Broadcom has succeeded in transitioning VMware customers to its new licensing framework, these customers continue to face substantial financial burdens and operational disadvantages due to the imposed terms.

This report focusses on the specific new harmful behaviours of Broadcom in the last several months. *An overview of the unfair licensing practices in relation to VMware prior to this presented in an appendix available on the CISPE website.*

ECCO asserts that, unless Broadcom promptly implements a set of critical changes and adaptations to its licensing terms (under **Minimum Urgent Measures**, below) the company's financial model remains legally and ethically flawed.

The current VMware licensing model appears to rely on practices that breach EU competition regulations which, in addition to imposing harm on its customers and the European cloud ecosystem, creates a material risk for the company and their shareholders should Regulators investigate and challenge the legality of such model.

The recently reported filing with the European Commission of a formal complaint by German IT customer association, VOICE, against Broadcom further emphasises the need for definitive action to end these harmful practices.

In light of the above, and in the absence of any concrete positive changes or modification to their commercial terms/policies, ECCO continue to view the software licensing terms imposed by Broadcom as unfair and anticompetitive. It rates Broadcom as RED status.

## New Unfair and Harmful Actions Since Last ECCO Report

Since the last ECCO report on Broadcom (February 2025), several actions by the company have worsened the situation for European cloud infrastructure providers, their customers, both private and public sector, which depend on VMware virtualisation software.

CISPE members report Broadcom has recently made [additional changes](#) to partnership program altering rewards structures. These force partners to choose between being a service provider or a reseller. It is common in Europe for CPS to play both roles, thus these new requirements are a further harmful restriction on European cloud service providers' ability to compete and serve European customers.

Broadcom continues to seed uncertainty and doubt as to its licensing programmes among partners. On 5th May, for example, it posted a blog indicating that it is reassessing incentives, requirements, and tiering structures. CISPE members fear that this is another set of changes that will further undermine competition.

Broadcom has instigated a highly litigious approach to partners and customers. [Cease and desist letters](#) have been sent to perpetual license holders and a legal suit has been filed against [Siemens'](#) US operations. CISPE members fear that these actions speak to the overall behaviour of Broadcom in the market, and that they too will soon face litigation if they do not accept imposed terms.

## Minimum Urgent Measures

Consistent with its Principle for Fair Licensing, CISPE calls on Broadcom to adopt a series of critical changes and adaptations which are essential to restore fair licensing of VMware software for Cloud Service Providers.

### 1. Reestablish Predictable and Fair Business Relationships

- Advance Notification: Broadcom must guarantee a minimum of six months' notice prior to any changes to contractual terms, pricing structures, or conditions applicable to renewals.
- Stakeholder Engagement and Dialogue with ECCO: Broadcom should proactively engage with CSPs. A sustained and open channel for constructive dialogue with ECCO should be implemented to improve transparency and collaboration.

### 2. Introduce Transparent Pricing for Usage Variability Aligned with Cloud Business Models

- Charges for peak usage must be based on contractually agreed prices.
- CSPs should not be penalised for over or under-usage.
- Adopt flexible, cloud-aligned licensing options, allowing committed volume reductions.
- Implement pricing models aligned with flexible capacity and infrastructure realities.

### 3. Facilitate Access to Partner Programs

- Inclusive Partner Tiers: Smaller CSPs should be granted easier access to higher-tier partner statuses, including exemptions from certain minimum thresholds.
- Dual Functionality: CSPs should continue to be permitted to act simultaneously as both Resellers and Service Providers, particularly those providing hybrid services such as colocation and private cloud.
- Onboarding Extensions: Provide onboarding extensions of at least six months for smaller CSPs entering as white-label customers, allowing a more realistic integration timeline instead of facing the prospect of litigation or business termination.

### 4. Safeguard End-Customer Privacy and Anonymised Usage Reporting

- CSPs must be enabled to offer services, and indeed pay for all consumed services, without disclosing end-customer identities associated with their workloads and usage patterns.

## ECCO Summary of Broadcom's Ongoing Unfair Software Licensing Practices

ECCO consider the software licensing terms imposed by Broadcom remain unfair and anticompetitive. Irrespective of the numbers of CISPE members (and those in the wider cloud sector) that have now signed new contracts, ECCO believes that regulatory action is necessary.

In the absence of any critical changes and adaptations to its licensing terms, measures including the reinstating of previous contract, the suspension of ongoing litigation initiated by Broadcom as a result of change of terms, should urgently be considered by the Regulator.

## About ECCO

The European Cloud Competition Observatory (ECCO) was created as part of CISPE's anti-competition settlement agreement with Microsoft. ECCO is an independent monitoring body comprising CISPE members plus the support, as observers, of European customer organizations, such as Cigref in France and Beltug in Belgium. It operates as an independent body under the auspices of CISPE.

