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# RESEARCH

# Client Access Licenses Split Server Features

*Customers will have more options when licensing the next round of Office servers, but new licensing rules complicate the choices and could increase costs*

**By Paul DeGroot**

Client Access Licenses (CALs), which govern access rights to Microsoft servers, will undergo significant changes as Microsoft's Information Worker group develops a more granular approach to delivering advanced server features. Customers will require at least two CALs to access the full feature set of some upcoming servers. The changes will have an impact on how servers are installed, how CALs are managed, and how much customers pay. Although Microsoft has not yet announced specific pricing, even customers with upgrade rights will likely pay more. Server licensing is also likely to become more complex as customers struggle to understand the terminology.

## How CALs Work

Most Microsoft servers require two types of licenses. The first is the server license itself, required to install the server software (e.g., to install a copy of Windows Server 2003 on server hardware), and the second is some form of license for any user or device that connects to the server and uses some of its features.

The most common form of user or device license is a CAL, which ranges in price from about US$30 to US$200, depending on the server software being accessed and the purchaser's volume agreement discount. Other options include per-processor licensing and External Connectors, which cost about US$2,000 to US$30,000 per server and let external partners or customers access an organization's servers without requiring CALs for each external user. When servers are licensed on a per-processor basis, CALs are not required, but per-processor licenses are usually more expensive than server licenses that require CALs.

CALs are purely a license right. They are not installed on computers as a Registry key or software, and Microsoft provides no mechanism for programmatically determining whether a given computer or user is licensed to access a given type of server (with the exception of Terminal Services, which uses tokens on clients to ensure that licensing limits are not exceeded).

## Splitting CALs

When servers are updated, CALs must also be updated so that the CAL version matches the server version. For example, users or devices accessing a Windows Server 2003 machine must have a CAL for Windows Server 2003; this CAL can be used to access any earlier version of the server as well.

Until 2005, a given server version had only one CAL, which applied to all editions of the server: a Windows Server 2003 CAL could be used to access the Standard, Enterprise, or Datacenter Editions of Windows Server 2003, for example.

The first break in this long-time policy came with the launch of SQL Server 2005. With that version, a Workgroup Edition CAL grants rights to access SQL Server Workgroup Edition; a standard SQL Server 2005 CAL, which costs about 10% more, grants rights to access all versions of SQL Server, including the Workgroup, Standard, and Enterprise Editions.

With the advent of Office 2007 and future versions of Exchange Server, Live Communications Server, and SharePoint Portal Server (all overseen by Microsoft's Information Worker business unit), Microsoft will add another wrinkle to CAL requirements:

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## Standard and Enterprise Features in SharePoint Server 2007

**Standard and Enterprise Client Access Licenses (CALs) in SharePoint** will license different server features, and customers will need to have the appropriate CAL to access specified features.

The Windows Server CAL is required in all scenarios. In addition, the Enterprise CAL requires the Standard CAL; customers cannot purchase the Enterprise CAL by itself.

Note that Windows SharePoint Services is an add-on to Windows Server and currently requires no CAL other than the CAL normally required to access Windows Server.

Microsoft has not yet released a similar breakdown for other servers, but Exchange 2007 and Live Communications Server 2007 will also have Standard and Enterprise CALs.

| Type of CAL | Features Licensed |
|---|---|
| **Windows SharePoint Services (Windows Server CAL)** | Simple project management (e.g., issue tracking) <br> Team workspaces and blogs <br> Windows Workflow Foundation <br> Basic document management with versioning, metadata <br> Basic site infrastructure and user roles <br> Text search of team sites |
| **SharePoint Server 2007 Standard CAL** | Workflow templates and reporting for enterprise content management <br> Policy management, auditing, records management <br> Personalization, deployment, Site Manager <br> Customizable search of enterprise content <br> Search for people and expertise |
| **SharePoint Server 2007 Enterprise CAL** | Search for business application data (e.g., enterprise resource planning data) <br> Business data library and Web Parts integration <br> Electronic forms management, publishing, creation <br> Excel Services: server spreadsheet calculation, publishing, reporting |

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CALs will come in both Standard and Enterprise Editions, each of which grants rights to use specific server features.

(For a description of server changes that affect Office, see "Office Server Line Taking Shape" on page 5. Packaging, naming, and pricing for the next version of the Office suite are described in "Office 2007 Suite Packaging Announced" on page 24.)

The terms "Standard" and "Enterprise," though applied both to CAL editions and server editions, do not refer to similar qualities. "Enterprise" identifies a server as a high-capacity or highly scalable version, although its feature set may be generally similar to a lower-capacity Standard Edition. For example, Exchange has an Enterprise Edition that can be clustered, while the Standard Edition cannot.

When applied to CALs, however, the term "Enterprise" has a different meaning: it indicates that the client is licensed to access certain server features or functions that cannot be accessed by clients with only a Standard CAL. For example, a device with an Enterprise CAL for SharePoint Server 2007 (the next version of what is currently called SharePoint Portal Server) will be allowed to use that product's new Excel Services feature, its business data library, and electronic forms management and publishing features. However, a device with a Standard SharePoint Server 2007 CAL will not be allowed to access those features.

SharePoint Server 2007 is the only product for which Microsoft has identified specific features that are licensed with each CAL, but the Information Worker unit is likely to also require Enterprise CALs to access advanced features of other servers, such as Exchange and Live Communications Server. (For a breakdown of the SharePoint features accessible with various types of CALs, see the chart "Standard and Enterprise Features in SharePoint Server 2007" on page 3.)

### Compliance Issues

Both Standard and Enterprise CALs continue to be licenses only and do not have any impact on the features exposed by the server, which are determined by the server owner when the server application is installed. If features that require an Enterprise CAL are installed, users with Standard CALs could access them, but they will not be compliant from a licensing perspective.

To avoid license infringement, an organization with Standard CALs for a server product must turn off any features that require Enterprise CALs when they install the server. If they turn on the feature, they must ensure that all users of that server have the Enterprise CAL for that server product.

Customers cannot purchase only an Enterprise CAL; a Standard CAL is a prerequisite for using an Enterprise CAL.

To reduce the risk that customers will find themselves out of compliance with Microsoft's licensing rules, the company will ship some auditing tools with servers so that customers can track who accesses servers with which CALs.

Customers who currently have Software Assurance upgrade rights on CALs for a server product will be required to pay an additional fee to get Enterprise CALs for that product. Without paying the additional fee, they will be upgraded only to the appropriate version of the Standard CAL of the product.

### Enterprise CAL Suite

Another change in the works is the introduction of a new Enterprise CAL suite distinct from the Core CAL, a suite of commonly used CALs that volume licensing customers can purchase.

The Core CAL includes CALs for the current versions of Windows Server, Exchange, Systems Management Server, and SharePoint Portal Server. The Core CAL is offered at only a slight discount (about 5%) off the price of these CALs purchased individually; its main value is that it simplifies license management for desktop PCs and reduces the chance that a customer could accidentally be noncompliant with Microsoft's licensing terms. The Core CAL must always be purchased with Software Assurance (SA) upgrade rights; this ensures that any time an organization upgrades one of the servers covered by the Core CAL, its users are automatically entitled to access that server without purchasing new CALs.

Microsoft will now introduce an Enterprise CAL suite, which includes CALs for a much greater selection of servers and services. The company will also allow customers to purchase specific individual additional CALs in situations where that was not permitted before. (Confusingly, the Enterprise CAL suite is not limited to Enterprise product CALs. Some Standard CALs are included as well.) The composition and pricing of the Core CAL will remain the same.

Specifically, the Enterprise CAL suite includes a Core CAL; Standard and Enterprise product CALs for Live Communications Server; additional Enterprise product CALs for Exchange and SharePoint Server (the Core CAL already includes Standard CALs for those products); a Standard CAL for Rights Management Server; and an Operations Management License (OML) for Microsoft Operations Manager (which can

then monitor the performance of the PC). In addition, it includes a "System and App Security Subscription"—a combination of as-yet-unspecified security services and software for business PCs.

The total price of the Enterprise CAL is expected to be about twice that of the Core CAL, or about US$558 over three years in a basic Enterprise Agreement (EA), a type of volume agreement commonly used by large Microsoft customers. However, unlike the Core CAL's minimal discount on its component CALs, the price of the Enterprise CAL will represent a 50% savings over its component pieces.

Additional product CALs may be purchased separately to supplement the Core CAL. This is a break from current practice: today, CALs that are available in the Core CAL are not sold separately in EAs because Microsoft wants customers to purchase the Core CAL. For example, Windows Server CALs cannot be purchased separately in an EA except through a separate volume agreement, such as a Select agreement (where discounts are lower than in an EA). When Enterprise product CALs become available, customers will be able to purchase additional CALs, such as Enterprise CALs for Exchange, on an ad hoc basis, even inside an EA.

### Customer Impact

In spite of Microsoft's oft-expressed desire to make licensing simpler, customers will be hard-pressed to find anything simpler about the new Information Worker licensing, and prices will rise for customers who want to license the full capabilities of new Microsoft servers.

### Difficult to Track

CALs present one of the thorniest asset management tasks that many IT professionals face, and Microsoft provides no tools to effectively count or manage them, other than the newly announced auditing tools, which will probably still require manual analysis and comparison with corporate purchasing and licensing records.

IT personnel hired for their technical expertise in deploying software and managing user accounts can find themselves on the wrong side of a licensing audit unless they are familiar with Microsoft's licensing rules, the purchasing history of their organization, and now the features that may be accessed with a given flavor of CAL.

### Confusing Nomenclature

The terminology used to describe CALs presents another problem. A single term has different meanings in various contexts, and some terms appear to be used incorrectly.

Microsoft now uses the term "Enterprise" to describe the following five types of licensing entities:

• The Enterprise Agreement, one type of volume licensing agreement used to purchase CALs and server licenses

• An Enterprise product CAL that licenses additional functionality for a particular server product

• A specific suite of CALs that can be licensed in an EA (and that includes both Standard and Enterprise product CALs)

• A high-end edition of a server (e.g., Exchange Enterprise Edition)

• A new Enterprise Office suite edition that includes a broad set of desktop applications.

Use of the term "Enterprise" in each of these cases does not imply any functional relationship between any of them: an EA does not mean that a customer must purchase Enterprise product CALs, nor does it give the customer an automatic right to Enterprise product CALs, the Enterprise CAL suite, Enterprise editions of servers, or Office 2007 Enterprise Edition, for example. Furthermore, there is no relationship between Enterprise product CALs and the Enterprise Editions of the corresponding servers: customers can use a Standard product CAL with an Enterprise Edition server product, (although they are not permitted to use all the features of that server), and will have to use an Enterprise product CAL to unlock the full features of many Standard Edition server products. Finally, the term "Enterprise" is not meaningful in

some cases—small businesses can purchase and will find benefits in Enterprise CALs or Office Enterprise Edition.

The term "Standard" fares slightly better: it refers only to a type of CAL, a server edition, and an edition of Office.

### *No Price Protection with SA*

The new CALs represent a break with Microsoft's pricing policy as well. In the past, when customers upgraded to a new server product version, they were generally allowed to access all the improvements and new features of that server product (exceptions include Rights Management Services and Terminal Services, which ship in Windows Server but require separate CALs). Now, the extra features require extra licenses, the Enterprise CALs. Microsoft is promoting forms management as a major new feature in SharePoint Server 2007, for example, but merely upgrading licenses and CALs to SharePoint Server 2007 will not be enough to get electronic forms management—customers will have to purchase SharePoint Server Enterprise CALs as well.

Even customers who have purchased SA upgrade rights on their current product CALs will have to pay more to get Enterprise product CALs, which could surprise many SA customers. Microsoft has in the past almost always given SA licensees the higher edition when a product is split into two editions. By requiring a separate CAL, Microsoft has, in effect, not created a "higher" edition but a new product. There-

fore, SA customers will thus need to pay more, just like customers who have not purchased SA.
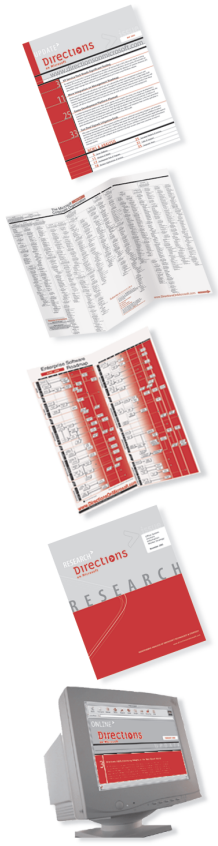
### *Higher Prices*

The company has not released pricing for the new CALs, but it is likely that the Standard CAL will cost as much as today's CAL. In the case of SharePoint, for example, a CAL purchased through the Open License program costs US$73. If the Enterprise CAL (whose price has not been announced) also costs US$73, a customer will be spending US$146 per PC to license the full capabilities of SharePoint Server.

As with the Core CAL, customers will need to analyze the Enterprise CAL suite carefully to determine whether they will be better off licensing CALs individually or as part of the Enterprise CAL suite. For example, very few customers use MOM today to manage any quantity of desktop PCs. (One reason: a MOM OML costs more than US$400 per PC.) If they purchase the Enterprise CAL, they will be paying for the OML even if they don't use it.

Greater flexibility when purchasing Enterprise product CALs in an EA could be useful to many customers, although it challenges one of the main reasons that customers buy an EA in the first place: licensing simplicity. With the current EA, customers have a clear idea of the desktop software that can be installed on any PC in their organization. Organizations that begin to make ad hoc purchases of specific Enterprise CALs could complicate their license management. ❯

# Directions
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