

## **All You Ever Wanted to Know About Passport Advantage Trade-up Parts**

### **Passport Advantage Trade-up Offerings**

Version 4; May 16, 2013.

- **Purpose of this document**
  - This document has been created to inform and educate IBM and Business Partner sellers about the contractual terms, policies, and procedures concerning the proper use of trade-up parts under Passport Advantage and Passport Advantage Express.
- **The Offering Types**
  - There are two types of trade-up license parts offered: (1) Competitive trade-ups and (2) IBM trade-ups. Both are intended to provide an incentive price for a product because the customer already has at least one of the required qualifying products. These two types and their respective features and use requirements are described in detail later in this document.
- **Differences between standard licenses and trade-up licenses**
  - The differences are the pricing (trade-ups are lower in price than their standard license counterparts) and the requirement that the customer gives up their right to use the product(s) that qualified them to obtain the trade-up parts.
  - The specific terms associated with the use of trade-up parts can be found in the applicable Passport Advantage or Passport Advantage Express Agreements, which can be found here: [PA Agreements & Forms](#)

For Competitive trade-ups, Passport Advantage terms state, in part: “Licenses for certain Programs that replace qualifying Non-IBM Programs may be obtained for a reduced charge. You agree to terminate your use of the replaced Non-IBM Programs when you install the replacement Programs.”

For IBM trade-ups Passport Advantage terms state: “Licenses for certain Programs that replace qualifying IBM Programs may be obtained for a reduced charge. You agree to terminate your use of the replaced IBM Programs when you install the replacement Programs.”
- **Availability of Trade-ups for Passport Advantage Eligible Products**
  - Trade-up parts are only available for certain products. A given product may offer either no trade-ups, competitive trade-ups only, IBM trade-ups only, or both competitive and IBM trade-ups.
  - Trade-up parts cannot be obtained through online ordering portals such as Passport Advantage Online e-ordering or the IBM Software Online Catalog ([ibm.com/software](http://ibm.com/software)).
- **Competitive Trade-ups**
  - Competitive trade-up licenses can only be used when displacing a qualifying competitor's product with the IBM product.
  - The qualifying competitive product(s) for a competitive trade-up part are often explicitly stated in the part description, in which case, the part is self-documenting.

For competitive trade-up parts whose descriptions are not self-documenting, or to determine if another competitive product other than that specifically called-out in the

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part description qualifies for trade-up use, consult the product announcement letters, product web pages, product/brand licensing web content/documentation, or brand pricing.

- As an IBM or Business Partner seller, you must obtain evidence (1) that your customer is currently licensed for the product(s) that qualifies them to be eligible to obtain the trade-up parts and (2) the level (quantity) of such licensing. Examples of acceptable documentation are certificates of authorization showing the product name and license quantity, or paid invoices with the same detail.

Most customers will likely be willing to provide evidence of their level of licensed use in return for being eligible for trade-up pricing. Others may only be willing to provide you with a statement (by email or letter on company letterhead) that they are licensed for the qualifying product, in which case the template at the end of this document in Appendix A can be provided to the customer for their completion and submission to you as their seller. If they are not willing to provide any documentation or statement of current licensed use of the qualifying product at all, a special bid exception approval request must be initiated - you must consult S&D special bid pricing or your IBM Business Partner representative for special bid processing before committing/quoting trade-up parts and prices to your customer.

In cases where a special bid is involved in the transaction, all documentation regarding the customer's eligibility to obtain trade-up parts should be submitted for inclusion in the special bid tool as attachments.

In all other cases:

For audit purposes, you should retain records - documentation, emails, etc. that evidence the customer's licensing of competitive products on the basis of which you have determined their eligibility to obtain trade-up parts. You must keep this documentation in your customer file with any other documentation related to the transaction in which the trade-up parts are included, for possible future reference and audit inspection. You must keep this documentation for a period of two years from the date of the trade-up order being accepted and processed. By processing orders for your customers for trade-up parts, you are confirming you have performed this check and have retained the required documentary evidence of eligibility.

- When offering a trade-up part, an "equivalence" concept should always be applied against the customer's installed-base of the qualifying competitive product being displaced.

Since competitive trade-ups are only to be used where we are displacing a competitive product, it makes sense for us to be replacing the competitive product licenses with the equivalent quantity of our product. That doesn't necessarily mean the quantities need to be identical, only that the end result must be equivalent. One reason why the quantities may be different concerns the way we and the vendor of the competitive product license our respective products - what we often refer to as "license metrics". We may offer the product on a capacity basis, such as per Processor Value Unit or per server, whereas the customer may have licensed the competitive product as per user, or per processor, for example.

The important word is "equivalence". An example of something that would **not** meet this equivalence test is where the customer currently uses Microsoft Outlook clients plus Microsoft Exchange Server to service the mail needs of a 100-person department in their organization, but wants to buy CEO Lotus Communications using only trade-up parts for their entire Enterprise of 1000+ users.

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You should consult S&D special bid pricing or your IBM Business Partner representative for guidance before committing/quoting trade-up parts and prices in cases where there is a disconnect in the equivalence evaluation.

- **IBM Trade-ups**

- IBM trade-up licenses can only be used where IBM has announced a defined path for migration from one IBM product to another and for which IBM intends to provide preferential pricing because of the customer's previous licenses.
- The qualifying IBM product(s) for an IBM trade-up part are often explicitly stated in the part description, in which case, the part is self-documenting.

For IBM trade-up parts whose descriptions are not self-documenting, or to determine if another IBM product other than that specifically called-out in the part description qualifies for trade-up use, consult the product announcement letters, product web pages, product/brand licensing web content/documentation, or consult brand pricing.

- As an IBM or Business Partner seller, you must obtain documentation, by the use of available customer data research tools, that your customer is currently licensed for the product(s) that can qualify them to be eligible to obtain the trade-up parts, and the level (quantity) of such licensing. Examples of acceptable documentation are Proofs of Entitlement, entitlement reports from DSW Online, Passport Advantage Online for customers or Passport Advantage Online for resellers, as applicable, or paid invoices with the same detail.

If you cannot find any evidence of the qualifying product licenses in the customer's records yourself, you should ask the customer for any records they have that show those qualifying licenses exist. If they are not willing to provide any documentation of licensing for the qualifying product, a special bid exception approval request must be initiated - you must consult S&D special bid pricing or your IBM Business Partner representative for special bid processing before committing/quoting trade-up parts and prices to your customer.

In cases where a special bid is involved in the transaction, all documentation regarding the customer's eligibility to obtain trade-up parts should be submitted for inclusion in the special bid tool as attachments.

In all other cases:

For audit purposes, you should retain records – specific references to customer data in IBM systems, other documentation, emails, etc. concerning their licensing of qualifying IBM products, on the basis of which you have determined their eligibility to obtain trade-up parts. You must keep this documentation in your customer file with any other documentation related to the transaction in which the trade-up parts are included, for possible future reference and audit inspection. You must keep this documentation for a period of two years from the date of the trade-up order being accepted and processed. By processing orders for your customers for trade-up parts, you are confirming you have performed this check and have retained the required documentary evidence of eligibility.

- When offering a trade-up part, an "equivalence" concept should always be applied against the customer's installed-base of the qualifying IBM product being replaced to ensure like-for-like replacement.

That doesn't necessarily mean the quantities need to be identical, only that the end result must be equivalent. One reason why the quantities may be different concerns the way the qualifying product and the "to" product are licensed - what we often refer to as "license metrics". We may have offered the qualifying product on a per server

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basis, but offer the “to” product using per Processor Value Unit or per user licensing. The important word is "equivalence".

- **Other Additional Information – Software Subscription and Support**
  - In general, there is no requirement for a customer to have current active Software Subscription and Support in place for some or all of the licenses that will be given up by the use of the trade-up parts that will be used to replace them. However, in some specific instances, the owning product brand may explicitly require this to be the case, in which case it will be documented in the announcement letter containing the trade-up parts.
  - When a customer obtains trade-up licenses that include 12 months of Software Subscription and Support for the “to” product, any Software Subscription and Support associated with the qualifying product licenses the customer gives up by the use of the trade-up parts becomes void. No rebates are given in respect of the voided Software Subscription and Support.
- **Other Additional Information – Dual Use during Migration**
  - When obtaining trade-up licenses, the customer gives up the right to use the products that qualified them to obtain trade-up pricing. However, it is allowable for the customer to use both products concurrently during the migration period, which is not to exceed 90 consecutive days as detailed here: [http://www-03.ibm.com/software/sla/sladb.nsf/pdf/policies/\\$file/tempaddluse.pdf](http://www-03.ibm.com/software/sla/sladb.nsf/pdf/policies/$file/tempaddluse.pdf)

## Appendix A – Customer eligibility statement template [English]

To (check one):  IBM or  **<enter IBM Reseller name>**

On behalf of **<enter customer company name here>**, this is to certify that **<enter customer company name here>** is currently licensed for \_\_\_\_\_ **<insert the number of licenses and indicate unit of measure – users, processor cores, etc.>** of \_\_\_\_\_ **<insert the product name of the competitive program>** which it wishes to replace with \_\_\_\_\_ **<insert the number of licenses and indicate unit of measure – users, processor cores, etc.>** of \_\_\_\_\_ **<insert the product name of the IBM program>**. Additionally, per the terms of the applicable Passport Advantage or Passport Advantage Express Agreement, I certify that use of the replaced products will be terminated upon installation of the replacement programs.

[signature block below can be omitted if submitted by email]

Signed for **<enter customer company name here>**

Date:

Signature:

Printed name: