

# Avago's and Broadcom's Alleged Breach of RAND Obligations for Standard-Essential Patents should be Heard in Delaware State Court, Not in U.S. Federal Court

JANUARY 14, 2025

A recent decision by Judge Gregory Williams of the federal District Court of Delaware—to grant a plaintiff's motion to remand its breach-of-contract case back to state court—instructs how to determine whether a breach of obligation to offer reasonable and non-discriminatory ("RAND") licensing terms for patents declared to be essential to a technological standard ("standard-essential") amounts to a claim that "arises under" federal law, thereby conferring subject matter jurisdiction on the federal district courts to hear the claim.

## BACKGROUND

Back in 2017, in a series of litigations filed by Taiwan-based Realtek Semiconductor Corporation ("Realtek") in the federal district court of the District of Delaware, Realtek sued Avago Technologies International Sales Pte. Ltd., Broadcom Corporation, and Broadcom Inc. (collectively, "Defendants") for breaching RAND obligations over their licensing of Broadcom's patents. But the Defendants successfully obtained dismissal from the federal court by arguing that the plaintiff had raised only state law claims.

In 2024, Realtek filed its case in the Delaware Court of Chancery, pleading many allegations duplicative of those from its 2017 case, and additionally seeking (1) an anti-suit injunction against Defendants from enforcing their standard-essential patents against downstream users of Realtek's products in Germany; and (2) a declaration from the court, if the court found that Realtek did not have a license to the Broadcom patents, that Defendants' customers were also not licensed under (and therefore infringed) Realtek's patents. This time around, however, the Defendants argued that the federal courts had exclusive jurisdiction, removed the action to the federal district court in Delaware, and opposed Realtek's subsequent motion to Judge Williams requesting remand of its case back to state court.

Judge Williams ruled that the Defendants had failed to satisfy their burden of proving that removal was proper and therefore declined to exercise federal jurisdiction. Specifically, after determining that Realtek had not posed any federal question "arising under" federal law in the required format of a "well-pleaded complaint," he also found that he could not exercise federal jurisdiction over Realtek's state law claims under the narrow exception articulated in the Supreme Court's decision in *Gunn v. Minton*, 568 U.S. 251, 257 (2013).

## NO FEDERAL QUESTION RAISED

Judge Williams reasoned that, despite suggestive language on its face, Realtek’s complaint was not a “well-pleaded” federal complaint for any remedy “arising under” federal patent law, because: (i) the complaint set forth numerous state law counts, e.g., breach of contract, breach of covenant, tortious interference, implied license, etc., but no count of patent infringement; (ii) it did not cite the federal Patent Act or its section 271, which defines acts of infringement; (iii) while it mentioned three Realtek patents, repeatedly used the word “infringe,” and also tracked the language of section 271, it did not further identify any accused Broadcom product(s), much less compare them to any claim limitations from those patents; and (iv) its request for alternative relief in the form of a declaration—that neither party’s products were licensed, if the cross-license failed—was not a remedy afforded by the Patent Act.

### **GUNN EXCEPTION DOES NOT CONFER JURISDICTION OVER STATE LAW CLAIMS**

Nor could the federal court exercise its jurisdiction over Realtek’s state law claims under the Supreme Court’s 4-part *Gunn* test, which applies only “if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress.” (568 U.S. at 258). Here, Judge Williams deemed the parties’ private contractual dispute to be not so “substantial” such that its resolution by a state court would undermine the uniform development of patent law by the federal judicial system; nor was any federal issue “necessarily raised” as the dispute could be resolved based on contractual interpretation alone.

Because the Defendants failed to meet their burden of showing removal was proper, Judge William granted Realtek’s motion to remand its case back to state court. Shortly after his decision to remand, the parties settled in early January 2025.

### **TAKEAWAYS**

To resist removal to federal court, a complaint filed in state court must be neither a “well-pleaded complaint” that raises a federal question, nor an “artful pleading” that masks a true federal question in the guise of a state law complaint. The focus of the inquiry should be on the substance, rather than form, of the complaint. If the plaintiff does not assert a cause of action created by federal law or seek a remedy made available by federal law, and if its dispute may be resolved without deciding federal law issues, then these are all indicia that the litigated issue belongs in state court.

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