Fidelity unit warns of 'massive outages across major Fidelity platforms,' in new lawsuit, unless Broadcom walks backs threat to terminate software subscription without price spike

Fidelity Technology Group is suing and seeking an injunction against the Palo Alto software maker in a festering contract dispute to prevent dire outcome that would stop most RIA client servicing in its tracks

Author **Brooke Southall** November 17, 2025 at 10:57 PM

1 Comment

Fidelity headquarters issued red alert in legal action from Summer Street headquarters.

Broadcom Inc., a key Fidelity Investments software provider, is threatening to pull the plug on Fidelity's computers two months from now, creating a massive blackout for RIAs, clients and the company itself.

The move could also rock financial markets, Fidelity Technology Group (FTG) asserts in a lawsuit filed Nov. 14 against the multinational designer, developer and software manufacturer.

“Unless this court intervenes, Fidelity and its customers will suffer irreparable harm. If Fidelity loses access to the software, the impact on its businesses would be enormous,” the suit states.

At stake is a wipeout of all Fidelity service capacity and capabilities affecting “tens of millions of investors and the financial markets as a whole” well beyond the termination date.

Ari Sonneberg: 'Broadcom is ...trying to squeeze more money out of Fidelity.

“Fidelity's customer contact center would be entirely unreachable by phone, chat, or email," according to the lawsuit, filed in Massachusetts Superior Court.

"…Fidelity employees would be unable to access critical internal systems, rendering them incapable of performing their jobs indefinitely (among other impacts).”

“These disruptions would cause immense harm to Fidelity, its customers, and the financial markets more broadly.

Money grab?

The move is the latest development in a festering contract dispute that began in Nov. 2023, when Broadcom acquired VMware, the maker of software that runs servers at the heart of Fidelity's business.

“I think Broadcom very much understands the vital need that Fidelity has for software it now controls," says Ari Sonneberg, partner of Wagner Law Group of Boston.

"I would imagine that Broadcom is at least under the impression that it has a right, based on the terms of the contract, to change the deal that Fidelity struck with VMWare.

“Based on those notions, Broadcom is probably simply trying to squeeze more money out of Fidelity.”

Fidelity's legal pleading did earn an immediate Broadcom concession to extend the drop-dead date to Jan. 21, 2026 from Dec. 22.

But Fidelity made clear it would need years not weeks to switch out the VM software, according to the suit.

"Fidelity would be required to reconfigure all of the data out of VMware's proprietary format and into the format of the new platform. Given the volume of virtual servers running in Fidelity's data centers, this process would take at least 18-24 months (if not longer).

“The only way to prevent this irreparable harm is intervention by this court,” the suit pleads.

Black and white

VMware's “virtualization” software is critical because it allows one physical server to host and network multiple "virtual" servers. Each virtual server functions as if it were a separate and independent machine.

Fidelity uses the software to scale operations for its 50 million individual customers and 28,000 corporate clients, with a combined $16-trillion-plus in AUA.

For its part, Fidelity began in 2005 using a VMware product known as “vSphere” as its primary virtualization software. Today, that same software “allows the company to create, host, and manage virtual servers on its physical servers.”

The company also uses two other VMware software products that increases the speed of data access and processing and balances application activity across the server network.

In Nov. 2023, Fidelity claims it signed two contracts to access the software prior to Broadcom's acquisition, including a subscription for its software that was set to expire on Dec. 22 this year.

Forced subscriptions

Broadcom closed its $68 million VMware acquisition the same month, and made “radical changes” to its product offerings.

Fidelity contends that VMware's core virtualization products – including vSphere and at least 167 other products -- were repackaged into two expensive bundles. Then, Broadcom "forced mandatory subscriptions," according to Computer World magazine.

On March 27, Fidelity's tech group sent a letter to Broadcom and VMware to notify them that it was exercising its right to renew the software under its existing contract.

But a month later, Broadcom refused to honor Fidelity's existing contractual right to renew its subscription. Efforts to resolve the matter broke down after Broadcom insisted on the purchase of bundled software instead.

Fidelity asserts it was left with no choice but to pursue the matter in court and claims that Broadcom has engaged in a "clear and willful breach" of its existing VMware contracts.

Gray areas

It may or may not be as simple as Fidelity states, says Sonneberg.

"Fidelity obviously thinks that Broadcom does not have a right to change the deal, and that they should be able to renew the existing contract under the existing terms," he explains.

"There could be some gray areas in the contract that give each side the room to believe it is in the right.

"Without seeing the contract though, it would only be conjecture to try predict the outcome of this case…although, I believe it will likely be settled before trial."

Stab in the back

The pricing changes have caused even more of a stir – at least with chief information officers who buy software for their companies, according to CIODive.com, a website focusing on information technology.

In the article, Tracy Woo, principal analyst at Forrester, cited "extreme price increases and unwillingness to negotiate."

“They’re not trying to play nice and then stab you in the back,” Woo said. “They’re holding the knife right to you and saying, ‘This is what you have to do or you’re out.’”

Fidelity's tech group says in legal terms what that “knife” feels like.

“Their refusal to renew FTG's subscription to the software on or around April 14, 2025 was an unequivocal, definite, and final refusal to comply with their contractual obligations," the suit states.

"As a direct and necessary result of this anticipatory repudiation, FTG has suffered and will continue to suffer irreparable harm, for which no adequate remedy at law exists and for which FTG is seeking injunctive relief.”

Fidelity is only the latest giant Broadcom customer to seek relief in a court. AT&T and UnitedHealthcare are also suing. See: Why AT&T’s Suing Broadcom Over Forced VMware License Charges

Brooke lives on a houseboat, works in an office and juggles calls across the five time zones and four countries his small team works. He's out to prove an economic major can make a living as a journalist and that articles need not be a loss leader if they are written well and geared to an intelligent readership. @RIABiz

Keith Girard contributed to the editing of this article.

RIA Custodians

Fidelity Investments | Broadcom

---

(1) COMMENTS

Peter Giza

November 18, 2025 — 12:43 AM

Brooke, Broadcom (AVGO) settled out of court on both AT&T and UNH. AVGO"s rationale for their exorbitant increase in cost, 1000% in the case of AT&T, was due to rebundling its software. But at a minimum it's bad faith move and more likely it's it's a issue of breach of the original contract with Dell. In the world of software it's not uncommon for products to be bundled unbundled and to meet the need of changes in marketing and sales strategies. In the case of an acquisition it's done many times to align with the existing pricing structures of the acquirer. But increasing and acquired clients cost a thousand percent is nothing less than egregious breach of good faith. I would be more than shocked if Fidelity had its services shut off. As in the case of AT&T and United Healthcare, it will be highly likely that Fidelity will settle with Broadcom and they will part ways eventually after Fidelity is able to move off of their platform. The bottom line is this is Broadcom's MO on the enterprise