UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

VOICEAGE CORPORATION,

Plaintiff,

-v-

REALNETWORKS, INC.,

Defendant.

12 Civ. 5753 (KBF)

MEMORANDUM DECISION & ORDER

KATHERINE B. FORREST, District Judge:

Sometimes things are more complicated than they seem at first. That is so here.

This dispute was initially presented as a relatively straightforward breach of contract case – with the parties debating whether royalties were or were not due for certain products. The Court's initial task was to review the operative contract and determine that issue and it did so in a Memorandum Decision & Order dated February 26, 2013. (ECF No. 51.)[1] The parties were then directed to engage in the discovery necessary to answer the remaining question of "how much" was owed. And that is where things have become more complicated. Plaintiff VoiceAge Corporation ("VoiceAge") filed a motion for summary judgment on July 1, 2013. (ECF No. 76.) Subsequently, both sides moved to strike various exhibits and declarations from the other's summary judgment submissions. (ECF Nos. 101 and 108.)

[1] A description of the underlying factual dispute is set forth in the February 26, 2013 Order. See VoiceAge Corp. v. RealNetworks, Inc., No. 12 Civ. 5753, 2013 WL 680932, at *1 (S.D.N.Y. Feb. 26, 2013).

Based on the submissions now before the Court, it is clear that there is a factual dispute between the parties as to (1) whether royalties are properly calculated on a per download or per channel basis, and (2) whether there is a difference between what constitutes a "download" and what constitutes a "channel" for purposes of that calculation. The Court notes that in Appendix C of the license, attached as Exhibit 1 to the declaration of Andrew G. Gordon, the applicable provision refers to units described as "Realtime Channel[s]" and "Downloaded Applications." (ECF No. 103.)

In short, plaintiff VoiceAge asserts that "per channel" and "per download" are necessarily equivalent – and therefore the Court need only engage in a mathematical determination as to how many downloads occurred. Defendant asserts – with a supporting declaration of Miklo Boic (ECF No. 92) of defendant RealNetworks ("Real") – that such a calculation is based on an erroneous assumption of an equivalence that does not exist. In summary fashion, defendant argues that a "channel" is not a download – it is, instead, something as to which a download is a precondition but which does, in fact, not exist until a user requests playback of a relatively rare type of content. Then, and only then, is a channel (and a temporary one at that) created. (See Decl. of Milko Boic ¶¶ 12-15 (ECF No. 92).) Therefore, according to defendant, if a royalty is owed, the appropriate methodology would consist of counting the number of the "channels" thusly created. Defendant

urges that since plaintiff has offered no proof on the issue of the number of "channels" defined in this way, its motion must fail.[2]

Plaintiff has responded to this argument with a motion to strike the Boic declaration – arguing a point apparently uncontested: that Boic never appeared on Real's Rule 26 disclosures or anywhere else before his declaration was filed. In short, according to plaintiff, his appearance as a declarant is a surprise.

Based on the Court's review of the submissions of the parties in support of and opposition to the motion for summary judgment, the "channel" versus "download" issue appears to have been well understood as in play during the discovery period. There were questions and answers constructed around each party's assertions in that regard. Each party made tactical decisions as to what it would or would not pursue further. However, under these circumstances, the Court will not strike the declaration of a witness who provides directly relevant and potentially important support for defendant's position. As VoiceAge has itself noted in the cases its cites in support of preclusion,[3] the Court must consider, inter alia, the prejudice that would occur as a result of preclusion and whether a delay or some other remedy short of preclusion is a reasonable possibility. Those factors do not support preclusion here.

And so, the Court concludes that the issues here are not as straightforward as they at first appeared. The definition of "channel" constitutes a material issue of fact which necessarily precludes summary judgment on the calculation of royalties.

---

[2] Defendant also makes an additional argument that if plaintiff's royalty calculation is correct, it fails to comply with FRAND. The Court does not reach that argument based on the instant order.

[3] See Patterson v. Balsamico, 440 F.3d 104, 117 (2d Cir. 2006); Softel, Inc. v. Dragon Med. & Scientific Commc'ns, Inc., 118 F.3d 955, 961 (2d Cir. 1997).

However, the Court also notes that plaintiff has not had an opportunity to take discovery of Boic and it is entitled to do so. It is possible that this will open up limited additional discovery on the channel issue more generally. The Court expects the parties to proceed expeditiously and reasonably in their requests and accommodations with respect to any additional discovery in this regard.

Accordingly, defendant should make Boic available for a deposition in the next 45 days (given the summer holidays).[4] The Court reminds the parties that trial is set for October 15, 2013 – and at present, the Court intends to proceed on that date.

The Clerk of Court shall close the motions at ECF Nos. 76, 101, and 108.

SO ORDERED.

Dated: New York, New York
August 5, 2013

KATHERINE B. FORREST
United States District Judge

[4] Real has also moved to strike matters it argues are raised for the first time in Voiceage's reply. Because the Court denies summary judgment, it need not reach the issue and denies that motion (ECF No. 108) as moot.