

UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

VOICEAGE CORPORATION,

Plaintiff,

v.

REALNETWORKS, INC.,

Defendant.

Case No. 12-cv-05753 (KBF)

ECF Case

**REALNETWORKS, INC.'S OPPOSITION TO VOICEAGE'S  
MOTION FOR SUMMARY JUDGMENT**

SUSMAN GODFREY L.L.P.  
560 Lexington Ave., 15th Floor  
New York, NY 10022  
(212) 336-8330  
(212) 336-8340 (fax)

*Counsel for Defendant RealNetworks, Inc.*

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. SUMMARY OF UNDISPUTED FACTS ..... 2

A. Real’s History With AMR-WB Technology ..... 2

B. The AMR-WB License Charges a Royalty “per Realtime Channel” ..... 3

C. The Court’s Prior Order Did Not Resolve the Damages Element in VoiceAge’s Breach of Contract Claim ..... 4

III. LEGAL STANDARD ..... 5

IV. ARGUMENTS AND AUTHORITIES ..... 5

A. VoiceAge Has No Evidence in the Summary Judgment Record Regarding the Number of Realtime Channels. .... 5

1. The AMR-WB Charges a Royalty Rate “per Realtime Channel.” ..... 6

2. VoiceAge Does Not Present Any Competent Summary Judgment Evidence Regarding the Number of Realtime Channels. .... 6

3. Downloads Do Not Equal Realtime Channels. .... 8

a. Amar’s Baseless Testimony Does Not Support VoiceAge’s Motion. ..... 9

b. VoiceAge’s Proposed Contractual Interpretation Irreconcilably Conflicts with the Contractual Terms. ..... 10

c. Real’s Prior “Admissions” Do Not Support VoiceAge’s Motion. ..... 14

B. VoiceAge Cannot Prove Purported Damages For a Second Independently Dispositive Reason: It Cannot Prove the License Complies with FRAND. .... 16

1. VoiceAge May Only Recover Damages If the AMR-WB License Complies with FRAND Terms. .... 16

2. VoiceAge Has No Competent Evidence that the AMR-WB License’s Royalty Rate Complies with FRAND. .... 17

a. Factors 1 & 2: The AMR-WB License Fails because the Royalty Rate is Not Comparable to Other Codec Technology Royalties. ..... 18

b. Factors 11 and 13: The AMR-WB Technology Provides De Minimis Value to the RealPlayer. ..... 19

c.	<i>The AMR-WB License Discriminated Against Real</i> .....	20
3.	Real Did Not Waive FRAND Protections. ....	20
V.	CONCLUSION.....	21

**TABLE OF AUTHORITIES****Cases**

<i>Atofina v. Great Lakes Chem. Corp.</i> , 441 F.3d 991 (2d Cir. 2006).....	12
<i>Cramer v. Spada</i> , 610 N.Y.S.2d 662 (3d Dep't 1994) .....	5
<i>Energy Trans., Ltd. v. San Sebastian</i> , 348 F. Supp. 2d 186 (S.D.N.Y. 2004).....	passim
<i>G&amp;A Moving &amp; Storage Co. v. Computer Assoc. Int'l</i> , 233 A.D.2d at 479 (2d Dep. 1996).....	9, 10
<i>Hangzhou Silk Import and Export Corp. v. P.C.B. Intern. Industries, Inc.</i> , No. 00-CIV-6344(RLC), 2002 WL 2031591 (S.D.N.Y. Sep. 5, 2002).....	1, 8
<i>Kunglig Jarnvagsstyrelsen v. Dexter &amp; Carpenter, Inc.</i> , 32 F.2d 195 (2d Cir. 1930).....	15, 16
<i>LNC Investments, Inc. v. First Fidelity Bank, N.A. New Jersey</i> , 173 F.3d 454 (2d Cir. 1999).....	5
<i>Markham Gardens L.P. v. 511 9th LLC</i> , 954 N.Y.S.2d 811 (Sup. Ct. 2012).....	5
<i>Microsoft Corp. v. Motorola, Inc.</i> , No. C10-1823JLR, 2013 WL 2111217 (W.D. Wash. Apr. 25, 2013) .....	18, 19, 20
<i>Mills v. Robert W. Gottfried, Inc.</i> , 272 So.2d 837 (Fla. App. 1973).....	20
<i>Mohawk Nat'l Bank of Schenectady, N.Y. v. Citizens Trust Co.</i> , 237 N.Y.S.2d 956 (1963).....	1
<i>National Market Share, Inc. v. Sterling Nat. Bank</i> , 392 F.3d 520 (2d Cir. 2004).....	5
<i>Paz v. Singer Co.</i> , 151 A.D.2d 234 (1989).....	16
<i>RIJ Pharm. Corp. v. Ivax Pharms., Inc.</i> , 322 F.Supp.2d 406 (S.D.N.Y. 2004).....	5
<i>Russo v. City of Bridgeport</i> , 479 F.3d 196 (2d Cir. 2007).....	5, 6
<i>S. &amp; E. Motor Hire Corporation v. New York Indemnity Co.</i> , 255 N.Y. 69 (1930).....	21
<i>Team Marketing USA Corp. v. Power Pact, LLC</i> , 41 A.D.3d 939 (N.Y.A.D. 3 Dept. 2007).....	20

*TouchTunes Music Corp. v. Rowe Int'l Corp.*,  
847 F. Supp. 2d 606 (S.D.N.Y. 2012)..... 12, 14

*United States v. McKeon*,  
738 F.2d 26 (2d Cir.1984)..... 14, 19, 20

*Voest-Alpine Intern. Corp. v. Chase Manhattan Bank, N.A.*,  
707 F.2d 680 (2d Cir. 1983)..... 21

**Other Authorities**

Restatement (Second) Contracts § 203(a)..... 11, 12

## I. INTRODUCTION

VoiceAge Corporation's ("VoiceAge") motion for summary judgment fails because the record evidence reveals that VoiceAge cannot prove as a matter of law an essential element of its breach of contract claim against RealNetworks, Inc. ("Real"): the amount of damages, if any, VoiceAge purportedly suffered for any breach of the AMR-Wideband ("AMR-WB") License.<sup>1</sup> Under New York law, "[i]t is fundamental in the law of damages that damages must be proved, and will not be presumed, even though a wrong, such as a breach of contract, is shown," *Mohawk Nat'l Bank of Schenectady, N.Y. v. Citizens Trust Co.*, 237 N.Y.S.2d 956, 959 (1963), because "[i]t is well-settled that an award of damages cannot be speculative in nature." *Hangzhou Silk Import and Export Corp. v. P.C.B. Intern. Industries, Inc.*, No. 00-CIV-6344(RLC), 2002 WL 2031591, \*7 (S.D.N.Y. Sep. 5, 2002). In its motion, VoiceAge failed to provide any reasonable estimate for the extent of its alleged harm, or establish any non-speculative damages. By assuming that there is one Realtime Channel in every RealPlayer download, without any competent summary judgment evidence, VoiceAge ignores the express contractual terms in the AMR-WB License, while Real presents a logical contract interpretation providing force to all terms. *Energy Trans., Ltd. v. San Sebastian*, 348 F. Supp. 2d 186, 203 (S.D.N.Y. 2004).

First, it is undisputed that the proper method for calculating royalties under the AMR-WB License is \$0.10 "per Realtime Channel." Statement of Material Facts in Support of VoiceAge's Motion for Summary Judgment ("VoiceAge SMF") ¶ 3. VoiceAge has known that royalties are calculated per Realtime Channel since it drafted the AMR-WB License and first invoiced Real in 2011. Nonetheless, VoiceAge now ignores that explicit contractual term, and instead asks this

---

<sup>1</sup> Real contends that the AMR-WB License does not cover the RealPlayer and therefore Real should owe no royalties under the License. However, the Court ruled otherwise in its February 26, 2013, Order ("Order"), which Real does not challenge solely for the purposes of this motion.

Court to improperly calculate royalties on a *per download* basis rather than a *per Realtime Channel* basis. VoiceAge has no competent factual support in the summary judgment record for that request, failed to conduct any discovery regarding Realtime Channels, and never attempted to determine how many Realtime Channels are at issue. Even VoiceAge's President and corporate representative confirmed under oath both that the proper metric for calculating royalties is on a per Realtime Channel basis, and that VoiceAge has no evidence of the number of Realtime Channels on which royalties are due under the License—those Realtime Channels that were actually “**made, used or Sold**” by Real. Statement of Material Facts in Opposition to VoiceAge's Motion for Summary Judgment (“SMF”) ¶ 17. In short, while the AMR-WB License expressly requires that royalties be calculated on a per Realtime Channel basis, VoiceAge chose not to conduct the discovery or analysis necessary to identify the number of Realtime Channels at issue, because it likely realized the answer would invalidate its multi-million dollar damages claim. As a result, VoiceAge simply has no evidence in the summary judgment record that would allow it to calculate the amount of any purported damages under the AMR-WB License.

Additionally, it is undisputed that the AMR-WB License provided a license to *standard essential patents* (“SEPs”) that carried with them the affirmative obligation they could be licensed only on fair, reasonable, and non-discriminatory (“FRAND”) terms. Yet, VoiceAge failed to conduct a FRAND analysis and the summary judgment record does not contain any evidence demonstrating that the royalty rate in the AMR-WB License complies with FRAND.

## **II. SUMMARY OF UNDISPUTED FACTS**

### **A. Real's History With AMR-WB Technology**

Real distributes the RealPlayer media player around the globe for free. *Id.* ¶ 72. Between 2003 and 2006, Real was granted a license to use AMR-WB and AMR-NB SEPs by VoiceAge

on a royalty-free basis. *Id.* ¶ 82. Accordingly, in February 2008, Real informed VoiceAge that Real wanted to include an AMR-WB decoder in the RealPlayer, as long as there were no fees or royalties. *Id.* ¶ 83.

Then, on December 20, 2010, Real and VoiceAge entered into the AMR-WB License, and also the AMR-WB+ License on the same day. VoiceAge SMF ¶ 3; Declaration of Bryan Caforio (“Caforio Decl.”) ¶ 13, Ex. L (“AMR-WB+ License”). In 2010 and early 2011, certain versions of the RealPlayer included an AMR-WB compliant decoder. The AMR-WB codec was unimportant to the RealPlayer since there is barely any content encoded in the AMR-WB format available on the internet. SMF ¶ 69.

The AMR-WB+ License provides that Real may use a mono decoder compliant with the AMR-WB+ standard (such as the decoder that was included in the RealPlayer) in its RealPlayer on a royalty free basis, and subject only to a small annual fee of \$2,500. AMR-WB+ License at 24-25. When it charges a royalty for Personal Computer Products, the AMR-WB+ License does so based on the number of Personal Computer Products, not on the number of Realtime Channels. *Id.* at 25.

**B. The AMR-WB License Charges a Royalty “per Realtime Channel”**

Category 3 in Appendix C provides the relevant royalty rates in the AMR-WB License. Specifically, the AMR-WB License provides that the royalty for a download application, such as the RealPlayer, is \$0.10 “per Realtime Channel.” VoiceAge SMF ¶ 3. VoiceAge’s corporate representative agrees that Appendix C to the AMR-WB License charges royalties based on the number of Realtime Channels. SMF ¶ 43. Paragraph 4.4 provides guidance on the royalty payments and accounting and instructs that royalties shall be paid, in accordance with Appendix C, based on the number of “Realtime Channels made, used or Sold.” *Id.* ¶ 39.

A Realtime Channel does not exist when an end-user first downloads the RealPlayer from  
2789303v1/013333

Real. *Id.* ¶ 40. Rather, as VoiceAge’s corporate representative explained, the Realtime Channel isn’t created until an end-user actually tries to play an AMR-WB media file with the RealPlayer:

Q. My question was if an end user downloads the RealPlayer and never attempts to replay a Wideband file, a Realtime channel is never created?

A. Yes, okay. Yes.

Q. It’s got to be true; right?

A. It is true, yes.

*Id.* There is no summary judgment evidence of if or when an end-user attempted to play a Wideband file and use a Realtime Channel. By basing the royalty rate on when a Realtime Channel is made or used, the AMR-WB License ensures that royalties are due for only those downloads of the RealPlayer that actually result in the AMR-WB patents being used. Otherwise, VoiceAge would be improperly attempting to collect royalties for distributions of the RealPlayer where no patent license would even be needed.

**C. The Court’s Prior Order Did Not Resolve the Damages Element in VoiceAge’s Breach of Contract Claim**

In its February 26, 2013, Order granting in part VoiceAge’s motion for judgment on the pleadings, the Court correctly recognized that “[t]he price ‘per RealTime Channel’ is listed as \$0.10 for a decoder, \$0.20 for an encoder, and \$0.20 for codec.” Order at 4. The Court also noted that “for every download of a content application **using** AMR-WB patents, royalties are required.” *Id.* at 10 (emphasis added); *see also id.* at 11 (“The language of the AMR-WB Agreement is clear: if the AMR-WB patents **are used**, then payments must be reported and made.” (emphasis added)). The Court did not issue any ruling with regards to the damages element in VoiceAge’s breach of contract claim, *id.* at 15, but instead directed the parties to “develop a factual record sufficient for a fact finder to determine the number of downloads **for which royalties are due and owing.**” *Id.* (emphasis added). Nonetheless, VoiceAge failed to

conduct any discovery or to submit any competent summary judgment evidence to calculate the number, if any, of Realtime Channels made, used, or sold.

### **III. LEGAL STANDARD**

“To establish a prima facie case for breach of contract, a plaintiff must plead and prove: (1) the existence of a contract; (2) a breach of that contract; and (3) damages resulting from the breach.” *National Market Share, Inc. v. Sterling Nat. Bank*, 392 F.3d 520, 525 (2d Cir. 2004) (citing *RIJ Pharm. Corp. v. Ivax Pharms., Inc.*, 322 F.Supp.2d 406, 412 (S.D.N.Y. 2004). “Under New York law . . . [t]he failure to prove damages is . . . fatal to [a] plaintiff’s breach of contract cause of action.” *LNC Investments, Inc. v. First Fidelity Bank, N.A. New Jersey*, 173 F.3d 454, 465 (2d Cir. 1999) (quoting *Cramer v. Spada*, 610 N.Y.S.2d 662, 664 (3d Dep’t 1994)). When a plaintiff fails to prove damages with specificity, it “fail[s] to establish a prima facie entitlement to judgment as a matter of law.” *Markham Gardens L.P. v. 511 9th LLC*, 954 N.Y.S.2d 811, 816-17 (Sup. Ct. 2012). In considering VoiceAge’s motion, the Court must take all of Real’s evidence as true, and construe all inferences in Real’s favor. *Russo v. City of Bridgeport*, 479 F.3d 196, 203 (2d Cir. 2007).

### **IV. ARGUMENTS AND AUTHORITIES**

#### **A. VoiceAge Has No Evidence in the Summary Judgment Record Regarding the Number of Realtime Channels.**

The AMR-WB License provides that for “Download Applications” with a single decoder, such as the RealPlayer, the royalty rate is \$0.10 “**per Realtime Channel.**” VoiceAge SMF ¶ 3 (emphasis added). VoiceAge therefore must prove how many Realtime Channels, if any, were made or used by the RealPlayer in 2010 and 2011 in order to recover any alleged damages. VoiceAge admits, however, that it has no idea how many Realtime Channels were made or used during the relevant time period, and it has no competent evidence in the summary judgment record to prove how many Realtime Channels, if any, are at issue.

1. **The AMR-WB Charges a Royalty Rate “per Realtime Channel.”**

It is undisputed that the AMR-WB License charges a royalty “per Realtime Channel.” *Id.* VoiceAge has known that fact since it drafted the AMR-WB License and sent the invoice to Real in May 2011, which states: “RealPlayer falls under category 3: Download Applications-content applications. the price for decoder is: \$0.10 **per real time channel.**” Caforio Decl., ¶ 14 Ex. M (“VoiceAge Invoice”) (emphasis added). Further, VoiceAge’s President and corporate representative confirmed that Real only owes royalties under the AMR-WB License based on the number of Realtime channels:

Q. [I]f you look at the language of Category 3, the royalty is based on a per Realtime channel; correct?

A. Correct.

SMF ¶ 43. Although VoiceAge now takes the position that Real owes \$0.10 per RealPlayer download, its corporate representative admitted that **\$0.10 per download is not the proper metric:**

Q. “Based on the AMR Wideband patent license agreement, the above royalties fall under category three, decoder only at a dime per Realtime channel.” Do you see that?

A. Yes.

Q. **It’s not a dime per download; right?**

A. **You are right.**

*Id.* ¶ 44 (emphasis added).

2. **VoiceAge Does Not Present Any Competent Summary Judgment Evidence Regarding the Number of Realtime Channels.**

VoiceAge does not meet its burden to prove damages with reasonable specificity because **VoiceAge admits it has no competent evidence regarding the number of Realtime Channels**, if any, Real made or used<sup>2</sup> during the relevant time period:

---

<sup>2</sup> The AMR-WB License states that the royalty report “shall indicate for each calendar semester the number of Licensed Products and Realtime Channels made, used, or Sold” by (*continued*) 2789303v1/013333

Q. My question to you, sir, as the corporate representative of VoiceAge is: Does VoiceAge have any information on the number of Realtime channels created –

A. No.

Q. - for the pre-effective date period?

A. No.

Q. Does VoiceAge have any information on the number of Realtime channels created for the post-effective date period?

A. No.

SMF ¶ 45.

Because no VoiceAge employee has firsthand knowledge regarding the technology in the RealPlayer, VoiceAge should have retained an expert to inspect the RealPlayer and offer an opinion on the number of RealPlayer downloads that resulted in a Realtime Channel being created or used. Yet, VoiceAge’s sole expert witness, Christine M. Hammer, failed to offer any testimony or conclusions regarding Realtime Channels:

Q. Did you set out to calculate royalties in this matter on a per-realtime channel basis?

A. No, I did not understand that there was any issue about the royalty base.

....

Q. And, Ms. Hammer, you’re not qualified to say when a realtime channel is made; correct?

A. I think we’ve already established the fact that I am not an expert in realtime channels.

*Id.* ¶ 46. As Ms. Hammer conceded, she actually visited Real’s corporate headquarters in Seattle—at Real’s invitation—to meet with Real’s employees. Although she had the opportunity to ask any type of question, she failed to ask even a single question relating to Realtime

---

Real. Because Real only “sells” RealPlayers and does not sell Realtime Channels, the term “Sold” must apply solely to reporting the sales of Licensed Products (i.e., the RealPlayer). But even if Real did sell Realtime Channels, it could not sell them until the end-user attempted to play a Wide Band file because, as discussed below, Realtime Channels do not exist until an end-user attempts to play a Wide Band file.

Channels. Caforio Decl., ¶ 4, Ex. C (June 18, 2013, Deposition of Christine M. Hammer (“Hammer Dep.”)) at 112:24-115:3.

There is no justifiable excuse for not inquiring about Realtime Channels given that the AMR-WB License (that VoiceAge drafted) charges royalties on a “per Realtime Channel” basis. VoiceAge has long known that royalties under the AMR-WB License are measured by the number of Realtime Channels, yet VoiceAge took no steps to obtain the competent evidence necessary to prove its claim. Why did VoiceAge completely ignore the elephant in the room? Perhaps VoiceAge avoided taking the necessary steps to allow it to calculate the number of Realtime Channels at issue because it knows the AMR-WB technology is rarely used and knows that the answer to that calculation would completely refute VoiceAge’s claim for more than \$12.3 million in alleged damages. But regardless of why VoiceAge avoided taking any steps to be able to accurately calculate the number of Realtime Channels, the necessary consequence is that VoiceAge has absolutely no competent evidence in the summary judgment record that would permit it to carry its burden of proving the amount of purported damages under the AMR-WB License with specificity.

### **3. Downloads Do Not Equal Realtime Channels.**

Lacking any admissible evidence concerning the number of Realtime Channels made or used, VoiceAge has no choice but to ask the Court to simply “**assume**” that there is one Realtime Channel per RealPlayer download, and award damages accordingly. Bedrock New York law, however, precludes the Court from making any such assumptions because “it is well-settled that an award of damages cannot be speculative in nature.” *Hangzhou Silk Import and Export Corp.*, 2002 WL 2031591, \*7. Instead, “[i]n order to be entitled to a verdict, or a judgment for damages for breach of contract, the plaintiff must lay a basis for a reasonable estimate of the extent of his

harm.” *G&A Moving & Storage Co. v. Computer Assoc. Int’l*, 233 A.D.2d 479, 479 (2d Dep. 1996).

**a. Amar’s Baseless Testimony Does Not Support VoiceAge’s Motion.**

VoiceAge primarily relies on testimony from VoiceAge’s co-founder and president, Laurent Amar, to argue that the Court should award damages based on the number of downloads, rather than Realtime Channels, but Amar himself conceded that would be improper:

**Q. So it’s not enough to just look at the downloads; correct? You also have to look at the Realtime channels?**

**A. Yes.**

SMF ¶ 43 (emphasis added). Amar not only conceded that VoiceAge needs to examine the number of Realtime Channels in order to calculate the royalty owed, he also conceded that **VoiceAge doesn’t have any evidence regarding the number of Realtime Channels at issue:**

**Q. And VoiceAge doesn’t have evidence of Realtime channels; correct?**

**A. Correct.**

*Id.* ¶ 47.

Amar also admitted that he has no specific knowledge regarding RealPlayer technology, and instead simply **“took the assumption that it was one Realtime channel per copy of the download, so that’s something that we assumed.”** *Id.* ¶ 49 (emphasis added). VoiceAge is left relying on an unsupported assumption because it purposefully chose not to investigate the issue<sup>3</sup>:

**Q. And has VoiceAge investigated the actual procedure that the RealPlayer goes through to create a Realtime Channel?**

**A. No.**

*Id.* ¶ 61.

---

<sup>3</sup> Contrary to VoiceAge’s erroneous contention that Real “only produced documents concerning the number of downloads,” VoiceAge Mot. at 7 n.2, Real actually produced reports showing attempts by the users of the RealPlayer to play AMR-WB content. SMF ¶ 59. VoiceAge could have provided those reports to an experienced expert to investigate further and reasonably estimate the number of times end-users attempted to play AMR-WB media files, thus showing the number of Realtime Channels created/used, but chose not to do so.

Q. Has VoiceAge attempted to investigate either of those figures for looking at the actual number of Realtime channels created?

A. No.

*Id.*

The Court, however, may not enforce VoiceAge's unsupported assumption as a matter of law, especially on a motion for summary judgment where it must construe all facts in Real's favor, and the only competent evidence on this point confirms that "it is impossible to have a direct one-to-one correlation between RealPlayer installations and Realtime Channels." *Id.* ¶ 50. That's because not every installation of a RealPlayer results in the use of a Realtime Channel.

**b. VoiceAge's Proposed Contractual Interpretation Irreconcilably Conflicts with the Contractual Terms.**

VoiceAge's assumption that every RealPlayer includes a single Realtime Channel reads out certain terms from the AMR-WB License and improperly fails to "give[] a reasonable, lawful, and effective meaning to all the terms" in the License. RESTATEMENT (SECOND) CONTRACTS § 203(a). VoiceAge's entire argument relies on its unsupported and incorrect reading of the definition of "Realtime Channel." VoiceAge latches onto the term "capacity" in the ¶ 1.22 definition of Realtime Channel, and argues that "capacity" means the ability to create a Realtime Channel, and that every RealPlayer has the ability to create a Realtime Channel. But VoiceAge's argument fails for a number of independently dispositive reasons.

First, VoiceAge ignores Paragraph 4.4 of the AMR-WB License and never seeks to reconcile VoiceAge's proposed contractual construction with the actual terms of the full AMR-WB License. VoiceAge's failure to do so in its opening motion should compel this Court to deny VoiceAge's motion, as "[t]he cardinal doctrines of contract interpretation instruct courts to read a contractual document in a manner that confers meaning upon all of its terms and renders the terms consistent with one another." *Energy Trans.*, 348 F. Supp. 2d at 203.

Paragraph 4.4 is key to VoiceAge’s damages claim because it explains what information the parties must use to calculate royalties: “with respect to all payments due under Appendix C . . . the said royalty report shall indicate . . . **the number of Licensed Products and Realtime Channels made, used, or Sold.**” SMF ¶ 17. If every RealPlayer (the Licensed Product), included a single Realtime Channel, as VoiceAge asks this Court to assume, then why would VoiceAge insert language requiring Real to “indicate the number of . . . Realtime Channels made, used or Sold” **in addition** to reporting the number of RealPlayer downloads? The only reasonable inference, and one the Court must make in Real’s favor on summary judgment, is that VoiceAge recognized when entering into the License that there is a clear difference between the number of Realtime Channels and the number of RealPlayer downloads. Indeed, if there were a one to one relationship between downloads and Realtime Channels, then there would be absolutely no reason to even discuss Realtime Channels in the License—its sole purpose is for the calculation of royalties under Appendix C. The Court may not simply delete the concept of Realtime Channels and Paragraph 4.4 from the License, as VoiceAge does, because “courts should avoid an interpretation that makes a contractual provision superfluous.” *Energy Trans.*, 348 F. Supp. 2d at 203; *see also* RESTATEMENT (SECOND) CONTRACTS § 203(a) (“an interpretation which gives a reasonable, lawful, and effective meaning to all the terms is preferred to an interpretation which leaves a part of no effect”).

Second, VoiceAge’s attempt to assume a ratio of one Realtime Channel per RealPlayer download also conflicts with Category 3 to Appendix C in the AMR-WB License. Category 3 refers to “Downloaded Applications – content applications” directly in the title. VoiceAge SMF ¶ 3. If inserting “per Realtime Channel” into the royalty calculation didn’t add a limitation to “downloaded applications,” then VoiceAge would have left that spot blank, as it did in Category

2 on the preceding page of the AMR-WB License, which would have resulted in a \$0.10 **per download** royalty rate. Having offered the License with a royalty rate of \$0.10 “per Realtime Channel,” VoiceAge cannot now read the “per Realtime Channel” limitation out of the contract it drafted and assume that the royalty rate is \$0.10 **per download** as a matter of law, because to do so would improperly delete terms from the License and render key terms inconsistent with each other. *Energy Trans.*, 348 F. Supp. 2d at 203.

Third, VoiceAge incorrectly defines “capacity” when making its otherwise unsupported argument. In determining an appropriate definition for terms in a technical license, the Court should look to “scientific and technical dictionaries to construe the ordinary and customary meaning” of relevant terms. *Atofina v. Great Lakes Chem. Corp.*, 441 F.3d 991, 998 (2d Cir. 2006); *see also TouchTunes Music Corp. v. Rowe Int’l Corp.*, 847 F. Supp. 2d 606, 620 (S.D.N.Y. 2012) (relying on technical dictionary to construe patent terms). In the technology industry, “capacity” means the “highest possible reliable transmission rate that can be carried on a channel, circuit, or equipment.” *See Business Dictionary*, [www.businessdictionary.com/definition/capacity.html](http://www.businessdictionary.com/definition/capacity.html).

VoiceAge identifies no competent summary judgment evidence from an expert or anyone with firsthand knowledge of the RealPlayer to support its proposed definition of “capacity” or to demonstrate that every downloaded RealPlayer has the “capacity” to handle an audio or video stream at substantially the same rate as it is created or rendered. The RealPlayer and the technology behind how the RealPlayer creates a Realtime Channel is highly complex and technical—it is not the proper subject matter for making unsupported assumptions. Had VoiceAge retained an expert, it would have learned that “capacity” does not mean “ability,” and

even if it did, a RealPlayer does **not** have the “ability” to create a Realtime Channel immediately upon downloading.

Milko Boic is intimately familiar with the RealPlayer as Real’s General Manager of Engineering and the person who designed a significant part of the architecture for how the RealPlayer creates an audio channel. He explains that in the technology industry, “capacity” means “bandwidth”—not “ability”:

In the technology industry, the word “capacity” is widely understood to mean the maximum amount that something can contain. For example, a hard drive’s “storage capacity” refers to the amount of data that the hard drive can store; and “memory capacity” means the amount of space in a memory. Capacity refers to bandwidth or volume; in other words, something that can be measured. In order for the RealPlayer to include a Realtime Channel, there needs to be an audio channel with sufficient bandwidth available to handle one voice / audio stream in the AMR-WB format at substantially the same rate as it is created or rendered.

**Upon installation of the RealPlayer on an end user’s PC, the RealPlayer does not have the capacity, or even the capability, to play a file in the AMR-WB format.**

SMF ¶ 52. As properly understood in this field, “capacity” means “bandwidth,” which also happens to be precisely how VoiceAge has used the term before:

[T]he evolution of 2.5G and 3G mobile networks worldwide and the increased performance of the ARM9 processor family is **providing increased data communications capacity** that opens the way for new types of multimedia . . . .

*Id.* ¶ 53 (emphasis added). The AMR-WB Standard itself also uses “capacity” in that manner:

Note: Out-Of-Band Signaling on the radio channel sometimes “steals” **capacity** from the speech traffic channel (FACCH) thus creating speech distortion.

*Id.* ¶ 54 (emphasis added).

Using the appropriate definition of “capacity” leads to a coherent and reasonable definition of “Realtime Channel” in the License: a “Realtime Channel” is technology with the “bandwidth” to “handl[e] one (1) single audio/video stream at substantially the same rate as it is created or rendered.” Nothing there suggests Real would owe a royalty for every RealPlayer

download. Instead, the “Realtime Channel” definition simply explains what a Realtime Channel is—technology with a certain bandwidth—and the other consistent portions of the License identify how and when to charge for that technology.

Alternatively, even if the Court accepted the inconsistencies in VoiceAge’s contract interpretation and adopted the colloquial definition of “capacity” as meaning “ability,” VoiceAge’s motion still fails. Simply put, “[u]pon installation of the RealPlayer on an end user’s PC, the RealPlayer does not have the capacity, or even the capability, to play a file in the AMR-WB format.” *Id.* ¶ 56. Instead, “[o]n installation, the audio and video codecs that are downloaded with the RealPlayer are stored in a separate folder on the PC’s hard drive,” *id.*, and the RealPlayer only acquires the “ability” to handle a video/audio stream after detecting AMR-WB content and performing a complex multiple-step process, during which the RealPlayer finds and loads an “auto renderer” from a different location on the end-user’s computer and builds a Realtime Channel. Declaration of Milko Boic (“Boic Decl.”) at ¶ 12. Accordingly, “[u]ntil an end user attempts to play an AMR-WB file, no capacity [by any definition], and thus no Realtime Channel, exists.” SMF ¶ 56.

**c. Real’s Prior “Admissions” Do Not Support VoiceAge’s Motion.**

Because VoiceAge didn’t take the steps necessary to obtain competent evidence to calculate the number of Realtime Channels, VoiceAge is left relying on a series of purported admissions from Real to prove VoiceAge’s case. But none of the so-called “admissions” assists VoiceAge.

First, VoiceAge cites to Real’s now-withdrawn prior answers, but never cites to the operative Answer. Under well-established law, “[w]hen a pleading is amended or withdrawn, the superseded portion ceases to be a conclusive judicial admission.” *United States v. McKeon*, 738

F.2d 26 (2d Cir.1984) (quoting *Kunlig Jarnvagsstyrelsen v. Dexter & Carpenter, Inc.*, 32 F.2d 195, 198 (2d Cir. 1930)).

Next, VoiceAge curiously relies on an email from Real’s counsel forwarding “RealNetworks’ correct download data,” and the fact that Real’s expert “indicated that his assignment on this case [was] ‘to quantify the number of downloads or installations of the RealPlayer.’” VoiceAge Mot. at 7. Neither supports VoiceAge’s position. In the email, Real’s counsel simply provided the download information that VoiceAge requested; nowhere did Real indicate that VoiceAge could prove damages with only that information. Second, Real retained Daly to calculate the number of RealPlayer downloads in the Territory containing an AMR-WB decoder because VoiceAge seeks damages based on the number of downloads. That Real uses an expert to rebut VoiceAge’s damages claim proves nothing. Daly never indicated that \$0.10 per download was the proper measure of damages, and his testimony provides no support for VoiceAge.

Finally, VoiceAge relies on a series of email statements from Justin Arthur and Sebastian Ainslie, but the emails do not help VoiceAge prove damages. Neither Mr. Ainslie nor Mr. Arthur have any firsthand or technical knowledge or understanding as to what a Realtime Channel is, or how or when a Realtime Channel is made, used, or sold with regards to the RealPlayer. SMF ¶ 57. That is most likely why VoiceAge never bothered deposing Mr. Arthur. VoiceAge, however, tries to make up for its lack of competent evidence on Realtime Channels by citing these emails out of context. For instance, VoiceAge fails to acknowledge that Mr. Ainslie’s emails from March and May 2011 reporting the number of RealPlayer downloads were simply made in response to VoiceAge employee Lei Fang’s request that Mr. Ainslie “**report the volume of the shipped RealPlayer,**” *Id.* ¶ 58 (emphasis added), and did not “represent an attempt to calculate a

royalty base for the AMR-WB Patent License Agreement nor any royalties purportedly due.” *Id.* In addition, Mr. Arthur and Mr. Ainslie did not review Appendix C to the AMR-WB License prior to March 2011 to determine how to calculate royalties under the License with respect to the RealPlayer product. *Id.* Accordingly, at the very least, a factual dispute remains as to what Mr. Ainslie meant in those emails, which requires the Court to deny VoiceAge’s motion.

**B. VoiceAge Cannot Prove Purported Damages For a Second Independently Dispositive Reason: It Cannot Prove the License Complies with FRAND.**

Under the patent pool’s AMR Wideband License Management Agreement (“License Management Agreement”), VoiceAge has the authority to license AMR-WB technology only pursuant to FRAND terms. *Id.* ¶ 37. Accordingly, VoiceAge cannot establish recoverable damages unless and until it proves that the AMR-WB License complies with FRAND. *See, e.g., Paz v. Singer Co.*, 151 A.D.2d 234, 235 (1989) (“It is black letter law that the burden of proving the existence, terms and validity of a contract rests on the party seeking to enforce it (Fisch on Evidence, § 1098, 2d ed.)”). VoiceAge’s failure to do so independently precludes the Court from granting VoiceAge’s motion.

**1. VoiceAge May Only Recover Damages If the AMR-WB License Complies with FRAND Terms.**

The License Management Agreement grants VoiceAge authority to act as License Administrator pursuant to certain limitations. SMF ¶ 38. For example, the License Management Agreement expressly limits VoiceAge’s authority to license AMR-WB technology only on FRAND terms:

[T]he Licensors have agreed to make available their **Essential AMR-WB Patents** and to appoint a single [License Administrator] who will administer the licensing of essential Patents within the AMR-WB Standard in a “one-stop shopping” mode, and **on a fair, reasonable, reciprocal and non-discriminatory basis**, so as to foster acceptance of such AMR-WB Standard.

SMF ¶ 62 (emphasis added). VoiceAge’s corporate representative admitted that VoiceAge may license AMR-WB technology only pursuant to FRAND terms:

Q. At the top there, sir, under “whereas C”, it makes clear that VoiceAge is only authorized to license these essential patents on a fair, reasonable, reciprocal and non-discriminatory basis; correct?

A. Correct.

*Id.* ¶ 63. Furthermore, VoiceAge’s corporate representative confirmed that the AMR-WB License itself must comply with FRAND:

Q. And in granting a license to these-- the [AMR-WB] standard essential patents, VoiceAge agreed to do so on a fair, reasonable and non-discriminatory terms; correct?

.....

A. Yes.

*Id.* ¶ 63.

**2. VoiceAge Has No Competent Evidence that the AMR-WB License’s Royalty Rate Complies with FRAND.**

In addition to ignoring the FRAND issue in its opening motion, VoiceAge also took no steps during discovery to obtain competent evidence proving that the AMR-WB License complies with FRAND. First, VoiceAge’s sole expert witness, Christine Hammer, who opines that VoiceAge’s damages are a dime a download, did not conduct **any analysis** to determine whether the AMR-WB License complies with FRAND:

Q. [D]id you do any work at all to determine whether that dime-per-download royalty rate complies with FRAND, Fair, Reasonable, and Nondiscriminatory terms?

.....

A. No.

SMF ¶ 64. Second, VoiceAge itself took no steps to ensure the AMR-WB License complies with FRAND when drafting and negotiating the License. *Id.* ¶ 65.

In *Microsoft v. Motorola*, Judge Robart of the Western District of Washington issued a seminal 200+ page order—the first opinion in the nation to apply a modified version of the

*Georgia-Pacific* factors used to determine a reasonable royalty in the patent infringement context to the FRAND licensing context. *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823JLR, 2013 WL 2111217, \*16-20 (W.D. Wash. Apr. 25, 2013). Judge Robart’s opinion provides persuasive guidance for how the Court should analyze the FRAND issue here, and it demonstrates that the royalty rate in the AMR-WB License is **not** fair, reasonable, and non-discriminatory.

**a.**     *Factors 1 & 2: The AMR-WB License Fails because the Royalty Rate is Not Comparable to Other Codec Technology Royalties.*

The *Microsoft* decision placed heavy emphasis on the use of “comparable” royalty rates from other licenses to determine a FRAND rate. *Id.* at \*64. Judge Robart explained that the Court would “consider[] possible comparable licensing agreements . . . which could provide indications of a reasonable royalty rate.” *Id.* at 20. The below comparable licenses demonstrate that the dime per download royalty rate VoiceAge seeks to recover for the RealPlayer is neither “fair” nor “reasonable”:

- VoiceAge and Real themselves executed an AMR Standards License granting Real rights to both the AMR-NB and the AMR-WB technology—the same AMR-WB technology at issue in this lawsuit—**free of charge** from 2003 to 2006. SMF ¶ 82.
- VoiceAge and Real are parties to the AMR-NB License, which provides Real a license to use AMR-NB in the RealPlayer for **no annual royalty**. AMR-NB files are far more commonly used than AMR-WB files. *Id.* ¶ 84.
- VoiceAge and Real are parties to the AMR-WB+ License, entered into on the same day as the AMR-WB License, which VoiceAge admits in a recently produced email entitles a Licensee to decode/encode AMR-WB files for **no per-unit royalty** and only a nominal annual fee. *Id.* ¶ 66.

None of these comparable licenses imposes a royalty rate that even approaches the \$12.3 million sought by VoiceAge, and the AMR Standards and AMR-WB+ Licenses grant Real the right to use the **exact same technology** as that covered by the AMR-WB License for **no charge at all**. Additionally, previously withheld emails that VoiceAge only recently produced after the

close of discovery reveal that VoiceAge and the other Patent Pool members themselves didn't believe that Real would have knowingly agreed to pay these royalties:

**However, due to personnel changes on their side, there is a possibility that this will be a surprise to them and they will probably argue that the amount is unreasonable and excessive for a free downloaded application.** They will possibly argue that other pools charge either \$0 (as in AMR-NB and AMR-WB+) or have caps in the order of \$10s or \$100s of thousands. Note that these older pools are still distinguishing applications for PCs from other platforms. In AMR-WB, the PC definition was removed because it is no longer clear what a PC is versus a smart phone or a tablet. **The pool did not want the \$0 royalty to extend to these other devices.**

*Id.* ¶ 79 (emphasis added). This evidence demonstrates that VoiceAge cannot satisfy its burden of proving that the purported AMR-WB License complies with FRAND.

**b. Factors 11 and 13: The AMR-WB Technology Provides De Minimis Value to the RealPlayer.**

Judge Robart's application of Factors 11 and 13 in the FRAND context emphasizes "the contribution of [the licensed patents'] relevant technical capabilities to the implementer and the implementer's products." *Microsoft*, 2013 WL 2111217 at \*18-19. The AMR-WB patents made little "contribution" to the "implementer's product" at issue, the RealPlayer. AMR-WB is just one of many codecs supported by the RealPlayer, and unlike AAC, MP3, and Real's own codec Real Audio/Real Video, it is seldom used by the RealPlayer. SMF ¶ 71.

As VoiceAge's corporate representative testified, VoiceAge seeks to charge Real \$0.10 per RealPlayer download **regardless** of the following:

- (1) The significance of the AMR-WB technology to the RealPlayer product, Caforio Decl., ¶ 3, Ex. B (Deposition of VoiceAge's Corporate Representative ("VoiceAge Dep.") at 157:23-158:2;
- (2) The price Real charges for the RealPlayer, *id.* at 158:3-10;
- (3) The importance of the inventions disclosed in the Licensors' essential patents to the AMR-WB Standard, *id.* at 159:5-9;
- (4) The royalty rate charged by owners of other, non-licensed patents that are also essential to the AMR-WB Standard, *id.* at 159:12-18; or

- (5) Whether an end user ever created a Realtime Channel or used an AMR-WB Decoder, as defined in the AMR-WB License. *Id.* at 160:8-13.

Because the purported dime per download royalty rate that VoiceAge seeks does not reflect the above considerations, VoiceAge breached its FRAND obligations by offering a license that was neither “fair” nor “reasonable.” *Microsoft*, 2013 WL 2111217 at \*18-19.

**c. The AMR-WB License Discriminated Against Real.**

Finally, the AMR-WB License discriminated against Real because highly beneficial terms that were offered to other licensees were never offered to Real. Appendix G to the License Management Agreement authorized VoiceAge to include a new Section 4.2 to the AMR-WB License, which would have allowed Real to provide upgraded versions of the RealPlayer to an end-user who already downloaded a previous version of the RealPlayer for absolutely **no** royalty. Yet, VoiceAge did not offer this Pre-Approved Modification to Real. Had VoiceAge done so, there would be tens of millions of fewer RealPlayers potentially subject to royalty payments under VoiceAge’s theory of damages because Real offered two significant upgrades during the relevant periods. *Id.* ¶ 77. VoiceAge’s refusal to offer this benefit to Real discriminated against Real and treated Real worse than other potential Licensees.

**3. Real Did Not Waive FRAND Protections.**

That Real signed the AMR-WB agreement does not absolve VoiceAge of proving the AMR-WB License complies with FRAND, because Real did not waive VoiceAge’s FRAND commitment by accepting the AMR-WB License. “[W]aiver—which is the voluntary and intentional abandonment of a contract right—should not be lightly presumed and must be based on a clear manifestation of intent to relinquish a contractual protection.” *Team Marketing USA Corp. v. Power Pact, LLC*, 41 A.D.3d 939, 941 (N.Y.A.D. 3 Dept. 2007) (internal citations omitted). “Mere execution” of an agreement “d[oes] not clearly imply an intent” to waive rights.

*Mills v. Robert W. Gottfried, Inc.*, 272 So.2d 837, 839 (Fla. App. 1973).

2789303v1/013333

Under New York law, a party cannot waive a right without knowledge of the right being waived. *See Voest-Alpine Intern. Corp. v. Chase Manhattan Bank, N.A.*, 707 F.2d 680, 685 (2d Cir. 1983). Additionally, in order to be effective, a waiver must be made with “**full knowledge of all the facts** upon which the existence of the right depends.” *S. & E. Motor Hire Corporation v. New York Indemnity Co.*, 255 N.Y. 69, 72 (1930) (emphasis added). Sebastian Ainslie was the principal negotiator who finalized the License, but his responsibility was for the Helix product, not the RealPlayer, and he did not have full knowledge of the facts when he finalized the AMR-WB License: he did not intend for the License to require royalty payments for the RealPlayer, and he specifically never intended to waive any FRAND obligations VoiceAge might have pursuant to the License Management Agreement or AMR-WB License. *Id.* ¶ 81.

Accordingly, as soon as VoiceAge indicated that it sought to collect royalties for every RealPlayer download, Real immediately removed the AMR-WB capable decoder from the RealPlayer. *Id.* ¶ 75. Real’s actions are **not** an example of a failed business prediction on Real’s part: the vast majority of royalties VoiceAge seeks in this action are for the period **before** Real even signed the AMR-WB License. Instead, Real’s immediate removal of the AMR-WB technology from the RealPlayer demonstrates the decision Real made immediately upon gaining “full knowledge of all the facts,” and underscores VoiceAge’s failure to prove the AMR-WB License complies with FRAND. In light of the controlling law, and Mr. Ainslie’s declaration, Real has raised a genuine issue of material fact as to any alleged waiver.

## **V. CONCLUSION**

The summary judgment record compels a finding that VoiceAge has not established as a matter of law competent evidence of damages. The AMR-WB License specifically and explicitly charges a royalty rate “per Realtime Channel,” yet VoiceAge chose not to conduct discovery on Realtime Channels and now concedes it has no idea how many Realtime Channels, if any, are at

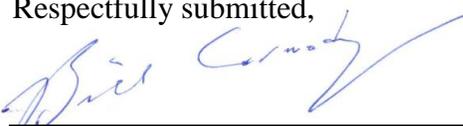
2789303v1/013333

issue. In an attempt to overcome this shortcoming, VoiceAge assumes a one to one relationship between downloads and Realtime Channels. But that assumption is not based on a reasonable reading of the Realtime Channel definition, and is not supported by expert testimony. Further, VoiceAge's construction of the Realtime Channel definition is inconsistent with the AMR-WB License because it improperly renders the entire concept of Realtime Channels superfluous. Finally, VoiceAge's motion fails for the independently dispositive reason that VoiceAge has not and cannot establish that the AMR-WB License complies with FRAND. As a result, Real respectfully requests the Court deny VoiceAge's motion for summary judgment because at the very least, genuine issues of material fact exist regarding what damages, if any, are recoverable under the AMR-WB License.

Dated: July 15, 2013

Respectfully submitted,

By:

  
William Christopher Carmody (WC 8478)  
(bcarmody@susmangodfrey.com)  
SUSMAN GODFREY L.L.P.  
560 Lexington Avenue, 15th Floor  
New York, NY 10022-6828  
Tel: (212) 336-8334  
Fax: (212) 336-8340

Matthew R. Berry (*Pro Hac Vice*)  
(merry@susmangodfrey.com)  
Lindsey Godfrey Eccles (*Pro Hac Vice*)  
(leccles@susmangodfrey.com)  
SUSMAN GODFREY L.L.P.  
1201 Third Avenue, Suite 3800  
Seattle, WA 98101  
Tel: (206) 516-3880  
Fax: (206) 516-3883

Bryan J.E. Caforio (*Pro Hac Vice*)  
(bcaforio@susmangodfrey.com)  
SUSMAN GODFREY L.L.P.  
1901 Avenue of the Stars, Suite 950  
Los Angeles, CA 90067  
Tel: (310) 789-3100

Fax: (310) 789-3150

Attorneys for Defendant  
REALNETWORKS, INC.

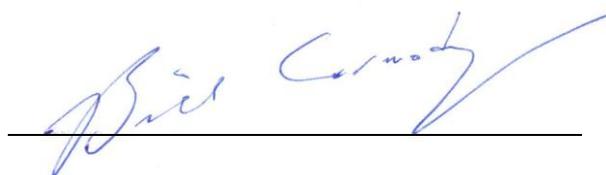
*Counsel for Defendant RealNetworks, Inc.*

**CERTIFICATE OF SERVICE**

I certify that all counsel of record is being served on July 15, 2013 with a copy of this document via the Court's CM/ECF system.

Lewis R. Clayton  
lclayton@paulweiss.com  
Andrew G. Gordon  
agordon@paulweiss.com  
PAUL, WEISS, RIFKIND, WHARTON & GARRISON, LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064

*Attorneys for Plaintiff  
VoiceAge Corporation*



A handwritten signature in blue ink, appearing to read "Bill Conroy", is written above a solid horizontal line.