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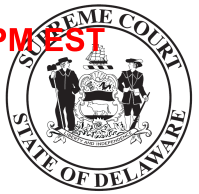

IN THE SUPREME COURT OF THE STATE OF DELAWARE

INTERMEC IP CORP., a Delaware Corporation, and INTERMEC TECHNOLOGIES CORP., a Washington Corporation,

Plaintiffs Below, Appellants,

v.

TRANSCORE, LP, a Delaware Limited Partnership, and TRANSCORE HOLDINGS, INC., a Delaware Corporation,

Defendants Below, Appellees.

No. 347,2023

Court Below:
The Superior Court of the State of Delaware,
C.A. No. N20C-03-254 PRW CCLD

PUBLIC VERSION FILED DECEMBER 5, 2023

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NATURE OF PROCEEDINGS

On March 25, 2020, Intermec IP Corp. and Intermec Technologies Corp. (collectively, "Intermec") filed suit seeking damages arising from TransCore LP and TransCore Holdings, Inc.'s (collectively, "TransCore") breach of the parties' cross-license agreement (the "Agreement"). In contravention of the plain terms of the Agreement, TransCore knowingly but surreptitiously calculated royalties for certain licensed products using a lower "adjusted price" it created from whole-cloth, instead of the gross invoice price required by the Agreement.

Pursuant to the Agreement, the well-known accounting and auditing firm of Ernst & Young ("EY") conducted an audit of TransCore and concluded that TransCore's use of an adjusted price violated the plain terms of the Agreement, resulting in underpayments to Intermec totaling $1,638,979. Notwithstanding its contractual obligation to pay any amounts deemed due and owing during the course of an audit, TransCore refused to pay the amount identified by EY. As a result, late fees continued to accrue. Incredibly, notwithstanding EY's findings, TransCore continued to calculate royalties using its adjusted price until mid-2019 (when TransCore ceased paying royalties altogether), resulting in additional damage to Intermec totaling $1,476,890 as of March 31, 2022. Intermec was forced to file a lawsuit to collect the payments TransCore owed.

SUMMARY OF ARGUMENT

The Superior Court's decision[1] should be reversed because at least three of its conclusions are both fatally flawed and legally erroneous.

1. First, the Superior Court erred in holding that the well-known auditing firm of EY is not an independent third-party auditor, by misinterpreting the meaning of "independent" and distorting the evidentiary record to justify its conclusion. Section 3.5 of the Agreement granted Intermec the right to retain an external accounting firm to audit TransCore's records to determine TransCore's compliance with the terms of the Agreement and provided that both parties would be bound by the finding of any such audit. Consistent with that provision, Intermec retained EY to conduct an audit in 2016. In interpreting the relevant contractual provision, the Superior Court made the following errors: (a) it ignored the common practice of retaining external accounting firms to conduct independent audits that informed the intent of the parties; (b) it read the term "independent" in isolation, ignoring the other provisions of Section 3.5 and the Agreement as a whole that inform the meaning of that term; and (c) it misconstrued a small piece of the evidentiary record and ignored EY's collaboration with both parties to justify its conclusion on the issue of independence. The flawed nature of the Superior Court's reasoning is underscored

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[1] A copy of the Superior Court's Decision After Trial ("Decision") is attached as **Exhibit A**.

by the fact that both the Superior Court and EY concluded that TransCore's adjusted price methodology was inconsistent with the plain terms of the Agreement.

2. Second, the Superior Court not only lacked jurisdiction to apply the equitable doctrine of acquiescence, but also failed to properly analyze the legal elements necessary for the doctrine to apply. As a preliminary matter, the Superior Court, as a court of law, lacked jurisdiction to apply this equitable doctrine. Moreover, even if the court did have such jurisdiction, its application here was legally erroneous because the record does not support a finding that Intermec acted knowingly, as the doctrine requires. Finally, the application of this doctrine is contrary to the express terms of the parties' Agreement, which includes both a non-waiver provision and a no-unwritten-modification provision.

3. Third, the Superior Court's statute-of-limitations analysis was fatally flawed because it treated the defense as an absolute bar to *all* damages arising from TransCore's breach. But the Superior Court failed to even address the damages that occurred within the three years preceding the complaint, which even TransCore admits are not barred by the statute of limitations.

For these reasons, as discussed further below, the Superior Court's Decision should be reversed.

STATEMENT OF FACTS

A. The Parties and the RFID Technology

During the relevant timeframe, TransCore developed and sold transportation toll-collecting systems that utilize radio frequency identification (RFID) technology.[2] At that time, Intermec owned the largest, most valuable portfolio of RFID-related patents in the industry.[3] Intermec's patents were so fundamental to RFID functionality that every protocol and frequency incorporating RFID technology practices an Intermec patent.[4]

B. The Agreement

In order to avoid confusion about royalty calculations under a prior agreement, the parties agreed that royalties for Intermec's patents would be calculated as a percentage of the market price customers paid TransCore for fully-integrated RFID products.[5] In exchange, TransCore paid *substantially* lower royalty rates.[6] These negotiations by the parties resulted in them signing the Agreement, several provisions of which are at issue in this appeal.

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[2] A2235.

[3] A1761.

[4] A1836.

[5] A166–A199; A1778–A1788; A1791–A1792; A1798; A1801.

[6] A166–A168; A1776–A1780; A1789–A1790; A1795–A1796; A1840.

1. Sections 3.1 and 1.8: Royalty Calculations

Section 3.1 of the Agreement prescribes a simple, three-step process for calculating royalties owed:

- *First*, determine whether a TransCore product meets the definition of "Licensed Product."
- *Second*, calculate the "Net Sales Value" of that product by subtracting certain, specified deductions from the "gross invoice price" of the finished product sold to the customer (*i.e.,* the price for the product that appeared on the customer invoice). [7]
- *Third*, apply the specified royalty rate to the "Net Sales Value."[8]

Because TransCore alone had access to the product specifications and customer invoices, the Agreement granted it sole responsibility for calculating the royalties it owed to Intermec.[9] In order to provide Intermec with some monitoring mechanism, the Agreement required TransCore to provide quarterly reports to Intermec that identified each "Licensed Product" by name and model number, the quantity sold, the gross invoice price, and the "method used to calculate the Net Sales Value."[10] An officer of the company needed to certify that each of these

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[7] A136; A1798–A1799; A1803–A1804. Indeed, George McGraw, the person responsible for insuring TransCore's compliance with the Agreement, agreed that this was how royalties were supposed to be calculated under the Agreement. A2293–A2295.

[8] A133–A134; A1797–A1798.

[9] A1806; A140–A141.

[10] A140–A141; A1808–1809.

reports was "true, complete, and accurate."[11] These royalty reports provided Intermec with its only window into "how [TransCore] calculated Net Sales Value in each quarterly report."[12]

Notwithstanding its contractual obligation to disclose the "methods used to calculate [Net Sales Value]," nowhere in the royalty reports did TransCore disclose or even mention the "adjusted price" it used to calculate royalties on certain products.[13] Instead, the reports created the false impression that TransCore, consistent with the terms of the Agreement, calculated the royalties for ***all*** products using the gross invoice price. Intermec had no way to verify this information, since it did not have access to the formulas or backup documentation used by TransCore for its calculations.

2. Section 3.5: The Audit Provision

Given the information disparity between the parties, Section 3.5 of the Agreement granted Intermec the *right*, but not the *obligation*, to audit TransCore's records "through an Independent Third Party."[14] If the results of any such audit

[11] A141.

[12] A1808–A1809.

[13] A218–A228; A253–A260; A305–A314; A319–A388; A2294–A2295; A2302–2303; A2341–A2344; A2346; A2702–A2703; A2707–A2703; A2709–A2710; A677–A678; A686–687; A141; A2538–A2541.

[14] A141.

demonstrated an underpayment, the Agreement provided that TransCore "*will within 30 days after notice of such underpayment, pay Intermec such amount together with a late payment fee calculated in accordance with Section 2.6 above*."[15] The principal architect of the Agreement, Intermec's General Counsel Janice Harwell, testified that this provision was meant to serve "in the nature of an alternative dispute resolution procedure" that was designed to avoid the "time and expense of going [into] litigation in the courts or in an arbitration."[16] The parties intended for the conclusions of any audit to bind both parties equally.[17] Intermec was responsible for paying for the audit unless the audit ultimately revealed an underpayment larger than ten percent, in which case TransCore was obligated to pay for the audit.[18]

Audit rights like those granted to Intermec in the Agreement "serve[] as an essential tool available to licensors in balancing the relationship" between licensor and licensee.[19] In fact, TransCore's own expert admitted that, absent audit rights, TransCore would have "unbridled control over defining both the magnitude of [it]s

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[15] A141.

[16] A1817–A1818.

[17] A1817.

[18] A141.

[19] A2803–A2804.

obligations and [Intermec's] ability to verify" the accuracy of TransCore's contract compliance.[20]

TransCore does not dispute that Section 3.5 permits a third-party auditor to inspect TransCore's books and records to ensure compliance with the terms and conditions of the Agreement and the accuracy of TransCore's quarterly reports.[21] Specifically, TransCore's representative Richard Nefzer testified that "TransCore's position would absolutely be that we would trust a third-party audit; and if they did demonstrate clear [sic] that there was an underpayment, TransCore would have no problem with making that payment."[22] With respect to the authority granted to the auditor, Mr. Nefzer further testified as follows:

> Q. [U]nder Section 3.5, [if] the auditor ***that Intermec retained to serve as its representative*** demonstrated any misrepresentations or payments made by TransCore that resulted in underpayments exceeding one percent, then TransCore would be obligated to pay that amount within 30 days; correct?
>
> A. Yes.
>
> Q. And if the auditor found TransCore's underpayments exceed[ed] ten percent, then TransCore would be obligated to cover the cost of the audit as well; correct?
>
> A. Correct.[23]

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[20] A2804.

[21] A2630.

[22] A2636–A2637.

[23] A2630–2631 (emphasis added).

Failure to pay the amounts that an auditor found were due within the time prescribed would constitute a material breach of the Agreement[24] and would give rise to late charges.[25]

3. Sections 10.2 and 10.3: No Modification Provisions

Section 10.2 provides that "Neither party may amend this Agreement except by written document specifically identifying this Agreement and duly executed by authorized representatives of both parties."[26] Section 10.3 provides that "Waiver by either Party of a breach of any provision contained herein will not be effective unless it is in writing and signed on behalf of the Party against whom the waiver is asserted. No particular waiver will be construed as a waiver of any succeeding breach of such provision or as a waiver of any other provision in this Agreement."[27]

C. TransCore's Exchange with Intermec Analyst Sergio Robles

In 2014, Intermec hired Sergio Robles, a Mexican national for whom English was his second language, as a junior royalty analyst. Mr. Robles's authority was limited to reviewing and processing licensee royalty reports.[28] Mr. Robles reached

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[24] A140; A143; A1815; A1826.

[25] A140.

[26] A147.

[27] A147.

[28] A2688.

out to TransCore regarding its royalty calculations.[29] TransCore carefully crafted a response narrowly tailored to answer the specific questions posed by Mr. Robles.[30] That response, which was edited by several senior TransCore officials, was incomplete because it intentionally failed to disclose all of the licensed products that were subject to TransCore's use of an unreported adjusted price.[31] TransCore's response failed to disclose its practice of using an adjusted price on certain other licensed products because Mr. Robles "didn't ask the question" and it was TransCore's "goal" to give Mr. Robles "exactly what he asked for," nothing more.[32] TransCore also intentionally omitted the "patent" rationale (*i.e.*, that TransCore unilaterally decided Intermec's patents only covered certain RFID communication standards) behind why it was using an adjusted price methodology.

At trial, Mr. Robles' supervisor testified that Mr. Robles surely did not understand the information provided by TransCore or he would have reached out to his supervisor for clarification.[33] She also confirmed that Mr. Robles' authority extended only to processing royalty reports.[34] After this brief email exchange, no

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[29] A2688.

[30] A2688.

[31] A202–A203; A2690–A2691.

[32] A2690–A2692.

[33] A1190–A1195.

[34] A1190–A1195.

further communication occurred internally or with TransCore about TransCore's use of an "adjusted price" until EY's audit.

D. The EY Audit

On August 15, 2016, Intermec[35] notified TransCore that it had retained EY to conduct an audit pursuant to Section 3.5.[36] After some negotiation regarding the temporal scope of the audit, the parties agreed that the audit would cover the period from July 1, 2012 to June 30, 2016.[37] At no point did TransCore object to the retention of EY as the auditor, nor did it question EY's independence.[38]

William Thomas, EY's managing director, had overall responsibility for the audit, including final review of the report.[39] In conducting the audit, EY abided by standards promulgated by the American Institute of Certified Public Accountants.[40] These standards make clear that auditors are required to act with integrity and

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[35] At the time of the audit, Intermec had been acquired by Honeywell. A representative of Honeywell retained EY on behalf of Intermec and communicated with EY and TransCore throughout the course of the audit process on behalf of Intermec. However, for clarity, Intermec refers to both Honeywell and Intermec as Intermec here.

[36] A216–A217; A204–A215; A1941; A1947–A1948.

[37] A286–A304; A2678; A1952–A1953.

[38] A2634; A1954.

[39] A1944–A1945.

[40] A1934–A1937.

objectivity.[41] Mr. Thomas confirmed that neither Honeywell nor Intermec influenced EY's understanding of the Agreement or how royalties were to be calculated or its ultimate conclusions.[42]

During the audit, EY reached out to both Intermec and TransCore for information and documentation.[43] In fact, EY spent a week meeting with senior management at TransCore's headquarters in New Mexico.[44] Mr. Thomas testified that EY's objective was to ensure royalties were calculated properly "through the lens of how the [Agreement] is written."[45] To achieve that goal, EY needed to "read the [Agreement] and understand the plain language" to reach an independent understanding of how royalties should be calculated.[46] To the extent either party disagreed with EY's reading of the Agreement, that disagreement would be captured in EY's report.[47] In other words, EY read and interpreted the Agreement independently.

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[41] A1936.

[42] A1934; A1987–A1988.

[43] A2017.

[44] A290.

[45] A1930–A1932.

[46] A1933.

[47] A1932–A1933.

E. TransCore's Royalty Calculations

Early in the audit process, EY discovered that TransCore was not calculating royalties in accordance with the Agreement. Specifically, EY uncovered the fact that TransCore was using an "*adjusted price*" to calculate royalties owed on certain licensed products rather than the "gross invoice price" as defined in the Agreement. To calculate the adjusted price, TransCore broke the licensed product down into component parts and paid Intermec a royalty only on specific components of the product as a whole that TransCore believed practiced an Intermec patent. As early as November 2016, EY asked TransCore to provide a justification for its use of an adjusted price.[48] EY also notified Intermec that TransCore's use of an adjusted price methodology was "not in accordance [with] the Agreement."[49] EY reached this conclusion on its own review of the "plain language of the contract."[50]

On January 25, 2017, EY again advised TransCore that

> We noticed you used the adjusted unit price for those multiprotocol prices, which we think should be using gross invoice price. Per the Agreement's definition of NSV in Exhibit 1, you should be using gross invoice price or gross invoice fee received for a licensed product less any applicable reserve to compute the NSV. We recomputed all items from the royalty report using the gross invoice

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[48] A231–A234; A235–A239; A229–A230; A1960–A1963; A2021–A2023.

[49] A240.

[50] A1964–A1966; A240.

> price and identified net underpayment in royalty to [Intermec] up to $981,552. Please confirm.[51]

On January 30, 2017, Mr. Nefzer informed EY that TransCore disagreed with EY's conclusions concerning the use of an adjusted price on these licensed products.[52] EY responded that it "understood [TransCore's] perspective on the pricing of the readers, and have indicated to [Intermec] that you feel the adjusted price is appropriate. Our report will contain details on both values."[53] Ultimately, however, EY concluded there was no justification under the Agreement for using an adjusted price to calculate royalties.[54]

F. The EY Report

EY issued its report on March 27, 2017, summarizing the results of the audit. EY's report identified several inaccuracies in TransCore's methodology for calculating royalties owed, including the use of an adjusted price. EY concluded that the Agreement unambiguously required that TransCore "should be using gross invoice price," not an adjusted price, to calculate royalties.[55] As Mr. Thomas explained, "there wasn't anything in the contract that talked about adjusted price or

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[51] A262.

[52] A261.

[53] A270.

[54] A1958–A1960.

[55] A292; A1983–A1985.

a bifurcation of products."[56] EY provided the following summary regarding amounts owed by TransCore to Intermec:

Table 1: Summary of findings				
Appendix A procedure	Detailed finding reference	Description	Amount due to / (from) Honeywell (adjusted price*)	Amount due to/(from) Honeywell (based on invoiced price*)
2,3,4	3.1	Under-reported sales	$ 108,559	$ 170,149
2,5	3.2	Missed royalty products from master list	17,429	25,960
6,7,9	3.3	Inaccurate gross invoice amount used to compute royalty	–	981,522
9	3.4	Inaccurate foreign exchange sales computation	5,053	5,053
11	3.7	Contract assessment fee obligation	N/A	92,250
Subtotal of assessment findings due to Honeywell			131,041	1,274,934
6	3.6	Duplicate royalty paid	(72,896)	(72,896)
Net amount due to Honeywell including overpayment for duplicate royalty			58,145	1,202,038
10	3.5	Late fee on underpayment amount identified exceeding 1% of royalty for each period	N/A	436,941
Net amount due to Honeywell including late fees			58,145	1,638,979
Total royalty amount				$9,055,422
Underpaid percentage to total royalty amount (does not include late fee)			0.6%	12.3%

At trial, Mr. Thomas testified that the far-right column—outlined in red above—represented EY's findings using the royalty methodology required by the Agreement.[57] In the interest of transparency, the summary table included TransCore's position with respect to the adjusted price calculation notwithstanding EY's conclusion that TransCore's position was inconsistent with the terms of the Agreement.[58]

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[56] A2018–A2020; A2068.

[57] A2068–A2069; A1977; A1979–A1980.

[58] A1977–A1979.

G. TransCore's Breach of Section 3.5 of the Agreement

On April 28, 2017, Intermec informed TransCore of EY's determination that TransCore owed Intermec $1,638,979.00 in unpaid and/or underpaid royalties pursuant to Section 3.5 of the Agreement for the period from January 2012 through June 2016.[59] TransCore steadfastly refused to pay the royalties EY concluded were due.[60] As a result, late fees continued to accrue and, as of March 31, 2023, the amount owed pursuant to Section 3.5 of the Agreement totaled $3,421,013.[61]

H. TransCore's Subsequent Breach of the Agreement

Despite the conclusions reached by EY, TransCore continued to use the same improper adjusted price methodology from March 2017 through mid-2019 when it stopped paying royalties altogether.[62] As a result, TransCore underpaid Intermec an additional $1,476,890.[63]

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[59] A316–A318.

[60] A2315–A2316; A2082–A2083.

[61] A2088–A2090; A2202.

[62] A2245–A2247; A2556; A2119; A2193.

[63] A2189; A2124–A2125; A2137–A2138; A2149.

I. The Superior Court's Ruling

Because of TransCore's refusal to pay the amounts EY determined that it owed, Intermec commenced the instant action for breach of contract seeking to recover the underpaid royalties.[64] A bench trial was held in April 2023.

After post-trial briefing, the Superior Court issued the Decision on August 23, 2023. In the Decision, the Superior Court reached the same conclusion as EY: TransCore breached the agreement by using an "adjusted price" instead of the gross invoice price.

The Superior Court decided, however, notwithstanding TransCore's breach, that Intermec is not entitled to damages for three reasons. First, the Superior Court deemed Section 3.5 inapplicable because EY was not an "independent" auditor. Second, the Superior Court decided that Intermec acquiesced to TransCore's improper calculation method and, therefore, waived the ability to recover damages for the breach. Third, the Superior Court concluded that the entirety of Intermec's claim was barred by the statute of limitations.

[64] Other claims asserted by the parties had been dismissed at the pleadings stage.

ARGUMENT

I. THE SUPERIOR COURT ERRED AS A MATTER OF LAW IN DETERMINING THAT EY WAS NOT AN "INDEPENDENT" AUDITOR PER SECTION 3.5 OF THE LICENSE AGREEMENT.

A. Question Presented

Did the Superior Court err as a matter of law in concluding that Intermec could not invoke Section 3.5 of the Agreement to recover damages for TransCore's breach of the Agreement even though EY was "independent" by any reasonable interpretation of that word?[65]

B. Scope of Review

Questions of contract interpretation are questions of law subject to *de novo* review. *BLGH Holdings LLC v. enXco LFG Holding, LLC*, 41 A.3d 410, 414 (Del. 2012). "To the extent the trial court's interpretation of the contract rests upon findings extrinsic to the contract, or upon inferences drawn from those findings, our review requires us to defer to the trial court's findings, unless the findings are not supported by the record or unless the inferences drawn from those findings are not the product of an orderly or logical deductive reasoning process." *Honeywell Int'l Inc. v. Air Prods. & Chem., Inc.*, 872 A.2d 944, 950 (Del. 2005).

[65] A141; A1820; A1934–A1935; A2634.

C. Merits of Argument

1. The Superior Court's interpretation of "independent" was legally erroneous.

The Superior Court determined that Intermec was not entitled to recover on its breach of contract claim under Section 3.5 of the Agreement because EY was not an "independent Third Party." Decision at 20. No party disputes that EY was a "Third Party" as that term is defined in the Agreement. The crux of this issue turns on whether, under the plain, unambiguous terms of the Agreement, EY was "independent."

a. The Superior Court determined that the auditor was not independent because they were retained by Intermec, but the Agreement specifically granted Intermec the right to retain the auditor.

When interpreting the meaning of a contractual provision, Delaware courts are to give effect to the intentions of the parties. *Weinberg v. Waystar, Inc.*, 294 A.3d 1039, 1044 (Del. 2023). Further, "Delaware adheres to the 'objective' theory of contracts, *i.e.,* a contract's construction should be that which would be understood by an objective, reasonable third party." *Id.* Finally, the court should "endeavor 'to give each provision and term effect' and not render any terms 'meaningless or illusory.'" *Id.*

"Independent" is not defined in the Agreement.[66] The Superior Court thus looked exclusively to Black's Law Dictionary, which defines "independent" as, *inter alia*, "(1) "Not subject to the control or influence of another"; (2) "Not associated with another (often larger) entity"; (3) "Not dependent or contingent on something else." Decision at 16 (citing *Independent*, Black's Law Dictionary (11th ed. 2019)).

As an initial matter, the Superior Court's reliance on the dictionary definition of the term "independent" is misplaced. Under Delaware law, turning to dictionary definitions is only appropriate when "a term's definition is not altered or has no 'gloss' in the relevant industry." *See Lorillard Tobacco Co. v. Am. Legacy Foundation*, 903 A.2d 728, 740 (Del. 2006) (internal punctuation omitted). Here, however, the phrase "independent," when used in the context of an audit provision, has a very specific meaning: an external auditing firm. *See, e.g.*, *ArchKey Intermediate Holdings, Inc. v. Mona*, 2023 WL 6442815, at *3–4 (Del. Ch. Ct. Oct. 3, 2023) (describing "Accountant True-Up Mechanism" calling for "Independent Accountant" and designating EY to serve as the same); *Sapp v. Industrial Action*

[66] *See id.* In a brief parenthetical, the Superior Court suggests that the fact that the term "independent" is undefined in the Agreement means that the phrase is somehow ambiguous. Decision at 16. Language is only ambiguous if it is susceptible to more than one reasonable interpretation. *Weinberg*, 294 A.3d at 1044. Here, there is nothing in the Decision or the record to suggest that the term "independent" is subject to more than one reasonable interpretation such that it could be deemed ambiguous.

Servs., LLC, 75 F.4th 205, 209 (3d Cir. 2023) (contractual provision permitting audit by "independent accounting firm" and designating EY or another "nationally recognized independent public accounting firm"). As Intermec's former general counsel explained in unrebutted testimony, when the parties negotiated the Agreement, they envisioned that a "Big Four" accounting firm, like EY, would serve in the role of independent auditor.[67]

Further, the Superior Court's ruling looked at the term "independent" in isolation and ignored other key language in the Agreement. The Superior Court concluded that EY was not "independent" because it was allegedly subjected to "undue control" from Intermec. The primary reason that the Superior Court concluded that EY could not be "independent" was because Intermec retained (*i.e., paid*) EY. Decision at 19–20. More specifically, the Superior Court pointed to various statements in the "statement of work" outlining EY's responsibilities during the audit, which characterized Intermec as the "Client" and contemplated that EY would provide Intermec with progress check-ins. *Id.* at 19. In reaching this conclusion, the Superior Court ignored several key provisions in the Agreement that expressly authorize this very arrangement. The Agreement grants to Intermec the right, through an independent Third Party, to audit the records of TransCore to

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[67] A1820. The "Big Four" accounting firms are the four largest professional auditors: Deloitte, KPMG, PricewaterhouseCoopers, and EY.

"verify any representations (in quarterly reports or otherwise) by [TransCore.]"[68] Intermec was tasked with retaining the auditor and was responsible for the cost of the audit unless the auditor discovered underpayments exceeding 10%. That is why Section 3.5 describes the independent auditor as "Intermec's representative" and why the Agreement did not give TransCore any role in selecting the auditor.[69] Thus, reading the contract as a whole—as is required by Delaware law, *see Weinberg*, 294 A.3d at 1044—the parties expressly contemplated and intended a scenario exactly like what happened here: Intermec would select and retain the auditor who would then conduct its own, independent audit of TransCore's records.

Consistent with this contractual language, Ms. Schwencer testified that EY was tasked with "go[ing] to the site and ensur[ing] that the customer is paying *per the contract*, they are working *within the scope of the contract*, they're reporting *per the contrac*t, and they are *paying for the contract*."[70] Moreover, the Superior Court's Decision is all the more confusing given the court's acknowledgement that "[t]o be

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[68] A141.

[69] A141. TransCore acknowledged that the Agreement granted Intermec the right to retain and auditor to serve as its representative. A2634.

[70] A1106 (emphasis added). It should be noted that Intermec's selection of EY was a reasoned one. Ms. Schwencer testified that Intermec wanted a reputable firm with experience doing intellectual-property royalty audits. A1105. EY was carefully vetted and selected for its experience.

sure, audit provisions like the one here and the action taken thereunder generally require[] one of the contracted parties to take the lead."[71]

Thus, under a plain reading of the Agreement's terms, there is nothing to support the conclusion that EY was anything other than an "independent" third-party auditor.

b. Intermec did not exercise "undue control" over the audit process.

Notwithstanding this contractual language and its own concession, the Superior Court concluded that Intermec somehow exerted too much control, thereby destroying EY's independence. In reaching this conclusion, the Superior Court relied on two cherry-picked emails from Intermec representative, Stephanie Schwencer, in which Ms. Schwencer (1) provided Intermec's position on certain events in response to direct requests from EY and (2) requested, at the end of the

[71] Implicit within this acknowledgment is also an understanding that some party needs to initiate the relationship and pay for the audit. As Ms. Harwell explained, "[A]udit firms don't work for free any more than law firms do. And so when someone needs an audit done, the auditor does require that someone be on the hook for the time and expenses of getting that job done. And so if there is any bias flowing from that, it's so minuscule as to be not significant in terms of how auditors go about their work." A1820.

audit, that EY put "pencils down." The Superior Court's selective review of these two emails distorted the evidence. *See* Decision at 18–19.

First, the evidence indisputably shows that EY solicited feedback on various questions from *both* Intermec and TransCore. For example, on January 25, 2017, EY advised TransCore that:

> We noticed you used the adjusted unit price for those multiprotocol prices, which we think should be using gross invoice price. *Per the Agreement's definition of NSV in Exhibit 1, you should be using gross invoice price or gross invoice fee received for a licensed product less any applicable reserve to compute the NSV.* We recomputed all items from the royalty report using the gross invoice price and identified net underpayment in royalty to [Intermec] up to $981,552. Please confirm.[72]

As TransCore's own expert testified, such communications were to be expected during a royalty audit.[73] The fact that EY requested and considered both sides' views during the course of the audit is evidenced by the audit report itself, which expressly referred to both parties' positions.[74] There was no basis, therefore, for the Superior Court to find that EY was acting only at the direction of Intermec "with seemingly no substantial input from TransCore." Decision at 19. To the contrary, EY spent an entire week meeting with TransCore senior management in New Mexico and

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[72] A262 (emphasis added), *see also* A1798; A261; A269–A285.

[73] A2802–A2803; A2810–A2811.

[74] A270 ("Our report will contain details on both values.").

thereafter was in frequent contact with TransCore personnel.[75] At the end of the day, EY analyzed the contract, considered *each* party's interpretation, solicited input and feedback from *both* parties, made its own conclusion, and captured *both* parties' interpretations in the report.

As Mr. Thomas testified, the conclusions EY memorialized in its report, including the royalty calculations that EY performed, were "*based off of [EY's] understanding of the contract*."[76] Mr. Thomas testified at length that the scope of EY's work was conducted in accordance with terms of the Agreement:

> Q. How does Ernst & Young go about making the determination regarding how royalties are supposed to be calculated in any given situation?
>
> A. We are performing analysis *through the lens of how the contract is written*.[77]

Not only did EY testify that it conducted its own analysis, but it also expressly disavowed the notion that Intermec told EY how it should interpret the License Agreement.[78] This evidence was further bolstered by testimony from the Intermec representative who retained EY. When specifically asked about her communications

[75] A290.

[76] A1977; A1979–A1980 (emphasis added).

[77] A1932 (emphasis added).

[78] A1932.

with EY, Ms. Schwencer testified that no one at Intermec had the authority to instruct EY on the proper interpretation of the terms of the Agreement.[79] The Agreement vested that authority exclusively with EY.[80] Finally, EY would have breached its professional obligations had Intermec influenced its conclusions. Mr. Thomas testified that EY followed the American Institute of Certified Public Accountants standards, which "require integrity, objectivity."[81] Thus, not only would it have been improper under the terms of the Agreement for Intermec to exert any influence over EY's conduct, but had EY permitted this sort of behavior its own professional standards would be placed in significant jeopardy. The Superior Court addressed none of this evidence in its Decision.

Third, the fact that Intermec asked EY to "put pencils down" cannot amount to "undue control." As explained above, pursuant to the Agreement, EY was retained by Intermec. At the time of this email, the audit had been ongoing for approximately six months. This email was a run-of-the-mill logistical communication, not an attempt to dictate the audit results. Mr. Thomas testified that the direction to "put [EY's] pencils down and close out the report" was meant to

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[79] A1365.

[80] A1107 ("Q. Who would instruct Ernst & Young on what the terms of the contract meant? A. We didn't have a session to do that."); *see also* A1365 (denying assertion that Intermec directed EY on how to calculate royalties for multiprotocol products).

[81] A1934–A1935.

wrap up procedures in the ordinary course.[82] Importantly, in EY's view, Intermec did not "cut [the] audit short or prevent [EY] from conducting a complete audit[.]"[83] At this time, there were no outstanding issues EY needed to resolve before closing the audit.[84]

Finally, at no point did TransCore ever challenge EY's authority to conduct the audit or otherwise question its independence. Indeed, TransCore's representatives worked closely with EY, including during on-site visits, over the course of approximately six months. Only after Intermec commenced this litigation to recover the approximately $3.5 million in underpaid royalties did TransCore – for the first time – challenge EY's (one of the largest, most trusted accounting firms in the world) independence. At trial, Mr. Nefzer, the TransCore representative who interfaced with EY, admitted that he had absolutely no evidence to support the assertion that EY was acting improperly or was under the influence of Intermec.[85] The Superior Court erred in denying Intermec its right to recover under Section 3.5 on nothing more than a hunch.[86]

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[82] A1971.

[83] A1971.

[84] A1971.

[85] A2638–A2640.

[86] A2602–A2603.

Notwithstanding this evidence, the Superior Court's Decision effectively rewrote the Agreement to exercise the only recourse Intermec had to prevent negligence or fraud by TransCore. The Superior Court's analysis was not the result of orderly or logical deductive reasoning. To the contrary, the overwhelming evidence demonstrated that EY was an "independent" third party.[87] The Superior Court erred as a matter of law in interpreting Section 3.5 and concluding that it was inapplicable, and its holding that Intermec cannot recover under Section 3.5 should be reversed.

2. The Superior Court's interpretation of Section 3.5 is undermined by the fact that the court and EY reached the same conclusion regarding the proper methodology for calculating royalties.

The Superior Court's strained reasoning that EY was not independent is particularly troubling where, as here, the Superior Court agreed with EY that TransCore's adjusted price methodology constituted a breach of the Agreement. EY and the Superior Court both found that TransCore should not have used its "adjusted price" in calculating the royalty payments. Section 3.1 of the Agreement provides that TransCore owes Intermec a "running royalty of 7.0% on the Net Sales Value of any Licensed RFID Readers."[88] The Superior Court rejected TransCore's adjusted

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[87] *See* A1947.

[88] A134.

price methodology and concluded, "based on the text of the Agreement" that "Intermec's correct." Decision at 23. The fact that both EY and the Superior Court reached the same conclusion based on the text of the Agreement is compelling evidence that EY reached its conclusion not because Intermec exerted "under control" over EY, but because the Agreement cannot reasonably be read any other way.

3. Affirming the Superior Court's interpretation of Section 3.5 would have a chilling effect on Delaware's public policy to encourage alternative dispute resolutions.

The Superior Court's interpretation of Section 3.5 will undoubtedly discourage parties in the future from including audit provisions like that at issue here, reducing the use of auditors to help resolve disputes and leading to more litigation in the future. As Ms. Harwell testified, Section 3.5 served "an alternative dispute resolution procedure."[89] By retaining an auditor to review TransCore's quarterly reports, the parties sought to "resolve problems related to payments of royalties in a manner that did not require the time and expense of going [into] litigation in the courts or in arbitration."[90] Delaware public policy favors alternative dispute resolution fora. *Elf Atochem N. Am., Inc. v. Jaffari*, 727 A.2d 286, 292 (Del.

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[89] A1817.

[90] A1817–A1818.

1999). Indeed, audit provisions, like that at issue here, serve an important role in creating a mechanism to uncover and resolve disputes without litigation. *See, e.g.*, *ArchKey*, 2023 WL 6442815, at *14 (stating that expert accountant conclusion is binding); *Sapp*, 75 F.4th at 214 (explaining that the "calculation of IAS's EBITDA becomes final and binding after [an independent accountant] completes its accounting analysis."). The Superior Court's Decision effectively renders audit provisions such as Section 3.5, pursuant to which one of the largest and most reputable accounting firms in the world was retained, voidable by signaling to auditors and their clients that any communication could be seen as "direction" or undue control. Such an outcome is contrary to the well-established practice of allowing experts to resolve questions like those at issue here, which require the expert to "conduct its own investigation and request from the parties the information it needs to resolve the factual issue." *Sapp*, 75 F.4th at 211 (citing secondary sources and explaining process of using experts as part of the ADR process).

II. THE SUPERIOR COURT MADE LEGAL AND FACTUAL ERRORS IN FINDING THAT THE DOCTRINE OF ACQUIESCENCE BARRED INTERMEC'S BREACH-OF-CONTRACT CLAIM.

A. Question Presented

Did the Superior Court err as a matter of law in concluding that the equitable doctrine of acquiescence barred Intermec's breach-of-contract claim?[91]

B. Scope of Review

A trial court's application of equitable defenses presents a "mixed question of law and fact." *Klaasen v. Allegro Dev. Corp.*, 106 A.3d 1035, 1043 (Del. 2014). Questions of law are reviewed *de novo*; whereas, this Court will not overturn the trial court's factual findings unless they are "clearly erroneous." *Id.*

C. Merits of Argument

The Superior Court concluded that the doctrine of acquiescence barred Intermec's claims. This conclusion, however, is unsupportable under Delaware law for three independent reasons: (1) the Superior Court lacks jurisdiction to consider equitable defenses like the doctrine of acquiescence; (2) even if it could apply the doctrine of acquiescence, as a matter of black letter law, the elements of the doctrine are not satisfied here; and (3) the doctrine cannot apply because the parties' Agreement at the center of the instant action includes no-waiver and no-unwritten-modification clauses.

[91] A147; A1190–A1195; A2690–A2692.

1. The Superior Court lacked jurisdiction to apply the equitable defense of acquiescence.

In its Decision, the Superior Court assumes without discussion that it has jurisdiction to apply the doctrine of acquiescence. The assumption of jurisdiction contravenes Delaware's traditional distinction between courts of law and equity. "Delaware proudly guards the historic and important distinction between legal and equitable jurisdiction, and cross-designation to sit as both a court of law and equity is a very rare departure…." *Pine Creek Recreational Servs., LLC v. New Castle Cty.*, 238 A.3d 208, 212 (Del. Super. Ct. 2020) (quoting *Weston Invs. Inc. v. Domtar Indus., Inc.*, 2002 WL 31011141, at *1 (Del. Super. Ct. Sept. 4, 2002)). In light of this historic tradition, it is well-established that under all but the most exceptional circumstances, the Superior Court, which is a court of law and not equity, lacks jurisdiction to consider equitable defenses. *See, e.g.*, *Pine Creek Recreational Servs., LLC*, 238 A.3d at 212 (concluding that the Superior Court lacked jurisdiction to address equitable argument of laches); *Sun Life Assur. Co. of Canada v. Wilmington Trust, Nat'l Assoc.*, 2018 WL 3805740, at *2 (Del. Super. Ct. Aug. 9, 2018) (striking equitable defenses of laches and unclean hands explaining that "this Court lacks jurisdiction to consider the laches and unclean hands defenses.").[92] It

[92] Notably, the Superior Court itself recognized this distinction in chiding Intermec for alleging an unclean hands defense to TransCore's Counterclaims during the parties' pre-trial conference.

is well-established that the doctrine of acquiescence is an *equitable* doctrine. *Klaasen*, 106 A.3d at 1045; *Julin v. Julin*, 787 A.2d 82, 84 (Del. 2001); *Wechsler v. Abramowitz,* 1984 WL 8244, at *2 (Del. Ch. Ct. 1984) ("Acquiescence, also an equitable defense, is based upon the rule that equity will not permit a complainant to stultify himself by complaining against acts in which he participated or in which he has demonstrated his approval by sharing in the benefits . . .").

Whether the Superior Court has the authority to apply the equitable defense of acquiescence is a matter of first impression before this Court. While there have been several Superior Court decisions that have addressed this issue in *dicta*, these decisions appear to be split. First, in *Mizel v. Xenonics, Inc.*, the court questioned in a footnote whether it had jurisdiction to decide the equitable defense of acquiescence noting that the parties "focused their arguments on acquiescence in the context of equity and not as a doctrine of law" and neither addressed the applicability to an action of law. 2007 WL 4662113, at *7, n.15 (Del. Super. Ct. 2007)); *see also Humes v. Charles H. W. Farms, Inc.*, 2007 WL 914907, at *2 (Del. Super. Ct. 2007) (considering appointment of vice chancellor to address equitable defenses, including acquiescence). By contrast, in *USH Ventures v. Global Telesys. Grp.*, 796 A.2d 7, 18 (Del. Super. Ct. 2000)—which predates *Mizel*, *Pine Creek*, and *Sun Life*—the Superior Court engaged in a self-styled "digression" on whether an acquiescence defense can be brought in a court of law concluded that it should have the authority

to invoke equitable defenses, including acquiescence. The court reasoned that "[f]ormal, impractical distinctions…should be set aside." *Id.* at 18. This reasoning contradicts the long-standing tradition of Delaware courts, but more importantly for present purposes it also rests on a fundamental misapplication of a prior Superior Court decision. Specifically, in reaching this conclusion, the court in *USH* relied on *Pa. R.R. Co. v. Stauffer Chem. Co.*, 255 A.2d 696, 699–700 (Del. Super. Ct. 1969). Significantly, however, *Stauffer Chemical* did not involve a question of Delaware law, but involved Pennsylvania law, which does not honor the same distinction between courts of law and equity. *Stauffer Chem.*, 255 A.2d at 699–700. Thus, *USH*'s "digression" can be disregarded as it is founded on a misapprehension of precedent.

Moreover, neither of the decisions relied upon by the Superior Court in support of its conclusion that the doctrine applies compels a different result. The Court relies primarily on this Court's decision in *Klaasen*, 106 A.3d at 1045. This decision, however, is an appeal from the Court of Chancery and, thus, jurisdiction was a non-issue. *See id.* The Superior Court's Decision also cites *Julin v. Julin*, 787 A.2d 82, 84 (Del. 2001), which is an appeal from Delaware Family Court, which has exclusive jurisdiction over all domestic matters; and thus, is similarly inapposite here.

Because the doctrine of acquiescence is an equitable doctrine, which lies exclusively within the purview of Delaware's Court of Chancery, the Superior Court erred both in applying and concluding that the doctrine barred Intermec's claims.

2. The Superior Court erred in concluding that all of the elements of the doctrine of acquiescence had been satisfied.

Assuming *arguendo*, that the Superior Court did have jurisdiction to apply the doctrine of acquiescence, the Decision's application of the doctrine here is nonetheless improper under Delaware law. A plaintiff will be deemed to have acquiesced in the complained-of-conduct when it: "has full knowledge of his rights and the material facts and (1) remains inactive for a considerable time; or (2) freely does what amounts to recognition of the complained of act; or (3) acts in a manner inconsistent with the subsequent repudiation, which leads the other party to believe the act has been approved." *Klaasen*, 106 A.3d at 1047; *Cantor Fitzgerald, L.P. v. Cantor*, 724 A.2d 571, 582 (Del. Ch. Ct. 1998) (same). Whether this standard is met is very fact-specific and depends on "evaluation of the knowledge, intention and motivation of the acquiescing party." *Julin*, 787 A.2d at 84. Here, as a matter of law, the record does not support the Superior Court's conclusion that based on TransCore's exchange with Mr. Robles, Intermec had "full knowledge" such that the doctrine could apply.

a. Mr. Robles lacked full knowledge of Intermec's rights and material facts.

The Superior Court Decision takes as a foregone conclusion that Mr. Robles had full knowledge of the facts relating to TransCore's use of an adjusted sales price. Specifically, the Superior Court states that "Mr. Robles had all the material facts available to him." Decision at 30. However, the Decision does not cite to any support in the record for this proposition. *See id.* Nor is that conclusion supported by a review of the record. The trial record demonstrates that:

- Mr. Robles had a question about several specific line-item calculations in a single royalty report.[93]
- TransCore's representative responded to this specific inquiry relating to specific line-items without referencing multiprotocol devices or adjusted price.[94]
- A follow up communication relating to multiprotocol devices does not identify all of the specific multiprotocol products to which TransCore was applying an adjusted price.[95]
- Neither explanation made any reference to the parties' License Agreement nor provided any other support relating to the propriety of its calculation.[96]
- The explanation TransCore provided was predicated on an understanding of what Intermec patents each TransCore product practiced, which TransCore

[93] A200–A201; A2687–A2688; A2318–A2319.

[94] A200–A201; A2320.

[95] A202–A203; A2690–A2691.

[96] A200–A203.

failed to identify and about which Mr. Robles, a non-engineer, could not possibly know.[97]

- TransCore admitted at trial that it left out information relating to the RFID Tags because it was TransCore's "goal" to answer Mr. Robles' specific questions and nothing more.[98]

Under Delaware law, in order to establish that a party had "full knowledge" such that the doctrine of acquiescence applies, that party must show that the other party is aware of the "material details" or "material facts." *See Zohar III Ltd. v. Stila Styles, LLC*, 2022 WL 1744003 at *9–10 (Del. Ch. Ct. May 31, 2022); *Finger Lakes Cap. Partners, LLC v. Honeoye Lake Acquisition, LLC*, 2015 WL 6455367, at *21 (Del. Ch. Ct. Oct. 26, 2015) *rev'd on other grounds*. That standard is not—and cannot be—met here where the record establishes that TransCore provided only partial explanations and intentionally left open numerous questions.

Moreover, this record demonstrates that TransCore intentionally misrepresented to Mr. Robles the terms of the Agreement and the facts relating to its calculation of royalty payments for certain licensed products. A party cannot have "full knowledge" when that knowledge is predicated on falsehoods and misrepresentations by the other party. In other words, where the record clearly establishes that Intermec did not have all material facts relating to the royalty

[97] *See also* A200–A203.

[98] A2690–A2692.

calculations, the doctrine of acquiescence cannot apply. The mere fact that Mr. Robles processed quarterly reports in order to recover at least some of the royalties owed by TransCore does not constitute waiver of Intermec's right to take steps to recover any underpayments or acquiescence to the adjusted price methodology employed on certain products.

b. Mr. Robles did not have authority to consent to TransCore's methodology.

Intermec does not dispute that the knowledge of an agent can be imputed to the principal under certain circumstances. Decision at 28–29. However, in order to be imputed, the agent must be acting within the scope of his authority. *XRI Invest. Holdings LLC v. Holfield*, 283 A.3d 581, 627 (Del. Ct. Ch. 2022) ("Delaware law states the knowledge of an agent acquired while acting within the scope of his or her authority is imputed to the principal."). Here, the authority extended to Mr. Robles was extremely limited. Mr. Robles was a royalty analyst whose sole job was to process royalty payments. Mr. Robles was not familiar with the terms of the parties' Agreement, he was not trained in interpreting such agreements, and he was not a subject-matter expert in RFID technology.[99] Importantly, he did not have the

[99] A1190–A1195.

authority to negotiate or otherwise alter Intermec's contractual agreements with third parties.[100]

Imputing Mr. Robles' knowledge here would fundamentally alter Delaware's principles of agency. As is discussed above, the Superior Court held that TransCore's calculation of the invoice price for certain licensed products is contrary to the terms of the parties' contract. Thus, if Mr. Robles' knowledge of the adjusted price calculation could be imputed to Intermec such that Intermec could not challenge that calculation, the authority granted to Mr. Robles would be unilaterally expanded to allow him to alter the plain, unambiguous terms of the parties' contract. Delaware agency law is clear that a party must be acting within the scope of their agency to be properly characterized as an agent. *See XRI Invest.*, 283 A.3d at 627. A contrary result would have significant public policy implications for all companies doing business in Delaware if an entry-level employee can fundamentally alter a valid, enforceable agreement through the routine performance of a clerical task.[101]

Because Mr. Robles, a junior royalty analyst, was decidedly not acting within the scope of his agency relationship with Intermec in "approving" TransCore's explanation of its royalty price calculations, such knowledge cannot be imputed to

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[100] A1190–A1195.

[101] A147.

Intermec. The authority extended to Mr. Robles was limited to processing royalty payments. His decision to accept what amounted to a partial payment did not constitute acceptance of the methodology summarized in his correspondence with TransCore. He did not have "full knowledge" of the terms of the Agreement, nor did he have authority to modify the terms of that contract. As a result, the Superior Court's application of the doctrine of acquiescence was in error.

3. The Superior Court erred by ignoring the no-waiver clause in the License Agreement.

Even if the *prima facie* elements of the doctrine of acquiescence had been satisfied here, the doctrine still would not apply because the parties' Agreement contains valid and enforceable "no-waiver" and written-signature-required clauses.[102] The Superior Court acknowledges that both provisions are valid, but nonetheless concludes that neither provision bars the application of the doctrine of acquiescence. *See* Decision at 32. This is clear error.

As a preliminary matter, Delaware courts recognize the importance of enforcing "no-waiver" clauses. *See In re Coinmint*, *LLC*, 261 A.3d 867, 900 (Del. Ch. Ct. 2021); *Lennox Industries, Inc. v. Alliance Compressors LLC*, 2021 WL 4958254, at *9 (Del. Super. Ct. Oct. 5, 2021) ("Non-waiver clauses serve an important purpose in contract law by ensuring that a party to a contract is given an

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[102] A147.

opportunity to make a thoughtful and informed decision about whether or not to enforce a particular contract right"). Because of the importance given to enforcing contractual provisions, where a party attempts to argue that overcoming these provisions by course of conduct (*i.e.*, acquiescence) that party must show that the conduct was "of such specificity and directness as to leave no doubt of the intention of the parties to change what they have previously solemnized by formal documents." *Reeder v. Sanford Sch., Inc.*, 397 A.2d 139, 141 (Del. Super. Ct. 1979); *ING Bank FSB v. Am. Reporting Co., LLC*, 843 F. Supp. 2d 491, 498–99 (D. Del. 2012) (collecting cases).

Here, as explained above, TransCore's interactions with Mr. Robles lack the sort of "specificity and directness" required to demonstrate any intent to modify key provisions of the Agreement through the parties' conduct. The Superior Court Decision includes only a cursory discussion of the interplay between the "no-waiver" provision and the doctrine of acquiescence. Decision at 32. And that discussion makes no reference to the requirement, under black letter Delaware law, that any sort of "waiver by conduct" must be shown with "specificity and directness." Thus, not only is there nothing in the record to support this conclusion, but it appears the Superior Court did not even apply the proper standard.

Moreover, none of the cases relied upon by the Superior Court compel a different result. First, none of these cases involved situations where the doctrine of

acquiescence overcame a non-waiver provision. *See XRI*, 283 A.3d at 622 (does not involve the doctrine of acquiescence); *Aveann Healthcare, LLC v. Epic/Freedom, LLC*, 2021 WL 3235739, at *29 n. 273 (Del. Super. Ct. July 29, 2021) (same); *Pepsi-Cola Bottling Co. of Asbury Park v. PepsiCo, Inc.*, 297 A.2d 28, 33 (Del. 1972) (involves only a no unwritten modification provision). Second, each of these cases are otherwise distinguishable from the present situation. For example, in *XRI*, the Court of Chancery merely explained in *dicta* that non-waiver provisions can be overcome in certain circumstances, but concluded that the conduct at issue was incurably void and that the doctrine of acquiescence "could not save it." *See* 83 A.3d at 622. Similarly, *Aveann Healthcare, LLC v. Epic/Freedom, LLC*, involved a discovery motion where the court held that the party was entitled to some discovery into its claim that the defendant waived its right to challenge a refund notwithstanding the parties' non-waiver provision. 2021 WL 3235739, at *29 n. 273 (Del. Super. Ct. July 29, 2021). In *Pepsi-Cola Bottling Co. of Asbury Park*, the parties had acquiesced to a change in price terms without formal bilateral written agreement in accepting multiple, periodic price changes and because there had been other changes to the contract over the years without bilateral written agreement.

Here, the parties' Agreement is unambiguous, valid, and enforceable. If TransCore wanted to modify the way in which royalties were calculated on multiprotocol devices, it needed to do more than send an incomplete explanation to

a junior royalty analyst. It chose not to negotiate an amendment to the Agreement that would allow for the use of an adjusted price on multiprotocol devices. As a result, the no-waiver and no-unwritten-modification provisions bar any applicability of the doctrine of acquiescence. This is specifically the reason for including such provisions in agreements, and the Superior Court's Decision destroys this purpose in contravention of Delaware law.

III. THE SUPERIOR COURT MADE LEGAL AND FACTUAL ERRORS IN FINDING THAT THE STATUTE OF LIMITATIONS BARRED INTERMEC'S BREACH-OF-CONTRACT CLAIM.

A. Question Presented

Did the Superior Court err in concluding that the statute of limitations barred Intermec's damages owed pursuant to Section 3.5 and those related to TransCore's continued underpayments from March 2017 through the mid-2019 when it stopped paying royalties altogether?[103]

B. Scope of Review

Whether a claim is barred by the statute of limitations is a "question of law" that is reviewed *de novo*. *Lehman Bros. Holdings, Inc. v. Kee*, 268 A.3d 178, 185 (Del. 2021).

C. Merits of Argument

1. There was no breach until TransCore refused to pay the amounts EY found were due and owing under Section 3.5.

The Decision implicitly acknowledges that, if Section 3.5 was breached, Intermec's claims for royalties that EY concluded TransCore owed would be timely. *See* Decision at 35. Indeed, the Superior Court previously concluded that "Intermec received the [EY Report] on March 27, 2017. It filed its complaint less than three years later—March 25, 2020—alleging TransCore breached the Audit Provision in

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[103] A444; A449; A1649–A1650; A2128–A2129; A2187–A2202.

failing to remit the underpaid total the [EY Report] calculated. Facially, Intermec's allegations are timely [so long as the audit provision was breached.]"[104] Because, as is explained above, TransCore did breach Section 3.5 of the Agreement, Intermec's claims seeking to recover the amounts identified in the EY Report are indisputably timely.

2. The Superior Court's inquiry-notice analysis is superficial and incorrect.

The Superior Court Decision includes a superficial discussion of inquiry notice. Decision at 33–34. In a single sentence, the Decision "finds that (1) Intermec had the ability to order an audit of the quarterly reports (and chose not to) and (2) the quarterly reports contained enough information (if one worked backwards through the math) to find out that an adjusted price was being used to calculate royalties." *Id.* The Decision does not cite to a single piece of evidence in the record to support this conclusion. Nor could it. The record makes clear that the quarterly royalty reports did not include calculations showing how the royalty calculations were being made.[105] Instead, the reports simply provided hard-coded numbers

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[104] A444; A449. The Superior Court's earlier ruling on the parameters of the statute of limitations in the event Section 3.5 is breached constitutes the law of the case and is binding on both the parties and the Superior Court. *See Del. Dep't of Nat. Res.& Envir. Control v. Food & Water Watch*, 246 A.3d 1134, 1138-39 (Del. 2021).

[105] A1446–A1447 ("[Y]ou can't see [TransCore's use of an adjusted price] because there's no formula in there. But someplace along the way, someone made an adjustment and replaced the gross sales value and the calculation with the modified

without support. As the Superior Court acknowledged, "one wouldn't know" about the use of the adjusted price unless "one worked the math backward" for each entry. Decision at 25. Moreover, as discussed above, TransCore went to significant lengths to conceal its method for calculating royalties from Intermec. There is nothing in the record to support a finding that Intermec was on inquiry notice as to TransCore's methods for calculating.

3. The statute of limitations defense would not bar recovery of any underpayments that occurred less than three years before the lawsuit was filed.

Finally, the Superior Court erred in concluding that the statute of limitations barred all of Intermec's damages here. In this litigation, Intermec sought not only the underpaid royalties calculated by EY, but also damages for the underpaid royalties that TransCore paid post-audit in the three years preceding this lawsuit. TransCore admits that it continued to utilize an improper royalty calculation from inception until it ceased making royalty payments in July 2019. And TransCore admitted that the statute of limitations has no impact on Intermec's damages for underpayments made after March 25, 2017.[106]

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prices."); A678; (admitting that Intermec could not have ascertained TransCore's use of an adjusted price); A485; A889.

[106] *See* A1649–A1650.

Intermec's expert, Christopher Gerardi of Charles River Associates, reviewed the Agreement and the TransCore royalty reports and calculated the royalties due to Intermec in the three years prior to the commencement of litigation.[107] He testified at trial that he compared his findings with the royalties that TransCore calculated were due to identify any overpayments or underpayments.[108] Mr. Gerardi discovered underpayments arising from TransCore's continued use of an adjusted price on certain licensed products, which he concluded were inconsistent—and the Superior Court agreed—with the plain terms of the Agreement.[109] According to the Agreement, the proper methodology for calculating royalties on Licensed Products was "the NSV times the royalty percent. The NSV is . . . the gross invoice price, less [certain adjustments]."[110] Mr. Gerardi's calculations resulted in an additional underpayment by TransCore.[111] The Superior Court's Decision does not address any of Mr. Gerardi's testimony.

Notwithstanding the foregoing—and again without any discussion of this issue—the Superior Court concluded that *all* of Intermec's claims for breach of

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[107] A2114–A2118. Beginning with the third quarter of 2019, TransCore certified that no royalties were owed under the Agreement. A2118–A2119; A712–A715.

[108] A2109.

[109] A2125–A2126.

[110] A2128–A2129.

[111] A2119; *see also* A1484–A1619.

contract are barred by the statute of limitations. This is a plain error of law. There is no basis to conclude that Intermec's damages for underpaid royalties paid in the three years preceding this litigation are time barred.

Moreover, because Intermec is entitled to damages resulting from TransCore's breaches occurring during the three years preceding the commencement of this litigation, Intermec is the "prevailing party" in this litigation as that term is used in the parties' License Agreement. As the prevailing party, Intermec is also entitled to recover its attorneys' fees.

CONCLUSION

Therefore, the Court should reverse the judgment of the Superior Court, hold that TransCore is liable for breach of contract, instruct the Superior Court to enter judgment in favor of Intermec in the amount of $4,897,904, and award to Intermec additional late fees that have accrued and its attorneys' fees and costs as the prevailing party.

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