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/Cross-Appellees,

v.

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

Defendants Below,
Appellees/Cross-Appellants,

C.A. No. 347,2023

Court Below:
The Superior Court of the State of Delaware,

C.A. No.: N20C-03-254 PRW CCLD

PUBLIC VERSION

APPELLEE'S ANSWERING BRIEF ON APPEAL AND CROSS-APPELLANT'S OPENING BRIEF ON CROSS-APPEAL

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13 Williston on Contracts § 39:35 (4th ed.)..36

NATURE OF PROCEEDINGS

This is a breach of contract matter in which each party claims the other breached a cross-license agreement ("Agreement"). Intermec IP Corp. and Intermec Technologies Corp. (collectively, "Intermec") initiated the case, alleging that TransCore LP and TransCore Holdings, Inc. (collectively, "TransCore") underpaid royalties. The parties disagreed over which product's price was the basis for royalties, leading to a delta in their calculations. TransCore filed a counterclaim for breach of the implied covenant of good faith and fair dealing, which sought recovery of nearly $2 million in excess royalties mistakenly paid.

The Superior Court held a bench trial on these claims in April 2023 and issued its Decision After Trial on August 31, 2023 ("Decision").[1] The Superior Court found that both Intermec's claim and TransCore's counterclaim failed. Intermec appealed the Decision, and TransCore cross-appealed it.

[1] *See* **Exhibit A** of Appellant's Opening Brief at Transaction ID 71349757.

SUMMARY OF ARGUMENT

Appeal. The Decision as to Intermec's claim should be affirmed for at least four reasons:

1. When considering whether TransCore breached the Agreement's audit provision, the Superior Court correctly held the Agreement's use of the word "independent" required an external auditor to reach its own conclusions. Further, competent evidence supports the Superior Court's conclusion that EY was not independent. Numerous documents demonstrate that Intermec retained control of EY's findings and exercised that control to receive the result it wanted, and the Superior Court was not required to credit contrary testimony from interested witnesses. The Court should affirm the Superior Court's holding that Intermec did not meet the contractual prerequisites to invoke any alleged right to payment for audit findings.

2. The Superior Court correctly applied the doctrine of acquiescence to bar Intermec's claims. Indeed, Delaware courts regularly apply acquiescence to preclude legal claims. This makes sense: acquiescence is closely related to estoppel, which is an accepted defense to claims at law. Further, Intermec cannot demonstrate the Superior Court's factual findings regarding acquiescence were clearly erroneous. On the contrary, the record is clear that TransCore told its designated contact at Intermec how it was calculating royalties in 2014. As a matter of law, that

knowledge must be imputed to Intermec, so Intermec's continued acceptance of royalties for years thereafter was acquiescence. Finally, Delaware law does not allow Intermec to escape its knowing inaction by relying on contractual provisions that require signed writings for waivers or amendments.

3. The Superior Court's alternative holding regarding the statute of limitations was correct. Claims for royalties allegedly due *before* March 25, 2017, were untimely. Intermec waived any argument that a tolling exception applies, and no such exception could apply considering the inquiry notice that the audit right and quarterly royalty reports provided. In contrast, the Superior Court did *not* hold that claims for royalties allegedly due *after* March 25, 2017, were untimely.

4. In the alternative, the Court can affirm the judgment as to Intermec's entire claim because TransCore correctly calculated royalties using the price of the daughterboard or transceiver board that used Intermec technology rather than using the price of the item containing that board. The Agreement calls for TransCore to pay a royalty based on the gross invoice price for a Licensed Product of any Licensed RFID Reader it sells. That "Licensed Product" must be the daughterboard or transceiver board because those are the products that would infringe Intermec's patents but for the Agreement. The parties' course of performance confirms this interpretation. Thus, the accuracy of TransCore's royalty calculations provides alternate grounds for affirmance.

Cross-Appeal. The Decision as to TransCore's counterclaim should be reversed and consideration of attorneys' fees remanded for two reasons:

1. The Superior Court correctly held that the implied covenant of good faith and fair dealing required Intermec to return overpayments. However, it erred in holding that the voluntary payment doctrine barred TransCore's counterclaim for overpayments of royalties on readers. The legal standard for that doctrine requires a court to ask whether the payor had knowledge or at least "recognized uncertainty" that an amount paid was not due. Here, the Superior Court instead asked whether TransCore took a "calculated risk" in making a payment—a standard not recognized in Delaware law. The standard applied changed the result, as the record is clear TransCore did not recognize uncertainty about the amount due. The Court should reverse this legal error.

2. The Superior Court also misapplied the burden of proof in holding that TransCore had not sufficiently proven its counterclaim for overpayments on tags that did not use Intermec-patented technology. Mr. Gravelle, an engineer who designed these tags, explained that the tags did not use Intermec-patented technology. Despite crediting his testimony, the Superior Court erroneously found it *per se* insufficient to meet TransCore's burden. The Court should reverse the Superior Court's judgment on the counterclaim.

STATEMENT OF FACTS

I. TransCore and Intermec's Relationship in the RFID Industry

TransCore and Intermec compete in developing Radio Frequency Identification ("RFID") technology[2] and began cross-licensing each other's patents more than two decades ago.[3] TransCore and Intermec executed the relevant Agreement in 2008,[4] under which TransCore owes Intermec royalties when it sells certain Intermec-patented technology.[5]

TransCore sells RFID technology in the transportation market,[6] including systems that incorporate readers and tags (also known as transponders).[7] To function, a reader must communicate with a tag, which requires the reader and tag to use the same protocol.[8] Thus, readers and tags can be programmed to read numerous protocols.[9] Only two protocols required Intermec-patented technology to read: SeGo and eGo.[10]

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[2] *See* A1785–A1786; B0434.

[3] *See* A1755, A1758–A1759, A2389.

[4] *See* A097–A119.

[5] *Id.*

[6] *See* A2235–A2236, A2386–A2388.

[7] *See* A2391, A2486.

[8] *See* A2392–A2394.

[9] *See* A2398–A2400.

[10] *See id.*

Despite never contesting these facts during litigation, Intermec now asserts that "every protocol and frequency incorporating RFID technology practices an Intermec patent."[11] Intermec cites testimony of its former General Counsel, Janis Harwell,[12] but she admitted she lacked the expertise to know whether every RFID protocol requires Intermec patented technology.[13] She is not an engineer and had only "maybe a little bit better than a layperson's understanding of the RFID technology."[14] The only engineer who testified at trial—TransCore's Chief Technology Officer, Kelly Gravelle—explained that Ms. Harwell's understanding was inaccurate.[15] Thus, Intermec provided no evidence to challenge the long-accepted fact that TransCore only owes royalties for readers that read SeGo or eGo.

II. TransCore's Payment of Royalties Under the Agreement

The Agreement requires TransCore to pay Intermec royalties calculated as a percentage of the "Net Sales Value" of any "Licensed RFID Readers" or "Licensed RFID Tags" it sells.[16] For "Licensed RFID Readers (fixed or portable)," the

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[11] Intermec Corrected Brief ("Intermec Br.") at 4 (citing A1836).

[12] In the cited testimony, Ms. Harwell states only her "understanding" that the "vast majority" of RFID "products" use Intermec technology. *See* A1836.

[13] *See* A1757–A1758, A1836–A1838.

[14] A1835–A1836.

[15] A2398–A2400; *see also* Decision at 5.

[16] A133–A134. Other royalty-bearing items listed are not relevant to this case.

percentage was 7.0%, and for "Licensed RFID Tags," it was 3.0%.[17] The Agreement defines "Net Sales Value" as "the gross invoice price or gross invoice fee received by [TransCore] for a Licensed Product," less certain allowances.[18] If that definition is imported into the royalty provision, TransCore must pay a royalty on the gross invoice price that TransCore receives for a Licensed Product of any Licensed RFID Reader or Tag that it sells. "Licensed Products" are those "which, *but for the licenses granted herein, would infringe* one or more of the Intermec Licensed Patents."[19] TransCore was to submit a royalty report and pay royalties within thirty (30) days of each quarter's close.[20]

Of these terms, the parties specifically negotiated only the royalty rates; Intermec's standard contractual language provided the other terms.[21]

A. TransCore always calculated royalties in a consistent manner.

This case focused on how TransCore calculated royalties on multiprotocol readers. TransCore makes three families of multiprotocol readers: E4, E5, and E6.[22] Each can be customized to read whatever protocols are desired, sometimes referred

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[17] *Id.*

[18] A136.

[19] A131 (emphasis added).

[20] A140.

[21] *See* A1776–A1788, A1847, A1852, A1861.

[22] *See* A2395–A2398.

to as “bundl[ing]” products.[23] For E5 and E6 readers, a daughterboard is inserted if the customer wants to read SeGo or eGo.[24] If that daughterboard is removed, the reader still functions but does not use any Intermec-patented technology.[25] Similarly, E4 readers are programmed with SeGo or eGo capability through software in the transceiver board, which can be changed so the E4 reads only other protocols.[26]

To determine whether a reader was royalty-bearing, TransCore first evaluated whether it contained a “Licensed Product.”[27] Applying this process, TransCore classified any reader that read SeGo or eGo as containing a “Licensed Product.” If the reader *only* read those protocols, TransCore paid royalties based on the entire reader’s price because, without the Intermec-patented technology, the reader did not function.[28] But, if the reader read SeGo or eGo *and* another protocol, TransCore paid royalties based on the list price of the product that enabled the reader to read SeGo or eGo (daughterboard or transceiver board).[29] TransCore did so even if that

[23] *See* A2242–A2243.

[24] *See* A2400–A2402.

[25] *See* A2402.

[26] *See* A2400–A2403.

[27] *See* A2245–A2248. Mr. McGraw “agreed” with aspects of the calculation process (Intermec Br. at 5 n.7), but did not agree that the reader was the Licensed Product used to calculate royalties (A2296–A2298).

[28] *See* A2553–A2554.

[29] *See* A2248–A2249, A2549–A2556.

list price exceeded the price the customer actually paid for the entire reader.[30] This is because the gross invoice price for the Licensed Product was always $[redacted] $[redacted], or $[redacted]—not the price of the reader.[31] TransCore never altered its methodology for calculating royalties on multiprotocol products.[32]

B. Intermec was aware of how TransCore calculated royalties as of at least 2014 and could have been aware even earlier.

Intermec had no questions regarding TransCore's methodology for the first twenty quarters of reports.[33] Intermec now faults TransCore for this, arguing TransCore did not expressly list the "adjusted price" on these reports.[34] However, while "adjusted price" is Intermec's preferred term, what TransCore used *was* the price of the Licensed Product in these readers: $[redacted], $[redacted], or $[redacted].[35] Although the royalty reports did not explicitly list that price, Intermec's expert admitted that Intermec could have identified this fact from those reports.[36]

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[30] *See* A2549–A2556, A2729–A2733.

[31] *See id.*

[32] *See* A2249, A2556.

[33] *See* A2257, A2556.

[34] *See* Intermec Br. at 6.

[35] *See* A2549–A2556.

[36] *See* A2141–A2143, A2151–A2153.

After Honeywell acquired Intermec in late 2013,[37] Honeywell's royalty analyst, Sergio Robles,[38] was assigned to TransCore. Royalty analysts were trained to verify math on royalty reports, ask the licensee questions if the math appeared incorrect, and escalate to their supervisor only if the licensee's explanation did not make sense.[39] Intermec claims Mr. Robles's authority was "limited to reviewing and processing licensee royalty reports,"[40] but he was also TransCore's contact for all communications regarding royalties.[41] Most importantly, Mr. Robles determined whether the report should be approved and an invoice issued—*i.e.*, whether the proposed payment would be accepted.[42]

Upon reviewing his first report, Mr. Robles noticed that using the data listed on the report did not yield the royalty TransCore calculated.[43] So, he asked TransCore: "Are there any other allowances or deductions not listed in the royalty

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[37] *See* B0434. Because there is no dispute that Intermec acted through Honeywell, TransCore will adopt the Superior Court's convention of using "Intermec" to refer to both Honeywell and Intermec, unless necessary for clarity.

[38] No record evidence supports Intermec's assertion that Mr. Robles was a "Mexican national for whom English was his second language." Intermec Br. at 9.

[39] *See* A1080–A1085 (Ms. Schwencer's testimony); *see also* A1348–A1353 (explaining Ms. Schwencer was designated as Intermec's corporate representative on topics related to royalty reports, the Agreement's terms, and the EY audit).

[40] Intermec Br. at 9–10.

[41] *See* A1267.

[42] *See* Decision at 30.

[43] B0001.

report?"[44] After identifying the items he listed as multiprotocol readers, TransCore explained its methodology for *all* multiprotocol readers: "When there are readers that use more than one protocol we only reflect that portion of the price which is applicable to the licensed protocols."[45] TransCore identified examples of protocols it did not consider licensed and listed the prices of the Licensed Product ($[redacted], $[redacted], and $[redacted] for each category of multiprotocol reader, including ones Mr. Robles had *not* asked about.[46] Finally, TransCore provided exemplar calculations.[47]

In response, Mr. Robles replied: "Thanks a lot for all your help. Your royalty report has been processed."[48] TransCore understood this to mean that Intermec's new owner, Honeywell, accepted the explanation.[49] Intermec admitted that TransCore accurately described how it was calculating royalties.[50]

C. TransCore overpaid royalties on certain products.

To determine whether a product was royalty-bearing, TransCore's Product Management team evaluated each product that TransCore created to determine

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[44] *Id.*

[45] B0002.

[46] *Id.*

[47] *Id.*

[48] B0053.

[49] *See* A2692–A2693.

[50] *See* A1354–A1355; B0209, B0269.

whether it used Intermec-patented, royalty-bearing technology and communicated that to the Finance team.[51] However, the process did not always work perfectly. Prior to 2017, TransCore developed a new product: tags made with EM4285 ("4285 tags"), which did not use Intermec-patented technology.[52] These tags improved upon a predecessor product, 4185 tags, which used Intermec-patented technology.[53] Product Management failed to communicate this difference to Finance, so the 4285 tag was listed as royalty-bearing despite not practicing any Intermec patents,[54] resulting in an overpayment of $937,616.[55]

Another aspect of calculating royalties was determining whether the Intermec patent relevant to a product was still in force. TransCore charged Mr. Gravelle with monitoring expiration dates.[56] Due to other job duties, Mr. Gravelle reviewed each Intermec patent approximately once every 18 months.[57] Between 2017 and 2019, this process produced an error. TransCore readers with eGo and SeGo capabilities used the '632 patent.[58] But when that patent expired in January 2017, the readers no

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[51] *See* A2614.

[52] *See* A2390–A2392, A2410–A2411, A2486–A2487.

[53] *See id.*

[54] *See* A2613–A2614.

[55] *See* B0061; A2618–A2619, A2788.

[56] *See* A2404–A2405.

[57] *See* A2405–A2406.

[58] *See* A2411–A2415.

longer incorporated technology protected by any unexpired Intermec patent.[59] TransCore was unaware of this until Mr. Gravelle discovered and reported it,[60] resulting in payment of a total of $1,017,426 in royalties over ten quarters after the patent's expiration.[61]

When netted against a $14,204 underpayment, an overpayment of $1,940,838 should have been returned to TransCore.[62] Intermec failed to return any amount.

III. The Contractual Audit Right

The Agreement provided Intermec the right to audit TransCore's records annually and determine if royalties were calculated correctly (the "Audit Provision").[63] The Audit Provision required the auditor be "an independent Third Party," whom Intermec had the responsibility to select and pay in the first instance.[64] While Intermec was not obligated to audit in any particular year, the right's existence directly contradicts Intermec's assertions that it had "no way to verify" the information TransCore provided in its royalty reports.[65]

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[59] *See id.*

[60] *See* A2409–A2411.

[61] *See* B0061; A2786–A2787.

[62] *See* B0061; A2789–A2790.

[63] A141, § 3.5.

[64] *Id.*

[65] Intermec Br. at 6 (internal quotation omitted)

A. The parties did not agree that the Audit Provision was alternative dispute resolution.

Intermec misattributes Ms. Harwell's testimony about *her* intent for the Audit Provision as being that of both parties.[66] Ms. Harwell indeed testified that she meant for the Audit Provision to serve as alternative dispute resolution,[67] but she admitted she never told TransCore of her intent.[68] Moreover, the Audit Provision does not mention alternative dispute resolution or finality, and the Agreement already provides for dispute resolution in the Delaware courts.[69]

Consistent with that language, TransCore did not understand the Audit Provision as dispute resolution. George McGraw, Vice President of TransCore when the License Agreement was signed,[70] testified he did not understand the Audit Provision to give the auditor final authority to determine what royalties were owed and would not have agreed to such a provision.[71] Of course, TransCore "would have no problem with making [a] payment" *if* an independent auditor "demonstrated" an underpayment[72]; there would be no business reason not to do so. That does not mean

[66] *Id.* at 7.

[67] A1817–A1818.

[68] *See* A1864–A1865.

[69] A141, A145.

[70] A2233–A2234.

[71] *See* A2252–A2254.

[72] A2636–A2637.

TransCore considered the audit binding, as Intermec suggests.[73] Instead, in accordance with industry standards, TransCore understood the Audit Provision as information gathering.[74]

B. Intermec exercised its audit right for the first time in 2016, and its chosen auditor acted at its direction.

Intermec exercised its audit right for the first time in 2016, eight years after the Agreement's execution,[75] and hired Ernst & Young ("EY") for the task.[76] The audit considered royalties owed for July 1, 2012 to June 30, 2016.[77]

Shortly after completing fieldwork, an EY team member noted Intermec "may collect some from TransCore" if TransCore's method of calculating royalties for multiprotocol readers was *not* correct.[78] In response to EY's question immediately thereafter, TransCore explained its methodology and provided lists showing prices used.[79] Thereafter, EY sought Intermec's direction regarding how royalties for multiprotocol readers should be calculated.[80]

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[73] *See* Intermec Br. at 8.

[74] *See* A2252–A2254.

[75] A2262.

[76] A1947.

[77] A290.

[78] B0008.

[79] A231–A234.

[80] *See* B0010, B0011; A1112–A1114, A1218–A1228.

While waiting for Intermec's position, EY informed TransCore the audit was nearly complete and its preliminary finding was an underpayment of $125,988, which would be netted against overpayments.[81] However, EY noted: "[Intermec] does have a question around the methodology in using the adjusted pricing to compute royalty for multiprotocol products.…[Intermec] is following up on the appropriateness of this methodology internally."[82]

TransCore heard nothing else from EY for nearly two months.[83] After a call where EY and Intermec discussed "using adjusted unit price … for NSV computation,"[84] Honeywell's Director of Finance noted that Intermec had "clarified" for EY that TransCore was "not allowed" to use its method of calculating multiprotocol product royalties.[85] EY then contacted TransCore, abruptly announcing that TransCore underpaid royalties by $1,051,644.[86] The next day, EY told TransCore it had "been directed by [Intermec] to 'put [its] pencils down' and close out the report."[87]

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[81] A263–A264.

[82] A262.

[83] A262–A264; A2588–A2589.

[84] B0024–B0026.

[85] B0041; *see also* A1118–A1122.

[86] A261–A262.

[87] *See id.*

Concurrently, EY predicted to Intermec that TransCore would "push back" on this finding "since the full invoice price includes amounts related to non-licensed products."[88] Indeed, TransCore did push back and explained it had calculated royalties in the same manner "since [the] inception of the contract with Intermec and ha[d] not received any contrary feedback."[89] EY said it would include "both values" in the report.[90] But internally, EY noted that "[Intermec] recognizes that asking for royalty on the entire sales value for bundled products is not appropriate."[91]

On March 27, 2017, EY presented its final report to Intermec with two possible underpayments outlined: either $1,202,038 or $58,145.[92] Both calculations netted out a $72,896 overpayment.[93] The difference was whether TransCore's method of calculating royalties for multiprotocol readers was correct; if so, TransCore underpaid by only $58,145 (0.6%).[94]

Approximately a month later, Intermec sent TransCore a letter summarizing EY's "audit findings" as TransCore owing Intermec $1,638,979, including late fees

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[88] B0040.

[89] A261.

[90] A269–A270.

[91] B0045.

[92] *See* A289.

[93] *Id.*

[94] A141.

of over $400,000.[95] EY's report was not attached.[96]

C. Intermec continued to accept TransCore's method of calculating royalties.

In response to Intermec's letter, TransCore explained that it "disagree[d] with the approach on the multi-protocol reader calculation given our prior communications and practice with Intermec."[97] TransCore continued submitting royalty payments and reports.[98] Intermec chose to continue accepting those payments and reports, despite knowing TransCore was calculating royalties in the manner identified in the audit.[99] Indeed, Intermec admits it dropped the issue, and the audit was closed internally without resolution.[100]

Beginning in Q3 2019, TransCore submitted reports showing $0 owed in royalties because all Intermec patents practiced in TransCore products had expired.[101]

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[95] A315–A318.

[96] *Id.*

[97] B0047.

[98] *See* A794–A795; B0050.

[99] *See* B0043, B0048; A794–A795, A1139, A1197–A1198, A1259–A1262.

[100] *See* A1134–A1136, A1138–A1139, A1256–A1257.

[101] A2604–A2606.

IV. Procedural History

After almost three years of silence regarding the audit results,[102] Intermec filed this lawsuit, seeking royalties from both the audit report and from the post-audit period. TransCore filed a counterclaim for breach of the implied covenant of good faith and fair dealing, based on Intermec's failure to return overpayments.

In April 2023, the Superior Court held a bench trial. The parties submitted post-trial briefing. On August 31, 2023, the Superior Court issued the Decision. The Superior Court denied Intermec's claim for breach of contract for damages from the audit period because EY was not "independent" within the meaning of the Agreement and the claims were untimely if brought as breaches of the royalty obligation.[103] The Superior Court also denied Intermec's entire claim because Intermec had acquiesced to TransCore's royalty calculations.[104] As to TransCore's counterclaim, the Court agreed that the implied covenant required Intermec to return overpayments.[105] However, it held that the voluntary payment doctrine barred part of TransCore's counterclaim and TransCore's engineer's testimony was insufficient to establish an overpayment with respect to the remainder of the counterclaim.[106]

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[102] *See* 0B155.

[103] Decision at 15–20, 32–34.

[104] *Id.* at 27–32.

[105] *Id.* at 35–37.

[106] *Id.* at 38–45.

Intermec appealed the Decision, and TransCore cross-appealed.

ARGUMENT

TransCore's Answering Argument on Appeal

I. The Superior Court correctly held that EY did not function as an "independent third party" auditor as the Agreement required.

A. Questions Presented

Did the Superior Court correctly determine that the Agreement's use of the undefined term "independent" in reference to the auditor required the auditor to reach its own conclusions rather than act at Intermec's direction?

Was the extensive contemporaneous documentation of Intermec's control over EY sufficient to support the Superior Court's factual finding that EY was not independent?

B. Scope of Review

"Contract interpretation is a question of law subject to *de novo* review by this Court."[107] Thus, the Superior Court's interpretation of the contractual term "independent" is subject to *de novo* review.

However, this Court will "uphold the Superior Court judge's factual findings unless they are clearly erroneous."[108] "Factual findings are not clearly erroneous if they are sufficiently supported by the record and are the product of an orderly and

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[107] *Daniel v. Hawkins*, 289 A.3d 631, 645 (Del. 2023).

[108] *Geronta Funding v. Brighthouse Life Ins. Co.*, 284 A.3d 47, 58–59 (Del. 2022) (quotation omitted).

logical deductive process."[109] "Where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous."[110] The Superior Court's factual findings as to whether EY acted independently should be evaluated under this deferential standard.

C. Merits of Argument

Intermec attempted to invoke the Audit Provision to avoid the statute of limitations,[111] but the Superior Court held that Intermec had not met the prerequisites of that provision.[112] The Audit Provision requires the auditor be "independent," and there was plentiful evidence that EY was *not* independent. This Court can and should affirm the Superior Court's holding.

1. As a matter of law, the Superior Court correctly interpreted the term "independent" based on its established meaning.

In interpreting the undefined word "independent" in reference to a third-party auditor, the Superior Court reached an unremarkable conclusion: The auditor had to make its findings free of control from either party.[113] Intermec objects to this,

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[109] *Bäcker v. Palisades Growth Cap. II, L.P.*, 246 A.3d 81, 94–95 (Del. 2021) (quotation omitted).

[110] *RBC Cap. Markets, LLC v. Jervis*, 129 A.3d 816, 849 (Del. 2015).

[111] *See* Intermec Br. at 11, 19–30.

[112] Decision at 15–20.

[113] *See id.*

claiming the Superior Court wrongly relied on a dictionary definition for "independent" and the industry use merely requires an "external auditing firm."[114]

Intermec waived this argument. An appellant must provide "a clear and exact reference to the pages of the appendix where [it] preserved each question in the trial court."[115] The citations Intermec provides do not concern the supposed industry meaning of "independent,"[116] which Intermec never presented to the Superior Court. Further, Intermec has not "state[d] why the interests of justice exception to Rule 8 may be applicable,"[117] and the exception generally does not apply to standard issues of contract interpretation.[118] The Court need not consider this issue at all.

But if this Court chooses to do so, Intermec's argument fails. "Independent" cannot mean "external auditing firm" in the context of this contract. The Audit Provision states that "Intermec has the right … through an independent Third Party, … to audit the records of [TransCore]."[119] By specifying a "Third Party" auditor, the Agreement already requires an "external" auditor—a fact Intermec fails to address. This Court avoids contractual interpretations that render words

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[114] Intermec Br. at 19–22.

[115] Del. Sup. Ct. R. 14(b)(vi)(A)(i).

[116] Intermec Br. at 18 (citing A141, A1820, A1934–A1935, A2634).

[117] Del. Sup. Ct. R. 14(b)(vi)(A)(1).

[118] *See Protech Mins., Inc. v. Dugout Team, LLC*, 284 A.3d 369, 378–79 (Del. 2022).

[119] A141.

surplusage.[120] Here, "independent" and "Third Party" appear in the same clause, so they must have different meanings.

Moreover, Intermec offers no authority to support its supposed "industry" usage. In the cases Intermec cites, neither court considered the meaning of "independent."[121] Likewise, the record does not suggest "independent" typically means "external auditing firm" in the context of royalty audits. Although Intermec points to its former general counsel's testimony,[122] Ms. Harwell testified only to her own understanding and did not frame that as based on any industry standard.[123] Simply stated, no evidence supports the assertion that the Agreement required *only* an external auditing firm to ensure independence.

It was therefore appropriate for the Court to rely on *Black's Law Dictionary* to determine the meaning of "independent," regardless of whether the term was ambiguous or merely undefined.[124] "Delaware courts look to dictionaries for assistance in determining the plain meaning of terms which are not defined in a

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[120] *Osborn v. Kemp*, 991 A.3d 1153, 1159 (Del. 2010).

[121] *See Sapp v. Indus. Action Services, LLC*, 75 F.4th 205 (3d Cir. 2023); *ArchKey Intermediate Holdings Inc. v. Mona*, 302 A.3d 975 (Del. Ch. 2023).

[122] Intermec Br. at 21.

[123] A1820.

[124] The Superior Court referred to a potential ambiguity because the Agreement refers to the auditor as both "independent" and "Intermec's representative." Decision at 16 & nn. 68, 70.

contract."[125] Here, the Court appropriately used the dictionary definition to guide its analysis of independence.

2. Competent evidence supports the Superior Court's decision that EY did not act as an "independent" auditor.

Intermec wants to put a gloss on the word "independent" for a reason: There is overwhelming evidence that EY did not act independently in any ordinary sense of the word. Intermec criticizes the weight the Superior Court placed on the evidence,[126] but "[t]he weight to be given to evidence … is for the trier of fact to determine."[127] Further, the Superior Court relied primarily on contemporaneous documents to determine how the audit was actually conducted,[128] while Intermec emphasizes select testimony that the Superior Court was not required to credit.

a. <u>Intermec did not have a right to control EY, and plentiful evidence demonstrated that it did so.</u>

Intermec misreads the Decision in arguing that the Superior Court ignored Intermec's contractual authorization to retain and pay the auditor.[129] The Superior

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[125] *Lorillard Tobacco Co. v. Am. Legacy Found.*, 903 A.2d 728, 738 (Del. 2006); *see also Stream TV Networks, Inc. v. SeeCubic, Inc.*, 279 A.3d 323, 339–41 (Del. 2022) (using *Black's Law Dictionary* to define undefined terms in a contract).

[126] *See* Intermec Br. at 21–28.

[127] *Hudak v. Procek*, 806 A.2d 140, 150 (Del. 2002).

[128] Decision at 17–20.

[129] Intermec Br. at 21–22.

Court quoted the relevant provision and acknowledged its necessity.[130] However, a right to retain the auditor is not the same as a right to control its findings. So, the fact that Intermec selected EY and negotiated the Statement of Work without any input from TransCore *was* relevant, particularly since EY agreed to consider only "the issues identified by" Intermec.[131] All of this gave Intermec the ability to control EY, but it was not the "primary reason" for the Superior Court's decision.[132]

Instead, the Superior Court rightly focused on whether Intermec actually controlled EY, citing three examples.[133] In the most telling, as of December 2016, EY had not yet determined whether TransCore should have used the price of the entire reader or the price of the daughterboard or transceiver board (which it termed the "adjusted price" or "cost") in calculating royalties.[134] EY identified this as a question for Intermec.[135] The following month, Intermec stated that it "had clarified" to EY that TransCore "w[as] not allowed to use" its method of calculating royalties.[136] Only *after* receiving Intermec's instruction did EY take a position

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[130] Decision at 15, 19–20.

[131] *Id.* at 19 (citing A207, A214).

[132] Intermec Br. at 21–22.

[133] Decision at 17–18.

[134] *See id.* (citing B0029).

[135] *See id.*

[136] *See id.* (citing B0041); *see also* B0029.

regarding the "correct" way to calculate these royalties.[137] Adopting Intermec's position increased the underpayment by approximately $1 million from EY's earlier preliminary finding.[138] This supports the Superior Court's holding that "Intermec exerted exclusive (some might say undue) control over EY."[139]

Further illustrating Intermec's control, the *very next day* after EY informed TransCore of its change in position, EY informed TransCore that Intermec had "directed" EY to "put [its] pencils down" and close the audit.[140] Before these emails, EY had not communicated with TransCore in almost *two months*, yet it closed the audit immediately after receiving Intermec's direction.[141] During this period, TransCore began to suspect EY was answering to Intermec rather than working independently, but it was not party to Intermec and EY's communications and could not verify its suspicion.[142] Moreover, as the Superior Court pointed out, Intermec specifically outlined EY's talking points with TransCore regarding Intermec's

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[137] *See* A261.

[138] A263–A264.

[139] Decision at 17.

[140] A261.

[141] *See id.*; B0033; A2588–A2589.

[142] *See* A2638–A2639. This is why Mr. Nefzer did not have "evidence" to support Intermec's control of EY and why TransCore did not "challenge" EY's independence before seeing the audit results. *See* Intermec Br. at 27.

decision.[143] This undisputed chain of events supports the Superior Court's factual finding that closing the audit suddenly was evidence of undue control, not a "run-of-the-mill logistical communication."[144]

b. The Superior Court was not required to credit Intermec's limited contrary evidence.

In contrast, Intermec provided very little evidence that EY *did* act independently.[145] Intermec relies primarily on the testimony of EY executive William Thomas.[146] Contrary to Intermec's suggestion, the Superior Court acknowledged Mr. Thomas's testimony; it just did not find it persuasive.[147] The Superior Court even explained why it may not have credited this testimony, observing Mr. Thomas's "minimal knowledge" of the audit's details.[148] Such evaluations were within its purview as the finder of fact.[149] Likewise, there is little significance in Mr. Thomas's testimony that EY generally follows the AICPA standard of objectivity. The significance of that standard in relation to contract interpretation (a non-accounting function) is not clear, but regardless, the Superior

[143] *See* Decision at 18 (citing B0045).

[144] Intermec Br. at 26.

[145] *See* Decision at 17 n.76 (noting burden of proof on Intermec).

[146] Intermec Br. at 25–26.

[147] Decision at 2, 8, 17.

[148] *Id.* at 17 n.75.

[149] *See Hudak*, 806 A.2d at 150.

Court was free to evaluate and determine factually whether EY was *actually* objective in this case.

Intermec also points to the testimony of Honeywell's Director of Finance, Stephanie Schwencer.[150] However, her testimony was directly conflicting, twice stating that Intermec directed EY in interpreting the Agreement and once stating that it did not do so.[151] Therefore, it was logical for the Superior Court to rely instead on the contemporaneous evidence.[152]

Moreover, the record demonstrates EY did not solicit equivalent feedback from both parties.[153] EY did ask TransCore questions to gather information, but that did not allow TransCore an equal say in the audit process or results. For example, the "meeting with senior management at TransCore's headquarters" that Intermec touts[154] was in fact when "fieldwork was conducted at the TransCore site"[155] and EY reviewed TransCore's books and records.[156] That meeting does not negate EY's

[150] Intermec Br. at 25–26.

[151] *See* A1223–A1224, A1365, A1367. Intermec also asserts "Ms. Schwencer testified that no one at Intermec had the authority to instruct EY" in this manner (Intermec Br. at 26), but TransCore is not aware of any such testimony.

[152] Decision at 17–18.

[153] *See* Intermec Br. at 24.

[154] *Id.*

[155] A290.

[156] *See* A1942–A1943, A1951, A1975, A2008–A2013; B0003–B0005.

later deference to Intermec.[157] Nor does including TransCore's position in the audit report immunize EY's process from review. Indeed, in the January 25, 2017 email from EY to TransCore that Intermec quotes, EY had *already* adopted Intermec's method of calculating royalties.[158] EY was not open to reconsidering those findings based on TransCore's input; it closed the audit immediately at Intermec's direction.[159]

Finally, Intermec's argument that EY should be deemed "independent" if its results were correct[160] conflates issues. The Audit Provision cannot be relied upon if the auditor is not "independent."[161] That does not, however, prevent Intermec from suing TransCore for payment based on its underlying royalty obligations. Simply put, the requirement of an "independent" auditor is distinct from the court's role in interpreting a contract and determining whether royalties are owed.

3. The Superior Court's decision promotes Delaware public policy.

The audit right is a tool that gives the licensor access to the licensee's books and records to verify the royalties owed.[162] There is no dispute the EY audit served

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[157] *See* B0006, B0010, B0011; A263–A264, A1112–A1114, A1218–A1228.

[158] *See* Intermec Br. at 24 (citing A262).

[159] *See* A261.

[160] Intermec Br. at 28–29.

[161] A141.

[162] A2780, A2803–A2804.

this information-gathering purpose. As a result, there is no merit in Intermec's argument that the Superior Court "excise[d] the only recourse Intermec had to prevent negligence or fraud by TransCore."[163] The public policy purpose of an audit was served.

Intermec simply wants the Audit Provision to serve an additional, unwritten purpose: alternative dispute resolution.[164] Delaware law generally recognizes a "spectrum" of "alternative dispute resolution," ranging from arbitration to expert determinations.[165] To be an arbitration provision, the contract must set forward procedural rules and empower the arbitrator to award relief, among other things.[166] If the provision instead assigns a particular question to a person or entity with expertise, it is an expert determination.[167] The language of the contract dictates the scope of any expert determination and whether it is binding.[168]

Here, the Audit Provision does not provide for alternative dispute resolution. Provisions enabling expert determinations expressly state that disputes will be

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[163] Intermec Br. at 28 (cleaned up).

[164] *See id.* at 29–30.

[165] *See ArchKey*, 302 A.3d at 989–90.

[166] *See Terrell v. Kiromic Biopharma, Inc.*, 297 A.3d 610, 617–19 (Del. 2023).

[167] *See id.*

[168] *See id.*; *ArchKey*, 302 A.3d at 990.

submitted to the expert, whose decision will be "final" or "binding."[169] This Audit Provision does not refer to disputes, nor does it refer to the auditor's decision as final or binding.[170] Instead, the Agreement entrusts disputes to the Delaware courts.[171] In fact, the *only* evidence that the Audit Provision was "in the nature of" alternative dispute resolution was Ms. Harwell's recollection of her intent fifteen years later—an intent she admitted was never communicated to TransCore.[172] Ms. Harwell's unshared intent is insufficient to create an alternative dispute resolution mechanism.

Notably, if the Agreement had actually framed the Audit Provision as alternative dispute resolution, that would be even *more* reason to require independence from the auditor. In such a scenario, the auditor would have authority to make final, binding decisions as to the amount of royalties owed and should be required to make that decision in an unbiased manner. Even then, however, the Audit Provision would not avoid the court system, as Intermec contends it was intended to do.[173] This Court has held that a party can challenge an expert's interpretation of a contract in court, regardless of any contractual language

[169] *See Terrell*, 297 A.3d at 617–19; *ArchKey*, 302 A.3d at 991.

[170] A141.

[171] A145.

[172] *See* A1853.

[173] Intermec Br. at 29.

delegating that decision to an expert.[174] Thus, there is no basis for Intermec's insistence that the Superior Court's decision that EY had to act independently harms Delaware public policy.

[174] *See Terrell*, 297 A.3d at 622–23.

II. Both law and record evidence support the Superior Court's determination that Intermec acquiesced to TransCore's performance.

A. Questions Presented

As a matter of law, did the Superior Court have jurisdiction to apply the defense of acquiescence in a contract action, consistent with the established applicability of the related doctrine of estoppel in such actions?

Is the undisputed record evidence that TransCore disclosed its manner of calculating royalties on multiprotocol products to the Intermec-assigned royalty analyst and Intermec continued accepting payments without objection sufficient to sustain the Superior Court's factual finding that Intermec acquiesced to that calculation method?

As a matter of law, can acquiescence bar contract claims where the contract requires mutually signed writings to waive or amend rights?

B. Scope of Review

Intermec's question regarding the Superior Court's jurisdiction to consider a defense of acquiescence is reviewed *de novo*.[175] Once jurisdiction is established, "[a] trial court's application of equitable defenses presents a mixed question of law and fact."[176] Here, Intermec primarily challenges the Superior Court's factual

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[175] *See Imbragulio v. Unemployment Ins. Appeals Bd.*, 223 A.3d 875, 878 (Del. 2019).

[176] *Klaassen v. Allegro Dev. Corp.*, 106 A.3d 1035, 1043 (Del. 2014).

findings regarding the acquiescence defense, which this Court will uphold "unless they are clearly erroneous."[177] However, whether contractual clauses bar the defense is primarily a question of law reviewed *de novo*.[178]

C. Merits of Argument

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

Intermec criticizes the Superior Court for not discussing an issue Intermec never raised: whether a court of law has jurisdiction to consider acquiescence.[179] To the extent this issue implicates subject matter jurisdiction, Intermec is free to raise it now,[180] but the Superior Court had no reason to discuss it.

This Court has never directly addressed whether the Superior Court may consider a defense of acquiescence. However, the Superior Court has treated acquiescence as a proper defense to claims at law many times.[181] Respected treatises

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[177] *Geronta Funding*, 284 A.3d at 58–59 (internal quotation omitted).

[178] *Daniel*, 289 A.3d at 645.

[179] Intermec Br. at 31.

[180] *Imbragulio*, 223 A.3d at 878.

[181] *See, e.g.*, *Devine v. MHC Waterford Ests., L.L.C.*, 2017 WL 4513511, at *3 (Del. Super. Oct. 10, 2017); *Mizel v. Xenonics, Inc.*, 2007 WL 4662113, at *7 (Del. Super. Oct. 25, 2007); *USH Ventures v. Glob. Telesystems Grp., Inc.*, 796 A.2d 7, 19 (Del. Super. 2000); *In re PNC Del. v. Berg*, 1997 WL 720705, at *4 (Del. Super. Oct. 22, 1997).

and courts across the country do too.[182]

That is consistent with general developments as to law and equity. Although Delaware has maintained the divide in law and equity, that divide is not impenetrable for equitable defenses. "Adoption of equitable doctrines into the law has happened for centuries[; f]raud, illegality, failure of consideration, payment, discharge of surety, accommodation, and duress all began as equitable defenses and were subsequently recognized at law."[183] For example, as early as 1965, this Court evaluated the defense of equitable estoppel in an appeal from the Superior Court, without observing any jurisdictional issues.[184] Now, the Superior Court rules specifically list "estoppel" as an available affirmative defense.[185] Indeed, today,

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[182] *See, e.g.*, *Curbio, Inc. v. Miller*, 2023 WL 2505534, at *6 & n.2 (E.D. Pa. Mar. 13, 2023) (acquiescence available for contract claims under Pennsylvania law); *Senior Lifestyle Corp. v. Key Benefit Adm'rs, Inc.*, 2020 WL 2039928, at *9 (S.D. Ind. Apr. 28, 2020) (same, under Indiana law); *In re RFC & ResCap Liquidating Tr. Litig.*, 2015 WL 2451254, at *8 (D. Minn. May 21, 2015) (same, under Minnesota and New York law); 13 Williston on Contracts § 39:35 (4th ed.) (recognizing acquiescence and waiver principles are applicable in breach-of-contract actions under appropriate circumstances).

[183] *USH Ventures*, 796 A.2d at 18; *see also XRI Inv. Holdings LLC v. Holifield*, 283 A.3d 581, 635–42 (Del. Ch. 2022), *aff'd in part, rev'd in part and remanded*, 2023 WL 5761367 (Del. Sept. 7, 2023) (tracing adoption of equitable defenses such as illegality, estoppel, and fraud into claims at law).

[184] *Wilson v. Am. Ins. Co.*, 209 A.2d 902, 903-904 (1965). The Superior Court relied on *Wilson* as establishing its jurisdiction to consider the defense of equitable estoppel. *See Collins v. Sussex Tr. Co.*, 1989 WL 70901, at *1 (Del. Super. June 15, 1989).

[185] Del. Super. Ct. R. 8(c).

"most equitable defenses are available in actions at law."[186]

There are strong policy reasons to allow the acquiescence defense to apply to claims at law. "Estoppel and acquiescence are related doctrines of equity."[187] "Acquiescence, … like estoppel, focuses on the defendant's knowledge of and reliance on the plaintiff's behavior (or lack thereof), and why the plaintiff must be adjudged complicit in the very breach for which she seeks damages."[188] Disallowing an acquiescence defense would allow parties with full knowledge of alleged contractual breaches to lie in wait and allow interest to accumulate on any damages, as occurred here—all while knowing the other party believes they are in agreement as to the contract's terms. That result is contrary to ordinary principles of fairness. Moreover, because there is little conceptual distinction between acquiescence and estoppel, there is no reason to disallow acquiescence as a defense while allowing estoppel.

These same policy considerations do not apply equally to the defenses of laches and unclean hands, to which Intermec compares the defense of

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[186] *Am. Healthcare Admin. Servs., Inc. v. Aizen*, 285 A.3d 461, 485–86 (Del. Ch. 2022).

[187] *Kahn v. Household Acquisition Corp.*, 591 A.2d 166, 176 (Del. 1991).

[188] *Lehman Bros. Holdings Inc. v. Spanish Broad. Sys., Inc.*, 2014 WL 718430, at *9 (Del. Ch. Feb. 25, 2014), *aff'd*, 105 A.3d 989 (Del. 2014) (emphasis removed).

acquiescence.[189] Those defenses focus on the plaintiff's "bad" conduct—whether actual misconduct or delay—rather than the effect on the defendant or the plaintiff's role in bringing about the very breach for which it seeks to recover.[190] Notably, laches and unclean hands seem to be the only equitable defenses that the Chancery Court and Superior Court typically (though not uniformly) treat as unavailable for claims at law.[191] Thus, courts in this State have observed that "[a]lthough laches will not prevent a plaintiff from receiving legal relief, where the defendant has relied on the plaintiff's silence, acquiescence may."[192]

Despite recognizing this as an issue of first impression, Intermec relies entirely on the historical divide between law and equity in urging this Court to find that the Superior Court lacked jurisdiction to consider an acquiescence defense.[193] Intermec does not advance a single policy reason to support its argument. There is

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[189] *See* Intermec Br. at 32.

[190] *See, e.g.*, *Lehman Bros.*, 2014 WL 718430, at *9 ("[T]he equitable doctrine of laches focuses on the *plaintiff's* unreasonable delay, and why it would be inequitable to award the *plaintiff* the relief she seeks." (emphasis original)).

[191] *XRI Inv. Holdings*, 283 A.3d at 629 ("[T]he Chancery decisions that have declined to apply equitable defenses to legal claims reach defensible results. In virtually every decision, the only equitable defense at play was either laches or unclean hands."); *Sun Life Assurance Co. of Canada v. Wilmington Tr., Nat'l Ass'n*, 2018 WL 3805740, at *3 (Del. Super. Aug. 9, 2018) (dismissing laches and unclean hands defenses on jurisdictional grounds).

[192] *Lehman Bros.*, 2014 WL 718430, at *9 (citation omitted).

[193] Intermec Br. at 32–35.

none: A defendant facing a claim at law should have as much right to rely on a plaintiff's acquiescence as one facing a claim in equity. This Court should affirm that the Superior Court had jurisdiction to consider a defense of acquiescence.

2. Competent evidence supports the Superior Court's holding that Intermec acquiesced in TransCore's methodology.

If Intermec cannot convince the Court to ignore acquiescence entirely, it asks the Court to find the Superior Court's holding that it acquiesced clearly erroneous. This Court should decline to do so.

"A claimant is deemed to have acquiesced in a complained-of act where he: 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."[194] Applying this standard, the Superior Court determined that Intermec acquiesced to TransCore's methodology for calculating royalties on multiprotocol products when TransCore explained it to Intermec's designated royalty analyst in February 2014 and Intermec processed the royalty payment without objection.[195] Intermec continued doing so until TransCore's royalty obligations ceased in 2019.[196] Intermec cannot deny any

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[194] Decision at 28 (citing *Klaassen*, 106 A.3d at 1047).

[195] *Id.* at 27–32.

[196] B0043, B0048; A794–A795, A1139, A1197–A1198, A1259–A1262.

of these facts. Instead, it argues that its royalty analyst lacked the requisite knowledge and authority to acquiesce, but the record shows otherwise.

a. Intermec and its royalty analyst had full knowledge of Intermec's rights and the material facts.

A party must have "full knowledge" of "rights and the material facts" to acquiesce.[197] Delaware courts apply acquiescence defenses where rights and material facts are actually known, but also where the material facts were merely "available," if awareness of those facts was "uniquely within the interest" of the plaintiff.[198] In the cases Intermec cites, the plaintiff lacked access to the necessary information, so acquiescence did not apply.[199]

Unquestionably, Intermec fully knew its contractual rights. Intermec is charged with knowledge of its own contracts,[200] particularly when it describes its counsel as the Agreement's "architect."[201] So, Intermec attempts to shift the question to whether its agent, Mr. Robles, had such knowledge and blames

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[197] Decision at 28 (citing *Klaassen*, 106 A.3d at 1047).

[198] *Lehman Bros.*, 2014 WL 718430, at *10.

[199] *See Zohar III Ltd. v. Stila Styles, LLC*, 2022 WL 1744003, at *10 (Del. Ch. May 31, 2022); *Finger Lakes Cap. Partners, LLC v. Honeoye Lake Acquisition, LLC*, 2015 WL 6455367, at *21 (Del. Ch. Oct. 26, 2015), *rev'd on other grounds*.

[200] *See, e.g., Wolf v. Magness Constr. Co.*, 1995 WL 571896, at *2 (Del. Ch. Sept. 11, 1995), *aff'd sub nom. Magness Constr. v. Wolf*, 676 A.2d 905 (Del. 1996) ("Ordinarily, a party is obligated to read and understand a written agreement.").

[201] Intermec Br. at 7.

TransCore for failing to educate him.[202] As a matter of law, this is the wrong question: the question is whether the acquiescing party, Intermec, had knowledge of its rights.[203] Yet even if the question were Mr. Robles's knowledge, Intermec's argument would fail. Mr. Robles had access to the Agreement and was required to know its relevant terms.[204] Thus, TransCore could not have "misrepresented" the Agreement's terms[205]: Mr. Robles and Intermec always had them available.

Likewise, the record belies Intermec's contention that Mr. Robles did not have all material facts. Intermec argues that TransCore intentionally responded only to Mr. Robles's questions about "specific line-item calculations in a single royalty report," without identifying other products to which the same logic applied.[206] Intermec's description is inaccurate. Mr. Robles's first email asked about the overall methodology, and TransCore responded accordingly.[207] His second email did ask about specific line items, which TransCore identified as multiprotocol readers.[208]

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[202] *Id.* at 36–37.

[203] *See Klaassen*, 106 A.3d at 1047 (describing elements as including *claimant's* knowledge).

[204] *See* A1081–A1085.

[205] Intermec Br. at 37.

[206] *Id.* at 36–37.

[207] *See* A200–A201.

[208] *See* B0001. The version of this email that TransCore includes in its appendix is the one that the Superior Court relied on in determining what Mr. Robles knew. The version in Intermec's appendix is the draft internal to TransCore. *See* A202–A203.

TransCore then described its methodology for *all* such readers: "When there are readers that use more than one protocol we only reflect that portion of the price which is applicable to the licensed protocols."[209] TransCore listed the prices of the Licensed Product used in each category of multiprotocol reader, including ones Mr. Robles had *not* asked about.[210] Finally, TransCore provided exemplar calculations.[211] Contrary to Intermec's assertion that "[t]he Decision does not cite to any support in the record" showing Mr. Robles's knowledge,[212] the Superior Court cited this evidence in before reaching its holding.[213] This demonstrates Intermec and Mr. Robles had all material facts.

To try to create a gap in Mr. Robles's knowledge, Intermec complains that TransCore did not mention multiprotocol tags when communicating with Mr. Robles.[214] There was little discussion of royalties due for multiprotocol tags during discovery or at trial, likely because approximately 90% of the royalties Intermec claimed were for readers.[215] However, the methodology for calculating royalties on

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[209] B0002.

[210] *Id.*

[211] *Id.*

[212] Intermec Br. at 36.

[213] Decision at 29–30.

[214] Intermec Br. at 36–37.

[215] *See* A1497–A1498.

multiprotocol tags was *the same as* that for readers, so TransCore expected Mr. Robles to apply the same logic to tags.[216] Moreover, Intermec never suggested to the Superior Court that TransCore's communication to Mr. Robles was misleading because it did not mention tags. On the contrary, Intermec admitted that the description was accurate,[217] an admission the Superior Court was entitled to credit.[218]

Finally, Intermec cannot avoid Mr. Robles's knowledge by relying on his lack of technical expertise.[219] TransCore explained to Mr. Robles that the two products identified were multiprotocol readers, one of which used SeGo and ATA protocols and one of which used eGo and ATA protocols.[220] TransCore then stated directly that it calculated royalties using "that portion of the price which is applicable to the licensed protocols" and identified examples of protocols not related to the license, including the ATA protocol.[221] This is not beyond the understanding of someone charged with reviewing royalty reports for Intermec, but if Mr. Robles was confused, he could have asked one of Intermec's own engineers, who are well-versed in RFID

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[216] *See* A2690–A2692.

[217] *See* B0209, B0269; A1354–A1355.

[218] *See Hudak*, 806 A.2d at 150 (finder of fact resolves conflicts in testimony); *State v. Gregory*, 2022 WL 108536, at *1, n.2 (Del. Super. Jan. 12, 2022), *aff'd*, 293 A.3d 994 (Del. 2023) (finder of fact "decide[s] the appropriate weight to assign" admission).

[219] *See* Intermec Br. at 36–37.

[220] B0002.

[221] *Id.*

technology,[222] for clarification. Thus, Intermec and Mr. Robles had the expertise to understand TransCore's one-page description.

b. Mr. Robles's knowledge is imputed to Intermec.

Intermec's corporate representative admitted that Mr. Robles's knowledge was known to Intermec.[223] That was sufficient reason for the Superior Court to impute his knowledge to Intermec, but Delaware law also makes clear that this decision was correct.

"An employee's knowledge can be imputed to her employer if she becomes aware of the knowledge while she is in the scope of employment, her knowledge pertains to her duties as an employee, and she has the authority to act on the knowledge."[224] "This imputation occurs even if the agent does not communicate this knowledge to the principal/employer."[225] Whether an employee is acting within the scope of their employment is a question of fact.[226]

To challenge imputation, Intermec relies solely on the notion that Mr. Robles

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[222] *See* A1870–A1871; Intermec Br. at 4.

[223] *See* B0210–B0211.

[224] Decision at 28–29 (citing *Hecksher v. Fairwinds Baptist Church, Inc.*, 115 A.3d 1187, 1200-01 (Del. 2015)).

[225] *Affordable Home Enterprises, Inc. v. Nelson*, 1994 WL 315227, at *3 (Del. Super. May 25, 1994).

[226] *See Campos v. Stranahan*, 2022 WL 810167, at *1-2 (Del. Super. Mar. 16, 2022).

was not acting within the scope of his authority.[227] However, as a royalty analyst, Mr. Robles's job was to review the math in the royalty report, compare the math to what the contract called for, and ask the licensee questions if needed.[228] So, by asking TransCore questions after he did the math, Mr. Robles performed his job duties and thereby received the knowledge imputed to Intermec. Based on the authority Intermec gave him, Mr. Robles had a choice about what to do with that knowledge: approve the report or escalate the issue.[229] He chose to approve the report such that it was processed and the invoice issued.[230] Whether Mr. Robles could have taken other actions simply is not relevant.

Imputing Mr. Robles's knowledge does *not* "fundamentally alter" Delaware agency law.[231] On the contrary, it applies established law: The Superior Court only imputed to Intermec knowledge that Mr. Robles learned while doing his assigned job duties. Further, this serves public policy. As the Superior Court explained, imputing an agent's knowledge incentivizes the company to use care in selecting, delegating to, and communicating with its agents.[232] It would be unreasonable to

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[227] *See* Intermec Br. at 38–40.

[228] *See* A1080–A1085.

[229] *See* A1083.

[230] *See* B0053; A1189–A1190, A1194–A1195.

[231] *See* Intermec Br. at 39.

[232] Decision at 29 (quoting RESTATEMENT (THIRD) OF THE LAW OF AGENCY § 5.03 (2006 Supp. May 2023)).

allow Intermec to designate TransCore's contact for communications regarding royalty calculations and then claim communications to that very contact were insufficient. This Court should uphold the Superior Court's holding that Mr. Robles's knowledge is imputed to Intermec.

3. The Agreement's non-waiver and amendment clauses did not preclude the acquiescence defense.

In the alternative, Intermec invokes contractual provisions that require mutually signed writings to waive or amend contractual rights, but those provisions do not preclude an acquiescence defense. In *Pepsi-Cola Bottling Co. of Asbury Park v. Pepsico, Inc.*,[233] this Court explained that contractual provisions requiring that amendments be in writing "may be waived or modified … by the course of conduct of the parties."[234] Since then, Delaware courts have applied the same logic to allow acquiescence defenses despite non-waiver provisions.[235] As a result, "the law is clear that non-waiver clauses are not iron-clad protections that preclude courts from holding [a party] responsible for [its] post-contracting behavior" and do not supersede "defenses of waiver, estoppel, and acquiescence."[236] Instead, they can

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[233] 297 A.2d 28 (Del. 1972).
[234] *Id.* at 33.
[235] *See, e.g.*, *Civic Ass'n of Surrey Park v. Riegel*, 2022 WL 1597452, at *11 (Del. Ch. May 19, 2022); *In re Coinmint, LLC*, 261 A.3d 867, 899–900 (Del. Ch. 2021).
[236] *Coinmint*, 261 A.3d at 899–900.

"themselves … be waived if facts so indicate."[237]

Nevertheless, Intermec argues that the Superior Court somehow applied an incorrect legal standard in determining whether Intermec's conduct overcame the waiver and amendment clauses. According to Intermec, "black letter" law requires that "any sort of 'waiver by conduct' must be shown with 'specificity and directness.'"[238] Intermec has waived this argument: Before the Superior Court, Intermec argued only that the waiver and amendment provisions *per se* barred the acquiescence defense—not that any particular standard applied.[239]

Regardless, the legal standard Intermec cites does not govern acquiescence. In *Reeder v. Sanford School, Inc.*,[240] the court held that "an oral contract" modifying a written contract "must be of such specificity and directness as to leave no doubt of the intention of the parties to change what they previously solemnized by formal document."[241] This holding is not relevant here because acquiescence is not an oral modification to a written contract; it is an affirmative defense based in estoppel. In the only other case Intermec cites, the court simply observed that "Delaware courts

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[237] *XRI Inv.*, 283 A.3d at 659 n.86; *see also Aveanna Healthcare, LLC v. Epic/Freedom, LLC*, 2021 WL 3235739, at *29 n.273 (Del. Super. July 29, 2021).

[238] Intermec Br. at 41.

[239] B0511.

[240] 397 A.2d 139 (Del. Super. 1979).

[241] *Id.* at 141.

have established a 'high evidentiary burden' for parties asserting course of conduct modifications."[242] Such cases do not establish that the Superior Court ignored a governing legal standard.

Ultimately, there is no question that Mr. Robles's discussions with TransCore specifically and directly related to the calculations now challenged. Intermec's true argument is that its conduct cannot modify rights under the Agreement,[243] but that is not Delaware law. This is exactly the type of situation to which the acquiescence defense applies: "[W]hen a party has knowledge of an improper act by another, yet stands by without objection and allows the other party to act in a manner inconsistent with [the party's own] rights."[244] The Superior Court correctly applied this doctrine.

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[242] *ING Bank, FSB v. Am. Reporting Co.*, 843 F. Supp. 2d 491, 498 (D. Del. 2012). In *ING Bank*, one of the parties *argued* that the "specificity and directness" standard applied to course of conduct modifications, but the court did not adopt that position.

[243] *See* Intermec Br. at 42.

[244] *TR Invs., LLC v. Genger*, 2010 WL 2901704, at *15 (Del. Ch. July 23, 2010), *aff'd*, 26 A.3d 180 (Del. 2011) (quotations omitted).

III. The Superior Court's application of the statute of limitations to claims for royalties due before March 25, 2017, was correct.

A. Questions Presented

Did the Superior Court correctly apply the statute of limitations, in the alternative, to claims for royalties due before March 25, 2017, given that Intermec failed to argue that any tolling exception applied and TransCore's payments were always knowable?

Did the Superior Court apply the statute of limitations to claims for royalties due after March 25, 2017?

B. Scope of Review

Whether a claim is barred by the statute of limitations is a question of law that is reviewed *de novo*.[245] However, inquiry notice depends on factual findings,[246] which are reviewed under the clearly erroneous standard.[247] Further, here, those findings are subject to the plain error standard, as Intermec did not preserve an argument that tolling applied to the statute of limitations.[248]

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[245] *Lehman Bros. Holdings, Inc. v. Kee*, 268 A.3d 178, 185 (Del. 2021).

[246] *See Wilmington Tr., Nat'l Ass'n v. Sun Life Assurance Co. of Canada*, 294 A.3d 1062, 1076 (Del. 2023), *as revised* (Mar. 21, 2023) (describing "fact-intensive" nature of determining existence of inquiry notice).

[247] *See Geronta Funding*, 284 A.3d at 58–59.

[248] *See, e.g.*, *Beebe Med. Ctr., Inc. v. Bailey*, 913 A.2d 543, 551 (Del. 2006), *as amended* (Nov. 15, 2006).

C. Merits of Argument

1. The Superior Court correctly applied the statute of limitations for any royalties due before March 25, 2017.

The Superior Court correctly held that the three-year statute of limitations for breach-of-contract claims barred claims for royalties due before March 25, 2017. As the Superior Court explained, "[t]he Agreement called for quarterly royalty payments, so each alleged underpayment amounts to a separate breach."[249] Intermec filed its complaint on March 25, 2020, meaning a claim for any royalty due before March 25, 2017 is untimely.[250]

a. <u>The Audit Provision does not extend the statute of limitations.</u>

Intermec tried to avoid this result for the audit period (Q3 2012 to Q2 2016) by arguing that the three-year clock for this period started over when TransCore failed to pay the amount of EY's findings. The Superior Court correctly rejected that this argument because the payment clause in the Audit Provision was not triggered.[251] The Court can affirm on that basis alone.

Nevertheless, the application of the statute of limitations would be correct even if EY *had* conducted the audit in accordance with the Agreement. As Ms.

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[249] Decision at 33 (citing *Sutherland v. Sutherland*, 2013 WL 2362263, at *5 (Del. Ch. May 30, 2013)).

[250] 10 *Del. Code* § 8106(a).

[251] Decision at 32–33.

Harwell admitted: "[T]he underpayment was a breach of the royalty payment. [TransCore] w[as] already in breach. The only thing is the auditor discovers it…."[252] In other words, any payment required under the Audit Provision would not be a new obligation; the audit just identifies the existing obligation. Thus, the Audit Provision does not restart the statute of limitations.

The Superior Court previously saved this question for trial[253] and then did not reach it. However, "[t]his Court may affirm on the basis of a different rationale than that which was articulated by the trial court …."[254] This Court should hold that the statute of limitations barred any claims for underpayments identified in the audit because failing to pay the audit findings was not a new breach.

b. <u>No tolling exception applies.</u>

In addition, the Superior Court recognized that Intermec had waived any claim that a tolling exception applied.[255] Intermec does not attempt to refute that holding and so has waived any argument that a tolling exception applies.[256]

Regardless, the Superior Court was correct to conclude that Intermec was on

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[252] A1817.

[253] *See* A444–A449. Because no decisions were reached, there was no "law of the case," as Intermec contends. *See* Intermec Br. at 45 n.104.

[254] *RBC Cap. Markets*, 129 A.3d at 849.

[255] Decision at 33.

[256] *See In re Nat'l City Corp. S'holders Litig.*, 998 A.2d 851 (Table), 2010 WL 2585282, at *2 (Del. 2010).

inquiry notice of alleged underpayments since at least 2012. Any underpayment was *always* knowable because Intermec had an annual audit right,[257] which Intermec fails to address. Moreover, quarterly royalty reports provided inquiry notice. The entire point of such reports was to allow Intermec to verify the calculations,[258] and Intermec's own damages expert affirmed that this issue could be identified from the reports.[259] That is how Intermec's royalty analyst identified it in 2014.[260] Thus, the Superior Court was correct to hold that Intermec was on inquiry notice of TransCore's calculations long before the audit.[261]

2. The Superior Court did not apply the statute of limitations for any royalties due after March 25, 2017.

The Superior Court expressly recognized that TransCore's defense was limited to royalties due before March 25, 2017 (three years before the lawsuit was

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[257] *See Studiengesellschaft Kohle, mbH v. Hercules, Inc.*, 748 F. Supp. 247, 252–53 (D. Del. 1990) (discovery rule did not apply because the alleged breach of a license agreement was knowable where there was an audit right); *AM Gen. Holdings LLC v. The Renco Grp., Inc.*, 2016 WL 4440476, at *14 (Del. Ch. 2016) (similar); *Council of Wilmington Condo. on Behalf of Unit Owners of Wilmington Condo. v. Wilmington Ave. Assocs., L.P.*, 1996 WL 527392, at *3 (Del. Super. Aug. 8, 1996) (similar).

[258] *See* A1862–A1863.

[259] *See* A2141–A2143, A2151–A2153.

[260] B0001. *See supra* Part II.C.2.

[261] Contrary to Intermec's suggestion (Intermec Br. at 45), the Superior Court cited this evidence. *See* Decision at 23–25.

filed).[262] The Superior Court's entire analysis of the statute of limitations was premised on this understanding, and it had no need to reiterate the time limitation thereafter. There was no error, as Intermec claims.

But even if this Court reversed the Superior Court's holding as to royalties due within the statute of limitations (which was based on acquiescence), that would not make Intermec the "prevailing party," as it argues in passing.[263] To determine prevailing party, Delaware courts look to "predominance in the litigation"—*i.e.*, prevailing on "the case's chief issue."[264] If Intermec recovered only royalties due after March 25, 2017, it would not have prevailed on the predominant issue:[265] Intermec claims more damages for the audit period than for the post-audit period.[266] Regardless, if this Court reverses any part of the judgment (including in the cross-appeal), the issue of attorneys' fees should be remanded.[267]

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[262] Decision at 32–33.

[263] Intermec Br. at 48.

[264] *Duncan v. STTCPL, LLC*, 2020 WL 829374, at *15 (Del. Super. Feb. 19, 2020).

[265] *See Vianix Delaware LLC v. Nuance Commc'ns, Inc.*, 2010 WL 3221898 (Del. Ch. Aug. 13, 2010) (neither party was "prevailing party" for fee-shifting where plaintiff proved some royalties were owed but defendant showed others were not).

[266] *Compare* A286–A304 (EY report) *with* A1484–A1619 (Gerardi report with post-audit damages). Some of the post-audit damages are also outside the statute of limitations period.

[267] *See Council of Dorset Condo. Apts. v. Gordon*, 801 A.2d 1, 9 (Del. 2002).

IV. In the alternative, this Court can affirm the judgment because TransCore's method of calculating royalties was correct.

A. Questions Presented

In the alternative, was TransCore correct to only pay royalties on the product that used Intermec-patented technology rather than paying royalties on the entire bundled item in which that product was sold?[268]

B. Scope of Review

This Court should interpret how the Agreement requires royalties to be calculated *de novo*, applying the Agreement's plain language unless there is an ambiguity.[269] Any factual findings relevant to that interpretation should be upheld unless they are clearly erroneous."[270]

C. Merits of Argument

The Superior Court's judgment that Intermec's claim fails should be affirmed on the grounds stated above. However, this Court may also affirm on a different ground: TransCore did not breach its contractual obligation to pay Intermec royalties.[271] Although the Superior Court concluded otherwise, contractual interpretation is a question of law that this Court reviews *de novo*.[272]

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[268] A2155–A2156, A2549–A2556, A2729–A2733.

[269] *See Daniel*, 289 A.3d at 645.

[270] *Geronta Funding*, 284 A.3d at 58–59.

[271] *RBC Cap. Markets*, 129 A.3d at 849.

[272] *Daniel*, 289 A.3d at 645.

1. The Agreement's plain language supports TransCore's decision to pay royalties based on the gross invoice price of the Licensed Product, not the unit in which it is sold.

The Agreement defines TransCore's royalty obligations. The first step in determining TransCore's royalty obligations is determining whether a sale is royalty-bearing at all. For example, TransCore owes Intermec "7.0% on the Net Sales Value of any Licensed RFID Readers" that it sells.[273] The Agreement does not define "Licensed RFID Readers" but the most logical meaning is an "RFID Reader" that incorporates a "Licensed Product." A "Licensed Product" is an enumerated RFID product "which, but for the licenses granted herein, would infringe one or more of the Intermec Licensed Patents."[274] So, sales of RFID Readers and RFID Tags can trigger royalty obligations, if they use technology that would otherwise infringe Intermec patents.

The next step is determining what amount is due to Intermec. "Net Sales Value" is defined as "the gross invoice price or gross invoice fee received by [TransCore] for a Licensed Product," less certain allowances.[275] So, the formula to calculate a royalty owed on a Licensed RFID Reader is: *royalty = 0.07 x (gross invoice price for a Licensed Product – allowances)*.

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[273] A133–A134. The same logic applies to tags, which were not the focus of litigation.

[274] A131.

[275] A136.

The parties' dispute centers on which product was the "Licensed Product" in multiprotocol readers that read one protocol that required Intermec-patented technology (SeGo or eGo) and at least one protocol that did not.[276] TransCore paid royalties on these readers based on the price of the product that allowed the reader to read SeGo or eGo, which TransCore classified as the "Licensed Product."[277] In E5 and E6 readers, the Licensed Product was a daughterboard; in E4 readers, it was the software in the transceiver board that read SeGo or eGo.[278] Intermec claimed the Licensed Product was the entire reader.

The Agreement's plain language supports TransCore's interpretation. If the definition of "Net Sales Value" is imported into the royalty provision, it says TransCore must pay a royalty "on the gross invoice price [or fee] received by [TransCore] ***for a Licensed Product of any Licensed RFID Readers***" it sells.[279] Thus, the Agreement contemplates that the royalty-bearing Licensed Product may be a component of the reader. Importantly, ***this directly contradicts the Superior Court's assertion that TransCore's methodology is not listed in the Agreement***.[280] It appeared otherwise only because Intermec used the term "adjusted price," which

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[276] A2398–A2400.

[277] *See* A2248–A2249, A2455–A2458, A2549–A2552.

[278] *See* A2400–A2403.

[279] A136.

[280] Decision at 25.

made it sound like TransCore used a price different from the "gross invoice price" in the Agreement. In fact, TransCore always used the price "received by [TransCore] for a Licensed Product of any Licensed RFID Readers" it sells.[281]

In contrast, the item in which the boards are sold (*e.g.*, the reader) cannot be the royalty-bearing Licensed Product because the item itself would not "infringe one or more of the Intermec Licensed Patents."[282] If TransCore removed the daughterboard that reads SeGo or eGo from an E5 or E6, that reader could still read other protocols, but it would not infringe any Intermec patent.[283] Likewise, if TransCore altered the software in a multiprotocol E4 reader not to read SeGo or eGo, the reader could read other protocols without infringing any Intermec patents.[284] Even Ms. Harwell admitted that, if this were the case, no royalties would be owed.[285] Therefore, the daughterboard or transceiver board is the Licensed Product, and its price is used to calculate the royalty.

2. If there is any ambiguity, the course of performance confirms that TransCore's calculations were correct.

Even assuming the Contract is ambiguous, extrinsic evidence establishes that

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[281] *See* A133–A134.

[282] A131.

[283] A2402.

[284] A2402–A2403.

[285] A1805.

TransCore paid in accordance with the Contract. If a contract is ambiguous, the court should consider extrinsic evidence.[286] The "course of performance accepted or acquiesced in without objection is given great weight"[287] and may be "the most persuasive evidence of the [meaning of the] parties' agreement."[288] "Course of performance is a sequence of conduct where: (1) the agreement of the parties involves repeated occasions for performance by a party; and (2) the other party knowingly accepts the performance or acquiesces in it without objection."[289]

Here, no document reflects the parties' expectations regarding calculating royalties for multiprotocol products when the contract was executed. The Superior Court asserted that Ms. Harwell testified that the parties intended to calculate royalties based on the reader's price rather than using "judgment calls that inevitably would 'lead to litigation'—something neither party wanted."[290] However, Ms.

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[286] *Eagle Indus., Inc. v. DeVilbiss Health Care, Inc.*, 702 A.2d 1228, 1232 (Del. 1997).

[287] *Sun-Times Media Grp., Inc. v. Black*, 954 A.2d 380, 398 (Del. Ch. 2008) (citing RESTATEMENT (SECOND) OF CONTRACTS § 202).

[288] *In re Mobilactive Media, LLC*, 2013 WL 297950, at *16 (Del. Ch. Jan. 25, 2013) (citation omitted); *see also Zurich Am. Ins. Co. v. Syngenta Crop Protection LLC*, 2023 WL 2671799, at *4–5 & n.15 (Del. Super. Mar. 28, 2023).

[289] *Motors Liquidation Co., Dip Lenders Tr. v. Allianz Ins. Co*., 2013 WL 7095859, at *5 (Del. Super. Dec. 31, 2013) (citing 6 *Del. Code* § 1-303(a)).

[290] *See* Decision at 25.

Harwell admitted that the parties did *not* discuss this issue,[291] so it was error to attribute her testimony as *both* parties' intent.

On the other hand, the course of performance directly supports TransCore's interpretation. As explained above, TransCore always calculated royalties in the same manner, and Intermec acquiesced in that method of calculating royalties.[292] This course of performance establishes TransCore's interpretation was always correct and Intermec knew it.

Further, TransCore's understanding is consistent with the Agreement's purpose: avoiding infringement lawsuits.[293] In such suits, damages for infringing multi-component products are usually awarded "not on the entire product, but instead on the smallest salable patent-practicing unit."[294] Hence, Intermec's interpretation would require TransCore to pay *more* royalties than it would owe for infringement, undermining the point of the licensing agreement.

For these reasons, the Court should hold in the alternative that TransCore's interpretation of how royalties were to be calculated for multiprotocol readers was correct and TransCore did not breach the Contract. This is dispositive of Intermec's

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[291] *See* A1788.

[292] *See supra* Part II.C.

[293] *See* A1805–A1806, A1851, A2280

[294] *See ART+COM Innovationpool GmbH v. Google Inc.*, 155 F. Supp. 3d 489, 513 (D. Del. 2016) (quotation omitted).

entire claim, including for breach of the Audit Provision.[295]

[295] *See Terrell*, 297 A.3d at 622–23 (courts may review contractual interpretation).

<u>TransCore's Argument on Cross-Appeal</u>

I. The Superior Court erred as a matter of law in denying TransCore's counterclaim for overpayments of royalties for readers where all relevant Intermec patents had expired.

A. Question Presented

Did the Superior Court err in holding that the voluntary payment doctrine applied because TransCore took a "calculated risk" in deploying its resources, rather than evaluating TransCore's actual knowledge of, or recognized uncertainty regarding, the overpayment?[296]

B. Scope of Review

Whether the voluntary payment doctrine applies is generally a fact-intensive inquiry, and the clearly erroneous standard applies to findings of fact.[297] The legal standard used, however, is subject to *de novo* review.[298]

C. Merits of Argument

1. The implied covenant required Intermec to return overpayments, as the Superior Court held.

The implied covenant prevents a contracting party from acting "arbitrarily and unreasonably"[299] and ensures reasonable expectations are fulfilled.[300] The covenant

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[296] A2824.

[297] *Bäcker*, 246 A.3d at 94–95 (citation omitted).

[298] *MCA, Inc. v. Matsushita Elec. Indus. Co.*, 785 A.2d 625, 638 (Del. 2001).

[299] *Nemec v. Shrader*, 991 A.2d 1120, 1126 (Del. 2010) (quotation omitted).

[300] *See Dunlap v. State Farm Fire & Cas. Co.*, 878 A.2d 434, 442 (Del. 2005).

is "well-suited" for supplying "contractual terms that are so obvious" the parties "would not have needed to include [them] as express terms."[301] When evaluating claims for breach of an implied covenant, a court must determine first whether there is a contractual gap and then whether the terms to be implied are "necessarily involved in the contractual relationship so that the parties must have intended them."[302]

Here, the Agreement does not *expressly* address whether Intermec is obligated to return mistaken overpayments to TransCore, so there is a gap.[303] Further, the testimony showed that this obligation was obvious to the parties,[304] and Intermec did credit overpayments throughout the life of the Agreement.[305] Likewise, the Agreement addresses situations in which Intermec would *not* be required to refund overpayments,[306] implying Intermec understood refunds were otherwise required. Thus, as the Superior Court held, there was an implied covenant for Intermec to return overpayments to TransCore.

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[301] *Dieckman v. Regency GP LP*, 155 A.3d 358, 361 (Del. 2017); *accord Glaxo Grp. Ltd. v. DRIT LP*, 248 A.3d 911, 919 n.35 (Del. 2021).

[302] *Allen v. El Paso Pipeline GP Co.*, 113 A.3d 167, 184 (Del. Ch. 2014), *aff'd*, 2015 WL 803053 (Del. Feb. 26, 2015).

[303] *See* Decision at 36–37; A424–A426.

[304] *See* A1128–A1129, A1879–A1880, A2255.

[305] A2255, A2622; *see also* A289.

[306] A142.

2. The voluntary payment doctrine did not bar TransCore's overpayments for readers.

Having established the existence of the implied covenant, TransCore was required to prove Intermec's " breach of that obligation" and "resulting damage."[307] As to its claim for overpayments on readers, TransCore explained that it continued its historical royalty payments for readers when the patents protecting the technology used in those readers had expired, resulting in an overpayment of $1,017,426.[308] The Superior Court applied the voluntary payment doctrine to bar TransCore from recovering these overpayments, holding TransCore had assumed the risk of overpayment in how it deployed its staff.[309] This was incorrect as a matter of law.

"The voluntary payment doctrine evolved from unjust enrichment law."[310] In *Home Ins. Co. v. Honaker*,[311] this Court observed that "money paid due to a mistake of law is not recoverable, while money paid under a mistake of fact may be recovered in equity under an unjust enrichment theory."[312] Courts applying that rule have focused on whether the amount was "voluntarily paid with full knowledge of the

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[307] *Kuroda v. SPJS Holdings, L.L.C.*, 971 A.2d 872, 888 (Del. Ch. 2009).

[308] *See* B0061; A2619–A2621, A2786–A2787.

[309] Decision at 39, 41–42.

[310] *Envolve Pharmacy Sols., Inc. v. Rite Aid Hdqtrs. Corp.*, 2023 WL 5604201, at *8 (Del. Super. Aug. 30, 2023).

[311] 480 A.2d 652 (Del. 1984).

[312] *Id.* at 653.

facts."[313] Importantly, "[t]he negligence of the payor in mistakenly compensating the payee, alone, is no bar to restitution of the sum paid."[314] Yet, despite Delaware law establishing the broad contours of this defense, few cases have applied the doctrine. Perhaps that is why the Superior Court turned to the *Restatement*.[315]

The *Restatement* describes the voluntary payment doctrine as "judicial shorthand for a truth of common experience: that a person must often choose to act on the basis of inadequate knowledge, assuming the risk that further information may reveal the choice to have been less than optimal."[316] But the *Restatement* does not end there. Instead, it asserts that the "appropriate statement of the voluntary payment rule … is that money voluntarily paid *in the face of a recognized uncertainty as to the existence or extent of the payor's obligation to the recipient* may not be recovered, on the ground of 'mistake' …."[317] The *Restatement*

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[313] *Nieves v. All Star Title, Inc.*, 2010 WL 2977966, at *6 (Del. Super. July 27, 2010); *see also Winshall v. Viacom Int'l, Inc.*, 2019 WL 960213, at *15 (Del. Super. Feb. 25, 2019), *on reargument*, 2019 WL 5787989 (Del. Super. Nov. 6, 2019), *aff'd*, 237 A.3d 67 (Del. 2020)

[314] *See Honaker*, 480 A.2d at 654.

[315] Decision at 39 (quoting RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 6 cmt. e (2011 Supp. May 2023)).

[316] RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 6 cmt. e.

[317] *Id.* (emphasis added).

makes clear that only actual knowledge of that uncertainty creates a voluntary payment.[318]

Thus, the *Restatement* would ask whether TransCore voluntarily paid the royalties at issue "in the face of a recognized uncertainty" regarding its obligation.[319] And Delaware law traditionally looks to the payor's "full knowledge of the facts."[320] The Superior Court instead asked whether TransCore took a "calculated risk" in allocating its resources.[321] The standard makes a difference on these facts. Mr. Gravelle explained that erroneous overpayments occurred due to his delay in performing his job duty of reviewing patents and identifying that the '632 patent had expired.[322] The Superior Court appeared to credit Mr. Gravelle's explanation, but characterized his delay in reviewing patents as a "calculated risk" by TransCore.[323]

However, Delaware has never recognized a "calculated risk" as sufficient to make a payment voluntary. Likewise, the *Restatement* does not treat a "calculated risk" as enough; for the doctrine to apply, the business must choose to act in the face

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[318] *Id.*

[319] *Id.*

[320] *E.g.*, *Nieves*, 2010 WL 2977966, at *6.

[321] Decision at 38–39, 41–42.

[322] *See* A2404–A2414.

[323] *See* Decision at 41.

of "recognized uncertainty" of which the business is actually "aware."[324] TransCore was not *aware* that there was uncertainty as to whether any of the relevant Intermec patents had expired when it submitted payments to Intermec. In fact, TransCore believed it had a system in place to *prevent* it from paying royalties on expired patents.[325] It was only when Mr. Gravelle alerted TransCore's Finance team to the expiration of a patent two years earlier that TransCore became aware there was an issue.[326]

In retrospect, perhaps it was negligent of TransCore to not impose a better system. However, negligence does not render a payment voluntary; only actual knowledge does. No evidence remotely suggested that TransCore recognized any uncertainty about its payments. As a result, the voluntary payment doctrine did not bar TransCore's claims, and the Superior Court erred in applying an incorrect standard to find that it did.

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[324] RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 6 cmt. e.

[325] *See* A2613–A2615, A2661, A2665, A2719.

[326] *See id.*

II. The Superior Court erred as a matter of law in denying TransCore's counterclaim for overpayments of royalties for tags that did not use Intermec technology.

A. Question Presented

Did the Superior Court err in treating a witness's testimony about a product he developed as *per se* insufficient when the Superior Court also deemed his testimony credible and within his expertise?[327]

B. Scope of Review

The weight of testimony is a factual question subject to the clearly erroneous standard.[328] Whether testimony alone *can* meet a claimant's burden of proof is a question of law reviewed *de novo.*[329]

C. Merits of Argument

As explained above, the Superior Court correctly held that the implied covenant required Intermec to return overpayments. However, the Superior Court erred in treating testimony as *per se* insufficient to support TransCore's counterclaim for $937,616 of royalties on a product that never practiced any Intermec patents: the 4285 tag.[330]

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[327] A2822–A2823.

[328] *Hudak*, 806 A.2d at 150.

[329] *See generally State Farm Mut. Auto. Ins. Co. v. Spine Care Del., LLC*, 238 A.3d 850, 857 (Del. 2020).

[330] *See* A2410–A2411, A2616–A2620.

At trial, Mr. Gravelle explained that the 4285 tag succeeded an earlier product that had incorporated Intermec-patented technology and for which TransCore therefore paid royalties.[331] Product management mistakenly classified the 4285 tag as being similarly royalty-bearing.[332] When Mr. Gravelle discovered this issue, he alerted the Finance team, which thereafter excluded those tags from royalty calculations.[333] **There was no evidence at trial contradicting any of this testimony**.[334]

Nevertheless, the Superior Court held the evidence insufficient to support TransCore's counterclaim. In doing so, the Superior Court did not question the accuracy or credibility of any of Mr. Gravelle's testimony. Instead, it acknowledged that "Mr. Gravelle is a talented and knowledgeable engineer who truly believes that the latter version of the EM4285 tag no longer practices any Intermec patent."[335] This mirrored the Court's statement at trial that it "found Mr. Gravelle to be a very credible witness" who was "very – very experienced in this area and particularly the

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[331] *See* A2390–A2392.

[332] *See* A2614.

[333] *See id.*, A2410–A2411, A350–A360; B0052, B0105–B0111.

[334] Intermec attempted to introduce evidence that may have been related to this point, but the Superior Court properly excluded it because it had not been disclosed in discovery or pre-trial filings. *See* A2437–A2438, A2476–A2480, A2829–A2837.

[335] Decision at 44.

technological area" and "a coholder of 40 to 50 some patents himself."[336] Indeed, Mr. Gravelle's testimony established that he has an engineering degree and ***forty years*** of experience in researching and designing RFID technology.[337] In his more than two decades at TransCore, he has been involved in designing nearly every product it sells.[338]

Despite this, the Superior Court concluded: "[L]eft with only his word, the Court must grapple with whether that is enough. It isn't. And absent any additional support, the Court cannot find by a preponderance of the evidence that TransCore has met its burden to prove the identified EM4285 tags practiced no Agreement-covered Intermec patents."[339] In so holding, the Superior Court appeared to believe that Mr. Gravelle's sworn testimony was *per se* insufficient to establish whether the 4285 tags used Intermec-patented technology.

This was error as a matter of law. "If sworn, testimony is competent evidence and, without contrary or conflicting competent evidence, an adjudicator must base its decision on that evidence."[340] Thus, testimony is "competent evidence upon

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[336] A2828–A2829.

[337] A2376–A2380.

[338] A2380–A2383.

[339] Decision at 44.

[340] *Brown v. Delaware Bd. of Examiners of Nursing Home Adm'rs*, 2021 WL 141203, at *4 (Del. Super. Jan. 15, 2021) (reviewing administrative decision); *see also Total Care Physicians, P.A. v. O'Hara*, 798 A.2d 1043, 1055 (Del. Super. 2001)

which [a] verdict could reasonably be based."[341] The Superior Court therefore erred in holding that it "cannot" find that TransCore met its burden of proof absent additional evidence.

Further, even if treated solely as factual findings, the Superior Court's decision was clearly erroneous. For the reasons described above, Mr. Gravelle is an expert in RFID technology generally. He was also imminently qualified to provide the specific opinion offered regarding whether the 4285 tags used Intermec technology: He is the engineer who designed the product and who regularly evaluated what patented technology TransCore products used.[342] Indeed, it is difficult to imagine who could be more competent to testify on this subject. Given the Superior Court's recognition of Mr. Gravelle's expertise and credibility, the Superior Court's conclusion that his testimony was insufficient was not the "product of an orderly and logical deductive process."[343] This is particularly true because there was no contrary evidence introduced at trial.

(court required to grant summary judgment where no evidence contradicts sworn testimony).

[341] *Himes v. Gabriel*, 972 A.2d 312 (Del. 2009).

[342] *See* A2381–A2383 (Mr. Gravelle involved in designing nearly every TransCore product during his tenure); A2390–A2392 (Mr. Gravelle involved in the design of 4285 tags and evaluated whether they used Intermec technology); A2404–A2405 (Mr. Gravelle reviewed all TransCore products to determine whether they used Intermec technology).

[343] *Bäcker*, 246 A.3d at 94–95.

Ultimately, it appears that the Superior Court wanted unspecified documentation corroborating Mr. Gravelle's opinion, but that is not required. Indeed, testimony is how experts prove what technology is used. Therefore, it was error to treat his testimony as *per se* insufficient without any contradictory evidence. The decision should be reversed.

CONCLUSION

For these reasons, the Court should affirm the Superior Court's holding that Intermec's claim failed, either on the grounds stated or alternative grounds. However, the Court should reverse the Superior Court's holding on TransCore's counterclaim and remand for entry of judgment and an award of attorneys' fees to the prevailing party.

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