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IN THE SUPREME COURT OF THE STATE OF DELAWARE

INTERMEC IP CORP., a Delaware Corporation, and INTERMEC TECHNOLOGIES CORP., a Washington Corporation, Plaintiffs Below, Appellants, v. TRANSCORE, LP, a Delaware Limited Partnership, and TRANSCORE HOLDINGS, INC., a Delaware Corporation, Defendants Below, Appellees.	No. 347,2023 **Court Below:** **The Superior Court of the State of Delaware,** **C.A. No. N20C-03-254 PRW CCLD** **PUBLIC VERSION FILED** **JANUARY 5, 2024**

APPELLANTS' REPLY BRIEF ON APPEAL AND ANSWERING BRIEF ON CROSS-APPEAL

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TABLE OF CONTENTS

[redacted]

TABLE OF AUTHORITIES

Page(s)

Cases

[redacted]

[redacted]

Other Authorities

[redacted].

I. NATURE OF THE PROCEEDINGS

The Nature of the Proceedings is set forth in Intermec's Opening Brief.[1] *See* Brief 1–3. On December 7, 2023, TransCore filed its Answering Brief and Opening Brief on Cross-Appeal. This submission is Intermec's Reply Brief and Answering Brief to TransCore's Cross-Appeal.

[1] Defined terms not otherwise defined herein have the same meaning ascribed to them in Intermec's Opening Brief.

[redacted]

II. STATEMENT OF FACTS

The Statement of Facts pertinent to this brief is set forth in Intermec's Opening Brief. *See* Brief 4–17.

[redacted]

III. REPLY IN FURTHER SUPPORT OF APPELLANTS' APPEAL

As explained in Intermec's Opening Brief, the Superior Court's Decision with respect to (1) its interpretation of Section 3.5 of the Agreement, (2) the application of the doctrine of acquiescence, and (3) the application of the statute of limitations as a complete bar to Intermec's recovery is both legally erroneous and unsupported by the weight of the evidence. Rather than address the substance of Intermec's arguments with respect to these issues, in its Answering Brief ("Ans. Br."), TransCore makes several half-hearted waiver arguments that depend on mischaracterizing the record and repeats the (erroneous) factual findings of the Superior Court. As such, none of TransCore's arguments in its Answering Brief is creditable as further explained below.

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A. The Superior Court erred in determining that EY was not an "independent" auditor per Section 3.5 of the Agreement.

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

Applying the dictionary definition of "independent," as the Superior Court did here, is contrary to industry understanding and black letter law interpreting substantively identical provisions.[2]

TransCore asserts that the Superior Court's reliance on the dictionary definition[3] was proper notwithstanding Ms. Harwell's testimony and the fact that

[2] TransCore's assertion that Intermec has waived its argument with respect to the industry meaning of "independent," *see* Ans. Br. 23, is without merit because it misunderstands Intermec's arguments on this point. With respect to the industry meaning, Intermec does not contend that Ms. Harwell constitutes an industry expert. However, as is demonstrated in Intermec's Opening Brief, Ms. Harwell, the chief negotiator of the Agreement, provided unrebutted testimony that it was her expectation that an auditing firm like EY was an "independent Third-Party." *See* A1820. The fact that TransCore did not introduce contrary evidence cannot result in a waiver of issues properly raised by Intermec. Moreover, TransCore's arguments regarding waiver misconstrue Delaware Supreme Court Rule 14(b)(vi)(A)(1), which requires that a party "state the question or questions presented, with a clear and exact reference to the pages of the appendix where a party preserved each question in the trial court." The "question presented" is whether the Decision properly interpreted the meaning of "independent" in Section 3.5 of the Agreement. *See* Brief 18. There can be no dispute that Intermec properly raised this issue in the Superior Court. *See* Brief 21, *see also* Decision 18–20.

[3] Not only did the Superior Court improperly consider the dictionary definition in interpreting "independent," it also relied on only one of three definitions in the dictionary. Decision 16. The definition endorsed by the Superior Court defines "independent" as "(1) Not subject to the control or influence of another; (2) Not associated with another (often larger) entity; (3) Not dependent or continent on something else." *Id.* There is no analysis of these three competing definitions in the

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numerous courts have interpreted substantively identical provisions to refer to external auditing firms. Ms. Harwell proffered uncontroverted testimony that she understood the phrase "independent Third Party" to refer to a Big Four accounting firm. *See* Section II.A.1. Ms. Harwell had decades of experience negotiating royalty agreements and in the RFID industry.[4] As the drafter of the Agreement, Ms. Harwell's understanding of the term is illustrative in assessing whether a term's definition is "altered or has…a 'gloss' in the relevant industry," *see Lorillard Tobacco Co. v. Am. Legacy Foundation*, 903 A.2d 728, 740 (Del. 2006).

Moreover, TransCore's argument dismisses, without substantive discussion, the case law cited by Intermec involving similar audit provisions. *Compare* Ans. Br. 24 *with* Brief 20–21. TransCore's sole argument is that the cases cited by Intermec do not "interpret" the term "independent." Ans. Br. 24. But this argument misses the mark. These decisions provide further support for the proposition that parties routinely include audit provisions utilizing the phrase "independent" auditors/accountants to refer to the Big Four accounting firms, including EY. *See, e.g., ArchKey Intermediate Holdings, Inc. v. Mona*, 2023 WL 6442815, at *3–4 (Del.

Decision. Nor is there support in the Decision or the record for the Superior Court's decision to interpret "independent" according to one possible definition provided by one dictionary. *See id.*

[4] *See* A1753–1759.

[redacted]

Ch. Ct. Oct. 3, 2023) (describing provision calling for "Independent Accountant" and designating EY to serve as the same); *Sapp v. Industrial Action Servs., LLC*, 75 F.4th 205, 209 (3d Cir. 2023) (contractual provision permitting audit by "independent accounting firm" designated EY or another "nationally recognized independent public accounting firm"). Stated differently, these decisions provide additional support for the fact that "independent" in the context of an audit provision has a specialized, but commonly understood meaning referring to an external auditing firm.

As Intermec explained in its Opening Brief, in interpreting the term "independent," the Superior Court looked at the term in isolation. Brief 21. Delaware law, however, requires that a court interpret contractual provisions in the context of the broader agreement. *Weinberg v. Waystar, Inc.*, 294 A.3d 1039, 1044 (Del. 2023). TransCore fails to address this argument. *See* Ans. Br. 24–25. The Agreement grants to Intermec the right to retain the auditor, as well as the responsibility for paying all costs associated with the audit in the first instance. *Id.* (citing A141). For these reasons, Section 3.5 describes the "independent" auditor as "Intermec's representative" and does not grant TransCore any authority to select the auditor. *Id.* (citing A141). Thus, rigidly applying the dictionary definition of the term "independent" as the Superior Court did here renders these other provisions

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within the Agreement superfluous, which is contrary to Delaware's law governing the interpretation of written agreements.

TransCore accuses Intermec of interpreting the phrase "independent Third Party" in a manner that renders the word "independent" surplusage. *Id.* That is simply incorrect. To the contrary, Intermec's interpretation of the phrase gives meaning to both "independent" and "Third Party." The Agreement defines "Third Parties" as "Persons other than Intermec or Company."[5] Intermec is defined as "Intermec IP Corp., Intermec Technologies Corporation and their subsidiaries"[6] and Company is defined as "TransCore, LP and TransCore Holdings, Inc. . . . and their subsidiaries."[7] Absent the word "independent," Intermec could have selected any entity other than itself and its subsidiaries to conduct an audit pursuant to Section 3.5. That would include an officer or employee, a parent company, or anyone with an economic interest in Intermec. Janis Harwell, the drafter of Section 3.5, testified that the term "independent" was included to ensure the auditor selected by Intermec did not have any interest in the outcome of the audit.[8] Her expectation was that a

[5] A137.

[6] A131, A136.

[7] A131.

[8] A1820

[redacted]

Big Four accounting firm would serve in that role because it had economic independence.[9]

Furthermore, if the Superior Court's and TransCore's definition for "independent" were adopted, it would be impossible for audits to be completed pursuant to royalty agreements. TransCore's own expert admitted that it was proper and indeed expected that any audit would include consultations by the auditor with both the licensee and licensor.[10] And indeed, the Superior Court itself acknowledged the Gordian Knot created by its decision acknowledging that "audit provisions like the one here and the action taken thereunder generally require[] one of the contracted parties to take the lead." Decision 19–20. Thus, the meaning of "independent" adopted by the Superior Court (and advanced by TransCore) is insupportable when read in context of the Agreement as a whole, *see Weinberg*, 294 A.3d at 1044, or with any common sense.

2. The Decision is contrary to the weight of the evidence demonstrating EY's "independence".

TransCore asserts that "Intermec provided very little evidence that EY did act independently," Ans. Br. 28, and in doing so dismisses out of hand and ignores the evidence Intermec highlighted in its Opening Brief showing that the Decision is

[9] A1820.

[10] A2810–11.

[redacted]

contrary to the weight of the evidence, Brief 23–28. Specifically, both TransCore and the Superior Court ignore the following facts, which demonstrate conclusively that Intermec did not control EY's findings:

- TransCore never objected to or raised any concerns about EY's retention during the audit or prior to this litigation.[11] TransCore's representative, Mr. Nefzer, admitted that he had no evidence to support TransCore's position that EY lacked independence,[12] suggesting that this theory was manufactured by counsel after the audit was concluded and the instant litigation was filed.

- It is undisputed that EY flagged its concerns about the use of an adjusted price *before* EY ever engaged with Intermec about that issue. Specifically, the evidence shows that EY first discussed TransCore's use of the adjusted sales price on November 14, 2016.[13] No one from EY raised the issue of the adjusted price with Intermec until November 30, 2016 (almost two weeks later).[14] During the course of the intervening two weeks (before Intermec was made aware of the issue), EY discussed the use of the adjusted price extensively with TransCore.[15]

- In its report, as a result of the conversations described above, EY included TransCore's calculations in the interest of full disclosure (notwithstanding the

[11] A2638. TransCore suggests that, at the time of the audit, Mr. Nefzer had "suspicions," but was somehow not able to "verify" them (Ans. Br. 27–28). However, TransCore does not cite any evidence for this contention. As noted above, Mr. Nefzer communicated regularly with EY. *See, e.g.*, A231, A235–36, A261–285, A2565, A2589–90, A2639. Moreover, Mr. Nefzer conceded that he never raised any concerns with EY or Intermec about EY's retention, work, or independence. A2638. To the extent he had any, he could have easily taken steps to "verify" his "suspicions" at any time.

[12] A2638.

[13] A229.

[14] A240.

[15] A231, A235–236.

[redacted]

fact that EY concluded that TransCore's use of the adjusted price methodology was inconsistent with the terms of the Agreement).[16]

- TransCore concedes that it agrees with all but one of EY's conclusions with respect to the royalty calculations (significantly, the one that TransCore takes issue with happens to be the conclusion that finds the largest underpayment by far).[17]

- Both EY's representative, Mr. Thomas,[18] and Intermec's representative, Ms. Schwencer, confirmed that Intermec did *not* exert any undue influence over EY.[19] Mr. Thomas testified in no uncertain terms that EY reached its own unilateral decisions following AICPA standards.[20]

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[16] A1977 ("Our report was and our conclusion was based off of our understanding of the contract. TransCore had a different understanding based off of a different method, and we wanted to bring transparency to our computation and understanding and what they were – were positioning as the approach.").

[17] *See* A2695.

[18] A1934 ("Q: Do you recall whether there was any situation where you felt Honeywell was attempting to unduly influence Ernst & Young's understanding of the contract or how royalties would be calculated? A: No.").

[19] A1107("Q. Who would instruct Ernst & Young on what the terms of the contract meant? A. We didn't have a session to do that."); *see also* A1365 (denying assertion that Intermec directed EY on how to calculate royalties for multiprotocol products); A1376–77 ("I believe [EY] came to [Intermec] with their position [on the contract] and we confirmed that was our position, initially when we discussed it); A1377 ("Q. So it's Intermec's testimony that . . . Intermec did not tell [EY] that . . . Honeywell's position that should be included in the report? A. We don't --- we were not able to tell [EY] what to put in the report. That was their job, that they have to put in [the report] what they find. But we did concur with them . . . [b]ut if I would have said we don't agree, I could not have changed the report). In the Answering Brief, TransCore contends that Ms. Schwencer's testimony contradicted itself on these points, but nothing in the transcript supports that assertion.

[20] A1959–60 ("Q: When it came to Ernst & Young's conclusion that multiprotocol devices – when calculating the royalty, I should say, of multiprotocol devices that you used for gross invoice price, did Honeywell impact the conclusion reached by Ernst & Young. A: No. Q: And am I correct that Ernst & Young reached that

[redacted]

By contrast, the Decision's conclusion rests on three cherry-picked documents. These documents conflict with the overwhelming evidence demonstrating EY's objectivity, and they do not support the conclusion of "undue influence" advanced by TransCore and accepted by the Superior Court:[21]

- The Superior Court cited a January 2017 email in which EY wrote Mr. Nefzer stating that EY had been "directed by Intermec to 'put our pencils down' and close the report."[22] As Ms. Schwencer and Mr. Thomas explained, by January 2017, TransCore's audit had been going on for six months, EY had completed its field work, and EY had ample time to review the parties' documentation.[23] The audit had reached its natural end and it was time to prepare the final report.

- The Superior Court relied on a March 2017 internal EY email in which EY listed several bullets of open questions under a heading titled "for our call with [Mr. Nefzer] on Monday, [Ms. Schwencer] wants us to understand."[24] TransCore asserts in its Answering Brief that "Intermec specifically outlined EY's talking points with TransCore regarding Intermec's decision." Ans. Br. 28. This statement is false. ***First***, as explained at length above and in Intermec's Opening Brief, the decision as reflected in EY's report was *EY's* decision—not Intermec's. ***Second***, nowhere in its Decision does the Superior Court reference any "talking points" provided by Intermec to EY. *Compare id.* (citing Decision 18) *with* Decision 18. ***Third***, nothing in the record demonstrates that Intermec provided EY with any "talking points." The email TransCore cites in its Brief identifies a handful of open questions that Intermec is trying to understand (not "talking points" Intermec is dictating to

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conclusion applying its own brainpower and initiative here under this engagement? A: Yes.").

[21] *See also* Brief 24–26.

[22] A261.

[23] A1203–1204, A1971, A2638–640.

[24] B0045.

[redacted]

EY).[25] Finally, even if this characterization of the EY email was accurate, it nonetheless does not support the Decision because this email of open questions was sent to TransCore approximately 4 months after EY first raised its concerns with the adjusted price calculation with TransCore.[26]

- The Superior Court looked to the "Statement of Work," which it concluded gave Intermec "unfettered control over the audit with seemingly no substantial input from TransCore." Decision 19. This too is unsupported by the record. The specific provision of the Statement of Work that purportedly establishes this "unfettered control" provides that EY "will assist [Intermec] in assessing its contract risks and developing a plan to evaluate the contractual compliance of each Third Party with the terms of the cross-license contracts between [Intermec] and each Third Party."[27] Further, as explained above, multiple witnesses have acknowledged that one of the parties to any audit needs to retain and pay the auditor (hence the statement of work that accomplishes precisely that).

In reviewing the record as a whole, the conclusion that Intermec exerted undue influence or otherwise controlled EY's activities is insupportable.[28]

[25] B0045.

[26] *Compare* B0045 *with* A229.

[27] A204–215.

[28] Further, as explained in its Opening Brief, the strained reading of "independent" is underscored by the fact that the Superior Court itself reached the same conclusion regarding the proper calculation of royalties as EY. Brief 28–29. TransCore's response to this argument, *see* Ans. Br. 30, misunderstands Intermec's contentions. The fact that both EY and the Superior Court ultimately reached the same conclusion is compelling evidence that EY reached its conclusion not because Intermec exerted undue influence over EY, but because there is no other reasonable reading of the Agreement. EY, Intermec, and the Superior Court all read the plain terms of the Agreement to preclude TransCore's surreptitious use of an adjusted price to calculate royalties. Only TransCore contends that its fraudulent behavior was proper.

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3. Affirming the Decision would have adverse public policy effects.

Despite acknowledging that Delaware recognizes a "spectrum" of "alternative dispute resolution" ("ADR") mechanisms, TransCore's argument that the Decision is consistent with Delaware public policy mischaracterizes the ADR provision in the Agreement as an arbitration provision. *See* Ans. Br. 31–33. Intermec does not contend that Section 3.5 is an arbitration provision—it is indisputably *not*. Section 3.5 is, however, an "expert determination" provision, which sits at one end of the ADR spectrum. *ArchKey Intermediate Holdings, Inc. v. Mona*, 302 A.3d 975, 989 (Del. Ch. Ct. 2023). The requirements surrounding the use of an expert as a form of ADR are flexible, as the court in *ArchKey* explained:

> Although experts are often loosely described as being some kind of arbitrator, "[t]he fact is that they are not." "Experts are a distinct species of dispute resolver." The expert can be a firm, not an individual. The expert does not operate under a set of established procedural rules and generally has broad investigatory powers. Although the parties may engage with the expert through counsel, lawyers are not the principal players, and the expert can take an inquisitorial, investigative approach…

Id. (collecting authorities).

Here, Section 3.5 grants Intermec the right to retain an expert (*i.e.*, an independent, third-party auditor) to "audit the records of [TransCore] in order to verify any representation made (in quarterly reports or otherwise) by [TransCore] to

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Intermec…as well as compliance with all license requirements contained herein."[29] The provision further provides that "[s]hould the results of any such audit by Intermec's representative demonstrate that any representations or payments made by [TransCore] resulted in an underpayment that exceeded more than 1% in any period, then [TransCore] *will* within thirty (30) days after such notice of underpayment, pay Intermec such amount…"[30] Just like in the "typical" expert determination ADR provision described in *ArchKey*, the Agreement establishes a procedure by which an expert could investigate TransCore's records to ensure compliance with the Agreement. In the event the expert concluded that TransCore underpaid Intermec (and thus failed to comply with the terms of the Agreement), Section 3.5 required

[29] A141. The necessity of this ADR mechanism to verify the accuracy of the royalty payments is underscored by the Superior Court's concession that it was impossible for Intermec to verify the accuracy of the royalty payments from the face of the royalty reports alone. Decision 24–25. Notably, TransCore's representative admitted hiding the use of the adjusted price would be bad faith. A2347.

[30] A141 (emphasis added). TransCore asserts that it did not understand that Section 3.5 gave the "auditor final authority to determine what royalties were owed." Ans. Brief 15. That statement ignores the plain language of Section 3.5, which provides that TransCore "will" pay any underpayments discovered by the auditor. A141. If TransCore wanted to treat the audit as an information-gathering exercise, it could have proposed amendments to the relevant language. The record is undisputed that TransCore did propose edits to Section 3.5, *see* A1812–13, but elected not to change the language empowering the auditor to reach conclusions that would be binding on both parties.

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payment. This type of provision falls squarely within the "spectrum" of ADR provisions recognized by Delaware courts.

Contrary to TransCore's assertion, there is no requirement (of which Intermec is aware) under Delaware law that the provision expressly state that the expert's conclusion will be "final" or "binding" in order to constitute an enforceable ADR mechanism. Ans. Br. 32. And neither authority cited by TransCore supports such a contention. *Id.* (citing *ArchKey*, 302 A.3d at 991 (explaining that *arbitration* provisions and *accountant true-up* provisions "generally" state that the determination be "final and binding," but making no similar statement with respect to expert determinations); *Terrell v. Kiromic Biopharma, Inc.*, 297 A.3d 610, 617–19 (Del. 2023) (discussing a "typical" arbitration and expert determination provisions, but not holding that an expert determination provision must include "final" or "binding" language)).[31] Here, the verb "will" makes clear that the determinations reached by the auditor create binding payment obligations on TransCore. TransCore witnesses admitted at trial that the language of Section 3.5

[31] Moreover, Ms. Harwell testified that notwithstanding the fact that the agreement did not use the word "binding" or "final," Intermec intended for the findings of the auditor to be binding on the parties. A1817.

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obligated TransCore to pay to Intermec any underpayments that the auditor discovered during an audit.[32]

TransCore's suggestion that Section 3.5 was nothing more than an "information-gathering" exercise designed to give Intermec "access to the licensee's books and records" would leave the audit provision with no teeth.[33] Ans. Br. 31. The Agreement gave TransCore the right to calculate the royalties it owed and to generate quarterly reports that memorialized those calculations. The Decision confirms that "[m]issing from [TransCore's] detailed reports [was] any mention of adjusted price." Decision 24. In other words, TransCore actively and intentionally failed to disclose its use of an adjusted price on certain products. Section 3.5 was designed to protect Intermec from exactly this kind of fraudulent misconduct. TransCore's own expert admitted that audit rights serve to balance the scales for licensors who are otherwise at the mercy of licensees trusted with calculating royalties accurately.[34] TransCore's interpretation of Section 3.5 would render the protections afforded to Intermec illusory. Delaware rules of contract interpretation

[32] A2630–2631, A2315–16.

[33] Intermec is not contending that "the Audit Provision would [] avoid the court system" as TransCore asserts. *See* Ans. Br. 33. Intermec's sole contention is that the audit provision is an ADR mechanism that the parties agreed to. TransCore is bound by the auditor's findings of fact, but it can—and indeed did—challenge the legal basis for those findings in a court of law.

[34] A2804.

[redacted]

preclude a court from adopting an interpretation that would render a term mere surplusage (as TransCore attempts to do here). *Weinberg*, 294 A.3d at 1055.

In refusing to apply the Agreement's plain language, the Decision undermines public policy by jeopardizing the enforceability of any audit provision (or similar expert ADR procedure) that contemplates retention of a reputable accounting firm like EY.

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B. The Superior Court erred in concluding that the doctrine of acquiescence applied.

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

TransCore does not dispute that the doctrine of acquiescence is an equitable doctrine nor does it dispute the general principle that Delaware "proudly guards the historic and important distinction between legal and equitable jurisdiction." *See Pine Creek Recreational Servs., LLC v. New Castle Cty.*, 238 A.3d 208, 212 (Del. Super. Ct. 2020). Nonetheless, TransCore contends that "the Superior Court has treated acquiescence as a proper defense to claims at law multiple times." Ans. Br. 35. In making this argument, TransCore cites—without any substantive discussion—*Mizel v. Xenonics, Inc.*, 2007 WL 4662113, at *7 (Del. Super. Oct. 25, 2007) and *USH Ventures v. Glob. Telesystems Grp., Inc.*, 796 A.2d 7, 19 (Del. Super. 2000), Ans. Br. 35, both of which Intermec discusses at length in its opening brief, Brief 33. As explained in Intermec's opening brief, *Mizel* (to the extent it applies at all) supports Intermec's position. In *Mizel*, the court *questioned* whether it did in fact have jurisdiction to decide the equitable defense of acquiescence since the parties "focused their arguments on acquiescence in the context of equity and not as a doctrine of law" and failed to address the applicability to an action of law. 2007 WL 4662113, at *7, n.15 (Del. Super. Ct. 2007). *USH*, by contrast, is easily disregarded given that: (1) the Superior Court's entire discussion of whether it could

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exercise jurisdiction over equitable doctrines, like the doctrine of acquiescence, arose in the context of a self-styled "digression"; (2) contravenes long-standing Delaware tradition separating courts of law and equity; and (3) relied entirely on *Pa. R.R. Co. v. Stauffer Chem. Co.*, 255 A.2d 696, 699–700 (Del. Super. Ct. 1969), which itself applied Pennsylvania law, and thus was assessed through a prism where the distinction between courts of law and equity would not apply. Without substantive discussion, TransCore cites *Devine v. MHC Waterford Estates, LLC*, 2017 WL 4513511, at *3 (Del. Super. Ct. Oct. 10, 2017) and *In re PNC Del. v. Berg*, 1997 WL 720705, at *4 (Del. Super. Ct. Oct. 22, 1997). However, neither of these decisions actually applies the doctrine of acquiescence. *Devine*, 2017 WL 4513511, at *3 (holding that the applicability of the doctrine of acquiescence could not be addressed until after a hearing); *Berg*, 1997 WL 720705, at *4 (characterizing the parties' interaction as a novation, merely referencing acquiescence in *dicta* as an illustrative example).[35]

In an attempt to manufacture jurisdiction over issues within the exclusive purview of the Court of Chancery, TransCore asserts that acquiescence should be

[35] To the extent TransCore relies on "respected treatises" and case law from "across the country" relating to the invocation of the doctrine of acquiescence as a defense to breach of contract claims, such authority can be disregarded because none of the courts TransCore points to recognize the distinction between courts of law and equity like Delaware does. *See* Ans. Br. 34–35, n.182.

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treated differently from other equitable defenses, like laches and unclean hands. Ans. Br. 37–38. It asserts that acquiescence is akin to estoppel, which the Superior Court allegedly routinely considers. *Id.* (citing Del. Super. Ct. Rule 8). However, this argument primarily rests on the fact that estoppel is identified as being among the affirmative defenses that a party waives if it fails to raise in its first pleading. *Id.* Notably, acquiescence is not included among that list of affirmative defenses. Del. Super. Ct. Rule 8. There is no reason to treat the doctrine of acquiescence any differently than any other equitable defense over which the Court of Chancery maintains exclusive jurisdiction.

2. TransCore's own assertions demonstrate that Mr. Robles' lacked "full knowledge" of the "material facts" foreclosing the application of the doctrine of acquiescence.

As explained in Intermec's Opening Brief, even if the Superior Court did have jurisdiction to apply the doctrine of acquiescence, TransCore has not carried its burden to demonstrate that it applies. As is relevant here, a plaintiff will be deemed to have acquiesced in the complained-of-conduct when it: "has full knowledge of his rights *and the material facts*." *Klaasen v. Allegro Dev. Corp.*, 106 A.3d 1035, 1047 (Del. 2014); *Cantor Fitzgerald, L.P. v. Cantor*, 724 A.2d 571, 582 (Del. Ch. Ct. 1998) (same). In its Answering Brief, TransCore largely ignores the requirement that a party have "full knowledge of…the material facts" and appears to suggest that full knowledge of contractual rights is sufficient. Putting aside the fact that there is

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no evidence in the record to demonstrate that Mr. Robles had *any knowledge*, let alone full knowledge, of the contractual rights provided by the Agreement (and tellingly TransCore points to no such evidence in its Answering Brief), TransCore's own arguments in its Answering Brief demonstrate that Mr. Robles unequivocally did not have full knowledge of the material facts.[36]

First, TransCore concedes that it did not even mention the fact that it was applying an adjusted price calculation to the multiprotocol tags. Ans. Br. 43. At trial, TransCore witnesses confirmed that TransCore's goal was to provide Mr. Robles with answers to the questions posed and nothing more.[37] TransCore attempts to explain away its misconduct by suggesting that transparency was not required because "approximately 90% of the royalties Intermec claimed were for readers." Ans. Brief 43.

[36] In describing the explanation TransCore provided to Mr. Robles, TransCore asserts that "Intermec admitted that TransCore accurately described how it was calculating royalties." Ans. Br. 11 (citing A1354–1355, B0209, B0269). This assertion is false. As the Opening Brief explains at length, the explanations TransCore provided to Mr. Robles are incomplete and were carefully crafted with intent to deceive. *See* Brief 9–11, 36–37. Moreover, the record citations that TransCore refers to provide no support for this assertion. In each of the portions of the testimony cited by TransCore, the witness acknowledges only that *an* explanation was provided to Mr. Robles not that said explanation was a correct or *accurate* one pursuant to the terms of the Agreement. A1354–1355, B0209, B0269.

[37] A2688.

[redacted]

Second, TransCore acknowledges that Mr. Robles lacked technical expertise (not to mention the fact that English was Mr. Robles' second language). Ans. Br. 44.[38] TransCore goes on to contend, however, that a layperson would easily understand the following explanation: "the two products identified were multiprotocol readers, one of which used SeGo and ATA protocols and one of which used eGo and ATA protocols. 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." *Id.* TransCore contends that, to the extent such an explanation was not accessible to someone lacking expertise (which it clearly would not be) or with a language barrier, Mr. Robles should have just asked one of Intermec's engineers to explain TransCore's statements to him. However, this very position is a further concession that Mr. Robles did not have full knowledge since he needed to consult with Intermec's engineers to fully understand TransCore's explanation. The doctrine of acquiescence does not create an affirmative obligation to secure full knowledge where it is otherwise lacking. It is TransCore's obligation to demonstrate

[38] TransCore argues that there is no evidence demonstrating that Mr. Robles was a Mexican national for whom English was a second language. Ans. Brief 10, n. 38. But TransCore admitted at trial that his communications with Mr. Robles established that Robles was a Mexican national. *See* A2318–19. TransCore's correspondence also demonstrated that this was first time processing a TransCore quarterly report. A2688.

[redacted]

that Mr. Robles' had full knowledge of all of the material facts; and this it admittedly has not done.

Further, TransCore's Answering Brief fails to address how a party could possibly have full knowledge of the material facts where the party conveying the information is intentionally misrepresenting its obligations under the License Agreement. *Compare* Ans. Br. 42 *with* Brief 36–38. Not only did TransCore misrepresent the scope of its use of an adjusted price, but it actively worked to hide its use on the quarterly royalty reports. *See* Brief 36–38. TransCore should not be permitted to manufacture acquiescence through fraudulent misrepresentations.

3. Mr. Robles lacked authority to alter the Agreement.

TransCore ignores Intermec's foundational argument that Mr. Robles did not have authority to modify the Agreement in the way that necessarily results from the application of the doctrine of acquiescence. *See* Ans. Br. 45–46. Instead, TransCore focuses exclusively on Mr. Robles' authority as a royalty analyst. *See id.* These are two fundamentally distinct issues. The reason that TransCore chooses to conflate them is clear: it has no response to the argument that Mr. Robles, as an entry-level, clerical employee, lacks authority to modify a royalty agreement worth millions of dollars. However, such a result is precisely what the Decision compels here.

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4. The record does not demonstrate that the parties acted with sufficient "specificity and directness" to overcome non-waiver and no-unwritten-modification provisions.

Even assuming that the doctrine of acquiescence could apply under these circumstances, TransCore did not meet its burden to prove that Mr. Robles' conduct was sufficient to overcome the Agreement's indisputably valid and enforceable non-waiver and no-unwritten-modification provisions. ***First***, Delaware law is clear that a no-unwritten-modification provision or non-waiver provision can only be overcome upon the satisfaction of a "high evidentiary burden," *i.e.*, the unwritten modification 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." *Reeder v. Sanford School, Inc*., 397 A.3d 139 (Del. Super. Ct. 1979); *ING Bank, FSB v. Am. Reporting Co.*, 843 F. Supp. 2d 491, 498 (D. Del. 2012) (collecting cases). TransCore makes no attempt in its Answering Brief to argue or otherwise demonstrate that this showing was satisfied here. Instead, TransCore's argument rests entirely on an attempt to distinguish *Reeder* and *ING Bank*. These attempts, however, are unavailing. The threshold burden of proof to overcome a no-waiver or no-unwritten-modification provision in a contract advanced in *Reeder* and *ING Bank* do not depend on the legal theory used to try to overcome such provisions (*i.e*., acquiescence, course of conduct, oral modification, etc.). Instead, these cases are clear that any attempt to modify a written agreement by any sort of unwritten

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behavior must satisfy a heightened evidentiary burden that is not met here. *Reeder*, 397 A.3d 139; *ING Bank*, 843 F. Supp. 2d at 498.

Moreover, the cases relied on by TransCore and the Superior Court do not compel a different result.[39] In *Pepsi-Cola Bottling Co. of Asbury Park v. Pepsi Co., Inc.*, over the course of an *eighteen-year* period, Pepsi sent its bottlers no fewer than 10 notices identifying specific changes to the unit prices of certain products in the parties' contract. 297 A.2d 28, 31–32. In light of this well-established course of dealing, making alterations by way of notification correspondence, as well as the fact that the parties had expressly orally agreed to other modifications over the life of the contract, the court concluded that "a written agreement between contracting parties, despite its terms, is not necessarily only amended by formal written agreement." *Id.* at 33. In *In re Coinmint, LLC*, the Court of Chancery explained that the no-waiver provision did not apply to prevent one partner in bitcoin mining enterprise from unilaterally amending the partnership's operating agreement. 261

[39] In fact, *Civic Assoc. of Surrey Park v. Riegel*, 2022 WL 1597452, at *11 (Del. Ch. Ct. May 19, 2022) and *Aveanna Healthcare, LLC v. Epic/Freedom, LLC*, 2021 WL 3235739, at *29 n.273 (Del. Super. Ct. July 29, 2021) contradict TransCore's position. Both are in agreement with *Reeder* and *ING Bank* in holding that any attempt to apply the doctrine of acquiescence in the face of a non-waiver provision "must meet a high burden." *Riegel*, 2022 WL 1597452, at *11; *Aveanna*, 2021 WL 3235739, at *29 n.273 (citing *Realty Growth Invs. v. Council of Unit Owners*, 453 A.3d 450, 456 (Del. 1982) (observing that the facts surrounding waiver must be "unequivocal in character")).

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A.3d 867, 899 (Del. Ch. Ct.). In reaching this conclusion, the court explained that the aggrieved partner "did not sit idly by and fail[] to complain about the parties' noncompliance with the Operating Agreement's terms," instead "he was an active participant in shirking those terms…." *Id.* In contrast to the cases cited by TransCore, the email exchange that led to the alleged acquiescence was at least unclear (and at worst intentionally misleading). Furthermore, TransCore's "explanation" that allegedly resulted in the acquiescence was sent by one party's chief executives to an entry-level clerical employee. It was not an exchange between corporate principals like in *Pepsi-Cola* or partners in bitcoin mining firm like in *Coinmint*. If TransCore's position were accepted, non-waiver and no-unwritten-modification provisions would be rendered essentially meaningless because they could always be overcome by any evidence establishing any conduct short of full compliance with the contractual terms by any employee within an organization regardless of his or her authority.

Second, neither the Superior Court nor TransCore have attempted to meet this burden. What this means is that in order for TransCore to assert that Intermec has agreed to its adjusted price calculation, TransCore would, pursuant to the plain terms of the Agreement, need a written acknowledgement from Intermec for *each quarter* it contends Intermec consent to the use of an adjusted price. Indeed, witnesses for both TransCore and Intermec acknowledged that the non-waiver clause would

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require a writing that does not exist before acquiescence would become binding.[40] Of course, there is no such writing here, nor is there any evidence to demonstrate that the parties intended to modify their agreement by Mr. Robles' conduct notwithstanding these two provisions. Thus, the doctrine of acquiescence cannot apply.

[40] A2627; *see* A2326.

[redacted]

C. The Superior Court erred in concluding Intermec's claims are barred by the statute of limitations.

As a threshold matter, TransCore conceded that Intermec is entitled to damages for royalties owed after 2017. Ans. Br. 54. Thus, because the Superior Court concluded that TransCore's royalty calculation methodology (which it continued to apply from March 2017 through 2019 notwithstanding the EY report) was in breach of the Agreement, Intermec is the prevailing party in this litigation. The Agreement entitles the prevailing party to recover its attorneys' fees. TransCore attempts to elide this issue by arguing that, because a lesser amount of royalties were owed post-2017 than pre-2017, Intermec has not prevailed. However, determining who is a prevailing party turns on success on the *issues*—not the specific dollar amounts recovered. Intermec has prevailed on its breach of contract claim and it is entitled to its attorneys' fees under the Agreement.[41]

With respect to whether the royalties underpaid prior to 2017 are time-barred, the analysis depends on whether Section 3.5 was breached. As discussed above, Section 3.5 by its plain terms provides that if certain underpayments are found,

[41] Even if Intermec were precluded from recovering any damages, it would nonetheless still be the prevailing party in light of the fact that the Superior Court held that TransCore did breach the contract by its use of the adjusted price. *See Graham v. Keene Corp.*, 616 A.2d 827, 829 (Del. 1992) (explaining that party can be the prevailing party "where a defendant is found liable on an issue at trial…even when the defendant does not ultimately pay anything to the plaintiff as a result of set-offs…").

[redacted]

TransCore "will" pay the underpaid royalties. In short, Section 3.5 creates its own contractual obligation. TransCore ignores the plain language of Section 3.5 and argues that this interpretation cannot be correct because of certain testimony given by Janis Harwell at trial. Significantly, TransCore does not contend that Section 3.5 is ambiguous in this respect. Ans. Br. 51–52. Thus, this Court need not—and indeed should not—consider this extrinsic evidence. Further, even if this Court were to consider the testimony of Ms. Harwell in interpreting this contractual provision, TransCore mischaracterizes that testimony. *See id.* Ms. Harwell expressly acknowledged that, in the event TransCore failed to pay amounts identified by the auditor, that would constitute an independent breach of Section 3.5. She explained "failing to pay in response to the auditor report is just another breach of the payment obligations under the [Agreement.]"[42]

The Superior Court, correctly, agreed: "Intermec received the [EY Report] on March 27, 2017. It filed its complaint less than three years later—March 25, 2020—alleging TransCore breached the Audit Provision in failing to remit the underpaid total the [EY Report] calculated. Facially, Intermec's allegations are timely [so long as the audit provision was breached.]"[43] Based on the plain language

[42] A1817.

[43] A444, A449.

of the Agreement, in failing to pay the amounts identified by EY following 30 days' notice, TransCore committed an independent breach of the Agreement, which triggers its own statute of limitations period.

[redacted]

D. TransCore's alternative basis to prevail is unsupported by the plain language of the Agreement.

As an alternative theory, TransCore argues that the Superior Court erred in concluding that it miscalculated and underpaid royalties owed pursuant to the Agreement to Intermec. Section 3 of the Agreement requires that royalties be paid using "Net Sales Value," which is "the gross invoice price or gross invoice fee received by [TransCore] for a Licensed Product" minus certain deductions.[44] In turn, Licensed Product means "RFID ASICs, RFID Inserts, Tags and/or Labels, Fixed RFID Readers, Portable RFID Readers, RFID Printers, RFID software and systems which incorporate such products and software[,] which, but for the licenses granted herein, would infringe one or more of the Intermec Licensed Patents, ..."[45] The Agreement does not differentiate between single protocol devices and multiprotocol devices. Once the component using Intermec-patented technology was placed therein, a multiprotocol reader became for the Agreement's purposes a "Fixed RFID Reader[]" or a "Portable RFID Reader[]."

TransCore argues that its adjusted price methodology was consistent with the Agreement because the "Licensed Product" for a multiprotocol reader was not the reader itself, but rather a daughterboard component within the reader that allowed

[44] A136.

[45] A131.

[redacted]

the reader to practice specific RFID protocols. This argument fails because the daughterboard does not qualify as a "Licensed Product" because it cannot "communicat[e] by wireless radio frequency communication to read, encode or decode RFID Inserts or RFID Tabs."[46] Even Mr. Nefzer admitted that the daughterboard did not meet the definition of any RFID product category found in the definition of Licensed Product.[47] Conversely, a multiprotocol reader does qualify as a "Licensed Product."[48]

TransCore's position is also inconsistent with representations TransCore made in each of its quarterly reports. The Agreement required TransCore to list "Licensed Products" by name and product number and provide the gross invoice price for that product on each quarterly report.[49] TransCore did not list the daughterboard by name or product number/SKU, nor did it provide the adjusted price TransCore allegedly ascribed to the daughterboard.[50] Instead, TransCore identified the multiprotocol readers as the "Licensed Product" (both by name,

[46] A131

[47] A2726–2728, A2300–01.

[48] A131.

[49] A141.

[50] A218–228.

[redacted]

description, and product number) in its quarterly royalty reports and provided the gross invoice price of that reader.[51]

Finally, TransCore's interpretation is inconsistent with the parties' expectations at the time the Agreement was executed. Ms. Harwell testified at length that the parties intended to create a simple royalty calculation process relying on gross invoice price rather than a component-part basis because a more complicated process would "inevitably lead to litigation."[52] This shift was motivated by a desire to avoid confusion around the issue of royalty calculations created by a prior agreement.[53] Intermec offered TransCore lower rates as an inducement to move away from distinguishing between single and multiprotocol devices.[54]

Accordingly, as the Superior Court correctly found by its plain terms, the Agreement is clear: the royalty was to be calculated on that Agreement-defined reader's gross invoice price.

[51] *Id.*

[52] A1778–A1788

[53] *Id.*

[54] *Id.*

[redacted]

IV. SUMMARY OF ARGUMENT ON CROSS-APPEAL

With respect to the issues raised in TransCore's Cross-Appeal, the Decision should be affirmed because its conclusions are firmly rooted in Delaware law regarding the voluntary payments doctrine and assessing the sufficiency of the evidence:

1. Denied. The Superior Court properly dismissed TransCore's claim that Intermec allegedly breached the implied covenant of good faith and fair dealing in concluding that TransCore's recovery was barred by the voluntary payments doctrine. The voluntary payments doctrine bars a party from recovering payments voluntarily paid—but perhaps not owed—when the party made the payment with full knowledge of the facts. TransCore's own recitation of the factual history surrounding its alleged overpayments payments demonstrated that's exactly what happened here. TransCore had a process in place to monitor when Intermec patents expired so as to adjust their royalty payments and TransCore did sporadically adhere to this process. Notwithstanding TransCore's knowledge that the Intermec patents at issue in the Agreement *were* expiring, TransCore opted not to devote the resources to regular monitoring, choosing instead to pay royalties on products even when the patents may have expired. This is a quintessential example of a voluntary payment that TransCore cannot recover.

Even if the voluntary payments doctrine did not apply (which, as explained above and further below, it surely does), TransCore should still be barred from recovering on its claims relating to the implied covenant of good faith and fair dealing because the doctrine is facially inapplicable under Delaware law. The Agreement clearly states that it is TransCore's sole responsibility to ensure that royalty payments were properly made. It places no responsibility on Intermec to assess the royalty payments to ensure that TransCore did not overpay and then return any alleged overpayments. TransCore's claim thus attempts to rewrite the parties' Agreement by creating an obligation for Intermec that otherwise does not exist. Such efforts to rewrite a contract between two sophisticated business entities is contrary to well-established Delaware law and should be readily dismissed.

2. Denied. The Superior Court also correctly concluded that TransCore failed to meet its burden of proof with respect to the EM4285 tag. At trial, TransCore relied *exclusively* on the testimony of its engineer, Kelly Gravelle, to show that, following an alleged re-design, the EM4285 tag no longer practiced Intermec patents. The Superior Court correctly concluded that "for lack of credible and sufficient evidence of overpayment on the EM4285 products, TransCore's counterclaim on such fails." Decision 45. TransCore nonetheless attempts to argue, that because the Superior Court found Mr. Gravelle's testimony to be credible, and thus competent evidence, that the Superior Court was required to rule in TransCore's

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favor on this issue. However, TransCore's entire argument rests on its attempts to conflate "competent evidence" with "sufficient evidence." Just because some modicum of competent evidence is introduced does not mean that a party has satisfied its burden to demonstrate its claim by a preponderance of the evidence. As such, the Superior Court's conclusion should be affirmed.

[redacted]

V. INTERMEC'S ANSWER TO TRANSCORE'S CROSS-APPEAL

A. The Superior Court correctly dismissed TransCore's counterclaim.

1. Question Presented

Did the Superior Court correctly conclude that the voluntary payments doctrine barred TransCore's claim for breach of the implied covenant of good faith and fair dealing when TransCore knew that Intermec's patents were expiring or would expire shortly and continued to pay royalties on products practicing those patents?

2. Scope of Review

Determining whether the voluntary payment doctrine applies is a fact-intensive inquiry for which the clearly erroneous standard applies. This Court will uphold the Superior Court's factual findings "unless they are clearly erroneous." *Geronta Funding v. Brighthouse Life Ins. Co.*, 284 A.3d 47, 58–59 (Del. 2022). "Where there are two permissible views of the evidence, the factfinder's choice between them cannot be legally erroneous." *RBC Cap. Markets, LLC v. Jervis*, 129 A.3d 816, 849 (Del. 2015).

[redacted]

3. Merits of Argument

a. The implied covenant of good faith does not apply here.

As is discussed further below, the Superior Court correctly concluded that TransCore's claim was barred by the voluntary payments doctrine. However, as a preliminary matter and as an alternative theory, TransCore's implied covenant of good faith claim is deficient as a matter of law. Delaware law is clear that the implied covenant of good faith and fair dealing is a "limited and extraordinary" remedy. *Oxbow Carbon & Minerals Holdings, Inc. v. Crestview-Oxbow Acquisition, LLC*, 202 A.3d 482, 507 (Del. 2019). The implied covenant "does not apply when the contract addresses the conduct at issue, but only when the contract is ***truly silent*** concerning the matter at hand." *Id*. (emphasis added) (internal punctuation and citations omitted). Nor can the implied covenant be used as an "equitable remedy for rebalancing economic interests after events that could have been anticipated, but were not, that later adversely affect[] one party to a contract." *Id.* at 507. Here, not only does the contract address the conduct at issue, but its plain and unambiguous terms place the onus for calculating royalties exclusively on TransCore. Specifically, the Agreement requires TransCore to: (1) "keep…accurate books of account…"; (2) "submit a written report summarizing…the data needed to calculate the amounts payable to Intermec…."; and (3) "certify[y] that "[e]ach quarterly royalty payment and associated quarterly report" is "true, complete, and

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accurate…."[55] In short, TransCore had the sole obligation to calculate and pay royalties. And, as is discussed at length above and in Intermec's Opening Brief, TransCore was the only party with the information to make such calculations.

In seeking to recover under an implied covenant theory, TransCore thus seeks to rewrite the terms of the parties' contract to place a responsibility on Intermec that not only does not exist, but is contrary to the Agreement's terms. *See Oxbow*, 202 A.3d at 507; *see also Nationwide Emerging Managers, LLC v. Northpointe Holdings, LLC*, 112 A.3d 878, 896 (Del. 2015) (The implied covenant "does not apply when the contract addresses the conduct at issue."); *Nemec v. Shrader*, 991 A.2d 1120, 1125–26 (Del. 2010) ("[O]ne generally cannot base a claim for breach of the implied covenant on conduct authorized by the agreement." (quoting *Dunlap*, 878 A.2d at 441)). This Court's precedent is clear that "an interpreting court *cannot* use an implied covenant to rewrite the agreement between the parties and should be most chary about implying a contractual provision when the contract could easily have been drafted to expressly provide for it." *Oxbow*, 202 A.3d at 507 (emphasis added) (internal punctuation and citation omitted). This is particularly true where—as here—the contracting parties are sophisticated business entities. *Id.* Thus, applying *Oxbow*, this Court should decline to rewrite the Agreement to create an

[55] A140–141.

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obligation on Intermec that otherwise does not exist and should consequently dismiss TransCore's breach of implied covenant claim.[56]

b. The voluntary payments doctrine bars TransCore's counterclaim.

Assuming that TransCore can properly assert a claim for breach of the implied covenant, TransCore is nonetheless precluded from recovering any damages for that claim by the voluntary payments doctrine. Delaware law is clear that "where money has been voluntarily paid with full knowledge of the facts, it cannot be recovered on the ground that the payment was made under a misapprehension of the legal rights and obligations of the person paying." *Nieves v. All Star Tit., Inc.*, 2010 WL 2977966, at *6 (Del. Super. Ct. July 27, 2010); *see also W. Nat. Gas Co. v. Cities Serv. Gas Co.*, 201 A.2d 164, 169 (Del. 1964) ("[P]ayment voluntarily made with full knowledge of the facts cannot be recovered, in the absence of a contract to repay."); *Palisades Collection, LLC v. Unifund CCR Partners*, 2015 WL 6693962, at *9 (Del. Super. Ct. Nov. 3, 2015) (same). Because TransCore continued to pay royalty payments on readers that no longer practiced Intermec patents for years, the

[56] Even if this Court finds that TransCore's implied covenant claim has merit, it should nonetheless still be dismissed because of TransCore's own material breach of Section 3.5 and its continued use of an improper adjusted price that preceded Intermec's receipt of any alleged overpayment.

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Superior Court correctly concluded that the voluntary payments doctrine barred recovery of those sums.

TransCore concedes two facts that are fatal to its arguments that the voluntary payments doctrine does not apply. ***First***, TransCore states that Mr. Gravelle "was charged with monitoring expiration dates" for Intermec's patents. Ans. Br. 12. However, due to competing priorities, Mr. Gravelle failed to regularly perform this task. *See id.* Thus, TransCore has conceded that it had—and indeed relied on (albeit irregularly)—the full information relating to Intermec's patents (and which of those patents were practiced by which TransCore products). ***Second***, with respect to the EM4285 tag, TransCore admits that after a re-engineering, Mr. Gravelle concluded that the product no longer practiced any Intermec patents, but subsequently failed to alert the finance team that made the royalty payments of the change. *Id.*[57] Again, TransCore admitted that it had full knowledge of the facts that led to the alleged overpayment.

Notwithstanding its own concessions that it had full knowledge sufficient to prevent the overpayment, TransCore attempts transform its own neglect or

[57] Although the Superior Court did not rely on this fact in concluding that the voluntary payment doctrine applied, the application of the doctrine to the facts as determined by the fact-finder is subject to a *de novo* review as noted above. Intermec contends that the alleged overpayments with respect to the EM4285 tag are also barred by the voluntary payments doctrine as explained further below.

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incompetence into a "mistake of fact" allowing it to escape the voluntary payments doctrine. But as the Superior Court explained, TransCore's intentional decision not to devote the resources to avoid making allegedly unwarranted payments in excess of $1.5 million, does not save TransCore. The voluntary payment doctrine bars recovery where—as here—a party "choose[s] to act on the basis of inadequate knowledge, assuming the risk that further information may reveal the choice to have been less than optimal." RST 3d of Restitution and Unjust Enrichment § 6 cmt. e. Further, willful ignorance cannot constitute a "mistake of fact."[58] *See, e.g.*, *Spivey v. Adaptive Marketing Inc.*, 622 F.3d 816, 824 (7th Cir. 2010) (holding that "[w]here, as here, the plaintiff's lack of knowledge could be attributed to its lack of investigation into the defendant's claim of liability and the basis upon which the defendant was seeking the payment[,]" a mistake of fact claim cannot survive) (internal punctuation and citations omitted); *Boydell v. Wells Fargo Bank, N.A.*, 2013 WL 5462255, at *1 (W.D.N.C. Sept. 30, 2013) ("[A] payment cannot be recovered if it is made in ignorance or mistake of fact where the means of knowledge

[58] TransCore cites *Home Ins. Co. v. Honaker*, 480 A.2d 652, 653 (Del. 1984) in support of its assertion that the payor's negligence is no bar to restitution; however, TransCore cites only a portion of the relevant quote. In *Honaker*, the Court held "[t]he negligence of the payor in mistakenly compensating the payee, alone is no bar to restitution of the sum paid. *However, where the mistake of fact was not shared by the payee, i.e., in cases of unilateral mistake on the payor's part, equitable principles may bar restitution of the sum paid.*" *Id.* (emphasis added) (internal citations omitted). When read in context, *Honaker* supports Intermec's position.

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or information is in reach of the paying party but the party neglects to obtain it.") (internal punctuation omitted); *Armco, Inc. v. S. Rock, Inc.*, 696 F.2d 410, 413 (5th Cir. 1983) (holding that voluntary payment doctrine barred recovery because "conscious ignorance is not a mistake of fact . . . ."). In light of TransCore's own admissions, the Superior Court correctly applied the voluntary payments doctrine.

[redacted]

B. The Superior Court correctly found that TransCore did not meet its burden to prove damages relating to the EM4285 tag.

1. Question Presented

Did the Superior Court correctly conclude that TransCore failed to prove by a preponderance of the evidence that it overpaid royalties relating to the EM4285 tag based solely on the testimony of one witness?

2. Scope of Review

This Court will uphold the Superior Court's factual findings "unless they are clearly erroneous." *Geronta*, 284 A.3d at 58–59.

3. Merits of Argument

TransCore acknowledges that its only evidence with respect to the alleged overpayments for the EM4285 tag is the testimony of Mr. Gravelle. Ans. Br. 70. The Superior Court thus held that "[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 tag practice no Agreement-covered Intermec patents." Decision 71. The Superior Court's conclusion is correct.

TransCore, however, argues that the Superior Court's Decision is in error because if testimony is "competent evidence…an adjudicator must base its decision on that evidence." Ans. Br. 71. TransCore's failure to meet its evidentiary burden stems from its decision not to produce documents relating to its alleged investigation

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of the EM4285 tag, including design schematics, Mr. Gravelle's notes, and/or any other documentation related to Mr. Gravelle's conclusions. The Superior Court expressed skepticism that TransCore would be able to meet its burden of proof given the positions it took in discovery, holding that "TransCore is stuck with the limited information that they were able to give or did give and whether or not it's credible in relation to their claim and in relation to any cross evidence and cross-examination."[59] Putting aside the fact that this is a problem of TransCore's own creation, TransCore's argument is insupportable because it conflates the standard for assessing whether testimony is "competent evidence," with whether it is sufficient evidence to satisfy one's burden of proof.

The Superior Court correctly concluded that Mr. Gravelle's cursory evaluation of the royalty bearing licensed patents was insufficient to constitute a reliable patent infringement analysis. Mr. Gravelle himself described his review of Licensed Patents as "busy work,"[60] and admitted that he did not did not examine the scope of each patent.[61] The Agreement recites 158 patents and 43 patent applications (each with its own prosecution history), giving rise to more than ***a thousand*** patent claims. But Mr. Gravelle maintained no written record of his review process, relying

[59] AR014

[60] A2406, A2416–2417, A2470–2471.

[61] A2407.

[redacted]

instead on his own recollection of prior reviews—spanning over ***twenty years***—to determine the scope of each claim term and its applicability to TransCore products.[62] Moreover, he did not revisit patents he previously deemed inapplicable when new products were brought to market.[63] Likewise, he did not consult with any engineers,[64] nor did he review any schematics, perform any product teardowns, or take any electrical measurements of TransCore products to determine the same.[65] Mr. Gravelle was unable to confirm whether he formed a legally complete non-infringement analysis for any of the Intermec patents.[66] And because Mr. Gravelle maintained no written records of his reviews and only reported his conclusions to TransCore's financial department verbally,[67] there was no way for to verify the accuracy or reliability of Mr. Gravelle's conclusions.

Moreover, TransCore bears the burden of proving that the EM4285 tag did not infringe *any* royalty-bearing patent. At trial, Mr. Gravelle could not explain why TransCore's tags and readers did not infringe Intermec's patents. He could not

[62] A2443, A2470–2471, A2494.

[63] A2475–2476.

[64] A2422–2423.

[65] A2405–2406, A2422–2424.

[66] A2499.

[67] A2407, A2444.

[redacted]

explain why TransCore's reader did not infringe the '762 Patent,[68] nor was he able demonstrate that none of TransCore's products infringed the '762 Patent.[69] When pressed, he admitted that he would not be able to offer an opinion on infringement with respect to ***most*** of the royalty bearing Intermec Patents.[70] Ultimately, Intermec was precluded from questioning Mr. Gravelle on a number of patents that it believes were practiced by the EM4285 tag.[71]

A court presented with only a modicum of competent evidence—as is the case here—cannot find that a party has satisfied its burden of proof by a preponderance of the evidence. And significantly, TransCore points to no case law to support its assertion that self-serving testimony standing alone is sufficient to prove its claims by a preponderance of the evidence. As a result, this Court should affirm the

[68] A2473.

[69] *Id.*

[70] A2475.

[71] A2437–A2438, A2476–A2480. To the extent this Court reverses the Superior Court's rulings with respect to the EM4285 tag, Intermec should have the ability to cross-examine Mr. Gravelle and offer rebuttal testimony on whether the EM4285 tag practices any unexpired licensed patents. Intermec has commenced a separate action against TransCore alleging that Intermec products, including the EM4285, infringe at least U.S. Patent Nos. 6,249,408, 6,286,762, 6,318,636, 6,369,711, and 6,535,175. AR059. A copy of the complaint was attached to Intermec's Response to TransCore's Post-Trial Brief.

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conclusions of the Superior Court and dismiss TransCore's claims with respect to the alleged overpayments of royalties for the EM4285 tag.

[redacted]

VI. CONCLUSION

The Court should reverse the judgment of the Superior Court with respect to (1) its interpretation of Section 3.5 of the Agreement, (2) the application of the doctrine of acquiescence, and (3) the application of the statute of limitations as a complete bar to Intermec's recovery; hold that TransCore is liable for breach of contract; instruct the Superior Court to enter judgment in favor of Intermec in the amount of $4,897,904; and award to Intermec additional late fees that have accrued and its attorneys' fees and costs as the prevailing party.

The Court should affirm the judgment of the Superior Court and dismiss in its entirety TransCore's claim for breach of the implied covenant of good faith and fair dealing.

Dated: December 21, 2023

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