

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
CIVIL MINUTES – GENERAL

Case No. **2:20-cv-10409-MCS-JEM** Date January 25, 2023

Title ***Seal4Safti, Inc. v. California Expanded Metal Products Co.***

Present: The Honorable **Mark C. Scarsi, United States District Judge**

Stephen Montes Kerr
Deputy Clerk

Not Reported
Court Reporter

Attorney(s) Present for Plaintiff(s):
None Present

Attorney(s) Present for Defendant(s):
None Present

Proceedings: (IN CHAMBERS) ORDER RE: DEFENDANT’S MOTION FOR ATTORNEY FEES (ECF No. 294)

The Court granted Defendant California Expanded Metal Products Co.’s request for an exceptional case finding under 35 U.S.C § 285. (Post-Trial Order 8–10, ECF No. 286.) Defendant filed a motion for attorneys’ fees and costs. (Mot., ECF No. 294.) Plaintiff Seal4Safti, Inc. filed an opposition, (Opp’n, ECF No. 307), and Defendant replied, (Reply, ECF No. 310). The Court granted Defendant attorneys’ fees and costs accrued after entry of the summary judgment order on January 19, 2022. (Order 6, ECF No. 312.) The Court denied Defendant’s motion for expert witness fees. (*Id.*) The Court ordered Defendant to submit, no later than January 6, 2023, a new statement of fees and costs accrued after the Court’s order denying Plaintiff’s motion for summary judgment. (*Id.*) Defendant timely complied. (Trojan Decl., ECF No. 315.)

According to the Trojan Declaration, Defendant’s counsel billed a total of \$640,754.75 following Plaintiff’s summary judgment motion. (*Id.* Ex. 1, ECF No. 315-1.) Factoring in \$78,513.31 in discounts, Defendant’s counsel collected \$562,241.44 in fees. (*Id.*) Defendants also state they incurred \$31,475.67 in disbursements following the summary judgment order. (*Id.* Ex. 2, ECF No. 315-2;

id. Ex. 3, ECF No. 315-3.) Defense counsel submits that \$14,078.01 in disbursements were not already claimed in a pending application to tax costs. (Trojan Decl. ¶¶ 3–4 & Ex. 2.) Consequently, Defendant seeks to recover a total of \$593,717.11.

The Court previously concluded Defendant’s counsel’s lodestar calculation is appropriate. (Order 3–4.) The Court reaffirms that the number of hours billed after entry of the summary judgment order is reasonable. *See Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1459 (Fed. Cir. 1991) (concluding a court may rely on its prior experience and knowledge in determining what constitutes reasonable hours). The Court therefore awards \$562,241.44 in attorney’s fees to Defendant. The Court also awards \$14,078.01 in costs that are not included in Defendant’s pending application to tax costs.¹ (*See* Appl., ECF No. 289.)

IT IS SO ORDERED.

¹ Defendant’s application to tax costs is currently pending before the Clerk of the Court. To avoid potential confusion or the possibility of a double award, the Court takes no position on the application, or the propriety of an award under § 285 of the \$17,397.66 in overlapping claimed costs, at this time. *See* C.D. Cal. R. 54-2.5 (reserving review of Clerk’s determination of applications to tax costs).

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
CIVIL MINUTES – GENERAL

Case No. **2:20-cv-10409-MCS-JEM**Date **December 15, 2022**Title ***Seal4Safti, Inc. v. California Expanded Metal Products Co.***Present: The Honorable **Mark C. Scarsi, United States District Judge**

Patricia Kim

Not Reported

Deputy Clerk

Court Reporter

Attorney(s) Present for Plaintiff(s):

Attorney(s) Present for Defendant(s):

None Present

None Present

Proceedings: (IN CHAMBERS) ORDER RE: DEFENDANT CALIFORNIA EXPANDED METAL PRODUCTS CO.’S MOTION FOR ATTORNEY FEES AND APPLICATION TO TAX COSTS (ECF No. 294)

The background of this case is outlined in greater detail in the Court’s Post-Trial Order addressing the parties’ post-trial motions. (Post-Trial Order 2, ECF No. 286.) In the Post-Trial Order, the Court granted Defendant California Expanded Metal Products Co.’s request for an exceptional case finding under 35 U.S.C. § 285. (*Id.* at 10.) Defendant filed a motion for attorneys’ fees and costs. (Mot., ECF No. 294.) Plaintiff Seal4Safti, Inc. filed an opposition, (Opp’n, ECF No. 307), and Defendant replied, (Reply, ECF No. 310). The Court deems the motion appropriate for decision without oral argument. Fed. R. Civ. P. 78(b); C.D. Cal. R. 7-15.

I. LEGAL STANDARD

35 U.S.C. § 285 allows “the court in exceptional cases [to] award reasonable attorney fees to the prevailing party.” The award of attorney fees involves “a two-step analysis of first determining whether the case is exceptional and then determining the amount of the award.” *Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1344 (Fed. Cir. 2001).

II. ANALYSIS

A. The Case Is Exceptional

The Post-Trial Order sufficiently laid out the legal and factual basis for the Court's exceptional case finding such that it need not be restated here. (Post-Trial Order 8–10.) Given the earlier analysis, the Court is not persuaded by Plaintiff's arguments that the Court was wrong to conclude this case was exceptional. (Opp'n 8–15.) Ultimately, the Court is not interested in relitigating these settled issues by way of a disguised, procedurally defective motion for reconsideration. *See* C.D. Cal. Rs. 6-1, 7-4, 7-18.

Similarly, the Court finds no merit to Plaintiff's contention that Defendant cannot properly be classified as the "prevailing party" under 35 U.S.C. § 285. (*See* Opp'n 5–8.) Again, the Court rendered a decision on this issue, and Plaintiff cannot escape it by way of a motion for reconsideration improperly buried in an opposition brief. (Post-Trial Order 8–9.) The Court nonetheless addresses the argument on the merits. The Supreme Court has recognized a "prevailing party" is one "in whose favor a judgment is rendered, regardless of the amount of damages awarded." *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Hum. Res.*, 532 U.S. 598, 603 (2001) (internal quotation marks omitted). Stated simply, a party "'prevails' when actual relief on the merits of his claim materially alters the legal relationship between the parties." *Farrar v. Hobby*, 506 U.S. 103, 111 (1992). The Supreme Court has consistently applied the same standard across "similarly-worded fee shifting statutes." *Highway Equip. Co. v. FECO, Ltd.*, 469 F.3d 1027, 1033 (Fed. Cir. 2006) (collecting cases); *see also Indep. Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 758 n.2 (1989) (noting that the similar language of fee-shifting statutes is "a strong indication" that they are to be interpreted alike). As a result, these standards apply to cases under 35 U.S.C. § 285. *Highway Equip. Co.*, 469 F.3d at 1033–34.

"Defendant's status as a prevailing party is" no longer simply a "foregone conclusion," (Post-Trial Order 9), as the Court has entered judgment "in favor of Defendant California Expanded Metal Products Co. on all its claims" against Plaintiff, (J., ECF No. 287). Despite the clarity of the judgment, Plaintiff raises several creative arguments that run headlong into well-established precedent. (*See, e.g.,* Opp'n 7 (incorporating claims *not* pursued at trial to conclude "[a]t the

conclusion of this matter, CEMCO had achieved, at best, victory on only 4.4% of the patent infringement claims that it originally asserted.”.) This argument cannot be squared with the fact that “prevailing party status” “does not turn on the magnitude of the relief obtained.” *Hobby*, 506 U.S. at 114. Plaintiff also claims that the judgment must be material and “modify[] the defendant’s behavior in a way that directly benefits the plaintiff.” (Opp’n 6 (quoting *Shum v. Intel Corp.*, 629 F.3d 1360, 1367 (Fed. Cir. 2010)).) Unlike the declaration of co-inventorship at issue in *Shum*, Defendant did not merely obtain a “judicial pronouncement” that was “unaccompanied by an enforceable judgment on the merits.” *Hobby*, 506 U.S. at 112. Instead, Defendant is “entitled to enforce a judgment” of infringement against Plaintiff, resulting in a “material alteration of the legal relationship between the parties.” *Id.* at 113.

For the reasons stated above, the Court reiterates its findings that “Defendant is a prevailing party,” and that “the case is exceptional.” (Post-Trial Order 8–9.)

B. Awarding Attorneys’ Fees Accrued After Plaintiff’s Summary Judgment Motion is Reasonable

“In calculating an attorney fee award, a district court usually applies the lodestar method, which provides a presumptively reasonable fee amount.” *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 483 (Fed. Cir. 2016). When using the lodestar method, “[b]oth the number of hours and the hourly rate must be reasonable.” *SUFI Network Servs., Inc. v. United States*, 785 F.3d 585, 594 (Fed. Cir. 2015). “An hourly rate is reasonable if it is in line with those prevailing in the community for similar services by lawyers of reasonably comparable skill, experience and reputation.” *Id.* (internal quotation marks omitted). Further, a district court may rely on its prior experience and knowledge in determining reasonable hours and fees. *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1459 (Fed. Cir. 1991).

Plaintiff does not respond to Defendant’s argument that the lodestar calculation is accurate or reasonable. (Reply 1; *see generally* Opp’n.) By failing to respond, Plaintiff effectively concedes Defendant’s rates, hours, and total fees are reasonable. *See, e.g., John-Charles v. California*, 646 F.3d 1243, 1247 n.4 (9th Cir. 2011) (deeming issue waived where party “failed to develop any argument”); *City of Arcadia v. EPA*, 265 F. Supp. 2d 1142, 1154 n.16 (N.D. Cal. 2003) (“[T]he implication of this lack of response is that any opposition to this argument is waived.”). Exhibits one through four of the Trojan declaration (ECF Nos. 295 to

295-5) constitute un rebutted evidence that counsel's rates are "in line with those prevailing in the community for similar services by lawyers of reasonably comparable skill, experience and reputation." *SUFI Network*, 785 F.3d at 594 (internal quotation marks omitted). In view of this evidence and the fact that Plaintiff does not dispute Defendant's lodestar calculation, the Court concludes the requested rates are reasonable. (*See generally* Opp'n.)

The reasonableness of counsel's *rates* and *hours*, however, is not the end of the inquiry. "[T]he two component steps of the [35 U.S.C. § 285] analysis are not independent. Rather, the *amount* of the attorney fees depends on the extent to which the case is exceptional." *Special Devices*, 269 F.3d at 1344 (emphasis added). Stated differently, the "exceptionality determination highly influences the award setting." *Id.* In its Post-Trial Order, the Court recognized that while Defendant raised "many arguments why the Court should find this is an exceptional case," the Court's finding rested exclusively on Plaintiff's "invalidity positions taken at trial." (Post-Trial Order 9.)

"The Court denied Plaintiff's motion for summary judgment for obviousness, anticipation, and indefiniteness, which Plaintiff filed with facts supporting its position." (*Id.*) Stripped of these claims, Plaintiff chose to proceed yet "made a nearly frivolous invalidity case at trial." (*Id.* at 10.) At bottom, Plaintiff's lack of support for the invalidity claim meant proceeding to trial was totally unnecessary. Had Plaintiff recognized the fatal weakness of its case after the summary judgment order, all parties (as well as the Court and members of the public who served on the jury) could have been spared the time and expense of resolving these claims.

Nothing about the Court's exceptional case finding, however, suggests the misconduct "was enough to comprise an abusive pattern or a vexatious strategy that was pervasive enough to infect *the entire litigation*." *Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd.*, 726 F.3d 1359, 1369 (Fed. Cir. 2013) (emphasis added) (internal quotations omitted). It was only after the Court denied Plaintiff's motion for summary judgment that Plaintiff's "incredibly weak case" was so obvious that its "decision to take its invalidity claims and defenses to trial" justified the exceptional case finding. (Post-Trial Order 10.)

For these reasons, the Court GRANTS Defendant's motion for attorneys' fees, but only for those fees accrued after the Court's order resolving Plaintiff's motion for summary judgment. (Order Regarding Pl.'s Mot. for Summ. J., ECF No. 109.)

Defendant may recover all attorney fees accrued after the order, including those involved in preparing this motion.¹

C. Defendant Is Entitled to Recover Costs

Defendant seeks to recover \$15,588 for “charges for e-discovery vendor services, court reporting services, travel expenses, and clerical expenses (e.g. copy charges, messenger charges) related to work on this case.” (Mot. 24.) “[C]ourts should not be, and have not been, limited to ordinary reimbursement of only those amounts paid by the injured party for purely legal services of lawyers, or precluded from ordinary reimbursement of legitimate expenses defendant was unfairly forced to pay.” *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988). To the extent these costs were accrued following the denial of Plaintiff’s summary judgment motion, Defendant is entitled to recover.

D. Defendant Is Not Entitled to Expert Witness Fees

Even when a court has issued an exceptional case finding under 35 U.S.C. § 285, the award of expert witness fees is generally only justified under the Court’s inherent power to sanction. *See Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 23 F.3d 374, 379 (Fed. Cir. 1994) (in awarding expert witness fees, courts must “distinguish between inappropriate conduct redressable under” § 285 “and egregious conduct which justifies resort to the inherent power to sanction”). “Without a finding of fraud or bad faith whereby the ‘very temple of justice has been defiled,’ a court enjoys no discretion to employ inherent powers to impose sanctions.” *Id.* at 378 (quoting *Chambers v. NASCO, Inc.*, 501 U.S. 32, 46 (1991)). Consequently, “[e]xpert witness fees are only awardable [under 35 U.S.C. § 285] if there is ‘fraud on the court or an abuse of the judicial process.’” *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 130 F. Supp. 3d 1331, 1341 (C.D. Cal. 2015) (quoting *Amsted*, 23 F.3d at 379).

The Court is mindful that “[t]here are degrees of unjustifiable conduct. In this case, the litigation misconduct falls within the remedies of [35 U.S.C. § 285], but does not constitute bad faith and fraud on the court to the extent of defiling the very temple of justice.” *Amsted*, 23 F.3d at 379 (internal quotation marks omitted). While Plaintiff should not have proceeded to trial following the summary judgment order, Plaintiff has “engaged in no fraudulent conduct, filed no false pleadings, and used

¹ Although Defendant seeks to recover them as costs, Defendant may also recover paralegal fees accrued after entry of the summary judgment order.

no tactics of oppression and harassment.” *Id.* As a result, there is no basis to award expert witness fees as a sanction, and the award of expert witness fees is inappropriate under 35 U.S.C. § 285. Defendant’s motion for expert witness fees is accordingly DENIED.

III. CONCLUSION

The motion is GRANTED IN PART AND DENIED IN PART. Defendant is entitled to attorneys’ fees and costs accrued after entry of the summary judgment order because Plaintiff insisted on proceeding to trial despite its “incredibly weak case.” (Post-Trial Order 10.) No later than January 6, 2023, Defendant shall submit a new statement of fees and costs listing only those accrued after the Court’s order denying Plaintiff’s motion for summary judgment. The Court will issue a further order after reviewing the statement. No other submissions are authorized.

IT IS SO ORDERED.

JS-6

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SEAL4SAFTI, INC.,

Plaintiff,

v.

CALIFORNIA EXPANDED METAL
PRODUCTS CO.,

Defendant.

Case No. 2:20-cv-10409-MCS-JEM

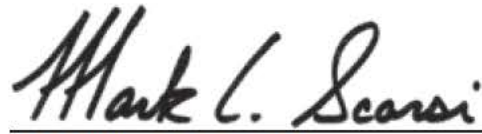
JUDGMENT

1 The Court, having conducted a jury trial, having resolved a bench trial, and
2 having resolved post-trial motions, enters judgment as follows:

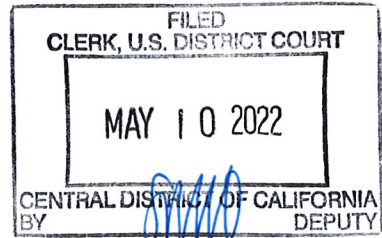
3 Judgment is entered against Plaintiff Seal4Safti, Inc. on all its claims. Judgment
4 is entered in favor of Defendant California Expanded Metal Products Co. on all its
5 claims. Defendant shall take no monetary or injunctive relief. The Court will award
6 costs and attorneys' fees to Defendant in a separate order. Fed. R. Civ. P. 54(d).

7
8 **IT IS SO ORDERED.**

9
10 Dated: October 3, 2022



MARK C. SCARSI
UNITED STATES DISTRICT JUDGE



UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SEAL4SAFTI, INC.,

Plaintiff,

v.

CALIFORNIA EXPANDED
MENTAL PRODUCTS CO.,

Defendant.

Case No. 2:20-cv-10409-MCS-JEM

VERDICT FORM

(REDACTED)

JURY VERDICT FORM

In answering the following questions and completing this Verdict Form, you are to follow all of the instructions I have given you in the Court's Jury Instructions. Your answers to each question must be unanimous. Some of the questions contain legal terms that are defined and explained in detail in the Jury Instructions. You should refer to and consider the Jury Instructions as you answer the questions in this Verdict From.

1 As used herein, the following terms have the following meanings:

- 2 • “’365 Patent” refers to U.S. Patent No. 7,681,365.
- 3 • “’526 Patent” refers to U.S. Patent No. 7,814,718.
- 4 • “’314 Patent” refers to U.S. Patent No. 8,136,314.
- 5 • “’718 Patent” refers to U.S. Patent No. 8,151,526.
- 6 • “’389 Patent” refers to U.S. Patent No. 10,406,389.
- 7 • “Asserted Patents” refers collectively to the ’365, ’526, ’314, ’718, and ’389
- 8 Patents.
- 9 • “S4S” refers to the Plaintiff, Seal4Safti, Inc.
- 10 • “CEMCO” refers to the Defendant, California Expanded Metal Products
- 11 Company.

I. VERDICT QUESTIONS FOR PATENT INFRINGEMENT**Question No. 1**

Has CEMCO proven by a preponderance of the evidence that S4S induced infringement of any of the following claims of the following Patents? (Please check Yes or No.)

<u>Patent Claim</u>	<u>Yes</u>	<u>No</u>
U.S. Patent No. 7,681,365 Claim 1	Yes	
U.S. Patent No. 7,814,718 Claim 1	Yes	
U.S. Patent No. 7,814,718 Claim 12	Yes	
U.S. Patent No. 8,151,526 Claim 1	Yes	
U.S. Patent No. 8,136,314 Claim 1	Yes	
U.S. Patent No. 8,136,314 Claim 6	Yes	
U.S. Patent No. 10,406,389 Claim 1	Yes	
U.S. Patent No. 10,406,389 Claim 7	Yes	
U.S. Patent No. 10,406,389 Claim 12	Yes	

Please proceed to the next question.

Question No. 2

If you marked "Yes" for any of the claims in Question No. 1, do you find that S4S's inducement was willful? (Please check Yes or No.)

<u>Patent Claim</u>	<u>Yes</u>	<u>No</u>
U.S. Patent No. 7,681,365 Claim 1	YES	
U.S. Patent No. 7,814,718 Claim 1	YES	
U.S. Patent No. 7,814,718 Claim 12	YES	
U.S. Patent No. 8,151,526 Claim 1	YES	
U.S. Patent No. 8,136,314 Claim 1	YES	
U.S. Patent No. 8,136,314 Claim 6	YES	
U.S. Patent No. 10,406,389 Claim 1	YES	
U.S. Patent No. 10,406,389 Claim 7	YES	
U.S. Patent No. 10,406,389 Claim 12	YES	

Please proceed to the next question.

1 **II. VERDICT FORM FOR DAMAGES GENERALLY**

2
3 If you found any of the Asserted Patents infringed, please proceed to answer the
4 following question.

5 **Question No. 3**

6 What reasonable royalty did CEMCO show it more likely than not entitled to if S4S
7 licensed the Asserted Patents in a in a hypothetical negotiation?

8 An on-going royalty payment of 12 % of \$ 1,300,000 in total sales.
9 (1.3 million)

10 Please proceed to the next question.
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III. VERDICT QUESTIONS FOR PATENT VALIDITY

We answer the questions submitted to us as follows:

A. OBVIOUSNESS

Question No. 4

Has S4S proven by clear and convincing evidence that any of the following patent claims were obvious based on any prior art? (Please check Yes or No.)

<u>Patent Claim</u>	<u>Yes</u>	<u>No</u>
U.S. Patent No. 8,136,314 Claim 1		No
U.S. Patent No. 8,136,314 Claim 6		No
U.S. Patent No. 7,814,718 Claim 12		No
U.S. Patent No. 7,681,365 Claim 1		No
U.S. Patent No. 7,814,718 Claim 1		No
U.S. Patent No. 8,151,526 Claim 1		No

Please proceed to the next question.

B. ENABLEMENT**Question No. 5**

Has S4S proven by clear and convincing evidence that any of the following patent claims were not enabled for lack of written description? (Please check Yes or No.)

<u>Patent Claim</u>	<u>Yes</u>	<u>No</u>
U.S. Patent No. 10,406,389 Claim 1		No
U.S. Patent No. 10,406,389 Claim 7		No
U.S. Patent No. 10,406,389 Claim 12		No

Please proceed to the next page.

1 You have now reached the end of the verdict form and should review it to ensure it
2 accurately reflects your unanimous determinations. The Presiding Juror should then
3 sign and date the verdict form in the spaces below and notify the Courtroom Deputy
4 that you have reached a verdict. The Presiding Juror should retain possession of the
5 verdict form and bring it when the jury is brought back into the courtroom.
6
7
8

9 Date: 5/10/22

By:

REDACTED
Presiding Juror

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2
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6
7 UNITED STATES DISTRICT COURT
8 WESTERN DISTRICT OF WASHINGTON
9 AT SEATTLE

10 CALIFORNIA EXPANDED
11 METAL PRODUCTS COMPANY,
et al.,

12 Plaintiffs,

13 v.

14 JAMES A. KLEIN, et al.,

15 Defendants.

CASE NO. C18-0659JLR

ORDER

**PROVISIONALLY FILED
UNDER SEAL**

16 **I. INTRODUCTION**

17 Before the court is a report and recommendation (R&R (Dkt. # 310 (sealed)))
18 issued by Special Master Mark Walters recommending that the court grant in part and
19 deny in part Plaintiffs California Expanded Metal Company (“CEMCO”) and
20 Clarkwestern Dietrich Building Systems, LLC’s (“ClarkDietrich”) (collectively,
21 “Plaintiffs”) motion for contempt damages (12/2/22 Hage Decl. (Dkt. # 316) ¶ 2, Ex. A
22 //

(“Pls. Damages Mot.”)¹). Defendants James A. Klein, BlazeFrame Industries, Ltd. (“BlazeFrame”), and Safti-Seal, Inc.’s (“Safti-Seal”) (collectively, “Defendants”)² and Non-Party Seal4Safti, Inc.³ (“S4S”) object to portions of the report and recommendation. (Defs. Obj.; Defs. Reply; S4S Obj. (Dkt. # 314); S4S Reply (Dkt. # 327).) Plaintiffs oppose Defendants’ and S4S’s objections. (Pls. Resp. (Dkt. # 326).) The court has reviewed the report and recommendation, the objections to the report and recommendation, the submissions in support of and in opposition to those objections, the remainder of the record, and the applicable law. Being fully advised,⁴ the court ADOPTS the report and recommendation in part and GRANTS in part and DENIES in part Plaintiffs’ motion for contempt damages.

II. BACKGROUND

This matter concerns four underlying patents: U.S. Patent Nos. 7,681,365; 7,814,718; 8,136,314; and 8,151,526 (collectively, “the Patents” or “asserted Patents”), all of which cover head-of-wall assemblies that are used in commercial construction to

¹ Plaintiffs’ motion for contempt damages is separately filed under seal at docket entry 317. (*See* Pls. Damages Mot. (Dkt. # 317 (sealed)).)

² Although BlazeFrame appears with its co-defendants on the pleadings submitted by Defendants in relation to the instant dispute, Plaintiffs’ motion for contempt is not brought against BlazeFrame. (*See generally* Defs. Obj. (Dkt. # 313); Defs. Reply (Dkt. # 328); 2/16/22 Order (Dkt. # 301) at 2 n.2.)

³ S4S is not a party to the underlying litigation, but it was added to these contempt proceedings on September 1, 2021. (*See* 9/1/21 Order (Dkt. # 251).)

⁴ S4S, Plaintiffs, and Defendants request oral argument (*see* S4S Obj. at 1; Pls. Resp. at 1; Defs. Obj. at 1), but the court finds that oral argument would not be helpful to its review of Mr. Walters’s report and recommendation and Plaintiffs’ motion, *see* Local Rules W.D. Wash. LCR 7(b)(4).

1 prevent the spread of smoke and fire. (*See* 9/1/21 Order at 2; 12/27/21 Trojan Decl. (Dkt.
 2 # 274) ¶¶ 3-4, Exs. B.1-B.2 (“9/8/21 Trojan Decl.”)⁵ ¶¶ 2-5, Exs. 1-4 (the Patents).) The
 3 court has detailed the “tumultuous history” of this matter numerous times and adopts the
 4 background sections of those previous orders in addition to its summary here. (*See*
 5 2/16/22 Order; 10/22/21 Order (Dkt. # 265); 9/1/21 Order; 10/19/20 Order (Dkt. # 190);
 6 *see also* 2/8/21 Order (Dkt. # 208); 11/22/19 MSJ Order (Dkt. # 135); 8/15/19 Order
 7 (Dkt. # 117); 11/29/18 Order (Dkt. # 91); 11/20/18 Order (Dkt. # 89).) Below, the court
 8 discusses only its ruling on Plaintiffs’ motion for contempt and the instant motion for
 9 contempt damages, report and recommendation, and objections thereto.

10 **A. The Parties’ Settlement and These Contempt Proceedings**

11 As part of the settlement in this case, Plaintiffs and Defendants agreed to a consent
 12 judgment and permanent injunction, which the court entered on January 3, 2020. (*See*
 13 Consent J. & Injunction (Dkt. # 164).) The court entered judgment “against
 14 Defendants . . . on Plaintiffs’ claims that the Accused Products infringe the . . . Asserted
 15 Patents.” (*Id.* at 2.) The “Accused Products” are defined as: “(1) Safti-Frame with an
 16 intumescent strip on the surface of a sidewall of a U-shaped track, and (2) Safti-Strip if
 17 applied to the outer surface of a sidewall of a U-shaped track.” (*Id.*) The court enjoined
 18 Defendants, and “such other persons who are in active concert or participation or in

19 //

21 ⁵ Mr. Trojan’s declaration and exhibits 1-28 to it are separately filed under seal at docket
 22 entry 276 and exhibits 29-55 to his declaration are separately filed under seal at docket entry
 277. (*See* 9/8/21 Trojan Decl. (Dkt. ## 276 (sealed), 277 (sealed)).)

privity” with any Defendant, from directly or indirectly infringing the Asserted Patents.
(*Id.* at 3.)

After the parties entered into the Settlement Agreement, Mr. Klein and Safti-Seal designed, developed, and began to sell two categories of Fire Rated Gasket (“FRG”) products: the FRG Strip and the FRG Frame. (7/30/21 Hovda Decl. (Dkt. # 224) ¶ 3, Ex. B (“5/13/21 Trojan Decl.”)⁶ ¶ 11, Ex. 10 (“Klein Interr.”) at 3; 12/2/22 Hage Decl. ¶¶ 3-5, Exs. B.1-B.3 (“Schoen Decl.”)⁷ ¶ 2, Ex. 1 (“4/30/21 Klein Dep.”) at 24:14-19, 29:12-30:7; 9/8/21 Trojan Decl. ¶¶ 21-22, 41, Exs. 20, 21, 40.) The FRG Strip was comprised of the same three basic components as the Safti-Strip and was sold as a roll for field application to U-shaped tracks, including for head-of-wall applications. (*See* 4/30/21 Klein Dep. at 34:17-22, 162:21-163:25, 240:20-21; 9/8/21 Trojan Decl. ¶¶ 22-23, 53, Exs. 21-22, 52; *see also id.* ¶ 10, Ex. 9: (“Tullis Dep.”) at 54:13-55:21.) Like the Safti-Frame, the FRG Frame was a metal track product, sold in a variety of profile shapes, with a factory-applied FRG Strip. (*See* 12/27/21 Trojan Decl. ¶¶ 5-7, Exs. C.1-C.3 (“9/8/21 Pilz Decl.”) ¶¶ 52, 116-27, Exs. 42, 103-14.)

On March 31, 2020, Mr. Klein and Safti-Seal sold the designs for the FRG products and all rights to make or sell the products to S4S (Klein Interr. at 3), and as part

⁶ Mr. Trojan’s declaration is separately filed under seal at docket entry 226. (*See* 5/13/21 Trojan Decl. (Dkt. # 226 (sealed)).)

⁷ Ms. Schoen’s declaration and exhibits 127 to it are separately filed under seal at docket entry 318; exhibits 28-65 to her declaration are separately filed under seal at docket entry 319; and exhibits 66-71 to her declaration are separately filed under seal at docket entry 320. (*See* Schoen Decl. (Dkt. ## 318 (sealed), 319 (sealed), 320 (sealed)).)

1 of the sale, Mr. Klein became a consultant for S4S (5/13/21 Trojan Decl. ¶¶ 5-6, Exs. 4-5
 2 (“Sydry Dep.”) at 16:1-7). Mr. Klein and Safti-Seal stopped selling FRG products after
 3 the sale,⁸ and S4S began selling FRG products in April 2020. (4/30/21 Klein Dep. at
 4 24:14-19, 29:12-30:15; 30:2-11, 164:14-167:9; *see also* 5/13/21 Trojan Decl. ¶ 38, Ex. 37
 5 at 14-15.)

6 On June 22, 2020, Plaintiffs filed a motion to reopen this case to initiate contempt
 7 proceedings against Defendants and Non-Parties S4S, SteelTec Supply, Inc. (“SteelTec”),
 8 Jaroslaw Sydry, and Leszek Orszulak (collectively, “Non-Parties”). (Mot. to Reopen
 9 (Dkts. ## 173-1 (sealed), 166 (redacted)) at 1-2.) The court concluded that “contempt
 10 proceedings are warranted against Defendants” and granted the motion with respect to
 11 Defendants only. (*See* 10/19/20 Order at 9-15.) The court subsequently added Non-Party
 12 S4S to the contempt proceedings, finding S4S to be “legally identified” with an enjoined
 13 party, Safti-Seal. (*See* 7/20/21 R&R (Dkt. # 220 (sealed)); 9/1/21 Order at 14-22.)

14 In October 2021, Plaintiffs filed their motion for contempt, alleging that Mr.
 15 Klein, Safti-Seal, and S4S violated the court’s permanent injunction by making and
 16 selling FRG products⁹ that are not more than colorably different from the enjoined
 17 Safti-Strip and Safti-Frame products. (*See generally* (12/27/21 Trojan Decl. ¶ 2, Ex. A

18 //

19
 20 ⁸ The January 3, 2020 permanent injunction became effective on April 1, 2020. (*See*
 21 Consent J. & Injunction.) Accordingly, S4S was the only party that sold FRG products after the
 effective date of the injunction. (*See generally* Contempt Liability R&R (Dkt. # 268) at 32.)

22 ⁹ These products consist of (1) the FRG Strip, including the FRG Flex Strip, and (2) the
 FRG Frame. (*See* Pls. Contempt Mot. at 1 n.1, 28, 33; 2/16/22 Order at 18.)

(“Pls. Contempt Mot.”)¹⁰; Consent J. & Injunction.) On February 16, 2022, the court granted Plaintiffs’ motion for contempt in part, finding Mr. Klein and S4S in contempt of the court’s permanent injunction based on induced infringement of claim 1 of the ’718 Patent, claim 1 of the ’314 Patent, claim 1 of the ’365 Patent, and claim 1 of the ’526 Patent. (2/16/22 Order at 54.) In reaching that conclusion, the court first found that the FRG Strip is not more than colorably different than the enjoined Safti-Strip when applied to the outer surface of the sidewall of a “U-shaped track.”¹¹ (*Id.* at 38; *see id.* at 33-38.) The court then found that Mr. Klein and S4S “encourage[d] S4S’s customers to apply the FRG Strip to the outer sidewall surface of a U-shaped track” “through their sales of the FRG Strip and, among other things, the statements and illustrations contained on S4S’s website, in S4S’s advertisements and promotional literature, and in Mr. Klein’s emails and engineering judgments.” (*Id.* at 43-44.) Finally, the court found that, considering certain S4S-sponsored Underwriter Laboratories (“UL”) listings¹² and S4S’s

¹⁰ Plaintiffs’ motion for contempt is separately filed under seal at docket entry 275. (*See* Pls. Contempt Mot. (Dkt. # 275 (sealed)).)

¹¹ In its order, the court construed the permanent injunction’s limitation to products involving a “U-shaped track” to cover only the DL and DSL track profiles, concluding that those tracks “are in the shape of a U, as they include: a planar top (or bottom) and two equally tall planar legs that attach perpendicularly to the top (or bottom) at the widest point of the frame.” (*See* 2/16/22 Order at 23-29; *see also id.* at 24 n.25 (“The[] [DL and DSL] tracks are two of the numerous FRG Frame, and Safti-Frame, track profiles.”).)

¹² UL is a standards-setting organization that develops safety standards for building materials, and it evaluates and issues certifications, or listings, for products that it deems to have met that standard. (*See* 5/13/21 Trojan Decl. ¶ 13, Ex. 12 (“UL Report”).) “Architects, specifiers, engineers, contractors, and code officials rely heavily on UL listings of building materials for demonstrating building code compliance.” (12/27/21 Trojan Decl. ¶ 9, Ex. E (“Walke Decl.”) ¶ 5, Ex. 1 at 2 (filing Mr. Walke’s declaration separately under seal at docket entry 278 (*see* Walke Decl. (Dkt. # 278 (sealed))))).

1 advertisements, instructions, illustrations, and recommendations showing the use of the
 2 FRG Strip on a U-shaped track, it was “highly probable” that at least one of S4S’s
 3 customers directly infringed on the Asserted Patents by applying the FRG Strip to the
 4 outer sidewall surface of a U-shaped track to be used in a wall assembly.¹³ (*Id.* at 46,
 5 50-52.)

6 The court bifurcated these contempt proceedings (*see* 9/8/21 Order (Dkt. # 253)),
 7 and the parties, accordingly, engaged in damages discovery before Plaintiffs filed the
 8 instant motion for contempt damages (*see* 3/8/22 Order (Dkt. # 303) (adopting the
 9 parties’ proposed schedule regarding the damages phase); 4/27/22 Order (Dkt. # 305)
 10 (extending certain damages phase deadlines)).

11 **B. The Instant Motion for Contempt Damages, Report and Recommendation,**
 12 **and Objections Thereto**

13 In their motion for contempt damages, Plaintiffs state that S4S sold 1,921,082 feet
 14 of FRG Strip from April 1, 2020, through May 16, 2022, and estimate that “[a]t least
 15 66.4% of the FRG Strip” sold by S4S was applied to a U-shaped track. (*See* Pls.
 16 Damages Mot. at 12.) In connection with these sales, Plaintiffs seek lost profits, arguing
 17 that but for the infringement, Plaintiffs would have sold the equivalent BlazeFrame
 18 products to S4S’s customers. (*See id.* at 12-14.) Alternatively, Plaintiffs seek a
 19 reasonable royalty on 66.4% of S4S’s sales of FRG Strip and 100% of S4S’s sales of

20 ¹³ A number of UL listings were issued for wall assemblies involving FRG products.
 21 (*See* 2/16/22 Order at 14-15; 9/8/21 Pilz Decl. ¶¶ 66, 100-03, 105-09, 112, Exs. 55, 87-90, 92-96,
 22 99 (relevant UL listings).) In its February 16, 2022 order, the court discussed why a number of
 these UL listings supported a finding of induced infringement. (*See* 2/16/22 Order at 40, 44, 46,
 51-52.)

1 U-shaped FRG Frame¹⁴ or disgorgement of S4S's profits on sales of those same products.
 2 (*See id.* at 14-17.)

3 Plaintiffs also seek treble damages and attorney fees and ask the court to award
 4 prejudgment interest and hold Mr. Klein and S4S jointly and severally liable as to any
 5 monetary damages awarded. (*See id.* at 18-23, 26.) In addition to monetary damages,
 6 Plaintiffs seek injunctive relief in the form of an order directing S4S to (1) remove from
 7 its UL listings¹⁵ any reference to or depiction of an FRG Strip applied to the outer
 8 sidewall surface of a U-shaped track and (2) explicitly reference that the UL listings do
 9 "not apply to FRG Strip on U-shaped track, but only applies to J-track, C-track, RC track
 10 or other agreed non-U-shaped track." (*See id.* at 24.) Plaintiffs further request that the
 11 court or Mr. Walters review any "modified" listings prepared by S4S prior to their release
 12 or publication by any third-party, such as UL, and that if Mr. Walters is appointed to
 13 conduct said review, that S4S be 100% responsible for his fees. (*Id.* at 24-25.) Finally,
 14 Plaintiffs seek a fine of \$3,500 for each day S4S remains out of compliance with any
 15 order concerning the UL listings. (*Id.* at 25.)

17
 18 ¹⁴ During the liability phase of this proceeding, the record lacked evidence that S4S had
 19 sold any metal framing products having a U-Shaped track with FRG Strip applied at the
 20 factory—i.e., the FRG Frame. (*See Contempt Liability R&R* at 32; 2/16/22 Order at 13 & n.16,
 21 54.) However, after damages discovery, Plaintiffs identified evidence showing that a small
 portion (approximately 0.5%) of S4S's combined sales of FRG products since April 1, 2020,
 were for FRG Frames. (*See Schoen Decl.* ¶ 27, Ex. 26 ("Lindsay Rpt."), Schedule 3.) Thus,
 Plaintiffs include S4S's sales of U-shaped FRG Frames in their damage calculations. (*See Pls.*
Damages Mot. at 14-17.)

22 ¹⁵ Plaintiffs use this phrase to encompass both S4S's UL listings and its other third-party
 certifications. (*Pls. Damages Mot.* at 24.)

1 Mr. Walters held a hearing with Plaintiffs, Defendants, and S4S regarding
2 Plaintiffs' damages motion on October 27, 2022. (R&R at 2; *see also* 12/2/22 Hage Decl.
3 ¶ 9, Ex. F ("Hr. Tr.")). Following the hearing, Mr. Walters issued a report and
4 recommendation recommending that the court grant in part and deny in part Plaintiffs'
5 motion for contempt damages. (*See* R&R at 34-35.) Specifically, Mr. Walters
6 recommends that the court: (1) award Plaintiffs actual damages for contempt, in the form
7 of disgorgement of S4S's profits, in the amount of \$708,361.58; (2) award Plaintiffs
8 treble damages pursuant to 35 U.S.C. § 284; (3) award Plaintiffs' their reasonable
9 attorneys' fees and costs pursuant to 35 U.S.C. § 285; (4) award Plaintiffs prejudgment
10 interest on the awards of actual damages and attorneys' fees; (5) hold Mr. Klein and S4S
11 jointly and severally liable for any judgment; (6) enter an injunction requiring S4S to
12 "withdraw all UL listings (and any other third-party certifications) depicting or
13 suggesting the application of FRG Strip or any other intumescent strip not [more than]
14 colorably different from FRG Strip on the sidewall of a U-shaped metal track"; (7) enter
15 an injunction "restraining S4S from submitting any proposed modified listing or
16 certification to a third-party publisher or certification entity (such as UL), where said
17 proposed modified listing or certification depicts or suggests application of an
18 intumescent strip on the sidewall of a metal track product for use in fire-stopping
19 applications absent Plaintiffs' agreement or approval by the court"; (8) require "S4S to
20 disclose to Plaintiffs all sales of FRG Strip and [U-shaped] FRG Frame after May 16,
21 2022, and through the last date that S4S's UL listings depicting or suggesting the use of
22 FRG Strip on U-shaped track remain published by UL," and permit Plaintiffs to make an

1 appropriate motion to amend any judgment entered to add profits earned after May 16,
 2 2022; and (9) impose a fine of \$3,500 for every day S4S remains out of compliance with
 3 the court's injunctions. (*Id.*)

4 Defendants and S4S timely objected to portions of Mr. Walters's report and
 5 recommendation. (*See generally* Defs. Obj.; S4S Obj.)

6 III. ANALYSIS

7 While criminal contempt sanctions are punitive in nature, civil contempt sanctions
 8 are "wholly remedial." *Whittaker Corp. v. Execuair Corp.*, 953 F.2d 510, 517 (9th Cir.
 9 1992).¹⁶ "Sanctions for civil contempt may be imposed to coerce obedience to a court
 10 order, or to compensate the party pursuing the contempt action for injuries resulting from
 11 the contemptuous behavior, or both." *Gen. Signal Corp. v. Donallco, Inc.*, 787 F.2d
 12 1376, 1380 (9th Cir. 1986); *United States v. Bright*, 596 F.3d 683, 695-96 (9th Cir. 2010).
 13 Accordingly, there are two types of civil contempt sanctions—compensatory and
 14 coercive—and the court may impose sanctions for either or both of these purposes.
 15 *Falstaff Brewing Corp. v. Miller Brewing Co.*, 702 F.2d 770, 778 (9th Cir. 1983); *United*
 16 *States v. United Mine Workers of Am.*, 330 U.S. 258, 303-04 (1947). Compensatory
 17 sanctions are intended to compensate the aggrieved party for actual loss resulting from
 18 the contemnor's noncompliance. *In re Crystal Palace Gambling Hall, Inc.*, 817 F.2d
 19 1361, 1366 (9th Cir. 1987). On the other hand, coercive civil sanctions are "intended to
 20

21 ¹⁶ Contempt proceedings that do not raise issues unique to patent law are governed by
 22 regional circuit law, *Minigrip Inc. v. Recpro Co.*, 168 F.3d 1322 (Fed. Cir. 1998), here the Ninth
 Circuit.

1 coerce the contemnor to comply with the court’s orders in the future” and are therefore
2 conditioned upon the contemnor’s continued noncompliance. *Richmark Corp. v. Timber*
3 *Falling Consultants*, 959 F.2d 1468, 1481 (9th Cir. 1992); *see also United Mine Workers*
4 *of Am. v. Bagwell*, 512 U.S. 821, 829 (1994) (noting that the coercive sanction ceases
5 upon the contemnor’s compliance).

6 Courts have broad discretion to determine the appropriate civil contempt sanctions
7 in a given case. *Bright*, 596 F.3d at 696. In exercising such discretion, courts should
8 generally impose the “minimum sanction necessary to secure compliance.” *Bright*, 596
9 F.3d at 696; *see also Spallone v. United States*, 493 U.S. 265, 276 (1990) (“[I]n selecting
10 contempt sanctions, a court is obliged to use the ‘least possible power adequate to the end
11 proposed.’” (quoting *United States v. City of Yonkers*, 856 F.2d 444, 454 (2d Cir.
12 1988))). However, “when the least intrusive measures fail to rectify the problems, more
13 intrusive measures are justifiable.” *Stone v. City & Cnty. of San Francisco*, 968 F.2d
14 850, 861 (9th Cir. 1992), *as amended on denial of reh’g* (Aug. 25, 1992).

15 As a preliminary matter, the court determines what it must review de novo.
16 Pursuant to Federal Rule of Civil Procedure 53(f), the court must decide de novo all
17 objections to the findings of fact or conclusions of law made or recommended by a
18 Special Master. Fed. R. Civ. P. 53(f)(3)-(4). Here, no party objects to Mr. Walters’s
19 recommendations that the court: (1) deny Plaintiffs’ requests for an award of damages in
20 the form of lost profits or a reasonable royalty (*see* R&R at 11-17); (2) order S4S to
21 disclose “all sales of FRG Strip and [U-shaped] FRG Frame after May 16, 2022, and
22 through the last date that S4S’s UL listings depicting or suggesting the use of FRG Strip

on U-shaped track remain published by UL,” and permit Plaintiffs to move to amend any damages award entered to add profits earned after May 16, 2022 (*see id.* at 25-26, 35); (3) grant Plaintiffs’ request for injunctive relief in the form of an order directing S4S to withdraw its UL listings, and any other third-party certifications (collectively, “UL listings”), that reference, depict, or suggest the application of an FRG Strip (or any other intumescent strip not more than colorably different from FRG Strip) on the outer sidewall surface of a U-shaped track (*see id.* at 32-33)¹⁷; and (4) deny Plaintiffs’ request for injunctive relief in the form of an order requiring S4S to “explicitly reference that the UL Listing does not apply to FRG Strip on U-shaped track, but only applies to J-track, C-track, RC track or other agreed non-U-shaped track” (*see id.* at 33-34). Thus, the court need not review the abovementioned recommendations de novo. *See* Fed. R. Civ. P. 53(f)(3)-(4); (*see also* R&R at 11-17; 32-34). Moreover, the court has examined the record before it and finds Mr. Walters’s analysis pertaining to these issues persuasive in light of that record. Accordingly, the court ADOPTS these unchallenged portions of the report and recommendation. (*See* R&R at 11-17, 25-26, 32-34.)

The court now moves to the challenged recommendations. The court begins by addressing S4S’s objections to Mr. Walters’s recommendation that Plaintiffs have established actual loss and should be awarded damages in the form of disgorgement of

¹⁷ Although no party challenged Mr. Walters’s recommendation that the court should require S4S to remove these UL listings within 3 days of the effective date of the injunction (*see* R&R at 34), the court finds that a 30-day, rather than a 3-day, window affords S4S sufficient time to remove the UL listings and adopts his recommendation with that modification (*see infra* § IV).

profits. (*See* S4S Obj. at 2-7.) Next, the court discusses S4S and Defendants’ objections to the recommendation that Plaintiffs should be awarded treble damages and attorneys’ fees (*see id.* at 7-10; Defs. Obj. at 1-6, 9-12) before turning to S4S’s objections to the recommendation that Plaintiffs should be awarded prejudgment interest on an award of attorneys’ fees (*see* S4S Obj. at 7-10). The court then addresses Defendants’ objections to the recommendation that Mr. Klein and S4S be held jointly and severally liable for an award of damages in the form of disgorgement of profits. (*See* Defs. Obj. at 6-9.) Finally, the court considers S4S’s objections to the recommendations that S4S should be fined \$3,500 for each day it is proven to be out of compliance with the injunction and that the court should enter an injunction requiring S4S to gain Plaintiffs’ agreement or court approval for certain modified UL listings. (*See* S4S Obj. at 10-12.)

A. Disgorgement

In his report and recommendation, Mr. Walters recommended that the court award Plaintiffs compensatory damages, in the form of disgorgement of S4S’s profits in connection with its sales of FRG products in violation of the permanent injunction, in the amount of \$708,361.58. (*See* R&R at 25.) S4S objects to Mr. Walters’s recommendation that Plaintiffs should be awarded disgorgement damages. (*See* S4S Obj. at 2-6.) Its objection takes two parts. First, S4S argues that Plaintiffs are not entitled to any compensatory damages, including disgorgement of S4S’s profits, because “they have not demonstrated any actual harm resulting from S4S’s actions.” (*Id.* at 4; *see also id.* at 2-5.) Second, should the court decide to award disgorgement damages, S4S contends that

//

1 it “is entitled to greater costs deductions than allowed by” Mr. Walters. (*Id.* at 5-6 &
2 nn.4-6.)

3 To begin, the court rejects S4S’s argument that Plaintiffs are not entitled to any
4 compensatory damages in this proceeding. (*See* S4S Obj. at 2-5.) Mr. Walters concluded
5 that Plaintiffs were entitled to compensatory damages because they sufficiently
6 demonstrated that they suffered actual loss due to contemnors’ infringement in the form
7 of a reduction in BlazeFrame sales. (*See id.* at 10-11 (“[T]he evidence shows fewer
8 BlazeFrame sales under circumstances that but for the infringement would have led to an
9 increase in BlazeFrame sales or at least “relatively stable” sales over that same period.”);
10 *see also id.* at 17-18 (discussing why an award of compensatory damages in the form of
11 disgorgement of profits is appropriate in a civil contempt proceeding).) In reaching this
12 conclusion, Mr. Walters considered S4S’s arguments regarding other factors that may
13 have contributed to the reduction in Plaintiffs’ sales of BlazeFrame products during the
14 period in question but concluded that “the evidence is still persuasive to show damage as
15 a factual matter.” (*See* R&R at 11 & n.5; *see also* S4S Obj. at 3-4.) Based on the record
16 in this case, the court finds Mr. Walters’s reasoning persuasive with respect to the
17 evidence of Plaintiffs’ actual loss due to Mr. Klein and S4S’s infringement and concludes
18 that Plaintiffs are entitled to actual damages in the form of disgorgement of profits.¹⁸

19
20 ¹⁸ The court notes that this remedy would be available to Plaintiffs’ even if they had not
21 shown actual pecuniary loss. In *ePlus Inc. v. Lawson Software, Inc. (ePlus I)*, the United States
22 District Court for the Eastern District of Virginia addressed a similar issue: whether
disgorgement of profits is an available compensatory remedy in a civil contempt case for patent
infringement. 946 F. Supp. 2d 449, 453-57 (E.D. Va. 2013). There, the court examined the case
law regarding contempt remedies and concluded that disgorgement of profits remains a viable

(See R&R at 10-11 (first citing Schoen Decl. ¶ 21, Ex. 20 (“Doan Rpt.”) ¶¶ 42-45; and then citing Lindsay Rpt. ¶¶ 31-32).)

Having concluded that an award of damages in the form of disgorgement is appropriate, the court now turns to the portions of Mr. Walters’s disgorgement calculation that are unchallenged. Mr. Walters first noted that only S4S’s FRG Strip and U-shaped FRG Frame qualify as enjoined products, and thus, that the calculation should start from the gross revenue of those products from April 1, 2020, through May 16, 2022¹⁹—specifically, \$3,231,133 for FRG Strip products and \$16,551 for U-shaped FRG Frame products. (See R&R at 18-21; *see also* Doan Rpt., Ex. 1; Lindsay Rpt., Schedule 3.) Because the court held Mr. Klein and S4S in contempt based on the application of FRG Strip to U-shaped tracks, Mr. Walters recommended adopting Plaintiffs’ expert’s

compensatory remedy in civil contempt proceedings, even when a plaintiff cannot demonstrate “actual pecuniary” loss. *Id.* (relying on *Leman v. Krentler-Arnold Hinge Last Co.*, 284 U.S. 448, 456, (1932), among other cases, to support this conclusion). This court is persuaded by the *ePlus* court’s reasoning; thus, even if Plaintiffs had failed to sufficiently show actual loss, disgorgement would still be available as a compensatory civil contempt remedy.

¹⁹ The period runs from April 1, 2020, the effective date of the court’s permanent injunction. (See Consent J. & Injunction.) Although contemnors’ conduct in violation of the permanent injunction continues (*see, e.g., infra* § III.F), the parties’ experts based their calculations on S4S’s revenue through May 16, 2022, because that was the only data available to them at the time of expert’s initial and reply reports (*see* Pls. Damages Mot. at 12 n.1). Accordingly, Mr. Walters calculated the disgorgement damages through May 16, 2022, and declined to use S4S’s expert’s supplemental report that runs the disgorgement calculations through June 2022. (See R&R at 17-25 (declining to cite to Mr. Lindsay’s supplemental report); 12/2/22 Hage Decl. ¶ 7, Ex. D (“9/9/22 Hage Decl.”) ¶ 6, Ex. 5 (“Supplemental Lindsay Rpt.”) (filing Ms. Hage’s September 9, 2022 declaration separately under seal at docket entry 318 (*see* 9/9/22 Hage Decl. (Dkt. # 322 (sealed))).) As discussed below, once contemnors’ infringing conduct ceases with respect to its problematic UL listings, the court will order S4S to disclose its additional sales of FRG Strip and U-shaped FRG Frame products after May 16, 2022, so that Plaintiffs may also seek an award of disgorgement based on those additional profits. (See R&R at 25 (recommending the same); *supra* § III; *infra* § IV.)

1 estimate that 66.4% of all FRG Strip sales were applied to U-shaped track products. (*See*
2 *id.* at 18-21 (citing Doan Rpt. ¶ 29).) Thus, the total sales of FRG Strip in violation of the
3 permanent injunction from April 1, 2020, through May 16, 2022, were \$2,145,472.31.
4 (*See id.*) And because “the parties appear[ed] to agree that all S4S sales of U-shaped
5 FRG Frame, i.e., U-shaped metal track products sold by S4S with FRG Strip applied at
6 the factory on or after April 1, 2020, should be included in any disgorgement
7 calculation,” Mr. Walters recommended including 100% of S4S’s sales of U-shaped FRG
8 Frame in the disgorgement calculation; thus, for the period beginning on April 1, 2020,
9 and ending May 16, 2022, the total sales of U-shaped FRG Frame in violation of the
10 permanent injunction were \$16,551. (*See id.* at 21 (first citing Schoen Decl. ¶ 18, Ex. 17
11 (“Doan Reply Rpt.”), Ex. 3; and then citing Lindsay Rpt., Schedule 3).) The court
12 ADOPTS Mr. Walters’s unchallenged recommendations that the court should award a
13 disgorgement remedy based on 66.4% of S4S’s sales of FRG Strip from April 1, 2020, to
14 May 16, 2022 ($\$3,231,133 \times 66.4\% = \$2,145,472.31$), and 100% of S4S’s sales of
15 U-shaped FRG Frame during that same period (\$16,551). (*See R&R* at 21-22.)

16 The court now addresses S4S’s objection regarding Mr. Walters’s deductions from
17 these gross revenue figures. Mr. Walters noted that S4S should be entitled to deduct the
18 COGS for sales of FRG Strip and U-shaped FRG Frame, as well as any other “expenses
19 proved to be of actual assistance in the production, distribution, or sale of the infringing
20 products, which may include some portion of fixed costs upon sufficient proof that the
21 costs were of actual assistance to the infringing conduct.” (*Id.* at 22-23 (citing *Kamar*
22 *Int’l, Inc. v. Russ Berrie and Co., Inc.*, 752 F.2d 1326, 1332 (9th Cir. 1984)); *id.* at 24-25;

1 *see also id.* at 23 (noting the categories of expenses that the parties agreed are permissibly
2 deducted from gross revenue as expenses directly related to the sale, production, or
3 distribution of FRG Strip and U-shaped FRG Frame).) For the COGS deduction, Mr.
4 Walters adopted Plaintiffs' expert's calculation of the COGS "as a percentage of total
5 sales for FRG Strip and U-shaped FRG Frame (including costs for freight and shipping)
6 at 50.54%." (*Id.* at 24-25 (citing Doan Reply Rpt., Ex. 3) (stating that Plaintiffs' expert
7 obtained this percentage from S4S's profit-and-loss statement for the period in question).)
8 As to deductions for additional expenses that the parties agreed were directly related to
9 the sale, production, or distribution of FRG Strip and U-shaped FRG Frame, Mr. Walters
10 again adopted Plaintiffs' expert's calculation of an aggregate allowable deduction for all
11 remaining costs at 16.7% of total sales for FRG Strip and U-shaped FRG Frame. (*Id.*
12 (citing Doan Reply Rpt., Ex. 3) (stating that Plaintiffs' expert obtained this percentage by
13 adding up each agreed-upon category's percentage of total sales, as listed in S4S's
14 profit-and-loss statement for the period in question).)

15 S4S argues that the court should reject Mr. Walters's use of a 50.54% COGS
16 figure because such a figure is based on S4S's profit-and-loss statement, which lists the
17 COGS as a percentage of all S4S's revenue, rather than just that revenue related to the
18 products at issue. (S4S Obj. at 5.) S4S argues that the COGS for FRG Strip and
19 U-shaped FRG Frame were tracked by product and totaled at 55.1% for FRG Strip sales
20 and 66.7% for U-shaped FRG Frame sales. (*Id.* at 5-6 & n.5 (citing Supplemental
21 Lindsay Rpt., Schedules 3-6.1 Supplement).) Related to the COGS deduction, S4S also
22 asks the court to apply an additional 3.4% deduction for freight and shipping costs for

1 FRG Strip and U-shaped FRG Frame, as well as a direct labor deduction of 2.3% for
2 producing FRG Strip. (*See id.* at 5-6 & nn.4-5 (first citing Supplemental Lindsay Rpt.,
3 Schedules 3-6.1 Supplement; and then citing Lindsay Rpt. ¶ 24, Schedule 6).) As to the
4 additional expenses that were “of actual assistance in the production, distribution, or sale
5 of the infringing products,” S4S argues that the court should reject Mr. Walters’s use of a
6 16.7% additional expense figure and instead apply a 21.1% figure. (*See id.* at 6 & n.6
7 (listing percentage breakdowns for the roughly 26 categories of additional expenses that
8 make up the total 21.1% figure).)

9 The court agrees with S4S in part and ADOPTS IN PART Mr. Walters’s
10 deduction calculations. First, the court agrees with S4S’s contention that the court should
11 calculate the COGS deductions using the specific COGS percentages for FRG Strip and
12 U-Shaped FRG Frame, rather than a general COGS deduction based on S4S’s
13 profit-and-losses sheet. (*See* Lindsay Rpt., Schedule 3.) Although the court understands
14 why Mr. Walters used a COGS percentage that represented the average COGS for all of
15 S4S’s products given that S4S did not track their additional expenses by product (see
16 R&R at 23 (noting that S4S did not keep track of additional expenses on a
17 product-by-product basis (citing Lindsay Rpt. ¶ 26))), the court finds that it would be
18 most accurate to use COGS percentages that represent the specific COGS for the FRG
19 Strip and U-shaped FRG Frame. (*See* Lindsay Rpt., Schedule 3.) Accordingly, the court
20 declines to adopt Mr. Walters’s use of a 50.54% COGS figure and instead adopts a 55.1%
21 COGS figure for FRG Strip and 66.7% COGS figure for U-shaped FRG Frame. (*See*
22 Lindsay Rpt., Schedules 3-4.) As to S4S’s request for separate freight and shipping and

1 direct labor deductions, in addition and relation to the COGS deduction, the court does
2 not find that such deductions are warranted based on the evidence submitted. Because
3 S4S's expert's report does not separately list out freight and shipping costs for the
4 products at issue or any other costs related to the COGS, the court assumes that these
5 costs are accounted for in the COGS figures in S4S's expert's report.²⁰ (*See id.*, Schedule
6 3.) Using these new COGS figures, the appropriate COGS deduction for FRG Strip
7 products is \$1,182,155.24 ($\$2,145,472.31 \times 55.1\%$) and the COGS deduction for
8 U-shaped FRG Frame products is \$11,039.52 ($\$16,551 \times 66.7\%$).²¹

9 Second, as to the additional expenses that were "of actual assistance in the
10 production, distribution, or sale of the infringing products" (R&R at 22), the court rejects
11 S4S's contention that the court should apply a 21.1%, instead of a 16.7%, deduction for
12 additional expenses. S4S does not carry its burden to establish how each of the
13 approximately 26 categories of additional expenses it includes as part of the 21.1% total
14 additional expenses figure directly relate to the sale, production, or distribution of FRG
15 Strip and U-shape FRG Frame. (*See generally* S4S Obj. at 6 & n.6 (lacking any such
16 analysis)); *see also Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 514

18 ²⁰ Although S4S cites to its expert's supplemental report to support all of its requested
19 disgorgement deductions, the court will not rely on this report for the reasons discussed above—
20 i.e., that it calculates the revenue and expense figures through June 2022 rather than May 16,
21 2022.

21 ²¹ The slight difference between these COGS number and the COGS numbers in Mr.
22 Lindsay's report (*see* Lindsay Rpt., Schedule 3) is due to court's rounding of the decimals in the
COGS figure for FRG Strip from 55.066969% to 55.1% and its rounding of the COGS figure for
U-shaped FRG Frame from 66.654583% to 66.7%. The court rounded the decimals for ease of
reference.

(9th Cir. 1985) (“In establishing the infringer’s profits, the plaintiff is required to prove only the defendant’s sales; the burden then shifts to the defendant to prove the elements of costs to be deducted from sales in arriving at profit.”). The court finds Mr. Walters’s reasoning persuasive as to why he used Plaintiffs’ expert’s 16.7% figure for the additional expense deduction and ADOPTS his recommendation regarding the same. Thus, the appropriate additional expense deduction for FRG Strip products is \$358,293.88 ($\$2,145,472.31 \times 16.7\%$) and the additional expense deduction for U-shaped FRG Frame products is \$2,764.02 ($\$16,551 \times 16.7\%$).

In sum, the court ADOPTS IN PART Mr. Walters’s recommendation that the court award Plaintiffs’ compensatory damages in the form of disgorgement of S4S’s profits. The court AWARDS Plaintiffs’ damages in the amount of \$607,770.65. The following table summarizes the court’s calculation for the compensatory damages award based on disgorgement of S4S’s profits from April 1, 2020, to May 16, 2022:

Enjoined Product	Total Sales	Total Allowable Deductions	Profits Available for Disgorgement
FRG Strip Products	$\$3,231,133 \times 66.4\% = \$2,145,472.31$	$\$1,182,155.24 + \$358,293.88 = \$1,540,449.12$	\$605,023.19
U-shaped FRG Frame Products	\$16,551	$\$11,039.52 + \$2,764.02 = \$13,803.54$	\$2,747.46
Total:			\$607,770.65

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B. Treble Damages

Mr. Walters recommended that the court award Plaintiffs treble damages for willful infringement pursuant to 35 U.S.C. § 284. (R&R at 26-27.) He stated that such damages are warranted because “the evidence clearly supports a finding that Mr. Klein and S4S willfully violated the injunction.” (*See id.* (discussing examples).) According to Mr. Walters, “[c]ompletely absent from this case is any evidence supporting a belief reasonably held by contemnors that their conduct would not lead to the application of a product (FRG Strip) deemed not [more than] colorably different from the enjoined product (SaftiStrip) on the sidewall of a U-shaped track.” (*See id.* (“The tort of willful infringement arises upon deliberate disregard for the property rights of the patentee.” (quoting *Vulcan Eng’g Co. v. FATA Aluminium, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002)).))

S4S and Defendants object to Mr. Walters’s recommendation regarding treble damages. (*See* S4S Obj. at 7-8; Defs. Obj. at 1-6.) They argue that treble damages under § 284 are punitive in nature, rather than coercive or compensatory, and are thus not available in a civil contempt proceeding. (*See* S4S Obj. at 7-8 (noting that although such remedies would have been available to Plaintiffs if they chose to pursue an original patent infringement action, they are not available in this civil contempt proceeding); Defs. Obj. at 1-2 (discussing why treble damages are neither remedial nor coercive).)

The court agrees with S4S and Defendants. It is well-settled, under both Supreme Court and Ninth Circuit precedent, that the court cannot impose a punitive sanction during a civil contempt proceeding. *See Bagwell*, 512 U.S. at 826-30; *Whittaker*, 953

1 F.2d at 517 (“Unlike the punitive nature of criminal sanctions, civil sanctions are wholly
 2 remedial.”). In the court’s view, the enhancement of damages for willful infringement, as
 3 contemplated in 35 U.S.C. § 284, is punitive in nature. *See, e.g., ePlus Inc. v. Lawson*
 4 *Software, Inc. (ePlus II)*, 946 F. Supp. 2d 472, 498-500 (E.D. Va. 2013) (examining cases
 5 regarding the punitive nature of enhanced damages and reaching the same conclusion),
 6 *vacated*, 760 F.3d 1350 (Fed. Cir. 2014), *opinion revised and superseded on other*
 7 *grounds*, 789 F.3d 1349 (Fed. Cir. 2015); *see also Troy Co. v. Prod. Rsch. Co.*, 339 F.2d
 8 364, 368 (9th Cir. 1964) (referring to “treble damages . . . as permitted by 35 U.S.C.
 9 § 284” as “punitive damages”); *Ironburg Inventions Ltd. v. Valve Corp.*, No.
 10 C17-1182TSZ, 2021 WL 2137868, at *3 (W.D. Wash. May 26, 2021) (“The Supreme
 11 Court has interpreted this provision as authorizing ‘punitive’ damages . . .”). “This is
 12 particularly true where, as here, the [c]ourt has employed disgorgement of profits as a
 13 compensatory remedy which is, in itself, inherently an estimate of damages.” *ePlus II*,
 14 946 F. Supp. 2d at 499-500. Under the circumstances of this action, at least, the court
 15 concludes that any enhancement of the disgorgement remedy would be punitive. Thus,
 16 treble damages under § 284 are not an appropriate remedy in this civil contempt
 17 proceeding. The court therefore DECLINES TO ADOPT Mr. Walters’s recommendation
 18 that Plaintiffs be awarded treble damages pursuant to § 284.²²

19 //

21 ²² Having concluded that treble damages are not available in this proceeding, the court
 22 need not address Defendants’ alternative argument regarding why the record does not support
 Mr. Walters’s finding of willfulness under § 284. (*See* Defs. Obj. at 2-6.)

1 **C. Attorneys’ Fees**

2 In his report and recommendation, Mr. Walters recommended that the court
 3 “find[] that this case is ‘exceptional’ within the meaning of § 285, and that Plaintiffs
 4 should be entitled to an award of their attorney[s’] fees.” (R&R at 28-29.) According to
 5 Mr. Walters, an award of attorneys’ fees is appropriate “in view of clear evidence of
 6 willful infringement in violation of the court’s injunction, the history of the parties’
 7 decade-long dispute concerning the Asserted Patents, and the ongoing, open defiance of
 8 this court’s finding of contempt in February 2022.” (*See id.* (providing examples).)

9 Defendants and S4S object to this recommendation. (*See* S4S Obj. at 8-10; Defs.
 10 Obj. at 9-12.) They argue that that attorneys’ fees under 35 U.S.C. § 285 are not
 11 available in this proceeding because this is a civil contempt action, rather than an original
 12 patent action, and is thus governed by the Ninth Circuit’s damages scheme. (*See* S4S
 13 Obj. at 8-9; Defs. Obj. at 9.) Defendants and S4S also argue that an award of attorneys’
 14 fees in addition to disgorgement damages would impose far too great of a contempt
 15 sanction and would be inconsistent with the principle that the court should apply the
 16 “‘least coercive sanction’ necessary to win compliance with the underlying injunction.”
 17 (*See* S4S Obj. at 9-10 (quoting *Beard v. Cnty. of Stanislaus*, No. 121CV00841ADASAB,
 18 2022 WL 12073987, at *7 (E.D. Cal. Oct. 20, 2022)); Defs. Obj. at 9.) Even if attorneys’
 19 fees were available in this proceeding under § 285, Defendants argue that an award of
 20 fees would be unwarranted because this case is not “exceptional” under the factors listed
 21 in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 & n.6 (2014).
 22 (*See* Defs. Obj. at 10-12.)

1 Based on the record, the court finds that an award of attorneys' fees is appropriate
2 in this matter. To begin, "because this is a civil contempt action, § 285 does not apply
3 and the civil contempt damages scheme of the regional circuit controls." *ePlus II*, 946 F.
4 Supp. 2d at 500-02 (addressing this same question and discussing cases supporting this
5 conclusion).²³ "Thus, if attorneys' fees are to be awarded in this case, they must be
6 awarded under the court's inherent authority and consistent with the law of the" Ninth
7 Circuit. *Id.* The Ninth Circuit has stated that "the cost of bringing the [contempt] to the
8 attention of the court is part of the damages suffered by the prevailing party and those
9 costs would reduce any benefits gained by the prevailing party from the court's violated
10 order." *Inst. of Cetacean Rsch. v. Sea Shepherd Conservation Soc'y*, 774 F.3d 935, 958
11 (9th Cir. 2014) (quoting *Perry v. O'Donnell*, 759 F.2d 702, 705 (9th Cir. 1985))
12 (awarding plaintiffs the attorneys' fees and costs they incurred in bringing and
13 prosecuting contempt action). Accordingly, a trial court has discretion to "decide
14 whether an award of fees and expenses is appropriate as a remedial measure" in a
15 contempt case. *Perry*, 759 F.2d at 704-05 (holding that "civil contempt need not be
16 willful to justify a discretionary award of fees and expenses as a remedial measure" in a
17 civil contempt proceeding); *In re Dyer*, 322 F.3d 1178, 1195 (9th Cir. 2003)

18 //

20 ²³ See also *Webb v. Trailer City, Inc.*, No. 3:11-CV-00747BR, 2017 WL 2079649, at *2
21 (D. Or. May 15, 2017) ("In a civil contempt proceeding based on a patent-infringement case the
22 district court is free to exercise its inherent discretion to correct willful violations of the court's
orders when determining an award of damages. The court is not bound by provisions of the
patent-infringement statute.").

1 (“[A]ttorneys’ fees [awarded under the court’s civil contempt authority] are an
2 appropriate component of a civil contempt award.”).²⁴

3 Had Mr. Klein and S4S fully complied with the court’s permanent injunction,
4 these contempt proceedings would have been unnecessary, and Plaintiffs would not have
5 incurred attorneys’ fees and costs in bringing and prosecuting these proceedings. For that
6 reason and considering contemnors’ reoffending conduct and clear disregard of the
7 court’s permanent injunction (*see generally* 2/16/22 Order), as well as their conduct
8 following the court’s finding of contempt (*see generally* R&R at 28-29),²⁵ the court finds
9 that that an award of reasonable attorneys’ fees is an appropriate compensatory civil
10 contempt sanction in this case.

11 Accordingly, ADOPTS IN PART Mr. Walters’s recommendation regarding
12 attorneys’ fees. The court finds it appropriate to award Plaintiffs their attorneys’ fees as a
13 compensatory civil contempt sanction but does so pursuant to its inherent authority rather
14 than § 285. *See ePlus II*, 946 F. Supp. 2d at 500-02; *Webb*, 2017 WL 2079649, at *2.
15 Plaintiffs may seek an award of attorneys’ fees and costs reasonably and necessarily

17 ²⁴ *See, e.g., Toyo Tire & Rubber Co. v. Hong Kong Tri-Ace Tire Co.*, 281 F. Supp. 3d
18 967, 993 (C.D. Cal. 2017) (awarding damages in the form disgorgement of profits and attorneys’
19 fees in a civil contempt proceeding); *Black Lives Matter Seattle-King Cnty. v. City of Seattle*,
20 *Seattle Police Dep’t*, No. C20-0887RAJ, 2021 WL 289334 (W.D. Wash. Jan. 28, 2021)
(awarding attorneys’ fees as a compensatory civil contempt sanction); *HM Elecs., Inc. v. R.F.*
Techs., Inc., No. 12-CV-2884MMA (JLB), 2014 WL 12059031, at *6 (S.D. Cal. Apr. 18, 2014)
(finding appropriate an award of compensatory civil contempt sanctions in the form of
reasonable attorneys’ fees and disgorgement of contemnor’s profits).

21 ²⁵ However, as discussed in greater detail below, the court acknowledges that S4S has
22 taken some steps to comply with the court’s permanent injunction following the finding of
contempt. (*See infra* § III.F; *see also* Sydry Decl. (Dkt. # 315) ¶¶ 3-6.)

1 incurred in their attempt to enforce compliance with the court's permanent injunction and
 2 should file the appropriate motion with the court after the remaining damages issues are
 3 resolved. (*See infra* § IV.)

4 **D. Prejudgment Interest**

5 Mr. Walters recommended that the court award prejudgment interest on the
 6 disgorgement of profits damages,²⁶ as well as on the award of attorneys' fees. (R&R at
 7 30-31.) S4S objects to his recommendation that the court award prejudgment interest on
 8 the award of attorneys' fees, arguing that such an award would not be compensatory.
 9 (S4S Obj. at 10 ("Plaintiffs have not demonstrated any delay in payment of attorney fees
 10 that would justify an award of prejudgment interest."))

11 Considering the other damages that the court intends to award Plaintiffs in this
 12 case (*see supra* §§ III.B-C), the court concludes that an award of prejudgment interest on
 13 a fee award is not necessary to sufficiently compensate Plaintiffs for Mr. Klein and S4S's
 14 contemptuous conduct. *See, e.g., Fendi Adele S.r.l. v. Burlington Coat Factory*
 15 *Warehouse Corp.*, No. 06CIV0085LBSMHD, 2010 WL 11586698, at *15-16 (S.D.N.Y.
 16 Aug. 9, 2010) (declining to award prejudgment interest on the fee award in a civil
 17 contempt trademark action in light of, among other things, the other compensatory

18 //

20 ²⁶ No party objects to, and thus the court need not review de novo, this portion of Mr.
 21 Walters's prejudgment interest analysis. *See* Fed. R. Civ. P. 53(f)(3)-(4); (*see also* R&R at
 22 30-31; S4S Obj. at 10). Accordingly, the court adopts this unchallenged portion of the report and
 recommendation and awards prejudgment interest on the award for disgorgement of profits. (*See*
 R&R at 30-31.)

damages awarded).²⁷ This conclusion is consistent with the principle that courts should, in selecting civil contempt sanctions, generally impose the minimum sanctions necessary to compensate the movant for contemnors' conduct. *See Whittaker*, 953 F.2d at 517 (“Generally, the minimum sanction necessary to obtain compliance is to be imposed.”); *Spallone*, 493 U.S. at 276, 280 (“[I]n selecting contempt sanctions, a court is obliged to use the ‘least possible power adequate to the end proposed.’” (quoting *City of Yonkers*, 856 F.2d at 454)). Accordingly, the court DECLINES TO ADOPT Mr. Walters’s recommendation that prejudgment interest be awarded on the award of attorneys’ fees.

E. Joint and Several Liability

In his report and recommendation, Mr. Walters recommended that “Mr. Klein be held jointly [and] severally liable along with S4S for any judgment entered.”²⁸ (R&R at 29-30.) In finding that Mr. Klein and S4S “were jointly involved in tortious conduct to their mutual benefit,” Mr. Walters noted that “Mr. Klein was not just involved in the conduct found to be in contempt, in many cases he was the main actor.” (*Id.* at 30.) He also rejected Mr. Klein’s argument that he should not be jointly and severally liable for

²⁷ The court also notes that the cases the parties and Mr. Walters refer to regarding whether prejudgment interest should be awarded on fee awards involve either original patent proceedings or original patent proceedings that also include a finding of contempt. (*See generally* R&R at 31; S4S Obj. at 10; Pls. Resp. at 12.) However, no party provides Ninth Circuit case law regarding whether an award of prejudgment interest on a fee award is, or could be, an appropriate compensatory remedy in a civil contempt proceeding.

²⁸ No party objects to, and thus the court need not review de novo, Mr. Walters’s recommendation regarding joint and several liability for any award of attorneys’ fees. *See* Fed. R. Civ. P. 53(f)(3)-(4); (*see also* R&R at 29-30; Defs. Obj. at 6-9). Accordingly, the court ADOPTS this unchallenged portion of the report and recommendation and holds Mr. Klein and S4S jointly and severally liable for any award of attorneys’ fees. (*See* R&R at 29-30.)

1 disgorgement because he was only an independent consultant at S4S, stating that “it is
2 difficult to imagine how S4S could have been in the business of selling FRG Strip or
3 FRG Frame at all without Mr. Klein’s technical assistance.” (*Id.* at 29-30.)

4 Defendants object to the recommendation that Mr. Klein be held jointly and
5 severally liable with S4S for disgorgement of profits. (*See* Defs. Obj. at 6-9.) According
6 to Defendants, “it is undisputed that S4S made each infringing sale—not Mr. Klein—and
7 each FRG product in this case was manufactured by S4S, sold by S4S, and shipped by
8 S4S, and each customer paid money to S4S (not Mr. Klein). (*Id.* at 8; *see also id.* at 7
9 (“[T]he recommended remedy—disgorgement of profit—cannot possibly or fairly apply
10 to Mr. Klein because he has none.”).) Defendants also state that it is undisputed “that Mr.
11 Klein is paid a flat monthly fee for his services without regard to S4S’s sales or profits
12 from infringing products, and that Mr. Klein is not an owner of S4S and has no right to
13 control S4S or its operations.” (*Id.* at 8; *see also id.* at 7 n.4 (stating that no party has
14 ever argued “that this flat fee is [a] ‘profit’ from infringement, conditional on
15 infringement, or tied to infringement in any way”).) Thus, although Mr. Klein engaged in
16 various acts on behalf of S4S, including acts that led to infringement, Defendants argue
17 that Mr. Klein did not mutually “profit or benefit from infringement,” and thus, that he
18 should not be held jointly and severally liable for the disgorgement award. (*Id.* at 7.)

19 The court agrees with Defendants. The court does not intend to discount Mr.
20 Klein’s infringing conduct that formed the basis for the court’s order holding both Mr.
21 Klein and S4S in contempt of the permanent injunction. (*See generally* 2/16/22 Order at
22 54.) However, “[t]he rule against joint-and-several liability for profits that have accrued

1 to another appears throughout the equity cases awarding profits.” *Liu v. Sec. & Exch.*
 2 *Comm’n*, 140 S. Ct. 1936, 1945, 207 L. Ed. 2d 401 (2020) (collecting cases). “The rule
 3 of several liability for [disgorgement of] profits applies, at least, where defendants do not
 4 act as partners, or ‘practically partners.’” *Frank Music Corp.*, 772 F.2d at 519. The court
 5 “should consider whether [defendant] was an employee or an independent contractor
 6 rather than a partner”; “relevant to this determination . . . are such factors as whether
 7 [defendant] received a fixed salary or a percentage of profits and whether he bore any of
 8 the risk of loss on the production.” *Id.*

9 It is undisputed that the infringing FRG products were manufactured by S4S, sold
 10 by S4S, and shipped by S4S, and each customer paid money to S4S for the products.
 11 (*See generally* 2/16/22 Order at 10-16; Schoen Decl. ¶ 4, Ex. 3 (“7/26/22 Klein Dep.”)
 12 (discussing S4S’s financials); Lindsay Rpt., Schedule 4 (table of S4S’s sales of FRG
 13 products from April 1, 2020, to May 16, 2022).) As Mr. Walters noted in his report and
 14 recommendation, Mr. Klein is an independent consultant for S4S, rather than an owner,
 15 and is paid a salary of \$10,000 per month for his work. (*See* R&R at 30; 7/26/22 Klein
 16 Dep. at 13:2-15, 263:10-20; Schoen Decl. ¶ 50, Ex. 49 (documenting Mr. Klein’s
 17 consultant fee); Sydry Dep. at 44:7-10 (stating that S4S’s only business relationship with
 18 Mr. Klein is the consulting relationship).) His salary does not change based on the
 19 number of products he sells or how many products get sold. (*See* 7/26/22 Klein Dep. at
 20 13:2-14:17, 264:13-16.) Moreover, the record is devoid of any evidence that Mr. Klein
 21 retained any portion of the profits S4S made on its sales of the infringing FRG products.
 22 *See, e.g., Frank Music Corp.*, 772 F.2d at 519 (“Arden may be liable for profits he earned

1 in connection with the production of *Hallelujah Hollywood*, but amounts paid to him as
 2 salary are not to be considered as profits.”). Accordingly, the court DECLINES TO
 3 ADOPT Mr. Walters’s recommendation that Mr. Klein and S4S be held jointly and
 4 severally liable for the disgorgement award. Because the wrongfully obtained profits
 5 appear to have flowed only to S4S, the court holds S4S alone liable for the disgorgement
 6 award.

7 **F. Daily Fine**

8 Mr. Walters recommended that S4S “be fined \$3,500 for each day following the
 9 effective date of the injunction where it is proven to be out of compliance.”²⁹ (R&R at
 10 32-33). S4S objects to Mr. Walters’s recommendation of a daily fine, arguing that
 11 although conditional fines are available in a contempt proceeding, Mr. Walters adopted
 12 Plaintiffs’ “arbitrarily requested” fine without providing any “reasoned analysis regarding
 13 the propriety of such a fine.” (See S4S Obj. at 10-12; *id.* at 11 (discussing the criteria to
 14 be considered before imposing a conditional fine).)

15 It is well within the court’s authority to impose coercive civil sanctions as part of a
 16 civil contempt proceeding. See *United States v. Ayres*, 166 F.3d 991, 995 (9th Cir. 1999)
 17 (“One of the paradigmatic civil contempt sanctions is a per diem fine imposed for each
 18 day a contemnor fails to comply with an affirmative court order.”). Coercive sanctions

20 ²⁹ This recommendation is tied to Mr. Walter’s other, unchallenged recommendation that
 21 the court enter an injunction directing S4S to “withdraw its UL listings, and any other third-party
 22 certifications, that reference, depict, or suggest the application of an FRG Strip (or any other
 intumescent strip not [more than] colorably different from FRG Strip) on the outer sidewall
 surface of a U-shaped track.” (See *supra* § III; *infra* § IV, ¶ 1(a).)

1 are payable to the court, rather than the movant. *Gen. Signal Corp.*, 787 F.2d at 1380 (“If
 2 the fine, or any portion of the fine, is coercive, it should be payable to the court, not
 3 General Signal.”). Coercive sanctions usually take the form of a conditional daily fine,
 4 and the contemnor should be afforded an opportunity to avoid the fine by complying with
 5 the court’s orders. *See, e.g., Shell Offshore Inc. v. Greenpeace, Inc.*, 815 F.3d 623, 629
 6 (9th Cir. 2016) (“[T]he ability to purge is perhaps the most definitive characteristic of
 7 coercive civil contempt.”); *Koninklijke Philips Elecs. N.V. v. KXD Tech., Inc.*, 539 F.3d
 8 1039, 1042-43 (9th Cir. 2008) (“Because the per diem fine allowed the defendants the
 9 opportunity to purge the contempt before payment became due, it was a civil sanction.”).
 10 In determining the appropriate coercive fine, the court should “consider the character and
 11 magnitude of the harm threatened by continued contumacy, and the probable
 12 effectiveness of any suggested sanction in bringing about the result desired,” *Whittaker*,
 13 953 F.2d at 516 (quoting *United Mine Workers of Am.*, 330 U.S. at 304), as well as “the
 14 amount of defendant’s financial resources and the consequent seriousness of the burden
 15 to that particular defendant,” *United Mine Workers of Am.*, 330 U.S. at 304.

16 At this juncture, the court finds that a \$3,500 daily fine is appropriate to coerce
 17 S4S to comply with the permanent injunction, which enjoins Mr. Klein and S4S³⁰ from
 18 directly or indirectly infringing the Asserted Patents. (*See* Consent J. & Injunction.) The
 19 daily fine will operate to bring S4S into compliance with the permanent injunction by
 20

21 ³⁰ The court previously found that S4S is legally identified with Safti-Seal, and thus, that
 22 S4S is also subject to the permanent injunction. (*See* 9/1/21 Order at 17-22; *see also supra*
 § II.A.)

1 requiring S4S to comply with the related injunction contained herein—i.e., the injunction
 2 requiring S4S to “withdraw its UL listings, and any other third-party certifications, that
 3 reference, depict, or suggest the application of an FRG Strip (or any other intumescent
 4 strip not [more than] colorably different from FRG Strip) on the outer sidewall surface of
 5 a U-shaped track” (*see infra* § IV, ¶ 1(a); *supra* § III).³¹ Although Mr. Walters did not
 6 specifically address the criteria discussed above when he recommended the imposition of
 7 this coercive civil sanction (*see generally* R&R at 32-33), the court finds his proposed
 8 fine appropriate in light of such criteria.

9 First, a conditional fine to coerce S4S into compliance with the court’s permanent
 10 injunction is warranted given S4S’s offending conduct and clear disregard of the court’s
 11 permanent injunction and because S4S has failed to cease all of its offending conduct
 12 even after the court’s finding of contempt.³² For example, although S4S submits a
 13

14 ³¹ Because the UL listings were a large part of the court’s contempt finding (*see, e.g.*,
 15 2/16/22 Order at 43-46, 50-52), the court finds it appropriate to tie the daily fine to the removal
 16 of the UL listings at issue, given that the removal of such listings will work to bring S4S into
 compliance with the court’s permanent injunction.

17 ³² Additionally, the court notes that the emails in the record between S4S’s employees
 and customers indicate an intent not to comply with the court’s permanent injunction. As Mr.
 Walters stated,

18 [T]he evidence includes several emails providing assurances to S4S customers that
 19 contemnors would continue to offer FRG Strip and that their business was not (and
 would not be) affected by this court’s orders. (Schoen Decl., Ex. [9] (“Again,
 Seal4Safti has not received a cease-and-desist order and there will not ever be one
 20 per the Federal Court judge in Washington”); *see also id.*, Exs. 8, 10, 11, 42, 66,
 67, 68, 69, and 70.) In one email, S4S misinforms a customer regarding the risk of
 21 direct infringement through the use of FRG Strip in head-of-wall applications as
 depicted in S4S’s UL listings. (*See id.*, Ex. 70 (asking “[h]ow can BlazeFrame [or]
 22 any Federal Court Judge rule that they are the same product?”).)

(R&R at 29.)

1 declaration stating that it has taken steps to comply with the court’s permanent injunction
2 (*see* Sydry Decl. ¶¶ 3-6 (stating that S4S removed drawings, animation videos, and
3 photographs that depicted the FRG Strip on a U-shaped track from its website and that
4 S4S’s outgoing engineering judgments will only “depict a track that is J-shaped and not
5 U-shaped”)), S4S does not represent that it has withdrawn its UL listings that were, in
6 part, a basis for the court’s finding of contempt (*see id.* ¶ 5 (stating only that S4S is
7 working to modify the UL listings at issue)). (*See also* 2/16/22 Order at 43-46, 50-52
8 (discussing how the UL listings at issue contributed to the court’s contempt finding).)

9 Second, a conditional fine is warranted because Plaintiffs’ business will continue
10 to be damaged, and its patent rights will continue to be interfered with, until S4S removes
11 such listings and comes into compliance with the court’s permanent injunction. Third, a
12 \$3,500 conditional fine, in light of S4S’s revenue from its sales of the FRG products and
13 continued contempt, is sufficiently large to coerce S4S’s compliance with the court’s
14 permanent injunction but not so large as to unduly burden S4S. Finally, the fine is a
15 permissible conditional fine because it affords S4S the opportunity to purge itself of the
16 fine by complying with the permanent injunction—specifically, by withdrawing the UL
17 listings at issue in accordance with the injunction contained herein. (*See infra* § IV; *see*
18 *also* 9/9/22 Hage Decl. ¶ 8, Ex. 7 (letter from counsel for UL explaining that S4S “can
19 withdraw its joint system certifications at any time, at which time UL will remove them
20 from its website”).)

21 In sum, the court finds that a coercive civil sanction in the form of a conditional
22 daily fine in the amount of \$3,500, payable to the court, is appropriate and ADOPTS Mr.

Walters’s recommendation to impose such a fine. *See Gen. Signal Corp.*, 787 F.2d at 1380. Accordingly, S4S must pay a daily fine of \$3,500, beginning on February 28, 2023, for every day S4S fails to withdraw its UL listings that reference, depict, or suggest the application of an FRG Strip (or any other intumescent strip not more than colorably different from FRG Strip) on the outer sidewall surface of a U-shaped track. The daily fine will cease once S4S submits a declaration to the court evidencing that it has withdrawn such UL listings.³³ (*See infra* § IV.)

G. Injunctive Relief Regarding Proposed Modified UL Listings

Mr. Walters recommended that the court enter an injunction “restraining S4S from submitting any proposed modified listing or certification to a third-party publisher or certification entity (such as UL), where said proposed modified listing or certification depicts or suggests application of an intumescent strip on the sidewall of a metal track product for use in fire-stopping applications absent Plaintiffs’ agreement or approval by the court.” (R&R at 34-35; *see also id.* at 33 (describing a recommended procedure for evaluating modified listings).) S4S objects to this recommendation, taking issue with the scope of the recommended injunction. (S4S Obj. at 12.) Specifically, S4S argues that “the proposed injunctive relief exceeds the scope of the original injunction and imposes new restrictions on Defendants that are incongruent with the limited nature of the original injunction” because it requires S4S to gain approval for UL listings involving the

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³³ S4S can avoid the fine entirely by withdrawing such UL listings before February 28, 2023.

1 “application of intumescent strip on the sidewall of a *metal track*” rather than just those
2 involving a U-shaped track. (*Id.*)

3 The court agrees with S4S. In its order finding Mr. Klein and S4S in contempt,
4 the court rejected Plaintiffs’ argument “that the term ‘U-shaped track’ used in the
5 permanent injunction was intended by the parties to cover ‘any metal track designed to
6 receive a stud.’” (2/16/22 Order at 28.) The court construed the permanent injunction’s
7 limitation to products involving a “U-shaped track” to cover only the DL and DSL track
8 profiles, concluding that those tracks “are in the shape of a U, as they include: a planar
9 top (or bottom) and two equally tall planar legs that attach perpendicularly to the top (or
10 bottom) at the widest point of the frame.” (*See id.* at 23-29; *see also id.* at 24 n.25
11 (“The[] [DL and DSL] tracks are two of the numerous FRG Frame, and Safti-Frame,
12 track profiles.”).) Accordingly, the UL listings that supported this court’s finding of
13 contempt based on induced infringement were those involving U-shaped tracks, not just
14 any “metal track product.” (*See id.* at 44, 46, 51-52; *see also id.* at 43-46, 50-52
15 (discussing Mr. Klein and S4S’s infringing conduct with respect to the application of the
16 FRG Strip on the outer sidewall surface of a U-shaped track).)

17 Therefore, the court ADOPTS IN PART Mr. Walters’s recommendation to enjoin
18 S4S with respect to modified UL listings, modifying the language of his proposed
19 injunction to account for the permanent injunction’s limitation regarding U-shaped
20 tracks. The court thus enjoins S4S from submitting any proposed modified listing or
21 certification to a third-party publisher or certification entity (such as UL), where said
22 proposed modified listing or certification depicts or suggests application of an

1 intumescent strip on the outer sidewall surface of a U-shaped track for use in
2 fire-stopping applications absent Plaintiffs' agreement or approval by the court.
3 Additionally, the court agrees with, and ADOPTS, Mr. Walters's unchallenged
4 recommendations that S4S should (1) meet and confer with Plaintiffs regarding any
5 proposed modified UL listing covered by this injunction, and (2) if the parties are unable
6 to agree regarding whether the modified listing complies with the permanent injunction,
7 "either party may approach the court for a ruling on the proposed modified listing and the
8 court may decide to refer any dispute to the Special Master." (R&R at 33.) The court
9 further agrees with, and ADOPTS, Mr. Walters's unchallenged recommendation "against
10 an order that S4S be 100% responsible for the Special Master's fees" in the event the
11 court "refers any dispute regarding a modified listing to the Special Master." (*Id.*)

12 IV. CONCLUSION

13 For the foregoing reasons, the court ADOPTS the report and recommendation
14 (Dkt. # 310) in part and GRANTS in part and DENIES in part Plaintiffs' motion for
15 contempt damages (Dkt. # 317). Specifically, the court ORDERS as follows:

16 (1) The court GRANTS the following injunctive relief:

- 17 a. S4S shall, by February 27, 2023, withdraw its UL listings, and any
18 other third-party certifications (collectively, "UL listings"), that
19 reference, depict, or suggest the application of an FRG Strip (or any
20 other intumescent strip not more than colorably different from FRG
21 Strip) on the outer sidewall surface of a U-shaped track; and
22

- b. S4S is enjoined from submitting any proposed modified listing or certification to a third-party publisher or certification entity (such as UL), where said proposed modified listing or certification depicts, describes, or suggests the application of an intumescent strip to the outer sidewall surface of a U-shaped track for use in fire-stopping applications, absent Plaintiffs' agreement or approval by the court;
- c. The restraints imposed by paragraphs 1(a) and (b) shall automatically dissolve upon expiration of the last of the Asserted Patents;

(2) The court ORDERS S4S to pay a daily fine of \$3,500, beginning on February 28, 2023, for every day S4S fails to withdraw its UL listings that reference, depict, or suggest the application of an FRG Strip (or any other intumescent strip not more than colorably different from FRG Strip) on the outer sidewall surface of a U-shaped track. The daily fine will cease once S4S submits a declaration to the court evidencing that it has withdrawn such UL listings. The fine shall be payable to the court;

(3) The court AWARDS Plaintiffs actual damages in the form of disgorgement of S4S's profits from April 1, 2020, to May 16, 2022, in the amount of \$607,770.65;

- a. Once S4S withdraws the UL listings at issue (*see supra* ¶¶ 1(a), 2), the court ORDERS S4S to disclose its sales of FRG Strip and any additional sales of U-shaped FRG Frame from May 16, 2022, through the last date that S4S's UL listings depicting or suggesting the

1 application of an FRG Strip on the outer sidewall surface of a U-shaped
2 track remain published by UL. After S4S discloses such sales, the court
3 DIRECTS Plaintiffs and S4S to meet and confer and submit a joint
4 statement to Mr. Walters regarding the gross revenue on S4S's sales of
5 FRG Strip and U-shaped FRG Frame products, as well as any evidence
6 of such gross revenue. If the parties have any disagreement regarding
7 the gross revenue, they shall include separate statements containing the
8 gross revenue figure(s) that they believe are appropriate. The court
9 DIRECTS Mr. Walters to resolve any disagreements as to S4S's gross
10 revenue during this period and to then apply the same disgorgement
11 calculations and deductions discussed above (*see supra* § III.A), to the
12 gross revenue figure(s) in order to calculate the total amount to be
13 disgorged.

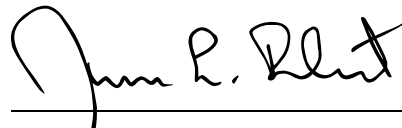
14 (4) The court AWARDS Plaintiffs prejudgment interest on the actual damages
15 ultimately awarded in this proceeding. Because the court has yet to finalize the
16 total amount of actual damages in this matter (*see supra* ¶ 3(a)), and because
17 the court will not enter a final judgment until it does so, the court will not
18 calculate the prejudgment interest award at this time;

19 (5) The court AWARDS Plaintiffs their reasonable attorneys' fees and costs in
20 pursuing the instant contempt proceedings. Plaintiffs may file a motion for
21 their reasonable attorneys' fees and costs with the court after the remaining
22 damages issues are resolved (*see supra* ¶ 3(a)); and

1 (6) The court HOLDS Mr. Klein and S4S jointly and severally liable for any
2 award of attorneys' fees and costs and HOLDS S4S severally liable for
3 Plaintiffs' actual damages and the prejudgment interest on actual damages.

4 The court will not enter a final judgment until it has resolved the remaining issues
5 with respect to actual damages accruing after May 16, 2022, and attorneys' fees. The
6 court further DIRECTS the Clerk to provisionally file this order under seal and ORDERS
7 the parties to meet and confer regarding the need for redaction of this order and the report
8 and recommendation (Dkt. # 310) and file, by February 15, 2023, a joint statement
9 indicating any such need.

10 Dated this 26th day of January, 2023.

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13 JAMES L. ROBART
14 United States District Judge
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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CALIFORNIA EXPANDED
METAL PRODUCTS COMPANY,
et al.,

Plaintiffs,

v.

JAMES A. KLEIN, et al.,

Defendants.

CASE NO. C18-0659JLR

ORDER

**PROVISIONALLY FILED
UNDER SEAL**

I. INTRODUCTION

Before the court is a report and recommendation (R&R (Dkt. # 268 (sealed)) issued by Special Master Mark Walters recommending that the court grant in part and deny in part Plaintiffs California Expanded Metal Company ("CEMCO") and Clarkwestern Dietrich Building Systems, LLC's ("ClarkDietrich") (collectively, "Plaintiffs") motion for contempt (12/27/21 Trojan Decl. (Dkt. # 274) ¶ 2, Ex. A ("Pls.

//

Contempt Mot.”¹). Plaintiffs, Defendants James A. Klein, BlazeFrame Industries, Ltd. (“BlazeFrame”), and Safti-Seal, Inc.’s (“Safti-Seal”) (collectively, “Defendants”)², and Non-Party Seal4Safti, Inc.³ (“S4S”) object to portions of the report and recommendation. (Pls. Obj. (Dkt. # 273); Pls. Reply (Dkt. # 298); Defs. Obj.; Defs. Reply; S4S Obj. (Dkt. # 290); S4S Reply (Dkt. # 297).) They additionally oppose each other’s objections. (Pls. Resp. to Defs. (Dkt. # 294); Pls. Resp. to S4S (Dkt. # 295); Defs. Resp. (Dkt. # 296); S4S Resp. (Dkt. # 293).⁴) The court has reviewed the report and recommendation, the objections to the report and recommendation, the submissions in support of and in opposition to those objections, the remainder of the record, and the applicable law. Being fully advised,⁵ the court ADOPTS the report and recommendation in its entirety, GRANTS in part and DENIES in part Plaintiffs’ motion for contempt, and OVERRULES Plaintiffs, Defendants, and S4S’s objections.

¹ Plaintiffs’ motion for contempt is separately filed under seal at docket entry 275. (*See* Pls. Contempt Mot. (Dkt. # 275 (sealed)).)

² Although BlazeFrame appears with its co-defendants on the pleadings submitted by Defendants in relation to the instant dispute, Plaintiffs’ motion for contempt is not brought against BlazeFrame. (*See generally* Defs. Obj. (Dkts. ## 280 (redacted), 281 (sealed)); Defs. Reply (Dkt. # 299); Pls. Contempt Mot.)

³ S4S is not a party to the underlying litigation, but it was added to these contempt proceedings on September 1, 2021. (*See* 9/1/21 Order (Dkt. # 251).)

⁴ When citing to the parties’ pleadings, the court uses the pleadings’ internal pagination unless otherwise stated.

⁵ S4S, Plaintiffs, and Defendants request oral argument (*see* S4S Obj. at 1; Pls. Obj. at 1; Defs. Obj. at 1), but the court finds that oral argument would not be helpful to its review of Mr. Walters’s report and recommendation and its disposition of Plaintiffs’ motion for contempt, *see* Local Rules W.D. Wash. LCR 7(b)(4).

II. BACKGROUND

This matter concerns four underlying patents: U.S. Patent Nos. 7,681,365; 7,814,718; 8,136,314; and 8,151,526 (collectively, “the Patents” or “asserted Patents”), all of which cover head-of-wall assemblies that are used in commercial construction to prevent the spread of smoke and fire. (See 9/1/21 Order at 2; 12/27/21 Trojan Decl. ¶¶ 3-4, Exs. B.1-B.2 (“9/8/21 Trojan Decl.”)⁶ ¶¶ 2-5, Exs. 1-4 (the Patents).) The court has detailed the “tumultuous history” of this matter numerous times and adopts the background sections of those previous orders in addition to its summary here. (10/22/21 Order (Dkt. # 265); 9/1/21 Order; 10/19/20 Order (Dkt. # 190); *see also* 2/8/21 Order (Dkt. # 208); 11/22/19 MSJ Order (Dkt. # 135); 8/15/19 Order (Dkt. # 117); 11/29/18 Order (Dkt. # 91); 11/20/18 Order (Dkt. # 89).) The court reviews the parties’ history and the events in this litigation leading up to the settlement; the parties’ actions after the settlement; the history of the current contempt proceedings; and the instant motion for contempt, report and recommendation, and objections thereto.

A. The Parties’ History and This Litigation

Mr. Klein, a former CEMCO employee, is the named inventor on the Patents. (9/8/21 Trojan Decl., Exs. 1-4.) In May 2012, Mr. Klein assigned the Patents to BlazeFrame, a corporation that he co-founded.⁷ (Compl. (Dkt. # 1) ¶¶ 4, 12.) Later that

⁶ Mr. Trojan’s declaration and exhibits 1-28 to it are separately filed under seal at docket entry 276 and exhibits 29-55 to his declaration are separately filed under seal at docket entry 277. (See 9/8/21 Trojan Decl. (Dkts. ## 276 (sealed), 277 (sealed)).)

⁷ BlazeFrame and Safti-Seal, both of which were founded by Mr. Klein, are now allegedly “defunct.” (12/27/21 Hage Decl. (Dkt. # 285) ¶ 8, Ex. F (“10/11/21 Klein Decl.”) ¶ 2

1 year, CEMCO sued Mr. Klein and ClarkDietrich in the United States District Court for
 2 the Central District of California. *See Cal. Expanded Metal Prods. Co. v. Clarkwestern*
 3 *Dietrich Bldg. Sys., LLC*, No. CV12-10791-DDP-MRW (C.D. Cal.). The parties settled
 4 in October 2015, with Mr. Klein and BlazeFrame selling the Patents to CEMCO in
 5 exchange for a license. (5/10/19 Trojan Decl. (Dkt. # 103) ¶ 7, Ex. 6.) Less than a year
 6 later, in August 2016, Plaintiffs filed suit against Mr. Klein and BlazeFrame, claiming
 7 that they had breached the settlement agreement and infringed upon the Patents. *See Cal.*
 8 *Expanded Metal Prods. Co. v. Klein*, No. CV16-5968-DDP-MRW (C.D. Cal.). That suit
 9 also settled with CEMCO retaining ownership of the Patents with ClarkDietrich as the
 10 exclusive licensee. (*See* Compl. ¶ 84.)

11 This second settlement did not quash the dispute between the parties, as Plaintiffs
 12 sued again less than a year later. (*See generally id.*) This time, Plaintiffs brought suit in
 13 this court, alleging that Mr. Klein, BlazeFrame, and Mr. Klein's new corporation
 14 Safti-Seal once again breached the settlement agreement and infringed upon the Patents
 15 by selling multiple products that infringed at least one claim of each Patent.⁸ (*Id.*
 16 ¶¶ 82-94.) In its November 22, 2019 summary judgment order, the court divided these
 17 products into two groups: "(1) a tape product that includes intumescent material, called
 18 Safti-Strip . . . and (2) sheet metal tracks suitable for installation in commercial
 19

20 (filing Mr. Klein's declaration separately under seal at docket entry 289 (*see* 10/11/21 Klein
 21 Decl. (Dkt. # 289 (sealed))))).

22 ⁸ Plaintiffs also brought a breach of contract claim against Mr. Klein and BlazeFrame for
 alleged violations of the second settlement agreement. (Compl. ¶¶ 73-81, 86-94.)

1 construction projects.”⁹ (11/22/19 MSJ Order at 7.) The Safti-Strip “consist[ed] of three
 2 primary layers”: (1) an intumescent layer; (2) a foam thermal barrier; and (3) an
 3 adhesive. (See 12/27/21 Hage Decl. ¶ 5, Ex. C (“10/11/21 Sydry Decl.”) ¶ 3.) Safti-Strip
 4 was made of intumescent material made by RectorSeal (which included a protective layer
 5 on an outer surface of the intumescent material) and a Duraco “55 series” thermal barrier,
 6 with a “55 series” adhesive layer between the intumescent material and the thermal
 7 barrier and also on the outer layer of the thermal barrier covered by a peel-and-stick
 8 cover. (9/8/21 Trojan Decl. ¶ 6, Ex. 5 (“Klein Dep.”) at 161:2-11.) Safti-Strip was sold
 9 in roll form for field application to U-shaped tracks, particularly for head-of-wall
 10 assemblies. (5/10/19 Trojan Decl. ¶ 15, Ex. 14.) Safti-Frame was a metal track product,
 11 sold in a variety of profile shapes, with a factory-applied Safti-Strip. (Klein Dep. at
 12 162:9-13.)

13 Following a *Markman*¹⁰ hearing, the court construed three disputed terms that
 14 appear in the Patents as follows:

- 15 1. “intumescent strip” means “a strip that comprises a substance that expands
 16 when exposed to heat”,¹¹

17
 18 ⁹ To maintain consistency with the consent judgment and permanent injunction, as well
 19 as the parties’ pleadings, the court refers to these products as the “Safti-Strip” and “Safti-Frame.”
 (See generally Consent J. & Injunction (Dkt. # 164).)

20 ¹⁰ See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

21 ¹¹ The court also stated that “[t]his construction makes clear that the intumescent strip
 22 need not include only an intumescent substance” and “is also broad enough to encompass
 preferred embodiments in which the strip consists of a composition containing an intumescent
 substance, where that composition lies atop a non-intumescent substrate.” (4/17/19 Order at 19.)

2. “affixed lengthwise on at least one of the outer sidewall surfaces” means “attached lengthwise, directly or by means of an intervening adhesive, to at least one of the outer sidewall surfaces”; and

3. “inorganic filler” means “inorganic filler, including but not limited to perlite, vermiculite, expandable glasses, micas, clay, talc, borosilicates, cokes, charcoals, hard coals, brown coals, calcium carbonate, cereal grains, cork, bark granules, expandable clay, foamed concrete, metal sponge, pumice, tuff, and/or lava.”

(See 4/17/19 Order (Dkt. # 98) at 34.) After the court issued its claim construction order, Plaintiffs and Defendants filed cross-motions for summary judgment. (See generally Pls. MSJ (Dkt. # 102); Defs. Cross MSJ (Dkt. # 104).)

The court granted partial summary judgment to Plaintiffs on the issue of whether the disputed claim limitations were met, finding that: (1) “as a matter of law, the Safti-Strip tape affixed to the accused metal track products is an ‘intumescent strip’ within the meaning of the Patents”; and (2) “the intumescent strip is ‘affixed . . . on’ the accused metal track products within the meaning of the Patents.” (11/22/19 MSJ Order at 16-25.) While “acknowledg[ing] that the Safti-Strip’s thermal barrier is not expressly alluded to in the Patents’ specifications,” the court further concluded “that additional feature [i.e., the thermal barrier] does not change the fundamental character as a strip that comprises an intumescent composition, and it does not pull the Safti-Strip outside of the scope of claim term.” (*Id.* at 19; *see id.* at 16-25.) In reaching this conclusion, the court denied Defendants’ motion for summary judgment regarding its argument that the composition of the foam layer or its positioning relative to Safti-Strip’s intumescent material, as a matter of law, were grounds for non-infringement. (*Id.* at 16-23.) The court, however, ultimately declined to grant Plaintiffs’ motion for summary judgment on

1 the issue of whether Safti-Seal's products infringed on the Patents-in-Suit. (*Id.* at 23-27,
2 30-31.) It explained that Plaintiffs' infringement contentions failed to clearly define
3 which of the accused metal track products allegedly infringe all elements of the asserted
4 claims, and thus, they failed to satisfy their burden to show that there is no genuine
5 dispute of material fact that the accused metal track products include the remaining
6 limitations of the asserted claims. (*Id.*)

7 The parties settled on December 8, 2019, on the eve of the trial. (*See* 12/9/19 Min.
8 Entry (Dkt. # 157); 6/22/20 Trojan Decl. (Dkt. # 173-4 (sealed)) ¶ 7, Ex. D.1
9 ("Settlement Agreement").) The Settlement Agreement required Defendants to stop
10 accepting new orders for Safti-Frame and Safti-Strip products but allowed Defendants to
11 fulfill existing orders until March 31, 2020. (Settlement Agreement at 1.) It also allows
12 Mr. Klein to "develop a new product(s) ('the New Product') that is not covered by . . . the
13 [Patents]" but specifies that Defendants may not sell the New Product. (*Id.* at 2.)
14 Instead, Mr. Klein "is permitted to sell the design to a *bona fide* third-party company over
15 which he has no ownership role or right to control," although he may be employed by this
16 third-party company. (*Id.*) However, "in no event shall he direct its operations or sales":
17 Mr. Klein was not allowed to "speak to, or otherwise communicate with, customers about
18 intumescent track products" in any future role with third parties. (*Id.* at 2-3.)

19 As part of the settlement, the parties agreed to a consent judgment and permanent
20 injunction, which the court entered on January 3, 2020, under seal. (*See* Consent J. &
21 Injunction.) The court entered judgment "against Defendants . . . on Plaintiffs' claims
22 that the Accused Products infringe the . . . Asserted Patents." (*Id.* at 2.) The "Accused

Products”¹² are defined as: “(1) Safti-Frame with an intumescent strip on the surface of a sidewall of a U-shaped track, and (2) Safti-Strip if applied to the outer surface of a sidewall of a U-shaped track.” (*Id.*) Defendants, and “such other persons who are in active concert or participation or in privity” with any defendant, are enjoined from directly or indirectly infringing the Patents “by making, having made, advertising, having advertised, marketing, having marketed, offering for sale, having offered for sale, selling or having offered for sale any Accused Product.” (*Id.* at 3.) The enjoined parties are similarly prohibited from inducing others to “make, have made, advertise, have advertised, market, have marketed, offer for sale, have offered for sale, [or] . . . sell any Accused Products.” (*Id.*) Finally, the enjoined parties are prohibited from “contributorily infringing the Asserted Patents by providing Accused Products to others or by assisting third parties in providing Accused Products to others.” (*Id.*) Defendants also agreed to the court’s continuing jurisdiction “for purposes of enforcement.” (*Id.*)

B. The Parties’ Actions After the Settlement Agreement

After the parties entered into the Settlement Agreement, Mr. Klein and Safti-Seal designed and developed Fire Rated Gasket (“FRG”) products from December 2019 through February 2020, and Safti-Seal sold the FRG products through March 31, 2020. (7/30/21 Hovda Decl. (Dkt. # 224) ¶ 3, Ex. B (“5/13/21 Trojan Decl.”)¹³ ¶ 11, Ex. 10

¹² The court also refers to these as the “enjoined SSR products” or “SSR products” throughout this order. (*See, e.g.*, Pls. Contempt Mot. at 1.)

¹³ Mr. Trojan’s declaration is separately filed under seal at docket entry 226. (*See* 5/13/21 Trojan Decl. (Dkt. # 226 (sealed)).)

1 (“Klein Interr.”) at 3; Klein Dep. at 24:14-19, 29:12-30:7.) Like the SSR products, there
2 are also two categories of FRG products: the FRG Strip and the FRG Frame. (See 9/8/21
3 Trojan Decl. ¶¶ 21-22, 41, Exs. 20, 21, 40.)

4 The FRG Strip made and sold by Safti-Seal was comprised of the same three basic
5 components as the Safti-Strip: (1) a layer of intumescent material; (2) a thermal barrier;
6 and (3) adhesive. (See Klein Dep. at 162:21-163:4.) Safti-Seal’s FRG Strip used the
7 same intumescent material made by RectorSeal as the Safti-Strip. (See *id.* at 34:17-22,
8 162:24-163:1, 240:20-21.) The only differences between the Safti-Strip and FRG Strip
9 were that the composition of the thermal barrier and adhesive in the FRG Strip had
10 allegedly changed: the thermal barrier was changed from a “55 series” thermal barrier to
11 a “54 series” and the adhesive was likewise changed from a “55 series” adhesive to a “54
12 series.” (See *id.* at 163:2-25.) Just like the Safti-Strip, the FRG Strip was sold as a roll
13 for field application to U-shaped tracks, including for head-of-wall applications. (9/8/21
14 Trojan Decl. ¶¶ 22-23, 53, Exs. 21-22, 52; *see also id.* ¶ 10, Ex. 9: (“Tullis Dep.”) at
15 54:13-55:21.) The FRG Frame was also sold by Safti-Seal. (See *id.* ¶¶ 24-25, Exs.
16 23-24.) Like the Safti-Frame, the FRG Frame was a metal track product, sold in a variety
17 of profile shapes, with a factory-applied FRG Strip. (See 12/27/21 Trojan Decl. ¶¶ 5-7,
18 Exs. C.1-C.3 (“9/8/21 Pilz Decl.”) ¶¶ 52, 116-27, Exs. 42, 103-14.) Mr. Klein presented
19 the FRG Strip as an “alternative product” to Safti-Strip. (5/13/21 Trojan Decl. ¶ 12, Ex.
20 11 at 1; *see also* Klein Dep. at 128:17-21 (stating that the “FRG [Strip] can be substituted
21 from a performance and certification for what Safti-Strip can do”); *id.* at 157:10-158:21.)

22 //

1 Around that same time, Mr. Klein entered into negotiations to sell the designs for
 2 the FRG products to Mr. Jaroslaw Sydry and Mr. Leszek Orszulak. (7/30/21 Hovda
 3 Decl. ¶ 5, Ex. D (“5/31/21 Sydry Decl.”)¹⁴ ¶ 9; Klein Interr. at 3.) Mr. Sydry and Mr.
 4 Orszulak’s business, SteelTec, had been manufacturing products, including the Accused
 5 Products, for Mr. Klein and BlazeFrame since 2008. (5/31/21 Sydry Decl. ¶¶ 1-3, 7;
 6 5/13/21 Trojan Decl. ¶¶ 5-6, Exs. 4-5 (“Sydry Dep.”) at 146:22-148:7.) After learning
 7 that “[Safti-Seal] could no longer sell its products because of the injunction,” Mr. Sydry
 8 was concerned about the business SteelTec would lose. (Sydry Dep. at 148:3-7.) To
 9 “continue those sales,” Mr. Sydry and Mr. Orszulak formed S4S in early March 2020,
 10 after consultation with attorneys regarding the legality of doing so under the Settlement
 11 Agreement. (*Id.* at 148:8-12; *see also id.* at 148:13-16 (stating that “primary motivation
 12 for opening [S4S]” was “[t]o continue doing as we were doing”), 147:2-5 (telling Mr.
 13 Klein “the day you will finish doing this I will continue doing it . . . so I don’t feel any
 14 kind of interruptions”); 5/31/21 Sydry Decl. ¶¶ 9-11.)

15 On March 31, 2020, Mr. Klein and Safti-Seal sold the designs for the FRG
 16 products and all rights to make or sell the products to S4S. (Klein Interr. at 3.) Mr.
 17 David Tullis, a former Safti-Seal and current S4S employee, hoped that there would be a
 18 “seamless transition from [Safti-Seal] to [S4S]” so that Safti-Seal customers would
 19 become S4S customers. (Tullis Dep. at 79:23-80:13.) Mr. Klein communicated the same
 20 to customers, notifying one customer in February 2020:

21
 22 ¹⁴ Mr. Sydry’s declaration is separately filed under seal at docket entry 228. (*See* 5/31/21
 Sydry Decl. (Dkt. # 228 (sealed)).)

1 We are changing the names or [sic] our roll or strip stock to FRG . . . so the
2 “Safti-Frame” and “Safti-Strip” names . . . will be gone by the end of March.
3 We will carry over any warranty, technical support, etc [. . .] so other than
4 the name change things should be seamless. . . .

5 (5/13/21 Trojan Decl. ¶ 30, Ex. 29 at 1; *see also id.* ¶ 37, Ex. 36 at 1 (explaining to
6 customer that “it is just the old ‘Safti-Seal’ will now be ‘FRG’”).) Mr. Klein told another
7 customer that “what is happening should be seamless other than a rebrand of product
8 name.” (*Id.* ¶ 14, Ex. 13 at 1.) He explained that “to comply with legal agreements,”
9 “[a]nother party is making and renaming the same product [FRG].” (*Id.*) However, Mr.
10 Klein assured the customer that he “will still provide all of the same support, technical,
11 sales, and coverage.” (*Id.*) Mr. Klein summed up, “So short answer is same product,
12 performance, support, and certifications . . . just a rebrand from Safti-Strip . . . to [FRG].”
13 (*Id.*; *see also* 5/13/21 Trojan Decl. ¶ 15, Ex. 14 (same email to another customer); *id.*
14 ¶ 34, Ex. 33 (representing to customer that “[a]ll prior Safti-Strip continuing projects,
15 warranties, and liabilities were part of the sale and as such are still covered by the new
16 company”).)

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1 After S4S's formation, Safti-Seal sent a rebranding letter to customers explaining
 2 that "[a]ll fire stop products, framing solutions, and accessories," including the FRG
 3 products, "will now be sold under 'Safti-Seal'" as a "single 'Safti-Seal' brand" to
 4 "signif[y] the continued quality, service support, UL/Third Party certification, and
 5 warranties of any prior 'Safti-Strip' . . . brand products." (5/13/21 Trojan Decl. ¶ 40, Ex.
 6 39 at 2.) True to Mr. Klein's word, some Safti-Seal customers using Safti-Strip were
 7 transitioned to FRG Strips after S4S was formed. (See Tullis Dep. at 78:1-79:22; 5/13/21
 8 Trojan Decl. ¶ 43, Ex. 42 (showing customer purchase orders for Safti-Strip that were
 9 fulfilled with FRG Strip).)

10 As part of the sale, Mr. Klein became a consultant for S4S. (Sydry Dep. at 16:1-7
 11 (confirming that S4S had done no business before Mr. Klein was hired).) Mr. Klein
 12 manages all technical work, including manufacturing and assembling the FRG products
 13 (Sydry Dep. at 28:4-8, 30:20-25; Klein Dep. at 158:18-25, 160:4-7; 5/13/21 Trojan Decl.
 14 ¶ 8, Ex. 7 ("Orszulak Dep.") at 91:4-12); testing the product (Sydry Dep. at 75:21-76:11);
 15 obtaining UL listings and doing engineering judgments¹⁵ (Sydry Dep. at 31:1-7; Klein
 16 Interr. at 8; Orszulak Dep. at 65:9-13, 67:18-68:11); advising and training customers on
 17 technical aspects of the product (Sydry Dep. at 31:11-15, 105:4-106:3, 106:22-107:5,
 18 287:16-288:3; Klein Dep. at 224:14-22; 5/13/21 Trojan Decl. ¶ 31, Ex. 30 (customer
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20 ¹⁵ An engineering judgment is an evaluation of a customer's needs that recommends a
 21 solution. Engineering judgments are needed to sell the FRG products. (Orszulak Dep. at
 22 65:2-4.) Mr. Sydry and Mr. Orszulak both admit that the only employee at S4S capable of
 making engineering judgments and giving technical advice is Mr. Klein. (See Orszulak Dep. at
 65:14-66:21, 91:8-12; Sydry Dep. at 287:19-288:3.)

1 certification issued by Mr. Klein)); and managing the content on the company's website
 2 (Sydry Dep. at 22:9-11; Klein Interr. at 8). (*See also* Tullis Dep. at 74:2-19 (stating that
 3 when Mr. Tullis receives an order for FRG products, he sends the order to Mr. Klein for
 4 processing and fulfillment); Klein Dep. at 115:2-8, 119:2-21, 120:23-121:2 (same);
 5 5/13/21 Trojan Decl. ¶ 29, Ex. 28 (email from Mr. Klein to customer with sales order).)

6 After the sale of the FRG product designs and rights, Safti-Seal stopped selling
 7 and S4S began selling FRG products. (Klein Dep. at 24:14-19, 29:12-30:15; 164:14-
 8 167:9 (noting that S4S began selling the FRG products in April 2020); *see also* 5/13/21
 9 Trojan Decl. ¶ 38, Ex. 37 at 14-15.) S4S sold the FRG products for months after the
 10 sale.¹⁶ (*See, e.g.*, 5/13/21 Trojan Decl., Ex. 37 at 15; *id.*, Ex. 28; Klein Dep. at 30:8-15.)
 11 Mr. Klein states that the FRG products that S4S began to sell in April 2020 were the
 12 same FRG products—using the same intumescent material made by RectorSeal, series 54
 13 adhesive, and series 54 thermal barrier—sold previously by Safti-Seal. (Klein Dep. at
 14 29:12-30:15, 34:23-35:3, 46:21-25, 157:1-4, 164:14-167:9; Sydry Dep. at 50:6-16.)

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 21 ¹⁶ Mr. Sydry alleges that S4S's FRG products differ from Safti-Strip in composition,
 22 functionality, and in the location where they can be attached onto the various metal tracks by
 customers. (*See* 10/11/21 Sydry Decl. ¶¶ 7-10 (noting that S4S has sold very few orders of the
 FRG Frame (i.e., the FRG Strip factory-applied to the metal track) and that they stopped selling
 the FRG Strip factory-applied to the FRG Frame after reading the injunction).)

1 Mr. Klein had the FRG Strip listed as an alternate to Safti-Strip on its existing 400
 2 and 500 series Underwriter Laboratories (“UL”)¹⁷ listings.¹⁸ (See Klein Dep. at
 3 192:24-193:13, 196:22-197:1, 197:6-8 (testifying that he requested the FRG Strip to be
 4 an alternate name for the Safti-Strip and that no new fire testing of the FRG products was
 5 required to list it as an alternate); 9/8/21 Trojan Decl. ¶ 27, Ex. 26 at 006400, 006403,
 6 006406, 006409-10 (requiring no testing of the FRG products to issue revised listings
 7 describing the FRG Strip as an alternate to Safti-Strip).) UL later replaced all references
 8 to SSR products in the UL listings with new UL listings that referenced only the FRG
 9 products. (See 7/30/21 Hovda Decl. ¶ 7, Ex. F (“5/28/21 Klein Decl.”)¹⁹ ¶ 8 (noting that
 10 Mr. Klein helped to obtain these 800 and 900 series UL certifications); Klein Dep. at
 11 215:22-23 (noting that the old UL listings “were taken away”); *id.* at 213:2-218:12
 12 (discussing the new UL listings for the FRG products, which were based on the old SSR
 13 product UL listings); 9/8/21 Trojan Decl. ¶ 28, Ex. 27 at UL402 (issuing the new
 14 listings).) The parties refer to these listings as the 800 and 900 series UL listings. (See,
 15 e.g., Klein Dep. at 213:2-25.) UL did not require any fire testing of the FRG products
 16 before approving these new UL listings, as it issued the new listings based on prior SSR

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 19 ¹⁷ UL is a standards-setting organization that develops safety standards for building
 materials, and it evaluates and issues certifications, or listings, for products that it deems to have
 met that standard. (See 5/13/21 Trojan Decl. ¶ 13, Ex. 12 (“UL Report”).)

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 21 ¹⁸ Generally speaking, the SSR product ULs were 400 or 500 series UL listings. (See
 Klein Dep. at 213:14-20.)

22 ¹⁹ Mr. Klein’s declaration is separately filed under seal at docket entry 229. (See 5/28/21
 Klein Decl. (Dkt. # 229 (sealed)).)

1 product testing data for the 400 and 500 series UL listings.²⁰ (See Klein Dep. at
2 216:17-217:12, 219:16-220:1, 227:5-229:25; 9/8/21 Trojan Decl., Ex. 27 at UL 402.)

3 In October 2020, S4S began to sell a new iteration of the FRG Strip called the
4 FRG Flex Strip.²¹ (See 9/8/21 Trojan Decl. ¶ 22, Ex. 21; Klein Dep. at 166:16-168:25;
5 10/11/21 Sydry Decl. ¶ 9; *see also* Klein Dep. at 230:8-18 (stating that no UL listing
6 explicitly reference FRG Flex products or the Flexlock edge, and that they are just
7 referred to as FRG products).) The FRG Flex Strip uses a series 47 thermal barrier,
8 which is wider than the series 54 thermal barrier used in the FRG Strip and has a flexible
9 edge that can wrap around the intumescent material. (See Klein Dep. at 167:10-169:5;
10 *see also* 10/11/21 Sydry Decl. ¶ 9 (noting that the FRG Flex Strip uses an increased
11 amount of foam (the thermal barrier) and adhesive).) The FRG Flex Strip, however, uses
12 the same series 54 adhesive and intumescent material as the FRG Strip. (See Klein Dep.
13 at 167:3-168:25.) In sum, while the FRG Strip has evolved over time, Defendants and
14

15 ²⁰ UL did, however, require testing before issuing new 800 and 900 series UL listings for
16 assemblies involving FRG products in circumstances where a different wall assembly
17 construction (i.e., a larger deflection joint and different arrangement of other components) was
18 being approved for the first time using the FRG Strip and there was no equivalent SSR
19 predecessor product. (See Klein Dep. at 211:18-212:18 (noting that burn tests were needed for
certain new assemblies because there were no old ULs to base the change from the Safti-Strip to
the FRG Strip on); *id.* at 223:3-25 (agreeing that the UL report for new UL listings involving
wall assemblies with a larger joint referenced actual testing done on the FRG products); 9/8/21
Trojan Decl. ¶ 29, Ex. 28 at UL469 (noting that the approval was “based on testing”).)

20 ²¹ The FRG Flex Strip is now the only version of the FRG Strip marketed by S4S. (See
21 10/11/21 Sydry Decl. ¶ 9.) The FRG Flex products have UL listings that reference the original
22 FRG products, but not the new Flexlock edge. (See Klein Dep. at 230:8-18.) Accordingly, when
the court refers to the “FRG products,” “FRG Strip,” or “FRG Frame” throughout this order, its
references encompass all iterations of the FRG Strip, including the FRG Flex Strip. (See
generally R&R (addressing the FRG Frame and each iteration of S4S’s FRG Strip as the FRG
products at issue).)

1 S4S contend that “every formulation of S4S’s FRG [Strip] product is over 50% different
 2 in material composition from the Safti-Strip product enjoined in this case” because of the
 3 different thermal barrier and adhesive layer. (See 5/8/21 Klein Decl. ¶ 9 (alleging that
 4 that the FRG Strip also “has superior functionality to Safti-Strip”); 10/11/21 Sydry Decl.
 5 ¶¶ 7-9 (same).)

6 **C. The Relevant Procedural History of These Contempt Proceedings**

7 On June 22, 2020, Plaintiffs filed a motion to reopen this case to initiate contempt
 8 proceedings against Defendants and Non-Parties S4S, SteelTec Supply, Inc. (“SteelTec”),
 9 Jaroslaw Sydry, and Leszek Orszulak (collectively, “Non-Parties”). (Mot. to Reopen
 10 (Dkts. ## 173-1 (sealed), 166 (redacted)) at 1-2.) Plaintiffs argued that Mr. Klein and
 11 Safti-Seal violated the permanent injunction that was entered as part of the parties’
 12 settlement agreement by making and selling FRG products, which are allegedly not more
 13 than colorably different from the enjoined SSR products and infringe on the Patents, and
 14 that Non-Parties were “acting in concert” or “legally identified” with Defendants. (*Id.* at
 15 1-11.) The court concluded that “contempt proceedings are warranted against
 16 Defendants” and granted the motion as it related to them. (10/19/20 Order at 9-15.) But
 17 it denied the motion as it related to Non-Parties because “Plaintiffs lack the evidence they
 18 need to establish that [Non-Parties] are in active concert . . . or are ‘legally identified’
 19 with Defendants.” (*Id.* at 16-18.) The court granted Plaintiffs leave to take discovery on
 20 this point and allowed them to renew their motion against Non-Parties after discovery.
 21 (*Id.* at 17-18.) The parties engaged in the aforementioned discovery. (See R&R at 4;
 22 11/18/20 JSR (Dkt. # 195); 12/18/20 Pls. Rep. (Dkt. ## 200-1 (sealed), 197 (redacted));

1 12/18/20 Defs. Rep. (Dkt. # 201).) During that time, S4S filed suit against CEMCO in
2 the United States District Court for the Central District of California. (Not. of Related
3 Case (Dkt. # 194) at 2); *see Seal4Safti, Inc. v. California Expanded Metal Products Co.*,
4 No. 2:20-cv-10409-JFW-PD (C.D. Cal.) (filed Nov. 13, 2020). In that lawsuit, S4S
5 sought a declaration of invalidity, unenforceability, and noninfringement of the Patents.
6 (Not. of Related Case at 2, Ex. 1.) CEMCO filed counterclaims asserting infringement
7 allegations against S4S on the Patents, as well as allegations of infringement of another
8 patent recently obtained by CEMCO. (*See* 10/11/21 Hovda Decl. (Dkt. # 261-1) ¶ 3, Ex.
9 2); *Seal4Safti, Inc.*, No. 2:20-cv-10409-JFW-PD.

10 On February 8, 2021, the court appointed Mr. Walters as Special Master to “assist
11 with the impending contempt proceedings and any related discovery issues that may
12 arise.” (2/8/21 Order at 7.) The court adopted several of Mr. Walters’s reports and
13 recommendations regarding discovery disputes. (*See* 3/10/21 R&R (Dkt. # 211); 3/26/21
14 Order (Dkt. # 212); 3/31/21 R&R (Dkt. # 213); 4/16/21 Order (Dkt. # 214).) Non-Parties
15 eventually moved to stay these proceedings, and the court adopted Special Master
16 Walters’s report and recommendation recommending denial of that motion. (*See* 4/28/21
17 R&R (Dkt. # 215); 5/14/21 Order (Dkt. # 217).)

18 Plaintiffs renewed their motion to initiate contempt proceedings against
19 Non-Parties on May 13, 2021. (*See* Renewed Mot. (Dkt. # 225) (sealed).) Mr. Walters
20 issued a report and recommendation recommending that S4S, but not the other
21 Non-Parties, be added to these contempt proceedings because S4S is “legally identified”
22 with an enjoined party, Safti-Seal. (7/20/21 R&R (Dkt. # 220 (sealed)).) The court

1 adopted Mr. Walters's recommendation and added Non-Party S4S to these contempt
2 proceedings. (*See* 9/1/21 Order at 14-22.) Following the addition of S4S to these
3 contempt proceedings, the court adopted Mr. Walters's report and recommendation
4 recommending that the court grant the stipulated motion submitted by the parties and S4S
5 to bifurcate damages issues from liability issues during these proceedings. (*See* 9/7/21
6 R&R (Dkt. # 252); 9/8/21 Order (Dkt. # 253).) At Mr. Walters's recommendation, the
7 court also extended the noting date for Plaintiffs' motion for contempt to October 15,
8 2021. (*See* 9/22/21 R&R (Dkt. # 256); 9/30/21 Order (Dkt. # 259).)

9 **D. The Instant Motion for Contempt, Report and Recommendation, and**
10 **Objections Thereto**

11 Plaintiffs' motion for contempt alleges that Mr. Klein, Safti-Seal, and S4S violated
12 the January 3, 2020 permanent injunction by making and selling FRG products that are
13 not more than colorably different from the enjoined Safti-Strip and Safti-Frame products.
14 (*See generally* Pls. Contempt Mot.) Plaintiffs' motion focuses on two FRG products:
15 (1) the FRG Strip, including the FRG Flex Strip; and (2) the FRG Frame. (*See id.* at 1
16 n.1, 28, 33.) Plaintiffs' allegations of contempt based on direct infringement focus on
17 Mr. Klein, Safti-Seal, and S4S's making and selling of the FRG Frame—i.e., the FRG
18 Strip factory-applied to a U-shaped metal track. (*See id.* at 28-32.) Their allegations of
19 contempt based on induced and contributory infringement target the FRG Strip sold in
20 roll form and applied in the field to a U-shaped metal track by customers according to
21 advertisements, instructions, and engineering judgments provided by S4S and Mr. Klein
22 //

1 and according to configurations that are described in the various UL listings identified on
2 the S4S website. (*See id.* at 9-14, 32-50.)

3 Mr. Walters held a hearing with Plaintiffs, Defendants, and S4S regarding
4 Plaintiffs' motion on November 30, 2021. (R&R at 2; *see also* 12/27/21 Hage Decl. ¶ 9,
5 Ex. G ("Hr. Tr.")). Following the hearing, Mr. Walters issued a report and
6 recommendation recommending that the court grant in part and deny in part Plaintiffs'
7 motion for contempt. (R&R at 3.) Specifically, he recommends that the court find S4S
8 and Defendant [Mr.] Klein in contempt for "inducing infringement in violation of the
9 agreed injunction through sales of the FRG Strip, which [Mr. Walters] finds no more than
10 colorably different from the enjoined Safti-Strip product when applied to the outer
11 surface of the sidewall of a U-shaped track." (*Id.*) Mr. Walters bases this recommended
12 finding of contempt by inducement on S4S and Mr. Klein's "advertising, promotion,
13 instructions, and engineering judgments, recommending use of the FRG Strip by placing
14 it on the outer surface of the sidewall of a U-Shaped track." (*Id.*)

15 Additionally, Mr. Walters recommends that the court deny the portion of
16 Plaintiffs' motion that requests a finding of contempt based on Defendants and S4S's
17 alleged direct infringement because Plaintiffs failed to prove "by clear and convincing
18 evidence that Defendants or S4S sold or offered for sale U-Shaped track products with
19 the FRG Strip applied in an infringing manner." (*Id.*) Similarly, Mr. Walters
20 recommends that the court deny the portion of Plaintiffs' motion that requests a finding
21 of contempt based on Defendants and S4S's alleged contributory infringement because
22 Plaintiffs failed to prove "by clear and convincing evidence that the FRG Strip sold in

1 roll form, or the sale of U-shaped track products sold without the FRG Strip applied at
2 the factory, are incapable of substantial non[-]infringing use.” (*Id.*; *see also id.* at 46-47
3 (noting that this recommendation “should not be misconstrued as a finding that these
4 products have substantial not infringing uses”).)

5 Plaintiffs, Defendants, and S4S timely objected to portions of Mr. Walters’s report
6 and recommendation. (*See* Pls. Obj.; Defs. Obj.; S4S Obj.)

7 III. ANALYSIS

8 The Federal Circuit has expressly held that the “criteria for adjudicating a
9 violation of a prohibition against continued infringement by a party whose products have
10 already been adjudged to be infringing is a matter of Federal Circuit law.” *TiVo Inc. v.*
11 *EchoStar Corp.*, 646 F.3d 869, 881 (Fed. Cir. 2011). A party who violates an injunction
12 that prohibits patent infringement may be held in civil contempt. *See, e.g., id.* at 879-83
13 (outlining the appropriate standard for civil contempt proceedings based on allegations
14 that a party has infringed a patent in violation of an injunction). “Contempt proceedings
15 are generally summary in nature and may be decided by the court on affidavits and
16 exhibits without the formalities of a full trial.” *KSM Fastening Sys., Inc. v. H.A. Jones*
17 *Co., Inc.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985), *overruled on other grounds by TiVo*, 646
18 F.3d at 881.

19 A determination of whether a new or modified device violates a permanent
20 injunction against patent infringement must follow the two-step test outlined by *TiVo*.
21 *Proveris Sci. Corp. v. Innovasystems, Inc.*, 739 F.3d 1367, 1370 (Fed. Cir. 2014).
22 According to that test, a party seeking to enforce an injunction must first show that “the

1 newly accused product is not more than colorably different from the product found to
2 infringe.” *Tivo*, 646 F.3d at 882. This “colorably different” analysis “should focus on
3 ‘those aspects of the accused product that were previously alleged to be, and were a basis
4 for, the prior finding of infringement, and the modified features of the newly accused
5 product.’” *Proveris*, 739 F.3d at 1370 (quoting *TiVo*, 646 F.3d at 882); *see also Ncube*
6 *Corp. v. SeaChange Int’l Inc.*, 732 F.3d 1346, 1351 (Fed. Cir. 2013) (noting that the
7 colorably different analysis compares the newly accused product to the adjudicated
8 product, not the newly accused product to the claim). “Where one or more of those
9 elements previously found to infringe has been modified, or removed, the court must
10 make an inquiry into whether that modification is significant.” *TiVo*, 646 F.3d at 882.
11 “The primary question . . . should be whether the newly accused product is so different
12 from the product previously found to infringe that it raises ‘a fair ground of doubt as to
13 the wrongfulness of the defendant’s conduct.’” *Id.* (quoting *Cal. Artificial Stone Paving*
14 *Co. v. Molitor*, 113 U.S. 609, 618 (1885)).

15 If the court finds that two products are not more than colorably different, *TiVo*’s
16 second step requires the court to determine whether the newly accused product in fact
17 infringes any claim of the original patent. *TiVo*, 646 F.3d at 883. The court must
18 “evaluate the modified elements of the newly accused product against the asserted claim,
19 on a limitation by limitation basis, to ensure that each limitation continues to be met” and
20 “out of fairness, the district court is bound by any prior claim construction that it had
21 performed in the case.” *Id.* at 882-83 (citing *KSM Fastening Sys.*, 776 F.2d at 1528).
22 Where the newly accused product actually infringes on the original patent, the defendant

1 may be held in contempt based on a finding of direct or indirect infringement. *Merial*
2 *Ltd. v. Cipla Ltd.*, No. 3:07-CV-125 CDL, 2011 WL 2489753, at *12 (M.D. Ga. June 21,
3 2011) (finding a party in contempt based on induced infringement where the injunction
4 prohibited the party “from committing any act that infringes or causes or induces
5 infringement of any claim of the ’940 or ’329 patents”), *aff’d*, 681 F.3d 1283 (Fed. Cir.
6 2012). “The patentee bears the burden of proving violation of the injunction by clear and
7 convincing evidence, a burden that applies to both infringement and colorable
8 differences.” *TiVo*, 646 F.3d at 883; *see also Colorado v. New Mexico*, 467 U.S. 310,
9 316 (1984) (stating that “clear and convincing” evidence must “place in the ultimate
10 factfinder an abiding conviction that the truth” of the asserted factual contentions is
11 “highly probable”); *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1360 n.5 (Fed. Cir. 2007)
12 (quoting *Colorado*, 67 U.S. at 316, and applying the “clear and convincing standard” in a
13 patent invalidity case).

14 As a preliminary matter, the court determines what it must review de novo.
15 Pursuant to Federal Rule of Civil Procedure 53(f), the court must decide de novo all
16 objections to the findings of fact or conclusions of law made or recommended by a
17 Special Master. Fed. R. Civ. P. 53(f)(3)-(4). Here, no party objects to Mr. Walters’s
18 recommendation that the court deny Plaintiffs’ requests for findings of contempt based on
19 contributory infringement or direct infringement by Defendants and S4S, nor does any
20 party object to his recommendation that the court reject S4S’s invalidity arguments. (*See*
21 *R&R* at 3, 25-36, 44-45; *Pls. Obj.*; *Defs. Obj.*; *S4S Obj.*) Thus, the court need not review
22 de novo Mr. Walters’s recommendations regarding contributory and direct infringement

1 and S4S's invalidity arguments. *See* Fed. R. Civ. P. 53(f)(3)-(4); (*see also* R&R at 3,
2 25-36, 44-45). Moreover, the court has examined the record before it and finds Mr.
3 Walters's analysis pertaining to these issues persuasive in light of that record.
4 Accordingly, the court ADOPTS these unchallenged portions of the report and
5 recommendation. (*See* R&R at 3, 25-36, 44-45.)

6 The court now moves to the challenged recommendations. The court begins by
7 addressing Plaintiffs' objections to Mr. Walters's interpretation of the scope of the
8 January 3, 2020 permanent injunction (*see* Pls. Obj. at 1) before turning to S4S's
9 objections to the recommendation that the injunction is enforceable against it (*see* S4S
10 Obj. at 1). The court concludes by discussing S4S and Defendants' objections to Mr.
11 Walters's *TiVo* analysis and the resulting recommendation that they be found in contempt
12 for violating the injunction based on their induced infringement of the Patents. (*See* Defs.
13 Obj. at 1; S4S Obj. at 1.)

14 **A. Plaintiffs' Objections to the Scope of the Injunction**

15 By its terms, the injunction applies to continued acts of direct and indirect
16 infringement involving a "U-shaped track." (*See* Consent J. & Injunction at 2-4.) Each
17 act prohibited by the injunction is limited to the "Accused Products," a term defined to
18 mean: "(1) Safti-Frame with an intumescent strip on the surface of a sidewall of a
19 U-shaped track, and (2) Safti-Strip if applied to the outer surface of a sidewall of a
20 U-shaped track." (*Id.*) In their briefing and during the hearing before Mr. Walters, the
21 parties disputed the meaning of the term "U-shaped." Plaintiffs contended that
22 "U-shaped" means virtually any track at all; they argued that the phrase refers to any

1 “metal track designed to receive a stud.” (*See* 9/8/21 Pilz Decl. ¶ 52; Hr. Tr. 58:17-
 2 62:11; Pls. Contempt Mot. at 13-14, 28; 12/27/21 Trojan Decl. ¶ 10, Ex. F (“Pls.
 3 Contempt Reply”)²² at 3.) Defendants, however, argued that “U-shaped” means a metal
 4 “track that’s shaped like a U, not with a little [flange] sticking out, not in a track that is
 5 shaped like an ‘R’ or an ‘M’ or a ‘J.’”²³ (*See* Hr. Tr. at 23:16-24:5; 12/27/21 Hage Decl.
 6 ¶ 7, Ex. E (“Defs. Contempt Resp.”)²⁴ at 13, 15, 24.)

7 Mr. Walters ultimately rejected Plaintiffs’ broad interpretation of the term and
 8 construed the injunction’s limitation to products involving a “U-shaped track” to cover
 9 only the DL and DSL track profiles.²⁵ (*See id.* at 10-14, 24-25 (limiting the colorably
 10 different and infringement analysis to the DL and DSL track profiles).) He noted that a
 11 consent judgment is fundamentally a compromise wherein parties give up something they
 12 may have won in litigation in return for something they may not have won and, therefore,
 13 must be construed as written based on the parties’ understanding at the time. (R&R at
 14
 15

16 ²² Plaintiffs’ reply to Defendants and S4S’s responses to Plaintiffs’ motion for contempt
 17 is separately filed under seal at docket entry 279. (*See* Pls. Contempt Reply (Dkt. # 279
 (sealed)).)

18 ²³ Although S4S argues that the term “U-shaped track” is ambiguous, it agrees with
 19 Defendants and Mr. Walters’s narrower interpretation of the term. (*See* S4S Resp. at 7-9; Hr. Tr.
 at 42:1-16.)

20 ²⁴ Defendants’ response to Plaintiffs’ motion for contempt is separately filed under seal at
 docket entry 288. (*See* Defs. Contempt Resp. (Dkt. # 288 (sealed)).)

21 ²⁵ These tracks are two of the numerous FRG Frame, and Safti-Frame, track profiles.
 22 (*See, e.g.*, 9/8/21 Trojan Decl. ¶ 41, Ex. 40 at DEF003555-DEF003560 (showing some of the
 FRG Frame track profiles); 5/10/19 Trojan Decl. ¶ 15, Ex. 14 at 8-17 (showing some of the
 Safti-Frame track profiles).)

11-12 (citing *United States v. ITT Cont'l Banking Co.*, 420 U.S. 223, 236 (1975)).²⁶) In construing the injunction, Mr. Walters considered, among other things, CEMCO's marketing materials as evidence of what they meant by the term "U-shaped track" in the consent judgment and injunction. (*Id.* at 12 (first citing *Teg-Paradigm Envtl., Inc. v. United States*, 465 F.3d 1329, 1338 (Fed. Cir. 2006) ("Even when a contract is unambiguous, it may be appropriate to turn to one common form of extrinsic evidence—evidence of trade practice and custom."); and then citing 10/11/21 Klein Decl. ¶ 16, Ex. B (containing CEMCO marketing materials using the term "U-shaped" to define a specific track profile having three sides: (1) a top or bottom side, (2) a first leg extending from the top or bottom side at one end, and (3) a second leg extending from the top or bottom side at the other end))).)

In reaching his conclusion, Mr. Walters also recognized during the hearing on Plaintiffs' motion for contempt that CEMCO had confirmed that "U-shaped" is a "term of art in the industry" that describes a specific track profile. (*Id.* at 13 (citing Hr. Tr. at 10:13-21).) Similarly, Mr. Walters noted that Mr. Klein testified that the term "U-shaped" had an industry-standard definition and based on that definition, he considered only Safti-Seal's "DL" and "DSL" track profiles to be "U-shaped" at the time the parties entered into the consent judgment and injunction. (*Id.* (citing 10/11/21 Klein

²⁶ As Mr. Walters noted, "[t]he acts prohibited by the agreed injunction are therefore narrower than what Plaintiffs might have achieved at trial had they refused settlement and prevailed on all claims of the Asserted Patents." (R&R at 10 (stating that "claim 1 of the '314 Patent is not limited to any specific track profile" and "[n]either is claim 1 of the '365 Patent, nor claim 1 of the '526 Patent, nor claim 1 of the '718 Patent" (citing 9/8/21 Trojan Decl., Exs. 1-4))).)

Decl. ¶ 15.) When comparing examples of Safti-Seal's pre-injunction DL and DSL track profiles to CEMCO's use of the term "U-shaped," Mr. Walters found that Mr. Klein's understanding of the track profiles covered by the consent judgment and injunction was supported by such evidence. (*See id.* (citing 5/10/19 Trojan Decl., Ex. 14 at 8, 10 (showing the Safti-Frame DL and DSL tracks)).) In holding the parties to "the position for which the parties bargained," Mr. Walters concluded that both parties recognized at the time the consent injunction was entered that "U-shaped" is a known term in the industry that refers to tracks shaped like a "U" and that "neither party should be allowed to seek a construction of the term 'U-shaped' different from how they used that term at the time." (*Id.* at 10-14 (citing *Thatcher v. Kohl's Dep't Stores, Inc.*, 397 F.3d 1370, 1374 (Fed. Cir. 2005)).)

As a preliminary matter, Plaintiffs argue that Mr. Walters's interpretation of the term "U-shaped track" is inconsistent throughout the report and recommendation; they claim that he "recommends" that the court find that the DL, DSL, SL, and VT track profiles are all U-shaped track profiles on page 27, but on page 13 he recommends that only the DL and DSL tracks are U-shaped. (*See* Pls. Obj. at 1-3 (citing R&R at 13, 27).) The court agrees with Defendants, however, that there is no inconsistency in Mr. Walters's interpretation of the term "U-shaped track." (*See* Defs. Resp. at 3.) Page 27 of the report and recommendation contains a description of Plaintiffs' arguments and the evidence that they submitted to support their allegations of direct infringement by

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1 Defendants and S4S of claim 1 of the '314 Patent.²⁷ (See R&R at 26-27.) Following that
 2 description, Mr. Walters detailed his analysis and recommendation regarding direct
 3 infringement of claim 1 of the '314 Patent by Defendants and S4S, a recommendation
 4 that was expressly limited to only the S4S FRG Frame products having DL or DSL track
 5 profiles—the exact tracks that Mr. Walters found to be “U-shaped” on page 13. (See *id.*
 6 at 28.) Accordingly, while Plaintiffs attempt to twist Mr. Walters’s description of their
 7 argument and supporting evidence into a broader recommendation regarding the scope of
 8 the injunction, the court declines to adopt Plaintiffs’ reading for the reasons stated above.

9 Plaintiffs next claim that the DL and DSL tracks (which Mr. Walters concluded
 10 are “U-shaped”) allegedly have the same profile shape as SL, VT, and J-runner tracks
 11 (which Mr. Walters declined to find “U-shaped”), thus the SL, VT, and J-runner tracks
 12 must be U-shaped too. (See Pls. Obj. at 1-3.) The court, however, declines to accept
 13 such an argument for the practical reason that each of these track profiles do, in fact, have
 14 different shapes. (See 5/10/19 Trojan Decl., Ex. 14; see also Defs. Resp. at 3 (stating that
 15 “the industry refers to each profile by a different name for a reason, and the reason is that
 16 the shape is different”).) In examining the Safti-Frames and FRG Frames, the court finds
 17 that only the DL and DSL tracks are in the shape of a U, as they include: a planar top (or
 18

19 ²⁷ In support of their allegations of direct infringement by Defendants and S4S of claim 1
 20 of the '314 Patent, Plaintiffs submitted an exemplary claim chart comparing the DSL track
 21 profile to claim 1 of the '314 Patent. (See Pls. Contempt Mot. at 30-32.) They then noted that
 22 the application of the FRG Strip to “any generally [U]-shaped track (including the DL, SL, DSL,
 RCD, RCS, JR, DJR, OJR, JRS, OJRS, ODSL, ODL, BT, and VT profiles) directly infringes
 claim 1 of the '314 patent.” (See *id.* (noting that “claim 1 of the '314 patent requires only a track
 with an intumescent strip where the intumescent material has a specified composition”).)

bottom) and two equally tall planar legs that attach perpendicularly to the top (or bottom) at the widest point of the frame.²⁸ (See 5/10/19 Trojan Decl., Ex. 14 at 8, 10 (showing that the width of the frame extends to the point where the legs attach to the top or bottom).) The SL and J-runner tracks, however, do not resemble the shape of a U because they have two planar legs of unequal lengths, similar to the shape of a J. (See *id.* at 9, 20.)

Plaintiffs then argue that Mr. Walters erred when he concluded that “no support is provided for [Plaintiffs’] interpretation” that the term “U-shaped track” used in the injunction was intended by the parties to cover “any metal track designed to receive a stud” and that Plaintiffs’ interpretation is not supported by the Asserted Patents. (Pls. Obj. at 4 (citing R&R at 10-11).) Plaintiffs’ argument essentially reiterates the arguments that it made to Mr. Walters regarding why he should accept their broad interpretation of the term “U-shaped track” during the hearing. (Compare Pls. Obj. at 4-11, with Hr. Tr. at 58:1-62:11, 9/81/21 Pilz Decl. ¶ 52, Pls. Contempt. Mot. at 13-14, 28, and Pls. Contempt Reply at 3.) Mr. Walters addressed and rejected Plaintiffs’ arguments and the evidence that they relied on to support their broad reading of “U-shaped track” in his report and recommendation. (See R&R at 10-14.) He concluded that the allegations in Plaintiffs’ trial brief do not establish how the parties understood the term at the time the consent injunction was entered and that the Patents do not define the term, nor do they support

²⁸ Although the VT track has a planar top and two equally tall planar legs, the width of the frame extends beyond the point where the legs attach to the top. (See *id.* at 14 (showing that the width of the frame extends out to the “Fire Stop,” meaning that the width extends past the point where the legs attach to the top).)

1 Plaintiffs' interpretation. (*See id.*) Instead, as discussed above, Mr. Walters used the
2 industry customs and standards and the Plaintiffs' own statements in the marketplace to
3 define the term. (*See id.*) After a de novo review of the record, the court agrees with Mr.
4 Walters's reasoning and independently rejects Plaintiffs' broad interpretation of the term
5 "U-shaped track" for the reasons that Mr. Walters did.

6 Finally, Plaintiffs argue that adopting Mr. Walters's narrow interpretation of the
7 term "U-shaped track" will "encourage[] Defendants to skate just within the letter of the
8 [c]ourt's order by making insignificant modifications to the tracks . . . , thereby again
9 clearly violating the spirit of the [c]ourt order and generating additional litigation." (*See*
10 *Pls. Obj.* at 1, 11-12.) The court, however, declines to reject Mr. Walters's interpretation
11 and construe the term more broadly solely based on what might occur in the future. As
12 Defendants note, "[w]hat a [d]efendant might do after an injunction to avoid its
13 prohibitions is not the test for what the injunction means in the first place." (*Def. Resp.*
14 *at 7* (citing *ITT Cont'l Baking*, 420 U.S. at 238 (stating that courts must consider the term
15 at issue within "the four corners" of the order, aided by facts including "the
16 circumstances surrounding the formation of the consent order, any technical meaning
17 words used may have had to the parties, and any other documents expressly incorporated
18 in the decree").)

19 In sum, the court OVERRULES Plaintiffs' objections and ADOPTS Mr. Walters's
20 recommendation that only the DL and DSL tracks are "U-shaped" and therefore covered
21 by the injunction.

22 //

B. S4S's Objections to the Enforceability of the Injunction

In his report and recommendation, Mr. Walters recommended that the court find that the injunction is enforceable against S4S. (*See* R&R at 11, 14-17, 45-46.) S4S's objections to this recommendation can be broken down into two parts. (*See* S4S Obj. at 3-10.) First, S4S argues that Mr. Walters "erred by failing to find the [i]njunction in this case impermissibly vague under the well-established standards set forth in Federal Rule of Civil Procedure 65." (*See id.* at 3-5.) S4S relies on the parties' different arguments regarding the meaning of "U-shaped track," a term that it notes is crucial to determining the injunction's scope, as evidence that the injunction is too vague to be enforced because it failed to provide S4S "fair and precisely drawn notice" of that which was proscribed by the injunction. (*See id.* (quoting *Granny Goose Foods, Inc. v. Brotherhood of Teamsters*, 415 U.S. 423, 444 (1974)).)

Second, S4S argues that Mr. Walters erred by failing to find that Plaintiffs should be estopped from enforcing the injunction and, in turn, relying on this court's construction of the term "intumescent strip," "based upon the unclean hands of Plaintiff CEMCO in acquiring the settlement that included the [i]njunction." (*See id.* at 5-10.) In support of its estoppel argument, S4S contends that CEMCO committed inequitable conduct by taking the position with the U.S. Patent and Trademark Office ("USPTO") "that an invention comprised of intumescent and foam attached to a metal track by an adhesive layer was not covered by existing patents, despite (1) having argued in this proceeding that such an invention was covered by the Patents, (2) having obtained a claim construction order to that effect, and then (3) having leveraged that claim

1 construction order into obtaining from Defendants the [i]njunction now at issue.” (*See*
2 *id.*) S4S further argues that CEMCO engaged in inequitable conduct by violating the
3 USPTO Manual of Patent Examining Procedure, which requires a patentee to disclose to
4 the USPTO the existence of other litigation that involves the subject matter for which a
5 patent is being sought, when it failed to alert the USPTO of this litigation while
6 prosecuting the ’389 Patent. (*See id.* (claiming that the “subject matter” of the ’389
7 Patent “is the same as that of the Patents-at-issue” and CEMCO’s inequitable conduct
8 spread to this litigation).)

9 Both of S4S’s arguments essentially reiterate the arguments that it made to Mr.
10 Walters in opposition to Plaintiffs’ motion for contempt. (*Compare* S4S Obj. at 3-10,
11 with 12/27/21 Hage Decl. ¶ 3, Ex. A (“S4S Contempt Resp.”) at 3, 7-13, 17-27, and Hr.
12 Tr. at 42:1-45:10.) Mr. Walters addressed and rejected S4S’s vagueness and unclear
13 hands arguments in his report and recommendation. (*See* R&R at 11, 14-17, 45-46.)
14 Regarding S4S’s vagueness arguments, Mr. Walters determined that the injunction is not
15 too vague to be enforced based on its use of the phrase “U-shaped track” because
16 “Defendants understood, based on industry usage of the term, what the injunction meant
17 by ‘U-shaped track’ and this understanding is consistent with CEMCO’s advertising and
18 how that term is used in the Asserted Patents.” (*See* R&R at 14-16.) He also concluded
19 that because S4S has been deemed “legally identified” with Defendants, “it should be
20 deemed to have waived any challenge to the injunction on the grounds that its terms are
21 not understandable” based on the acknowledgment in the consent judgment and

22 //

1 permanent injunction that Defendants signed. (*See id.* at 17 (first citing Consent J. &
2 Injunction; and then citing 9/1/21 Order).)

3 In rejecting S4S's unclean hands argument, Mr. Walters concluded that S4S failed
4 to "clearly show how the positions advanced before the USPTO to obtain allowance of a
5 family of patents unrelated by prosecution history to the Asserted Patents could be used
6 to support estoppel by unclean hands." (*See id.* at 45.) Mr. Walters further found that the
7 "prosecution of the application giving rise to the Pilz '389 Patent is unrelated by priority
8 claim to the Asserted Patents," "the claims at issue in the Pilz '389 Patent are for a
9 different invention and do not expressly claim an invention including an 'intumescent
10 strip,'" and it is not at all clear that "the positions taken by CEMCO during prosecution
11 of the Pilz '389 Patent directly contradict the positions taken by CEMCO regarding the
12 interpretation of 'intumescent strip' in this litigation." (*See id.* at 45-46.)

13 After a de novo review of the record, the court agrees with Mr. Walters's
14 reasoning and conclusions and independently rejects S4S's arguments regarding whether
15 the injunction is enforceable against it for the reasons that Mr. Walters did.²⁹ (*See R&R*
16 at 11, 14-17, 45-46.) Therefore, the court OVERRULES S4S's objections regarding
17 enforceability and ADOPTS Mr. Walters's recommendation as to this issue.

18 //

19
20 ²⁹ While Mr. Walters's report and recommendation did not directly address S4S's
21 arguments regarding whether the '389 Patent's subject matter is the same as the Patents in this
22 case for the purpose of determining a violation of the USPTO Manual, and if so, whether a
failure to disclose this litigation to the USPTO constituted inequitable conduct that spread to this
litigation (*see R&R* at 45-46; S4S Obj. at 8-9), the court finds these arguments insufficient to
invalidate Mr. Walters's reasoning and conclusion regarding S4S's unclean hands argument.

C. S4S and Defendants' Objections to Mr. Walters's *TiVo* Analysis

The court begins by discussing Defendants' objections regarding Mr. Walters's colorable difference analysis and then turns to address S4S and Defendants' objections regarding Mr. Walters's infringement analysis.

1. Defendants' Objections to Mr. Walters's Colorable Difference Analysis

In his report and recommendation, Mr. Walters concluded that the FRG Strip when applied to the outer surface of the sidewall of a U-shaped track—i.e., the FRG Frame's DL or DSL track profiles—is not more than colorably different from enjoined SSR products. (*See* R&R at 17-24.) He rejected Defendants and S4S's argument that "changes to Safti-Strip's foam and adhesive layers as embodied in the modified FRG Strip product are significant rendering the modified product more than colorably different from the enjoined Safti-Strip product." (*See id.* at 19-23 (first citing S4S Contempt Resp. at 32; and then citing Defs. Contempt Resp. at 14).) In rejecting their argument, Mr. Walters reviewed the underlying infringement litigation to determine the disputed claim limitations—namely, the terms "intumescent strip" and "affixed . . . on . . . the outer sidewall surface"—and corresponding elements of the SSR products, noting that:

the fact that Safti-Strip included a foam layer and the fact that that foam layer was interposed between an intumescent substance and the outer surface of the track's sidewall provided no grounds for non-infringement of the asserted claims. Similarly, the existence of an adhesive layer or its composition could not have brought Safti-Strip outside the scope of the asserted claims.

(*Id.* at 20-21 (first citing 8/15/19 Order; then citing 4/17/19 Order; then citing 11/20/18 Order; and then citing 11/22/19 Clar. Order (Dkt. # 134).)

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1 “[B]ecause the court’s rulings provided that Safti-Strip’s foam and adhesive layers
 2 do not matter for infringement purposes,” Mr. Walters concluded that “any alleged
 3 enhanced functionality of the FRG Strip provided by the foam or adhesive layer fails to
 4 raise ‘a fair ground of doubt as to whether [the FRG Strip] infringes,’ so long as the other
 5 elements of the asserted claims continue to be met.” (*See id.* at 21-22 (quoting *TiVo*, 646
 6 F.3d at 882).) He further concluded that “the record shows no other modifications made
 7 by Klein or S4S that might serve to bring FRG Strip outside of the scope of the asserted
 8 claims.”³⁰ (*See id.*; *see also id.* at 19 (finding that the FRG Strip uses the same
 9 intumescent material made by RectorSeal as Safti-Strip did and that the formulation for
 10 that material remains unchanged (first citing Klein Dep. at 34:23-35:3, 46:21-25,
 11 240:20-21, 241:3-242:16; then citing Sydry Dep. at 50:6-8; then citing 9/8/21 Pilz Decl.
 12 ¶ 43, Ex. 33 at 2; and then citing 9/8/21 Trojan Decl. ¶ 43, Ex. 42)).)

13
 14
 15 ³⁰ In support of this conclusion, Mr. Walters determined that “no evidence suggests that
 16 the DL or DSL track profiles were modified” and a “comparison of the enjoined Safti-Frame’s
 17 DL and DSL profiles with the FRG Frame’s DL and DSL profiles show no changes in track
 18 profile or position for the intumescent strip.” (*See id.* at 23-24 (first citing 10/11/21 Klein Decl.
 19 ¶ 15; then citing 9/8/21 Pilz Decl. ¶¶ 25-29, Exs. 16-20; and then citing 5/10/19 Trojan Decl., Ex.
 20 14 at 9-11).) He also rejected Defendants and S4S’s argument that the FRG Strip’s larger width,
 21 which may lead it to cover more area of the track, render the FRG products more than colorably
 22 different than the SSR products. (*See id.* (first citing S4S Contempt Resp. at 47; and then citing
 Defs. Contempt Resp. at 21); *see also id.* (noting that the definition of the “Accused Products”
 and claim 1 of each of the Patents are not as limited as Defendants and S4S suggest regarding
 where the “intumescent strip” may be positioned on the outer surface of the sidewall of a
 U-shaped track or how much of that sidewall it may cover).)

20 Defendants do not object to, and thus the court need not review de novo, this portion of
 21 Mr. Walters’s colorable difference analysis. *See* Fed. R. Civ. P. 53(f)(3)-(4); (*see also* R&R at
 22 23-24; Defs. Obj. at 10-11). The court has examined the record before it and finds Mr. Walters’s
 reasoning pertaining to this portion of the colorable difference analysis persuasive in light of that
 record. Accordingly, the court adopts this unchallenged portion of the report and
 recommendation. (*See* R&R at 23-24.)

1 Defendants argue that Mr. Walters erred in finding that the FRG Strip is not more
2 than colorably different from the Safti-Strip because Plaintiffs failed to produce clear and
3 convincing evidence to support such a finding. (*See* Defs. Obj. at 10-11.) Specifically,
4 they claim that Plaintiffs needed to produce a chemical analysis of the FRG Strip
5 showing that its chemical composition falls within the same chemical ranges as the
6 Safti-Strip. (*See id.* (claiming that a chemical analysis “is customary in chemical patent
7 infringement cases”); *see also* Defs. Reply at 6.) In support of this argument, Defendants
8 state that the FRG Strip’s composition is more than 50% different than the Safti-Strip’s
9 because of its different foam and adhesive layers, and that this difference “affects the
10 percentage of the strip by weight” as is claimed in claim 1 of the ’314 Patent. (*See id.*
11 (discussing the chemical composition limitations in claim 1 of the ’314 Patent, which is
12 the only claim of the Patents that specifies a chemical composition); *see also* Defs. Reply
13 at 6 (same).) Thus, they contend that “it is entirely possible – even likely – that the FRG
14 strip uses the same intumescent material as Safti-Strip but does not fall within the same
15 chemical ranges as Safti-Strip.” (*See* Defs. Obj. at 10-11.)

16 The court, after a de novo review, concurs with Mr. Walters’s conclusion that the
17 FRG Strip is not more than colorably different than the Safti-Strip when applied to the
18 outer surface of the sidewall of a U-shaped track. (*See* R&R at 17-24.) An accused
19 product is not more than colorably different from an enjoined product if it is substantially
20 equivalent to the enjoined product. *See Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*,
21 No. 3:02-CV-0134, 2013 WL 1149230, at *3 (M.D. Pa. Mar. 19, 2013); *see also Merial*
22 *Ltd.*, 681 F.3d at 1300-01. An accused device is the “substantial equivalent” of an

1 enjoined device if it performs substantially the same function in substantially the same
2 way with substantially the same result. *See Brilliant Instruments, Inc. v. GuideTech,*
3 *LLC*, 707 F.3d 1342, 1347 (Fed. Cir. 2013); *see also Proveris*, 739 F.3d at 1371 (finding
4 no colorable difference where “it is not at all clear from the record whether . . . [the]
5 purported change actually had any effect” and the products are “functionally identical”).
6 The significance of the differences between the products is a question of fact and is
7 dependent on the nature of the products at issue. *TiVo*, 646 F.3d at 882-83.

8 In concluding that the FRG Strip is not more than colorably different than the
9 Safti-Strip, Mr. Walters rejected Defendants and S4S’s arguments that RectorSeal might
10 have reformulated its intumescent material “during the time in between settlement in
11 2019 and when S4S started selling FRG Strip in April 2020,” finding that the “evidence
12 does not suggest that it did or that [Mr.] Klein intended to order a different intumescent
13 material from RectorSeal for the FRG Strip.” (*See* R&R at 19 (first citing Klein Dep. at
14 34:23-35:3, 46:21-25, 240:20-21, 241:3-242:16; then citing Sydry Dep. at 50:6-8; then
15 citing 9/8/21 Pilz Decl. ¶ 43, Ex. 33 at 2; and then citing 9/8/21 Trojan Decl. ¶¶ 26, 43,
16 Exs. 25, 42)).) The court finds Mr. Walters’s reasoning persuasive in light of the record
17 and independently concludes that it is “highly probable” that the chemical composition of
18 the FRG Strip’s intumescent material remains the same as the Safti-Strip’s intumescent
19 material.³¹

20
21 ³¹ While the chemical composition limitation was not the focus of the underlying
22 litigation, Defendants admitted that the enjoined SSR products met each of the limitations of the
asserted claims in the asserted Patents, including the chemical composition limitations specified
in claim 1 of the ’314 Patent, when they entered into the consent judgment and injunction. (*See*

Moreover, the court agrees with Plaintiffs' contention that "[e]ven if the chemical composition of the FRG Strip is different from the Safti-Strip, it would still not rise to the level of being 'colorably different.'" (Pls. Resp. to Defs. at 11-12.) The court finds, as Mr. Walters did, that Plaintiffs demonstrated by clear and convincing evidence that the FRG Strip when applied to the outer surface of the sidewall of a U-shaped track performs substantially the same function in substantially the same way with substantially the same result as the enjoined SSR products—i.e., that they are not more than colorably different. (See R&R at 17-24.) Further supporting this conclusion are the numerous unchallenged factual findings that Mr. Walters relied on to support his colorable difference analysis such as "Defendants' several admissions of FRG Strip's interchangeability with Safti-Strip and that the transition to FRG Strip was just a rebrand of the product name." (See R&R at 17-18, 22-24; *see also* 9/8/21 Trojan Decl. ¶ 14, Ex. 13 ("FRG looks, feels, works, and comes in the same roll quantity as current Safti-Strip," and "FRG can be used to replace current Safti-Strip material product going forward."); *id.* ¶ 20, Ex. 19 ("[W]e are changing the names or [sic] our roll or strip stock to FRG (fire Rated Gasket)."); Sydry Dep. at 277:4-6 (testifying that the FRG Strip and Safti-Strip are interchangeable); Klein Dep. at 128:15-21 (same)); *see also Merial Ltd.*, 681 F.3d at 1300-01 (finding the

Consent J. & Injunction ("Judgment is entered against Defendants and in favor of Plaintiffs on Plaintiffs' claims that the Accused Products infringe the Asserted Patents.")); *see also Merial Ltd.*, 681 F.3d at 1300 ("[W]hen . . . infringement has been established through default, the judgment is no less binding or authoritative simply because comprehensive and painstaking factual analyses regarding every claim limitation may have been unnecessary or impractical at the time of the initial decision. As such, whether or not the default order here included an exhaustive infringement analysis, it necessarily and conclusively established that [accused product] met each limitation recited in the asserted claims of the '329 patent.").

1 newly accused product not more than colorably different from the infringing product
 2 because the two ingredients were interchangeable and “replacing one for another in any
 3 such pest control composition would not amount to a colorable difference”). Similarly
 4 supporting this conclusion is the fact that “UL did not require new fire testing when
 5 changing the references on the approved UL listings from Safti-Strip and Safti-Frame to
 6 FRG products,” which “provid[es] evidence that UL did not consider the change
 7 significant enough to require additional testing.”³² (See R&R at 22 (first citing Klein
 8 Dep. at 191:6-193:14, 228:2-229:25; then citing 9/28/21 Trojan Decl., Ex. 26 at 006400,
 9 006410; and then citing *id.*, Ex. 27 at UL 402).)

10 Accordingly, the court OVERRULES Defendants’ objections (*see* Defs. Obj. at
 11 10-11) and ADOPTS Mr. Walters’s recommendation that the court find that the “FRG
 12 Strip when applied to the outer surface of the sidewall of U-shaped track is not more than
 13 colorably different from the Accused Products as defined in the injunction” (*see* R&R at
 14 25).

15 2. S4S and Defendants’ Objections to Mr. Walters’s Infringement Analysis

16 S4S and Defendants object to Mr. Walters’s recommendation that the court find
 17 S4S and Mr. Klein “in contempt for inducing infringement in violation of the agreed
 18 injunction through sales of the FRG Strip.” (See R&R at 3, 36-44; Defs. Obj. at 1, 3-11;
 19 S4S Obj. at 3, 10-12.) Specifically, S4S and Defendants object to Mr. Walters’s
 20 conclusion that there is clear and convincing evidence of direct infringement by S4S’s
 21

22 ³² Defendants do not challenge this finding. (*See generally* Defs. Obj.)

1 customers and that S4S and Mr. Klein took steps to induce infringement with the
2 requisite intent. (See R&R at 3, 36-44; Defs. Obj. at 1, 3-11; S4S Obj. at 3, 10-12.)

3 While Mr. Walters does not explicitly state the specific claims of the Patents that
4 S4S's customers directly infringed on in his conclusion, he discusses Plaintiffs' evidence
5 of direct infringement by S4S's customers of claim 1 of the '314 Patent, claim 1 of the
6 '365 Patent, claim 1 of the '718 Patent, claim 1 of the '526 Patent, claim 6 of the '314
7 Patent, and claim 12 of the '718 Patent in this section of his report and recommendation.
8 (See R&R at 36-44.) Earlier in the report and recommendation, however, Mr. Walters
9 concluded that neither claim 6 of the '314 Patent nor claim 12 of the '718 Patent "may
10 serve as the basis for a finding of contempt on Plaintiffs' pending motion." (See R&R at
11 30-31.) Accordingly, the court finds that Mr. Walters limited his conclusions regarding
12 induced infringement to claim 1 of the '314 Patent, claim 1 of the '365 Patent, claim 1 of
13 the '718 Patent, and claim 1 of the '526 Patent, and thus, the court also limits its
14 discussion and conclusion regarding induced infringement to those four claims.

15 To hold a defendant liable for induced infringement, the plaintiff must show that at
16 least one third party engaged in direct infringement and that the defendant "took an
17 affirmative act to encourage [direct] infringement with the knowledge that the induced
18 acts constitute patent infringement." *Power Integrations, Inc. v. Fairchild Semiconductor*
19 *Int'l, Inc.*, 843 F.3d 1315, 1332 (Fed. Cir. 2016) (quoting *Astornet Techs. Inc. v. BAE*
20 *Sys., Inc.*, 802 F.3d 1271, 1279 (Fed. Cir. 2015)); see also *Glob.-Tech Appliances, Inc. v.*
21 *SEB S.A.*, 563 U.S. 754, 766 (2011); *Arlington Indus.*, 2013 WL 1149230, at *14
22 (requiring plaintiffs to prove direct and indirect infringement by clear and convincing

1 evidence in a contempt proceeding). Below, the court begins by addressing S4S and
2 Defendants' objections to Mr. Walters's findings regarding Mr. Klein and S4S's intent to
3 induce and affirmative acts of inducement before turning to their objections regarding his
4 finding of direct infringement by S4S's customers.³³

5 *a. Mr. Klein and S4S Intent to Induce*

6 In concluding that there is clear and convincing evidence that Mr. Klein and S4S
7 intentionally took steps to induce infringement of the Patents, Mr. Walters relied on
8 evidence of the following conduct: (1) providing instructions on S4S's website showing
9 how to use the FRG Strip in an infringing manner; (2) recommending the application of
10 the FRG Strip to U-shaped track in advertising and promotional literature;
11 (3) maintaining on its website an instructional video illustrating how an intumescent strip
12 is applied to a U-shaped track and how that track may be used to complete UL-certified
13 wall assemblies; (4) sending emails recommending use of the FRG Strip in an infringing
14 manner on a U-shaped track; (5) explicitly recommending that customers apply FRG
15 Strip on U-shaped tracks in head-of-wall applications and instructing them to apply the
16 strip "tight against the substrate [such as a ceiling] before you put pressure on it" to apply
17 it to the flange of the track; and (6) regularly providing engineering judgments in which
18 they recommend customers install FRG Strip on the upper sidewall portions of U-shaped
19 tracks as part of firestopping wall assemblies. (See R&R at 37-38 (first citing 9/8/21 Pilz

20
21 ³³ The court discusses the objections in this order because Mr. Walters addressed Mr.
22 Klein and S4S's intent and acts of inducement before discussing the evidence of direct
infringement by S4S's customers. (See generally R&R at 36-44.)

1 Decl. ¶¶ 115, 117-19, Exs. 102, 104-06; then citing 9/8/21 Trojan Decl. ¶¶ 39, 46-47,
2 49-51, 53, Exs. 38, 45-46, 48-50, 52; and then citing Klein Dep. at 231:1-234:13).)

3 Defendants and S4S argue that Plaintiffs failed to prove intent to induce and acts
4 of inducement by clear and convincing evidence because the circumstantial evidence that
5 Plaintiffs submitted in support of their induced infringement claim do not require S4S's
6 customers use the FRG Strip in an infringing manner. (*See* Defs. Obj. at 4-9; Defs. Reply
7 at 2-6; S4S Obj. at 11-12; S4S Reply at 4-6.) In their objections, Defendants contend that
8 the UL listings Mr. Walters relied on to find inducement are insufficient because they
9 "could be construed to describe a product that might violate the injunction, but they can
10 also be construed to describe a product that does not offend the injunction, because the
11 injunction applies only to track profiles that are 'U-shaped.'" (*See* Defs. Reply at 2-4.)
12 Similarly, Defendants argue that the emails Mr. Walters relied on do not establish intent
13 to induce or acts of inducement because they are "too vulnerable to interpretation, they
14 do not require infringement, and they show no culpable action by Mr. Klein." (*See id.* at
15 4-5.) For its objections, S4S relies on Mr. Walters's finding that Plaintiffs failed to
16 establish that the FRG products have no substantial non-infringing uses³⁴ as proof that
17 Mr. Walters could not find by clear and convincing evidence that a customer applied the
18 FRG in an infringing manner, and thus he could not conclude that S4S or Defendants
19 made a "successful communication" to a third-party direct infringer. (*See* S4S Obj. at
20

21 ³⁴ As Mr. Walters clarifies in the conclusion section of the report and recommendation,
22 his "recommendation against a finding of contempt based on contributory infringement should
not be misconstrued as a finding that these products have substantial [non]infringing uses, only
that there has been a failure of proof on that point." (*See* R&R at 46-47.)

1 11-12 (citing *Power Integrations*, 843 F.3d at 1331).) Defendants and S4S made
2 essentially the same arguments before Mr. Walters regarding the insufficiency of
3 Plaintiffs' evidence of intent to induce and acts of inducement. (*See* Defs. Contempt
4 Resp. at 23-28; S4S Contempt Resp. at 45-49.)

5 The court, after a de novo review, rejects Defendants and S4S's objections and
6 concurs with Mr. Walters's conclusion that there is clear and convincing evidence Mr.
7 Klein and S4S knowingly induced infringement of claim 1 of the '314 Patent, claim 1 of
8 the '365 Patent, claim 1 of the '718 Patent, and claim 1 of the '526 Patent for the reasons
9 stated in Mr. Walters's report and recommendation. (*See* R&R at 37-38.) In addition to
10 the requirement that there must be a third-party direct infringer, a plaintiff seeking to
11 establish induced infringement must show that the accused infringer took affirmative
12 steps to encourage others to infringe, had knowledge of the patent(s), and knew or should
13 have known their actions would influence actual infringement. *See Lucent Techs., Inc. v.*
14 *Gateway, Inc.*, 580 F.3d 1301, 1321-22 (Fed. Cir. 2009) (stating that a plaintiff may
15 prove the intent element through circumstantial evidence, just as with direct
16 infringement³⁵ (citing *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377
17 (Fed. Cir. 2005))); *Power Integrations*, 843 F.3d at 1331 (noting that liability for induced
18 infringement requires acts of inducement, which means "successful communication
19 between the alleged inducer and the third-party direct infringer"). In a contempt
20

21 ³⁵ While S4S implies that circumstantial evidence is insufficient to prove intent under the
22 clear and convincing standard in a contempt proceeding (*see* S4S Obj. at 11), it points to no
Federal Circuit case law, or other case law, that stands for such a proposition.

1 proceeding, the plaintiff must prove by clear and convincing evidence that the accused
2 infringer had the specific intent to induce and took affirmative steps to encourage
3 infringement. *See TiVo*, 646 F.3d at 883; *see also Colorado*, 467 U.S. at 316 (stating that
4 “clear and convincing” evidence shows that the truth of the asserted factual contentions is
5 “highly probable”). One can induce infringement by providing instructions
6 recommending the use of the accused product in an infringing manner. *See, e.g., Toshiba*
7 *Corp. v. Imation Corp.*, 681 F.3d 1358, 1364-66 (Fed. Cir. 2012). Similarly, advertising
8 or promoting the use of an infringing product can also support an inducement finding.
9 *See, e.g., Lucent*, 580 F.3d at 1322-23.

10 There is no dispute that Defendants and S4S had knowledge of the CEMCO
11 Patents, as Mr. Klein is the inventor and S4S has been held to be legally identified with
12 Safti-Seal. (*See* 9/8/21 Trojan Decl., Exs. 1-4 (the Patents); 9/1/21 Order.) Furthermore,
13 it is clear that Defendants and S4S knew that they were prohibited from infringing the
14 Patents by inducing others to, among other things, make any enjoined SSR product—i.e.,
15 a “(1) Safti-Frame with an intumescent strip on the surface of a sidewall of a U-shaped
16 track, and (2) Safti-Strip if applied to the outer surface of a sidewall of a U-shaped track.”
17 (*See* Consent J. & Injunction at 2-3; *see also* 9/1/21 Order.)

18 After reviewing the injunction, Mr. Sydry admitted that he and Mr. Leszek made
19 sure that “S4S did not sell any [products with] FRG [Strip] applied to U-shaped track.”
20 (*See* 10/8/21 Sydry Decl. ¶ 7.) Rather than continuing to sell the FRG Strip
21 factory-applied to the U-shaped track, S4S sells the FRG Strip in roll form to its
22 customers while S4S and Mr. Klein encourage S4S’s customers to apply the FRG Strip to

1 the outer sidewall surface of a U-shaped track. (*See generally* R&R at 36-44.) For
2 example, S4S advertises the FRG Strip applied to the outer sidewall surface of a
3 U-shaped track on its website and in promotional literature and maintains an instructional
4 video on its website illustrating how an intumescent strip is applied to a U-shaped track
5 and how that track may be used to complete UL-certified wall assemblies. (*See* 9/8/21
6 Trojan Decl., Exs. 36, 52; 9/8/21 Pilz Decl., Exs. 102, 104, 106; Sydry Dep. at 118:17-21,
7 128:24–129:7.) Similarly, Mr. Klein and S4S provide S4S’s customers with engineering
8 judgments that direct the client to apply the FRG Strip, as illustrated in the engineering
9 judgment, to the outer sidewall surface of a U-shaped track as part of firestopping wall
10 assemblies. (*See* 9/8/21 Trojan Decl., Exs. 48-50.) Mr. Klein, on behalf of S4S, also
11 sends emails to S4S’s customers directing them to S4S’s “most common” UL listing
12 item, which features a U-shaped track, and describing the size of FRG Strip that a client
13 would need to attach to their U-shaped track to create their wall assembly. (*See* 9/8/21
14 Trojan Decl., Exs. 45-46; Klein Dep. at 231:1-234:13.) Thus, considering the evidence
15 in the record, the court finds that it is “highly probable” that Mr. Klein and S4S intended
16 to induce infringement of the Patents through their sales of the FRG Strip and, among
17 other things, the statements and illustrations contained on S4S’s website, in S4S’s
18 advertisements and promotional literature, and in Mr. Klein’s emails and engineering
19 judgments.³⁶

21 ³⁶ The court’s conclusion remains the same even if it were to apply the standard that S4S
22 provides for when circumstantial evidence can be used to prove intent by clear and convincing
evidence in an inequitable conduct claim; namely, that the evidence makes an inference of
deceptive intent the “single most reasonable inference able to be drawn from the evidence.” (*See*

1 Accordingly, the court OVERRULES Defendants and S4S's objections and
 2 ADOPTS Mr. Walters's recommendation that the court find that Plaintiffs have shown by
 3 clear and convincing evidence that Mr. Klein and S4S intentionally induced S4S's
 4 customers to infringe on claim 1 of the '314 Patent, claim 1 of the '365 Patent, claim 1 of
 5 the '718 Patent, and claim 1 of the '526 Patent.

6 *b. Direct Infringement by Customers*

7 Mr. Walters determined that there is clear and convincing evidence that at least
 8 one of S4S's customers directly infringed on the Patents by applying the FRG Strip to the
 9 outer surface of the sidewall of a U-shaped track—i.e, the DL or DSL track profiles—to
 10 be used in a wall assembly. (See R&R at 39-44.) In reaching this conclusion, he relied
 11 on the evidence that Plaintiff submitted in support of their infringement allegations,
 12 which included, among other things, exemplary claim charts that compared the
 13 limitations of claim 1 of the '314 Patent, claim 1 of the '365 Patent, claim 1 of the '718
 14 Patent, and claim 1 of the '526 Patent to various UL listings that involve the DL and DSL
 15 tracks.³⁷ (See *id.* (citing Pls. Contempt Mot. at 30-44); see also 9/8/21 Pilz Decl. ¶¶ 66,
 16 100-03, 105-09, 112, Exs. 55, 87-90, 92-96, 99 (relevant UL listings); *id.* ¶¶ 40-42, Exs.
 17 30-32 (claim charts comparing claim 1 of the '365 Patent, which inherently covers claim

18
 19
 20 S4S Reply at 6 (quoting *Cancer Rsch. Tech. Ltd. v. Barr Lab., Inc.*, 625 F.3d 724, 732 (Fed. Cir. 2010)).)

21 ³⁷ Plaintiffs' motion for contempt includes a table depicting the UL listings for each wall
 22 assembly, with their related track profiles based on the language in the listing or the tracks
 depicted in the listing, and the various claims of the Patents that the listings correspond to. (See
 Pls. Contempt Mot. at 42-44.)

1 of the '526 Patent too, to UL listings involving DL or DSL tracks); Pls. Contempt Mot. at 38-41 (including a claim chart comparing claim 1 of the '718 Patent to a UL listing involving DL or DSL tracks); *id.* at 30-31 (including a claim chart comparing claim 1 of the '314 Patent to a UL listing³⁸ involving DL or DSL tracks).)

Mr. Walters also rejected S4S and Defendants' arguments that Plaintiffs' reliance on the UL listings is insufficient to prove direct infringement by S4S's customers because "the use of a U-shaped track is merely an 'option' and that the UL listings fail to show how S4S's customers actually install the FRG Strip in the field." (R&R at 43 (first citing Defs. Contempt Resp. at 28; and then citing S4S Contempt Resp. at 45).) In rejecting that argument, he explained as follows:

[T]he UL listings along with other evidence showing S4S's continued advertisement, instruction, and illustrations showing use of FRG Strip on U-Shaped track, support an inference that customers directly infringed the Asserted Patents. In fact, based on this record it would be unreasonable to conclude that no customer actually used FRG Strip as shown in the UL listings, nor would it be reasonable on this record to conclude that no customer installed FRG Strip on the surface of the sidewall of U-Shaped track. . . . [W]hile the UL listings may not require application of the FRG Strip to a U-[s]haped track, S4S's use of the ULs along with instructions and recommendations to use the FRG Strip on a U-shaped track and in an infringing manner, make direct infringement by S4S's customers highly likely because customers are required to build according to local building codes, all of which require placement of the intumescent as shown in the ULs.

(*See id.* at 43-44.)

//

³⁸ As Mr. Walters notes, the UL listing number provided in the chart appears to be a typographical error, as he was unable to locate UL listing No. HW-D-0980, but the description in the chart corresponds with UL listing HW-D-0890. (*See* R&R at 26-27.)

Defendants and S4S argue that Mr. Walters improperly concluded that Plaintiffs established clear and convincing evidence of direct infringement by S4S's customers. (See Defs. Obj. at 5-11; S4S Obj. at 10-12.) They argue that the circumstantial evidence submitted by Plaintiffs cannot support a finding of direct infringement by S4S's customers that is "clear and convincing," as is required in this contempt proceeding. (See Defs. Obj. at 5-11; Defs. Reply at 1-6; S4S Obj. at 10-12; S4S Reply at 4-6.) Defendants contend that the circumstantial evidence Plaintiffs rely on, like the UL listings, emails, and engineering judgments, do not require customers to use the FRG Strip in an infringing manner and that infringement was merely "possible" but not "inevitable." (See Defs. Reply at 1-4.) S4S claims that because Mr. Walters found that Plaintiffs failed to carry their burden to establish that the FRG Strip has no substantial non-infringing uses,³⁹ he "could not infer that any given customer applied FRG in an infringing manner for purposes of induced infringement." (See S4S Obj. at 12; *see also* S4S Reply at 6 ("By conceding that there were substantial non-infringing uses for the products sold by S4S, it is not possible for the "single most reasonable inference" to be the use of S4S products in an infringing manner since it is just as reasonable that they be used in a non-infringing manner.").)

³⁹ As stated above, Mr. Walters did not make a finding regarding whether the FRG products have substantial [non-]infringing uses. *See supra* Section III.C.2.a. Even if Mr. Walters had made a finding regarding substantial non-infringing uses, as S4S suggests he did (see S4S Reply at 6), "[t]he existence of a substantial non[-]infringing use does not preclude a finding of inducement," *Toshiba*, 681 F.3d at 1364; *see also Vanda Pharms. Inc. v. W.-Ward Pharms. Int'l Ltd.*, 887 F.3d 1117, 1133 (Fed. Cir. 2018) ("Accordingly, even if the proposed ANDA product has 'substantial non[-]infringing uses' West-Ward may still be held liable for induced infringement.").

1 The court, after a de novo review, concurs with Mr. Walters that there is clear and
2 convincing evidence that S4S's customers directly infringed on claim 1 of the '314
3 Patent, claim 1 of the '365 Patent, claim 1 of the '718 Patent, and claim 1 of the '526
4 Patent. (*See* R&R at 39-44.) Direct infringement exists when the accused product meets
5 every limitation recited in an asserted claim. *R-BOC Representatives, Inc. v. Minemyer*,
6 233 F. Supp. 3d 647, 675 (N.D. Ill. 2017) (citing *Akzo Nobel Coatings, Inc. v. Dow*
7 *Chem. Co.*, 811 F.3d 1334, 1341 (Fed. Cir. 2016)), *aff'd*, 726 F. App'x 821 (Fed. Cir.
8 2018). Direct infringement, particularly within the context of an allegation of
9 inducement, may be proven by circumstantial evidence. *Toshiba*, 681 F.3d at 1364-66
10 (concluding that "where an alleged infringer designs a product for use in an infringing
11 way and instructs users to use the product in an infringing way, there is sufficient
12 evidence for a jury to find direct infringement"). Circumstantial evidence must show that
13 at least one person directly infringed an asserted claim during the relevant time period.
14 *See Lucent*, 580 F.3d at 1317. Thus, to prove direct infringement in a contempt
15 proceeding, the circumstantial evidence must establish that it is "highly probable" that at
16 least one person directly infringed on an asserted claim to satisfy the clear and convincing
17 standard. *See TiVo*, 646 F.3d at 883; *see also Pfizer*, 480 F.3d at 1360; *Colorado*, 467
18 U.S. at 316.

19 As a threshold matter, the court has thoroughly examined the record and finds Mr.
20 Walters's reasoning regarding his determination that the limitations of claim 1 of the '314
21 Patent, claim 1 of the '365 Patent, claim 1 of the '718 Patent, and claim 1 of the '526
22 Patent are met when a customer builds a wall assembly in accordance with a UL listing

1 covering U-shaped tracks persuasive in light of the record.⁴⁰ (See R&R at 26-28
2 (discussing the limitations of claim 1 of the '314 Patent); *id.* at 39-44 (discussing the
3 limitations of claim 1 of the '365 Patent, claim 1 of the '718 Patent, and claim 1 of the
4 '526 Patent).) To the extent Defendants' objections regarding colorable differences can
5 also be read as arguing that it is necessary to compare the FRG Strip's chemical
6 composition to the chemical composition limitations described in the claim 1 of the '314
7 Patent in order to establish direct infringement (*see* Defs. Obj. at 10-11; Defs. Reply at
8 6), the court rejects Defendants' objections as to this issue. Mr. Walters rejected
9 Defendants' argument regarding a failure of proof on the chemical composition limitation
10 of claim 1 of the '314 Patent in his report and recommendation, finding that the evidence
11 does not suggest that RectorSeal reformulated the intumescent material, and thus it still
12 meets the specific weight limitations in that claim. (See R&R at 19, 27-28); *see also*
13 *supra* Section III.C.1 (adopting Mr. Walters's reformulation finding). Moreover, while
14 Mr. Klein seems to argue that the chemical composition weight limitations apply to the
15 entire composition of the intumescent strip (including the adhesive and foam layers),
16 reading the limitation in that manner would take the court's claim construction out of
17 context and be inconsistent with the rest of the '314 Patent. A person of ordinary skill in
18 the art reading the claim term in the context of the entire patent, *see Phillips v. AWH*
19 *Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005), would understand the weight percentages to

21 ⁴⁰ Because the injunction is limited to continued acts of direct and indirect infringement
22 involving a "U-shaped track" (*see* Consent J. & Injunction at 2-3), the infringement analysis is
limited to only the U-shaped tracks, rather than all track profiles.

1 apply only to the intumescent material. That is because the preferred embodiments in the
2 '314 Patent discuss the weight of the intumescent strip solely in relation to the weight of
3 the components of the intumescent material before the intumescent material is turned into
4 a solid and combined with any additional layers, like foam or adhesive. (*See* 9/8/21
5 Trojan Decl., Ex. 3 (defining the relative weights of the ingredient components to the
6 intumescent material as a recipe for producing a mixture which will meet specific
7 performance criteria when exposed to heat)); *see also Vitronics Corp. v. Conceptronic,*
8 *Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996) (noting that an interpretation of a claim term
9 that excludes a preferred embodiment is “rarely, if ever, correct”).

10 The court now turns to the evidence that at least one of S4S's customers directly
11 infringed on the Patents by building a wall assembly, and thus applying the FRG Strip to
12 the outer sidewall surface of a U-shaped track, in accordance with the relevant UL listing.
13 The court finds Mr. Walters's reasoning regarding his rejection of Defendants and S4S's
14 arguments challenging the circumstantial evidence that Plaintiffs rely on to prove direct
15 infringement (*see* R&R at 43-44), which are essentially the same arguments that
16 Defendants and S4S raise in their objections, persuasive in light of the record in this
17 matter.⁴¹

18 While the UL listings do not explicitly require only a DL or DSL track, most of
19 the UL listings that Plaintiffs characterize as covering the DL and DSL tracks and claim 1
20

21 ⁴¹ Although Mr. Walters used the language “highly likely” instead of “highly probable”
22 in reaching his conclusion regarding direct infringement by S4S's customers (*see* R&R at 44),
the court finds that his reasoning is still just as persuasive.

1 of each of the Patents (*see* Pls. Contempt Mot. at 42-44) illustrate and describe a possible
 2 wall assembly configuration that includes FRG Strip attached to the upper outer sidewall
 3 surface of a U-shaped track. (*See, e.g.*, 9/8/21 Pilz Decl., Exs. 55, 87, 90, 93-94, 96, 99.)
 4 Moreover, each UL listing requires the intumescent “strip” or “gasket”—i.e., the FRG
 5 Strip—to be affixed on the upper portion of the metal track, and most of the relevant UL
 6 listings explicitly illustrate the strip as affixed to the upper outer sidewall surface of the
 7 metal track. (*See id.* ¶¶ 9-10; *see also id.*, Exs. 55, 87-88, 90, 93-96.) Further, the UL
 8 listings are used by S4S in conjunction with the emails and engineering judgments sent
 9 by Mr. Klein to customers and the illustrations and instructions maintained on S4S’s
 10 website and its promotional literature, all showing or recommending the application of
 11 the FRG Strip to the outer surface of a U-shaped track. (*See* 9/8/21 Trojan Decl., Exs. 36,
 12 45-46, 48-50, 52; 9/8/21 Pilz Decl., Exs. 102, 104, 106; Sydry Dep. at 118:17-21,
 13 128:24-129:7; Klein Dep. at 231:1-234:13.) “Indeed, according to the Asserted Patents,
 14 the U-shaped track profile is the most common track profile.” (*See* R&R at 43 (citing
 15 9/8/21 Trojan Decl., Ex. 1 at Col. 1:42-46); *see also* 9/8/21 Trojan Decl., Ex. 2 at Col.
 16 1:33-35, 1:42-46; *id.*, Ex. 3 at Col. 1:35-37, 1:45-49; *id.*, Ex. 4 at Col. 1:36-38, 1:46-50.)
 17 Considering the UL listings in conjunction with S4S’s advertisements, instructions,
 18 illustrations, and recommendations showing the use of the FRG Strip on a U-shaped
 19 track, as well as the fact that “customers are required to build according to local building
 20 codes, . . . which require placement of the intumescent as shown in the ULs,”⁴² the court

21
 22 ⁴² “Architects, specifiers, engineers, contractors, and code officials rely heavily on UL listings of building materials for demonstrating building code compliance.” (12/27/21 Trojan

1 finds that it is “highly probable” that at least one of S4S’s customers directly infringed on
 2 claim 1 of each of the Patents. (*See* R&R at 43-44.)

3 Accordingly, the court OVERRULES Defendants and S4S’s objections and
 4 ADOPTS Mr. Walters’s recommendation that the court find that Plaintiffs have shown by
 5 clear and convincing evidence that at least one of S4S’s customers directly infringed on
 6 claim 1 of the ’314 Patent, claim 1 of the ’365 Patent, claim 1 of the ’718 Patent, and
 7 claim 1 of the ’526 Patent.

8 In sum, the court finds by clear and convincing evidence that: (1) the FRG Strip is
 9 not more than colorably different than the enjoined Safti-Strip when applied to the outer
 10 surface of the sidewall of U-shaped track; (2) the FRG Strip meets the limitations of
 11 claim 1 of the ’718 Patent, claim 1 of the ’314 Patent, claim 1 of the ’365 Patent, and
 12 claim 1 of the ’526 Patent; and (3) that Mr. Klein and S4S induced infringement of those
 13 four claims. Therefore, the court holds Mr. Klein and S4S in contempt for violating the
 14 January 3, 2020 permanent injunction (Dkt. # 164).

15 **D. The Damages Phase of this Contempt Proceeding**

16 In the conclusion section of his report and recommendation, Mr. Walters states the
 17 following regarding the damages phase of this proceeding:

18 Insofar as this finding [of contempt based on inducing infringement] is based
 19 on S4S’s and Klein’s advertising, promotion, instructions, and engineering
 judgments, all recommending use of the FRG Strip by placing it on the outer

20 _____
 21 Decl. ¶ 9, Ex. E (“Walke Decl.”) ¶ 5, Ex. 1 at 2 (filing Mr. Walke’s declaration separately under
 22 seal at docket entry 278 (*see* Walke Decl. (Dkt. # 278 (sealed)))). “Manufacturers marketing
 building materials to the construction industry likewise rely heavily on UL certifications because
 such listings provide manufacturers an easy path to market acceptance of their products.”
 (Walke Decl. at 2.)

1 surface of the sidewall of a U-Shaped track, discovery related to damages
2 and remedies, which was bifurcated from liability discovery in these
3 proceedings (Dkt. No. 253), should focus on the impact and extent of this
4 conduct as it relates to direct infringement by S4S's customers. Discovery
5 related to remedies, damages, and any further enforcement proceedings
6 should also take into consideration the extent to which FRG Strip and S4S's
U-shaped metal framing products have substantial non-infringing
uses. . . . [F]urther discovery and briefing is warranted regarding whether
and to what extent S4S may continue to sell FRG Strip in roll form and
U-shaped metal track products, absent the affirmative acts found to induce
direct infringement.

7 (R&R at 46-47.) S4S objects to this conclusion "to the extent that it suggested that
8 'discovery and briefing' remain open on the liability issues in these proceedings." (*See*
9 S4S Obj. at 12 n.4.) To the extent that any of Mr. Walters's suggestions can be read as
10 leaving discovery and briefing open on liability issues—instead of simply suggesting
11 areas for discovery and briefing in relation to the damages phase—the court rejects them
12 as inconsistent with the court's bifurcation order. (*See generally* 9/8/21 Order.)

13 The court's September 8, 2021 bifurcation order expressly allowed the parties to
14 engage in supplemental discovery related to damages if the court finds contempt. (*See id.*
15 at 2.) The court's bifurcation order also dictated that the parties would proceed to the
16 damages phase if contempt was found. (*See id.* at 2-3.) Because the court has found Mr.
17 Klein and S4S in contempt, the court ORDERS the parties to meet and confer by
18 February 28, 2022 and submit by March 7, 2022 a joint status report setting forth a
19 proposed schedule regarding how to proceed with the damages phase.⁴³ The court directs
20

21 ⁴³ The court's bifurcation order provides that the parties shall meet and confer within
22 seven (7) days of the order finding contempt and submit within fourteen (14) days a joint status
report setting forth a proposed schedule regarding how to proceed with the damages phase. (*See*

1 the parties to keep in mind Mr. Walters's suggestions regarding the focus of the damages
2 phase as they craft a proposed schedule and proceed with the next phase of this
3 proceeding.

4 IV. CONCLUSION

5 For the foregoing reasons, the court hereby ORDERS as follows:

6 (1) The court OVERRULES Plaintiffs, Defendants, and S4S's objections and

7 ADOPTS the report and recommendation (Dkt. # 268) in its entirety. The

8 court holds Mr. Klein and S4S in contempt for violating the January 3, 2020

9 permanent injunction (Dkt. # 164);

10 (2) The court GRANTS in part and DENIES in part Plaintiffs' motion for

11 contempt (Dkt. # 275). The court GRANTS Plaintiffs' request for a finding of

12 contempt against Mr. Klein and S4S based on induced infringement of claim 1

13 of the '718 Patent, claim 1 of the '314 Patent, claim 1 of the '365 Patent, and

14 claim 1 of the '526 Patent. The court DENIES Plaintiffs' requests for findings

15 of contempt against Defendants and S4S based on contributory and direct

16 infringement of the Patents;

17 (3) The court ORDERS the parties to meet and confer by February 28, 2022 and

18 submit by March 7, 2022 a joint status report setting forth a proposed schedule

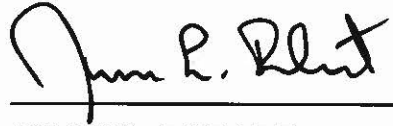
19 regarding how to proceed with the damages phase; and

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generally 9/8/21 Order.) The court, however, finds it appropriate to extend those deadlines to
accommodate any delays that counsel may experience in receiving this sealed order by mail.

1 (4) The court DIRECTS the Clerk to provisionally file this order under seal and
2 ORDERS the parties to meet and confer regarding the need for redaction of
3 this order and the report and recommendation (Dkt. # 268) and file, by March
4 7, 2022, a joint statement indicating any such need.

5 Dated this 16th day of February, 2022.

6
7 

8 JAMES L. ROBART
9 United States District Judge
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THE HONORABLE JAMES L. ROBART

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CALIFORNIA EXPANDED METAL
PRODUCTS COMPANY, a California
corporation; and CLARKWESTERN
DIETRICH BUILDING SYSTEMS LLC,
dba CLARKDIETRICH BUILDING
SYSTEMS, an Ohio limited liability
company,

Plaintiffs,

v.

JAMES A. KLEIN, an individual;
BLAZEFRAME INDUSTRIES, LTD., a
Washington company; and SAFTI-SEAL,
INC., a Washington company,

Defendants.

CASE NO. 2:18-cv-00659-JLR

**STIPULATED CONSENT JUDGMENT AND
PERMANENT INJUNCTION**

The Honorable James L. Robart
Courtroom 14106

TROJAN LAW OFFICES
BEVERLY HILLS

2:18-cv-00659-JLR

STIPULATED CONSENT JUDGMENT AND PERMANENT INJUNCTION

STIPULATION

WHEREAS, Plaintiffs California Expanded Metal Products Company (“CEMCO”) and Clarkwestern Dietrich Building Systems LLC, d.b.a. ClarkDietrich Building Systems (“ClarkDietrich”) (collectively, “Plaintiffs”), brought this action alleging patent infringement and breach of contract against Defendants James A. Klein (“Klein”), BlazeFrame Industries, Ltd. (“BlazeFrame Ind.”), and Safti-Seal, Inc.’s (“Safti-Seal”) (collectively, “Defendants”),

WHEREAS, Plaintiffs and Defendants have entered into a settlement agreement to resolve this action, and as part of that agreement, they stipulate and consent to judgment and a permanent injunction as set forth herein.

For the purposes of this Judgment and Permanent Injunction, the following definitions shall apply:

(i) “Asserted Patents” shall mean U.S. Patents No. 7,681,365 (“the ’365 Patent”), No. 7,814,718 (“the ’718 Patent”), 8,136,314 (“the ’314 Patent”), and No. 8,151,526 (“the ’526 Patent”)

(ii) “Accused Products” shall mean (1) Safti-Frame with an intumescent strip on the surface of a sidewall of a U-shaped track, and (2) Safti-Strip if applied to the outer surface of a sidewall of a U-shaped track.

Plaintiffs and Defendants, by and through their undersigned counsel, have therefore stipulated and agreed to the entry of Judgment and a Permanent Injunction against Defendants, all of their agents, servants, and employees, and all persons in active concert or participation or in privity with any of them in accordance with the following terms:

CONSENT JUDGMENT

Judgment is entered against Defendants and in favor of Plaintiffs on Plaintiffs’ claims that the Accused Products infringe the Asserted Patents.

PERMANENT INJUNCTION

1
2 1. Effective as of April 1, 2020, Defendants, any affiliated companies, and all
3 of their officers, directors, agents, servants, employees, and such other persons who
4 are in active concert or participation or in privity with any of them:

5 (a) Shall be permanently restrained and enjoined from infringing the
6 Asserted Patents, by any means, directly or indirectly, by making, having made,
7 advertising, having advertised, marketing, having marketed, offering for sale, having
8 offered for sale, selling, or having offered for sale any Accused Product;

9 (b) Shall be permanently restrained and enjoined from infringing the
10 Asserted Patents, by inducing others to make, have made, advertise, have advertised,
11 market, have marketed, offer for sale, have offered for sale, sell, or have offered for
12 sale any Accused Products;

13 (c) Shall be permanently restrained and enjoined from contributorily
14 infringing the Asserted Patents by providing Accused Product to others or by
15 assisting third parties in providing Accused Products to others; and,

16 (d) The restraints imposed by paragraphs 1(a) through (c) above shall
17 automatically dissolve upon expiration of the last of the Asserted Patents.

18 2. Defendants irrevocably and fully waive notice of entry of the Judgment
19 and Permanent Injunction, and notice and service of the entered Judgment and
20 Permanent Injunction, and understand and agree that violation of the Judgment and
21 Permanent Injunction will expose Defendant to all penalties provided by law,
22 including contempt of Court.

23 3. Defendants consent to the continuing jurisdiction of the Court for
24 purposes of enforcement of the Judgment and Permanent Injunction, and irrevocably
25 and fully waive and relinquish any argument that venue or jurisdiction by this Court
26 is improper or inconvenient. The Court shall maintain continuing jurisdiction over
27 the parties for the purpose of enforcing the final Judgment and Permanent Injunction.
28

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4. Defendants irrevocably and fully waive any and all right to appeal the Judgment and Permanent Injunction, to have it vacated or set aside, to seek or obtain a new trial thereon, or otherwise to attack in any way, directly or collaterally, its validity or enforceability.

5. Defendants acknowledge that they have read this Stipulation and Judgment and Permanent Injunction and have had it explained by counsel of their choosing, and fully understand it and agree to be bound thereby, and will not deny the truth or accuracy of any term or provision herein.

It is hereby stipulated by and between the parties to this action, through their counsel, that the Court enter this Consent Judgment and Permanent Injunction.

SO STIPULATED.

TROJAN LAW OFFICES

Date: December 16, 2019

By: /s/ R. Joseph Trojan
R. Joseph Trojan
Attorneys for CEMCO

FROST BROWN TODD LLC

Date: December 16, 2019

By: /s/ Ann G. Schoen
Ann G. Schoen
Attorneys for CLARKDIETRICH

HOLLYSTONE LAW

Date: December 16, 2019

By: /s/ Patrick C. Bageant

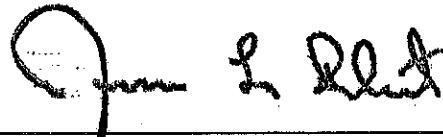
Patrick C. Bageant
Attorneys for Defendants

ORDER

Good cause appearing, the Court hereby adopts and enters the Stipulated
Consent Judgment and Permanent Injunction.

IT IS SO ORDERED.

Date: January 3rd, 2020



Hon. James L. Robart
United States District Court Judge

TROJAN LAW OFFICES
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