

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.

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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
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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

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 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.)

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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:

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 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
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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
 20 ²⁷ In support of their allegations of direct infringement by Defendants and S4S of claim 1
 21 of the '314 Patent, Plaintiffs submitted an exemplary claim chart comparing the DSL track
 22 profile to claim 1 of the '314 Patent. (See Pls. Contempt Mot. at 30-32.) They then noted that
 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”).)

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

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

20
21 ²⁸ Although the VT track has a planar top and two equally tall planar legs, the width of
22 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.

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

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

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

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

17 the fact that Safti-Strip included a foam layer and the fact that that foam layer
18 was interposed between an intumescent substance and the outer surface of
19 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.

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

22 //

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

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

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.)

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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

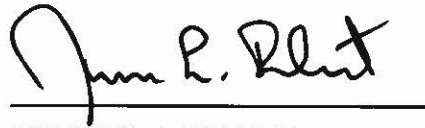
19 regarding how to proceed with the damages phase; and

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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.

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8 JAMES L. ROBART
9 United States District Judge
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