

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

**IN RE: CALIFORNIA EXPANDED METAL
PRODUCTS CO.,
*Defendant-Appellant***

2023-1140

Appeal from the United States District Court for the
Central District of California in No. 2:20-cv-10409-MCS-
JEM, Judge Mark C. Scarsi.

Decided: March 20, 2024

RAYMOND JOSEPH TROJAN, Trojan Law Offices, Beverly
Hills, CA, argued for appellant. Also represented by DYLAN
C. DANG.

Before DYK, MAYER, and TARANTO, *Circuit Judges*.
TARANTO, *Circuit Judge*.

California Expanded Metal Products Co. (CEMCO)
owns several patents that describe and claim fire-retardant
head-of-wall assemblies. In 2020, Seal4Safti, Inc. filed an
action in district court seeking a declaratory judgment of
noninfringement, unenforceability, and invalidity of sev-
eral of those patents, and CEMCO filed affirmative

defenses and counterclaims for patent infringement. In a 2022 trial, a jury determined that Seal4Safti had willfully induced infringement of all asserted patent claims and awarded CEMCO damages in the form of a reasonable royalty. J.A. 1267–69. Subsequently, the district court denied CEMCO’s request for a permanent injunction, J.A. 50–52, and set aside the jury’s damages award on the ground that CEMCO did not meet its burden to prove the amount of a reasonable royalty, *Seal4Safti, Inc. v. California Expanded Metal Products Co.*, No. 20-cv-10409, 2022 WL 16710721, at *3–4 (C.D. Cal. Oct. 3, 2022) (*Post-Trial Order*); see also *id.* at *5–6 (finding case exceptional and declaring CEMCO entitled to attorney’s fees). The court entered judgment for CEMCO on all its claims and against Seal4Safti on all its claims, but awarded “no monetary or injunctive relief.” J.A. 1200.

On appeal, CEMCO challenges the denial of monetary and injunctive relief. We affirm the district court’s setting aside of the jury’s royalty award but vacate the denial of the permanent injunction and remand the case for further proceedings.

I

CEMCO is the current owner of the five patents at issue in this case: U.S. Patent Nos. 7,681,365; 7,814,718; 8,136,314; 8,151,526; and 10,406,389. The patents generally describe and claim fire-retardant assemblies for the top of a wall, the assemblies including an intumescent strip that seals construction joints or gaps when exposed to heat. *E.g.*, ’365 patent, Abstract. At the time of trial, there were two dominant participants in the market for fire-retardant head-of-wall products that can be installed before construction of a wall is complete: CEMCO’s exclusive licensee, Clarkwestern Dietrich Building Systems LLC (ClarkDietrich), and Seal4Safti. J.A. 43.

On November 13, 2020, Seal4Safti filed a complaint in the United States District Court for the Central District of

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California seeking declaratory judgments of noninfringement, unenforceability, and invalidity of the five above-listed patents, and in response, CEMCO filed several affirmative defenses and counterclaims for patent infringement. The present litigation, originated by Seal4Safti, followed previously initiated litigation in which CEMCO and ClarkDietrich sought and obtained relief, based on several of the patents at issue in the present case, against Seal4Safti, individuals affiliated with Seal4Safti, and companies having a relation to Seal4Safti. *See Seal4Safti, Inc. v. California Expanded Metal Products Co.*, No. 20-cv-10409, 2022 WL 2199031, at *2 (C.D. Cal. Jan. 19, 2022) (summarizing history of this case); *California Expanded Metal Products Co. v. Klein*, No. 18-cv-00659, 2023 WL 8086968, at *1 (W.D. Wash. Nov. 21, 2023) (summarizing parallel contempt proceedings).

In a May 2022 trial, a jury determined that CEMCO's asserted patents were not invalid, concluded that Seal4Safti had willfully induced infringement of all asserted claims, and awarded damages of \$156,000. J.A. 1264–72. The damages award was based on a hypothetical royalty negotiation, which the jury determined would result in an ongoing royalty payment of 12% of \$1,300,000 in sales made by Seal4Safti. J.A. 1269. After the jury trial, the district court held a bench trial on several remaining equitable issues, and it ruled against Seal4Safti on those issues, J.A. 45–50, except for denying CEMCO's request for a permanent injunction to bar Seal4Safti from selling and advertising its firestopping products, J.A. 50–52. A few weeks later, the district court resolved the parties' post-trial motions. As relevant here, the court granted Seal4Safti's request to amend the anticipated judgment to set aside the jury's damages award pursuant to Federal Rule of Civil Procedure 59(e). *Post-Trial Order*, 2022 WL 16710721, at *3, *6.

The district court entered final judgment on October 3, 2022. J.A. 1199–200. Seal4Safti timely filed a notice of

appeal and CEMCO timely filed a notice of cross-appeal. Seal4Safti soon moved to dismiss its appeal, explaining that it had decided to formally discontinue its operations, and we granted the motion, leaving only CEMCO's cross-appeal. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

II

A

We first consider the district court's decision to set aside the jury's reasonable-royalty award. In reviewing the court's decision on a motion under Rule 59(e), we use the standard of review applicable in the regional circuit. See *CODA Development S.R.O. v. Goodyear Tire & Rubber Co.*, 916 F.3d 1350, 1357 (Fed. Cir. 2019). The Ninth Circuit reviews a district court's decision to alter or amend a judgment pursuant to Rule 59(e) for abuse of discretion. *Kaufmann v. Kijakazi*, 32 F.4th 843, 847 (9th Cir. 2022).

A Rule 59(e) motion may be granted when "necessary to correct manifest errors of law or fact upon which the judgment rests." *Allstate Insurance Co. v. Herron*, 634 F.3d 1101, 1111 (9th Cir. 2011). Here, the district court set aside the jury's damages award as a matter of law because it determined that the jury "had no basis to arrive at a reasonable royalty of 12%," so the award was "based on impermissible speculation." *Post-Trial Order*, 2022 WL 16710721, at *3 (citing *Amgen Inc. v. Hospira, Inc.*, 944 F.3d 1327, 1341 (Fed. Cir. 2019) ("A jury's damages award 'must be upheld unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork.'" (quoting *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1310 (Fed. Cir. 2009)))). That ruling, we conclude, was not an abuse of discretion.

At trial, CEMCO sought damages in the form of a reasonable royalty and adopted a hypothetical-negotiation approach incorporating a familiar recitation of facts courts

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have considered within that framework, set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *modified on appeal sub nom. Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers Inc.*, 446 F.2d 295 (2d Cir. 1971). CEMCO presented several pieces of evidence corresponding to several *Georgia-Pacific* considerations. *See, e.g.*, J.A. 363 (testimony about Clark-Dietrich’s sales under its license); J.A. 1131–32 (total sales of Seal4Safti’s fire-retardant gasket products); J.A. 1147–50 (inventor’s declaration discussing the benefits, commercial success, and popularity of patent-covered products); J.A. 1172–90 (profitability of similar products). But the district court concluded that CEMCO did not provide adequate testimony tying this evidence to any particular royalty rate, and CEMCO has not identified such evidence on appeal.¹ CEMCO first presented its proposed royalty rate of 20% in its closing arguments, and its analysis of *Georgia-Pacific* considerations was limited to attorney argument. *See, e.g.*, J.A. 293 (arguing ClarkDietrich’s dominance in the market would “drive[] up” the reasonable royalty); J.A. 294–95 (arguing the commercial success of patent-covered products “is significant”).

¹ CEMCO notes in this court that it also sought to introduce several prior licensing and settlement agreements that, it says, would have provided evidence of comparable licensing rates. The district court excluded that evidence due to deficiency of the disclosure required by Federal Rule of Civil Procedure 26. J.A. 755–56. In this court, CEMCO does no more than assert that the exclusion of the evidence was improper; it does not develop an argument challenging the exclusion of the evidence. We therefore consider the argument forfeited. *See Rodriguez v. Department of Veterans Affairs*, 8 F.4th 1290, 1305 (Fed. Cir. 2021).

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