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Champion Power Equipment, Inc.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

HARBOR FREIGHT TOOLS USA, INC.,

Plaintiff,

vs.

CHAMPION POWER EQUIPMENT, INC.,

Defendant.

CASE NO.: 2:24-cv-08722-SVW-AS

JOINT RULE 26(f) REPORT

Scheduling Conference:
Date: December 19, 2024
Time: 10:00 AM
Courtroom: 6D
Judge: Hon. Stephen V. Wilson

Plaintiff Harbor Freight Tools USA, Inc. ("HFT") and Defendant Champion Power Equipment, Inc. ("Champion") by and through their attorneys of record, submit this Joint Rule 26(f) Report pursuant to Federal Rules of Civil Procedure 26(f), Local Rule 26, and this Court's Order Setting Scheduling Conference (Dkt. No. 27). The parties' counsel held a conference pursuant to Federal Rules of Civil Procedure 26(f) on November 27, 2024, regarding case management, the nature of the parties' claims and defenses, the discovery plan, and the remaining topics as outlined in the Court's Order Setting Scheduling Conference.

a. <u>Statement of the Case</u>

<u>HFT's Position:</u>

HFT filed an action for declaratory judgment of non-infringement arising under the patent laws of the United States, Title 35 of the United States Code. HFT requests this relief because Champion claims that HFT infringes United States Patent Nos. 10,393,034 ("the '034 Patent"); 11,143,120 ("the '120 Patent"); 11,492,985 ("the '985 Patent"); 11,530,654 ("the '654 Patent"); 11,840,970 ("the '970 Patent"); 10,221,780 ("the '780 Patent"); 11,905,895 ("the '895 Patent"); 10,697,398 ("the '398 Patent"); 11,143,145 ("the '145 Patent"); 10,598,101 ("the '101 Patent"); 11,306,667 ("the '667 Patent"); 11,761,390 ("the '390 Patent"); and 11,905,896 ("the '896 Patent") (collectively, the "Asserted Patents") by making, using, selling, offering for sale, and/or importing the following HFT products: Model 70476 13kW Tri-Fuel and Model 70143 5kW Dual-Fuel Generators (collectively, the "Accused Products").

The Accused Products do not directly or indirectly infringe any claim of the Asserted Patents, literally or under the doctrine of equivalents.

No third party infringes any claim of the Asserted Patents by using HFT's Accused Products. HFT has not caused, directed, requested, or facilitated any such infringement, much less with specific intent to do so. HFT's Accused Products are

not designed for use in any combination that infringes any claim of the Asserted Patents. To the contrary, each has substantial uses that do not infringe any claim of the Asserted Patent.

Champion has not yet responded on the merits to the Complaint. When it does, HFT expects Champion to file infringement counterclaims to which HFT may raise one or more affirmative defenses.

Furthermore, HFT has opposed (Dkt. No. 33) the pending Champion motion to dismiss (Dkt. No. 23). The hearing has been set for February 6, 2025. In its motion, Champion concedes the first-to-file rule applies but for any exception. However, Champion has not and cannot meet its burden to show that an exception applies to preclude application of the first-to-file rule. HFT was entitled to seek declaratory relief here to dispel the cloud left over its sales by Champion, who threatened to sue but then was silent for three months during which it could have and did not bring an infringement action. As a result, there is no exception to the first-to-file rule because this first-filed action cannot be considered anticipatory (and Champion has cited no authority to support their contention). Additionally, this Court is a far more convenient venue than the Eastern District of Wisconsin, where Champion has filed a second-filed action for infringement of the same thirteen patents, accusing the same HFT products. Harbor Freight has separately moved to dismiss the Wisconsin action for failure to state a claim and due to being a second-filed mirror action not subject to any exception. Maintaining this Action here will neither be unjust nor inefficient. The first-to-file rule is appropriately applied here and compels denial of Champion's motion.

<u>Champion's Position:</u>

HFT improperly filed an anticipatory action for declaratory judgment of non-infringement. HFT confirms and acknowledges that Champion's specific and concrete threats of imminent suit prompted HFT to file this declaratory action to secure its preferred forum and to circumvent the most convenient forum for

adjudicating this dispute. Indeed, Champion's highly complex patent infringement complaint, involving 2 products, 12 patents, 32 independent claims, and 89 dependent claims, was ultimately filed in the proper forum, the Eastern District of Wisconsin, just three business days after HFT's improper anticipatory action.

The Declaratory Judgment Act does confer a right to this tactical maneuver, but it certainly does not compel this Court to exercise jurisdiction over the action, especially when HFT's Complaint was filed after it received correspondence expressly conveying Champion's intent to sue. Indeed, HFT admits in its November 14, 2024, Opposition to Champion's Motion to Dismiss (Dkt. No. 33) that this declaratory action was prompted by Champion's concrete and imminent threats of suit.

Accordingly, the Court should find that the action was filed for anticipatory, forum shopping purposes. HFT's invocation of the Declaratory Judgment Act under these circumstances has precipitated the current disorderly race to the courthouse and is therefore improper. Equity militates in favor of dismissing and/or transferring the present suit and allowing the Eastern District of Wisconsin action to proceed to judgment.

To the extent the Court nevertheless decides to exercise jurisdiction, Champion intends to respond on the merits with counterclaims to HFT's Complaint. HFT is infringing the Asserted Patents by making, using, selling, offering for sale, and/or importing the Accused Products. Champion is therefore entitled to injunctive and monetary relief.

b. <u>Subject Matter Jurisdiction</u>

<u>HFT's Position:</u>

This action is based on the patent laws of the United States, Title 35 of the United States Code, § 1 et. seq., with a specific remedy sought under the Federal Declaratory Judgments Act, 28 U.S.C. §§ 2201 and 2202. An actual, substantial,

and continuing justiciable controversy exists between HFT and Champion that requires a declaration of rights by this Court.

This Court has subject-matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1338(a).

Furthermore, as noted above, HFT has opposed (Dkt. No. 33) the pending Champion motion to dismiss (Dkt. No. 23) as the first-to-file rule is appropriately applied here and compels denial of Champion's motion.

Champion's Position:

The Court should apply the anticipatory filing exception and disregard the First-to-File Rule, declining HFT's invitation to exercise jurisdiction over this suit. However, to the extent the Court decides to exercise jurisdiction under the First-to-File Rule, Champion's intended counterclaims for patent infringement will be based on the patent laws of the United States, 35 U.S.C. § 271, et seq. This Court has jurisdiction over the subject matter of Champion's intended counterclaims pursuant to 28 U.S.C. §§ 1331 and 1338(a).

Furthermore, Champion will seek an award of up to three times the amount of compensatory damages arising from HFT's willful infringement and any enhanced damages as provided by 35 U.S.C. § 284. Champion will also seek a finding that this case is "exceptional", awarding Champion its costs and reasonable attorneys' fees, as provided by 35 U.S.C. § 285.

c. Legal Issues

HFT's Position:

Currently, the only legal issue before the Court is the issue of non-infringement.

Furthermore, as noted above, HFT has opposed (Dkt. No. 33) the pending Champion motion to dismiss (Dkt. No. 23). The first-to-file rule is appropriately applied here and compels denial of Champion's motion.

To the extent, however, that Champion files counterclaims of infringement, HFT anticipates asserting one or more affirmative defenses. HFT does not anticipate any unusual substantive, procedural, or evidentiary issues.

Champion's Position:

The primary legal issue currently before the Court is whether HFT's Complaint is an improper anticipatory filing warranting departure from the First-to-File Rule. The Court has yet to accept jurisdiction over HFT's declaratory claims of non-infringement. Indeed, the Court is not compelled to do so. However, should the Court accept jurisdiction under the First-to-File Rule, Champion intends to assert counterclaims presenting the issue of patent infringement. Champion does not anticipate any unusual substantive, procedural or evidentiary issues.

d. Parties, Evidence, etc.

No subsidiary, parent or affiliate of either party is at issue. The parties refer to their respective Rule 7.1 statements. Dkt. No. 3 and 26. Each party intends to have one or more corporate representatives appear as witnesses and each may call one or more corporate representatives of the other party. In addition, it is expected that at least some of the inventors of the thirteen Asserted Patents will be called as witnesses. Other key witnesses are currently unknown but will likely include witnesses related to the question of infringement, prior art (if plead), invalidity (if plead), marketing, and/or sales. Each party also expects to call expert witnesses regarding claim construction, liability and damages. Key documents on the main issues in the case include

- The Asserted Patents, and corresponding file histories;
- Documents related to the design, development, marketing, and sale of the Accused Products, including without limitation internal correspondence of the parties, samples, design documents, manuals, and schematics;
- Documents related to claim construction of the claims of the patents-in-suit;

- Documents related to prior art and other affirmative defenses raised by HFT, should Champion file infringement counterclaims; and
- Documents related to damages.

e. <u>Insurance</u>

Neither party is aware of any relevant insurance coverage.

f. <u>Magistrate Judge</u>

Neither party consents to proceed before a Magistrate Judge.

g. <u>Discovery</u>

The parties agree to the limitations on discovery imposed by the Federal Rules of Civil Procedure, the Local Rules of the Central District of California and this Court's Initial Standing Order. A detailed discovery plan and proposed discovery cutoff date is set forth in Exhibit A, along with the parties' proposed schedule. The discovery plan reflects one dispute relating to specific contention deadlines proposed by Champion. The parties expect they will be able to agree upon a protocol for the searching, gathering, scope and production of electronically stored information. Further, the parties consent going forward to electronic service under Fed.R.Civ.Pro. 5(b)(2)(E).

h. <u>Motions</u>

<u>HFT's Position:</u>

At this time, HFT does not anticipate requiring a motion to amend adding any additional claims to its properly filed declaratory judgment action. However, to the extent that Champion files counterclaims of patent infringement, HFT anticipates filing one or more affirmative defenses in its responsive pleading, and may file its

own motion to dismiss such counterclaims should circumstances warrant. HFT reserves the right to file motions as appropriate and warranted.

Champion's Position:

Champion filed a Motion to Dismiss, Or In The Alternative, To Transfer, which is currently pending (Dkt. No. 23), and Champion's Reply is currently due on January 23, 2025. Dkt. No. 34. Should the Court accept jurisdiction over HFT's anticipatory suit, Champion anticipates filing an Answer to the Complaint and Counterclaims for patent infringement. Champion does not anticipate any motion seeking to add other parties or claims thereafter, nor does it anticipate any circumstances warranting a motion to dismiss Champion's counterclaims. Champion reserves the right to file motions as appropriate and warranted.

i. Class Certification

Not applicable.

j. Dispositive Motions

HFT's Position:

Although HFT has not yet identified the specific grounds on which it may seek summary judgment, HFT anticipates that it may file a motion for summary judgment pertaining to non-infringement at the appropriate time in this case. HFT reserves the right to raise additional grounds for summary judgment should the facts and circumstances warrant.

Champion's Position:

Although Champion has not yet identified the specific grounds on which it may seek summary judgment, Champion anticipates that it may file a motion for summary judgment pertaining to direct, induced, and willful infringement at the appropriate time in this case. Champion reserves the right to raise additional grounds for summary judgment should the facts and circumstances warrant.

k. Settlement/Alternative Dispute Resolution (ADR)

The parties engaged in settlement discussions before this lawsuit was filed, as briefly described in the pending motion and had a brief further exchange in early November following the filing of this lawsuit.

Other than that, no other settlement discussions have occurred since this Action was filed, and both parties prefer private mediation for any future mediation.

l. Pretrial Conference and Trial

The parties' proposed schedule is set forth in Exhibit A.

m. Trial Estimate

Given the number of Asserted Patents, Claims and Accused Products, Champion anticipates that trial will be a 12-day jury trial. Champion anticipates calling between 5-10 witnesses. HFT anticipates calling between 5-10 witnesses.

n. Trial Counsel

HFT expects that the attorneys trying this case on its behalf will be David M. Grable (lead), Lauren Lindsay, and Eric Huang.

Champion expects that the attorneys trying this case on its behalf will be Thomas P. Heneghan (lead), Jennifer E. Hoekel, and Sharif Ahmed of Husch Blackwell, LLP and Timothy Ziolkowski and Jacob Fritz of Ziolkowski Patent Solutions Group, SC.

o. Independent Expert or Master

Neither party anticipates the need for a master pursuant to Rule 53 or an independent scientific expert.

p. <u>Other Issues</u>

The parties expect they will present a stipulation for a Protective Order to the Court, but do not anticipate any other issues affecting the status or management of this case, and do not expect to make proposals concerning severance, bifurcation, or other ordering of proof.

DATED: December 5, 2024

Respectfully submitted,

/s/ Eric H. Huang

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EXHIBIT A: SCHEDULE OF PRETRIAL AND TRIAL DATES WORKSHEET

Case No.: 2:24-cv-08722-FMO-AS

Case Name: Harbor Freight Tools USA, Inc. v. Champion Power Equipment, Inc.

Event	HFT's Position	Champion's Position	Court's Order
Jury Trial (Tuesday at 9:00 a.m.) Length: 12 Days	January 19-February 3, 2027		
Final Pretrial Conference	December 10, 2026		
Deadline for Oppositions to Motions for Summary Judgment and *Daubert* Motions	August 21, 2026		
Deadline for Motions for Summary Judgment and *Daubert* Motions	July 17, 2026		
Expert Discovery Cut-Off (including hearing all expert discovery motions)	June 12, 2026		
Expert Disclosure (Rebuttal)	May 21, 2026		
Expert Disclosure (Initial)	April 17, 2026		

Event	HFT's Position	Champion's Position	Court's Order
Fact Discovery Cut-Off	March 20, 2026		
Deadline for Amending Pleadings	December 5, 2025		
Deadline to join additional parties	November 21, 2025		
Claim Construction Hearing	Subject to the Court's Schedule		
Tutorial (if necessary)	At least 14 days prior to the Claim Construction Hearing		
Plaintiff's Claim Construction Sur-Reply Brief	October 7, 2025		
Defendant-Patentee's Claim Construction Reply Brief	September 30, 2025		
Plaintiff's Claim Construction Responsive Brief	September 23, 2025		

Event	HFT's Position	Champion's Position	Court's Order
Defendant-Patentee's Claim Construction Opening Brief	September 9, 2025		
Completion of Claim Construction Discovery, if necessary	September 2, 2025		
Deadline for Disclosure of Claim Construction Experts, if necessary	July 31, 2025		
Parties to File Joint Claim Construction Statement	July 31, 2025		
Exchange of Preliminary Claim Constructions and Extrinsic Evidence	July 14, 2025		
Exchange of Proposed Terms for Construction	June 16, 2025		
Plaintiff to serve Preliminary Invalidity Contentions	Unnecessary; contention discovery can be handled under Fed. R. Civ. P. 33	14 days after asserting any claim of invalidity	
Defendant to serve Preliminary Infringement Contentions and Disclosure of Asserted Claims	Unnecessary; contention discovery	April 11, 2025	

Event	HFT's Position	Champion's Position	Court's Order
	can be handled under Fed. R. Civ. P. 33[1]		
Plaintiff to serve Preliminary Non-Infringement Contentions and accompanying document production	Unnecessary; contention discovery can be handled under Fed. R. Civ. P. 33	March 14, 2025	
Service of Initial Disclosures pursuant to Rule 26	December 19, 2024		
Initial Case Management Conference			December 19, 2024 (Dkt. No. 27)

[1] HFT has already served on November 13, 2024, interrogatories seeking infringement contentions. Responses from Champion are due December 13, 2024.