

SENT VIA FEDEX (TRACKING NUMBER 806290317567)

March 27, 2024

Mr. Eric Smidt
CEO/President
Harbor Freight Tools USA Inc.
26541 Agoura Road
Calabasas, CA 91302

**RE: Potential Violation of Champion Covenant Not to Compete and
Patent Infringement**

Dear Mr. Smidt:

We represent Champion Power Equipment and Champion Engine Technology ("Champion") with respect to protecting its intellectual property. It has come to our attention that Harbor Freight Tools USA Inc. ("HF") has recently employed Mr. Scott Stefaniak as Senior Manager of New Product Development – specifically for generators. As you know, Mr. Stefaniak was employed at Champion from March 2014 through March 2024 as Product Manager responsible for generators having less than 40HP engines.

Mr. Stefaniak entered into a Non-Compete Agreement as a condition of his employment with Champion, and that Agreement is enforceable under the laws of the State of Wisconsin. We believe HF has hired Mr. Stefaniak for the same or similar position as he held at Champion. Mr. Stefaniak agreed to a restricted services obligation which covers a term of **18 months** following his employment at Champion. The restricted services include design, assembly, manufacture, distribution, or sale of any type of internal combustion engine which produces less than 40hp.

During Mr. Stefaniak's ten years at Champion, he had access to a wide array of both confidential information and trade secrets. This includes, but is not limited to, product design, product know-how, technical information relating to products/services, strategy, sales and marketing information, business ideas, inventions, and any information which was otherwise treated as confidential or proprietary. Further, at the time of Mr. Stefaniak's departure from Champion he was involved in a number of confidential and proprietary projects that are in various stages of development. That information is Champion's property. Any misappropriation of that information will not only be a violation of Mr. Stefaniak's Agreement with Champion, and will be dealt with swiftly and aggressively, it may also be the subject of a corporate espionage charge. That is, should Champion discover evidence of trade secret misappropriation or theft, the matter will promptly be referred to Federal and State Authorities for investigation under the Economic Espionage Act of 1996 (codified at 18 U.S.C. §§ 1831-1839) and the Wisconsin Uniform Trade Secrets Act (codified at Wis. Stat. § 134.90), respectively. In such an event, Champion shall seek to recover any and all losses and legal costs incurred.

While we recognize the core dispute here is between Champion and Mr. Stefaniak, HF should be aware that Champion expends a great deal of effort and resources in developing new products and in protecting its intellectual property in those new products. Champion has an extensive patent portfolio in the generator space and is aggressively enforcing those rights. For example, please take notice the pending patent litigation entitled *Champion Power Equipment, Inc. v. Firman Power Equipment Inc.*, Case 2:23-cv-02371-DMF, filed on

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November 10, 2023 in the United States District Court for the District of Arizona (copy of Amended Complaint enclosed). In this regard, we are in the process of investigating HF's entry into the multi-fuel generator market, and accordingly, we bring to your immediate attention and actual notice of the following Champion patents relevant to HF's generators.

U.S. Patent Nos.
9,435,273
10,167,789
10,221,780
10,267,242
10,393,034
10,598,101
10,641,187
10,697,379
10,697,398
11,008,958
11,143,120
11,143,145
11,306,667
11,492,985
11,530,654
11,761,390
11,840,970
11,905,895
11,905,896

Once we have evaluated your products, we will be in touch.

Please contact me directly if you would like to discuss this matter.

Sincerely,



Timothy J. Ziolkowski

TJZ:rlt

enclosure

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