

ORIGINAL

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U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

Tracy

DEPUTY

Attorneys For: Plaintiff,
HOIST FITNESS SYSTEMS, INC.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

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12 HOIST FITNESS SYSTEMS, INC.,)
13 a California corporation,)
14 Plaintiff,)
15 v.)
16 MAX RACK, INC., an Ohio corporation,)
17 Defendant.)

CASE NO.
05 CV 1676 L (NLS)
COMPLAINT FOR"

- (1) DECLARATORY JUDGMENT OF NON-INFRINGEMENT, INVALIDITY AND UNENFORCEABILITY OF THE MAX RACK PATENTS;
- (2) PRELIMINARY AND PERMANENT INJUNCTION TO RESTRAIN ACTS OF UNFAIR COMPETITION, ANTITRUST VIOLATIONS AND PATENT MISUSE; AND
- (3) DAMAGES FOR FEDERAL AND STATE UNFAIR COMPETITION, FOR FEDERAL AND STATE ANTI-TRUST VIOLATIONS, AND FOR PATENT MISUSE (UNCLEAN HANDS)

DEMAND FOR JURY TRIAL

CR

1 Plaintiff Hoist Fitness, Inc. (hereinafter sometimes referred to as "Plaintiff" or "Hoist
2 Fitness"), for its Complaint against Defendant Max Rack, Inc. (hereinafter referred to as
3 "Defendant" or "Max Rack), hereby alleges as follows:

4 **JURISDICTION**

5 1. This civil action for declaratory judgment of patent non-infringement, patent
6 unenforceability, and patent invalidity is brought pursuant to 28 U.S.C. § § 2201-2202 and the
7 patent laws of the United States, 35 U.S.C. § § 1, et seq., Further, this is an action for damages
8 for federal and state unfair competition, under 15 U.S.C. § 1125(a) and California Business &
9 Professions Code § § 17200, et seq., and under federal and state common law. This action is
10 further based on federal and state anti-trust violations, under 15 U.S.C. § 2 and California
11 Business and Professions Code § 16720. The amount in controversy exceeds \$75,000. This
12 Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § § 1331, 1332,
13 1338 and 1367

14 2. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b).

15 **THE PARTIES**

16 3. Plaintiff Hoist Fitness Systems, Inc. is a California corporation, with its principal
17 place of business at 9990 Empire Street, Suite 130, San Diego, CA 92126.

18 4. Plaintiff is informed and believes, and on that basis alleges, that Defendant Max
19 Rack, Inc. is an Ohio corporation with sales in California.

20 **COUNT ONE**

21 **DECLARATORY JUDGMENT OF NON-INFRINGEMENT,**

22 **INVALIDITY AND UNENFORCEABILITY OF PATENT**

23 5. Plaintiff Hoist is a manufacturer of fitness equipment, participating in the home
24 gym market, among other commercial markets in the fitness industry, and is the owner by
25 assignment of a number of U.S. patents.

26 6. Inventor Randall T. Webber is an officer of Hoist Fitness. Randall T. Webber
27 continues to invent and design fitness equipment for Hoist Fitness.

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1 7. Inventor Randall T. Webber has a new fitness equipment design, presently in the
2 prototype phase, and which is presently termed Free Lift Rack Out Machine. The new Free Lift
3 Rack Out Machine simulates the feel of a free weight bench press (a free weight lift in horizontal
4 and vertical movements of the weight bar) and which allows the user to rack the weight at a
5 height selected by the user at the conclusion of a lift. Hence, the descriptive name of “Free Lift
6 Rack Out Machine” was developed as a name that would describe to consumers and be
7 recognized in the fitness industry as describing the primary “free weight lift” and “rack out”
8 features of the new fitness equipment model.

9 8. Plaintiff Hoist Fitness is informed and believe that when Defendant Max Rack
10 became aware that Hoist Fitness was developing a new free weight rack out model, Max Rack
11 contacted Hoist Fitness and informed Hoist Fitness of two patents which Max Rack holds, U.S.
12 Patent No. 5,215,510 entitled Dual-Guided Exercise Apparatus, and U.S. Patent No. 5,669,859
13 entitled Weightlifting Apparatus (collectively “the Max Rack Patents”). Max Rack claimed that
14 Hoist Fitness’ new free weight rack out model would infringe the Max Rack Patents.

15 9. Plaintiff Hoist Fitness employed legal counsel and undertook an infringement
16 analysis of the new Hoist Fitness free weight rack out model by its prototype drawings against
17 the Max Rack Patents. The conclusion of this formal infringement analysis was that the new free
18 weight rack out model lacked at least one of the essential features of every claim of the Max
19 Rack Patents, that the prosecution history of the nature of the differences between the devices
20 bars Max Rack from invoking the doctrine of equivalents and, therefore, could not infringe Max
21 Rack Patents either literally or under the doctrine of equivalents.

22 10. Plaintiff Hoist Fitness contacted Max Rack, sent the drawings of the new design
23 and informed Max Rack of the reasons that the new free weight rack out model did not infringe
24 any claim of the Max Rack Patents. Max Rack did not respond in substance to the Hoist Fitness
25 position of non-infringement.

26 11. Instead, Defendant Max Rack began insisting that in order to avoid an
27 infringement claim with respect to the prototyping and demonstration of Hoist Fitness’ new free
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1 weight rack out model, Hoist Fitness would have to take a license under the Max Rack Patents,
2 requiring Hoist Fitness to pay a five percent (5%) royalty.

3 12. Plaintiff Hoist Fitness confirmed the non-infringement opinion to Max Rack, and
4 provided its analysis in detail to Max Rack. Nevertheless, in the face of a detailed non-
5 infringement opinion, Max Rack continued to insist that a license was necessary. Hoist Fitness
6 became concerned that Max Rack may be planning to sue Hoist Fitness for patent infringement.

7 13. In an effort to avoid this dispute escalating to the level of patent infringement
8 litigation, Hoist Fitness suggested a business-based solution whereby the two companies could
9 co-exist and do business in the fitness market (notwithstanding that max Rack had not made a
10 case for infringement) in the manufacture and sale of free weight rack out models to the home
11 gym and other commercial segments of the fitness market.

12 14. The business proposal would put aside the issue of infringement, and included
13 provisions where Defendant Max Rack would agree not to sue Hoist Fitness in connection with
14 Hoist Fitness' new free weight rack out model, and that Max Rack would pursue others in the
15 market in enforcement of the Max Rack Patents. When Defendant Max Rack rejected the
16 business proposal where together the two companies would participate in the free weight rack
17 out market, and when Max Rack continued to insist that Hoist Fitness take a non-exclusive
18 license, Plaintiff Hoist Fitness became increasingly concerned that if it did not capitulate to Max
19 Rack's demand that it take a non-exclusive license in order to develop its new free weight rack
20 out model, that Max Rack would sue Hoist Fitness for infringement.

21 15. Defendant Max Rack set out its alternatives in writing and the inevitable result
22 appeared to Hoist Fitness to be that if Hoist Fitness did not give in even though it's infringement
23 opinion concluded that its new model did not infringe the Max Rack Patents, that Max Rack
24 would sue for patent infringement.

25 16. When Defendant Max Rack announced to Plaintiff Hoist Fitness that Max Rack
26 would not consider an exclusive arrangement with Hoist Fitness along the lines of the business
27 proposal made by Hoist Fitness, and that in fact Max Rack had already granted a non-exclusive
28 license to another competitor, Hoist Fitness' became increasingly concerned that it would not be

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1 able to reach an accommodation with Max Rack on a business basis as a way of resolving their
2 dispute despite their disagreement on infringement, and that Max Rack would sue Hoist Fitness
3 for infringement, and that in particular it would do so if Hoist continued with its plans to show
4 and/or demonstrate its new free weight rack out model at the August 2005 Denver fitness expo.

5 17. Plaintiff Hoist Fitness requested that Defendant Max Rack resolve its dispute with
6 Hoist Fitness either through recognition of its non-infringement analysis or by reaching an
7 agreement for a purely business accommodation, and that such a resolution be completed prior to
8 the August, 2005 fitness expo in Denver. Plaintiff Hoist Fitness had made it known that it would
9 introduce its new free weight rack out model at the trade show and sought to do so without fear
10 of incurring an infringement claim by Max Rack.

11 18. Defendant Max Rack continued to insist that Plaintiff Hoist Fitness take a license
12 regardless of its non-infringement position.

13 19. As the date of the trade show approached and no resolution had been reached with
14 Defendant Max Rack, Plaintiff Hoist Fitness became increasingly apprehensive that Max Rack
15 was going to sue Hoist Fitness. And in fact, Hoist Fitness found out that its fear of suit was
16 justified when it learned from a third party that on August 19, 2005, in fact Max Rack had filed
17 suit against Hoist Fitness in another jurisdiction – Eastern District of Ohio, claiming
18 infringement of the Max Rack Patents.

19 20. Hoist Fitness and Max Rack have an actual case and controversy that is ripe for
20 adjudication by this Court. Hoist Fitness is not subject to personal jurisdiction in Ohio, and
21 accordingly seeks declaratory judgment by this Court in this jurisdiction and venue of non-
22 infringement of any claim of the Max Rack Patents by its new prototype free weight rack out
23 model, that every claim of the Max Rack patents is invalid for failure to comply with the
24 provisions of the United States patent statutes, including but not limited to 35 U.S.C. § § 102,
25 103 and 112, and that each of the Max Rack Patents is unenforceable.

26 21. Hoist Fitness alleges that this is an exceptional case, and that Hoist Fitness is
27 entitled to recover from Max Rack Hoist Fitness' attorney's fees and expenses incurred in
28 bringing this declaratory relief action.

COUNT TWO

FEDERAL UNFAIR COMPETITION

[15 U.S.C. § 1125(a)]

22. Plaintiff Hoist Systems repeats and restates the allegations of the foregoing Paragraphs 1 through 21, as though fully set forth hereat in their entirety.

23. Plaintiff Hoist System is informed and believes that Defendant has violated and continues to violate the provisions of federal unfair competition law, 15 U.S.C. § 1125(a), by asserting the Max Rack Patents against Plaintiff Hoist Fitness, knowing that the Max Rack Patents are not infringed, are invalid and are unenforceable, and by insisting that Plaintiff take a license under the Patents in order to develop Plaintiff's new device.

24. The foregoing described acts by Defendant Max Rack constitute violations of the common law of the United States of America.

25. Plaintiff Hoist Systems is being injured by the unlawful acts of Defendant Max Rack, and will continue to be injured unless Defendant is enjoined by the Court, and unless Defendant is order to pay restitution to Plaintiff for Defendant's unfair competition.

26. Plaintiff Hoist Systems is entitled to a preliminary and permanent injunction and for compensatory and punitive damages, in an amount to be determined but in excess of \$75,000.

COUNT THREE

STATE LAW UNFAIR COMPETITION

[California Unfair Practices Act.

California Business & Professions Code § § 17200, et seq.]

27. Plaintiff Hoist Systems repeats and restates the allegations of the foregoing Paragraphs 1 through 21, inclusive, and 23 through 26, inclusive, as though fully set forth hereat in their entirety.

28. Plaintiff Hoist Systems is informed and believes that Defendant Max Rack has violated and continues to violate California Business & Professions Code Section § § 17200, et seq. by asserting the Max Rack Patents against Plaintiff Hoist Fitness, knowing that the Max

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1 Rack Patents are not infringed, are invalid and are unenforceable, and by insisting that Plaintiff
2 take a license under the Patents in order to develop Plaintiff's new device.

3 29. The foregoing described acts by Defendant Max Rack constitute violations of the
4 common law of the State of California.

5 30. Plaintiff Hoist Systems is being injured by the unlawful acts of Defendant Max
6 Rack, and will continue to be injured unless Defendant is enjoined by the Court, and unless
7 Defendant is order to pay restitution to Plaintiff for Defendant's unfair competition.

8 31. Plaintiff Hoist Systems is entitled to a preliminary and permanent injunction to
9 enjoin further acts of unfair competition by Max Rack to attempt to enforce the Max Rack
10 Patents against Hoist Fitness, and for compensatory and punitive damages, in an amount to be
11 determined but in excess of \$75,000.

12 **COUNT FOUR**

13 **FEDERAL ANTITRUST VIOLATIONS**

14 **(15 U.S.C. § 2)**

15 32. Plaintiff Hoist Systems repeats and restates the allegations of the foregoing
16 Paragraphs 1 through 21, inclusive, 23 through 26, inclusive, and 28 through 31, inclusive, as
17 though fully set forth hereat in their entirety.

18 33. Plaintiff Hoist Systems is informed and believes that Max Rack has committed
19 acts which are a knowing attempt to extend the legitimate protection of the patent and so to
20 misuse the patent and to monopolize or attempt to monopolize the market for Rack Out Weight
21 Machines. These acts violate Section 2 of the Sherman Antitrust Act Max Rack acts are a
22 specific attempt to monopolize, anticompetitive conduct in the form of a patent infringement
23 action filed against Hoist without a good faith basis to believe that the patent was infringed, and
24 the fact that absent the intervention of this court, Max Rack will use the legal process to
25 intimidate and deter legitimate competition for Rack Out Weight Machines.

26 34. Plaintiff seeks to recover its damages from Defendant's violations and asks this
27 Court that the damages award be trebled as provided by the Sherman Act. Plaintiff seeks an
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1 injunction barring further attempts to enforce the Max Rack Patents against products conforming
2 to Plaintiff's non-infringing design.

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4 **COUNT FIVE**

5 **STATE ANTITRUST VIOLATIONS**

6 **[California Business & Professions Code § 16720, et seq.**

7 **(The Cartwright Act)]**

8 35. Plaintiff Hoist Systems repeats and restates the allegations of the foregoing
9 Paragraphs 1 through 21, inclusive, 23 through 26, inclusive, 28 through 31, inclusive, and 33-
10 34, as though fully set forth hereat in their entirety.

11 36. Plaintiff Hoist Systems is informed and believes that Max Rack has committed
12 acts which are a knowing attempt to extend the legitimate protection of the patent and so to
13 misuse the patent and to monopolize or attempt to monopolize the market for Rack Out Weight
14 Machines. These acts violate California anti-trust laws/ Plaintiff Hoist Systems is informed and
15 believes that the Max Rack acts are a specific attempt to monopolize, anticompetitive conduct in
16 the form of a patent infringement action filed against Hoist systems without a good faith basis to
17 believe that the patent was infringed, and the fact that absent the intervention of this court, Max
18 Rack will use the legal process to intimidate and deter legitimate competition for Rack Out
19 Weight Machines.

20 37. Plaintiff seeks to recover its damages from Defendant's violations and asks this
21 Court that the damages award be trebled as provided by the Cartwright Act. Plaintiff seeks an
22 injunction barring further attempts to enforce the Max Rack Patents against products conforming
23 to Plaintiff's non-infringing design.

24 **COUNT SIX**

25 **PATENT MISUSE (Unclean Hands)**

26 38. Plaintiff Hoist Systems repeats and restates the allegations of the foregoing
27 Paragraphs 1 through 21, inclusive, 23 through 26, inclusive, 28 through 31, inclusive, and 33-
28 34, and 36-37, as though fully set forth hereat in their entirety.

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- 7. Awarding Hoist Fitness for compensatory and punitive damages for federal and state antitrust violations and for patent misuse,
- 8. Awarding Hoist Fitness its reasonable costs including attorney's fees incurred in bringing this declaratory relief action; and
- 9. For such other and further relief as the Court determines as just and proper.

GORDON & REES LLP



Dated: August 24, 2005

By _____
 Neil F. Martin, Esq.
 John L. Haller, Esq.
 Susan B. Meyer, Esq.
 Attorneys for Plaintiff,
 HOIST FITNESS SYSTEMS, INC.

DEMAND FOR JURY TRIAL

Plaintiff Hoist Fitness hereby demands a jury trial as to all issues that are triable to a jury.

GORDON & REES LLP



Dated: August 24, 2005

By _____
 Neil F. Martin, Esq.
 John L. Haller, Esq.
 Susan B. Meyer, Esq.
 Attorneys for Plaintiff,
 HOIST FITNESS SYSTEMS, INC.

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