IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	Chapter 11
RHODIUM ENCORE LLC, *et al.*,[1]	Case No. 24-90448 (ARP)
Debtors.	(Jointly Administered)

DEBTORS' MOTION FOR SANCTIONS RELATING TO CLAIM NUMBERS 004, 062, AND 068-072 FILED BY MIDAS GREEN TECHNOLOGIES LLC
(Relates to ECF Nos. 953, 954, 1069, 1413)

IF YOU OBJECT TO THE RELIEF REQUESTED, YOU MUST RESPOND IN WRITING. UNLESS OTHERWISE DIRECTED BY THE COURT, YOU MUST FILE YOUR RESPONSE ELECTRONICALLY AT HTTPS://ECF.TXSB.USCOURTS.GOV/ WITHIN TWENTY-ONE DAYS FROM THE DATE THIS MOTION WAS FILED. IF YOU DO NOT HAVE ELECTRONIC FILING PRIVILEGES, YOU MUST FILE A WRITTEN OBJECTION THAT IS ACTUALLY RECEIVED BY THE CLERK WITHIN TWENTY-ONE DAYS FROM THE DATE YOU WERE SERVED WITH THIS PLEADING. YOU MUST SERVE A COPY OF YOUR RESPONSE ON THE PERSON WHO SENT YOU THE NOTICE; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS

Pursuant to Federal Rule of Bankruptcy Procedure ("Bankruptcy Rule") 9011 and 35 U.S. Code § 285, Rhodium Encore LLC and its affiliates, as debtors and debtors in possession (collectively, the "Debtors" or "Rhodium") in the above-captioned chapter 11 cases, hereby file this motion for sanctions against Midas Green Technologies LLC and its counsel for filing *Debtors' Amended Omnibus Objection To Claim Numbers 004, 062, and 068-072 Filed by Midas*

[1] The Debtors in these chapter 11 cases and the last four digits of their corporate identification numbers are as follows: Rhodium Encore LLC (3974), Jordan HPC LLC (3683), Rhodium JV LLC (5323), Rhodium 2.0 LLC (1013), Rhodium 10MW LLC (4142), Rhodium 30MW LLC (0263), Rhodium Enterprises, Inc. (6290), Rhodium Technologies LLC (3973), Rhodium Renewables LLC (0748), Air HPC LLC (0387), Rhodium Shared Services LLC (5868), Rhodium Ready Ventures LLC (8618), Rhodium Industries LLC (4771), Rhodium Encore Sub LLC (1064), Jordan HPC Sub LLC (0463), Rhodium 2.0 Sub LLC (5319), Rhodium 10MW Sub LLC (3827), Rhodium 30MW Sub LLC (4386), and Rhodium Renewables Sub LLC (9511). The mailing and service address of the Debtors in these chapter 11 cases is 2617 Bissonnet Street, Suite 234, Houston, TX 77005.

24904482510140000000000016

Green Technologies LLC (the "Objection") and briefs in support thereof, for an improper purpose, based upon legal contentions not warranted by existing law (or a non-frivolous argument for the extension of existing law or creation of new law), and based upon factual contentions that are without evidentiary support.[2] In support of this motion, the Debtors respectfully state as follows:

INTRODUCTION

1. Midas Green Technologies, LLC ("MGT," "Midas Green," or "Midas") filed ***seven*** proofs of claim seeking damages of $25-43 million, based on alleged patent infringement at Debtors' former Temple and Rockdale locations. As explained more fully in *Debtors' Summary Judgment Motion In Support Of Amended Omnibus Objection To Claim Numbers 004, 062, and 068-072 Filed By Midas Green Technologies LLC* (ECF No. 1486) (the "Summary Judgment Motion"), which Debtors incorporate herein by reference along with all supporting papers, Midas's claims lack any legal grounds. Midas's claims, which are for patent infringement, were previously dismissed on summary judgment by the United States District Court for the Western District of Texas or dropped by Midas. It is evident that Midas interposed its objections for the improper purpose of delaying a bankruptcy proceeding in which time is of the essence for confirming a reorganization plan. Midas hopes, by holding the estate and its creditors hostage, to force a favorable settlement of claims it has already lost or withdrawn, and it knows are baseless. Because its contentions are unsupported by law or evidence, and its conduct reveals a purpose to delay and to leverage the parties' need to make distributions in this case, Debtors should be awarded their reasonable attorneys' fees and expenses incurred in opposing Midas's proofs of claim. Bankruptcy Rule 9011(b)(1)-(3); 28 U.S.C. § 1927; 35 U.S.C. § 285.[3]

---

[2] Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in the Objection.

[3] *See* *In re Royal Manor Mgmt., Inc.*, 525 B.R. 338, 373 (B.A.P. 6th Cir. 2015), aff'd, 652 F. App'x 330 (6th Cir. 2016) (awarding sanctions for dilatory filing of proofs of claim seeking "to lever the collective desire for efficient administration that bankruptcy seeks to afford claim holders to gain recognition of a claim that had no merit" and

BACKGROUND

2. Midas already litigated these same patent claims and lost. It first asserted the patent infringement claims on which its proofs of claim are based in a complaint it filed on January 13, 2022, in the U.S. District Court for the Western District of Texas. Over the course of two-plus years of litigation, Midas dropped one of the asserted patents entirely (U.S. Patent No. 10,820,446, "the '446 Patent"), and withdrew all but two claims of the other (U.S. Patent No. 10,405,457, "the '457 Patent"). At the final pretrial conference on April 9, 2024, after fulsome discovery, numerous expert reports, and nearly all pretrial procedures were complete, the district court granted summary judgment of noninfringement, dismissing Midas's last two patent claims, and canceled the impending trial. Apr. 9 Hrg. Tr. at 54:10-16.

3. Midas asked the district court if it would be possible to re-address the summary judgment ruling after amending its expert report, and in response the court said, "you've had your chance" and that it "d[id]n't think it [an amendment] would" benefit it, but would let the parties know if that changed. *Id.* at 54-55. The district court never sought further submissions from the parties. In late January 2025, likely prompted by this Court's lifting of the automatic stay for the limited purpose of allowing it to issue a written ruling, the district court asked the parties to submit a proposed form of written order "reflecting those rulings,"—confirming its intent to memorialize the ruling it had already made, not to revisit it. Jan. 30, 2025 email.

4. Undeterred, Midas filed proofs of claim in this bankruptcy proceeding based on its defunct claims of patent infringement. When it filed its proofs of claim, Midas attached the same operative complaint it previously filed in District Court in March of 2023—without informing this

noting that "[i]t appears that [Claimaint] thought his blockades to distribution might substitute for the lack of merit of the claims that he advanced.").

Court that (i) during the prior litigation it had subsequently withdrawn one of the two patents asserted in that complaint (the '446 Patent) entirely and had dropped seven asserted claims of the other asserted patent (the '457 Patent), leaving only two asserted claims; or that (ii) the district court had already considered those two claims, found in Rhodium's favor, and granted summary judgment against Midas.

5. Midas compounded its vexation by mischaracterizing the district court's ruling, suggesting it was not final when it was.

6. In its prior pleadings in this Court, Midas baldly, impermissibly sought to relitigate its claims, making identical arguments to those the district court had already rejected.

7. Even if Midas were making these arguments for the first time, they would be sanctionably weak. In the first instance, and again here, Midas (i) accused a system whose heat sensors were not installed and thus was not physically capable of taking a temperature and infringing, (ii) accused systems that did not take or use, and were incapable of taking or using, "the temperature of the dielectric fluid in the tank" even though every claim of Midas's patents specifically requires the use of that variable, (iii) abandoned all of its equivalence arguments (which are required if there is no literal infringement) on summary judgment, and (iv) never identified any component that could even arguably "coordinate the operation of the primary and secondary fluid circulation facilities" as the asserted claims require.

ARGUMENT

8. Bankruptcy Rules 9011(b) and (c) allow this Court to sanction parties that submit petitions and pleadings with an improper purpose, assert legal contentions not warranted by existing law (or a non-frivolous argument for the extension of existing law or creation of new law), and/or make factual contentions that are without evidentiary support. Subparagraphs (b) and (c) of Rule 9011 read as follows (with emphases added):

> (b) Representations to the Court. By presenting to the court a petition, pleading, written motion, or other document—whether by signing, filing, submitting, or later advocating it— an attorney or unrepresented party certifies that, to the best of the person's knowledge, information, and belief formed after an inquiry reasonable under the circumstances:
>
> (1) it is not presented for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase litigation costs;
>
> (2) ***the claims, defenses, and other legal contentions are warranted by existing law*** or by a nonfrivolous argument to extend, modify, or reverse existing law, or to establish new law;
>
> (3) ***the allegations and factual contentions have evidentiary support***—or if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery; and
>
> (4) the denials of factual contentions are warranted on the evidence—or if specifically so identified, are reasonably based on a lack of information or belief.
>
> (c) Sanctions.
>
> (1) *In General*. If, after notice and a reasonable opportunity to respond, the court determines that (b) has been violated, the court may, subject to the conditions in this subdivision (c), impose an appropriate sanction on any attorney, law firm, or party that committed the violation or is responsible for it. Absent exceptional circumstances, a law firm must be held jointly responsible for a violation committed by its partner, associate, or employee.

9. If the Court deems sanctions to be warranted for effective deterrence, it may issue "an order directing payment to the movant of all or part of the reasonable attorney's fees and other expenses directly resulting from the violation." Bankruptcy Rule 9011(c)(4)(A)(iii).

10. Section 285 of the Patent Act also provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. A bankruptcy court hearing a patent claim is empowered to apply section 285. *Id.* ("*The court* … may award…"); *see, e.g., In re Roeder*, No. ADV 07-009189S, 2009 WL 4907014, at *13 (Bankr. N.D. Iowa Dec. 14, 2009) (finding case exceptional and awarding attorney fees under § 285); *In re AI Realty Mktg. of New York, Inc.*, 293 B.R. 586, 620 (Bankr. S.D.N.Y. 2003), *adhered to on reconsideration*, 304

B.R. 622 (Bankr. S.D.N.Y. 2004), and aff'd in part, rev'd in part sub nom. Sunbeam Prods., Inc. *v. Wing Shing Prods. (BVI) Ltd.*, 311 B.R. 378 (S.D.N.Y. 2004), *aff'd*, 153 F. App'x 703 (Fed. Cir. 2005) (recognizing authority to award fees under § 285 but declining on the merits to award them).

11. "The awarding of attorney fees pursuant to 35 U.S.C. § 285 is an issue unique to patent law that is subject to Federal Circuit law." *Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1343 (Fed. Cir. 2001). Under Federal Circuit law, "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position ... or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). Bases for exceptionality can include clear weakness of the infringement claims on the merits; public availability of information demonstrating noninfringement before the infringement suit was filed; notice of noninfringement after the complaint was filed; and the continuation of litigation after it was apparent the claims were objectively baseless. *Dragon Intell. Prop. LLC v. DISH Network L.L.C.*, 101 F.4th 1366, 1370, 1371 (Fed. Cir. 2024) (affirming exceptional case finding and decision to award attorney fees, citing these factors). All of those factors are present in Midas's proof of claim.

12. On the merits, Midas's infringement claims are baseless and were obviously baseless from the beginning of the district court action. The grant of summary judgment made the obvious inescapable. The record before the District Court and this Court demonstrate that Rhodium never used any invention patented by Midas. Yet Midas persisted and continues to persist. Knowing its infringement case to be futile, Midas seeks to calculatedly use the judicial process to hold up Debtors' reorganization in the hope of extracting a payment for worthless claims. *See, e.g. In re Royal Manor Mgmt.*, 525 B.R. at 373. First, as set forth fully in the Summary Judgment Motion, Midas primarily accused a system at Rhodium's former Temple facility that did

not have temperature sensors installed and that consequently was not physically capable of measuring a temperature, even though the patent claims require taking a step as "a function of the temperature of the dielectric fluid in the tank." Summary Judgment Motion ¶ 55. No colorable argument exists for infringement by a system that cannot measure temperature at all.

13. Second, Midas levied throw-away accusations at systems that did not and could not measure "the temperature of the dielectric fluid ***in the tank***"—only other temperatures—even though every claim of Midas's patents specifically requires the use of that variable. Summary Judgment Motion at ¶¶ 56-57, 60-61, 64. This meant there could not possibly be literal infringement, which requires the accused device to contain every element of the claim exactly. *Id.* at ¶ 57; *Smith & Nephew, Inc. v. Arthrex, Inc.*, 2010 WL 457142, at *2 (E.D. Tex. Feb. 5, 2010). The only other path to infringement is the doctrine of equivalents. But Midas abandoned all its equivalence arguments on summary judgment, thereby implicitly conceding that those theories were so weak they were not even worth presenting to a court. Summary Judgment Motion ¶ 65.

14. Third, Midas never identified any component that could even arguably meet the "adapted to coordinate the operation of the primary and secondary fluid circulation facilities" claim element—only components that acted upon either the primary or the secondary fluid circulation facility, but were not adapted to coordinate both as the asserted claims require. Summary Judgment Motion ¶¶ 58-59, 62, 63.

15. These glaring defects show the undeniable substantive weakness of Midas's claims on the merits. They support an exceptional case finding. *Dragon*, 101 F.4th at 1370. And they exemplify Midas's advancement of claims and allegations that are unsupported by law or evidence, warranting sanctions for that reason alone. Bankruptcy Rule 9011(b)(2)-(3).

16. While a reasonable litigant would have recognized these obvious flaws in Midas's infringement case long before the summary judgment stage, the weakness of Midas's case became undeniable—even to an *un*reasonable litigant—when the District Court rejected it on summary judgment. The summary judgment ruling constituted a substantive judicial determination (on a full record) that Midas's claims lacked evidentiary support, and that decision has preclusive effect in this Court. Summary Judgment Motion ¶¶ 29-47. But Midas pressed those claims in this Court anyway, even though it was intimately familiar with both the evidentiary record and the District Court's ruling, before it filed its proof of claim. *See Dragon*, 101 F.4th at 1370 (continuing litigation after it is apparent claims are baseless contributes to exceptional case finding); Bankruptcy Rule 9011(b)(2)-(3).

17. To make matters worse, in the proofs of claim it filed, Midas did not inform this Court that the District Court had granted summary judgment against it. Summary Judgment Motion, Ex. 11.] And Midas attached its operative complaint from 2023 to detail its claims, even though that complaint asserted seven claims of the '457 Patent and six claims of the '446 Patent (i.e., all the claims it had asserted for that patent), which Midas had subsequently dropped in the District Court litigation. Summary Judgment Motion, ¶12 (text), 12 n.5. In purporting to revive claims and a patent it had withdrawn, Midas sought to expand a case in this Court that had already been narrowed through a highly contested litigation process.

18. Midas also advanced unsupported damages claims on a scale ($25-$43M) large enough to ensure its claims would pose an obstacle to the reorganization of Debtors, force delay, and attempt to give Midas an unwarranted tactical leverage. Midas seeks damages considerably larger than the $22M it demanded in the District Court—even though that court had *reduced* Midas's damages claims by excluding (i) its theory based on projected future profits (which are

also unavailable as a matter of law in this Court), (ii) its lost profits theory, and (iii) its reasonable royalty theory that was based on its rejected lost profits theory, fatally speculative, and rife with other errors. Summary Judgment Motion, ¶¶ 66-69; Motion to Estimate, ¶¶. As Midas must know, its damages claims are preposterous. It has nonetheless presented an inflated damages claim, despite the lack of supporting evidence and dramatic reductions by the District Court, for the tactical purpose of attempting to put pressure on Debtors.

19. Midas's attempt to relitigate claims it has already lost or abandoned and to seek an enormous sum it could never hope to prove are wasteful. They bespeak its motive is to churn proceedings, cause delay that holds up Debtors' reorganization, and by so doing, give itself leverage using claims it knows (and was told by the Western District) have no merit. That is grounds for sanctions under both § 285, *see Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 2015 WL 6777377, at *2 (N.D. Tex. June 23, 2015) ("maintain[ing plaintiff's] infringement claims well after such claims had been shown by its own experts to be without merit and for the express purpose of maintaining leverage against" defendant supported exceptional case finding), and Bankruptcy Rule 9011(b)(1) (filing made for the purpose of causing unnecessary delay warrants sanctions).

CONCLUSION

Debtors respectfully request that the Court find that this case is exceptional under 35 U.S.C. § 285 and find that Midas has violated Bankruptcy Rule 9011(b)(1)-(3). Debtors pray that they be awarded sanctions in such amount as will compensate them for their damages and expenses caused by the filing of Midas's proofs of claim, as well as deter conduct of this type in the future; further, Movant respectfully requests that the Court grant such other and further relief to which Movant may be entitled, at law or in equity.

RESERVATION OF RIGHTS

20. Nothing contained herein is intended to be or shall be deemed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver or limitation of the Debtors' or any party in interest's rights to dispute the amount of, basis for, or validity of any claim, (iii) a waiver of the Debtors' rights under the Bankruptcy Code or any other applicable nonbankruptcy law, (iv) an agreement or obligation to pay any claims, (v) a waiver of any claims or causes of action which may exist against any creditor or interest holder, or (vi) an approval, assumption, adoption, or rejection of any agreement, contract, lease, program, or policy under section 365 of the Bankruptcy Code. Likewise, if the Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended to be and should not be construed as an admission to the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently.

NOTICE

21. Notice of this Reply will be provided to (i) the Office of the United States Trustee; (ii) counsel to the Creditors' Committee; (iii) Midas, (iv) any other party that has requested notice pursuant to Bankruptcy Rule 2002; and (v) any other party entitled to notice pursuant to Local Rule 9013-1(d).

WHEREFORE, the Debtors respectfully request entry of the Proposed Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Respectfully submitted this 14th day of October, 2025.

QUINN EMANUEL URQUHART & SULLIVAN, LLP

/s/ Patricia B. Tomasco

Patricia B. Tomasco (SBN 01797600)
Cameron Kelly (SBN 24120936)
Alain Jaquet (*pro hac vice)*
Rachel Harrington (*pro hac vice)*
700 Louisiana Street, Suite 3900
Houston, Texas 77002
Telephone: 713-221-7000
Facsimile: 713-221-7100
Email: pattytomasco@quinnemanuel.com
Email: cameronkelly@quinnemanuel.com
Email: alainjaquet@quinnemanuel.com
Email: rachelharrington@quinnemanuel.com

- and -

Eric Winston (*pro hac vice*)
Razmig Izakelian (*pro hac vice)*
Ben Roth (*pro hac vice)*
865 S. Figueroa Street, 10th Floor
Los Angeles, California 90017
Telephone: 213-443-3000
Facsimile: 213-443-3100
Email: ericwinston@quinnemanuel.com
Email: razmigizakelian@quinnemanuel.com
Email: benroth@quinnemanuel.com

- and -
STRIS & MAHER LLP

Peter K. Stris
Elizabeth Brannen
17785 Center Court Dr N., Suite 600
Cerritos, CA 90703
Phone: (213) 995-6800
Fax: (213) 261-0299
pstris@stris.com
ebrannen@stris.com
Counsel to the Debtors and Debtors-In-Possession

Certificate of Service

I, Patricia B. Tomasco, hereby certify that on the 14th day of October, 2025, a copy of the foregoing Motion was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Patricia B. Tomasco
Patricia B. Tomasco

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	Chapter 11
	§	
RHODIUM ENCORE LLC, *et al.*,[1]	§	Case No. 24-90448 (ARP)
	§	
Debtors.	§	
	§	(Jointly Administered)
	§	

ORDER SUSTAINING DEBTORS' MOTION FOR SANCTIONS RELATING TO CLAIM NUMBERS 004, 062, AND 068-072 FILED BY MIDAS GREEN TECHNOLOGIES LLC
(Relates to ECF No. ____)

Upon consideration of *Debtors' Motion for Sanctions Relating to Claim Numbers 004, 062, and 068-072 Filed by Midas Green Technologies LLC* (the "Motion");[2] and this Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided; and such notice having been adequate and appropriate under the circumstances, and it appearing that no other or further notice need be provided; and the Court having found and determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation thereon; and good and sufficient cause appearing therefor;

[1] The Debtors in these chapter 11 cases and the last four digits of their corporate identification numbers are as follows: Rhodium Encore LLC (3974), Jordan HPC LLC (3683), Rhodium JV LLC (5323), Rhodium 2.0 LLC (1013), Rhodium 10MW LLC (4142), Rhodium 30MW LLC (0263), Rhodium Enterprises, Inc. (6290), Rhodium Technologies LLC (3973), Rhodium Renewables LLC (0748), Air HPC LLC (0387), Rhodium Shared Services LLC (5868), Rhodium Ready Ventures LLC (8618), Rhodium Industries LLC (4771), Rhodium Encore Sub LLC (1064), Jordan HPC Sub LLC (0463), Rhodium 2.0 Sub LLC (5319), Rhodium 10MW Sub LLC (3827), Rhodium 30MW Sub LLC (4386), and Rhodium Renewables Sub LLC (9511). The mailing and service address of the Debtors in these chapter 11 cases is 2617 Bissonnet Street, Suite 234, Houston, TX 77005.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

IT IS HEREBY ORDER THAT:

1. The Motion is sustained as provided herein.

2. Midas Green Technologies LLC and its counsel Thomas Whitelaw & Molegraff LLP and Scheef & Stone, LLP are liable for such amount as will compensate the Debtors for all fees and expenses incurred litigating Midas's proofs of claim.

3. This order is immediately effective and enforceable.

4. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this order.

Dated: _____ , 2025

ALFREDO R. PEREZ
UNITED STATES BANKRUPTCY JUDGE