Docket #2372 Date Filed: 04/28/2026

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

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

MIDAS GREEN TECHNOLOGIES, LLC'S OBJECTIONS TO REQUEST OF THE WIND DOWN DEBTOR TO END ABATEMENT OF, AND GRANT, SANCTIONS MOTIONS AGAINST MIDAS GREEN

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Midas Green Technologies LLC objects to the Request of the Wind Down Debtor to End Abatement of, and Grant, Sanctions Motions Against Midas Green [Dkt. 2366] and states:

1. Rhodium asks this Court to end abatement of the sanctions motions and to grant them on the premise that the underlying appeal has been "finally resolved" and that the merits against Midas Green were already conclusively determined.

2. That request should be denied because the premise of finality is overstated and internally inconsistent with this Court's own prior findings. Further, as identified in Midas' oppositions to all sanctions motions filed by Rhodium, Rhodium failed to comply with Rule 11, § 9011, and has not established sanctions are warranted under the Court's inherent power. Specifically, in its October 28, 2025 Report and Recommendation regarding Midas Green's Motion to Withdraw the Reference, this Court expressly stated: "In the time since making these statements, the district court has not issued a written order regarding Rhodium's motion for summary judgment." [Dkt. 1880].

3. The same filing further acknowledges that after stay relief was granted so the Western District of Texas could enter a written order memorializing its April 9, 2024 bench statements, Judge Albright's chambers requested a joint proposed order, the parties submitted one, and "the district court has yet to issue an order."

[Dkt. 1880].

4. The Wind Down Debtor's request in Docket No. 2366 depends on treating the prior district court proceedings as having reached a sufficiently final merits determination that Midas Green's later conduct was sanctionable as a matter of law. But Docket No. 1880 reflects that no written summary judgment order was ever entered in the patent case, and this Court itself recognized that point.

5. That lack of a written merits order matters. As a general rule, preclusion doctrines require a final judgment. Federal claim preclusion ordinarily requires a final judgment on the merits, and issue preclusion likewise requires that the issue have been actually litigated and determined by a valid and final judgment. See *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008), see also *Montana v. United States*, 440 U.S. 147, 153-54 (1979), describing issue preclusion. Where a court has announced an oral inclination or bench ruling but no final written judgment has been entered, the finality inquiry can be disputed.

6. The Wind Down Debtor relies heavily on the notion that Midas Green's appeal has now been voluntarily dismissed. But dismissal of an appeal in 2026 does not retroactively cure the absence of a written order in the Western District patent case. The district court appeal identified in Exhibit A to Request of Wind Down Debtor to End Abatement [Dkt. 2366] was an appeal from this Court's October 28, 2025 claims rulings, not a written merits judgment entered by the

Western District of Texas in the original patent action.

7. Thus, even if the appeal from this Court's 2025 bankruptcy orders has now been dismissed, that does not establish that Midas Green acted in bad faith when it disputed finality earlier, because this Court itself recognized in its ruling on Midas' Motion to Withdraw the Reference that no written order had issued from the Western District and that the matter remained procedurally unusual.

8. The Wind Down Debtor also overreads Docket No. 1878. In that memorandum opinion, this Court expressly stated: "This Court does not base its decision today on the finality of the district court's ruling." [Dkt. 1878] Instead, the Court held that Debtors had rebutted the claims and that Midas Green failed to carry its burden at the evidentiary hearing.

9. That statement is critical. The Court's own merits opinion confirms that the claims objection ruling did not depend on a determination that the Western District had entered a final judgment with preclusive effect. [Dkt. 2366] Rhodium nevertheless seeks sanctions by recasting the matter as though the absence of a final written district court ruling was immaterial and as though Midas Green's contrary position was sanctionable. That is not what this Court's ruling on Rhodium's Objections to Midas' Proof of Claims says. [Dkt. 1878].

10. To the contrary, This Court's Ruling on Rhodium's Objections to Midas' Proof of Claims recognizes there was a live dispute over finality. It recites

that Debtors argued the Western District made a final bench ruling, while Midas Green argued "no final ruling has been issued by the district court," and the Court declined to decide the objection on finality grounds.

11. This procedural history defeats any assertion that Midas Green's position on finality was frivolous per se. Where the Court itself acknowledged the absence of a written order and expressly declined to base its ruling on finality, sanctions cannot properly be imposed merely because Midas Green maintained there was no final ruling.

12. That point is especially important because the sanctions motions at Docket Nos. 1793 and 1794 rely on legal predicates that remain contestable:

a. Docket No. 1793 seeks sanctions under Bankruptcy Rule 9011 and 35 U.S.C. § 285.

b. Docket No. 1794 seeks sanctions under 11 U.S.C. § 105 and 35 U.S.C. § 285.

13. Rule 9011 sanctions require that the challenged filing be presented for an improper purpose, or that legal contentions be unwarranted by existing law and nonfrivolous argument, or that factual contentions lack evidentiary support. Fed. R. Bankr. P. 9011(b). Given Docket Nos. 1880 and 1878, Midas Green's position that there was no final written district court ruling was at minimum a colorable legal position, not sanctionable frivolity.

14. Sanctions under a court's inherent authority or under 11 U.S.C. § 105 generally require a specific finding of bad faith or abuse of the judicial process. *Chambers v. NASCO, Inc.*, 501 U.S. 32, 45-46 (1991), recognizes inherent-power sanctions for bad-faith conduct; bankruptcy courts in the Fifth Circuit likewise require careful, specific findings before imposing such sanctions. Docket No. 2366 does not eliminate the need for those findings. And where the Court itself acknowledged the absence of a written district court order and declined to rest its merits ruling on finality, bad faith cannot simply be inferred from Midas Green's insistence that finality was lacking.

15. As to 35 U.S.C. § 285, fee shifting is available only in "exceptional" cases. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014), holds that an exceptional case is one that stands out with respect to the substantive strength of a party's position or the unreasonable manner in which the case was litigated. Here, Midas Green's argument that there was no final ruling was not objectively unreasonable in light of the Court's rulings on the Motion to Withdraw the Reference [Dkt. 1880] and the Rhodium's Objections to Midas' Proofs of Claim [Dkt. 1878].

16. The Wind Down Debtor's own current filing confirms only that the appeal from this Court's claims order was voluntarily dismissed on February 23, 2026 under Federal Rule of Appellate Procedure 42(b), with each side to bear its

own costs on appeal. Rhodium 2366 - Request of Wind Down Debtor to End Abatement, Exhibit A. That dismissal does not constitute an adjudication that Midas Green's prior positions were sanctionable.

17. Nor does Rhodium establish entitlement to the extraordinary amount of fees sought. It references the Topping declaration and later fee applications, but the existence of fees does not itself justify sanctions. A fee award under Rule 9011, § 105/inherent authority, or § 285 still requires the predicate showing of sanctionable conduct, bad faith, or exceptionality. Those showings are disputed.

18. At minimum, due process requires that Midas Green be permitted to oppose any renewed sanctions request on the present record, including on the ground that:

a. no final written district court summary judgment order issued in the Western District patent action;

b. this Court acknowledged this in its Ruling on Midas' Motion to Withdraw the Reference [Dkt. 1880];

c. this Court expressly stated in this Court's Ruling on Rhodium's Objections to Midas' Proofs of Claim [Dkt. 1878];

d. therefore, Midas Green's position regarding lack of finality was not frivolous and cannot support sanctions.

WHEREFORE, Midas Green requests that the Court deny the Request at

Docket No. 2366.

DATED: April 28, 2026

Respectfully submitted,
/s/ Joseph E. Thomas

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CERTIFICATE OF SERVICE

I hereby certify that counsel of record who have appeared electronically in this case are being served with this document on April 28, 2026 by way of the primary email address that said counsel supplied to the Court's CM/ECF system.

/s/ Joseph E. Thomas