

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

**QUANTUM CATALYTICS, INC. and
TEXAS SYNGAS, INC.**

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VS.

CIVIL ACTION NO. H-07-2619

**ZE-GEN, INC., WILLIAM “BILL” DAVIS,
BURNS & ROE, INC., and NEW BEDFORD
WASTE SERVICES, LLC**

**MOTION AND SUPPORTING MEMORANDUM TO DISMISS OF DEFENDANTS ZE-
GEN, INC., WILLIAM “BILL” DAVIS AND NEW BEDFORD WASTE SERVICES, LLC**

/s/ David H. Judson
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BEDFORD WASTE SERVICES, LLC**

I. INTRODUCTION

This patent infringement suit concerns a research and development facility located in Massachusetts. The case should be dismissed on several grounds:

1. the Court lacks personal jurisdiction over each movant, requiring dismissal under Fed. R. Civ. P. 12(b)(2);
2. the Court is not a proper venue, requiring dismissal under Fed. R. Civ. P. 12(b)(3);
and
3. the owner of the patents is not a party to the suit; thus, the named plaintiffs lack standing to sue, requiring dismissal under Fed. R. Civ. P. 12(b)(7);

The movants request an oral hearing pursuant to L.R. 7.8.

II. BACKGROUND FACTS

The facts underlying this motion are supported by the declarations of William “Bill” Davis, David H. Judson, and Michael Camara.

Ze-gen

Ze-gen is a privately-held Massachusetts company that was formed in mid-2004 to develop and deploy efficient gasification systems that convert municipal and construction waste into clean energy. The Company was founded to address the problems of current waste handling solutions, which typically rely on incineration and landfills. Waste incineration involves combustion, which creates undesirable by-products. Similarly, landfills represent a man-made source of methane gas emissions. Incineration or use of landfills results in greenhouse gas emissions.

Ze-gen has designed and developed technology that will process large quantities of waste (that would otherwise be sent to a landfill) into near zero-emissions syngas, thereby preventing the formation of a significant amount of greenhouse gases.

To test its technology, the Company is now operating a proof-of-concept (or “pilot”) facility in New Bedford, Massachusetts, located approximately 50 miles South of Boston. That facility has received a conditional operating permit from the Massachusetts Department of Environmental Protection’s Solid Waste and Air Department and has been operational since approximately mid-October, 2007. The facility is now being operated to facilitate research, data collection, and testing.

The New Bedford Massachusetts pilot facility permit is for one year, and thereafter the Company intends to move into the design, development, operation, and management of full-scale facilities that implement the Ze-gen module and related technologies. The first full-scale facility is planned to operate in Massachusetts.

Ze-gen does not sell products or services in the State of Texas. Ze-gen has no offices, distributors, manufacturing facilities, or assets in Texas. All of its employees work at facilities in Massachusetts.¹ Ze-gen does not own property in Texas. Ze-gen is not registered to do business in Texas. Ze-gen does not maintain a registered agent in Texas. Ze-gen does not have any product distribution channels in Texas. Moreover, Ze-gen has not sold any products anywhere, let alone in Texas. As noted above, Ze-gen's proof of concept facility now operating in New Bedford, Massachusetts is not producing any commercial product. The syngas generated by this pilot facility is burned off at the site, and is not distributed in any stream of commerce. The Company has not created, used, sold, offered for sale, contributed to, or induced the sale of any products or services in Texas.²

Ze-gen has not purposefully directed any of its activities at Texas, nor has Ze-gen purposefully availed itself of the benefits and protections of Texas law.

William "Bill" Davis

William H. Davis is Ze-gen's President and Chief Executive Officer. With respect to all acts or omissions alleged here, Mr. Davis acted in his fiduciary capacity on behalf of the Company. He is a Massachusetts resident.

¹ On or about January 15, 2008, the Company hired a new employee who still has a formal residence in Texas. As a condition of employment, that employee is relocating to Boston, and he is currently working for the Company in Boston.

² Ze-gen has a web site accessible over the public Internet, <http://www.ze-gen.com>. Ze-gen's web site is used solely as an advertisement for the Company by sharing information and linking to press articles (on third-party web sites) about Ze-gen's technology. Along with this general information, the Ze-gen web site includes the Company's telephone number, a mailing address, and an electronic mail ("e-mail") address through which users can contact Ze-gen and receive a newsletter about the latest news and information about the Company. Ze-gen does not use the web site to direct any activities at Texas or her residents. Ze-gen does not use its web site to enter into contracts or business transactions with residents or companies of other States, or to take orders for any products or services.

New Bedford Waste Services, LLC

If it is possible, New Bedford Waste Services, LLC (“NBWS”) has even fewer contacts with Texas than Ze-gen. The Company simply operates a waste processing and transfer station in New Bedford, Massachusetts along side the Ze-gen pilot facility.³ NBWS does not sell products or services in Texas, it has no offices, employees, distributors, manufacturing facilities, or assets in Texas, it owns no property here, it is not registered to do business in Texas, it does not maintain a registered agent here, it has no product distribution channels here, and it has never done any business here.

Quantum Catalytics and Texas Syngas

Quantum Catalytics, Inc., (“QCI”) the named plaintiff, is not an existing corporation according to the Massachusetts Secretary of State corporate records. A Massachusetts entity named Quantum Catalytics, L.L.C. (“LLC”) does exist, however, and it is this entity that is identified in the records of the United States Patent & Trademark Office (“PTO”) as being the record owner of the patents-in-suit. An individual named John Preston, who is believed to reside in Massachusetts, owns, controls, and manages LLC.

Additional Background Facts⁴

In late 1998, LLC purchased certain intellectual property assets out of a third party bankruptcy proceeding. Those assets included a patent estate relating to processing toxic and hazardous wastes using molten metal bath furnaces.

In the Complaint, Texas Syngas, Inc. (“TSI”) avers that it is an exclusive licensee under the patents owned by the named plaintiff QCI. As discussed above, however, QCI is not the record owner – LLC is – nor does the PTO have any record of any such exclusive license relationship. Moreover, consistent with the PTO records, even the TSI web site identifies LLC as the owner of the patents.

³ Some output (wood feedstock) from the NBWS transfer station is provided as input to the Ze-gen pilot facility.

⁴ The facts set out in the next few paragraphs are not necessary for the Court to rule upon this motion, but they provide useful context. In particular, the Complaint made certain references to Ze-gen seeking a license under the patents, however, this description was incomplete and misleading. The discussion herein provides the true story.

In early 2006, John Preston represented to Bill Davis that Ze-gen would need to obtain a license under the LLC patent estate if Ze-gen intended to practice waste recovery using liquid metal baths. While Ze-gen did not agree, it did have discussions with LLC and Preston concerning the issue. Because these discussions were between Massachusetts residents, they took place entirely in Massachusetts. At the time, LLC provided a formal proposal to license certain of its patents to Ze-gen in connection with Ze-gen's New Bedford pilot facility. Although Ze-gen and LLC discussed a possible license, the negotiations failed.⁵

In mid-2006, Ze-gen discovered that the majority of the patents in the LLC patent estate, including a majority of those that LLC had sought to license, had been deliberately abandoned due to failure to pay maintenance fees. Neither Preston nor LLC had disclosed the expiration of most of the patents they were offering to license. Indeed, of the fifty-two U.S. patents that LLC bought between 1999 and 2005, thirty-three expired because of failure to pay required maintenance fees. Another four patents expired naturally (i.e., reached the end of the term of the patent grant), including the two original patents directed to the basic technique of gasifying waste using a molten metal bath. This was the state of the LLC patent portfolio at the time LLC and Preston began their shakedown operation against Ze-gen.

After Ze-gen came to understand the deceptive nature of the proposed license, it terminated all negotiations. Ze-gen did not hear from LLC or Preston again until August, 2007. On August 10th, this suit was filed.⁶

⁵ In March 2006, Preston wrote to Mr. Davis in Massachusetts, saying that "the majority of the [] patents will not apply to your activity. Probably only a few will be relevant and within those patents only a few of the claims will be important." Ze-gen denies infringement, of course.

⁶ Movants were never served with the original complaint. After receiving a copy of the original complaint from a third party, however, Ze-gen's counsel wrote plaintiffs' counsel identifying numerous critical defects in the pleading, including that "Quantum Catalytics, Inc." was not a proper plaintiff (because it did not own the patents), and that at least one of the patents-in-suit had expired. The plaintiffs, having full notice of these defects, served their amended complaint without correcting them.

III. ARGUMENT

1. The Movants Are Not Subject to General or Specific Jurisdiction

A. Applicable Legal Standard for Personal Jurisdiction

Where the jurisdictional facts are undisputed, “the question of personal jurisdiction ... resolves itself into one of law.” *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1358 (Fed. Cir. 1998). In evaluating whether personal jurisdiction exists over a defendant, a two-step inquiry is made. First, the court must first determine whether the defendant is amenable to service under the applicable state’s long-arm statute. *See Red Wing Shoe*, 148 F.3d at 1358. The next inquiry is whether exercising personal jurisdiction offends the “‘traditional notions of fair play and substantial justice’ that are embodied in the Due Process Clause” of the Constitution of the United States. *Id.* (citation omitted); *see also Viam Corp. v. Iowa Export-Import Trading Co.*, 84 F.3d 424, 427 (Fed. Cir. 1996). Because this Court sits in Texas, the Texas long-arm statute is applicable here. *See TEX. CIV. PRAC. & REM. CODE ANN. § 17.042* (1997).

The Texas long arm statute reaches as far as the Due Process Clause will allow. *Alpine View Co. v. Atlas Copco AB*, 205 F.3d 208, 214 (5th Cir. 2000). Accordingly, the two-step inquiry devolves into the question whether exercising personal jurisdiction over Ze-gen, Davis or NBWS is consistent with due process. *See Hanson Pipe & Prods., Inc. v. Bridge Techs. LLC*, 351 F. Supp. 2d 603, 609 (E.D. Tex. 2004).

Due process requires that the defendant have certain “minimum contacts” with the forum such that the exercise of personal jurisdiction “does not offend ‘traditional notions of fair play and substantial justice.’” *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 414 (1984) (citations omitted). In other words, it must be determined whether the defendant’s contacts with the forum are “such that [it] should reasonably anticipate being haled into court there.” *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980). These “minimum contacts must have a basis in ‘some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.’” *Asahi Metal Indus. Co., Ltd. v. Superior Court of California*, 480 U.S. 102, 109 (1987) (quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475 (1985)).

The “minimum contacts” test examines the number and type of contacts that the defendant has with the forum State. *Red Wing Shoe*, 148 F.3d at 1359. When the cause of action “arises out of or relates to” those contacts, a court may properly exercise personal jurisdiction even if those contacts are “isolated or sporadic.” *Id.* (quoting *Burger King*, 471 U.S. at 472-73). This is known as “specific jurisdiction.” *Id.* General jurisdiction, on the other hand, may exist when, even though the cause of action is unrelated to the defendant’s contacts, the defendant’s presence in the forum state is nonetheless so “continuous and systematic” that exercising personal jurisdiction does not offend traditional notions of fair play and substantial justice. *Id.*; *Helicopteros Nacionales de Columbia*, 466 U.S. at 414-16; see also *J-L Chieftan, Inc. v. W. Skyways, Inc.*, 351 F. Supp. 2d 587, 590-91 (E.D. Tex. 2004) (finding no general jurisdiction); *Adell*, 51 F.Supp.2d at 755 (citing *Bearry v. Beech Aircraft Corp.*, 818 F.2d 370, 375-75 (5th Cir. 1987)). Thus, when a plaintiff attempts to invoke general jurisdiction, the defendant’s contacts with the forum state must be more significant than those which would support specific jurisdiction. *Hanson Pipe & Prods, v. Bridge Technologies*, 351 F. Supp.2d 603, 613 (E.D. Tex. 2004).

Notably, whether general or specific jurisdiction is implicated, the only relevant contacts are those that defendant itself “purposefully direct[s] at the forum or its residents.” *Red Wing Shoe*, 148 F.3d at 1359. “‘Random,’ ‘fortuitous,’ or ‘attenuated’ contacts do not count in the minimum contacts calculus.” *Id.* (quoting *Burger King*, 471 U.S. at 475).

B. Analysis

Ze-gen

The Complaint in this case makes no allegation of personal jurisdiction. Presumably, this is because plaintiffs are aware that there is no basis for any allegation with respect to Ze-gen or any of the other movants. As to general jurisdiction, Ze-gen’s contacts with Texas, to the extent there are any at all, cannot be characterized as “continuous and systematic.” Ze-gen has no offices, agents, distributors, facilities or assets in Texas. All of its employees work at facilities in Massachusetts. It does not sell products or offer services in Texas. Ze-gen does not actively advertise or deliberately target business here. Ze-gen does not pay taxes to Texas, nor does it maintain a registered agent in Texas. Ze-gen’s

web site provides information about the Company, but is not used to transact business in Texas or anywhere else.⁷

As to specific jurisdiction, Ze-gen's only facility is located in New Bedford, Massachusetts, and Plaintiffs cannot seriously contend that Ze-gen is infringing the patents by any acts or omissions being carried out in Texas. No Ze-gen products flow through the stream of commerce in Texas or anywhere else at this time. The license-related discussions that took place between Ze-gen and LLC (a non-party) took place in Massachusetts.

Under these circumstances, exercising jurisdiction over Ze-gen would offend the traditional notions of fair play and substantial justice. To state the obvious, Ze-gen has not purposefully availed itself of the privilege of conducting activities within Texas, nor has it invoked the benefits and protections that Texas's laws provide. Its contacts with Texas (to the extent there are any) are so remote and attenuated that Ze-gen could not have reasonably anticipated being haled into court here. Thus, the Court lacks personal jurisdiction over Ze-gen.

William "Bill" Davis

Mr. Davis is a Massachusetts resident. His actions relating to the accused facility and the licensing discussions occurred in Massachusetts, and they were as a fiduciary to the Company. Ze-gen's Texas contacts, such as they are, cannot be imputed to him. In particular, the "fiduciary shield" doctrine provides that corporate officers are not subject to personal jurisdiction in a foreign forum where their actions are taken in a representative capacity. *See, e.g., Amoco Chem. Co. v. Tex. Tin Corp.*, 925 F. Supp. 1192, 1201 (S.D. Tex. 1996); *Stuart v. Spademan*, 772 F.2d 1185, 1197 (5th Cir. 1985).

⁷ In *Mink v. AAAA Development LLC*, 190 F.3d 333 (5th Cir. 1999), the Fifth Circuit ruled that Texas had no jurisdiction over a Vermont defendant even though the defendant operated a web site, accessible to Internet users in Texas, where it posted information about its products and services and provided sales-related contact information. The Fifth Circuit held that even though the defendant provided an e-mail address and printable mail-in order form, there were insufficient contacts to confer general jurisdiction because the web site did not "allow consumers to order or purchase products and services on-line." *Id.* at 337. The Fifth Circuit reasoned that such a web site was nothing more than "passive advertisement which is not grounds for the exercise of personal jurisdiction." *Id.*

New Bedford Waste Services, LLC

NBWS has no contact with Texas either. It operates a waste transfer station in New Bedford, Massachusetts. Some of the material provided to the Ze-gen facility is pre-processed in that transfer station. It also has a passive web site.

For the same reasons as advanced with respect to Ze-gen, this Court lacks personal jurisdiction over NBWS.

2. Venue is not proper in Texas

The Patent Venue Statute, 28 U.S.C. § 1400(b), provides that venue is proper in any district where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business. A defendant is deemed to reside in any district in which it is subject to personal jurisdiction at the time the action is commenced. 28 U.S.C. § 1391(c). Therefore, venue is proper in a patent infringement case in any district where there is personal jurisdiction over the defendant at the time the action is commenced. *See, e.g., Ve Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575-79 (Fed. Cir. 1990).⁸

Because this Court lacks personal jurisdiction over each movant, venue is not proper in this district. Thus, the case should be dismissed under Rule 12(b)(3).

3. Plaintiffs lack standing to sue

LLC (a non-party) owns the patents, not QCI (the named plaintiff). A patent infringement suit cannot proceed without joinder of the patent owner. *Propat Int'l Corp. v. Rpost, Inc.*, 473 F.3d 1187, 1193 (Fed. Cir. 2007). Ze-gen brought this standing defect to the plaintiffs' attention after the original suit was filed, but plaintiffs have refused to correct it. The doctrine of standing limits federal judicial power and is constitutionally mandated. *Media Techs. Licensing, LLC. v. Upper Deck Co.*, 334 F.3d 1366, 1369 (Fed. Cir. 2001). The Constitution requires that a plaintiff must have suffered an "injury in fact," that there is a causal connection between the injury and a defendant's conduct, and that the injury is redressable by a favorable court decision. *Lujan v.*

⁸ Plaintiffs' other cause of action is for unfair competition "by the use [or pirating] of the patented technology." First Amended Complaint ¶ 18. Because this claim is tantamount to asserting patent infringement, it adds nothing and is governed by the same venue rules for patent infringement. 28 U.S.C. § 1338(b) (providing district court jurisdiction over unfair competition claims joined with "a substantial and related claim under the copyright, patent, plant variety protection or trademark laws").

Defenders of Wildlife, 504 U.S. 555, 560 (1992). If QCI is a legal entity, there is no evidence that it owns the patents alleged to be infringed. The PTO web site identifies LLC as the patent owner and, indeed, TSI's own web site says the same thing. QCI, if it even exists, cannot be injured by Ze-gen's alleged infringement. Thus, QCI lacks standing.

The Complaint does allege TSI is an exclusive licensee under the patents. Even taking this allegation as true, TSI still lacks standing as long as the patent owner (LLC) has not been joined as well. *Schwarz Pharma, Inc. v. Multimedia Games, Inc.*, Civ. 2007-1074 (Fed. Cir. Oct. 12, 2007) (citing *Propat Int'l Corp. v. Rpost, Inc.*, 473 F.3d 1187, 1193 (Fed. Cir. 2007), *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal.*, 248 F.3d 1333, 1347-48 (Fed. Cir. 2001)). *Prima Tek II v. A-Roo Co.*, 222 F.3d 1372, 1377 (Fed. Cir. 2000). Because TSI failed to join the proper patent owner, it lacks standing.

For these reasons, dismissal is proper under Rule 12(b)(7).

IV. CONCLUSION

As shown above, this Court lacks personal jurisdiction over each movant, venue is not proper, and QCI and TSI lack standing to sue for patent infringement. Accordingly, and for the reasons set above, the motion to dismiss should be **GRANTED**.

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CERTIFICATE OF SERVICE

I hereby certify that this document filed through the ECF System will be sent electronically to the registered participants as identified by the Notice of Electronic Filing (NEF) and paper copies will be sent to those indicated as non-registered participants on January 28, 2008 via first-class mail.

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