

**I.
INTRODUCTION**

1. This proceeding is a patent infringement action brought by Plaintiffs Pilot Energy Solutions and PIP against Defendants Chevron and Scout Energy for infringement of Pilot/PIP's United States Patent No. 8,505,332 ("the '332 Patent").

2. Plaintiff Pilot Energy Solutions also asserts Texas common law causes of actions for fraudulent (or at least negligent) misrepresentations against Defendant Chevron, for its misrepresentations about the processes used in its Mabee gas plant near Midland, Texas.

**II.
PARTIES**

3. Plaintiffs Pilot Energy Solutions and PIP are Texas limited liability companies, each with its principal place of business in Houston, Texas.

4. Defendant Chevron is a Pennsylvania corporation, which identifies its principal place of business as San Ramon, California.

5. Defendant Chevron has registered and is authorized to transact business in the State of Texas, and may be served with process by serving its registered agent for service, Prentice-Hall Corporation System, at 211 E. 7th Street, Suite 620, Austin, Texas 78701-3218.

6. Defendant Scout Energy is a Texas limited liability company with its principal place of business in Dallas, Texas.

7. Defendant Scout has registered and is authorized to transact business in the State of Texas, and may be served with process by serving its registered agent for service, Jon C. Piot, at 13800 Montfort Drive, Suite 100, Dallas, TX 75240.

**III.
JURISDICTION AND VENUE**

8. This action states claims arising under the patent laws of the United States, 35 U.S.C. § 271. Plaintiffs Pilot Energy Solutions and PIP assert a cause of action for infringement of the ‘332 Patent. This Court has original and exclusive subject matter jurisdiction over these claims under 28 U.S.C. §§ 1331 and 1338(a). This Court has supplemental jurisdiction over the related state law fraud and negligent misrepresentation claims under 28 U.S.C. § 1367.

9. This Court has personal jurisdiction over Defendants Chevron and Scout Energy because each has designated a registered agent for service of process in Texas. This Court also has personal jurisdiction over Defendants Chevron and Scout Energy because each is doing business in Texas, and because each is committing torts including patent infringement, which are the subject of this action, in Texas.

10. Venue is proper in this Court under 28 U.S.C. §§ 1391(b), (c), and 1400(b) because the corporate Defendant Chevron resides in this judicial district, a substantial part of the events or omissions giving rise to Plaintiffs’ claims occurred in this judicial district, and because the Defendant Chevron conducts business within this judicial district.

11. Defendant Chevron resides in this judicial district, under 28 U.S.C. § 1391(c)(2), because Chevron does business in this judicial district including operations in Houston with over 6,000 employees in downtown Houston. 28 U.S.C. § 1391(c)(2) (“[A]n entity . . . shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question . . .”).

12. Furthermore, venue is proper in this Court under 28 U.S.C. § 1391(d) because Defendants Chevron and Scout Energy are subject to personal jurisdiction in this judicial district. 28 U.S.C. § 1391(d) (“[I]n a State which has more than one judicial district and in which a

defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State.”).

IV. BACKGROUND

Pilot Energy Solutions and PIP

13. Plaintiff Pilot Energy Solutions is a full-service technology and gas processing company, specializing in high CO₂ and unconventional gas streams, for natural gas liquid (“NGL”) and CO₂ recovery. Pilot Energy Solutions offers a full suite of gas processing technologies to address a range of flow rates and compositions. Pilot Energy Solutions specializes in evaluating unusual, unconventional, low volume, or stranded (wet) gas, and developing unique, cost-effective processing technologies.

14. Plaintiff PIP is a subsidiary of Pilot Energy Solutions that owns and administers certain intellectual property assets of the Pilot Energy group of companies.

15. Pilot Energy Solutions is based in Houston, Texas, and currently operates four NGL recovery plants in North America utilizing its proprietary technology. Pilot Energy Solutions’ proprietary technology is protected by a portfolio of over twenty United States patents, including the ‘332 Patent asserted in this case.

16. The technology at issue in this case is Pilot Energy Solutions’ patented CO₂Flex[®] process for recovering NGLs from high-CO₂ natural gas streams. Pilot Energy Solutions submitted a proposal for a project in which Pilot proposed to build and operate a gas processing facility at Chevron’s Mabee gas plant near Midland, Texas. Rather than accepting Pilot Energy

Solutions' proposal, Chevron rejected the proposal, contracted with another company to build the gas processing facility, and then operated the facility utilizing Pilot's patented process.

Chevron

17. Defendant Chevron is a multinational energy company with its global headquarters in San Ramon, California. Chevron operated the infringing gas processing facility in its Mabee gas plant near Midland, Texas until its sale of the Mabee gas plant to Scout Energy Management in November 2021.

Scout Energy

18. Scout Energy Partners is a private investment firm, which acquired the Mabee gas plant from Chevron in November 2021. Its affiliate Defendant Scout Energy Management, LLC operates the Mabee gas plant, including the infringing gas processing facility.

History of Chevron's Concealed Infringement of Pilot/PIP's '332 Patent

19. In August 2007 Pilot Energy Solutions and Chevron began discussions about processing the recycle CO₂ gas at Chevron's Mabee gas plant near Midland, Texas (the "Mabee Plant"), for NGL extraction, using Pilot technology. During these discussions Pilot and Chevron executed a Confidentiality Agreement in 2008, and again in 2009. Subsequently, Pilot shared drawings, process simulations, heat and material balances, preliminary cost estimates, and made multiple visits to the Mabee Plant site.

20. During 2007-2008 Pilot personnel attended several meetings with Chevron personnel regarding the proposed project. In November 2007, and again in April 2008, Pilot made formal proposals to build a plant, at its sole cost, to third-party process the CO₂ recycle gas at the

Mabee Plant recompression station. Chevron's continuing evaluation of the Pilot proposals included a field trip to Pilot's plant in Wyoming, to allow Chevron personnel to further evaluate Pilot's proprietary process and speak to the operations staff.

21. During this period there were a number of meetings with Chevron to discuss the possibility of using Pilot's technology at Chevron's Reinecke field, also near Midland, Texas. All discussions were suspended until July 2009, when Chevron contacted Pilot and asked for an updated evaluation based on the most current flow and composition data for the Mabee Plant. Pilot promptly provided this information to Chevron. Other than addressing a few additional technical questions about the Mabee Plant proposal, there were no additional discussions until May 2010 when Pilot received an email from Chevron, asserting that Chevron had a "two year plan" and that no final decision would be made on the Mabee Plant until 2012.

22. In August 2010 Pilot received a follow-up email from Chevron asserting that Chevron was still evaluating Pilot's technology and its processing proposal for the Mabee Plant. In response Pilot offered to explore the possibility of alternative deal structures including a third-party arrangement or a joint venture with Chevron for the Mabee Plant. Pilot did not receive a response from Chevron.

23. In January 2012, Pilot learned through several industry contacts familiar with Pilot's technology, that Chevron was building the Mabee Plant and that it appeared the Plant was going to use Pilot's technology. Pilot contacted Chevron to discuss the situation, remind Chevron that Pilot had previously disclosed its proprietary process under a confidentiality agreement, and inquire as to whether Chevron may be using that technology at the Mabee Plant. Chevron said they would check into the matter.

24. Pilot and Chevron had further discussions in February 2012, in which Pilot reiterated its concerns that Chevron may be incorporating Pilot's proprietary (then patent-pending) technology in the Mabee Plant. Chevron (including Allen Hein) asserted that the Mabee Plant they were building was identical to their Rangely, Colorado plant, using Chevron's own technology from that plant.

25. Pilot requested a meeting with Chevron to discuss Pilot's then-pending patent application, and to review Chevron's Mabee Plant drawings. Chevron did not agree to the proposed meeting, and Pilot heard nothing further from Chevron on the matter over the next several months.

26. After continuing to hear information leading Pilot to believe that Chevron was using Pilot's technology at the Mabee Plant, Pilot looked up the Mabee Plant's air permit application at the Texas Commission for Environmental Quality ("TCEQ") to review the plant design. In November 2012, Pilot was able to find and review the air permit application, which was consistent with what Pilot had been hearing. Attached as Exhibit P-2 is the Chevron Mabee Plant Air Permit Application (November 5, 2012)

27. Pilot's '332 Patent issued on August 13, 2013. Two days later, on August 15, 2013, Pilot sent a letter to Chevron, detailing this history of Pilot's proposals for the Mabee Plant, notifying Chevron of the issuance of the patent, and confirming that the patent covers the technology disclosed to Chevron in Pilot's proposals for the Mabee Plant. (*See* Ex. P-3, Notice Letter from Pilot Energy Solutions to Chevron (August 15, 2013).) Pilot requested a meeting with Chevron to review the '332 Patent and compare it to the technology used by Chevron at the Mabee Plant. Notably, Pilot told Chevron that "we will be happy to drop the matter" if it is determined that Chevron is not using Pilot's technology.

28. Chevron did not agree to the proposed meeting, but did respond with an August 29, 2013 letter from Chevron's legal department. In the letter, Chevron stated that they had reviewed Pilot's '332 Patent, along with "the processes used by Chevron for conditioning and recycling CO2 gas at the Mabee Plant," and confirmed that "Chevron does not infringe any of the claims of the '332 Patent."

29. Chevron attached to the letter a copy of its U.S. Patent No. 4,753,666 ("Pastor"), further perpetuating Chevron's assertions the Mabee Plant was built identical to their Rangely, Colorado plant using Chevron's own technology. Attached as Exhibit P-5 is Chevron's Pastor patent, which states that the process described and claimed in the Pastor patent was used in Chevron's Rangely, Colorado plant. (*See* Ex. P-1, 6:14-19 ("To further illustrate [the advantages of this invention], various reservoir simulations were performed ... in a petroleum reservoir in Rangely, Colo.").)

30. Chevron concluded the letter by stating that they therefore "consider this matter to be closed." (Ex. P-4, Response Letter from Chevron to Pilot Energy Solutions (August 29, 2013).) As Pilot had committed to in its August 15, 2013 letter, Pilot dropped the matter, relying on Chevron's confirmation that they had reviewed the matter and determined that Chevron was not using Pilot's technology in the Mabee Plant.

31. After years of relying on Chevron's assertions that its Mabee Plant was built using Chevron's own proprietary technology from its Rangely, Colorado plant, as described in Chevron's Pastor patent, rather than Pilot's now patented technology provided to Chevron in Pilot's initial proposals for the Mabee Plant, Pilot discovered new information in 2022, leading Pilot to the conclusion that Chevron had been misrepresenting its processes being used in the Mabee Plant.

32. In July of 2022, Pilot discovered a paper on the Internet that described the technology being used in Chevron's Mabee Plant. Attached as Exhibit P-6 is the paper entitled "Hydrate Formation in Chevron Mabee Unit for NGL Recovery and CO2 Purification for EOR." The paper states that it was "Submitted to Gas Processors Association 2017." Included among the authors is a Chevron Process Engineer.

33. The paper opens by describing Chevron's Rangely, Colorado plant as "designed based on" Chevron's Pastor patent, and then states that Chevron built its Mabee Plant as "a similar facility" designed "based on the success of the Rangely plant's operation." (*See* Ex. P-1, Abstract.) Despite continuing to perpetuate Chevron's assertions that its Chevron Mabee Plant uses its own proprietary processes described in the Pastor patent, the details regarding the processes as described in this 2017 paper have led Pilot to conclude that Chevron's Mabee plant uses Pilot's patented technology claimed in its '332 Patent, and as provided to Chevron in Pilot's proposals for building the Mabee Plant.

34. The Chevron Mabee Plant is not a public facility and members of the public are not able to view the processes used within the Plant. From the time of Chevron's misrepresentations regarding the processes that were actually used in the Mabee Plant, until the time of Pilot's July 2022 discovery of the Hydrate Formation paper, details sufficient to contradict Chevron's misrepresentations were not available to Pilot. Prior to its discovery of the Hydrate Formation paper, Pilot could not have acquired knowledge in the exercise of reasonable care sufficient to lead to the discovery of Chevron's misrepresentations.

V.
CLAIMS FOR RELIEF
COUNT I
PATENT INFRINGEMENT

35. Plaintiffs Pilot Energy Solutions and PIP incorporate by reference the allegations of each and every one of the preceding paragraphs as though fully set forth herein.

36. Prior to July 1, 2021, Plaintiff Pilot Energy Solutions was the owner of all right, title, and interest in and to the ‘332 Patent, issued August 13, 2013, entitled “Natural Gas Liquid Recovery Process.” A true copy of the ‘332 Patent is attached to this Complaint as Exhibit P-1. Pilot Energy Solutions continues to own the right to sue and recover damages for any infringement of the ‘332 Patent occurring before July 1, 2021.

37. By assignment from Plaintiff Pilot Energy Solutions, Plaintiff PIP now owns all right, title, and interest in and to the ‘332 Patent, including the right to sue and recover damages for any infringement of the ‘332 Patent occurring on or after July 1, 2021.

38. Defendants Chevron and Scout Energy have infringed, and Scout Energy continues to infringe, the ‘332 Patent by performing the methods recited in one or more of the claims of the ‘332 Patent. *See* 28 U.S.C. § 271(a).

39. For example, as set forth in detail in the Claim Chart attached as Exhibit P-7 for exemplary Claim 1, Defendants Chevron and Scout Energy have infringed, and Defendant Scout Energy continues to infringe, at least Claim 1 of the ‘332 Patent.

40. These acts of infringement are irreparably harming and causing damage to Plaintiffs, and will continue to do so unless and until restrained by this Court.

41. Defendants’ acts of infringement are willful because Defendants deliberately continued their infringing conduct after having received notice of Plaintiffs’ ‘332 Patent.

42. Plaintiffs assert that this is an exceptional case such that the Defendants should be required to pay Plaintiffs' reasonable attorney fees in accordance with 35 U.S.C. § 285.

COUNT II
TEXAS COMMON LAW FRAUDULENT
(OR AT LEAST NEGLIGENT) MISREPRESENTATIONS

43. Plaintiffs Pilot Energy Solutions and PIP incorporate by reference the allegations of each and every one of the preceding paragraphs as though fully set forth herein.

44. Chevron's representations described above regarding the processes that is used in its Mabee Plant were false. The processes used in the Mabee Plant include Pilot's patented technology that was provided to Chevron in Pilot's proposals for building the Plant, not Chevron's own proprietary technology described in Chevron's Pastor patent and used in Chevron's Rangely, Colorado facility, as represented by Chevron.

45. Chevron acted knowingly and recklessly in making those false representations. Furthermore, in making these false representations Chevron intended to induce Pilot to not pursue its claims for patent infringement. Pilot justifiably relied on Chevron's representations, causing injury to Pilot including limiting the time period for recovering damages under federal law for patent infringement committed by Chevron.

46. In the alternative, Chevron committed at least negligent misrepresentations, by not exercising reasonable care or competence in communicating with Pilot regarding the processes used in the Mabee Plant.

47. To the extent that Pilot may be barred under 35 U.S. Code § 286 from recovering damages for patent infringement committed by Chevron more than six years prior to the filing of this Complaint, or any other bar to recovery based on a delay in filing suit while relying on Chevron's misrepresentations regarding the processes used in the Mabee Plant, those damages that

otherwise would have been recoverable as patent infringement damages should be recoverable as an award of actual damages for Chevron's fraudulent (or at least negligent) misrepresentation under Texas common law.

48. Plaintiff Pilot Energy Solutions is entitled to an award of actual damages, exemplary damages, and costs of the action, together with prejudgment and post-judgment interest.

VII. JURY DEMAND

49. Plaintiffs hereby demand a trial by jury of any and all issues triable of right by a jury pursuant to Rule 38 of the Federal Rules of Civil Procedure.

PRAYER

Plaintiffs Pilot Energy Solutions and PIP request a judgment from this Court including the following:

- a. a finding that Defendants infringe Plaintiffs' '332 Patent;
- b. an order preliminarily and permanently enjoining Defendants, and all those in active concert or participation with them, from infringing the '332 Patent, in accordance with 35 U.S.C. § 283;
- c. an order awarding damages, interest, and costs to Plaintiffs and against Defendants for Defendants' infringement of the '332 Patent, pursuant to 35 U.S.C. § 284;
- d. a finding that Defendants' infringement of Plaintiffs' '332 Patent is willful;
- e. an order awarding trebled damages to Plaintiffs and against Defendants for Defendants' willful infringement of the '332 Patent, pursuant to 35 U.S.C. § 284;

f. a finding that this case is exceptional, and ordering Defendant to pay Plaintiffs' reasonable attorney fees in accordance with 35 U.S.C. § 285;

g. a finding that Defendant Chevron is liable for Texas common law fraudulent (or at least negligent) misrepresentation, and that Plaintiff Pilot Energy Solutions incurred resulting damages;

h. an award of Plaintiff Pilot Energy Solution's damages and exemplary damages arising out of Defendants' acts of fraudulent (or at least negligent) misrepresentation;

i. an award of interest, including pre-judgment and post-judgment interest on the foregoing sums;

j. an Order directing the Defendants and their agents, employees, servants, attorneys, successors, and assigns, and all others in privity or acting in concert therewith, to file with this Court, and serve upon Plaintiffs' counsel within thirty (30) days after entry of such judgment, a written report under oath, setting forth in detail the manner and form in which they have complied with such judgment; and

k. an order awarding Plaintiffs all such other and further relief as is available, at law or in equity, that this Court deems just, equitable, and proper under the circumstances.

Respectfully submitted this 7th day of July, 2023,

s/ Charles J. Rogers

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