

**Akin Gump**  
STRAUSS HAUER & FELD LLP

# IP Newsflash



03.21.14

## FEDERAL CIRCUIT CASES

### Federal Circuit Reverses a District Court Contempt Finding Against Inventor of Energy IP

Yesterday, the Federal Circuit reversed an Eastern District of Virginia judgment finding inventor Leif Hauge in contempt for violating a 2001 settlement agreement with his ex-employer, Energy Recovery, Inc. The district court judgment also enjoined Hauge and his company, Isobaric Strategies, Inc. from manufacturing and selling pressure exchangers for energy recovery in reverse osmosis. The district court's contempt order found that Mr. Hauge violated a 2001 settlement agreement between the parties that obligated Mr. Hauge to transfer ownership of all intellectual property pre-dating the 2001 agreement. The agreement also contained a non-compete clause prohibiting Mr. Hauge from making and selling energy recovery devices for use in reverse osmosis for two years from the date of the agreement.

In 2007 Mr. Hauge was granted a patent on a similar pressure exchanger and formed a new company called Isobaric Strategies, Inc. which sold pressure exchangers for recovering energy in reverse osmosis. The Federal Circuit found that the 2001 settlement only required that Hauge refrained from competing with Energy Recovery, Inc. for two years and transferred ownership of intellectual property existing at the time of the settlement agreement, which Mr. Hauge did. The district court holding stated that Mr. Hauge "violated the letter and spirit of the agreement," but the Federal Circuit found that a settlement agreement must be discerned within its four corners and not by reference to what might satisfy the purposes of one of the parties to it.

Energy Recovery also sued Mr. Hauge for breach of contract and misappropriation of trade secrets in a California state court which resulted in a unanimous jury verdict in favor of Mr. Hauge.

*Author:* [Sarah Jean Ring](#)

*Energy Recovery, Inc. v. Hauge*, No. 2013-1515 (Fed. Cir. March 20, 2014) [Wallach (opinion); Rader, Reyna, Wallach]

[www.akingump.com](http://www.akingump.com)



© 2014 Akin Gump Strauss Hauer & Feld LLP. All rights reserved. Attorney advertising. This document is distributed for informational use only; it does not constitute legal advice and should not be used as such. IRS Circular 230 Notice Requirement: This communication is not given in the form of a covered opinion, within the meaning of Circular 230 issued by the United States Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any tax advice contained in this communication for the purpose of avoiding United States federal tax penalties. In addition, any tax advice contained in this communication may not be used to promote, market or recommend a transaction to another party.

[Update](#) your preferences | [Subscribe](#) to our mailing lists | [Forward](#) to a friend | [Opt out](#) of our mailing lists