

Boston Scientific to pay Medinol \$750 million compensation

By Ami Ginsburg

The long-running conflict between Israeli cardiac stent-maker Medinol and U.S. medical device giant Boston Scientific came to an end yesterday.

According to an out-of-court settlement, Boston Scientific will pay Medinol \$750 million in cash. In addition, Boston Scientific will return its 21 percent stake in Medinol. Those shares will be dissolved and existing stakes will increase in size.

Medinol's controlling shareholders, husband and wife team Kobi and Judith Richter, held 64 percent, which will rise to 80 percent as a result of the change. The rest of the company is owned by minority stakeholders and employees.

The agreement - the end to a trial in a federal court - stipulates the companies will drop pending lawsuits against each other in Europe and Israel, and they have agreed to arbitrate a variety of intellectual property disputes regarding stents developed by Boston Scientific. It also includes a mechanism to rapidly arbitrate and settle future disputes.

The agreement was greeted with great excitement at Medinol. In a press release, the company stated: "After an uncompromising battle, Medinol won an unprecedented sum. The high compensation reflects recognition of the unique value of Medinol products, which led to a breakthrough in the global stent market. Medinol sees the compensation and the consideration it will receive for sales of Boston Scientific stents in recent years as recognition of the company's claims. Medinol shareholders and employees are particularly satisfied that, with the conclusion of the dispute, the company can focus on promoting and developing the many ideas in its product pipeline."

Medinol's stents support arterial walls after angioplasty.

Boston Scientific and Medinol were partners from 1995 to 2000, when Boston Scientific had exclusive rights to market Medinol's stents. The U.S. company also invested \$60 million in its 21 percent stake in the company.

Boston Scientific manufactured balloon catheters used to place the stent at the blockage site.

The partnership ended in a hail of sparks in 2001 when Medinol filed suit.

Boston Scientific CEO James Tobin had revealed to the Richters that the Massachusetts company had built a stent factory in Ireland by copying Medinol's Jerusalem production facilities. Medinol sued Boston Scientific for intellectual property theft and breach of contract.

Prior to the lawsuit, the companies had negotiated Boston Scientific's possible acquisition of Medinol at an estimated \$2.2 to \$2.5 billion.

The trial started in a New York courtroom in June, opening with testimony from Kobi Richter. Before the next witness - Tobin - took the stand in August, the judge pushed the companies to settle out of court.