

The best man

As a boy on the kibbutz, Ya'akov Richter was the best student and the best swimmer; then he became the best fighter pilot, hunter and windsurfer. Today he's probably the country's best entrepreneur and industrialist: Medinol, the company he founded and owns, is the most profitable firm in Israel. Now Richter is engaged in a titanic battle against his partner, Boston Scientific, and he is confident of victory

By Ari Shavit

In one of the later versions of his book "The Children of the Dream," psychologist Bruno Bettelheim cited the story of a boy from Kibbutz Ramat Yohanan who at the ripe old age of 16 told the interviewer that when he grew up he would be a pilot and a scientist. The fact that the boy didn't understand that there is no connection between being a pilot and being a scientist, Bettelheim maintained, was further proof that children raised in the kibbutz hothouse had a deficient sense of reality. Bettelheim kept the names of the young interviewees secret, but the name of this particular ambitious youngster was Ya'akov (Kobi) Richter, who would later be a pilot in the Israeli Air Force, then a scientist - and who today is also apparently a dollar billionaire.

In the past decade, Richter's name has appeared with increasing frequency in the financial press in Israel. A former squadron commander and champion in "kills" of enemy planes in dogfights, he first broke into print as a partner in the establishment of Orbotech Ltd., a Yavneh-based company involved in computerized vision and optical reading of printed circuits (Orbotech's current market value is about \$800 million). Subsequently, Richter, who holds a PhD in medical science and is a former professor at the Massachusetts Institute of Technology (MIT), established the Jerusalem-based firm Medinol, which manufactures stents (tiny, stainless steel springs that can be implanted in the heart, thereby avoiding the need for bypass surgery). Medinol became the most profitable Israeli company ever, with an estimated worth of between \$2.2 and \$2.5 billion at the beginning of this year.



Kobi Richter against the background of a greatly amplified model of the stent, manufactured by Medinol: "It is not money that motivates me; what motivates me is doing things." (Photo: Adi Mazan)



Yehudit Richter: "We decided," says Ya'akov, "that the poor people of our city came first." (Photo: Chen Mika)

In recent months, though, Richter's name has usually been mentioned in connection with a titanic legal battle he is waging against his huge American partner, Boston Scientific. Richter accuses the company of breach of trust and of trying to set up a competitive plant in Ireland using his know-how - contrary to the terms of the contract between them. Boston Scientific denies this and says it is operating according to the contract. In this connection, Richter is facing accusations that he has heard throughout his life: that he is brilliant but arrogant; impressive but militant; that he possesses exceptional qualities but that because of hyper-awareness of his superiority and oversensitivity to his rights he continually gets involved in unnecessary imbrolios.

Richter did not respond to what was said about him. He kept to himself and declined to grant interviews to the media. The result was that he gradually acquired the darkly glamorous image of an Israeli tycoon of a new stripe: talented but eccentric, highly knowledgeable but misanthropic. Maybe that's why, when the handsome, smiling man arrives at our meeting place overlooking the sea quite early on Saturday morning, the surprise is instant: he's neither eccentric nor misanthropic, neither arrogant nor militant, but rather a person brimming with curiosity, lusting for life and knowledge, ready to discuss at length the latest Hebrew novel that impressed him ("Heat Wave and Crazy Birds" by Gavriella Avigur Rotem) or his conjecture about the mathematical secret of the charm of music. The world according to Kobi Richter.

Kobi Richter, you have never given an interview before. Even after you became one of the most important and most affluent businessmen in Israel, you boycotted the media. Why?

"My wife Yehudit and I did not feel that we had an obligation to expose ourselves to the public. We run a private company. It doesn't take money from the public and therefore there is no public obligation to supervise it or uncover it. It's our operation, our money and our company. So we thought it was our right not to talk about ourselves."

In May 2001 the financial magazine Forbes declared you billionaires and placed you on the list of the 500 richest people in the world. Was that a meaningful occurrence for you?

"It was meaningful in the deep sense. Look, my father dealt with finances. He was the treasurer of Kibbutz Ramat Yohanan, he helped found the factory there, and thanks to him and a few of his friends the kibbutz is still financially sound. Financial management was deeply ingrained in my father. It's the same with my brother Yohai, the CEO of Orbotech: he's very methodical and puritanical when it comes to managing money. I'm not like that. Money doesn't do it for me. I don't want to give the wrong impression: I'm not a philanthropist and I'm not some Dalai Lama. But I don't remember ever in my life writing on a piece of paper an amount of money larger than two digits followed by a few ciphers.

"Both before and after my bank account grew a little, I never had any idea how much was in it. And when other people start counting my money and stereotyping me as being attached to money, I feel that they are disrupting my whole network of relations with the world. A series of interactions begin in which there are honors that I wouldn't do to others and that I hate even more when they are done to me."

Still, what is there in money? What is it that's attractive about money on this scale?

"When my son was 6, my father asked him, 'Yorami, do you know how much one million and another million is?' After a short pause, Yoram replied, 'Granddad, I don't know how much it is, but it comes to two million.' I liked that answer very much. How much is a million? How much is 10 million? How much is 100 million? All I know is that it's a lot more than a person ever needs. After all, you don't sleep in more than one bed at night. Even now, Yehudit and I know that what we are leaving behind will be

enough for 10 generations who won't know what to do with it all.

"So the money as such doesn't excite me. But it's important as a gauge. Because from the moment you decide to play in the industrial arena, money is one of the indices by which you are measured. If you have succeeded in doing things right, and if you have remained modest and efficient, the good result you have achieved will be shown in your profit margins. The value that is created shows that you have done things correctly. It is not money that motivates me; what motivates me is doing things. It's knowing that next year there will be something new, important and meaningful that I created this year, or that I at least contributed to its development."

Apart from your professional achievements at the rational level, there was always something very instinctual in you, something primal and achievement-oriented. If I'm not mistaken, you are a hunter - is that right?

"I used to be a hunter. I started hunting when I was a boy of 14 on the kibbutz. My brother and I found a broken hunting rifle. We repaired it and started shooting ducks that came to the kibbutz fishponds. Over the years we hunted ducks, rabbits, pheasant and boars. Even after I established a family and became a pilot, there were years when all we ate at home was what I shot."

What do you get from that? What's the attraction?

"If you like, it's a lot like dogfights in the air force. You try to figure out where they will be and to find them and shoot them. Other than the fact that I am happy that for most people, human life is a little more important than the life of a pheasant, I agree with you that I [have] primal instincts on this subject. These days I don't hunt, but I do engage in underwater fishing. And I look for other things that are challenging but are not aggressive toward others. So I ride with 20-year-olds on the most sophisticated terrain motorcycles that exist and I drive on the road with the most advanced racing motorcycle there is. I am also an enthusiastic windsurfer, and if there's snow I am on a snowboard. I have no interest in stepping on bodies but I do have a drive to go all the way to the end. To see how far I can get. I guess I always have to look for the limit, but now it's not a limit imposed by someone else, it's my own limit."

How would you describe that - as a constant test of ability, of superiority, of control?

"I have never articulated it to myself. But I think I like the excitement of operating something to the limit, and if possible a little beyond the limit. It was the same in the air force. I would reach the limits faster than others and a little beyond the others and I would look for the outer limits of the plane's capability. If one of my men had done the things I did, I would have thrown him out of the squadron. If my son did them, I would kill him. But I did them, I don't know why. I don't like being in the middle.

Isn't it true that you are also very militant, a fighter, a person who enjoys battles?

"That's less true today. The years have softened me. What the years have done to [Prime Minister] Arik Sharon they have done to me, too. It's true that when I was a soldier in Ben-Gurion's army, I hated wars but I liked fighting. War is always a bad thing. It's always bad. I was always part of the left and I was always against wars. Because when they end you have fewer friends than you had when they start. But I have to admit that once a war breaks out, there is something exciting about the combat itself. The fighting I was involved in was like an excellent game of tennis: fast, strong, one on one. It's the ultimate confrontation.

"It was the same thing with shooting down planes. I shot down 12 planes. It's not so pleasant to talk about it because there's something a bit primitive about it. To count kills is a bit like the Indian who carries scalps on his belt. So I never liked it. I didn't like boasting about it. The only two certificates of

kills that I hung up in my first house were in the toilet. But on the other hand, it's a bit like the thing with making money in business: that's the gauge of your success. That's what proves you did it right, that you fought the right way."

Zero tolerance

Didn't the fact that you were good and the fact that you were militant and perhaps arrogant make people resent you?

"What I can tell you about myself is that I always thought that the most ludicrous people were those who ass-lick those above them and kick those below. So I always tried to do the opposite. Usually I jabbed upward and I was quite attentive downward. That's why I think my men had a better opinion of me than my commanders did."

Do you find the human environment a nuisance? Do you have no patience for mediocrity and petty politics?

"No, I feel very good in a human environment and I like it very much - as a teacher. I really like being a teacher. A few years ago, after I left Orbotech and before we established Medinol, I even thought of working for a few years as a high school teacher. In a certain way I have the patience to listen to things even when they are stupid. What I have zero tolerance for is self-righteous, inflated, inauthentic talk. That makes me immediately want to expose those people, to peel off their outer covering. I have tolerance, and sometimes love and compassion, for human weakness. Human falsity and human hypocrisy are the things I have no tolerance for. Hypocrisy and lack of decency make me furious, and those are the things I am now unfortunately contending with."

Do you think the managers of Boston Scientific, against whom you are now engaged in a legal battle, lack common decency?

"In my eyes, the managers of Boston Scientific are thieves of the lowest sort. They aren't thieves out of need but out of greed. They are guilty of committing every possible wrong toward partners."

What do you mean?

"They had the three lambs of the rich man, but they craved the poor man's lamb, too, the remaining fourth [See Samuel II: 1-4]. I don't want to call myself poor, but they had three out of four, and out of sheer greed they tried to take the fourth, too. I call that lust and theft. It is disgraceful indecency. At the same time, I don't feel hatred for them, I don't feel a need to take revenge on them. They aren't even comparable to a snake you want to step on, they are more like a piece of dirt that sticks to your clothes and that you have to shake off."

Is this the reason you have now decided to give an interview?

"Yes. They blackened me for a long time. They tried to make use of the press against us in a very ugly way. They called me a cancer: something you don't know how you catch but that is impossible to get rid of. They tried to claim that I am a quarrelsome, cantankerous person, that I am a demon; that I am so evil that I am ready to destroy myself in order to destroy others."

"For a long time I told myself that I wouldn't respond. I thought it didn't deserve a response. But in the end it became an actual matter of survival, of self-defense. We built this really beautiful thing, this work environment, this plant, our products. We are rooted in Israel and we operate in Israel and we pay all our taxes in Israel. But when a cynical American firm with all the arrogance of corporate America tries to steal what's ours and to take it out of Israel and move it to Ireland, a large part of the press is still willing to take their side."

Yehudit is absolutely crushed by what's going on, by how such injustice can exist, by the lack of a backbone here, by the way reporters are ready to go there and listen to those vilifications and turn it into a celebration. It's as though everyone is now ready to take part in the celebration out of freudenschade. Because if Medinol goes down, it will verify the feeling that there is no one better than us, that there really is no quality.

"So in the end we had no choice. We wanted to remain anonymous, but in the end we were forced out of our lair, we were absolutely forced to come out."

No fancy phrases

Is there a general Israeli dimension to the Medinol story? Is the fact that Medinol is an Israeli firm meaningful from your point of view?

"Of course. Look, I don't see myself as part of the new economy. The new economy created virtual worth that wasn't a resident anywhere. What's important for me is to manufacture something concrete that you can touch, and it's important for me to manufacture it here. Why here? Because I was born here, because my house is here and because this is where I want my children to grow up. I am not attached to this place through biblical stories, but through the yellow horn poppy. I am attached to this place because wherever you put me in this country I will know where I am when I open my eyes, according to the land and the rocks and the foliage.

"I don't think we are the only ones in our type of industry. There is Converse and there is Check Point, and there are others, too. But there aren't many. Of the thousands of start-ups that were established in Israel in the past few years, only a few had the purpose of creating something here. There also aren't many companies that are registered only in Israel and nowhere else - not in the Cayman Islands and not in Barbados and not on the Isle of Wight. But Yehudit and I decided that we would rather pay 20 percent tax here than 10 percent in Holland. We decided that the poor people of our city came first. And in recent years we have paid an amount that I don't know if any other company has paid. We transferred many hundreds of millions of shekels to the public coffers. Many hundreds. I even remember that when [former prime minister] Ehud Barak was trying to decide whether to transfer funds to Shas so that the party would support a settlement with Syria, Yehudit called him and told him to go ahead and do it because the next day we were going to transfer to the state coffers a far larger amount of money than he was being forced to give them for the sake of peace."

Do you consider yourselves Israeli patriots?

"I don't like fancy phrases and I don't like to use superlatives. I used to tell the pilots in my squadron not to make sacrifices, not to stay in the air force because it's good for the country. Stay in the air force only if it's good for you. So I don't see myself being a benefactor to others. I see myself as a person who defines for himself external goals that he considers important. I also think that Israel is a place that is blessed with an extraordinary amount of talent. What's important is to let anyone who comes up with a new and smart seed of an idea to stay here and develop it here and plant it here, and not put it in a flower pot and take it to Silicon Valley."

Does the money create a commitment?

"The money commits me to ensure that it doesn't corrupt me or my family."

You used to be a rather militant dove. Where do you stand today?

"I have been on the left since I came of age and I still think that the only way to get along in this region is to agree, not to win. But I am definitely one of the disappointed left-wingers. Barak went as far as I thought we should go, and when it didn't produce the result I thought it would produce, I understood that not everything depends on us. There is definitely an

element here that is not under our control. So I am still an indefatigable supporter of peace, but now I am more patient about it. I understand that we will have to wait for a certain maturation process to take place on the other side, too."

Are there people you admire? Have you met people who are no less and even more intelligent than you?

"Of course. First of all, I admire every person who, in the sphere he has chosen, gets close enough to perfection by means of work, dedication and going deep. It's important for me that people don't fake things, that you don't fake what's important to you. That's the reason I admire people who strive for a type of perfection and authenticity. I admire every violinist who, even after he becomes famous, doesn't surrender to the politics of the profession or to the honor and the dinners, but keeps trying to play Paganini's concerto a little better than he played it the year before.

"But beyond that, I find two types of people in the realm of science and technology, which is close to me. One type is the person who is gifted with the acuity of thought that is reserved for geniuses. From that point of view, there is no difference between Itzhak Perlman and Einstein or Newton. The other type is the person who makes practical connections between different areas, who has enough curiosity and enough knowledge to create an unexpected fusion between different fields of knowledge. That is a different type of talent. It's not genius. I think that to a certain degree I belong to the second type. I am not a genius."

[More...](#)

The best man - continued

Medinol, the Richter version

Medinol was established in 1992 as a partnership between Yehudit and Kobi Richter and Gregory Pinhasik, a mechanical engineer from Ukraine whom Richter met by chance on the seashore. The two built the stent in the Richters' kitchen during 1993 and 1994. The Richters named the device "Nir," after Captain Nir Poraz, who was the best friend of their eldest son and was killed in the abortive attempt to rescue IDF soldier Nachshon Wachsman from Palestinian terrorists in October 1994. Nir is inserted into the arteries of the heart by means of a balloon in order to prevent them from becoming blocked. The first stent was implanted in a human heart in June 1995. Following abortive negotiations with the giant U.S. firm Johnson & Johnson, Yehudit and Kobi Richter forged a business alliance with Boston Scientific.

Richter: "In October 1995 we signed contracts with Boston Scientific, stipulating that Boston will distribute the Nir and pay Medinol approximately 23 percent of the consumer price of each stent sold. At that time, Medinol's estimated worth was about \$350 million and the company had seven employees.

"In March 1996 distribution began in Europe. In August 1996 the manufacturing plant in Jerusalem was inaugurated. Revenue at the end of that year totaled \$29 million. Medinol had close to a 40 percent share of the European market. In 1997, sales climbed to \$110 million. In 1999, after authorization was received to market the Nir in the United States, sales increased to more than \$200 million. Medinol led in both Europe and the United States with about 35 percent of the market volume. By 2000, it distributed the lion's share of its profits as dividends to the shareholders.

"Medinol is an unusual company - there are no companies whose profit is almost 90 percent of their sales. And I have to tell you that even though I surmised that this would be the case in the business plan I drew up, when it actually happened I had to pinch myself to believe it.

"The reason for the exceptional financial data is our production method. By applying technology from the sphere of microelectronics to the sphere of medical instrumentation, we are able to manufacture stents at 10 percent of the production costs incurred by our competitors. So each stent we make costs us about \$10, whereas the cost to the competition for each stent is between \$100 and \$150. The hundred workers on the production floor of Medinol in Jerusalem manufacture what about 5,000 people manufacture for Johnson & Johnson, for example.

"Tension with Boston Scientific began as early as 1997. Our feeling was that they weren't working as quickly and efficiently as we were, that they were slow in introducing new products into the market. With intolerable naivete, we attributed this to their ponderousness as a large company. It was only in April 2000 that we understood what was going on, when the new CEO of Boston Scientific, Jim Tobin, presented us with a document showing that since 1997 they had been establishing a secret production line in Ireland, which was actually intended to replace ours. They took blueprints we sent them and products we sent them and machines we sent them in order to set up by deception a plant of their own which would render ours

superfluous. Jim himself admitted to us that what Boston Scientific had done was unprecedented. He said that a group of crooks such as he had never seen in his life had operated in his company. He said their behavior was improper and that he was ashamed to represent a company like that. Jim said he didn't believe that no CEO in corporate America would ever have to face his partners with documents like those.

"From that moment it was clear that there were only two options: either they would buy us or there would be an ugly divorce. At the end of 2000, the talks on a sale reached an almost agreed offer. We won't divulge the amount of money involved, but reports of approximately \$2.5 billion weren't far wrong. But the chairman of the board of Boston Scientific, Pete Nicholas, rejected the offer and made an offer of 20 percent less, only half of which would be paid immediately, with the remaining half to be paid within three years according to certain milestones. We were ready to accept that offer, provided the milestones were defined in advance and that the funds earmarked for payment later be deposited in one form or another with a trustee. When he rejected these terms, in February 2001, the negotiations broke down. In April 2001, we filed suit against Boston Scientific.

"If the case actually comes to trial, I think that Boston Scientific will find itself in a very difficult situation. There are hundreds and thousands of documents that prove that they behaved arrogantly and superciliously. Not only did they steal, they also called this thievery involving internal documents by clever names that attest to the theft. They disdained us. They thought that they were a large American firm while we were two or three guys from somewhere near the desert. From the Sahara region. The result, in my estimation, is that Boston Scientific is facing a huge risk, a matter of sheer continued existence." n

Kobi Richter was born on Kibbutz Ramat Yohanan, near Haifa, in 1945. From 1959 to 1964 he was a member of Israel's youth swimming team, competing in the 400 meters freestyle, the 400 meters mixed and the 1,500 meters freestyle. In November 1964 he was drafted into the Israeli Air Force. In the 1967 Six-Day War he served in the squadron of French-made Ouragan fighter planes led by Ya'akov Terner (the former chief of the National Police and currently the mayor of Be'er Sheva), which hit targets in Jordan and Syria. He downed his first MiG in early 1969, in a dogfight over Damascus. In the summer of 1970, during the War of Attrition that followed the 1967 war, Richter took part in the famous dogfight over the Suez Canal in which a dozen Israeli planes took on a dozen Egyptian aircraft flown by Russian pilots. Five of the Russian-piloted planes were shot down. By the end of the 1973 Yom Kippur War - in which he shot down four enemy aircraft - he had been credited with 10 and a half "kills," becoming the youngest champion in the air force.

In 1976, while still doing his military service, Richter obtained a PhD in medical sciences from Tel Aviv University. From 1980 to 1982 he was a visiting professor at MIT in the sphere of artificial intelligence and the study of the brain. Returning to Israel in 1983, he served as chief of weapons department in the air force and was a co-founder of Orbot Instruments, which developed, manufactured and serviced automated optical inspection systems for use in the production of semiconductors. In 1992, after years of losses, Orbot merged with a firm called Optrotech to form Orbotech, which manufactures, develops and markets automated optical inspection systems for printed circuits and liquid crystal flat-panel displays (LCD).

On the basis of economic analyses he conducted, Richter reached the conclusion that the Lavi project - the program to build an Israeli jet fighter - would constitute a threat to the Israeli economy. Richter became a vociferous opponent of the project and played a central role in the successful campaign to torpedo it from 1984 to 1986. Richter left the air force in 1986 with the rank of colonel.

In 1992, following a brief adventure in the realm of venture capital, Richter founded Medinol, a company that manufactures stents. The firm was a major success, but Richter was constantly at odds with his partners. One such clash - with Prof. Ben'ad Goldwasser, a urologist - went to court and ended in a compromise settlement. In 1999, in the wake of another confrontation, this one with Aharon Dovrat and Yitzhak Shrem, who ran the Polaris Fund, which had invested in Medinol, Richter and his wife purchased the Medinol shares that were held by Polaris.

Richter married the former Yehudit Spiegel, whom he met while she was serving as an officer at the Ramat David air base, in 1969. They have three children: Yoram, 30; Uri, 27; and Ilan, 17. Yehudit Richter holds a PhD in organizational psychology and since 1993 has been her husband's partner in the ownership and management of Medinol. The Richters wage their battles and run their business as a team.

Irit Rappaport, from Policy, a consulting firm that represents Boston Scientific, responds to Kobi Richter's accusations: "Kobi Richter's fabrications are consistent with his business management over the years. First, he creates confidence in his associates, promising cooperation and good faith, but as time passes he becomes entangled with his partners and exploits them, uttering lies and making use of threats. Whenever any of his partners dares to resist, he tries to get rid of him and present himself as the victim.

"Richter apparently hopes that the incessant reiteration of his allegations against Boston Scientific will help him hide the truth about his management method. The truth is that the contract that was signed between Medinol and Boston Scientific obliges Medinol to build an alternative production line for the stents in a Boston Scientific plant in Ireland. That production line is meant to protect Boston Scientific in the event that Richter will not be able or will not want to supply stents to Boston Scientific. Richter agreed to establish the production line when he signed the contract. But when the time came for Medinol to uphold its promise, he decided that it would be preferable not to accord Boston Scientific the ability to manufacture stents independently. At the same time, Richter threatened to stop the supply of the stents whenever he didn't get what he wanted. The reaction of Boston Scientific was to try and complete the building of the production line by itself.

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"For more than five years, despite the difficult circumstances, Boston Scientific has been doing everything it can to preserve proper working relations with Medinol. Kobi Richter has only himself to blame for bringing about a situation in which Boston Scientific, like his other associates in the past, is compelled to protect itself in court against the damage he has caused the company." (A.S.)

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Boston Scientific responds to Richter's accusations

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In response to Boston Scientific's accusations regarding his unstable relations with his partners in the past, Richter says: "I didn't lie or exploit any of my past partners. I didn't threaten nor deprive anyone. In the past, two partners decided to sell their shares and thought that the price would rise if they would make trouble. On the other hand, Boston Scientific thought that if they would use pressure and a smear campaign against us, that we would break. And they themselves even told us that over three years they stole from us and swindled us. We don't have ill will toward Boston Scientific, but we currently have no other choice but to worry about our own welfare.

Boston Scientific claims that you testified in Jerusalem District Court that it did not steal anything from Medinol, but acted according to the terms of the contract. It said that the founding of the Ireland line was in accordance with their contract with you.

Richter: "Such a thing did not take place. I told the court exactly the opposite; Boston Scientific never tried to operate the alternative line Medinol transferred to it. It rudely took everything that was given, stole it and copied it in order to establish a secret line, which was concealed both from us and from the American authorities. That is what I said in court and that is what I am saying now. Boston Scientific has hundreds of thousands of documents that will back up my claims."