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Medinol to officially terminate agreement with Boston Scientific

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TheMarker has learned that Medinol is expected to officially announce the termination of the agreement with Boston Scientific (NYSE:BSX) for the distribution of the Nir stent. Medinol's decision is based on the claim the US medical device maker has breached the agreement that granted Boston Scientific exclusive global marketing rights to the stents.

Boston announced Friday after the close of trading that it had received a letter from Medinol in which the Israeli company requested to end the supply agreement. "Medinol's attempt to terminate the supply agreement is improper and invalid," said Boston Scientific spokesman Paul Donovan. "Boston Scientific has not breached the supply agreement, so Medinol's action is baseless. We will, of course, challenge this impermissible action. Boston Scientific considers the supply agreement to be in full force and effect."

The Israeli company made the move after not receiving any royalties on Boston's European Q4 sales of the Express stent, which Boston Scientific developed in-house.

It was reported Thursday that Medinol, in which Kobi and Judith Richter hold a 64% controlling stake, plans to launch independent sales of an integrated solution that includes the new Nir Flex stent and a balloon to open clogged arteries. It is not yet clear if Medinol's announcement today will include information on the independent marketing plans.

Today's announcement is expected to lead to a new stage in the legal battle between the two companies, which will focus on interpretation of the supply agreement covering the Nir stent between Medinol and Boston Scientific.

Boston, which also owns 22% of Medinol, has declared in the past that its agreement does not mandate royalty payments to Medinol for sales of the Express stent, if those sales did not displace potential Nir sales.

Merrill Lynch estimated in January that Medinol might request a court injunction against Boston Scientific's continued sales of the Nir stent.

Medinol's Nir stent is a medical spring that enables the opening of clogged cardiac arteries during surgery and prevents their later reblockage. The stent is inserted using a balloon that opens the clogged artery and the stent is then used to keep it propped open. The US stent market is currently estimated at \$1.4 billion dollars annually and is expected to grow to \$4.1 billion by 2004.

