

Boston Scientific Settles Spat

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Staff Reporter of THE WALL STREET JOURNAL
September 22, 2005

Medical-devices giant Boston Scientific Corp. has agreed to pay Medinol Ltd. of Israel \$750 million to settle a legal dispute that has lingered for years.

The figure is the largest sum Boston Scientific, of Natick, Mass., has ever had to pay in a legal quarrel with another company. The companies entered into a contract in 1995 whereby Medinol would exclusively make stents -- wire scaffolds implanted into arteries -- for Boston Scientific until October 2005.

"We're pleased to close this chapter and put this matter behind us," said Boston Scientific spokesman Paul Donovan.

Rory O. Millson, lead attorney for Medinol, from Cravath, Swaine & Moore in New York, said on behalf of Medinol that the company was glad "that with the help of the judge we have received a full and fair settlement for what Boston Scientific did to us."

Under the terms of the settlement, the companies will terminate all agreements with each other. Boston Scientific will give up its 20% stake in Medinol. Lawyers for the closely held Israeli company declined to disclose its value.

The payment sum as well as most other details of the settlement had been agreed upon by both parties since mid-August, but talks became strained during the past few weeks as the companies ironed out issues related to how each would handle any possible taxes.

Dhulsini de Zoysa, an analyst with SG Cowen, said that while \$750 million is "a sizeable award" it is still very much in line with what investors were expecting based on Medinol's claim that it was entitled to a portion of Boston Scientific's revenue on stents through 2005. Boston Scientific's Express and Taxus Express stents have brought revenue of more than \$5 billion.

With the settlement the companies release each other from any outstanding claims. This includes an agreement on Medinol's part not to challenge Boston Scientific's Express and Taxus Express stents in a patent-infringement suit.

The settlement also includes a provision for any future disputes that will allow Medinol to take Boston Scientific to arbitration on intellectual-property claims. Medinol has agreed, however, to limit any claims to reasonable royalties and not to seek an injunction of Boston Scientific's stents.

The partnership between the two companies broke down in 2000, when Boston Scientific Chief Executive Jim Tobin acknowledged to Medinol's founders that a clandestine facility had been set up in 1997 with the goal of copying Medinol stents.

Medinol sued Boston Scientific in 2001, accusing the company of stealing its technology and breaching the contract, and Boston Scientific countersued, claiming it had to set up the facility because of erratic behavior from Medinol.

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