



Green Power Technologies v. Infineon

For two years, a German court has been hearing GPT's claim that Infineon Technologies stole its idea for a product.

Batya Feldman 25 Jul 05 14:24

Until 2003, Israeli start up [Green Power Technologies Ltd.](#) (GPT) was a small, but promising, company. It was preparing to hold a large financing round, and had signed its first multimillion dollar contract. It seemed to be on the road to success, when everything began to go wrong.

GPT decided to sue Infineon Technologies (NYSE, FSE: IFX), and has been up to its neck in trouble ever since. It invested \$2 million, and has been stuck in an intercontinental battle with Infineon. GPT was founded in the [Am-Shav Technological Applied Development Center](#) in Sde Boker in 2000. It develops components and integrated circuits for the power supply and power management industries; these components are basically the brains of power supply.

GPT CEO Eitan Cohen says, "At a very early stage, we realized that to make a breakthrough the company needed a large strategic partner, which would manufacture and sell the components in suitable markets. We had a working product prototype that proved the technology. At that point, in 2000, the company had already applied for three patents, and the prototype enabled us to offer the product to large companies."

Cohen says GPT operates in a strictly regulated market with mandatory standards. "GPT's solution was a breakthrough, because it was faster, lowered costs, and offered customers a modular element.

Simultaneously with efforts to sign a strategic agreement, GPT launched a financing round for private investors. During 2001, [Formula Ventures](#) decided that it was interested in investing in the company."

At the same time, Cohen says, GPT opened negotiations with Infineon, which had shown great interest. "GPT took its first steps toward a strategic agreement. They asked us to show them our technology as a goodwill gesture and confidence-building measure, in order to expedite an agreement. We did so. We had no reason to worry, because we were working with senior people at one of Infineon's divisions Reihart Ploss, VP and general manager, automotive business group, and Arunjai Mittal, VP and general manager, power management and drives, as well as engineers."

"We almost reached the top"

But the plan went awry. Cohen says, "We were close to signing a draft agreement. We attended a workshop at Infineon, and we sent them a 180-page book detailing our core technology, as well as everything needed for design and production. We naturally made them sign a number of confidentiality agreements, a normal practice. But in September 2001, Infineon told us it was closing down the project, due to a lack of human and financial resources. This announcement effectively ended our relationship."

Cohen joined GPT in late 2001. "Although the agreement with Infineon had fallen through, we all believed in the company and its products. We changed our business model, and decided to launch our own production, instead of seeking a partner. We began talks with potential customers, including Delta Electronics Inc. (Taiwan:2308), the largest company in the sector, which showed great interest. This is a top-tier customer, one of the world's largest manufacturers of power management solutions. We reached an agreement, including the injection of several million dollars into GPT. To carry it out, we signed an agreement with a large silicon maker, and got down to work.

"At the same time, we decided to hold a large financing round. A few months later, we felt a chill wind coming from Delta Electronics. It turned out that Infineon had launched a product similar to ours at half the price. Delta Electronics was angry, because we had ensured them that our product was unique. Delta Electronics withdrew from the agreement, and we realized that there was a problem Infineon had stolen from us."

"Globes": What did you do?

Cohen: "We contacted Infineon, but they rejected our allegations out of hand. We collected information about the component they had launched, and its similarities to our component were too great. We had two meetings with them in Munich, and they offered us small monetary compensation. We felt that they were prepared to pay us pennies to avoid a scandal, but nothing more. They weren't prepared to admit the damage they had caused us."

Cohen says GPT had basically ceased functioning. "From a company close to the top, with a huge customer, millions in revenue, and a large financing round, we turned into a company that had to fight giant Infineon, which had a similar product at half the price. We were forced to seek legal remedy. In 2003, we sued Infineon in the Munich Regional Court for breach of a confidentiality agreement and unfair competition."

Infineon's first response was to file a lawsuit in the US Federal Court for the District of Columbia against GPT's patents, for allegedly being inadmissible.

What was the purpose of this lawsuit?

"I believe that its purpose was to force us to open another front. A patent suit is a expensive process that takes up resources and manpower."

The two cases have been proceeding in parallel over the past 18 months. Cohen says that, in April 2005, the Munich Regional Court appointed a technical expert to advise the judges. He says the court accepted GPT's candidate, who is an industry expert, rather an academic expert, as proposed by Infineon.

Meanwhile, Cohen says, "During the proceedings in the US case, Infineon documents were discovered that indicate that there are grounds for our claims. These were confidential documents, but we asked the US court for permission to send them to the German court. Infineon objected, but the judge ruled in our favor. We believe that presenting these documents in Germany will work in our favor."

Cohen says GPT has always been prepared to reach a settlement with Infineon throughout the proceedings, but Infineon has refused.

If you have a case, why settle?

"We believe that a settlement will benefit both parties. We have no interest in revenge. We want compensation for the damage caused us, and to go on our way. We didn't found the company to waste resources in courts around the world. This dispute has almost completely paralyzed the company. Although we make the components ourselves, and market them on a small scale, mostly in the Far East, and we have new products that are waiting for the moment when we can devote the necessary resources to them, currently most of the company's resources are spent on the legal dispute. Infineon has not responded to our approaches."

How much compensation do you think is equitable?

"In the German case, a ruling has to be given first. Only then can we begin to talk about compensation. I therefore prefer not to discuss numbers. Anyone can do the math themselves. We're talking about the loss of a market estimated in the hundreds of millions of dollars. We believe that we could have won 30% of this market. We spent heavily in the court cases, and damage was caused to our shareholders. We think that all these factors should be considered in any future compensation, as well as a fair share of Infineon's profits from the sale of the component that we believe it developed on the basis of our know-how."

David vs. Goliath the high-tech version

Cohen says GPT's struggle with Infineon involves macroeconomic elements. "I must emphasize that this isn't just a struggle between GPT and Infineon. I think this is a struggle between a huge resource-rich company and a small company without means. In the world of technology, large companies are nurtured by technological innovation developed in small companies. If our relationship isn't handled with mutual respect, this diffusion will be harmed. Small companies will be afraid to share their technological secrets with large companies, and this machine will grind to a halt."

When will the cases be decided?

"We think that when the technical expert gives his opinion to the German judges, they will make a ruling within three to six months.

Are you sure that the ruling will be in your favor?

"Whatever happens, a ruling will open a new page for us, and put us back on the path of normal business. We have a new product line waiting for launch. We want to hire employees and hit the market when it's hot and there is demand."

Have your shareholders supported you?

"They've supported us from the beginning. In recent months, everyone has been more encouraged about the final results of the case."

Formula Ventures partner Nir Linchevski says, "We're completely certain that GPT's claims are just. We've decided to give it full support, and that's what we're going to do until the affair is over. At this point in the legal proceedings, we feel good about the outcome."

Infineon said last week, "GPT's allegations are not new, and Infineon rejects them out of hand as groundless. We cannot comment on legal proceedings."

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