

U.S. Judge Orders Korean Firm to Stop Making Diamonds in GE Theft Case

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By WILLIAM M. CARLEY
Staff Reporter of THE WALL STREET JOURNAL
NEW YORK — In an unusually tough injunction, a federal judge ordered that a South Korean company be banned from making high-grade industrial diamonds because the technology was stolen from General Electric Co.

In Boston, U.S. District Court Judge Nathaniel Gorton ruled that Iljin Corp. of Seoul is forbidden to produce the industrial diamonds for a period of seven years. In most cases where technology is stolen, U.S. judges order only that the offender not use the technology. Only rarely do they impose a production ban.

Judge Gorton also ordered that Iljin either destroy or return to General Electric the tooling based on GE's trade secrets. In Seoul, Iljin has 20 huge presses making industrial diamonds, and the order would mean that the company would have to remove critical tooling from those presses.

Wide Impact

The ruling would reshape the world's industrial diamond industry. In addition to Iljin and GE, there are only three other major makers of high grade synthetic diamonds, including a German company, a Japanese company, and the biggest producer, a unit of De Beers Consolidated Mines Ltd. Removing Iljin would eliminate one of the five major producers of the diamonds, which are used in industry to cut very hard materials.

The size of the world-wide industrial diamond market isn't known because the companies don't break out their sales figures. It is, however, considered highly profitable, with GE making a \$70 million profit in 1989, according to a court document in a different case.

Another question is whether the Korean company will obey the U.S. court order. Iljin has some assets in this country, which could be frozen if it disobeys, but it isn't known how substantial the assets are.

Iljin's attorney, Michael Keating of Foley, Hoag & Elliot in Boston, said that the company would be appealing not only the injunction but also the earlier jury verdict that Iljin had misappropriated GE's secrets. Mr. Keating said that the injunction is more broad than necessary to protect GE's interests. Asked whether his client would obey it, Mr. Keating said, "They have participated in the judicial process, playing by U.S. rules, and I fully expect that they will continue to do so."

In New York, GE attorney Salem Katsh of Weil, Gotshal & Manges replied that "the judge entered the only kind of relief that would be effective."

The Iljin case stems from the departure of a scientist, Chien-Min Sung, from GE's industrial diamond unit in 1984, when Mr. Sung took along armfuls of GE confidential documents. In 1988, Mr. Sung agreed to sell Iljin technology on making industrial diamonds. Mr. Sung was subsequently indicted and convicted of transporting stolen GE documents in federal court in Boston.

'In Some Respects Identical'

GE filed its civil suit against Iljin claiming that the Korean company had knowingly purchased stolen technology. In his ruling, Judge Gorton said that the dimensions and material specifications of the Iljin equipment "are substantially sim-

General Electric Co.

ilar, and in some respects identical, to GE's" equipment.

General Electric Co., Stamford, Conn., said its GE Investments unit will offer a line of mutual funds through banks. The family of six funds was launched a year ago, but they haven't been available through banks. Included are U.S. equity, global equity, tax-exempt, fixed income, strategic investment and money-market mutual funds.

GE Investments, which currently manages about \$9 billion in mutual funds for employees as well as savings and benefit plans, said the new mutual funds will initially be offered through New York-based Chemical Banking Corp. and Founders Bank, Naples, Fla.

Judge Gorton added that he was imposing the unusual production ban because the trade secrets are inextricably connected to manufacturing the high-grade diamonds. It took GE and other producers 20 years to develop the technology, while it took Iljin only two, the judge noted.

"Iljin," the judge said, "made a calculated decision to circumvent the expensive and difficult process of developing their own [high] grade diamond technology by purchasing stolen GE trade secrets."

The judge made one exception in his order, allowing Iljin to produce the diamonds if it licenses the technology from another company. But one industry expert said licensing costs may be so high as to make this option impractical.

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