GE settles maintenance litigation with R Squared and two other ISOs

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Hostilities may be ceasing in the battle between GE Medical Systems and the independent scanner service industry. Out-of-court settlements have been reached in three cases, including a long-standing dispute with R Squared Scan Systems. Settlement of the R Squared litigation was expected to be made official on March 7 by the judge who would have presided at the April court case in Winston-Salem, NC, Federal District Court (SCAN 12/12/90).

The GE/R Squared litigation had dragged on for several years in pretrial procedures. GE Medical claimed copyright infringement of diagnostic software used on GE computed tomography scanners as well as Technicare CT systems for which the vendor had taken responsibility when Technicare was shut down by parent Johnson & Johnson in 1986. R Squared of Pomona, CA, counter-sued, alleging antitrust violations (SCAN 9/30/87).

Dudley A. Rauch, chairman and CEO of MMI Medical, the parent of R Squared, released a statement last week indicating that the agreement would allow the independent service provider to "fully operate its existing business without impairment." Rauch refused to comment further.

Details of the agreement were made available by GE, however. The largest medical imaging vendor agreed to license operating and basic diagnostic software to R Squared for use on a limited number of systems owned by R Squared and located at R Squared facilities, according to Jeff Schaper, GE general manager of service marketing.

"That operating and basic software comes with the equipment and has always been available to third party service companies as agents of health-care providers, but one of the things that R Squared wanted was to have a direct license," Schaper said.

As a licensee, the company can use the software for training, testing and developing its own, more sophisticated software, Schaper said. The software GE will license to R Squared is slower than GE's advanced diagnostics software, he said.

In return for the licensing arrangement, R Squared has agreed to a permanent injunction, effective July 16, preventing the service company from using any of seven GE advanced service software programs for the GE 9800 CT scanner. Both companies agreed to dismiss all other claims.

GE reached similar arrangements in the past several weeks with two other independent service organizations, CRT International of Milwaukee and Mediq's service company in Dallas. These disputes were settled by agreements that are carbon copies of the one struck with R Squared. The settlements help ensure that GE's copyrights will be respected in the service industry, Schaper said.

"The copyright was what this suit was all about," Schaper said. "GE invests a lot of money in technology. We spend time and effort to have that technology copyrighted. And we think any company, regardless of size, has the right to protect that investment and that copyright."

The three cases signify a turning point in the battle between independent service organizations and GE, which until recently had refused to license its software to anyone who did not take care of patients. Schaper stopped short of saying that the legal agreements were part of a broader change in policy or that GE would gladly license operating and basic diagnostic software to any company that requests it.

"Coming up with a settlement agreement versus a policy change can be a little different," Schaper said.

An appellate decision favorable to GE was also apparently handed down in the vendor's California litigation with CT Repair Services (SCAN 1/17/90), according to a GE spokesperson. Details of this decision were unavailable at press time.

Disclosures: