

How a federal judge in Denver dealt a puzzling setback to U.S. efforts to compete with the Japanese in big-screen TV.

Severed heads and wasted resources



Brett Kingstone of Fibermedia (formerly Fiberview)
An American hope, put out of business.

By George Gilder

THREE MONTHS AGO Brett Kingstone was one of America's great hopes in the fight against the Japanese for the television market of the future. Kingstone's company, then called Fiberview (FORBES, Feb. 20), was producing an ingenious fiber-optic display panel. This was a large, solid state screen much thinner than a conventional television screen. This technology may lead to an inexpensive flat TV that will hang on a wall, like a picture.

It is an impressive device. On the morning of Mar. 22, in a packed conference room in the U.S. Capitol, Kingstone demonstrated a 3-by-4-foot version of Fiberview's flat screen before the House Committee on Science, Space & Technology. Looking on were representatives from the U.S. Commerce Department, the Defense Advanced Research Projects Agency, Zenith, AT&T, Bellcore and many others.

Five days later a federal judge virtually put Kingstone out of business. Without a word of warning to Fiberview, the judge sent U.S. marshals to raid the company's Boulder, Colo. offices and confiscate Fiberview's screens, manufacturing equipment, financial records and customer lists.

Was the judge dealing with a drug dealer? No, just an innovative electronics firm. Nonetheless, the judge effectively closed down the firm without giving the company an opportunity to defend itself. Three weeks later the judge upheld his injunction when he ruled that Fiberview had stolen trade secrets belonging to a rival firm heavily financed by the Japanese. That decision put Fiberview (since renamed Fibermedia) out of the flat screen business indefinitely.

Federal district judge Lewis Babcock was acting at the behest of Advance Display Technologies Inc. ADTI is a Fiberview rival that has been fi-

nanced in large measure by its Japanese licensee, Mitsubishi Rayon, Inc., a subsidiary of the giant Japanese conglomerate. Using equipment shipped by ADTI to Japan and installed under the guidance of ADTI engineers, Mitsubishi's plant in Tokohashi, outside Tokyo, is now the world's only serious facility producing large fiber-optic screens, the same type of screen that Fiberview hoped to produce here.

The story starts with William Glenn. Glenn is a brilliant electrical engineer and inventor who worked for General Electric and directed CBS Laboratories, and is now a high definition TV consultant based in Dania, Fla. Now a director of Fibermedia, he holds more than 100 patents in the U.S. alone. But the most important one, in terms of developing flat fiber-optic display screens, was to conceive a cost-effective way to manufacture the screens in volume. Glenn and his research sponsor at the time, New York Institute of Technology, patented this manufacturing technique in the U.S., Japan and Europe. The technique is at the center of the dispute at the Colorado hearing before Judge Babcock.

The case reached the court through the efforts of a couple of clever businessmen, Steven Sedlmayr and Steven Knudson, both of Denver. In 1983, trying to learn how to build fiber screens, Sedlmayr visited Glenn's laboratory in Florida. He says, during an interview with FORBES, that he and Glenn talked about Glenn's manufacturing process. He also says he picked up copies of Glenn's patents and thought they were worthless.

Sedlmayr, now 39, is a bold entrepreneur. After losing his house in one business failure, he returned to the fray with funds from family and friends to do something in fiber-optic display screens. He has an eccentric side. A former employee recalls Sedlmayr saying that his innovative powers originated after an automobile accident in which he drove his Corvette off a cliff. His head, he averred, was severed entirely from his body and sewn back on by an angel who infused him with divine creative fire.

In 1983 Sedlmayr launched ADTI in Golden, Colo. The business plan was to create fiber displays for instant replays and advertising at sports arenas. ADTI was not far from Denver, the world's penny stock capital. With the help of Steven Knudson, an aggressive young Denver corporate finance lawyer, ADTI went public (at \$1 a share) in 1986. The issue raised a net of some \$4.2 million. Knudson joined the company as vice president.

Public equity in hand, Sedlmayr and Knudson set about spending it. They paved ADTI's headquarters lobby in marble, put in pillars and a fountain with an elegant female statue in the middle and goldfish swimming around it. There was an opulent conference room, a top-of-the-line audiovisual facility and more marble floors.

Sedlmayr bought several luxury cars and surrounded his estate with concentric fences and guard dogs. Knudson, meanwhile, purchased a many-gabled mansion near billionaire Marvin Davis' mansion, in Denver's exclusive Cherry Hills section.

The fight in Judge Babcock's courtroom would probably be of little lasting interest were it not for the fact that in 1986 Japan's Mitsubishi, through its Mitsubishi Rayon unit,



Federal Judge Lewis Babcock
Fiberview was "100% incredible."

got involved. Mitsubishi Rayon manufactures plastic fiber. When little ADTI ordered some 2 million feet of fiber for screens, Mitsubishi came to investigate its new customer and discovered a seemingly impressive company with plush headquarters and innovative technology.

Sedlmayr and Knudson negotiated a licensing and technology deal under which Mitsubishi would put up \$5.5 million for what it thought was rights to a cost-effective manufacturing process for fiber-optic screens. (Mitsubishi was apparently unaware of the original Glenn patents.) During 1987 ADTI sent the key element of the manufacturing assembly to Japan, and several teams of engineers to transfer the technology to Mitsubishi.

It was at about this time that Brett Kingstone entered the picture. While still an undergraduate business student at Stanford, Kingstone and fellow students had handcrafted several fiber-optic screens and later won con-

tracts to put fiber-optic displays in Tokyo Disneyland and Epcot Center. In 1987 Kingstone was hired to look into ADTI by a Chicago conglomerate, Quixote Corp., which was seeking investments in fiber optics.

Kingstone quickly concluded that ADTI's success in automating the process of screen fabrication was built upon the Glenn patents. Kingstone bought the exclusive worldwide rights to those patents last year and launched Fiberview, in Boulder, to produce flat screens. He subsequently brought Glenn into Fiberview.

Kingstone started Fiberview with several of the best ADTI engineers. These included Michel Cuypers, who had guided Mitsubishi through the process of building its first screen. Cuypers began his job at Fiberview by spending a week at Glenn's Florida laboratory. It was there, he says, that he learned for the first time that he had been infringing on Glenn's manufacturing patent while working for ADTI and Mitsubishi.

Soon after Mitsubishi began producing screens, the New York Institute of Technology notified both ADTI and Mitsubishi Rayon that they were infringing on the Glenn/New York Institute of Technology patent. ADTI denied (and still denies) the charge, which has never been tested in court. But Mitsubishi was worried enough to try to invalidate the Glenn patent then pending in Japan. The Japanese patent court rejected Mitsubishi's effort to annul the patent.

ADTI was soon broke again, having failed to get additional large orders. Knudson, the lawyer, became president and sought refuge in litigation. In early March he charged Kingstone and Fiberview with stealing ADTI's trade secrets, citing former ADTI engineers hired by Kingstone.

Judge Babcock ruled correctly that the name "Fiberview" had already been registered as a trademark by ADTI, not even Kingstone contests that part of the case. What is puzzling is why the judge used the heavy-handed tactics of surprise searches and seizures against Kingstone and Fiberview. Also puzzling is his differing response to the two parties in the case. The judge declared the credibility of Kingstone and Fiberview—including Glenn, one of his generation's most successful engineers and inventors—to be "100 percent incredible." Of Kingstone, Babcock said: "I don't believe a thing he says." On the other hand, Sedlmayr, the man who once claimed his severed head was reattached by an angel, was "completely credible," said the judge.

Kingstone, who has renamed his firm Fibermedia, is appealing Babcock's injunction, but the appeal could take over a year. Using Wilson, Sonsini, Goodrich & Rosati, leading Silicon Valley patent attorneys (who are working for Fibermedia on a con-

tingency basis), Fibermedia will soon hit Mitsubishi Rayon with a patent infringement suit in Los Angeles.

Meanwhile, using the ADTI process, Mitsubishi Rayon is importing screens from Japan. Fibermedia is pursuing an action under section 337 of

last year's Trade Act to stop Mitsubishi's screen imports. Once again, Kingstone is spending a lot of time in Washington as he makes his case to lawyers and politicians. He says he would rather be building the new generation of fiber-optic screens. ■