



# Lexus SoftMac

July 31, 2019

Mr. Yoram Dvash,  
President,  
Israel Diamond Exchange (IDE)  
Ramat Gan,  
Israel.

Sub: letter to you from Mr. David Block of Sarine Technologies, claiming  
infringement of Sarine Patents

Dear Mr. Dvash,

We hope you are doing well. We have to attract your attention to the important issue in the diamond market for the sake of the IDE efficiency and the appropriate business environment for all diamond market stakeholders.

## 1. The Case

Octonus and Lexus are the leading technology suppliers to the diamond industry, having a particular focus on technologies used for high-value diamonds.

One of our dear clients, Mr. Shlomi Cohen of Adar Jewelry Art Ltd, has recently forwarded us a letter, which he has got as a copy written by Mr. David Block of Sarine Technologies and addressed to your good self, regarding Mr. Cohen's business matters.

In his letter Mr. Block claimed that the M-Box Immersion Glass system from Lexus/Octonus was infringing Sarine's patent/s.

We believe one of the IDE's goals is to provide the stakeholders with unbiased and robust information on the market. From this perspective, please find below the critically important details which happened to be missed in Mr. Block's letter.

## 2. Octonus' and Sarine's immersion technologies are radically different, which is proved by the corresponding patents

Octonus developed the immersion glass technology (i.e. a diamond is immersed in a solid body), which is patented by Octonus Finland Oy under patent # BE1019409A5 <https://patents.google.com/patent/BE1019409A5/en?q=EP+2591341+A1>.

For more details please refer, if necessary, to the explanatory video <https://www.youtube.com/watch?v=K35n3Jnfas&feature=youtu.be>.

Sarine's technology uses an immersion liquid, which is a completely different approach. Galaxy patent EP1211503 <https://patents.google.com/patent/US7800741B2/en?q=EP1211503>



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So, any claim that a patented immersion glass technology infringes an immersion liquid patent has to be supported by a professional justification addressed to the patent authorities. If such justification is unavailable, then the claim has no grounds and might be considered as a black mail, which ruins the reputation.

### **3. Sarine had been violating an Octonus' patent between 2006-2017**

Apparently, Sarine had been violating Octonus' inclusion charting patents between 2006-2017. The patents were registered by Mr. Sivovolenko and Diamcad with # EP 1211503, RU2263304

<https://patents.google.com/patent/EP1211503A1/en?q=EP1211503>.

<https://patents.google.com/patent/RU2263304C2/en?q=EP1211503>

### **4. Unfair play ruins the industry, fair competition of technologies contributes to sustainability**

Octonus did not bring Sarine to the court for its patent infringement because fair competition in polishing technologies is favorable for the industrial development and diamonds' overall competitiveness in the luxury market.

The polishing companies have currently at their disposal just tiny margins: surplus from the implementation of new technologies used to be squeezed away quickly by the major mining companies. That is why the polishing companies have quite limited opportunities to invest in continuous product improvement. As a result, diamonds lose their competitiveness versus other luxury categories, which permanently heavily invest in perfection of their end products and manage to keep consumers interested with novelty.

If a polishing technology provider wants to reach a monopoly by any means and uses resources to black mail and to pay court expenses instead of investing into technology development, then the result will be very similar to the mining companies' efforts: the polishing companies will have smaller margins because of worse technologies at higher prices. The diamonds' category competitiveness is at a great threat in this case.

In the current market situation, the high-value diamonds segment can be considered as the key source for proceeding in the most advanced technologies and the overall diamond market revenues and competitiveness. Lexus and Octonus have a widely recognized leadership in this sector.

So, unfair actions of Lexus/Octonus' competitors jeopardize not just the reputation of this leading company but the business perspectives of its current and potential clients as well as the industry sustainability. (Nothing, not even a continuing and dramatic drop in financial results and share price, could be an excuse for illicit manoeuvres at the expense of many clients.)



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## 5. The next steps

We share the opinion that unbiased market data are critical for the efficiency of the market players and the industry sustainability. We are going to provide the IDE and other market participants with actual information for the sake of a robust perspective.

In case you have any further questions, please, do not hesitate to contact us directly, we will be happily at your assistance.

We reserve an opportunity to use this letter as an open one, i.e. consider publications in different media, in case it would be beneficial for the diamond community.

Yours Sincerely,

Janak Mistry,  
Lexus SoftMac, CEO.

