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DSS claims victory in Europe

■ Company wins round in Dutch court over patent infringement.

MATTHEW DANEMAN
STAFF WRITER

Document Security Systems Inc. now has two European countries in which it plans to file lawsuits over its patented technology allegedly being used without permission in the European currency, the euro.

The Rochester-based anti-counterfeiting technology company announced Wednesday that the District Court of the Hague declined to invalidate the company's European patent in the Netherlands on

certain anti-counterfeiting technology.

That opens the door for the company to file patent infringement lawsuits there and in Germany against the European Central Bank and individual printing companies, CEO Patrick White said. A German court last fall also upheld DSS' patent.

The convoluted legal case began in 2005 when DSS sued the European Central Bank for alleged patent infringement, claiming that euro notes use

DSS-patented technology among their anti-counterfeiting measures. The bank then countersued in nine of the countries that use the euro, arguing the patent is not valid in Europe, meaning DSS has had to pursue its claims in courts in each of those countries instead of in one European Union claims court.

The European bank is appealing the German court decision and likely will appeal the Dutch court's ruling, White said. Meanwhile, DSS is itself appealing court rulings it lost in France and the United Kingdom.

The company also is

looking at legal options for pursuing its claims in United States courts, potentially against banks that accept or use euros, White said.

Meanwhile, the company may be changing its legal strategy in the ongoing fight.

In a letter to shareholders to be mailed out with annual reports and proxy statements, DSS board Chairman Robert Fagenson said the company is reviewing the advisability of continuing its legal fight in country after country because of the legal costs of the validity cases.

Fagenson said the com-

pany intends to continue its legal fight in Germany, filing infringement suits and defending against the European Central Bank appeal.

Wall Street enthusiastically greeted the Netherlands news, with DSS closing at \$4.70, up 50 cents for the day.

The company employs 53 people, with most of them outside the Rochester area.

DSS stock has taken a sizable hit in the past several months; it had been trading at more than \$13 a share in August, but has been hovering at less than \$5 since late February.

In the letter to share-

holders, Fagenson said the company was in the midst of cost cutting with the goal of saving \$1.5 million a year and has identified a pair of firms as potential acquisition candidates.

Dom Pullano, senior vice president of investments at investment banking firm GunnAllen Financial Inc., said that while investors have been paying lots of attention to the patent infringement developments, the company has been working on various means of trying to grow its business, such as pursuing partnerships with big paper companies. □

MDANEMAN@DemocratandChronicle.com