

March 27, 2007

DMC's Description of Ruling is Incomplete and Defective.

<p align="justify"> Yesterday Document Security Systems, Inc.'s (AMEX: DMC, \$8.60) stock promotion suffered a serious blow when in a 45 page memorandum containing over 194 paragraphs of analysis and fact findings the European Central Bank ("ECB") won a decisive precedent setting decision and the revocation DMC's European Patent in the United Kingdom. After news of the ruling appeared DMC then issued a press release essentially claiming that its suit against ECB remains economically viable. It appears reasonable to conclude that both the suit and the press release show questionable judgment (at best) and bad faith (not necessarily at worse.)</p>

<p align="justify"> This ruling is the same fate its predecessor incurred in 1995 when its patent infringement suit against the United States Treasury Department resulted in its patents being invalid. (See May 18, 2006 asensio.com report titled "DMC: One More For The Movies.") </p>

<p align="justify"> DMC used irregular stock transactions to obtain the funds to file the suit against ECB and then began a stock promotion based on the profit potential of the suit. The highly questionable matter of both the funding and the suit, along with the 1995 loss, and DMC's lack of organizational or financial credibility, all reasonably point to the serious likelihood that DMC is nothing more that a stock promotion scheme to benefit those that created and funded the idea of suing ECB. </p>

<p align="justify"> Among the long string of findings adverse to DMC in the UK decision are that: its patent is not directed to the problem of new copiers, essentially teaches pre-existing general knowledge that would be of little assistance to the skilled person, and is not written in the clearest terms. </p>

<p align="justify"> The decision also states that the European Bankers Printer Conference of 1987 and a Four Nation Group of Central Banks in 1988 had essentially addressed the issues allegedly contained in DMC's patents before DMC's filing occurred. </p>

<p align="justify"> DMC issued a press release aimed at defending the legitimacy of its patent-infringement claim against the ECB stating it had "successfully defended against all forms of 'prior act' and all other claims of invalidity." We do not believe the decision contains any such finding or order. </p>

<p align="justify"> In its press release DMC also claims the UK decision "does not affect the validity of its patent in other European countries." Again, we disagree. Moreover, DMC omitted any mention of the International Bureau of World Intellectual Property Organization's March 13, 2007 issuance of a report denying a DMC European Patent Office filing. The denial was based on a reasoned statement that DMC's subject matter is not new, appears not to be novel since their use is well known and has so many claims drafted in such a way that even a skilled person would find it hard to figure out the protection DMC is seeking. </p>

<p align="justify"> The ECB has also issued claims for the revocation of DMC's patent in other European jurisdictions. In addition, the ECB has challenged DMC's infringement claim independent of its validity challenge.

The British case is the first to be heard. </p>

<p align="justify"> The UK decision does not allow for any official shorthand note of its judgment and has not yet entered its Order. DMC's official press release can only cause the Court to be even more severe in its condemnation of DMC's claims. </p>

<p align="justify"> This adverse ruling comes almost one year after questions concerning the legitimacy of DMC's claims and irregular stock transactions made their first public appearance. The decision's detailed technical fact discovery and findings that add credence to the belief held by some that DMC's claims were never brought in good faith but were formed to create a questionable, and possibly illegal, penny-stock promotion scheme. </p>

<p align="justify"> At this point, DMC may be well advised to make a review of its compliance with regulations governing misleading statements to investors a higher priority than promoting its stock.

<p align="justify"> Click here to view the Royal Court of Justice's High Court March 26, 2007 decision.</p>

<p align="justify"> Click here to view the International Bureau of WIPO's March 13, 2007 denial of DMC's European patent.</p>

<p align="justify">Media inquiries can be submitted to Reports@asensio.com.</p>

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