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DMC Patent Ruled Invalid by French Court

A recent ruling by the High Court of Paris will disappoint investors attempting to cash in on a litigation-fueled stock promotion by Document Security Systems (“DMC”). The French court issued its decision in a patent invalidity countersuit brought by ECB against DMC, revoking the “Patent” that had been the focus of DMC’s lawsuit.

Though DMC promises to continue its battle with ECB in Germany, the loss in France must be seen as a serious setback for a company that relies so heavily on its performance in the courtroom. Unfortunately for DMC investors, the company does not produce much and what little it does produce is produced by a subsidiary that the company recently granted in total to secure a \$3 million loan from its largest shareholder. Throughout its history, DMC has been involved in a number of questionable business activities, including its remarkable transformation from a low budget movie production operation into an anti-counterfeiting technology company.

It should also be noted that the company’s alleged anti-counterfeiting technology and patents were the focus of lawsuits even before the patents belonged to DMC.

The technology itself was allegedly developed by Ralph Wicker, the father of two DMC executives, one of whom serves on DMC’s Board of Directors. In 1995, Ralph Wicker and his sons attempted to claim that the United States Treasury Department’s U.S. \$100 bill infringed upon intellectual properties covered by Ralph Wicker’s patents. The lawsuit was dismissed and the dismissal was upheld on appeal in 2000. Thomas and David Wicker joined DMC after their father’s death in part to address the “wrongful use of [the Wicker] technologies.”

Investors should remain cautious when evaluating a company that focuses so much of its attention on litigation. Unfortunately for DMC shareholders, movie magic will not be enough to overturn the French court’s ruling.