

SEPTEMBER 2007

PETHEALTH POST

An Update on ISO

Recent developments in the U.S. microchipping marketplace indicated to us that we should provide our friends in animal welfare using the 24PetWatch microchip program (www.24petwatch.com) with updates and our perspective on matters. Last week we covered the “cancer issue”; this week we thought we would revisit the discussion over ISO.

As you know, there has been considerable debate over what should constitute the standard for microchipping in the U.S. While virtually all other countries in the developed world, including Canada, have switched to the ISO standard (which includes the use of unencrypted 134 kHz microchips), the U.S. market has remained in a form of “technology limbo”. Of the three main providers in the United States, we, through our 24PetWatch microchip program, and Schering-Plough Animal Health Corporation (“Schering-Plough”), through its HomeAgain Pet Recovery Service (“Home Again”), have been offering FECAVA standard (unencrypted 125 kHz microchips) while Avid has been using an encrypted version of the 125 kHz chip. More recently, Bayer Inc. (“Bayer”) has begun distributing the Datamars ISO microchip and the AKC has re-entered the market using the Trovan chip, which appears to be neither FECAVA nor ISO standard.

Some effort has been made by the user groups representing both the veterinary and shelter communities at both national and state levels to try and come to an agreement as to what the proper standard for the U.S. should be and to establish a timetable for transitioning to that standard. While considerable time and energy has been spent on this, the user groups have either been unwilling or incapable of mandating change, unlike Canada where the National Companion Animal Coalition (comprised of the Canadian Veterinary Medical Association, Canadian Federation of Humane Societies, Canadian Kennel Club and PIJAC Canada) mandated a move to ISO over two years ago.

Instead, hopes for standardisation in the U.S. were laid at the feet of U.S. legislators. As many of you know, APHIS (“Animal and Plant Health Inspection Service”), as part of the Federal Department of Agriculture, was asked to weigh in on the matter. In the end, as you will see from the link provided here http://www.pethealthinc.com/pethealthpost/ppnews/USDA_Microchip_Report.pdf, APHIS has chosen to leave it up to the market to determine the standard used. As there has been no pronouncement from U.S. user groups, we can only assume that they, too, will let the market determine the standard for companion animal microchipping in the future.

Thus, perhaps a more significant indication as to where the U.S. market is heading comes on the back of the recent out-of-court settlement between Datamars and Digital Angel (<http://www.reuters.com/article/inPlayBriefing/idUSIN20070827080201DOC20070827>). Digital Angel (which provides microchips for the HomeAgain program) had alleged that Datamars (which distributes its microchips through Bayer) was infringing on its injectable transponder patent. Having reached an out-of-court settlement, which included a licensing agreement whereby Datamars can continue to sell microchips in the United States, Bayer can now continue to distribute Datamars' ISO technology. Regardless of the merits of the Bayer/Datamars approach to transitioning to ISO, it is interesting to note that HomeAgain, which had been one of the leading proponents of the FECAVA standard, has now indicated that it intends to start offering ISO microchips in the United States on a date as yet to be determined.

None of these developments should be a cause for great concern. Significant progress has been made by building out the network of universal scanners amongst animal welfare organisations, animal control agencies, veterinary hospitals and emergency clinics. This build-out will continue. The distribution of free universal readers in some cases and the "reprogramming" of existing readers in others will assist in this build-out.

It is our opinion, however, that the net impact of these developments is that, over the course of 2008, the market will begin to move more and more to ISO. The Bayer program is likely to become more established in the veterinary channel and with HomeAgain indicating a probable move to ISO, ISO may have two significant proponents of 134 kHz technology next year.

As the only company selling microchips in both Canada and the United States and the only company with a significant market share in both, we believe we are the only ones that can lay claim to be truly 'technology agnostic', as we sell only ISO technology in Canada and FECAVA standard technology in the United States. We therefore want to make it clear to all those currently using the 24PetWatch microchip program in the U.S. the following:

1. Effective immediately, we will begin offering both ISO and non-ISO (FECAVA standard) chips to all 24PetWatch users in the United States.
2. The decision if and when to move to ISO is entirely your own. No doubt certain parts of the United States will see more ISO transitioning sooner than others. If and when you want to start using ISO chips, you need only indicate that to us when ordering and we will be happy to fill your order accordingly. We do not feel it is our place to dictate a timetable for you to change, but instead want you to make the choice based on your own organisation's comfort level.
3. The price for ISO chips in the U.S. is identical to the price for non-ISO. For those organisations running the PetPoint animal welfare application (www.petpoint.com) the price for your microchips is US\$4.50 per chip. For those that have not yet switched to PetPoint, your price remains US\$4.95 per chip. We

would suggest, however, that before placing your first ISO order you contact your local veterinary community and other animal welfare organisations in your area to determine the level to which universal readers have been populated in your market.

4. Whether ISO or non-ISO, registration in the 24PetWatch database remains free.

Significant progress has been made in the microchipping marketplace in the United States. Microchipping awareness has been elevated considerably, not only with clinics and shelters, but also with pet owners. The overall market for microchip use is expanding; prices for the technology have been coming down, making it more possible for animal welfare organisations of all sizes to use the technology; and the focus has finally begun to move away from the technology itself and more and more on to the quality of the databases and the effectiveness of the various pet recovery networks. On these latter two points, you will have to pardon us if we like to take some of the credit. As the first to introduce low-cost technology and free registration and the first to provide for such service innovations as “virtual search” for lost pets (http://www.pethealthinc.com/pr_2_feb_07.htm), we take pride in the fact that we have been able to drive change to the benefit of pets, pet owners and user groups alike. We will continue to do our best to promote positive change over the coming years.

We thank you for your continued support. If you have any questions, please do not hesitate to contact any of the following or go to the 24PetWatch web site.

Gilberto Gandra – Director of Shelter Outreach
1-866-597-2424 extn 225

Steve Zeidman – Chief Technology Officer
1-866-597-2424 extn 405

September, 2007.

The Pethealth Family