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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91177234
Party	Plaintiff Cardinal Health 303, Inc.
Correspondence Address	Joseph R. Dreitler Bricker & Eckler LLP 100 S. Third Street Columbus, OH 43215-4291 UNITED STATES mtrue@bricker.com
Submission	Plaintiff's Notice of Reliance
Filer's Name	Mary R. True
Filer's e-mail	trademarks@bricker.com
Signature	/Mary R. True/
Date	06/09/2009
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Alternate Site Market Drivers

- Higher acuity patients being discharged sooner into the Alternate Site segment - driven by Medicare DRG's and Managed Care
- Aging of American is leading to a large and growing population of chronically ill - Cancer, Cardiac disease, Diabetes

Notes:



Alternate Site Market Drivers

- Higher acuity patients being discharged sooner into the Alternate Site segment - driven by Medicare DRG's and Managed Care
- Aging of American is leading to a large and growing population of chronically ill - Cancer, Cardiac disease, Diabetes
- Alternate Site is 45% of total U.S. healthcare expenditures, growing at over 10% annually (HCFA, '96).

Notes:



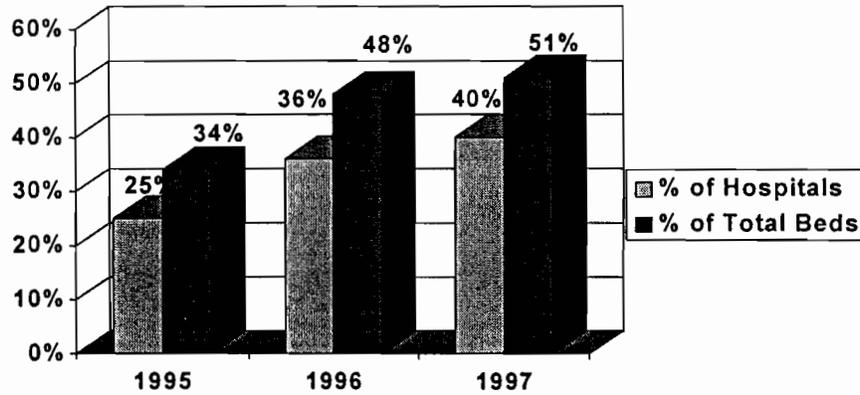
Alternate Site Market Drivers

- Integrated Healthcare Delivery Networks growing and expanding into alternate site

Notes:



Market Development of IHDN Model



Source: SMG '97

Notes:



Alternate Site's Changing Rational - IHDN's

- Old Drivers
 - Revenue generation (new ventures)
 - Revenue recapture (DRG's)

- New Drivers
 - Cost management/low cost provider
 - Competition for patient base/market share
 - Customer satisfaction

Notes:



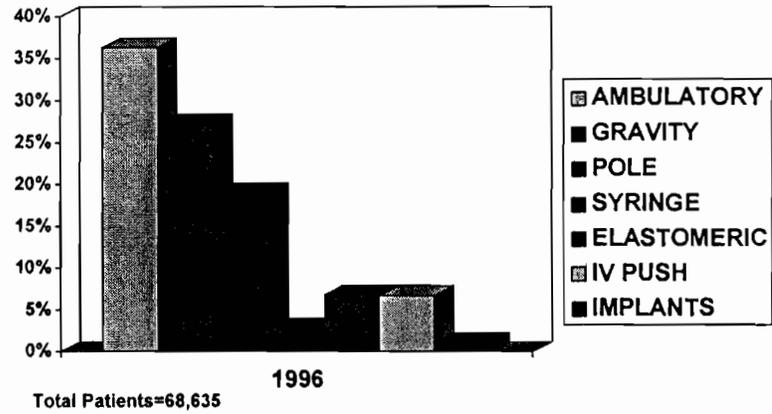
Alternate Site Market Drivers

- Integrated Healthcare Delivery Networks growing and expanding into alternate site.
- A variety of drug delivery systems are used matching patient needs and payor sources.
- Pumps, Gravity, Elastomeric, IV Push
 - Needleless systems

Notes:



Home Infusion Patients By Delivery System



Source: MDI '97

Notes:



Alternate Site Market Restraining Factors

- 1997 Medicare revisions will curtail home nursing visits.
- Growth in Managed Care is creating declining profit margins.
- Medicare fraud damage.

Notes:



Strategic Objectives

Notes:



Strategic Objectives

To grow the sales and profits
of ALARIS by;

- I. Becoming a leader in providing home patient monitoring systems with a telemedicine focus.

Notes:



Strategic Objectives

- II. Expanding our core infusion therapy products into the Alternate Site Market.

- III. Combining infusion management and home patient monitoring into a complete telemedicine system.

Notes:



Strategic Objective I.

Become a leader in providing home patient monitoring systems with a telemedicine focus.

Notes:



Home Patient Monitoring

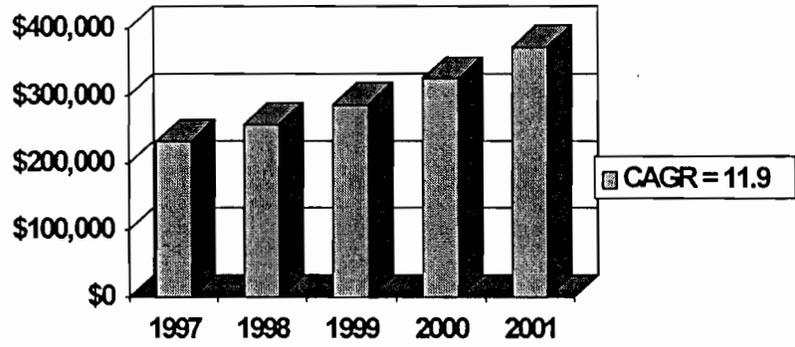
Market Overview

Notes:



Estimated Total U.S. Home Patient Monitors Market

(\$000's)

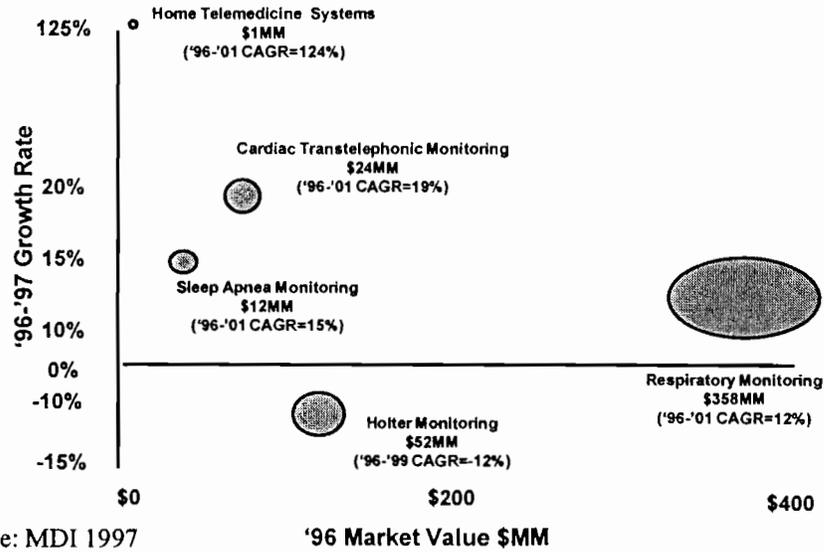


Source: MDI 1997

Notes:



U. S. Home Patient Monitoring Market



Source: MDI 1997

Notes:



Home Patient Monitoring Market

- Conventional:
 - Holter monitoring
 - Respiratory monitoring
- New & Emerging:
 - Sleep Apnea
 - Cardiac monitoring
 - Home telemedicine systems

Notes:



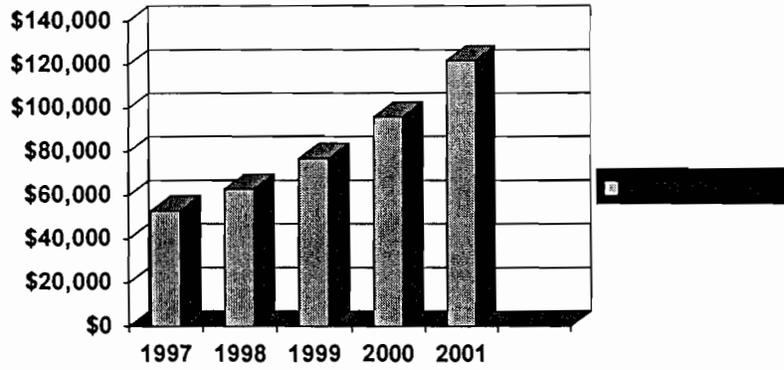
Home Patient Monitoring Market

- Conventional:
 - Holter monitoring
 - Respiratory monitoring
- New & Emerging:
 - Sleep Apnea
 - Cardiac monitoring
 - Home telemedicine systems

Notes:



Estimated U.S. Home Sleep Apnea & SIDS Monitors Market (\$000's)



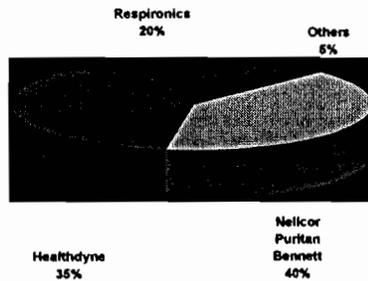
Source: MDI 1997

Notes:



Sleep Apnea Monitor Market Overview

Market Share Breakdown
1996



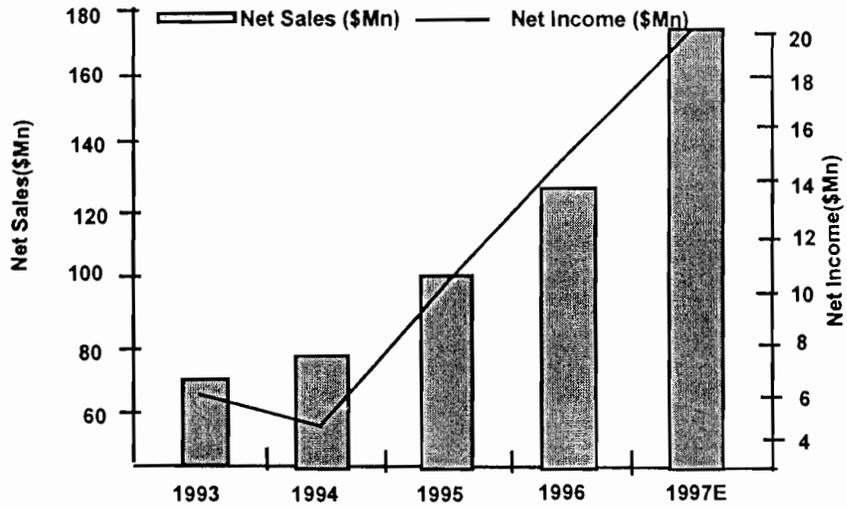
- Underdeveloped market
- 15% CAGR
- Bedside monitoring
- Large company dominance
- Healthdyne & Respironics recently announced merger
- Market entrance requires acquisition of large organization

Source: MDI 1997

Notes:



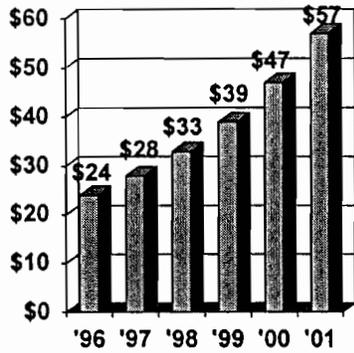
Respironics' Financial Highlights



Notes:



Estimated U.S. Home Care Cardiac Monitors Market (\$Million's)



- Favorable reimbursement
- Increased physician acceptance
- Growing patient population
- CAGR of 19%
- One company, Instromedix, has 90% market share

Source: MDI - U.S.. Home Care Monitoring and Telemedicine Markets: 1997
CAGR('96-'01)=19%

Notes:

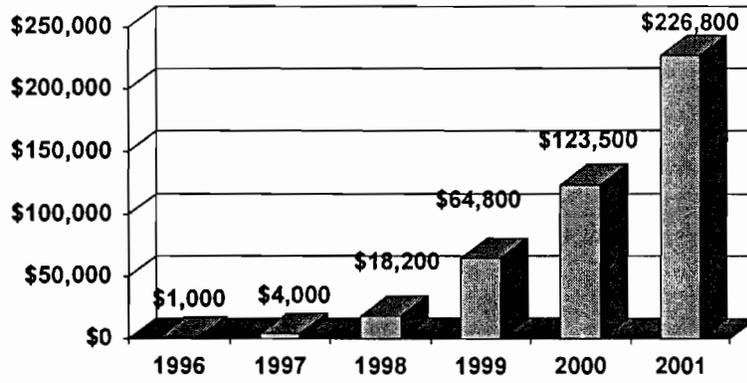


Home Telemedicine Systems Market Overview

Notes:



Estimated Total U.S. Home Care Telemedicine Systems Market ((\$000's))



Source: MDI - U.S. Home Care Monitoring and Telemedicine Markets: 1997
CAGR('96-'01)=124%

Notes:



Telemedicine Defined

Telemedicine:

- “The use of electronic communication networks for the transmission of information and data related to the diagnosis and treatment of medical conditions.”
- “Products and services that incorporate video transmission capabilities for the delivery of medical care.”

Notes:



Instromedix

- Privately held
- 28 yr. old company
- Founded by cardiologist Herbert Semler, MD
- Current president is Jim May - former president of Legacy Health Systems
- Peter Cochrane, head of BT Labs, is the chairman of Telemedicine Advisory Board
- \$20-40 Mln in revenue
- ISO 9001 certified
- 150 employees
- 20 field sales reps.
- 10 corporate sales
- Call on cardiologists & electrophysiologists
- Involved in Telemedicine for 25 years

Notes:

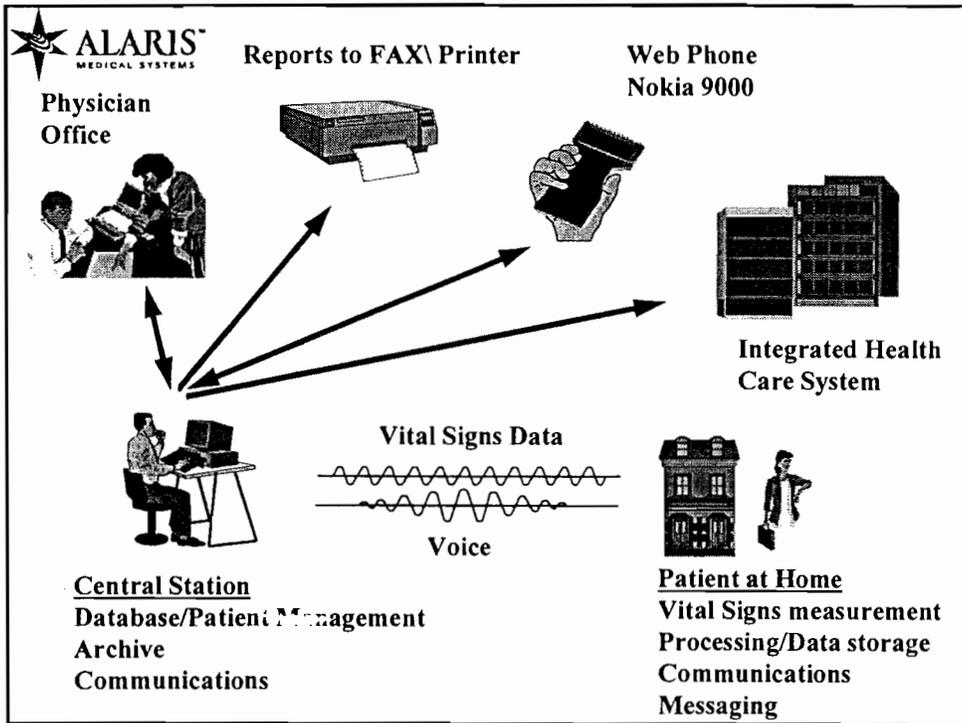


Instromedix

Dr. Robert De Busk - Director of Stanford's Cardiac
Rehabilitation Program

“The LifeSigns System provides the missing link for home-based monitoring of patients with congestive heart failure, hypertension and other chronic diseases. The vital signs data is of the highest quality.”

Notes:



Notes:



Key Market Drivers

Telemedicine

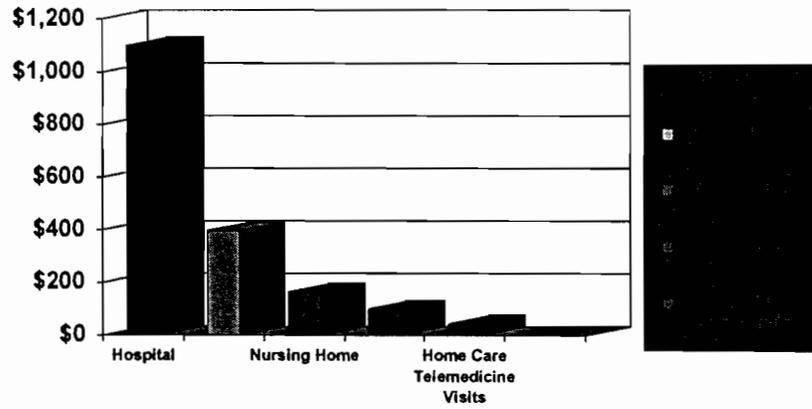
- Emphasis on shifting patients to lower-cost settings

Notes:



Comparison of Per Diem Costs by Care Delivery Site

Source-FRS, 1997



Notes:



Key Market Drivers

Telemedicine

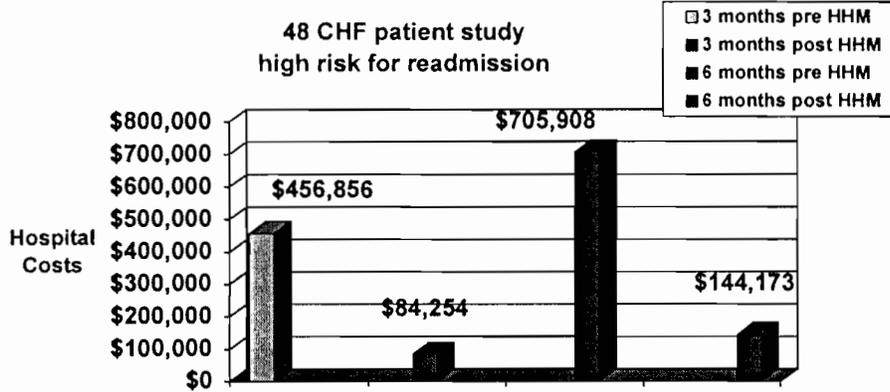
- Emphasis on shifting patients to lower-cost settings
- Prevention of hospitalizations and ER visits

Notes:



NIH Study

Home Health Telemanagement



HHM - Home Health Monitor

Notes:



ALARIS[™]
MEDICAL SYSTEMS

Key Market Drivers

Telemedicine

- Emphasis on shifting patients to lower-cost settings
- Prevention of hospitalizations and ER visits
- Elimination of liberal reimbursement for home nursing visits (new Medicare law)

Notes:



Key Market Drivers

- Emphasis on shifting patients to lower-cost settings
- Prevention of hospitalizations and ER visits
- Elimination of unlimited reimbursement for home nursing visits , (new Medicare law)
- Increasing demand for outcomes data and documentation of services, (OASIS)

Notes:



Patients to Benefit from Home Telemedicine Systems

- Chronic Congestive Heart Failure
 - CCHF is the most frequent cause of hospitalization in the elderly with national re-admission rates as high as 43% at three months after discharge.
- Chronic Obstructive Pulmonary Disease (COPD)
- Post Surgical (pacemaker, by-pass, transplant)
- Hypertension
- Chronic Wound Problems
- Diabetes

Notes:



Benefits of Home Telemedicine

Lower cost of care

- Lower hospital re-admission rates
- Lower emergency room visits
- Improved efficiency of nursing time
- Reduction in face-to-face home nursing visits

Notes:



Benefits of Home Telemedicine

Improved healthcare outcomes

- Higher patient compliance
- Improved patient satisfaction/self-care
- Improved patient care with faster response to critical changes in a patients health

Notes:



Kaiser Permanente Tele-Home Health Project

- In-person Vs. tele-nursing visits

<u>Feature</u>	<u>In-person</u>	<u>Video</u>
Max. Daily Caseload	5.2 Patients	15-20
Visit Length	45 minutes	18 min..
Travel Time	Yes	None
Mileage Costs	Yes	None
Response Time	24-48 hr..	Immediate televideo visit

Notes:



Home Telemonitoring

Barbara Johnston- Director of Kaiser Home Telemedicine Program

- “I’ve seen the the future of home health care, and it is a box the size of a small microwave oven that plugs into an ordinary phone jack.”
- “It costs about one-third to one-half as much to do a ‘tele-visit’ versus an in-person visit.”
- “Patients on telemedicine devices have a higher satisfaction rating with their care than patients who receive all their visits in person.”

Notes:



Home Telemonitoring

DR. Joseph Messer at Rush-Presbyterian
comments on Marquette's IMPACT.

“With such information, the medical management team can track and trend patient’s clinical status at home in a more patient-friendly and lower cost environment.”

Notes:



Home Telemonitoring

Growing Government Acceptance

- As many as one-third of U.S. rural hospitals are using telemedicine according to a national survey on telemedicine conducted for the federal Office of Rural Health Policy (ORHP) by Abt Associates.
- Congress has passed legislation that allows HCFA to reimburse providers for the telemedicine services they provide in rural and under served areas.

Notes:



Current Telemedicine Manufacturers

- American Telecare
 - Personal Telemedicine System
 - Health Tech Services
 - Hanc
 - HELP Innovations
 - ResourceLink
 - Tevital
 - Telassist
 - Unitron
- Most Recent Product Releases:
- Instromedix
 - LifeSigns System
 - Marquette Medical Systems
 - Impact waveform pager
 - Data Critical
 - RhythmStat XL

Notes:



Product Strategy for Home Patient Monitoring and Telemedicine

Notes:



Recommended Strategy

- 1) ALARIS Medical should make an equity investment of \$5-10 mln. in a small start-up company such as: Instromedix, American Telecare, etc. to establish a presence in the home telemonitoring market.

- 2) Allocate ALARIS marketing and sales resources towards new home telemedicine product line.

Notes:



Recommended Strategy

- 3) Continue to seek merger or acquisition opportunity with significant patient monitoring company to gain access to needed monitoring technologies.

Notes:



Recommended Strategy

- 4) Develop link between patient monitoring, infusion instrumentation and a telemedicine system.

- 5) Explore partnerships with other information systems and patient data management companies;
 - integrate with patient records and outcomes measurement program

Notes:



A Strategic Fit for ALARIS

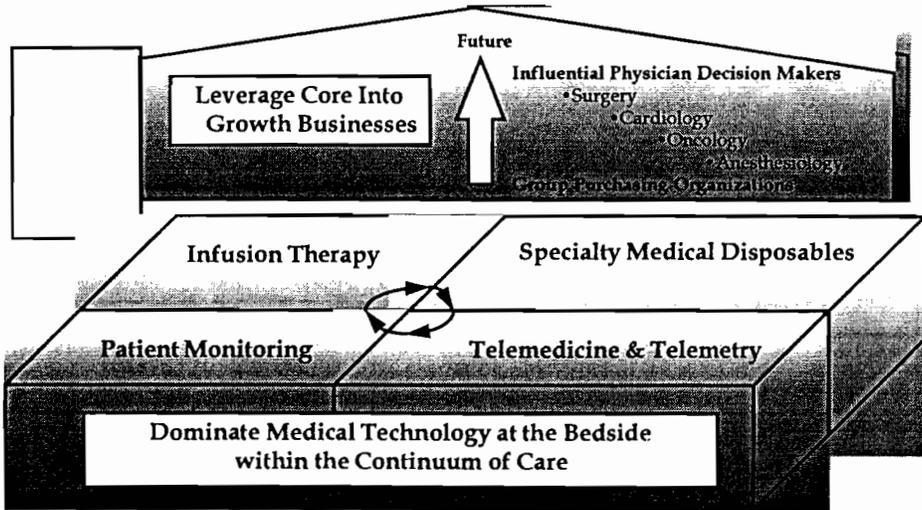
- Home patient monitoring is a growth market.
- Moves ALARIS into telemedicine market.
- Fits with ALARIS strategy to provide instrumentation around the patient bedside.
- Creates strong alliances with cardiology physicians.
- Provides technology vehicle to link infusion pumps into telemedicine.

Notes:

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Strategic Vision Directing Business Development Strategy



Notes:



Home Telemedicine Market Forecast

	1998	1999	2000	2001	2002
Market (\$000)	\$18,200	\$64,800	\$123,500	\$226,800	\$396,900
ALARIS Share%	5%	10%	15%	20%	20%
ALARIS Revenue (\$000)	\$910	\$6,480	\$18,525	\$45,360	\$79,380

Source: MDI 1997

Notes:

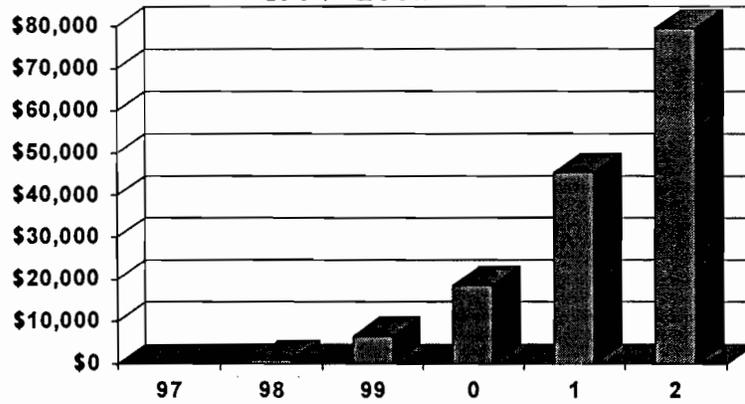


ALARIS

Telemedicine Revenue Forecast

(\$000's)

1997-2002



Notes:



Alternate Site Infusion

Market Overview

Notes: