BECTON DICKINSON & CO
Form 10-Q
February 07, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-4802

Becton, Dickinson and Company

(Exact name of registrant as specified in its charter)

New Jersey	**22-0760120**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

1 Becton Drive, Franklin Lakes, New Jersey 07417-1880

(Address of principal executive offices)

(Zip Code)

(201) 847-6800 .

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year,

if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class of Common Stock	**Shares Outstanding as of December 31, 2011**
Common stock, par value $1.00	210,103,437

BECTON, DICKINSON AND COMPANY

FORM 10-Q

For the quarterly period ended December 31, 2011

TABLE OF CONTENTS

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Thousands of dollars

Assets	December 31, 2011 (Unaudited)	September 30, 2011
Current Assets:		
Cash and equivalents	$ 2,196,278	$ 1,175,282
Short-term investments	497,413	388,031
Trade receivables, net	1,139,081	1,228,637
Inventories:		
Materials	174,266	176,955
Work in process	245,472	233,538
Finished products	841,992	834,479
	1,261,730	1,244,972
Prepaid expenses, deferred taxes and other	599,642	631,409
Total Current Assets	5,694,144	4,668,331
Property, plant and equipment	6,920,607	6,880,209
Less allowances for depreciation and amortization	3,708,295	3,669,012
	3,212,312	3,211,197
Goodwill	992,736	991,121
Core and Developed Technology, Net	371,780	380,899
Other Intangibles, Net	415,238	417,636
Capitalized Software, Net	320,121	316,634
Other	407,032	444,610
Total Assets	$ 11,413,363	$ 10,430,428
Liabilities and Shareholders Equity		
Current Liabilities:		
Short-term debt	$ 203,894	$ 234,932
Payables and accrued expenses	1,402,480	1,588,296
Total Current Liabilities	1,606,374	1,823,228
Long-Term Debt	3,972,194	2,484,665
Long-Term Employee Benefit Obligations	777,599	1,068,483
Deferred Income Taxes and Other	329,642	225,877
Commitments and Contingencies		
Shareholders Equity:		
Common stock	332,662	332,662
Capital in excess of par value	1,831,882	1,793,160
Retained earnings	9,799,928	9,633,584
Deferred compensation	19,497	18,875
Common shares in treasury at cost	(6,683,861)	(6,280,106)

Accumulated other comprehensive loss	(572,554)	(670,000)
Total Shareholders Equity	4,727,554	4,828,175
Total Liabilities and Shareholders Equity	$ 11,413,363	$ 10,430,428

See notes to condensed consolidated financial statements

3

Table of Contents

BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Thousands of dollars, except per share data

(Unaudited)

	Three Months Ended December 31, 2011	2010
Revenues	$ 1,887,645	$ 1,842,005
Cost of products sold	926,182	865,431
Selling and administrative	488,958	447,954
Research and development	113,936	115,542
Total Operating Costs and Expenses	1,529,076	1,428,927
Operating Income	358,569	413,078
Interest income	15,448	15,222
Interest expense	(29,378)	(15,553)
Other expense, net	(385)	(4,596)
Income From Continuing Operations Before Income Taxes	344,254	408,151
Income tax provision	81,244	93,875
Income From Continuing Operations	263,010	314,276
(Loss) Income from Discontinued Operations, net	(25)	1,661
Net Income	$ 262,985	$ 315,937
Basic Earnings per Share:		
Income from Continuing Operations	$ 1.23	$ 1.38
(Loss) Income from Discontinued Operations		0.01
Basic Earnings per Share	$ 1.23	$ 1.39
Diluted Earnings per Share:		
Income from Continuing Operations	$ 1.21	$ 1.35
(Loss) Income from Discontinued Operations		0.01
Diluted Earnings per Share	$ 1.21	$ 1.36
Dividends per Common Share	$ 0.450	$ 0.410

See notes to condensed consolidated financial statements

Table of Contents

BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Thousands of dollars

(Unaudited)

	Three Months Ended December 31, 2011	2010
Operating Activities		
Net income	$ 262,985	$ 315,937
Less: (Loss) income from discontinued operations, net	(25)	1,661
Income from continuing operations	263,010	314,276
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities, net of amounts acquired:		
Depreciation and amortization	135,618	123,192
Share-based compensation	34,355	34,081
Deferred income taxes	29,171	(10,534)
Change in operating assets and liabilities	(81,891)	(28,630)
Pension obligation	(73,562)	27,576
Other, net	6,318	9,782
Net Cash Provided by Continuing Operating Activities	313,019	469,743
Investing Activities		
Capital expenditures	(103,653)	(79,842)
Capitalized software	(12,503)	(17,666)
Purchases of investments, net	(109,982)	(464,015)
Other, net	(25,776)	(5,827)
Net Cash Used for Continuing Investing Activities	(251,914)	(567,350)
Financing Activities		
Change in short-term debt	(379)	31,826
Proceeds from long-term debt	1,488,285	991,265
Payments of debt	(31,454)	(7)
Repurchase of common stock	(399,873)	(836,891)
Excess tax benefits from payments under share-based compensation plans	3,736	14,979
Dividends paid	(96,154)	(92,707)
Issuance of common stock and other, net	(4,994)	27,522
Net Cash Provided by Continuing Financing Activities	959,167	135,987
Discontinued Operations		
Net cash provided by (used for) operating activities	1,539	(3,634)
Net cash used for investing activities	(113)	(75)
Net Cash Provided by (Used for) Discontinued Operations	1,426	(3,709)
Effect of exchange rate changes on cash and equivalents	(702)	(1,305)

Net increase in cash and equivalents	1,020,996	33,366
Opening Cash and Equivalents	1,175,282	1,215,989
Closing Cash and Equivalents	$ 2,196,278	$ 1,249,355

See notes to condensed consolidated financial statements

5

Table of Contents

BECTON, DICKINSON AND COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dollar and share amounts in thousands, except per share data

December 31, 2011

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of the management of the Company, include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position and the results of operations and cash flows for the periods presented. However, the financial statements do not include all information and accompanying notes required for a presentation in accordance with U.S. generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included or incorporated by reference in the Company s 2011 Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Note 2 Comprehensive Income

Comprehensive income was comprised of the following:

	Three Months Ended December 31,	
	2011	2010
Net Income	$ 262,985	$ 315,937
Other Comprehensive Income (Loss), Net of Tax		
Foreign currency translation adjustments	(48,087)	(38,728)
Benefit plans adjustment	143,747	10,765
Unrealized loss on investments, net of amounts recognized	(28)	
Unrealized gains on cash flow hedges, net of amounts realized	1,814	8,898
	97,446	(19,065)
Comprehensive Income	$ 360,431	$ 296,872

The loss recorded as foreign currency translation adjustments for the three months ended December 31, 2011 is mainly attributable to the weakening of the Euro against the U.S. dollar during this period. The gain recorded as benefit plan adjustments primarily relates to the November 30, 2011 remeasurement of the Company s U.S. defined pension plan. Additional disclosures regarding the benefit plan remeasurement are included in Note 7.

Table of Contents

Note 3 Earnings per Share

The weighted average common shares used in the computations of basic and diluted earnings per share (shares in thousands) were as follows:

	Three Months Ended December 31,	
	2011	2010
Average common shares outstanding	214,300	228,083
Dilutive share equivalents from share-based plans	3,334	4,832
Average common and common equivalent shares outstanding assuming dilution	217,634	232,915

Note 4 Contingencies

Given the uncertain nature of litigation generally, the Company is not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which the Company is a party. In accordance with U.S. generally accepted accounting principles, the Company establishes accruals to the extent probable future losses are estimable (in the case of environmental matters, without considering possible third-party recoveries). In view of the uncertainties discussed below, the Company could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. In the opinion of management, any such future charges, individually or in the aggregate, could have a material adverse effect on the Company s consolidated results of operations and consolidated cash flows.

The Company is named as a defendant in the following purported class action suits brought on behalf of distributors and other entities that purchase the Company s products (the Distributor Plaintiffs), alleging that the Company violated federal antitrust laws, resulting in the charging of higher prices for the Company s products to the plaintiffs and other purported class members.

Case	**Court**	**Date Filed**
Louisiana Wholesale Drug Company, Inc., et. al. vs. Becton Dickinson and Company	U.S. District Court, Newark, New Jersey	March 25, 2005
SAJ Distributors, Inc. et. al. vs. Becton Dickinson & Co.	U.S. District Court, Eastern District of Pennsylvania	September 6, 2005
Dik Drug Company, et. al. vs. Becton, Dickinson and Company	U.S. District Court, Newark, New Jersey	September 12, 2005
American Sales Company, Inc. et. al. vs. Becton, Dickinson & Co.	U.S. District Court, Eastern District of Pennsylvania	October 3, 2005
Park Surgical Co. Inc. et. al. vs. Becton, Dickinson and Company	U.S. District Court, Eastern District of Pennsylvania	October 26, 2005

Table of Contents

These actions have been consolidated under the caption *In re Hypodermic Products Antitrust Litigation.*

The Company is also named as a defendant in the following purported class action suits brought on behalf of purchasers of the Company s products, such as hospitals (the Hospital Plaintiffs), alleging that the Company violated federal and state antitrust laws, resulting in the charging of higher prices for the Company s products to the plaintiffs and other purported class members.

Case	Court	Date Filed
Jabo s Pharmacy, Inc., et. al. v. Becton Dickinson & Company	U.S. District Court, Greenville, Tennessee	June 7, 2005
Drug Mart Tallman, Inc., et. al. v. Becton Dickinson and Company	U.S. District Court, Newark, New Jersey	January 17, 2006
Medstar v. Becton Dickinson	U.S. District Court, Newark, New Jersey	May 18, 2006
The Hebrew Home for the Aged at Riverdale v. Becton Dickinson and Company	U.S. District Court, Southern District of New York	March 28, 2007

The plaintiffs in each of the above antitrust class action lawsuits seek monetary damages. All of the antitrust class action lawsuits have been consolidated for pre-trial purposes in a Multi-District Litigation (MDL) in Federal court in New Jersey.

On April 27, 2009, the Company entered into a settlement agreement with the Distributor Plaintiffs in these actions. The settlement agreement provided for, among other things, the payment by the Company of $45,000 in exchange for a release by all potential class members of the direct purchaser claims under federal antitrust laws related to the products and acts enumerated in the complaint, and a dismissal of the case with prejudice, insofar as it relates to direct purchaser claims. The release would not cover potential class members that affirmatively opt out of the settlement. On September 30, 2010, the court issued an order denying a motion to approve the settlement agreement, ruling that the Hospital Plaintiffs, and not the Distributor Plaintiffs, are the direct purchasers entitled to pursue damages under the federal antitrust laws for certain sales of BD products. The settlement agreement currently remains in effect, subject to certain termination provisions, and the federal court of appeals has granted the Distributor Plaintiffs request to appeal the trial court s order on an interlocutory basis. The Company currently cannot estimate the range of reasonably possible losses with respect to these class action matters beyond the $45,000 already accrued and changes to the amount already recognized may be required in the future as additional information becomes available.

In June 2007, Retractable Technologies, Inc. (RTI) filed a complaint against the Company under the caption *Retractable Technologies, Inc. vs. Becton Dickinson and Company* (Civil Action No. 2:07-cv-250, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra™ syringes infringe patents licensed exclusively to RTI. In its complaint, RTI also alleges that the Company engaged in false advertising with respect to certain of the Company s safetyengineered products in violation of the Lanham Act; acted to exclude RTI from various product markets and to maintain its market share through, among other things, exclusionary contracts in violation of state and federal antitrust laws; and engaged in unfair competition. In January 2008, the court severed the patent and non-patent claims into separate cases, and stayed the non-patent claims during the pendency of the patent claims at the trial court level. RTI seeks money damages and injunctive relief. On April 1, 2008, RTI filed a complaint against BD under the caption *Retractable Technologies, Inc. and Thomas J. Shaw v. Becton Dickinson and Company* (Civil Action No.2:08-cv-141, U.S. District Court, Eastern District of Texas). RTI alleges that the BD Integra™ syringes infringe another patent licensed exclusively to RTI. RTI seeks money damages and injunctive relief. On August 29, 2008, the court ordered the consolidation of the patent cases. On November 9, 2009, at a trial of these consolidated cases, the jury rendered a verdict in favor of RTI on all but one of its infringement claims, but did not find any willful infringement, and awarded RTI $5,000 in damages. On May 19, 2010, the court granted RTI s motion for a permanent injunction against the continued sale by the Company of its BD Integra™ products in their current form, but stayed the injunction for the duration of the Company s appeal. At the same time, the court lifted a stay of RTI s non-patent claims. On July 8, 2011, the Court of Appeals for the Federal Circuit reversed the District Court judgment that the Company s 3ml BD Integra products infringed the asserted RTI patents and affirmed the District Court judgment of infringement against the Company s discontinued 1ml BD Integra products. On October 31, 2011, the Federal Circuit Court of Appeals denied RTI s request for an en banc rehearing. RTI has advised the court of its intention to seek an appeal of the Federal Circuit Court of Appeals patent ruling to the United States Supreme Court, and has until March 26, 2012, to file for such appeal. The trial on RTI s antitrust and false advertising claims has been postponed pending resolution of RTI s appeal of the patent ruling.

With respect to RTI s antitrust and false advertising claims, BD cannot estimate the possible loss or range of possible loss as there are significant legal and factual issues to be resolved. These include discovery regarding RTI s alleged damages and liability theories, which has not been completed. Each party has filed motions seeking to exclude portions of the other party s expert testimony and to preclude the other party from introducing certain other evidence at trial. RTI s intention to seek an appeal of the appellate court s patent ruling to the U.S. Supreme Court adds further uncertainty to the possible future outcomes of RTI s antitrust and false advertising claims. In the event that RTI ultimately succeeds at trial and subsequent appeals on its antitrust and false advertising claims, any potential loss could be material as RTI is seeking to recover substantial damages including disgorgement of profits and damages under the federal antitrust laws which are trebled. BD believes RTI s allegations are without merit.

On October 19, 2009, Gen-Probe Incorporated (Gen-Probe) filed a patent infringement action against BD in the U.S. District Court for the Southern District of California. The complaint alleges that the BD Viper and BD Viper XTR systems and BD ProbeTec specimen collection products infringe certain U.S. patents of Gen-Probe. On March 23, 2010, Gen-Probe filed a complaint, also in the U.S. District Court for the Southern District of California, alleging that the BD Max™ instrument infringes Gen-Probe patents. The patents alleged to be infringed are a subset of the Gen-Probe patents asserted against the Company in the October 2009 suit. On June 8, 2010, the Court consolidated these cases. Gen-Probe is seeking monetary damages and injunctive relief. The Company currently cannot estimate the range of reasonably possible losses for this matter as the proceedings are in relatively early stages and there are significant issues to be resolved, as, among other things, fact discovery is ongoing, expert discovery, including depositions, has not commenced, expert reports (including damage reports) have not been prepared, the claims that Gen-Probe intends to take to trial have not been specified, and summary judgment motions may still be filed.

The Company believes that it has meritorious defenses to each of the above-mentioned suits pending against the Company and is engaged in a vigorous defense of each of these matters.

The Company is also involved both as a plaintiff and a defendant in other legal proceedings and claims that arise in the ordinary course of business.

The Company is a party to a number of Federal proceedings in the United States brought under the Comprehensive Environment Response, Compensation and Liability Act, also known as Superfund, and similar state laws. The affected sites are in varying stages of development. In some instances, the remedy has been completed, while in others, environmental studies are commencing. For all sites, there are other potentially responsible parties that may be jointly or severally liable to pay all cleanup costs.

Note 5 Segment Data

The Company s organizational structure is based upon its three principal business segments: BD Medical (Medical), BD Diagnostics (Diagnostics) and BD Biosciences (Biosciences). These segments are strategic businesses that are managed separately because each one develops, manufactures and markets distinct products and services. The Company evaluates performance of its business segments and allocates resources to them primarily based upon operating income. Segment operating income represents revenues reduced by product costs and operating expenses. From time to time, the Company hedges against certain forecasted sales of U.S.-produced products sold outside the United States. Gains and losses associated with these foreign currency translation hedges are reported in segment revenues based upon their proportionate share of these international sales of U.S.-produced products. Financial information for the Company s segments was as follows:

	Three Months Ended December 31,	
	2011	2010
Revenues (A)		
Medical	$ 950,397	$ 926,547
Diagnostics	620,743	601,722
Biosciences	316,505	313,736
	$ 1,887,645	$ 1,842,005

Table of Contents

Segment Operating Income		
Medical	$ 253,735	$ 275,597
Diagnostics	165,364	161,163
Biosciences	82,968	90,464
Total Segment Operating Income	502,067	527,224
Unallocated Items (B)	(157,813)	(119,073)
Income from Continuing Operations Before Income Taxes	$ 344,254	$ 408,151

(A) Intersegment revenues are not material.
(B) Includes primarily interest, net; foreign exchange; corporate expenses; and share-based compensation expense.

	Three Months Ended December 31, 2011	2010
Revenues by Organizational Units		
BD Medical		
Medical Surgical Systems	$ 522,308	$ 512,728
Diabetes Care	225,920	213,882
Pharmaceutical Systems	202,169	199,937
	$ 950,397	$ 926,547
BD Diagnostics		
Preanalytical Systems	$ 316,622	$ 312,628
Diagnostic Systems	304,121	289,094
	$ 620,743	$ 601,722
BD Biosciences		
Cell Analysis	$ 243,601	$ 240,742
Discovery Labware	72,904	72,994
	$ 316,505	$ 313,736
	$ 1,887,645	$ 1,842,005

Revenues by geographic areas were as follows:

	Three Months Ended December 31, 2011	2010

Total Revenues		
United States	$ 828,793	$ 828,602
International	1,058,852	1,013,403
	$ 1,887,645	$ 1,842,005

11

Table of Contents

Note 6 Share-Based Compensation

The Company grants share-based awards under the 2004 Employee and Director Equity-Based Compensation Plan (the 2004 Plan), which provides long-term incentive compensation to employees and directors. The Company believes that such awards align the interests of its employees and directors with those of its shareholders.

The fair value of share-based payments is recognized as compensation expense in net income. For the three months ended December 31, 2011 and 2010, compensation expense charged to income was $34,355 and $34,081, respectively. Share-based compensation attributable to discontinued operations was not material.

The amount of unrecognized compensation expense for all non-vested share-based awards as of December 31, 2011 was approximately $150,300, which is expected to be recognized over a weighted-average remaining life of approximately 2.6 years.

The fair values of stock appreciation rights granted during the annual share-based grants in November of 2011 and 2010, respectively, were estimated on the date of grant using a lattice-based binomial valuation model based on the following assumptions:

	2011	2010
Risk-free interest rate	1.67%	2.40%
Expected volatility	22.00%	24.00%
Expected dividend yield	2.50%	2.14%
Expected life	7.9 years	7.8 years
Fair value derived	$ 12.61	$ 16.80

Note 7 Benefit Plans

The Company has defined benefit pension plans covering substantially all of its employees in the United States and certain foreign locations. The Company also provides certain postretirement healthcare and life insurance benefits to qualifying domestic retirees. Other postretirement benefit plans in foreign countries are not material. The measurement date used for the Company s employee benefit plans is September 30.

On November 30, 2011, the Company remeasured its U.S. defined pension plan as a result of amendments to this plan that were approved and communicated to affected employees during the first quarter of fiscal year 2012. Effective January 1, 2013, all plan participants benefits in the defined benefit traditional pension plan will be converted to a defined benefit cash balance pension plan. The November 30, 2011 remeasurement was based upon a discount rate of 5.1%, compared with the discount rate of 4.9% used on the September 30, 2011 measurement date. The increase in the discount rate will reduce total fiscal year 2012 net pension cost by $5,300. An increase in plan assets held as of November 30, 2011 compared with assets held as of September 30, 2011 also will reduce total fiscal year 2012 net pension cost by $6,200. The total reduction in fiscal year 2012 net pension cost resulting from the remeasurement will be $40,200.

Net pension and postretirement cost included the following components for the three months ended December 31:

	Pension Plans		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	$ 23,029	$ 22,904	$ 1,470	$ 1,473
Interest cost	27,989	23,258	3,215	3,284
Expected return on plan assets	(31,772)	(25,557)		
Amortization of prior service credit	(3,370)	(270)	(173)	(172)
Amortization of loss	17,196	13,881	1,162	1,117
Net pension and postretirement cost	$ 33,072	$ 34,216	$ 5,674	$ 5,702

Postemployment benefit costs for the three months ended December 31, 2011 and 2010 were $8,995 and $6,794, respectively.

Note 8 Divestitures

In the fourth quarter of fiscal year 2010, the Company sold the Ophthalmic Systems unit and the surgical blades, critical care and extended dwell catheter product platforms for $270,000. The Company recognized a pre-tax gain on sale from all of these divestitures of $146,478.

The results of operations associated with the Ophthalmic Systems unit, surgical blade platform and critical care platform are reported as discontinued operations for all periods presented in the accompanying Consolidated Statements of Income and Cash Flows and related disclosures. The Company agreed to perform contract manufacturing for a defined period after the sale of the extended dwell catheter product platform. Due to this significant continuing involvement in operations, the associated results of operations were reported within continuing operations and $18,197 of the gain on sale was recognized in *Other income (expense)*.

Results of discontinued operations were as follows:

	Three Months Ended December 31,	
	2011	2010
Revenues	$ 48	$ 2,888
(Loss) income from discontinued operations before income taxes	(44)	1,884
Less income tax (benefit) provision	(19)	223
(Loss) income from discontinued operations, net	$ (25)	$ 1,661

Table of Contents

Note 9 Intangible Assets

Intangible assets consisted of:

	December 31, 2011		September 30, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core and developed technology	$ 688,233	$ 316,453	$ 685,191	$ 304,292
Product rights	153,372	3,834	152,140	1,268
Patents, trademarks, and other	311,860	234,129	309,337	230,542
	$ 1,153,465	$ 554,416	$ 1,146,668	$ 536,102
Unamortized intangible assets				
Acquired in-process research and development	$ 185,300		$ 185,300	
Trademarks	2,669		2,669	
	$ 187,969		$ 187,969	

Intangible amortization expense for the three months ended December 31, 2011 and 2010 was $16,532 and $11,734, respectively.

Note 10 Derivative Instruments and Hedging Activities

The Company uses derivative instruments to mitigate certain exposures. The effects these derivative instruments and hedged items have on financial position, financial performance, and cash flows are provided below.

Foreign Currency Risks and Related Strategies

The Company has foreign currency exposures throughout Europe, Asia Pacific, Canada, Japan and Latin Am