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THE WALL STREET JOURNAL

WSJ.com

TECHNOLOGY | AUGUST 2, 2011

Kodak Is Exploring Sale of Patent in Apple Lawsuit

By [DANA MATTIOLI](#)

Eastman Kodak Co. is exploring a sale of one the company's crown jewels: the patent for previewing photographs currently being litigated against [Apple Inc.](#) and [Research In Motion Ltd.](#)

The imaging company recently said it is considering the sale of 1,100 patents, or 10% of the company's portfolio. Kodak said the patents at stake covered capturing, storing, organizing and sharing digital images, but didn't specify whether the sale would include the one at issue in the Apple and RIM lawsuits.



Bloomberg News

Kodak is using patent suits to fund its painful turnaround. Above, a Kodak booth at a January trade show.

Kodak now acknowledges the image-previewing patent is up for sale, as well as patents that Kodak is litigating against [Shutterfly Inc.](#) The move makes clear Kodak's eagerness to raise cash after two straight quarters in which patent litigation income dried up, contributing to losses.

"The patents are part of the 1,100 but not necessarily part of any future deal simply because we are so early in the process," said Kodak spokesman Gerard Meuchner.

Kodak hopes to use to use losses from prior years to offset any taxes on a sale of patents. To protect the value of those carried losses, the company on Monday said it had adopted an anti-takeover plan that would flood the market with preferred

stock if any party acquires more than 4.9% of Kodak's shares. Kodak's ability to use the losses would be limited in the event of a change in control of the company.

Kodak is concerned an investor might try to gain control of the patents—which could be worth more than the company's market value of \$650 million—by buying up a big stake in Kodak itself, a person familiar with the matter said.

The image-preview patent has been crucial to Kodak's strategy of using intellectual property suits to fund its development of consumer and commercial printers, the businesses it hopes will offset its declining film sales.

Kodak settled image-preview suits and signed licenses with 32 companies. The company raised \$550 million settling lawsuits over image previewing with Samsung Electronics Co. in 2010 and \$400 million with LG Electronics Inc. in 2009.

Chief Executive Antonio Perez has been using Kodak's intellectual property as a means of funding the company's long and expensive transformation. In 2008, Mr. Perez put forth a goal to generate between \$250 million and \$350 million a year from Kodak's patent portfolio.

The strategy hit a snag this year as U.S. International Trade Commission extended its investigation into whether Apple and RIM violated Kodak's patents. The lengthy investigation has prevented Kodak from collecting intellectual property related funds for the first half of this year.

Kodak's decision to sell its patents follows a \$4.5 billion patent sale by Nortel Networks Corp. Kodak has retained [Lazard](#) as an adviser for the sale. Lazard also advised Nortel on its sale.

—Joann S. Lublin contributed to this article.

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