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# Kodak Starts Patent Sale

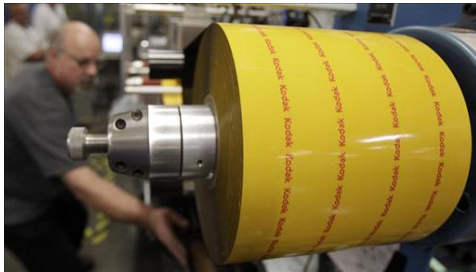
*Shares Surge 26% on Prospects of a Rich Deal; Lazard Begins Marketing Effort*

By **DANA MATTIOLI**

Eastman Kodak Co. has kicked off its patent sale, as the beleaguered imaging company seeks to ride the bull market for patents and capitalize on its intellectual property in the booming market for tablet computers.

Investment bank Lazard Ltd. began marketing the portfolio this week, reaching out to companies that might be interested, said a person familiar with the matter.

One interested company is a large, strategic buyer in the wireless industry looking to use the patents for defensive protection, said another person familiar with the matter.



Cash-strapped company Kodak is hoping to fund a turnaround by sell off its cache of patents to camera-phone and tablet-makers, Dana Mattioli reports on Markets Hub. (Photo: AP Photo.)

Speculation that Kodak could strike a lucrative deal propelled a 26% gain in the company's stock price Wednesday. Shares in Kodak rose 55 cents to \$2.69 at 4 p.m. in composite trading on the New York Stock Exchange.

Lazard declined to comment.

Despite a growing frenzy around patents that can be used in smartphones and other mobile devices, other people familiar with the sale process question the ultimate value of Kodak's patents because it has already struck numerous licensing deals with cellphone makers for some of the patents it is now putting on the auction block. There is also a concern that because of the license deals, an acquirer of the Kodak patents would be subject to lawsuits, these people added.

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The licensing strategy brought in \$1.9 billion from 2008 to

2010, but the flow of settlements dried up this year, prompting the company to look more seriously at selling patents, one Kodak board member said.

Despite those concerns, Kodak Chief Executive Antonio Perez said during an interview with The Wall Street Journal in July that he thinks the patents could be very attractive to tablet makers.

While Kodak struck settlements with many mobile-phone makers to use its digital-image-previewing patent, its licensing deals are usually done by product category. That means that in many cases those same mobile-phone makers would have to license the same patent again for use in a tablet, he said.

"My team has counted 200 different models of tablets with cameras," Mr. Perez said.



Bloomberg News

Antonio Perez, Kodak's chief executive, said in July that the imaging company's patents could be attractive to makers of tablet computers. Above, he spoke at a New York investment conference earlier this year.

The challenge of cutting deals with so many companies, he added, was a major factor that led Kodak to explore selling its patents.

In addition, he said recent events in the war for patents also came into consideration. "[With] Nortel and many other companies, it looked like it was the perfect time," he said. In July, Nortel Networks Corp. sold a trove of wireless patents for \$4.5 billion and Google Inc. bought hundreds of technology patents from International Business Machines Corp. to defend itself against lawsuits.

Shortly after the Nortel deal, Kodak said it was exploring the possible sale of 10% of its patent portfolio, or 1,100 digital patents. The company hired Lazard to advise the sale. Lazard also advised Nortel in its sale and Google in its acquisition of

Motorola Mobility Holdings Inc.

While the 1,100 patents are used for a variety of uses, they include a patent at the center of Kodak's litigation with Apple Inc. and Research in Motion Ltd. that relates to digital-image previewing. Mr. Perez said that patent alone could result in \$1 billion in payments from the two companies. The portfolio also includes a number of patents Kodak is currently litigating with Shutterfly Inc.

Mr. Perez said Kodak will still be able to use its patents after a sale, but will no longer be able to litigate them—a strategy that Kodak has used to fund its expensive turnaround efforts.

While many analysts speculate that Kodak's patents are worth more than the entirety of the company, Kodak tried to deter any bids for a hostile takeover last month with a so-called poison pill, which would allow shareholders to buy stock at a discount if an outside investor purchases a significant stake. "We're focused on executing our strategy and becoming a profitable, sustainable digital company," said a Kodak spokesman, Gerard Meuchner.

### Corrections & Amplifications

Eastman Kodak Co.'s chief executive, Antonio Perez, attended the Bloomberg Link Spain Investment Strategies Briefing in New York in March. A previous caption for the photograph that accompanies this article incorrectly said the event occurred Wednesday, Aug. 17.

—Gina Chon contributed to this article.

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