

Apple, Google Line Up to Bid for Kodak's Patents

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[Apple Inc.](#) [AAPL +1.79%](#) and [Google Inc.](#) [GOOG +3.52%](#) are taking their battle over smartphones to a new venue: Kodak's bankruptcy proceedings.

Eastman Kodak Co. has put 1,100 patents on the block, and the Silicon Valley giants are lining up on opposite sides ahead of Monday's deadline for initial bids, people familiar with the matter said.

Apple is teaming up with [Microsoft Corp.](#) [MSFT +2.04%](#) and patent aggregation firm Intellectual Ventures Management LLC to form one bidding group, the people said. The other consortium, the people said, includes Google, patent aggregation firm [RPX Corp.](#), [GOOG +3.52%](#) and three hardware companies that make phones based on Google's Android operating system: [Samsung Electronics Co.](#), [005930.SE +5.20%](#) [LG Electronics Inc.](#), [066570.SE +3.51%](#) and [HTC Corp.](#) [2498.TW +3.94%](#)

Work on bids could continue over the weekend, with alliances changing and other bidders potentially emerging, the people familiar with the discussions said.

The contest comes amid a global battle over intellectual property as Apple and Google jockey for position atop the lucrative smartphone market. In recent years, Apple and Google have made big advances in mobile design and software, but as relative newcomers they have vulnerabilities regarding basic phone functions that leave them vulnerable to intellectual property suits largely aimed at slowing them down.

A year ago, the companies squared off in a battle over patents being sold by telecom equipment company Nortel Networks, with a consortium including Apple and Microsoft lodging the winning bid of \$4.5 billion.

Kodak has said the patents it is selling could be worth up to \$2.6 billion. People with knowledge of the portfolios, however, said initial bids aren't likely to approach that figure. The company's patents govern the cameras that are a key feature of phones and tablets. But they don't involve core mobile technology, and Kodak has suffered setbacks in recent litigation.

A successful auction is crucial to Kodak's efforts to reorganize in bankruptcy court and emerge as a viable company. The photography icon filed for Chapter 11 protection in January amid a cash crunch and inability to sell the patents outside of bankruptcy proceedings.

The auction is set for Aug. 8. The patents are being sold in two lots: one portfolio related to capturing and processing images on cameras, smartphones and tablets; and another related to storing and analyzing images, among other things.

THE WALL STREET JOURNAL | TECHNOLOGY

Suitors view the digital capture trove as the most valuable. Opening bids for them, and perhaps the other patents, were still being negotiated Friday, said people familiar with the process.

The International Trade Commission last week invalidated what had been Kodak's most valuable and most-litigated patent to date, one governing how images are previewed by digital cameras. Kodak had sued Apple and BlackBerry maker [Research In Motion Ltd.](#) RIMM +5.89% over the patent.

Uncertainty over the patents' value prevented Kodak from securing a "stalking horse" bidder—one that would commit to buy the portfolios at a set price, putting a floor on the auction. The resulting "naked" auction means suitors could start the bidding at much lower prices. Still, the prices could rise once the auction begins. Nortel's auction began with a \$900 million stalking horse bid from Google.

The consortiums reflect pre-existing rivalries and alliances in the mobile phone space. Apple has filed several patent-infringement lawsuits against handset makers that use Google's Android operating system, including Samsung and HTC. Intellectual Ventures' co-founder formerly worked at Microsoft as chief strategist and chief technology officer.

The lineups show that the divisions are blurring between big technology companies and patent aggregators, which accumulate troves of patents and put them to use primarily in suits and licensing negotiations rather than products.