

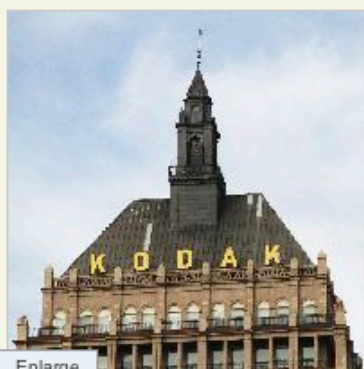
Court Refuses to Move Kodak Patent Dispute With Apple

Joseph Checkler | July 27, 2012

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A judge on Thursday denied Apple Inc.'s bid to move a patent dispute with Eastman Kodak Co. out of bankruptcy court.

Kodak said after an eight-hour hearing Thursday that Judge George B. Daniels ruled against Apple and former subsidiary Flashpoint Technologies Inc., which argued that bankruptcy court "does not have the authority or necessary expertise to decide" who owns 10 patents in dispute, which are considered very valuable in Kodak's coming auction of its digital-patent portfolio.



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"We are pleased the District Court has denied Apple and Flashpoint's motion at this time and that the Court believes an undisrupted, efficient auction process under the supervision of the Bankruptcy Court is appropriate," Kodak said in a statement. "Our work continues toward a successful auction next month."

The decision means the case filed by Kodak against Apple in front of U.S. Bankruptcy Court Judge Allan L. Gropper will continue.

Apple didn't immediately respond to a request for comment.

The two sides have for years been wrangling over the patents, but the fight has now taken on especially high stakes. A Monday deadline looms for bidders looking to buy Kodak's portfolio of more than 1,000 digital patents, the sale of which will determine whether the company can successfully restructure. Any buyer must factor in the uncertainty of the valuable patents Apple is fighting for and the litigation surrounding them.

According to Kodak, its digital-camera technologies have been an important factor in the success of Apple's iPhone, iPad and iPod Touch products. Its portfolio of digital patents, worth between \$2.2 billion and \$2.6 billion, according to Kodak, includes one patent for a digital camera that can capture an image while a preview appears on an LCD screen.

That is one of the patents to which Apple now claims ownership, a move Kodak says comes nine years after the patent was issued and almost 20 years after the companies' joint work on digital-camera technology. Courts' preliminary decisions have been mixed.

Last week, the International Trade Commission ruled against Kodak in a complaint that Apple and Research In Motion Ltd. infringed on a patent, a ruling Kodak is appealing to a Federal Circuit Court. But Kodak was successful on another ruling a few days later, when a federal appeals court upheld a previous ITC decision that an Apple patent wasn't infringed upon by Kodak.

Kodak, based in Rochester, N.Y., filed for Chapter 11 protection in January after failing to sell its patents outside of a bankruptcy. The company's once-central photography-driven business became marginalized by increased digital competition, and it struggled with high labor and pension costs.

The way Kodak sees it, getting out of bankruptcy hinges on the sale of the patents, for which the company hopes to hold an auction in August after the qualifying bids are sorted out. Kodak is counting on the sale of those patents to pay its creditors.

In February, Kodak said it will close its camera business, which makes digital cameras, pocket video cameras and digital picture frames, in a move that could save it \$100 million annually. Kodak envisions a reorganized iteration of the company as one that focuses on retail and desktop-inkjet printing rather than photography.