



Portfolio Media, Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Kodak Allowed To Sell 2 Patents Despite Apple's Protests

By **Lance Duroni**

Law360, Wilmington (August 01, 2012, 10:55 PM ET) -- A New York bankruptcy judge on Wednesday cleared Eastman Kodak Co. to sell two of the 10 digital camera patents that Apple Inc. had laid claim to, ruling the iPad maker's claims were time-barred.

In a 40-page opinion, U.S. Bankruptcy Judge Allan L. Gropper agreed with Kodak that Apple's infringement claims were precluded because it had waited too long to file them. He granted the former photography giant summary judgment with respect to the two patents in an adversary suit it had filed to free up the patents for sale at a bankruptcy auction.

"A Chapter 11 debtor faces enormous pressures while attempting to reorganize, and Kodak's ability to effect a critical sale of property of the estate while protecting other parties' interests in that property would be cut off if Apple's unreasonably late claims are not barred," Judge Gropper said.

Kodak filed the adversary suit June 18 in advance of a scheduled Aug. 8 auction of its 1,100 digital imaging patents, which could make or break the company's reorganization. Of those, Apple has fought Kodak's assertion of rights to 10 patents, with Apple spinoff unit FlashPoint Technology Inc. claiming ownership to those patents plus three more, according to court documents.

With respect to the other eight patents disputed by Apple, however, Judge Gropper found that the record was not fulsome enough to show that Apple was on notice of those patents to require it to bring the claims earlier.

"Taking all inferences in Apple's favor, it cannot be found on the instant record that Apple knew or should have known after a reasonable inquiry of its inventorship in the miscellaneous patents," the judge said.

While denying summary judgment on the remaining patents, the judge said Kodak could renew its motion on a more complete record.

The decision clears Kodak to sell its patent called "Electronic camera for initiating capture of still images while previewing motion images," as well as another called "Single sensor color camera with user selectable image record size."

According to the adversary suit, Apple's claims arise from joint development work between Kodak and Apple that took place in the early 1990s, while FlashPoint's claims stem from a 1996 agreement in which Apple assigned FlashPoint the rights in the claimed Kodak patents.

Cupertino, Calif.-based Apple had countered the argument that its claims over the patents were time-barred, saying the dispute involved complicated matters of patent law that must be resolved by a federal district court, according to court documents.

Last week, however, U.S. District Judge George Daniels rejected Apple's bid to move the case, finding that the bankruptcy court should first rule on some of the major issues in the row.

Rochester, N.Y.-based Kodak filed for Chapter 11 protection in January, while Apple and FlashPoint joined the case soon after to assert their rights, a move Kodak claimed was targeted at delaying the planned asset sale, according to court documents.

Separately on Wednesday, a committee of Kodak retirees objected to the debtors' plan to pay up to \$8.8 million in bonuses to top management, saying the company needed to pull off the make-or-break patent sale before rewarding executives.

The iconic film and photography company is in the process of trimming its business after the failure to sell its patents outside of bankruptcy, coupled with intense competition from new technologies, forced it to file for court protection Jan. 19.

Kodak is represented by Steven L. Holley, Andrew G. Dietderich, Brian D. Glueckstein and Michael H. Torkin of Sullivan & Cromwell LLP and Pauline K. Morgan and Joseph M. Barry of Young Conaway Stargatt & Taylor LLP.

Apple is represented by James H.M. Sprayregen, Gregory S. Arovas, Paul M. Basta, Brian S. Lennon, Marcus E. Sernel and David R. Seligman of Kirkland & Ellis LLP.

The bankruptcy case is In re: Eastman Kodak Co., case number 1:12-bk-10202, in the U.S. Bankruptcy Court for the Southern District of New York.

The adversary case is Eastman Kodak Co. v. Apple Inc. et al., case number 1:12-ap-01720, in the same court.

--Additional reporting by Sindhu Sundar and Lisa Uhlman. Editing by Elizabeth Bowen.

All Content © 2003-2012, Portfolio Media, Inc.