

Kodak Patent Bidding Is Tame

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Eastman Kodak Co.'s [EKDKQ -5.88%](#) patent auction has failed to generate the premium bids that the company and creditors had hoped for, with some suitors leaving Manhattan for home in the past few days, people familiar with the matter said.

All the bids received for Kodak's portfolio of 1,100 digital patents thus far were significantly below \$500 million, as consortiums that include [Apple Inc.](#) [AAPL +0.16%](#) and [Google Inc.](#) [GOOG -0.05%](#) declined to engage in the sort of spirited bidding that drove up prices in an auction of Nortel Networks Inc. patents a year ago, the people said.



Kodak is expected to disclose the winning patent bids on Monday.

The sale continues through the weekend with Kodak and bidders communicating by phone and the result hard to predict, the people said. But the low initial bids and apparent absence of a bidding war suggest Kodak will have to work harder to repay creditors and emerge from Chapter 11.

"Our patent auction is a complex and dynamic process, and is very much ongoing," a Kodak spokesman said. "We and all participants are still bound by the court order on confidentiality and cannot comment prior to an outcome."

People involved in the auction described a complicated process with extra secrecy, unusual procedures and a range of different offers. Under the schedule set before the auction began, the company was to select the auction's winner by Monday.

Kodak needs a good result from the auction to pay off its many creditors. Proceeds must first be used to repay banks including [Citigroup Inc.](#) [C +0.14%](#) that provided Kodak with a \$950 million bankruptcy loan.

At the end of June, Kodak held \$1.3 billion in cash, but the company continues to lose money, with its net loss for the first six months deepening to \$665 million from \$425 million a year earlier.

It couldn't be learned where prices stood on Friday. The offers became increasingly complex as the auction progressed, the people familiar with the matter said. Kodak preferred bids on the entire portfolio, but offers soon started coming in all different shapes and sizes, one of the people said. Kodak had valued the patents at between \$2.2 billion and \$2.6 billion.

The auction got under way on Wednesday at several New York law firms, including Sullivan & Cromwell LLP. Bidding consortiums pit Silicon Valley giants Apple and Google against each other and against private-equity firm Vector Capital Corp., people familiar with the matter said. Bidders have since left Manhattan, some heading back to their West Coast headquarters, the people said.

Kodak was selling the patents in two lots: one portfolio related to capturing and processing images on cameras, smartphones and tablets; and another tied to storing and analyzing images. Bidders have put more value on the first group, dubbed the "digital capture" portfolio.

The increasingly complex auction marks the latest setback in Kodak's efforts to sell the patents and raise cash to fund a plan to transform Kodak into a company that makes consumer and commercial printers.

Kodak couldn't find takers for the patents during a sales effort last year amid fears any transactions could be undone in bankruptcy proceedings. Its sale also suffered a setback in July, when the International Trade Commission invalidated Kodak's most lucrative patent in a case brought against Apple and BlackBerry maker [Research In Motion](#) Ltd. [RIMM +6.28%](#) Initial bids for the patents last week were between \$150 million and \$250 million. Kodak has drawn \$700 million under its bankruptcy loan and issued \$114 million in letters of credit under the facility, according to the most recent regulatory filings.

In the auction, Apple has teamed up with [Microsoft](#) Corp. [MSFT -0.26%](#) and patent aggregation firm Intellectual Ventures Management LLC, people familiar with the matter said. Google's consortium includes patent aggregation firm [RPX](#) Corp. [RPXC -0.86%](#) and three hardware companies that make phones based on Google's Android operating system: [Samsung Electronics](#) Co., [005930.SE +0.60%](#) [LG Electronics](#) Inc. [066570.SE +1.34%](#) and [HTC](#) Corp. [2498.TW +1.22%](#) Vector, the private equity firm, also joined the fray.