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Kodak's Patent Auction Falters

By MIKE SPECTOR and DANA MATTIOLI

Eastman Kodak Co. conceded Friday that a crucial patent auction may fail, as the company encounters difficulties reaching a deal with a wide-ranging group of prospective buyers.

In a bankruptcy court filing, the company said it would delay a conclusion to the auction indefinitely and explore other alternatives for the portfolio of 1,100 patents now on the block. Those alternatives include keeping the intellectual property and creating a new licensing company to try to raise money for creditors.

The patents are a key source of cash for Kodak as it works to pay off its debts, reorganize itself as a printer company and emerge from Chapter 11. The photography pioneer has wrangled for weeks with a consortium of bidders that included Silicon Valley giants and companies that exist to hold patents but has yet to reach a deal.

Kodak had hoped to sell the entire portfolio when the auction began in August, but bids started arriving in all different shapes, sizes and combinations as the process progressed. Initial bids came in around \$150 million to \$250 million, according to people familiar with the process—well below the \$2.6 billion Kodak earlier this year said the patents could be worth.

A failed auction or low price would force the company to more aggressively sell off assets, including perhaps some it had hoped to hang onto upon exiting bankruptcy court.

More on Eastman Kodak

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A final sale hearing before U.S. Bankruptcy Judge Allan Gropper had been set for Sept. 19. Kodak said Friday it would no longer continue "serial" extensions of the sale hearing date. Instead, the onetime photography icon now plans to continue discussions with suitors for the patents and notify the bankruptcy court if a deal is reached. Still, Kodak warned it "may not reach acceptable terms with parties via the auction process," according to Friday's court filing.

"Kodak continues active negotiations with regard to the potential sale of its digital imaging patent portfolio," a spokesman for the company said, adding that the company decided to "adjourn the sale hearing until further notice" rather than seek additional extensions.

It remained unclear what, if any, specific transactions Kodak was negotiating with suitors in recent days. Companies in the bidding mix include [Apple Inc.](#), [Google Inc.](#) and patent aggregators Intellectual Ventures Management LLC and [RPX Corp.](#), the people have said.

With the auction faltering, Kodak has ramped up other plans to sell assets to raise money. In late August, the Rochester, N.Y., company unveiled plans to sell the camera-film business that helped make it a blue-chip company, as well as several other businesses. Earlier this month, Kodak also said it would slash an additional 1,000 jobs.

Kodak had delayed the auction's final sale hearing four times before postponing it indefinitely. The company has been trying to sell its patents since summer 2011, well before it filed for bankruptcy protection in January in part to ease the process of selling the patents.

The patent sale has been plagued with problems from the start. Bidders have been concerned that Kodak had already squeezed much of the value from the portfolio with repeated litigation and licensing.

Later, Kodak suffered setbacks in its attempts to litigate its key patent, one governing how images are previewed by digital cameras, further undermining the portfolio's value.

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