

Kodak might sell its digital patents



Written by

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Eastman Kodak Co., which has struggled to sell camera film and digital cameras, now may be contemplating the sale of intellectual property it holds in the digital imaging realm.

The company announced on Wednesday it was "exploring strategic alternatives" for its digital imaging [patents](#).

"Given recent trends in the marketplace for intellectual property, we believe the time is right to explore smart, opportunistic alternatives for our digital imaging [patent](#) portfolios," Kodak general counsel Laura G. Quatela said in a statement.

Such language in the [business](#) world often is a signal to draw potential buyers. A local telecommunications company, One Communications, used nearly identical "exploring strategic alternatives" language in September 2010 when it hired an adviser in a move that eventually led to One's acquisition by EarthLink Inc.

Kodak declined to elaborate on its

announcement.

Its move comes just weeks after bankrupt telecom equipment maker Nortel Networks auctioned more than 6,000 patents and [patent applications](#) to tech companies Apple, EMC, Ericsson, Microsoft, Research In Motion and Sony for \$4.5 billion — far more than the \$900 million Google had initially bid.

With the potential of a [cash](#) infusion, Kodak's announcement gave its shares a slight boost on Wall Street. The stock closed Wednesday at \$2.34, up 3 cents.

Kodak is a pioneer in digital imagery, with its researchers having invented the digital camera. The company's digital portfolio of more than 1,100 patents covers various aspects of capturing, processing, storing, organizing, editing and sharing digital images.

As part of "exploring strategic alternatives," Kodak has hired Lazard Group LLC, an investment bank that also does corporate

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consulting on such issues as fundraising and acquisitions.

Kodak has relied on its intellectual property portfolio to be a big generator of cash. Between 2008 and 2010, intellectual property produced \$1.9 billion in revenue, much of that through licensing. The company has said it expects its total IP portfolio of more than 11,000 patents to generate between \$250 million and \$350 million annually through at least 2013.

Kodak currently is in a legal battle with Apple and Research In Motion, alleging that those companies are using Kodak digital imaging patents in iPhone and BlackBerry devices. Some analysts have estimated that a settlement in the case could represent as much as a \$1 billion windfall for Kodak.

But Wednesday's announcement may change that if Kodak goes ahead and sells the patents. Earlier this year, Kodak told Wall Street analysts that it's using its intellectual property revenues and sale of non-strategic assets to fund the new business areas that it's counting on to drive growth in 2012, such as inkjet printing and packaging printing.

"It's interesting they want to sell these technologies off," said Gregg T. Abella, co-principal with Investment Partners Asset Management in New Jersey and a frequent critic of Kodak's direction and management.

Abella said the potential sale of such technology makes it hard to know what

technology would remain and how Kodak would commercialize it.

Kodak would arguably be better served by selling off its other operations, keeping its patents and just living off licensing fees, said Delroy Warmington, managing director of Delmar Capital and another critic. "The only future for them is being an IP company," he said. "They could make a lot more money."

If Kodak were to make such a move, it would result in the elimination of many of the 7,100 jobs it has in the Rochester area, where, despite years of downsizing, it remains the fourth-largest employer.

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