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UPDATE 2-Kodak shopping around tech patents, shares rise

11:07am EDT

* Kodak studying options for 10 pct of its U.S. patents

* Lazard to act as adviser

* Shares up 2 percent after a month of heavy losses (Recasts first sentence, adds comments by investor, updates share price, adds company background)

By [Liana B. Baker](#)

NEW YORK, July 20 (Reuters) - Eastman Kodak (EK.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) is shopping around its patents for digital imaging, responding to investor complaints that the photography company has failed to capitalize on red-hot demand for tech patents.

Kodak said on Wednesday it has hired Lazard to advise on strategic options for its patents related to capturing and editing images, which represent about 10 percent of its U.S. patent portfolio,

The entire portfolio could be worth up to \$2 billion, according to Rafferty Capital Market analyst Mark Kaufman, noting that investors want Kodak to make better use of its lucrative portfolio of intellectual property.

Shares of Kodak rose more than 2 percent after the announcement, having plunged 35 percent over the last month on doubts about plans for its intellectual property portfolio as well as its overall strategy.

Kodak's decision to put its patents up for sale now, Kaufman said, likely results from its costly and drawn-out battle with Apple Inc (AAPL.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Research in Motion (RIM.TO: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) in front of the International Trade Commission. [ID:nN1E76H1SQ].

Kaufman said the dispute is "taking longer than Kodak had hoped, and that being the case they are looking for other ways to monetize their assets."

At least one institutional investor in the company was not satisfied with Kodak's actions on Wednesday

"The company needs to do something dramatic, and I'm not sure this enough," said Gregg Abella of Investment Partners Asset Management, whose clients are shareholders and bondholders of Kodak.

The American icon, which coined the once-ubiquitous "it's a Kodak moment" catchphrase, has labored for years to convince Wall Street it can turn a profit as it shifts toward digital technology and away from its ailing film business.

A Kodak spokesman said the company had no further comment beyond its news release.

DEMAND FOR PATENTS

Potential buyers for Kodak's patents are more likely to be electronics companies that manufacture mobile devices such as tablets which contain cameras, analysts said.

Kaufman named Apple, LG, Samsung (005930.KS: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), HTC (2498.TW: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Nokia among the companies that could make bids for the patent portfolio.

Another possibility would be a private equity buyer, particularly Kohlberg Kravis Roberts since it already has a \$400 million investment in the company. KKR also has two Kodak board seats.

Kodak may have chosen the right time to put its patents up for sale as demand for tech patents appears to be on the rise.

Valuable broadband and networking patents developed by bankrupt Nortel Networks fetched up to \$4.5 billion in an auction in June. A group of six companies -- Apple, Microsoft (MSFT.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), Research In Motion, EMC, Ericsson ERICb.ST and Sony Corp 6758.T -- won the auction of 6,000 Nortel patents and patent applications. [ID:nNL3E7110H]

In a sign of heightened worries about the company's ability to repay debt, the cost of protecting debt issued by Kodak against potential default rose sharply on Wednesday. Five-year credit default swaps widened as much as 90 basis points to 2,583 basis points.

Kodak will provide more details on its financial health when it releases second-quarter results on July 26.

Kodak shares were up 2.2 percent at \$2.36 on Wednesday morning, off an earlier high at \$2.42. (Additional reporting by IFR analyst Melissa Mott, Editing by Derek Caney and [Matthew Lewis](#))

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